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TRATON

GROUP

Prospectus dated June 14, 2019

Prospectus

for the public offering

of

50,000,000 existing ordinary bearer shares (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) with no par value (*Stückaktien*) from the holdings of the Existing Shareholder, and of

7,500,000 existing ordinary bearer shares (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) with no par value (*Stückaktien*) from the holdings of the Existing Shareholder in connection with a possible over-allotment

and at the same time for the

admission to trading on the regulated markets (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*), with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the Large Cap segment of Nasdaq Stockholm (*börsen*)

of

500,000,000 existing ordinary bearer shares (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) with no par value (*Stückaktien*) (existing share capital), each such share with a notional value of EUR 1.00 and full dividend rights as

of

January 1, 2019

of

TRATON SE
Munich, Germany

Price Range: EUR 27.00 – EUR 33.00

International Securities Identification Number (ISIN): DE000TRAT0N7
German Securities Code (*Wertpapierkennnummer, WKN*): TRAT0N
Common Code: 196390065
Ticker Symbol: 8TRA

Joint Global Coordinators

Citigroup **Deutsche Bank** **Goldman Sachs International** **J.P. Morgan**

Joint Bookrunners

BofA Merrill Lynch **Barclays** **BNP PARIBAS** **SEB** **UniCredit Bank AG**

Co-Lead Managers

COMMERZBANK **HSBC** **Société Générale** **Landesbank Baden-Württemberg**

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SUMMARY OF THE PROSPECTUS

*Summaries are made up of disclosure requirements known as "**Elements.**" These Elements are numbered in Sections A–E (A.1–E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of "not applicable."*

A – Introduction and Warnings

A.1 Warnings.

This summary should be read as an introduction to the prospectus (the "**Prospectus**"). Any decision to invest in the securities should be based on consideration of the Prospectus as a whole.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

TRATON SE, a European company (*Societas Europaea (SE)*), Munich, Federal Republic of Germany ("**Germany**") (the "**Company**" or "**TRATON SE**" and together with its subsidiaries, the "**Group**" or the "**TRATON GROUP**"), Citigroup Global Markets Limited, London, United Kingdom ("**Citigroup**"), Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany ("**Deutsche Bank**"), Goldman Sachs International, London, United Kingdom ("**Goldman Sachs International**") and J.P. Morgan Securities plc, London, United Kingdom ("**J.P. Morgan**", together with Citigroup, Deutsche Bank and Goldman Sachs International, the "**Joint Global Coordinators**", and each, a "**Joint Global Coordinator**"), Merrill Lynch International, London, United Kingdom ("**BofA Merrill Lynch**"), Barclays Bank PLC, London, United Kingdom ("**Barclays**"), BNP Paribas, Paris, France ("**BNP Paribas**"), Skandinaviska Enskilda Banken AB, Stockholm, Sweden ("**SEB**") and UniCredit Bank AG, Munich, Germany ("**UniCredit**" and together with BofA Merrill Lynch, Barclays, BNP Paribas and SEB, the "**Joint Bookrunners**" and each, a "**Joint Bookrunner**"), COMMERZBANK Aktiengesellschaft, Frankfurt am Main, Germany ("**COMMERZBANK**"), HSBC Trinkaus & Burkhardt AG, Düsseldorf, Germany (**"HSBC**"), Société Générale, Paris, France ("**Société Générale**") and Landesbank Baden-Württemberg, Stuttgart, Germany ("**Landesbank Baden-Württemberg**" and together with COMMERZBANK, HSBC and Société Générale, the "**Co-Lead Managers**," and each, a "**Co-Lead Manager**" and together with the Joint Global Coordinators and the Joint Bookrunners, the "**Underwriters**"), assume responsibility for the content of this summary, including its German translation, in accordance with Section 5(2b) No. 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*, "**WpPG**"). Those persons who are responsible for the summary, including possible translations thereof, or for its issue, can be held liable but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus, or if it does not provide, when read together with the other parts of the Prospectus, all necessary key information.

A – Introduction and Warnings

A.2	**Information regarding the subsequent use of the Prospectus.**	Not applicable. Consent of the Company regarding the use of the Prospectus for a subsequent resale or final placement of the Company's shares by financial intermediaries has not been granted.

B – The Issuer

B.1	**Legal and commercial name.**	The Company's legal name is TRATON SE and the Company operates under the commercial name TRATON.
B.2	**Domicile, legal form, legislation under which the issuer operates, country of incorporation.**	The Company has its registered office at Dachauer Straße 641, 80995 Munich, Germany, and is registered with the commercial register of the local court (*Amtsgericht*) of Munich, Germany under docket number HRB 246068. The Company is organized as a European company (*Societas Europaea* (*SE*)) incorporated in the Federal Republic of Germany and governed by European law, in particular Regulation (EC) No. 2157/2001 of the Council dated October 8, 2001, as amended, and German law.
B.3	**Current operations and principal business activities and principal markets in which the issuer competes.**	The TRATON GROUP was founded in 2015 (then Volkswagen Truck & Bus) to bring together the strong commercial vehicle brands Scania, MAN and VWCO (all as defined below) and to create a global leader in profitability, global presence and customer-focused innovation. The TRATON GROUP's "Global Champion" strategy to achieve this goal seeks to drive growth, improve profitability and leverage synergies. In the fiscal year ended December 31, 2018, the TRATON GROUP's sales revenue amounted to EUR 25.9 billion and its operating profit amounted to EUR 1.5 billion. With a total of 80,940 employees, 29 production and assembly sites and approximately 3,900 captive and non-captive service centers (centers used by more than one brand counted only once; each as of December 31, 2018), the TRATON GROUP has a global footprint with significant presence in its key markets, Europe and South America/ Mexico. The TRATON GROUP has its headquarters in Munich, Germany, where TRATON SE, the parent company of the Group, has its registered office. The TRATON GROUP sold 232,992 units in the fiscal year ended December 31, 2018 and when taken together with its alliance partners Navistar International Corporation ("**Navistar**"), Sinotruk (Hong Kong) Ltd. ("**Sinotruk**") (including the units sold by China National Heavy Duty Truck Group Co., Ltd) and Hino Motors, Ltd. ("**Hino Motors**") was No. 1 worldwide in terms of heavy-duty trucks sold in 2018 (based on data from IHS Markit Global Sàrl ("**IHS Markit**")). Of those 232,992 units, the TRATON GROUP sold 76.8% in its current core markets EU28+2 (56.3%) and South America (20.5%), where it held No. 1 market positions in 2018. The remaining units were sold in Asia-Pacific (6.8%), the Middle East (3.7%), Africa (4.1%), North America (1.5%) and Russia/ Rest of Europe (7.1%). The TRATON GROUP's operations are divided into two reportable segments, the industrial business segment, which constitutes the core of the Group's business and accounted for 95% of the Group's sales revenue in the fiscal year ended

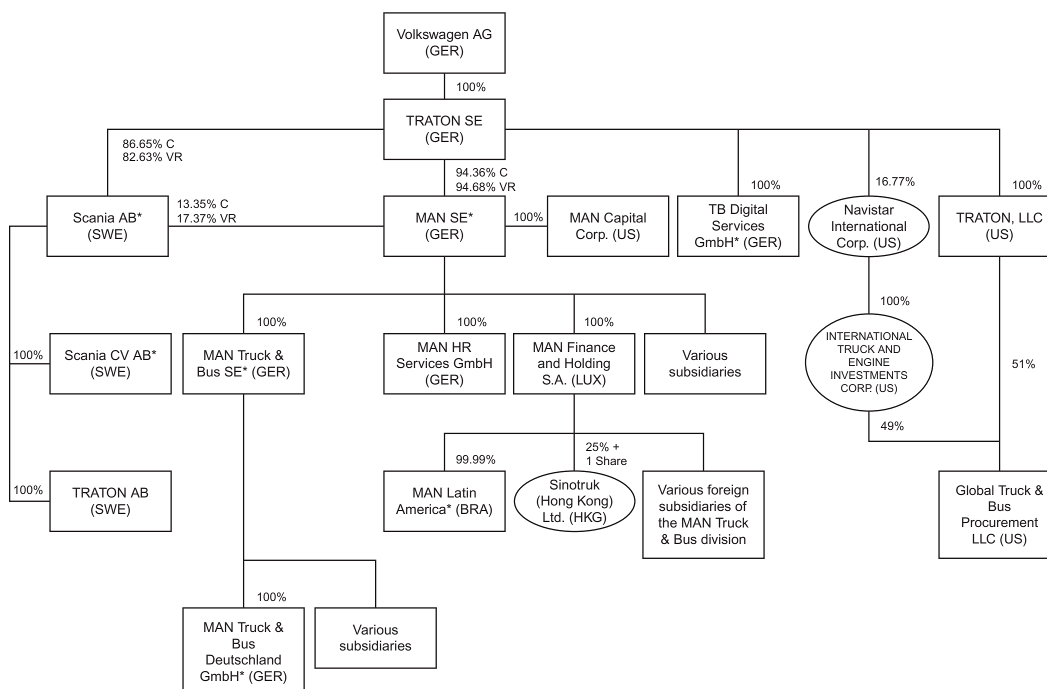
December 31, 2018, and the financial services business segment. The industrial business segment combines the three operating units Scania Vehicles & Services ("**Scania V&S**") (comprising the vehicles and services related business of Scania AB (publ) ("**Scania AB**") and its consolidated subsidiaries), MAN Truck & Bus SE and its consolidated subsidiaries ("**MAN T&B**"), and MAN Latin America Indústria e Comércio de Veiculos Ltda. ("**MAN Latin America**") and its consolidated subsidiaries ("**VWCO**"). TRATON GROUP's brand Scania is the brand name of Scania AB and its consolidated subsidiaries ("**Scania**"), a global provider of transport solutions and manufacturer of heavy trucks, buses and engines. TRATON GROUP's brand MAN is the brand name of MAN SE and its consolidated subsidiaries (excluding VWCO.) ("**MAN**"), a global manufacturer of trucks, buses and engines and a supplier of vans. TRATON GROUP's brand VWCO is the brand name of MAN Latin America and its consolidated subsidiaries, a provider of light- to heavy-duty trucks and bus chassis customized for markets such as South America, Mexico and Africa. TRATON GROUP's brand RIO is the brand name of TB Digital Services GmbH ("**RIO**").

The TRATON GROUP's most important products are heavy-duty trucks (>16 tons), medium- and light-duty trucks (<16 tons) and buses. In the fiscal year ended December 31, 2018, Scania sold 96,475 trucks and buses, MAN sold 100,357 trucks, buses and vans and VWCO sold 36,160 trucks and buses (accounting for 41.4%, 43.1% and 15.5%, respectively, of the total number of units sold by the TRATON GROUP). The Group's industrial business also includes external engines and components for marine and industrial applications, as well as used vehicles. In addition to its new and used vehicle offering, the TRATON GROUP also has an aftersales business, which contributes a significant portion to its sales revenue and operating profit. The Group's services comprise a range of digital solutions, including an extended service offering based on a connected ecosystem as well as flexible maintenance plans. Through its brand RIO, the TRATON GROUP aims to provide a digital platform for the entire transportation industry that bundles digital solutions for the transportation and logistics ecosystem. In the fiscal year ended December 31, 2018 before consolidation effects, the industrial business segment generated sales revenue of EUR 16,216 million (or 65.0%) from the sale of new vehicles, EUR 4,730 million (or 18.9%) from aftersales and the remaining EUR 4,017 million (or 16.1%) from other sales revenue, which includes used vehicles, engines, powertrains and part deliveries, the leasing business, interest and similar income as well as other sales revenue including sales revenues from hedging transactions.

The TRATON GROUP's financial services business offers its customers an extensive range of financial services, including dealer and customer financing, leasing and insurance products. Scania offers financial services through its own subsidiaries. MAN and VWCO offer such services through subsidiaries of Volkswagen AG outside of the TRATON GROUP (Volkswagen AG and its subsidiaries (including the TRATON GROUP), the "**Volkswagen Group**") and therefore do not generate income from financial services. In the fiscal year ended December 31, 2018, before consolidation effects, the TRATON GROUP's financial services segment generated

		sales revenue before intersegment reconciliation (comprising lease income and interest and similar income) of EUR 760 million and an operating profit of EUR 138 million.
B.4a	**Most significant recent trends affecting the issuer and the industries in which it operates.**	The global truck industry has seen broad-based growth in recent years. In the Group's primary markets, Europe (EU28+2) and South America, truck sales volume (including heavy-duty trucks (>15t) and medium-duty trucks (>6t)) grew at a compound annual growth rate ("**CAGR**") of 5.8% and 0.4%, respectively, between 2015 and 2018 (IHS Markit). In Russia, China and Southeast Asia, where the Group also has material sales, sales volume grew at a CAGR of 17.5%, 20.7% and 7.9%, respectively, in the same period (IHS Markit). Market growth was primarily driven by general economic conditions in the relevant markets. While the truck market is characterized by long-term growth, it is also subject to significant cyclicality in the short- and medium term. According to IHS Markit, sales volume in the European market is expected to grow modestly at a CAGR of 0.6% between 2018 and 2025, while the South American and Russian markets are expected to grow at a CAGR of 3.2%, and 5.0%, respectively. The Chinese and Southeast Asian markets on the other hand are expected to decline with a negative CAGR of (4.8)% and (0.3)%, respectively, in the same period, with a strong decline in China forecast for 2019. The Group believes that the commercial vehicle industry is characterized by the following trends: • Population growth, urbanization, industrialization, disposable income and ultimately gross domestic product ("**GDP**") growth impact the transportation industry and hence drive the demand for trucks and buses. • New technologies and customer focus on total cost of ownership are catalyzing demand for interconnected products, services and solutions, such as predictive maintenance and fleet management services, and the development of autonomous driving technology. • Increasingly stringent energy efficiency and exhaust regulations, growing environmental awareness and total cost of ownership favor sustainable transport solutions, including commercial vehicles with alternative drive systems and vehicles powered by alternative fuels or electricity.
B.5	**Description of the group and the issuer's position within the group.**	The Company is the parent company of the Group. The following chart sets forth a summary (in simplified form) of the Company's group structure, including its significant subsidiaries as of the date of this Prospectus. The Company is the (direct or indirect) parent company of Scania AB, Scania CV AB (publ) ("**Scania CV AB**"), MAN SE, MAN Truck & Bus SE, MAN Latin America and TB Digital Services GmbH, and its business is primarily conducted by its subsidiaries which are operating under their commercial names Scania, MAN, VWCO and RIO.

B – The Issuer



* Significant Subsidiaries
C Interest in Capital
VR Voting Rights

Potential Squeeze-Out of MAN SE's Minority Shareholders.

There are two options available to the Company to squeeze out the remaining minority shareholders of MAN SE and fully integrate MAN SE and its subsidiaries into the Group. No decision has been made on whether and when to implement any of these options, but the Company could decide to reorganize the Group and pursue one of these options at any later point in time.

- The first option is to acquire all outstanding shares in MAN SE by way of squeezing out MAN SE's minority shareholders against payment of adequate cash compensation and simultaneously implementing a merger of MAN SE into the Company (both measures together, the "**Merger Squeeze-out**"). Upon consummation of the Merger Squeeze-out, MAN SE would cease to exist. Minority shareholders of MAN SE would receive a cash compensation.

- The second option, requires the Company to first acquire additional shares in MAN SE to reach or cross the relevant threshold of 95% of the share capital in MAN SE, which it could do anytime through purchases on the stock exchange or otherwise. It could then squeeze out MAN SE's minority shareholders against payment of adequate cash compensation, without a simultaneous merger of MAN SE into the Company (the "**Regular Squeeze-out**"). As a result of the Regular Squeeze-out, MAN SE would be a wholly-owned subsidiary of the Company. Subsequently, the Company could then e.g. implement a separate merger of MAN SE into the Company with MAN SE ceasing to exist or enter into a domination and profit and loss transfer agreement with MAN SE.

In either case, MAN SE's minority shareholders would be entitled to cash compensation corresponding to the market value (*Verkehrswert*) of their MAN shares transferred to the Company as a result of the squeeze-out. The cash compensation would be determined by the Company and reviewed by a court-appointed auditor. It would have to be paid by the Company and could therefore dilute the Company's equity value (*Unternehmenswert*) if the aggregate cash compensation to be paid to the minority shareholders of MAN SE exceeded the aggregate equity value of the acquired MAN shares.

The cash compensation would be subject to judicial review. However, such court proceedings, if decided against the Company, could only result in an additional payment obligation of the Company. They would not prevent the reorganization from becoming effective.

In addition, under current German tax law, any increase of the Company's shareholding in MAN SE to 95% or more of MAN SE's share capital would result in German real estate transfer tax falling due with regard MAN SE's directly and indirectly owned German real estate. The Company expects the relevant amount of German real estate transfer tax to amount to a mid double-digit million Euro amount.

B.6 Persons who, directly or indirectly, have a (notifiable) interest in the issuer's capital or voting rights.

The following table sets forth the Company's ownership structure as of the date of this Prospectus as well as the expected ownership structure upon completion of the Offering (as defined below in E.3) showing persons, directly or indirectly, having a notifiable interest in the Company's capital and voting rights within the meaning of Section 33 et seqq. of the German Securities Trading Act (*Wertpapierhandelsgesetz*) together with the expected public float, upon completion of the Offering:

	Actual (direct) Ownership		
	As of the date of this Prospectus	**Upon completion of the Offering (assuming all Base Shares are placed and no placement of Over-Allotment Shares (no exercise of the Greenshoe Option))**	**Upon completion of the Offering (assuming all Base Shares are placed and all Over-Allotment Shares are placed and full exercise of the Greenshoe Option)**
	(in %)	*(in %)*	*(in %)*
Volkswagen Aktiengesellschaft	100.00	90.00	88.50
Public float	—	10.00	11.50
Total	**100.00**	**100.00**	**100.00**

Voting rights.

Each share of the Company carries one vote at the general shareholders' meeting of the Company. All of the Company's shares confer the same voting rights. There are no restrictions on voting rights.

Direct or indirect control over the issuer and nature of such control.

As of the date of this Prospectus, the Company's sole shareholder is Volkswagen Aktiengesellschaft (the "**Existing Shareholder**" or "**Volkswagen**"), which is a German DAX company listed *inter alia* on the regulated market (*regulierter Markt*) (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

B – The Issuer

B.7	**Selected key historical financial information.**	The financial information contained herein has been taken or derived from the Company's audited consolidated financial statements as of and for the fiscal years ended December 31, 2018, 2017 and 2016 (the "**Audited Consolidated Financial Statements**") and the Company's unaudited condensed interim consolidated financial statements as of and for the three months ended March 31, 2019 (the "**Unaudited Condensed Interim Consolidated Financial Statements**"). The Audited Consolidated Financial Statements and the Unaudited Condensed Interim Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). The Audited Consolidated Financial Statements were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, who issued an independent auditor's report thereon. Where financial data in the following tables is presented as "audited", this indicates that the financial data has been taken from the Audited Consolidated Financial Statements mentioned above. The label "unaudited" is used in the following tables to indicate financial data that has been taken or derived from the Unaudited Condensed Interim Consolidated Financial Statements, the Company's accounting records or internal management reporting systems or was derived from the Audited Consolidated Financial Statements. Unless otherwise indicated, all financial data presented in the text and tables in this section of the Prospectus is shown in million (EUR or € in million), commercially rounded to a whole number. Because of this rounding, the figures shown in the tables or descriptions do not in all cases sum up exactly to the respective totals given or numbers described. As of January 1, 2019, the Company has adopted IFRS 16 – Leases in the preparation of its Unaudited Condensed Interim Consolidated Financial Statements using the modified retrospective approach. As a result, the figures as of and for the three months ended March 31, 2019 may not be comparable to the results presented as of and for the three months ended March 31, 2018 and the years ended December 31, 2018, 2017 and 2016.

Consolidated Income Statement Data

	Fiscal Year ended December 31,			Three months ended March 31,	
	2018	2017	2016	2019	2018
	(Audited) (EUR in million)			(Unaudited) (EUR in million)	
Sales revenue	**25,927**	**24,366**	**21,915**	**6,413**	**6,051**
Cost of sales	(20,946)	(19,653)	(17,649)	(5,109)	(4,856)
Gross profit	**4,981**	**4,713**	**4,266**	**1,304**	**1,195**
Distribution expenses	(2,391)	(2,354)	(2,316)	(580)	(562)
Administrative expenses	(1,011)	(872)	(789)	(259)	(240)
Net impairment losses on financial assets	(45)	(44)	(36)	(11)	(10)
Other operating income	792	606	506	185	173
Other operating expenses	(814)	(537)	(904)	(150)	(169)
Operating profit	**1,513**	**1,512**	**727**	**490**	**386**
Share of the result of equity-accounted investments	209	74	17	77	77
Interest income	83	91	79	20	22
Interest expenses	(245)	(263)	(298)	(70)	(74)
Other financial result	6	(34)	(32)	(9)	(13)
Financial result	**53**	**(132)**	**(234)**	**17**	**12**
Earnings before tax	**1,566**	**1,379**	**493**	**507**	**398**
Income tax income/expense	(415)	(489)	(297)	(122)	(105)
Current	(449)	(377)	(424)	(119)	(114)
Deferred	34	(111)	127	(3)	9
Result from continuing operations, net of tax	**1,151**	**890**	**196**	**385**	**293**
Result from discontinued operations, net of tax	**250**	**149**	**22**	**(2)**	**20**
Earnings after tax	**1,401**	**1,039**	**219**	**383**	**312**
of which attributable to					
Noncontrolling interests	11	10	10	5	0
TRATON SE (former TRATON AG) shareholders	1,390	1,029	208	378	312
Earnings per ordinary share from continuing operations attributable to TRATON SE (former TRATON AG) shareholders in EUR (basic/diluted) (unaudited)[1]	**2.30**	**1.78**	**0.39**	**0.76**	**0.59**
Earnings per ordinary share attributable to TRATON SE (former TRATON AG) shareholders in EUR (basic/diluted) (unaudited)[1]	**2.78**	**2.06**	**0.42**	**0.76**	**0.62**

(1) Based on 500 million outstanding shares (the number of outstanding shares as at March 31, 2019)

Selected Consolidated Balance Sheet Data

	As of December 31,			As of March 31,
	2018	2017	2016	2019
	(Audited) (EUR in million)			(Unaudited) (EUR in million)
Total noncurrent assets	**25,851**	**25,377**	**24,344**	**27,317**
Total current assets	**20,533**	**17,428**	**16,916**	**16,025**
Total assets	**46,384**	**42,765**	**41,260**	**43,341**
Equity and Liabilities				
Equity attributable to TRATON SE (former TRATON AG) shareholders	**16,799**	**11,702**	**10,829**	**13,078**
Noncontrolling interest	2	108	102	235
Total Equity	**16,801**	**11,810**	**10,931**	**13,313**
Total noncurrent liabilities	**13,217**	**13,238**	**11,087**	**13,605**
Total current liabilities	**16,366**	**17,717**	**19,241**	**16,424**
Total equity and liabilities	**46,384**	**42,765**	**41,260**	**43,341**

Selected Consolidated Cash Flow Statement Data

	Fiscal Year ended December 31,			Three months ended March 31,	
	2018	**2017**	**2016**	**2019**	**2018**
	(Audited) *(EUR in million)*			**(Unaudited)** *(EUR in million)*	
Cash and cash equivalents at beginning of period	**4,594**	**4,907**	**6,575**	**2,997**	**4,593**
Cash flows from operating activities - discontinued operations	(72)	(46)	118	-	(50)
Cash flows from operating activities	382	726	758	(385)	(3)
Cash flows from investing activities - discontinued operations	(184)	(174)	(186)	-	(25)
Cash flows from investing activities	(1,065)	(1,361)	(1,643)	724	(269)
Cash flows from financing activities - discontinued operations	(7)	(8)	(16)	-	(2)
Cash flows from financing activities	(865)	392	(775)	(494)	473
Effect of exchange rate changes on cash and cash equivalents	(48)	(71)	(8)	12	(26)
Net change in cash and cash equivalents	**(1,596)**	**(314)**	**(1,667)**	**(143)**	**176**
Cash and cash equivalents at end of period	**2,997**	**4,594**	**4,907**	**2,854**	**4,769**

Significant changes to the issuer's financial condition and operating results during and subsequent to the period covered by the historical key financial information.

Significant changes in the issuer's operating results

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

The Group's sales revenue increased by EUR 362 million, or 6.0%, from EUR 6,051 million for the three months ended March 31, 2018 to EUR 6,413 million for the three months ended March 31, 2019. This improvement compared to the three months ended March 31, 2018 was driven primarily by increased vehicle sales, partially offset by the lack of revenue from Volkswagen Gebrauchtfahrzeugshandels und Service GmbH ("**VGSG**") following its sale effective January 1, 2019. The increase in revenue from vehicle sales was predominantly related to strong volume growth in EU28+2 (excluding Germany), Germany and Brazil, offset by lower sales volumes in South America (excluding Brazil) and the Rest of the World.

Operating profit increased by EUR 104 million, or 26.9%, from EUR 386 million for the three months ended March 31, 2018 to EUR 490 million for the three months ended March 31, 2019 as a result of increased volume of vehicles produced and distributed, better product positioning and a slightly favorable foreign exchange effect, partially offset by higher fixed costs from tariff increases and depreciation.

Earnings after tax increased by EUR 71 million, or 22.8%, from EUR 312 million for the three months ended March 31, 2018 to EUR 383 million for the three months ended March 31, 2019.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

The Group's sales revenue increased by EUR 1,561 million, or 6.4%, from EUR 24,366 million in the fiscal year ended December 31, 2017 to EUR 25,927 million in the fiscal year ended December 31, 2018. The increase was primarily driven by increased vehicle sales and improvements in aftersales. Sales revenue from vehicle sales increased as a result of a favorable product mix following the introduction of Scania's

new truck generation ("**NTG**") as well as increased demand for vehicles which drove unit volumes.

Operating profit increased by EUR 1 million, or 0.1%, from EUR 1,512 million for the fiscal year ended December 31, 2017 to EUR 1,513 million for the fiscal year ended December 31, 2018 as a result of improved gross profit, offset by increased costs of labor and administrative expenses (including costs in relation with the preparation of capital market readiness) and other operating expenses including one-off expenses in 2018 for restructuring in India.

Earnings after tax increased by EUR 362 million, or 34.8%, from EUR 1,039 million for the fiscal year ended December 31, 2017 to EUR 1,401 million for the fiscal year ended December 31, 2018, primarily due to an increase in the share of the result of equity-accounted investments, an increase in the result from discontinued operations, net of tax and higher income from deferred tax.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

The Group's sales revenue increased by EUR 2,451 million, or 11.2%, from EUR 21,915 million in the fiscal year ended December 31, 2016 to EUR 24,366 million in the fiscal year ended December 31, 2017. The increase was primarily driven by increased revenue from vehicle sales, but also supported by increases in other revenue from services, and engines and components sales due to the continued expansion of the rolling fleet, which resulted in higher demand for spare parts and workshop demand. The increase in revenue from vehicle sales was predominantly due to volume growth in many recovering economies (e.g. Russia, Brazil, Middle East and China), increased used vehicle sales with a small increase attributable to favorable price movements.

Operating profit increased by EUR 785 million, or 108.0%, from EUR 727 million for the fiscal year ended December 31, 2016 to EUR 1,512 million for the fiscal year ended December 31, 2017 as a result of the increase in revenue, offset in part by extra costs attributable to the development of Scania's new truck generation, higher raw material prices and development costs for a new MAN heavy medium range truck. Large one-off expenses for restructuring and antitrust proceedings incurred in 2016 also contributed to the significant increase in 2017.

Earnings after tax increased by EUR 820 million, or 374.4%, from EUR 219 million for the fiscal year ended December 31, 2016 to EUR 1,039 million for the fiscal year ended December 31, 2017. This increase primarily was due to an improved operating profit and partly to an improved financial result, and was offset in part by higher tax expense.

Significant changes in the issuer's balance sheet

As of March 31, 2019 compared to December 31, 2018

The Group's total assets decreased to EUR 43.3 billion as of March 31, 2019 compared to EUR 46.4 billion at the end of 2018 mainly as a result of the sale of TRATON's power engineering business ("**PE Business**") and the decrease in current assets following the payments of EUR 4.2 billion of receivables from the profit and loss transfer agreement with Volkswagen AG. The first-time adoption of IFRS 16 resulted in increases in both assets and liabilities (lease liabilities amounted to EUR 1.1 billion as of March 31, 2019). Total

equity decreased to EUR 13.3 billion as of March 31, 2019 from EUR 16.8 billion as of December 31, 2018 mainly as a result of a contribution of capital reserves to Volkswagen AG which negatively impacted retained earnings.

The Group's total liabilities (sum of current and noncurrent liabilities) increased by EUR 0.4 billion, or 1.5%, from EUR 29.6 billion as of December 31, 2018 to EUR 30.0 billion as of March 31, 2019.

As of December 31, 2018 compared to December 31, 2017

The Group's total assets increased by EUR 3.6 billion, or 8.5%, from EUR 42.8 billion as of December 31, 2017 to EUR 46.4 billion as of December 31, 2018. The increase was primarily driven by increases in current assets, particularly other financial assets which includes a EUR 2.0 billion receivable from a Volkswagen AG subsidiary outside the TRATON GROUP relating to the disposal of the PE Business and EUR 4.2 billion of receivables from the profit and loss transfer agreement and tax allocation procedure with Volkswagen AG. The composition of the Group's assets changed significantly due to the disposition of the PE Business, which was effective as of December 31, 2018, resulting in a decrease in property, plant and equipment and intangible assets associated with the PE Business and an increase of a receivable mentioned in the previous sentence.

The Group's liabilities were also impacted by the sale of the PE Business. The Group's total liabilities (sum of current and noncurrent liabilities) decreased by EUR 1.4 billion, or 4.4%, from EUR 31.0 billion as of December 31, 2017 to EUR 29.6 billion as of December 31, 2018.

The Group's total equity increased by EUR 5.0 billion, or 42.3%, from EUR 11.8 billion as of December 31, 2017 to EUR 16.8 billion as of December 31, 2018. The increase was primarily driven by an improvement in retained earnings, which represent earnings after tax in previous periods as well as the difference between the value of the MAN SE shares at which they were contributed to TRATON SE and the recognized book value of the corresponding assets and liabilities.

As of December 31, 2017 compared to December 31, 2016

The Group's total assets increased by EUR 1.5 billion, or 3.6%, from EUR 41.3 billion as of December 31, 2016 to EUR 42.8 billion as of December 31, 2017. The increase was primarily driven by increases in lease assets and financial services receivables in addition to increases in inventories, primarily finished goods and purchased merchandise.

The Group's total liabilities (sum of current and noncurrent liabilities) increased by EUR 0.6 billion (rounded), or 2.1%, from EUR 30.3 billion (rounded) as of December 31, 2016 to EUR 31.0 billion (rounded) as of December 31, 2017. The increase was driven by an increase in non-current liabilities especially in non-current financial liabilities following the issuance of notes in Scania's medium term note program and increases in deferred tax liabilities. These were partially offset by lower provisions for taxes and other provisions and reduced current liabilities.

The Group's total equity increased by EUR 0.9 billion, or 8.0%, from EUR 10.9 billion as of December 31, 2016 to EUR 11.8 billion as of December 31, 2017. The increase was

primarily driven by 2017 earnings after tax, a cash contribution by Volkswagen AG and pension plan remeasurements partly contributed by exchange differences on translating foreign operations.

Recent Developments

On February 25, 2019, the shareholders' meeting of the Company resolved to increase the Company's share capital of EUR 10,000,200 by EUR 489,999,800 to EUR 500,000,000 in preparation of the Company's planned IPO. The capital increase was implemented by converting the capital reserves shown on the Company's unconsolidated annual financial statements prepared in accordance with German generally accepted accounting principles ("**German GAAP**") pursuant to the German Commercial Code (*Handelsgesetzbuch*) ("**HGB**") as of December 31, 2018 in the amount of EUR 489,999,800 into share capital and issuing 489,999,800 new no-par value bearer shares (*Stückaktien*). The capital increase was registered in the Company's commercial register and thus became effective on March 12, 2019.

On June 4, 2019, the shareholders' meeting of the Company resolved to increase the Company's share capital of EUR 500,000,000 by EUR 16,000,000,000 to EUR 16,500,000,000 by converting capital reserves shown on the Company's unconsolidated German GAAP annual financial statements as at December 31, 2018 in the amount of EUR 16,000,000,000 into share capital without issuing new shares (the "**June 2019 Capital Increase**"). This capital increase was registered in the Company's commercial register and thus became effective on June 12, 2019. As a result, the share capital represented by each ordinary no-par value bearer share (*Stückaktie*) increased from EUR 1.00 to EUR 33.00.

Also on June 4, 2019, the shareholders' meeting of the Company resolved that, upon effectiveness of the June 2019 Capital Increase, the increased Company's share capital of EUR 16,500,000,000 shall be reduced by EUR 16,000,000,000 to EUR 500,000,000 without cancellation of shares (the "**June 2019 Capital Decrease**"). This capital decrease was registered in the Company's commercial register and thus became effective on June 12, 2019. As a result, the share capital represented by each ordinary no-par value bearer share (*Stückaktie*) decreased from EUR 33.00 to EUR 1.00. Under German corporate law, creditors of the Company who became creditors prior to publication of the registration of the capital decrease, are entitled to demand that the Company provides collateral for their claims. Requests can be logged with the Company for the period of six months following publication of the registration of the capital decrease, which occurred on June 12, 2019.

B.8	**Selected key pro forma financial information.**	Not applicable. The Company has not prepared pro forma financial information for inclusion in the Prospectus.
B.9	**Profit forecast or estimate.**	For the period from January 1, 2019 to December 31, 2019, the TRATON GROUP currently expects Operating Return on Sales of the TRATON GROUP to be in the range of 6.5% to 7.5%. This forecast is based on assumed sales revenues of the TRATON GROUP for the period from January 1, 2019 to December 31, 2019 slightly above fiscal year 2018.

B.10	**Qualifications in the audit report on the historical financial information.**	Not applicable. The audit reports on the historical financial information included in this Prospectus have been issued without qualifications.
B.11	**Insufficiency of the issuer's working capital for its present requirements.**	Not applicable. The Company is of the opinion that the Group is in a position to meet the payment obligations that become due within at least 12 months from the date of this Prospectus.

C – Securities

C.1	**Type and class of the securities being offered and/or admitted to trading, including security identification number.**	Ordinary bearer shares (*auf den Inhaber lautende Stammaktien*) of the Company with no par value (*Stückaktien*), each such share representing a notional value of EUR 1.00 and with full dividend rights as of January 1, 2019. International Securities Identification Number (ISIN): DE000TRAT0N7 German Securities Code (*Wertpapierkennnummer*, WKN): TRAT0N Common Code: 196390065 Ticker Symbol: 8TRA
C.2	**Currency of the securities issue.**	The shares of the Company are denominated in EUR.
C.3	**Number of shares issued and fully paid.**	At the date of the Prospectus, the share capital of the Company amounts to EUR 500,000,000.00 and is divided into 500,000,000 ordinary bearer shares (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) with no par value (*Stückaktien*). All shares of the Company have been fully paid up.
	Par value per share, or that the shares have no par value.	Each of the Company's shares represents a notional value of EUR 1.00 in the share capital of the Company.
C.4	**Rights attached to the securities.**	Each share of the Company entitles the shareholder to one vote at the Company's general shareholders' meeting. There are no restrictions on voting rights. The shares of the Company carry full dividend rights in EUR as of January 1, 2019.
C.5	**Any restrictions on the free transferability of the securities.**	Except for the restrictions set forth in E.5, there are no restrictions on the transferability of the shares of the Company.
C.6	**Application for admission to trading on a regulated market and the identity of regulated markets where the securities are to be traded.**	The Company expects to apply for the admission of its shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*), as well as to the sub-segment of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with additional post-admission obligations (Prime Standard) and the Large Cap segment of Nasdaq Stockholm (*börsen*). The Company expects to make such applications on or about June 17, 2019 (for the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)) and on or about June 27, 2019 (for Nasdaq Stockholm (*börsen*)). The listing approvals (admission decisions) for the Company's shares are expected to be granted on June 27, 2019. Trading in the Company's shares on both the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and Nasdaq Stockholm (*börsen*) is expected to commence on June 28, 2019.

C – Securities

The shares of the Company will be traded in EUR on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and in SEK on the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*).

C.7 Description of dividend policy.

The Company envisages paying a dividend of between 30% and 40% of the Company's annual consolidated net income. Any determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, the Company's results of operations, distributable reserves under HGB, financial condition, contractual restrictions and capital requirements. The Company's future ability to pay dividends may be limited by the terms of any existing and future debt or preferred securities and regulatory requirements.

D –Risks

An investment in the shares of the Company is subject to risks. In addition to the other information contained in this Prospectus, investors should carefully consider the following risks when deciding whether to invest in the shares. The market price of the shares could fall if any of these risks were to materialize, in which case investors could lose all or part of their investments. The following risks, alone or together with additional risks and uncertainties not currently known to the Company, or that the Company might currently deem immaterial, could materially adversely affect its business, assets, financial condition and results of operations.

The order in which the risk factors are presented is not an indication of the likelihood of the risks actually materializing, or the significance or degree of the risks or the scope of any potential impairment to the Company's business, assets, financial condition and results of operations.

D.1 Key risks specific to the issuer and its industry.

Risks related to the Group's Business and Industry

- Demand for the Group's products depends on economic and political conditions globally and in the Group's key markets, including Europe and South America.
- The commercial vehicle industry is subject to significant cyclicality.
- The Group's business could be adversely affected by the imposition or, in certain cases, the elimination of, protectionist measures, including tariffs and other barriers to trade.
- The truck and bus manufacturing industry is highly competitive.
- The Group's future business success depends on its ability to respond to evolving market trends with innovative, attractive and energy-efficient products, technology and services on competitive terms.
- The Group may fail to achieve the targeted benefits from the strategic collaboration among its brands and operational performance improvements, including cost-saving measures.

D – Risks

- The Group's future success is dependent on successful geographic expansion beyond its core markets of Europe and South America.
- The Group is subject to risks relating to its cooperation with strategic partners and joint venture partners.
- Governmental regulations regarding climate change and vehicle exhaust emissions could result in substantial costs for the Group and there can be no assurance that the Group will be able to develop commercially viable products that comply with such regulations. Non-compliance with such regulations could result in regulatory proceedings, substantial fines and limitations on the Group's ability to market its products.
- Unforeseen business interruptions at production facilities may lead to production bottlenecks or downtime.
- Deviations from planning in connection with large projects, including, in particular, new vehicle generations, may result in cost overruns, delays and otherwise hinder their successful realization.
- The Group may not be able to adjust its production capacity in line with demand for its products.
- The Group is dependent on third-party suppliers and depends on the timely availability of high-quality raw materials, parts and components at reasonable prices.
- Vehicle defects and other quality issues could lead to recalls, regulatory inquiries, delays in new product launches, penalties and legal liability.

Risks related to the Group's General Operations

- The Group is subject to risks related to its international operations.
- The Group is dependent on good relationships with its employees, their trade unions as well as employee representative bodies and stakeholders and is party to a number of collective agreements, some of which impose obligations and restrictions on the Group in connection with reorganizations, restructurings or similar corporate actions.

Legal, Regulatory and Tax Risks

- The Group's operations are subject to a range of different regulatory requirements worldwide, compliance with which is costly and burdensome and non-compliance with which may result in significant cost. The Group is also subject to risks arising from legal disputes and government proceedings, including antitrust and related enforcement actions and damage claims, and tax risks.
- The Group's compliance, internal control and risk management systems may prove to be inadequate to prevent and discover breaches of laws and regulations and generally to manage risks.
- The diesel issue at Volkswagen AG has led to a review and ongoing reforms of internal controls, the compliance system and company culture within the Volkswagen Group, including the TRATON GROUP. If these reforms are not successfully implemented and future material compliance failures occur, the Volkswagen Group,

D – Risks

including the TRATON GROUP, could be exposed to significant adverse consequences.

Risks related to the Group's Separation from the Volkswagen Group

- The separation from the Volkswagen Group may lead to the loss of business opportunities and decreased purchasing power and result in a loss of synergies.
- The Group may not realize potential benefits from the separation of its business from the Volkswagen Group's other businesses.

Risks related to the Group's Shareholder Structure

- The Existing Shareholder could, also after the completion of the Offering, exert substantial influence on decisions reached by the general shareholders' meeting and could have diverging interests from those of the Group's other shareholders following completion of the Offering. Under the existing domination and profit and loss transfer agreement with the Company, as controlled entity, and Existing Shareholder, as controlling entity, the Company's unconsolidated German GAAP net income for the fiscal year ending December 31, 2019 will be transferred to the Existing Shareholder and the Existing Shareholder could issue instructions to the Company that are detrimental to the Company.
- Membership of the same individuals on the boards of the Company and of the Volkswagen Group as well as other relationships with the Volkswagen Group or companies of the Volkswagen Group may result in conflicts of interest.

D.3 Key information specific to the securities.

Risks related to the Shares and the Listing

- The Company's shares have not been publicly listed, and there is no guarantee that an active and liquid market for the Company's shares will develop.
- The market price and trading volume of the Company's shares may fluctuate significantly and could decline upon completion of the Offering, and investors could lose all or parts of their investment. There is no assurance that the price at which the shares will be traded following the Offering will be equivalent to or above the Offer Price.
- The Company is a holding company with no material business operations of its own and relies on operating subsidiaries to provide the Company with the funds required to meet its financial obligations and make dividend payments.
- Future sales of the Company's shares by the Existing Shareholder or investors acquiring shares in the Offering or the perception that such sales may occur could depress the price of the shares.

E – Offer

E.1 The total net proceeds.

The Company will not receive any proceeds from the Offering. The Existing Shareholder will receive the proceeds resulting from the sale of the Base Shares (as defined below in E.3) and from a potential sale of the Over- Allotment Shares (as defined below in E.3), if and to the extent the

		Greenshoe Option (as defined below in E.3) in relation to the Over-Allotment Shares is exercised. Assuming that only the maximum amount of the Base Shares is placed and no placement of Over-Allotment Shares and no exercise of the Greenshoe Option (and assuming that all such placed shares are paid in EUR), the Company estimates that at the low end, mid-point and high end of the Price Range (as defined below in E.3), net proceeds to the Existing Shareholder would amount to approximately EUR 1,241 million, EUR 1,389 million and EUR 1,536 million respectively. Assuming placement of the maximum number of Base Shares and full exercise of the Greenshoe Option and placement of the maximum number of Over-Allotment Shares (and assuming that all such placed shares are paid in EUR), the Company estimates that at the low end, mid-point and high end of the Price Range, net proceeds to the Existing Shareholder would amount to approximately EUR 1,440 million, EUR 1,610 million and EUR 1,779 million, respectively.
	Estimate of the total expenses of the Offering and listing, including estimated expenses charged to the investor by the issuer.	Assuming that only the maximum amount of the Base Shares is placed and no placement of Over-Allotment Shares and no exercise of the Greenshoe Option (and assuming that all such placed shares are paid in EUR), the Company estimates that at the low end, mid-point and high end of the Price Range the total costs and expenses related to the Offering of the Offer Shares and listing of the shares of the Company (including underwriting and placement commissions payable to the Underwriters (assuming full payment of the discretionary fee)) would amount to approximately EUR 109 million, EUR 111 million and EUR 114 million, respectively. Assuming placement of the maximum number of Base Shares and full exercise of the Greenshoe Option and placement of the maximum number of Over-Allotment Shares (and assuming that all such placed shares are paid in EUR), the Company estimates that at the low end, mid-point and high end of the Price Range the total costs and expenses related to the Offering of the Offer Shares and listing of the shares of the Company (including underwriting and placement commissions payable to the Underwriters (assuming full payment of the discretionary fee)) would amount to approximately EUR 112 million, EUR 115 million and EUR 118 million, respectively. Investors will not be charged expenses by the Company, the Existing Shareholder or the Underwriters. Investors will have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.
E.2a	**Reasons for the Offering, use of proceeds, estimated net amount of the proceeds.**	The Company intends to list the shares of the Company on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*) simultaneously, as well as on the sub-segment with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the Large Cap segment of Nasdaq Stockholm (*börsen*) to gain access to the capital markets.

E – Offer

The Offering is intended to lay the foundation for the Company's further profitable growth. The Offering is further intended to provide the Company with enhanced entrepreneurial flexibility and access to the capital markets.

The Existing Shareholder will offer the Offer Shares to partially divest its shareholding in the Company. Following the Offering, Volkswagen AG intends to remain a committed shareholder of the Company.

The Company will not receive any proceeds from the Offering resulting from the sale of the Offer Shares by the Existing Shareholder in the Offering.

E.3 Terms and conditions of the offer.

The Prospectus relates to the offering of 57,500,000 ordinary bearer shares (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) of the Company with no par value (*Stückaktien*), each such share representing a notional value of EUR 1.00 and with full dividend rights in EUR since January 1, 2019 (the "**Offering**"), consisting of:

- 50,000,000 existing ordinary bearer shares (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) with no par value (*Stückaktien*) from the holdings of the Existing Shareholder (the "**Base Shares**"); and
- 7,500,000 existing ordinary bearer shares (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) with no par value (*Stückaktien*) from the holdings of the Existing Shareholder in connection with a possible over-allotment (the "**Over-Allotment Shares**" and, together with the Base Shares, the "**Offer Shares**").

The Offering consists of an initial public offering in Germany and Sweden and private placements in certain jurisdictions outside Germany and Sweden. In the United States of America (the "**United States**" or "**U.S.**"), the Offer Shares will only be offered and sold to qualified institutional buyers as defined in Rule 144A under the United States Securities Act of 1933, as amended (the "**Securities Act**"), in transactions exempt from the registration requirements of the Securities Act. Outside the United States, the Offer Shares will only be offered and sold in offshore transactions in compliance with Regulation S under the Securities Act.

Offer Period.

The period during which investors may submit purchase orders for the Offer Shares is expected to commence on June 17, 2019, and to expire on June 27, 2019 (the "**Offer Period**"). Offers to purchase Offer Shares may be submitted (i) until 12:00 p.m. (noon) CET by private investors, and (ii) until 2:00 p.m. CET by institutional investors on the last day of the Offer Period. Price limits for purchase orders in EUR from private investors (other than Swedish Retail Investors (as defined below)) must be expressed in full EUR amounts or increments of 25, 50 or 75 cents.

Retail investors who participate in the public offering in Sweden ("**Swedish Retail Investors**") must place their orders through SEB. Purchase orders from Swedish Retail Investors must relate to a minimum of 40 shares and a maximum of 3,000 shares, in multiples of 20 shares.

Institutional investors may elect to place their orders in EUR or in SEK.

E – Offer

Price Range and Offer Price.

The price range for the Offering within which purchase orders may be placed is EUR 27.00 to EUR 33.00 per Offer Share (the "**Price Range**"). The Price Range corresponds to SEK 288.92 to SEK 353.12 per Offer Share, as calculated based on the EUR/SEK exchange rate one day prior to the publication of this Prospectus, i.e. June 13, 2019, at 17.00 CET as displayed on the Bloomberg website under www.bloomberg.com/quote/EURSEK:CUR.

The offer price (the "**Offer Price**") and the final number of shares placed in the Offering will be determined at the end of the bookbuilding process by the Existing Shareholder after consultation with the Joint Global Coordinators. The Offer Price will be set on the basis of the purchase orders submitted by investors during the Offer Period that have been collated in the order book prepared during a bookbuilding process. The Offer Price will be determined in EUR, and will be converted into SEK for Swedish Retail Investors and institutional investors who have elected to place their orders in SEK, based on the EUR/SEK exchange rate at 12:00 p.m. (noon) CET on the last day of the Offer Period (expected to be June 27, 2019) as displayed on the Bloomberg website under www.bloomberg.com/quote/EURSEK:CUR (the "**SEK Converted Offer Price**").

After the Offer Price has been set, the Offer Shares will be allotted to investors on the basis of the purchase offers then available. The Offer Price, the final number of shares placed in the Offering (i.e. the results of the Offering) and the SEK Converted Offer Price are expected to be published on June 27, 2019, by means of an ad hoc release on an electronic information dissemination system and on the Company's website at www.traton.com under the section "Investor Relations."

Amendments to the terms of the Offering.

Reductions in the number of Offer Shares, changes to the Price Range or an extension or shortening of the Offer Period will not invalidate any offers to purchase Offer Shares that have already been submitted. If such changes require the publication of a supplement to the Prospectus, investors who submitted purchase orders prior to the publication of the supplement have the right to withdraw such offers to purchase within two business days following the publication of the supplement (Section 16 para. 3 WpPG). Instead of withdrawing their offers to purchase Offer Shares placed prior to the publication of the supplement, investors may change their orders or place new limited or unlimited offers to purchase within two business days following the publication of the supplement.

Delivery and payment.

Delivery of the shares placed in the Offering against payment of the Offer Price or the SEK Converted Offer Price, as applicable, and customary security commissions is expected to take place on July 2, 2019. The Offer Shares will be made available to investors as co-ownership interests in the global share certificate.

Swedish Retail Investors will pay for purchased shares to the extent such shares have been allotted to them in SEK based on the SEK Converted Offer Price. Retail investors participating in the public offering in Germany will pay for purchased shares to the extent allotted to them in EUR based on the Offer Price.

Institutional investors will pay:

- for purchased shares in EUR based on the Offer Price in EUR to the extent they have elected to place their orders in EUR and to the extent such shares have been allotted to them; and
- for purchased shares in SEK based on the SEK Converted Offer Price to the extent they have elected to place their orders in SEK and to the extent such shares have been allotted to them.

Cornerstone Investor.

On June 14, 2019, AMF Pensionsförsäkring AB as cornerstone investor (the "**Cornerstone Investor**"), the Existing Shareholder and the Company entered into a cornerstone investor agreement, pursuant to which the Cornerstone Investor undertakes to purchase shares in the Offering up to the aggregate maximum purchase price of EUR 200,000,000. The number of shares which the Cornerstone Investor undertakes to purchase is calculated by such aggregate maximum purchase price being divided by the Offer Price and such calculated number of shares being rounded down to the next full number (the "**Cornerstone Shares**"). The aggregate purchase price to be paid by the Cornerstone Investor for the Cornerstone Shares is the amount equal to the Offer Price multiplied with the number of the Cornerstone Shares. The Selling Shareholder agreed to instruct the Underwriters to preferentially allocate the Cornerstone Shares to the Cornerstone Investor in the Offering. The Cornerstone Investor will not receive a consideration for its willingness to invest in the Company.

Stabilization measures, Over-Allotments and Greenshoe Option.

In connection with the placement of the Offer Shares, Goldman Sachs International, or its affiliates, acting for the account of the Underwriters, will act as the stabilization manager (the "**Stabilization Manager**") and may, as Stabilization Manager, make over-allotments and take stabilization measures in accordance with Article 5 paras. 4 and 5 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse in conjunction with Articles 5 through 8 of Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016, to provide support for the market price of the Company's shares, thus alleviating sales pressure generated by short-term investors and maintaining an orderly market in the Company's shares.

The Stabilization Manager is under no obligation to take any stabilization measures. Therefore, no assurance can be provided that any stabilization measures will be taken. Where stabilization measures are taken, these may be terminated at any time without notice. Such measures may start from the date the Company's shares commence trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*) and must end no later than 30 calendar days thereafter (i.e. July 28, 2019 (the "**Stabilization Period**")). Stabilization measures are intended to provide support for the price of the Company's shares during the Stabilization Period. These measures may result in the market price of the Company's shares being higher than would otherwise have been the case. Moreover, the market price may temporarily be at an

unsustainable level. Stabilization measures may not be executed above the Offer Price.

To facilitate such stabilization measures, investors may, in addition to the Base Shares, be allocated up to 7,500,000 Over-Allotment Shares as part of the allocation of the Offer Shares (the "**Over-Allotment**"). For the purpose of such potential Over-Allotment, the Existing Shareholder has agreed to make available to the Stabilization Manager, acting for the account of the Underwriters, up to 7,500,000 Over-Allotment Shares in the form of securities loans. The total number of Over-Allotment Shares will not exceed 15% of the final number of Base Shares placed with investors. The Existing Shareholder has also granted the Underwriters an option to acquire a number of shares in the Company equal to the number of Over-Allotment Shares at the Offer Price, less agreed commissions (the "**Greenshoe Option**").

The Stabilization Manager, acting for the account of the Underwriters, is entitled to exercise the Greenshoe Option during the Stabilization Period to the extent Over-Allotment Shares were allocated to investors in the Offering. The number of shares for which the Greenshoe Option can be exercised will be reduced by the number of shares held by the Stabilization Manager as of the date on which the Greenshoe Option is exercised and that were acquired by the Stabilization Manager in the context of stabilization measures.

The Stabilization Manager will ensure adequate public disclosure with respect to stabilization measures, including any exercise of the Greenshoe Option, in accordance with the Commission Delegated Regulation (EU) 2016/1052.

E.4 Interests material to the issue/offer including conflicting interests.

In connection with the Offering and the admission to trading of the Company's shares, the Underwriters have formed a contractual relationship with the Company and the Existing Shareholder.

The Underwriters are acting for the Company and the Existing Shareholder on the Offering and coordinating the structuring and execution of the Offering. In addition, each Joint Global Coordinator has been mandated to act as designated sponsor for the Company's shares and UniCredit Bank AG has been mandated to act as paying agent. Upon successful implementation of the Offering, the Underwriters will receive a commission and the size of this commission depends on the results of the Offering. As a result of these contractual relationships, the Underwriters have a financial interest in the success of the Offering at the best possible terms.

The Underwriters or their affiliates have currently, and may from time to time in the future continue to have, business relations with the Company and the Existing Shareholder, including lending activities, or may perform services for the Company or the Existing Shareholder in the ordinary course of business.

The Existing Shareholder will receive the proceeds from the Offering. Assuming full placement of all Offer Shares at the mid-point of the Price Range and the Greenshoe Option is fully exercised, and after deducting fees and expenses to be paid to the Underwriters in connection with the Offering, the proceeds to the Existing Shareholder from the Offering would amount to approximately EUR 1,610 million, or 100.0% of the total net proceeds from the Offering.

Accordingly, the Existing Shareholder has an interest in the success of the Offering at the best possible terms. The members of the Company's management board (the "**Management Board**") are, under certain circumstances, entitled to advance payments after the IPO. As a result, each of the members of the Management Board has a financial interest in the completion of the Offering.

Other than the interests described above, there are no material interests with respect to the Offering, in particular, there are no conflicts of interests (including potential conflicts of interests) that are material interests to the Offering.

E.5 **Name of the person or entity offering to sell the security.**

The Offer Shares are being offered for sale by the Underwriters.

Lock-up agreements: the parties involved; and indication of the period of the lock up.

In the underwriting agreement, between the Company, the Existing Shareholder and the Underwriters, dated June 14, 2019 (the "**Underwriting Agreement**"), the Company agreed with each Underwriter that, during the period commencing on the date of the Underwriting Agreement and ending six months after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and Nasdaq Stockholm (*börsen*), without the prior written consent of the Joint Global Coordinators, which consent may not be unreasonably withheld or delayed, the Company, to the extent legally permissible, will not, and will not agree to:

- announce or effect an increase of the share capital of the Company out of authorized capital or contingent capital, if any; or
- submit a proposal for a capital increase to any meeting of the shareholders for resolution (*Direktkapitalerhöhungsbeschluss*); or
- announce, effect or propose the issuance of securities with conversion or option rights on its shares; or
- enter into a transaction or perform any action economically similar to those described in the previous bullets.

The Company may, however, (i) issue or sell its shares or other securities to directors or employees of the Company or any of its subsidiaries under a customary directors' and/or employees' stock option plan and (ii) undertake any corporate action for purposes of entering into joint ventures, other forms of cooperations and acquisitions provided that the respective other party assumes the obligation to comply with the restrictions on the disposal of the Company's shares to which the Existing Shareholder is subject pursuant to the provisions of the Underwriting Agreement.

In addition, the Existing Shareholder agreed with each Underwriter that without the prior written consent of the Joint Global Coordinators, which consent shall not be unreasonably withheld or delayed during the period commencing on the date of the Underwriting Agreement and ending six months after the closing date of the Offering (such closing date expected to take place two business days after

the first day of trading), except as otherwise stated in the Underwriting Agreement it will not, and will not agree to:

- offer, pledge, allot, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of the Company held by it or any of its subsidiaries (other than members of the Group) (such shares held by the Existing Shareholder or its affiliates being the "**Lock-up Shares**");
- enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of Lock-up Shares, whether any such transaction described in this or the preceding bullet point is to be settled by delivery of Lock-up Shares or such other securities, in cash or otherwise;
- make any demand for, or exercise any right with respect to, the registration under U.S. securities laws of any shares of the Company or any security convertible into or exercisable or exchangeable for shares of the Company;
- propose any increase in the share capital of the Company, convene a general shareholders' meeting or otherwise vote in favor of any proposed increase of the share capital or otherwise make, support or vote in favor of any proposal for the issuance of any securities convertible into shares of the Company, with option rights for shares of the Company; or
- enter into a transaction or perform any action economically similar to those described in the previous bullets.

The first two bullets above shall not apply to sales made to persons or entities who themselves agree with the Joint Global Coordinators to the lock-up period of the Existing Shareholder. Further, for the avoidance of doubt, these provisions shall not apply to Base Shares or the Over-Allotment Shares.

E.6 Amount and percentage of immediate dilution resulting from the Offering.

Not applicable. The Offering will not involve the issuance of new shares of the Company.

The Company's net asset value (total assets less current liabilities and non-current liabilities as shown in the Unaudited Condensed Interim Consolidated Financial Statements) amounted to EUR 13,313 million as of March 31, 2019.

The net asset value per share of the Company amounted to EUR 26.63 as of March 31, 2019 (based on 500,000,000 shares of the Company immediately prior to the Offering).

The Company will not receive any proceeds from the Offering, nor will it bear the expenses of the Offering. Assuming an Offer Price at the mid-point of the Price Range of EUR 30.00, such Offer Price would exceed the net asset value of EUR 26.63 per Company share by EUR 3.37. Consequently, investors acquiring Offer Shares in the Offering would experience an immediate dilution of 11.25% per Company share (based on 500,000,000 shares) assuming the net asset value of the Company remains otherwise unchanged from March 31, 2019.

E – Offer

E.7	**Estimated expenses charged to the investor by the issuer.**	Not applicable. Investors will not be charged expenses by the Company or the Underwriters in connection with their role as Underwriters.

GERMAN TRANSLATION OF THE SUMMARY OF THE PROSPECTUS – ZUSAMMENFASSUNG DES PROSPEKTS

*Zusammenfassungen bestehen aus geforderten offenlegungspflichtigen Angaben, die als „**Elemente**" bezeichnet sind. Diese Elemente sind in den Abschnitten A – E (A.1 – E.7) fortlaufend nummeriert. Diese Zusammenfassung enthält alle Elemente, die in eine Zusammenfassung für diese Art von Wertpapier und Emittent aufzunehmen sind. Da einige Elemente nicht behandelt werden müssen, können in der Nummerierungsreihenfolge Lücken auftreten. Selbst wenn ein Element wegen der Art des Wertpapiers und des Emittenten in die Zusammenfassung aufgenommen werden muss, ist es möglich, dass bezüglich dieses Elements keine relevante Information gegeben werden kann. In einem solchen Fall enthält die Zusammenfassung eine kurze Beschreibung des Elements mit dem Hinweis „entfällt."*

A – Einleitung und Warnhinweise

A.1	**Warnhinweise.**	Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt (der „**Prospekt**") verstanden werden. Jede Entscheidung zur Anlage in die Wertpapiere sollte auf die Prüfung des gesamten Prospekts gestützt werden. Für den Fall, dass ein Anleger als Kläger vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend macht, könnte dieser in Anwendung der einzelstaatlichen Rechtsvorschriften der Mitgliedstaaten des Europäischen Wirtschaftsraums bereits vor Prozessbeginn verpflichtet sein, die Kosten für die Übersetzung des Prospekts zu tragen. TRATON SE, eine europäische Gesellschaft (*Societas Europaea (SE)*), München, Bundesrepublik Deutschland („**Deutschland**") (die „**Gesellschaft**" oder „**TRATON SE**" und gemeinsam mit ihren Tochtergesellschaften die „**Gruppe**" oder die „**TRATON GROUP**"), Citigroup Global Markets Limited, London, Vereinigtes Königreich („**Citigroup**"), Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Deutschland („**Deutsche Bank**"), Goldman Sachs International, London, Vereinigtes Königreich („**Goldman Sachs International**") und J.P. Morgan Securities plc, London, Vereinigtes Königreich („**J.P. Morgan**", und gemeinsam mit Citigroup, Deutsche Bank und Goldman Sachs International die „**Joint Global Coordinators**" und jeweils ein „**Joint Global Coordinator**"), Merrill Lynch International, London, Vereinigtes Königreich („**BofA Merrill Lynch**"), Barclays Bank PLC, London, Vereinigtes Königreich („**Barclays**"), BNP Paribas, Paris, Frankreich („**BNP Paribas**"), Skandinaviska Enskilda Banken AB, Stockholm, Schweden („**SEB**") und UniCredit Bank AG, München, Deutschland („**UniCredit**", und gemeinsam mit BofA Merrill Lynch, Barclays, BNP Paribas und SEB die „**Joint Bookrunners**" und jeweils ein „**Joint Bookrunner**"), COMMERZBANK Aktiengesellschaft, Frankfurt am Main, Deutschland („**COMMERZBANK**"), HSBC Trinkaus & Burkhardt AG, Düsseldorf, Deutschland („**HSBC**"), Société Générale, Paris, Frankreich („**Société Générale**") und Landesbank Baden-Württemberg, Stuttgart, Deutschland („**Landesbank Baden-Württemberg**", und gemeinsam mit COMMERZBANK, HSBC und Société Générale die „**Co-Lead Managers**" und jeweils ein „**Co-Lead Manager**", und gemeinsam mit den Joint Global Coordinators und den Joint Bookrunners die „**Konsortialbanken**"), übernehmen nach § 5 Abs. 2b Nr. 4 des Wertpapierprospektgesetzes („**WpPG**") die Verantwortung für den Inhalt dieser Zusammenfassung, einschließlich der deutschen Übersetzung hiervon. Diejenigen Personen, die die Verantwortung für die Zusammenfassung, einschließlich etwaiger

Übersetzungen hiervon übernommen haben oder von denen der Erlass ausgeht, können haftbar gemacht werden. Dies gilt jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird oder sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht alle erforderlichen Schlüsselinformationen vermittelt.

A.2	**Angaben zur späteren Verwendung des Prospekts.**	Entfällt. Eine Zustimmung der Gesellschaft zur Verwendung dieses Prospekts für eine spätere Weiterveräußerung oder endgültige Platzierung der Aktien der Gesellschaft durch Finanzintermediäre wurde nicht erteilt.

B – Emittent

B.1	**Gesetzliche und kommerzielle Bezeichnung des Emittenten.**	Die juristische Bezeichnung der Gesellschaft ist TRATON SE und die Gesellschaft ist unter ihrer kommerziellen Bezeichnung TRATON tätig.
B.2	**Sitz und Rechtsform des Emittenten, das für den Emittenten geltende Recht und Land der Gründung der Gesellschaft.**	Die Gesellschaft hat ihren eingetragenen Sitz in der Dachauer Straße 641, 80995 München, Deutschland und ist im Handelsregister des Amtsgerichts München, Deutschland, unter HRB 246068 eingetragen. Die Gesellschaft ist eine europäische Gesellschaft (*Societas Europaea* (*SE*)), die in Deutschland gegründet wurde und europäischem Recht, insbesondere der Verordnung (EG) Nr. 2157/2001 des Rates vom 8. Oktober 2001 (in der derzeit gültigen Fassung), und deutschem Recht unterliegt.
B.3	**Derzeitige Geschäftstätigkeit und Haupttätigkeiten und Hauptmärkte, auf denen der Emittent vertreten ist.**	Die TRATON GROUP (ehemals Volkswagen Truck & Bus) wurde 2015 gegründet, um die starken Nutzfahrzeugmarken Scania, MAN und VWCO (alle wie unten definiert) zusammenzuführen und ein im Hinblick auf Profitabilität, globale Präsenz und kundenorientierte Innovation weltweit führendes Unternehmen zu schaffen. Im Rahmen dieser „Global Champion“-Strategie strebt die TRATON GROUP an, noch stärker zu wachsen, noch profitabler zu werden und Synergien zu heben. In dem zum 31. Dezember 2018 abgelaufenen Geschäftsjahr erzielte die TRATON GROUP Umsatzerlöse in Höhe von EUR 25,9 Milliarden und ein operatives Ergebnis in Höhe von EUR 1,5 Milliarden. Mit insgesamt 80.940 Mitarbeitern, 29 Produktions- und Montagestandorten und ca. 3.900 herstellergebundenen und herstellerunabhängigen Servicebetrieben (Servicebetriebe, die von mehreren Marken genutzt werden, wurden nur einmal gezählt; jeweils zum 31. Dezember 2018) ist die TRATON GROUP weltweit vertreten und verfügt über eine bedeutende Präsenz in ihren Hauptmärkten Europa und Südamerika/Mexiko. Die TRATON GROUP hat ihren Hauptsitz in München, Deutschland, wo sich auch der Sitz der TRATON SE, der Muttergesellschaft der Gruppe, befindet. Die TRATON GROUP verkaufte in dem zum 31. Dezember 2018 abgelaufenen Geschäftsjahr 232.992 Einheiten und belegte 2018 zusammen mit ihren Allianzpartnern Navistar International Corporation („**Navistar**“), Sinotruk (Hong Kong) Ltd. („**Sinotruk**“) (einschließlich der von China National Heavy Duty Truck Group Co., Ltd verkauften Einheiten) und Hino Motors, Ltd. („**Hino Motors**“) weltweit den ersten Platz beim Verkauf von schweren Lastkraftwagen (basierend auf Daten von IHS Markit Global Sàrl („**IHS Markit**“)). Von diesen 232.992 Einheiten verkaufte die TRATON GROUP 76,8 % in

ihren derzeitigen Hauptmärkten EU28+2 (56,3 %) und Südamerika (20,5 %), wo sie 2018 Marktführer war. Die übrigen Einheiten wurden in Asien-Pazifik (6,8 %), Nahost (3,7 %), Afrika (4,1 %) , Nordamerika (1,5%) und Russland/ Sonstiges Europa (7,1%).

Die Geschäftstätigkeit der TRATON GROUP gliedert sich in zwei berichtspflichtige Segmente; das Segment Industriegeschäft, welches das Kerngeschäft der Gruppe ist und auf das 95 % der Umsatzerlöse der Gruppe in dem zum 31. Dezember 2018 abgelaufenen Geschäftsjahr entfielen, und das Geschäftssegment Finanzdienstleistungen. Das Segment Industriegeschäft bündelt die drei operativen Einheiten Scania Vehicles & Services („**Scania V&S**") (umfasst das Fahrzeug- und Dienstleistungsgeschäft der Scania AB (publ) („**Scania AB**") und ihrer konsolidierten Tochtergesellschaften), MAN Truck & Bus SE und ihre konsolidierten Tochtergesellschaften („**MAN T&B**") sowie MAN Latin America Indústria e Comércio de Veiculos Ltda. („**MAN Latin America**") und ihre konsolidierten Tochtergesellschaften („**VWCO**"). Die Marke Scania der TRATON GROUP ist der Markenname der Scania AB und ihrer konsolidierten Tochtergesellschaften („**Scania**"), eines weltweiten Anbieters von Transportlösungen und Herstellers von schweren Lastkraftwagen, Bussen und Motoren. Die Marke MAN der TRATON GROUP ist der Markenname der MAN SE und ihrer konsolidierten Tochtergesellschaften (ohne VWCO) („**MAN**"), eines weltweiten Herstellers von Lastkraftwagen, Bussen, Motoren und Anbieters von Transportern. Die Marke VWCO der TRATON GROUP ist der Markenname der MAN Latin America und ihrer konsolidierten Tochtergesellschaften, eines Anbieters von leichten bis schweren Lastkraftwagen und Bus-Chassis, die für Märkte wie Südamerika, Mexiko und Afrika zugeschnitten sind. Die Marke RIO der TRATON GROUP ist der Markenname der TB Digital Services GmbH („**RIO**").

Die wichtigsten Produkte der TRATON GROUP sind schwere Nutzfahrzeuge (>16 Tonnen), mittlere und leichte Nutzfahrzeuge (<16 Tonnen) und Busse. In dem zum 31. Dezember 2018 abgelaufenen Geschäftsjahr verkaufte Scania 96.475 Nutzfahrzeuge und Busse, MAN 100.357 Nutzfahrzeuge, Busse und Transporter und VWCO 36.160 Nutzfahrzeuge und Busse (dies entsprach jeweils 41,4 % bzw. 43,1 % bzw. 15,5 % der Gesamtzahl der von der TRATON GROUP verkauften Einheiten). Zum Industriegeschäft der Gruppe gehört außerdem der Vertrieb von externen Motoren und Komponenten für Marine- und Industrieanwendungen sowie von Gebrauchtfahrzeugen. Neben ihrem Angebot von Neu- und Gebrauchtfahrzeugen ist die TRATON GROUP außerdem im After-Sales-Geschäft tätig, das einen bedeutenden Betrag zu ihrem Umsatz und operativen Ergebnis leistet. Die Dienstleistungen der Gruppe umfassen eine Vielzahl von digitalen Lösungen, einschließlich eines erweiterten Serviceangebots auf der Basis eines vernetzten Ökosystems und flexibler Wartungspläne. Über ihre Marke RIO will die TRATON GROUP eine digitale Plattform für die gesamte Transportindustrie anbieten, die digitale Lösungen für das Transport- und Logistiksystem bündelt. In dem zum 31. Dezember 2018 abgelaufenen Geschäftsjahr erzielte die TRATON GROUP (vor Konsolidierungseffekten) im Segment Industriegeschäft

Umsatzerlöse in Höhe von EUR 16.216 Millionen (bzw. 65,0 %) aus dem Verkauf von Neufahrzeugen, EUR 4.730 Millionen (bzw. 18,9 %) aus dem After-Sales-Geschäft und die übrigen EUR 4.017 Millionen (bzw. 16,1 %) aus sonstigen Umsätzen, unter anderem aus Gebrauchtfahrzeugen, Motoren, Antrieben, Ersatzteillieferungen, Leasinggeschäft, Zinserträgen und ähnlichen Erträgen sowie sonstigen Umsätzen einschließlich Umsätzen aus Absicherungsgeschäften.

Im Finanzdienstleistungsgeschäft bietet die TRATON GROUP ihren Kunden ein breites Spektrum an Finanzdienstleistungen an. Zu den angebotenen Finanzdienstleistungen zählen Händler- und Kundenfinanzierung, Leasing und Versicherungsprodukte. Scania bietet Finanzdienstleistungen über ihre eigenen Tochtergesellschaften an. MAN und VWCO bieten diese Dienstleistungen über Tochtergesellschaften der Volkswagen AG außerhalb der TRATON GROUP an (Volkswagen AG und ihre Tochtergesellschaften (einschließlich der TRATON GROUP), der „**Volkswagen Konzern**") und erzielen daher keine Erträge aus Finanzdienstleistungen. In dem zum 31. Dezember 2018 abgelaufenen Geschäftsjahr erzielte die TRATON GROUP (vor Konsolidierungseffekten) im Segment Finanzdienstleistungen Umsatzerlöse vor Überleitung der Segmente (bestehend aus Umsatzerlösen aus dem Leasinggeschäft und Zinserträgen und ähnlichen Erträgen) in Höhe von EUR 760 Millionen und ein operatives Ergebnis in Höhe von EUR 138 Millionen.

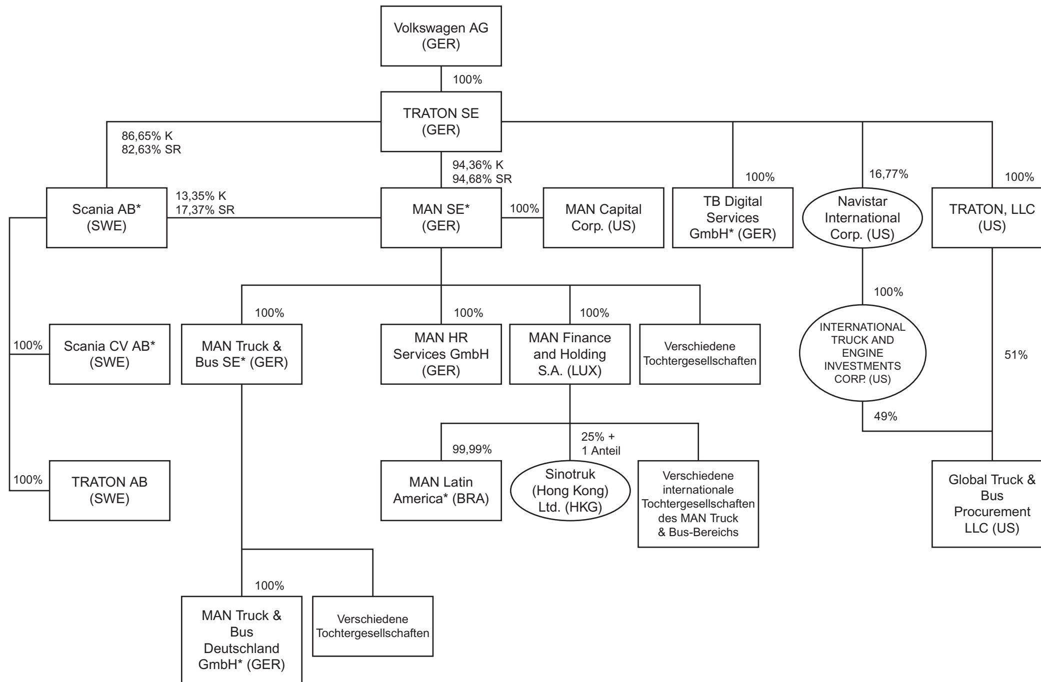
B.4a **Wichtigste jüngste Trends, die sich auf den Emittenten und die Branchen, in denen er tätig ist, auswirken.**

In den letzten Jahren war in der Lkw-Branche weltweit ein Wachstum auf einer breiten Basis zu beobachten. In den Hauptmärkten der Gruppe, Europa (EU28+2) und Südamerika, ist das Absatzvolumen bei Lkws (einschließlich Schwerlast-Lkw (>15t) und mittelschwere Lkw (>6t)) zwischen 2015 und 2018 mit einer durchschnittlichen jährlichen Wachstumsrate (CAGR) von 5,8 % bzw. 0,4 % gestiegen (IHS Markit). In Russland, China und Südostasien, wo die Gruppe ebenfalls wesentliche Umsätze erzielt, ist das Absatzvolumen im selben Zeitraum mit einer durchschnittlichen jährlichen Wachstumsrate (CAGR) von 17,5 % bzw. 20,7 % bzw. 7,9 % gestiegen (IHS Markit). Das Marktwachstum wurde vor allem durch die wirtschaftlichen Rahmenbedingungen in den jeweiligen Märkten getrieben. Obwohl sich der Lkw-Markt durch langfristiges Wachstum auszeichnet, ist er auch kurz- und mittelfristig stark konjunkturabhängig. IHS Markit zufolge wird für das Absatzvolumen auf dem europäischen Markt für den Zeitraum zwischen 2018 und 2025 ein moderates Wachstum mit einer durchschnittlichen jährlichen Wachstumsrate (CAGR) von 0,6 % erwartet, während für den südamerikanischen und russischen Markt eine durchschnittliche jährliche Wachstumsrate (CAGR) von 3,2 % bzw. 5,0 % erwartet wird. Für den chinesischen und südostasiatischen Markt wird andererseits im selben Zeitraum ein Marktrückgang mit einer negativen durchschnittlichen jährlichen Wachstumsrate (CAGR) von (4,8) % bzw. (0,3) % erwartet, wobei für China in 2019 ein starker Rückgang prognostiziert wird.

Die Gruppe ist der Auffassung, dass die nachfolgenden Trends charakteristisch für die Nutzfahrzeugbranche sind:

- Das Bevölkerungswachstum, die Urbanisierung, die Industrialisierung, das verfügbare Einkommen und schließlich auch das Wachstum des Bruttoinlandsprodukts („**BIP**") beeinflussen die Transportindustrie und erhöhen somit die Nachfrage nach Lkws und Bussen.
- Neue Technologien sowie der Fokus der Kunden auf die Gesamtbetriebskosten lassen die Nachfrage nach vernetzten Produkten, Dienstleistungen und Lösungen wie vorausschauende Wartungs- und Flottenmanagementdienstleistungen sowie die Entwicklung von Technologien im Bereich autonomes Fahren steigen.
- Immer strengere Energieeffizienz- und Abgasvorschriften, ein zunehmendes Umweltbewusstsein sowie steigende Gesamtbetriebskosten begünstigen nachhaltige Transportlösungen, einschließlich Nutzfahrzeugen mit alternativen Antriebssystemen und Fahrzeugen, die mit alternativen Kraftstoffen oder elektrisch angetrieben werden.

B.5	**Beschreibung der Gruppe und der Stellung des Emittenten innerhalb dieser Gruppe.**	Die Gesellschaft ist die Muttergesellschaft der Gruppe. Die folgende Grafik zeigt eine (vereinfachte) Zusammenfassung der Gruppenstruktur der Gesellschaft, einschließlich ihrer wesentlichen Tochtergesellschaften zum Datum dieses Prospekts. Die Gesellschaft ist die (direkte oder indirekte) Muttergesellschaft der Scania AB, Scania CV AB (publ) („**Scania CV AB**"), MAN SE, MAN Truck & Bus SE, MAN Latin America und TB Digital Services GmbH; die Geschäfte der Gesellschaft werden in erster Linie von ihren Tochtergesellschaften geführt, die unter ihren kommerziellen Bezeichnungen Scania, MAN, VWCO und RIO tätig sind.



* Wesentliche Tochtergesellschaften
K Beteiligung am Kapital
SR Stimmrechte

Möglicher Ausschluss der MAN SE-Minderheitsaktionäre.

Die Gesellschaft hat zwei Optionen, die verbleibenden Minderheitsaktionäre der MAN SE aus der MAN SE auszuschließen und die MAN SE und deren Tochtergesellschaften vollständig in die Gruppe zu integrieren. Die Gesellschaft hat noch nicht entschieden, ob und wann sie eine dieser Optionen umsetzt. Sie könnte sich jedoch zu einem späteren Zeitpunkt jederzeit dazu entschließen, die Gruppe umzustrukturieren und eine der Optionen zu verfolgen.

- Die erste Option besteht darin, sämtliche ausstehenden Aktien der MAN SE zu erwerben, indem die Gesellschaft die Minderheitsaktionäre der MAN SE gegen Zahlung einer angemessenen Barabfindung aus der MAN SE ausschließt, und gleichzeitig eine Verschmelzung der MAN SE auf sich durchzuführen (beide Maßnahmen zusammen der „**Verschmelzungs-Squeeze-out**"). Mit dem Vollzug des Verschmelzungs-Squeeze-outs würde die MAN SE erlöschen. Die Minderheitsaktionäre der MAN SE würden eine Barabfindung erhalten.
- Die zweite Option setzt voraus, dass die Gesellschaft zunächst weitere MAN-Aktien erwirbt, um den relevanten Schwellenwert von 95 % des Grundkapitals der MAN SE zu erreichen oder zu überschreiten, was sie jederzeit durch Aktienkäufe über die Börse oder anderweitig umsetzen könnte. Dann könnte sie die Minderheitsaktionäre der MAN SE gegen Zahlung einer angemessenen Barabfindung aus der MAN SE ausschließen, ohne gleichzeitige Verschmelzung der MAN SE auf die Gesellschaft (der „**Reguläre Squeeze-out**"). Infolge des Regulären Squeeze-outs wäre die MAN SE eine 100%ige Tochtergesellschaft der Gesellschaft. Anschließend könnte die Gesellschaft z.B. eine separate Verschmelzung der MAN SE auf sich durchführen, wodurch die MAN SE erlöschen würde, oder einen

Beherrschungs- und Gewinnabführungsvertrag mit der MAN SE abschließen.

In beiden Fällen hätten die Minderheitsaktionäre der MAN SE einen Anspruch auf eine Barabfindung, die dem Verkehrswert ihrer infolge des Squeeze-outs auf die Gesellschaft übertragenen MAN-Aktien entspricht. Die Barabfindung würde von der Gesellschaft festgelegt und von einem gerichtlich bestellten Prüfer überprüft werden. Sie müsste von der Gesellschaft gezahlt werden und könnte daher den Unternehmenswert der Gesellschaft verringern, wenn die Summe der an die Minderheitsaktionäre der MAN SE zu zahlenden Barabfindung höher wäre als der Gesamtunternehmenswert der erworbenen MAN-Aktien.

Die Barabfindung könnte gerichtlich überprüft werden. Ein solches gerichtliches Verfahren könnte aber, falls gegen die Gesellschaft entschieden würde, nur zu einer zusätzlichen Zahlungsverpflichtung der Gesellschaft führen und würde nicht verhindern, dass die Umstrukturierung wirksam wird.

Falls der Anteil der Gesellschaft an der MAN SE 95% oder mehr des Grundkapitals der MAN SE erreicht, würde nach derzeit geltendem deutschen Steuerrecht in Bezug auf das direkt und indirekt gehaltene inländische Grundeigentum der MAN SE deutsche Grunderwerbsteuer anfallen. Die Gesellschaft schätzt die entsprechende deutsche Grunderwerbsteuer auf einen mittleren zweistelligen Millionen Euro-Betrag.

B – Emittent

B.6	**Personen, die eine direkte oder indirekte (meldepflichtige) Beteiligung am Eigenkapital des Emittenten oder einen Teil der Stimmrechte halten.**	Die folgende Tabelle zeigt die Beteiligungsverhältnisse der Gesellschaft zum Datum dieses Prospekts sowie die voraussichtlichen Beteiligungsverhältnisse nach Durchführung des Angebots (wie in E.3 definiert). Sie zeigt die Personen, die eine direkte oder indirekte meldepflichtige Beteiligung am Eigenkapital und Stimmrechte der Gesellschaft im Sinne der §§ 33 ff. Wertpapierhandelsgesetz halten, zusammen mit dem voraussichtlichen Streubesitz nach Durchführung des Angebots:

	Tatsächliche (direkte) Beteiligung		
	Zum Datum dieses Prospektes	**Nach Durchführung des Angebots (unter der Annahme der Platzierung aller Basisaktien und keiner Platzierung der Mehrzuteilungsaktien (keine Ausübung der Greenshoe-Option))**	**Nach Durchführung des Angebots (unter der Annahme der Platzierung aller Basisaktien und aller Mehrzuteilungsaktien sowie der vollen Ausübung der Greenshoe-Option)**
	(in %)	*(in %)*	*(in %)*
Volkswagen Aktiengesellschaft	100,00	90,00	88,50
Streubesitz	—	10,00	11,50
Summe	**100,00**	**100,00**	**100,00**

	Stimmrechte.	Jede Aktie berechtigt zu einer Stimme auf der Hauptversammlung der Gesellschaft. Alle Aktien verleihen identische Stimmrechte. Die Stimmrechte unterliegen keinerlei Beschränkungen.
	Unmittelbare oder mittelbare Beteiligungen oder Beherrschungsverhältnisse und Art der Beherrschung.	Zum Datum dieses Prospekts werden sämtliche Aktien der Gesellschaft von der Volkswagen Aktiengesellschaft (die „**Bestehende Aktionärin**“ oder „**Volkswagen**“) gehalten, bei der es sich um ein deutsches DAX-Unternehmen handelt, das unter anderem am regulierten Markt (Prime Standard) der Frankfurter Wertpapierbörse notiert ist.
B.7	**Ausgewählte wesentliche historische Finanzinformationen.**	In diesem Abschnitt enthaltene Finanzinformationen wurden dem geprüften Konzernabschluss der Gesellschaft für die zum 31. Dezember 2018, 2017 und 2016 abgelaufenen Geschäftsjahre (der „**Geprüfte Konzernabschluss**“) und dem ungeprüften verkürzten Konzernzwischenabschluss der Gesellschaft für den zum 31. März 2019 abgelaufenen Dreimonatszeitraum (der „**Ungeprüfte Verkürzte Konzernzwischenabschluss**“) entnommen oder daraus abgeleitet. Der Geprüfte Konzernabschluss und der Ungeprüfte Verkürzte Konzernzwischenabschluss wurden nach Maßgabe der International Financial Reporting Standards („**IFRS**“), wie sie in der Europäischen Union anzuwenden sind, erstellt. Der Geprüfte Konzernabschluss wurde von der PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, München, geprüft, die als unabhängiger Abschlussprüfer einen Bestätigungsvermerk erteilt hat. Die in den nachfolgenden Tabellen als „geprüft“ gekennzeichneten Finanzinformationen wurden dem vorstehend genannten Geprüften Konzernabschluss

entnommen. Die Bezeichnung „ungeprüft" wird in den nachfolgenden Tabellen zur Kennzeichnung von Finanzinformationen verwendet, die dem Ungeprüften Verkürzten Konzernzwischenabschluss, den Rechnungslegungsunterlagen oder internen Management-Berichtssystemen der Gesellschaft entnommen oder daraus abgeleitet wurden oder aus dem Geprüften Konzernabschluss abgeleitet wurden.

Sofern nicht anders angegeben, sind sämtliche Finanzinformationen im Text und in den Tabellen in diesem Abschnitt des Prospekts in Millionen Euro (in Mio. EUR), kaufmännisch gerundet auf ganze Zahlen, dargestellt. Rundungsbedingt ergeben die in den Tabellen oder sonstigen Darstellungen genannten Zahlen nicht in allen Fällen genau die jeweils angegebenen Gesamtbeträge bzw. dargestellten Zahlen.

Zum 1. Januar 2019 hat die Gesellschaft IFRS 16 - Leasingverhältnisse bei der Aufstellung ihres Ungeprüften Verkürzten Konzernzwischenabschlusses nach der modifizierten retrospektiven Methode angewendet. Das kann dazu führen, dass die für den zum 31. März 2019 abgelaufenen Dreimonatszeitraum angegebenen Zahlen nicht mit den für den zum 31. März 2018 abgelaufenen Dreimonatszeitraum angegebenen Ergebnissen und den für die zum 31. Dezember 2018, 2017 und 2016 abgelaufenen Geschäftsjahre angegebenen Ergebnissen vergleichbar sind.

Informationen aus der Konzern-Gewinn- und Verlustrechnung

	Geschäftsjahr zum 31. Dezember			Dreimonatszeitraum zum 31. März	
	2018	2017	2016	2019	2018
		(geprüft) *(in Mio. EUR)*		(ungeprüft) *(in Mio. EUR)*	
Umsatzerlöse	**25.927**	**24.366**	**21.915**	**6.413**	**6.051**
Kosten der Umsatzerlöse	(20.946)	(19.653)	(17.649)	(5.109)	(4.856)
Bruttoergebnis	**4.981**	**4.713**	**4.266**	**1.304**	**1.195**
Vertriebskosten	(2.391)	(2.354)	(2.316)	(580)	(562)
Verwaltungskosten	(1.011)	(872)	(789)	(259)	(240)
Netto-Wertminderungsaufwendungen aus finanziellen Vermögenswerten	(45)	(44)	(36)	(11)	(10)
Sonstige betriebliche Erträge	792	606	506	185	173
Sonstige betriebliche Aufwendungen	(814)	(537)	(904)	(150)	(169)
Operatives Ergebnis	**1.513**	**1.512**	**727**	**490**	**386**
Ergebnis aus At Equity bewerteten Anteilen	209	74	17	77	77
Zinserträge	83	91	79	20	22
Zinsaufwendungen	(245)	(263)	(298)	(70)	(74)
Übriges Finanzergebnis	6	(34)	(32)	(9)	(13)
Finanzergebnis	**53**	**(132)**	**(234)**	**17**	**12**
Ergebnis vor Steuern	**1.566**	**1.379**	**493**	**507**	**398**
Steuern vom Einkommen und vom Ertrag	(415)	(489)	(297)	(122)	(105)
tatsächlich	(449)	(377)	(424)	(119)	(114)
latent	34	(111)	127	(3)	9
Ergebnis aus fortzuführenden Geschäftsbereichen, nach Steuern	**1.151**	**890**	**196**	**385**	**293**
Ergebnis aus nicht fortgeführten Geschäftsbereichen, nach Steuern	**250**	**149**	**22**	**(2)**	**20**
Ergebnis nach Steuern	**1.401**	**1.039**	**219**	**383**	**312**
davon zuzurechnen					
Nicht beherrschenden Anteilen	11	10	10	5	0
Aktionären der TRATON SE (ehemals TRATON AG)	1.390	1.029	208	378	312
Den Aktionären der TRATON SE (ehemals TRATON AG) zuzurechnendes Ergebnis aus fortzuführenden Geschäftsbereichen je Stammaktie in EUR (unverwässert/ verwässert) (ungeprüft)[1]	**2,30**	**1,78**	**0,39**	**0,76**	**0,59**
Den Aktionären der TRATON SE (ehemals TRATON AG) zuzurechnendes Ergebnis je Stammaktie in EUR (unverwässert/ verwässert) (ungeprüft)[1]	**2,78**	**2,06**	**0,42**	**0,76**	**0,62**

(1) Auf der Basis von 500 Millionen ausstehenden Aktien (der Anzahl der ausstehenden Aktien zum 31. März 2019).

B – Emittent

Ausgewählte Informationen aus der Konzern-Bilanz

	Zum 31. Dezember			Zum 31. März
	2018	2017	2016	2019
		(geprüft) *(in Mio. EUR)*		(ungeprüft) *(in Mio. EUR)*
Summe langfristige Vermögenswerte	**25.851**	**25.377**	**24.344**	**27.317**
Summe kurzfristige Vermögenswerte	**20.533**	**17.428**	**16.916**	**16.025**
Summe Aktiva	**46.384**	**42.765**	**41.260**	**43.341**
Eigenkapital und Schulden				
Eigenkapital der Aktionäre der TRATON SE (ehemals TRATON AG)	**16.799**	**11.702**	**10.829**	**13.078**
Minderheitsanteile	2	108	102	235
Summe Eigenkapital	**16.801**	**11.810**	**10.931**	**13.313**
Summe langfristige Schulden	**13.217**	**13.238**	**11.087**	**13.605**
Summe kurzfristige Schulden	**16.366**	**17.717**	**19.241**	**16.424**
Summe Passiva	**46.384**	**42.765**	**41.260**	**43.341**

Ausgewählte Informationen aus der Konzern-Kapitalflussrechnung

	Geschäftsjahr zum 31. Dezember			Dreimonatszeitraum zum 31. März	
	2018	2017	2016	2018	2019
		(geprüft) *(in Mio. EUR)*		(ungeprüft) *(in Mio. EUR)*	
Anfangsbestand Zahlungsmittel und Zahlungsmitteläquivalente	**4.594**	**4.907**	**6.575**	**2.997**	**4.593**
Cashflow laufendes Geschäft - nicht fortgeführte Geschäftsbereiche	(72)	(46)	118	-	(50)
Cashflow laufendes Geschäft	382	726	758	(385)	(3)
Cashflow Investitionstätigkeit - nicht fortgeführte Geschäftsbereiche	(184)	(174)	(186)	-	(25)
Cashflow Investitionstätigkeit	(1.065)	(1.361)	(1.643)	724	(269)
Cashflow Finanzierungstätigkeit - nicht fortgeführte Geschäftsbereiche	(7)	(8)	(16)	-	(2)
Cashflow Finanzierungstätigkeit	(865)	392	(775)	(494)	473
Effekte aus Wechselkursänderungen auf Zahlungsmittel und Zahlungsmitteläquivalente	(48)	(71)	(8)	12	(26)
Veränderung Zahlungsmittel und Zahlungsmitteläquivalente, netto	**(1.596)**	**(314)**	**(1.667)**	**(143)**	**176**
Endbestand Zahlungsmittel und Zahlungsmitteläquivalente	**2.997**	**4.594**	**4.907**	**2.854**	**4.769**

Wesentliche Veränderungen der Finanzlage und der Operativen Ergebnisse des Emittenten in dem oder nach dem von den wesentlichen historischen Finanzinformationen abgedeckten Zeitraum.

Wesentliche Veränderungen des Operativen Ergebnisses des Emittenten

Zum 31. März 2019 abgelaufener Dreimonatszeitraum verglichen mit dem zum 31. März 2018 abgelaufenen Dreimonatszeitraum

Die Umsatzerlöse der Gruppe stiegen um EUR 362 Millionen bzw. 6,0 % von EUR 6.051 Millionen in dem zum 31. März 2018 abgelaufenen Dreimonatszeitraum auf EUR 6.413 Millionen in dem zum 31. März 2019 abgelaufenen Dreimonatszeitraum. Dieser Anstieg im Vergleich zu dem zum 31. März 2018 abgelaufenen Dreimonatszeitraum war hauptsächlich auf einen höheren Fahrzeugabsatz zurückzuführen, der teilweise durch den Wegfall von Umsatzerlösen von der Volkswagen Gebrauchtfahrzeugshandels und Service GmbH („**VGSG**") nach dem Verkauf dieses Geschäftsbereichs mit Wirkung zum 1. Januar 2019 kompensiert wurde. Der Anstieg des Umsatzes aus dem Verkauf von Fahrzeugen stand überwiegend in Zusammenhang mit einem starken Anstieg der Verkaufszahlen in EU28+2 (außer Deutschland), Deutschland und Brasilien, der teilweise durch geringere Verkaufszahlen in Südamerika (außer Brasilien) und dem Rest der Welt kompensiert wurde.

Das operative Ergebnis stieg um EUR 104 Millionen bzw. 26,9 % von EUR 386 Millionen in dem zum 31. März 2018 abgelaufenen Dreimonatszeitraum auf EUR 490 Millionen in dem zum 31. März 2019 abgelaufenen Dreimonatszeitraum. Der Anstieg war auf die höhere Anzahl produzierter und verkaufter Fahrzeuge, eine bessere Produktpositionierung und einen leicht vorteilhaften Wechselkurseffekt zurückzuführen, und wurde teilweise durch höhere Fixkosten aufgrund von Verteuerungen und Abschreibungen kompensiert.

Das Ergebnis nach Steuern stieg um EUR 71 Millionen bzw. 22,8 % von EUR 312 Millionen in dem zum 31. März 2018 abgelaufenen Dreimonatszeitraum auf EUR 383 Millionen in dem zum 31. März 2019 abgelaufenen Dreimonatszeitraum.

Zum 31. Dezember 2018 abgelaufenes Geschäftsjahr verglichen mit dem zum 31. Dezember 2017 abgelaufenen Geschäftsjahr

Die Umsatzerlöse der Gruppe stiegen um EUR 1.561 Millionen bzw. 6,4 % von EUR 24.366 Millionen in dem zum 31. Dezember 2017 abgelaufenen Geschäftsjahr auf EUR 25.927 Millionen in dem zum 31. Dezember 2018 abgelaufenen Geschäftsjahr. Der Anstieg war hauptsächlich auf einen höheren Fahrzeugabsatz und Verbesserungen im After-Sales-Geschäft zurückzuführen. Der Umsatz aus dem Verkauf von Fahrzeugen stieg infolge eines günstigen Produkt-Mixes nach der Einführung der neuen Nutzfahrzeuggeneration („**NTG**") von Scania sowie infolge der gestiegenen Nachfrage nach Fahrzeugen, die die Zahl der abgesetzten Einheiten beeinflusst hat, an.

Das operative Ergebnis stieg um EUR 1 Million bzw. 0,1 % von EUR 1.512 Millionen in dem zum 31. Dezember 2017 abgelaufenen Geschäftsjahr auf EUR 1.513 Millionen in dem zum 31. Dezember 2018 abgelaufenen Geschäftsjahr. Dies war hauptsächlich auf ein verbessertes Bruttoergebnis

zurückzuführen, das durch höhere Personalkosten und Verwaltungskosten (einschließlich Kosten im Zusammenhang mit der Vorbereitung der Kapitalmarktfähigkeit der Gesellschaft) und sonstige betriebliche Aufwendungen (einschließlich einmalig im Jahr 2018 angefallener Kosten für eine Restrukturierung in Indien) gemindert wurde.

Das Ergebnis nach Steuern stieg um EUR 362 Millionen bzw. 34,8 % von EUR 1.039 Millionen in dem zum 31. Dezember 2017 abgelaufenen Geschäftsjahr auf EUR 1.401 Millionen in dem zum 31. Dezember 2018 abgelaufenen Geschäftsjahr. Dies war hauptsächlich auf ein höheres Ergebnis aus At Equity bewerteten Anteilen, ein höheres Ergebnis aus nicht fortgeführten Geschäftsbereichen nach Steuern sowie höhere Erträge aus latenten Steuern zurückzuführen.

Zum 31. Dezember 2017 abgelaufenes Geschäftsjahr verglichen mit dem zum 31. Dezember 2016 abgelaufenen Geschäftsjahr

Die Umsatzerlöse der Gruppe stiegen um EUR 2.451 Millionen bzw. 11,2 % von EUR 21.915 Millionen in dem zum 31. Dezember 2016 abgelaufenen Geschäftsjahr auf EUR 24.366 Millionen in dem zum 31. Dezember 2017 abgelaufenen Geschäftsjahr. Der Anstieg war hauptsächlich auf gestiegene Umsatzerlöse aus Fahrzeugverkäufen zurückzuführen, wurde jedoch auch durch einen Anstieg der sonstigen Umsatzerlöse aus Dienstleistungen sowie aus Verkäufen von Motoren und Komponenten aufgrund der kontinuierlichen Erweiterung der Fahrzeugflotte unterstützt, durch die die Nachfrage nach Ersatzteilen und nach Werkstattleistungen stieg. Der Anstieg der Umsatzerlöse aus Fahrzeugverkäufen war vorwiegend auf das wachsende Umsatzvolumen in vielen sich wirtschaftlich erholenden Ländern (z. B. Russland, Brasilien, Naher Osten und China), auf höhere Umsatzerlöse aus dem Verkauf von Gebrauchtfahrzeugen, sowie zu einem geringeren Teil auf vorteilhafte Preisentwicklungen zurückzuführen.

Das operative Ergebnis stieg um EUR 785 Millionen bzw. 108,0 % von EUR 727 Millionen in dem zum 31. Dezember 2016 abgelaufenen Geschäftsjahr auf EUR 1.512 Millionen in dem zum 31. Dezember 2017 abgelaufenen Geschäftsjahr. Dies lag vor allem an höheren Umsatzerlösen, die jedoch durch zusätzliche Kosten für die Entwicklung der neuen Nutzfahrzeuggeneration von Scania, höhere Rohstoffpreise und Entwicklungskosten für neue schwere und mittelschwere Lastkraftwagen von MAN teilweise gemindert wurden. Hohe einmalige Aufwendungen für Restrukturierungen und Aufwendungen für Kartellverfahren im Jahr 2016 haben ebenfalls zu dem deutlichen Anstieg im Jahr 2017 beigetragen.

Das Ergebnis nach Steuern stieg um EUR 820 Millionen bzw. 374,4 % von EUR 219 Millionen in dem zum 31. Dezember 2016 abgelaufenen Geschäftsjahr auf EUR 1.039 Millionen in dem zum 31. Dezember 2017 abgelaufenen Geschäftsjahr. Der Anstieg war hauptsächlich auf ein verbessertes operatives Ergebnis und zum Teil auf ein verbessertes Finanzergebnis zurückzuführen und wurde teilweise durch höhere Steueraufwendungen kompensiert.

Wesentliche Veränderungen der Bilanz des Emittenten

Zum 31. März 2019 verglichen mit dem Stand zum 31. Dezember 2018

Die Bilanzsumme der Gruppe verringerte sich auf EUR 43,3 Milliarden zum 31. März 2019, verglichen mit EUR 46,4 Milliarden zum 31. Dezember 2018, was sich hauptsächlich auf die Veräußerung des Geschäftsbereichs Power Engineering („**PE Geschäftsbereich**") von TRATON und eine Verringerung der kurzfristigen Vermögenswerte als Folge der Zahlung von Forderungen aus dem Ergebnisabführungsvertrag mit der Volkswagen AG in Höhe von EUR 4,2 Milliarden zurückführen lässt. Die erstmalige Anwendung von IFRS 16 führte zu einem Anstieg sowohl der Vermögenswerte als auch der Schulden (Leasingverbindlichkeiten betrugen EUR 1,1 Milliarden zum 31. März 2019). Die Summe des Eigenkapitals sank von EUR 16,8 Milliarden zum 31. Dezember 2018 auf EUR 13,3 Milliarden zum 31. März 2019, was im Wesentlichen auf die Einbringung einer Kapitalrücklage in die Volkswagen AG zurückzuführen ist, die sich negativ auf die Gewinnrücklagen auswirkte.

Die Summe der Schulden (kurz- und langfristige Schulden) der Gruppe stieg um EUR 0,4 Milliarden bzw. 1,5 % von EUR 29,6 Milliarden zum 31. Dezember 2018 auf EUR 30,0 Milliarden zum 31. März 2019.

Zum 31. Dezember 2018 verglichen mit dem Stand zum 31. Dezember 2017

Die Bilanzsumme der Gruppe stieg um EUR 3,6 Milliarden bzw. 8,5 % von EUR 42,8 Milliarden zum 31. Dezember 2017 auf EUR 46,4 Milliarden zum 31. Dezember 2018 an. Der Anstieg war hauptsächlich auf einen Anstieg der kurzfristigen Vermögenswerte zurückzuführen, insbesondere bei den sonstigen finanziellen Vermögenswerten, die eine Forderung von EUR 2,0 Milliarden gegenüber einer Tochtergesellschaft der Volkswagen AG außerhalb der TRATON GROUP hinsichtlich der Veräußerung des PE Geschäftsbereichs sowie eine Forderung in Höhe von EUR 4,2 Milliarden aus dem Ergebnisabführungsvertrag und Steuerumlageverfahren mit der Volkswagen AG beinhalten. Die Zusammensetzung der Vermögenswerte der Gruppe änderte sich aufgrund der Veräußerung des PE Geschäftsbereichs, die zum 31. Dezember 2018 wirksam wurde, erheblich, und führte zu einem Rückgang der mit dem PE Geschäftsbereich verbundenen Sachanlagen und immateriellen Vermögenswerte und zu einem Anstieg einer Forderung (wie im vorstehenden Satz erwähnt).

Auch die Schulden der Gruppe wurden durch die Veräußerung des PE Geschäftsbereichs beeinflusst. Die Summe der Schulden (kurz- und langfristige Schulden) der Gruppe sank um EUR 1,4 Milliarden bzw. 4,4 % von EUR 31,0 Milliarden zum 31. Dezember 2017 auf EUR 29,6 Milliarden zum 31. Dezember 2018.

Die Summe des Eigenkapitals der Gruppe stieg um EUR 5,0 Milliarden bzw. 42,3 % von EUR 11,8 Milliarden zum 31. Dezember 2017 auf EUR 16,8 Milliarden zum 31. Dezember 2018. Der Anstieg war hauptsächlich auf einen Anstieg der Gewinnrücklagen zurückzuführen, die das Ergebnis nach Steuern in vorangegangenen Perioden sowie

die Differenz zwischen dem Wert der MAN SE Aktien zum Zeitpunkt ihrer Einbringung in die TRATON SE und dem bilanzierten Buchwert der entsprechenden Vermögenswerte und Schulden umfassen.

Zum 31. Dezember 2017 verglichen mit dem Stand zum 31. Dezember 2016

Die Bilanzsumme der Gruppe stieg um EUR 1,5 Milliarden bzw. 3,6 % von EUR 41,3 Milliarden zum 31. Dezember 2016 auf EUR 42,8 Milliarden zum 31. Dezember 2017. Der Anstieg war hauptsächlich auf einen Anstieg des Vermietvermögens und der Forderungen aus Finanzdienstleistungen sowie auf eine Zunahme der Vorräte (vor allem fertige Erzeugnisse und bezogene Waren) zurückzuführen.

Die Summe der Schulden (kurz- und langfristige Schulden) der Gruppe stieg um EUR 0,6 Milliarden (abgerundet) bzw. 2,1 % von EUR 30,3 Milliarden (abgerundet) zum 31. Dezember 2016 auf EUR 31,0 Milliarden (abgerundet) zum 31. Dezember 2017. Der Anstieg war auf höhere langfristige Schulden, insbesondere langfristige Finanzverbindlichkeiten infolge der Begebung von Schuldverschreibungen im Rahmen des Medium Term Note-Programms von Scania sowie auf höhere latente Steuerverbindlichkeiten zurückzuführen. Diese wurden teilweise durch niedrigere Steuerrückstellungen und niedrigere sonstige Rückstellungen sowie einen Rückgang der kurzfristigen Schulden kompensiert.

Die Summe des Eigenkapitals der Gruppe stieg um EUR 0,9 Milliarden bzw. 8,0 % von EUR 10,9 Milliarden zum 31. Dezember 2016 auf EUR 11,8 Milliarden zum 31. Dezember 2017. Der Anstieg war hauptsächlich auf das im Jahr 2017 erzielte Ergebnis nach Steuern, eine Bareinlage der Volkswagen AG und auf Neubewertungen aus Pensionsplänen sowie teilweise auf Währungsumrechnungsdifferenzen zurückzuführen.

Jüngste Entwicklungen

Am 25. Februar 2019 beschloss die Hauptversammlung der Gesellschaft, das Grundkapital der Gesellschaft von EUR 10.000.200 um EUR 489.999.800 auf EUR 500.000.000 in Vorbereitung des geplanten IPOs der Gesellschaft zu erhöhen. Die Kapitalerhöhung erfolgte durch Umwandlung von Kapitalrücklagen, die im Einzelabschluss der Gesellschaft zum 31. Dezember 2018, der nach den in Deutschland allgemein anerkannten Rechnungslegungsgrundsätzen („**Deutsche GAAP**") gemäß dem deutschen Handelsgesetzbuch („**HGB**") aufgestellt wurde, ausgewiesen sind, in Höhe von EUR 489.999.800 in Grundkapital und die Ausgabe von 489.999.800 neuen, auf den Inhaber lautenden Stammaktien ohne Nennbetrag (Stückaktien). Die Kapitalerhöhung wurde im Handelsregister der Gesellschaft eingetragen und somit am 12. März 2019 wirksam.

Am 4. Juni 2019 hat die Hauptversammlung der Gesellschaft beschlossen, das Grundkapital der Gesellschaft von EUR 500.000.000 um EUR 16.000.000.000 auf EUR 16.500.000.000 durch Umwandlung von Kapitalrücklagen, die im ungeprüften HGB-Einzelabschluss der Gesellschaft zum 31. Dezember 2018 ausgewiesen sind,

		in Höhe von EUR 16.000.000.000 in Grundkapital zu erhöhen, ohne dabei neue Aktien auszugeben (die „**Juni 2019-Kapitalerhöhung**"). Diese Kapitalerhöhung wurde im Handelsregister der Gesellschaft eingetragen und somit am 12. Juni 2019 wirksam. Infolgedessen hat sich der anteilige Betrag am Grundkapital je auf den Inhaber lautender Stammaktie ohne Nennbetrag (Stückaktie) von EUR 1,00 auf EUR 33,00 erhöht. Zudem hat die Hauptversammlung der Gesellschaft am 4. Juni 2019 beschlossen, dass mit Wirksamkeit der Juni 2019-Kapitalerhöhung das erhöhte Grundkapital der Gesellschaft von EUR 16.500.000.000 um EUR 16.000.000.000 auf EUR 500.000.000 herabgesetzt werden soll, ohne dabei Aktien einzuziehen (die „**Juni 2019-Kapitalherabsetzung**"). Diese Kapitalherabsetzung wurde im Handelsregister der Gesellschaft eingetragen und somit am 12. Juni 2019 wirksam. Infolgedessen hat sich der anteilige Betrag am Grundkapital je auf den Inhaber lautender Stammaktie ohne Nennbetrag (Stückaktie) von EUR 33,00 auf EUR 1,00 reduziert. Nach deutschem Gesellschaftsrecht können Gläubiger der Gesellschaft, deren Forderungen begründet worden sind, bevor die Eintragung der Kapitalherabsetzung bekanntgemacht wurde, von der Gesellschaft Sicherheitsleistung für ihre Ansprüche verlangen. Diese Verlangen können gegenüber der Gesellschaft binnen sechs Monaten nach der Bekanntmachung der Eintragung der Kapitalherabsetzung, die am 12. Juni 2019 erfolgte, geltend gemacht werden.
B.8	**Ausgewählte wesentliche Pro-forma-Finanzinformationen.**	Entfällt. Die Gesellschaft hat keine Pro-forma-Finanzinformationen für die Aufnahme in den Prospekt erstellt.
B.9	**Gewinnprognose oder -schätzung.**	Für den Zeitraum vom 1. Januar 2019 bis 31. Dezember 2019 erwartet die TRATON GROUP derzeit, dass sich die operative Umsatzrendite der TRATON GROUP im Bereich von 6,5 % bis 7,5 % bewegen wird. Diese Prognose basiert darauf, dass die angenommenen Umsatzerlöse der TRATON GROUP für den Zeitraum vom 1. Januar 2019 bis 31. Dezember 2019 leicht über denen des Geschäftsjahres 2018 liegen.
B.10	**Beschränkungen im Bestätigungsvermerk zu den historischen Finanzinformationen.**	Entfällt. Die Prüfungsberichte zu den in diesem Prospekt enthaltenen historischen Finanzinformationen enthalten uneingeschränkte Bestätigungsvermerke.
B.11	**Nichtausreichen des Geschäftskapitals des Emittenten zur Erfüllung bestehender Anforderungen.**	Entfällt. Die Gesellschaft ist der Ansicht, dass die Gruppe sämtliche Zahlungsverpflichtungen, die in dem Zeitraum von mindestens zwölf Monaten ab dem Datum dieses Prospekts fällig werden, erfüllen kann.

C – Wertpapiere

C.1	**Art und Gattung der angebotenen und/oder zum Handel zuzulassenden Wertpapiere, einschließlich Wertpapierkennung.**	Auf den Inhaber lautende Stammaktien ohne Nennbetrag (Stückaktien) der Gesellschaft, jeweils mit einem anteiligen Betrag am Grundkapital von EUR 1,00 und mit voller Dividendenberechtigung ab dem 1. Januar 2019. International Securities Identification Number (ISIN): DE000TRAT0N7 Wertpapierkennnummer (WKN): TRAT0N Common Code: 196390065 Ticker-Symbol: 8TRA

C – Wertpapiere

C.2	**Währung der Wertpapieremission.**	Die Aktien der Gesellschaft sind in EUR denominiert.
C.3	**Zahl der ausgegebenen und voll eingezahlten Aktien.**	Zum Datum des Prospekts beträgt das Grundkapital der Gesellschaft EUR 500.000.000,00 und ist in 500.000.000 auf den Inhaber lautende Stammaktien ohne Nennbetrag (Stückaktien) eingeteilt. Alle Aktien der Gesellschaft sind vollständig eingezahlt.
	Nennwert pro Aktie bzw. Angabe, dass die Aktien keinen Nennwert haben.	Jede Aktie der Gesellschaft entspricht einem anteiligen Betrag am Grundkapital der Gesellschaft von EUR 1,00.
C.4	**Mit den Wertpapieren verbundene Rechte.**	Jede Aktie der Gesellschaft berechtigt zu einer Stimme auf der Hauptversammlung der Gesellschaft. Es bestehen keine Stimmrechtsbeschränkungen. Die Aktien der Gesellschaft sind ab dem 1. Januar 2019 in voller Höhe in EUR gewinnanteilsberechtigt.
C.5	**Etwaige Beschränkungen für die freie Übertragbarkeit der Wertpapiere.**	Außer den in E.5 beschriebenen Beschränkungen bestehen keine Beschränkungen für die freie Übertragbarkeit der Aktien der Gesellschaft.
C.6	**Antrag auf Zulassung der Wertpapiere zum Handel an einem geregelten Markt und Nennung aller geregelten Märkte, an denen die Wertpapiere gehandelt werden sollen.**	Die Gesellschaft beabsichtigt, die Zulassung ihrer Aktien zum Handel an dem regulierten Markt der Frankfurter Wertpapierbörse und an dem regulierten Markt (*reglerad marknad*) der Nasdaq Stockholm (*börsen*) mit Zulassung zum Teilbereich des regulierten Markts mit weiteren Zulassungsfolgepflichten (Prime Standard) der Frankfurter Wertpapierbörse und zum Large-Cap-Segment der Nasdaq Stockholm (*börsen*) zu beantragen. Die Gesellschaft erwartet, die entsprechenden Anträge am oder um den 17. Juni 2019 (gegenüber der Frankfurter Wertpapierbörse) bzw. am oder um den 27. Juni 2019 (gegenüber der Nasdaq Stockholm (*börsen*)) zu stellen. Es wird erwartet, dass die Zulassungsbeschlüsse (Zulassungsentscheidungen) für die Aktien der Gesellschaft am 27. Juni 2019 ergehen. Der Handel mit den Aktien der Gesellschaft an der Frankfurter Wertpapierbörse sowie der Nasdaq Stockholm (*börsen*) wird voraussichtlich am 28. Juni 2019 beginnen. Die Aktien der Gesellschaft werden an dem regulierten Markt der Frankfurter Wertpapierbörse in EUR und an dem regulierten Markt (*reglerad marknad*) der Nasdaq Stockholm (*börsen*) in SEK gehandelt werden.
C.7	**Beschreibung der Dividendenpolitik.**	Die Gesellschaft beabsichtigt, eine Dividende zwischen 30 % und 40 % ihres jährlichen Konzernergebnisses nach Steuern zu zahlen. Jeder Beschluss zur Ausschüttung von Dividenden wird in Übereinstimmung mit geltendem Recht gefasst werden und wird unter anderem von der Ertrags- und Finanzlage der Gesellschaft, von den ausschüttungsfähigen Rücklagen nach dem HGB, von finanziellen Bedingungen, von vertraglichen Beschränkungen und vom Kapitalbedarf der Gesellschaft abhängen. Die künftige Fähigkeit der Gesellschaft zur Zahlung von Dividenden kann durch die Bedingungen bestehender und zukünftiger Schuld- oder Vorzugstitel und regulatorische Anforderungen beschränkt sein.

D – Risiken

Eine Anlage in die Aktien der Gesellschaft ist mit Risiken verbunden. Aus diesem Grund sollten Anleger zusätzlich zu den anderen in diesem Prospekt enthaltenen Angaben die nachstehend genannten Risiken im Rahmen ihrer Entscheidung über eine Anlage in die Aktien sorgfältig bedenken. Der Börsenkurs der Aktien könnte sinken, wenn sich eines dieser Risiken verwirklicht. In diesem Fall könnten Anleger ihren Anlagebetrag teilweise oder vollständig verlieren. Die nachstehenden Risiken können alleine oder zusammen mit zusätzlichen Risiken und Unwägbarkeiten, die der Gesellschaft derzeit nicht bekannt sind oder von der Gesellschaft derzeit als unwesentlich erachtet werden, wesentliche nachteilige Auswirkungen auf das Geschäft und die Vermögens-, Finanz- und Ertragslage der Gesellschaft haben.

Die Reihenfolge, in der die Risiken dargestellt sind, stellt weder eine Aussage über die Eintrittswahrscheinlichkeit noch über die Bedeutung oder Höhe der Risiken oder das Ausmaß einer möglichen negativen Auswirkung auf das Geschäft und die Vermögens-, Finanz-, und Ertragslage der Gesellschaft dar.

D.1 Zentrale Risiken, die dem Emittenten oder seiner Branche eigen sind.

Risiken im Zusammenhang mit dem Geschäft und der Branche der Gruppe

- Die Nachfrage nach den Produkten der Gruppe hängt von den wirtschaftlichen und politischen Bedingungen sowohl weltweit als auch in den Schlüsselmärkten der Gruppe ab, darunter Europa und Südamerika.
- Die Nutzfahrzeugbranche ist stark konjunkturabhängig.
- Die Einführung sowie in bestimmten Fällen auch die Aufhebung von protektionistischen Maßnahmen, einschließlich Zöllen und anderen Handelshemmnissen, kann sich nachteilig auf das Geschäft der Gruppe auswirken.
- Die Lkw- und Bus-Produktionsbranche ist äußerst wettbewerbsintensiv.
- Der künftige Geschäftserfolg der Gruppe hängt von ihrer Fähigkeit ab, mit innovativen, attraktiven und energieeffizienten Produkten, Technologien und Dienstleistungen zu wettbewerbsfähigen Bedingungen auf neue Markttrends zu reagieren.
- Die Gruppe könnte nicht in der Lage sein, die durch die strategische Zusammenarbeit ihrer Marken und Verbesserung der operativen Leistung, unter anderem durch Kosteneinsparungen, angestrebten Vorteile zu erreichen.
- Der künftige Erfolg der Gruppe ist von ihrer erfolgreichen Erschließung neuer Märkte neben ihren Kernmärkten Europa und Südamerika abhängig.
- Die Gruppe unterliegt Risiken aufgrund ihrer Zusammenarbeit mit strategischen Partnern und Joint-Venture-Partnern.
- Staatliche Vorschriften in Zusammenhang mit dem Klimawandel und Fahrzeugabgasen können mit erheblichen Kosten für die Gruppe verbunden sein, und es

kann nicht gewährleistet werden, dass der Gruppe die Entwicklung wirtschaftlich rentabler Produkte gelingen wird, die diesen Vorschriften entsprechen. Die Nichteinhaltung dieser Vorschriften könnte zu behördlichen Verfahren, erheblichen Bußgeldern und Beschränkungen der Möglichkeiten der Gruppe, ihre Produkte zu vermarkten, führen.

- Unvorhergesehene Betriebsstörungen in Produktionsanlagen können zu Produktionsengpässen oder -stillstand führen.
- Planabweichungen bei Großprojekten, insbesondere bei neuen Fahrzeuggenerationen, können zu Mehrkosten oder Verzögerungen führen, oder können eine erfolgreiche Umsetzung auf andere Weise behindern.
- Die Gruppe kann ihre Produktionskapazität möglicherweise nicht an die Produktnachfrage anpassen.
- Die Gruppe ist von Zulieferern abhängig und auf die rechtzeitige Verfügbarkeit von hochwertigen Ausgangsmaterialien, Teilen und Komponenten zu angemessenen Preisen angewiesen.
- Fahrzeugmängel und andere Qualitätsprobleme könnten zu Rückrufen, behördlichen Untersuchungen, Verzögerungen bei der Markteinführung neuer Produkte, Strafen und gesetzlicher Haftung führen.

Risiken im Zusammenhang mit der allgemeinen Geschäftstätigkeit der Gruppe

- Die Gruppe unterliegt Risiken aufgrund ihrer internationalen Geschäftstätigkeit.
- Die Gruppe ist auf ein gutes Verhältnis zu ihren Mitarbeitern, deren Gewerkschaften sowie Arbeitnehmervertretungen und Stakeholdern angewiesen und ist Partei einer Reihe von Kollektivvereinbarungen, von denen einige der Gruppe Verpflichtungen und Beschränkungen in Bezug auf Reorganisationen, Umstrukturierungen und ähnliche Unternehmensmaßnahmen auferlegen.

Rechtliche, regulatorische und steuerliche Risiken

- Die operative Geschäftstätigkeit der Gruppe unterliegt weltweit einer Vielzahl verschiedener regulatorischer Anforderungen, deren Einhaltung kostenintensiv und aufwendig ist und deren Nichteinhaltung erhebliche Kosten zur Folge haben kann. Die Gruppe unterliegt ferner Risiken aus Rechtsstreitigkeiten und behördlichen Verfahren, einschließlich Kartellverfahren und damit verbundener Durchsetzungsmaßnahmen, Schadensersatzansprüchen und Steuerrisiken.
- Das Compliance-System, das interne Kontrollsystem und das Risikomanagementsystem der Gruppe können sich als für die Verhinderung und das Aufdecken von Verstößen gegen Gesetze und Vorschriften sowie als allgemein für das Risikomanagement ungeeignet herausstellen.
- Die Dieselthematik bei der Volkswagen AG hat zu einer Überprüfung und laufenden Reformen interner Kontrollen,

des Compliance-Systems und der Unternehmenskultur innerhalb des Volkswagen Konzerns, einschließlich der TRATON GROUP, geführt. Wenn diese Reformen nicht erfolgreich umgesetzt werden und es zu künftigen wesentlichen Compliance-Verstößen kommt, könnte dies erhebliche nachteilige Folgen für den Volkswagen Konzern, einschließlich der TRATON GROUP, haben.

Risiken im Zusammenhang mit der Trennung der Gruppe vom Volkswagen Konzern

- Die Trennung vom Volkswagen Konzern kann zu dem Verlust von Geschäftschancen und einer verminderten Kaufkraft führen und kann in dem Verlust von Synergien resultieren.
- Die Gruppe kann möglicherweise potenzielle Vorteile der Trennung ihres Geschäfts vom restlichen Geschäft des Volkswagen Konzerns nicht nutzen.

Risiken im Zusammenhang mit der Aktionärsstruktur der Gruppe

- Die Bestehende Aktionärin könnte, auch nach Durchführung des Angebots, wesentlichen Einfluss auf Beschlüsse der Hauptversammlung ausüben und ihre Interessen stehen nach Durchführung des Angebots möglicherweise nicht im Einklang mit den Interessen der anderen Aktionäre der Gruppe. Gemäß dem bestehenden Beherrschungs- und Gewinnabführungsvertrag zwischen der Gesellschaft als beherrschtem Unternehmen und der Bestehenden Aktionärin als herrschendem Unternehmen wird das für das zum 31. Dezember 2019 endende Geschäftsjahr nach Deutschem GAAP ausgewiesene Ergebnis der Gesellschaft an die Bestehende Aktionärin abgeführt und die Bestehende Aktionärin könnte der Gesellschaft nachteilige Weisungen erteilen.
- Die gleichzeitige Mitgliedschaft von Personen in Gesellschaftsorganen der Gesellschaft und des Volkswagen Konzerns sowie andere Beziehungen zu dem Volkswagen Konzern oder zu Gesellschaften des Volkswagen Konzerns können zu Interessenkonflikten führen.

D.3 Zentrale Risiken, die den Wertpapieren eigen sind.

Risiken im Zusammenhang mit den Aktien und der Börsenzulassung

- Die Aktien der Gesellschaft sind bisher nicht an einer Börse notiert und die Entwicklung eines aktiven und liquiden Markts für die Aktien der Gesellschaft kann nicht gewährleistet werden.
- Der Börsenkurs und das Handelsvolumen der Aktien der Gesellschaft können erheblich schwanken und nach Durchführung des Angebots sinken und Anleger könnten ihren Anlagebetrag teilweise oder vollständig verlieren. Es gibt keine Gewährleistung, dass der Kurs, zu dem die Aktien nach dem Angebot gehandelt werden, dem Angebotspreis entspricht oder höher als der Angebotspreis ist.
- Die Gesellschaft ist eine Holding-Gesellschaft ohne wesentliche eigene operative Geschäftstätigkeit und ist darauf angewiesen, dass ihre operativen Tochtergesellschaften die erforderlichen Finanzmittel der

D – Risiken

Gesellschaft zur Verfügung stellen, um ihren finanziellen Verpflichtungen nachkommen und Dividenden ausschütten zu können.

- Künftige Verkäufe von Aktien der Gesellschaft seitens der Bestehenden Aktionärin oder Anlegern, die Aktien im Rahmen des Angebots erwerben, oder die Erwartung, dass es zu solchen Verkäufen kommen könnte, könnten den Kurs der Aktien belasten.

E – Angebot

E.1 Gesamtnettoerlöse.

Die Gesellschaft wird keine Erlöse aus dem Angebot erhalten. Die Bestehende Aktionärin erhält die Erlöse aus dem Verkauf der Basisaktien (wie in E.3 definiert) und aus dem möglichen Verkauf der Mehrzuteilungsaktien (wie in E.3 definiert), wenn und soweit die Greenshoe-Option (wie in E.3 definiert) in Bezug auf die Mehrzuteilungsaktien ausgeübt wird.

Unter der Annahme, dass nur die maximale Anzahl an Basisaktien platziert wird und keine Mehrzuteilungsaktien platziert werden und die Greenshoe Option nicht ausgeübt wird (und unter der Annahme, dass alle so platzierten Aktien in EUR bezahlt werden), schätzt die Gesellschaft, dass die der Bestehenden Aktionärin zufließenden Nettoerlöse bei einer Platzierung zum Mindest-, Mittel- bzw. Höchstwert der Preisspanne (wie in E.3 definiert) ca. EUR 1.241 Millionen bzw. EUR 1.389 Millionen bzw. EUR 1.536 Millionen betragen werden.

Unter der Annahme, dass die maximale Anzahl an Basisaktien platziert wird, die Greenshoe-Option vollständig ausgeübt wird und die maximale Anzahl an Mehrzuteilungsaktien platziert wird (und unter der Annahme, dass alle so platzierten Aktien in EUR bezahlt werden), schätzt die Gesellschaft, dass die der Bestehenden Aktionärin zufließenden Nettoerlöse bei einer Platzierung zum Mindest-, Mittel- und Höchstwert der Preisspanne ca. EUR 1.440 Millionen bzw. EUR 1.610 Millionen bzw. EUR 1.779 Millionen betragen werden.

Geschätzte Gesamtkosten der Emission/des Angebots und der Börsenzulassung, einschließlich der geschätzten Kosten, die dem Anleger durch den Emittenten in Rechnung gestellt werden.

Unter der Annahme, dass nur die maximale Anzahl an Basisaktien platziert wird und keine Mehrzuteilungsaktien platziert werden und die Greenshoe Option nicht ausgeübt wird (und unter der Annahme, dass alle so platzierten Aktien in EUR bezahlt werden), schätzt die Gesellschaft, dass sich die durch das Angebot der Angebotsaktien und die Börsenzulassung der Aktien der Gesellschaft entstehenden Gesamtkosten und Aufwendungen (einschließlich der an die Konsortialbanken zahlbaren Übernahme- und Platzierungsprovisionen (unter der Annahme der vollständigen Zahlung der ermessensabhängigen Gebühr)) bei einer Platzierung zum Mindest-, Mittel- bzw. Höchstwert der Preisspanne auf ca. EUR 109 Millionen bzw. EUR 111 Millionen bzw. EUR 114 Millionen belaufen werden.

Unter der Annahme, dass die maximale Anzahl an Basisaktien platziert wird, die Greenshoe-Option vollständig ausgeübt wird und die maximale Anzahl an Mehrzuteilungsaktien platziert wird (und unter der Annahme, dass alle so platzierten Aktien in EUR bezahlt werden), schätzt die Gesellschaft, dass sich die durch das Angebot der Angebotsaktien und die Börsenzulassung der Aktien der

		Gesellschaft entstehenden Gesamtkosten und Aufwendungen (einschließlich der an die Konsortialbanken zahlbaren Übernahme- und Platzierungsprovisionen (unter der Annahme der vollständigen Zahlung der ermessensabhängigen Gebühr)) bei einer Platzierung zum Mindest-, Mittel- bzw. Höchstwert der Preisspanne auf ca. EUR 112 Millionen bzw. EUR 115 Millionen bzw. EUR 118 Millionen belaufen werden. Anlegern werden von der Gesellschaft, der Bestehenden Aktionärin oder den Konsortialbanken keine Kosten in Rechnung gestellt. Anleger müssen die üblichen Transaktions- und Abwicklungskosten tragen, die ihnen ihre depotführenden Broker oder Finanzinstitute in Rechnung stellen.
E.2a	**Gründe für das Angebot, Zweckbestimmung der Erlöse, geschätzte Nettoerlöse.**	Die Gesellschaft beabsichtigt die gleichzeitige Zulassung ihrer Aktien zum regulierten Markt der Frankfurter Wertpapierbörse und zum regulierten Markt (*reglerad marknad*) der Nasdaq Stockholm (*börsen*) mit Zulassung zum Teilbereich des regulierten Markts mit weiteren Zulassungsfolgepflichten (Prime Standard) der Frankfurter Wertpapierbörse und zum Large-Cap-Segment der Nasdaq Stockholm (*börsen*), um Zugang zum Kapitalmarkt zu erhalten. Das Angebot soll der Gesellschaft als Grundlage für weiteres profitables Wachstum dienen. Das Angebot soll der Gesellschaft darüber hinaus eine verbesserte unternehmerische Flexibilität und Zugang zum Kapitalmarkt verschaffen. Die Bestehende Aktionärin wird die Angebotsaktien anbieten, um ihre Beteiligung an der Gesellschaft teilweise zu veräußern. Volkswagen AG beabsichtigt, nach dem Angebot engagierte Aktionärin der Gesellschaft zu bleiben. Die Gesellschaft wird keine Erlöse aus dem Verkauf der Angebotsaktien im Rahmen des Angebots durch die Bestehende Aktionärin erhalten.
E.3	**Beschreibung der Angebotskonditionen.**	Der Prospekt bezieht sich auf das Angebot von 57.500.000 auf den Inhaber lautenden Stammaktien ohne Nennbetrag (Stückaktien) der Gesellschaft, jeweils mit einem anteiligen Betrag am Grundkapital von EUR 1,00 und mit voller Dividendenberechtigung in Euro ab dem 1. Januar 2019 (das „**Angebot**"), bestehend aus: • 50.000.000 bestehenden auf den Inhaber lautenden Stammaktien ohne Nennbetrag (Stückaktien) aus dem Bestand der Bestehenden Aktionärin (die „**Basisaktien**"); und • 7.500.000 bestehenden auf den Inhaber lautenden Stammaktien ohne Nennbetrag (Stückaktien) aus dem Bestand der Bestehenden Aktionärin im Zusammenhang mit einer möglichen Mehrzuteilung (die „**Mehrzuteilungsaktien**", und zusammen mit den Basisaktien die „**Angebotsaktien**"). Das Angebot besteht aus erstmaligen öffentlichen Angeboten in Deutschland und Schweden sowie Privatplatzierungen in bestimmten Rechtsordnungen außerhalb Deutschlands und Schwedens. In den Vereinigten Staaten von Amerika (die „**Vereinigten Staaten**" oder die „**USA**") werden die Angebotsaktien nur qualifizierten institutionellen Anlegern im Sinne von Rule 144A des U.S.

Securities Act von 1933 in der geltenden Fassung (der „**Securities Act**"), im Rahmen von Transaktionen welche vom Registrierungserfordernis des Securities Acts ausgenommen sind, angeboten und verkauft. Außerhalb der Vereinigten Staaten werden die Angebotsaktien nur im Rahmen von Offshore-Transaktionen in Übereinstimmung mit Regulation S des Securities Act angeboten und verkauft.

Angebotszeitraum.

Der Zeitraum, in dem Anleger Kaufangebote für die Angebotsaktien abgeben können, beginnt voraussichtlich am 17. Juni 2019 und endet voraussichtlich am 27. Juni 2019 (der „**Angebotszeitraum**"). Angebote zum Kauf von Angebotsaktien können (i) bis 12:00 Uhr mittags (MEZ) von Privatanlegern und (ii) bis 14:00 Uhr (MEZ) von institutionellen Anlegern am letzten Tag des Angebotszeitraums abgegeben werden. Preislimits für Kaufangebote in EUR von Privatanlegern (außer Schwedischen Privatanlegern (wie nachstehend definiert)) müssen auf volle Eurobeträge oder Nachkommabeträge von 25, 50 oder 75 Eurocent lauten.

Privatanleger, die an dem öffentlichen Angebot in Schweden teilnehmen („**Schwedische Privatanleger**"), müssen ihre Kaufangebote über die SEB abgeben. Kaufangebote von Schwedischen Privatanlegern müssen sich auf mindestens 40 Aktien und höchstens 3.000 Aktien, in Vielfachen von 20 Aktien beziehen.

Institutionelle Anleger dürfen wählen, ob sie ihre Kaufangebote in EUR oder in SEK abgeben.

Preisspanne und Angebotspreis.

Die Preisspanne für das Angebot, innerhalb derer Kaufangebote abgegeben werden können, beträgt EUR 27,00 bis EUR 33,00 je Angebotsaktie (die „**Preisspanne**"). Die Preisspanne entspricht SEK 288,92 bis SEK 353,12 je Angebotsaktie, umgerechnet zum EUR/SEK-Wechselkurs am Tag vor der Veröffentlichung dieses Prospekts, d.h. dem 13. Juni 2019, um 17:00 Uhr (MEZ), wie auf der Bloomberg-Website unter www.bloomberg.com/quote/EURSEK:CUR angezeigt.

Der Angebotspreis (der „**Angebotspreis**") und die endgültige Anzahl an Aktien, die im Rahmen des Angebots platziert werden, werden am Ende des Bookbuilding-Verfahrens von der Bestehenden Aktionärin in Abstimmung mit den Joint Global Coordinators festgelegt. Der Angebotspreis wird auf der Grundlage der von den Anlegern während des Angebotszeitraums abgegebenen Kaufangebote, die in dem während des Bookbuilding-Verfahrens erstellten Orderbuch gesammelt worden sind, festgelegt. Der Angebotspreis wird in EUR festgelegt und für Schwedische Privatanleger und institutionelle Anleger, die gewählt haben, ihre Kaufangebote in SEK abzugeben, zum EUR/SEK-Wechselkurs um 12:00 Uhr mittags (MEZ) am letzten Tag des Angebotszeitraums (voraussichtlich der 27. Juni 2019) (wie auf der Bloomberg-Website unter www.bloomberg.com/quote/EURSEK:CUR angezeigt) in SEK umgerechnet (der „**In SEK Umgerechnete Angebotspreis**").

Nachdem der Angebotspreis festgelegt worden ist, werden die Angebotsaktien den Anlegern auf der Grundlage der dann verfügbaren Kaufangebote zugeteilt. Der Angebotspreis, die endgültige Anzahl von Aktien, die im Rahmen des Angebots platziert werden (d.h. das Ergebnis des Angebots), und der In SEK Umgerechnete Angebotspreis werden voraussichtlich

am 27. Juni 2019 durch eine Ad-hoc-Mitteilung über ein elektronisches Informationssystem und auf der Webseite der Gesellschaft unter www.traton.com in der Rubrik „Investor Relations" veröffentlicht.

Änderung der Angebotsbedingungen.

Verringerungen der Anzahl der Angebotsaktien, Änderungen der Preisspanne oder eine Verlängerung oder Verkürzung des Angebotszeitraums werden Angebote zum Erwerb der Angebotsaktien, die bereits abgegeben worden sind, nicht unwirksam machen. Falls solche Änderungen die Veröffentlichung eines Nachtrags zum Prospekt erfordern, steht Anlegern, die Kaufangebote vor der Veröffentlichung des Nachtrags abgegeben haben, ein Widerrufsrecht für diese Kaufangebote innerhalb von zwei Werktagen nach der Veröffentlichung des Nachtrags zu (§ 16 Abs. 3 WpPG). Anstelle des Widerrufs ihrer Kaufangebote für Angebotsaktien, die vor der Veröffentlichung des Nachtrags abgegeben worden sind, können Anleger innerhalb von zwei Werktagen nach der Veröffentlichung des Nachtrags ihre Kaufangebote ändern oder neue limitierte oder unlimitierte Kaufangebote abgeben.

Lieferung und Zahlung.

Die Lieferung der in dem Angebot platzierten Aktien gegen Zahlung des Angebotspreises oder, sofern anwendbar, des In SEK Umgerechneten Angebotspreises und üblicher Wertpapiergebühren wird für den 2. Juli 2019 erwartet. Die Angebotsaktien werden den Anlegern als Miteigentumsanteile an der Globalurkunde zur Verfügung gestellt.

Schwedische Privatanleger werden die von ihnen gekauften Aktien, soweit diese ihnen zugeteilt wurden, in SEK auf der Basis des In SEK Umgerechneten Angebotspreises bezahlen. Privatanleger, die am öffentlichen Angebot in Deutschland teilnehmen, werden die von ihnen gekauften Aktien, soweit diese ihnen zugeteilt wurden, in EUR auf der Basis des Angebotspreises bezahlen.

Institutionelle Anleger werden,

- die von ihnen gekauften Aktien in EUR auf der Basis des Angebotspreises in EUR bezahlen, soweit sie gewählt haben, ihre Kaufangebote in EUR abzugeben und soweit ihnen diese Aktien zugeteilt wurden, und
- die von ihnen gekauften Aktien in SEK auf der Basis des In SEK Umgerechneten Angebotspreises bezahlen, soweit sie gewählt haben, ihre Kaufangebote in SEK abzugeben und soweit ihnen diese Aktien zugeteilt wurden.

Cornerstone-Investor.

Am 14. Juni 2019 haben die Pensionsförsäkring AB als Cornerstone Investor (der „**Cornerstone Investor**"), die Bestehende Aktionärin und die Gesellschaft eine Cornerstone Investorenvereinbarung abgeschlossen, gemäß derer sich der Cornerstone-Investor verpflichtet, Aktien bis zu einem maximalen Gesamtkaufpreis von EUR 200.000.000 in dem Angebot zu erwerben. Die Zahl der Aktien, die sich der Cornerstone Investor zu kaufen verpflichtet hat, wird berechnet, indem dieser maximale Gesamtkaufpreis durch den Angebotspreis geteilt wird und die so berechnete Zahl der Aktien auf die nächste volle Zahl abgerundet wird (die „**Cornerstone Aktien**"). Der gesamte Kaufpreis, der von dem Cornerstone Investor für die Cornerstone Aktien zu zahlen ist, ist der Betrag, der dem Angebotspreis multipliziert mit den

Cornerstone Aktien entspricht. Die Bestehende Aktionärin hat zugestimmt, die Konsortialbanken anzuweisen, dem Cornerstone-Investor die Cornerstone Aktien im Rahmen des Angebots bevorzugt zuzuteilen. Der Cornerstone-Investor wird keine Gegenleistung für seine Bereitschaft, in die Gesellschaft zu investieren, erhalten.

Stabilisierungsmaßnahmen, Mehrzuteilung und Greenshoe-Option.

Im Zusammenhang mit der Platzierung der Angebotsaktien handelt Goldman Sachs International oder die mit ihr verbundenen Unternehmen als Stabilisierungsmanager für Rechnung der Konsortialbanken (der „**Stabilisierungsmanager**") und kann als Stabilisierungsmanager in Übereinstimmung mit Art. 5 Abs. 4 und 5 der Verordnung (EU) Nr. 596/2014 des Europäischen Parlaments und des Rats vom 16. April 2014 über Marktmissbrauch in Verbindung mit Art. 5 bis 8 der Delegierten Verordnung (EU) 2016/1052 der Kommission vom 8. März 2016 Mehrzuteilungen vornehmen und Stabilisierungsmaßnahmen ergreifen, um den Börsenkurs der Aktien der Gesellschaft zu stützen und dadurch einen etwaigen, durch kurzfristige Anleger verursachten Verkaufsdruck zu mindern und für die Aktien der Gesellschaft geordnete Marktverhältnisse aufrechtzuerhalten.

Der Stabilisierungsmanager ist nicht zur Durchführung von Stabilisierungsmaßnahmen verpflichtet. Daher besteht keine Gewähr, dass Stabilisierungsmaßnahmen ergriffen werden. Soweit Stabilisierungsmaßnahmen ergriffen werden, können sie jederzeit und ohne Ankündigung beendet werden. Solche Maßnahmen können ab dem Zeitpunkt der Aufnahme des Handels der Aktien der Gesellschaft am regulierten Markt der Frankfurter Wertpapierbörse und am regulierten Markt (*reglerad marknad*) der Nasdaq Stockholm (*börsen*) vorgenommen werden und müssen spätestens 30 Kalendertage nach diesem Zeitpunkt beendet sein (d.h. am 28. Juli 2019 (der „**Stabilisierungszeitraum**")). Stabilisierungsmaßnahmen zielen auf die Stützung des Aktienkurses der Gesellschaft während des Stabilisierungszeitraums ab. Diese Maßnahmen können dazu führen, dass der Börsenkurs der Aktien der Gesellschaft höher ist, als es ohne solche Maßnahmen der Fall gewesen wäre. Des Weiteren kann sich der Börsenkurs der Aktien vorübergehend auf einem Niveau bewegen, das nicht von Dauer ist. Stabilisierungsmaßnahmen dürfen nicht oberhalb des Angebotspreises durchgeführt werden.

Zur Erleichterung solcher Stabilisierungsmaßnahmen können Anlegern zusätzlich zu den Basisaktien bis zu 7.500.000 Mehrzuteilungsaktien als Teil der Zuteilung der Angebotsaktien zugeteilt werden (die „**Mehrzuteilung**"). Zum Zwecke einer solchen möglichen Mehrzuteilung hat die Bestehende Aktionärin eingewilligt, dem Stabilisierungsmanager, der für Rechnung der Konsortialbanken handelt, bis zu 7.500.000 Mehrzuteilungsaktien als Wertpapierdarlehen zur Verfügung zu stellen. Die Gesamtzahl der Mehrzuteilungsaktien wird dabei 15 % der endgültigen Anzahl der bei Anlegern platzierten Basisaktien nicht übersteigen. Die Bestehende Aktionärin hat den Konsortialbanken ferner eine Option zum Erwerb einer Anzahl von Aktien der Gesellschaft, die der Anzahl der Mehrzuteilungsaktien entspricht, zum Angebotspreis abzüglich der vereinbarten Provisionen (die „**Greenshoe-Option**") eingeräumt.

Der Stabilisierungsmanager, handelnd für Rechnung der Konsortialbanken, ist berechtigt, die Greenshoe-Option während des Stabilisierungszeitraums in dem Umfang auszuüben, wie Mehrzuteilungsaktien Anlegern im Rahmen des Angebots zugeteilt wurden. Dabei wird die Anzahl der Aktien, für welche die Greenshoe-Option ausgeübt werden kann, um die Anzahl derjenigen Aktien reduziert, die von dem Stabilisierungsmanager am Datum der Ausübung der Greenshoe-Option gehalten werden und von ihm im Zusammenhang mit Stabilisierungsmaßnahmen erworben wurden.

Der Stabilisierungsmanager wird eine angemessene Bekanntgabe von Stabilisierungsmaßnahmen einschließlich der Ausübung der Greenshoe-Option gemäß der Delegierten Verordnung (EU) 2016/1052 der Kommission sicherstellen.

E.4 Wesentliche Interessen an der Emission/dem Angebot, einschließlich Interessenkonflikten.

Im Zusammenhang mit dem Angebot und der Zulassung der Aktien der Gesellschaft zum Handel sind die Konsortialbanken eine Vertragsbeziehung mit der Gesellschaft und der Bestehenden Aktionärin eingegangen.

Die Konsortialbanken handeln bei dem Angebot und der Koordination der Strukturierung und Durchführung des Angebots für die Gesellschaft und die Bestehende Aktionärin. Darüber hinaus wurden die Joint Global Coordinators als Designated Sponsor für die Aktien der Gesellschaft und die UniCredit Bank AG als Zahlstelle mandatiert. Nach erfolgreicher Durchführung des Angebots erhalten die Konsortialbanken eine Provision, deren Höhe vom Ergebnis des Angebots abhängt. Als Folge dieser Vertragsbeziehungen besteht seitens der Konsortialbanken ein finanzielles Interesse an einem erfolgreichen Angebot zu den bestmöglichen Bedingungen.

Die Konsortialbanken oder mit ihnen verbundene Unternehmen unterhalten gegenwärtig und möglicherweise in der Zukunft weiterhin von Zeit zu Zeit Geschäftsbeziehungen mit der Gesellschaft und der Bestehenden Aktionärin, einschließlich Darlehensgeschäften, oder erbringen möglicherweise im Rahmen des gewöhnlichen Geschäftsbetriebs Dienstleistungen für die Gesellschaft oder die Bestehende Aktionärin.

Die Bestehende Aktionärin erhält die Erlöse aus dem Angebot. Unter der Annahme einer vollständigen Platzierung sämtlicher Angebotsaktien zum Mittelwert der Preisspanne und der vollständigen Ausübung der Greenshoe-Option und nach Abzug der Gebühren und Aufwendungen, die im Zusammenhang mit dem Angebot an die Konsortialbanken zu zahlen sind, würden sich die der Bestehenden Aktionärin zufließenden Erlöse aus dem Angebot auf ca. EUR 1.610 Millionen bzw. 100,0 % des gesamten Nettoerlöses aus dem Angebot belaufen.

Dementsprechend hat die Bestehende Aktionärin ein Interesse an dem Erfolg des Angebots zu den bestmöglichen Bedingungen. Die Mitglieder des Vorstands der Gesellschaft (der „**Vorstand**“) haben unter bestimmten Umständen ein Recht auf Vorauszahlungen nach dem IPO. Dadurch hat jedes Mitglied des Vorstands ein finanzielles Interesse an der Durchführung des Angebots.

Abgesehen von den oben beschriebenen Interessen bestehen keine wesentlichen Interessen in Bezug auf das Angebot, insbesondere bestehen keine Interessenkonflikte

(einschließlich potenzieller Interessenkonflikte), die für das Angebot wesentlich sind.

E.5	**Name der Person/des Unternehmens, die/das das Wertpapier zum Verkauf anbietet.**	Die Angebotsaktien werden von den Konsortialbanken zum Verkauf angeboten.

Lock-up-Vereinbarungen: Beteiligte Parteien und Angabe des Lock-up-Zeitraums.

Im Übernahmevertrag, zwischen der Gesellschaft, der Bestehenden Aktionärin und den Konsortialbanken vom 14. Juni 2019 (der „**Übernahmevertrag**") hat sich die Gesellschaft gegenüber jeder der Konsortialbanken dazu verpflichtet, soweit rechtlich zulässig, innerhalb des Zeitraums, der am Datum des Übernahmevertrags beginnt und sechs Monate nach dem ersten Handelstag der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse und der Nasdaq Stockholm (*börsen*) endet, Folgendes nicht ohne die vorherige schriftliche Zustimmung der Joint Global Coordinators, deren Zustimmung nur aus wichtigem Grund verweigert oder zurückgehalten werden darf, zu tun oder sich dazu zu verpflichten:

- eine etwaige Erhöhung des Grundkapitals der Gesellschaft aus genehmigtem Kapital oder bedingtem Kapital anzukündigen oder zu bewirken, oder
- einer Hauptversammlung einen Vorschlag für einen Direktkapitalerhöhungsbeschluss vorzulegen, oder
- die Ausgabe von Wertpapieren mit Wandel- oder Optionsrechten in bzw. auf ihre Aktien anzukündigen, zu bewirken oder vorzuschlagen, oder
- eine Transaktion abzuschließen oder eine Handlung vorzunehmen, die den in den vorherigen Punkten beschriebenen Transaktionen oder Handlungen wirtschaftlich ähnlich ist.

Der Gesellschaft ist es aber gestattet, (i) ihre Aktien oder anderen Wertpapiere an Mitglieder von Leitungsorganen oder Mitarbeiter der Gesellschaft oder ihrer Tochtergesellschaften nach Maßgabe üblicher Management- bzw. Mitarbeiterbeteiligungspläne auszugeben oder zu verkaufen und (ii) jegliche gesellschaftsrechtliche Maßnahmen vorzunehmen, die auf den Abschluss eines Joint Ventures, anderen Formen von Kooperation und Erwerbe abzielen, vorausgesetzt, dass sich die andere Partei dazu verpflichtet, die Beschränkungen der Bestehenden Aktionärin bezüglich der Veräußerung der Aktien der Gesellschaft gemäß dem Übernahmevertrag einzuhalten.

Darüber hinaus hat sich die Bestehende Aktionärin gegenüber jeder der Konsortialbanken dazu verpflichtet, innerhalb des Zeitraums, der am Datum des Übernahmevertrags beginnt und sechs Monate nach dem Tag des Vollzugs des Angebots (wobei der Tag des Vollzugs voraussichtlich zwei Werktage nach dem ersten Handelstag eintreten wird) Folgendes nicht ohne die vorherige schriftliche Zustimmung der Joint Global Coordinators, deren Zustimmung nur aus wichtigem Grund verweigert oder zurückgehalten werden darf, zu tun oder sich dazu zu

verpflichten (soweit nicht im Übernahmevertrag anders angegeben):

- von ihr oder ihren Tochtergesellschaften (außer Mitgliedern der Gruppe) gehaltene Aktien der Gesellschaft (direkt oder indirekt) anzubieten, zu verpfänden, zuzuteilen, zu verkaufen, sich zu deren Verkauf vertraglich zu verpflichten, eine darauf bezogene Kaufoption oder vertragliche Kaufverpflichtung zu verkaufen, eine darauf bezogene Verkaufsoption zu erwerben, eine darauf bezogene Kaufoption oder ein darauf bezogenes Kauf- bzw. Bezugsrecht zu gewähren oder solche Aktien auf andere Weise zu übertragen oder zu veräußern (diese Aktien, gehalten von der Bestehenden Aktionärin oder ihren verbundenen Unternehmen, die **„Lock-up-Aktien"**);
- einen Swap oder eine andere Vereinbarung abzuschließen, welche ganz oder teilweise das wirtschaftliche Risiko des Eigentums der Lock-up-Aktien auf andere überträgt, unabhängig davon, ob eine der Transaktionen, die in diesem Punkt oder im vorherigen Punkt beschrieben sind, durch Lieferung von Lock-up-Aktien oder betreffenden anderen Wertpapieren, durch Barausgleich oder auf sonstige Weise zu erfüllen ist;
- die Registrierung von Aktien der Gesellschaft oder Wertpapieren, die in Aktien der Gesellschaft wandelbar oder gegen Aktien der Gesellschaft ausübbar oder umtauschbar sind, nach US-amerikanischen Wertpapiergesetzen zu verlangen oder ein Recht bezüglich einer solchen Registrierung auszuüben;
- eine Erhöhung des Grundkapitals der Gesellschaft vorzuschlagen, eine Hauptversammlung einzuberufen oder auf andere Weise für eine vorgeschlagene Erhöhung des Grundkapitals zu stimmen oder auf andere Weise einen Vorschlag für die Ausgabe von Wertpapieren, die in Aktien der Gesellschaft wandelbar sind oder Optionsrechte auf Aktien der Gesellschaft gewähren, zu machen oder einen solchen Vorschlag zu unterstützen oder dafür zu stimmen; oder
- eine Transaktion abzuschließen oder eine Handlung vorzunehmen, die den in den vorherigen Punkten beschriebenen Transaktionen oder Handlungen wirtschaftlich ähnlich ist.

Die ersten beiden vorstehenden Punkte finden keine Anwendung auf Verkäufe an Personen oder Unternehmen, die selbst gegenüber den Joint Global Coordinators der Einhaltung des Lock-up-Zeitraums der Bestehenden Aktionärin zugestimmt haben. Darüber hinaus wird klarstellend festgehalten, dass diese Bestimmungen nicht für die Basisaktien und Mehrzuteilungsaktien gelten.

E.6	**Betrag und Prozentsatz der aus dem Angebot resultierenden unmittelbaren Verwässerung.**	Entfällt. Das Angebot wird nicht die Ausgabe neuer Aktien der Gesellschaft umfassen. Der Nettobuchwert der Gesellschaft (berechnet als Bilanzsumme abzüglich der Summe aus kurz- und langfristigen Schulden wie in dem Ungeprüften Verkürzten Konzernzwischenabschluss ausgewiesen) zum 31. März 2019 belief sich auf EUR 13.313 Millionen.

E – Angebot

		Der Nettobuchwert je Aktie der Gesellschaft zum 31. März 2019 belief sich auf EUR 26,63 (auf der Grundlage von 500.000.000 Aktien der Gesellschaft unmittelbar vor dem Angebot). Die Gesellschaft wird keine Erlöse aus dem Angebot erhalten und wird auch nicht die Kosten des Angebots tragen. Unter der Annahme eines Angebotspreises in der Mitte der Preisspanne von EUR 30,00 würde der Angebotspreis den Nettobuchwert je Aktie der Gesellschaft von EUR 26,63 um EUR 3,37 übersteigen. Infolgedessen würden Anleger, die im Rahmen des Angebots Angebotsaktien erwerben, eine unmittelbare Verwässerung von 11,25 % je Aktie der Gesellschaft (auf der Grundlage von 500.000.000 Aktien) erfahren, sofern der Nettobuchwert der Gesellschaft ansonsten vom 31. März 2019 an unverändert bleibt.
E.7	**Geschätzte Ausgaben, die dem Anleger vom Emittenten in Rechnung gestellt werden.**	Entfällt. Anlegern werden von der Gesellschaft oder den Konsortialbanken im Zusammenhang mit ihrer Rolle als Konsortialbanken keine Kosten in Rechnung gestellt.

1 RISK FACTORS

*Prospective investors should carefully review the following risk factors in conjunction with the other information contained in this prospectus before making an investment in the shares of TRATON SE (the "**Company**" and, together with its consolidated subsidiaries, the "**Group**" or the "**TRATON GROUP**"). The Group's three operating units that comprise its industrial business are MAN Truck & Bus SE and its consolidated subsidiaries ("**MAN T&B**"), Scania Vehicles & Services ("**Scania V&S**") (comprising the vehicles and services related business of Scania AB (publ) ("**Scania AB**") and its consolidated subsidiaries) and MAN Latin America Indústria e Comércio de Veículos Ltda. ("**MAN Latin America**") and its consolidated subsidiaries ("**VWCO**"). The Group's financial services business is comprised of the financial services related business of Scania AB. If these risks materialize, individually or together with other circumstances, they may have a material adverse effect on the Group's business, assets, results of operations and financial condition. In addition, the trading price of the Company's shares could decline and investors could lose all or a part of their investment. The risk factors are based on assumptions that could turn out to be incorrect. The Group believes that the factors described below represent the principal risks inherent in investing in the Company's shares, but additional risks not currently known to the Group or risks it currently believes are immaterial may also adversely affect the Group's business, assets, results of operations and financial condition. The order in which the individual risks are presented may not provide an indication of the likelihood of their occurrence nor of the severity or significance of the individual risks.*

Each prospective purchaser of shares of the Company must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of such shares is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the shares. A prospective purchaser may not rely on the Group, the underwriters or any of their respective affiliates in connection with its determination as to the legality of its acquisition of any of the Company's shares or as to the other matters referred to above. The term EU28+2 (excluding Germany) refers to the European Union excluding Germany, plus Norway and Switzerland.

1.1 Risks Relating to the Group's Business and Industry

1.1.1 Demand for the Group's products depends on economic and political conditions globally and in the Group's key markets, including Europe and South America

The Group's results of operations depend significantly on economic conditions globally and in its core markets, including, in particular, EU28+2 (excluding Germany), Germany, Brazil and South America (excluding Brazil), where it derived 47.9%, 18.4%, 7.6% and 3.0%, respectively, of its sales revenue in the fiscal year ended December 31, 2018.

Demand for the Group's commercial vehicles and services is principally driven by the needs of its customers, which include corporate customers engaged in logistics, long-haul freight, short-haul and intra-city delivery, distribution and construction businesses, among others, all of whom depend on robust economic conditions to maintain and grow their businesses. The Group also depends on demand from public transportation providers and other public sector customers that purchase and operate bus and other commercial vehicle fleets, and whose budgets are affected, directly or indirectly, by the macroeconomic environment and public sentiment. As a consequence, adverse economic developments, either globally or in the markets in which the Group operates, may result in diminished demand for the Group's products.

Economic conditions can be impacted by a number of factors, including volatility in global financial markets, macroeconomic policy, trade policy and conflicts, geopolitical events and public and private debt levels. A weak or uncertain economic environment may result in lower business volume, which, particularly when combined with rising costs of capital and low business and consumer confidence, may discourage businesses from upgrading or expanding their commercial vehicle fleets. Movements in the currency markets can also make the Group's products more expensive for customers and result in reduced demand in jurisdictions with weakening currencies. Demand for the Group's vehicles, in particular its buses, may in addition be affected by the state of public finances and fiscal austerity programs in cities and regions where the Group has a significant customer base. Furthermore, geopolitical events, terrorism, natural catastrophes or other unforeseen events may prompt unexpected, short-term responses from the markets and declines in demand for the Group's products.

Europe, and particularly the Eurozone, is facing a number of structural issues, such as a potential sovereign debt crisis and political instability in member states, each of which could pose a threat to future European integration and cause prolonged economic uncertainty or an economic downturn. Economic and financial conditions have also been affected, and may be further adversely affected, by the United Kingdom's decision to exit from the European Union ("**Brexit**"), the trade dispute between the United States and

China and increasing uncertainty with regard to global trade and tariff accords. Further uncertainty during and after the period of the Brexit negotiation or regarding the stability of the global trade and tariff framework is also expected to have a negative economic impact, particularly on consumer spending and capital investments, as well as heightened market volatility. See also "*1.1.3 The Group's business could be adversely affected by the imposition or, in certain cases, the elimination of, protectionist measures, including tariffs and other barriers to trade*."

In Brazil, the Group's largest individual market in South America, the Group's business has been adversely affected in recent years as a result of an economic recession in 2015 and 2016 and political instability. While the Brazilian economy has seen a modest recovery since 2017, a number of developments, including a nationwide strike of independent truckers over diesel and freight prices in May 2018, uncertainty following the election of a new government in November 2018, growing debt sustainability concerns and restricted access to capital, have continued to affect Brazil and may jeopardize its further recovery from recession. See also "*1.2.1 The Group is subject to risks related to its international operations.*"

Any economic downturn, lower than expected growth or an otherwise uncertain economic outlook either globally or in the markets in which the Group operates, or any perception thereof by the Group's customers, could have a material adverse effect on the Group's business, results of operations and financial condition.

1.1.2 The commercial vehicle industry is subject to significant cyclicality

The commercial vehicle industry is highly cyclical, which means that periods of investment in commercial vehicles are generally followed by slower periods in which demand for them declines. The length, timing and intensity of specific demand cycles, which may affect individual market segments, customer groups and regions in which the Group operates, are subject to uncertainty.

The heavy-duty truck industry is sensitive to business cycles in the manufacturing and industrial sectors, which generate a significant portion of freight tonnage hauled and are in turn dependent on the overall business environment. See also "*1.1.1 Demand for the Group's products depends on economic and political conditions globally and in the Group's key markets, including Europe and South America.*" Demand cycles for commercial vehicles may further be affected by regulatory developments, such as increases in road tolls, which may result in lower demand for certain vehicles, or changes in emissions standards, which can lead to increasing demand prior to the effective date of such new developments and decreasing demand thereafter. For example, in 2013 the Group experienced a so-called "pre-buy" effect with an increase in demand for its products in the European Union prior to the implementation of Euro VI emissions standards for trucks, followed by a decrease in demand in 2014. Demand for commercial vehicles is also influenced by actual or expected changes to interest rate levels, fuel costs, and fleet replacement strategies, among other external factors, making forecasts of demand highly unpredictable.

The market for buses can be unpredictable and may not always follow traditional business cycles. New bus orders vary from year to year and are influenced, among other factors, by major replacement programs, the introduction of new regulatory standards, shifts in tourism trends and the expansion of transit systems and other networks by transit authorities, which in turn depend on public and private funding for such purposes. Such projects can be curtailed or withdrawn as a result of changes in the political, economic, fiscal or other conditions beyond the Group's control. For instance, the global economic crisis of 2008 and the subsequent European debt crisis led to fiscal austerity programs in some European countries in which investments in public transportation, including new city buses, were curtailed. Conversely, municipalities may also follow anti-cyclical investment cycles to promote economic development during economic downturns.

Cyclical or variable demand patterns resulting in a prolonged or unexpected decline in demand for the Group's products and services would have a material adverse effect on the Group's business, results of operations and financial condition.

1.1.3 The Group's business could be adversely affected by the imposition or, in certain cases, the elimination of, protectionist measures, including tariffs and other barriers to trade

Global economic developments are currently subject to a high degree of uncertainty with respect to barriers to trade. In particular, an introduction of regional or international trade barriers, including tariffs such as those recently imposed by the U.S. on selected imports from a number of trading partners and a broad range of imports from China and retaliation by those trading partners and China, withdrawal from or renegotiation of bi- and multilateral trade agreements by the U.S., or any countermeasures by regional or global trading partners, including the European Union, could have a negative impact on the global economic environment and thereby result in lower demand for the Group's products.

In May 2018, the U.S. Department of Commerce announced a national security investigation into automotive imports, which could lead to the introduction of tariffs on foreign trucks, cars and automotive

parts. Since then, U.S. President Trump has repeatedly threatened the imposition of a 25% tariff on vehicles from the European Union. Should such import tariffs be imposed and also lead to restrictions on the import and export of vehicle parts, any sale of powertrain components and other parts and components by the Group to the U.S. truck manufacturer Navistar pursuant to a partnership agreement could be directly and adversely affected. Barriers to trade could moreover increase the Group's production and vehicle costs by increasing the cost of vehicle parts and components, affecting both its cost of sales and demand for its products. The composition of the Group's vehicle production and assembly operations could also be adversely affected. In growing markets where the Group currently imports its products, such as China, among other countries, trade barriers, including local content requirements, could affect demand for the Group's products and margins. Localization of production is a complex and time-intensive process that could further affect the Group's results of operations.

Economic and financial conditions in Europe have also been affected, and may be further adversely affected, by Brexit. Depending on the outcome of Brexit, economic conditions in the United Kingdom, the European Union and global markets, including currency markets, may be adversely affected by reduced growth and heightened volatility, particularly if Brexit results in increased trade barriers between the European Union and the United Kingdom. Any such trade barriers could have a negative impact on volumes and costs both for the Group's vehicles and components produced in the European Union for sale in the United Kingdom. A sustained economic downturn in the United Kingdom as a result of Brexit would furthermore adversely affect the Group's sales in one of its largest individual markets in Europe. See also "*1.1.10 The Group's business depends on the timely availability of high-quality raw materials, parts and components at reasonable prices.*"

In certain markets, such as Brazil or Algeria, where the Group sells domestically manufactured products, the Group benefits from barriers to trade. If such trade barriers were to be reduced or lifted, this could negatively affect the Group's business in these markets by exposing it to greater competition from imports.

Any barriers to trade or other protectionist measures that increase the Group's cost of production or the price of its products and the elimination of any trade barriers from which it benefits could jeopardize the competitiveness of the Group's products and have an adverse effect on the Group's business, results of operations, financial condition and prospects.

1.1.4 The truck and bus manufacturing industry is highly competitive

The commercial vehicle industry is highly competitive and competition may intensify in the future.

The commercial vehicle sector is a mature industry with a limited number of established market participants. The Group's competitors include global truck and bus manufacturers such as Daimler AG and AB Volvo and a number of multi-regional, local and other truck and bus manufacturers.

Key factors affecting competition in the commercial vehicle industry include initial purchase price, fuel efficiency, product quality and performance, average downtime, the availability and terms of after-sale and other services as well as financing terms and the residual value of the vehicle, all of which affect total cost of ownership ("**TCO**"), a principal factor in the purchase decision of customers. Additional factors affecting competition include safety, reliability of delivery, recall history, customer service, design and driver comfort, as well as the ability to respond to specific customer needs with tailored products and services. Competition is moreover increasingly driven by technological leadership and the ability to respond to the evolving trends transforming the commercial vehicle industry, including alternative powertrains and fuels, connectivity and autonomous driving.

Some of the Group's competitors may have greater financial, marketing and operating resources than the Group, as well as broader geographic reach, particularly in markets with significant profitability potential, such as North America and Asia. The Group's current competitors or new entrants to the market in which the Group operates could adapt more quickly to the transformational changes currently facing the industry than the Group does, differentiate themselves more effectively, or improve the functionality or performance of their vehicle products and services more quickly or in a more cost-effective manner. Competitive pressure is also intensifying as a result of the continued globalization of the commercial vehicle sector and far-reaching cooperative arrangements between existing manufacturers.

The Group may face further competition from the market entry of new truck and bus manufacturers, particularly in emerging markets, and the entry of existing participants into new markets. For example, the Group is increasingly facing competition from Chinese manufacturers in the area of electric trucks and buses both in China and other markets, including Africa and Europe. In addition, the Group competes with new market participants seeking to disrupt the industry's historical business model through the introduction of new technologies, vehicles, vehicle components or services, new business models and new modes of transportation.

Competitive pressure will therefore encompass a wider range of competitors, products and services, including those that may be outside the Group's historical areas of focus, such as electric, alternative fuel, hybrid, connected and autonomous vehicles, as well as telematics and other digital services. Increased competition could result in pricing pressure, lost sales and lower margins and any failure by the Group to compete effectively would have a material adverse effect on its business, results of operations, financial condition and prospects.

1.1.5 The Group's future business success depends on its ability to respond to evolving market trends with innovative, attractive and energy-efficient products, technology and services on competitive terms

The commercial vehicle sector is facing a number of evolving market trends that are transforming the transportation industry. Growing environmental awareness, increasingly strict energy efficiency and exhaust emissions regulations and growing customer focus on TCO have resulted in a shift towards the development of commercial vehicles with alternative drive systems, and vehicles powered by alternative fuels or electricity. Connectivity-based vehicle features and telematics solutions helping customers improve TCO, such as fleet capacity optimization and predictive maintenance software, may reduce demand for trucks in the future. At the same time, TCO, driver shortages and safety considerations have catalyzed the development of autonomous driving technology. The Group's future success will be dependent on its ability to correctly assess and respond to these developments with innovative, commercially attractive products, technologies and services.

The Group is investing significantly to expand its range of truck and bus offerings in the areas of alternative drive systems and alternative fuels. This plan entails considerable risks beyond the Group's control, including uncertainties regarding future regulation, governmental support for, and broad market acceptance of, alternative drive systems and alternative fuels. A further risk in this regard is the availability of the necessary charging or refueling infrastructure and sufficient availability of required components, including batteries for electrified trucks and key raw materials required to produce them, including lithium and cobalt. Finally, there can be no assurance that the Group will be able to develop a commercially attractive product portfolio in the areas of alternative drive systems and alternative fuels or that it has the technological, organizational and financial ability to transform itself from a traditional truck and bus manufacturer into a provider of sustainable transport solutions and to successfully establish such a new brand image and market position.

The Group is further making significant investments in telematics and other connectivity-enabled services for the transport and logistics industry, such as fleet management, predictive maintenance, driver services and digital sales solutions, as well as solutions for new business models. However, the Group may not succeed in developing and scaling new capabilities in these rapidly evolving areas as quickly or successfully as some of its competitors, including, in particular, specialist providers. Telematics and other connectivity-enabled services also entail significant cross-functional complexity, which may result in cost overruns in their development, delays in the launch of new products, and product malfunctions.

Finally, the Group is also planning significant investments in autonomous driving technology. These investments present a number of risks, including uncertainties regarding future regulation of autonomous driving, the lack of widespread market acceptance, competition from software providers and other market participants, insufficient availability of necessary parts, components and technologies, such as LiDAR sensors, and legal and reputational risks related to product safety.

The Group's ability to bring new products to the market may require both significant external funding and reinvestment of profit, including to acquire additional equipment and production capacities. See also "*1.2.6 The Company may not succeed in financing or refinancing its capital requirements in due time and to the extent necessary, or at all, or it may finance or refinance on unfavorable terms and conditions*." Market developments are, however, difficult to predict and the Group may focus its investments in products and technologies that will not gain broad market acceptance. For example, the Group has made significant investments in battery electric vehicles, hybrids and vehicles powered by liquefied natural gas, but there can be no assurance that the market will not primarily adopt other alternative fuels.

If the Group miscalculates, delays recognition of, or fails to adapt to prevailing trends, regulatory and customer requirements with a commercially attractive product portfolio in a timely manner, if the necessary governmental support or regulatory framework fails to emerge, the necessary charging or refueling infrastructure is not developed, or the Group's products and services do not gain market acceptance, including as a result of uncompetitive TCO, this could result in unprofitable research and development ("**R&D**") investments and associated costs, inability to compete effectively and reputational damage, all of which could adversely impact the Group's business, results of operations, financial condition and prospects.

Further, as a result of increasingly strict energy efficiency and emissions regulation, TCO considerations, and consumer concerns regarding environmental sustainability, transport of goods may increasingly shift

from trucks to other modes of transport, including rail, and such change in customer preferences or a further shift in governmental regulations disfavoring transportation by truck could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

1.1.6 The Group may fail to achieve the targeted benefits from the strategic collaboration among its brands and operational performance improvements, including cost-saving measures

The Group operates in an industry where efficiency improvements and cost savings are crucial in order to maintain competitiveness and profitability. The Group's future success will therefore depend, in part, on its ability to realize long-term synergies from collaboration between the three operating units in its industrial business and to successfully implement operational efficiency programs within the operating units. However, there can be no assurance that the programs and initiatives identified by the Group to achieve this goal will yield the targeted benefits.

The Group targets long-term synergies in the amount of approximately EUR 0.7 billion from collaborative initiatives between the operating units in the areas of procurement, modularization of parts and components, joint powertrain platform (including a common base engine), new technologies and production and logistics footprint. However, there can be no assurance that these initiatives will yield the targeted synergies, or that they will not entail higher than expected implementation costs that could significantly reduce the targeted economic benefits. For example, the development of a new joint powertrain platform is a complex undertaking that may result in delays and higher costs than expected. See also "*1.1.13 Deviations from planning in connection with large projects, including, in particular, new vehicle generations, may result in cost overruns, delays and otherwise hinder their successful realization*."

The realization of synergies among the Group's three operating units moreover requires the close collaboration of a large number of individuals in businesses that have a limited history of close cooperation, are organized in separate legal entities and may not be organizationally or culturally compatible. The economic and other interests of individual operating units may not in all cases be aligned and it may not always be possible to implement measures across different legal entities, in particular in cases where the management of the relevant entity must also consider implications for other stakeholders (as is the case for MAN SE with its minority shareholders).

The Group has also put in place operational efficiency initiatives for each of its brands, including the Operational Excellence program at MAN, the Focus & Ambition program at Scania and a comprehensive turnaround plan for VWCO, each of which targets improvements both at the revenue and the profitability levels. 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 Group's synergy initiatives and operational efficiency programs will both require a significant amount of management resources, which may disrupt or otherwise have an adverse effect on the Group's ongoing business operations. Finally, the Group's ability to achieve the targeted benefits of synergies and operational efficiency programs is also dependent on assumptions relating to a number of external factors, including development of the market for trucks and buses, political, legal, fiscal, market and economic conditions, regulatory developments in the commercial vehicle industry, and tariff and wage increases, all of which are difficult to predict and are beyond the Group's control. These assumptions may prove to be inaccurate.

If the Group fails to achieve the targeted synergy and operational efficiency improvements, this may have a material adverse effect on its business, results of operations, financial condition and prospects.

1.1.7 The Group's future success is dependent on successful geographic expansion beyond its core markets of Europe and South America

The Group's ability to meet its stated objective of becoming a "Global Champion" in the transportation industry is dependent to a significant extent upon successful geographic expansion beyond its current core markets of EU28+2 (excluding Germany), Germany, Brazil and South America (excluding Brazil), where in the fiscal year ended December 31, 2018 it derived 47.9%, 18.4%, 7.6% and 3.0% of its sales revenue, respectively, and where it is therefore subject to significant concentration risk. Geographic expansion, whether through strategic alliances or otherwise, entails significant risks.

The Group's ability to expand its presence and/or market share in markets in which it has limited sales or operations, including Asia, is subject to risks relating to failure to understand the local markets, competition from incumbents, lack of brand recognition, costs associated with adapting and localizing products for specific countries, operational challenges, navigating laws and regulations in foreign jurisdictions (including with respect to foreign investment) and, in the case of emerging markets, political instability and less developed legal systems. See also "*1.2.1 The Group is subject to risks related to its international operations.*"

As part of its global expansion strategy, the Company currently maintains a 16.77% equity stake in the U.S. truck manufacturer Navistar International Corporation ("**Navistar**") and MAN SE holds an indirect equity investment of 25% plus one share in the Chinese truck maker Sinotruk (Hong Kong) Ltd ("**Sinotruk**"). As a minority shareholder in these companies, the Group has limited control, if any, over their strategic direction and operations and there can be no assurance that these businesses will be profitable, that dividends will be paid, and that the Group's investment in these entities allows it to access the profit pools associated with the U.S., Chinese or any other markets. For example, Navistar reported net losses each year from 2012 to 2016 before becoming profitable in 2017, the year in which the Group acquired its equity stake. In addition, Sinotruk is majority owned by a Chinese state-owned enterprise, whose strategy in relation to Sinotruk may be influenced by non-commercial considerations.

The Group further intends to draw on strategic partnerships and/or joint ventures with other truck manufacturers to expand its geographical reach. For example, the Group has a procurement joint venture with Navistar and is also pursuing joint ventures with Sinotruk and the Japanese truck manufacturer Hino Motors Ltd. ("**Hino**"). There can be no assurance that the Group's pursuit of partnerships and joint ventures will yield concrete results and allow the Group to access the relevant geographic markets on a meaningful scale, or at all. At the same time, reliance on partnerships and joint ventures exposes the Group to additional risks, including with respect to corporate governance. See also "*1.1.8 The Group is subject to risks relating to its cooperation with strategic partners and joint venture partners.*"

If the Group fails to successfully expand beyond its European and South American core markets, its ability to maintain profitable scale may be jeopardized. It may lose market share to competitors with greater geographical reach, be partially or completely shut out of profitable markets, and remain particularly exposed to market cyclicality, regulatory and other developments in Europe and Brazil. Any of these factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. See also "*1.1.1 Demand for the Group's products depends on economic and political conditions globally and in the Group's key markets, including Europe and South America.*"

1.1.8 The Group is subject to risks relating to its cooperation with strategic partners and joint venture partners

As part of its "Global Champion" strategy, the Group maintains partnerships and joint ventures with several strategic partners and associates, including for procurement, technology cooperation, and market access. For example, TRATON maintains a wide-ranging alliance with Navistar that includes a procurement joint venture, technology collaboration, and various agreements to supply certain powertrain components and related technologies to Navistar and to grant Navistar access to certain powertrain technologies and related technologies. TRATON on behalf of MAN and Sinotruk have entered into a non-binding letter of intent to deepen their strategic alliance in China, and TRATON is negotiating a procurement joint venture with Hino. The Group expects to rely to a greater extent on partnerships and collaborative arrangements for its strategic development and geographic expansion in the future.

The Group's participation in partnerships and joint ventures is subject to a number of risks and challenges, including:

- The Group's business and legal interests may not always be aligned with those of its partners and there can be no assurance that any of the Group's current or future joint ventures or partnerships will be successful, achieve their planned objectives and meet their targeted timelines;
- Joint ventures and partnerships may require an investment of considerable management, financial and operational resources to establish sufficient infrastructure such as risk management, compliance or other processes;
- Joint ventures and partnerships may be structurally complicated by the necessity of the parties anticipating and addressing issues of governance, control, dispute resolution and ownership of intellectual property and other assets, among many other matters;
- The Group may not have the level of strategic control over the joint venture or its strategic partner that it requires to fulfill its long-term goals or to prevent quality control issues, inefficiencies or other operational problems (including in situations where the management of the Group entity that is the counterparty of the arrangements with the strategic partner must also consider implications for other stakeholders, as is the case for MAN SE with respect to its minority shareholders);
- A joint venture partner may sell its stake in the joint venture to a buyer who is unattractive to the Group; and
- Joint ventures and partnerships may result in restrictions on the Group's ability to compete.

Furthermore, the Group's joint venture and business partners may take actions contrary to the Group's instructions or requests or contrary to its policies or objectives, be unable or unwilling to fulfill their

obligations under the relevant joint venture agreement, including compliance with reporting obligations and anti-corruption laws; or have financial difficulties. A serious dispute with one of the Group's joint venture or business partners or serious problems arising in one of its joint ventures may cause the loss of business opportunities or disruption to or termination of the relevant project or business venture. A dispute may also give rise to litigation or other legal proceedings, which would divert the Group's management's attention and other resources.

Joint ventures may also expose the Group's intellectual property and proprietary rights. See also "*1.3.8 The Group may not adequately protect its intellectual property and know-how or may be liable for the infringement of third-party intellectual property.*" Joint ventures may further be restricted by antitrust rules in certain jurisdictions. For example, the Group's planned purchasing joint venture with Hino is subject to merger clearance by regulatory authorities in several countries. See also "*1.3.2 The Group is exposed to legal risks regarding antitrust regulation and related enforcement actions and damage claims.*"

Entering into joint ventures or partnerships with companies in foreign countries may moreover expose the Group to changes in economic and political conditions in those foreign countries, as well as relevant laws and regulations. For example, the Group's relationship with Sinotruk exposes the Group to economic and political conditions in China. Although the relevant contracts and other documentation with Sinotruk are governed by Hong Kong law, the Group will be exposed to Chinese laws and regulations to the extent the joint venture maintains operations in China. See also "*1.2.1 The Group is subject to risks related to its international operations.*"

The Group is particularly exposed to these risks in relation to its partnerships, joint ventures and potential joint ventures in the United States, China and Southeast Asia, due to their strategic importance in terms of the Group's growth strategy. Failure or dissolution of these partnerships or joint ventures, or unexpected problems with respect to them, irrespective of any associated claims for damages arising from them, could adversely affect the Group's position and access to the strategically important North American and Asian markets. See also "*1.1.7 The Group's future success is dependent on successful geographic expansion beyond its core markets of Europe and South America*."

Any of the above risks, if they materialize, may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.1.9 Governmental regulations regarding climate change and vehicle exhaust emissions could result in substantial costs for the Group and there can be no assurance that the Group will be able to develop commercially viable products that comply with such regulations. Non-compliance with such regulations could result in regulatory proceedings, substantial fines and limitations on the Group's ability to market its products

Commercial vehicles are subject to a broadening range of increasingly strict and at times conflicting environmental laws and regulations around the world, in particular regulations to address climate change and vehicle exhaust emissions. Such laws and regulations may be unclear at times or change unexpectedly, leading to uncertainty and planning challenges for manufacturers of commercial vehicles. Compliance with such regulations can be costly, and there can be no assurance that the Group will be able to adapt its product portfolio to these requirements in a commercially viable manner.

In the European Union, CO_2 monitoring regulations are already in effect or will become effective in 2019 and 2020, depending on vehicle configuration, requiring heavy truck manufacturers, including the Group, to use a standard methodology to monitor carbon emissions and report them to authorities in EU member states.

In further pursuit of the European Union's goals under the Paris Agreement, the European Commission in 2018 proposed its first-ever regulation of CO_2 emissions by heavy-duty vehicles. In February 2019, representatives of the European Commission, the European Parliament and the European Council reached a political agreement on a new regulation targeting a 15% reduction in CO_2 emissions by trucks above 16 tons by 2025 and a 30% reduction by 2030, each compared to the benchmark time period of July 1, 2019 to June 30, 2020. In addition, the regulation imposes a system of supercredits for zero- and low-emission trucks for the period from 2019 to 2024 and quotas for zero- and low-emission trucks based on a benchmark system starting in 2025. The regulation contains very significant financial penalties per additional gram of CO_2 for trucks which exceed baseline CO_2 emissions, amounting to EUR 4,250 for each gram CO_2/t-km of excess emissions, per vehicle, for the period 2025 to 2029 and EUR 6,800 for each gram CO_2/t-km of excess emissions, per vehicle, from 2030 onwards.

The Group expects the regulation, which was approved by the European Parliament in April 2019 and received final approval from the EU member states in June 2019, to be costly and challenging to implement and there can be no assurance that the Group will be able to comply with it in a timely and

commercially viable manner, or at all. In particular, the Group's ability to comply with quotas for zero- and low-emission trucks will depend on a number of factors relating to the market acceptance of zero- and low-emission vehicles over which the Group has limited or no control, including, in particular, the development of a widely-available charging infrastructure for electric trucks and road toll reform, as well as other factors such as governmental policies and regulations supporting the development of electric vehicles, for example commercially viable regulations governing testing and type approval for zero- and low-emission vehicles, and the availability of financial incentives for the purchase of zero- and low-emission vehicles. In the event of non-compliance with the regulation, the financial penalties could have a material adverse effect on the Group's results of operations, financial position, reputation and prospects.

For the Group's light commercial vehicle offering in the European Union, consisting of the MAN TGE, regulations already impose CO_2 monitoring and emissions targets. The Group estimates that its MAN TGE fleet manufactured in 2020 and 2021 will not fulfill the emissions target of 147g CO_2/km which takes effect in 2020. Although the financial penalties are not expected to be significant, the failure to fulfill the applicable emissions target demonstrates the challenges of meeting such targets generally. Moreover, in December 2018, the European Commission, the European Parliament and the European Council agreed on further g CO_2/km reductions for new light commercial vehicle fleets of 15% by 2025 and 31% by 2030. There can be no assurance that the Group's light commercial vehicle offering will meet these future emissions targets.

Among other key jurisdictions in which the Group sells its products, China has also set targets to reduce CO_2 emissions from trucks and Brazil has initiated proposals for reducing the fuel consumption of heavy-duty commercial vehicles. The Group also has exposure to potential tightening of emissions regulations in the U.S., where it aims to sell powertrain and other components to Navistar and increase its operations.

In addition to climate change regulations, emissions standards, which seek to limit harmful pollutants such as NOx from vehicle exhausts, are in effect in a number of jurisdictions. In the European Union, emission standards for trucks are governed by the Euro VI regime, the sixth iteration of increasingly strict minimum standards. While the Group is able to offer its products with limited adjustments in markets that adhere to EU or U.S. emissions standards, such as Brazil, it is costlier for the Group to produce vehicles that comply with national standards that deviate from such uniform norms. For instance, China has implemented emissions regulations that reflect a mix of EU, U.S. and China-specific standards. Adapting commercial vehicles to diverging emission standards is technically challenging and costly, particularly in respect to often conflicting regulations regarding CO_2 and other pollutant emissions.

Compliance with climate change and exhaust emission regulations will require substantial investments in new technologies, including alternative drive systems and vehicles powered by alternative fuels. At the same time, there are limits to the Group's ability to achieve fuel efficiency improvements or develop alternative drive trains in a given timeframe, including relating to the cost and effectiveness of available technologies, the willingness of customers to absorb the additional costs of new technologies, the widespread availability of supporting infrastructure for new technologies (such as battery charging stations for electrified vehicles), and the human, engineering, and financial resources necessary to deploy new technologies across a wide range of products. There is no assurance that the Group will be able to produce and sell vehicles that use such technologies profitably or that customers will purchase such vehicles in the quantities sufficient for the Group to comply with applicable regulations in all jurisdictions in which it seeks to sell its products. Non-compliance with these regulations can moreover result in very substantial fines and penalties, which could have a strong negative impact on the Group.

A further tightening of regulations on exhaust emissions, including particulates, by commercial vehicles is likely in light of regulators' recent focus on emissions testing and on-road performance, particularly with respect to diesel engines. For example, a number of city and local governments across Europe have proposed regulations seeking to limit or ban the use of diesel vehicles with old emission standards. In Germany, a number of federal courts in 2018 issued decisions allowing municipalities to enact diesel bans for vehicles not meeting certain emission standards, and several large cities in Germany are currently implementing such bans in respect of passenger vehicles. Several countries, including France and China, have moreover announced their intention to ban diesel vehicles within the next two decades. Should commercial diesel vehicles become banned broadly in the Group's markets, this may adversely affect demand for the Group's diesel vehicles, the prices it is able to charge for them, or its ability to obtain or maintain the authorizations or certifications necessary to sell certain vehicles.

The cost to comply with existing government regulations is substantial, and such costs are likely to increase further in the future, given the expected increase in scrutiny, regulatory changes or novel interpretations of current regulations and stricter enforcement by regulators globally. A violation of applicable regulations could, depending on the circumstances, lead to administrative, civil or criminal action including resulting in

the imposition of penalties, fines, damages, recalls, restrictions on or revocations of the Group's permits and licenses (including vehicle certifications or other authorizations that must be in place before a particular vehicle may be sold in the authorizing jurisdiction), which in turn could have a material adverse effect on the Group's business, results of operations, financial condition, reputation and prospects.

1.1.10 The Group's business depends on the timely availability of high-quality raw materials, parts and components at reasonable prices

The Group purchases a broad range of materials, components and parts in connection with its manufacturing activities. These include steel, copper, aluminum, precious metals, rubber and plastics, rare earths such as cobalt and lithium, and parts and components containing such materials. The cost of such parts, components and materials represents a significant portion of the Group's total costs.

The prices of these materials, components and parts are susceptible to significant and at times sharp fluctuations, including as a result of global or regional supply/demand dynamics in the commodities markets and end markets, production capacity and constraints on the part of suppliers, transportation costs, infrastructure failures, government regulations and tariffs, geopolitical events, changes in currency exchange rates, price controls, the economic climate and other unforeseen circumstances. Market prices of the key raw materials and components that the Group sources have been on the rise in the period under review and may continue to rise in the future. Such price increases, along with increasing transportation costs, have created pressure on the Group's profit margins. If the prices of these or other raw materials increase further and the Group is not able to at least partially pass such increases on to customers or otherwise mitigate costs, the Group may face higher product costs that could in turn negatively affect its profitability.

The Group is also subject to the risk of supply shortages for key raw materials, parts and components. A shortage of these could arise from increases in demand due to strong economic and market conditions, decreases in extraction and production due to natural disasters, political instability or unrest or production limits imposed in extracting and producing countries. For example, China, which is currently the predominant producer of rare earth elements, has limited the export of such elements in the past and is increasingly using other mechanisms, such as an export licensing system or the imposition of higher raw material duties, which could limit access to such materials. Similarly, geopolitical risks exist with respect to supplies of cobalt, a key metal for battery production. See also "*1.1.3 The Group's business could be adversely affected by the imposition or, in certain cases, the elimination of, protectionist measures, including tariffs and other barriers to trade.*" Quality issues with respect to raw materials, components and parts may necessitate technical measures involving a considerable financial outlay where costs cannot be passed on to the supplier or only to a limited extent.

The Group is further exposed to supply chain risk with respect to Brexit. The United Kingdom's exit from the European Union could result in delays in the shipment and increases in the cost of materials, parts and components sourced from the United Kingdom. In addition, longer lead times in the supply chain could also increase the Group's costs as a result of a need to maintain production buffers and buffers of spare parts for the Group's rolling fleet in the United Kingdom. See also "*1.1.3 The Group's business could be adversely affected by the imposition or, in certain cases, the elimination of, protectionist measures, including tariffs and other barriers to trade*."

Finally, rapidly rising demand for certain new technologies, such as electrified powertrains, could require significant changes to the Group's supply chain and result in higher product costs and supply bottlenecks. In particular, an increasing shift to e-mobility throughout the industry is expected to result in price increases and bottlenecks in the supply of batteries and certain critical materials necessary to manufacture them (including lithium and cobalt), which could limit the Group's ability to commercialize electric vehicles profitably, or at all. Any of the foregoing risks, if they materialize, could have a material adverse effect on the Group's business, results of operations, financial condition or prospects. See also "*1.1.11 The Group is dependent on third-party suppliers*."

1.1.11 The Group is dependent on third-party suppliers

The Group is dependent on third-party suppliers for the timely delivery of high-quality materials and components for the manufacture of its vehicles. The Group generally sources materials, automotive parts and components from several suppliers; however, in some cases, the Group relies on one or a small number of suppliers. In these cases, the Group faces the risk of a production downtime and inventory backlogs 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. For example, the Group's sales in 2018 were adversely affected by a long-term labor strike at the German automotive supplier Neue Halberg Guss, on whom it relies as a single source for certain engine blocks. As a

result of high demand for the Group's products in certain markets in recent years, there have also been instances where suppliers were not able to deliver the necessary materials or components to the Group in a timely manner.

Suppliers may also exit certain business lines that the Company relies on or may for other reasons be unable or unwilling to fulfill delivery obligations. In such cases, the Group would need to find alternative materials and components, which may be costlier or less appropriate than the original ones, take longer than the notice period provided by the supplier, and/or require costly adjustments and a redesign or re-engineering of the Group's products. In addition to the risk of supply interruptions, which are exacerbated in the case of single-source suppliers, the exclusive supplier of a key component potentially could exert significant bargaining power over price, quality warranty claims or other terms relating to the component.

The Group's production of VWCO vehicles at its plant in Resende, Brazil uses a modular production system, Consórcio Modular, whereby partner suppliers assemble portions of the VWCO vehicles using their own employees at the site, with VWCO performing quality control. The Group is therefore particularly dependent on partner suppliers for both components and as an external workforce in order to produce VWCO vehicles and may be subject to heightened risks relating to product quality and the ability to meet delivery deadlines.

Any of the foregoing risks, if they materialize, could have a material adverse effect on the Group's business, results of operations, financial condition or prospects. See also "*1.1.10 The Group's business depends on the timely availability of high-quality raw materials, parts and components at reasonable prices.*"

1.1.12 Unforeseen business interruptions at production facilities may lead to production bottlenecks or downtime

The Group's success depends on the uninterrupted operation of its manufacturing operations. Unforeseen disruption of a production facility could be caused by a number of events, including a maintenance outage, power failure, equipment failure, fires, floods, earthquakes or other natural disasters, severe weather conditions, social unrest or terrorist activity, labor difficulties, public health concerns or other operational problems. A prolonged disruption at a manufacturing facility could result in production downtimes or temporary operation at reduced capacity preventing the Group from completing production orders in a timely manner, loss of business volume, reduced productivity or profitability at a particular production site, significant repair costs that are not covered by the Group's insurance coverage and, in severe cases, injuries or loss of life.

The Group is subject to concentration risk with respect to production interruptions. For instance, significant portions of truck production for the European market of MAN SE and its consolidated subsidiaries (excluding VWCO) (together, "**MAN**") are concentrated at three sites in Germany, Austria and Poland. For Scania AB and its consolidated subsidiaries (together, "**Scania**"), component production is concentrated in plants in Sweden, Brazil and Argentina and VWCO manufactures most of its vehicles at its Resende location in Brazil. A production downtime or stoppage at these facilities in particular or any of the Group's other production locations could have a material adverse effect on the Group's business, results of operations, financial condition and reputation.

1.1.13 Deviations from planning in connection with large projects, including, in particular, new vehicle generations, may result in cost overruns, delays and otherwise hinder their successful realization

The Group is subject to risks relating to deviation from planning in connection with large projects, including the development of new vehicle generations, vehicles or powertrains. 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, and poor performance of third-party suppliers and partners. These factors could result in significant cost overruns, delays in new product launches, delivery delays, quality issues and damage to customer relationships.

In particular, the development and ramp-up of a new truck or bus generation is a complex exercise requiring extensive planning and coordination throughout the Group and across different regions. The launch of Scania's new truck generation has resulted in additional implementation costs as a result of, among other factors, project complexities and supply chain disturbances, as well as higher than expected materials costs. There can be no assurance that Scania will not incur further cost overruns as a result of a delay in the phase out of costly dual production lines. MAN expects to launch its new truck generation in the period from 2019 to 2021 and similarly there can be no assurance that its development and roll-out will not result in cost overruns or ramp-up delays, or that a delay in its commercial launch will not adversely affect the brand's competitiveness. Moreover, new truck generations may not achieve the expected market

acceptance and the benefits from their introduction may be lower than expected. Similar risks apply to the development of new vehicles, engines and vehicle components, including VWCO's new extra-heavy truck and MAN's new fully electric city bus generation E4C (both of which the Group plans to start producing in 2020) and the 13 liter common base engine, which the Group intends to integrate into more than 50% of its heavy-duty trucks across all brands from 2025.

The Group may not manage these or other large projects as effectively as planned, and any deviation from planning in connection with such projects could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.1.14 The Group may not be able to adjust its production capacity in line with demand for its products

The Group plans its production capacity for its commercial vehicle projects several years in advance on the basis of expected sales developments. Although many of the Group's products are made-to-order, demand for commercial vehicles is a function of a wide range of factors, including market cyclicality and other dynamics, and cannot be estimated with any certainty. Moreover, most customer orders have unique specifications and require extensive customization of the Group's base offerings. In particular, the ongoing transformation in the transport and logistics industry makes it more difficult to forecast future sales of vehicles with alternative powertrains, hybrid vehicles, vehicles using alternative fuels and traditional commercial vehicles, which increases the risk of the Group's production planning. In addition, as the range of the Group's models increases, the risks related to production planning also increase.

If the Group overestimates demand for its products, there is a risk that available capacity will be underutilized, while pessimistic forecasts could result in insufficient capacity to meet demand. Lower than planned capacity utilization results in lower returns on the capital invested in building such capacity and in reduced profit margins, whereas insufficient capacity could result in lost business and customer dissatisfaction. This requires the Group to continuously adjust production capacity at its facilities worldwide. The Group utilizes certain measures such as flexible work hours, temporary workers and production network configuration to calibrate production capacity. However, neither the Group nor its key suppliers may be able to adjust production capacity sufficiently and in the timeframe required if demand fluctuates beyond their organizational and technical flexibility. For example, as a result of strong demand in some of the Group's markets, the Group has at times faced capacity constraints in recent years and was in certain instances not able to meet customer demand in a timely manner. In addition, the Group may not be able to adjust production capacity as planned for political, regulatory or legal reasons, such as employment laws that limit the Group's ability to adjust the size of its workforce in certain jurisdictions, such as Germany and Sweden. Any restructuring measures could lead to significant one-time costs.

Any of the foregoing risks, if they materialize, could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

1.1.15 Vehicle defects and other quality issues could lead to recalls, regulatory inquiries, delays in new product launches, penalties and legal liability

In order to maintain high quality standards for its products and to comply with government-prescribed safety and other standards, the Group incurs substantial costs for monitoring, certification and quality assurance. Meeting government-mandated vehicle standards is costly and often technologically challenging, particularly where required standards conflict with one another. As commercial vehicles become increasingly complex, including as a result of digitalization of components and communications among such components, the risk of vehicle defects increases. As the Group employs a modular component concept in the production of vehicles, the Group's risk with respect to product defects is moreover further increased because individual components are used in a number of different vehicle types, models and brands. Moreover, the adoption of new technologies, (many of which are still being refined for use in the transportation industry), including autonomous driving technologies and electric vehicles powered by lithium-ion batteries, may increase the Group's exposure to vehicle defects and product liability.

Applicable laws and governmental standards require manufacturers to take action to remedy defects related to vehicle safety and other standards, and a manufacturer may have to recall vehicles. Costs associated with delays in new model launches due to product defects and recall campaigns or warranty costs to remedy defects in vehicles that have been sold can be substantial. For example, MAN's Euro-5 EGR 12.4 liter D26 engine sold in the UK has been subject to warranty claims as a result of a technical issue with cooling systems, which had a significant impact on its results of operations. Vehicle manufacturers can also face regulatory investigations and fines for non-compliance with various governmental standards or rules as well as customer claims and litigation arising from any defects and

resulting consequences on product use or safety. Class action lawsuits, where available, and product liability, in particular, can have substantial financial consequences.

For example, the Group's controlling shareholder, Volkswagen AG, has faced government investigations in numerous jurisdictions around the world in connection with irregularities relating to exhaust emissions from diesel engines in certain vehicles. These investigations have resulted in wide-ranging product recalls and technical measures, administrative, civil and criminal liability, fines, very significant damages from consumer class actions, investor and other litigation, as well as reputational damage. The Group has experienced isolated quality issues with certain trucks in South Korea that have resulted in recalls, customer complaints, litigation and delays for customers in that market. Other manufacturers have had to conduct recalls due to safety defects in recent years.

The Group generally records warranty provisions in its accounts based on past experience and known claims, but there can be no assurance that such provisions will be adequate for any liability ultimately incurred as a result of potential vehicle defects. In addition, defective products, product liability claims, warranty claims, product recalls and other similar proceedings could damage the Group's reputation, which could in turn harm its customer relationships and result in reduced sales and ultimately could have a material adverse effect on the Group's business, results of operations and financial condition. See also "*1.3.3 The Company is subject to risks arising from legal disputes and government proceedings*" and "*1.3.10 The Group's insurance coverage may not be sufficient and insurance premiums may increase*."

1.1.16 The Group's success is dependent on the image of its brands and the brand image and reputation of its alliance partners

The Group's success is dependent on the good reputation and image of its various brands. To this end, the Group must earn customers' confidence by providing products and services that meet customer demand and appeal to customers' preferences, including with respect to sustainability, innovation, quality, reliability, and value (total cost of ownership). Moreover, as the Group is dependent on suppliers for several significant production components, the perception of the Group's vehicles can also be affected by the performance and quality of third-party supply components or broader perceptions of the commercial vehicle industry generally. If the Group is unable to effectively maintain and develop the image of its brands, for example as a result of an inability to provide safe, high-quality products and services or as a result of the failure to promptly implement safety measures such as recalls when necessary, vehicle unit sales or sale prices might decrease.

The recent issues faced by Volkswagen in relation to diesel exhaust emissions have negatively influenced customers' perception of the Volkswagen brand. The Group's vehicle brands are closely associated with Volkswagen, and there can be no assurance that future controversy or other developments regarding Volkswagen or its brands, which are beyond the Group's control, would not adversely affect the image and value of the Group's brands. VWCO, which relies on Volkswagen branding, is particularly exposed to this risk. Conversely, VWCO is also subject to the risk of no longer being able to use the Volkswagen trademark in the future if the relevant license agreement with Volkswagen AG were to be terminated.

In addition, as the Group further develops its strategic alliances and its brands become increasingly associated with associates and partners, the Group's exposure to risks relating to the brand image and reputation of third parties increases. The Group has little, if any, control over the strategic direction and management of Volkswagen or the Group's associates and strategic partners and any deterioration of their public image may jeopardize the image of its own brands. Finally, the Group is subject to reputational risk in connection with the sale of commercial vehicles to government or military customers should the activities in which its vehicles become deployed generate adverse publicity.

Any inability on the Group's part to maintain and develop the image of its brands, or failure of its parent, associates and strategic partners to successfully manage theirs, could adversely affect the Group's business, reputation, results of operations, financial condition and prospects.

1.1.17 The Group's multi-brand strategy may result in overlapping sales and a weakening of its brands

The Group has three principal truck and bus brands, MAN, Scania and VWCO. While each of these brands has its own clear brand positioning, they serve similar industries and many of their truck and bus products and after-sales offerings overlap. The similarity of the brands' product offerings, in particular those of MAN and Scania, increases the risk of an overlap in the marketing approach, which can have an adverse effect on the overall position and market share of the individual brands. For example, the Group's vehicle brands in certain instances compete with one another in tenders for customer contracts. Risks relating to an overlap in the product offerings of the three brands may be intensified by the Company's modular strategy, which incorporates certain platforms and components into certain products across all three principal brands. In

particular, the Group may face price erosion and lower margins for certain premium vehicles if more components are shared between brands.

These risks may lead to internal cannibalization, loss of sales or additional expenses associated with higher investment to reposition affected models or brands, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

1.1.18 The Group's ability to effectively market and distribute its products is an integral part of its sales model

The Group's success in the sale of vehicles and after-sale services depends on the ability of its brands to market and distribute their products effectively based on distribution networks and sales techniques tailored to the needs of their customers. Further, in many jurisdictions, the Group's products are sold by independent commercial vehicle dealers with whom the brands strive to maintain good working relationships and whom they aim to integrate into their respective marketing, sales and product strategies. However, there can be no assurance that the Group's and the dealers' interests are aligned. Moreover, there can be no assurances that the Group's brands will be able to adequately adapt their sales techniques and distribution networks to changing customer preferences or changes in the regulatory environment or local business practice in the major markets in which they operate. In markets where the Group relies on independent distributors for a significant portion of its business volume, the Group is also exposed to the risk of disruption in its distribution network in connection with financial instability or insolvency of important distributors, a risk that may become acute during financial downturns or crises. For example, during the market downturn in Brazil in 2015 and 2016, Scania had to take over distribution from a key distributor after the latter experienced solvency problems in order to avoid a significant loss in business volume, which resulted in unexpected costs and operational challenges.

In addition, in certain jurisdictions, such as Brazil and China, the legal framework limits the ability of original equipment manufacturers to distribute vehicles through captive dealerships, subject to certain exceptions. Should these exceptions be phased out, this could jeopardize the Group's current distribution practices in these markets.

Finally, laws and regulations in many jurisdictions govern sales practices and provide for governmental and private rights of action to address non-compliant practices. Failure to maintain well-developed sales techniques and distribution networks may result in decreased sales and market share, regulatory and legal inquiries and claims and could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

1.1.19 The Group's success is dependent on the performance of its after-sales business

The Group offers an array of after-sales services and parts to purchasers of its commercial vehicles, including workshop services, maintenance plans, spare parts and services for the management of customer operations, such as fleet management systems and driver coaching. The after-sales services business accounts for a significant portion of the Group's sales revenue and a proportionately greater portion of its operating result. There can be no assurance that the Group's after-sales business will generate the revenues and profitability that the Group expects, or that such services will not decline in importance over time. This could happen for a number of reasons, including:

- Declines in sales of new vehicles;
- Changes in economic conditions encouraging customers to become more price-conscious and less willing to commit to long-term service contracts;
- A large proportion of customers deciding to move their after-sales maintenance needs in-house or to other, potentially less expensive providers;
- Competitive pressure forcing the Group to reduce the prices it charges for after-sales services and/or parts, thereby reducing the Group's margins and profitability;
- The elimination by government authorities of design protection for "must-match" automotive parts, which refer to component parts used in the repair of a complex product so as to restore such product's original appearance, which would increase competitive pressure on the Group's after-sales business and in particular its sale of spare parts;
- The introduction of new or stricter government regulations regarding horizontal competition in the vehicle after-sales market;
- Growing market share of electric vehicles and other new products with a lower need for spare parts and after-sales services for certain new products; and
- Extended maintenance intervals as a result of product quality improvements.

The occurrence of any of the foregoing developments could adversely impact the Group's sales revenue and, in particular, its profitability, and result in a lower return on its investment in its service network. Because the Group's after-sales business tends to be less cyclical than the sale of commercial vehicles, a decline in the Group's business from after-sales services would moreover expose its financial results to greater volatility arising from economic cycles. The materialization of any of the above factors, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. See also "*1.3.7 The Group's after-sales business is subject to risks relating to regulation of the vehicle aftermarket*."

1.1.20 The Group is dependent on the success of Scania's financial services business and the ability to offer financial services to MAN and VWCO customers through Volkswagen Financial Services subsidiaries

The Group's business success is dependent on its ability to offer its vehicle customers a range of financial services, including financing, leasing and insurance. Such services facilitate the Group's sale and lease of its vehicles by offering customers financing options and other incentives. Scania has its own financial services business, which comprises the Group's Financial Services segment. MAN and VWCO customers are offered financial services through Volkswagen Financial Services subsidiaries.

As a captive finance operation, Scania's financial services business depends largely on its vehicle sales and a significant decline in vehicle deliveries would therefore adversely affect financial services income. Reasons for a decline in vehicle sales can be diverse, including weaker economic conditions in a key market, industry cyclicality or adverse regulatory developments. See also "*1.1.1 Demand for the Group's products depends on economic and political conditions globally and in the Group's key markets, including Europe and South America.*"

The Group's Financial Services segment also depends on Scania's ability to finance and refinance its capital needs on commercially attractive terms in order to be able to offer financial services to customers on attractive terms. Higher financing or refinancing costs, or inability to access capital altogether, including as a result of adverse changes in the credit ratings of Volkswagen AG and its subsidiaries (Volkswagen AG and its subsidiaries (including the TRATON GROUP), the "**Volkswagen Group**"), would have a negative effect on the competitiveness and profitability of the Group's financial services business. See also "*1.2.6 The Company may not succeed in financing or refinancing its capital requirements in due time and to the extent necessary, or at all, or it may finance or refinance on unfavorable terms and conditions.*"

MAN and VWCO are dependent on Volkswagen Financial Services subsidiaries to be able to offer their customers access to financing services. If Volkswagen were unable to offer such services to their customers on attractive terms, for example as a result of higher financing costs or reduced access to capital, the competitiveness of MAN and VWCO vehicles may suffer and sales may decline. The Group's financial services offerings are furthermore subject to financial regulations in the various jurisdictions in which they are offered, including a growing number of increasingly strict compliance rules. The cost of compliance with such regulations may be significant, and failure to comply could result in fines, penalties and the suspension or termination of such services.

Any failure to provide financial services to customers on commercially attractive terms, whether directly or through Volkswagen, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.1.21 The Group may fail to successfully identify, enter into or integrate acquisitions and or successfully execute disposals

The Group has made acquisitions and disposals in the past and may continue to enter into such transactions in the future. Corporate acquisitions and disposals are typically associated with significant risks.

The Group may not be able to identify suitable acquisition candidates in the future. Even if the Group does identify a suitable acquisition candidate, it may not be able to finance such acquisition on favorable terms or at all. Diligence reviews of acquisition targets may not identify all of the material issues necessary to accurately estimate the cost or potential loss contingencies with respect to a particular transaction, including potential exposure to regulatory sanctions resulting from an acquisition target's previous activities. The Group may incur unanticipated costs or expenses, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, litigation and other liabilities, including related to warranties. The Group may also encounter difficulties in integrating acquisitions with its operations, applying its internal controls processes to these acquisitions or in managing strategic investments. Target companies may be located in countries in which the underlying legal, economic, political and cultural conditions do not correspond to those customary in the European Union or have other national peculiarities with which the Group is not familiar. Moreover, any planned acquisition may be subject to review and

approval by the competition and other regulatory authorities of a number of jurisdictions, which may impede a planned transaction. See also "*1.3.2 The Group is exposed to legal risks regarding antitrust regulation and related enforcement actions and damage claims*."

The Group may not realize the targets for growth, economies of scale, cost savings, development, production and distribution targets, or other strategic goals that it seeks from the acquisition to the extent or in the timeframe anticipated and the attention of management and other personnel may be diverted for long periods of time. Moreover, the purchase price may prove to have been too high or unforeseen restructuring or integration expenses may become necessary. Thus, the Group's corporate acquisitions or the acquisition of equity interests in companies may not be successful, which could adversely affect the Group's business, results of operations, financial condition and prospects.

Furthermore, the Group may make strategic disposals from time to time. Disposals may result in continued financial involvement in the divested businesses, such as through guarantees or other financial arrangements, following the completion of the respective transactions. Under these arrangements, non-performance by those divested businesses could result in financial obligations for the Group and could affect its future financial results. In addition, the Group could be subject to potential liabilities resulting from contractual warranties and indemnities, as well as regulatory risks of not being able to obtain required approvals.

The materialization of any of the foregoing risks could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

1.1.22 The assumptions made in preparing the profit forecast and business outlook included in this Prospectus may prove incomplete or inaccurate

The profit forecast and business outlook included in this Prospectus reflect numerous assumptions made by the Group's management. These assumptions relate to commercial expectations and other external factors, including political, legal, fiscal, market and economic conditions and applicable legislation, regulations or rules, all of which are difficult to predict and are beyond the Group's control. Accordingly, the assumptions made in preparing the profit forecast and business outlook could prove incomplete or inaccurate and there may be differences between the Group's actual and projected results, which could be material and could in the future impact the price of the Offer Shares. The inclusion of the profit forecast and outlook in this Prospectus should not be regarded as an indication that the Group considers such financial targets to be achievable or any outlook to be reliable predictions of future events. Accordingly, investors should not place undue reliance on any of the profit forecast or outlook information included in this Prospectus.

1.2 Risks Related to the Group's General Operations

1.2.1 The Group is subject to risks related to its international operations

The Group has significant manufacturing operations in Europe, South America, Mexico, Asia and Africa and customers in more than 120 countries, including a number of emerging markets. As a result, the Group is subject to various risks inherent in international business operations, including:

- Political and economic instability and exposure to potentially undeveloped legal systems;
- Unexpected or unfavorable changes in foreign laws, regulatory requirements and related interpretations;
- Difficulties in attracting and retaining locally qualified management and employees; staffing challenges, including works councils, labor unions and immigration laws;
- Exposure to economic sanctions laws and regulations, trade barriers, local content requirements and import and export licensing requirements;
- Logistical and communications difficulties;
- Requirements to expend a portion of funds locally and governmental industrial cooperation requirements, coups, increased risk of fraud (e.g. by employees or suppliers) and political corruption, terrorism, or acts of war;
- Exposure to local public health issues and the resulting impact on economic conditions;
- The complexity of managing competing and overlapping tax regimes;
- Foreign currency exchange rate fluctuations and currency controls;
- Greater risk of uncontrollable accounts and longer collection cycles;
- The risk of government-sponsored competition; and
- Controls on the repatriation of cash.

In particular, the Group has significant operations in Brazil and derives a substantial portion of its revenues from customers in Brazil. As a consequence, the Group is subject to risks relating to regulatory, economic, social and political uncertainties in Brazil. In particular, the recovery of the Brazilian economy from recession in 2015 and 2016 has been dampened by a high level of political instability, including as a result of the removal from office of former president Dilma Rousseff following impeachment for violations of federal budgetary laws, and a federal investigation that uncovered widespread corruption. In 2018, a nationwide strike of independent truckers over diesel and truck freight prices brought the country to a near stand-still, and political uncertainty continued following the election of a new government in October 2018 and with respect to pension reform necessary to prevent a debt sustainability crisis. The Brazilian federal government frequently intervenes in the country's economy and occasionally makes significant changes in monetary, fiscal and regulatory policy. The Group's business, results of operations and financial condition may be adversely affected by changes in such policies, as well as fluctuations in the exchange rate of the Brazilian Real against the Euro, changes in interest rates, liquidity of the domestic markets for capital and loans; controls on foreign exchange and limitations on international trade.

The Group's operations in China are also subject to economic and political risks in China, as well as relevant Chinese laws and regulations regarding foreign-invested enterprises, including foreign currency exchange rules. Moreover, as laws and regulations in China are gradually evolving, including with regard to CO_2 emissions, there may be uncertainty in their interpretation and enforcement. The administrative and court authorities in China have significant discretion in interpreting and implementing statutory terms. Thus, it may be more difficult for the Group to evaluate the outcome of administrative and court proceedings in China, should they arise, than in more developed legal systems. In addition, the Group is exposed to the risk of restrictions on the repatriation of cash from China, which may impact its ability to repatriate dividends from its investment in Sinotruk and its subsidiaries in China.

The Group's overall success as a global business, and its planned global expansion, depends to a considerable extent on its ability to anticipate and effectively manage differing legal, political, social and regulatory requirements and economic conditions and unforeseeable developments. The materialization of local business risks or the Group's inability to adapt to changing conditions in markets outside of its core markets could have significant adverse effects on the Group's business, results of operations and financial condition. See also "*1.3.6 The Group's operations are subject to sanctions, anti-corruption and money-laundering laws and regulations*" and "*1.1.8 The Group is subject to risks relating to its cooperation with strategic partners and joint venture partners*."

1.2.2 The Group is dependent on good relationships with its employees, their trade unions as well as employee representative bodies and stakeholders and is party to a number of collective agreements, some of which impose obligations and restrictions on the Group in connection with reorganizations, restructurings or similar corporate actions

The Group is dependent on good relationships with its employees, trade unions, employee representative bodies such as works councils (*Betriebsräte*) and other stakeholders to successfully operate its business. Personnel expenses make up a significant portion of the Group's costs and the Group is obligated to comply with various collective agreements, such as collective bargaining agreements and works council agreements that are in place with trade unions as well as works councils and other employee representative bodies. Employees at the Group's German and Swedish locations and at a number of foreign subsidiaries have traditionally been heavily unionized and members of the Group regularly conduct, or are involved in, negotiations with the relevant unions and employee representative bodies.

Any deterioration of these relationships could adversely impact the Group's business operations. The Group could face strikes or other types of conflicts with trade unions or its employees in the future as the Group has experienced in past years. When current collective agreements expire or agreements must be negotiated, the Group may not be able to conclude new agreements on terms and conditions that it considers to be reasonable or without work stoppages, strikes or similar industrial action. Any such strikes, conflicts, work stoppages or other industrial actions may disrupt the Group's production and sales activities, damage its reputation and adversely affect its customer relations, which could in turn have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Moreover, a number of collective agreements which apply to the Group impose certain obligations and restrictions on the Group that may adversely affect its flexibility to undertake adjustments to its workforce, restructurings, reorganizations and similar corporate actions. For example, the Group estimates that, in addition to the protections which its employees generally have under applicable employment laws, approximately 27,500 of the Group´s employees enjoy some form of special protection against dismissal, including under commitments contained in collective agreements, which means that ordinary dismissals of these employees are in general not possible or, depending on the scope of the additional protection, are subject to special requirements. Collective agreements on site guarantees (*Standortsicherungsvereinbarungen*) are in place for,

among others, the sites in Munich, Nuremberg, Salzgitter, Wittlich and Plauen (MAN Truck & Bus SE) as well as Steyr (MAN Truck & Bus Österreich GesmbH) until 2030. These site guarantees, *inter alia*, stipulate obligations to make significant investments at specified production sites and generally exclude dismissals for operational reasons.

Other restrictions contained in the Group's collective agreements that could have similar restrictive effects include employment and remuneration guarantees, restrictions on outsourcing, commitments to preserve the autonomy of the MAN and Scania brands in certain areas and to maintain certain operational structures, including a commitment until September 2026 to maintain, and not to sell, the current MAN and Scania production and research and development sites, severance obligations in case of redundancies, as well as a wide range of enhanced information, consultation and co-determination rights to which employee representatives are entitled. The Group has also given the TRATON SE Works Council a non-binding declaration of intent to obtain the council's consent for certain actions, such as projects relating to future material synergies, cooperation agreements with other parties and certain strategic initiatives, that affect more than one subgroup within the Group and are expected to have employment effects within a time frame of three years.

The applicable collective agreements restrict the Group's flexibility to make adjustments to its workforce, to reduce its labor costs and to implement reorganization, restructuring or similar corporate measures, even where the Group's management has concluded that such actions are necessary in light of economic conditions or market developments and where the failure to do so, or the failure to do so in a timely manner (in particular compared to the Group's competitors), could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the Group´s competitors may obtain competitive advantages compared to the Group if they succeed in negotiating collective wage agreements or other collective agreements on more favorable terms and conditions than the Group. Foreign competitors in particular may possess competitive advantages compared to the Group due to fewer and less restrictive collective and similar agreements and more flexible legal environments, especially with regard to redundancies and other restructurings or reorganizations.

Moreover, any restructuring or reorganizational measures that the Group succeeds in carrying out may result in significant redundancy payments and other one-off costs and strain relations with employees and their representatives. This may in turn make it more difficult for the Group to subsequently negotiate, renew or extend collective agreements in a favorable and timely manner. The Group may also become subject to new collective agreements, which may increase the Group's operating costs. Any failure to negotiate wages and other key employment conditions that are reasonable and fair in the Group's perspective could have an adverse effect on the Group´s business, financial condition, results of operations or prospects.

1.2.3 The Group's future success depends on its ability to attract, develop and retain highly qualified managerial staff and skilled personnel

The Group's success depends substantially on its ability to attract, hire, train and retain experienced management and personnel. The Group's management team has substantial expertise and industry experience and the loss of key members of management could adversely affect the Group's ability to implement its strategic objectives. Further, the Group is also dependent on personnel that are highly skilled and qualified in scientific and technical fields. The Group's success in attracting and retaining such personnel depends on a variety of factors, including its compensation and benefit programs, work environment, career development opportunities, commitment to diversity and public image. Competition for qualified personnel is increasing, particularly in the area of vehicle engineering and research and development and is especially intense in the areas of alternative drive technologies, autonomous driving technology and telematics, among other technology areas driving the transformation of the industry. In addition, the Group's ability to compete for qualified personnel and management may be adversely affected by its association with Volkswagen in the wake of the diesel matter. There can be no assurance that the Group will be successful in attracting and retaining experienced management and key personnel and any failure to do so could have a material adverse effect on its results of operations, financial condition and prospects.

1.2.4 The Group's operations, products and services rely on complex information technology systems and networks that are subject to the risk of disruption, including as a result of security breaches

The Group relies heavily on information technology systems and networks to support research, procurement, manufacturing, sales, logistics, services and business processes as well as internal and external communications. The importance and complexity of the Group's information technology is moreover growing as its vehicles contain increasingly complex IT systems that control key vehicle functions, including engine, transmission, safety, steering, navigation, and braking, and as the Group

broadens its digital services offerings and commercially launches autonomous driving technology. The consistent, efficient and secure operation of the Group's IT systems is therefore critical to the successful performance of its operations and the vehicles and services it sells.

Despite IT maintenance and security measures, the Group's IT systems and networks are exposed to the risk of malfunctions and interruptions from a variety of sources, including unauthorized access, cyber-attacks, equipment damage, deficient data base design, power outages, computer viruses and a range of other hardware, software and network problems. The occurrence of any of these events could compromise the operational integrity of these systems and networks. In the case of technology included in vehicles, they could impact their functionality and jeopardize the safety of vehicle users and other traffic participants; a risk that is heightened as the Group tests and launches autonomous driving technology.

In addition, such events could result in legal liability, disrupt operations, or reduce the competitive advantage the Group seeks to derive from its investment in advanced technologies.

The materialization of any of the above risks could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. See also "*1.4.4 As the Group further integrates its information technology infrastructure, it could incur substantial additional costs and experience temporary business interruptions*."

1.2.5 The Group is exposed to the risk of data breaches

The Group's products and systems generate and store significant volumes of personal and sensitive business information, including personally identifiable information of customers, drivers, employees, partners and suppliers. The volume and complexity of electronically processed data moreover continues to increase as the Group increasingly sells "connected" vehicles and digital services and solutions, which involve the transfer and analysis of data.

The Group is subject to privacy and information security 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, the Group is subject to the stringent requirements of the EU's GDPR, which entered into force in May 2018, and violation of which carries fines of up to 4% of the Volkswagen Group's global turnover.

It cannot be ruled out that the confidentiality of such data and information may be breached, as a result of cyber security attacks or otherwise, or that doubts may arise regarding the security of the data and information collected and managed by the Group.

If the Group fails to adequately safeguard confidential personal or other sensitive data or such data is wrongfully used by the Group (or by third parties) or disclosed to unauthorized persons, this could result in claims for damages and other liabilities, significant fines and other penalties and the loss of customers and reputation, which could in turn have an adverse effect on the Group's business, results of operations, financial condition and prospects. See also "*1.2.4 The Group's operations, products and services rely on complex information technology systems and networks that are subject to the risk of disruption, including as a result of security breaches.*"

1.2.6 The Company may not succeed in financing or refinancing its capital requirements in due time and to the extent necessary, or at all, or it may finance or refinance on unfavorable terms and conditions

The Group depends on its ability to access capital to cover its financing and re-financing requirements on commercially acceptable terms. The commercial vehicle industry is cyclical and highly capital intensive, and the Group is exposed to risks related to the availability and cost of funding for its future growth and, in particular, Scania's ability to offer financial services to customers on commercially attractive terms. To the extent that the Group's existing sources of capital are not sufficient to satisfy its needs, it has to seek capital from other sources, including through borrowings from Volkswagen, the issuance of additional equity or debt securities in the domestic or international capital markets or through additional bank borrowings. Although Scania has an established presence in the debt capital markets through the issuance of debt in the past, neither MAN SE nor the Company presently have any access to the debt capital markets, making them particularly dependent on Volkswagen as a source of debt financing and indirectly the financing terms of Volkswagen's external debt financing.

The Group's ability to obtain additional capital from Volkswagen or external sources in the future is subject to a variety of uncertainties, including:

- the Group's financial condition, results of operations, cash flows and prospects;
- the liquidity and volatility of the European and international capital markets;
- the credit profile of the Group's controlling shareholder, Volkswagen;

- any tightening of credit markets and general market conditions for debt and equity raising activities by financial institutions; and
- economic, political and social conditions in the geographical markets in which the Group operates and elsewhere.

Any of the foregoing factors could increase the cost of borrowing money and limit the Group's access to the capital markets and commercial credit. Any difficulty that the Group encounters in securing adequate sources of short- and long-term funding could hamper its ability to invest in its manufacturing capacity, develop new technologies and/or expand into new markets, thereby restraining the Group's growth opportunities. Scania's financial services business is especially reliant on access to competitive funding. See also "*1.1.20 The Group is dependent on the success of Scania's financial services business and the ability to offer financial services to MAN and VWCO customers through Volkswagen Financial Services subsidiaries*."

The Group may also be unable to refinance its existing indebtedness or be forced to refinance such indebtedness on unfavorable terms. Difficulty in accessing funding may also result in the Group experiencing financial distress or in the Group's creditors imposing restrictions on its business operations. Any future difficulty accessing funding on acceptable terms may have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

1.2.7 The Company's financing activities expose it to interest rate risk

A substantial portion of the Group's liabilities is subject to variable interest rates. As a consequence, any rise in short-term interest rates exposes the Group to increased borrowing costs. The Group seeks to manage interest rate risk with derivative instruments such as interest rate swaps and forward rate agreements, among other measures. Intragroup financing arrangements are generally structured to match the maturities of their assets, and the Financial Services segment hedges interest rate risks by matching interest rates and maturity periods of its assets and liabilities. However, no assurance can be given that these measures will be effective in protecting the Group against interest rate risk and a failure to manage this risk could have a material adverse effect on the Group's business, results of operations and financial condition.

1.2.8 The Group's international operations expose it to exchange rate risk

The Group operates worldwide and is therefore exposed to risks arising from currency exchange rate fluctuations. A substantial portion of the Group's assets, liabilities, sales revenue and costs is denominated in currencies other than the EUR, the Group's reporting currency. The Group's predominant exposures are in SEK, BRL, GBP and USD. Transactional risk arises when the Group and its subsidiaries execute transactions in a currency other than its or their functional currency. For example, a significant portion of Scania's costs are incurred in SEK while most of its sales are invoiced in other currencies, primarily EUR, GBP and RUB. Additionally, currency risk arises in connection with the translation of the financial condition and results of operations of the Group's international subsidiaries with non-EUR reporting currencies, in particular Scania, whose functional currency is the SEK, and VWCO, whose functional currency is the BRL. The Group relies on natural hedging techniques and, in some instances, financial derivatives aiming at protecting the Group against certain foreign currency exchange rate risks to which it is exposed. There can be no assurances that such measures offset the adverse financial impact resulting from currency variation, which may in turn have a material adverse effect on the Group's business, results of operations and financial condition.

1.2.9 The Group is exposed to the risk of default by customers and counterparties

The Group has a significant amount of trade receivables due from customers for the sale of vehicles and the delivery of services, including financing and insurance services.

The Group is exposed to the risk that the credit quality of its customers may deteriorate and in the worst case that a large number of its customers may default on their obligations to the Group simultaneously or within a short timeframe. This includes the risk of failure to pay for products and services rendered and, with respect to Scania's financial services business, default on lease payments as well as on repayments of and interest payments on financing contracts. This type of credit risk is influenced by, among other factors, customers' financial strength, collateral quality, overall demand for commercial vehicles and general macroeconomic conditions. If, for example, an economic downturn were to lead to increased inability or unwillingness of customers, borrowers or lessees to repay their debts or fulfill their payment obligations, increased write-downs and higher provisions would be required, which in turn could adversely affect the Group's results of operations and liquidity positions. The Group is also exposed to the risk of deterioration of the credit quality of its contractual counterparties in the money markets and the capital markets. The

Group maintains extensive business relationships with banks and financial institutions, in particular to control liquidity through call money and fixed term deposits and to hedge against currency exchange rate risks, interest rate risks and commodity price risks using derivative instruments. The Group incurs default risks with respect to the repayment of and interest on the deposits and the fulfillment of obligations under such derivative contracts. The Company and certain of its subsidiaries invest surplus liquidity in bank deposits and certain financial instruments. If the credit quality of an issuer of these financial instruments were to deteriorate, or if such an issuer became insolvent, this may result in valuation and other losses if the Group sells the financial instrument before or at its maturity. This can even result in the issuer's default on the receivable.

If the macroeconomic environment were to deteriorate in the future, the magnitude and likelihood of the risks described above could increase and the Group may have to increase its risk provisioning, which would adversely affect its results of operations and financial condition.

1.2.10 The value of goodwill, brand names or other intangible assets reported in the Group's consolidated financial statements may need to be partially or fully impaired as a result of revaluations

As of December 31, 2018, the Group's carrying amount of goodwill, brand names and other intangible assets recorded on its consolidated balance sheet was EUR 4,526 million. Under the International Financial Reporting Standards as applicable in the EU ("**IFRS**"), the Group is required to annually test its recorded goodwill and indefinite-lived intangible assets, such as brand names, and to assess the carrying values of other intangible assets when impairment indicators exist. As a result of such tests, the Group could be required to recognize impairment losses in its income statement if the carrying value is in excess of the fair value. Factors that could trigger an impairment of such assets include the underperformance of the Group's business relative to projected future operating results, negative industry developments or economic trends, including changes in borrowing rates or weighted average cost of capital, applicable tax rates or changes in working capital. Should the Group have to book any impairment losses, this could have a material adverse effect on its business, results of operations and financial condition.

1.2.11 The Group is subject to the risk of a decrease in the residual value of leased, rented and other used vehicles

As a lessor under vehicle leasing contracts and short-term rental agreements with repurchase obligations, the Group bears the risk that the market value of vehicles returned at the end of the term may be lower than the contracted residual value at the time the contract was entered into. This in turn increases the Group's risk of future losses when divesting the returned vehicle through its used vehicle business. A decline in the value of used vehicles can be caused by a broad range of external factors, including adverse changes in customer confidence, customer preference and economic conditions, government policies, exchange rates, marketing programs, price pressure in the new vehicle market (in particular leasing), the actual or perceived safety or reliability of vehicles, the price of raw materials regained from recycling or scrapping, or fuel prices.

Uncertainties may also exist regarding the internal methods for calculating residual values. Although the Group continuously monitors used vehicle prices, demand and supply trends, and other factors to forecast residual values, the assumptions on which residual value assessments are based may prove to be incorrect. In addition, provisions for residual value risk may be insufficient to cover the shortfall where residual values as determined by the Company turn out to be lower than the amounts actually required to be paid at the end of a lease or rental contract due to miscalculations of initial residual value forecasts or changes in market or regulatory conditions. Similarly, if the market value of the Group's used trucks decreases, the Group could incur additional write-downs beyond its existing reserves for used vehicle inventory risk. Finally, a significant decrease in the value of used commercial vehicles may create pricing pressure for the Group's new vehicle business if customers are not willing to pay significantly higher prices for a new vehicle.

As a result of the above factors, a significant decrease in the residual value of leased, rented and other used vehicles may have a material adverse effect on the Group's business, results of operations and financial condition.

1.3 Legal, Regulatory and Tax Risks

1.3.1 The Group's operations are subject to a range of different regulatory requirements worldwide, compliance with which is costly and burdensome and non-compliance with which may result in significant cost

The Group's operations must comply with a broad range of increasingly complex regulatory requirements in the jurisdictions in which it operates, including in the areas of vehicle design, manufacture, marketing and

after-sales services, financial services, vehicle recycling, environment, health and safety, as well as labor. These regulations are not always homogeneous and are subject to increasing governmental scrutiny and enforcement.

In the area of environmental regulation, the Group's operations are required to comply with laws and regulations relating to air emissions, discharges into water, noise pollution, toxic and other chemicals and materials, waste treatment and disposal methods, and the energy efficiency of production processes, among other things. The Group is also subject to periodic monitoring by environmental protection authorities in various jurisdictions. Any failure on the Group's part to comply with any present or future environmental regulations could result in the assessment of damages or imposition of fines against it, suspension of production or a loss of license to operate certain facilities. See also "*1.1.9 Governmental regulations regarding climate change and vehicle exhaust emissions could result in substantial costs for the Group and there can be no assurance that the Group will be able to develop commercially viable products that comply with such regulations. Non-compliance with such regulations could result in regulatory proceedings, substantial fines and limitations on the Group's ability to market its products.*"

The Group operates complex industrial plants that manufacture, use, store, manage, generate, emit and dispose of various substances that may constitute a hazard to human life and health as well as to the environment and natural resources. In the past, environmentally hazardous substances from those operations may have entered and in the future may enter the air, watercourses, especially groundwater, or surface or subsurface soils at Group facilities or third-party locations. For instance, the Group has had to perform minor remediations at some of its industrial sites in compliance with local laws. Further issues with environmentally hazardous substances could affect property and endanger the environment, natural resources, and the health, life and safety of persons. The Group may be held liable, possibly regardless of fault and without any caps on liability, to remove or clean up such harm and to pay damages, including any resulting natural resource damages, arising from those environmentally hazardous substances. These risks could have a material adverse effect on the Group's general business activities, results of operations and financial condition.

The Group also requires various permits, licenses and other approvals to operate, including air emission, operating, wastewater discharge and waste disposal permits. Changes in the scope of operations, time limits on existing permits and future environmental laws may require the Group to apply for the renewal of existing or the issuance of new permits. There can be no assurance that the Group will be able to renew its permits, licenses, or other approvals upon their expiration within the required timeframe or at all.

The cost of compliance with regulatory requirements is considerable, and such costs are likely to increase further in the future, given the expected increased scrutiny, regulatory changes or novel interpretations of current regulations and stricter enforcement by regulators globally. A violation of applicable regulations could lead to the imposition of penalties, fines, damages, recalls, restrictions on or revocations of the Group's permits and licenses (including vehicle certifications or other authorizations that must be in place before a particular vehicle may be sold in the authorizing jurisdiction), restrictions on or prohibitions of business operations, reputational harm and other adverse consequences.

Finally, there is a growing number of global consumers that focus on and inquire about the labor and environmental standards of manufacturers, particularly in emerging markets. Additional, more stringent social responsibility laws and regulations may be adopted in the future, which may result in an increase in the Group's cost of compliance. In addition, if the Group fails to comply with such laws and regulations, it may be subject to fines, penalties, legal judgments or other costs, which may adversely affect its operating results and financial condition. In addition, a finding of noncompliance, or the perception that the Group has not responded appropriately to growing consumer concern for issues relating to social responsibility, whether or not it is legally required to do so, may adversely affect the Group's reputation, and consequently its operating results and financial condition.

1.3.2 The Group is exposed to legal risks regarding antitrust regulation and related enforcement actions and damage claims

The Group is subject to antitrust regulation in the European Union and other jurisdictions and is therefore exposed to risks regarding 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 Group in a variety of ways. For example, it could result in significant fines (based, among other factors, on the value of the relevant sales); private enforcement claims by third parties, such as customers and/or competitors (including the exposure to joint and several liability in the context of cartel damage claims); disclosure of and changes in business practices that may result in reduced revenues and/or margins; and reputational damage. In addition, antitrust rules and regulations in certain jurisdictions may impose restrictions on the Group's ability

to carry out certain acquisitions, enter into joint ventures, or require forced divestments or the implementation of other measures. These potential consequences could have a material adverse effect on the business, results of operations and financial condition of the Group.

For example, the European Commission conducted unannounced inspections at the premises of several European truck manufacturers (including MAN and Scania) in 2011 and in 2014 initiated antitrust proceedings regarding suspected anti-competitive practices in the European truck sector. In July 2016, the European Commission issued a settlement decision against MAN and a number of European truck manufacturers (excluding Scania), for participation in anticompetitive behavior in violation of European antitrust rules by means of 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 III to VI standards. MAN was granted immunity from fines as it had informed the European Commission about the anticompetitive behavior as a key witness. With regard to Scania, the European Commission issued a fine decision in September 2017, by which a EUR 0.88 billion fine was imposed. Scania has appealed the decision to the General Court of the European Union in Luxembourg. In 2016, the Group set aside EUR 0.4 billion in provisions in connection with the proceedings.

Private enforcement claims in connection with this matter have been filed against MAN, Scania and, in one case, TRATON SE in a number of jurisdictions and a significant number of customers across the EEA have issued claim letters indicating that they may raise damage claims in the future. Under applicable law, such claims may not only relate to MAN or Scania trucks, but MAN and Scania could be held jointly and severally liable for the entirety of the damages purportedly caused by the alleged infringement, including trucks sold by other manufacturers. Even though in cases where MAN and Scania would be required to pay more compensation than their share based on their relative responsibility for the infringement, they could claim contribution payments from the other co-infringers, there can be no assurance that such contribution payments can be claimed successfully.

Class actions have been filed in the United Kingdom and Israel. In Germany and the Netherlands, claims have been filed by industry associations or aggregators of legal claims that pool individual claims. While proceedings with respect to the existing claims are in most cases still at an early stage and their outcome cannot be assessed with any certainty, the Regional Court of Hanover has in three cases found MAN to be liable on the merits for unquantified damages. Similarly, the Commercial Court of Ghent (Belgium) found MAN SE to be generally liable for its group companies' conduct as regards purported damages by a single Belgian customer. In addition, the Commercial Court of Valencia recently found the Spanish subsidiary of MAN to be liable for damages allegedly caused to a single customer. MAN has already appealed or will appeal these rulings. Private enforcement claims could result in substantial liability and reputational damage for the Group. Due to the joint and several liability with other truck manufacturers, the basis for such liability could extend beyond trucks sold by the Group.

Adverse judgments in this or potential future antitrust matters could result in substantial liability for the Group, which could have a material adverse effect on its results of operations, financial condition and reputation. See also "*1.3.3 The Company is subject to risks arising from legal disputes and government proceedings.*"

1.3.3 The Company is subject to risks arising from legal disputes and government proceedings

From time to time the Group may be involved in, or threatened with, legal proceedings in the ordinary course of its business, including disputes with suppliers, dealers, customers, employees or investors concerning, among other things, breaches of contract, product defects and liability, intellectual property, labor, environmental or shareholder rights issues. Furthermore, the Group may become subject to proceedings by governmental authorities in connection with its compliance with laws and regulatory requirements, including in the areas of antitrust, tax, environmental and safety matters. For example, MAN Latin America is currently involved in tax proceedings in Brazil with respect to the tax treatment of its acquisition by MAN SE in 2009. See also "*1.3.11 The Company is exposed to tax risks, which could arise in particular as a result of tax audits or past measures.*" MAN and Scania are both involved in proceedings relating to EU antitrust matters. See also "*1.3.2 The Group is exposed to legal risks regarding antitrust regulation and related enforcement actions and damage claims*."

The outcome of pending or potential future legal or regulatory proceedings is, as a general matter, difficult to predict. If such proceedings are resolved against the Group, the Group may be subject to civil, criminal or other penalties, damages or other payment obligations which may exceed any provisions set aside or any available insurance coverage or be required to change its business practices. Even if the Group ultimately prevails in legal and regulatory proceedings, defending such actions can be costly and result in diversion of management's attention away from the Group's business.

Any legal or regulatory proceeding pending or threatened against the Group could have a material adverse effect on the Group's reputation, business, results of operations and financial condition.

1.3.4 The Group's internal controls, procedures, compliance systems and risk management systems may prove to be inadequate to prevent and discover previous or future breaches of laws and regulations and generally to manage risks

In connection with the Group's worldwide business operations, it must comply with a broad range of legal and regulatory requirements in a number of jurisdictions, including in the areas of anti-corruption, money-laundering, antitrust and sanctions compliance as well as compliance with laws and regulations regarding sales practices, products and services, environment, finance, employment and general corporate and criminal law.

MAN and Scania have in the past each maintained their own internal controls, procedures, compliance systems and risk management systems to support their and their respective subsidiaries' operational business processes and ensure compliance with legislative provisions and administrative regulations. As part of its ongoing reorganization, the Group is currently in the process of re-designing and further enhancing its internal controls, procedures, compliance systems and risk management systems in order to ensure common minimum standards across the whole Group and, where violations are detected, allow the Group to initiate appropriate counter-measures. See also "*1.3.5 The diesel issue at Volkswagen AG has led to a review and ongoing reforms of internal controls, the compliance system and company culture within the Volkswagen Group, including the TRATON GROUP. If these reforms are not successfully implemented and future material compliance failures occur, the Volkswagen Group, including the TRATON GROUP, could be exposed to significant adverse consequences.*"

Members of the Group's governing bodies, employees, authorized representatives or agents may intentionally or unintentionally violate applicable laws and internal standards and procedures. However, there can be no certainty that the Group's internal controls, procedures, compliance systems and risk management systems will be able to identify such violations, ensure that they are reported in a timely manner, evaluate them correctly or take the appropriate countermeasures, and that they will be adequate for an enterprise of the Group's scale and complexity. There can further be no certainty that any countermeasures implemented by the Group will be appropriate to reduce the corresponding business risks effectively or that as of yet undetected breaches of law or regulations have not occurred in the past, and that their discovery would not result in significant liability or reputational damage for the Group.

Moreover, in light of continuously evolving legal and regulatory requirements and internal developments such as corporate reorganizations, there can be no certainty that the Group's risk management systems, internal controls and compliance systems and related governance structures will adequately identify and address all relevant requirements.

Any failure to effectively prevent, identify or address violations of the Group's legal obligations as a result of inadequate internal controls, procedures, compliance systems and risk management systems could result in penalties and other sanctions, liabilities, the assertion of damages claims by third parties, and reputational damage, each of which could have a material adverse effect on the Group's business, operations, financial condition or prospects. See also "*1.3.6 The Group's operations are subject to sanctions, anti-corruption and money-laundering laws and regulations*" and "*1.3.5 The diesel issue at Volkswagen AG has led to a review and ongoing reforms of internal controls, the compliance system and company culture within the Volkswagen Group, including the TRATON GROUP. If these reforms are not successfully implemented and future material compliance failures occur, the Volkswagen Group, including the TRATON GROUP, could be exposed to significant adverse consequences.*"

1.3.5 The diesel issue at Volkswagen AG has led to a review and ongoing reforms of internal controls, the compliance system and company culture within the Volkswagen Group, including the TRATON GROUP. If these reforms are not successfully implemented and future material compliance failures occur, the Volkswagen Group, including the TRATON GROUP, could be exposed to significant adverse consequences

On September 18, 2015, the U.S. Environmental Protection Agency ("**EPA**") publicly announced in a "Notice of Violation" that irregularities in relation to nitrogen oxide ("**NOx**") emissions had been discovered in emissions tests on certain diesel passenger vehicles of the Volkswagen Group with type 2.0 l diesel engines in the United States (this and related issues, collectively, the "diesel issue"). On November 2, 2015, the EPA issued a "Notice of Violation" alleging that irregularities had also been discovered in the software installed in U.S. vehicles with Generation 1 and Generation 2 six-cylinder (V6) 3.0 l diesel engines. Numerous court and governmental proceedings were subsequently initiated in the United States and in other jurisdictions around the world where Volkswagen Group has sold diesel passenger vehicles.

Volkswagen AG entered into settlement agreements in connection with such court and governmental proceedings in the United States. Among other agreements, Volkswagen AG entered into two Third Partial Consent Decrees with the United States Department of Justice and the state of California, which were approved by the Court on April 13, 2017 and July 20, 2017, respectively ("**the 3 PCDs**"). The 3 PCDs resolved claims for civil penalties and injunctive relief related to the 2.0 l and 3.0 l TDI vehicles. Under the 3 PCDs, the injunctive relief includes monitoring, auditing and compliance obligations.

To resolve U.S. criminal law charges, on January 11, 2017 Volkswagen AG and the United States Department of Justice entered into a Plea Agreement ("**Plea Agreement**"). Volkswagen AG agreed to plead guilty to three federal criminal felony counts, and to pay a criminal penalty. Pursuant to the terms of the Plea Agreement, Volkswagen AG will be on probation for three years and will work with an independent monitor for three years. The independent monitor's role is to assess and oversee Volkswagen AG's compliance with the terms of the Plea Agreement and the 3 PCDs. This includes overseeing the implementation of measures to further strengthen compliance, reporting and monitoring systems, and an enhanced ethics program. Although the TRATON GROUP entities are not parties to those settlements, the Volkswagen Group, which includes the TRATON GROUP entities, has initiated programs and projects to enhance its internal controls, procedures and compliance systems to strengthen its culture of integrity and accountability. Among other things, the Volkswagen Group's efforts include reforms of its whistleblower system, revisions to its code of conduct, increased employee training, improvements to its risk assessment systems, and creation of a centralized integrity management function by setting up a new department for Integrity and Legal Affairs as well as a Management Board position.

In April 2017, Larry D. Thompson was appointed as the independent monitor. As members of the Volkswagen Group and subsidiaries of Volkswagen AG, TRATON GROUP entities are subject to the monitor's review and assessment, including in particular with respect to the compliance and ethics programs of those entities.

In March 2018, Mr. Thompson submitted his initial review report under the Plea Agreement. Additionally, on August 17, 2018, Mr. Thompson submitted his first annual report pursuant to the 3 PCDs. In February 2019, Mr. Thompson submitted his first follow-up review report under the Plea Agreement. Volkswagen Group is working to address the recommendations set forth in Mr. Thompson's reports. The goal of these measures is to reinforce the Volkswagen Group's governance and compliance to help deter and prevent future misconduct. Because the TRATON GROUP is a part of the Volkswagen Group, it is also subject to certain recommendations made by Mr. Thompson which apply to the Volkswagen Group generally. The relevant departments within the TRATON GROUP are continuously assessing the extent to which these recommendations or any future recommendations require any adjustments of its internal controls, procedures and compliance systems and will implement such adjustments if necessary. Nevertheless, there remains a risk that members of the Volkswagen Group, including the TRATON GROUP, fail to effectively implement the revised rules and procedures and that employees do not comply with them or otherwise fail to act in a lawful manner at all times. Any of these risks, if they materialized, could lead to penalties and other sanctions, liabilities, reputational damage and materially adverse business consequences for the Volkswagen Group, including the TRATON GROUP. See also "*1.3.4 The Group's internal controls, procedures, compliance systems and risk management systems may prove to be inadequate to prevent and discover previous or future breaches of laws and regulations and generally to manage risks.*" In addition, violations of Volkswagen AG's obligations under the settlement agreements cannot be ruled out. In this case, significant penalties could be imposed as stipulated in the agreements, in addition to the possibility of further monetary fines, criminal sanctions and injunctive relief.

1.3.6 The Group's operations are subject to sanctions, anti-corruption and money-laundering laws and regulations

In connection with the Group's worldwide business operations, it must comply with a broad range of legal and regulatory requirements relating to sanctions, anti-bribery and corruption, and money-laundering.

The Group is subject to economic sanction programs imposed by multiple authorities, such as the United Nations, the EU and the United States through the Office of Foreign Asset Control ("**OFAC**") and regulations set forth under the U.S. Comprehensive Iran Accountability Divestment Act. Economic sanctions programs do and will continue to restrict the Group's ability to engage in business dealings with certain sanctioned countries.

The Group's international operations are also subject to anti-corruption laws and regulations in the jurisdictions in which it operates, such as the U.S. Foreign Corrupt Practices Act of 1977 and the United Kingdom Bribery Act of 2010. In addition, the Group is subject to anti-money laundering laws and regulations, including the EU's 5th Money-Laundering Directive, which went into force in 2018.

Sanctions, anti-bribery and corruption, and money-laundering regimes evolve over time and it is difficult for the Group to predict the interpretation, implementation or enforcement of governmental policies with

respect to its activities. While the Group continuously reviews existing policies and procedures to ensure compliance with applicable laws and regulations, there can be no assurance that these policies and procedures will be followed at all times or that the Group's internal controls will effectively detect and prevent violations by the Group's employees, consultants, agents or partners.

Violation of anti-corruption laws, sanctions and money-laundering regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licenses, as well as criminal fines and imprisonment. In addition, any violation could result in adverse media coverage, have an impact on the Group's reputation and consequently on its ability to win future business and maintain long-term commercial relationships with its customers.

If the Group does not manage to succeed in managing the above risks, this could adversely affect its business, brand, results of operations, financial condition and prospects. See also "*1.3.4 The Group's internal controls, procedures, compliance systems and risk management systems may prove to be inadequate to prevent and discover previous or future breaches of laws and regulations and generally to manage risks.*"

1.3.7 The Group's after-sales business is subject to risks relating to regulation of the vehicle aftermarket

The Group maintains European-wide distribution networks with selected dealers and workshops based on standardized contracts. This distribution network is subject to a number of EU rules and regulations to ensure effective competition in the aftermarket, including the Vertical Restraints Block Exemption Regulation (EU) No 330/2010, the Automotive Block Exemption Regulation (EU) 461/2010, and sector specific guidelines on vertical restraints in agreements for the sale and repair of motor vehicles and for the distribution of spare parts for motor vehicles. These rules among other things restrict manufacturers from requiring authorized dealers or repairers to re-sell vehicles, parts or components to customers or independent workshops at fixed or minimum prices, to limit their territorial sales activity, or to hinder original equipment suppliers from also supplying their products as spare parts to independent distributors. In addition, the EURO VI legislation Regulation (EU) No. 595/2009 requires heavy-duty vehicle manufacturers, including the Group, to grant access to certain technical information relating to vehicle repair and maintenance to independent market participants. It cannot be ruled out that such requirements will not become more stringent in the future. Rules regarding vertical competition in the vehicle aftermarket are also in place in Brazil and China.

Should rules and regulations with respect to vertical competition in the vehicle aftermarket become stricter, or should additional rules or regulations be adopted (including in jurisdictions outside of the European Union), this could give rise to additional compliance costs and expose the Group to greater competition in the aftermarkets, which could have a material adverse effect on the Group's results of operations, financial condition and prospects.

1.3.8 The Group may not adequately protect its intellectual property and know-how or may be liable for the infringement of third-party intellectual property

The Group's success in maintaining its competitive position depends, to a significant extent, on its ability to obtain and enforce intellectual property rights worldwide. The Group seeks to protect its intellectual property and proprietary rights through a combination of patents, registered designs, trade secrets, trademarks, copyrights and similar protections. With respect to proprietary know-how that is not patentable and production processes for which patents are difficult to enforce, the Group relies on trade secret protections and confidentiality agreements to safeguard its interests.

Steps taken by the Group to protect its intellectual property and proprietary information may not be adequate to prevent misappropriation of its technology as the existence of laws or contracts prohibiting such actions may not always serve as sufficient deterrents. Policing the unauthorized use of the Group's intellectual property may be expensive and time consuming. The Group's intellectual property rights may be (and has in certain instances been) challenged, and the Group may not be able to secure such rights in the future. In particular, there is a heightened risk that the Group may not be in a position to secure all necessary intellectual property rights with respect to the development of new technologies, in particular when such technologies are developed in the context of a collaborative partnership or joint ventures, such as the ones it currently pursues with Navistar, Sinotruk and Hino. In addition, the laws of certain countries may not protect the Group's proprietary rights to the same extent as the laws of Europe or the United States. Consequently, third parties, including the Group's competitors, may be able to use the technology behind the Group's products and processes without a license. The undue exploitation of the Group's intellectual property by third parties may reduce or eliminate its competitive advantage derived

from its own technology, limiting its ability to develop further innovative technologies as well as its capacity to compete in the markets where it operates and to attract new customers.

The Group may also infringe patents, trademarks or other third-party rights and is currently subject to certain infringement claims from third parties, including several patent infringement claims asserted by Volvo against Scania. If the Group is found to have infringed third-party intellectual property rights, it may have to pay royalties, damages, modify manufacturing processes, redesign products or may be barred from marketing certain products. Should the Group have to redesign products or become barred from marketing certain products, this could result in significant production and delivery delays or inability to sell certain products altogether, both of which could result in lost business volume. The defense of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings may moreover be both costly and time consuming. Finally, the Group may not be able to obtain the licenses necessary for its business success on reasonable terms in the future. The materialization of any of these risks could lead to delivery and production restrictions or interruptions and have a material adverse effect on the Group's results of operations, financial condition and prospects.

1.3.9 The Group has substantial pension and other similar employee benefits-related obligations and is subject to risks related to the development of these obligations and to funding requirements of its pension and other post-employment benefit plans

The Group maintains various pension plans, including defined benefit pension plans, and has other similar long-term employee benefits-related obligations mainly in the Group's subsidiaries in Germany, Sweden, Brazil, the UK and Switzerland. As of March 31, 2019, the net liability for defined benefit plans recognized in the consolidated balance sheet was EUR 1,611 million. Part of the assets held by the Group qualify as plan assets and can be offset against the corresponding pension liabilities in the balance sheets. The funding ratio (i.e. the ratio between pension obligations and fair value of plan assets) depends on development of both parameters.

The defined benefit obligation of the Group's pension and other similar long-term employee benefits-related and/or payment obligations depend, among other factors, upon agreed contributions rates, future asset performance, longevity, actuarial profile of the plan participants, the level of interest rates used to measure future liabilities, actuarial assumptions and experience, benefit plan changes and government regulations and rulings by labor courts in relation to the plan administration. Due to the large number of variables that determine the development of the obligations and pension funding requirements, which are difficult to predict, as well as any legislative action, future cash funding requirements for the Group's pension plans and other long-term post-employment benefit plans could be significantly higher than the amounts estimated as at March 31, 2019. In the event of significant deviations from the current assumptions and parameters, these funding requirements could have a material adverse effect on the Group's results of operations, financial condition or prospects. As of March 31, 2019, one of the Group's pension schemes in the United Kingdom did not meet its regulatory funding requirement. The Group expects to eliminate this deficit by 2023.

If the market value of plan assets falls or external pension providers are unable to fulfil the respective pension commitment, the Group may also have to substantially increase its pension provisions. For example, fluctuations in currency, interest rates and securities prices may adversely affect the value of the plan assets. In such event, the value of the plan assets may fall short of the aggregate pension claims and the Group could have to cover the shortfall, which could have a material adverse effect on the Group's net assets, financial position and results of operations.

Any significant increase in the present value of the Group's pension and other employee benefits-related obligations and/or significant decrease in the fair value of the plan assets for a funding of the obligations could have a material adverse effect on the Group's net assets, financial position and results of operations.

1.3.10 The Group's insurance coverage may not be sufficient and insurance premiums may increase

Volkswagen AG maintains both group-wide and local insurance policies for the Company, MAN and MAN Latin America. Scania generally maintains its own insurance coverage. Through these arrangements, the Group has insurance coverage in place in relation to a number of risks associated with its business activities, including product and environmental liability, business interruption, property damage, marine cargo, cyber, crime and D&O liability. The Group's insurance policies may not cover all losses or damages resulting from the materialization of any of the risks it is subject to, particularly in the case of the Company, MAN and MAN Latin America, if other members of the Volkswagen Group experience unexpectedly high losses or damages. There can be no assurance that the Group's insurance providers will continue to grant it coverage on commercially acceptable terms or at all. In addition, there are risks left intentionally uninsured based on the Group's cost benefit analysis (such as, but not limited to, product recalls, warranty claims,

credit failure and intellectual property violations), and the Group therefore has no insurance against these events. If the Group sustains damages for which there is no or insufficient insurance coverage, or if it has to pay higher insurance premiums or encounters restrictions on insurance coverage, this may have a material adverse effect on the Group's results of operations, financial condition and prospects.

1.3.11 The Company is exposed to tax risks, which could arise in particular as a result of tax audits or past measures

Due to the global nature of its business, the Group is subject to income and other taxes in multiple jurisdictions. Significant judgment and estimation is required in determining the Group's provision for income, sales, value-add and other taxes, including withholding taxes. In the ordinary course of the Group's 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 ultimate tax determination or the timing of the tax effect is uncertain. Pursuant to transfer pricing rules that apply in several jurisdictions and in relation to cross-border business relationships, related enterprises are obligated to conduct any inter-company transactions on conditions which would also apply among unrelated third parties concluding comparable agreements (arm's length principle) and to provide sufficient documentation thereof. The possibility that the tax authorities will challenge the Group's compliance with applicable transfer pricing rules cannot be ruled out. The Group is regularly audited and the Group's tax calculations and interpretation of laws are reviewed by tax authorities, who may disagree with the Group's tax estimates or judgments. Although the Group believes its tax estimates are reasonable, the final determination of any such tax audits or reviews could differ from its tax provisions and accruals and any additional tax liabilities resulting from such final determination or any interest or any penalties or any regulatory, administrative or other sanctions relating thereto could have a material adverse effect on the Group's business, financial condition or reputation. In addition, the Group is and may in the future become involved in proceedings with national or regional tax authorities, including proceedings regarding cross-jurisdictional transfer pricing issues.

The Group is involved in tax proceedings in a number of jurisdictions, including, in particular, in Brazil. For example, MAN Latin America is currently facing tax proceedings in Brazil regarding tax savings from the recognition of goodwill amortization following its acquisition by MAN SE in 2009, in alleged violation of Brazilian tax law in relation to the tax years 2009 to 2014. In December 2017, an adverse third instance judgment was rendered in administrative court proceedings in Brazil in relation to the tax years 2009 to 2011. MAN Latin America has initiated proceedings against this judgment before the regular court. The tax proceedings related to the tax years 2012 to 2014 are still pending judgment before the tax authorities. In light of the potential range of penalties and interest which could potentially apply under Brazilian law, the Group's liability in the event that the tax authorities prevail overall is uncertain. As of March 31, 2019, the Group had recorded a contingent liability in the amount of EUR 685 million in connection with the goodwill proceedings. If the outcome of tax proceedings in Brazil or of other tax proceedings in which the Group is involved in any other jurisdiction is adverse, this could result in substantial liabilities for the Group, which could have a material adverse effect on its results of operations, financial condition and reputation.

While the Group attempts to assess in advance the likelihood of any adverse judgments or outcomes to tax proceedings or claims, it is difficult to predict final outcomes with any degree of certainty. The final determination of any tax investigation, tax audit, tax review, tax litigation, and appeal of a tax authority's decision or similar proceedings may differ materially from the Group's expectations and/or the estimate as reflected in the Group's financial statements. There can further be no assurance that current audits and reviews will not be extended to other tax years or tax matters. An adverse outcome could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, changes in tax legislation or guidance could result in additional taxes and/or affect the Group's tax rate, the carrying value of deferred tax assets or its deferred tax liabilities. Any tax audit, tax proceeding or changes in tax legislation or guidance could, as a result of any of the above risks, have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, certain entities of the Group were in the past or are currently part of fiscal unities, tax groups and other tax consolidation schemes. It cannot be ruled out that these entities will be held liable for unpaid taxes of the members of such tax consolidation schemes (including members outside of the Group) under statutory law or contract. Furthermore, should such tax consolidation schemes not be accepted by the tax authorities and/or a tax court, taxes, interest and penalties may be imposed against entities of the Group. Such liabilities may be substantial and could have a material adverse effect on the Group's results of operations, financial condition and reputation.

1.4 Risks Related to the Group's separation from the Volkswagen Group

1.4.1 The Group has not previously operated as a stand-alone publicly listed company and may be unable to operate effectively and fully implement its business strategy

The Group has previously not operated as a stand-alone publicly listed entity and it is uncertain how it will perform as such. Following the Offering, the Group will be responsible for managing, among other things, all of its administrative and employee arrangements, its legal affairs and its financial reporting requirements which may result in significant additional expenditures and/or expose the Group to an increased risk of legal, regulatory or civil costs or penalties. Significant changes may occur in the Group's cost structure, management, financing and business operations as a result of operating as a stand-alone publicly listed entity separate from the Volkswagen Group. In addition, the Group's funding costs could increase as a standalone entity. These factors could have a material adverse effect on the Group's business, financial condition and results of operations or prospects.

Furthermore, the Group's management has limited experience in operating its business as a stand-alone publicly listed entity. The Group anticipates that its success in the endeavors to manage the aforesaid changes and, as a result, a successful implementation of its business strategy, will depend substantially upon the ability of the Group's Management Board, senior management and other key employees to implement or adapt the necessary structures, to supervise their functionality and to work in a cohesive manner, the failure of which could have a material adverse effect on the Group's business, financial condition and results of operations or prospects.

1.4.2 The separation from the Volkswagen Group may lead to the loss of business opportunities and decreased purchasing power and result in a loss of synergies

As part of the Volkswagen Group, the Group was able to take advantage of the Volkswagen Group's long-standing reputation, creditworthiness, size and purchasing power in procuring goods, services and technology, such as access to financial services, procurement networks, treasury and financing services, research and development, information technology, intellectual property, human resources and other services. As a separate, stand-alone entity following the Offering, the Group may lose access to, or may find it difficult or costlier to access, certain goods, services and technologies. The Group may incur higher costs due to a decline in purchasing scale if the Group is unable to continue to take advantage of the Volkswagen Group's goods, services and technology on the same or similar terms as prior to the Offering, or to obtain other similar goods, services and technologies at prices or on terms as favorable as those obtained prior to the Offering. The operation as a separate company could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

1.4.3 The Group may not realize potential benefits from the separation of its business from the Volkswagen Group's other businesses

The Group may be unable to realize the potential benefits that it expects by separating from the Volkswagen Group. These benefits include the Group's ability to focus on its own strategic and operational plans, a more efficient allocation of capital for the Group, a distinct investment identity allowing investors to evaluate the merits, performance and future prospects of the Group separately from those of the Volkswagen Group, and a better tailoring of internal procedures to the nature of the Group's business and developing effective equity-based compensation to achieve greater alignment of management interests with the Group's business.

The Group may not achieve these and other anticipated benefits for a variety of reasons. Following the Offering, the Group will not have the same access to the financial, managerial and professional resources from which the Group has benefited in the past and will incur significant costs, which may be greater than those for which the Group has planned, to replace these resources. In addition, the separation and offering will require significant amounts of management's time and effort, which may divert management's attention away from the Group's business. Furthermore, certain costs and liabilities that were otherwise less significant to the Volkswagen Group as a whole will be more significant to the Group as a stand-alone publicly listed entity, the Group may be more susceptible to market fluctuations and other adverse events than if it were still a part of the Volkswagen Group, and the Group's business will be significantly less diversified than the Volkswagen Group's business prior to the separation. If the Group is unable to achieve some or all of the benefits expected to result from the separation and the Offering, or if such benefits are delayed, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

1.4.4 As the Group further integrates its information technology infrastructure, it could incur substantial additional costs and experience temporary business interruptions

After the Offering, the Volkswagen Group will continue to provide certain IT services to the Group, including certain infrastructure services, negotiating capabilities for license services or application services. For example, while the MAN and Scania brands maintain independent IT infrastructures and will continue to do so alongside Group collaboration initiatives, VWCO's IT systems will remain embedded in the Volkswagen Group's IT infrastructure, with VWCO maintaining its own administrative capabilities. While not currently planned, in the event that the Group would have to terminate its IT collaboration with the Volkswagen Group, the Group could incur temporary interruptions in business operations if certain brand operations, such as VWCO, could not transition effectively from the Volkswagen Group's existing transactional and operational systems and data centers and the services that support these functions as the Group replaced these systems. In such an event, the Group may not be successful in effectively and efficiently implementing its new systems and transitioning its data and it may incur substantially higher costs for implementation than currently anticipated. Any failure on the Group's part to avoid operational interruptions as it implements the new systems and replace parts of the Volkswagen Group's information technology services, or the Group's failure to implement the new systems and replace the Volkswagen Group's services effectively and efficiently, could disrupt the Group's business and expose it to liability towards third parties which could have a material adverse effect on the Group's business, results of operations and financial condition.

1.4.5 Services to be provided by the Volkswagen Group (excluding the Group) to the Group based on the existing service relationships may be insufficient to cover the Group's needs as a stand-alone company and the Group may be unable to subsequently replace the services provided by the Volkswagen Group (excluding the Group) after the Offering without operational problems or additional cost

The Group has ongoing service relationships and agreements with the Volkswagen Group (excluding the Group) pursuant to which the Volkswagen Group (excluding the Group) has provided certain services to the Group in the past and will continue to provide such services after the Offering. These services include, among others, financial services, IT, procurement, research and development, intellectual property, treasury and financing, and human resources.

It is possible that such ongoing service relationships and agreements will be insufficient to cover the Group's needs as a stand-alone company or that the agreements pursuant to which they are provided may contain terms and conditions that are not favorable to the Group or not competitive with alternatives in the market. In addition, failure by the Volkswagen Group (excluding the Group) to perform the services provided for under the service arrangements and agreements may result in operational problems and increased costs to the Group. The services to be provided by the Volkswagen Group (excluding the Group) after the Offering may not function as efficiently as they did prior to the Offering and the Group may find it difficult to find a suitable alternative supplier of such services in a timely fashion or at all. Any of the foregoing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

1.5 Risks Related to the Group's Shareholder Structure

1.5.1 The Existing Shareholder could, even after the completion of the Offering, exert substantial influence on decisions reached by the general shareholders' meeting and could have diverging interests from those of the Group's other shareholders following completion of the Offering. Under the existing domination and profit and loss transfer agreement with the Company, as controlled entity, and the Existing Shareholder, as controlling entity, the Company's unconsolidated German GAAP net income for the fiscal year ending December 31, 2019 will be transferred to the Existing Shareholder and the Existing Shareholder could issue instructions to the Company that are detrimental to the Company

Upon completion of the Offering (assuming placement of all Offer Shares and full exercise of the Greenshoe Option), Volkswagen AG will hold 88.50% of the Company's shares. In addition, the Company, as the controlled company, and Volkswagen AG, as the controlling company, continue to be parties to a domination and profit and loss transfer agreement (*Beherrschungs- und Gewinnabführungsvertrag*) dated February 3, 2004 as amended on February 25, 2014 with effect as of January 1, 2014 (the "**VW/TRATON DPLTA**"). Pursuant to the VW/TRATON DPLTA, the Company is currently required to carry out its business at the direction of Volkswagen AG and Volkswagen AG may issue directives to the Company's management. Also, the Company must transfer to Volkswagen AG its entire net income (*Gewinn*) as determined by the Company's stand-alone annual financial statements prepared in accordance with German generally accepted accounting principles ("**German GAAP**") pursuant to the German Commercial Code

(*Handelsgesetzbuch*) ("**HGB**") (subject to the allocation of amounts to retained earnings or the dissolution of reserves (*Rücklagen*) reduced by any loss carry-forward (*Verlustvortrag*) of previous fiscal years and by the amount that is required to be maintained for statutory reserves (*gesetzliche Rücklagen*). Conversely, Volkswagen AG must assume the Company's net losses (*Verlust*) in each fiscal year. In connection with the Offering, the VW/TRATON DPLTA will automatically terminate in accordance with Section 307 AktG with effect as of December 31, 2019 when the Company's current fiscal year ends. Consequently, the Company's net income for that fiscal year as determined by the Company's stand-alone annual financial statements prepared in accordance with German GAAP, if any, will be transferred to Volkswagen AG and the other shareholders in the Company will not be entitled to such net income. Also, shareholders in the Company are exposed to the risk that, during the remaining term of the VW/TRATON DPLTA, Volkswagen AG issues instructions to the Company which are in the interest of Volkswagen AG only or are otherwise detrimental for the Company or for other shareholders of the Company.

After the termination of the VW/TRATON DPLTA becomes effective, the rules governing factual domination as set out in Sections 311 *et seq.* AktG will apply to the relationship between Volkswagen AG and the Company; under these rules, it will be possible for the management of the Company to also take the group interest of Volkswagen AG into consideration. Even though this does not result in an instruction right, the management of the Company may even observe requests from Volkswagen AG that are to the disadvantage of the Company provided that the disadvantage is quantifiable and Volkswagen AG compensates or agrees to compensate the disadvantage, such compensation or agreement to take place in the same fiscal year.

On June 14, 2019, the Company and Volkswagen AG have entered into an agreement that governs certain key principles for the future relationship and cooperation between the Company and the Volkswagen AG (the "**Relationship Agreement**"). Among other things, the parties agree, to the extent legally permitted, to collaborate, cooperate and align on certain matters in order, *inter alia*, to allow Volkswagen AG (i) to prepare its consolidated financial statements, prospectuses, other mandatory reports, tax returns and budget planning, (ii) to ensure compliance with its organizational and compliance duties and (iii) to ensure compliance with its reporting and capital markets related obligations. The collaboration obligations also extend to the alignment of certain external communication, reporting processes, risk management and corporate social responsibilities.

German company law mandatorily requires the approval of at least three-quarters of the share capital represented at the time a vote is taken to pass resolutions on certain substantial matters, such as creating authorized or conditional capital, excluding subscription rights in case of capital increases, changing the corporate purpose (*Unternehmensgegenstand*), mergers, spin-offs and conversions to a different form of legal entity or the conclusion of a domination and profit and loss transfer agreement (*Beherrschungs- und Gewinnabführungsvertrag*). The Company's articles of association (the "**Articles of Association**") provide, among other things, that resolutions of the general shareholders' meeting are adopted by simple majority vote unless otherwise required by applicable law or the Articles of Association. However, with regard to changes to the Articles of Association, a simple majority vote is only sufficient, if at least 50% of the share capital is present at the vote; if less than 50% of the share capital is present at the vote, a two-third majority vote is required to adopt changes to the Articles of Association.

After the Offering, due to the size of its shareholding, Volkswagen AG will be able to adopt any resolution regardless of how other shareholders vote, including, but not limited to, resolutions on the election of Supervisory Board members, on capital measures and on the allocation of profits and, hence, our dividend policy. In this context, the interests of Volkswagen AG, for example with respect to the allocation of profits and the distribution of dividends, may differ from the interests of some or all of our other shareholders.

In addition, a considerable portion of Volkswagen AG's voting capital is held, directly or indirectly, by three large shareholders: Porsche Automobil Holding SE, the State of Lower Saxony and Qatar Holding. Furthermore, under a provision of Volkswagen AG's articles of association, the State of Lower Saxony has the right to appoint two members of Volkswagen AG's supervisory board as long it holds, directly or indirectly, at least 15% of Volkswagen AG's voting capital. It cannot be ruled out that Porsche Automobil Holding SE, the State of Lower Saxony or Qatar Holding will utilize its influence at Volkswagen AG's general meeting, or that the State of Lower Saxony will use its influence on Volkswagen AG's supervisory board derived from its rights under the articles of association, to pursue economic, political, regional, social or other interests that may diverge from the interests of Volkswagen AG, the Company, and some or all of our other shareholders.

1.5.2 Membership of the same individuals on boards of the Company and of the Volkswagen Group as well as other relationships with the Volkswagen Group or companies of the Volkswagen Group may result in conflicts of interest

As of the date of this Prospectus, several members of the Company's Supervisory Board also serve on the management board or the supervisory board of Volkswagen AG (so-called "dual mandates"), are employees of Volkswagen AG and/or hold shares in Volkswagen AG, including as part of the remuneration they receive from Volkswagen AG. In addition, the Company's CEO, Mr. Renschler, is bound by a service agreement with Volkswagen AG and renders his services to the Company on the basis of this service agreement. Unlike the other members of the Company's Management Board, Mr. Renschler receives his remuneration and other benefits from Volkswagen AG. Following the Offering, given the size of Volkswagen AG's shareholding in the Company, members of Volkswagen AG's management board or supervisory board or other employees of the Volkswagen Group will continue to be members of the Company's Supervisory Board or other boards of Group companies. Since the interests of Volkswagen AG and the Company are not necessarily always the same, the aforementioned dual mandates and other relationships with Volkswagen AG or other companies of the Volkswagen Group may in the future potentially result in conflicts of interest.

1.5.3 The management of MAN SE is required to consider the interests of MAN SE's minority shareholders, which may not always be aligned with the Group's interests

After the termination of the domination and profit and loss transfer agreement between the Company as controlling entity and MAN SE as controlled entity with effect as of January 1, 2019, the Company no longer has the right to issue binding instructions to the management board of MAN SE. Instead, MAN SE's management board manages the company at its own discretion with the obligation to solely act in the best interest of MAN SE. However, management may observe requests from the Company that are to the disadvantage of MAN SE provided that the disadvantage is quantifiable and the Company compensates or agrees to compensate the disadvantage in the same fiscal year. However, the management board of MAN SE will decide in each case whether to observe a request of the Company or not and cannot be forced by the Company to do so. Consequently, with the current group structure, the Company is not in a position to exercise the same discretion over MAN SE as it can with respect to its wholly-owned subsidiaries. Any adverse effect on the Company's effectiveness in implementing its strategic measures could have a material adverse effect on its business, results of operations, financial condition and prospects.

1.5.4 Shareholders in the Company may suffer adverse consequences from a potential squeeze-out of minority shareholders of MAN SE

There are different options available to the Company to squeeze out the remaining minority shareholders of MAN SE and fully integrate MAN SE and its subsidiaries into the Group by eliminating the "double listing" of both the Company and MAN SE. No decision has been made on whether and when to implement any of these options, but the Company could decide to reorganize the Group and pursue one of these options, namely to exclude MAN SE's minority shareholders against payment of a cash compensation through a merger squeeze out (the "**Merger Squeeze-out**") or a regular squeeze out (the "**Regular Squeeze-out**") under German law at any later point in time. The Regular Squeeze-out would require the Company to first acquire additional shares in MAN SE to reach or cross the relevant threshold of 95% of MAN SE's share capital.

In either case, under applicable German law, the cash compensation payable to MAN SE's minority shareholders would have to correspond to the fair value (*Verkehrswert*) of their MAN SE shares, which would typically be determined on the basis of the higher of (i) the volume-weighted average stock market price of the last three months before the announcement of the Merger Squeeze-out or the Regular Squeeze-out, as the case may be, and (ii) the price per share determined on the basis of the discounted earnings valuation method in accordance with the generally accepted valuation standard S 1 promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland*). The cash compensation would be paid by the Company and could therefore dilute its equity value (*Unternehmenswert*) to the extent the aggregate cash compensation to MAN SE's minority shareholders exceeded the aggregate equity value of the acquired MAN SE shares.

Also, MAN SE's minority shareholders could challenge the cash compensation in separate appraisal proceedings (*Spruchverfahren*), claiming an additional cash compensation payment. Such proceedings usually last several years and, if successful, all minority shareholders of MAN SE would be entitled to an additional cash compensation payment. Such payment would bear interest at a rate of five percentage points per annum above the relevant base rate as published by the German Central Bank (*Deutsche Bundesbank*) from the end of the day on which the entry of the merger in the Company's commercial

register (in case of the Merger Squeeze-out) or of the squeeze-out in MAN SE's commercial register (in case of the Regular Squeeze-out) would be announced. Any such payments could have a material adverse effect on the Group's business, financial condition and results of operations or prospects.

In addition, under current German tax law, any increase of the Company's shareholding in MAN SE to 95% or more of MAN SE's share capital would result in German real estate transfer tax falling due with regard MAN SE's directly and indirectly owned German real estate. The Company expects the relevant amount of German real estate transfer tax to amount to a mid double-digit million Euro amount.

1.6 Risks Related to the Shares and the Listing

1.6.1 The Company's shares have not been publicly listed, and there is no guarantee that an active and liquid market for the Company's shares will develop or can be maintained

Prior to the Offering, there was no public trading market for the Company's shares. As a consequence, there can be no assurance that (i) an active and liquid trading market will develop or continue after the Offering, (ii) the share price will not decline below the offer price (the "**Offer Price**"), or (iii) prospective investors will be able to sell their shares at an appropriate price. After a bookbuilding process, the Offer Price will be determined by the Existing Shareholder after consultation with the Joint Global Coordinators, on behalf of the Underwriters, and may not be indicative of the market price of the shares after listing. The fact that the Existing Shareholder will continue to hold 88.50% of the Company's share capital even after a full placement of all Offer Shares (assuming full exercise of the Greenshoe Option) limits the number of free float shares in the Company and could, therefore, adversely affect the development and maintenance of a liquid trading market for the shares. Low liquidity of the Company's shares may also entail high volatility regarding the share price. Furthermore, shares available for stabilization measures during the stabilization period are limited, as they may not exceed 15% of the shares offered in the Offering. Investors may not be able to sell the shares at the final Offer Price, at a higher price or at all under certain circumstances.

1.6.2 The market price and trading volume of the Company's shares may fluctuate significantly and could decline upon completion of the Offering, and investors could lose some or all of their investment. There is no assurance that the price at which the shares will be traded following the Offering will be equivalent to or above the Offer Price.

The trading volume and price of the Company's shares may fluctuate significantly. The share price is determined by the supply of and demand for the shares and may not necessarily reflect the fair value of the Company. Some of the factors that could negatively affect the share price or result in fluctuations in the price or trading volume of the shares include, for example, ad hoc developments, changes in profit forecasts or estimates, fluctuations in the Group's actual or projected operating results, variations in quarterly results, failure to meet securities analysts' expectations, the contents of published research reports about the Company or the industry segments or securities analysts failing or ceasing to cover the Company following the Offering, actions by institutional shareholders and general market conditions or special factors influencing companies in the industry in general. Fluctuations in the equity markets could also cause the share price to decline, though such general fluctuations may not necessarily have any particular basis in the Group's business, results of operations or prospects. There is no assurance that the price at which the shares will be traded following the Offering will be equivalent to or above the Offer Price. Investors might therefore only be able to sell their shares at a price below the Offer Price. If the share price declines, investors may be unable to resell their shares at or above their purchase price and may lose some or all of their investment in the Company's shares.

1.6.3 The payment of future dividends will depend, among other things, on the Group´s results of operations, financial and investment needs and the availability of distributable reserves

In accordance with the German Stock Corporation Act, the general shareholders' meeting of the Company decides on the payment of dividends on the recommendation of the management board and the supervisory board. The Company's ability to distribute dividends in the future will, among other things, depend on the Company´s ability to generate profits, its results of operations and financing and investment needs, as well as the availability of distributable profits or distributable reserves. The decision on the payment of dividends is based on the balance sheet profit, as determined for the Company on a stand-alone basis in accordance with the German Commercial Code (*Handelsgesetzbuch*) and the German Stock Corporation Act (*Aktiengesetz*). In order to determine the balance sheet profit available for distribution, the annual financial profit or loss must be adjusted with the profit/loss carry forward from the previous year as well as any withdrawals or contributions made to the reserves. The Company can make no predictions as to the size of future profits available for distribution, or whether distributable profits will be achieved at all, and hence it cannot guarantee that dividends will be paid in the future.

1.6.4 The Company is a holding company with no material business operations of its own and relies on operating subsidiaries to provide the Company with the funds required to meet its financial obligations and make dividend payments

The Company is a holding company with no material business operations of its own. The principal assets of the Company are its direct and indirect equity interests in its operating subsidiaries. As a result, the Company is dependent on these subsidiaries in order to generate the funds required to meet the Company's financial obligations and make dividend payments, if any.

The ability of the Company's subsidiaries to make distributions and other payments to the Company depends on the subsidiaries' earnings and is subject to various contractual and statutory limitations. The amount and timing of such distributions depend on the laws of the operating companies' respective jurisdictions and such distributions may not arrive in time for the dividend payments of the Company and the Company would have to draw on its reserves to pre-fund dividend payments. The transfer of profits may be limited where minority interests of third parties exist in subsidiaries and affiliates and where such minorities must approve the approval of annual accounts and the distribution of profits to shareholders. As a (direct or indirect) shareholder in its subsidiaries, the Company's right to receive assets upon liquidation or reorganization of such subsidiaries will be effectively subordinated to the claims of the subsidiaries' respective creditors. Even if the Company is recognized as a creditor of its subsidiaries, the Company's claims will still be subordinated to any security interests that are senior to the Company's claims.

If the Company does not receive sufficient distributions and other payments from its direct and indirect subsidiaries at all or in time, it may be unable to meet its financial obligations and to make dividend payments.

1.6.5 The Company will face additional administrative requirements and incur higher ongoing costs as a result of its operation as an independent publicly listed company

As a publicly listed company, the Company will incur significant legal, accounting and other expenses that it did not incur as a private company. After the Offering, the Company will for the first time be subject to the legal requirements for German stock corporations listed on the regulated market of a public exchange and the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) as well as the German Securities Trading Act (*Wertpapierhandelsgesetz*) and the Market Abuse Regulation. These requirements include periodic financial reporting and other public disclosures of information (including those required by the stock exchange listing authorities), regular calls and meetings with securities and industry analysts, and other required disclosures.

There is no guarantee that the Group's accounting, controlling and legal or other corporate administrative functions will be capable of responding to these additional requirements without difficulties and inefficiencies that cause it to incur significant additional expenditures and/or expose it to legal, regulatory or civil costs or penalties. Furthermore, the preparation, convening and conduct of general shareholders' meetings and the Company's regular communications with shareholders and potential investors will entail substantially greater expenses.

The Group's management may also need to devote time and other resources to these additional requirements that it could have otherwise devoted to other aspects of managing its operations, and these additional requirements could also entail substantially increased time commitments and costs for the accounting, controlling, legal and investor relations departments and other Group administrative functions. In addition, the Group may be required to hire additional employees or engage outside consultants to comply with such requirements, which could increase the Group's costs and expenses.

Any inability of the Company's administrative functions to handle the additional demands placed on it by becoming a company with listed shares, as well as any costs resulting therefrom, may have a material adverse effect on the Group's business, results of operations and financial condition.

1.6.6 Future offerings of equity or equity-linked debt securities may adversely affect the market price of the Company's shares

In the future, the Group may seek to raise capital through offerings of equity or debt securities (potentially including convertible debt securities). An issuance of additional equity securities or securities with rights to convert into equity could have a material adverse effect on the market price of the Company's shares and would dilute the economic position and voting rights of existing shareholders if made without granting subscription rights to existing shareholders. Because the timing and nature of any future offering would depend on market conditions at the time of such an offering, the Group cannot predict or estimate the amount, timing or nature of future offerings. Thus, holders of shares bear the risk of future offerings reducing the market price of the shares and/or diluting their shareholdings in the Company. In addition, the

acquisition of other companies or investments in companies in exchange for newly issued shares of the Company, as well as the exercise of stock options by the Group's employees in the context of future stock option programs or the issuance of new shares to employees in the context of employee equity programs, such as restricted stock or employee stock participation programs, could lead to such dilution. Any additional offering of shares by the Company, or the public perception that an offering may occur, could also have a negative impact on, or increase the volatility of, the market price of the Company's shares.

1.6.7 Future sales of the Company's shares by the Existing Shareholder or investors acquiring shares in the offering or the perception that such sales may occur could depress the price of the shares

If the Existing Shareholder or one or more other shareholders of the Company sell a substantial number of the shares in the Company they hold, directly and indirectly, following completion of the Offering, or a consensus is formed in the market that such a sale is imminent, the Company's share price may decline. While the shares that are, directly and indirectly, held by the Existing Shareholder are subject to lock-up commitments, such arrangements are only contractual obligations and are only binding for the agreed lock-up period of six months and provide for certain exceptions. If such arrangements among the parties are amended or waived, shareholders will not have any right of action against the parties. A sale of the Company's shares before the expiration of the lock-up period therefore cannot be ruled out. The Existing Shareholder's or other investors proposed or perceived sale of shares in the future may significantly depress the share price, particularly at the point in time when the lock-up arrangement expires.

1.6.8 Shareholders from outside the Eurozone may be subject to foreign currency exchange rate risk

The Company's shares are, and any dividends to be paid in respect of them will be, denominated in Euro. An investment in the Company's shares by an investor whose principal currency is not the Euro, including investors who purchase the shares in this Offering in Swedish Kronor, exposes the investor to foreign currency exchange rate risk. Any depreciation of the Euro in relation to an investor's principal currency will reduce the investor's value of the investment in the Company's shares or any dividends in relation to such currency.

1.6.9 Shareholders outside of Germany may not be able to participate in future rights offerings

Under German corporate law, shareholders generally have subscription rights (*Bezugsrechte*) relating to any shares issued in a capital increase, or convertible bonds or bonds with warrants, in proportion to their shareholding, subject to certain exceptions which allow for an exclusion of preemptive rights. Due to restrictions in other jurisdictions, including the United States, shareholders outside of Germany may be prohibited, under applicable law, or excluded under the terms of the capital measure, from participating in future capital measures or such participation may be difficult. In addition, shareholders may not be able to participate in potential future capital measures if they do not have the funds necessary to subscribe for new securities or if the subscription rights are excluded. This could result in dilution of those shareholders' proportionate interests in the Company. Open market purchases to counteract such dilution could be on terms less favorable than those offered to other shareholders in connection with such a capital increase.

1.6.10 The Offering may not be completed, in which case investors could lose security commissions paid and be exposed to risks from any short selling of the shares

The underwriting agreement relating to the Offering entered into between the Company, the Existing Shareholder and the syndicate banks acting as underwriters in connection with the Offering (the "**Underwriting Agreement**") provides that the underwriters can terminate the Offering under certain circumstances. If the underwriters withdraw from the Underwriting Agreement, the Offering will not take place. Any allocations to investors that have already occurred will be invalid. In this case, investors will not have a claim for delivery of the shares of the Company. Claims with regard to any subscription fees that have already been paid and costs incurred in connection with the subscription by an investor are governed solely by the legal relationship between the investor and the institution with which the investor has submitted its offer to purchase. If an investor has engaged in short selling, the investor bears the risk of not being able to fulfill its delivery obligations.

2 GENERAL INFORMATION

2.1 Responsibility for the Contents of this Prospectus

TRATON SE, a European company (*Societas Europaea (SE)*), Munich, Federal Republic of Germany ("**Germany**") (the "**Company**" or "**TRATON SE**" and together with its subsidiaries, "we", "us", "our" or the "**Group**" or the "**TRATON GROUP**"), Citigroup Global Markets Limited, London, United Kingdom ("**Citigroup**"), Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany ("**Deutsche Bank**"), Goldman Sachs International, London, United Kingdom ("**Goldman Sachs International**") and J.P. Morgan Securities plc, London, United Kingdom ("**J.P. Morgan**", together with Citigroup, Deutsche Bank and Goldman Sachs International, the "**Joint Global Coordinators**", and each, a "**Joint Global Coordinator**"), Merrill Lynch International, London, United Kingdom ("**BofA Merrill Lynch**"), Barclays Bank PLC, London, United Kingdom ("**Barclays**"), BNP Paribas, Paris, France ("**BNP Paribas**"), Skandinaviska Enskilda Banken AB, Stockholm, Sweden ("**SEB**") and UniCredit Bank AG, Munich, Germany ("**UniCredit**" and together with BofA Merrill Lynch, Barclays, BNP Paribas and SEB, the "**Joint Bookrunners**" and each, a "**Joint Bookrunner**"), COMMERZBANK Aktiengesellschaft, Frankfurt am Main, Germany ("**COMMERZBANK**"), HSBC Trinkaus & Burkhardt AG, Düsseldorf, Germany ("**HSBC**"), Société Générale, Paris, France (**"Société Générale**") and Landesbank Baden-Württemberg, Stuttgart, Germany ("**Landesbank Baden-Württemberg**" and together with COMMERZBANK, HSBC and Société Générale, the "**Co-Lead Managers**," and each, a "**Co-Lead Manager**" and together with the Joint Global Coordinators and the Joint Bookrunners, the "**Underwriters**"), assume responsibility for the content of this prospectus ("**Prospectus**") pursuant to Section 5 para. 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*, "**WpPG**") and declare that the information contained in the Prospectus is, to best of their knowledge, correct and contains no material omissions.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

The information contained in the Prospectus will not be updated subsequent to the date hereof except for any significant new event or significant error or inaccuracy relating to the information contained in the Prospectus that may affect an assessment of the securities and occurs or comes to light following the approval of the Prospectus but before the completion of the public offering or admission of the securities to trading, whichever is later. These updates must be disclosed in a Prospectus supplement in accordance with Section 16 para. 1 sentence 1 WpPG.

2.2 Purpose of this Prospectus

The Prospectus relates to the offering of 57,500,000 ordinary bearer shares (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) of the Company with no par value (*Stückaktien*), each such share representing a notional value of EUR 1.00 and with full dividend rights in EUR since January 1, 2019 (the "**Offering**"), consisting of:

- 50,000,000 existing ordinary bearer shares (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) with no par value (*Stückaktien*) from the holdings of Volkswagen Aktiengesellschaft (herein also referred to as the "**Existing Shareholder**" or "**Volkswagen**") (the "**Base Shares**"); and
- 7,500,000 existing ordinary bearer shares (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) with no par value (*Stückaktien*) from the holdings of the Existing Shareholder in connection with a possible over-allotment (the "**Over-Allotment Shares**" and, together with the Base Shares, the "**Offer Shares**").

For the purpose of admission to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*), as well as the simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the Large Cap segment of Nasdaq Stockholm (*börsen*), the Prospectus relates to all of the Company's existing ordinary bearer shares, being 500,000,000 existing bearer shares, with no par value (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*), each such share representing a notional value of EUR 1.00 and with full dividend rights in EUR as of January 1, 2019.

The Offering consists of an initial public offering in Germany and Sweden and private placements in certain jurisdictions outside Germany and Sweden. In the United States of America (the "**United States**" or the "**U.S.**"), the Offer Shares will only be offered and sold to qualified institutional buyers ("**QIBs**") as defined in Rule 144A ("**Rule 144A**") under the United States Securities Act of 1933, as amended (the "**Securities Act**"), in transactions exempt from the registration requirements of the Securities Act. Outside the United States, the Offer Shares will only be offered and sold in offshore transactions in compliance with Regulation S under the Securities Act ("**Regulation S**").

The Offer Shares have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction of the United States, and may not be offered, sold or otherwise transferred to or within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States.

2.3 Forward-Looking Statements

This Prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to present or historical facts and events. This applies, in particular, to statements in this Prospectus containing information on the Group's future earnings capacity, plans and expectations regarding its business, its growth and profitability, and general economic conditions to which it is exposed. Statements made using words such as "is likely", "believes", "expects", "assumes", or "intends" may indicate forward-looking statements.

The forward-looking statements in this Prospectus are subject to risks and uncertainties, as they relate to future events, and are based on estimates and assessments made to the best of the Company's present knowledge. These forward-looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause the Company's actual results, including the financial condition and profitability of the Group, to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. Accordingly, investors are strongly advised to read the following sections of this Prospectus: "*I. Summary of the Prospectus*", "*1. Risk Factors*", "*11.3 Key Factors Affecting the Results of Operations*", "*12. Profit Forecast*", "*13. Industry Overview*", "*14. Business*" and "*28. Recent Developments and Outlook*". These sections include more detailed descriptions of factors that might have an impact on the Group's business and the business environment in which the Group operates.

In light of the uncertainties and assumptions, it is also possible that the future events mentioned in this Prospectus might not occur. In addition, the forward-looking estimates and forecasts reproduced in this Prospectus from third-party reports could prove to be inaccurate (see "*2.5 Sources of Market Data*" for more information on third-party sources used in this Prospectus). Actual results, performance or events may differ materially from those in such statements due to, among other reasons:

- Macroeconomic conditions and cyclicality in the markets in which the Group operates;
- Protectionist measures, including tariffs and other barriers to trade;
- Competition in the commercial vehicle industry;
- The Group's ability to respond to evolving market trends and governmental regulations regarding climate change and vehicle exhaust emissions with commercially viable products;
- The success of the Group's strategic alliances, partnerships and joint ventures;
- The Group's ability to achieve successful geographic expansion beyond Europe and South America/ Mexico;
- The Group's ability to achieve the targeted synergies and other benefits from the strategic collaboration among its brands and operational performance improvements;
- Dependency on third-party suppliers and the availability and cost of raw materials, inputs or components used in the Group's products;
- Unforeseen business interruptions and deviations from planning in connection with large projects;
- Adverse interest rate and currency effects;
- Union relations and the loss of key employees;
- Litigation and regulatory proceedings, including antitrust enforcement actions and related claims;

and other factors described in this Prospectus.

Forward-looking statements included in this Prospectus speak only as of the date on which they are made. Moreover, it should be noted that neither the Company nor any of the Underwriters assumes any obligation, except as required by law, to update any forward-looking statement or to confirm any such statement to actual events or developments.

See "*1. Risk Factors*" for a further description of some of the factors that may have an influence on the Company's forward-looking statements.

2.4 Presentation of Financial Information

The fiscal years ended December 31, 2018, December 31, 2017 and December 31, 2016 are also referred to in the Prospectus as "**fiscal year 2018**" or "**2018**," "**fiscal year 2017**" or "**2017**" and "**fiscal year 2016**" or "**2016**," respectively.

The consolidated financial statements of the Company prepared by the Company in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") as of and for the fiscal years ended December 31, 2018, 2017 and 2016 (the "**Audited Consolidated Financial Statements**") were audited in accordance with International Standards on Auditing by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bernhard-Wicki-Straße 8, 80636 Munich, Federal Republic of Germany ("**PwC**"), who issued an independent auditor's report thereon. The unaudited condensed interim consolidated financial statements as of and for the three months ended March 31, 2019 (the "**Unaudited Condensed Interim Consolidated Financial Statements**") were prepared in accordance with IFRS applicable to interim financial reporting (IAS 34).

The unconsolidated financial statements of the Company as of and for the fiscal year ended December 31, 2018 ("**Audited Unconsolidated Financial Statements**") were prepared by the Company in accordance with German generally accepted accounting principles (German GAAP) pursuant to HGB. PwC issued an auditor's report (*Bestätigungsvermerk*) thereon. The aforementioned financial statements are included in the following section of this Prospectus "*26. Financial Information*" beginning on page F-1.

Financial data in the Prospectus as of and for the fiscal years 2018, 2017 and 2016, and for the three months ended March 31, 2019 and March 31, 2018 (i) if presented as "audited," is taken from the Audited Consolidated Financial Statements or from the Audited Unconsolidated Financial Statements and (ii) if presented as "unaudited," is taken or derived from the Unaudited Condensed Interim Consolidated Financial Statements, the Company's accounting records or its internal management reporting systems or derived from the Audited Consolidated Financial Statements or derived from the Audited Unconsolidated Financial Statements.

2.5 Sources of Market Data

To the extent not otherwise indicated, the information contained in this Prospectus on the market environment, market developments, market and economic growth rates, market trends and competition in the markets in which the Group operates are based on the Company's assessments and estimates. These assessments are, in turn, based on publicly available sources, including, but not limited to, third-party studies or estimates that are also primarily based on data or figures from publicly available sources.

The following sources were used in the preparation of this Prospectus:

- A report prepared by the strategy consulting company McKinsey titled "*Route 2030 – A regional view of truck-industry profit pools,*" published January 2019 ("**McKinsey (2019)**");
- A report prepared by the strategy consulting company McKinsey titled "*Route 2030 – The fast track to the future of the commercial vehicle industry,*" dated September 2018 ("**McKinsey (2018)**");
- A report prepared by McKinsey titled "*Gearing up for growth. Future perspectives on the global truck market,*" dated May 2016 ("**McKinsey (2016)**");
- International Council on Clean Transportation, "*Fuel Efficiency Technology in European Heavy-Duty Vehicles: Baseline and Potential for the 2020-2030 Time Frame,*" White Paper dated July 2017 and "*European Vehicle Market Statistics Pocketbook 2018/19,*" dated 2018 ("**ICCT**");
- International Energy Agency, "*The Future of Trucks: Implications for energy and the environment,*" dated 2017 ("**IEA 2017**");
- IHS Markit Global Sàrl, *"Medium and Heavy-Duty Commercial Vehicle Industry Forecast,"* May 2019 ("**IHS Markit**");
- Kraftfahrt-Bundesamt, "*Erneut mehr Gesamtkilometer bei geringerer Jahresfahrleistung je Fahrzeug,* ", dated June 27, 2018, https://www.kba.de/DE/Statistik/Kraftverkehr/VerkehrKilometer/verkehr_in_kilometern_node.html;
- LMC Automotive, "*Global Commercial Vehicle Forecast, Quarter 1, 2019,*" dated April 2019 ("**LMC 2019**");
- Transparency Market Research, "*Logistics Market: Global Industry Analysis, Size, Share, Growth, Trends and Forecast, 2018 –2026,*" dated 2019 ("**Transparency Market Research**");

- Verband der deutschen Automobilindustrie, "*Growth and opportunities in the international commercial vehicle industry,*" dated July 18, 2008, "*International Press Workshop 2018*", dated July 11, 2018, "*Tatsachen und Zahlen,*" dated 2011, "*VDA-Konjunkturbarometer,*" dated January 2019 and separately requested "*VDA data*" ("**VDA**");
- World Bank, Bert Hofman, "*Performance and Prospects of Global Logistics: Keynote speech at the CaiNiao Global Smart Logistics Conference,*" dated May 22, 2017, http://www.worldbank.org/en/news/speech/2017/05/22/performance-and-prospects-of-global-logistics ("**World Bank 2017**"); and
- International Monetary Fund, "*IMF DataMapper World Economic Outlook Real GDP growth,*" dated April 2019, https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/BRA?year=2019 ("**IMF**").

The information from third-party sources that is cited here has been reproduced accurately. As far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information included in this Prospectus inaccurate or misleading. Investors should nevertheless consider this information carefully. This Prospectus also contains estimates of market data and information derived from these estimates that is not available from publications issued by market research firms or from any other independent sources. This information is based on the Group's internal estimates and, as such, may differ from the estimates made by its competitors or from data collected in the future by market research firms or other independent sources. To the extent the Group derived or summarized the market information contained in this Prospectus from a number of different studies, an individual study is not cited unless the respective information can be taken from it directly.

The Company has not independently verified the market data and other information on which third parties have based their studies or the external sources on which its own estimates are based. Therefore, the Company assumes no responsibility for the accuracy of the information on the market environment, market developments, growth rates, market trends and competitive situation presented in this Prospectus from third-party studies or the accuracy of the information on which the Company's own estimates are based. Market studies and analyses are frequently based on information and assumptions that may not be accurate or technically correct themselves, and their methodology is, by nature, forward-looking and speculative.

2.6 Documents Available for Inspection

For the period during which this Prospectus is valid, the following documents, or copies thereof, will be available for inspection during regular business hours at the Company's offices at Dachauer Straße 641, 80995 Munich, Germany:

- the Company's articles of association (*Satzung*) ("**Articles of Association**");
- the Audited Consolidated Financial Statements;
- the Unaudited Condensed Interim Consolidated Financial Statements; and
- the Audited Unconsolidated Financial Statements.

The future annual consolidated financial statements, annual unconsolidated financial statements and half-year condensed interim consolidated financial statements of the Company will also be made available on the Company's website at www.traton.com under the section "Investor Relations" after the commencement of trading of the Shares on the Frankfurt Stock Exchange and Nasdaq Stockholm. The Company's future annual consolidated and annual unconsolidated financial statements will also be published in the German Federal Gazette (*Bundesanzeiger*).

Information on the Company's website at www.traton.com, on the websites of any of its affiliates, and information accessible via these websites is neither part of, nor incorporated by reference into the Prospectus.

2.7 Note on Currency

The following table explains the denotation of currencies used in the Prospectus and in the Audited Consolidated Financial Statements, Unaudited Condensed Interim Consolidated Financial Statements and the Audited Unconsolidated Financial Statements:

Symbol used	Legal currency of
"EUR," "€" or "Euro"	the participating member states in the third stage of the European Economic Union pursuant to the Treaty Establishing the European Community
"USD", "$" or "U.S. Dollar"	United States
"GBP", "£" or "British Pound"	The United Kingdom
"SEK" or "Swedish Kronor"	Sweden
"BRL" or "Brazilian Real"	Brazil
"RUB" or "Russian Ruble"	Russia

The abbreviation "t" preceding currency data stands for "thousand," the abbreviation "m" stands for "million" and the abbreviation "bn" stands for billion.

The table below shows the average exchange rates as well as the closing rates of the foreign currencies listed against the Euro as used in the Prospectus, the Audited Consolidated Financial Statements and the Unaudited Condensed Interim Consolidated Financial Statements, respectively.

	Average exchange rate					Period-end exchange rate as of				
	Three months ended March 31,		Year ended December 31			Three months ended March 31,		Year ended December 31		
	2019	2018	2018	2017	2016	2019	2018	2018	2017	2016
	Local currency amounts in EUR									
USD	1.13605	1.22941	1.18156	1.12933	1.10675	1.12305	1.23230	1.14525	1.19875	1.05600
GBP	0.87267	0.88349	0.88476	0.87626	0.81897	0.85680	0.87645	0.89690	0.88730	0.85850
SEK	10.42161	9.97137	10.25830	9.63700	9.46712	10.40170	10.28205	10.25070	9.83140	9.56720
BRL	4.28018	3.98884	4.30729	3.60471	3.86217	4.38355	4.09205	4.44485	3.97065	3.43720

2.8 Measures not defined by IFRS (Non-GAAP Measures and Alternative Performance Measures)

Throughout the Prospectus, the Group presents financial measures, ratios and adjustments that are not required by, or presented in accordance with, IFRS or German GAAP, or any other internationally accepted accounting principles (collectively, the "**Non-IFRS Measures**"). These include operating profit, adjusted operating profit, adjusted return on sales ("**Adjusted RoS**"), adjusted EBITDA for the industrial business ("**Adjusted EBITDA**") and net cash flow measures. Please see "*10.5 Key Performance Indicators and Alternative Performance Measures*" for a description of these non-IFRS measures, including the method of their calculation or, where applicable, a reconciliation of such Non-IFRS Measures to the nearest IFRS measure found in the Group's financial statements.

These Non-IFRS Measures are presented as (i) they are used by the Company's management to measure operating performance and liquidity, including in presentations to the members of the Company's management board (*Vorstand*) ("**Management Board**") and the Company's supervisory board ("**Supervisory Board**"), and as a basis for strategic planning and forecasting, and (ii) they represent similar measures that the Company's management believes are widely used by certain investors, securities analysts and other parties as supplemental measures of operating and financial performance. These Non-IFRS Measures may enhance management's and investors' understanding of the Group's financial performance and liquidity by excluding items that are outside of the Group's ongoing operations, such as taxes on income, costs of capital and non-cash expenses. For example, the Group acknowledges that EBITDA is sometimes used by investors to measure operating performance before depreciation and amortization in particular because depreciation and amortization under IFRS can vary substantially from company to company depending on the accounting methods, carrying amount of assets, and capital structure or method by which assets were acquired and are therefore less comparable as a result.

However, these Non-IFRS Measures are not measures based on IFRS or any other internationally accepted accounting principles, and should not be considered as an alternative to the historical financial results or other indicators of the Group's performance based on IFRS measures. They should not be considered as alternatives to earnings after tax or net profit as indicators of the Group's performance, profitability or as alternatives to cash flows from operating activities as an indicator of the Group's liquidity. The Non-IFRS Measures, as defined by the Group, may not be comparable to similarly titled measures as presented by other companies due to differences in the way the Group's Non-IFRS Measures are calculated. Even

though the Non-IFRS Measures are used by management to assess ongoing operating performance and liquidity and these types of measures are commonly used by investors, they have important limitations as analytical tools, and they should not be considered in isolation or as substitutes for analysis of the Group's results or cash flows as reported under IFRS.

2.9 Negative Numbers and Rounding

Unless otherwise indicated, financial information presented in the text and tables in the Prospectus is shown in million Euro (EUR or € in millions), commercially rounded to a whole number. The same applies with regard to costs and expenses related to the Offering, the net proceeds for the Existing Shareholder and dilution information. Percentage changes and ratios in the text and tables of the Prospectus are calculated based on the respective numbers as presented and then commercially rounded to a whole percentage or to one digit after the decimal point. Because of rounding, figures shown in tables in the Prospectus do not necessarily add up exactly to the respective totals or sub-totals presented, and percentages may not reflect underlying numbers or may not exactly equal 100% when aggregated. Furthermore, these rounded figures may vary marginally from unrounded figures that may be indicated elsewhere in the Prospectus. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial information set out in the Prospectus, a dash ("—") signifies that the relevant figure is not available, while a zero ("0") or nil signifies that the relevant figure is available but has been rounded to or equals zero.

2.10 Time Specifications

References to "CET" in the Prospectus refer to Central European Time or Central European Summertime, as the case may be. References to time in the Prospectus refer to CET, unless stated otherwise.

2.11 Enforcement of Civil Liabilities

The Company is a European company (*Societas Europaea (SE)*) governed by European and German law and substantially all of its assets are located outside the United States. In addition, the members of the Management Board and the Supervisory Board are non-residents of the United States and substantially all of their assets are located outside the United States.

As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such persons or to enforce against them or the Company judgments of courts of the United States, whether or not predicated upon the civil liability provisions of the federal securities laws of the United States or other laws of the United States or any state thereof. The United States and Germany do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for payment of money rendered by a federal or state court in the United States based on civil liability, whether or not predicated solely upon United States federal securities laws, may not be enforceable, either in whole or in part, in Germany. Furthermore, mandatory provisions of German law may apply regardless of any other law that would otherwise apply.

However, if the party in whose favor such final judgment is rendered brings a new suit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against the Company or such persons will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates, and a German court may choose to re-hear the dispute. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Germany.

3 PRE-IPO REORGANIZATION

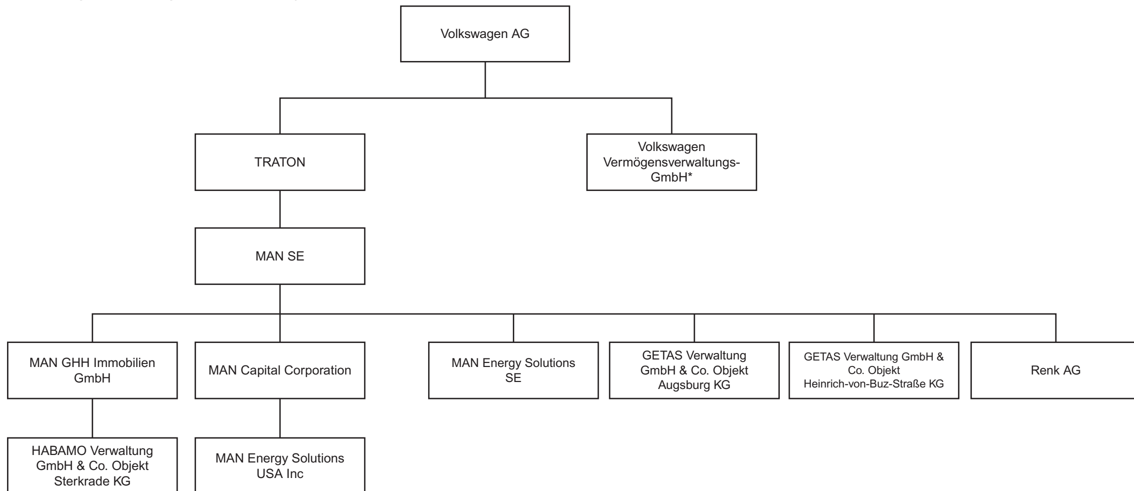
3.1 Sale of Power Engineering Entities

In preparation of the Offering, the Company's power engineering business ("**PE Business**") was sold and transferred (the "**Power Engineering Sale**") to Volkswagen Klassik GmbH, which has been renamed Volkswagen Vermögensverwaltungs-GmbH ("**VW Klassik**"). Before the implementation of the Power Engineering Sale, the business of MAN SE had comprised two business areas: The commercial vehicle business area (i.e., in essence, a part of the Company's industrial business as of the date of this Prospectus, as described under section "*14. Business*") and the power engineering business area (i.e. large-bore diesel and gas engines, turbomachinery, industrial turbines, chemical reactor systems, special gear units, propulsion components and testing systems). The power engineering business area had consisted of:

- the 76% stake of MAN SE in RENK Aktiengesellschaft ("**RENK**"), a publicly listed stock corporation;
- the 100% stake of MAN SE in MAN Energy Solutions SE ("**MAN ES**"); and
- the 100% stake of MAN Capital Corporation ("**MAN CC**"), a wholly-owned subsidiary of MAN SE, in MAN Energy Solutions USA Inc ("**MAN ES USA**").

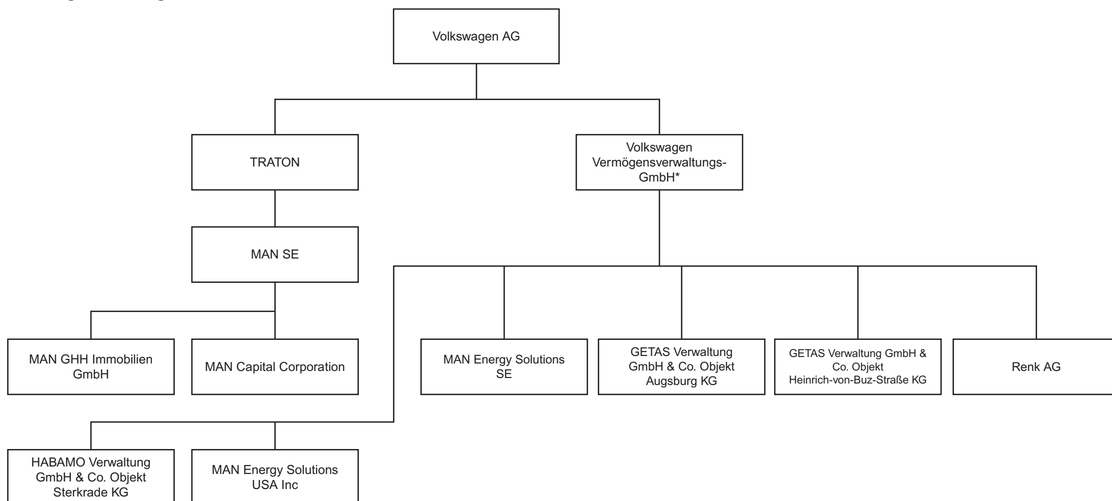
In addition, before the implementation of the Power Engineering Sale, MAN SE had held directly and indirectly 100% of the limited partner's interest in three German real-estate holding companies (jointly, the "**Three Real Estate Companies**" and together with RENK, MAN ES and MAN ES USA, the "**Power Engineering Sale Entities**"). The sale of the power engineering business is illustrated in the following charts:

Power engineering business prior to the sale:



* Formerly Volkswagen Klassik GmbH

Power engineering business after the sale:



* Formerly Volkswagen Klassik GmbH

3.2 Power Engineering Sale Process

The Power Engineering Sale was effected by MAN SE and certain wholly-owned subsidiaries of MAN SE selling and transferring the Power Engineering Sale Entities to VW Klassik, a wholly-owned subsidiary of Volkswagen AG. The share purchase agreements for these sales and transfers (see "*3.3 Share Purchase Agreements*" and "*3.4 Key Elements of the Share Purchase Agreements*") were executed on December 20, 2018, with December 31, 2018, 24:00 hours CET being the economic and legal effective date, except for the MAN ES USA SPA where the economic and legal effective date was December 31, 2018, midnight Eastern Standard Time. Together with the share purchase agreements, the parties executed certain ancillary agreements (see "*3.5 Transitional Services Agreements,*" "*3.6 Trademarks,*" "*3.7 Other IP rights,*" "*3.8 IT Separation*" and "*3.9 Pensions*").

MAN SE acted on the basis of instructions given by the Company under the domination and profit and loss transfer agreement that was in effect between the Company and MAN SE until December 31, 2018 (see "*18.1 Formation, Incorporation, History and Share Capital*").

Through the Power Engineering Sale, the Group became a pure truck and bus manufacturer and service provider.

3.3 Share Purchase Agreements

The sale and transfer of the Power Engineering Sale Entities to VW Klassik was implemented through the following share purchase agreements:

- the share purchase agreement between MAN SE and VW Klassik regarding the sale and transfer of MAN's 100% stake in MAN ES to VW Klassik, dated December 20, 2018 (the "**MAN ES SPA**");
- the share purchase agreement between MAN SE and VW Klassik regarding the sale and transfer of MAN's 76% stake in RENK to VW Klassik, dated December 20, 2018 (the "**RENK SPA**");
- the share purchase agreement between MAN CC and VW Klassik regarding the sale and transfer of MAN CC's 100% stake in MAN ES USA to VW Klassik, dated December 20, 2018 (the "**MAN ES USA SPA**");
- the share purchase agreement between MAN SE and VW Klassik regarding the sale and transfer of MAN SE's 100% limited partner's interest (*Kommanditanteil*) in GETAS Verwaltung GmbH & Co. Objekt Heinrich-von-Buz-Straße KG to VW Klassik, dated December 20, 2018 (the "**GETAS von Buz SPA**");
- the share purchase agreement between MAN SE and VW Klassik regarding the sale and transfer of MAN SE's 100% limited partner's interest (*Kommanditanteil*) in GETAS Verwaltung GmbH & Co. Objekt Augsburg KG to VW Klassik, dated December 20, 2018 (the "**GETAS Augsburg SPA**"); and
- the share purchase agreement between MAN GHH Immobilien GmbH ("**MAN GHH**"), a wholly-owned subsidiary of MAN SE, and VW Klassik regarding the sale and transfer of MAN GHH's 100% limited partner's interest (*Kommanditanteil*) in HABAMO Verwaltung GmbH & Co. Objekt Sterkrade KG to VW Klassik, dated December 20, 2018 (the "**HABAMO SPA**" and together with the MAN ES SPA, the RENK SPA, the MAN ES USA SPA, the GETAS von Buz SPA and the GETAS Augsburg SPA, the "**Power Engineering SPAs**").

3.4 Key Elements of the Share Purchase Agreements

3.4.1 General Provisions

The aggregate purchase price for the stakes in MAN ES and RENK corresponds to their IFRS equity book values (disregarding the equity book value of MAN ES USA, which is contained in the equity book value of MAN ES) in the consolidated financial statements of MAN SE as of December 31, 2018 and amounted to EUR 1,876 million. The purchase price for the stake in MAN ES USA matches the fair market value of the stake in the amount of approximately USD 99 million. The aggregate purchase prices for the Three Real Estate Companies amounted to approximately EUR 19.6 million.

The Power Engineering SPAs provide for a very limited set of fundamental warranties, excluding any further statutory rights and claims. In particular, warranties were given regarding the existence of the sold companies and their capital, title to the sold shares/interests, the absence of insolvency and, in the case of the Three Real Estate Companies, warranties regarding title to the respective real property. MAN SE's, MAN CC's and MAN GHH's liability under the Power Engineering SPAs is limited to the respective purchase price and time-barred after seven years.

Potential transfer taxes are borne by VW Klassik, with the exception of the MAN ES USA SPA, which stipulates that each party bears their own transfer or similar taxes (if any) if imposed by any tax authority.

3.4.2 Termination of Domination and Profit and Loss Transfer Agreement between MAN SE and MAN ES

Prior to the Power Engineering Sale, a domination and profit and loss transfer agreement existed between MAN SE and MAN ES (the "**MAN ES DPLTA**"). In accordance with the MAN ES SPA, the MAN ES DPLTA was terminated by way of a termination agreement between MAN SE and MAN ES with effect as of December 31, 2018, 24:00 hours CET.

As a result of the termination of the MAN ES DPLTA, creditors of MAN ES may demand to be provided security from MAN SE in accordance with section 303 para. 1 AktG. Under section 303 para. 3 AktG, MAN SE is entitled to satisfy any such security claims by providing a surety (*Bürgschaft*).

Should any such surety (*Bürgschaft*) be utilized, MAN SE would be entitled to take recourse against MAN ES. In order to secure such recourse claims, the MAN ES SPA provides that if there is no longer a chain of domination and profit and loss transfer agreements between MAN ES and Volkswagen AG, VW Klassik must indemnify MAN SE against any security claims resulting from the termination of the MAN ES DPLTA.

3.4.3 Cash Pool

The MAN ES SPA and the RENK SPA stipulate that MAN ES, RENK and their respective subsidiaries (with MAN ES USA being treated as a subsidiary of MAN ES, although it is technically a sister company) will remain parties to the central liquidity management and the cash pool led by MAN SE (together, the "**Cash Pool**") for a transitional period expected to end on December 31, 2019. MAN ES, RENK and their respective subsidiaries will only continue to be involved in the Cash Pool in aggregate (taking into account all balances of the MAN ES group and the RENK group, respectively) and insofar as they have outstanding credit, i.e. MAN SE will not provide any further financing to these companies. Under the Cash Pool, MAN SE will provide the funds required to effect payments by these companies only if MAN ES, RENK and their respective subsidiaries (including MAN ES USA) have sufficient credit balances or VW Klassik compensates or provides the respective funds to MAN SE, MAN ES or RENK, respectively. The details of MAN ES', RENK's and their subsidiaries' involvement in the Cash-Pool are governed by the respective TSA (see "*3.5 Transitional Services Agreements*").

3.4.4 Security provided by MAN SE for MAN ES and RENK

Prior to the Power Engineering Sale, MAN SE has provided certain guarantees in the form of corporate guarantees or bank guarantees for (potential) liabilities of MAN ES, RENK and their respective subsidiaries (including MAN ES USA) against third parties, comprising, *inter alia*, down payment guarantees, warranty guarantees and performance guarantees (the "**Guarantees**"). The Guarantees will continue to be in force until the expiration date of the respective security. In the majority of cases, such security will expire in the course of 2019. Under certain circumstances (as specified below), VW Klassik is obligated to ensure that MAN SE (or its respective subsidiary which is liable under such security) will be released from the security or will be granted adequate security for its compensation claim. With regard to security for liabilities of the MAN ES group, this is the case if there is no longer a chain of domination and profit and loss transfer agreements at the level of MAN ES and up to Volkswagen AG. With regard to the RENK group, this is the case if there is no longer a chain of majority shareholdings up to Volkswagen AG.

3.4.5 Shareholder Loans granted by MAN SE

As parent company, MAN SE had granted shareholder loans (the "**Shareholder Loans**") to GETAS Verwaltung GmbH & Co. Objekt Heinrich-von-Buz-Straße KG (approximately EUR 5.6 million outstanding as of December 31, 2018) and GETAS Verwaltung GmbH & Co. Objekt Augsburg KG (approximately EUR 8.1 million outstanding as of December 31, 2018). Under the respective Power Engineering SPAs, the Shareholder Loans have, on a preliminary basis, remained with MAN SE as lender, but MAN SE and VW Klassik intend to negotiate in good faith a transfer of the Shareholder Loans to VW Klassik. These negotiations are ongoing.

3.4.6 Obligations towards French Ministry of Trade and Commerce

In 2011, MAN SE assumed certain responsibilities vis-à-vis the French ministry of trade and commerce, in particular information and consultation obligations, with regard to the French subsidiaries of MAN ES and RENK. Under the MAN ES SPA and the RENK SPA, VW Klassik undertook to assume these responsibilities with effect as of January 1, 2019 and to indemnify MAN SE for any economic burden it incurs in respect of these responsibilities after December 31, 2018.

3.5 Transitional Services Agreements

Under two transitional services agreements entered into between MAN SE and MAN ES and RENK, respectively (the "**TSAs**"), MAN SE will provide services to MAN ES, RENK and their affiliates (with MAN ES USA being treated as an affiliate of MAN ES) for a certain period of time after the execution of the Power Engineering SPAs. Such services include accounting, compliance, human resources, internal audit, IT, legal, procurement, risk management, security, tax and treasury services (among others regarding participation in the Cash Pool, see "*3.4.3 Cash Pool*"). All services are provided for consideration on an arm's length basis. The durations for which the services are provided vary between 6 and 18 months, with extension options not exceeding 12 (further) months.

MAN SE's liability under each TSA is limited to the total consideration payable by the respective service recipient (except for intent or willful misconduct of MAN SE or death or bodily injury), and MAN SE is only liable if it does not employ the care it usually employs in its own affairs (*Sorgfalt in eigenen Angelegenheiten*).

3.6 Trademarks

Certain MAN-related trademarks had previously been legally held by MAN ES, even though beneficial ownership had already been held by MAN SE. These trademarks and related domain names were transferred by MAN ES to MAN SE by way of a trademark transfer agreement without consideration and without any representations or warranties given by either party in order to combine legal and beneficial ownership in the same legal entity.

Under a trademark license agreement (the "**Trademark License Agreement**"), MAN SE grants MAN ES a non-exclusive, perpetual (subject to termination), sub-licensable, non-transferable license to use certain MAN-related trademarks as currently used including certain extensions. For other uses including goods and services, MAN ES may only use MAN-related trademarks, if MAN SE does not already offer similar competing goods or services.

Although the license is non-exclusive, MAN SE may not grant further licenses in MAN ES' field of business to third parties. Terminable sub-licenses may be granted by MAN ES in consistency with current practice and under terms equivalent to the terms in the Trademark License Agreement.

MAN ES pays royalties, the amount of which depends on the turnover, for the use of the licensed trademarks. Neither party is granting any representation or warranty. Liability is limited to direct damages resulting from intentional and gross negligent conduct. With respect to MAN SE's trademark administration, the scale of fault is limited to the care MAN SE usually employs in its own affairs (*Sorgfalt in eigenen Angelegenheiten*). The liability of MAN ES is capped in each year to the total royalties paid in the particular year, except in case of willful misconduct or intent.

MAN ES may terminate the Trademark License Agreement by giving 3 months' notice. MAN SE may terminate the Trademark License Agreement only in case of certain events of default in relation to MAN ES (e.g. insolvency of MAN ES) and in some cases subject to further conditions.

3.7 Other IP rights

With regard to non-trademark intellectual property ("**IP**") rights, MAN ES and MAN Truck & Bus AG (now MAN Truck & Bus SE), a wholly-owned subsidiary of MAN SE, entered into a non-trademark IP cross-license agreement (the "**Cross-License Agreement**"). Under the Cross-License Agreement, MAN ES and MAN Truck & Bus AG (now MAN Truck & Bus SE) mutually grant each other non-trademark related, non-exclusive, perpetual (subject to termination), sub-licensable, non-transferable IP licenses regarding the IP of one party used by the respective other party at the effective date of the Cross-License Agreement. Terminable sub-licenses may be granted in consistency with current practice under equivalent terms to the terms in the Trademark License Agreement (see "*3.6 Trademarks*").

MAN ES pays a yearly flat fee for the use of certain IP identified so far. If further IP is identified to fall under the Cross-License Agreement, the parties will negotiate in good faith the license fees. Liability is limited to direct damages resulting from intentional and gross negligent conduct. Liability of the respective licensor in connection with its IP administration is limited to the care it usually employs in its own affairs (*Sorgfalt in eigenen Angelegenheiten*). The liability of the respective licensee is capped in each year to the total royalties paid in the particular year, except in the case of willful misconduct or intent.

The Cross-License Agreement can be terminated by the respective licensee by giving three months' notice. The respective licensor can terminate the Cross-License Agreement only in certain events of default.

3.8 IT Separation

Pursuant to information technology ("**IT**") separation plans (the "**IT Separation Plans**") entered into between MAN SE and MAN ES and RENK, respectively, the parties are obligated to perform a number of actions aiming at separating the IT landscapes of MAN ES and RENK respectively from MAN SE's IT landscape. Until such separation is achieved, the TSAs enable MAN ES and RENK and their respective affiliates to use any IT functionalities in the same way as in the 12 months prior to the execution of the IT Separation Plans. Most actions to be implemented pursuant to the IT Separation Plans are assigned to MAN ES and RENK, MAN SE mainly provides data extraction services.

Each action to be taken is connected to a work package (the "**Work Package**") to be submitted to the relevant other party for acceptance testing. Any errors in the Work Package must be corrected by the party responsible.

All tasks under the IT Separation Plans are provided free of charge. Liability is limited to direct damages caused by gross negligence, willful misconduct and fraud. The IT Separation Plans terminate with the acceptance of all Work Packages and rectification of all errors related to the Work Packages. Termination is planned to occur by June 30, 2020, unless otherwise extended.

3.9 Pensions

MAN ES, RENK and RENK Test System GmbH, a wholly-owned subsidiary of RENK, grant current and former employees company pensions. The assets securing the German company pensions have been and will continue to be administered by MAN SE. In this context, MAN SE will provide administration services e.g. in the form of managing pension fund assets and assets held in trust that are funding the existing company pension schemes under pension services agreements (the "**Pension Services Agreements**") for which it receives a market-standard service charge that is reviewed and adapted every two years. MAN SE's liability is limited to cases of intent and gross negligence.

In order to enable continuance of the company pensions in an unchanged manner, the Pension Services Agreements are open-ended. However, the parties may terminate the respective Pension Services Agreement with a notice period of six months to the end of the year. In case of such termination, MAN SE will arrange that all assets are transferred to a suitable recipient. If no suitable recipient is available in time, MAN SE will keep providing the pension services while doubling the service charge. Further MAN HR Services GmbH, a wholly-owned subsidiary of MAN SE, administers the pension liabilities, especially the personal pension accounts, of MAN ES, RENK and RENK Test System GmbH based on service agreements executed in 2007.

4 THE OFFERING

4.1 Subject Matter of the Offering

The Prospectus relates to the offering of 57,500,000 ordinary bearer shares (auf den Inhaber lautende Stammaktien ohne Nennbetrag) of the Company with no par value (Stückaktien), each such share representing a notional value of EUR 1.00 and with full dividend rights in EUR as of January 1, 2019 (the "**Offering**"), consisting of:

- 50,000,000 existing ordinary bearer shares (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) with no par value (*Stückaktien*) from the holdings of the Existing Shareholder (the "**Base Shares**"); and
- 7,500,000 existing ordinary bearer shares (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) with no par value (*Stückaktien*) from the holdings of the Existing Shareholder in connection with a possible over-allotment (the "**Over-Allotment Shares**" and, together with the Base Shares, the "**Offer Shares**").

The Offering consists of a public offering in Germany and Sweden and private placements in certain jurisdictions outside Germany and Sweden. In the United States, the Offer Shares will only be offered and sold to QIBs as defined in Rule 144A in transactions exempt from the registration requirements of the Securities Act. Outside the United States, the Offer Shares will be offered and sold only in offshore transactions in compliance with Regulation S.

The Offer Shares have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction of the United States and may not be offered, sold or otherwise transferred to or within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States.

Immediately prior to the Offering, all of the Company's share capital was held by the Existing Shareholder. Following completion of the Offering and assuming full placement of all Offer Shares and full exercise of the Greenshoe Option (see "*4.10 Stabilization Measures, Over-Allotments and Greenshoe Option*"), the Existing Shareholder will continue to hold 88.50% of the Company's share capital.

The Existing Shareholder will receive the proceeds from the sale of the Offer Shares. The Company will not receive any proceeds from the sale of the Offer Shares.

Citigroup, Deutsche Bank, Goldman Sachs International and J.P. Morgan are acting as Joint Global Coordinators. BofA Merrill Lynch, Barclays, BNP Paribas, SEB and UniCredit Bank AG, together with the Joint Global Coordinators, are acting as Joint Bookrunners. COMMERZBANK, HSBC, Société Générale and Landesbank Baden-Württemberg are acting as Co-Lead Managers. The Joint Global Coordinators, the Joint Bookrunners and the Co-Lead Managers are acting together as the Underwriters.

4.2 Price Range, Offer Period, Offer Price and Allotment and Payment

The Price Range for the Offering in which purchase orders may be placed is EUR 27.00 to EUR 33.00 per Offer Share (the "**Price Range**"). The Price Range corresponds to SEK 288.92 to SEK 353.12 per Offer Share, as calculated based on the EUR/SEK exchange rate one day prior to the publication of this Prospectus, i.e. June 13, 2019, at 5:00 p.m. CET as displayed on the Bloomberg website under www.bloomberg.com/quote/EURSEK:CUR.

The period during which investors may submit purchase orders for the Offer Shares is expected to commence on June 17, 2019, and to expire on June 27, 2019 (the "**Offer Period**"). Offers to purchase Offer Shares may be submitted (i) until 12:00 p.m. noon CET by private investors, and (ii) until 2:00 p.m. CET by institutional investors on the last day of the Offer Period. Price limits for purchase orders in EUR from private investors (other than Swedish Retail Investors (as defined below)) must be expressed in full EUR amounts or increments of 25, 50 or 75 cents. Retail investors who participate in the public offering in Sweden ("**Swedish Retail Investors**") must place their orders through SEB. Purchase orders from Swedish Retail Investors must relate to a minimum of 40 shares and a maximum of 3,000 shares, in multiples of 20 shares.

Institutional investors may elect to place their orders in EUR or in SEK.

Retail investors who participate in the public offering in Sweden must place their orders through SEB (see "*4.15 Additional Information for Retail Investor Participation in the Public Offering in Sweden*").

Subject to the publication of a supplement to the Prospectus, if required, the Existing Shareholder, after consultation with the Joint Global Coordinators, as representatives of the Underwriters, reserves the right to reduce the total number of Offer Shares, to increase or decrease the upper limit and/or the lower limit of the Price Range and/or to extend or shorten the Offer Period.

Reductions in the number of Offer Shares, changes to the Price Range or an extension or shortening of the Offer Period will not invalidate any offers to purchase Offer Shares that have already been submitted. If such changes require the publication of a supplement to the Prospectus, investors who submitted purchase orders prior to the publication of the supplement have the right to withdraw such offers to purchase within two business days following the publication of the supplement (Section 16 para. 3 WpPG). Instead of withdrawing their offers to purchase Offer Shares placed prior to the publication of the supplement, investors may change their orders or place new limited or unlimited offers to purchase within two business days following the publication of the supplement.

Any changes to the terms of the Offering will be published by means of electronic media (such as Reuters or Bloomberg) and, if required by the provisions of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse ("**MAR**") or the German Securities Prospectus Act (*Wertpapierprospektgesetz*), as an ad hoc release via an electronic information dissemination system, on the Company's website at www.traton.com under the section "Investor Relations" and as a supplement to the Prospectus. In such case, investors who have submitted offers to purchase will not be notified individually. Under certain conditions, the Joint Global Coordinators, on behalf of the Underwriters, may terminate the underwriting agreement, entered into between the Company, the Existing Shareholder and the Underwriters on June 14, 2019 (the "**Underwriting Agreement**"), even after commencement of trading (*Aufnahme des Handels*) of the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*) (see "*22.5 Termination and Indemnification*").

The Offer Price and the final number of shares placed in the Offering will be determined at the end of the bookbuilding process by the Existing Shareholder after consultation with the Joint Global Coordinators. The Offer Price will be set on the basis of the purchase orders submitted by investors during the Offer Period that have been collated in the order book prepared during the bookbuilding process. These orders will be evaluated according to the prices offered and the expected investment horizons of the respective investors. This method of setting the final number of shares that will be placed at the Offer Price is, in principle, aimed at maximizing proceeds. Consideration will also be given to whether the Offer Price and the final number of shares to be placed in the Offering allow for the reasonable expectation that the share price will demonstrate a steady performance in the secondary market given the demand for the Company's shares as reflected in the order book. Attention will be paid not only to the prices offered by investors and the number of investors interested in purchasing shares at a particular price, but also to the composition of the Company's shareholder structure that would be expected to result at a given price, and expected investor behavior. The Company and the Existing Shareholder will not charge to investors any expenses and taxes related to the Offering.

The Offer Price will be determined in EUR, and will be converted into SEK for Swedish Retail Investors and institutional investors who have elected to place their orders in SEK, as calculated based on the EUR/SEK exchange rate at 12:00 p.m. (noon) CET on the last day of the Offer Period (expected to be June 27, 2019) as displayed on the Bloomberg website under www.bloomberg.com/quote/EURSEK:CUR (the "**SEK Converted Offer Price**").

Once the Offer Price has been set, the Offer Shares will be allotted to investors on the basis of the purchase offers then available. The Offer Price, the final number of shares placed in the Offering (i.e. the results of the Offering) and the SEK Converted Offer Price are expected to be published on June 27, 2019, by means of an ad hoc release on an electronic information dissemination system and on the Company's website at www.traton.com under the section "Investor Relations." Investors who have placed orders to purchase Offer Shares with one of the Underwriters can obtain information from that Underwriter about the Offer Price and the number of Offer Shares allotted to them on the business day following the setting of the Offer Price. As commencement of trading (*Aufnahme des Handels*) of the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*) is expected to take place on the business day following the setting of the Offer Price, investors may not have obtained information about the number of Offer Shares allotted to them when trading commences. Book-entry delivery of the shares placed in the Offering against payment of the Offer Price or the SEK Converted Offer Price, as applicable, is expected to take place on July 2, 2019. Should the placement volume prove insufficient to satisfy all orders placed at the Offer Price, the Underwriters reserve the right to reject orders, or to only accept them in part.

Swedish Retail Investors will pay for purchased shares to the extent such shares have been allotted to them in SEK based on the SEK Converted Offer Price. Retail investors participating in the public offering in Germany will pay for purchased shares to the extent allotted to them in EUR based on the Offer Price.

Institutional investors will pay:

- for purchased shares in EUR based on the Offer Price in EUR to the extent they have elected to place their orders in EUR and to the extent such shares have been allotted to them; and
- for purchased shares in SEK based on the SEK Converted Offer Price to the extent they have elected to place their orders in SEK and to the extent such shares have been allotted to them.

4.3 Expected Timetable for the Offering

The following is the expected timetable of the Offering, which may be extended or shortened:

June 14, 2019	Approval of the Prospectus by BaFin
	Passporting of the approved Prospectus to the Swedish Financial Supervisory Authority (*Finansinspektionen* ("**SFSA**"))
	Publication of the approved Prospectus on the Company's website at www.traton.com under the section "Investor Relations"
June 17, 2019	Commencement of the Offer Period
	Application for admission of the Company's shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
June 27, 2019	Expiry of the Offer Period
	Determination of the Offer Price and final number of shares to be placed in the Offering
	Application for admission of the Company's shares to trading on the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*), with simultaneous admission to the Large Cap segment of Nasdaq Stockholm (*börsen*)
	Publication of the Offer Price, the final number of shares placed in the Offering and the SEK Converted Offer Price in the form of an ad hoc release on an electronic information dissemination system and on the Company's website at www.traton.com under the section "Investor Relations"
	Admission decision to be issued by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and Nasdaq Stockholm (*börsen*)
	Publication of listing approval issued by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and Nasdaq Stockholm (*börsen*)
June 28, 2019	Commencement of trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and Nasdaq Stockholm (*börsen*)
July 2, 2019	Book-entry delivery of the shares placed in the Offering against payment of the Offer Price or the SEK Converted Offer Price, as applicable

The Prospectus will be published on the Company's website at www.traton.com under the section "Investor Relations." Printed copies of the Prospectus are available from the Company free of charge during normal business hours at the following address: TRATON SE, Dachauer Straße 641, 80995 Munich, Germany.

4.4 Information on the Shares

4.4.1 Voting Rights

Each share in the Company carries one vote at the Company's general shareholders' meeting. All of the Company's shares confer the same voting rights. There are no restrictions on voting rights.

4.4.2 Dividend and Liquidation Rights

The Offer Shares carry full dividend rights in EUR as of January 1, 2019. In the event of the Company's liquidation, any proceeds will be distributed to the holders of the Company's shares in proportion to their interest in the Company's share capital. Shareholders who hold the shares on day of the respective general shareholders' meeting's resolution on the allocation of the distributable profits are entitled to dividend payments.

4.4.3 Payment of Dividends to Shareholders Registered with Euroclear Sweden

Dividends will be paid by the Company in EUR. Shareholders who hold their shares through the Swedish settlement system, Euroclear Sweden AB ("**Euroclear Sweden**"), will receive the dividend payment in EUR, provided such shareholder maintains a EUR cash account. If such a Shareholder does not hold an account to which payments can be made in EUR, the dividend payment will be converted and paid in SEK. For that purpose, Euroclear Sweden will convert the EUR amount into SEK on the basis of the EUR/SEK exchange rate on the day of the dividend payment. Following the conversion, the dividend will be credited on the SEK accounts of the concerned shareholders on or about the 5th business day after the ex-date (i.e. the date on which the Shares are quoted ex-dividend).

Payment of dividends to Shareholders registered with Euroclear Sweden shall be made without any deduction for expenses, fees, or equivalent items that are attributable to the Company or Euroclear Sweden, with the exception of Swedish preliminary tax or other taxes withheld according to Swedish legislation or other taxes that may be levied in accordance with Swedish, German or other applicable legislation. This includes German withholding tax withheld by Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany ("**Clearstream**"). Euroclear Sweden is responsible for withholding any Swedish taxes at source on dividend payments.

4.4.4 Form, Certification of the Shares and Currency of the Securities Issue

As of the date of the Prospectus, all of the Company's shares are ordinary bearer shares with no par value (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*). The Company's shares will be represented by a global share certificate (the "**Global Share Certificate**"), which will be deposited with Clearstream. There will be no separate global dividend coupon (*Inhaberglobalgewinnanteilschein*) or renewal coupon (*Erneuerungsschein*).

Section 6 para. 2 of the Articles of Association excludes the shareholders' right to receive individual share certificates to the extent permitted by law and unless mandated by the rules of a stock exchange to which the shares are admitted. The Management Board determines the form of the share certificates pursuant to Section 6 para. 3 of the Articles of Association. All shares of the Company provide holders thereof with the same rights and no shares provide any additional rights or advantages.

The Company's shares are denominated in EUR.

4.4.5 Delivery and Settlement

Delivery of the Offer Shares against payment of the Offer Price, or the SEK Converted Offer Price, as applicable, and customary security commissions is expected to take place on July 2, 2019. The Offer Shares will be made available to investors as co-ownership interests in the Global Share Certificate either through Clearstream or Euroclear Sweden.

The Offer Shares purchased in the Offering will be credited in the form of co-ownership interests in the Global Share Certificate deposited with Clearstream to a securities deposit account maintained by a German bank with Clearstream, or, in the case of investors who wish to hold the Offer Shares through Euroclear Sweden, the Offer Shares will be credited from Clearstream to SIX SIS AG, the Swiss settlement system, as a link between Clearstream and Euroclear Sweden and then credited onwards in to the Swedish settlement system of Euroclear Sweden.

4.4.6 ISIN/WKN/Common Code/Ticker Symbol

International Securities Identification Number (ISIN)	DE000TRAT0N7
German Securities Code (*Wertpapierkennnummer*) (WKN)	TRAT0N
Common Code	196390065
Ticker Symbol	8TRA

4.5 Identification of Target Market

Solely for the purpose of the product governance requirements contained within: (a) EU Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "**manufacturer**" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process, which has determined that the Offer Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, the price of the Offer Shares may decline and investors could lose all or part of their investment; the Offer Shares offer no guaranteed income and no capital protection; and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Offer Shares and determining appropriate distribution channels.

4.6 Transferability of Shares

The Company's shares are freely transferable in accordance with the legal requirements for bearer shares. Except for the restrictions set forth in "*4.11 Lock-Up and Limitations on Disposal*" and "*22.6 Selling Restrictions*," there are no prohibitions on disposals or restrictions with respect to the transferability of the Company's shares.

A shareholder holding his or her Shares in the Euroclear Sweden settlement system for trading on the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*), may instruct his or her custody bank to transfer the Shares to a securities account belonging to such shareholder that is connected to the Clearstream settlement system for trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). The same applies to transfers from the Clearstream settlement system to Euroclear Sweden, to make the Shares tradable on the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*). Until such transfer has been completed, the affected Shares cannot be traded.

4.7 Existing Shareholder

Immediately prior to the Offering, the Existing Shareholder held 100% of the Company's outstanding share capital. For a discussion of the ownership structure of the Existing Shareholder, see "*17. Information on the Company's Existing Shareholder.*"

4.8 Allotment Criteria

Except for the Cornerstone Investor Agreement described below, no agreement exists between the Company, the Existing Shareholder and the Underwriters as to the allotment procedure. The allotment of Offer Shares to private investors and institutional investors will be decided by the Existing Shareholder (in consultation with the Company) after consultation with the Joint Global Coordinators. The decision ultimately rests with the Existing Shareholder. Allotments will be made on the basis of the quality of the individual investors, such as the expected investment horizon and expected trading behavior of the investor, and individual orders and other important allotment criteria to be determined by the Existing Shareholder (in consultation with the Company) after consultation with the Joint Global Coordinators. The allocation to private investors in the public offering in Germany will be compatible with the "Principles for the allotment of Share Issues to Private Investors" (*Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger*) issued on June 7, 2000, by the German Commission of Stock Exchange Experts published by the Stock Exchange Expert Committee (*Börsensachverständigenkommission*) of the German Federal Ministry of Finance (*Bundesministerium der Finanzen*). "Qualified investors" (*qualifizierte Anleger*) pursuant to the German Securities Prospectus Act (*Wertpapierprospektgesetz*) as well as "professional clients"

(*professionelle Kunden*) and "suitable counterparties" (*geeignete Gegenparteien*) under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) are not viewed as "private investors" within the meaning of the allocation rules. The details of the allotment procedure will be stipulated after expiry of the Offer Period and published in accordance with the allotment principles.

4.9 Cornerstone Investor

On June 14, 2019, AMF Pensionsförsäkring AB as cornerstone investor (the "**Cornerstone Investor**"), the Existing Shareholder and the Company entered into a cornerstone investor agreement, pursuant to which the Cornerstone Investor undertakes to purchase shares in the Offering up to the aggregate maximum purchase price of EUR 200,000,000. The number of shares which the Cornerstone Investor undertakes to purchase is calculated by such aggregate maximum purchase price being divided by the Offer Price and such calculated number of shares being rounded down to the next full number (the "**Cornerstone Shares**"). The aggregate purchase price to be paid by the Cornerstone Investor for the Cornerstone Shares is the amount equal to the Offer Price multiplied with the number of the Cornerstone Shares. The Selling Shareholder agreed to instruct the Underwriters to preferentially allocate the Cornerstone Shares to the Cornerstone Investor in the Offering. The Cornerstone Investor will not receive a consideration for its willingness to invest in the Company.

4.10 Stabilization Measures, Over-Allotments and Greenshoe Option

In connection with the placement of the Offer Shares, Goldman Sachs International, or its affiliates, acting for the account of the Underwriters, will act as the stabilization manager (the "**Stabilization Manager**") and may, as Stabilization Manager, make over-allotments and take stabilization measures in accordance with Article 5 paras. 4 and 5 of the MAR in conjunction with Articles 5 through 8 of Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016, to provide support for the market price of the Company's shares, thus alleviating sales pressure generated by short-term investors and maintaining an orderly market in the Company's shares (the "**Stabilization Measures**").

The Stabilization Manager is under no obligation to take any Stabilization Measures. Therefore, no assurance can be provided that any Stabilization Measures will be taken. Where Stabilization Measures are taken, these may be terminated at any time without notice. Such measures may start from the date the Company's shares commence trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*), and must end no later than 30 calendar days thereafter (i.e. July 28, 2019 (the "**Stabilization Period**")).

Stabilization Measures are intended to provide support for the price of the Company's shares during the Stabilization Period. These measures may result in the market price of the Company's shares being higher than would otherwise have been the case. Moreover, the market price may temporarily be at an unsustainable level. Stabilization Measures may not be executed above the Offer Price.

To facilitate such Stabilization Measures, investors may, in addition to the Base Shares, be allocated up to 7,500,000 Over-Allotment Shares as part of the allocation of the Offer Shares (the "**Over-Allotment**"). For the purpose of such potential Over-Allotment, the Existing Shareholder has agreed to make available to the Stabilization Manager, acting for the account of the Underwriters, up to 7,500,000 Over-Allotment Shares in the form of a securities loan. The total number of Over-Allotment Shares will not exceed 15% of the final number of Base Shares placed with investors. The Existing Shareholder has granted the Underwriters an option to acquire a number of shares in the Company equal to the number of Over-Allotment Shares at the Offer Price, less agreed commissions (the "**Greenshoe Option**"). The Stabilization Manager, acting for the account of the Underwriters, is entitled to exercise the Greenshoe Option during the Stabilization Period to the extent Over-Allotment Shares were allocated to investors in the Offering.

Within one week following the end of the Stabilization Period, an announcement will be published by the Stabilization Manager via various media outlets distributed across the entire European Economic Area (*Medienbündel*) as to (i) whether Stabilization Measures were undertaken, (ii) the date on which stabilization started and when it last occurred, (iii) the Price Range within which stabilization transactions were carried out; the latter will be made known for each date on which a price stabilization transaction was carried out, and (iv) the trading venues on which stabilization transactions were carried out, where applicable. Exercise of the Greenshoe Option, the timing of its exercise and the number and type of shares concerned will also be announced promptly in the manner previously stated.

The Stabilization Manager must record each stabilization order and transaction pursuant to applicable regulations. In addition, details of all stabilization transactions must be reported to the competent authorities of each trading venue on which the securities are admitted to trading or traded, as well as the competent authority of each trading venue where transactions in associated instruments for the stabilization of securities are carried out, if any.

Exercise of the Greenshoe Option will be disclosed to the public promptly, together with all appropriate details, including in particular the date of exercise of the Greenshoe Option and the number and nature of Over-Allotment Shares involved, in accordance with Article 8 (f) of the Commission Delegated Regulation (EU) 2016/1052.

4.11 Lock-Up and Limitations on Disposal

In the Underwriting Agreement, the Company agreed with each Underwriter that, during the period commencing on the date of the Underwriting Agreement and ending six months after the first day of trading of the Company's shares on the Frankfurt Stock Exchange and the Swedish Stock Exchange, without the prior written consent of the Joint Global Coordinators, which consent may not be unreasonably withheld or delayed, the Company, to the extent legally permissible, will not, and will not agree to:

- announce or effect an increase of the share capital of the Company out of authorized capital or contingent capital, if any;
- submit a proposal for a capital increase to any meeting of the shareholders for resolution (*Direktkapitalerhöhungsbeschluss*);
- announce, effect or propose the issuance of securities with conversion or option rights on its shares;
- enter into a transaction or perform any action economically similar to those described in the previous bullets.

The Company may, however, (i) issue or sell Shares or other securities to directors or employees of the Company or any of its subsidiaries under a customary directors' and/or employees' stock option plan and (ii) undertake any corporate action for purposes of entering into joint ventures, other forms of cooperations and acquisitions provided that the respective other party assumes the obligation to comply with the restrictions on the disposal of the Company's shares to which the Existing Shareholder is subject pursuant to the provisions of the Underwriting Agreement.

In addition, the Existing Shareholder agreed with each Underwriter that without the prior written consent of the Joint Global Coordinators, which consent not to be unreasonably withheld or delayed, during the period commencing on the date of the Underwriting Agreement and ending six months after the closing date of the Offering (such closing date expected to take place two business days after the first day of trading), except as otherwise stated in the Underwriting Agreement, it will not, and will not agree to:

- offer, pledge, allot, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of the Company held by it or any of its subsidiaries (other than members of the Group) (such shares held by the Existing Shareholder or its affiliates being the "**Lock-up Shares**");
- enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of Lock-up Shares, whether any such transaction described in this or the preceding bullet point is to be settled by delivery of Lock-up Shares or such other securities, in cash or otherwise;
- make any demand for, or exercise any right with respect to, the registration under U.S. securities laws of any shares of the Company or any security convertible into or exercisable or exchangeable for shares of the Company;
- propose any increase in the share capital of the Company, convene a general shareholders' meeting or otherwise vote in favor of any proposed increase of the share capital or otherwise make, support or vote in favor of any proposal for the issuance of any securities convertible into shares of the Company, with option rights for shares of the Company; or
- enter into a transaction or perform any action economically similar to those described in the previous bullets.

The first two bullets above shall not apply to sales made to persons or entities who themselves agree with the Joint Global Coordinators to the lock-up period of the Existing Shareholder. Further, for the avoidance of doubt, these provisions shall not apply to the Base Shares or the Over-Allotment Shares.

4.12 Admission to the Frankfurt Stock Exchange, Nasdaq Stockholm and Commencement of Trading

The Company expects to apply for the admission of its shares to trading on the regulated markets (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*), as well as to the sub-segment of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with additional post-admission obligations (Prime Standard) and the

Large Cap segment of Nasdaq Stockholm (*börsen*). The Company expects to make such applications on or about June 17, 2019 (for the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)) and on or about June 27, 2019 (for Nasdaq Stockholm (*börsen*)).

The listing approvals (admission decisions) for the Company's shares are expected to be granted on June 27, 2019. The decisions on the admission of the Company's shares to trading will be made solely by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and Nasdaq Stockholm (*börsen*) at their respective discretion. Trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and Nasdaq Stockholm (*börsen*) is expected to commence on June 28, 2019.

The shares of the Company will be traded in EUR on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and in SEK on the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*).

4.13 Designated Sponsor

Each Joint Global Coordinator has been mandated as designated sponsor of the Company's shares traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). Pursuant to the designated sponsor agreement expected to be concluded between each designated sponsor and the Company, the designated sponsor will, among other things, place limited buy and sell orders for the Company's shares in the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during regular trading hours. This is intended to achieve greater liquidity in the market for the Company's shares.

4.14 Interests of Parties Participating in the Offering

In connection with the Offering and the admission to trading of the Company's shares, the Underwriters have formed a contractual relationship with the Company and the Existing Shareholder.

The Underwriters are acting exclusively for the Company and the Existing Shareholder and no one else in connection with the Offering and on coordinating the structuring and execution of the Offering. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company and the Existing Shareholder for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein. In addition, each Joint Global Coordinator has been mandated to act as designated sponsor for the Company's shares and UniCredit Bank AG has been mandated to act as paying agent. Upon successful implementation of the Offering, the Underwriters will receive a commission and the size of this commission depends on the results of the Offering. As a result of these contractual relationships, the Underwriters have a financial interest in the success of the Offering at the best possible terms.

The Underwriters or their affiliates may have, and may from time to time in the future continue to have, business relations with the Company and the Existing Shareholder, including lending activities, or may perform services for the Company and the Existing Shareholder in the ordinary course of business for which they have received or may receive customary fees and commissions. Furthermore, in connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for its own account, may take up shares and in that capacity may retain, purchase or sell for its own account such securities and any shares or related investments and may offer or sell such shares or other investments otherwise than in connection with the Offering. Accordingly, references in the Prospectus to shares being offered or placed should be read as including any offering or placement of shares to any of the Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of shares of the Company. None of the Underwriters intends to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Existing Shareholder will bear all costs of the Offering and listing of the shares of the Company on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*) (including underwriting and placement commissions payable to the Underwriters). Assuming placement of the maximum number of Base Shares and full exercise of the Greenshoe Option and placement of the maximum number of Over-Allotment Shares at the mid-point of the price range (and assuming that all such placed shares are paid in EUR), and after deducting fees and expenses to be paid to the Underwriters in connection with the Offering, the net proceeds to the Existing Shareholder from the Offering would amount to approximately EUR 1,610 million, or 100% of the total net proceeds from the Offering (see "*4.1 Subject Matter of the Offering*"). Accordingly, the Existing Shareholder has an interest in the success of the Offering at the best possible terms. With regard to further indirect advantages in connection with the Offering expected by the Existing Shareholder, see "*6. Reasons for the Offering and Listing and Use of Proceeds.*"

The members of the Management Board are, under certain circumstances, entitled to advance payments after the IPO see "*21.2.3.4.2 Advance Payment after the IPO*." As a result, each of the members of the Management Board has a financial interest in completion of the Offering.

Other than the interests described above, there are no material interests with respect to the Offering, in particular, there are no conflicts of interests (including potential conflicts of interests) that are material interests to the Offering.

4.15 Additional Information for Retail Investor Participation in the Public Offering in Sweden

4.15.1 Application via SEB

Applications for acquisition of shares within the Offering to the general public in Sweden should be made during the period from June 17, 2019 to June 27, 2019 and relate to a minimum of 40 shares and a maximum of 3,000 shares, in multiples of 20 shares.

Retail investors who participate in the public offering in Sweden must place their order through SEB. Retail investors applying to acquire shares through SEB must hold a securities depository account or an investment savings account with SEB. Investors who do not hold a securities depository account or an investment savings account with SEB must open such a securities depositing account or investment savings account prior to submission of the application form. Investors should take into account that it may take some time to open a securities depository account or an investment savings account. In connection with acquisitions of shares that are to be registered in an investment savings account, payment must always be made using funds available on the investment savings account.

The balance on the securities depository account or the investment savings account at SEB must, for the period commencing June 27, 2019 at 5:00 p.m. CET until July 2, 2019 at 11:59 p.m. CET correspond to at least the amount to which the application relates based on the highest price in the Price Range (in EUR) and should be sufficiently higher to cover EUR/SEK exchange rate fluctuations until the SEK Converted Offer Price has been determined. This means that the account holder undertakes to keep the amount available on the designated securities depository account or investment savings account during the aforementioned period. Funds available will carry an entitlement to interest during the aforementioned period in accordance with the terms and conditions of the securities depository account or investment savings account designated in the application.

In order to participate in the Offering via SEB, an application to acquire shares must take place via SEB's Internet bank using a so-called Digipass, BankID or MobiltBankID (detailed instructions are available on SEB's website, www.seb.se) Applications through SEB's Internet bank must be received by SEB not later than 12:00 p.m. (noon) CET on June 27, 2019.

4.15.2 Allotment and Payment

Allotment to investors in Sweden participating in the Offering is expected to take place on or about June 28, 2019. As soon as possible thereafter, contract notes will be dispatched to those who have received allotment in the Offering. Those who have not been allotted shares in the Offering will not be notified. In the event of oversubscription, allotment may take place with a lower number of shares than requested.

Information about the allotment is expected to be available from 9:00 a.m. CET on June 28, 2019 on the specified securities depository account or investment savings account.

Funds are estimated to be deducted from the securities deposit/investment savings account on July 2, 2019. In respect of shares that are to be allocated to an investment savings account, SEB will acquire such shares in the Offering for sale to the account holder at the Offer Price.

If sufficient funds are not available on the securities depository account or investment savings account on the settlement date or if full payment is not made in due time, allotted shares may be transferred and sold to another party. The party who initially received allotment of shares in the Offering may bear the difference, should the selling price in the event of such a transfer be less than the Offer Price.

4.15.3 Information about handling of personal information

Anyone placing orders with SEB will submit information. Personal information submitted to SEB will be processed in data systems to the extent required to provide services and administer customer arrangements. Personal information obtained from sources other than the customer may also be processed. The personal information may also be processed in the data systems of companies or organizations with which SEB cooperates. Information pertaining to the treatment of personal information can be obtained from SEB, which also accept requests for the correction of personal information. Address details may be obtained by SEB through an automatic procedure executed by Euroclear Sweden.

4.15.4 Important information regarding LEI and NPID

According to MiFID II, all investors need a global identification code to be able to carry out securities transactions from January 3, 2018 onwards. These requirements call for all legal entities to apply for registration of a LEI code (Legal Entity Identifier), and all physical persons to learn their NPID number (National Personal ID or National Client Identifier), in order to be able to acquire shares in the Offering. Note that it is the investor's legal status that determines whether a LEI code or NPID number is required, and that an Underwriter may not be able to execute the transaction for the person in question if a LEI code or NPID number (as applicable) is not presented. Legal entities needing to acquire a LEI code can turn to any of the suppliers available on the market. Instructions regarding the global LEI system can be found on www.gleif.org/en/about-lei/how-to-get-an-lei-find-lei-issuing-organizations. For physical persons with only Swedish citizenship, the NPID number is "SE" followed by the personal identity number. If the person in question has multiple citizenships or a citizenship other than Swedish, the NPID number can be any other type of number.

Those intending to apply to acquire shares in the Offering are encouraged to apply for registration of a LEI code (legal entities) or learn their NPID number (physical persons) as early as possible as this information needs to be stated in the application.

4.15.5 Miscellaneous

The fact that SEB is Joint Bookrunner does not necessarily imply that the bank considers the applicant in the Offering as a client of the bank. The investor is considered as a client for the Offering only if the bank has advised the investor regarding the Offering or otherwise has contacted the investor individually regarding the Offering or if the investor has applied through the bank's branch offices or internet bank. The consequence of the bank not viewing an investor of the Offering as a client is that the rules regarding protection of investors under the Swedish Securities Markets Act (Sw. lagen (2007:528) om värdepappersmarknaden) will not be applied to the investment. This means that neither the so-called client classification nor the suitability assessment will be applicable regarding the investment. The investor is thus solely responsible for having sufficient experience and knowledge to understand the risks involved with the investment.

5 PROCEEDS OF THE OFFERING AND COSTS OF THE OFFERING AND LISTING

The Company will not receive any proceeds from the Offering.

The Existing Shareholder will receive the proceeds resulting from the sale of the Base Shares and from a potential sale of the Over-Allotment Shares, if and to the extent the Greenshoe Option in relation to the Over-Allotment Shares is exercised.

The Existing Shareholder will bear all costs of the Offering and listing of the shares of the Company on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*) (including underwriting and placement commissions payable to the Underwriters).

The amount of the proceeds of the Offering as well as the costs related to the Offering depend, *inter alia*, on the Offer Price, which determines the Underwriters' commissions, and on the number of shares that will be placed in the Offering. Investors will not be charged expenses by the Company, the Existing Shareholder or the Underwriters in connection with their role as underwriters. Investors may, however, have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.

Assuming that only the maximum amount of the Base Shares is placed and no placement of Over-Allotment Shares and no exercise of the Greenshoe Option (and assuming that all such placed shares are paid in EUR), the Company estimates that at the low end, mid-point and high end of the Price Range, the gross proceeds to the Existing Shareholder would amount to EUR 1,350 million, EUR 1,500 million and EUR 1,650 million, respectively, and after deducting the total costs and expenses related to the Offering of the Offer Shares and listing of the shares of the Company (including underwriting and placement commissions payable to the Underwriters (assuming full payment of the discretionary fee)) of approximately EUR 109 million, EUR 111 million and EUR 114 million, respectively, the net proceeds to the Existing Shareholder would amount to approximately EUR 1,241 million, EUR 1,389 million and EUR 1,536 million, respectively.

Assuming placement of the maximum number of Base Shares and full exercise of the Greenshoe Option and placement of the maximum number of Over-Allotment Shares (and assuming that all such placed shares are paid in EUR) the Company estimates that at the low end, mid-point and high end of the Price Range, the gross proceeds to the Existing Shareholder would amount to approximately EUR 1,553 million, EUR 1,725 million and approximately EUR 1,898 million, respectively, and after deducting the total costs and expenses related to the Offering of the Offer Shares and listing of the shares of the Company (including underwriting and placement commissions payable to the Underwriters (assuming full payment of the discretionary fee)) of approximately EUR 112 million, EUR 115 million and EUR 118 million, respectively, the net proceeds to the Existing Shareholder would amount to approximately EUR 1,440 million, EUR 1,610 million and EUR 1,779 million, respectively.

6 REASONS FOR THE OFFERING AND LISTING AND USE OF PROCEEDS

The Company intends to list the shares of the Company on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*) simultaneously, as well as on the sub-segment with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the Large Cap segment of Nasdaq Stockholm (*börsen*) to secure its long-term successful development and to gain access to the capital markets.

The Existing Shareholder will offer the Offer Shares to partially divest its shareholding in the Company. Following the Offering, Volkswagen AG intends to remain a committed shareholder of the Company. The Offering is intended to lay the foundation for the Company's further profitable growth. The Offering is further intended to provide the Company with enhanced entrepreneurial flexibility and access to the capital markets. The Existing Shareholder is also offering shares to facilitate stabilization measures and to ensure free float and trading liquidity in the Company's shares.

The Company will not receive any proceeds from the Offering resulting from the sale of the Offer Shares by the Existing Shareholder in the Offering.

7 DILUTION

As the Offering comprises only existing shares of the Company, there is no dilution to shareholders of the Company.

The net asset value (total assets less current liabilities and non-current liabilities as shown in the Unaudited Condensed Interim Consolidated Financial Statements) (the "**Net Asset Value**") of the Company amounted to EUR 13,313 million as of March 31, 2019, or EUR 26.63 per share in the Company based on 500,000,000 outstanding shares of the Company immediately prior to the Offering.

The dilutive effect of the Offering on new shareholders is illustrated in the table below demonstrating the amount by which the Offer Price at the mid-point of the Price Range would exceed the Net Asset Value per share after completion of the Offering assuming the Offering had taken place on March 31, 2019.

The Offering will not involve the issuance of new shares of the Company.

	As of March 31, 2019
Offer Price per share (in EUR; based on the mid-point of the Price Range)	30.00
Net Asset Value per share as of March 31, 2019 (500,000,000 outstanding shares of the Company immediately prior to the Offering) (in EUR)	26.63
Amount by which the Net Asset Value per share is below the Offer Price per share (immediate dilution to the new shareholders of the Company per share) (in EUR)	3.37
Percentage by which the Net Asset Value per share is below the Offer Price per share (based on the mid-point of the Price Range) (in %)	11.25

8 DIVIDEND POLICY

8.1 General Provisions Relating to Profit Allocation and Dividend Payments

The shareholders' share of the Company's profits is determined based on their respective interests in the Company's share capital. The participation of new shares may be determined differently. For a European company (*Societas Europaea (SE)*) with a two-tier management and control system under European and German law, such as the Company, the distribution of dividends for any given fiscal year, and the amount and payment date thereof, are generally resolved by the Company's general shareholders' meeting (*Hauptversammlung*) of the subsequent fiscal year, based upon either a joint proposal by the Management Board and the Supervisory Board or upon the Management Board's or the Supervisory Board's proposal. According to the Company's Articles of Association, the annual general shareholders' meeting must be held within the first six months of each fiscal year.

Pursuant to German law, dividends may only be distributed from distributable profits of the Company which are calculated based on the Company's unconsolidated financial statements prepared in accordance with German generally accepted accounting principles of the HGB. Such accounting principles differ from IFRS in material respects.

When determining distributable profits, the profit or loss for the fiscal year (*Jahresüberschuss/-fehlbetrag*) must be adjusted for retained profit/loss carry forwards (*Gewinn-/Verlustvorträge*) from the previous fiscal year and withdrawals from, or appropriations to, reserves (retained earnings). Certain reserves are required to be set up by law and must be deducted when calculating the net retained profits available for distribution. Subject to certain statutory restrictions, the general shareholders' meeting is entitled to transfer additional amounts to the reserves or carry them forward.

The Management Board must prepare unconsolidated financial statements (balance sheet, income statement and notes to the unconsolidated financial statements) and a management report for the previous fiscal year by the statutory deadline and present these to the Supervisory Board and the auditors immediately after preparation. At the same time, the Management Board must present to the Supervisory Board a proposal for the allocation of the Company's distributable profits pursuant to Article 61 of the SE Regulation in conjunction with Section 170 para. 2 AktG. According to Article 61 of the SE Regulation in conjunction with Section 171 AktG, the Supervisory Board must review the unconsolidated financial statements, the Management Board's management report and the proposal for the allocation of the distributable profits and report to the general shareholders' meeting in writing on the results of such review. When the Management Board and the Supervisory Board approve the unconsolidated financial statements, they may, pursuant to Section 58 para 2 German Stock Corporation Act, transfer 50% of the profit for the fiscal year remaining after deducting any transfers to statutory reserves and any losses carried forward to non-statutory reserves.

The general shareholders' meeting's resolution on the allocation of the distributable profits requires a simple majority of votes cast to be passed without being bound by the proposal from the Management Board or the Supervisory Board. Pursuant to Section 25 of the Articles of Association, the general shareholders' meeting may also resolve that the dividends be distributed partially or entirely in kind (e.g., as a distribution of treasury shares if such shares are held by the Company at that time). Notifications of any distribution of dividends resolved upon are published in the German Federal Gazette (*Bundesanzeiger*) without undue delay after the shareholders' meeting.

Dividends resolved by the general shareholders' meeting are due and payable on the third business day following the day of the relevant general shareholders' meeting, unless a later due date is provided in the dividend resolution or the articles of association. Since all of the Company's dividend entitlements will be evidenced by one or more global share certificates deposited with Clearstream, Clearstream will transfer the dividends to the shareholders' custodian banks for crediting to their accounts. German custodian banks are under an obligation to distribute these funds to their customers. Shareholders using a custodian bank located outside Germany must inquire at their respective bank about the terms and conditions applicable in their case. See also "*4.4.3 Payment of Dividends to Shareholders Registered with Euroclear Sweden.*" Details on dividend payments and the respective payment agent will be published in the German Federal Gazette (*Bundesanzeiger*). To the extent dividends can be distributed by the Company in accordance with the HGB and corresponding decisions are taken, there are no restrictions on shareholders' rights to receive such dividends.

Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For further information on the taxation of dividends, see "*24.2.2 Taxation of Dividends.*".

Any dividends not claimed within three years become time-barred. Once the statute of limitations applies, the right to receive the relevant dividend payments passes to the Company.

8.2 Dividend Policy and Earnings per Share

The Company envisages paying a dividend of between 30% and 40% of the Company's annual consolidated net income (earnings after tax).

As referenced in 8.1 above, any determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, the Company's results of operations, distributable reserves under the HGB, financial condition, contractual restrictions and capital requirements. Please see "*1.6.2 The market price and trading volume of the Company's shares may fluctuate significantly and could decline upon completion of the Offering, and investors could lose some or all of their investment. There is no assurance that the price at which the shares will be traded following the Offering will be equivalent to or above the Offer Price*" and "*1.6.4 The Company is a holding company with no material business operations of its own and relies on operating subsidiaries to provide the Company with the funds required to meet its financial obligations and make dividend payments*" for risks relating to the Company's ability to pay dividends.

The Company's future ability to pay dividends may be limited by the terms of any existing and future debt or preferred securities and regulatory requirements.

On February 25, 2019, the shareholders' meeting of the Company resolved to increase the Company's share capital of EUR 10,000,200 by EUR 489,999,800 to EUR 500,000,000 in preparation of the Company's IPO. The capital increase was implemented by converting the capital reserve shown on the Company's annual financial statements as at December 31, 2018 in the amount of EUR 489,999,800 into share capital and issuing 489,999,800 new no-par value bearer shares (*Stückaktien*). The table below shows the earnings per share which are calculated by dividing consolidated earnings after tax from continuing operations attributable to TRATON SE shareholders by the number of shares outstanding following the capital increase to EUR 500,000,000 which was registered in the Company's commercial register and thus became effective on March 12, 2019. The number of shares did not change as a result of the June 2019 Capital Increase and the June 2019 Capital Decrease.

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.

	Fiscal Year ended December 31,			Three months ended March 31,	
	2018	2017	2016	2019	2018
	(Audited, except as otherwise indicated) *(EUR in million)*			(Unaudited) *(EUR in million)*	
Earnings after tax attributable to TRATON SE (former TRATON AG) shareholders	1,390	1,029	208	378	312
of which income/loss from discontinued operations, net of tax[3]	239	139	11	-2	19
Earnings after tax from continuing operations attributable to TRATON SE shareholders	**1,151**	**891**	**197**	**380**	**293**
Number of shares[1]	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Earnings per share from continuing operations in EUR[2]	2.30	1.78	0.39	0.76	0.59
Earnings per share from discontinued operations in EUR[2], [3]	0.48	0.28	0.02	(0.00)	0.04
Earnings per ordinary share attributable to TRATON SE (former TRATON AG) shareholders in EUR (basic/ diluted)[2]	**2.78**	**2.06**	**0.42**	**0.76**	**0.62**

(1) The calculations for the fiscal years ended December 31, 2018, 2017 and 2016 and the three months ended March 31, 2019 and 2018 are based on 500,000,000 shares as number of outstanding shares to enable better comparability with future financial information (whereas in the Audited Consolidated Financial Statements the calculation was based on 10,000,200 shares as number of shares outstanding).

(2) Unaudited.

(3) Net of non-controlling interest attributable to discontinued operations.

8.3 2019 Dividend

The first dividend to be paid by the Company after the Offering will be payable in 2020 and the Company intends that the amount of that dividend will correspond to an amount calculated on the basis of the Company's consolidated net income generated during the Company's current fiscal year from January 1, 2019 until December 31, 2019 (the "**2019 Fiscal Year**") irrespective of the transfer of the Company's net income (*Jahresüberschuss*) as determined by the Company's unconsolidated stand-alone German GAAP annual financial statements for the 2019 Fiscal Year to Volkswagen AG under the domination and profit and loss transfer agreement (*Beherrschungs- und Gewinnabführungsvertrag*) between the Company, as controlled entity, and Volkswagen AG, as controlling entity (the "**VW/TRATON DPLTA**") (see "*15.2.2 Termination of Domination and Profit and Loss Transfer Agreement with Volkswagen AG*").

9 CAPITALIZATION, INDEBTEDNESS AND STATEMENT ON WORKING CAPITAL

The following tables set forth the Group's capitalization and indebtedness derived from the Company's Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019.

Investors should read this table in conjunction with "*10. Selected Consolidated Financial and other Information*", "*11. Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Unaudited Condensed Interim Consolidated Financial Statements and the Audited Consolidated Financial Statements, in each case, including the notes thereto, contained in the Prospectus.

9.1 Capitalization

	As of March 31, 2019
	(Unaudited)
	(EUR in million)
Total current debt[1]	**16,424**
of which guaranteed	-
of which secured	-
of which unguaranteed/unsecured	16,424
Total non-current debt[2]	**13,605**
of which guaranteed[3]	395
of which secured	-
of which unguaranteed/unsecured	13,210
Total shareholder's equity[4]	**13,313**
of which share capital[5]	500
of which legal reserves[6]	20,841
of which other reserves[7]	(8,263)
Total[8]	**43,341**

(1) Reflects "current liabilities" as shown in the consolidated balance sheet of the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019.

(2) Reflects "noncurrent liabilities" as shown in the consolidated balance sheet of the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019.

(3) Comprises guarantees issued by Volkswagen AG for pension obligations in Sweden.

(4) Reflects "equity"(including "noncontrolling interests" of EUR 235 million) as shown in the consolidated balance sheet of the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019.

(5) Reflects "subscribed capital" as shown in the consolidated balance sheet of the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019.

(6) Reflects "capital reserves" as shown in the consolidated balance sheet of the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019.

(7) Reflects "retained earnings" and "other comprehensive income" as shown in the consolidated balance sheet of the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019.

(8) Comprises total current debt, total non-current debt and total shareholder's equity.

9.2 Indebtedness

	As of March 31, 2019
	(Unaudited)
	(EUR in million)
A. Cash[1]	1,073
B. Cash equivalents[2]	1,781
C. Trading securities[3]	1,100
D. Liquidity (A)+(B)+(C)	**3,954**
E. Current financial receivables[4]	**3,294**
F. Current bank debt[5]	1,846
G. Current portion of non-current debt[6]	1,858
H. Other current financial debt[7]	5,003
I. Current financial debt (F)+(G)+(H)	**8,707**
J. Net current financial indebtedness (I)-(E)-(D)	**1,459**
K. Non-current bank loans[8]	951
L. Bonds issued[9]	3,762
M. Other non-current loans[10]	3,320
N. Non-current financial indebtedness (K)+(L)+(M)	**8,033**
O. Net financial indebtedness (J)+(N)	**9,492**

(1) Represents cash at banks and on hand recorded under "cash and cash equivalents" as shown in the consolidated balance sheet of the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019.

(2) Represents cash pooling recorded under "cash and cash equivalents" as shown in the consolidated balance sheet of the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019.
(3) Reflects "marketable securities and investment deposits" as shown in the consolidated balance sheet of the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019.
(4) Reflects current "financial services receivables" and current "other financial assets" as shown in the consolidated balance sheet of the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019.
(5) Represents the current portion of "liabilities to banks" recorded under current "financial liabilities" as shown in Note 14 to the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019.
(6) Represents the current portion of "bonds" recorded under current "financial liabilities" as shown in Note 14 to the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019.
(7) Represents the current portion of "loans and other liabilities" and "lease liabilities" recorded under current "financial liabilities" in Note 14 to the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019 and current "other financial liabilities" as shown in the balance sheet of the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019.
(8) Represents the non-current portion of "liabilities to banks" recorded under non-current "financial liabilities" as shown in Note 14 of the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019.
(9) Represents the non-current portion of "bonds" recorded under non-current "financial liabilities" as shown in Note 14 of the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019.
(10) Represents the non-current portion of "loans and other liabilities" and "lease liabilities" recorded under non-current "financial liabilities" in Note 14 to the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019 and non-current "other financial liabilities" as shown in the consolidated balance sheet of the Unaudited Condensed Interim Consolidated Financial Statements as of March 31, 2019.

9.3 Indirect and Contingent Indebtedness

As of March 31, 2019, the Company's indirect and contingent indebtedness comprised contingencies and commitments of EUR 3,397 million, as shown in Note 16 to the Unaudited Condensed Interim Consolidated Financial Statements, and other financial obligations of EUR 1,111 million.

9.4 Statement on Working Capital

The Company believes that the Group has sufficient working capital to meet all of its payment obligations that become due within at least 12 months from the date of this Prospectus.

9.5 Termination of Domination and Profit and Loss Transfer Agreement with Volkswagen AG

In connection with the termination of the VW/TRATON DPLTA with effect as of December 31, 2019, when the Company's current fiscal year ends, the profit after taxes (*Ergebnis nach Steuern*) as determined by TRATON SE's German GAAP unconsolidated standalone annual financial statements (the "**2019 German GAAP Profit**") will be transferred to Volkswagen AG under the VW/TRATON DPLTA. TRATON SE expects the main components of the 2019 German GAAP Profit to be (i) the EUR 0.8 billion extraordinary dividend 2019 and the EUR 0.4 billion ordinary dividend 2018 from Scania AB, both received by TRATON SE in 2019, (ii) plus EUR 0.3 billion from the release of provisions for impending losses originally accrued for the potential obligation to purchase further shares in MAN SE and (iii) less TRATON SE's holding costs for TRATON SE's financial year ending December 31, 2019. See "*15.2.2 Termination of Domination and Profit and Loss Transfer Agreement with Volkswagen AG*" for further details.

9.6 No Significant Change

Between March 31, 2019 and the date of the Prospectus, there have been no significant changes in our financial or trading position.

10 SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The financial information contained in the following tables has been taken or derived from the audited consolidated financial statements as of and for the fiscal years ended December 31, 2018, 2017 and 2016 (the "**Audited Consolidated Financial Statements**") and from the unaudited condensed interim consolidated financial statements as of and for the three months ended March 31, 2019 (the "**Unaudited Condensed Interim Consolidated Financial Statements**"). The Audited Consolidated Financial Statements and Unaudited Condensed Interim Consolidated Financial Statements were prepared in accordance with IFRS as adopted by the European Union. As of January 1, 2019, the Company has adopted IFRS 16 – Leases in the preparation of its financial statements using the modified retrospective approach. As a result, the figures as of and for the three months ended March 31, 2018 may not be comparable to the results presented as of and for the three months ended March 31, 2019 and the years ended December 31, 2018, 2017 and 2016.

PwC has audited and issued an independent auditor's report with respect to the Company's Audited Consolidated Financial Statements. These financial statements and the independent auditor's report are included in the Prospectus, beginning on page F-2.

Where financial data in the following tables is presented as "audited," it indicates that the financial data has been taken from the Audited Consolidated Financial Statements. The label "unaudited" is used in the following tables to indicate financial data that has been taken or derived from the Unaudited Condensed Interim Consolidated Financial Statements, the Company's accounting records or internal management reporting systems or derived from the Audited Consolidated Financial Statements.

Unless otherwise indicated, all financial data presented in the text and tables in this section of the Prospectus is shown in million Euros (EUR or € in million), commercially rounded to a whole number. Because of this rounding, the figures shown in the tables do not in all cases add up exactly to the respective totals given.

The following selected financial information should be read in conjunction with the sections "*1. Risk Factors*," "*11. Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*14. Business*", the Unaudited Condensed Interim Consolidated Financial Statements and the Audited Consolidated Financial Statements and the related notes therein, which are contained elsewhere in this Prospectus.

10.1 Consolidated Income Statement Data

	Fiscal Year ended December 31,			Three months ended March 31,	
	2018	2017	2016	2019	2018
	(Audited, unless otherwise stated) *(EUR in million)*			(Unaudited) *(EUR in million)*	
Sales revenue	**25,927**	**24,366**	**21,915**	**6,413**	**6,051**
Cost of sales	(20,946)	(19,653)	(17,649)	(5,109)	(4,856)
Gross profit	**4,981**	**4,713**	**4,266**	**1,304**	**1,195**
Distribution expenses	(2,391)	(2,354)	(2,316)	(580)	(562)
Administrative expenses	(1,011)	(872)	(789)	(259)	(240)
Net impairment losses on financial assets	(45)	(44)	(36)	(11)	(10)
Other operating income	792	606	506	185	173
Other operating expenses	(814)	(537)	(904)	(150)	(169)
Operating profit	**1,513**	**1,512**	**727**	**490**	**386**
Share of the result of equity-accounted investments	209	74	17	77	77
Interest income	83	91	79	20	22
Interest expenses	(245)	(263)	(298)	(70)	(74)
Other financial result	6	(34)	(32)	(9)	(13)
Financial result	**53**	**(132)**	**(234)**	**17**	**12**
Earnings before tax	**1,566**	**1,379**	**493**	**507**	**398**
Income tax income/expense	(415)	(489)	(297)	(122)	(105)
Current	(449)	(377)	(424)	(119)	(114)
Deferred	34	(111)	127	(3)	9
Result from continuing operations, net of tax	**1,151**	**890**	**196**	**385**	**293**
Result from discontinued operations, net of tax	**250**	**149**	**22**	**(2)**	**20**
Earnings after tax	**1,401**	**1,039**	**219**	**383**	**312**
of which attributable to					
Noncontrolling interests	11	10	10	5	0
TRATON SE (former TRATON AG) shareholders	1,390	1,029	208	378	312
Earnings per ordinary share from continuing operations attributable to TRATON SE (former TRATON AG) shareholders in EUR (basic/diluted) (unaudited)[1]	**2.30**	**1.78**	**0.39**	**0.76**	**0.59**
Earnings per ordinary share attributable to TRATON SE (former TRATON AG) shareholders in EUR (basic/diluted) (unaudited)[1]	**2.78**	**2.06**	**0.42**	**0.76**	**0.62**

(1) The calculations for the fiscal years ended December 31, 2018, 2017 and 2016 and the three months ended March 31, 2019 and 2018 are based on 500,000,000 shares as number of outstanding shares to enable better comparability with future financial information (whereas in the Audited Consolidated Financial Statements the calculation was based on 10,000,200 shares as number of shares outstanding).

10.2 Consolidated Balance Sheet

	As of December 31,			As of March 31,
	2018	2017	2016	2019
		(Audited) (EUR in million)		(Unaudited) (EUR in million)
Assets				
Noncurrent assets				
Intangible assets	6,597	7,019	7,055	6,597
Property, plant and equipment	5,469	6,003	5,940	6,465
Lease assets	6,599	6,103	5,840	6,746
Equity-accounted investments	1,223	836	491	1,340
Other equity investments	37	50	65	50
Financial services receivables	4,212	3,805	3,237	4,366
Other financial assets	63	93	402	88
Other receivables	663	662	598	649
Tax receivables	50	59	76	54
Deferred tax assets	939	707	639	961
Total noncurrent assets	**25,851**	**25,337**	**24,344**	**27,317**
Current assets				
Inventories	4,822	5,781	5,405	5,500
Trade receivables	2,319	3,048	2,860	2,347
Financial services receivables	2,688	2,319	2,112	2,904
Other financial assets	6,371	782	777	390
Other receivables	939	736	659	815
Tax receivables	140	117	113	115
Marketable securities and investment deposits	98	51	84	1,100
Cash, cash equivalents	2,997	4,594	4,907	2,854
Assets classified as held for sale	157	—	—	—
Total current assets	**20,533**	**17,428**	**16,916**	**16,025**
Total assets	**46,384**	**42,765**	**41,260**	**43,341**

	As of December 31,			As of March 31,
	2018	2017	2016	2019
	(Audited) (EUR in million)			(Unaudited) (EUR in million)
Equity and Liabilities				
Equity				
Subscribed capital	10	10	10	500
Capital reserves	21,331	24,581	24,271	20,841
Retained earnings	(2,064)	(10,760)	(11,817)	(5,709)
Other comprehensive income	(2,478)	(2,130)	(1,635)	(2,554)
Equity attributable to TRATON SE (former TRATON AG) shareholders	**16,799**	**11,702**	**10,829**	**13,078**
Noncontrolling interests	2	108	102	235
Total equity	**16,801**	**11,810**	**10,931**	**13,313**
Noncurrent liabilities				
Financial liabilities	5,449	5,545	3,555	5,604
Tax payables	122	—	—	124
Other financial liabilities	2,333	2,239	2,105	2,428
Other liabilities	1,780	1,963	1,994	1,813
Deferred tax liabilities	824	612	389	803
Provisions for pensions	1,506	1,541	1,526	1,623
Provisions for taxes	16	18	127	18
Other provisions	1,184	1,319	1,393	1,191
Total noncurrent liabilities	**13,217**	**13,238**	**11,087**	**13,605**
Current liabilities				
Put options and compensation rights granted to noncontrolling interest shareholders	1,827	3,795	3,849	—
Financial liabilities	5,366	3,426	5,485	6,019
Trade payables	2,969	3,507	3,362	2,927
Tax payables	125	253	256	136
Other financial liabilities	1,620	1,176	1,060	2,688
Other liabilities	3,263	4,072	3,681	3,666
Provisions for taxes	137	129	27	83
Other provisions	938	1,359	1,522	905
Liabilities directly associated with assets classified as held for sale	123	—	—	—
Total current liabilities	**16,366**	**17,717**	**19,241**	**16,424**
Total equity and liabilities	**46,384**	**42,765**	**41,260**	**43,341**

10.3 Selected Consolidated Cash Flow Statement Data

	Fiscal Year ended December 31,			Three months ended March 31,	
	2018	2017	2016	2019	2018
	(Audited) *(EUR in million)*			(Unaudited) *(EUR in million)*	
Cash and cash equivalents at beginning of period	**4,594**	**4,907**	**6,575**	**2,997**	**4,593**
Cash flows from operating activities - discontinued operations	(72)	(46)	118	-	(50)
Cash flows from operating activities	382	726	758	(385)	(3)
Cash flows from investing activities - discontinued operations	(184)	(174)	(186)	-	(25)
Cash flows from investing activities	(1,065)	(1,361)	(1,643)	724	(269)
Cash flows from financing activities - discontinued operations	(7)	(8)	(16)	-	(2)
Cash flows from financing activities	(865)	392	(775)	(494)	473
Effect of exchange rate changes on cash and cash equivalents	(48)	(71)	(8)	12	(26)
Net change in cash and cash equivalents	**(1,596)**	**(314)**	**(1,667)**	**(143)**	**176**
Cash and cash equivalents at end of period	**2,997**	**4,594**	**4,907**	**2,854**	**4,769**

10.4 Other Selected Financial Information

10.4.1 Segment data for the three months ended March 31, 2019

	Industrial Business	Financial Services	Other Segments	Total Segments	Recon-ciliation	Group
			(Unaudited) *(EUR in million)*			
Segment sales revenue	6,305	203	**-**	**6,508**	(95)	**6,413**
Intersegment sales revenue	93	1	-	**95**	(95)	**-**
Group sales revenue	6,211	202	-	**6,413**	(0)	**6,413**
Depreciation and amortization	519	94	-	**612**	**(93)**	**519**
Impairment losses	12	0	-	**12**	**0**	**12**
Segment profit or loss (operating profit)	**457**	**33**	**-**	**490**	**(0)**	**490**
Financial result	**13**	**0**	**-**	**13**	**4**	**17**
Thereof: share of profits and losses of equity-accounted investments	77	-	-	**77**	-	**77**
Capital expenditures incl. capitalized R&D	**270**	**2**	**-**	**271**	**-**	**271**
Equity-accounted investments	1,340	-	-	**1,340**	-	**1,340**

10.4.2 Segment data for the three months ended March 31, 2018

	Industrial Business	Financial Services	Other Segments	Total Segments	Recon-ciliation	Group
			(Unaudited) *(EUR in million)*			
Segment sales revenue	5,765	179	196	**6,141**	(90)	**6,051**
Intersegment sales revenue	90	0	0	**90**	(90)	**-**
Group sales revenue	5,675	179	196	**6,051**	0	**6,051**
Depreciation and amortization	486	1	0	**487**	-	**487**
Impairment losses	21	-	-	**21**	-	**21**
Segment profit or loss (operating profit)	**352**	**30**	**5**	**386**	**(0)**	**386**
Financial result	**17**	**0**	**-**	**17**	**(5)**	**12**
Thereof: share of profits and losses of equity-accounted investments	77	-	-	**77**	-	**77**
Capital expenditures incl. capitalized R&D	**270**	**1**	**(0)**	**271**	**(12)**	**259**
Equity-accounted investments	893	-	-	**893**	-	**893**

10.4.3 2018 Segment Data

	Industrial Business	Financial Services	Other Segments	Total Segments	Recon-ciliation	Group
		(Audited)		(Unaudited)	(Audited)	
			(EUR in million)			
Segment sales revenue	24,963	760	585	**26,308**	(381)	**25,927**
Intersegment sales revenue	380	1	0	**381**	(381)	**—**
Group sales revenue	24,583	758	585	**25,926**	0	**25,927**
Depreciation and amortization	1,810	4	1	**1,815**	(0)	**1,815**
Impairment losses	95	0	2	**97**	—	**97**
Segment profit or loss (operating profit)	**1,346**	**138**	**34**	**1,518**	**(6)**	**1,513**
Financial result	**98**	**10**	**(24)**	**84**	**(32)**	**53**
Thereof: share of profits and losses of equity-accounted investments	209	—	—	**209**	—	**209**
Capital expenditures incl. capitalized R&D	**1,404**	**4**	**0**	**1,408**	**(13)**	**1,395**
Equity-accounted investments	1,223	—	—	**1,223**	—	**1,223**

10.4.4 2017 Segment Data

	Industrial Business	Financial Services	Other Segments	Total Segments	Recon-ciliation	Group
		(Audited)		(Unaudited)	(Audited)	
			(EUR in million)			
Segment sales revenue	23,403	721	590	**24,713**	(346)	**24,366**
Intersegment sales revenue	346	1	0	**347**	(347)	**—**
Group sales revenue	23,057	719	590	**24,365**	1	**24,366**
Depreciation and amortization	1,965	3	1	**1,969**	(27)	**1,941**
Impairment losses	2	—	—	**2**	—	**2**
Segment profit or loss (operating profit)	**1,368**	**111**	**33**	**1,512**	0	**1,512**
Financial result	**(196)**	**1**	**(22)**	**(217)**	**85**	**(132)**
Thereof: share of profits and losses of equity-accounted investments	74	—	—	**74**	—	**74**
Capital expenditures incl. capitalized R&D	**1,523**	**3**	**1**	**1,527**	**11**	**1,537**
Equity-accounted investments[1]	819	—	—	**819**	—	**819**

(1) Not including equity-investments held by discontinued operations amounting to EUR 17 million.

10.4.5 2016 Segment Data

	Industrial Business	Financial Services	Other Segments	Total Segments	Recon-ciliation	Group
		(Audited)		(Unaudited)	(Audited)	
			(EUR in million)			
Segment sales revenue	21,023	709	563	**22,295**	(380)	**21,915**
Intersegment sales revenue	379	2	0	**381**	(380)	**—**
Group sales revenue	20,645	708	563	**21,916**	(0)	**21,915**
Depreciation and amortization	1,867	2	1	**1,870**	(11)	**1,860**
Impairment losses	8	—	—	**8**	—	**8**
Segment profit or loss (operating profit)	**596**	**105**	**27**	**728**	**(0)**	**727**
Financial result	**(156)**	**1**	**(16)**	**(171)**	**(63)**	**(234)**
Thereof: share of profits and losses of equity-accounted investments	17	—	—	**17**	—	**17**
Capital expenditures incl. capitalized R&D	**1,465**	**5**	**1**	**1,471**	**(3)**	**1,467**
Equity-accounted investments	491	—	—	**491**	—	**491**

10.4.6 Sales revenue by region

Group sales revenue allocated by region following the destination principle for the fiscal years ended December 31, 2018, 2017 and 2016 as well as for the three months ended March 31, 2019 and 2018:

	Germany	EU-28+2 (excluding Germany)	Brazil	South America (excluding Brazil)	Rest of World(1)	Total
	(Audited, unless otherwise noted) *(EUR in million)*					
2018 Sales revenue	4,773	12,422	1,977	782	5,972	**25,927**
2017 Sales revenue	4,713	11,309	1,377	915	6,052	**24,366**
2016 Sales revenue	4,439	10,751	979	799	4,946	**21,915**
Sales revenue for the three months ended March 31, 2019 (unaudited)	1,114	3,411	571	155	1,162	**6,413**
Sales revenue for the three months ended March 31, 2018 (unaudited)	1,157	2,918	418	218	1,340	**6,051**

(1) Including sales revenue from hedging transactions not assigned to regions.

10.4.7 Sales revenue by product by operating unit within the Industrial Business segment (before consolidation effects)

	Fiscal Year ended December 31,			Three months ended March 31,	
	2018	2017	2016	2019	2018
				(Unaudited) *(EUR in million)*	
Scania V&S					
Vehicles	8,326	7,430	6,720	2,164	1,895
Aftersales(1)	2,592	2,462	2,282	688	652
Other(2)	2,064	2,535	1,987	498	482
MAN T&B					
Vehicles	6,688	5,977	5,642	1,547	1,411
Aftersales(1)	2,070	1,965	1,869	538	512
Other(2)	2,056	2,080	1,736	529	520
VWCO					
Vehicles	1,290	1,014	747	388	305
Aftersales(1)	96	101	91	23	23
Other(2)	35	47	26	5	14

(1) Includes genuine parts and workshop services

(2) Includes used vehicles, engines, powertrains and parts deliveries, leasing business, interest and similar income and other sales revenue (including sales revenue from hedging transactions)

10.5 Key Performance Indicators and Alternative Performance Measures

In addition to its IFRS reporting, the Group tracks certain alternative performance measures, ratios and adjustments that are not required by, or presented in accordance with, IFRS or German GAAP. These are operating profit, adjusted operating profit, adjusted return on sales ("**Adjusted RoS**"), adjusted EBITDA for the industrial business ("**Adjusted EBITDA**") and net cash flow. Management uses these alternative performance measures internally to benchmark performance over time and against peers/competitors. These alternative performance measures, however, are not defined under IFRS, German GAAP or similar GAAP and may be calculated differently within other industries and even by the Group's competitors within the commercial vehicle industry. A description of the calculation of each alternative performance measure is included in footnotes to the following table:

	Fiscal Year ended December 31,			Three months ended March 31,	
	2018	**2017**	**2016**	**2019**	**2018**
	(Unaudited, unless otherwise noted) *(EUR in million)*			**(Unaudited)** *(EUR in million)*	
Sales revenue	25,927*	24,366*	21,915*	6,413	6,051
Operating profit	**1,513***	**1,512***	**727***	**490**	**386**
Scania V&S operating profit	*1,207*	*1,167*	*555*	*370*	*301*
MAN T&B operating profit	*402*	*526*	*405*	*122*	*94*
VWCO operating profit	*28*	*(103)*	*(192)*	*8*	*6*
Adjusted Operating Profit(1)	1,650	1,462	1,188	490**	386**
Adjusted RoS(2)	6.4%	6.0%	5.4%	7.6%**	6.4%**
Adjusted EBITDA (Industrial Business)(3)	2,557	2,107	1,911	766**	607**
Net cash flow(4)	(683)	(635)	(885)	339	(272)

* Audited.

** Unadjusted.

(1) Adjusted operating profit is calculated as operating profit for the period adjusted for certain non-recurring items that management believes are not indicative of operational performance. In the period under review, these items consist of (i) two adjustments in 2016, a provision relating to antitrust proceedings by the European Commission against Scania and restructuring expenses in connection with a turnaround program at VWCO; (ii) in 2017, the release of a restructuring provision at MAN T&B in relation to an operational efficiency program, PACE2017; and (iii) in 2018, one-off expenses in relation to MAN T&B's exit from the Indian market. See also "*14.16 Legal and Administrative Proceedings*" and "*11.3.5 Operational Efficiency Measures*." The following table provides a reconciliation of operating profit to adjusted operating profit:

	Fiscal Year ended December 31,			Three months ended March 31,	
	2018	**2017**	**2016**	**2019**	**2018**
	(Audited, unless otherwise noted) *(EUR in million)*			**(Unaudited)** *(EUR in million)*	
Operating profit	**1,513**	**1,512**	**727**	**490**	**386**
Expenses for antitrust proceedings (Scania)	—	—	403	—	—
Release of restructuring provision at MAN T&B	—	(50)	—	—	—
Expense in relation to Indian market exit at MAN T&B (unaudited)	137	—	—	—	—
Restructuring expense at VWCO	—	—	58	—	—
Adjusted operating profit (unaudited)	**1,650**	**1,462**	**1,188**	**490***	**386***

* Unadjusted.

(2) Adjusted RoS is calculated by taking the ratio of adjusted operating profit to sales revenue for the period.

(3) Adjusted EBITDA for the industrial business segment is defined as adjusted operating profit for the industrial business plus depreciation and amortization of, and impairment losses on, intangible assets, property, plant and equipment and investment property, amortization of and impairment losses on capitalized development costs and impairment losses on equity investments plus share of the result of equity-accounted investments plus other financial result. A reconciliation of operating profit for the industrial business to adjusted operating profit and adjusted EBITDA for the industrial business segment is provided in the following table:

	Fiscal Year ended December 31,			Three months ended March 31,	
	2018	2017	2016	2019	2018
	(Unaudited, unless otherwise noted) *(EUR in million)*			(Unaudited) *(EUR in million)*	
Industrial Business Operating profit	**1,346***	**1,368***	**596***	**457**	**352**
Expenses for antitrust proceedings (Scania)	—	—	403*	—	—
Release of restructuring provision at MAN T&B	—	(50)*	—	—	—
Expense in relation to Indian market exit at MAN T&B	137	—	—	—	—
Restructuring expense at VWCO	—	—	58*	—	—
Industrial Business Adjusted Operating profit	**1,483**	**1,318**	**1,057**	**457**	**352**
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant, and equipment and investment property	634	585	552	199	145
Amortization of and impairment losses on capitalized development costs	170	225	237	45	42
Impairment losses on equity investments	6	1	0	0	0
Share of the result of equity-accounted investments	209*	74*	17*	77	77
Other financial result	54	(97)	48	(12)	(8)
Adjusted EBITDA (Industrial Business)	**2,557**	**2,107**	**1,911**	**766**	**607**

* Audited.

(4) Net cash flow is defined as the sum of cash inflows/outflows from operating activities and cash inflows/outflows from investing activities. Below are the cash flows from operating and investing activities for the Group and for the Industrial Business and Financial Services segments for the fiscal years ended December 31, 2018, 2017 and 2016 as well as for the three months ended March 31, 2019 and 2018.

	Fiscal Year ended December 31,			Three months ended March 31,	
	2018	2017	2016	2019	2018
	(Audited, unless otherwise noted) *(EUR in million)*			(Unaudited) *(EUR in million)*	
(A) Cash flows from operating activities	**382**	**726**	**758**	**(385)**	**(3)**
Industrial Business (unaudited)	*1,497*	*1,392*	*2,024*	*(118)*	*305*
Financial Services (unaudited)	*(1,073)*	*(744)*	*(1,110)*	*(225)*	*(154)*
(B) Cash flows from investing activities	**(1,065)**	**(1,361)**	**(1,643)**	**724**	**(269)**
Industrial Business (unaudited)	*(773)*	*(1,615)*	*(1,758)*	*1,235*	*(213)*
Financial Services (unaudited)	*(37)*	*31*	*(78)*	*(5)*	*1*
(A+B) Net cash flow	**(683)**	**(635)**	**(885)**	**339**	**(272)**
Industrial Business (unaudited)	*724*	*(223)*	*266*	*1,117*	*92*
Financial Services (unaudited)	*(1,111)*	*(714)*	*(1,188)*	*(231)*	*(154)*

11 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial information contained in the following section has been taken or derived from the audited financial statements as of and for the fiscal years ended December 31, 2018, 2017 and 2016 (the "**Audited Consolidated Financial Statements**") and the unaudited condensed interim consolidated financial statements as of and for the three months ended March 31, 2019 (the "**Unaudited Condensed Interim Consolidated Financial Statements**"). The Audited Consolidated Financial Statements and the Unaudited Condensed Interim Consolidated Financial Statements were prepared in accordance with IFRS as adopted by the European Union. As of January 1, 2019, the Company has adopted IFRS 16 – Leases in the preparation of its financial statements using the modified retrospective approach. As a result, the figures as of and for the three months ended March 31, 2019 may not be comparable to the results presented as of and for the three months ended March 31, 2018 and the years ended December 31, 2018, 2017 and 2016.

PwC has audited and issued an independent auditor's report that does not contain any qualifications with respect to the Company's Audited Consolidated Financial Statements. These financial statements and the independent auditor's report thereon are included in the Prospectus, beginning on page F-2.

Where financial data in the following tables is presented as "audited," it indicates that the financial data has been taken from the Audited Consolidated Financial Statements. The label "unaudited" is used in the following tables to indicate financial data that has been taken or derived from the Unaudited Condensed Interim Consolidated Financial Statements, the Company's accounting records or internal management reporting systems or derived from the Audited Consolidated Financial Statements.

Unless otherwise indicated, all financial data presented in the text and tables in this section of the Prospectus is shown in million Euros (EUR or € in million), commercially rounded to a whole number. Because of this rounding, the figures shown in the tables do not in all cases add up exactly to the respective totals given.

The discussion and analysis below provide information that the Group believes is relevant to an assessment and understanding of the Group's historical financial position and results of operations. Prospective investors should read this discussion and analysis in conjunction with the sections entitled "*2.4 Presentation of Financial Information*" and "*10. Selected Consolidated Financial and Other Information*."

This section includes forward-looking statements, including those concerning capital expenditures and financial condition. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause the Group's actual results to differ materially from those expressed or implied by such forward-looking statements. Results of operations for prior fiscal years are not necessarily indicative of the results to be expected for the next fiscal year or any future period. See "*2.3 Forward-Looking Statements*" and "*1. Risk Factors*." The Group does not undertake any obligation to revise or publicly release the results of any revision to these forward-looking statements.

The following discussion of the Group's results of operations also makes reference to certain non-IFRS financial measures. Prospective investors should bear in mind that these non-IFRS financial measures are not financial measures defined in accordance with IFRS, may not be comparable to other similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS. See "*2.8 Measures not defined by IFRS (Non-GAAP Measures and Alternative Performance Measures).*"

11.1 Overview

The TRATON GROUP was founded in 2015 (then Volkswagen Truck & Bus) to bring together the strong commercial vehicle brands Scania, MAN and VWCO and to create a global leader in profitability, global presence and customer-focused innovation. The TRATON GROUP's "Global Champion" strategy to achieve this goal seeks to drive growth, improve profitability and leverage synergies.

In the fiscal year ended December 31, 2018, the TRATON GROUP sold a total of approximately 233,000 vehicles, generating sales revenue of EUR 25.9 billion, an operating profit of EUR 1.5 billion (adjusted operating profit of EUR 1.7 billion) and an adjusted return on sales of 6.4%.

The TRATON GROUP's operations are divided into two reportable segments, the Industrial Business segment, which constitutes the core of the Group's business and accounted for 95% of the Group's sales revenue in the fiscal year ended December 31, 2018, and the Financial Services business segment. The Industrial Business segment largely comprises the sale of commercial vehicles and related services under the Group's three main operating units Scania Vehicles & Services ("**Scania V&S**") (comprising the vehicles and services related business of Scania AB (publ) ("**Scania AB**") and its consolidated subsidiaries), MAN Truck & Bus SE and its consolidated subsidiaries ("**MAN T&B**"; MAN Truck & Bus AG changed its

legal name to MAN Truck & Bus SE in the beginning of 2019) and MAN Latin America Indústria e Comércio de Veículos Ltda. ("**MAN Latin America**") and its consolidated subsidiaries ("**VWCO**"). On October 25, 2018, TRATON GROUP announced its intention to sell the Power Engineering business to a Volkswagen AG subsidiary outside the TRATON GROUP. The purchase price amounted to EUR 1,978 million and was settled in 2019.

With a total of 80,940 employees, 29 production and assembly sites in 17 countries and jurisdictions and approximately 3,900 captive and non-captive service centers (centers used by more than one brand counted only once; each as of December 31, 2018), the TRATON GROUP has a global footprint with significant presence in its key markets, Europe and South America/Mexico. The TRATON GROUP has its headquarters in Munich, Germany, where TRATON SE, the parent company of the Group, has its registered office.

The TRATON GROUP sold 232,992 units in the fiscal year ended December 31, 2018. When taken together with its alliance partners Navistar International Corporation ("**Navistar**"), Sinotruk (Hong Kong) Ltd. ("**Sinotruk**") (including the units sold by China National Heavy Duty Truck Group Co., Ltd ("**CNHTC**")) and Hino Motors, Ltd. ("**Hino Motors**"), the TRATON GROUP was No. 1 worldwide in terms of heavy-duty trucks sold in 2018 and held No. 1 market positions in its core markets of Europe (i.e. EU28+2, as defined in section 13.4.2) and South America (as defined in section 13.4.2) (IHS Markit). Of those 232,992 units sold in 2018, the TRATON GROUP sold 76.8% in EU28+2 (56.3%) and South America (20.5%). The remaining units were sold in Asia-Pacific (6.8%), the Middle East (3.7%), Africa (4.1%), North America (1.5%) and Russia/Rest of Europe (7.1%).

TRATON GROUP's brand Scania is the brand name of Scania AB and its consolidated subsidiaries ("**Scania**"), a global provider of transport solutions and manufacturer of heavy trucks, buses and engines. TRATON GROUP's brand MAN is the brand name of MAN SE and its consolidated subsidiaries (excluding VWCO) ("**MAN**"), a global manufacturer of trucks, buses and engines and a supplier of vans. TRATON GROUP's brand VWCO is the brand name of MAN Latin America and its consolidated subsidiaries, a provider of light- to heavy-duty trucks and bus chassis customized for markets such as South America, Mexico and Africa. TRATON GROUP's brand RIO is the brand name of TB Digital Services GmbH ("**RIO**").

The TRATON GROUP's most important products are heavy-duty trucks (>16 tons), medium- and light-duty trucks (<16 tons) and buses. In the fiscal year ended December 31, 2018, Scania sold 96,475 trucks and buses, MAN sold 100,357 trucks, buses and vans and VWCO sold 36,160 trucks and buses (accounting for 41.4%, 43.1% and 15.5%, respectively, of the total number of units sold by the TRATON GROUP). The Group's industrial business also includes external engines and components for marine and industrial applications, as well as used vehicles. In addition to its new and used vehicle offering, the TRATON GROUP also has an aftersales business, which contributes a significant portion to its sales revenue and operating profit. The Group's services comprise a range of digital solutions, including an extended service offering based on a connected ecosystem, as well as flexible maintenance plans. Through its brand RIO, the TRATON GROUP aims to provide a digital platform for the entire transportation industry that bundles digital solutions for the transportation and logistics ecosystem. In the fiscal year ended December 31, 2018 before consolidation effects, the Industrial Business segment generated sales revenue of EUR 16,216 million (or 65.0%) from the sale of new vehicles, EUR 4,730 million (or 18.9%) from aftersales and the remaining EUR 4,017 million (or 16.1%) from other sales revenue, which includes used vehicles, engines, powertrains and part deliveries, the leasing business and interest and similar income and other sales revenue including sales revenues from hedging transactions.

The TRATON GROUP's financial services business offers its customers an extensive range of financial services, including dealer and customer financing, leasing and insurance products. Scania offers financial services through its own subsidiaries. MAN and VWCO offer such services through subsidiaries of the Volkswagen Group and therefore do not generate income from financial services. In the fiscal year ended December 31, 2018, before consolidation effects, the TRATON GROUP's Financial Services segment generated sales revenue before intersegment reconciliation (comprising lease income and interest and similar income) of EUR 760 million and operating profit of EUR 138 million.

11.2 Basis of Presentation

In accordance with Regulation No. 1606/2002 of the European Parliament and of the Council, the Group has prepared its consolidated financial statements for the fiscal years ended December 31, 2018, 2017 and 2016 as well as its condensed interim consolidated financial statements for the three months ended March 31, 2019 and 2018 in compliance with IFRS, as adopted by the European Union. The consolidated financial statements and the condensed interim consolidated financial statements have been prepared in Euros. Unless otherwise stated, all amounts are given in millions of Euros (EUR million). All figures are shown rounded, so minor discrepancies may arise from addition of these amounts. Preparation of the consolidated financial statements and the condensed interim consolidated financial statements in

accordance with IFRS requires management to make estimates that affect the reported amounts of certain items in the consolidated balance sheet and in the consolidated income statement, as well as the related disclosure of contingent assets and liabilities.

The operating activities of the TRATON GROUP consist of activities (including financing) in the commercial vehicle sector that belonged to an existing closed corporate entity throughout the past three years. From an accounting perspective, therefore, only consolidated, and not combined, financial statements for the three fiscal years ended December 31, 2018, 2017 and 2016 of the Group were prepared.

11.2.1 Sale of PE Business

On October 25, 2018, the Group announced its intention to sell its power engineering business ("**PE Business**") to a Volkswagen AG subsidiary (VW Klassik) outside the TRATON GROUP for cash consideration determined based on the net assets measured at book values of the PE Business. The PE Business consists of the Group's two former operating segments MAN Energy Solutions and Renk. MAN Energy Solutions is a global leader in large marine diesel engines and stationary engines and is also one of the leading suppliers of turbomachinery on the global market. Renk is a globally recognized manufacturer of high-quality special gear units, propulsion components, and testing systems. The share purchase agreements for the sale were signed on December 20, 2018 and the sale was effected on December 31, 2018.

The proceeds of this disposal equal the carrying amount of the related net assets and, accordingly, no impairment losses were recognized on the reclassification of these operations as held for sale.

The income statement items from the PE Business have been allocated to discontinued operations. Net income from discontinued operations is included as a single line item below operating profit and the financial result. At the end of 2016 and 2017, the assets and liabilities from discontinued operations are not presented separately in the balance sheet. At the end of 2018, the assets and liabilities from discontinued operations are not presented at all as the classification as held for sale occurred in October 2018 and the sale of the PE Business took place on December 31, 2018.

Please see "*3.1 Sale of Power Engineering Entities*", F-13 and F-53 for more details on the sale of the PE Business.

11.2.2 Sale of Volkswagen Gebrauchtfahrzeugshandels und Service GmbH ("VGSG")

On December 6, 2018, the Company entered into an agreement with a Volkswagen AG subsidiary outside of the TRATON GROUP to sell its subsidiary VGSG for a consideration of EUR 113,000 with effect from January 1, 2019. The Volkswagen Gebrauchtfahrzeughandels und Service GmbH was expected to be sold within 12 months and therefore the associated assets and liabilities were classified as held for sale and presented separately in the consolidated balance sheet as of December 31, 2018. Reclassification of VGSG as held for sale resulted in the recognition of impairment losses of EUR 6 million. The transaction was completed on January 1, 2019. A gain was not achieved.

Whereas the results of VGSG were presented as discontinued operations in the Audited Consolidated Financial Statements, in the Unaudited Condensed Interim Consolidated Financial Statements, VGSG is not presented as held for sale in the balance sheet and its results were not presented as discontinued operations, particularly in the comparable financial information for the three months ended March 31, 2018.

11.2.3 Segment Reporting

Reporting segments are identified on the basis of the Group's internal management and reporting. The two reportable segments are Industrial Business and Financial Services. Segment reporting comprises the following operating units: Scania V&S, MAN T&B and VWCO as well as TRATON Financial Services ("**Financial Services**"). The two reportable segments are organized as follows:

Industrial Business: The Group's business activities focus on commercial vehicles, comprising the operating units Scania V&S, MAN T&B and VWCO, which encompass the following products: trucks, vans, buses and engines, including the services associated with these products. Between the three operating units there is a collaboration within key areas such as procurement and research and development. The operating units are similar in the nature of the products and services offered and there is no systematic difference between the customers of the different operating units. All three operating units compete in the market of commercial vehicles, which is a very cyclical market strongly dependent on the overall economic situation. Operating performance within the units is assessed based on the development of Return on Sales ("**RoS**") over time (adjusted as required for one-off effects).

In line with the accounting policy as set out in IFRS 8 to aggregate segments with similar characteristics, the Group chooses for external reporting purposes to aggregate the three operating units into a single reportable segment referred to as "Industrial Business." The Industrial Business segment also comprises the holding functions of the Group and equity investments held by the holding companies, namely Sinotruk and, since 2017, Navistar.

Financial Services provides financing solutions to the Group's customers, such as loan financing, lease contracts and insurance solutions. The reportable segment Financial Services only consists of Scania Financial Services. MAN T&B and VWCO offer such services through subsidiaries of Volkswagen AG and its subsidiaries.

Segment information presented represents continuing operations. The segment disclosures for the current and the comparative periods, therefore, do not include the corresponding information for discontinued operations, as presented in the items noncurrent assets held for sale and discontinued operations. Operating profit/loss is the earnings measure for assessing a segment's results of operations. Operating profit/loss is calculated as profit/loss before tax and before the financial result. Purchase price allocation for companies acquired is allocated directly to the corresponding segments (see "*11.2.5 Purchase Price Allocation*" below). Segment financial information is presented in accordance with the disclosure and measurement policies applied to the preparation of the consolidated financial statements. 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, other equity investments, and assets leased out allocated to the individual segments. Investments in intangible assets, property, plant and equipment, and investment property are reported net of investments under finance leases. In segment reporting, the share of the profits or losses of joint ventures are contained in the share of profits and losses of equity-accounted investments in the corresponding segments.

The "other" segments consist of activities carried out by Volkswagen Gebrauchtfahrzeughandels und Service GmbH ("**VGSG**"), an entity sold in January 2019, which relate to the sale of used passenger vehicles and by definition do not constitute a reportable segment. The reconciliation contains the consolidation adjustments between the reporting segments.

11.2.4 Reporting by Region/Geography

The Group reports sales revenue and noncurrent assets by geographical region. Sales revenue is allocated to the following regions following the destination principle: Germany, EU28+2 (excluding Germany), Brazil, South America (excluding Brazil), and Rest of World (including sales revenue from hedging transactions). EU28+2 (excluding Germany) includes the member states of the European Union (excluding Germany) plus Norway and Switzerland. South America (excluding Brazil) includes Argentina, Bolivia, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, and Uruguay, and Venezuela.

11.2.5 Purchase Price Allocation

As TRATON SE (formerly TRATON AG) and Scania were controlled by Volkswagen AG both before and after the contribution of Scania into the Group, this business combination is a common control transaction. As such, the Group has applied the accounting policy to show Scania in its consolidated financial statements at the book values of its ultimate parent, Volkswagen AG. This also includes the adjustments of Scania book values at Volkswagen AG level resulting from the purchase price allocation ("**PPA**") effected following the acquisition of Scania by Volkswagen AG in 2008, including goodwill resulting from this transaction. In addition, the Group has applied the accounting policy for business combinations under common control to restate its carrying amounts before the date of the transaction to present its consolidated financial statements as if the combination had occurred before the start of the earliest date presented (i.e. January 1, 2016).

The book values of MAN SE were continued in the Group's consolidated financial statements and thus do not include the PPA values resulting from the acquisition of MAN SE by Volkswagen AG. This is because the contribution of MAN SE into the Group in 2013 represented a group reorganization and did not meet the definition of a business combination. The difference between the value of the MAN SE shares at which they were contributed to TRATON SE and the recognized book value of corresponding assets and liabilities was recognized in retained earnings.

In contrast to the book values of MAN SE, which do not include PPA, the book value of VWCO, which MAN SE acquired in a business combination in 2009, does include PPA effects.

11.3 Key Factors Affecting the Results of Operations

The Group believes that the factors discussed below have significantly affected its results of operations, financial position and cash flow in the past periods for which financial information is presented in the

Prospectus, and that these factors will continue to have a material influence on its results of operations, financial position and cash flow in the future.

11.3.1 General Economic Conditions

The Group's results of operations depend significantly on general macroeconomic conditions and economic cycles globally and in its key markets, including, in particular, EU28+2 (excluding Germany), Germany, Brazil and South America (excluding Brazil), where it derived 47.9%, 18.4%, 7.6% and 3.0%, respectively, of its sales revenue in the fiscal year ended December 31, 2018.

Macroeconomic conditions and economic cycles affect both the level of demand for the Group's vehicles and the prices at which they can be sold. Actual or anticipated improvements in economic conditions generally result in higher business volume for the Group's corporate customers, which generally translates into higher demand for trucks and buses. Conversely, a weak or uncertain economic environment, particularly when combined with rising cost of capital and low business and consumer confidence, tends to discourage fleet owners from replacing or expanding their commercial vehicle fleets. The Group also depends on demand from public transportation providers and other public sector customers that operate bus and other commercial vehicle fleets, and whose budgets are often directly or indirectly affected by the macroeconomic environment.

Global economic conditions were largely favorable in the period under review, although growth in gross domestic product weakened in many countries in the second half of 2018. The world economy grew by 3.6% in 2018, after growing 3.8% in 2017 and 3.4% in 2016 (International Monetary Fund ("**IMF**")). In the European Union, the economy was also modestly supportive of the Group's business, growing 2.1% in 2018, 2.7% in 2017 and 2.1% in 2016 (IMF) in spite of economic uncertainty in connection with the United Kingdom's exit from the European Union, political instability in the member states, and lingering effects of the sovereign debt crisis. In Germany, the Group's largest individual market, economic growth however slowed markedly to 1.5% in 2018, after growing 2.5% in 2017 and 2.2% in 2016. Brazil, the Group's largest market in South America, slowly emerged from a deep recession, growing 1.1% in both 2018 and 2017 after contracting by 3.3% in 2016 (IMF). Against this background, the Group's total sales revenue increased by 11.2%, from EUR 21,915 million in the fiscal year ended December 31, 2016 to EUR 24,366 million in the fiscal year ended December 31, 2017 and by 6.4% to EUR 25,927 million in the fiscal year ended December 31, 2018. Sales revenue from EU28+2 (excluding Germany) and Germany also increased over the period, although sales in Germany were nearly flat in 2018. In Brazil, sales revenue decreased significantly in 2016 as a result of the recession, followed by a robust recovery in 2017 that accelerated in 2018 in spite of continuing political instability in the country.

The positive momentum in the global economy is forecast to slow over the next few years, leaving many countries with a challenging outlook. Global economic growth is projected to decelerate to 3.3% in 2019 and 3.6% in 2020 (IMF). In the European Union, growth is forecast to slow to 1.6% in 2019 and 1.7% in 2020, with the German economy forecast to grow at 0.8% in 2019 and 1.4% in 2020 (IMF). However, Brazil, the Group's largest single market outside of Europe, is expected to continue to recover from recession with a GDP growth forecast of 2.1% for 2019 and 2.5% in 2020 (IMF).

Financial conditions are expected to tighten as a result of monetary policy normalization. In addition, a number of other macroeconomic factors and political uncertainties, including with respect to the trade dispute between the United States and China, the stability of the global trade and tariff framework, and the impact of the United Kingdom's exit from the European Union, are expected to have a negative impact on consumer spending and capital investments and result in heightened market volatility. The Group expects that its results of operations will be affected by these and other economic developments in its key markets.

The Group is also indirectly exposed to economic conditions in the core markets of its associates, the U.S. truck manufacturer Navistar and the Chinese truck maker Sinotruk, in whom it holds equity-accounted investments. The U.S. economy grew moderately in the period under review but is forecast to decelerate in the near to mid-term future (IMF). Economic growth in China picked up slightly in 2017 before decelerating to the lowest level in decades in 2018 and is forecast to slow further in the near to mid-term future (IMF). See also "*1.1.1 Demand for the Group's products depends on economic and political conditions globally and in the Group's key markets, including in Europe and South America*."

11.3.2 Market Developments and Share

The Group's results of operations depend significantly on developments in the commercial vehicle market and its ability to maintain or gain market share.

The Group's business has been supported by broad-based market growth in recent years. In the Group's primary markets, EU28+2 and South America, truck sales volume grew at a CAGR of 5.8% and 0.4%,

respectively, between 2015 and 2018 (IHS Markit). In Russia, China and Southeast Asia, where the Group also has sales, sales volume grew at a CAGR of 17.5%, 20.7% and 7.9%, respectively, in the same period (IHS Markit). Market growth was primarily driven by the general economic conditions in the relevant markets. See also "*11.3.1 General Economic Conditions.*" The market outlook for the near- to mid-term future is mixed. According to IHS Markit, sales volume in the EU28+2 market is expected to grow modestly at a CAGR of 0.6% between 2018 and 2025, while the South American and Russian markets are expected to grow at a CAGR of 3.2%, and 5.0%, respectively. However, the Chinese and Southeast Asian markets are expected to decline with a negative CAGR of (4.8)% and (0.3)%, respectively, in the same period, with a strong decline in China forecast for 2019.

In 2018, the Group had leading heavy-duty segment ("**HDT**") market positions in terms of sales volume in the EU28+2 (with a market share of 33%), Germany (38% market share), South America (30% market share) and Brazil (37% market share), according to IHS Markit. It also held the number two market position in Russia (with 19% market share) (IHS Markit). The Group's ability to maintain or gain market share in these and other markets in the future will be driven by a number of factors, including, in particular, the TCO of its vehicles, the market acceptance of its three vehicle brands' new truck generations, and the ability to develop a commercially attractive product portfolio responding to changing regulatory and customer requirements that in the long term are expected to favor electrification and alternative drivetrains, connectivity and autonomous driving technologies. See also "*13. Industry Overview*" and "*1.1.4 The truck and bus manufacturing industry is highly competitive.*"

11.3.3 Sales volume

Sales volume, or the number of units sold, is the principal driver of the Group's sales revenue and also affects the Group's margins by defraying fixed costs. Sales volume also drives the Group's Financial Services income. The Group's sales volume is driven by a number of factors, including general market conditions in its key markets, product price, new product introductions and regulatory developments, as well as targeted marketing campaigns.

The following table provides an overview of the Group's volume of units sold by brand and vehicle category for the fiscal years ended December 31, 2016, 2017 and 2018 and the three months ended March 31, 2018 and 2019:

	Fiscal year ended December 31,			Three months ended March 31,	
	2018	2017	2016	2019	2018
		(Unaudited) *(thousands)*		(Unaudited) *(thousands)*	
Scania V&S	**96.5**	**90.8**	**81.3**	**23.6**	**22.6**
of which trucks	88.0	82.5	73.1	22.2	20.6
of which buses	8.5	8.3	8.3	1.4	2.1
MAN T&B	**102.6**	**90.0**	**83.2**	**25.0**	**22.1**
of which trucks and vans	95.4	83.7	77.1	23.6	20.7
of which buses	7.2	6.3	6.1	1.4	1.4
VWCO	**36.4**	**25.9**	**20.4**	**9.8**	**8.8**
of which trucks and vans	29.0	21.1	16.5	8.3	7.1
of which buses	7.3	4.8	3.9	1.5	1.7
Intragroup eliminations	(2.5)	(1.8)	(1.3)	(1.2)	(0.3)
Total	**233.0**	**204.9**	**183.6**	**57.2**	**53.2**

The following table provides an overview of the Industrial Business's volume of units sold by geographic region for the fiscal years ended December 31, 2016, 2017 and 2018 and the three months ended March 31, 2018 and 2019:

	Fiscal year ended December 31,			Three months ended March 31,	
	2018	2017	2016	2019	2018
		(Unaudited) *(thousands)*		(Unaudited) *(thousands)*	
EU28+2 (excluding Germany)	95.3	82.4	81.9	26.2	22.3
Germany	35.9	32.5	31.0	10.2	7.7
South America (excluding Brazil)	9.8	11.5	8.8	1.7	3.1
Brazil	38.0	23.1	18.1	10.4	7.8
Rest of World	54.1	55.5	43.8	8.7	12.2
Total	**233.0**	**204.9**	**183.6**	**57.2**	**53.2**

In the period under review, the Group's overall volume of units sold increased primarily due to favorable market conditions in key markets, including EU28+2 (excluding Germany) and, in 2016 and 2017, Germany. Starting in 2017, volumes were also positively affected by economic recovery in Russia and Brazil after significant declines in 2016. However, in 2018 and the three months ended March 31, 2019, volumes in South America (excluding Brazil) and Rest of the World were adversely affected by economic turmoil in Argentina and deceleration of economic growth in China, respectively. See also "*11.3.1 General Economic Conditions.*" The introduction of the TGE and new bus models by MAN in 2017 and successful strategic marketing campaigns by MAN in Germany have contributed to the increase in sales volumes starting in 2017. In 2018 and the three months ended March 31, 2019, volume was also positively affected by the continued roll-out of Scania's new truck generation, strong growth in TGE sales and, at VWCO, a newly launched delivery truck.

The Group's sales revenue is also dependent on aftersales volume, which includes the sale of genuine parts and services. Aftersales volume reduces the impact of the Group's exposure to cyclicality in the commercial vehicle market by providing a steady revenue stream during periods of market decline. In the period under review, aftersales volume increased as a result of the Group's growing rolling fleet and higher penetration of subscription-based maintenance contracts. The Group expects sales revenue from services to continue to increase in the future, driven by both its growing rolling fleet and higher services sales per truck as it continues to expand its service portfolio.

Finally, the Group's sales revenue is also affected by the volume of leasing packages and used vehicles sold. In the period under review, sale of leasing services increased as a result both of higher vehicle sales and market penetration, while sales in used vehicles increased driven by a large number of factors in the individual markets.

11.3.4 Product, Customer and Geographic Mix

The Group's results of operations are further affected by product, customer and geographic mix.

The Group's three commercial vehicle brands maintain an extensive product portfolio with a wide range of pricing and margin levels catering to the diverse needs of customers across all market segments and geographies. Scania and MAN maintain product portfolios in the premium segment, where Scania has a focus on innovation and sustainability leadership and MAN positions itself as a reliable business partner with a full-line offering. VWCO aims to offer best value to customers in South America, Mexico and Africa. Pricing and margins also vary by product type. New vehicles and vehicle generations generally command higher prices and margins than their predecessors and aftersales services generally have higher margins than vehicles. Large key accounts generally demand higher discounts than other customers. As a result, the Group's results of operations are affected by the relative demand for particular products, and relative demand from particular customer types and customers in particular geographies.

In the period under review, the Group's results were affected by favorable product mix effects from the introduction of Scania's new truck generation, the NTG and a recovery in sales of higher-priced trucks in Brazil as the local economy emerged from recession (McKinsey (2019)). Product mix was also favorably affected by higher service revenue at Scania in Europe. The favorable product mix effect was partially offset by a shift in customer mix toward Asia, Eurasia and South America, where less expensive, lower-specification trucks are preferred and, at MAN, a change in customer mix towards large key accounts requiring higher rebates.

11.3.5 Operational Efficiency Measures

The Group operates in an industry where efficiency improvements and cost savings are crucial to maintain competitiveness and profitability. As a result, the Group's results of operations depend significantly on its ability to improve operational efficiency across its organization.

Operational efficiency programs within each of the Group's operating units had a significant impact on the Group's results of operations in the fiscal years ended December 31, 2016, 2017 and 2018 and the Group also targets further operational efficiency gains from ongoing initiatives.

11.3.5.1 MAN T&B

MAN implemented a comprehensive operational excellence program, "PACE2017", between 2015 and 2017 with the aim to increase efficiency and productivity throughout its production and sales network. Key features of this program included extensive product and production cost optimization measures to improve purchasing performance and optimize assembly operations, and sales performance measures to improve sales margins in the aftersales business. The successful implementation of PACE2017 contributed to an increase in MAN's adjusted return on sales and competitiveness in the period under review. The Group's results of operations were also favorably affected by the release of a EUR 50 million restructuring provision in 2017.

In 2018, MAN T&B launched a new operational improvement initiative, "Operational Excellence", targeting top- and bottom line improvements across eight areas of operational performance. The following table sets forth the key initiatives, target effects on profitability, and the targeted gross impact for each pillar of the program:

Area	Initiatives and Target Effects	Targeted Gross Impact
Sales Effectiveness	• Price increase for new truck generation • Integrated offering and cost reduction	+++
Product Cost	• Implement cross-functional setup • Cross-company cost optimization approach	++
Production Efficiency	• Increase productivity and efficiency	++
R&D	• Reduction of R&D ratio	+
Indirect Spend Optimization	• Reduce indirect spend	+
Personnel Cost Reduction	• Reduce indirect spend	+
Portfolio Complexity	• Reduce complexity in product portfolio	No P&L target
Cash and Investments	• Reduction of CAPEX ratio	No P&L target

The Group also expects a number of counter effects from these initiatives, including introduction costs associated with the new sales approach, the cost of parallel production and launch costs associated with the new truck generation, the cost of digital transformation, wage and raw material price increases, technical changes and increased depreciation.

11.3.5.2 Scania V&S

Scania V&S has implemented continuous operational efficiency improvements since 2016 as part of its "Focus & Ambition" brand performance initiative. This program has contributed to higher sales revenue as a result of measures to improve dealer performance, a successful pricing strategy and an expanded service portfolio, while also reducing production costs. Scania V&S also sold substantially more high-margin services. The Focus & Ambition program allowed Scania to improve its profitability in the period under review in spite of the significant additional costs incurred in connection with the ramp-up of its new truck generation. Scania V&S targets further cost savings from a fully dedicated cost optimization initiative that was launched as part of the Focus & Ambition program in the fourth quarter of 2018, which contemplates supply chain improvements, among other measures.

11.3.5.3 VWCO

VWCO implemented a comprehensive turnaround plan in 2016 and 2017 in response to the economic recession in Brazil. This program included a number of measures to achieve price recovery, improve material cost performance, increase production efficiency and lower fixed costs, including substantial head-count reductions. Restructuring expenses in the amount of EUR 58 million contributed to VWCO's losses in the fiscal year ended December 31, 2016. However, the turnaround program has resulted in improvements across all cost levers and contributed to a substantial narrowing of losses since 2017 and the return to break-even in 2018.

See also "*14.4.2.4 Operational Performance Improvement Program*" and "*1.1.6 The Group may fail to achieve the targeted benefits from the strategic collaboration among its brands and operational performance improvements, including cost-saving measures.*"

11.3.6 Synergies among Operating Units

The Group's profitability in the future will be significantly affected by its ability to realize targeted synergies among its operating units.

The Group has historically realized modest synergies from joint procurement across operating units and opportunistic collaborative projects. However, the Group believes that there is significant further synergy potential from broad-based, centrally steered coordination among its operating units and is targeting long-term gross cost savings of approximately EUR 0.7 billion of which approximately, 10% had been realized as of December 31, 2018.

The Group intends to realize these cost-savings with Group-wide initiatives leveraging common platform potential in the following five areas, to be implemented in waves:

- ***Purchasing.*** Further procurement collaboration among the operating units, including joint sourcing and lead buying, leveraging the Group's combined purchasing power;

- ***Modularization in trucks and components***. Group-wide modularized production with a growing number of common building blocks that can be used in various configurations across the products of all three brands;
- ***Joint powertrain.*** Deployment of a joint powertrain platform for the development of common vehicle components, including a common base engine, the CBE1 13 liter engine, which the Group plans to install in more than 50% of heavy-duty trucks across all brands from 2025;
- ***New technologies.*** Collaboration among operating units in the development of new technologies in the areas of electrification, connectivity, and autonomous driving; and
- ***Production footprint and logistics.*** Initiatives to optimize the production footprint of the Group's powertrain portfolio, which include aligning production processes and technologies across certain production plants, allowing tactical production and network planning.

Savings from purchasing collaboration are targeted to account for 60-65% of the total long-term synergy target, with synergies from modularization and components targeted to contribute 5-10% and the joint power train targeted to contribute 25-30% to the total target. The Group believes there is further synergy potential in the areas of new technologies and production footprint and logistics, and in collaboration with its alliance partners. For information regarding the risks related to the Group's synergy programs, please see "*1.1.6 The Group may fail to achieve the targeted benefits from the strategic collaboration among its brands and operational performance improvements, including cost-saving measures.*" See also "*14.7 Synergies.*"

11.3.7 New Vehicle Generations

The introduction of new vehicle generations has affected the Group's results of operations in recent years and will continue to affect its results in the future.

The development and ramp-up of new vehicle generations adversely affects the Group's profitability in the short term as a result of the significant ramp-up costs associated with producing two truck generations in parallel during the time that the new generation is rolled out and vehicles of both the old and the new generation are sold. In the mid- to long term, however, the Group believes that new vehicle generations will have a favorable impact on its results of operations as a result of higher sales volume and higher selling prices.

In the fiscal years ended December 31, 2016, 2017 and 2018 and the three month-period ended March 31, 2019, the Group's results of operations were impacted by the ramp-up of Scania's new truck generation (the "**NTG**"), starting in 2016, and the development of MAN's new truck generation, which is expected to be launched in the period from 2019 to 2021. Dual production costs, higher costs of goods sold and other roll-out costs associated with the NTG and investments in MAN's new truck generation adversely affected the Group's profitability. However, the impact of these costs declined each year as the gradual roll-out of the NTG started to generate higher sales volume and an increase in average selling prices and a portion of the dual production lines were phased out. In the fiscal year ended December 31, 2018, the NTG accounted for 54% of trucks sold by Scania. Scania's total investment relating to the NTG project exceeds EUR 2 billion (from 2010 to 2017).

The Group expects to complete the phase-out of costs for dual production lines in connection with the NTG by the end of 2019. However, as a result of the expected launch of MAN's new truck generation in the period from 2019 to 2021, the Group's profitability will continue to be affected by the additional costs of manufacturing two truck generations in parallel and other ramp-up costs in the near- to mid-term future. See also "*1.1.13 Deviations from planning in connection with large projects, including, in particular, new vehicle generations, may result in cost overruns, delays and otherwise hinder their successful realization.*"

11.3.8 Procurement Cost

The Group's results of operations are significantly affected by the cost of materials, which include raw materials, vehicle parts and components and represent the largest portion of its total operating expense.

The principal raw materials that the Group uses in its manufacturing operations are steel, copper, aluminum, precious metals, rubber and plastics, as well as rare earths such as cobalt and lithium. The Group also sources vehicle parts and components containing these materials. The prices of raw materials and the parts and components containing them are influenced by global or regional supply/demand dynamics, transportation costs, government regulations and tariffs, geopolitical events, changes in currency exchange rates, price controls, the economic climate and other circumstances. The market prices of the key materials, parts and components that the Group sources have increased significantly since 2016.

The Group generally manages procurement costs through competitive tenders, continuous optimization of its supplier portfolio, proactive inventory management and long-term supply contracts. The Group also uses

targeted commodity price hedging and to the extent possible aims to include price escalation clauses in customer contracts. However, due to the intense competition in the commercial vehicle industry, the Group is not able to pass increases in material prices on to customers in full. In the period under review, rising raw material prices were partially offset as a result of volume rebates, the renegotiation of contracts and cost-saving measures, including measures to increase materials purchasing performance as part of MAN's PACE2017 operational efficiency program. The Group also achieved cost-savings through joint sourcing across operating. As a result, the Group's material costs as a percentage of sales revenue remained stable in the periods under review.

The Group targets significant further material cost savings from joint sourcing in the near- to mid-term future and intends to further leverage its purchasing power through procurement collaboration with strategic alliance partners, including Navistar, with whom it has maintained a procurement joint venture since 2017. See also "*14.7.1 Purchasing*" and "*1.1.10 The Group's business depends on the timely availability of high-quality raw materials, parts and components at reasonable prices.*"

11.3.9 Personnel Expense

The Group's results of operations are significantly affected by personnel expense, which represents the second largest component of its operating costs after procurement costs.

Personnel expense includes wages and salaries, social security, post-employment and other employee benefit costs and is reflected in the Group's cost of sales, distribution expenses and administrative expenses. In the periods under review, the Group's personnel expense (not including discontinued operations) increased by 6.1% from EUR 4,763 million in the fiscal year ended December 31, 2016 to EUR 5,053 million in the fiscal year ended December 31, 2017 and by a further 10.0% to EUR 5,560 million in the fiscal year ended December 31, 2018. This trend continued for the three months ended March 31, 2019. The increase was primarily the result of an increase in average headcount due to higher production volume at both MAN and Scania and dual production at certain production sites in connection with the ramp-up of Scania's new truck generation. Average compensation also increased at both MAN and Scania, driven by higher salaries and wages as a result of tariff increases and, in 2017, higher bonuses and employee profit participation at MAN. At VWCO, labor costs increased slightly as a result of the phase-out of a salary reduction program implemented in 2016, partially offset by headcount reductions.

The Group seeks to manage personnel expense by adjusting its staffing levels to match its needs when necessary. Scania maintains, although to a lower degree than in the past, a flexible labor model that partially relies on temporary workers. VWCO uses a flexible, largely external workforce at its plant in Resende, Brazil, under the Consórcio Modular approach. At the same time, the Group's ability to optimize staffing levels and manage personnel expense is limited by restrictive labor laws, collective wage and other collective employment agreements in a number of jurisdictions in which it operates, including Germany, where a substantial portion of its workforce is based. See also "*1.2.2 The Group is dependent on good relationships with its employees, their trade unions as well as employee representative bodies and stakeholders and is party to a number of collective agreements, some of which impose obligations and restrictions on the Group in connection with reorganizations, restructurings or similar corporate actions.*"

11.3.10 Research and Development

The Group's results of operations and competitiveness are driven to a significant extent by its ability to develop commercially attractive products, services and technologies. As a result, the Group dedicates substantial resources to research and development.

The table below sets forth the Group's research and development costs from continuing operations for the fiscal years ended December 31, 2016, 2017 and 2018 and the three months ended March 31, 2018 and 2019, including their share of capitalized development costs and the amortization of capitalized development costs.

	Fiscal year ended December 31,			Three months ended March 31,	
	2018	**2017**	**2016**	**2019**	**2018**
	(Audited) *(EUR in million)*			**(Unaudited)** *(EUR in million)*	
Total research and development costs	1,411	1,420	1,310	309	305
of which capitalized development cost	449	409	399	110	83
Capitalization ratio in %	32%	29%	30%	36%	27%
Amortization of capitalized development costs	170	226	237	45	42
Research and development costs recognized in profit or loss	**1,132**	**1,237**	**1,148**	**244**	**263**

Overall research and development costs from continuing operations recognized in profit or loss accounted for 5.2%, 5.1% and 4.4% of the Group's sales revenue, respectively in the fiscal years ended December 31, 2016, 2017 and 2018 and 4.4% and 3.8%, respectively, for the three months ended March 31, 2018 and 2019.

The Group's research and development costs in this period were driven by the development of new truck generations for each of its vehicle brands and the adaptation of vehicles and vehicle components for use by alliance partners. The Group also made investments in connectivity solutions, autonomous driving technology and new technologies catering to changing customer preferences and regulations favoring alternative drive systems and vehicles powered by alternative fuels or electricity. Innovations that were commercially launched in the period under review include Scania's NTG, the Phevos delivery truck and RIO, a cloud-based telematics platform.

The Group expects that increasing research and development collaboration among its operating units and with external partners will allow it to generate significant synergies, driving revenue and helping defray development costs. As a result, the Group expects its research and development costs (including capitalized research and development costs) to remain at approximately the same level in absolute terms in 2019 as compared to 2018, after which it expects them to decline slightly in absolute terms, while it further shifts spending to new technologies. See also "*11.3.6 Synergies among operating units*" and "*1.1.5 The Group's future business success depends on its ability to respond to evolving market trends with innovative, attractive and energy-efficient products, technology and services on competitive terms.*"

11.3.11 Foreign Exchange Rate Fluctuations

Due to the broad scope of the Group's international operations, a portion of its assets, liabilities, revenue and expenses are denominated in currencies other than the EUR. The Group's predominant exposures are in SEK, BRL, GBP and USD. Changes in the exchange rates between these currencies can therefore affect the Group's operations and financial position, as a result of both translational and transactional exchange rate effects.

Translational effects of exchange rate fluctuations arise because financial results of the Company's subsidiaries are measured in the currency of the primary economic environment in which the subsidiary operates (its functional currency). The results of operations of a number of the Company's global subsidiaries are, therefore, measured in currencies other than EUR and are then translated into EUR for presentation of the Group's financial results in the consolidated financial statements. Consequently, fluctuations in the applicable foreign currency exchange rates may increase or decrease the EUR value of the Group's non-EUR assets, liabilities, revenue and costs, even if their value has not changed in their local functional currency. The Group is particularly exposed to such effects with respect to the SEK, the functional currency of Scania AB, its largest subsidiary.

Transactional effects of exchange rate fluctuations arise when a member of the Group enters into a sale or purchase transaction in a currency other than its functional currency. The Group's biggest transactional exposure arises from a mismatch between the currencies in which procurement and labor costs are incurred and revenues are generated. For example, Scania generates the significant majority of its revenues in currencies other than the SEK, including the EUR, GBP, and RUB, while most of its costs are incurred in SEK. As a result, Scania benefited from a depreciation of the SEK against the EUR in the fiscal years 2016, 2017 and 2018 and the three months ended March 31, 2019. The Group has historically managed transactional foreign exchange rate exposure at the level of the operating units. MAN (including VWCO) hedges a portion of its currency risk using financial derivatives. The operating units further seek to mitigate such exposure by matching revenues and expenditures in the same currency negotiating terms with suppliers that include invoicing them in their functional currencies. In addition, they generally seek to denominate their external borrowings in a number of currencies in order to provide a partial natural hedge for their obligations. See also "*11.8.3.1 Foreign Currency Risk*" and "*1.2.8 The Group's international operations expose it to exchange rate risk.*"

11.4 Explanation of Income Statement Items

Sales revenue primarily includes revenue generated from the sale of vehicles, genuine parts, used vehicles, engines, powertrains and parts deliveries, leasing business, interest and similar income from financial services activities, and other revenue from workshops and licenses.

Cost of sales includes the production costs incurred to generate the sales revenue and the cost of goods purchased for resale. In addition to direct material costs, which represent the majority of cost of sales, nonstaff overheads and personnel costs, production cost also includes production-related indirect costs, including depreciation of production facilities and warranty costs. Research and development costs not eligible for capitalization in the period and amortization of development costs are likewise carried under cost of sales. This item also includes expenses attributable to the Group's financial services business.

Gross profit is the difference between sales revenue and cost of sales.

Distribution expenses include personnel costs related to distribution and costs for distributing products, including marketing and transportation.

Administrative expenses include costs incurred in operating and administering the business, and consist primarily of expenses for salaries of non-production workers and headquarter expenses.

Net impairment losses on financial assets includes the result of income from reversals of valuation allowances on receivables and other assets and valuation allowances on trade receivables, other receivables and other assets.

Other operating income includes provisions and accruals, income from foreign exchange gains, income from cost allocations, income from lease and other rental activities, gains from fair value changes of derivatives not included in hedge accounting, gains on asset disposals and other miscellaneous operating income.

Other operating expenses includes foreign exchange losses, expenses for termination agreements, losses from fair value changes of derivatives not included in hedge accounting, losses on disposal of noncurrent assets, expenses for antitrust proceedings and other miscellaneous operating expenses.

Operating profit is the sum of gross profit, distribution expenses administrative expenses, net impairment losses on financial assets, other operating income and other operating expenses.

Share of the result of equity-accounted investments relates to the result from investments in associates and joint ventures, which are initially measured at cost in the balance sheet, and the Group's share of profits and losses generated after acquisition is recognized in the income statement. As of December 31, 2018, the associates Sinotruk (Hong Kong) Limited and Navistar International Corporation (Lisle, USA) were material from a Group perspective.

Interest income consists of income from valuation of interest derivatives, other interest and similar income.

Interest expenses consist of net interest on the net defined benefit liability, interest expenses on other liabilities, interest costs included in lease payments and other interest and similar expenses.

Other financial result consists of income from profit and loss transfer agreements, cost of loss absorption, other income and expenses from equity investments, realized income and expenses of loan receivables and payables in foreign currency, gains and losses from remeasurement and gains and losses from fair value changes of derivatives not included in hedge accounting.

Financial result is the sum of the share of the result of equity-accounted investments, interest result and other financial result.

Earnings before tax is the sum of operating profit/loss and financial result.

Income tax income/expense includes net current tax and net deferred tax.

Result from continuing operations (net of tax) is the sum of earnings before tax and income taxes.

Result from discontinued operations (net of tax) is the sum of earnings before tax and income taxes related to businesses that were disposed of during the relevant period. As presented below, discontinued operations refers to the PE Business which was sold to a Volkswagen AG subsidiary (VW Klassik) outside the TRATON GROUP on December 31, 2018.

Earnings after tax is the sum of the results from continuing operations and discontinued operations (both net of tax).

11.5 Results of Operations – Income Statement

The table below sets forth the Group's consolidated income statement and the period on period percentage of change for the fiscal years ended December 31, 2018, 2017 and 2016 as well as for the three months ended March 31, 2019 and 2018.

	Fiscal Year ended December 31,					Three months ended March 31,		
	2018	2017	Change in %	2016	Change in %	2019	2018	Change in %
	(Audited)		(Unaudited)	(Audited)	(Unaudited)	(Unaudited)		(Unaudited)
			(EUR in million)			(EUR in million)		
Sales revenue	25,927	24,366	6.4	21,915	11.2	6,413	6,051	6.0
Cost of sales	(20,946)	(19,653)	6.6	(17,649)	11.4	(5,109)	(4,856)	5.2
Gross profit	**4,981**	**4,713**	**5.7**	**4,266**	**10.5**	**1,304**	**1,195**	**9.1**
Distribution expenses	(2,391)	(2,354)	1.6	(2,316)	1.6	(580)	(562)	3.2
Administrative expenses	(1,011)	(872)	15.9	(789)	10.5	(259)	(240)	7.9
Net impairment losses on financial assets	(45)	(44)	2.3	(36)	22.2	(11)	(10)	10.0
Other operating income	792	606	30.7	506	19.8	185	173	6.9
Other operating expenses	(814)	(537)	51.6	(904)	(40.6)	(150)	(169)	(11.2)
Operating profit	**1,513**	**1,512**	**0.1**	**727**	**108.0**	**490**	**386**	**26.9**
Share of the result of equity-accounted investments	209	74	182.4	17	335.3	77	77	0.0
Interest income	83	91	(8.8)	79	15.2	20	22	(9.1)
Interest expenses	(245)	(263)	(6.8)	(298)	(11.7)	(70)	(74)	(5.4)
Other financial result	6	(34)	117.6	(32)	6.3	(9)	(13)	(30.8)
Financial result	**53**	**(132)**	**(140.2)**	**(234)**	**(43.6)**	**17**	**12**	**41.7**
Earnings before tax	**1,566**	**1,379**	**13.6**	**493**	**179.7**	**507**	**398**	**27.4**
Income tax income/expense	(415)	(489)	(15.1)	(297)	64.6	(122)	(105)	(16.2)
Current	(449)	(377)	19.1	(424)	(11.1)	(119)	(114)	4.4
Deferred	34	(111)	130.6	127	(187.4)	(3)	9	(133.3)
Result from continuing operations, net of tax	1,151	890	29.3	196	354.1	385	293	31.4
Result from discontinued operations, net of tax	250	149	67.8	22	577.3	(2)	20	(110.0)
Earnings after tax	**1,401**	**1,039**	**34.8**	**219**	**374.4**	**383**	**312**	**22.8**
of which attributable to								
Noncontrolling interests	11	10	10.0	10	0.0	5	0	-
TRATON SE (former TRATON AG) shareholders	1,390	1,029	35.1	208	394.7	378	312	21.2

11.5.1 Sales Revenue

The table below sets out a breakdown of sales revenue by type/product:

	Fiscal Year ended December 31,					Three months ended March 31,		
	2018	2017	Change in %	2016	Change in %	2019	2018[3]	Change in %
	(Unaudited except where marked with *) (EUR in million)					(Unaudited) (EUR in million)		(Unaudited)
Vehicles	16,215*	14,356*	12.9	13,035*	10.1	4,057	3,601	12.7
Aftersales[1]	4,729	4,507	4.9	4,221	6.8	1,245	1,183	5.2
Other[2]	4,982	5,503	(9.5)	4,659	18.1	1,111	1,267	(12.3)
Total sales revenue	**25,927***	**24,366***	**6.4**	**21,915***	**11.2**	**6,413**	**6,051**	**6.0**

(1) Includes genuine parts and workshop services.

(2) Includes used vehicles, engines, powertrains and parts deliveries, leasing business, interest and similar income and other sales revenue.

(3) Including VGSG following its sale (effective January 1, 2019).

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

The Group's sales revenue increased by EUR 362 million, or 6.0%, from EUR 6,051 million for the three months ended March 31, 2018 to EUR 6,413 million for the three months ended March 31, 2019. The increase was primarily driven by increased vehicle sales, partially offset by the elimination of revenue from VGSG following its sale effective January 1, 2019. The increase in revenue from vehicle sales was

predominantly a result of strong volume growth in EU28+2 (excluding Germany), Germany and Brazil, offset by lower sales volumes in South America (excluding Brazil) and the Rest of the World.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

The Group's sales revenue increased by EUR 1,561 million, or 6.4%, from EUR 24,366 million in the fiscal year ended December 31, 2017 to EUR 25,927 million in the fiscal year ended December 31, 2018. The increase was primarily driven by increased vehicle sales and improvements in aftersales. Sales revenue from vehicle sales increased with the introduction of Scania's new NTG which contributed to a favorable product mix as well as increased demand for vehicles which drove unit volumes.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

The Group's sales revenue increased by EUR 2,451 million, or 11.2%, from EUR 21,915 million in the fiscal year ended December 31, 2016 to EUR 24,366 million in the fiscal year ended December 31, 2017. The increase was primarily driven by increased revenue from vehicle sales, but also supported by increases in other revenue from services, and engines and components sales due to the continued expansion of the rolling fleet which has increased the need for spare parts and workshop demand. The increase in revenue from vehicle sales was predominantly due to volume growth in many recovering economies (e.g. Russia, Brazil, Middle East and China), and increased used vehicle sales with a small increase attributable to favorable price movements.

11.5.1.1 Sales revenue by segment and operating unit

The table below sets forth the Group's total sales revenue by segment and operating unit.

	Fiscal Year ended December 31,					Three months ended March 31,		
	2018	**2017**	**Change in % (unaudited)**	**2016**	**Change in % (unaudited)**	**2019**	**2018**	**Change in %**
	(Audited, unless otherwise noted) *(EUR in million)*					(Unaudited) *(EUR in million)*		(Unaudited)
Industrial Business	**24,963**	**23,403**	**6.7**	**21,023**	**11.3**	**6,305**	**5,765**	**9.4**
Scania V&S (Unaudited)[1]	12,981	12,427	4.5	10,990	13.1	3,350	3,029	10.6
MAN T&B (Unaudited)[1]	10,815	10,022	7.9	9,247	8.4	2,615	2,443	7.0
VWCO (Unaudited)[1]	1,421	1,162	22.2	864	34.5	416	343	21.3
Financial Services	**760**	**721**	**5.4**	**709**	**1.7**	**203**	**179**	**13.4**
Other Segments	**585**	**590**	**(0.8)**	**563**	**4.8**	**-**	**196**[3]	**-**
Reconciliation	(381)	(346)	10.1	(380)	(8.9)	(95)	(90)	5.6
Total Group sales revenue	**25,927**	**24,366**	**6.4**	**21,915**	**11.2**	**6,413**	**6,051**	**6.0**
thereof Germany	4,773	4,713	1.3	4,439	6.2	1,114	1,157[3]	(3.7)
thereof EU28+2 (excl. Germany)	12,422	11,309	9.8	10,751	5.2	3,411	2,918	16.9
thereof Brazil	1,977	1,377	43.6	979	40.6	571	418	36.6
thereof South America (excl. Brazil)	782	915	(14.5)	799	14.5	155	218	(28.9)
thereof Rest of World[2]	5,972	6,052	(1.3)	4,946	22.4	1,162	1,340	(13.3)

(1) Before consolidation within the Industrial Business segment.
(2) Including sales revenue from hedging transactions.
(3) Including VGSG following its sale (effective January 1, 2019).

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Industrial Business

Sales revenue for the Industrial Business segment (before intersegment reconciliation) increased by EUR 540 million, or 9.4%, from EUR 5,765 million for the three months ended March 31, 2018 to EUR 6,305 million for the three months ended March 31, 2019. This increase was primarily due to strong growth in vehicle sales in the Group's core markets of EU28+2 (excluding Germany), Germany and Brazil, partially offset by declining sales volume in South America (excluding Brazil), principally due to sharp declines in Argentina, and the Rest of the World as well as lower bus sales.

Sales revenue from Scania V&S (before consolidation within the Industrial Business segment) amounted to EUR 3,350 million for the three months ended March 31, 2019, increasing 10.6% over the same period in the prior year due to increased truck sales and service revenues, and outpacing sales volume growth due to positive currency effects and a positive product mix following the launch of Scania's NTG.

Sales revenue from MAN T&B (before consolidation within the Industrial Business segment) amounted to EUR 2,615 million for the three months ended March 31, 2019, increasing 7.0% over the same period in the prior year due to substantial growth in sales of trucks and MAN's TGE as well as increased revenues from after-sales services.

Sales revenue from VWCO (before consolidation within the Industrial Business segment) amounted to EUR 416 million for the three months ended March 31, 2019, increasing 21.3% over the same period in the prior year as a result of strong volume growth in Brazil offset by a sharp decline in sales elsewhere in South America, particularly in Argentina. Increases in sales revenue outpaced growth in sales volume as a result of a favorable product positioning.

Financial Services

Sales revenue from Financial Services segment (before intersegment reconciliation) amounted to EUR 203 million for the three months ended March 31, 2019, increasing 13.4% over the same period in the prior year.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Industrial Business

Sales revenue for the Industrial Business segment (before intersegment reconciliation) increased by EUR 1,560 million, or 6.7%, from EUR 23,403 million for the fiscal year ended December 31, 2017 to EUR 24,963 million for the fiscal year ended December 31, 2018. This increase was primarily due to increases across all three operating units. Industrial Business sales revenue increased most prominently in Brazil, where a recovering economy and stabilizing political environment supported Group revenue growth of 43.6%, but also in the EU28+2 (excluding Germany) region, which saw an increase in sales revenue of 9.8% which had an overall greater impact on the Group's sales revenue than the larger year-on-year increase in the smaller Brazilian market.

Sales revenue from Scania V&S (before consolidation within the Industrial Business segment) increased by EUR 554 million, or 4.5%, from EUR 12,427 million for the fiscal year ended December 31, 2017 to EUR 12,981 million for the fiscal year ended December 31, 2018.

Sales revenue from MAN T&B (before consolidation within the Industrial Business segment) increased by EUR 792 million, or 7.9%, from EUR 10,022 million for the fiscal year ended December 31, 2017 to EUR 10,815 million for the fiscal year ended December 31, 2018.

Sales revenue from VWCO (before consolidation within the Industrial Business segment) increased by EUR 259 million, or 22.2%, from EUR 1,162 million for the fiscal year ended December 31, 2017 to EUR 1,421 million for the fiscal year ended December 31, 2018. This increase was primarily due to the recovery of the Brazilian economy which offset declines in other South American markets.

Financial Services

Sales revenue from Financial Services segment (before intersegment reconciliation) increased from EUR 721 million for the fiscal year ended December 31, 2017 to EUR 760 million for the fiscal year ended December 31, 2018. This increase was primarily due to a larger financing portfolio and positive impacts in interest rates.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Industrial Business

Sales revenue in the Industrial Business segment (before intersegment reconciliation) increased by EUR 2,380 million, or 11.3%, from EUR 21,023 million for the fiscal year ended December 31, 2016 to EUR 23,403 million for the fiscal year ended December 31, 2017. This increase was due to increased revenue from all three operating units. In particular, growth in Europe and Asia drove the majority of the increase, however, of its three operating units, VWCO grew comparatively strongest, with its sales revenue, dominated by sales in South America, growing by almost a quarter.

Sales revenue from Scania V&S (before consolidation within the Industrial Business segment) increased by EUR 1,437 million, or 13.1%, from EUR 10,990 million for the fiscal year ended December 31, 2016 to EUR 12,427 million for the fiscal year ended December 31, 2017. This increase was primarily due to increased truck sales, primarily from growth in sales in Brazil and the Middle East.

Sales revenue from MAN T&B (before consolidation within the Industrial Business segment) increased by EUR 776 million, or 8.4%, from EUR 9,247 million for the fiscal year ended December 31, 2016 to

EUR 10,022 million for the fiscal year ended December 31, 2017. This increase was primarily due to its increased truck sales in Russia and improvements in aftermarket sales. The introduction of a new product, Van (TGE), in 2017 and a positive economic environment in MAN T&B's core regions also contributed to increased revenue.

Sales revenue from VWCO (before consolidation within the Industrial Business segment) increased by EUR 298 million, or 34.5%, from EUR 864 million for the fiscal year ended December 31, 2016 to EUR 1,162 million for the fiscal year ended December 31, 2017. This increase was primarily due to the general economic recovery of the South American region, including relaxed fiscal policies in Brazil and market growth in Mexico and Argentina, all of which drove volume growth.

Financial Services

Sales revenue from the Financial Services segment (before intersegment reconciliation) increased from EUR 709 million for the fiscal year ended December 31, 2016 to EUR 721 million for the fiscal year ended December 31, 2017. This increase was primarily due to a larger customer finance portfolio driven by increased truck sales and a higher penetration rate, higher interest rates on finance leases and positive currency effects. The higher interest rates on finance leases were partially offset by lower interest margins on operating leases, driven by higher competition in Europe. Finance income from other sources, including cash deposits held in Brazil and internal loans in the Nordics was also positive.

11.5.2 Cost of Sales

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Cost of sales increased by EUR 253 million, or 5.2%, from EUR 4,856 million for the three months ended March 31, 2018 to EUR 5,109 million for the three months ended March 31, 2019. This increase primarily was due to increased volumes of vehicles produced, which required a greater amount of materials and labor costs.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Cost of sales increased by EUR 1,293 million, or 6.6%, from EUR 19,653 million for the fiscal year ended December 31, 2017 to EUR 20,946 million for the fiscal year ended December 31, 2018. This increase primarily was due to increased volumes of vehicles produced, which required a greater amount of materials and labor costs.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Cost of sales increased by EUR 2,004 million, or 11.4%, from EUR 17,649 million for the fiscal year ended December 31, 2016 to EUR 19,653 million for the fiscal year ended December 31, 2017. This increase primarily was due to increases in material costs and additional purchasing costs and labor costs as a response to higher production volumes and the new line of Scania trucks as well as information technology updates and depreciation costs arising from investments.

11.5.3 Gross profit

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Gross profit increased by EUR 109 million, or 9.1%, from EUR 1,195 million for the three months ended March 31, 2018 to EUR 1,304 million for the three months ended March 31, 2019. This increase primarily was due to an increase in vehicles sold and services rendered. Gross profit margin (defined as the ratio of gross profit to sales revenue) increased by 0.6 percentage points to 20.3% in the three months ended March 31, 2019 as compared to 19.7% in the three months ended March 31, 2018, as revenue growth slightly outpaced increases in direct costs.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Gross profit increased by EUR 268 million, or 5.7%, from EUR 4,713 million for the fiscal year ended December 31, 2017 to EUR 4,981 million for the fiscal year ended December 31, 2018. This increase primarily was due to an increase in vehicles sold and services rendered. Gross profit margin remained relatively stable at 19.3% in 2017 compared to 19.2% in 2018.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Gross profit increased by EUR 447 million, or 10.5%, from EUR 4,266 million for the fiscal year ended December 31, 2016 to EUR 4,713 million for the fiscal year ended December 31, 2017. Gross profit margin remained relatively stable, decreasing slightly from 19.5% in 2016 to 19.3% in 2017 as increases in direct costs slightly outpaced revenue growth.

11.5.4 Distribution expenses

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Distribution expenses increased by EUR 18 million, or 3.2%, from EUR 562 million for the three months ended March 31, 2018 to EUR 580 million for the three months ended March 31, 2019. This increase primarily was due to a greater volume of vehicles distributed.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Distribution expenses increased by EUR 37 million, or 1.6%, from EUR 2,354 million for the fiscal year ended December 31, 2017 to EUR 2,391 million for the fiscal year ended December 31, 2018. This increase primarily was due to a greater volume of vehicles distributed.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Distribution expenses increased by EUR 38 million, or 1.6%, from EUR 2,316 million for the fiscal year ended December 31, 2016 to EUR 2,354 million for the fiscal year ended December 31, 2017. This increase primarily was due to increases in freight and shipping and distribution expenses as a result of the increase in volume of units sold including bonuses granted to dealers.

11.5.5 Administrative expenses

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Administrative expenses increased by EUR 19 million, or 7.9%, from EUR 240 million for the three months ended March 31, 2018 to EUR 259 million for the three months ended March 31, 2019. This increase primarily was due to increased costs of administrative labor and expenses, particularly at the TRATON SE level, and additional capital markets readiness costs in 2019.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Administrative expenses increased by EUR 139 million, or 15.9%, from EUR 872 million for the fiscal year ended December 31, 2017 to EUR 1,011 million for the fiscal year ended December 31, 2018. This increase primarily was due to capital market readiness costs (EUR 68 million in 2018) and for increased costs of administrative labor and expenses.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Administrative expenses increased by EUR 83 million, or 10.5%, from EUR 789 million for the fiscal year ended December 31, 2016 to EUR 872 million for the fiscal year ended December 31, 2017. This increase primarily was due to increased costs of administrative labor and general overhead expenses and for capital market readiness.

11.5.6 Net impairment losses on financial assets

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Net impairment losses on financial assets increased by EUR 1 million, or 10%, from a loss of EUR 10 million for the three months ended March 31, 2018 to a loss of EUR 11 million for the three months ended March 31, 2019.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Net impairment losses on financial assets increased by EUR 1 million, or 2.3%, from a loss of EUR 44 million for the fiscal year ended December 31, 2017 to EUR 45 million for the fiscal year ended December 31, 2018 with similar makeup to prior years.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Net impairment losses on financial assets increased by EUR 8 million, or 22.2%, from a loss of EUR 36 million for the fiscal year ended December 31, 2016 to a loss of EUR 44 million for the fiscal year ended December 31, 2017. This increase primarily was due to increased losses from valuation allowances on trade receivables as these exceeded income from reversal of valuation allowances on receivables and other assets in 2017.

11.5.7 Other operating income

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Other operating income increased by EUR 12 million, or 6.9%, from EUR 173 million for the three months ended March 31, 2018 to EUR 185 million for the three months ended March 31, 2019. This increase primarily was due to miscellaneous topics, including proceeds from a settled insurance claim.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Other operating income increased by EUR 186 million, or 30.7%, from EUR 606 million for the fiscal year ended December 31, 2017 to EUR 792 million for the fiscal year ended December 31, 2018. This increase primarily was due to increases in currency exchange gains, fair value gains of derivatives and a reversal of liabilities related to social security contributions of VWCO which was booked as miscellaneous other operating income.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Other operating income increased by EUR 100 million, or 19.8%, from EUR 506 million for the fiscal year ended December 31, 2016 to EUR 606 million for the fiscal year ended December 31, 2017. This increase primarily was due to income from currency exchange gains and raw material changes and warranty-related recovery claims.

11.5.8 Other operating expenses

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Other operating expenses decreased by EUR 19 million, or 11.2%, from EUR 169 million for the three months ended March 31, 2018 to EUR 150 million for the three months ended March 31, 2019. This decrease primarily was due to decreases in currency exchange losses, partially offset by higher legal costs.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Other operating expenses increased by EUR 277 million, or 51.6%, from EUR 537 million for the fiscal year ended December 31, 2017 to EUR 814 million for the fiscal year ended December 31, 2018. This increase primarily was due to the effect of the release of a tax related impairment and a one-off expense in 2018 in connection with the closure of a MAN site in India in the amount of EUR 71 million.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Other operating expenses decreased by EUR 367 million, or 40.6%, from EUR 904 million for the fiscal year ended December 31, 2016 to EUR 537 million for the fiscal year ended December 31, 2017. This decrease follows a year of particularly high restructuring expenses at VWCO in 2016 in South America (EUR 58 million) and was also due to expenses for legal risks relating to the antitrust proceedings by the European Commission against Scania in the amount of SEK 3,800 million (EUR 403 million as of December 31, 2016) in 2016.

11.5.9 Operating profit

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Operating profit increased by EUR 104 million, or 26.9%, from EUR 386 million for the three months ended March 31, 2018 to EUR 490 million for the three months ended March 31, 2019 as a result of the factors mentioned above.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Operating profit increased by EUR 1 million, or 0.1%, from EUR 1,512 million for the fiscal year ended December 31, 2017 to EUR 1,513 million for the fiscal year ended December 31, 2018 as a result of the factors mentioned above.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Operating profit increased by EUR 785 million, or 108.0%, from EUR 727 million for the fiscal year ended December 31, 2016 to EUR 1,512 million for the fiscal year ended December 31, 2017 as a result of the factors mentioned above.

11.5.9.1 Operating profit by segment and operating unit

The table below sets forth the Group's operating profit by operating segment and operating unit.

	Fiscal Year ended December 31,					Three months ended March 31,		
	2018	**2017**	**Change in % (unaudited)**	**2016**	**Change in % (unaudited)**	**2019**	**2018**	**Change in %**
	(Audited, unless otherwise noted) *(EUR in million)*					**(Unaudited)** *(EUR in million)*		**(Unaudited)**
Industrial Business	**1,346**	**1,368**	**(1.6)**	**596**	**129.5**	**457**	**352**	**29.8**
Scania V&S operating profit (Unaudited)[(1)]	1,207	1,167	3.5	555	110.3	370	301	22.9
MAN T&B operating profit (Unaudited)[(1)]	402	526	(23.5)	405	29.9	122	94	29.8
VWCO operating profit (Unaudited)[(1)]	28	(103)	127.2	(192)	46.7	8	6	33.3
Financial Services	**138**	**111**	**24.3**	**105**	**5.7**	**33**	**30**	**10.0**
Other Segments	**34**	**33**	**3.0**	**27**	**22.2**	**-**	**5**	**(100)**
Reconciliation	(6)	0	-	(0)	-	(0)	(0)	-
Total Group operating profit	**1,513**	**1,512**	**0.1**	**727**	**108.0**	**490**	**386**	**26.9**

(1) Before consolidation within Industrial Business segment.

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Industrial Business

Operating profit for the Industrial Business segment (before intersegment reconciliation) increased by EUR 105 million, or 29.8%, from EUR 352 million for the three months ended March 31, 2018 to EUR 457 million for the three months ended March 31, 2019. This increase was primarily due to strong revenue growth in core markets and proportionally lower increases in fixed costs. Adjusted and unadjusted RoS for the Industrial Business segment increased from 6.1% for the three months ended March 31, 2018 to 7.3% for the three months ended March 31, 2019.

Operating profit from Scania V&S (before consolidation within the Industrial Business segment) amounted to EUR 370 million for the three months ended March 31, 2019, increasing 22.9% over the same period in the prior year. The increase was primarily due to increased truck sales and service volumes, positive currency effects and a positive product mix following the launch of Scania's NTG, partially offset by the costs of producing two truck generations in parallel. Adjusted and unadjusted RoS for Scania V&S amounted to 11.0% for the three months ended March 31, 2019.

Operating profit from MAN T&B (before consolidation within the Industrial Business segment) amounted to EUR 122 million for the three months ended March 31, 2019, increasing 29.8% over the same period in the prior year. The increase was primarily a result of increased sales volumes, lower research and development costs and an increase in revenues from after-sales services. Adjusted and unadjusted RoS for MAN T&B amounted to 4.7% for the three months ended March 31, 2019.

Operating profit from VWCO (before consolidation within the Industrial Business segment) amounted to EUR 8 million for the three months ended March 31, 2019, increasing 33.3% over the same period in the prior year. This increase was primarily due to increased sales revenues as a result of increased sales volumes and a positive product mix, partially offset by increased material costs mainly due to inflation and depreciation. Adjusted and unadjusted RoS for VWCO amounted to 2.0% for the three months ended March 31, 2019.

Financial Services

Operating profit from the Financial Services segment increased by EUR 3 million, or 10.0%, from EUR 30 million for the three months ended March 31, 2018 to EUR 33 million for the three months ended March 31, 2019. This increase was primarily due to a larger loan portfolio and favorable currency movements, partially offset by lower margins and increased operating costs.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Industrial Business

Operating profit from the Industrial Business segment decreased by EUR 22 million, or 1.6%, from EUR 1,368 million for the fiscal year ended December 31, 2017 to EUR 1,346 million for the fiscal year ended December 31, 2018. This decrease was primarily due to one-off expenses for restructuring at MAN and tax impairment at VWCO.

Operating profit of Scania V&S (before consolidation within Industrial Business segment) increased by EUR 40 million, or 3.5%, from EUR 1,167 million for the fiscal year ended December 31, 2017 to EUR 1,207 million for the fiscal year ended December 31, 2018. This increase was primarily due to increased vehicle sales and a positive product mix following the launch of Scania's NTG.

Operating profit of MAN T&B (before consolidation within Industrial Business segment) decreased by EUR 124 million, or 23.5%, from EUR 526 million for the fiscal year ended December 31, 2017 to EUR 402 million for the fiscal year ended December 31, 2018. This decrease was primarily due to a large one-time restructuring expense of EUR 137 million in 2018 at MAN India that more than offset increases in revenue driven by an increase in the number of vehicles sold. On an adjusted basis, operating profit of MAN T&B increased by 13.3%.

Operating profit/loss of VWCO (before consolidation within Industrial Business segment) increased by EUR 130 million from a loss of EUR 103 million for the fiscal year ended December 31, 2017 to a profit of EUR 28 million for the fiscal year ended December 31, 2018. This increase was primarily due to favorable product positioning, a depreciated Brazilian Real and the recovery of the Brazilian market which led to increased vehicle sales. The increase was also partially due to the positive impact of tax changes in Brazil.

Financial Services

Operating profit from the Financial Services segment increased by EUR 27 million, or 24.3%, from EUR 111 million for the fiscal year ended December 31, 2017 to EUR 138 million for the fiscal year ended December 31, 2018. This increase was primarily due to a larger loan portfolio and higher interest rates.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Industrial Business

Operating profit from the Industrial Business segment increased by EUR 772 million, or 129.5%, from EUR 596 million for the fiscal year ended December 31, 2016 to EUR 1,368 million for the fiscal year ended December 31, 2017. This increase was primarily due to high one-off costs in 2016 for restructuring at VWCO and for antitrust litigation related to the EU cartel investigation that reduced profit within the Industrial Business segment, also in 2016, and the release of restructuring provisions at MAN T&B in 2017. Adjusted for these costs, adjusted operating profit in the Industrial Business segment increased by EUR 262 million, primarily driven by increased volumes of vehicle sales and the expansion of aftermarket business.

Operating profit of Scania V&S (before consolidation within Industrial Business segment) increased by 110.3% (21.8% excluding 2016 one-off effect of EUR 403 million) from EUR 555 million for the fiscal year ended December 31, 2016 to EUR 1,167 million for the fiscal year ended December 31, 2017. The increase, excluding one-off effects in 2016, was driven by the generation of a double-digit increase in sales revenue while maintaining a stable level of operating expenses, despite incurring some redundant costs attributable to the development of Scania's new truck generation.

Operating profit of MAN T&B (before consolidation within Industrial Business segment) increased by 29.9% to EUR 526 million for the fiscal year ended December 31, 2017 driven by increases in volumes sold and positive effects from efficiency programs. In addition to the PACE2017 efficiency program, the reversal of provisions also had a positive impact. Earnings were diminished by the year-on-year increase in expenses for new products, including the new heavy medium range truck, and expenses relating to the digital transformation, among other factors.

Operating loss of VWCO (before consolidation within Industrial Business segment) improved to a loss of EUR 103 million for the fiscal year ended December 31, 2017 from a loss of EUR 192 million for the fiscal year ended December 31, 2016, representing a reduction in loss of 46.7%. The lower loss was mainly attributable to restructuring expenses of EUR 58 million that were only incurred in 2016 as well as benefits from a significantly lower cost base (including lower headcount) in 2017 as compared to the previous year.

Financial Services

Operating profit from the Financial Services segment increased by EUR 6 million, or 5.7%, from EUR 105 million for the fiscal year ended December 31, 2016 to EUR 111 million for the fiscal year ended

December 31, 2017. This increase was primarily due to increases in net interest income and net insurance income driven by increases in loan volumes and profit sharing. In addition, lower provisions and other expenses supported the increase. Additional operating expenses incurred for the support of the servicing of new lending partially offset the increase.

11.5.10 Share of the result of equity-accounted investments

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Share of the result of equity-accounted investments remained stable at a high level of EUR 77 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2019.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Share of the result of equity-accounted investments increased by EUR 135 million, or 182.4%, from EUR 74 million for the fiscal year ended December 31, 2017 to EUR 209 million for the fiscal year ended December 31, 2018. This increase was primarily due to positive results from Navistar and Sinotruk.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Share of the result of equity-accounted investments increased by EUR 57 million, or 335%, from EUR 17 million for the fiscal year ended December 31, 2016 to EUR 74 million for the fiscal year ended December 31, 2017. This increase was primarily due to the inclusion of results from the Group's investment in Navistar following its inclusion in the Group's results for the first time in 2017 as well as positive developments in the result from Sinotruk and Rheinmetall MAN Military Vehicles GmbH ("**RMMV**").

11.5.11 Interest income

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Interest income decreased by EUR 2 million, or 9.1%, from EUR 22 million for the three months ended March 31, 2018 to EUR 20 million for the three months ended March 31, 2019.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Interest income decreased by EUR 8 million, or 8.8%, from EUR 91 million for the fiscal year ended December 31, 2017 to EUR 83 million for the fiscal year ended December 31, 2018.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Interest income increased by EUR 12 million, or 15.2%, from EUR 79 million for the fiscal year ended December 31, 2016 to EUR 91 million for the fiscal year ended December 31, 2017. This increase primarily was due to increased interest income from VWCO in 2017, which includes interest on tax receivables.

11.5.12 Interest expense

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Interest expense decreased by EUR 4 million, or 5.4%, from EUR 74 million for the three months ended March 31, 2018 to EUR 70 million for the three months ended March 31, 2019.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Interest expense decreased by EUR 18 million, or 6.8%, from EUR 263 million for the fiscal year ended December 31, 2017 to EUR 245 million for the fiscal year ended December 31, 2018. This decrease primarily was due to reduced expenses from unwinding of discount on put options and compensation rights granted to noncontrolling interest shareholders, offset in part by increased interest expenses for financial liabilities.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Interest expense decreased by EUR 35 million, or 11.7%, from EUR 298 million for the fiscal year ended December 31, 2016 to EUR 263 million for the fiscal year ended December 31, 2017. This decrease primarily was due to reduced expenses from unwinding of discount on liabilities previously categorized as noncurrent liabilities and other provisions. A major part of this decrease relates to the financial liability for put options and compensation rights of minority shareholders.

11.5.13 Other financial result

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Other financial result improved by EUR 4 million from a loss of EUR 13 million for the three months ended March 31, 2018 to a loss of EUR 9 million for the three months ended March 31, 2019. This improvement was primarily due to increases in gains from remeasurement of financial instruments and in realized income on loan receivables and payables in a foreign currency, partially offset by a decrease in fair value of derivatives not included in hedge accounting, in each case driven by currency fluctuations.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Other financial result improved by EUR 40 million from negative EUR 34 million for the fiscal year ended December 31, 2017 to positive EUR 6 million for the fiscal year ended December 31, 2018. This improvement was mainly due to revaluation gains of Sinotruk and realized income on loan receivables and payables in a foreign currency, partially offset by losses from the valuation of put options for minority interests.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Other financial result decreased by EUR 2 million, or 6.3%, from a negative result of EUR 32 million for the fiscal year ended December 31, 2016 to a negative result of EUR 34 million for the fiscal year ended December 31, 2017. Both the change in gains/losses from remeasurement of financial instruments and the gains/losses from changes in fair value of derivatives not included in hedge relations primarily relate to exchanges rate movements. Combined with the realized income and expenses from loan receivables and payables in foreign currency and the result from equity investments, the total other financial result was stable compared to prior year.

11.5.14 Financial result

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Financial result increased by EUR 5 million, or 41.7%, from EUR 12 million for the three months ended March 31, 2018 to EUR 17 million for the three months ended March 31, 2019.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Financial result improved by EUR 185 million from negative EUR 132 million for the fiscal year ended December 31, 2017 to positive EUR 53 million for the fiscal year ended December 31, 2018.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Financial result improved by EUR 102 million, reducing the negative result by 43.6%, from a negative result of EUR 234 million for the fiscal year ended December 31, 2016 to a negative result of EUR 132 million for the fiscal year ended December 31, 2017.

11.5.15 Earnings before tax

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Earnings before tax increased by EUR 109 million, or 27.4%, from EUR 398 million for the three months ended March 31, 2018 to EUR 507 million for the three months ended March 31, 2019.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Earnings before tax increased by EUR 187 million, or 13.6%, from EUR 1,379 million for the fiscal year ended December 31, 2017 to EUR 1,566 million for the fiscal year ended December 31, 2018.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Earnings before tax increased by EUR 886 million, or 179.7%, from EUR 493 million for the fiscal year ended December 31, 2016 to EUR 1,379 million for the fiscal year ended December 31, 2017.

11.5.16 Income tax income/expense

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Income tax expense (overall) increased by EUR 17 million, or 16.2%, from income tax expense of EUR 105 million for the three months ended March 31, 2018 to income tax expense of EUR 122 million for the

three months ended March 31, 2019. This increase primarily was due to impacts in deferred taxes, moving from income of EUR 9 million in the first three months of 2018 to an expense of EUR 3 million in the first three months of 2019 and to higher current income tax expense of EUR 5 million between the periods.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Income tax expense (overall) decreased by EUR 74 million, or 15.1%, from income tax expense of EUR 489 million for the fiscal year ended December 31, 2017 to income tax expense of EUR 415 million for the fiscal year ended December 31, 2018. This decrease primarily was due to positive impacts in deferred taxes, moving from expenses of EUR 111 million in 2017 to income of EUR 34 million in 2018, offset by higher current taxes.

Income tax expense (current) increased by EUR 72 million, or 19.1%, from current income tax expense of EUR 377 million for the fiscal year ended December 31, 2017 to current income tax expense of EUR 449 million for the fiscal year ended December 31, 2018. This increase was mainly due to higher earnings before tax.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Income tax expense (overall) increased by EUR 192 million, or 64.6%, from income tax expense of EUR 297 million for the fiscal year ended December 31, 2016 to income tax expense of EUR 489 million for the fiscal year ended December 31, 2017. This increase primarily was due to deferred income tax expenses increasing by EUR 238 million, or 187.4%, from income tax income of EUR 127 million for the fiscal year ended December 31, 2016 to income tax expense of EUR 111 million for the fiscal year ended December 31, 2017.

Income tax expense (current) decreased by EUR 47 million, or 11.1%, from income tax expense of EUR 424 million for the fiscal year ended December 31, 2016 to income tax expense of EUR 377 million for the fiscal year ended December 31, 2017. This decrease primarily was due to lower tax allocations within the tax group with Volkswagen AG.

11.5.17 Result from continuing operations, net of tax

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Result from continuing operations (net of tax) increased by EUR 92 million, or 31.4%, from EUR 293 million for the three months ended March 31, 2018 to EUR 385 million for the three months ended March 31, 2019.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Result from continuing operations (net of tax) increased by EUR 261 million, or 29.3%, from EUR 890 million for the fiscal year ended December 31, 2017 to EUR 1,151 million for the fiscal year ended December 31, 2018.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Result from continuing operations (net of tax) increased by EUR 694 million, or 354.1%, from EUR 196 million for the fiscal year ended December 31, 2016 to EUR 890 million for the fiscal year ended December 31, 2017.

11.5.18 Result from discontinued operations, net of tax

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Result from discontinued operations (net of tax) decreased by EUR 22 million from a profit of EUR 20 million for the three months ended March 31, 2018 to a loss of EUR 2 million for the three months ended March 31, 2019. This decrease was primarily due to the sale of the PE Business.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Result from discontinued operations (net of tax) increased by EUR 101 million, or 67.8%, from EUR 149 million for the fiscal year ended December 31, 2017 to EUR 250 million for the fiscal year ended December 31, 2018. This increase was primarily due to the sale of the PE Business.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Result from discontinued operations (net of tax) increased by EUR 127 million, or 577.3%, from EUR 22 million for the fiscal year ended December 31, 2016 to EUR 149 million for the fiscal year ended December 31, 2017. This increase was due to significant one-off costs for the PE Business in 2016, which were not incurred in 2017.

11.5.19 Earnings after tax

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Earnings after tax increased by EUR 71 million, or 22.8%, from EUR 312 million for the three months ended March 31, 2018 to EUR 383 million for the three months ended March 31, 2019.

Earnings after tax, of which attributable to noncontrolling interests, increased from EUR 0 million for the three months ended March 31, 2018 to EUR 5 million for the three months ended March 31, 2019.

Earnings after tax, of which attributable to TRATON SE shareholders, increased by EUR 66 million, or 21.2%, from EUR 312 million for the three months ended March 31, 2018 to EUR 378 million for the three months ended March 31, 2019.

Fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017

Earnings after tax increased by EUR 362 million, or 34.8%, from EUR 1,039 million for the fiscal year ended December 31, 2017 to EUR 1,401 million for the fiscal year ended December 31, 2018.

Earnings after tax, of which attributable to noncontrolling interests, increased slightly from EUR 10 million for the fiscal year ended December 31, 2017 to EUR 11 million for the fiscal year ended December 31, 2018.

Due to an overall increase in earnings after tax, earnings after tax, of which attributable to TRATON SE shareholders, increased by EUR 361 million, or 35.1%, from EUR 1,029 million for the fiscal year ended December 31, 2017 to EUR 1,390 million for the fiscal year ended December 31, 2018.

Fiscal year ended December 31, 2017 compared to the fiscal year ended December 31, 2016

Earnings after tax increased by EUR 820 million, or 374.4%, from EUR 219 million for the fiscal year ended December 31, 2016 to EUR 1,039 million for the fiscal year ended December 31, 2017. This increase was primarily due to an increase in overall earnings.

Earnings after tax, of which attributable to noncontrolling interests, remained unchanged at EUR 10 million for the fiscal years ended December 31, 2016 and December 31, 2017. This was primarily due to stable earnings achieved in the Renk business, included in discontinued operations which caused earnings after tax attributable to noncontrolling interests to remain constant despite dramatically increased overall earnings after tax.

Earnings after tax, of which attributable to TRATON SE shareholders, increased by EUR 821 million, or 394.7%, from EUR 208 million for the fiscal year ended December 31, 2016 to EUR 1,029 million for the fiscal year ended December 31, 2017. This increase primarily was due to an increase in overall earnings.

11.6 Discussion of Balance Sheet

The following table shows the Group's overview of the balance sheet as of the dates shown:

	As of December 31,			As of March 31,
	2018	2017	2016	2019
		(Audited)		(Unaudited)
		(EUR in million)		
Noncurrent assets	25,851	25,337	24,344	27,317
Current assets	20,533	17,428	16,916	16,025
Total assets	**46,384**	**42,765**	**41,260**	**43,341**
Equity	**16,801**	**11,810**	**10,931**	**13,313**
Noncurrent liabilities	13,217	13,238	11,087	13,605
Current liabilities	16,366	17,717	19,241	16,424
Total equity and liabilities	**46,384**	**42,765**	**41,260**	**43,341**

11.6.1 Noncurrent assets

The Group's noncurrent assets consist of intangible assets; property, plant and equipment; lease assets; equity-accounted investments; other equity investments; financial services receivables; other financial assets; other receivables; tax receivables; and deferred tax assets.

As of March 31, 2019 compared to December 31, 2018

The Group's total noncurrent assets increased by EUR 1,466 million, or 5.7%, from EUR 25,851 million as of December 31, 2018 to EUR 27,317 million as of March 31, 2019. The increase was primarily driven by

greater property, plant and equipment assets following their recognition in the balance sheet for the first time pursuant to IFRS 16.

As of December 31, 2018 compared to December 31, 2017

The Group's total noncurrent assets increased by EUR 514 million, or 2.0%, from EUR 25,337 million as of December 31, 2017 to EUR 25,851 million as of December 31, 2018. The increase was primarily driven by greater equity-accounted investments, lease assets, increases in deferred tax assets and higher receivables in financial services. These increases were partially offset by decreases in intangible assets (primarily due to amortization and impairment and to reclassification as assets held for sale in connection with the PE Business) and property, plant and equipment (primarily due to depreciation and impairment, but partly to disposals and reclassification of PE Business assets as assets held for sale).

As of December 31, 2017 compared to December 31, 2016

The Group's total noncurrent assets increased by EUR 993 million, or 4.1%, from EUR 24,344 million as of December 31, 2016 to EUR 25,337 million as of December 31, 2017. The increase was primarily driven by increases in financial services receivables and the carrying value of equity-accounted investments following the acquisition of a stake in Navistar. Increases in lease assets resulting from a higher level of the leasing business. Property, plant and equipment attributable to a new facility in Munich and other investment in machinery and equipment also contributed to the increase.

11.6.2 Current assets

The Group's current assets consist of inventories; trade receivables; financial services receivables; other financial assets; other receivables; tax receivables; marketable securities; cash and cash equivalents.

As of March 31, 2019 compared to December 31, 2018

The Group's total current assets decreased by EUR 4,508 million, or 22.0%, from EUR 20,533 million as of December 31, 2018 to EUR 16,025 million as of March 31, 2019. The decrease followed the settlement of the large Volkswagen receivables arising from the disposal of the PE Business and the profit and loss transfer agreement with Volkswagen AG, both of which were on the balance sheet for their full amounts at the end of 2018.

As of December 31, 2018 compared to December 31, 2017

The Group's total current assets increased by EUR 3,105 million, or 17.8%, from EUR 17,428 million as of December 31, 2017 to EUR 20,533 million as of December 31, 2018. The increase was primarily driven by a short term consideration receivable of EUR 1,980 million relating to the disposal of the PE Business to a subsidiary of Volkswagen AG (VW Klassik) outside of the TRATON GROUP and a large EUR 4,161 million receivable from the profit and loss transfer agreement and tax allocation procedure with Volkswagen AG.

As of December 31, 2017 compared to December 31, 2016

The Group's total current assets increased by EUR 512 million, or 3.0%, from EUR 16,916 million as of December 31, 2016 to EUR 17,428 million as of December 31, 2017. The increase was primarily driven by increases in finished goods and purchased merchandise, short term deposits and financial services receivables, offset in part by reduced cash and cash equivalents.

11.6.3 Equity

The major items of total equity are subscribed capital, capital reserves, retained earnings, and accumulated other comprehensive income.

As of March 31, 2019 compared to December 31, 2018

The Group's total equity decreased by EUR 3,488 million, or 20.8%, from EUR 16,801 million as of December 31, 2018 to EUR 13,313 million as of March 31, 2019. The decrease was primarily driven by the negative movement in the Group's retained earnings position following the approval of a contribution of capital reserves to Volkswagen AG of EUR 3,250 million.

As of December 31, 2018 compared to December 31, 2017

The Group's total equity increased by EUR 4,991 million, or 42.3%, from EUR 11,810 million as of December 31, 2017 to EUR 16,801 million as of December 31, 2018. The increase was primarily driven by an improvement in the Group's retained earnings position, offset in part by a connected reduction in capital

reserves. In 2018, parts of the capital reserves were converted into retained earnings for an intended distribution back to Volkswagen AG amounting to EUR 3,250 million. The distribution was not yet approved by the end of 2018, and thus no liability was recognized. Retained earnings improved as a result of positive earnings after tax and a high loss absorption by Volkswagen of EUR 4,161 million.

As of December 31, 2017 compared to December 31, 2016

The Group's total equity increased by EUR 879 million, or 8.0%, from EUR 10,931 million as of December 31, 2016 to EUR 11,810 million as of December 31, 2017. The increase was primarily driven by 2017 earnings after tax, a cash contribution by Volkswagen AG and pension plan remeasurements partly contributed by exchange differences on translating foreign operations.

11.6.4 Non-current liabilities

The Group's noncurrent liabilities consist of financial liabilities, other financial liabilities, other liabilities, deferred tax liabilities, provisions for pensions, provisions for taxes, and other provisions.

As of March 31, 2019 compared to December 31, 2018

The Group's total noncurrent liabilities increased by EUR 388 million, or 2.9%, from EUR 13,217 million as of December 31, 2018 to EUR 13,605 million as of March 31, 2019. The increase was primarily driven by an increase in financial liabilities recognized in the balance sheet for the first time pursuant to IFRS 16, but was also impacted by a combination of smaller movements.

As of December 31, 2018 compared to December 31, 2017

The Group's total noncurrent liabilities decreased by EUR 21 million, or 0.2%, from EUR 13,238 million as of December 31, 2017 to EUR 13,217 million as of December 31, 2018. The decrease was primarily driven by a combination of movements in liabilities and provisions, particularly provisions for pensions and other provisions, which decreased, and increases in deferred tax liabilities, tax payables, and other financial liabilities.

As of December 31, 2017 compared to December 31, 2016

The Group's total noncurrent liabilities increased by EUR 2,151 million, or 19.4%, from EUR 11,087 million as of December 31, 2016 to EUR 13,238 million as of December 31, 2017. The increase was primarily driven by an increase in long-term financial liabilities from the issuance of notes in Scania's medium term note program and an increase in deferred tax liabilities. This increase was offset in part by lower provisions.

11.6.5 Current liabilities

The Group's current liabilities consist of put options and compensation rights granted to noncontrolling interest shareholders, financial liabilities, trade payables, tax payables, other financial liabilities, other liabilities, provisions for taxes, and other provisions.

As of March 31, 2019 compared to December 31, 2018

The Group's total current liabilities increased by EUR 58 million, or 0.4%, from EUR 16,366 million as of December 31, 2018 to EUR 16,424 million as of March 31, 2019. The slight increase was mainly the result of offsetting effects from the decrease in put options and compensation rights granted to noncontrolling interest shareholders following the tender offer in 2019 and increases in other liabilities resulting from the profit and loss transfer agreement with Volkswagen and increases in financial liabilities recognized in the balance sheet for the first time pursuant to IFRS 16 and other items.

As of December 31, 2018 compared to December 31, 2017

The Group's total current liabilities decreased by EUR 1,351 million, or 7.6%, from EUR 17,717 million as of December 31, 2017 to EUR 16,366 million as of December 31, 2018. The decrease was primarily driven by a reduction in put options and compensation rights granted to noncontrolling interest shareholders following the purchase of shares tendered to the Company in 2018, decreases in trade payables, other liabilities and other provisions. This decrease was partially offset by increases in financial liabilities primarily related to European Medium Term Notes ("**EMTN**") debt and the financial liability reported towards the PE Business following deconsolidation as of December 31, 2018.

As of December 31, 2017 compared to December 31, 2016

The Group's total current liabilities decreased by EUR 1,524 million, or 7.9%, from EUR 19,241 million as of December 31, 2016 to EUR 17,717 million as of December 31, 2017. The decrease was primarily driven by a reduction in current financial liabilities that were refinanced during the year and lower provisions, offset in part by increases in trade payables and other current liabilities.

11.7 Liquidity and Capital resources

11.7.1 Overview

The Group's primary sources of liquidity are cash generated from operations, supplemented by proceeds from the issuance of capital market debt and borrowings under bank facilities. The Group had cash and cash equivalents of EUR 4,907 million, EUR 4,594 million, EUR 2,997 million and EUR 2,854 million as of December 31, 2016, December 31, 2017, December 31, 2018 and March 31, 2019, respectively.

Following the completion of the Offering, the Group expects that its key sources of liquidity will continue to be cash flows from operations, bank debt and debt with Volkswagen AG.

The Group aims to manage capital to ensure that all Group companies can continue to operate as a going concern. The Group's ability to generate cash flow from operations depends on its future operating performance, which is in turn dependent on general economic, financial, competitive, market and other factors, many of which are beyond its control. See "*11.3 Key Factors Affecting the Results of Operations*" for a discussion of certain factors that could affect its future performance and the industries in which the Group operates.

11.7.2 Trade Working capital

The Group defines trade working capital as the sum of inventories and trade receivables less trade payables. The Group has historically funded its trade working capital requirements through funds generated from operations (including prepayments from customers) as well as loans and borrowings through Scania's medium term note program.

The Group's trade working capital requirements can fluctuate for a variety of factors, including any increase in receivables due to longer time periods to collect payments from customers or a substantial increase in the cost of raw materials. Within each calendar year, trade working capital requirements can also fluctuate due to vacations and festivities, particularly in the late summer months and around year end. The following table presents year end trade working capital for the industrial business segment as of December 31, 2018, 2017 and 2016:

	As of December 31,		
	2018	**2017**	**2016**
	(Unaudited) *(EUR in million)*		
Inventory	4,822	4,321	3,994
Trade receivables	2,355	2,293	2,112
Trade payables	(2,963)	(2,652)	(2,472)
Trade working capital (industrial business)	**4,214**	**3,962**	**3,634**

11.7.3 Cash Flows

The following table sets forth the principal components of the Group's cash flows for the periods indicated.

	Fiscal Year ended December 31,			**Three months ended March 31,**	
	2018	**2017**	**2016**	**2019**	**2018**
	(Audited) *(EUR in million)*			**(Unaudited)** *(EUR in million)*	
Cash and cash equivalents at beginning of period	**4,594**	**4,907**	**6,575**	**2,997**	**4,593**
Cash flows from operating activities - discontinued operations	(72)	(46)	118	—	(50)
Cash flows from operating activities	382	726	758	(385)	(3)
Cash flows from investing activities - discontinued operations	(184)	(174)	(186)	—	(25)
Cash flows from investing activities	(1,065)	(1,361)	(1,643)	724	(269)
Cash flows from financing activities - discontinued operations	(7)	(8)	(16)	—	(2)
Cash flows from financing activities	(865)	392	(775)	(494)	473
Effect of exchange rate changes on cash and cash equivalents	(48)	(71)	(8)	12	(26)
Net change in cash and cash equivalents	**(1,596)**	**(314)**	**(1,667)**	**(143)**	**176**
Cash and cash equivalents at end of period	**2,997**	**4,594**	**4,907**	**2,854**	**4,769**

11.7.3.1 Cash flow from operating activities

Cash outflow from operating activities for the three months ended March 31, 2019 increased by EUR 382 million from an outflow of EUR 3 million in the three months ended March 31, 2018 to an outflow of EUR 385 million in the three months ended March 31, 2019 mainly due to higher inventories (mostly new vehicles), changes in liabilities and increased financial services receivables.

Cash inflow from operating activities for the fiscal year ended December 31, 2018 decreased by EUR 344 million, or 47.4%, from EUR 726 million for the fiscal year ended December 31, 2017 to EUR 382 million for the fiscal year ended December 31, 2018. The decrease compared to the prior year is due to a higher increase of inventories, a lower increase of liabilities and higher income taxes paid.

Cash inflow from operating activities for the fiscal year ended December 31, 2017 decreased by EUR 32 million, or 4.2%, from EUR 758 million for the fiscal year ended December 31, 2016 to EUR 726 million for the fiscal year ended December 31, 2017 and thus remained on a constant level.

Cash flow from operating activities – discontinued operations

Cash flows from operating activities – discontinued operations for the fiscal year ended December 31, 2018, 2017 and 2016 was an outflow of EUR 72 million, an outflow of EUR 46 million, and an inflow of EUR 118 million, respectively.

11.7.3.2 Cash flow from investing activities

Cash flow from investing activities for the three months ended March 31, 2019 improved significantly over the same period in 2018 to inflows of EUR 724 million compared to outflows of EUR 269 million in the first quarter of 2018 as a result of cash inflows in the amount of EUR 1,978 million from the sale of the PE Business, offset in part by a EUR 1 billion short term investment deposit at Volkswagen AG.

Cash outflow from investing activities for the fiscal year ended December 31, 2018 was EUR 1,065 million, primarily as a result of development costs, investments in intangible assets, property, plant and equipment and investment property, offset by cash inflows from the disposal the PE Business and from loans and time deposits.

Cash outflow from investing activities for the fiscal year ended December 31, 2017 was EUR 1,361 million, primarily as a result of business combinations, such as the acquisition of Navistar shares and other equity investments. Capital expenditures decreased versus the prior year due to a lower investment in property, plant and equipment, which was partly offset by cash inflows from loans and time deposits.

Cash outflow from investing activities for the fiscal year ended December 31, 2016 was EUR 1,643 million, primarily as a result of investments in intangible assets; property, plant and equipment; and investment property; partially offset by cash inflows from loans and time deposits.

Cash flow from investing activities – discontinued operations

Cash outflow from investing activities – discontinued operations for the fiscal year ended December 31, 2018, 2017 and 2016 was EUR 184 million, EUR 174 million, and EUR 186 million, respectively.

11.7.3.3 Cash flow from financing activities

Cash outflow from financing activities for the three months ended March 31, 2019 was EUR 494 million, in contrast to cash inflow of EUR 473 million for the three months ended March 31, 2018, primarily due to outflows for the tendered shares of MAN SE (negative impact of EUR 994 million), a distribution of retained earnings (negative impact of EUR 3.3 billion) and other financial liabilities, including a repayment by MAN SE to Volkswagen AG in the amount of EUR 1 billion (negative impact) under the MAN Volkswagen Agreement (for a description of the MAN Volkswagen Agreement, see "*14.17.1.2 MAN*"), offset in part by the transfer of the DPLTA from Volkswagen AG (positive impact of EUR 4.2 billion) and proceeds from the issuance of bonds by Scania for lease financing (positive impact of EUR 1.1 billion).

Cash outflow from financing activities for the fiscal year ended December 31, 2018 was EUR 865 million, primarily due to cash outflow for payments for tendered shares of MAN SE, offset in part by proceeds from the issuance of bonds, which exceeded bond repayments in 2018.

Cash inflow from financing activities for the fiscal year ended December 31, 2017 was EUR 392 million and primarily related to capital contributions and the proceeds from the issuance of bonds by Scania, which exceeded bond repayments in 2017.

Cash outflow from financing activities for the fiscal year ended December 31, 2016 was EUR 775 million and primarily related to the transfer of funds to Volkswagen AG as a combination of dividends and DPLTA liability repayments, as well as cash pooling with Volkswagen and repayments of bonds that had been issued by MAN.

Cash flow from financing activities – discontinued operations

Cash outflow from financing activities – discontinued operations for the fiscal year ended December 31, 2018, 2017 and 2016 was EUR 7 million, EUR 8 million and EUR 16 million, respectively.

11.7.4 Net cash flow and adjusted net cash flow

The Group defines net cash flow as the sum of cash flows from operating activities and cash flows from investing activities. The table below shows historical net cash flow for the Group on a consolidated basis as well as for the Group's Industrial Business and Financial Services segments, in each case on an actual basis as well as on an adjusted basis ("**Net cash flow II**") to account for changes in investments in securities and changes in loans and time deposits, as well as adjustments for cash flow from operating activities of discontinued operations and cash flow from investing activities from discontinued operations.

	Fiscal Year ended December 31,			Three months ended March 31,	
	2018	**2017**	**2016**	**2019**	**2018**
	(Unaudited, unless otherwise noted) *(EUR in million)*				
Group net cash flow	**(683)[1]**	**(635)[1]**	**(885)[1]**	**339**	**(272)**
Adjustment for change in investments in securities and changes in loans and time deposits	(51)	(300)	33	995	1
Adjustment for discontinued operations (cash flows from operating activities, cash flows from investing activities)	256	220	68	-	75
Net cash flow II	**(478)**	**(715)**	**(784)**	**1,334**	**(196)**
Industrial Business net cash flow	724	(223)	266	1,117	92
Adjustment for change in investments in securities and changes in loans and time deposits	(592)	137	336	485	(41)
Adjustment for discontinued operations (cash flows from operating activities, cash flows from investing activities)	89	(76)	123	-	(8)
Net cash flow II (Industrial Business)	**221**	**(162)**	**724**	**1,602[2]**	**44**
Financial Services net cash flow	**(1,111)**	**(714)**	**(1,188)**	**(231)**	**(154)**
Adjustment for change in investments in securities and changes in loans and time deposits	34	(33)	76	4	(1)
Net cash flow II (Financial Services)	**(1,076)**	**(746)**	**(1,112)**	**(227)**	**(155)**

(1) Audited.
(2) Including payment for sale of the PE Business of EUR 1,978 million.

11.7.5 Investments

11.7.5.1 Most important historical investments of the issuer, TRATON SE

In 2016, TRATON SE did not make any important investments at the issuer level.

In 2017, TRATON SE invested EUR 0.3 billion in Navistar, a company primarily operating in North America.

In 2018, TRATON SE invested EUR 1,637 million in shares of MAN SE.

In 2019, including through the date of this Prospectus, TRATON SE made a tender offer for shares of MAN SE and has invested in Scania AB. The investment in shares of MAN SE took place in the first quarter of 2019 and amounted to EUR 994 million. In addition, TRATON SE reinvested EUR 800 million into its subsidiary, Scania AB, following the receipt of an extraordinary dividend in the first quarter of 2019.

11.7.5.2 Ongoing investments of the issuer, TRATON SE

TRATON SE has no ongoing investments. The book values of the Group's previously completed equity-accounted investments, including investments in Sinotruk, Navistar and Rheinmetall MAN Military Vehicles, amounted to EUR 491 million, EUR 836 million (including equity-investments held by discontinued operations amounting to EUR 17 million), EUR 1,223 million, and EUR 1,340 million as of December 31, 2016, 2017 and 2018 and as of March 31, 2019, respectively. The periodic increases were mainly due to positive results within the investment businesses and due to the investment in Navistar in 2017.

11.7.5.3 Future investments resolved upon by the management board and supervisory board of the issuer, TRATON SE

The management and supervisory bodies of TRATON SE have not resolved on any future investments by TRATON SE. As a holding company, the issuer relies on dividends from its subsidiaries to fund its investments.

11.7.6 Capital expenditures

The Group's capital expenditures for intangible assets as well as property, plant and equipment are made to maintain and improve the Group's business, including capacity step investments, robotic machinery, improvements of workshops and buildings at distributors and dealerships, land, specialized tooling and other projects. In addition, large expenditures were incurred for the preparation and support of Scania's NTG production. Due to the variability of the Group's business, its capital expenditure varies from period to period depending on its needs and strategy. The capital expenditures for the Industrial Business as a percentage of sales revenue for the Industrial Business decreased from 5.1% in 2016 to 3.8% in 2018 and from 3.2% for the three months ended March 31, 2018 to 2.5% for the three months ended March 31, 2019. The Group defines capital expenditure as investments in intangible and tangible assets and investment property (excluding capitalized development costs) and other capex (capex for acquisition of other equity investments and acquisition of subsidiaries).

The following table shows Industrial Business capital expenditures (excluding capitalized development costs) for the periods indicated:

	Fiscal year ended December 31,			**Three months ended March 31,**	
	2018	**2017**	**2016**	**2019**	**2018**
	(Unaudited) *(EUR in million)*				
Investment in intangible assets (excluding capitalized development costs) property, plant and equipment and investment property	931	839	1,054	154	160
Other capital expenditures[(1)]	24	268	11	5	26
Total capital expenditures (Industrial Business)	**955**	**1,107**	**1,066**	**159**	**187**

(1) Sum of acquisition of other equity investments and acquisition of subsidiaries.

The Group is committed to strengthening its product portfolio in the coming years and to pursuing innovation. Recent expenditures by Group subsidiaries include the development and production of new products such as the new truck generation (NTG) of Scania, the new truck generation of MAN T&B and the common base engine ("**CBE1**"). In addition, Scania, MAN T&B and VWCO continually look to improve their capabilities, evidenced by the planned construction of a building to hold acoustic roller test benches (*Akustikrollenprüfstand*) by MAN T&B in Munich, among other structural projects on the property, the total cost of which is expected to be around EUR 20 million, the development of a new foundry by Scania in Sweden (anticipated expenditures of EUR 155 million) and a new MAN T&B engine test facility (estimated expenditures of EUR 70 million). MAN expects to launch its new truck generation in the period from 2019 to 2021. The new CBE1 is scheduled to enter production in 2021 for Scania vehicles and in 2024 for MAN T&B vehicles.

11.7.7 Off balance Sheet Arrangements

Other than a certain number of commitments in terms of guarantees issued for trade obligations of investees, former investees and other companies that the Group is required to provide as part of its operations (see "*11.7.10 Contingent Liabilities and commitments*"), it has no material off balance sheet arrangements.

11.7.8 Pension Liabilities

The following amounts are recognized in the balance sheet for defined benefit plans:

	As of December 31,			As of March 31,
	2018	2017	2016	2019
	(Audited)			(Unaudited)
	(EUR in million)			
Present value of funded obligations	1,996	3,302	3,331	
Fair value of plan assets	1,647	2,770	2,736	
Funded status (net)	**349**	**532**	**595**	
Present value of unfunded obligations	1,139	995	927	
Amount not recognized as an asset because of the ceiling in IAS 19	4	1	1	
Net liability recognized in the balance sheet	**1,493**	**1,528**	**1,523**	**1,611**
of which provisions for pensions	1,506	1,541	1,526	1,623
of which other assets	14	13	2	12

In the case of defined contribution plans, current contributions are recognized as pension expenses of the period concerned. They amounted to a total of EUR 276 million as of December 31, 2018 (December 31, 2017: EUR 257 million, December 31, 2016: EUR 238 million) in the Group.

Please see "*14.13.6 Pensions Liabilities*" and Note 30 to the Group's audited financial statements for more details on pension plans (including plans funded by external assets) and related provisions.

11.7.9 Financial Liabilities

The table below sets out the Group's financial liabilities as of December 31, 2018, 2017, and 2016 and March 31, 2019:

	As of December 31,			As of March 31,
	2018	2017	2016	2019*
	(Audited, unless otherwise noted)			(Unaudited)
	(EUR in million)			
Third-party borrowings				
Bonds	4,820	3,448	3,364	5,621
Liabilities to banks	2,770	3,044	3,586	2,796
Lease liabilities	1	3	4	1,057
Loans and other liabilities (unaudited)	3,223	2,476	2,086	2,149
Total financial liabilities	**10,814**	**8,971**	**9,040**	**11,623**
Put options and compensating rights granted to noncontrolling interest shareholders	1,827	3,795	3,849	-
Other financial assets and liabilities	18	81	92	
Total financial assets and liabilities in financing activities	**12,659**	**12,847**	**12,980**	

* Financial liabilities as of March 31, 2019 include lease liabilities following initial application of IFRS 16 as of January 1, 2019.

11.7.10 Contingent Liabilities and commitments

The table below sets out the Group's contingent liabilities and commitments as of December 31, 2018, 2017, and 2016 and March 31, 2019:

	As of December 31,			As of March 31,
	2018	2017	2016	2019
	(Audited)			(Unaudited)
	(EUR in million)			
Liabilities under buyback guarantees	2,149	1,903	1,722	2,207
Liabilities under guarantees*	205	32	57	188
Assets pledged as security for third-party liabilities	—	—	—	—
Other contingent liabilities*	936	926	223	1,003
Total	**3,290**	**2,861**	**2,002**	**3,397**

* In addition, for discontinued operations, liabilities under guarantees were EUR 2 million as of December 31, 2017 and EUR 5 million as of December 31, 2016. Discontinued operations had other contingent liabilities of EUR 6 million as of December 31, 2017 and EUR 6 million as of December 31, 2016. All discontinued operations were deconsolidated in 2018.

Contingent liabilities under guarantees relate mainly to guarantees issued for trade obligations of investees, former investees, and other companies. They include financial guarantees amounting to EUR 39 million as of December 31, 2018 and EUR 38 million as of March 31, 2019.

Guarantees of EUR 21 million as of December 31, 2018 (EUR 20 million as of March 31, 2019) are in place for the benefit of subsidiaries and equity investments of Volkswagen AG (excl. TRATON GROUP). The Group also has outstanding guarantees for subsidiaries and investees of Volkswagen AG (excl. TRATON GROUP) in the amount of EUR 174 million as of December 31, 2018 (EUR 159 million as of March 31, 2019).

Other contingent liabilities relate mainly to contingent liabilities for potential charges from tax risks, which exist for VWCO, and the entity MAN Latin America in particular. It is not currently considered likely that these contingent liabilities will be realized. In the tax proceedings involving MAN Latin America and the Brazilian tax authorities, the Brazilian tax authorities take a different position with regard to the tax effects of the acquisition structure chosen in 2009 for MAN Latin America. In December 2017, an administrative court ruled against MAN Latin America following an appeal. MAN Latin America initiated proceedings against this judgment before the regular court in 2018. Due to the difference in the penalties plus interest which could potentially 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. However, a positive outcome is still expected for VWCO. In the event of an adverse outcome, the risk for the total contested period starting in 2009 could be approximately EUR 685 million as of March 31, 2019 (EUR 683 million as of December 31, 2018). This assessment is based on the accumulated amounts at December 31, 2018 for the claimed tax liability including potential expected punitive surcharges, as well as accumulated interest, but excluding any future interest, and without discounting any cash flows.

Customer liabilities to financial services companies of the Volkswagen Group and, to a small extent, third parties are covered by standard industry buyback guarantees under which the Group is obligated to buy back vehicles from the financial services company in the event of default. The majority of these guarantees in the past have expired without being drawn upon. The maximum expenses from such obligations amounted to EUR 2,149 million as of December 31, 2018 (EUR 2,207 million as of March 31, 2019).

11.7.11 Other Financial Obligations

The table below outlines the Group's contractual commitments for property, plant and equipment, intangible assets, operating lease payments from noncancelable leases and rental agreements and purchase commitments and miscellaneous other financial obligations as of December 31, 2018:

	Total	Less than 1 Year	1-5 Years	More than 5 Years
		(in EUR millions)		
Purchase commitments in respect of property, plant and equipment	**532**	447	85	—
Purchase commitments in respect of intangible assets	**1**	1	—	—
Obligations from irrevocable credit and lease commitments to customers	**354**	290	59	5
Obligations from long-term leasing and rental contracts	**1,154**	200	536	418
Miscellaneous other financial obligations	**28**	25	3	0

11.8 Quantitative and Qualitative Disclosures about Financial Risk Management

The Group's assets, liabilities, and forecast transactions are exposed to credit and default, liquidity and market risk due to its business activities and international focus. These risks are described below and in more detail in the Notes to the Group's financial statements beginning on page F-2.

11.8.1 Credit and Default Risk

The Group is exposed to credit risk because of its business operations and certain financing activities. This 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. Substantial credit risks related to customer commitments are managed, within established limits, on a decentralized basis by means of local credit assessments. Decisions on major credit commitments are made in subgroup credit committees.

The maximum potential credit and default risk, reflected by the carrying amount of financial assets on the balance sheet, is partially reduced by collateral (customary in the particular market, e.g. title retention in vehicles) held and, as the case may be, other credit enhancements, e.g. credit insurance, letters of credits, and guarantees.

The risk arising from nonderivative financial instruments is also accounted for by recognizing bad debt losses. Material individual receivables, as well as receivables whose collectability is in doubt, are measured on an item-by-item basis. Financial guarantees issued also give rise to credit and default risk. The maximum potential credit and default risk is calculated from the amount the Group would have to pay if claims were to be asserted under the guarantees.

The Group has a partially decentralized liquidity management. Operational liquidity is managed at the brand level, i.e. at MAN and Scania, while excess cash is concentrated at the TRATON SE level. The financial institutions and investment forms are carefully selected when investing cash funds, while a limit system ensures diversification. In line with the nature of Group's inclusion in the central financial management of the Volkswagen Group agreed with Volkswagen AG, a significant portion of the Group's financial assets is concentrated on a single partner, Volkswagen AG. This portion is therefore subject in principle to the same risks that Volkswagen AG as a whole is exposed. These risks are limited by Volkswagen AG's high credit rating and the risk management mechanisms installed.

11.8.2 Liquidity Risk

Liquidity risk describes the risk that the 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 the Group's operating business and by external financing arrangements. As a result, there were no material concentrations of risk in the past fiscal year.

The solvency and liquidity of the Group is ensured by rolling liquidity planning, a liquidity reserve in the form of cash, confirmed credit lines and the issuance of securities on the international money and capital markets. For Scania Financial Services, there is dedicated funding covering at least the net of 3 months of maturing debt less 50% of maturing customer contracts.

The Group also has committed credit lines with financial institutions as well as with Volkswagen AG of which EUR 4.2 billion were unutilized as of December 31, 2018. In addition, TRATON GROUP (namely Scania) has debt issuance programs in order to raise funds at the capital markets (see "*14.17 Material Contracts*").

11.8.3 Financial Market Risk

The Group is exposed to foreign currency, interest rate, and commodity price risk during the course of general business activities. The Group's policy is to continuously monitor risk through its risk management system. There have been no significant risk concentrations in the past fiscal year.

11.8.3.1 Foreign Currency Risk

Currency risk is the risk of negative effects on earnings and balance sheet items denominated in foreign currency, due to currency movements. Foreign currency risk in the Group is attributable to investments, financing measures and operating activities. Currency forwards, currency options, currency swaps and cross-currency swaps are used to limit risks to future cash flows.

Within MAN, in general, all firm customer orders (firm commitments), the Group's own purchases, receivables, and liabilities denominated in foreign currencies are hedged as a matter of principle. MAN also enters into hedges for forecast foreign currency revenue from the series production business within defined hedging limits, and (on a case-by-case basis) for highly probable customer projects. Hedge accounting is not required to be applied in these cases, but it is applied for the most significant forecasted foreign currency revenues. Exceptions may be possible if currencies are nonrelevant or highly correlated with the Euro. Equity investments or equity-replacing shareholder loans, are only hedged in individual instances. According to Scania's treasury policy, Scania's management may hedge future currency flows with a hedging period varying between 0 and 12 months. For maturities over 12 months, the decision is made by the Board of Directors. As of December 31, 2018, hedge accounting is not used in these cases.

Assets at Scania Financial Services should be financed by liabilities in the same currencies generally. There are no fair value hedges.

Hedging transactions entered into as part of the Group's foreign currency risk management were primarily in UK pound sterling, U.S. dollars and Brazilian Real. The Group calculates foreign exchange risk using several sensitivity analyses.

11.8.3.2 Interest Rate Risk

Interest rate risk is the risk of negative effects on interest income and expenses due to changes in market interest rates. For the Group's assets and liabilities that carry variable interest rates, a change in market interest rates has a direct effect on cash flow while, for fixed-interest assets and liabilities, the fair value of the portfolio is affected instead. The aim of the Group's treasury policy regarding interest rate risks is that assets and liabilities should match in terms of interest rates and maturity periods and that the risk of a change in the interest should be reduced to a high degree. The Group primarily uses interest rate derivatives in the form of interest rate swaps and cross-currency swaps. Hedge accounting is not applied.

The Group is exposed to interest rate risk from interest rate-sensitive assets and liabilities, in particular at Scania Financial Services. Intragroup financing arrangements are generally structured to match the maturities of their assets. The Financial Services segment hedges interest rate risks by matching interest rates and maturity periods of its assets and liabilities. Deviations from the Group standards are subject to centrally defined limits and are monitored on an ongoing basis.

The Group calculates interest rate risk using several sensitivity analyses.

11.8.3.3 Commodity Price Risk

Commodity price risk in the Group primarily results from price fluctuations and the availability of commodities. Commodity price risks are sometimes managed in the Group by commercial agreements and measures (e.g. fixed price purchasing contracts and/or price adjustments).

At MAN, the commodity price risks are regularly captured and, to a certain extent, hedged externally based on defined risk limits, including considerations as to whether changes in commodity prices will translate into higher prices of the products sold, to the extent that there are liquid markets. Cash-settled commodity futures are used 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 end of the reporting period to hedge commodity price risks relating to gas, steel, nonferrous metals, precious metals and rubber. Hedge accounting is not used at present.

The Group calculates commodity price risks using several sensitivity analyses.

11.9 Critical Accounting Policies

Preparation of the consolidated financial statements requires management to make certain estimates and exercise judgement that affect the reported amounts of assets and liabilities, and income and expenses, as well as the related disclosures of the reporting period. Estimates and judgements relate largely to the following matters:

The impairment testing of nonfinancial assets, especially goodwill, brand names, capitalized development costs and special tools and equity-accounted investments, or investments accounted at cost requires assumptions about future market trends as well as about the discount rate to be applied. The expected future market trends lead to detailed planning of the sales of commercial vehicles, the profitability of the products and the developments in the after-sales business. The planning period for the impairment test generally covers five years, in the case of finite-lived assets it may also depend on the lifetime of the item. Estimation of cash flows is generally based on the expected growth trends for the markets concerned.

Estimates of the useful life of finite-lived assets are based on experience and are reviewed regularly. Where estimates are modified, the residual useful life is adjusted and an impairment loss is recognized, if necessary. In addition, the recoverability of the Group's lease assets depends in particular on the residual value of the leased vehicles after expiration of the lease term, because this represents a significant portion of the expected cash flows. The forecast of residual values requires management to make assumptions in particular about vehicle supply and demand in the future, as well as about vehicle price trends. Such assumptions are based either on qualified estimates or on data published by external experts. Qualified estimates are based on external data – if available – that reflects additional information that is available internally, such as historical experience and current sales data.

If there are no observable market inputs, the fair values of assets acquired and liabilities assumed in a business combination are measured using recognized valuation techniques, such as the relief-from-royalty method or the residual method.

The Group has an exposure in the form of contractual payments. In all essential respects, the Group has collateral in the form of the right to repossess the underlying vehicle. In case the market value of the collateral does not cover the exposure to the customer, and the customer has a problem completing its contractual payments, the Group has a risk of loss. Consequently, impairment testing of financial assets requires estimates about the extent and probability of occurrence of future events. As far as possible,

estimates are derived from experience taking into account current market data as well as rating categories and scoring information.

Accounting for provisions is also based on estimates of the extent and probability of occurrence of future events, as well as estimates of the discount rate. As far as possible, these are also based on experience or external opinions. The assumptions applied in the measurement of pension provisions are described in the "*Provisions for pensions and other post-employment benefits*" section of the financial statements beginning on page F-2. Remeasurements are recognized in other comprehensive income and do not affect profit or loss reported in the income statement. Any change in the estimates of the amount of other provisions is always recognized in profit or loss. The provisions are regularly adjusted to reflect new information obtained. The use of expected values means that additional amounts must frequently be recognized for provisions, or that unused provisions are reversed. Reversals of provisions and expenses relating to the recognition of provisions are allocated directly to the functions. Warranty claims from sales transactions are calculated based on estimated future costs and the policy on ex gratia arrangements. This requires assumptions to be made about the nature and extent of future warranty 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. At the same time, litigation and other legal proceedings raise complex legal issues and entail numerous difficulties and uncertainties. A provision is recognized for these if it is probable that an obligation has arisen in connection with these proceedings that is likely to lead to a future outflow of resources and its amount can be estimated reliably.

Because the Group operates in many countries, it is subject to a variety of tax laws in a large number of jurisdictions. The expected current income taxes and the deferred tax assets and liabilities must be determined for each tax entity. Among other things, this requires assumptions about the interpretation of complex tax regulations and the ability to generate sufficient taxable income, depending on the tax type and tax jurisdiction involved. Any variance between these assumptions and the actual outcome of such tax uncertainties may affect tax expense and deferred taxes. Uncertain recognized income tax items are based on a best estimate of the probable tax payment. Measuring deferred tax assets requires assumptions regarding future taxable income and the timing of the realization of deferred tax assets.

Estimates and judgement are based on underlying assumptions that reflect the current state of available knowledge. 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. Specifically, the expected future development of business was based on the circumstances known at the date of preparation of these consolidated financial statements and a realistic assessment of the future development of the general economic environment, the relevant markets and the legal environment. Our estimates and assumptions remain subject to a high degree of uncertainty because future business developments are subject to uncertainties that in part cannot be influenced by the Group.

Developments in this environment that differ from the assumptions and that cannot be influenced by management could result in amounts that differ significantly from the original estimates. If actual developments differ from the expected developments, the underlying assumptions and the carrying amounts of the assets and liabilities affected are adjusted.

The Group applies estimates and judgments by management in the following accounting policies, which are discussed in more detail in the Accounting Policies Note to the Group's financial statements, beginning on page F-10 and F-41.

- Intangible assets
- Property, plant and equipment
- Impairment of financial instruments and contract assets
- Lease assets
- Classification of financial instruments
- Income taxes
- Inventories
- Other provisions
- Pension provisions

11.9.1 Accounting pronouncements

The Group has adopted and applied consistently over all periods presented in the financial statements all accounting standards mandatorily effective for the first-time as of the year end 2018. The adoption of other new or amended standards and interpretations will only become mandatory in the EU in subsequent financial years and the Group does not intend to adopt these earlier than required. With the exception of IFRS 16 with respect to leases, the new and amended standards or interpretations are not expected to have any significant effect on the Group.

IFRS 16 – Leases

IFRS 16 changes the accounting requirements for leases. The TRATON GROUP accounts for leases in accordance with IFRS 16, using the modified retrospective method for the first time as of January 1, 2019. Prior-year periods have not been restated. The main objective of IFRS 16 is to recognize all leases on the balance sheet. It establishes that lessees are no longer required to classify their leases as finance leases or operating leases. In the future, they will instead be required to recognize a right-of-use asset and a lease liability for all leases on the balance sheet. Exceptions will only be made for short-term leases and leases of low-value assets. The right-of-use asset must be amortized over the lease term and the lease liability adjusted using the effective interest method, taking into account the lease payments. The new lessee accounting model will therefore tend to increase noncurrent assets as well as current and noncurrent liabilities. In the income statement, this change is expected to slightly improve the operating profit and reduce the financial result. It will also lead to disclosures that are far more extensive. Lessor accounting largely corresponds to the current provisions of IAS 17. In the future, lessors will continue to classify their leases as finance leases or operating leases based on the risks and rewards incidental to ownership of the leased asset. The initial application of IFRS 16 and the reassessment of lease terms thereunder resulted in the recognition of right-of-use assets in an amount of EUR 1,023 million and lease liabilities in an amount of EUR 1,034 million, each as of January 1, 2019. As of March 31, 2019, lease liabilities amounted to EUR 1.1 billion that had a negative impact on the TRATON GROUP's net liquidity.

11.10 Information from the Company's Audited Unconsolidated Financial Statements

The Audited Unconsolidated Financial Statements of the Company have been prepared in accordance with German GAAP (*Handelsgesetzbuch*) and an English-language translation of the Audited Unconsolidated Financial Statements is included in this Prospectus beginning on page F-130. These financial statements include the Company's distributable profit. Dividends to shareholders of the Company may only be distributed from such distributable profit. The accounting principles set forth under HGB may differ from IFRS in material respects.

In the fiscal year ended December 31, 2018, the Company reported a distributable loss of EUR 4,161 million (2017: EUR 28 million). As of December 31, 2018, the total assets of the Company amounted to EUR 25,876 million (2017: EUR 25,099 million), the total provisions and liabilities of the Company amounted to EUR 1.3 million (2017: EUR 0.5 million), and the equity of the Company amounted to EUR 24,591 million (2017: EUR 24,591 million).

12 PROFIT FORECAST

12.1 Operating Return on Sales Forecast for the period from January 1, 2019 to December 31, 2019 Prepared by TRATON SE

Our forecast for Operating Return on Sales ("Operating RoS") of TRATON SE (the "Company" and, together with its consolidated subsidiaries, the "Group" or the "TRATON GROUP") and its consolidated subsidiaries for the period from January 1, 2019 to December 31, 2019 (hereinafter referred to as "Operating Return on Sales Forecast 2019" or "Operating RoS Forecast 2019") is not a representation of facts and should therefore not be interpreted as such by prospective investors. Rather, it reflects the forward-looking expectations of the Company with respect to the Operating RoS Forecast 2019 of the TRATON GROUP.

The Group comprises two reportable segments, Industrial Business and Financial Services. The Industrial Business segment largely comprises the sale of commercial vehicles and related services under the Group's three main operating units Scania Vehicles & Services ("Scania V&S") (comprising the vehicles and services related business of Scania AB and its consolidated subsidiaries), MAN Truck & Bus SE and its consolidated subsidiaries ("MAN T&B") and MAN Latin America Indústria e Comércio de Veículos Ltda. and its consolidated subsidiaries ("VWCO"). Besides the operating companies, the Industrial Business Segment also comprises two holding companies, MAN SE and TRATON SE. Under TRATON SE, the Industrial Business Segment also includes the TB Digital Services GmbH ("Digital Services"), which offers connectivity services via its cloud-based logistics platform RIO. The Financial Services segment covers financial solutions to the customers of Scania V&S, such as loan financing, lease contracts and insurance solutions, provided by Scania AB (the financial services related business referred to as "Scania FS" and together with Scania V&S, "Scania Group"). On December 6, 2018 TRATON SE entered into an agreement with a Volkswagen AG subsidiary outside of the TRATON GROUP to sell its subsidiary, Volkswagen Gebrauchtfahrzeughandels und Service GmbH ("VGSG"), with effect from January 1, 2019. Therefore, VGSG is not considered for purposes of the Operating RoS Forecast 2019.

Any forward-looking statements are necessarily based on a number of assumptions and estimates about future events and actions, including management's assessment of opportunities and risks. Such assumptions and estimates are inherently subject to significant business, operational, economic and competitive uncertainties and contingencies, many of which are beyond our control, and upon assumptions with respect to future business decisions that are subject to change.

The Operating RoS Forecast 2019 is based on the factors and assumptions made by the Company's management board (*Vorstand*, "Management Board") with respect to the development of factors influencing the Operating RoS for the period from January 1, 2019 to December 31, 2019 as set out below under "*12.2.2 Explanatory Notes to the Operating RoS Forecast 2019*". These factors and assumptions also relate to factors that cannot be influenced by us. Even if these factors and assumptions are reasonable on the date on which the Operating RoS Forecast 2019 is published, they may subsequently prove to be incorrect. If one or more of these assumptions prove to be incorrect, the Group's actual Operating RoS for the period from January 1, 2019 to December 31, 2019 may deviate materially from the respective Operating RoS Forecast 2019. Accordingly, prospective investors should treat this information with caution and should not place undue reliance on the Operating RoS Forecast 2019.

We use Operating RoS as a key performance indicator to manage our business and we believe Operating RoS to be indicative of our operating performance. Operating RoS of the TRATON GROUP is defined as operating profit of the TRATON GROUP divided by sales revenues of the TRATON GROUP. For the purpose of the Operating RoS Forecast 2019, operating profit of the TRATON GROUP is defined as earnings before tax of the TRATON GROUP and excluding the financial result of the TRATON GROUP.

The measure Operating RoS and its component operating profit is not recognized as a GAAP measure under IFRS and should not be considered as a substitute for losses or earnings before income taxes, cash flow from operating activities or any other performance indicator as determined or defined by IFRS.

The manner in which we measure Operating RoS may not be consistent with the manner in which other companies determine these measures, similar measures or measures with similar names. Accordingly, Operating RoS as presented herein may not be comparable to these measures, similar measures or measures with similar names as presented by other companies.

For the avoidance of doubt, the financial figures for the fiscal year 2018 refer to the figures as reported in the income statement for the fiscal year ended December 31, 2018, i.e. do not include adjustments such as expense in relation to the Indian market exit at MAN T&B. Accordingly, the figures for the period from January 1, 2019 to December 31, 2019 do not include potential adjustments.

12.2 Operating RoS Forecast 2019

12.2.1 Overview of Operating RoS Forecast 2019

For the period from January 1, 2019 to December 31, 2019, we currently expect Operating RoS of the TRATON GROUP to be in the range of 6.5% to 7.5%. This forecast is based on assumed sales revenues of the TRATON GROUP for the period from January 1, 2019 to December 31, 2019 slightly above fiscal year 2018 (including the contribution from VGSG in fiscal year 2018).

12.2.2 Explanatory Notes to the Operating RoS Forecast 2019

12.2.2.1 Basis of Preparation

The Operating RoS Forecast 2019 was prepared in accordance with the Accounting Practice Statement of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*, "IDW") on the Preparation of Profit Forecasts and Estimates in Accordance with the Specific Requirements of the Regulation on Prospectuses and Profit Estimates on the basis of Preliminary Figures (IDW AcPS AAB 2.003).

Although Operating RoS and its component operating profit is not an IFRS measurement of operating income, operating performance or liquidity, the Operating RoS Forecast 2019 was derived using accounting principles of the International Financial Reporting Standards as adopted by the European Union ("IFRS"). With respect to the accounting policies applied, reference is made to the notes of the condensed consolidated interim financial statements of TRATON GROUP as of and for the three months ended March 31, 2019 and the notes of the consolidated financial statements of TRATON GROUP as of and for the years ended December 31, 2018, 2017 and 2016.

The Operating RoS Forecast 2019 has been prepared solely for the inclusion in a prospectus for the offering of shares in the Company and represents our best estimates as of June 13, 2019. In preparing the Operating RoS Forecast 2019, we have adjusted a number of factors to take into account the operational and financial performance for the period from January 1, 2019 up to the date of the Operating RoS Forecast 2019. The development of these factors is based on specific assumptions made by our Management Board, which are set forth below.

12.2.2.2 Factors and Assumptions

12.2.2.3 Factors Beyond Our Control and Related Assumptions

The Operating RoS Forecast 2019 is subject to factors beyond our control. These factors, and our assumptions taken about their impact, are described below:

Factor 1: Unforeseen events such as force majeure

For the purpose of the Operating RoS Forecast 2019, we assume that no material unforeseen events will occur that could result in material or lasting constraints on the ongoing operations of the entities of the Group, such as force majeure (e.g. fire, floods, hurricanes, storms, earthquakes or terrorist attacks), major industrial action, material macroeconomic events or war.

Factor 2: Legal & regulatory framework

Commercial vehicle manufacturers are subject to increasingly strict and at times conflicting environmental laws and regulations around the world. In addition, they face customer claims and litigation arising from any defects and resulting consequences on product use or safety. The Group is also exposed to legal risks regarding antitrust regulation and related enforcement actions and damage claims.

For the purpose of the Operating RoS Forecast 2019, we assume that there will be no additional changes in the legal and regulatory framework. We do not assume material penalties from any litigation and regulatory proceedings, including tax proceedings, antitrust enforcement actions and related claims will occur.

In addition, for the purpose of the Operating RoS Forecast 2019, we do not assume any financial impact from revised future CO2 targets.

Factor 3: Economic and political development

Demand for the Group's commercial vehicles and services depends on economic and political conditions globally and in the Group's core geographic regions, including Europe (defined as EU28 countries excluding Malta plus Norway and Switzerland or "EU28+2") and South America. For the purpose of the Operating RoS Forecast 2019, we assume the macroeconomic development in the core geographic regions of the TRATON GROUP (in terms of expected sales revenues) will show a stable development or slight improvement compared to 2018.

For the purpose of the Operating RoS Forecast 2019, we also assume there will be a stable political environment in the most relevant countries for the TRATON GROUP. In particular, we assume stability of the global trade and tariff framework and no further deterioration of the political environment between China and the United States of America.

Factor 3.1: Economic and political development in the United Kingdom

TRATON GROUP sells trucks and buses in the United Kingdom ("UK") market. The economic and political environment of the UK in 2019 is dependent on its decision on how to ultimately exit from the European Union ("Brexit"). Implications and related uncertainty to trade accords may affect both, the UK itself, and indirectly, other economies of the world, in particular in case of an unregulated Brexit.

For the purpose of the Operating RoS Forecast 2019, we assume that Brexit itself will not negatively influence worldwide demand for our products. In addition, we do not assume potential changes in trade accords and related costs (e.g. potential tariffs or duties). However, we assume a slight decrease of the UK truck market (see also Factor 4) and accordingly lower volumes in 2019.

Factor 3.2: Economic and political development in Brazil

Brazil is a core market for the TRATON GROUP, which has experienced a difficult economic and political environment in the past. Uncertainty following the election of a new government in November 2018, growing debt sustainability concerns and restricted access to capital, have continued to affect Brazil.

For the purpose of the Operating RoS Forecast 2019, we assume a stable political environment and therefore assume further economic recovery and growth. We also assume that the announcement or introduction of political reforms should continue to improve economic sentiment and have a positive influence on the economy and improve economic relationships.

Factor 4: Truck market development

The commercial vehicle industry is highly cyclical and depends to a large extent on business cycles in the manufacturing and industrial sectors. The length, timing and intensity of specific demand cycles are hence subject to uncertainty. Our assumptions for the expected market development for the Operating RoS Forecast 2019 described further below relate solely to heavy and medium trucks (above 6 tons).

Following a strong market development for EU28+2, we assume a minor market downturn with volumes for heavy and medium trucks decreasing to 367,020 units in 2019.

Within EU28+2, one of the core countries for our Group's operations is Germany, where we assume volumes to slightly increase to 86,300 units for heavy and medium trucks in 2019.

For UK, we assume volumes to decrease slightly to 41,800 units in 2019.

Within South America, our Group's operations are highly concentrated in Brazil, where we assume volumes to substantially increase to 88,800 units in 2019 for heavy and medium trucks.

Other core countries comprise Russia, South Africa and Turkey, where we assume heavy and medium truck volumes to reach 79,000 units, 20,000 units and respectively 11,200 units in 2019.

In total, market volumes in the above described core markets (EU28+2, Brazil, Russia, South Africa and Turkey) are assumed to slightly increase in 2019 due to growth in emerging countries, like Brazil, partially compensated by decreasing volumes in mature markets like EU28+2.

Factor 5: Bus market development

The bus market can be unpredictable and may not always follow traditional business cycles. New bus orders vary from year to year and are influenced, among other factors, by major replacement programs, the introduction of new regulatory standards, shifts in tourism trends and the expansion of transit systems. Key growth drivers include population growth, the higher urbanization rate and the increased demand for mobility and public transport. Our assumptions for the expected market development for the Operating RoS Forecast 2019 are described further below.

We assume a slight upswing in the EU28+2 bus market to a level of 31,920 units in 2019. Within EU28+2, Germany represents the core market with assumed volumes of 5,500 units in 2019.

Outside of Europe, TRATON GROUP's core bus markets comprise Brazil and Mexico. In Brazil, we assume a strong increase to a total volume of 17,500 units in 2019. In Mexico, we assume a slight increase in market volumes to a level of 9,350 units in 2019.

In total, market volumes in the above described core markets (EU28+2, Brazil and Mexico) are assumed to moderately increase in 2019.

Factor 6: Commodity prices

The Group purchases a broad range of materials, components and parts in connection with its manufacturing activities. Hence, the operating profitability is affected by developments in a number of commodity prices. Within the Industrial Business, aluminum, steel, copper together with rubber and plastics are among the most relevant commodities for 2019.

For the purpose of the Operating RoS Forecast 2019, we assume that commodity prices of the most relevant commodities for 2019 will on average increase as compared to fiscal year 2018.

Factor 7: Foreign currency rates

The TRATON GROUP's predominant exposures are in Swedish Crowns ("SEK"), Brazilian Real ("BRL"), British Pound ("GBP") and US-Dollar ("USD").

For the purpose of the Operating RoS Forecast 2019, we assume the following exchange rates based on our internal estimates (excluding hedging effects).

	For the financial year ending December 31, 2019
Currency rates	
SEK/EUR	10.5770
BRL/EUR	4.3822
USD/EUR	1.1277
GBP/EUR	0.8651

For the purpose of the Operating RoS Forecast 2019, we assume a net positive impact on operating profit at Scania V&S, primarily due to the depreciation of the SEK against the EUR.

Factor 8: Interest rates

The TRATON GROUP is financed both by internal loans and by external loans, primarily related to the provision of financial solutions to customers within the Financial Services segment. A substantial portion of the TRATON GROUP's financial liabilities is subject to variable interest rates.

Overall, we do not assume that Central banks will significantly change interest rates. Furthermore, we assume that there will be no major changes in the conditions for financing on the capital markets.

Factor 9: Mandatory application of IFRS 16 – Leases as of January 1, 2019

For the purpose of the Operating RoS Forecast 2019, we have assumed the recognition and amortization of the right-of-use asset and the adjustment of the lease liability to be in line with historical lease payments and maturities as well as average discount rates. In contrast to the previous approach to include expenses for operating leases in the operating profit, under IFRS 16 only the amortization of the right-of-use assets is included in the operating profit. Interest expenses from the compounding of the lease liability are shown in the financial result. For the purpose of the Operating RoS Forecast 2019, we therefore assume a slight increase in operating profit.

12.2.2.4 Factors That Can Be Influenced By Us To A Certain Extent and Related Assumptions

In addition to the factors and assumptions that are beyond our control, the Operating RoS Forecast 2019 is subject to factors that can be influenced by us to a certain extent. These factors, and our assumptions taken about their impact, are described below:

Factor 1: Restructuring and Corporate Reorganizations

In a post-IPO scenario, the Company has several options to squeeze out the remaining minority shareholders of MAN SE and fully integrate MAN SE and its subsidiaries into the Group by eliminating the "double listing" of both the Company and MAN SE. No decision has been made on whether and when to implement any of such reorganization options.

For the purpose of the Operating RoS Forecast 2019, we do not assume any restructurings (e.g. market exits) or that potential corporate reorganizations within the TRATON GROUP will result in significant costs and inefficiencies or potential cost savings.

Factor 2: Competitive environment

For the purpose of the Operating RoS Forecast 2019, we assume there will not be any material changes in the competitive environment for the TRATON GROUP. In particular, we assume the pricing of our products to remain stable and do not assume price deterioration as a result of a competitor looking to increase its market share or disruption of new market participants or new models. Conversely, we do not assume price increases or market share increases as a result of a competitor exiting markets.

Factor 3: Development and introduction of new products

In recent history, Scania V&S introduced the New Truck Generation ("NTG") and VWCO introduced the New Delivery Model. MAN T&B expects to launch its new truck generation in the period from 2019 to 2021. The launch of Scania V&S's new truck generation has resulted in additional implementation costs as a result of, among other factors, dual production complexity and supply chain disturbances, leading to higher than expected labor and logistic costs.

For the purpose of the Operating RoS Forecast 2019, we assume that our newly developed products are aligned with customer demands and we will successfully continue the transition to the new models. In particular, we assume that we are able to benefit from our new specifications with related price increases. In addition, we assume that our production plan is aligned with estimated order intake and we experience no capacity restrictions in our production. For the purpose of the Operating RoS Forecast 2019, we assume ramp-up cost for preparing production and marketing launch costs of the new truck generation on an ordinary level, as guided by historical experience.

Factor 4: Supply chain economics

The TRATON GROUP depends on the uninterrupted operation of its manufacturing operations and is subject to risk of volume shortfall with respect to production interruptions.

For the purpose of the Operating RoS Forecast 2019, we assume stable relationships with existing and new suppliers and that there will not be any additional outages or bottlenecks, which, as a result, would lead to higher sourcing costs than anticipated and possibly production and delivery delays.

Factor 5: Valuation of inventory and used vehicles

The TRATON GROUP produces vehicles based on customer orders as well as for inventory stock. Furthermore, the company is engaged in buyback deals, which result in the obligation to take back new vehicles sold in prior periods at pre-determined values. These buyback units are then sold again as used vehicles by the TRATON GROUP.

For the purpose of the Operating RoS Forecast 2019, we assume that our inventory stock meets customer demands and we will not have prolonged periods of unsold inventory that would lead to impairment considerations. In addition, we assume that the market for used vehicles will remain stable. Thus, we do not assume that any extraordinary impairments regarding residual values, especially concerning the recognition of buyback arrangements in accordance with IFRS, will occur.

Factor 6: Warranties, guarantees and campaigns

For the purpose of the Operating RoS Forecast 2019, we assume that the provisions for warranties, guarantees and campaigns recognized based on historical rates and procedures are sufficient to cover malfunctions and production defects and we do not assume any additional provisions for unforeseen campaigns on new or existing vehicle generations. The underlying assumption is that the level of provisions for warranties, guarantees and campaigns correlates with our sales revenues.

Factor 7: Valuation allowances on trade receivables and defaults

For the purpose of the Operating RoS Forecast 2019, we do not assume any increased risk of valuation allowances on trade receivables or defaults of customers and suppliers. The underlying assumption is that the recognition of impairment allowances is based on historical rates and procedures and correlates with our sales revenues.

12.2.2.5 Factors That Can Be Influenced By Us and Related Assumptions

In addition to the factors and assumptions that are beyond our control and factors and assumptions that can be influenced by us to a certain extent, the Operating RoS Forecast 2019 is subject to factors that can be influenced by us. These factors, and our assumptions taken about their impact, are described below:

12.2.2.5.1 Industrial Business

Factor 1: Market share/ Sales volumes

Trucks

Besides the development in the global respective local truck markets, the Group's operational results depend significantly on its ability to maintain or gain market share and the resulting projections of sales volumes registered in the respective markets. Our assumptions for the expected market shares for the Operating RoS Forecast 2019 described further below were calculated in relation to absolute market volumes for heavy and medium trucks (above 6 tons).

In the Group's primary market, EU28+2, TRATON GROUP is present with two of its operating units, Scania V&S and MAN T&B. For 2019, we assume the joint truck market share to slightly increase in this region, leading to slightly higher sales volumes, as the impact of the expected minor market downturn for heavy and medium trucks is overcompensated by market share gains.

Within EU28+2, MAN T&B generates the majority of sales volumes in Germany. Following a market share increase in 2018, we assume a further slight market share growth of MAN T&B in 2019. For Scania V&S, we assume a stable truck market share in Germany in 2019.

UK represents one of the core countries for Scania V&S. We assume the related truck market share to moderately increase in 2019. For MAN T&B, the truck market share is assumed to slightly increase in 2019.

For Brazil we assume the joint truck market share of Scania V&S and VWCO to slightly increase in 2019. Together with substantial growing projections for the Brazilian truck market, we assume considerably increasing sales volumes in 2019.

For Russia, we assume the joint truck market share of Scania V&S and MAN T&B to slightly decrease in 2019, as local regulations such as higher scrapping expenses represent uncertainties for imported brands. For South Africa, the joint truck market share of Scania V&S and MAN T&B is assumed to stay stable in 2019. Due to the high uncertainty of the Turkish market forecast, we assume a substantial decrease of sales volumes in Turkey in 2019.

Overall, truck sales volumes for heavy and medium trucks (above 6 tons) in the above highlighted markets are assumed to slightly increase in 2019.

In 2017, the TRATON GROUP entered into the light-duty range of vehicles with its MAN branded TGE (a Volkswagen Crafter labeled with MAN brand). Sales volume is still in the ramp up phase. We assume a substantial increase of sales volume in 2019. VWCO offers with the "New Delivery" also product lines in the category between 3.5 tons to 5.9 tons. Sales volumes are assumed to substantially rise in 2019.

Buses

Due to the unpredictability of the bus market, projected sales volumes are often not derived based on bus market development and expected market shares, but reflect expectations on bus orders due to factors such as regulatory standards and governmental budgeting for transit systems. Our assumptions for the expected market shares for the Operating RoS Forecast 2019 described further below were calculated in relation to absolute market volumes for buses.

In line with the truck business, EU28+2 represents the primary market for the sale of buses to customers by both Scania V&S and MAN T&B. We assume the joint bus market share to slightly increase in 2019 and hence assume a considerable sales volume growth in 2019 according to the overall positive market development.

MAN T&B generates the majority of its bus sales in Germany. We assume a slight increase of our bus market share in 2019 supported by already confirmed orders. In contrast, Scania V&S only holds a small bus market share in Germany and we assume substantially lower bus volumes in 2019, as no large orders are in place.

Within South America, future volume growth is primarily driven by market share gains in Brazil. For 2019, we assume the joint bus market share of Scania V&S and VWCO to slightly increase. Sales volume growth in 2019 is assumed in particular for VWCO, which was able to secure a government tender for school buses.

For Mexico, we assume the joint market share of Scania V&S and VWCO to slightly decrease in 2019.

Overall, bus sales volumes in the above highlighted markets are assumed to moderately increase in 2019.

Factor 2: Sales Revenues

Within the Industrial Business, TRATON GROUP generates sales revenues from the sale of vehicles, aftersales (genuine parts and workshop services) and others (including used vehicles, engines, powertrains and parts deliveries, leasing business, interest and similar income and other sales revenue). For commercial vehicles, sales revenues are mainly driven by sales volumes, which are impacted by both factors beyond our control, such as the truck and bus market development, and factors that can be influenced by us, such as the maintenance or gain of market shares. Furthermore, sales revenues are driven by the price policy, which is primarily related to the economic development (inflation assumptions), the launch of new truck and bus generations and the product and market mix.

For the purpose of the Operating RoS Forecast 2019, we assume sales revenues of our three main operating units (excluding consolidation) in total to moderately increase.

Truck Sales Revenues

1) Scania V&S: We assume that sales revenues will considerably increase in 2019 mainly driven by higher volumes and higher prices for the New Truck Generation as well as a higher specification level.
2) MAN T&B: For 2019, we assume a minor decrease in truck sales revenues for heavy and medium trucks (above 6 tons) for MAN T&B driven mainly by a slight sales volume decrease due to the assumed minor truck market reduction in the primary market EU28+2 and product streamlining. The latter relates to the discontinuation of the lower priced Cargo Line A ("CLA") truck line, designed especially for emerging countries like India. On the other hand, sales revenues from our van business (TGE) are assumed to substantially increase based on our increased sales volume projection.
3) VWCO: For 2019, we assume a substantial increase in truck sales revenues for VWCO because of both volume and price increases. Volume increases are besides the overall recovery of the Brazilian home market mainly assumed in relation to the introduction of the light-duty range of vehicles and the expansion in export markets. Furthermore, we assume price increases in all weight segments in the home-market Brazil to contribute to revenue growth.

Bus Sales Revenues

1) Scania V&S: For 2019, we assume a moderate decrease in bus sales revenues for Scania V&S due to short-term volume decreases, caused among others by the situation in Iran and further influenced by market mix.
2) MAN T&B: For 2019, we assume bus sales revenues of MAN T&B to strongly increase because of both volume increases due to market share gains in several countries, including the home market in Germany, and price increases due to better price enforcement with the new bus models launched in 2017.
3) VWCO: For 2019, we assume a substantial bus revenue increase for VWCO driven mainly by both volume and price increases in Brazil.

Aftersales Revenues

1) Scania V&S: For 2019, we assume a noticeable increase in aftersales revenues for Scania V&S mainly due to higher parts and workshop volumes. Both parts and services sales are assumed to increase due to the extension of the product portfolio towards being a full service provider. Additional growth is assumed from a growing rolling fleet.
2) MAN T&B: For 2019, we assume a slight increase in aftersales revenues for MAN T&B, which is mainly related to parts. A growing rolling fleet, higher pricing and the extension of product portfolio with regard to van parts, refurbished spare parts and other products are assumed to mainly drive the assumed increase in parts sales revenues.
3) VWCO: For 2019, we assume VWCO to have a slight decrease in its 6 years rolling fleet. Despite of that we assume a moderate increase in aftersales revenues due to price increases.

Other Revenues

For the purpose of the Operating RoS Forecast 2019, we assume other revenues of our three main operating brands (excluding consolidation) in total to slightly decrease.

Factor 3: Direct costs

For the purpose of the Operating RoS Forecast 2019, we assume direct costs as percentage of sales revenues of our three main operating units (excluding consolidation) in total on the level of fiscal year 2018.

1) Scania V&S: For 2019, we assume direct costs as a percentage of sales revenues on the level of 2018. The production of the new truck generation (launched in 2017) is assumed to adapt and double runs due to parallel production of the old and new truck generation will phase-out, which improves production efficiency. Furthermore, we assume that the removal of supply chain inefficiencies should also lower logistic costs and to some extent, direct costs should decrease due to currency effects. On the other hand, we assume that a shift to NTG trucks with a higher material content as well as higher specified vehicles increases direct costs.

2) MAN T&B: For 2019, we assume direct costs as a percentage of sales revenues on the level of 2018, related mainly to operational efficiency measures in production and commercial efficiency effects in purchasing. On the other hand, we assume an increase in labor costs and higher commodity prices.

3) VWCO: For 2019, we assume a moderate decrease of direct costs as a percentage of sales revenues, primarily driven by economies of scale leveraged by the modular production system.

Factor 4: Fixed and other costs

For the purpose of the Operating RoS Forecast 2019, we assume fixed and other costs of our three main operating units (excluding consolidation) in total on the level of fiscal year 2018. In percentage of sales revenue, we expect a slight decrease.

1) Scania V&S: For 2019, we assume that fixed and other costs will moderately improve. We assume that stopping the parallel production of the old and the new truck generation should lead to lower manufacturing overhead costs. In addition, we assume that the removal of supply chain inefficiencies should further reduce special burden from 2018.

2) MAN T&B: For 2019, we assume fixed and other costs to slightly increase as compared to 2018. We assume that the increase in fixed costs is mainly related to product launches, expansion of the van segment, country-specific sales measures as well as higher indirect labor costs due to tariff increases. Costs related to product launches already include costs in preparation for the new truck generation (assumed to fully replace the current truck generation in the following years). The assumed non-recurrence of the restructuring costs for the discontinuation of the CLA truck line incurred in fiscal year 2018 in 2019 partly offset the above mentioned fixed cost increases.

3) VWCO: For 2019, we assume fixed costs to strongly increase, mainly due to an increase in labor costs in line with our sales volume projections. Other costs are assumed to increase substantially, due to the assumed non-recurrence of the net of a release of a tax provision and a partial impairment of a tax credit from fiscal year 2018 in 2019. Furthermore, we assume that new tax credits will be fully recoverable and therefore not negatively impact operating profit.

Factor 5: Efficiency initiatives

The TRATON GROUP has put in place operational efficiency initiatives for each of its brands, including the Operational Excellence program at MAN T&B, the Focus & Ambition program at Scania Group and a comprehensive turnaround plan for VWCO, each of which targets improvements both at revenue and profitability levels.

For the purpose of the Operating RoS Forecast 2019, we assume that we will achieve our targets for the Group's individual programs for the period from January 1, 2019 to December 31, 2019. The assumed efficiency gains from these efficiency initiatives are already integral part of the direct costs and fixed and other costs developments as described in factors 3 and 4.

Factor 6: Synergies among operating units

The TRATON GROUP's profitability in the future will be significantly affected by its ability to realize targeted synergies among its operating units. The TRATON GROUP intends to realize these and potential further cost-savings with Group-wide initiatives leveraging common platform potential.

For the purpose of the Operating RoS Forecast 2019, we assumed a further ramp up of the annual savings run rate according to our long-term synergy target calculation, mainly driven by further improvement in the area of procurement. The assumed impacts from synergies among operating units are already integral part of the direct costs and fixed and other costs developments as described in factors 3 and 4.

Factor 7: Research & Development

For the purpose of the Operating RoS Forecast 2019, we assume that we will continue to progress in line with our product and research & development roadmap and will not incur any additional costs due to changes in strategic direction and alignment. Furthermore, we assume that the technologies we are anticipating for the future and the production models we are developing will correspond to future demands of our customers and therefore not require any impairments of capitalized development costs. In addition, we assume that we will be successful in achieving our development goals for 2019 and therefore capitalize related costs according to the development plan. Generally, for the purpose of the Operating RoS Forecast 2019, we assume research and development costs (including capitalized research and developments costs) to remain at approximately the same level in absolute terms compared to fiscal year 2018.

Factor 8: Digital Services

The RIO box is delivered with each new Euro VI MAN truck in Europe and can also be installed in non-MAN branded trucks.

For the purpose of the Operating RoS Forecast 2019, we assume that our Digital Services will continue to incur fixed and other costs in relation to the ramp-up of its cloud-based logistics platform RIO that are not offset by a corresponding increase in sales revenues and therefore operating loss to slightly increase compared to 2018.

Factor 9: Holding functions (TRATON SE and MAN SE)

For the purpose of the Operating RoS Forecast 2019, we assume that operating loss for our holding functions (excluding Digital Services) will substantially decrease compared to 2018, despite the planned headcount build-up for the realization of strategic targets in 2019 and beyond as costs for advisory services regarding the Group's preparation for capital market readiness are projected to decline. Furthermore, we do not assume significant costs for additional employee or management remuneration programs compared to 2018.

12.2.2.5.2 Financial Services

Factor 1: Sales revenue (Interest and lease income)

Sales revenue within Financial Services comprise primarily interest and lease income.

For the purpose of the Operating RoS Forecast 2019, we assume a strong increase in sales revenue. We assume that the main driver for the expected growth is an increase in penetration rates in both existing regions and in new regions in connection with the ongoing volume development of Scania V&S. Growth is assumed to continue to primarily relate to financing services.

Factor 2: Direct costs

For the purpose of the Operating RoS Forecast 2019, we assume direct costs as a percentage of sales revenue to slightly increase compared to 2018. Margin pressure in European countries is assumed to not be offset by a changing regional portfolio mix.

Factor 3: Fixed and other costs

For the purpose of the Operating RoS Forecast 2019, we assume fixed and other costs to strongly increase due to increased headcount related to portfolio growth, digitalization projects and review of legal structure.

12.2.3 Other Explanatory Notes

The Operating RoS Forecast 2019 does not include any extraordinary events, results due to non-recurring activities and extraordinary tax expenses within the meaning of the IDW Accounting Practice Statement 2.003 (IDW AcPS AAB 2.003), except where explicitly stated otherwise in the explanatory notes.

As the Operating RoS Forecast 2019 relates to a period not yet completed and is prepared on the basis of assumptions about future uncertain events and actions, it naturally entails substantial uncertainties. Because of these uncertainties, it is possible that the actual Operating RoS for the period from January 1, 2019 to December 31, 2019 may differ materially from the Operating RoS Forecast 2019.

The Operating RoS Forecast 2019 was prepared on June 13, 2019.

12.3 Independent Auditor's Report on the Operating RoS Forecast 2019 Prepared by TRATON SE

Auditor's Report

To TRATON SE, Munich

We have audited whether the profit forecast prepared by TRATON SE, Munich, for the period from January 1, 2019 to December 31, 2019 has been properly compiled on the basis stated in the explanatory notes to the profit forecast and whether this basis is consistent with the accounting policies of the company. The profit forecast comprises the Operating Return on Sales for the period from January 1, 2019 to December 31, 2019 and explanatory notes to the profit forecast.

The preparation of the profit forecast including the factors and assumptions presented in the explanatory notes to the profit forecast is the responsibility of the company's management.

Our responsibility is to express an opinion based on our audit on whether the profit forecast has been properly compiled on the basis stated in the explanatory notes to the profit forecast and whether this basis is consistent with the accounting policies of the company. Our engagement does not include an audit of the assumptions identified by the company and underlying the profit forecast.

We conducted our audit in accordance with *IDW Prüfungshinweis: Prüfung von Gewinnprognosen und – schätzungen i.S.v. IDW RH HFA 2.003 (IDW PH 9.960.3) (IDW Auditing Practice Statement: The Audit of Profit Forecasts and Estimates in accordance with IDW AcPS AAB 2.003 (IDW AuPS 9.960.3))* issued by the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that material errors in the compilation of the profit forecast on the basis stated in the explanatory notes to the profit forecast and in the compilation of this basis in accordance with the accounting policies of the company are detected with reasonable assurance.

As the profit forecast relates to a period not yet completed and is prepared on the basis of assumptions about future uncertain events and actions, it naturally entails substantial uncertainties. Because of these uncertainties it is possible that the actual profit of the company for the period from January 1, 2019 to December 31, 2019 may differ materially from the forecast profit.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on the findings of our audit, the profit forecast has been properly compiled on the basis stated in the explanatory notes to the profit forecast. This basis is consistent with the accounting policies of the Company.

Munich, June 13, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Klaus Schuster	Nadja Picard
Wirtschaftsprüfer	Wirtschaftsprüferin

13 INDUSTRY OVERVIEW

The market and industry data and forecasts and statements regarding the Group's position in the relevant market or market segment in this section are based on various market research and other publicly available information, as well as reports by independent industry sources. See "2.5 Sources of Market Data." Certain statements below are based on the Group's own proprietary information, insights, opinions or estimates, and not on any third-party or independent source; these statements contain words such as "the TRATON GROUP "believes," "expects," "considers" or "estimates," and as such do not purport to cite or summarize any third party or independent source and should not be read this way. IHS Markit volume figures are rounded to the nearest one thousand. The forward-looking statements in this section are subject to risks and uncertainties, as they relate to future events, and are based on estimates and assessments that may be inaccurate. See "1. Risk Factors."

13.1 Overview of the Truck Industry

The TRATON GROUP is active in the global truck industry, which includes companies that design, develop, manufacture, market, sell and service light-, medium- and heavy-duty vehicles. The heavy-duty segment ("**HDT**") includes commercial vehicles with an allowable weight of more than fifteen or sixteen tons depending on the region, the medium-duty segment ("**MDT**") includes commercial vehicles with an allowable weight of between six and fifteen or sixteen tons depending on the region, whilst the light-duty segment includes commercial vehicles with an allowable weight of three and a half to six tons.

Trucks materially differ from passenger cars and feature different key characteristics. For example, trucks qualify as capital goods while passenger cars are regarded as consumer goods. Customer focus with trucks is TCO, whereas it is overall costs, emotion and prestige with passenger cars. Another key difference is mileage with approximately 130,000km, according to Company estimates, for trucks and approximately 14,000km for passenger cars, according to the Kraftfahrt-Bundesamt based on average mileage driven in 2017 by passenger vehicles registered in Germany. Fuel consumption with trucks amounts to approximately 30 to 35 liters/100km (ICCT, fuel consumption for tractor-trailers over long-haul operation) in contrast to 4 to 7 liters in passenger cars (ICCT, fuel consumption for passenger cars in EU-28 and Switzerland (urban and extra-urban)). The average lifecycle of trucks comprises more than 10 years and only 4 to 5 years for passenger cars based on Company estimates. Finally, approximately 3 million trucks are sold annually (IHS Markit) as opposed to approximately 84 million passenger cars (VDA).

In contrast to passenger cars, the key drivers of purchase decisions for trucks are rational, business-driven factors, in particular TCO. Fuel costs (including annual mileage, driving, behavior, powertrain efficiency) and driver costs (including driver salary) account for approximately 45% and 30% of TCO, respectively, according to Company estimates (indicative, representative for German HDT market and depending on usage pattern). The remaining 25% of TCO, according to Company estimates, is composed of repair and maintenance costs (depending on usage pattern, cost/frequency of repair and maintenance, uptime), vehicle costs (purchasing costs, vehicle specification, residual value) and costs for administration and services (general and administrative processes, driver and vehicle and fleet management). TCO improvements are key drivers of industry development, with original equipment manufacturers ("**OEM**") focusing on innovation in order to introduce technologies reducing costs for customers.

The truck market is evolving from the traditional truck business with a focus on vehicles towards an offering that includes services, transport solutions and end-to-end logistics solutions. Key services include repair and maintenance, vehicle services, financial services (e.g. insurance, extended warranty, leasing), driver services (e.g. training) as well as fleet management and predictive and preventative maintenance.

13.2 Megatrends Influencing the Transportation Industry

The Company believes that the global transportation industry will be largely driven by three megatrends:

- Globalization
- Digitalization
- Sustainability

13.2.1 Globalization

The transportation sector is a fundamentally growing industry and road transportation constitutes an important part of the ground transportation sector (Transparency Market Research). Factors such as population growth, urbanization, industrialization, disposable income and ultimately gross domestic product ("**GDP**") growth impact the transportation industry, hence driving the demand for trucks and buses.

The Company believes that the addressable market for Western truck OEMs that are able to provide state-of-the-art trucks and truck-service solutions is expected to grow, driven by increasing regulatory and customer requirements:

- Until a decade ago, the United States and Japan were the frontrunners in terms of ambitious carbon-reduction regulations. Since then, stricter regulations in all major regions have put all OEMs on a trajectory of adopting the tighter restrictions by 2025. According to McKinsey (2018), the share of Euro VI comparable emission standard (NOx (g/kWh)) units sold will increase from approximately 30% globally in 2017 to approximately 85% globally by 2025. This benefits truck OEMs which are providing state-of-the-art powertrain solutions. Furthermore, globally operating OEMs will benefit from economies of scale when migration of technology to new platforms such as the next engine platform (Euro VII) occurs. According to McKinsey (2018) and IHS Markit, the number of Euro VI comparable emission standard (NOx (g/kWh)) units sold will increase to an estimated 2,562,000 comprising the United States, Canada, Mexico, the EU28+2, Japan, Brazil, China, Russia and India in 2025 compared to 909,000 units (from EU28+2, North America and Japan) out of 2,045,000 total units for the same countries in 2015 (while Mexico emissions standards, which are included in the 909,000 figure, are not in line with US and Canada since a Euro IV equivalent is currently in place, a Euro VI standard is expected to be implemented by 2020e).
- In developed markets, customers already require good aftersales support and focus on both TCO reductions and stricter emission standards. Based on Company information from Scania and MAN and their reported figures, sales revenue from aftersales and services accounts for approximately 20% of revenue for Western OEMs (e.g. for Scania and MAN). In emerging markets it is still limited, but growing according to Company information.
- Logistics costs represent a significant share of GDP in both Western and emerging markets. However, differences between markets can be significant. In Western markets, logistics costs can reach levels of around 8% of GDP (based on the US and the Netherlands, which are classified as most efficient by the World Bank) while they can be significantly higher in emerging markets (based on countries classified as least efficient by the World Bank, e.g. in China logistics costs range from 16-18% of GDP) (World Bank 2017). The Company believes that OEMs offering state-of-the-art services and solutions in these markets can benefit from further economic growth coming from the logistics industry.
- Furthermore, the introduction of autonomous driving solutions has the potential to address the driver shortage in Western and emerging markets (in the future), thereby delivering TCO savings for customers.

As emerging markets continue to grow it is expected to result in a growing addressable market for leading OEMs, according to Company information.

13.2.2 Digitalization

The Company believes that new technologies and interconnectivity of products and devices will gain importance and have a significant impact on future developments of the truck market.

An important element of digitalization is expected to be automation of products and processes. With respect to trucks and buses, autonomous driving development will be a key topic in the coming years. Advanced Driver Assistance Systems ("**ADAS**") include those systems that help with monitoring, warning, braking and steering tasks, which are already relevant today. However, as a driver is still required to be in vehicles with an ADAS, the impact on TCO is still limited. Nevertheless, ADAS are key technological enablers for autonomous driving. As set out below, McKinsey (2018) expects that there will even be a near-term impact for selected applications, while full impact of autonomous driving is likely to materialize only in the long term.

- **Automated driving**: Already today (2018-2020) there is highly automated driving in geo-fenced areas with a safety driver still present in the truck.
- **Autonomous trucks driving in convoys**: As of 2022+, platooning on highways (i.e. convoys of automated or semi-automated trucks) is envisaged.
- **Full autonomy**: Full autonomy on highways and selected roads with drivers only being necessary for pick-up and drop-off of the trucks is envisaged by 2025+. Full autonomy of vehicles without any driver could be possible by 2027+, which should deliver around 45% TCO savings, according to McKinsey (2018).

Major elements of digitalization are autonomous driving, connectivity of products, devices and services, including telematics. McKinsey (2016) forecasts that in addition to significant TCO savings, the development of autonomous driving is expected to have a significant impact on the transportation systems of the future and to help improve safety aspects as well as congestion issues.

The Company believes that truck OEMs will benefit from connected services and solutions. According to McKinsey (2016), the total number of fleet management systems installed in commercial vehicles in Europe is expected to grow by 14% p.a. from approximately four million in 2015 to approximately eight million in 2020. Furthermore, by 2020, the penetration rate of telematics technology (i.e. hardware installed in vehicles to collect and share vehicle, driver and environmental data) in Europe's new truck market could reach 99%. The Company expects to see material growth in the area of vehicle connectivity enabling users and manufacturers to analyze vehicle performance data in detail. The Company expects this to lead to additional profit potential from TCO relevant services such as:

- Optimizing the repair and maintenance for vehicles
- Fleet management
- Higher efficiency of the aftermarket network

The Company believes that by offering a holistic platform for connectivity and solutions, OEMs will have the opportunity to drive new business models forward and increase the overall profit pool compared to the status quo. Besides the advantages on the OEM side, customers are also expected to benefit from TCO savings.

13.2.3 Sustainability

The development of modern industrial societies has brought environmental problems that damage the earth's ecosystem. In the transportation industry, demand for increased efficiency, the vision of emission free cities with quieter vehicles and the concept of a zero-carbon footprint drive the need for alternative drivetrains. This is leading to a shift towards electro-mobility.

The indicative timeframe for broader penetration of new electrification related sales in key commercial vehicle classes is depending on the application: city buses in Europe are anticipated to have the fastest adoption, which the Company expects from the beginning of the 2020s. According to Company estimates, medium- and light-duty trucks in Europe are expected to follow in the early 2020s, while heavy-duty trucks' TCO parity (i.e. the point in time when the TCO of a fully electric vehicle equals the TCO of a vehicle with a conventional drivetrain) is expected for the mid-2020s. Electric coaches are likely to start penetrating markets in Europe in the later 2020s (all Company estimates).

Nevertheless, relative advantages of powertrain technology are highly dependent on specific applications, regions and regulatory environment. Alternative powertrains (battery electric/hybrid, hydrogen fuel cell, synthetic fuels, CNG/LNG, biofuels, etc.) will complement diesel engines in the future for both short- and long-haul transportation. In the commercial vehicle market, McKinsey (2018) believes that diesel engines will remain the volume and profit drivers for the foreseeable future. The Company, however, believes that in the long-term, electric vehicles will likely gain more popularity while they still face certain challenges today, for example with respect to necessary infrastructure.

13.3 Key Commercial Vehicles Industry Innovation Trends

The global commercial vehicle market is currently facing a host of innovation trends, which presents both challenges and opportunities for OEMs. Among others, the potentially most significant ones include autonomous driving, connectivity and electrification/alternative fuels.

13.3.1 Autonomous Driving

Fully autonomous driving involves the driving of a vehicle to a specific target location in real traffic without the intervention of a human driver. The current discussion of autonomous driving can be categorized in two basic stages:

- partly autonomous where, in an earlier stage, the driver must continuously monitor the automatic functions and cannot perform any non-driving task; and in a later stage, the automatic system recognizes its own limitations and calls for the driver to take control once necessary. If not actively taking control, the driver can perform a certain degree of non-driving tasks; and
- fully automated where the system can handle all situations independently.

Autonomous driving unlocks vast optimization potential especially in the truck industry due to the usually long, monotonous highway environment. Partly autonomous driving offers limited TCO potential on the basis of lower repair and maintenance costs due to fewer accidents, higher utilization of trucks due to extension of driving hours and lower fuel usage from optimized driving. However, it is a key technological enabler for further stages of autonomous driving.

Fully autonomous driving will have a significant impact on TCO with up to 45% savings for full autonomy mainly resulting from significantly reduced labor cost. It may take approximately 5 to 10 years to achieve full autonomy (McKinsey (2018)).

13.3.2 Connectivity

Connected vehicles feature connectivity equipment, which allows the vehicle to share data, with other devices both inside as well as outside the vehicle. Connected trucks are becoming standard in Europe.

Connected trucks have visible upsides for customers and for OEMs. For customers, such trucks are expected to offer higher uptime and fill rates (e.g., fleet management solutions), lower repair and maintenance costs (e.g., predictive maintenance and extended emergency assistance) and lower fuel usage (e.g., optimized routing and real-time driver coaching) (McKinsey 2016).

Beside TCO savings, connectivity could also help OEMs to defend and potentially strengthen existing revenue streams in sales and aftersales by using predictive maintenance technology to professionalize maintenance cycles. For example, OEMs could obtain a better understanding of customers' needs, optimize their sales and service network, connect trucks and build service offerings across brands, receive a live feedback loop for R&D and facilitate autonomous driving technology. Furthermore, it potentially unlocks new non-traditional business models, such as "capacity as a service," in which OEMs would sell transportation capacity while operating the fleet themselves.

13.3.3 Electrification/alternative fuels

The rise in electrification/alternative fuels is mainly a result of the rising demand for energy efficiency and increasingly strict emissions standards, coupled with the pursuit of fuel efficiency, both regulatory and TCO driven.

There is an increasing amount of regulation of emissions regarding nitrogen oxides ("**NOx**") and particulates, especially in emerging markets. More and more regions are signing on to the Euro VI regulatory framework. For example, in 2025, around 2.6 million trucks globally will require Euro VI or equivalent emission standards, compared to approximately 0.9 million in 2015 (IHS Markit, McKinsey (2018)).

In addition, CO_2 regulation is also tightening. The US and Japan were the frontrunners in terms of ambitious carbon-reduction regulations more than a decade ago. Today, not only have regulations become stricter for the United States and Japan, but every other region has picked up the same trend of adopting stricter regulations. As measures to reduce the emissions of conventional powertrain is decreasing in efficiency and becoming increasingly costly, it is questionable whether combustion engines will be able to achieve the ambitious targets. Alternative powertrains (battery electric, hydrogen/fuel cell, CNG/LNG, synthetic fuels, biofuels) are more likely to gain importance in achieving those emission goals. Nevertheless, the relative advantage of drivetrain technology is highly dependent on specific applications, regions and regulations. Electric vehicles are likely to have a relative advantage in the long-term, however, some challenges remain (e.g. infrastructure). Therefore, traditional combustion engines such as diesel engines remain the "volume and profit engine" for the foreseeable future.

From the customers' perspective, adoption of e-mobility would enable reduction of CO_2 footprint and achievement of potential future emission targets. It also means lower fuel consumption and (depending on application) improved TCO in the mid-to-long-term. TCO savings mainly come from fuel efficiency, as well as partly from savings in repair and maintenance costs.

Electrification technology entails battery (cells, pack and battery management system), propulsion (HEV/ mHEV, BEV eMotor), charging (plug, pantograph) and others such as auxiliaries, bordnet and high voltage-distribution. A systematic approach to gain a modular kit for all segments could help truck OEMs to prepare for the electrification trend.

13.4 Development of Global Truck Sales Volumes

13.4.1 Global road transportation

According to Transparency Market Research, the global road transportation market was estimated to amount to approximately $1,350 billion in 2018 and is expected to grow by approximately 7% p.a. reaching approximately $2,100 billion by 2025. The TRATON GROUP has identified the development of global GDP, positive trends in world trade such as supply chain integration and the rise of e-commerce as key drivers of growth in global transportation. Additionally, the TRATON GROUP considers urbanization to be one of the key drivers of the global road transportation growth, by leading to an increased demand for flexible transportation.

13.4.2 Global truck sales volumes

"**EU28+2**" (EU28 + Norway and Switzerland, excluding Cyprus, Malta and Luxembourg) and "**South America**" (Argentina, Brazil, Bolivia, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Nicaragua, Panama, Peru, Uruguay, Venezuela excluding Mexico and Paraguay) and Mexico are very attractive regions and core markets for the TRATON GROUP. The outlook for both regions is positive: Europe is expected to remain a profitable market driven by innovation whilst in South America, the TRATON GROUP expects a strong recovery driven by Brazil.

The truck OEM and service solutions industry has grown overall since 1980. In recent years, neither Western Europe nor South America have reached their historical peak levels, although the long-term trend in the markets has been positive. Based on data from the VDA, volumes in Western Europe (EU15 + EFTA: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, United Kingdom + Iceland, Liechtenstein, Norway and Switzerland) in 2018 were 15% below the 2007 peak and volumes in the United States are 10% below the peak of 2006. Based on IHS Markit data, volumes in South America in 2018 were 47% below the 2011 peak.

The following numbers are based on IHS Markit data (rounded), unless otherwise indicated.

EU28+2: Total HDT and MDT sales in EU28+2 have grown from 321,000 units in 2015 (48,000 MDT units and 273,000 HDT units) and 368,000 units in 2017 (53,000 MDT units and 315,000 HDT units) to 381,000 units in 2018 (50,000 MDT units and 332,000 HDT units) (2015-2018 CAGR of 5.8%; 0.8% for MDT units and 6.7% for HDT units). In the short term, between 2018 and 2019, volumes are expected to decline by 3.1% (2.3% growth for MDT units and 3.9% decline for HDT units) to 369,000 units sold. Between 2018 and 2025 volumes are expected to grow by 0.6% p.a. (2.9% for MDT units and 0.2% for HDT units), resulting in 396,000 units sold in 2025 (60,000 MDT units and 336,000 HDT units). Between 2018 and 2025 the portion of HDT units is expected to remain stable at approximately 85%-87% of the total volumes. The key market trends include volume expansion driven by economic growth and expected further profit upside from services.

South America (including Brazil): Total HDT and MDT sales in South America have grown from 124,000 units in 2015 (53,000 MDT units and 71,000 HDT units) and 104,000 in 2017 (37,000 MDT units and 68,000 HDT units) to 126,000 units in 2018 (38,000 MDT units and 88,000 HDT units) (2015-2018 CAGR of 0.4%; 11.1% decline for MDT units and 7.6% growth for HDT units). In the short term, between 2018 and 2019, volumes are expected to grow by 6.3% (12.5% for MDT units and 3.7% for HDT units) to 134,000 units sold (42,000 MDT units and 91,000 HDT units). Between 2018 and 2025 volumes are expected to grow by 3.2% p.a. (4.6% for MDT units and 2.5% for HDT units), resulting in 156,000 units sold in 2025 (51,000 MDT units and 105,000 HDT units). Between 2018 and 2025 the portion of HDT units is expected to decline from approximately 70% to approximately 67% of the total volumes. As of 2018, the market was down 47% compared to 2011 levels. However, the Company expects the macroeconomic situation in Brazil to continue to develop positively which will be a key driver for truck demand in the region, due to GDP growth and acceleration of investments. In Brazil, the truck market (based on trucks ≥ 6t) has grown by approximately 55% between 2017 and 2018. It is expected that the truck market will grow annually by approximately 10% between 2018 and 2021 with an annual market growth potential of up to 17% in the next 5 years (annual growth potential under the assumption that the ratio number of trucks sold to GDP (BRL bn) returns from 2018 (40x) level to the 2008-2014 historical average of 79x in the next five years (Real GDP forecast based on IMF)).

Russia: Total HDT and MDT sales in Russia have grown sharply from 49,000 units in 2015 (16,000 MDT units and 33,000 HDT units) and 78,000 units in 2017 (16,000 MDT units and 62,000 HDT units) to 80,000 units in 2018 (17,000 MDT units and 62,000 HDT units) (2015-2018 CAGR of 17.5%; 2.0% for MDT units and 23.9% for HDT units). In the short term, between 2018 and 2019, volumes are expected to grow by 4.5% (2.4% for MDT units and 5.1% for HDT units) to 83,000 units sold (18,000 MDT units and 65,000 HDT units). Between 2018 and 2025 volumes are expected to grow by 5.0% p.a. (5.4% for MDT units and 4.9% for HDT units), resulting in 112,000 units sold in 2025 (25,000 MDT units and 87,000 HDT units). The key market trends include a volume expansion driven by economic growth accompanied by a margin increase (McKinsey (2019)). Between 2018 and 2025 the portion of HDT units is expected to continue accounting for approximately 78% of the total number of trucks sold (IHS Markit).

China (including Hong Kong): Total HDT and MDT sales in China have grown from 754,000 units in 2015 (201,000 MDT units and 553,000 HDT units) to 1,347,000 units in 2017 (229,000 MDT units and 1,117,000 HDT units) and declined to 1,325,000 units in 2018 (177,000 MDT units and 1,148,000 HDT units) (2015-2018 CAGR of 20.7%; 4.2% decline for MDT units and 27.6% growth for HDT units). 2018 volumes are impacted by replacement demand driven by stricter environmental regulation (McKinsey (2018)) and volumes are expected to decline significantly by 19.9% (13.5% growth for MDT units and 25.1% decline for HDT units) to 1,061,000 units in 2019 (201,000 MDT units and 860,000 HDT units). Between 2018 and

2025 volumes are expected to decrease by 4.8% p.a. (3.5% growth for MDT units and 6.6% decline for HDT units), resulting in 936,000 units sold in 2025 (225,000 MDT units and 711,000 HDT units). Between 2018 and 2025 the portion of HDT units is expected to decrease from approximately 87% to approximately 76% of the total volumes. The premium import and upper budget segments are expected to grow from approximately 2-3% to approximately 27% by 2030. The premium import 2% share by 2030 is defined as more than RMB 700,000 and upper budget is defined as RMB 400,000 to 700,000 (McKinsey (2019)).

North America (including Canada, Mexico and United States): Total HDT and MDT sales in North America have grown from 502,000 units in 2015 (207,000 MDT units and 295,000 HDT units) and 475,000 units in 2017 (236,000 MDT units and 239,000 HDT units) to 560,000 units in 2018 (255,000 MDT units and 305,000 HDT units) (2015-2018 CAGR of 3.8%; 7.3% for MDT units and 1.2% for HDT units). In the short term, between 2018 and 2019, volumes are expected to grow by 0.3% (1.8% decline for MDT units and 2.1% growth for HDT units) to 562,000 units sold (251,000 MDT units and 312,000 HDT units). Between 2018 and 2025 volumes are expected to decline by 0.7% p.a. (1.7% decline for MDT units and 0.1% growth for HDT units), resulting in 534.000 units sold in 2025 (227,000 MDT units and 307,000 HDT units). Between 2018 and 2025, the portion of HDT units is expected to remain stable at approximately 54%-57% of the total volumes. The market is characterized by a mixed outlook. Services and aftermarket business are expected to increase.

South East Asia (including Indonesia, Australia, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam): Total HDT and MDT sales in South East Asia have grown from 191,000 units in 2015 (114,000 MDT units and 77,000 HDT units) and 227,000 units in 2017 (132,000 MDT units and 95,000 HDT units) to 240,000 units in 2018 (135,000 MDT units and 105,000 HDT units) (2015-2018 CAGR of 7.9%; 5.8% in MDT units and 10.8% growth in HDT units). In the short term, between 2018 and 2019, volumes are expected to decline by 2.3% (2.7% decline in MDT units and 1.7% decline in HDT units) to 235,000 units sold (131,000 MDT units and 103,000 HDT units). Between 2018 and 2025, truck sales are expected to decline by 0.3% p.a. (0.7% decline in MDT units and 0.1% growth in HDT units), resulting in 234,000 units sold in 2025 (128,000 MDT units and 106,000 HDT units). Between 2018 and 2025 the portion of HDT units is expected to remain stable at approximately 44%-45% of the total volumes. The market is characterized by a mixed growth outlook with weaknesses in domestic demand.

Japan: Total HDT and MDT sales in Japan are expected to have grown from 86,000 units (42,000 MDT units and 44,000 HDT units) in 2015 and 92,000 units in 2017 (45,000 MDT units and 47,000 HDT units) to 88,000 units in 2018 (40,000 MDT units and 48,000 HDT units) (2015-2018 CAGR of 0.9%; 1.2% decline in MDT units and 2.8% growth in HDT units). In the short term, between 2018 and 2019, volumes are expected to decline by 5.0% (5.8% decline in MDT units and 4.4% decline in HDT units) to 84,000 units sold (38,000 MDT units and 46,000 HDT units). Between 2018 and 2025, truck sales are expected to decline by 2.9% p.a. (3.2% decline in MDT units and 2.6% decline in HDT units), resulting in 72,000 units (32,000 MDT units and 40,000 HDT units) sold in 2025. Between 2018 and 2025 the portion of HDT units is expected to remain stable at approximately 54%-56% of the total volumes. The TRATON GROUP expects a moderate decline due to the threat of US tariffs dampening investment confidence resulting in a mixed outlook. The Company expects profits from aftersales services to remain solid.

13.5 Competitive Environment of the Truck Industry

13.5.1 Barriers to Entry

The Company believes that the truck industry is characterized by high barriers to entry with only a limited number of OEMs that can compete on a global scale. These barriers to entry mainly relate to customization and sophistication, service network and technology.

- **Customization and sophistication of products and services**: Most trucks, both medium- and heavy-duty, are highly customized to cater to various customer needs. This is driven by a broad array of heterogeneous customers which have different specifications and requirements. Besides customer specifications, it is also required that trucks and associated services meet strict regulatory standards in order to comply with governing laws across jurisdictions.
- **Service network**: For truck OEMs, a large and dense service network is fundamental to adequately service customers given the high uptime requirements for trucks. Besides the availability of a service network, the network must offer consistent high quality service standards.
- **Technology**: In a sophisticated market environment with demanding customers, competitive state-of-the-art R&D and innovation capabilities are essential for a truck OEM in order to fulfil client needs. Continuous customer focused innovation and technology leadership can help reduce the total cost of ownership of a truck and to position brands.

13.5.2 Market Position and Key Competitors

Within the global HDT market, only a limited number of OEMs are competing on a global scale. In 2018, the top three market participants held 76% market share in the EU28+2, 84% market share in North America (USA, Canada and Mexico) and 74% in South America based on HDT units sold. Based on IHS Markit data, the TRATON GROUP's market share in 2018 across regions was as follows, based on HDT units sold:

- EU28+2: market leader with 33% market share
  - Germany: market leader with 38% market share (Scania, MAN)
- South America: market leader with 30% market share
  - Brazil: market leader with 37% market share (Scania, MAN, VWCO)
- Russia: 19% market share (#2 market position) (Scania, MAN)

In selected markets, the TRATON GROUP has alliance partners which had the following market shares within their respective regions in 2018, based on units sold:

- China (including Hong Kong): China National Heavy Duty Truck Group Co., Ltd ("**CNHTC**") (parent company of Sinotruk) had 16% market share (#3 market position) for HDT
- North America (USA and Canada): Navistar had 13% market share (#4 market position) for HDT
- South East Asia: Hino was the market leader with 38% market share for HDT
- Japan: Hino was the market leader with 40% market share for trucks above 6t (MDT and HDT).

13.6 Bus Industry

According to LMC 2019, global bus sales (gross vehicle weight >6t) have declined by a CAGR of 1.1% between 2015 and 2018 from 383,000 units to 370,000 units. The global bus sales 2018-2019 CAGR is estimated at 3.2%. Between 2018 and 2023, global bus sales are expected to grow by 1.9% p.a., reaching 408,000 units by 2023. Main growth drivers are the markets in Asia (expected 2.0% CAGR 2018-2023), Europe (expected 1.8% CAGR 2018-2023) and North America (expected 2.0% CAGR 2018-2023).

13.6.1 European Bus Industry

According to LMC 2019, bus sales in Europe (gross vehicle weight >6t) are expected to have grown from 47,100 units in 2015 to 49,000 units in 2018 (2015-2018 CAGR of 1.3%). Volumes are expected to decline to 48,500 units in 2019 (2018-2019 expected CAGR of 0.8% decline). Between 2018 and 2023 volumes are expected to grow by 1.8% p.a., resulting in 53,600 units by 2023.

Key growth drivers include population growth, the higher urbanization rate and the increased demand for mobility and public transport. Buses are an attractive mode of transport given they are comparably cheap, flexible and do not require a lot of additional infrastructure.

14 BUSINESS

14.1 Overview

The TRATON GROUP was founded in 2015 (then Volkswagen Truck & Bus) to bring together the strong commercial vehicle brands Scania, MAN and VWCO and to create a global leader in profitability, global presence and customer-focused innovation. The TRATON GROUP's "Global Champion" strategy to achieve this goal seeks to drive growth, improve profitability and leverage synergies.

In the fiscal year ended December 31, 2018, the TRATON GROUP sold a total of approximately 233,000 vehicles, generating sales revenue of EUR 25.9 billion, an operating profit of EUR 1.5 billion (adjusted operating profit of EUR 1.7 billion) and an adjusted return on sales of 6.4%.

With a total of 80,940 employees, 29 production and assembly sites in 17 countries and jurisdictions and approximately 3,900 captive and non-captive service centers (centers used by more than one brand counted only once; each as of December 31, 2018), the TRATON GROUP has a global footprint with significant presence in its key markets, Europe and South America/Mexico. The TRATON GROUP has its headquarters in Munich, Germany, where TRATON SE, the parent company of the Group, has its registered office.

The TRATON GROUP sold 232,992 units in the fiscal year ended December 31, 2018. When taken together with its alliance partners Navistar International Corporation ("**Navistar**"), Sinotruk (Hong Kong) Ltd. ("**Sinotruk**") (including the units sold by China National Heavy Duty Truck Group Co., Ltd ("**CNHTC**")) and Hino Motors, Ltd. ("**Hino Motors**"), the TRATON GROUP was No. 1 worldwide in terms of heavy-duty trucks sold in 2018 and held No. 1 market positions in its core markets of Europe (i.e. EU28+2, as defined in section 13.4.2) and South America (as defined in section 13.4.2) (IHS Markit). Of those 232,992 units sold in 2018, the TRATON GROUP sold 76.8% in EU28+2 (56.3%) and South America (20.5%). The remaining units were sold in Asia-Pacific (6.8%), the Middle East (3.7%), Africa (4.1%), North America (1.5%) and Russia/Rest of Europe (7.1%).

TRATON GROUP's brand Scania is the brand name of Scania AB and its consolidated subsidiaries ("**Scania**"), a global provider of transport solutions and manufacturer of heavy trucks, buses and engines. TRATON GROUP's brand MAN is the brand name of MAN SE and its consolidated subsidiaries (excluding VWCO) ("**MAN**"), a global manufacturer of trucks, buses and engines and a supplier of vans. TRATON GROUP's brand VWCO is the brand name of MAN Latin America and its consolidated subsidiaries ("**VWCO**"), a provider of light- to heavy-duty trucks and bus chassis customized for markets such as South America, Mexico and Africa. TRATON GROUP's brand RIO is the brand name of TB Digital Services GmbH ("**RIO**").

The TRATON GROUP's most important products are heavy-duty trucks (>16 tons), medium- and light-duty trucks (<16 tons) and buses. In the fiscal year ended December 31, 2018, Scania sold 96,475 trucks and buses, MAN sold 100,357 trucks, buses and vans and VWCO sold 36,160 trucks and buses (accounting for 41.4%, 43.1% and 15.5%, respectively, of the total number of units sold by the TRATON GROUP). The Group's industrial business also includes external engines and components for marine and industrial applications, as well as used vehicles. In addition to its new and used vehicle offering, the TRATON GROUP also has an aftersales business, which contributes a significant portion to its sales revenue and operating profit. The Group's services comprise a range of digital solutions, including an extended service offering based on a connected ecosystem, as well as flexible maintenance plans. Through its brand RIO, the TRATON GROUP aims to provide a digital platform for the entire transportation industry that bundles digital solutions for the transportation and logistics ecosystem. In the fiscal year ended December 31, 2018, before consolidation effects, the Industrial Business segment generated sales revenue of EUR 16,216 million (or 65.0%) from the sale of new vehicles, EUR 4,730 million (or 18.9%) from aftersales and the remaining EUR 4,017 million (or 16.1%) from other sales revenue, which includes used vehicles, engines, powertrains and part deliveries, the leasing business and interest and similar income and other sales revenue including sales revenues from hedging transactions.

The TRATON GROUP's financial services business offers its customers an extensive range of financial services, including dealer and customer financing, leasing and insurance products. Scania offers financial services through its own subsidiaries. MAN and VWCO offer such services through subsidiaries of the Volkswagen Group and therefore do not generate income from financial services. In the fiscal year ended December 31, 2018, before consolidation effects, the TRATON GROUP's Financial Services segment generated sales revenue before intersegment reconciliation (comprising lease income and interest and similar income) of EUR 760 million and operating profit of EUR 138 million.

14.2 Investment Highlights

The TRATON GROUP is dedicated to creating a "Global Champion" – a leader in profitability, with global presence and customer-focused innovation. Pursuing its Global Champion Strategy, the TRATON GROUP is aiming to deliver across four areas: (i) creating a Global Champion in the transportation industry, (ii) driving growth with customer value focused products and services, (iii) improving profitability and exploiting synergies and (iv) execution of the Global Champion strategy by a strong team.

14.2.1 Global Champion Strategy

The Company believes its leading brands and its strategic alliances provide it with scale and global reach to enable growth and reach best-in-class profitability.

The TRATON GROUP was founded in 2015 (then Volkswagen Truck & Bus) to bring together three strong commercial vehicle brands, Scania, MAN and VWCO, and to allow them as a Group to acquire greater economies of scale, improve global competitiveness and develop stronger powers of innovation as well as to enhance the value of their products for their customers. To achieve this vision, the TRATON GROUP intends to implement its Global Champion strategy. At the core of its Global Champion strategy are the TRATON GROUP's leading brands Scania, MAN and VWCO. Furthermore, the aim is to increase cooperation and exploit synergies between the brands, leverage further scale through global expansion and address future challenges with customer-focused innovation.

The TRATON GROUP's current core markets comprise Europe and South America, where the Group held No. 1 market positions in 2018. In Europe (EU 28+2), the TRATON GROUP's brands MAN and Scania make it the market leader in the heavy-duty truck market (>15 tons), with a market share of 33% in 2018, as well as the market leader in Germany with a market share of 38% in 2018. Likewise, the TRATON GROUP enjoyed a No. 1 market position in South America in 2018, where it had a market share of 30% and is the market leader, mainly through its brands VWCO and Scania, in the truck market (>15 tons) in Brazil, with a market share of 37% in 2018 (IHS Markit).

To further tap into profit pools associated with other markets, in particular North America and Asia, the TRATON GROUP intends to further expand globally through organic growth and strategic alliances. In North America, the TRATON GROUP entered into a wide-ranging strategic alliance with the U.S.-based truck manufacturer Navistar in 2016, as part of which it also acquired a 16.6% equity stake in Navistar in 2017, which was further increased and amounted to 16.77% as of May 31, 2019. This alliance with Navistar includes cooperation on technology and R&D, where the Company provides Navistar with certain powertrain technologies expected to be launched as of 2020/21 and a procurement joint venture, which has been in operation since 2017 and has achieved significant purchasing synergies. To better access one of the largest truck markets in the world, China, MAN has maintained a partnership with Sinotruk since 2009, as part of which it also acquired a 25% plus 1 share stake in Sinotruk. Currently, the two companies are evaluating the implementation of a cooperation agreement, entered into in September 2018, to form a joint venture to expand the partnership, including the localization of MAN truck(s) for the Chinese market and the potential realization of extended technology and procurement cooperation. In Japan and Southeast Asia, the TRATON GROUP entered into a strategic alliance with Hino in April 2018 and recently agreed on two specific strategic cooperation initiatives in the field of e-mobility and the pursuit of a procurement joint venture.

The TRATON GROUP, together with its alliance partners Navistar, Sinotruk (including CNHTC sales) and Hino, was No. 1 worldwide in terms of the number of heavy-duty trucks sold in 2018 (IHS Markit). The Company believes that greater scale through geographic expansion will give it a competitive edge in an environment of increasing competition among both global truck manufacturers and regional/local OEMs. Furthermore, the Company believes that broader geographic reach through alliance partners will help it grow its revenue base and profitability in attractive new markets while reducing its exposure to cyclicality of the transportation industry in its current core markets.

Finally, the Company believes that creating a Global Champion will enable it to successfully address future technological challenges and to seize opportunities associated with three megatrends that are currently transforming the transportation industry: globalization, digitalization and sustainability. The TRATON GROUP is developing solutions, including in the areas of autonomous driving, connectivity and electrification/alternative fuels, that address these megatrends with a focus on reducing inefficiencies and enhancing customer value, in particular TCO which is a principal factor in customers' purchase decisions. The Company believes it will be able to leverage its platform and scale as a Global Champion in the transportation industry as a basis to develop such new technologies and transport solutions profitably and to further expand into attractive new markets. The TRATON GROUP further believes that the ability to lead the transport sector towards sustainability is a prerequisite for the TRATON GROUP's long-term success.

14.2.2 Driving Growth

The TRATON GROUP is focused on achieving further business growth, in particular through a customer value-focused offering of products and services, new product generations as well as expansion in key geographies.

The TRATON GROUP has identified four key levers for driving growth, which it believes will accelerate its progress towards becoming a Global Champion in the transportation industry: (i) sustaining the Group's core business; (ii) going global; (iii) growing the Group's market share; and (iv) driving innovation.

Sustaining the Group's core business

The foundation of the TRATON GROUP's growth strategy is sustaining its core business in its core markets, Europe and South America/Mexico and, in particular, maintaining its market leadership in Europe and Brazil. The global truck production outlook for these markets remains broadly positive with stable volumes expected in Europe (EU 28+2) in the mid-term (with an estimated CAGR in units sold of 0.6% from 2018 to 2025) (IHS Markit) and a recovery expected in South America (excluding Mexico) (with an estimated CAGR in units sold of 3.2% from 2018 to 2025) (IHS Markit). Furthermore, volumes in Western Europe and South America have not yet reached their historical peaks following various economic downturns. In Western Europe, truck production in 2018 was 15% lower (in terms of units sold) compared to the historical peak in 2007, according to VDA. In South America, trucks sold in 2018 was 47% lower compared to 2011, before the market slowdown in 2012, according to IHS Markit. By sustaining its core business in these markets, including its aftersales business, the TRATON GROUP plans to capitalize on its current market leadership to grow as these markets grow. Furthermore, the TRATON GROUP aims to further grow its aftersales business revenue as its rolling fleet continues to grow.

Going global

For the TRATON GROUP, going global means tapping into global profit pools via strategic alliances such as those with Sinotruk, Navistar and Hino as well as growing organically in global markets and expanding the existing business. In particular, the TRATON GROUP intends to leverage its "smart partnerships" with Sinotruk, Navistar and Hino to pursue growth in attractive international markets and to fully leverage such mutually beneficial partnerships.

The global transportation market is expected to grow at a CAGR of approximately 7% between 2018 and 2025, driven, among other things, by the rise of e-commerce and well-established transportation channels, among other factors (Transparency Market Research). As the TRATON GROUP expands globally, it will be increasingly exposed to global trends in the transportation industry, which it believes represents an opportunity that the TRATON GROUP intends to capitalize on. While the European (including Western Europe and Central and Eastern European regions) profit pool is estimated to comprise 30-35% of today's global truck profit pool (as of 2017), NAFTA represents a share of approximately 35% and Asia (China approximately 15% and Southeast Asia approximately 10%) a share of approximately 25% of global profits (McKinsey (2019)), making them highly attractive markets. Beyond targeting the major mature markets, the TRATON GROUP also intends to benefit from accessing growing addressable market segments in China, South America and other emerging markets. The addressable market for Western players in such markets is expected to grow as stricter regulations and emission standards are being implemented globally over the coming years. For example, in 2025, approximately 2.6 million trucks globally (including the United States, Canada, Mexico, the EU28+2, Japan, Brazil, China, Russia and India) are expected to require Euro VI or comparable emission standards, compared to approximately 0.9 million trucks (meaning trucks from the EU28+2, North America and Japan) in 2015 (IHS Markit and McKinsey (2018)). This represents a significant opportunity for technology leaders, such as the TRATON GROUP, to tap into these emerging markets. Additionally, the Company believes that China's expected shift towards premium and upper budget segments will potentially boost sales of Western OEMs which cater to such segments.

Growing market share

The TRATON GROUP intends to generate further growth by increasing its market share in its existing and new markets. It believes that the new truck generations for each of the TRATON GROUP brands, which are the first new product generations since 1995 for Scania, since 2000 for MAN and since 2005 for VWCO, and which the Group expects to have completely launched for all its brands by 2021, will enhance the TRATON GROUP's technology and innovation leadership and increase sales revenue as well as market penetration. In particular, the new truck generations aim at optimizing the customers' TCO through lower fuel consumption, increased operational uptime and improvements in safety (for example, shorter stopping distance). According to experience with Scania's NTG, new product launches can act as a catalyst of market share gains and give room for future price increases. By further increasing the focus of products and services on customer value and TCO, the TRATON GROUP intends to increase its market share.

Additionally, in light of its large and growing rolling fleet, the TRATON GROUP considers itself well-positioned to increase sales revenue from aftersales services. As aftersales services generally have higher margin potential than the sale of new trucks, the growth of this source of sales revenue may result in disproportionately higher profit growth. The TRATON GROUP's trucks are often sold with service contracts that run for a number of years, allowing it to lock in future revenue and generate a resilient and attractive profit stream.

Driving innovation

The TRATON GROUP intends to establish itself as a customer value-focused innovation leader addressing the transformative megatrends in the transportation industry while using capital wisely. The transportation industry is currently facing three key megatrends causing fundamental changes: globalization, digitalization and sustainability. In the transportation context, these megatrends are driving several new technologies: autonomous driving, connectivity and electrification/alternative fuels. The Company believes that these disruptive developments in the transportation industry offer significant opportunities for the relatively small number of OEMs, such as the TRATON GROUP, which have a comparative advantage in innovative product development.

In the transportation industry, the penetration of new technologies is strongly driven by the potential advantages for customers, for whom the reduction of TCO as determined by fuel consumption, driver costs, repair and maintenance costs and other factors is crucial.

Being focused on further advancing its technological leadership in autonomous driving, the TRATON GROUP has implemented an ambitious roadmap for automated driving with the development of innovative products, some of which are already in use. As fully automated driving has the potential to significantly reduce driver costs, it constitutes a unique market opportunity for OEMs to further improve TCO levels and create value for their customers if and to the extent it is enabled by corresponding legislation. As steps towards fully automated driving, for example, the TRATON GROUP is currently operating autonomous transport systems and testing platooning in live traffic in a collaboration with a customer.

Similarly, connectivity has the potential to substantially reduce TCO. The penetration of connectivity, i.e. the number of connected vehicles, in Europe is rising rapidly, from approximately 4 million commercial vehicles in 2015 to an estimated 8 million in 2020 resulting in 14% growth p.a., and is expected to reach over 99% in Europe's new trucks by 2020 (regarding telematics technology) (McKinsey (2016)). Likewise, >80% of the rolling fleet in North America, the EU and Japan are expected to be connected by 2030 (McKinsey (2018)). Accordingly, OEMs stand to gain from connected services and solutions, including profit potential from flexible repair and maintenance services, fleet management and higher efficiency of the aftersales network. The TRATON GROUP intends to leverage its digital platform, RIO to expand its offering of intelligent, digital transport solutions, drawing on data from its connected fleet of more than 450,000 vehicles across all brands to increase vehicle uptime, optimize internal processes and vehicle usage and reduce maintenance costs. Almost every Scania and MAN Euro VI heavy-duty and medium-duty truck will be connected from 2019 onwards.

To address clean driving and sustainability trends, the TRATON GROUP intends to leverage its expertise in powertrain technology to reduce TCO through lower fuel consumption and more efficient maintenance. In this respect, the TRATON GROUP is not only concentrating on electric powertrains but also on alternative fuel solutions. In particular, the Group is currently developing or has developed a number of products with electric powertrains, including its e-Delivery truck, electric trucks for intra-city distribution, trucks for e-highways, and electric buses. Since alternative fuels can be more beneficial for the Group in the short- and mid-term or in specific applications, the TRATON GROUP is also working on various alternative fuel solutions to complement its diesel product offering. In fact, the TRATON GROUP's brand Scania currently offers a broad range of alternative fuel technologies and is well-positioned to benefit from a shift to such alternative fuels. Likewise, MAN offers such alternative fuel technologies.

The Company believes that it is well-positioned to capture opportunities presented by the autonomous driving, connectivity and electrification/alternative fuels trends and that it will therefore benefit from the transformation of the commercial vehicle industry induced by globalization, digitalization and sustainability.

14.2.3 Improving Profitability and Leveraging Synergies

The Company believes that it has the potential to increase earnings, improve profitability based on enhanced stand-alone brand performance and exploit synergies among its brands.

Brand performance

Having implemented a number of strategic brand performance and operational improvement programs over the last few years, most recently the programs "Focus & Ambition" at Scania, "PACE2017" at MAN and a

comprehensive turnaround program at VWCO, the TRATON GROUP has a strong track record of performance enhancement across its brands. The Company believes there is still potential to further advance brand performance and increase the TRATON GROUP's profitability.

From 2016 to 2018, the TRATON GROUP's brand Scania (including Scania Financial Services as defined below in "*14.6.1 Scania Financial Services*" and post Scania consolidation effects, excluding purchase price allocation), improved its adjusted Return on Sales from 9.4% in the fiscal year ended December 31, 2016 to 10.0% in the fiscal year ended December 31, 2017, and to 10.1% in the fiscal year ended December 31, 2018, through, among other things, improved product positioning combined with strong volumes in Europe and the sale of more high-margin services. Notably, Scania achieved these improvements while bearing the costs of introducing a full new truck generation. Scania aims to achieve a strategic target of 12.0% adjusted Return on Sales over the cycle.

MAN (reported as MAN T&B) was able to increase its adjusted Return on Sales from 4.4% in the fiscal year ended December 31, 2016 to 4.8% in the fiscal year ended December 31, 2017, and to 5.0% in the fiscal year ended December 31, 2018, through, among other things, streamlining its production and material costs, increasing its aftersales and services and reducing its fixed costs, supported by higher volumes in the European market over the period. MAN aims to achieve a strategic target of 8.0% adjusted Return on Sales over the cycle.

VWCO (reported as VWCO), following the Brazilian economic crisis, improved its adjusted Return on Sales from (15.6)% in the fiscal year ended December 31, 2016 to (8.8)% in the fiscal year ended December 31, 2017, and to 2.0% in the fiscal year ended December 31, 2018, mainly through increased average price per vehicle, cost efficiencies, and corporate restructuring including headcount reductions. VWCO aims to achieve a strategic target of 8.0% adjusted Return on Sales over the cycle.

The brands continue to focus on improving their performance with additional dedicated performance programs. In its ongoing "Product Cost Optimization Program", which is part of its "Focus & Ambition" program, Scania, for example, is focused on improving the product cost of its new truck generation globally now that parallel production has come to an end. MAN aims to increase its market share in Europe (outside Germany) and to continuously work on its cost base under its "Operational Excellence" program and its intended launch of a new truck generation, and VWCO intends to leverage the recovering Brazilian market utilizing its new delivery truck generation.

Synergies

As part of the Group's Global Champion strategy, the TRATON GROUP aims at improving long-term cooperation between the brands. Such cooperation consists of the exploration and exploitation of synergy effects across the Group's brands and alliance partners, which the Company believes will also contribute to its profitability. Furthermore, the TRATON GROUP continuously seeks to improve its operating efficiency and has implemented holistic target setting.

The TRATON GROUP intends to leverage synergies across five dimensions:

- purchasing (including lead buying of parts and components);
- modularization and components (increasing the share of common components across different products);
- joint powertrain (in particular common base engine, after treatment, transmission and axle);
- new technologies (common electric powertrain, common future technology platform and autonomous driving/ADAS); and
- production footprint and logistics (optimizing global footprint in terms of facilities and logistics processes).

The Company believes that the area of purchasing offers the most upside potential in terms of synergy effects in the short- and long-term, complemented by more long-term effects from joint powertrain and common components. Economies of scale are key to the Group's Global Champion strategy by enabling it to exploit synergies and thereby drive the Group's profitability.

By leveraging the Group's performance improvement programs and realizing synergies across the Group's brands and alliance partners, the TRATON GROUP has been able to increase its profitability by increasing adjusted Return on Sales from 5.4% in 2016 to 6.4% in 2018 and believes it will be able to further realize bottom line improvements and synergies in order to achieve its strategic target of 9.0% adjusted Return on Sales over the cycle.

14.2.4 Execution of Global Champion Strategy by a Strong Team

The TRATON GROUP has a strong management team at both the Group level and the brand level with extensive industry experience that is supported by dedicated employees committed to delivering on the Group's Global Champion strategy.

The TRATON GROUP has an experienced, industry-tested management team at the Group level that has, on average, more than 25 years of experience in the transportation industry. Likewise, the TRATON GROUP's individual brands profit from the experience and industry knowledge of the members of their management teams who are responsible for implementing the individual strategic goals of each brand. In particular, in the last few years, the brand-level management teams have delivered strong results in implementing strategic performance and operational improvement programs which have resulted in the improvement of each brand's profitability. Furthermore, the TRATON GROUP management team and the brand management teams have successfully initiated various strategic alliances and undertaken serious efforts to identify synergy potential across the brands and the Group's alliance partners, which is also supported by the fact that managers from different brands have been easily integrated in other brands. Moreover, the TRATON GROUP has a motivated workforce that is well-qualified and dedicated to the success of the individual brands of the TRATON GROUP.

Overall, the Company believes that the collective experience of the Group's management, the brands' management teams and the TRATON GROUP's workforce thus provides it with the skills needed to deliver on all key levers of the TRATON GROUP's strategy and puts the TRATON GROUP's management teams, at the Group and at the brand level, in a strong position to pursue its strategic goals and create a Global Champion in the transportation industry.

14.3 History and Key Milestones

The Company, a wholly-owned subsidiary of Volkswagen AG, was established in its current form in July 2015, initially operating as Volkswagen Truck & Bus GmbH. On June 26, 2018, Volkswagen Truck & Bus GmbH was transformed into a German stock corporation (*Aktiengesellschaft*). The Company was then renamed TRATON AG on August 30, 2018. The new company name TRATON reflects terms that define the Group's identity: transportation, tradition, transformation, tonnage and an always-on attitude. TRATON AG was transformed into a Societas Europaea on January 17, 2019, becoming TRATON SE. However, the origins of the Company's brands Scania, MAN and VWCO and their respective legal entities can be traced back to Scania AB in Sweden, MAN SE and MAN Truck & Bus SE in Germany and MAN Latin America in Brazil.

Scania

Scania's heritage dates back to 1891 when Vagnfabriks Aktiebolaget i Södertelge ("**Vabis**"), a manufacturer of railway cars, was founded in Södertälje Sweden. In 1911, Scania AB was formed (named "**AB Scania-Vabis**") through a merger of Vabis and Maskinfabriks-aktiebolaget Scania, a manufacturer of bicycles, cars and trucks that was established in Malmö, Sweden in 1900. In 1948, the company became the general dealer for Volkswagen AG in Sweden, helping it set up a closely-knit network of dealerships that sold automobiles as well as commercial vehicles. In 1968, AB Scania-Vabis merged with Saab AB, a Swedish manufacturer of aircraft and automobiles, and changed its legal name to Saab-Scania AB. When Saab-Scania AB was split up in 1995, the name of the truck and bus division was renamed Scania AB. In 1996, Scania became a listed company on the Stockholm Stock Exchange and the New York Stock Exchange. Volkswagen AG subsequently acquired Scania AB between the years 2000 and 2015 and delisted Scania AB in 2014. In March 2016, the shares in Scania AB were transferred from Volkswagen AG to Volkswagen Truck & Bus GmbH (now TRATON SE). Today, TRATON SE directly and indirectly holds 100% of the voting rights in Scania AB (17.37% of the voting rights are held by MAN SE).

MAN

The MAN group's origins date back to 1758 when the "St. Antony" iron mill was founded in Oberhausen (Rhineland), Germany. This mill and two other metallurgical plants were later merged to form "Gutehoffnungshütte Actienverein für Bergbau und Hüttenbetrieb" ("**GHH**"). GHH was incorporated in 1808. In 1908, the Maschinenfabrik Augsburg Aktiengesellschaft, first established as Sander'sche Maschinenfabrik in Augsburg in 1840, adopted the name Maschinenfabrik Augsburg-Nürnberg AG ("**M.A.N.**") after having merged with Nuremberg-based Klett & Comp. GHH acquired M.A.N. in 1921. In 1971, Büssing AG, a vehicle manufacturer, and in 1972, the Büssing sites in Brunswick (*Braunschweig*) and Salzgitter, Germany were acquired. In 1973 the legal form of Büssing AG was changed to a limited liability company (*Gesellschaft mit beschränkter Haftung - GmbH*) and it was renamed to M.A.N. Nutzfahrzeuge GmbH in 1985. Furthermore, in 1986, M.A.N. was merged into GHH (at this time named

"Gutehoffnungshütte Aktienverein Aktiengesellschaft") which was subsequently renamed into "MAN Aktiengesellschaft". In July 1985, the business divisions for commercial vehicles, engines, plant engineering and new technologies were spun off into legally independent entities and the commercial vehicles part was integrated into M.A.N. Nutzfahrzeuge GmbH, trading today under the name MAN Truck & Bus SE. MAN Truck & Bus SE is a wholly-owned subsidiary of MAN SE. In 2009, the legal form of MAN Aktiengesellschaft was changed to a Societas Europaea (SE – European Stock Corporation), making it MAN SE. Until May 2011, VW held 29.9% of the voting rights in MAN SE. After acquiring further shares and increasing its voting rights to 30.5%, VW was legally required to make a public offer for all shares in MAN SE, which resulted in VW holding 55.9% of the voting rights in MAN SE as of November 2011. In June 2012, Volkswagen AG acquired further shares, increasing its share of voting rights to 75.03%. In April 2013, the shares in MAN SE were transferred from Volkswagen AG to Truck & Bus GmbH (now TRATON SE). On October 8, 2018, TRATON SE increased its voting rights held in MAN SE to 87.04% and as of the date of this Prospectus holds 94.68% of the voting rights in MAN SE.

VWCO

MAN Latin America was originally founded in 1958 as Simca do Brasil Ltda., the Brazilian subsidiary of the former French commercial vehicle manufacturer Société Industrielle de Mécanique et Carrosserie Automobile (SIMCA). In 1966, Simca do Brasil Ltda. was acquired by Chrysler Group LLC and between 1979 and 1980 sold to Volkswagen AG. It became part of Volkswagen Group's commercial vehicle business operating under the legal name Volkswagen Caminhões Ltda and launched its first truck model in March 1981. In March 2009, Volkswagen Caminhões Ltda. was sold to MAN SE and renamed to MAN Latin America. However, it continues its operations under the brand name Volkswagen Caminhões e Ônibus (VWCO) which is Portuguese for Volkswagen Trucks and Buses.

14.4 Product Offering and Operations

The TRATON GROUP's operations are divided into two reportable segments: the Industrial Business segment, which constitutes the core of the Group's business and accounted for 95% of the Group's sales revenue in the fiscal year ended December 31, 2018, and the Financial Services Business segment, which accounted for 3% of the Group's sales revenue in the fiscal year ended December 31, 2018. The Group's industrial business comprises new vehicles, external engines, used vehicles and aftersales (consisting of spare parts/components and services). The TRATON GROUP's range of financial services includes dealer and customer financing, leasing and insurance.

The TRATON GROUP's industrial business offering consists of the product portfolio of its three manufacturing brands Scania, MAN and VWCO which comprises light-, medium- and heavy-duty trucks, vans and buses. Categorized by weight, the TRATON GROUP's most important products are heavy-duty trucks (>16 tons), medium- and light-duty trucks (<16 tons) and buses. Trucks are further categorized into long-haul trucks, distribution trucks and special purpose vehicles. Long-haul operations typically involve vehicles carrying heavy loads. Trucks used in distribution deliver provisions and goods involving multiple pick-ups and drop-offs. Special purpose vehicles are designed for specific working conditions and include construction vehicles, vehicles for rescue and firefighting, as well as cleaning and refuse handling trucks. Buses are categorized as city buses serving inner city public transport, intercity buses connecting regional commuting areas and coaches for long-distance travel. The TRATON GROUP offers a complete range of trucks and buses able to use alternative fuels and alternative drivetrains. Along with complete trucks and buses, the Group also sells truck and bus chassis to customers which are built to individual customer specifications.

The TRATON GROUP's industrial business also includes external engines and components for marine applications, mainly for propulsion and auxiliary use in boats, for industrial applications, including wheel loaders, excavators and stone crushers, and for power generation, for example standby power in case of power cuts and prime power to increase available power.

Furthermore, the TRATON GROUP's brands Scania, MAN and VWCO maintain platforms to offer used vehicles from their respective dealerships across the globe. The brand-approved vehicles are assessed and rated by the Group's technicians and also come with optional warranty, maintenance and repair packages.

In addition to its new and used vehicle offering, the Group also generates aftersales business which contributes a significant portion to its sales revenue and operating profit. The Group's aftersales business consists of spare parts and services, including maintenance and tailor-made services for support and management of customer operations. To serve customers with its aftersales business, the TRATON GROUP had approximately 3,900 captive and non-captive service centers as of December 31, 2018 (centers used by more than one brand counted only once).

The TRATON GROUP's services also comprise a range of digital solutions, including an extended service offering based on a connected ecosystem and flexible maintenance plans. In particular, Scania with its Fleet

Management Portal and MAN are at the forefront of offering such digital solutions. Through its brand RIO, the Group's cloud-based connectivity environment, the TRATON GROUP aims to provide a digital platform for the entire transportation industry that bundles digital solutions for the transportation and logistics ecosystem.

The TRATON GROUP has a global sales and production footprint. In the fiscal year ended December 31, 2018, the Group sold 131,182 units or 56.3% of its total units in EU28+2, 47,734 units or 20.5% in South America, 15,745 units or 6.8% in Asia Pacific, 8,635 units or 3.7% in the Middle East, 9,651 units or 4.1% in Africa, 3,517 units or 1.5% in North America and 16,528 units or 7.1% in Russia/Rest of Europe. In the three months ended March 31, 2019, sales volume was 57,163 units and order intake was 64,357 units.

The TRATON GROUP's global production footprint is strategically placed with 29 production and assembly sites in 17 countries as of December 31, 2018. The Group's most important production sites are located in Germany, Sweden, Brazil, Poland and Turkey with further complementary regional production sites in Argentina, Austria, China, France, India, Mexico, Russia, South Africa and the Netherlands, and further complete-knock-down ("**CKD**") sites in Algeria, Ethiopia, Finland, Kenya, Malaysia, Morocco, South Korea and other countries, where fully or partly disassembled items are assembled.

Apart from its industrial business, the TRATON GROUP offers its customers an extensive range of financial services related to its commercial vehicles including dealer and customer financing, leasing and insurance products, as well as fleet management and mobility offerings. Scania offers financial services through its own subsidiaries, while MAN and VWCO are dependent on VW and only offer such services through subsidiaries of the VW Group and therefore do not generate financing income.

14.4.1 Scania

14.4.1.1 Overview

Scania is a world leading provider of transport solutions with a presence in about 100 countries. Scania aims to drive the shift towards a sustainable transport system, creating a world of mobility that improves conditions for its customers' business, society and the environment. With more than 80 consecutive years of profitability, Scania has demonstrated consistent profitability leadership over decades.

In the fiscal year ended December 31, 2018, Scania sold 96,475 trucks and buses (accounting for 41.4% of the total number of units sold by the TRATON GROUP). Scania's industrial business (reported as Scania V&S) generated sales revenue in the amount of EUR 13.0 billion with an adjusted operating profit of EUR 1.2 billion. Scania operates in about 100 countries with production sites in Europe and South America and additional regional production centers in Africa, Asia and Eurasia. As of March 31, 2019, Scania had approximately 46,280 employees, and 19,716 thereof work in Scania's commercial operations and are involved with selling vehicles and services. Research and development facilities are located in Sweden, with branches in Brazil and India.

Scania's product portfolio consists of heavy-duty trucks (>16 tons) as well as medium-duty trucks, offering tailor-made solutions for different applications (in the segments of long-distance, urban and construction as well as special-purpose and defense applications) and buses (city buses, intercity buses, coaches and bus chassis). Furthermore, Scania's product offering includes a comprehensive set of industrial, marine and power generation engines.

Scania has been developing the use of alternative fuels for more than 30 years, with a broad range of alternative fuel-enabled vehicles on the market, ranging from ethanol trucks and buses to vehicles using liquefied or compressed biogas/natural gas. Scania believes that the breadth of its alternative fuel technologies portfolio provides for flexibility in light of limited visibility regarding the future technology mix. All of Scania's Euro V and VI engines can run on hydrogenated vegetable oil ("**HVO**"), meaning that all Scania trucks and buses in Europe from 2010 and onwards can run on renewable fuel. In addition, Scania offers five different engines, ranging from 320 to 580 horsepower that can run on biodiesel-FAME (fatty acid methyl ester). The latest additions, launched in September 2018, are two hybrid trucks (hybrid electric vehicle, HEV, and plug-in hybrid electric vehicle ("**PHEV**")) that combine internal combustion engines capable of running on HVO with an electric engine that can propel a fully loaded truck up to 10 km in sensitive or restricted urban areas. Scania is also developing long-haul hybrid trucks and offers hybrid buses and limited specifications and volumes of fully electrical buses, currently being tested in the market. While the market share of alternative fuel technologies in the HDT segment in Europe (including BEV) is estimated at less than 3% today (IEA 2017), Scania's sales share of alternative fuel-enabled vehicles amounted to approximately 5.5% in 2017 (based on Scania's own estimates).

Scania has more than 50 years of experience with modularization and its vehicle range has been fully modularized since 1980, continuously decreasing the number of parts used in its commercial vehicles. In its NTG series, Scania uses approximately 22,000 parts while it used approximately 25,000 in its previous truck

generation even though the range of product variants increased. The advanced modular system Scania employs for its end products enables it to custom-build each of its vehicles and which offers its customers a particularly wide product range with a relatively small toolbox of parts and components. Scania is thus able to achieve economies of scale, realize resource efficiencies in the entire value chain – from R&D to purchasing and production, to parts handling and repair and maintenance – and reduce the time to market due to flexible product structures. Standardized interfaces make it possible to install new components without the need to change the surrounding components. The same components are used in different applications if they address the same need, e.g. one size of windshield is used in all cabs. Scania also considers its modular toolbox as a key lever for having a long-term competitive advantage in electrification.

Scania's industrial business is also focused on a variety of aftersales solutions and an extensive service offering, including models for maintenance, solutions for flexible plans and subscription-based workshop services, parts, repairs, driver coaching and fleet care solutions. Scania believes that the direct customer contact through its captive sales and services network enables it to offer tailored products and services to its customers. As of December 31, 2018, Scania's service network comprised more than 1,900 captive and non-captive sales and service points, which are supported by various support functions and support companies within Scania. Scania generally has its captive service points in strategic locations around major hubs where it is often difficult for non-captive dealers to make investments and in new markets, where Scania's captive service points help build local presence in order to a reach critical mass. While 1,350 service points are independent and 585 are owned by Scania as of December 31, 2018, approximately 50% of Scania's vehicles are sold through captive dealers. In addition, Scania offers vehicle rental services.

Over 350,000 vehicles in Scania's rolling fleet are connected, with a share of connected vehicles in Scania's 10-year global rolling fleet of approximately 50% in 2018 and more than three billion kilometers being tracked each month, collecting a variety of vehicle data (including the vehicle status, route information, driving characteristics and safety-related data). Scania uses connectivity data in over 50 internal processes (such as R&D, outbound logistics and guided offerings). The data Scania has collected from its connected fleet has proven a valuable resource both for the design of its vehicles and its aftersales business.

14.4.1.2 Global Champion Strategy

Scania contributes to the TRATON GROUP's targets of growth, profitability and synergies and execution as follows:

Growth

Scania seeks to generate future growth by completing the roll-out of its new truck generation with a broadened application portfolio by 2019, thereby replacing its former truck generation that was first introduced in 1995. Scania also plans to further grow its alternative fuels offering, where it has been a pioneer for more over 25 years. Scania currently offers one of the broadest ranges of alternative fuel technologies available on the market. Furthermore, Scania intends to leverage its captive sales and service network (i.e. sales and services points that it owns) as well as its growing connected fleet of more than 350,000 vehicles (as of December 31, 2018) in order to expand its service offering and increase service penetration across the life cycle of its products while also increasing average sales revenue per vehicle from such services. In order to achieve its targeted service revenue growth, Scania intends to build on the higher penetration of subscription-type service contracts globally (and expected future penetration potential) as well as the higher average service revenue per vehicle over vehicle lifetime (and even higher potential expected in the future).

Besides further expected aftersales growth in the regions where it has already been successful in selling such services, Scania also aims to further expand regionally, in particular in geographies where it sees significant upside potential.

Profitability and synergies

Scania is able to profit from premium pricing since its customers value Scania products and services. With its customer-focused product offering, Scania aims to maximize customer value as well as its own profitability. For instance, Scania's new truck generation ("**NTG**") introduced in 2016 offers, compared to the previous truck generation ("**PGR**") (consisting of the series P, G and R), increased vehicle uptime, higher safety (e.g., a 5% shorter stopping distance), better quality (warranty claims reduced by 57%, measured one year following the introduction of the R-series in 1996 and the NTG in 2017, respectively) and improved energy efficiency with a reduction in fuel costs of up to 5%, thereby reducing its customers' TCO. In addition, Scania seeks to increase its profitability by further leveraging its modular product system, which aims to provide tailored and niche products with very few components/building blocks resulting in low internal costs (e.g. by standardizing interfaces, using the same components for different applications

and modularization). Moreover, Scania seeks to optimize product cost through a flexible and lean global production system which has been achieved through an increase in productivity, a gain in overall production efficiency as well as a significant reduction of Scania's environmental impact by decreasing the energy consumption per vehicle produced. Moreover, Scania's flexible global production system enables it to shift its product spectrum globally in order to counter cyclicality in certain geographic regions or changes in trade tariffs.

Scania intends to utilize its extensive vehicle database derived from the Scania connected fleet to expand its high-margin aftersales offering and improve the utilization of its workshops by identifying maintenance needs through operational data from those vehicles.

Execution

Scania has a customer-centric culture of continuous product improvement, with a "customer first" mentality. Furthermore, Scania has entered into partnerships across the transport and logistics ecosystem with buyers of transport systems, transport companies and infrastructure partners to offer holistic solutions. In addition, Scania has a highly experienced management team with a strong record of sustaining profitability. Under the "Scania House", Scania has established its common company language and problem-solving culture.

14.4.1.3 Main Products and Services

New vehicles

Trucks

Scania's core truck offering consists of the S-series, the R-series, the G-series, the P-series and the latest addition, the L-series. In 2016, Scania introduced its first NTG for all series since 1995, offering a new cab design, powertrain improvements for fuel efficiency, extended storage options, flexible maintenance and unique safety features. The NTG has received various rewards, e.g. the "Green Truck Award" in 2017 and 2018 (awarded by two leading German trade magazines, "VerkehrsRundschau" and "Trucker"), the "International Truck of the Year 2017" award (awarded at the IAA 2016) as well as the "OEM of the Year 2017" award (awarded at the 2017 TU-Automotive Awards in Detroit, United States) and it is the winner of more than 40 tests across Europe in 2017 and 2018. Scania's flagship S-series redefines driver comfort and concentrates on premium long-distance driving with a comfortable interior designed for spacious living. The flat floor and extended storage facilities add to the popularity of the series. The R-series offers the same kind of driver comfort and interior storage but without the flat floor. Scania's new G-series trucks are highly adaptable with great drivability and visibility, including an all-round, flexible cab and an extended range of options for a variety of applications.

Scania's new L-series are trucks for urban and distribution applications that are characterized by purpose-friendly designs for congested cities (e.g. cabs with high visibility and easy access through low entry steps and easy cross-cab access) and include features to improve power efficiency and control of emissions such as a fuel-efficient 9 liter engine. Scania's core models also include the lightweight P-series trucks that are engineered for maneuverability, economy and flexibility. While the P-series is well-suited for urban and regional distribution, it can also be used in construction and other applications. Depending on their purpose, Scania trucks can include special safety features such as side curtain airbags, which are deployed in the event that a vehicle rollover occurs.

Additionally, Scania offers the XT-series (the XT cab trim can be delivered in all cab variants, except the L-series), which are trucks tailor-made mainly for the construction and forestry industry, functioning in the most demanding of environments (e.g. off-road, quarries and mines) and featuring innovative solutions to maximize durability, safety and uptime (e.g. heavy-duty bumpers, or towing devices up to 40 tons). Scania's special purpose trucks are designed for applications in environments in which reliability is key, including rescue and firefighting, cleaning, refuse collection as well as defense and peacekeeping.

Buses

Scania offers a wide range of city buses, intercity buses and coaches for public transport operators and coach companies as well as bus chassis.

For city and suburban applications, Scania works in strategic partnerships with several cities and regional governments to provide sustainable and cost-effective transport solutions that take into account the specific flows of goods and people as well as the local infrastructure. The Company expects the demand for efficient, sustainable passenger transport to increase, especially in the rapidly growing cities of emerging markets. Bus Systems by Scania, for example, helps cities solve urban mobility challenges and scale public transport operations by reorganizing bus traffic in functional ways. Scania buses widely operate in urban transport systems in Asia, Australia, Africa, Europe and South America.

Scania's city and suburban offering includes the Scania Citywide with low entry or low floor available in many different shapes. The Scania Citywide is available with hybrid engines or natural gas engines and the Scania Citywide battery electric vehicle ("**BEV**") is already in operation.

For intercity and coach applications, Scania offers vehicles such as the Scania Interlink and the Scania Touring buses with stylish exteriors that attract attention and provide comfort to passengers, while also offering cargo capacity needed for longer journeys.

Engines

Scania supplies engines to OEMs for industrial and marine applications all over the world, specializing in engines for machines required to operate for extended periods of time, including excavators, wheel loaders, dump trucks, stone crushers, patrol boats and prime power generators.

Scania's marine engines are designed for reliable performance and low operating costs in demanding conditions, with their compact size ensuring easy installation and maintenance, even in limited spaces. Scania's industrial engines, which are installed in equipment used for everything from transporting gravel to harvesting crops and crushing rock, provide generous torque at low RPMs and a prompt engine response. Scania also offers applications for power generation at locations, where access to reliable or emergency electrical power is crucial, such as hotels, hospitals, airports, remote mines and concert halls.

Used vehicles

In addition to its new vehicle business, Scania also operates a decentralized used vehicle business via local entities with a small central business unit in Sweden that oversees Scania's used vehicle operations. Scania's used vehicle offering aims to provide customers with quality-assessed vehicles from Scania and other brands that have undergone a rigorous assessment, including powertrain condition and mileage accuracy, and have undergone necessary repairs. The main sources of Scania's used vehicle business are vehicles that have been returned under completed financial leases or buy-back agreements, used in Scania's rental operations and, in some cases, regular trade-backs from customers that want to purchase new Scania vehicles. The "Scania Approved" label is only available for Scania vehicles, signaling that such vehicle comes with a comprehensive warranty. Scania also offers its customers finance and insurance solutions for used vehicles. Moreover, the Scania repair and maintenance program offers support and services packages for used vehicle customers.

In the fiscal year ended December 31, 2018, Scania delivered 18,691 used vehicles to customers compared to 96,475 new vehicles (in the fiscal year ended December 31, 2017: 18,346 used vehicles compared to a total of 90,777 new vehicles).

Aftersales

Scania's new vehicle product portfolio is complemented by an array of services and service-related products that are integral to Scania's offering and account for a growing proportion of Scania's business. Quick access to spare parts, speedy repairs, driver coaching and maintenance plans form part of Scania's offering to enhance vehicles' performance and customers' profitability over time.

As of December 31, 2018, Scania has established a network of more than 1,900 captive and non-captive sales and service points that offer parts and repair services. Captive networks have been established in particular in Europe, Latin America (Argentina, Brazil, Chile, Mexico and Peru), Russia, China, South Africa and Australia. Scania's parts logistics network holds an ample inventory of parts. The combination of Scania's global services network and its parts logistics network enables Scania to provide customers with individualized, preventive service plans that are supported by connectivity technology. Scania's offering includes services for the support and management of customer operations, such as fleet management systems (e.g. the Scania Fleet Management Portal) that allow for remote diagnostics and driver coaching that aims to improve professional drivers' skills, all of which help reduce fuel costs and shorten the time required for service and maintenance. Flexible maintenance coupled with remote diagnostics is key to increasing vehicle uptime. As of December 31, 2018, Scania had approximately 70,600 active flexible maintenance contracts that enable Scania to enhance the servicing of covered vehicles and identify maintenance needs through operational data from those vehicles.

As part of its business model to offer services through the entire life cycle of its vehicles, Scania aims to partially supplement its new vehicle sales with subscription-type repair and maintenance contracts. As of December 31, 2018, about 60% of Scania vehicles sold through captive distributors were managed on the basis of subscription-type repair and maintenance contracts in which new customers commit to Scania service for a period of up to five years and improve Scania's customer understanding based on accumulated data from the rolling fleet.

In 2017, Scania launched another digital service, ScaniaONE, which provides a single digital environment to a host of connected services for fleet owners and drivers.

Additionally, Scania's business also comprises financial services, (see "*14.6 Financial Services*") and renting vehicles.

14.4.1.4 Operational Performance Improvement Program and other performance improvement measures

Scania introduced its "Focus & Ambition" program in 2016, which included measures for sustaining and improving operational performance on both the top and bottom lines. Scania was able to increase its top line through the improvement of dealer performance and an expanded services portfolio. In particular, Scania sold substantially more high-margin services which partially offset the costs of the ramp-up of its new truck generation. From 2015 to 2017, Scania improved its bottom line through successful pricing, the reduction of product costs and increased efficiency in the dealer network. Additionally, Scania was able to increase its average price per vehicle by selling more high price (and margin) special purpose vehicles. The cost implementation plan currently applied aims at rebounding profitability now that the production of parallel product generations (NTG and PGR), which has led to elevated cost levels throughout the organization, has come to an end.

The continuous global improvements across multiple dimensions enabled Scania to retain a lean production set-up, resulting in a productivity improvement of 75% from 1996 to 2017. At the same time, improvements resulted in a more environmentally-friendly vehicle production with a decrease of 56% in MWh per vehicle produced. The improvements also resulted in more flexibility allowing Scania to globally export a whole product spectrum to counter regional cyclicality. Each Scania production facility maintains the same working standards and quality creating a global production capacity and a continuous flow of manufactured parts. For example, while the Brazilian HDT truck market unit sales declined 69% from 2013 to 2017 (IHS Markit), export of vehicles produced in Brazil to the EU increased by 405%.

14.4.2 MAN

14.4.2.1 Overview

MAN is one of Europe's leading commercial vehicle manufacturers for trucks >6t based on units sold in 2018 (IHS Markit) with a well-established full-range product offering intended to help its customers make their businesses simpler, more profitable and more reliable.

In the fiscal year ended December 31, 2018, MAN sold 100,357 trucks and buses (accounting for 43.1% of the total number of units sold by the TRATON GROUP). MAN's industrial business (reported as MAN T&B) generated sales revenue in the amount of EUR 10.8 billion with an adjusted operating profit of EUR 0.5 billion.

MAN operates in more than 136 countries and has production sites in Germany, Austria and Poland as well as in Russia, Turkey and South Africa with further regional production sites (CKD sites). As of March 31, 2019, MAN had approximately 33,740 employees. In Germany, MAN maintains a service points coverage, which is reachable within 45 minutes, of more than 95% in a high density network, with a rolling fleet of more than 400 vehicles on average which are served per service point annually. MAN has a high rate of captive dealerships, i.e. more than 40% in Germany (approximately 14% in Europe excluding Germany). From 2014 to 2018 MAN increased its market share in HDT trucks (>15t) by approximately 4 percentage points in Germany (IHS Markit). In 2018, MAN sold approximately 24,000 (>6t) in Germany, representing a market share of 27%. The annual growth outlook for the period from 2018 to 2025 provides for a decline in growth of approximately 0.5% (for 6>t) in Germany (IHS Markit). Research and development facilities are located in Germany and India.

MAN's product portfolio comprises trucks and buses as well as external engines and components. MAN focuses on light-, medium- and heavy-duty trucks with a gross vehicle weight of 7.5 to 44 tons as well as heavy special-purpose vehicles with a gross vehicle weight of up to 250 tons. Special-purpose trucks include trucks for construction, refuse collection, fire department and emergency services as well as defense and other special applications. MAN's product range includes vans with a weight of between 3 and 5.5 tons making it a full-range supplier of commercial vehicles for a variety of applications. MAN's bus portfolio consists of MAN-branded city and intercity buses, coaches and bus chassis as well as NEOPLAN-branded luxury coaches. Additionally, MAN's portfolio includes used vehicles sales and a comprehensive aftersales offering, which MAN continuously aims to expand by offering its customers an extensive range of services from a single source.

14.4.2.2 Global Champion Strategy

MAN contributes to the TRATON GROUP's targets of growth, profitability and synergies as well as execution as follows:

Growth

MAN seeks to realize further growth by replicating its German market success story in its European focus markets (>6t) (e.g. France with a 11% share in the truck market in 2018, Italy with an 9% share, Spain with a 13% share and the United Kingdom with an 9% share) where product requirements, end-markets and customer bases are similar. In the four European focus markets 151,000 units were sold by all OEMs in 2018 and MAN had a market share of 10%. The annual growth outlook for total truck sales in these four markets for the period from 2018 to 2025 provides for a CAGR of approximately 1% (IHS Markit). MAN also aims to further expand into attractive international markets, in particular in China, where MAN is well-positioned due to its partnership with Sinotruk, Southeast Asia, South Korea, Australia and New Zealand.

Furthermore, MAN expects to launch a number of new innovative products and applications, such as new powertrain components (e.g. KSG / D 15, Euro 6d drive), buses (e.g. Lions City) and trucks (e.g. eTGM), in the near-term, including its first new truck generation in 20 years. With the new truck generation, MAN seeks to enable new ways of connectivity and efficiency accompanied by a digital service offering.

MAN also seeks to expand its higher-margin aftersales business as an additional main layer of growth. Selected key drivers include an increase in network density and efficiency, process improvements and spend optimization, unit sales growth and increased sales efficiency, increased penetration and an extended portfolio as well as improved pricing. MAN aims to achieve this goal by implementing various growth measures, which, for example, include the installation of 16 new service points to close white spots in certain focus countries, the roll-out an own retail aftersales toolbox with levers for performance improvement, a focus on data driven market penetration and the introduction of an aftersales salesman, approaching new customer segments and establishing economies of scale for MAN Genuine Oil products, as well as the exhaustion of opportunities with higher qualities.

Profitability and cash flow

MAN aims to significantly improve profitability and cash flow through operating improvement programs such as "Operational Excellence" and the "Future Lion Strategy", which covers material costs reduction as well as efficiency initiatives and include both top-line and bottom-line improvements (e.g. strict cost control projects, just in sequence/just in time supply for logistics, increasing share of low-cost production countries, less complex/renewed product portfolio, optimize capital expenditures). MAN will actively work to improve its cash flow through enhanced processes and supplier agreements to support an improved cash flow over time. While MAN has been in a profitability rebound and stabilization phase since 2015, it expects a profitability uplift in the mid-term when the negative impact on its profitability of ramp-up costs of new product launches is expected to have declined. Additionally, MAN expects to benefit from synergies and best practices through its ongoing integration into the TRATON GROUP.

Execution

MAN has installed a strong management team that is highly committed to implementing MAN's strategic initiatives. The MAN management team has extensive experience and is dedicated to fostering a culture of continuous performance improvement. Furthermore, MAN believes it has established itself as an employer of choice for highly qualified personnel and as an industry-leading reliability champion with a mindset to simplify its customers' businesses.

14.4.2.3 Main Products and Services

New vehicles

Trucks

MAN provides a full range of light-duty, medium-duty and heavy-duty trucks and hence, can serve all relevant transport applications: long haul, distribution and construction. MAN is committed to continue optimizing TCO for its customers and business partners.

With the TGX range, MAN offers a versatile vehicle portfolio, specifically designed for long-distance transportation with a gross vehicle weight of >18 tons and a wide range of segment-specific equipment and engine options. For challenging jobs in international long-distance haulage, the TGX D38 is an extra high-powered truck with a gross combined weight of up to 250 tons. The TGX EfficientLine 3 constitutes a particularly fuel-efficient truck, due to its optimized driveline and additional fuel-saving options like the GPS-supported cruise control system.

With the TGL and TGM range, MAN offers various models for urban distribution ranging from 7.5 to 26 tons. Designed for distribution purposes, these trucks offer relevant key attributes, specifically balancing payload, maneuverability and fuel consumption. MAN has also recently introduced the eTGM, a fully electric version of the TGM truck.

MAN offers one of the most comprehensive truck programs for construction and special applications with the TGS model range from 18 to 50 tons. The TGS model ranges from a lightweight specific powertrain and chassis layout up to heavy-duty vehicle properties and has an extensive program of all-wheel drives, enabling it to carry very heavy loads and work in tough environmental and working conditions.

All trucks combine a reliable product design with the intelligent integration of electronic and digital vehicle systems and thus provide durability and efficiency for everyday transportation tasks.

Buses

With its city, intercity buses and coaches offering, which comprises the Lion's Intercity and the Lion's City, MAN focuses on reducing TCO and environmental impact and ensuring passenger safety. The Lion's Intercity series comprises medium-floor buses that benefit from low fuel consumption and long maintenance intervals. The Lion's City series features modern low-floor buses that are specially tailored to intercity driving and is available with 2 or 3 axles, with a length of up to 18.75 meters and up to four doors. The Lion's City series also has an attractive design and an optimized body shell construction, allowing for spacious passenger compartments and economic efficiency. Furthermore, the Lion's City is available as an environmentally friendly city bus, equipped with a natural gas engine that significantly reduces emissions.

MAN's product offering also includes the NEOPLAN line of buses, which are premium coach models that combine design and exclusivity with reliable technology such as the Skyliner, the Cityliner and the Tourliner. The Skyliner, a double-decker coach, features high passenger capacity, an on-board kitchen, spacious seating and comfort drive suspension. Similarly, the Cityliner, a coach limousine for long-distance journeys, offers a mobile café, spacious seating and large window areas. The Tourliner features a platform-free floor and wheelchair lift, USB charging stations at every seat and ample luggage space.

Furthermore, MAN produces a wide range of bus chassis for city buses and coaches tailored to individual requirements and deployment purposes, such as low-floor chassis with continuous step-less entrances or high-floor chassis that provide space for luggage compartments. Bus chassis are available with front or rear engines and with different emission standards.

Vans

MAN's van offering consists of the TGE, a van with a gross vehicle weight of between 3 and 5.5 tons for use in logistics, courier, construction, craft or passenger transport services. The TGE is available in several wheelbase and body lengths or roof heights, e.g. as a panel van, combivan or utility wagon with windows. The TGE also offers an enhanced selection of vehicle bodies, including chassis with single and crew cab and features two wheelbases, three roof heights and three vehicle lengths. All models feature comfortable cabs, ample storage systems and a high degree of cargo capacity of up to 18.4 cubic meters. Since July 2018, the TGE has also been available as a fully electric van (eTGE).

Engines

MAN develops, manufactures and sells diesel and natural gas engines and components. Its key models have a performance range of 50 to 2,000 horsepower, consisting of 4- and 6-cylinder in-line units and 8- and 12-cylinder V engines. MAN's engines segment further covers axles (front axles, planetary axles, hypoid axles, trailing axles and leading axles) as well as transfer cases. MAN's engines are not only installed in vehicles produced by MAN but also in commercial vehicles produced by other vehicle manufacturers, for power generation in cogeneration plants and as drive units in agricultural machinery, rail vehicles, marine vessels and special-purpose vehicles.

Used vehicles

MAN also offers used vehicles. Its brand MAN TopUsed sells high-quality used trucks, buses and vans covering the whole MAN product offering as well as commercial vehicles (including semitrailer and trailers) from other brands in more than 30 countries through MAN TopUsed centers. All vehicles undergo extensive checks and necessary refurbishment before being offered as MAN TopUsed vehicles and receiving a MAN TopUsed Seal of Quality. Furthermore, the MAN TopUsed centers provide expert and comprehensive advice to ensure that customers receive a suitable vehicle for their operations. According to its own estimates, MAN offers the largest selection of MAN and NEOPLAN used vehicles worldwide. The TopUsed centers offer individually tailored financing and leasing solutions via MAN Financial Services. In

addition, MAN TopUsed provides service offerings such as repair and maintenance contracts, warranty solutions and insurance for the customers. With approximately 1,775 MAN service centers worldwide, MAN TopUsed customers benefit from close proximity, rapid handling and short downtimes as well as a comprehensive offering of the latest equipment, original spare parts and specialist tools.

In the fiscal year ended December 31, 2018, MAN delivered 22,978 used vehicles to customers compared to 102,556 new vehicles (in the fiscal year ended December 31, 2017: 22,151 used vehicles compared to a total of 89,987 new vehicles).

Aftersales

MAN's aftersales business is an integral part of MAN's business model and a main driver of its customer satisfaction. With a 24/7 service network of approximately 1,470 highly qualified and professional service partners and approximately 310 fully-owned sales and service locations worldwide, MAN seeks to increase vehicle uptime and lower TCO. MAN's aftersales business aims to provide excellent customer experience and repair quality resulting in higher customer loyalty, an increased profit pool and forward integration. With its global parts logistics system, MAN is able to source spare parts for its customers in every part of the world. MAN offers a wide range of contractual service products from extended warranties to full service contracts. With its integrated offerings, MAN aims to sell its service products with each new vehicle. MAN's aftersales business contributes significantly to its sales revenue and profitability. Furthermore, MAN DigitalServices offers vehicle and driver-related services that are tailor-made for MAN vehicles. All vehicle and driver-related services are developed by MAN DigitalServices. Through its digital unit, MAN offers services for maintenance management (e.g. predictive maintenance through MAN ServiceCare), for optimizing vehicle analysis and performance and for improving driver performance, all helping customers use their MAN vehicles economically and safely with digital solutions that are tailor-made for each customer (e.g. driver training through MAN Connected CoDriver).

MAN also offers RIO digital logistics services, an open platform that is available across the TRATON GROUP's brands. Since August 2017 MAN has installed approximately 87,200 RIO boxes. This enables deep access to vehicle data that allows MAN to offer digital fleet manager services, driver services as well as improved customer services (e.g. predictive maintenance through MAN ServiceCare and vehicle uptime through MAN On Road). This platform also enables future over the air communication for parameter changes and software updates.

14.4.2.4 Operational Performance Improvement Program

MAN launched PACE2017 in 2015, which focused on the restructuring of MAN's production network, the improvement of productivity and the streamlining of administration and cost centers. PACE2017 was mainly concerned with production and material costs and also concentrated on aftersales. Furthermore, it also focused on efficiency increases in the organization, measures to improve product quality and engineering and to optimize the working capital. On top of PACE2017, MAN benefitted from a reduction of fixed costs per unit due to higher sales volumes driven by the strong European market between 2015 and 2017. In 2018, MAN launched a new operational improvement initiative, "Operational Excellence", targeting top- and bottom line improvements across eight areas of operational performance.

14.4.3 VWCO

14.4.3.1 Overview

VWCO is one of the largest truck manufacturers in the Brazilian market by units sold in 2018 (trucks ≥ 6t and including MAN-branded sales, based on IHS Markit).

In the fiscal year ended December 31, 2018 VWCO sold 36,160 trucks and buses (accounting for 15.5% of the total number of units sold by the TRATON GROUP). VWCO's industrial business (reported as VWCO) generated sales revenue in the amount of EUR 1.4 billion with an adjusted operating profit of EUR 0.0 billion.

VWCO products are assembled at three production sites located in Resende – Brazil, Querétaro – Mexico and Pinetown – South Africa (MAN plant). At its plant in Resende, Brazil, the brand employs a flexible and lean modular production process, in which several partners of the brand assemble complete sets of vehicles and vehicle parts. In 2018, VWCO produced a total of 27,943 trucks and 7,334 buses, with a total production capacity of approximately 100,000 units at its plant at Resende. As of March 31, 2019, VWCO had 3,061 workers, including its own employees and those of its suppliers, who assemble VWCO's vehicles, of which 56% were directly employed at VWCO.

VWCO's product portfolio includes light-, medium- and heavy-duty trucks and bus chassis, which are customized for emerging markets in South America, Africa, Mexico and Middle East and tailored to local

customer needs. Furthermore, VWCO's offering comprises aftersales business and custom digital solutions. Positioning itself to benefit from such growth markets, VWCO has established an extensive sales and services network in South America, Mexico and Africa, comprising almost 350 dealers, including approximately 143 sales and service partners in Brazil, around 150 across the rest of South America (incl. Mexico) and around 54 in Africa. As part of its expansion into Africa and South America, VWCO has entered into 4 new markets in the last 5 years (Honduras, Guatemala, Nicaragua and Ghana) and added 19 new dealers and 6 new importers to its network. In 2018, VWCO held a market share (trucks > 6t and including MAN-branded sales) of approximately 27% in Brazil based on sales (2017: 28%). In Mexico, based on sales, VWCO held a market share in buses of approximately 16% in 2018 (2017: 14%) (based on Company estimates). In Argentina, based on sales, VWCO held a market share (trucks and buses ≥ 6t) of approximately 11% in 2018 (2017: 13%) (IHS Markit). VWCO's sales and services organization focuses on geographic coverage, service availability, technical reliability and overall customer satisfaction. In addition to leveraging its market position in Brazil, VWCO aims to expand its export footprint in other emerging markets based on its leading product portfolio and its flexible cost model.

14.4.3.2 Global Champion Strategy

VWCO contributes to the TRATON GROUP's targets of growth, profitability and synergies, and execution as follows:

Growth

VWCO considers itself well-positioned to fully benefit from the expected market recovery in its core market, Brazil, and it sees a strong growth trajectory in its other markets in the rest of South America/Mexico. VWCO benefits from the strength of the VW brand, competitive prices, an extensive dealer network and a modular production approach to realize cost advantages. Furthermore, VWCO seeks to expand its export footprint in South America, Africa and the Middle East on the basis of its leading product portfolio by further enhancing it to fully maximize its presence in the entry-level light-duty segment and in the extra-heavy segment. A further lever of VWCO's growth strategy is the expansion of its aftersales offering, which focuses on reliability and service availability with what VWCO believes to be a leading dealer network in South America.

Profitability and synergies

VWCO intends to leverage its modular production system, the "Consórcio Modular", which facilitates flexible production at low cost and provides resilience in economic downturns, to further enhance its profitability. Moreover, having gained experience with performance improvement programs in recent years, VWCO intends to execute additional cost control measures. VWCO also intends to leverage synergies from the utilization of Group components (see *"14.7.2 Modularization and Components"*).

Execution

The VWCO management team has long-standing experience in the regional markets where VWCO operates and a proven track record of implementing performance improvement programs.

14.4.3.3 Main Products and Services

New vehicles

Trucks

VWCO offers light- to heavy-duty trucks for short distances, long-haul, distribution and special purposes. All truck models are tailor-made for emerging markets and in certain cases are compatible with alternative fuels.

VWCO's flagship range consists of the Constellation series, a series of chassis and tractor trailers with a load capacity between 13 and 63 tons. These Constellation trucks are available for a range of different purposes, including urban distribution, off-road operations, construction and sugar cane or wood extraction.

VWCO's New Delivery family was launched in 2017 with models from 3.5 to 13 tons which have been designed for urban transportation, with a particular focus on agility and versatility, and are available with various technical specifications (e.g. wheelbase or cabin features). By introducing the New Delivery family, VWCO entered the light-duty market segment (< 5 tons).

In addition, VWCO presented the "e-Delivery" in 2017, a new electric (BEV) distribution truck for urban logistics designed to improve sustainability in the delivery of goods. Production of the e-Delivery will start in 2020 at VWCO's plant in Brazil. The truck will have a gross vehicle weight ranging from 7.5 to 13 tons and feature an innovative battery with overnight charging capabilities and a range of up to 200 km.

Furthermore, VWCO expects to launch the Heavy Duty Constellation model in 2020. The P23 is a new extra heavy model with a gross combined weight of up to 125 tons that has been designed for off-road applications.

The MAN TGX, whose cabin and engine is produced by MAN in Germany, then completed and assembled and sold by VWCO, is a versatile vehicle for medium- to long-distance transportation and is available in a wide range of equipment and engine configurations. It can pull the heaviest tractor trailers, allowing for loads ranging from 57 to 74 tons.

The Volkswagen Robust series is suitable for light- to heavy-duty applications. It is available with various technical specifications for use in short and medium distance distribution, such as fast deliveries in urban areas or beverage distribution.

Buses

VWCO offers a wide range of Volksbus chassis between 5 and 26 tons for city, intercity, coach and bus rapid transit purposes, with individual models ranging from micro-buses to high passenger-volume buses. Volksbus chassis are compatible with alternative fuels in certain cases. The chassis are particularly designed for tougher environmental conditions in South America, Africa and the Middle East.

In addition, VWCO offers various school-bus models under its "School Path Program", an affordable school bus program that is exclusively available to states and municipalities. These school buses are equipped with special safety features and a central low floor. VWCO also offers a bus model exclusively for the Mexican market: The Mexico Huracán.

Aftersales

VWCO also offers its customers an array of aftersales-related services and service-related products with a total of almost 350 dealers. These include aftersales and digital solutions for growth markets like Volksnet and MAN Guard, systems for fleet management, monitoring and vehicle tracking. Furthermore, VWCO intends to launch RIO services in 2019. VWCO's aftersales business also includes VolksTotal, a maintenance service, and CHAMEVOLKS, a service hotline providing immediate technical support from VWCO. VWCO's services offering is complemented by technical driving training and instructions on economical vehicle driving, helping VWCO's customers reduce fuel consumption.

As part of its captive engine business, VWCO is remanufacturing the D08 engine and launched the D08 and the D26 engine on its Euro V models. In addition, VWCO is introducing new sales tools.

As part of its aftersales business, VWCO also offers its customers easy access to original and remanufactured spare parts and lubricant products.

14.4.3.4 Operational Performance Improvement Program

As part of the TURNAROUND PLAN implemented in 2016 and 2017, VWCO adapted a series of key measures, including price increases from 2015 to 2018, measures to limit material and labor cost increases, obtaining cost performance and efficiencies, as well as restructuring and rightsizing, e.g. by initiating a 12% headcount reduction from 2015 to 2017 (including employees of Consórcio Modular and other third-party employers). Despite a weak market environment, VWCO achieved an increase in its average price per vehicle from 2015 to 2017 and achieved a positive adjusted operating profit in 2018.

14.4.3.5 Consórcio Modular Production System

VWCO utilizes an innovative production concept called "Consórcio Modular" in which select partners are responsible for 100% of the truck and bus assembly process. Each partner oversees a distinct stage of the vehicle assembly process (for example, Kromberg & Schubert group, the newest member of the Consórcio Modular production system is responsible for the finishing of trucks cabins) while VWCO delivers final approval and performs the final quality tests before delivery to the customer. VWCO also provides aftersales services.

This lean, partner-based production model provides greater efficiency as it enables vehicle manufacturers and suppliers to cooperate in the development of agile processes and an integrated infrastructure. Both VWCO and its suppliers have a low level of investments and fixed costs as they are shared amongst them. In addition, investment and cost sharing results in a self-motivated production concept with efficient logistics and production processes as all parties focus on cost efficiency. Furthermore, Consórcio Modular provides competitive direct labor costs by using suppliers' employees instead of potential VWCO employees, at the VWCO plant located in Resende, Brazil. As the employees belong to multiple companies, these production concepts help mitigate cyclical effects in the market and larger economic environment.

Thus, with Consórcio Modular, VWCO aims to be efficiently positioned to deal with market cyclicality and to recognize and make profitable use of market opportunities. For example, VWCO successfully implemented similar cost efficiency programs in response to the Brazilian economic crisis starting in 2014. Between 2015 and 2017, VWCO's flexible production model reduced its operating losses by almost half, while production output remained stable. Other indicators such as an increase in productivity (vehicle per employee) demonstrate the profit capability of Consórcio Modular and the potential for additional cost reductions.

14.5 Alliance Partners

14.5.1 Overview

As part of its global expansion, the TRATON GROUP has formed strategic trusted long-term alliances with selected partners and associates in order to cover all major truck markets and access the most relevant profit pools. While the TRATON GROUP is mainly active in the European, South American, Middle Eastern, African and Asian market, its associates Navistar and Sinotruk operate mainly in North America (Navistar) and China (Sinotruk), respectively, and its strategic partner Hino is mainly active in Japan, Southeast Asia and North America.

The TRATON GROUP views its strategic alliances as a catalyst for strengthening its position as a Global Champion in the commercial vehicles industry. These strategic alliances, with the exception of Sinotruk, comprising alliance boards, alliance management and joint working groups, help the TRATON GROUP gain access to all relevant markets and leverage economies of scale and synergies, especially in the areas of powertrain technology, new technological developments and purchasing.

14.5.2 Navistar

On September 5, 2016, the TRATON GROUP and the US-based commercial vehicle manufacturer Navistar entered into various agreements to forge a wide-ranging alliance. On February 28, 2017, TRATON acquired 16.6% of the shares in Navistar through a capital increase, which was further increased and amounted to 16.77% as of May 31, 2019. Additionally, two representatives from the TRATON GROUP are members of the Navistar board of directors.

Navistar has a strong North American footprint, including an extensive dealer network, and offers a broad, diverse and customer-centric product range. Navistar is a holding company whose subsidiaries produce trucks, commercial vehicles and school buses, defense vehicles, diesel engines and service parts. One of its affiliates also offers financing services. On December 3, 2018, Cerberus Capital Management, an investment firm specializing in credit, private equity and real estate, and Navistar announced that Cerberus Capital Management would acquire a 70% interest in Navistar's defense business. As disclosed in Navistar's publicly available 10-K filing for the fiscal year ended October 31, 2018, Navistar sold approximately 84,000 units (defined by Navistar as "truck chargeouts", i.e. trucks that have been invoiced to customers) and approximately 21,000 units in the three-month period ended January 31, 2019, as disclosed in Navistar's publicly available 10-Q filing. Navistar held a market share of 13% regarding the market for HDTs in North America (Canada and the United States) in 2018 (IHS Markit) (Please see also "*13.5.2 Market Position and Key Competitors*"). The strategic alliance with Navistar enables the TRATON GROUP to gain access to the significant North American profit pool while Navistar benefits from the TRATON GROUP's leading powertrain technology. Both alliance partners strive to explore significant synergies through joint powertrain applications and their purchasing cooperation.

In this context, the alliance includes framework agreements for cooperation in the area of powertrain systems and other aspects of future commercial vehicle business, as well as a joint venture for global procurement opportunities.

As part of the strategic alliance, the TRATON GROUP and Navistar formed a joint alliance board that determines the direction of the long-term partnership. The alliance board comprises the CEOs of both companies, the CFO of the TRATON GROUP, as well as additional senior management representatives and operates under a lean organizational structure. Among other things, the alliance board explores and evaluates cooperation on both existing and future transportation technologies and take decisions on joint projects.

The technology cooperation between the TRATON GROUP and Navistar focuses on supply and licensing of powertrain systems and enables more rapid R&D developments and efficient R&D spending. Furthermore, both companies are investigating possible cooperations in the fields of autonomous driving, e-mobility, alternative fuel technologies, connectivity and on the development of common hardware and systems to connect trucks to the internet.

As part of the strategic alliance, the TRATON GROUP and Navistar established the procurement joint venture Global Truck & Bus Procurement LLC, based in Lisle, Illinois, United States. Since the

establishment of the joint venture on February 28, 2017, the TRATON GROUP and Navistar have had a successful track record of delivering synergies resulting from their joint purchasing efforts negotiating and bidding for contracts.

14.5.3 Sinotruk

In 2009, MAN and Sinotruk (Hong Kong) Ltd. ("**Sinotruk**") established a strategic alliance, in which MAN acquired a 25% stake plus 1 share in Sinotruk. Sinotruk, whose principal place of business is in Jinan, China, is a leading truck manufacturer in the Chinese market and one of China's biggest heavy-duty truck exporters. As disclosed in Sinotruk's publicly available annual report for the year 2018, Sinotruk sold approximately 302,000 units. Together with CNHTC's sales, this corresponds to a market share of 16% in the HDT market in China in 2018 (IHS Markit).

Through cooperation agreements between MAN and Sinotruk since 2009, the TRATON GROUP has gained access to the Chinese market in the form of a financial investment and the licensing of certain truck components. The MAN TGA truck technology including powertrain is localized and used in products sold under the SITRAK brand. Moreover, in September 2018, the TRATON GROUP and Sinotruk signed a cooperation agreement to significantly expand their strategic alliance ("**CA**"). The CA foresees a cooperation which would allow MAN to localize its heavy-duty trucks in China in order to tap into China's fast-growing upper budget segment and it sets forth that TRATON GROUP and Sinotruk will evaluate intensifying their technology and procurement cooperation. The two companies are currently evaluating the implementation of the CA. The Company believes that an intensified partnership would further strengthen its position in China, the world's largest heavy-duty truck market.

14.5.4 Hino

In April 2018, TRATON SE (formerly Volkswagen Truck & Bus GmbH) and Hino Motors, Ltd. ("**Hino**") signed an agreement aiming to build a mutually beneficial strategic long-term partnership. Hino, headquartered in Tokyo, Japan, is a leading Asian manufacturer of trucks and buses and various types of engines and spare parts. Hino has a strong market presence in Japan (especially regarding light- and medium-duty trucks), Southeast Asia and North America and sells its products in over 80 countries. Hino has an extensive running fleet of hybrid vehicles.

As disclosed in Hino's publicly available presentation of financial results and presentation by the president of financial results for the fiscal year ended March 31, 2019, it sold 203,000 units and held a market share of 38% in the HDT market in Japan and Southeast Asia in 2018 (IHS Markit).

The intended technology cooperation mainly focuses on conventional, hybrid and electric powertrains. Both groups have committed to evaluate opportunities to co-develop key components such as diesel engines and to utilize their complementary know-how. Regarding e-mobility, the TRATON GROUP and Hino intend to cooperate in advancing sustainable powertrains, accelerating product development and to combine their marketing efforts. The strategic alliance between the TRATON GROUP and Hino furthermore contemplates joint research and cooperation in ADAS and autonomous driving. On September 17, 2018, the TRATON GROUP and Hino announced two strategic initiatives: collaboration in e-mobility, regarding shared development efforts and the pursuit of a procurement joint venture. On January 30, 2019, the TRATON GROUP and Hino signed a joint venture agreement setting forth the details on how to operate the procurement joint venture and thereafter initiated the required antitrust approval processes in various jurisdictions. Whereas the relevant authorities approved the procurement joint venture in some jurisdictions already, the Russian Federal Antimonopoly Service rejected the application for approval in May 2019. The parties are in ongoing discussions with the Russian Federal Antimonopoly Service to explore options to reach an agreement. In addition, the TRATON GROUP and Hino intend to investigate a closer cooperation with regard to e-mobility, including the potential option of establishing an e-mobility joint venture in the course of 2019/2020.

As part of the strategic partnership, the TRATON GROUP and Hino also formed a joint alliance board that determines the direction of the long-term partnership. The alliance board comprises the CEOs of both companies as well as additional senior management representatives and operates under a lean organizational structure.

Through the strategic partnership, the TRATON GROUP and Hino intend to expand their respective global footprints, enhance their respective market positions in the global transportation business and improve their capabilities to address current and future challenges in the truck and bus industry.

14.6 Financial Services

The TRATON GROUP's financial services offering consists of the financial services product portfolio of Scania. Scania is a fully integrated captive financial services provider. Financing services for MAN and

VWCO are provided by financing subsidiaries of the Volkswagen Group, which are not part of the TRATON GROUP. While MAN uses MAN-branded financial services on the front-end vis-à-vis the customer, VWCO has no separate branding and directly offers Volkswagen financial services. The TRATON GROUP is currently assessing whether to establish a captive and integrated financial services unit at the TRATON GROUP level.

In the fiscal year ended December 31, 2018, sales revenue from the Financial Services segment amounted to EUR 0.8 billion and the average equity of the Financial Services business amounted to EUR 772 million in 2018 as derived from the balance sheet at the beginning and end of the year.

14.6.1 Scania Financial Services

The financial services division of Scania which corresponds to the Financial Services Segment ("**Scania Financial Services**") provides tailored financing solutions for new and used vehicles purchased by Scania's customers via Scania's dealer network and it also offers vehicle related insurances and insurance solutions related to the finance contract such as GAP and Credit Life. Scania Financial Services offers financing products like hire purchase and loan financing designed for customer ownership from the start of the contract, financial leases designed for customer ownership at the end of the contract and operating lease products focusing solely on the usage of the vehicle over the term of the lease. The operating lease product portfolio comprises a contract hire and operating lease often combined with other services for fixed periods. All finance solutions can be bundled with insurance and other services like repair and maintenance contracts, driver training and fleet management solutions.

As of December 31, 2018, Scania Financial Services' average equity (as derived at the beginning and end of the period) amounted to EUR 772 million, as compared to EUR 702 million as of December 31, 2017, corresponding to an increase of 10.0%, and EUR 657 million as of December 31, 2016, corresponding to a growth of 6.8% as compared to December 31, 2017. Earning before tax for Scania Financial Services amounted to EUR 148 million, EUR 112 million and EUR 106 million, respectively, for the years ended December 31, 2018, 2017 and 2016. The ratio of earnings before tax to average equity for the same periods was 19.22%, 15.93% and 16.11%, respectively.

Financial services play an important role for customers of the Scania brand, allowing them to efficiently finance vehicles on reasonable terms. More than 40% of all Scania vehicles in the markets where Scania Financial Services is present are sold with financing and insurance solutions provided by Scania Financial Services.

Scania Financial Services comprises 15 individual financing business units globally (the "**Scania Financing Business Units**") covering more than 55 countries (i.e., 85% of the geographies in which Scania sells trucks and buses). Twelve out of the more than 50 legal entities within Scania Financial Services are regulated and under supervision by the local financial supervisory authorities. The companies in Sweden and Brazil have full credit institute licenses while the other entities are regulated as financial institutes.

The credit underwriting operations in the Scania Financial Services are governed by a global credit policy which determines the structure for credit decisions at a local and a central level. Interest rates, terms and conditions (including maturity) are set at the local level based on individual market specifics.

The underwriting operations of each of the Scania Financing Business Units are governed by a global credit policy at the Scania brand level, whereas interest rates, terms and conditions (including maturity) and underwriting decisions are made at local level within certain predefined limits.

In the fiscal year ended December 31, 2018, Scania Financial Services generated sales revenue of EUR 760 million and had an adjusted operating profit of EUR 138 million. The Group does not derive sales revenue from financial services provided to customers of MAN and VWCO by Volkswagen subsidiaries. As of March 31, 2019, Scania Financial Services had approximately 900 employees, accounting for approximately 2% of Scania's 46,280 total employees. Scania's financial services business is interlinked with the success of its industrial business. The penetration rate of Scania Financial Services, i.e. the percentage of trucks sold by Scania, in the markets where Scania Financial Services is represented, that are financed by Scania Financial Services, amounted to 43% in the fiscal year ended December 31, 2018 (2017: 46%; 2016: 43%), and 40% in the first quarter of 2019 (compared to 41% in the first quarter of 2018).

14.6.2 MAN Financial Services

MAN Financial Services GmbH ("**MAN Financial Services**") is the financing provider for the MAN brand and supports the sales and distribution of MAN Truck & Bus SE. MAN Financial Services is not owned by MAN and is not a member of the TRATON GROUP, and, as a result, the Group does not derive sales revenue from financial services provided by MAN Financial Services. Since January 1, 2014, MAN Financial Services has been a subsidiary of Volkswagen Financial Services AG and thus a company within the VW

Group. Accordingly, the TRATON GROUP is not exposed to counterparty risk with regards to MAN Financial Services. It is, however, subject to buyback obligations from financing solutions and thus exposed to the risk of a decrease in the residual value of leased and other used vehicles.

MAN Financial Services' portfolio includes domestic and international financing solutions, such as hire purchase agreements or credit financing, leasing services (e.g. kilometer contracts, full-service leasing or partial amortization leasing) and various insurance services, which are designed in a modular approach allowing numerous possible combinations, depending on individual customer requirements. The service portfolio also includes rental solutions with a variety of short- and long-term rental concepts for MAN commercial vehicles. MAN Financial Services is represented in approximately 23 countries through subsidiaries and cooperation arrangements, so that it can offer its customers access to a global financing network for many scenarios, regardless of whether international or local transport solutions are required.

14.6.3 VWCO

VWCO's financial services are provided by the financial services branch of the Volkswagen Group ("**Volkswagen Financial Services**"), consisting of Banco Volkswagen, Consórcio Nacional Volkswagen and Volkswagen Corretora de Seguros in Brazil. The Group does not derive sales revenue from financial services provided by Volkswagen Financial Services. Volkswagen Financial Services has seven regional offices in Brazil and offers customers of VWCO a variety of financing solutions, including long-term financing credits and operational leasing, as well as insurance services (e.g. financial protection insurance that guarantees the total or partial payment of a financing or various other coverings against personal accidents, collisions, fire or theft). All financial services are available in various different plans, designed to meet the needs of individual customers.

14.7 Synergies

The Company believes that there are tangible synergies among its brands and alliance partners, which are crucial for the TRATON GROUP's profitability.

As a basis for leveraging cross-brand synergies, the TRATON GROUP has implemented a collaboration model for all of its brands that aims to balance individual brand interests and perspectives while also realizing solutions that benefit the TRATON GROUP as a whole. This is also reflected in the TRATON GROUP governance structure which comprises centralized functions such as finance and business development, R&D and procurement as well as HR and IT. Collaboration with its alliance partners Navistar and Hino is ensured through governance levels effectively orchestrating alliance activities. Furthermore, the TRATON GROUP continuously seeks to improve its operating set-up including holistic target setting.

The Company believes that there is significant margin uplift potential in cross-brand collaboration which is further augmented through the inclusion of alliance partners and the resulting additional economies of scale. The Company believes scale advantages will be a key driver for the realization of synergies for the TRATON GROUP.

Prior to 2017, synergies were mainly achieved from purchasing collaborations. Going forward, the TRATON GROUP intends to focus on leveraging synergies in five key areas: purchasing, modularization and components, joint powertrain, new technologies as well as production footprint and logistics. The Company believes that the area of purchasing offers the most upside potential in terms of synergy effects in the short- and long-term, complemented by more long-term effects from joint powertrain and common components. In addition, further potential beyond that is expected in particular related to new technologies, production footprint and logistics.

14.7.1 Purchasing

Purchasing comprises commercial collaboration and lead buying (with individual brands taking the lead in various procurement areas). A global collaboration model underlies the TRATON GROUP's procurement processes. Clear rules are in place for the lead buying process, i.e., global transparency on component spend and suppliers across brands, effective tools, such as the bundling of volumes across brands, regular activity reviews and global component sourcing strategies. Lead dialogue with R&D and other functions also helps to identify and drive technical opportunities. Currently, joint commercial collaboration and lead buying are in place for various components. The process is divided in two waves, each wave covering different components, e.g. wave 1 covers, among other things, the purchase of tires and batteries. Joint sourcing of propeller shafts or steering gears, i.e. lead buying across brands to leverage volume effects, has been started in wave 2. The TRATON GROUP has set up a global sourcing board to exploit procurement savings potential with the TRATON GROUP brands. In addition, the TRATON GROUP leverages its strategic alliances, with one procurement joint venture with Navistar currently in operation and an additional one with Hino expected to follow. Such joint ventures generally identify purchasing synergies by analyzing joint supplier bases and comparing the individual brands' focuses on components.

14.7.2 Modularization and Components

The TRATON GROUP aims to drive synergies in legacy areas through modularization and by ensuring a high utilization of common components across all brands, while maintaining or improving customer value. This will be achieved by reducing complexity through common components, reducing cost, freeing-up R&D resources and optimizing the customer offer through a refined set of performance steps. Modularization comprises standardized interfaces over time, well-balanced performance steps and using identical solutions for the same needs.

The TRATON GROUP aims to achieve synergies from components in several steps. The process is organized as a series of waves, each wave covering different components, e.g. wave 1 comprises batteries and starters while wave 2 consists of propeller shafts and steering systems.

Common components illustrate how harmonizing production technology and procurement as well as managing portfolio overlaps are expected to reduce costs by up to 10%. The following waves target components like brake systems and air compressors.

These two synergy initiatives – modularization and common components – are supported by a common layout team with participation from all brands. This team seeks to ensure that common components match the well-balanced performance steps derived from customer needs. The objective is to build a modular kit with clear interfaces.

Additionally, the development of common components and modularization are expected to leverage the TRATON GROUP's purchasing power, resulting in cost savings.

14.7.3 Joint Powertrain

Joint powertrain comprises the following components: base engines, powertrain control systems, engine aftertreatment systems, transmissions and axles. Joint powertrain projects consist of powertrain projects (comprising base engines, engine aftertreatment systems, transmissions, and axles), powerpack projects (comprising base engines, engine aftertreatment systems and transmissions) and engine systems projects (comprising base engines and engine aftertreatment systems). A number of joint powertrain projects are currently in the implementation phase or being developed. For example, the transmission product generation "GZ," which is produced by Scania, is in operation in more than 45,000 MAN trucks as of December 31, 2018. Likewise, the new 13 liter common base engine ("**CBE1**") is expected to be installed in more than 50% of the TRATON GROUP's heavy-duty trucks per year from 2025. The CBE1 is expected to combine high fuel efficiency and durability with low maintenance. Synergies are expected to come from the CBE1, the common gearbox, the common aftertreatment, the common axles and the common powertrain control system. The Company believes that leveraging the joint powertrain across brands will significantly increase synergies.

14.7.4 New Technologies

Innovative technologies that are currently being commercialized in the Group's business include electrification, autonomous driving and connectivity. However, from an R&D perspective, these technologies are not new, and competence and experience have already partly been built up. Various joint new technology projects aim to enable the TRATON GROUP to leverage scale benefits across these three technologies.

For example, the TRATON GROUP is driving the joint development of autonomous driving solutions with individual brands being responsible for different components and software modules. The joint development is based on a common architecture, and ranges from sensors and actuators to software and common electronic control units ("**ECUs**"). Additionally, several assisted driving (Advanced Driver Assistance Systems, "**ADAS**") projects are currently ongoing with MAN and/or Scania in the lead.

For connectivity, good examples are the evolution towards a common digital backend as well as a common connectivity ECU.

The brands are also currently collaborating on electrification technology, where a common portfolio of components is being defined and developed, based again on a common architecture. The common e-mobility portfolio will eventually comprise energy storage systems, electric motors, charging systems and various auxiliary and high voltage components.

14.7.5 Production Footprint and Logistics

The TRATON GROUP aims to provide an optimal production footprint for the TRATON GROUP's powertrain portfolio as a first step to match demand and supply across its brands globally. Furthermore, the Group seeks to align its production processes and technologies across production plants to ensure flexibility.

Production and logistics coordination also helps optimize sites and load balancing between sites, e.g. through tactical production and network planning. For instance, following a feasibility study in 2015, Scania and MAN merged their assembly operations in St. Petersburg, Russia through the establishment of a Scania and MAN joint venture with one joint management, resulting in cost reductions for both Scania and MAN due to the reduction of technical capacity and the closing down of one facility. Furthermore, MAN is currently converting its site in Salzgitter, Germany, to a component plant and international supplier of parts. From 2020 and onwards, it is expected that all non-driven axles for both Scania and MAN will be produced at the Salzgitter plant.

14.8 Technology and Innovation

14.8.1 Overview

The Company believes that the truck market will be characterized by three key disruptive developments: autonomous driving, connectivity, electrification ("**ACE**"), alternative fuels and the regulatory environment (e.g. import controls and CO_2 limits). These developments will drive innovation in the truck and bus industry in the next 5 to 10 years and beyond (McKinsey (2018)). The penetration of new technologies in the production of trucks and buses is strongly driven by the potential TCO benefits for customers. For example, savings from fully autonomous driving result mainly from driver cost reduction. Likewise, connectivity is expected to lead to more efficient vehicle usage and fleet management resulting in increased vehicle uptime, while electrification/alternative fuels are expected to reduce fuel costs, maintenance costs and CO_2 emissions. In addition, the Group expects that new digital workflows, analytics and real-time performance data from connected vehicles will further enhance information for R&D and product design.

14.8.2 R&D Organization/Strategy

The TRATON GROUP's R&D efforts are fundamental to its corporate vision and its goal of developing products and services that are in line with changing customer needs. The TRATON GROUP's R&D activities, among other things, focus on developing products and solutions that create the best customer value as well as addressing autonomous driving, connectivity and electrification by being fast and flexible in embracing new technologies. One of the key objectives is to improve earnings as well as TCO for the TRATON GROUP's customers. Further objectives include CO_2 reduction and a focus on related technologies, such as alternative fuels and electric vehicles. Accordingly, the TRATON GROUP puts significant emphasis on new technologies which address environmental concerns/regulatory requirements and inefficiencies in the expanding transport ecosystem. Improved powertrains, the introduction of e-mobility and automation, and modern connectivity services all address these inefficiencies.

With its well-established global engineering team, the Company believes it is well-positioned to capitalize on the current developments in the global truck and bus industry. As of March 31, 2019, the TRATON GROUP and its brands employed approximately 6,800 employees (full-time equivalents) in a research and development function.

Common R&D projects are organized as group efforts with a high level of common architecture and R&D efforts shared across the Group, utilizing competencies in the most efficient way. The TRATON GROUP's main R&D facilities are located in Södertälje (Sweden), Munich (Germany) and Nuremberg (Germany).

The TRATON GROUP is committed to a high level of investment in R&D to further strengthen its product portfolio in the coming years and, enabled by freed-up R&D funds from efficiencies in joint R&D programs, to shift R&D spending towards future technologies. The TRATON GROUP has already developed new products in response to new technologies and believes it is playing an active role in shaping the future of the commercial vehicle industry.

14.8.3 Powertrain

The TRATON GROUP considers itself a leader in powertrain technology and aims to further enhance its position through the joint development efforts of all its brands. Combining the R&D capabilities of all its brands, including benefits from its strategic alliances, helps reduce time to market of new powertrain technologies and enables the Group to deliver state-of-the-art products. Furthermore, common R&D projects lead to higher resource efficiency. Such projects include the TRATON GROUP's common axles, the transmission product generation "GW" and the new 13 liter CBE1 that is currently being developed. The CBE1 is the TRATON GROUP's common heavy-duty engine with more than 50% brake thermal efficiency and global readiness for future emissions regulations. The CBE1 is expected to be installed in more than 50% of the TRATON GROUP's brands' heavy-duty trucks from 2025 onwards.

14.8.4 Autonomous Driving

Already today, the TRATON GROUP is developing multiple solutions for autonomous driving of trucks and buses. This technology is expected to develop in several stages, depending on the complexity of the traffic

environment. There are already noticeable benefits from functions for ADAS in normal transport operations, like increasing safety and optimizing fuel consumption. New functions for assisted driving are under development, such as autopilots for highway driving and platooning solutions. Advanced self-driving solutions are being introduced in parallel for confined and controlled areas, such as mines, harbors or dedicated lanes, all of which are expected to entail potential TCO savings provided such solutions will be enabled by corresponding legislation. For instance, Scania's "Level 5" autonomous driving technology (i.e., full automation) will offer complete system solutions for mining operations, from handling logistics to the assignment of tasks to vehicles, and information sharing between vehicles and infrastructure. The first vehicle is in trial with a customer. Furthermore, Scania and Nobina AB, one of the largest public transport providers in the Nordic countries, have entered into a collaboration to commence trials of autonomous buses on regular routes in the Stockholm area in Sweden. Another example is MAN's Construction Signaling Vehicle (aFAS) research project, a pilot being tested in actual road conditions on highways in Hessen, Germany, which is intended to enhance safety for construction vehicles and personnel.

Platooning solutions, or convoys of automated or semi-automated trucks, entail a vehicle system that allows two or more trucks to drive on highways with very little spacing between them, as they are supported by technological driver assistance and steering systems. The leading vehicle specifies speed and direction, while the drivers of successive vehicles can re-assume control over their individual truck at any time. MAN together with the logistics service provider DB Schenker has completed a platooning project on a German highway. Research indicates that platooning can give a small benefit in reduction of carbon dioxide emissions and shows high potential for further automation. Platooning trials are also being carried out by Scania.

The Company believes that autonomous vehicle development will reduce TCO due to lower driver costs and reduced fuel consumption. For conditional automation, i.e. ADAS (autonomous driving Levels 1 to 2) in complex traffic environments, this is already the case, although the TCO impact is still limited. Implementation of high automation (autonomous driving Level 3 to 4) and full automation (autonomous driving Level 5) in complex traffic environments is expected to significantly lower TCO, but is likely only to be implemented in the long-term. However, for controlled areas, driverless use cases will be offered earlier.

14.8.5 Connectivity

The TRATON GROUP considers itself to be a global leader in connected trucks based on its technological capabilities and on its large existing fleet of connected vehicles. The Group has continuously been integrating intelligent software and aiming to provide customers with value-focused transport solutions and services. With numerous digital offerings, the TRATON GROUP's brands help their customers as digitalization transforms how freight is transported, improves utilization through remote diagnostics and increases efficiency and safety.

The TRATON GROUP offers tracking of vehicles (and thus shipments), fleet monitoring, freight, and safety compliance on its digital platform RIO. This fleet management software is backed by a collaboration of the TRATON GROUP's brands and is additionally strengthened by several investments and partnerships with innovative technology providers. As part of its digitization strategy, the Group has been increasing investments and partnerships that are adjacent to its core business such as freight forwarding, freight sharing and real-time cargo planning. Furthermore, Scania has established the LOTS group which aims at enhancing flows throughout the logistics chain. The Group's connectivity offering includes, among other things, remote diagnostics, tachograph services, flexible maintenance and driver coaching.

According to its own estimates, the TRATON GROUP has a large number of connected commercial vehicles with a fleet of more than 450,000 vehicles. As of December 31, 2018, more than 350,000 vehicles were connected through Scania's Fleet Management System, a single digital environment hosting connected services for fleet owners and drivers, and Scania Digital Services. MAN DigitalServices is tailor-made for MAN customers and connects MAN vehicles. Furthermore, all of the Group's new medium- and heavy-duty trucks in Europe are equipped with a telematics box.

14.8.6 Digitalization – RIO

At the IAA in 2016, the Company introduced a cloud-based connectivity platform which it then launched as its digital brand RIO in 2017. While RIO used to be a business unit at MAN, it was carved out as a separate subsidiary of TRATON, TB Digital Services GmbH, in July 2018.

RIO is the Group's digital brand and has two core business fields. The first core serves as the Group's connectivity environment, offering a digital platform and vehicle connectivity functionality for all of the Group's brands. The second core is an open, cloud-based logistics ecosystem that aims to connect all participants in the transportation chain – shippers, dispatchers, drivers and recipients – with a uniform information and application system, including forecasting features. RIO's goal is to increase efficiency,

sustainability and profitability in freight transport through data collection and data-driven intelligence, which in turn improves TCO and adds business value for customers.

To access its cloud-based digital platform, RIO has introduced the RIO Box, a separate hardware element for the enablement of digital services. The RIO Box is installed either during vehicle assembly or at any time after delivery in a vehicle's DIN slot in the driver cab. The RIO Box acts as an interface between the vehicle and the RIO platform, collecting a variety of vehicle and driver-related data and transmitting it, using the latest standards of mobile communication. Since January 2018, the RIO Box has been available for retrofitting into all vehicles with a fleet management interface, including mixed fleets containing vehicles of different brands, including non-Group brands. Since August 2017, every Euro VI MAN truck delivered in Europe has been line-fitted with a RIO Box as a standard feature. VWCO intends to launch its RIO services in 2019 and their vehicles are also intended to be line-fitted with the RIO Box. Because it can easily be installed in any modern truck's DIN slot, the RIO Box is designed as a latest generation connectivity module for all truck brands in the market.

The RIO platform is designed as an open ecosystem based on cloud-native technologies. Its architecture and micro-services design provide application developers with a powerful technology framework. The RIO platform offers a set of core services which are made available via standard application interfaces. Development teams can leverage the RIO platform to securely connect both asset-based data such as vehicle position and performance, as well as process-based data, such as tour and shipment information.

14.8.6.1 Digital Cooperation – Solera

In June 2018, Audatex GmbH, a subsidiary of Solera Holdings, Inc. ("**Solera**"), and MAN Truck & Bus SE entered into a cooperation to implement Solera's Digital Garage for Fleet technology for MAN Truck & Bus SE's needs. Solera provides risk management and asset protection software and services to the auto and property insurance marketplace, in particular, intelligent data and software as a service ("**SaaS**") for heavy-duty trucks, automotive, home ownership and personal digital identity management.

As part of the cooperation, MAN leverages Solera's solutions in MAN's operations, including further enhancing customers' solutions within the trucking after sales ecosystem. MAN and Solera combine their expertise to enhance and further digitalize MAN's operations. The cooperation between MAN and Solera focuses on data-led estimations, cycle-time improvements and the further digitalization of the vehicle intake process. This includes, for instance, the increased ability for drivers to use technology to track performance and conduct daily vehicle health checks. Since the implementation of the cooperation in March 2018, MAN and Solera have already successfully developed a driver-focused aftersales application set.

14.8.6.2 Other Cooperations

The TRATON GROUP also pursues cooperative arrangements in areas that it aims to expand into and/or gain further expertise in such as its cooperation with Northvolt AB ("**Northvolt**"). Northvolt is a Swedish battery producer with which Scania concluded a partnership in January 2018 to develop and commercialize battery cell technology for heavy commercial vehicles. Further selected investments include sennder GmbH ("**sennder**") in 2017 which is expected to act as a digital freight forwarder connecting large shippers with small carriers.

14.8.7 Electrification/Alternative Fuels

The Company believes that the long-term future of transport will likely be fully electric, especially in distribution and city-centric applications, though a number of challenges still remain. Accordingly, during a transition phase, powertrains with alternative fuel solutions and hybrid solutions will be important to complement the fossil-fueled combustion engine.

The TRATON GROUP is already using pilot electric powertrains for some of its trucks and buses and is currently developing a common portfolio for e-mobility, including a battery solution optimized for commercial vehicles. Furthermore, the TRATON GROUP is working on alternative drive solutions and offers a complete range of trucks and buses suitable to be powered by alternative fuels such as liquefied natural gas ("**LNG**"), compressed natural gas ("**CNG**"), synthetic fuels and Hydrotreated Vegetable Oil ("**HVO**"), ethanol, biodiesel (FAME – fatty acid methyl ester) as well as vehicles with alternative drive trains like hybrid electric vehicles ("**HEV**"), mild hybrid electric vehicles ("**mHEV**") or plug-in hybrid electric vehicles ("**PHEV**") and pure battery electric vehicles ("**BEV**"). All Scania and MAN vehicles are able to run on HVO and a number of engines can run on biodiesel ("**B100**"). Since 1994 MAN offers in series CNG city buses. Scania offers CNG solutions in a variety of truck and bus applications. Scania received an order of more than 700 CNG buses for the city of Bogota, with deliveries starting during 2019. In 2012, MAN introduced the first hybrid city bus. In 2014, Scania launched the first Euro VI trucks powered by LNG and in 2016 the first hybrid truck. In 2019, MAN expects to launch the new city bus generation as a diesel- and CNG-version.

Both are optionally available with MAN EfficientHybrid, an intelligent energy management system. The main component is a robust and wear-free electric motor which is installed in the driveline between the engine and the gearbox. Furthermore, the new city bus generation is scheduled to follow as BEV in 2020. Additionally, Scania is working on the concept of electrified highways. In this case, Scania trucks are fitted with a pantograph power collector that is connected to overhead power lines above the road. These trucks can freely connect to and disconnect from the overhead wires while in motion and charge batteries in the trucks that are equipped with an electric powertrain. Furthermore, the TRATON GROUP has launched a pilot study to test silent overnight deliveries in Stockholm, Sweden, using hybrid trucks from Scania. VWCO is expected to launch its e-FLEX bus, a plug-in hybrid bus that runs with any mix of ethanol and gasoline or gas in 2022/2023.

The battery system for hybrid and fully electric buses and trucks being developed jointly by Scania and MAN will have a flexible number of battery packs and customized software depending on customer requirements. Scania's current test fleet includes a PHEV truck used for urban applications in distribution and construction. The PHEV truck will be available for order by mid-2019. MAN's current customer test fleet includes ten 26-ton BEV trucks. The trucks have a range of up to 180km and a charging capability of 150kW. They are used by the customers in their normal daily transportation tasks. A small series production is expected to start in late 2019.

In September 2018, the TRATON GROUP introduced the ready-to-drive MAN CitE 15-ton electric truck concept, designed specifically for city cargo traffic. MAN engineers developed the CitE in 18 months, leveraging the concepts of the short product development cycles of the software industry. The CitE features a centrally-arranged electric motor from MAN's eMobility module with lithium-ion batteries enabling a range of up to 200km. Furthermore, in April 2019, MAN presented the MAN Lion's City E, an all-electric bus for city transportation. The MAN Lion's City E features an optimized all-electric central motor and offers a range of 200km to 270km under favorable operating conditions over the entire battery life. MAN expects to start production of the Lion's City E in 2020.

In 2017, VWCO presented the e-Delivery, an all-electric distribution truck for urban logistics designed to improve sustainability in the delivery of goods. The e-Delivery features a range of up to 200km, overnight charging and gross vehicle weight of 7.5 to 13 tons. Start of production is expected in 2020/2021. In August 2018, the Brazil-based Ambev Brewery announced that by 2023 it will use 1,600 electric trucks made by VWCO to transport beverages. The first truck to be part of this fleet will be the VW e-Delivery.

14.9 Procurement

The Group purchases raw materials, parts, and manufactured components from multiple suppliers worldwide. The TRATON GROUP's chief technology officer is responsible for the Group's global procurement and heads the Group's procurement committee which, among other things, decides on purchase orders exceeding a certain threshold. In addition, each brand maintains its own procurement function, which also coordinates with Group-wide purchasing and implements Group-wide procurement initiatives.

MAN has implemented a group-wide procurement policy, comprising generally applicable, binding regulations and rules for procurement (the "**MAN Procurement Policy**"), stipulating responsibilities as well as the following principles of procurement: (i) "corporate responsibility and sustainability along the supply chain", (ii) the clear definition of the responsibilities and role of the procurement function, in particular, procurement activities may not be carried out without the prior involvement of the procurement function and without a purchase order, (iii) the separation of procurement-related functions, (iv) "dual control", i.e., each liability to a supplier must be approved in writing by two authorized employees in procurement, (v) to maintain a list of disapproved business partners and conduct regular checks against this list, (vi) to take suitable measures in relation to risks within the supply chain, (vii) to adhere to applicable procurement processes and (viii) to document important decisions regarding the selection of suppliers and contractual arrangements. The MAN Procurement Policy is accompanied by a set of instructions containing supplementary explanations and notes about the regulations, processes and responsibilities contained in the MAN Procurement Policy. Furthermore, MAN has defined country-specific procurement thresholds and any orders in excess thereof fall within the responsibility of MAN's central procurement function, or, as the case may be, MAN's sourcing committee.

TRATON SE and MAN Latin America have generally adopted the MAN Procurement Policy for their respective procurement processes.

Scania has implemented its own procurement policy that governs the procurement of the commercial operations of the Scania Group (the "**Scania Procurement Policy**"). The Scania Procurement Policy stipulates rules for the selection of suppliers which must be complied with prior to the nomination of businesses, including thresholds for the involvement of the competent committees such as Scania's

sourcing board. Unless a supplier contract is awarded with direct involvement of Scania's purchasing department ("**Scania Purchasing**"), the nomination of businesses exceeding a yearly turnover of EUR 10,000, or any single order exceeding EUR 5,000, requires the involvement of Scania Purchasing prior to entering into any contract with a supplier. Single purchase orders below EUR 5,000 may be executed without the involvement of Scania Purchasing by way of delegation of power, i.e. such power must have been granted to the respective purchasing functions or further delegated internally. Moreover, the Scania Procurement Policy provides for rules for emergency purchase orders as well as exemptions from the purchase order procedures. The Group works closely with its suppliers to improve procurement and believes that this policy encourages technological innovation, cost reduction and other measures to strengthen the competitiveness of its vehicles. The focus of the procurement activities of the brands is supportive of worldwide growth with the appropriate technology, quality, precise delivery, competitive cost and overall sustainable set-up. The procurement divisions also aim to increase the local content in the brands' global production systems to fulfil legal requirements as well as to reduce costs and currency risks. They also strive to find the right technology for specific markets in order to localize production at competitive costs. While baseline procurement processes and systems are identical between the brands there are also some differences at the brand level to account for different specializations.

A lean management procurement approach further ensures short decision-making channels for administrative processes. Using a common sourcing platform allows centralized access to applications and information, documents and standards, and also provides digital networking opportunities between the brands of the TRATON GROUP and its partners. In particular, the TRATON GROUP has implemented a Group-wide lead buying strategy, i.e., a global cooperation model within procurement in order to leverage available know-how and to bundle volumes for defined components to achieve best-possible prices across all brands and locations ("**Lead Buying**"). The TRATON GROUP's Lead Buying concept aims at improving current sourcing processes across all its brands without changing procurement responsibilities at the brand level, thereby maintaining the brand buyers' established relationships with suppliers. The Lead Buying concept comprises defining leads for component strategy development across common projects, brands and areas. One lead buyer is assigned per prioritized component, based on a rotation principle between brands, and the lead buyer is then responsible for the respective component sourcing strategy (which needs to be aligned with R&D and procurement). The brand buyers remain responsible for the brand-specific implementation of the TRATON GROUP's global Lead Buying strategy, and all non-prioritized components remain assigned to the procurement functions at brand level. The brands' joint commercial collaboration regarding the procurement of tires, where the designation of one lead buyer for the whole Group (as well as for Navistar) has resulted in a combined purchasing volume twice as large as the one of the brand with the highest individual purchasing volume, is an example of successful Lead Buying.

In addition to the individual procurement strategies at the Group and brand level, the TRATON GROUP is further aiming to leverage its purchasing powers together with its strategic alliance partners, eventually via procurement joint ventures. For example, a procurement joint venture has been formed with Navistar to pursue joint global sourcing opportunities in North America (see above at "*14.5.2 Navistar*"). The Company intends to establish another separate procurement joint venture with Hino.

14.10 Real Property and Manufacturing Facilities

The TRATON GROUP's headquarters are located in Munich, Germany, where it leases an office building at Dachauer Straße 641, 80995 Munich. This is also the registered place of business of the Company.

The TRATON GROUP uses production and manufacturing sites for the purpose of developing, testing and manufacturing its products, a network of service stations for repairing its products in use as well as office and logistics properties located in Europe, Africa, Asia and the Americas. Many of these sites are owned by companies of the TRATON GROUP, while the remaining sites are used under lease agreements.

In Germany, MAN owns large portions of the real estate it uses in Munich, Germany, where its headquarters and production facilities are located. Material real property used by the TRATON GROUP for its business in Germany is listed in the table below.

For the TRATON GROUP's administrative purposes, in addition to property owned by MAN in Munich, Germany, the TRATON GROUP uses office buildings in Munich on the basis of lease agreements, some of them on a long-term basis. MAN further owns non-operative real properties, the most significant among them located in Vienna, Austria and in Oberhausen and Donauwörth, Germany, which are held as financial investments and are leased to third parties. In addition, a former MAN production site in Poznan, Poland, is in the process of being sold. These properties are not listed in the table below.

On property MAN owns in Munich, Germany, the TRATON GROUP is currently in the process of constructing a new building for acoustic roller test benches (*Akustikrollenprüfstand*) as well as modernizing an existing plant on the same property. MAN is currently carrying out design and preparation works for a

new office building next to its production site in Munich. Furthermore, the TRATON GROUP is in the process of constructing a new engine test center to address latest legal requirements on property that MAN owns in Nuremberg, Germany. Additionally, a new building is being planned on the Nuremberg property for the production of the CBE1.

On property that Scania owns in Södertälje, Sweden, the TRATON GROUP is currently in the process of constructing new offices. Completion is planned for the second quarter of 2020. In addition, a new area for engine assembly, manufacturing and logistics is currently under development on the same property. Completion is planned for mid-2019. Furthermore, the TRATON GROUP is currently carrying out preparation works for a new foundry at the Södertälje site. Start of the construction works is planned for mid-2019.

The following table provides a summary of the material real property used by the TRATON GROUP companies as of December 31, 2018:

Country	Location	Brand	Size (approx.)	Use
Germany	Munich	TRATON GROUP and MAN	Owned: 886,035 m² (plot size) Leased: 69,510 m²	Legal seat and headquarters of TRATON SE and headquarters of MAN. Production of trucks in the heavy series with a permissible gross vehicle weight of 18 to 41 tons, as well as cabs, driven axles and transfer cases
Germany	Nuremberg	MAN	Owned: 355,250 m² (plot size)	Development and production of diesel and gas engines (component plant)
Germany	Salzgitter	MAN	Owned: 706,530 m² (plot size) Leased: 180,780 m² (floor area)	Production of axles and other components Logistics
Germany	Plauen	MAN	Owned: 61,220 m² (plot size)	Bus modification
Germany	Dachau	MAN	Owned: 108,890 m² (plot size)	Logistics
Germany	Wittlich	MAN	Owned: 17,370 m² (plot size)	Truck modification
Finland	Lahti	Scania	Leased: 20,800 m² (floor area)	Production of buses and development of bus chassis
France	Angers	Scania	Owned: 370.000 m² (plot size), 65.000 m² (floor area) Leased: 4.000 m² (floor area)	Assembly of trucks
Belgium	Opglabbeek	Scania	Owned: 102,000 m² (floor area) Leased: 56,600 m² (floor area)	Central warehouse for parts
Netherlands	Zwolle	Scania	Owned: 300,000 m² (plot size), 108,500 m² (floor area) Leased: 152,500 m² (plot size) 29,400 m² (floor area)	Production of trucks, export via the plant's internal logistics center
Netherlands	Meppel	Scania	Owned: 74,000 m² (floor area) Leased: 18,500 m² (floor area)	Painting of truck components, such as driver cabs and chassis parts (component plant)

Country	Location	Brand	Size (approx.)	Use
Austria	Steyr	MAN	Owned: 480,000 m² (plot size)	Production of light- and medium-duty trucks, as well as driver cabs
Poland	Kraków	MAN	Owned: 1,150,000 m² (plot size)	Assembly of TGS and TGX trucks
Poland	Starachowice	MAN	Owned: 300,000 m² (plot size)	City buses and city bus chassis
Poland	Słupsk	Scania	Owned: 108,709 m² (plot size), 31,320 m² (floor area) Leased: 1,200 m² (floor area)	Production of Scania buses
Russia	St. Petersburg	MAN and Scania	Leased: 30,000 m² (plot size) 20,000 m² (floor area)	Assembly of MAN and Scania trucks
Sweden	Luleå	Scania	Owned: 50,000 m² (floor area) Leased: 10,200 m² (floor area)	Production of components – such as frames, bumpers and rear-axle housings – for commercial vehicles
Sweden	Oskarshamn	Scania	Owned: 200,000 m² (floor area) Leased: 89,000 m² (floor area)	Production of driver cabs for trucks (component plant)
Sweden	Södertälje	Scania	Owned: 740,000 m² (floor area) Leased: 99,000 m² (floor area)	Headquarters of Scania, production of trucks, bus chassis, engines and components
Turkey	Ankara	MAN	Owned: 317,000 m² (plot size)	Manufacturing of city buses, coaches and intercity coaches of the MAN and NEOPLAN brands; development center for buses
South Africa	Johannesburg	Scania	Leased: 19,100 m² (plot size) 7,900 m² (floor area)	Assembly of trucks and buses
South Africa	Olifantsfontein	MAN	Owned: 60,000 m² (plot size)	Production of bus chassis and bodies for intercity buses and coaches
South Africa	Pinetown	MAN	Owned: 53,000 m² (plot size)	Assembly of light, medium-weight and heavy trucks, as well as bus chassis
Argentina	San Miguel de Tucumán	Scania	Owned: 228,000 m² (plot size), 40,700 m² (covered area), 29,800 m² (workshop area)	Manufacturing of transmissions and transaxles (component plant)
Brazil	Resende	Volkswagen Caminhões e Ônibus	Owned: 1,000,040 m² (plot size), 135,000 m² (covered area) Leased: 39,996 m² (plot size) (customer forum)	Production of trucks of 3.5 to 74 metric tons, as well as bus chassis
Brazil	Resende	Volkswagen Caminhões e Ônibus	Leased: 50,000 m² (plot size), 23,900 m² (floor area)	External logistic center warehouse

Country	Location	Brand	Size (approx.)	Use
Brazil	Vinhedo	Volkswagen Caminhões e Ônibus	Total Leased: 305,000 m² (plot size), 132,000 m² (floor area), 32,000 m² (floor area used by VWCO)	Distribution center (P&A)
Brazil	Bulhões, Rialto Floriano and Porto Real	Volkswagen Caminhões e Ônibus	Owned: 958,000 m², 1,102,000 m² and 694,710 m²	Test track for VWCO and MAN trucks produced in Brazil
Brazil	São Paulo S.B. do Campo	Scania	Owned: 414,480 m² (plot size), 186,700 m² (floor area) Leased: 24,400 m² (plot size), 1,990 m² (floor area)	Production of trucks and production of bus chassis, engines, axles and driver cabs
Brazil	São Paulo Mauá	Scania	Leased: 94,780 m² (plot size), 61,710 m² (floor area)	External logistic center warehouse
Mexico	Querétaro	Volkswagen Caminhões e Ônibus	Total leased: 18,740 m² (plot size), 11,500 m²	Assembly of MAN bus chassis and coaches of the type LionsMex; manufacturing of New Delivery, Constellation, and chassis for the Volksbus
India	Narasapura	Scania	Owned: 24,000 m² (floor area)	Production of trucks and buses
Malaysia	Kuala Lumpur	Scania	Leased: 14,600 m² (plot size), 1,390 m² (floor area)	Assembly of trucks and buses
Malaysia	Rawang	MAN	Leased: 8,020m² (plot size), 4,140 m² (built up area)	Assembly of trucks
China / Taiwan	Ping Chen City	Scania	Leased: 15,110 m² (plot size), 5,316 m² (floor area)	Assembly of trucks and buses
Thailand	Bangpakong, Bangkok, Samut Prakan	Scania	Leased: 33,930 m² (plot size), 14,030 m² (floor area)	Assembly of trucks and buses

Between December 31, 2018 and the date of this Prospectus, the TRATON GROUP did not acquire or lease any additional material property.

14.11 Intellectual Property

The TRATON GROUP's global intellectual property strategy aims to protect and enhance the Group's competitive position in the various markets in which it operates. This is achieved by effective management of the Group's intellectual property rights, including patents, trademarks, designs and know-how. A high priority is placed on protecting innovation and the actual and future business value that the TRATON GROUP can derive therefrom. Intellectual property rights are generally managed at the brand level, with coordination by the intellectual property teams within each of the TRATON GROUP's brands.

14.11.1 The TRATON GROUP

The trademarks of the TRATON GROUP cover a broad range of company names, brand names and brand logos, including the terms "TRATON", "TRATON in Chinese characters" as well as "RIO", "Scania" and "MAN" (see below).

As of the date of this Prospectus, the TRATON GROUP (excluding Scania, MAN, VWCO and RIO) owns approximately 228 trademarks worldwide.

The TRATON GROUP (excluding Scania, MAN, VWCO and RIO) has registered its most important internet domain names with top-level-domain registrars, including, amongst others, "www.traton.com" and "www.traton-group.com."

14.11.2 Scania

As of the date of this Prospectus, Scania owns approximately 852 trademarks worldwide. The trademarks of Scania cover a broad range of company names, brand names and brand logos, including the terms "Scania" and the Griffin logo. Scania places high priority on the protection of its own inventions. According to the Swedish Patent and Registration Office, Scania was the company that filed the most patent applications in Sweden in 2017.

Scania currently owns approximately 3,969 patents and approximately three utility models and approximately 3,702 pending patent applications in various countries, predominantly in Sweden, Brazil, Germany, South Korea and the United States. Scania currently owns approximately 4,842 design registrations and approximately 1,667 pending design registrations in various countries.

Scania has registered its most important internet domain names with top-level-domain registrars, including "www.scania.com."

14.11.3 MAN

The brand architecture of MAN is structured in the corporate brand "MAN with arc" on the one hand, the main product brands "MAN in bold letters" and "NEOPLAN" on the other hand, and supplementary brands.

As of the date of this Prospectus, MAN owns approximately 3,486 trademarks worldwide. The trademarks of MAN cover a broad range of company names, brand names and brand logos, including the component "MAN", the "lion logo" and product brands such as "TGX" or "Lion's Coach."

Furthermore, MAN currently owns approximately 2,408 design patents in various countries.

MAN owns approximately 4,697 granted patents and approximately 4 utility models and approximately 2,771 pending patent applications in various countries, predominantly in Germany, France, Italy, the Netherlands, Sweden, Russia, Brazil, India, China and the United States.

MAN has registered its most important internet domain names with top-level-domain registrars, including "www.mantruckandbus.com, www.man.eu" as well as the generic top-level domains ".man", used as, for example, "van.man", "iaa.man" and "truck.man."

14.11.4 VWCO

In order to make its products and services more attractive and competitive in the markets in which it operates, developing or licensing intellectual property assets is essential for VWCO.

As a dual brand company, VWCO uses Volkswagen and MAN trademarks in its vehicles and spare parts, as well as to name services offered to its clients. In relation to patents, VWCO applies to its trucks and buses patents developed by its own engineering such as the patents related to "e-Delivery" truck and the "e-Flex" bus, patents owned by MAN Truck & Bus SE and patents and industrial designs owned by Volkswagen AG.

In relation to trademarks, VWCO uses the expressions "Volkswagen" and "VW" to name its VW trucks and buses models as a distinctive signal to guarantee their models' trademark register before the Brazilian Patent and Trademark Office, such as "Volkswagen Delivery", "Volkswagen Constellation" and "Volksbus."

VWCO also has the license to use several internet domains to market and trade its products and services over the internet.

As of the date of this Prospectus, VWCO owns approximately 11 trademarks in Brazil and has filed an additional 4 before the Brazilian Patent and Trademark Office.

VWCO has filed approximately 14 patents applications with the Brazilian Patent and Trademark Office, besides approximately 5 granted and approximately 32 applications for industrial design which has been filed both in Brazil and in several other countries.

VWCO has registered its most important internet domain names with top-level-domain registrars, including "www.vwco.com.br", "man-latinamerica.com.br", and "man-la.com."

14.11.5 RIO

As of the date of this Prospectus, TB Digital Services GmbH, a wholly-owned subsidiary of the Company, owns approximately 50 trademarks worldwide, comprising the word mark "RIO" and the word/device mark "RIO".

RIO has registered its most important internet domain names with top-level-domain registrars, including "www.rio.cloud".

14.11.6 Proceedings

The TRATON GROUP is occasionally involved in intellectual property proceedings, as for example during trademark prosecution. Regarding the "TRATON" as well as "RIO" trademark applications oppositions based on earlier rights have been filed as well as objections of the respective national offices have been issued, most of which have already been settled. The Group is also challenging the validity of several patents owned by third parties.

14.11.7 Licensing Agreements

Entities of the TRATON GROUP are party to several agreements relating to intellectual property. In particular, MAN and Scania have a number of licensing agreements. The agreements mostly concern the licensing-out of patent and/or trademark rights, and in only a few instances are rights licensed-in. One Scania license agreement contains a change of control termination right in favor of the third-party licensor to terminate the agreement if there is a material change in the capital share, the shareholder or ownership structure of the licensee which renders the execution of the license agreement unreasonable to the licensor, in particular when a competitor of licensor (except Volkswagen AG) can significantly influence licensee. Furthermore, MAN has a number of joint development agreements relating to autonomous driving. For licensing agreements in the context of the pre-IPO reorganization see also "*3.5 Transitional Services Agreements.*"

14.12 Information Technology

Information technology ("**IT**") is an important part of the Group's operations, in particular to support research, procurement, manufacturing, sales, logistics, services and business processes as well as internal and external communications and the delivery of new digital services such as RIO, MAN DigitalServices and ScaniaONE. The IT systems are designed and organized to support the daily operations and the management of brands' businesses. In addition, IT provides management with the financial and other information necessary to implement the strategic and long-term development of the Group. Furthermore, IT ensures controls and compliance across the Group and provides for uniform and timely reporting. The IT organizations within the Group focus on information and information security, the effectiveness of processes and applications, and digitalization.

Prior to the consolidation of MAN, Scania and VWCO within the TRATON GROUP, each brand had its own independent set-up of IT applications and services to support its respective business processes. These solutions were tailored to the specific needs of each brand and, therefore, not developed and operated on the basis of a cross-brand set-up. In support of the TRATON GROUP's strategy to create a Global Champion, the Group's IT focuses on providing solutions for cooperation and synergy projects. Furthermore, the TRATON GROUP seeks to align the relevant IT technologies and architectures throughout the TRATON GROUP via the TRATON architecture and technology board. VWCO shares its IT infrastructure with Volkswagen do Brasil Indústria de Veículos Automotores Ltda. ("**VW do Brazil**"), a subsidiary of Volkswagen AG, and its IT system applications with VW do Brazil and Volkswagen AG.

MAN maintains its key datacenters in Dachau, Germany (the regional datacenter for MAN Truck & Bus SE) and in Frankfurt am Main, Germany. In addition, MAN's production sites and sales centers have data rooms onsite to support local services. Scania has its main datacenters in Södertälje, Sweden, São Bernardo do Campo, Brazil and Hong Kong as well as 12 regional datacenters globally at Scania's production sites. While the Group's IT systems are mainly brand driven due to the Group's global footprint, the core parts of the IT systems and application landscapes throughout the Group rely on enterprise resource planning (ERP) business suites (e.g. SAP, Dynamics AX, SalesForce and Oracle). The IT infrastructure consists of the relevant application-based technologies as well as technologies for general office communication and collaboration purposes, several databases, different types of servers (physical and virtual servers, Windows- and Linux-based), storage systems and networks. The infrastructure within the Group is mainly delivered from regional data centers (internal and external) together with an increasing use of cloud services. For its new digital services, the Group leverages the latest cloud-native technologies from Amazon Web Services and other industry-leading managed infrastructure, platform and software providers.

The TRATON GROUP's products and systems generate and process significant volumes of sensitive business-related information, including personally identifiable information of customers, truck and bus drivers, employees, as well as of the TRATON GROUP's partners and suppliers. In 2018, the TRATON GROUP established an information security function with Group-wide responsibilities to ensure the cross-brand integration of the respective information security measures at brand level and supervision at Group-

level. Its core tasks comprise training, information risk management, monitoring and reporting as well as the coordination and implementation of Group-wide information security projects. In addition, each of MAN, Scania and VWCO maintains its own information security functions that define, implement and operate security controls at brand level.

14.13 Employees

14.13.1 Overview

As of the date of this Prospectus, the Group has a total of approximately 82,250 employees.

The following table shows the unaudited period-end figures of the TRATON GROUP's staff (full-time and part-time, headcount) for the three months ended March 31, 2019, as well as for the fiscal years ended December 31, 2018, December 31, 2017 and December 31, 2016, each divided by brands:

	Active workforce as of			
	December 31,			March 31,
	2018	2017	2016	2019
Scania	45,476	41,798	41,545	46,274
MAN T&B	33,347	33,044	32,351	33,741
VWCO	1,648	1,398	1,394	1,705
Holding Companies	469	316	233	471
TRATON GROUP	**80,940**	**76,556**	**75,523**	**82,191**

The following tables show the unaudited period-end figures of the TRATON GROUP's staff (full-time and part-time, headcount) for the three months ended March 31, 2019 as well as for the fiscal years ended December 31, 2018, December 31, 2017 and December 31, 2016, each divided by brands and geographies as well as by brands and functions:

	Active workforce as of March 31, 2019					
	Europe	Asia	North America	South America	Africa	Oceania
Scania	34,190	2,663	18	7,595	1,327	481
MAN T&B	32,697	301	43	–	700	–
VWCO	–	–	231	1,474	–	–
Holding Companies	470	–	1	–	–	–
TRATON GROUP	**67,357**	**2,964**	**293**	**9,069**	**2,027**	**481**

	Active workforce as of March 31, 2019			
	Production & logistics	Marketing & Sales	R&D	Other areas
Scania	18,555	20,863	3,799	3,057
MAN T&B	17,079	11,830	2,667	2,165
VWCO	546	337	460	362
Holding Companies	–	–	1	470
TRATON GROUP	**36,180**	**33,030**	**6,927**	**6,054**

	Active workforce as of December 31, 2018					
	Europe	Asia	North America	South America	Africa	Oceania
Scania	33,616	2,623	18	7,437	1,329	453
MAN T&B	32,309	293	42	–	703	–
VWCO	–	–	209	1,439	–	–
Holding Companies	468	–	1	–	–	–
TRATON GROUP	**66,393**	**2,916**	**270**	**8,876**	**2,032**	**453**

	Active workforce as of December 31, 2018			
	Production & logistics	Marketing & Sales	R&D	Other areas
Scania	18,401	21,019	4,015	2,041
MAN T&B	17,348	11,621	2,667	1,711
VWCO	332	342	427	547
Holding Companies	–	–	–	469
TRATON GROUP	**36,081**	**32,982**	**7,109**	**4,768**

	Active workforce as of December 31, 2017					
	Europe	Asia	North America	South America	Africa	Oceania
Scania	30,206	2,769	18	7,166	1,235	404
MAN T&B	31,322	1,002	41	–	679	–
VWCO	–	–	168	1,230	–	–
Holding Companies	314	–	2	–	–	–
TRATON GROUP	**61,842**	**3,771**	**229**	**8,396**	**1,914**	**404**

	Active workforce as of December 31, 2017			
	Production & logistics	Marketing & Sales	R&D	Other areas
Scania	16,203	19,456	3,603	2,536
MAN T&B	16,526	11,251	2,743	2,524
VWCO	276	301	380	441
Holding Companies	–	–	–	316
TRATON GROUP	**33,005**	**31,008**	**6,726**	**5,817**

	Active workforce as of December 31, 2016					
	Europe	Asia	North America	South America	Africa	Oceania
Scania	30,646	2,832	18	6,399	1,266	384
MAN T&B	30,689	930	39	–	693	–
VWCO	–	–	168	1,226	–	–
Holding Companies	231	–	2	–	–	–
TRATON GROUP	**61,566**	**3,762**	**227**	**7,625**	**1,959**	**384**

	Active workforce as of December 31, 2016			
	Production & logistics	Marketing & Sales	R&D	Other areas
Scania	14,588	19,957	3,775	3,225
MAN T&B	16,426	10,928	2,650	2,347
VWCO	278	286	356	474
Holding Companies	–	–	–	233
TRATON GROUP	**31,292**	**31,171**	**6,781**	**6,279**

14.13.2 Collective Agreements/Works Council Structure

Various TRATON GROUP companies are members of employers' associations (*Arbeitgeberverband*) of the automobile industry and/or the metal and electronics industry. Since these industries tend to be highly unionized, the TRATON GROUP acknowledges that many of its employees are organized in country-specific union organizations. In most countries in which the Group operates it is currently bound by collective bargaining agreements with trade unions (particularly in Germany, Sweden, The Netherlands, France, Poland, Turkey and Brazil), which cover various basic terms and conditions of employment and deal with or include provisions on, *inter alia*, remuneration (e.g. pay-scales for different staff groups including minimum wage guaranties, salary increases, income protection in case of individual employees' performance reduction e.g. due to sickness, surcharges (*Zuschläge*)), working time (e.g. regular working time, short-time work, working time accounts), employee benefits and allowances (e.g. sick pay, holiday pay, overtime pay, holiday and leave entitlements, medical insurance), restrictions with regard to dismissals (e.g. in respect of employees from a certain age/job tenure or union members/union representatives), notice periods, cut-off periods for claims, rights to reinstatement, partial retirement (*Altersteilzeit*), obligations to offer employment to apprentices, establishment of joint arbitration committees, recruitment and training processes (e.g. obligations to hire internal job applicants in case of equal qualification). In addition to certain restrictions with regard to the use of temporary workers under these collective bargaining agreements, the TRATON GROUP is also bound to the charter of temporary employment (*Charta der Zeitarbeit*) applicable to Volkswagen Group which, among other things, includes the aim that only 5% of employees per site should be temporary workers, whereby local deviations are allowed and have been agreed upon in local collective agreements with the respective works councils.

In various countries (particularly in Germany, Sweden, France, Austria, Poland and the Netherlands) employee representative bodies have been established. For example, in Germany several works councils (*Betriebsräte*), company works councils (*Gesamtbetriebsräte*) and group works councils (*Konzernbetriebsräte*), as well as at MAN Truck & Bus SE a company-wide representative body for

executive staff (*Unternehmenssprecherausschuss*), are in place in various TRATON GROUP companies, which enjoy numerous information and consultation rights relating to personnel, social and economic matters, especially with regard to dismissals, compensation and benefits and in case of restructurings or redundancies. At some companies in Germany regional works councils (*Regionalbetriebsräte*) were set up instead of local works councils pursuant to a collective bargaining agreement on works council structure (*Strukturtarifvertrag*). SE Works Councils are established at the level of TRATON SE, MAN SE and MAN Truck & Bus SE. At the level of Scania CV AB (publ) ("**Scania CV AB**"), in addition to local employee representative bodies, a European Works Council is established. SE Works Councils and European Works Councils enjoy certain information and consultation rights which are related to cross-border matters, e.g. restructuring and synergy matters.

Collective agreements which are in place in various countries provide for protection of employees as well as enhanced information and consultation rights of employee representatives in connection with lay-offs, restructurings, reorganizations and other corporate actions. In some countries collective agreements have been entered into with local employee representative bodies covering a broad range of topics, in particular remuneration and working time. For some companies in Germany so-called company social plans (*Unternehmenssozialpläne*) are in place, obliging the employer to follow a certain procedure prior to dismissing employees for redundancy reasons and entitling employees, *inter alia*, to receive a fixed amount of severance pay (up to a maximum of 18 gross monthly salaries) in case such a dismissal is unavoidable. Collective agreements regarding site guarantees (*Standortsicherungsvereinbarungen*) for the sites in Munich, Nuremberg, Salzgitter, Wittlich and Plauen (MAN Truck & Bus SE) as well as Steyr (MAN Truck & Bus Österreich GesmbH) are in place until 2030. These site guarantees stipulate, among other things, commitments of further investment of significant sums (in particular a total of more than EUR 1 billion to be invested in Munich between 2016 and 2020) and development at the respective sites, allocations of certain production areas to specific sites, obligations to hire a certain amount of apprentices per year, outsourcing restrictions, provisions on remuneration and working time, restrictions on the use of temporary employees, and exclusions of dismissals for operational reasons. In Turkey, due to a collective bargaining agreement dismissals of certain permanent employees are excluded as long as working time accounts are used within the company.

In addition, various collective agreements with various different parties have been entered into on different levels (i.e. on a Volkswagen Group level, on a TRATON GROUP level as well as on the level of MAN and Scania) which deal with or include provisions on group-internal matters, among other things, the conversion of Volkswagen Truck & Bus GmbH into an SE (e.g. preservation of equal employee representation on the supervisory board and well-balanced numbers of MAN and Scania employee representatives) and the subsequent initial public offering and listing of TRATON SE (e.g. non-binding declaration of intent of Volkswagen AG in connection with an IPO and for three years after an IPO to undertake no measures that would give third parties more than 24.9% of the voting rights of TRATON SE or as a result of which TRATON SE would cease to be a member of the Volkswagen Group, including an obligation to inform Volkswagen AG's supervisory board prior to a deviation), the relationship, coordination and balance between the different autonomous brands (e.g. consent of the SE works council of TRATON SE necessary if the positions in TRATON SE's management board are not allocated in a brand-neutral way; non-binding declaration of intent of TRATON SE to obtain approval of its SE works council, among other things, with regard to future material synergy matters and redistribution and reallocation of development leads (*Entwicklungs-Leads*) that affect more than one sub-group within the Group and are expected to have material employment effects within a time range of three years; personnel measures (for example redeployments, due to reallocation of development leads to be coordinated with employee representatives); a commitment until September 2026 to maintain, and not to sell, the current MAN and Scania production and research and development sites; main headquarters of TRATON SE to be and to stay in Munich; allocation of the main holding tasks between the sites in Munich and Södertälje; allocation of certain production areas to specific sites or brands; obligation to invest in certain sites; Chief Executive Officers (CEOs) of the truck brands are to always be simultaneously appointed as members of TRATON SE's management board; declaration of the group works council (*Konzernbetriebsrat*) of Volkswagen AG that the employee representatives it has appointed to TRATON SE's supervisory board will not vote against the interests of the individual brands if they cannot reach a consensus), future restructurings (e.g. non-binding declaration of intent to only establish new or relocate existing factories and acquire new production facilities or shareholdings of TRATON SE or MAN Truck & Bus SE if a majority of two thirds of its respective supervisory board members agree to such measure) and additional information and/or consultation obligations (e.g. with regard to company-wide investment planning and volume planning for product distribution or new top management members).

The TRATON GROUP estimates that approximately 27,500 of the Group's employees enjoy some form of special protection against dismissal, not only due to explicit commitments by the employer as in the aforementioned examples of Germany, Sweden or Turkey, but also for other reasons, in particular statutory

or contractual provisions regarding, *inter alia*, maternity and sick leave or works council and/or union membership.

The applicable collective agreements restrict TRATON GROUP's flexibility to make adjustments to its workforce, to reduce its labor costs and to implement reorganization, restructuring or similar corporate measures, even where the Group's management has concluded that such actions are necessary in light of economic conditions or market developments and where the failure to do so, or the failure to do so in a timely manner (in particular, compared to the TRATON GROUP´s competitors) could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The Group may also become subject to new collective agreements, including regular wage increases under industry-wide collective bargaining agreements, which may increase the Group's operating costs.

14.13.3 Restructuring and Other Measures

Due to competitive pressure in the market and to achieve a dynamic market presence, the TRATON GROUP has taken and may continue to take restructuring measures. Such measures may*, inter alia,* include the transfer of operations to facilities in other regions, closure of facilities and lay-offs of employees.

For example, MAN´s PACE2017 efficiency program, which was launched in 2015 was associated with various reorganisation measures at MAN, including a headcount reduction in certain areas as well as a shifting of certain production capacity between sites. As a further example, a turnaround program was initiated by MAN Latin America's management in 2016 which is not yet fully completed. This program comprises, among other things, a headcount reduction via a voluntary dismissal program, which affects the employment relationships of approximately 230 employees. Furthermore, MAN T&B's truck production sites and administrative areas have been reorganised and streamlined since 2015. In 2018, MAN T&B's management has also decided to cease all sales and production activities in India.

Various reorganisation measures have also taken place at Scania, such as a restructuring of the operational salesforce in the UK in 2018 resulting in one-off redundancy costs.

Moreover, the TRATON GROUP decided to move the headquarters of TRATON SE Germany from Brunswick (*Braunschweig*) to Munich as communicated to the Company's employees on April 19, 2018. The corresponding relocation process of the employees has already started and generally includes a decision phase of the employees following a three-step approach. For all affected employees there will be monetary support to cover the changing circumstances as defined by board and works council commitments. In addition, the modification of facilities and renovation of office space in Munich entails significant costs. The Company decided to close the site in Brunswick. In this respect the Company has entered into a works agreement (*Betriebsvereinbarung*) which guarantees the further employment of the respective employees and other benefits (e.g. reimbursement of moving costs, surcharges for higher living costs, etc.).

14.13.4 Remuneration Structure

In general, most of the Group's employees receive a fixed gross monthly salary and are often entitled to considerable additional payments (e.g. surcharges, performance bonuses, an additional (13th) monthly salary per annum, mileage allowances, rewards for helpful suggestions/inventions) and benefits (e.g. parking space, childcare, company car, transportation, health care) due to the aforementioned collective agreements.

Moreover, depending on their contract and position (management), some employees may also be entitled to substantial amounts of variable remuneration, based on the fulfilment of personal, company, and long-term incentive targets. A new remuneration policy for the management of the TRATON GROUP is currently under construction.

In some countries, profit-sharing programs exist, entitling employees to receive a certain percentage of the company's profits.

14.13.5 Recruitment/Training

The TRATON GROUP attaches great importance to hiring and retaining highly competent employees and providing them with regular professional training to enhance their skills and qualifications and reinforce their identification with the TRATON GROUP.

In order to ensure that the requirements for skilled personnel are met, the TRATON GROUP provides relevant forms of training to its employees. The TRATON GROUP encourages both initial vocational training and continuing technical and personal training for its existing workforce. For example, in Sweden and The

Netherlands, the Group entered into collective agreements to determine its goals for training in the company. In Brazil, a structured portfolio of training and development programs has been established for each level of the organization. In order to be able to cover future needs concerning IT-related functions, MAN Truck & Bus SE has been strengthening its employer branding activities in these fields and has set up strategic qualification programs in order to prevent significant competence gaps. With regard to talent management, the TRATON GROUP offers special development programs to top talents on each level in order to prepare them for future requirements and to enable them to contribute to the TRATON GROUP's Global Champion strategy. By creating a cross-brand network the participants become TRATON ambassadors, which creates synergies and added value for the TRATON GROUP. The Company believes that its investment in training over the years and the resulting ability to respond quickly to changed circumstances will enable the TRATON GROUP to adapt efficiently to any upcoming challenges.

At the TRATON GROUP, there is a yearly succession planning process, which helps to quickly identify and address changes, vacancies and possible talent gaps. An internal recruiting process is in place for all vacant positions. New blue-collar personnel is often, for example at MAN Truck & Bus SE, hired via the in-house apprenticeship programs and any additional staffing needs can generally be covered by personnel leasing (*Arbeitnehmerüberlassung*). At some companies, cooperations with universities and schools exist, allowing for the creation and recruitment of cutting-edge expertise. Generally, the Company believes that the opportunities for professional development and career paths within the companies, along with individual development plans, attract new employees and will reduce the risk of losing expertise due to external employee turnover.

Scania has developed brand-specific training via its own academy in order to be in the forefront of technical, commercial and leadership training programs. The portfolio is available for the global organization and consists of more than 1,000 different training activities.

14.13.6 Pensions Liabilities

Depending on the situation in the specific countries TRATON GROUP grants its employees' pension benefits in the form of defined benefit or defined contribution pension plans in various countries.

TRATON SE

Employees that have contracts with TRATON SE in Germany and were hired prior to 2019 participate mainly in defined benefit plans which are partially funded through plan assets. It is currently planned to align the respective pension plan conditions (*Planbedingungen*) of these benefits plan with the respective MAN Group pension plans by entering into works agreements (*Betriebsvereinbarungen*). Employees that have or will be hired as of January 1, 2019 or later are intended to participate in the MAN Group Pension Program (see below for further details of the respective pension scheme).

With respect to employees that have a reintegration agreement (*Wiedereinstellungszusage*) from a Volkswagen Group company or a MAN group company, the pension schemes of the respective employer (Volkswagen company or the respective MAN company) continue to apply. In this case, the employee has to decide whether the employee wants to stay in the previously applicable company pension scheme or to transfer to the company pension scheme applicable at the new employer at the beginning of the new contractual relationship with the other entity (*Konzernwechselregelung*).

Scania

Within the Scania Group, there are a number of both defined contribution and defined benefit pension and similar benefit plans in a number of countries, some of which have plan assets that are managed by special foundations, funds or the equivalent. Benefits granted are dependent, *inter alia*, on the remuneration and to some extent on the length of service of the employees.

The plans include retirement pensions, survivor pensions, health care and severance pay. The schemes are either book-reserved schemes or funded through contributions. The five countries with the largest gross liabilities are Sweden, Switzerland, UK, Brazil and Germany. The following countries are ranked behind the aforementioned countries: Belgium, France and The Netherlands.

In Sweden, pension plans are implemented for white-collar and blue-collar workers. Depending on their year of birth, white-collar workers are either mainly covered under the ITP 2 Plan or the ITP 1 Plan. The ITP 2 plan, which is a defined benefit plan, is managed internally by Scania and funded through accruals on the balance sheet. The liability is safeguarded by the mutual insurance company *Försäkringsbolaget PRI Pensionsgaranti*. However, a portion of the ITP 2 Plan is safeguarded via premiums to the retirement insurance company Alecta. The ITP 1 Plan is a defined contribution pension plan. For blue-collar workers the SAF-LO pension plan applies, which is also a defined contribution pension plan.

In Switzerland, Scania grants two funded defined benefit plans, a basic pension plan for employees and management members as well as a supplementary plan for management members. The legally required pension benefit is provided through the Scania Pension Fund (*Pensionskasse*) which covers retirement pensions, disability pensions and pension benefits for dependents. In addition, a supplementary pension plan is in place for members of the management which is provided through Scania Welfare Foundation (*Wohlfahrtsstiftung*). Both plans are co-financed by employees and the employer.

In Brazil, there are four defined benefit plans. Three of them provide medical coverage for retirees.

In Germany, there is one major pension plan that was established in 1986 which is a final salary defined benefit plan. With respect to employees who are not entitled to participate in the aforementioned plan, Scania has established a pension plan that is operated through a reinsured support fund (*rückgedeckte Unterstützungskasse*). The support fund is administered by Allianz and classified as a defined contribution plan under IFRS. In addition, a collective bargaining agreement applies which grants the possibility to participate in a salary conversion scheme (*Entgeltumwandlung*) for the employees. The employees are entitled to convert an amount up to 4% of the Social Security Contribution Ceiling (*SSCC, Beitragsbemessungsgrenze*). Benefits include retirement benefits, disability pensions and benefits for dependents.

In UK, the three defined benefit pension plans have been closed for future accruals and the employees are now covered by a defined contribution plan. The respective schemes are administered by trustees. Recently, there had been discussions between Scania and the trustees of the pensions schemes dealing with the question how the final salary has to be calculated under the respective plan rules. However, Scania and the trustees had the situation assessed by an external adviser that came to the conclusion that the better arguments are in favor of Scania, i.e. confirming Scania's interpretation was in line with the plan rules. On this basis, it has been decided not to seek a court decision on this matter at this point. All UK defined benefit plans are largely funded with plan assets.

MAN Group

Under the MAN group's current pension plans in Germany, active employees receive employer contributions depending on their remuneration. In addition, employees can make contributions through deferred compensation – which is employer-subsidized for employees that are subject to collective bargaining agreements (matching contributions). Typically, benefits are either paid out as lump-sum payments or in instalments on retirement, or can be annuitized in certain cases.

In the context of the set-up of the current pension schemes, older pension schemes were closed and the employees that had been participating in these schemes were transferred to the current schemes. In connection thereto, they obtained acquired rights guarantees (*Besitzstandsgarantien*).

For some former employees with vested benefits and pensioners, benefits under closed pension schemes continue to apply. Most of these schemes provide for lifelong pension payments. These commitments are exposed to the standard longevity and inflation risks, which are regularly monitored and assessed. The MAN group's German pension assets are managed by MAN Pension Trust e. V. and MAN Pensionsfonds AG.

Pensioners of legacy pension schemes and open pension schemes have been transferred to the MAN Pensionsfonds AG and continue to be transferred from time to time . As a result, the respective pension benefits are paid by the MAN Pensionsfonds AG. While the funding requirements for the MAN Pensionsfonds AG have not been fully met in 2018, a respective deficit has been corrected in February 2019.

It is planned to transfer liabilities and corresponding assets of MAN Pensionsfonds AG to an external multi-employer pension fund.

Employees in the United Kingdom, Switzerland, and Brazil receive pension benefits under funded defined benefit pension plans.

In the UK, the defined benefit scheme is closed for future accrual and currently does not fully meet its statutory funding requirements. Therefore, MAN SE has agreed on a recovery plan with the trustees to eliminate the deficit until August 2023. Following the closure of the defined benefit scheme, employees can now participate in a defined contribution scheme.

In Switzerland, the defined benefit scheme applies for all employees and is administrated by a pension fund. The scheme provides defined benefits on an account balance basis. The employees receive employer contributions depending on their remuneration and age. Employees' savings contributions are deducted directly from their salary. However, the current pension fund will not serve as pension provider in the future, therefore MAN Group is currently reviewing the pension plan structure and expects to appoint a new pension provider in the course of 2019.

In Brazil, a multi-employer defined benefit plan, which is administrated by a pension fund and fully funded, provides benefits on an account balance basis as well as medical care benefits. In addition, the employees receive employer contribution to a defined contribution scheme on an account balance basis. Also, the employees have the option to participate in a private defined contribution pension plan and receive employer contributions.

Other countries have pension plans with a low level of benefits or grant mandatory post-employment benefits (such as in Turkey, France, Italy or in Mexico).

The respective benefits are either only partially funded (Belgium) or book-reserved liabilities.

In Austria, reserved end of employment benefits exist (*Abfertigungsrückstellung*).

14.14 Corporate Responsibility

Due to the historical development of the TRATON GROUP and the longstanding history of the TRATON GROUP brands as independent companies, the TRATON GROUP does not have an overarching Corporate Responsibility ("**CR**") strategy that comprises all its brands. Rather, MAN (including VWCO) and Scania has developed and incorporated their own CR policies.

CR has been an integral part of the MAN group's corporate strategy since 2010 when the management board of MAN SE implemented a CR strategy for MAN SE and its group companies, including VWCO. The MAN group's CR strategy is strongly guided by the United Nations Sustainable Development Goals and the United Nations Global Compact Initiative, which MAN has been part of since 2010. MAN has used a multi-step materiality analysis to identify global challenges that are relevant to MAN. This included taking into consideration the interests of MAN's stakeholders – including the employees, business partners, and customers as well as MAN's own objectives.

In the year 2018, MAN has developed a new materiality analysis. For this purpose, MAN has updated its CR focus fields of action with the help of internal and external stakeholders and derived its goals from economic, legal and social parameters while remaining mindful of general global challenges. The core of the approach is based on an outside-in perspective as well as an active and creative attitude. The CR focus fields of action are consistent with the Company's strategy.

The MAN group's CR strategy is focused on five fields of action:

- "Responsibility for products": When developing new products, the entire life cycle is taken into account – from raw materials extraction through end-of-life disposal. Consequently, the MAN group seeks to continuously reduce fuel consumption and focuses on alternative drive systems such as gas or electric drive technology.
- "Responsibility in production": In order to reduce the environmental impact of production activities, in particular, to lower CO_2 emissions and help mitigate climate change, state-of-the-art technology and integrated management systems are used. In order to cut carbon dioxide emissions throughout the MAN group, a climate strategy has been drawn up that includes the binding goal of reducing absolute carbon dioxide emissions from its production plants by 25% by 2020 (This target has been reached already two years earlier. In 2018, 31.4% less carbon dioxide was emitted compared with the baseline year of 2008 (with regard to the production of commercial vehicles of MAN group). Moreover, at all MAN production sites necessary organizational and technical measures were taken to ensure compliance with environmental standards. For instance, all production sites are certified to a quality standard (the majority to ISO 9001) and, as of 2019, 10 of 13 MAN Truck & Bus SE sites and 11 of 15 MAN sites globally were ISO 14001 certified.
- "Responsibility in the supply chain": The MAN group's procurement policy aims to reduce environmental and social risks in the supply chain while simultaneously optimizing material costs and ensuring supply security. Its "Sustainability in Supplier Relations" concept, which has been adopted from the Volkswagen Group, seeks to reduce and prevent negative social, environmental and financial impact along the supply chain through (i) setting requirements that suppliers have to meet, (ii) supplier monitoring and (iii) supplier training. Furthermore, by purchasing raw materials, goods, and services close to its production operations, the MAN group seeks to support local economic and social development. Before submitting a quote, MAN's suppliers must acknowledge the sustainability requirements (Code of Conduct for Suppliers and Business Partners). These requirements apply to all procured goods and services worldwide and have been included in all supplier contracts since 2015. The requirements span a range of topics, including human rights, environmental protection, employee rights, fair market conduct, and transparent business relations. They are based on the principles of the UN Global Compact, the International Chamber of Commerce's Business Charter for Sustainable Development, and the relevant conventions of the International Labour Organization and further

supported by MAN's environmental policy, all related environmental targets and regulations, the VW Group's Quality Policy, and the Volkswagen Declaration on Social Rights. MAN also appoints independent auditors to conduct sustainability audits for suppliers with potential for improvement.

- "Responsibility for people": The MAN group seeks to offer its employees a safe and attractive working environment, based on a culture of diversity, openness, and transparency. The key priorities for the implementation of its human resources strategy are attracting and retaining the right employees as well as fostering diversity. Occupational safety management is part of the MAN group's integrated management system (as of 2019, 11 of 13 MAN Truck & Bus SE sites and 11 of 15 MAN sites globally were certified under the OHSAS 18001 occupational health and safety management system).
- "Responsibility for society and integrity": The MAN group is dedicated to responsible corporate governance and compliance with applicable laws, as well as open dialog with the MAN group's stakeholders. MAN's corporate citizenship initiatives as well as its aid to refugees aim at making a lasting contribution to sustainable development. In particular, MAN believes that solid education and training is one of the key prerequisites for finding a way out of poverty.

In support of its CR strategy, MAN has also implemented a global group policy on CR reporting that governs the collection of relevant CR data, underlying processes and internal responsibilities (the "**MAN CR Policy**"). In particular, the MAN CR Policy addresses the reporting of key figures relating to environmental and work safety. On the basis of CR data collected, MAN SE has published annual CR reports in accordance with the Global Reporting Initiative guidelines since 2010.

CR plays a central role in Scania's corporate strategy and Scania believes in driving customer profitability through sustainable transport solutions and pursuing responsible business as complementary long-term perspectives. Scania's CR strategy is guided by the United Nations Sustainable Development Goals and the United Nations Global Compact Initiative.

Scania aims to become a leading provider of sustainable transport. It believes that in order to minimize the adverse effects of the transportation system (such as greenhouse gases, local emissions, congestion and road accidents), a holistic approach is necessary, which takes into account the specific transport assignment and the maturity of the transport and logistics infrastructure in different parts of the world. Scania's approach to sustainable transport is based on three pillars: (i) Energy efficiency, (ii) alternative fuels and electrification and (iii) smart and safe transportation.

In order to support its approach to sustainable transportation, Scania also places high emphasis on corporate responsibility and delivering value across its value chain and its relationships with business partners. Scania strives to ensure that its business is sustainable and in compliance with social, ethical and environmental standards. It also has identified six key business responsibility areas, which play a particularly important role in its strategic direction: Resource and energy-efficient operations, diversity and inclusion, health and safety, human and labor rights, business ethics and community engagement. For example, since 2016, all major investments in Scania's industrial and commercial operations are being assessed using sustainability criteria and factors such as energy and carbon savings are taken into account for investment decisions.

14.15 Risk Management and Compliance

In 2015, the Company created a governance, risk and compliance function (the "**GRC**"). This function is led by the Group's Head of GRC/Chief Compliance Officer, who reports directly to the Chief Executive Officer of TRATON SE. The GRC consists of the Corporate GRC Office at TRATON SE and the decentralized GRC functions within the brands. Together, the Corporate GRC Office at TRATON SE and the decentralized GRC functions are responsible for compliance and risk management throughout the Group.

The Corporate GRC Office is a central governance and support function for the Group's risk management and compliance activities. This includes setting GRC principles and common minimum standards for the whole Group while at the same time providing the necessary flexibility for the brands to implement concrete GRC measures which suit their respective organization and business environment. For example, the whistleblowing and internal investigations processes are strongly standardized with a central investigations office at TRATON SE. In contrast, GRC communication is coordinated at brand level. In addition, the Corporate GRC Office coordinates IT systems supporting the GRC activities and for the initiation of measures to further enhance the Group's GRC function in terms of effectiveness and efficiency.

The Head of GRC/Chief Compliance Officer reports regularly, at least on a quarterly basis, to the TRATON GROUP's management board about the Group's risk situation as well as the current state and major activities of the GRC function. The GRC and compliance boards were established at TRATON level which ensure that senior management from across the Group has the opportunity to discuss relevant GRC matters comprehensively and regularly.

The brand-level GRC functions are responsible for the implementation of the compliance management system and the risk management system within the brands themselves. Each brand maintains a GRC organization, i.e. employees who are fully dedicated to GRC. This organization is supported by a network of employees in the brands' subsidiaries which are dealing with specific GRC activities, in particular related to risk reporting, internal control system and compliance.

At MAN and VWCO, the respective risk and compliance functions were established in 2010 or before. Scania has in the past had a decentralized approach on risk and compliance management throughout the organization. In 2016, Scania established a central risk and compliance management function which is currently being further developed.

Key elements of the TRATON GROUP's GRC function (including the brands' GRC function) include the following:

- facilitating a risk management process which provides transparency on the Group's major business risks and ensures clear ownership of risks and the implementation of mitigation measures;
- maintaining a system to monitor the effectiveness of internal controls and initiate appropriate remediation activities, if needed;
- maintaining and continuously improving a compliance program in the areas of anti-corruption, anti-trust and anti-money laundering, based on a comprehensive compliance risk assessment;
- issuing policies for relevant GRC topics, such as gifts & entertainment, sponsoring & donations and internal investigations;
- conducting compliance reviews on all business partners acting as sales intermediaries;
- providing different types of trainings to increase awareness and knowledge of GRC-related topics;
- various communication measures to promote compliance and integrity, in accordance with the TRATON GROUP's and the respective brands' Codes of Conduct;
- offering advice to all employees on compliance matters at a central and local level (compliance helpdesk); and
- offering various channels for whistle-blowers, especially in the area of white-collar crime. Such information is investigated in detail and, depending on the outcome, appropriate consequences are determined in the disciplinary sanctions committee and implemented by the responsible management.

Regarding information security and data protection, the TRATON GROUP has set up a Group Information Security function to ensure a holistic Group view on information security and to integrate existing information security work within the brands. The core tasks of the function include information risk management, monitoring and reporting, Group common information security projects and the Group common governance of information security based on ISO 27000. Group Information Security works closely with the dedicated information security functions within the brands that define, implement and operate brand specific security controls.

Group Information Security, Group Security, Group Data Protection and Group Governance, Risk & Compliance closely cooperate in the area of protecting the TRATON GROUP's information assets and managing data breach risks, in accordance with the respective responsibilities of each function within the TRATON GROUP.

14.16 Legal and Administrative Proceedings

Various companies of the TRATON GROUP are currently involved in legal disputes and administrative proceedings as a result of their ordinary business activities and this will likely continue to be the case in the future. Proceedings relating to the Group's operative business have in the past and will likely in the future include, among others, disputes relating to: labor, real estate, intellectual property rights, warranty and other civil damage claims, including (alleged) product and service liability claims and other (alleged) violations of law. It is impossible to determine or predict the outcome of cases pending or threatened. Other than the proceedings described below, there have been no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Company is aware), during the 12 months preceding the date of this Prospectus, that have had in the recent past or may have significant effects on the Company's and the Group's financial position or profitability. Legal proceedings and administrative proceedings in which the companies of the Group have been involved during the previous twelve months particularly include the following:

14.16.1 Antitrust Proceedings and Private Follow-on Litigation

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 III to EURO VI standards had lasted from January 17, 1997 to January 18, 2011 (for MAN: until September 20, 2010; the "**Relevant Period**"). 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**"), was imposed a fine in the amount of approximately EUR 880.5 million. Scania has appealed the Scania Decision to the General Court of the European Union, asking for full annulment and will use all means at its disposal to defend itself. Depending on how the legal proceedings develop, the eventual fine may differ from the original one. In place of paying the fines, Scania has offered a financial guarantee covering the entire amount of fines. The guarantee was accepted by the Accounting Officer of the European Commission. The Group set aside a EUR 403 million (corresponding to SEK 3.8 billion) provision (as of December 31, 2016) in connection with these administrative proceedings in 2016.

Following the Settlement Decision, a large number of (direct and indirect) truck customers claimed damages for the antitrust infringements in various jurisdictions against MAN and Scania. In one case, a claim has also been filed against TRATON SE. Generally, (direct and indirect) customers of MAN, Scania and the other European truck manufacturers involved in the anticompetitive practices and, under specific circumstances customers of other truck manufacturers, selling trucks in the European Economic Area, may claim damages – and regularly do so – in national courts for any loss allegedly suffered as a result of the anticompetitive behavior. Losses are generally calculated using the difference between the price actually paid and the price that would have prevailed in the absence of the anticompetitive behavior (the so-called overcharge), together with interest. A truck customer claiming damages would regularly need to prove the existence and the quantum of such overcharge, but may benefit from certain rules of evidence such as (factual) presumptions or prima facie evidence under the applicable procedural rules. The European truck manufacturers involved in the alleged anticompetitive practices are generally jointly and severally liable for the harm caused by those practices. Each of these truck manufacturers can be subject to damage claims by third parties for the entirety of the damages, i.e. including trucks sold by other truck manufacturers. In such case, the sued truck manufacturer generally has the right pursuant to the applicable national laws to obtain a contribution from the other truck manufacturers if it has paid more compensation than its share. The damages claims could result in substantial liabilities for MAN and for Scania. MAN is not exempt from the obligation to compensate any losses caused by the anticompetitive behavior although it was granted immunity from fines for informing the European Commission of the anticompetitive behavior and acting as a key witness.

During the Relevant Period, MAN has sold or leased approximately 704,000 medium- and heavy-duty trucks (excluding trucks for military use, which were excluded from the scope of both the Settlement and Scania Decision) in member states of the European Economic Area, Scania delivered approximately 500,000 medium- and heavy-duty trucks (excluding trucks for military use).

14.16.1.1 Private Follow-on Litigation in relation to MAN

As of the date of this Prospectus, MAN has received claim letters (including requests for conciliatory proceedings and orders for payments) from approximately 35,000 truck customers who claim individually and/or for their group companies to have bought or leased one or more medium- or heavy-duty trucks in the Relevant Period, including claim letters from more than 4,500 German truck customers and from some 28,000 Spanish truck customers.

While, in particular in Spain, such claim letters may have primarily been aimed at interrupting the statutory limitation periods, a significant number of (direct and indirect) truck customers in various jurisdictions have initiated or joined lawsuits against MAN or other truck manufacturers or assigned their claims to claim aggregators. Other truck customers may follow. The claims against MAN differ significantly in scope as some truck customers only bought or leased a single truck while 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 total, as of the date of this Prospectus, the initiated court proceedings involve at least 93,800 MAN trucks. The exact number of trucks involved is however unknown: For example, for the 3 class actions (see also "*1.3.2 The Group is exposed to legal risks regarding antitrust regulation and related enforcement actions and damage claims*" as well as further explanations below), the classes have not yet been certified. For other proceedings, it has not yet been decided how many truck customers may eventually assign their claims to a claim aggregator.

Further, some proceedings are mere declaratory actions which may not include for the time being the overall number of trucks implicated.

For example, in Germany, as of the date of this Prospectus, approximately 322 claims are pending before national courts, in which MAN is involved (including third-party notices), relating to at least 83,500 MAN trucks. By way of example, the claim aggregator financialright claims GmbH has combined the damages claims of approximately 3,300 members of, *inter alia*, the Bundesverband Güterkraftverkehr Logistik und Entsorgung (BGL) e.V. for approximately 85,000 trucks, including approximately 20,200 from MAN, bought or leased since 1997. Its declaratory action dated December 21, 2017 is pending before the Regional Court of Munich I. On April 17, 2019, the claimant amended its plea seeking specific performance (*Leistungsklage*) and provided a party expert opinion, which estimates the purported damages at approximately EUR 827 million (including interest). Furthermore, on December 14, 2018, financialright claims GmbH in cooperation with the Bundesverband Güterkraftverkehr Logistik und Entsorgung (BGL) e.V. lodged a second damages claim with the Regional Court of Munich I seeking compensation for approximately 64,000 trucks bought or leased in 2003 or later, including approximately 12,500 from MAN, by some 3,800 companies. The court has preliminarily set the value of the claim (*vorläufiger Streitwert*) at EUR 420 million and served the claim on MAN on January 25, 2019. Furthermore, the claim aggregator DB Competition Claims GmbH, a subsidiary of Deutsche Bahn AG, filed an action against MAN and the other four European truck manufacturers against which the European Commission had issued its Settlement Decision asking for declaratory relief that the truck manufacturers are obligated to compensate for the alleged loss of Deutsche Bahn AG, its subsidiaries, and third parties who assigned their claims to this claim aggregator. This lawsuit concerns approximately 35,000 trucks, including approximately 5,000 from MAN as well as some 7,600 trucks without specification of the truck manufacturer, and is pending before the Regional Court of Munich I.

Proceedings of claim aggregators are also pending in the Netherlands, where approximately 12 claims were pending as of the date of this Prospectus (by claim aggregators and individual truck customers). For example, the claim aggregators Stichting Trucks Cartel Compensation and Retail Cartel Damages Claims S.A., both initiated proceedings which are pending before the District Court of Amsterdam. These lawsuits are in an early stage and, as of the date of this Prospectus, it is unknown to how many trucks these claims relate.

In the United Kingdom (excluding Northern Ireland), there are approximately 9 proceedings to which MAN is a party or in which it is seeking to intervene. These include 2 applications to commence collective proceedings (class actions): one brought by Road Haulage Association, to which MAN is a respondent; the other by UK Trucks Claim Limited, to which MAN is not a respondent, but has submitted an application to intervene. As of the date of this Prospectus, the claims have not been certified for inclusion in collective proceedings.

Another application for certification of a class action against the five European truck manufacturers against which the European Commission issued its settlement decision of July 19, 2016 as well as against Scania is currently pending in Israel before the District Court of Lod. Again, the class has not been certified as of the date of this Prospectus.

Other jurisdictions with claims pending in national courts as of the date of this Prospectus, in which MAN is involved, include in particular Spain (with approximately 250 pending claims) and Ireland (with approximately 52 pending claims). In addition to that, altogether approximately 41 claims are pending in Austria, Belgium, France, Hungary, Italy, Northern Ireland, and Norway. According to unconfirmed press releases, some 7,300 claims from the law firm Caamaño, Concheiro y Seoane Abogados, S.L., with a total amount of allegedly EUR 730 million against the various truck manufacturers are to be expected in Spain. As of the date of this Prospectus, MAN has been served with approximately 20 of such claims.

A few claims against MAN have already been decided in national courts. In Germany, the Regional Court of Hanover ruled in 3 cases that MAN is generally liable for so far unquantified damages (judgment on the merits – *Grundurteil*). MAN has appealed these 3 decisions and the appeals are still pending. The Regional Court of Cologne dismissed a preliminary injunction of Spanish claimants seeking disclosure. This decision was confirmed by the Higher Regional Court of Dusseldorf and is therefore binding. Further, the Regional Courts of Dortmund and Hanover each dismissed a case for lack of substantiation. In 2 other cases, the Regional Court of Hanover dismissed claims by default judgments. In 7 cases, which involve also MAN trucks and in which MAN intervened, the Regional Courts of Stuttgart and Kiel, respectively, have handed down declaratory judgments (*Feststellungsurteil*) (in 2 cases) and judgements on the merits (in 5 cases) finding the defendant, Daimler AG, generally liable also for certain MAN trucks. These judgments have been or will be appealed. In Spain, 11 claims have been dismissed or the proceedings have been abandoned or closed by relevant decisions. One of these decisions in proceedings against MAN Financial Services España S.L. has been appealed in substance. In another one of these decisions, the Commercial Court in Zaragoza dismissed a claim against MAN SE as the claimant was unable to prove the existence of damages. The

decision can be appealed. The Commercial Court of Valencia recently found the Spanish subsidiary of MAN to be liable for damages allegedly caused to a single customer. MAN has appealed this ruling. The Commercial Court in Bilbao ordered MAN to disclose information about truck models, prices and costs. MAN intends to appeal this ruling. By contrast, the Commercial Court in Valencia rejected a similar claim in one of the dismissed cases above. In Hungary, 3 judgments have been passed dismissing the respective claims of truck customers due to lack of jurisdiction of the Hungarian court. 2 decisions have been overturned by the second instance court, 1 appeal is still pending. Extraordinary review requests to the Hungarian Supreme Court have been rejected on procedural grounds. In Norway, the Oslo District Court confirmed its jurisdiction to hear the claims of 13 claimants against all European truck manufacturers (except Scania) involved in the anticompetitive practices and held liable for an antitrust infringement by the European Commission's settlement decision of July 19, 2016. All truck manufacturers appealed this decision. The appeal was partly granted by the court of the second instance. The appellate court's decision has now been appealed to the Norwegian Supreme Court. The Norwegian courts have to date not tried the merits of the claims. A Belgian court held in 1 case that MAN SE is generally liable for its group companies' conduct in a summary judgment. Though, the court will have to assess if, and to what extent, any damages were in fact incurred in secondary proceedings (for this purpose, the court has appointed an expert). MAN intends to appeal against the summary judgment.

14.16.1.2 Private Follow-on Litigation in relation to Scania

As of the date of this Prospectus, Scania has received more than 1,050 claim letters from customers who claim to have bought or leased a medium- or heavy-duty truck in the Relevant Period. Approximately 300 claim notice letters were from German customers and approximately 600 from Spanish customers.

While, in particular in Spain, these claim notice letters may have been aimed primarily at interrupting the statutory limitation periods, a relatively small number of (direct and indirect) customers in various jurisdictions have initiated or joined lawsuits. Further, Scania has received a number of third-party notices from other defendant truck 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: For example, for some class actions, the class has not yet been certified. For other proceedings, it has not yet been decided how many customers may eventually join a class action or attribute their claims to a claim aggregator. Further, some proceedings are mere declaratory actions which may not include for the time being the overall number of trucks the customer bought or leased. While the appeal against the Scania Decision is pending, Scania pursues the strategy to submit motions to stay any private follow-on litigation.

In Germany, as of the date of this Prospectus, approximately 121 claims are pending before national courts, in which Scania is involved (including third-party notices). In three damage claims (initiated by PFS Professional Financial Services GmbH, Stadt Mülheim and Schmid Holzrecycling & Biomasse GmbH respectively) concerning 19 Scania trucks, Scania is involved as a direct defendant. Two of these claims are currently stayed until a final decision on Scania's appeal against the Scania Decision is reached by the EU courts. In the third case, which has been filed only recently, the court has not yet decided on a Scania motion to stay. Additionally, Scania intervened as a third party in 101 pending claims against the other European truck manufacturers, in which compensation is claimed for the (alleged) damage resulting from the purchase or lease of approximately 34,000 Scania trucks. Scania submitted motions to stay in approximately 64 of these proceedings and intends to submit further motions to stay in the other proceedings.

In Spain, as of the date of this Prospectus, approximately 8 claims are pending before national courts, in which Scania is involved as a direct defendant. In total, they concern approximately 30 Scania trucks.

In the Netherlands, as of the date of this Prospectus, Scania is not involved in any main proceedings initiated by various claims aggregators against the other European truck manufacturers before the District Court of Amsterdam. Scania has nevertheless been served by the other European truck manufacturers with the writs of summons in corresponding contribution proceedings. Such contribution proceedings are often suspended until a decision has been reached in the main proceedings.

In the United Kingdom, Scania is not involved as a direct defendant in any of the pending claims before national courts as of the date of this Prospectus, but only as a contribution defendant in claims currently involving approximately 2,300 Scania trucks. Furthermore, two applications for certification of class actions have been filed before national courts. It is unclear if (and if so, how many) Scania trucks would be involved in these class actions. As of the date of this Prospectus, the classes have not been certified.

In Hungary, as of the date of this Prospectus, Scania is not involved in any of the pending claims before national courts. However, Scania may decide to intervene in 5 pending claims against the other European truck manufacturers, which also involve an (estimated) 208 Scania trucks.

As of the date of this Prospectus, there are approximately 10 claims pending in national courts of Belgium, France, Italy, Norway and Romania in which Scania is involved. Claims were also initially lodged in Ireland, but the claimants subsequently submitted Notices of Discontinuance in respect of all proceedings against Scania. The claimants then indicated that they would recommence proceedings after the European Commission adopted a decision against Scania, but, as of the date of this Prospectus, the Group is not aware that this has occurred.

14.16.2 MAN SE Appraisal Proceedings

The annual general meeting of MAN SE approved the conclusion of a domination and profit and loss transfer agreement between MAN SE and Truck & Bus GmbH (now TRATON SE) (the "**TRATON/MAN DPLTA**") in June 2013. In July 2013, appraisal proceedings were instituted to review the appropriateness of the guaranteed dividend for the fiscal year 2013 and the recurring fixed compensation payment for the following fiscal years, both set out in the TRATON/MAN DPLTA in accordance with Section 304 AktG and the cash redemption set out in the TRATON/MAN DPLTA in accordance with Section 305 AktG. It is common for non-controlling interest shareholders to institute such proceedings. In its final decision announced on June 26, 2018 (and corrected in July and December 2018), the Higher Regional Court (*Oberlandesgericht*) of Munich set the guaranteed dividend and the recurring fixed compensation payment at EUR 5.47 gross per share (minus potential corporate taxes and solidarity surcharges at the rates as applicable to the respective fiscal year). The cash redemption payable to the non-controlling interest shareholders in exchange for their shares was confirmed to be EUR 90.29 per share which had been determined by the Regional Court (*Landgericht*) Munich I in 2015 as an adequate amount. The decisions of the Higher Regional Court of Munich were published in the Federal Gazette (*Bundesanzeiger*) on August 6, 2018 and January 10, 2019. In accordance with Section 305 para. 4 AktG, non-controlling interest shareholders had the right to tender their shares to TRATON AG (now TRATON SE) in consideration for a cash redemption of EUR 90.29 per share plus interest within two months after this publication date and thereby cease to be shareholders. Upon expiry of the tender window on October 8, 2018, the free float for MAN SE's shares amounted to 13.13%.

Following the legal effect of the court decisions in June/July 2018, TRATON AG (now TRATON SE) terminated the TRATON/MAN DPLTA for cause in accordance with Section 304 para. 4 AktG with effect as of January 1, 2019. After the publication of the registration of the termination of the TRATON/MAN DPLTA in MAN's commercial register in January 2019, the non-controlling interest shareholders of MAN SE were, in accordance with clause 5.6 of the TRATON/MAN DPLTA, during a two month period again entitled to tender their shares to TRATON AG (now TRATON SE) in consideration for a cash redemption of EUR 90.29 per share without additional interest. Upon expiry of the tender window on March 4, 2019, the free float for MAN SE's shares has been reduced to below 6%.

14.16.3 VWCO Tax Proceedings

In the tax proceedings between 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 third instance judgment was rendered by Brazilian Administrative Court (Phase 1), which was negative for MAN Latin America. MAN Latin America appealed this judgment before a regular judicial court in 2018. The tax proceeding related to Phase 2 is still pending judgment by Brazilian tax authorities. Because of 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. However, the TRATON GROUP continues to expect a positive outcome for MAN Latin America. If this is not the case, this could result in a risk of about EUR 685 million (as of March 31, 2019) for the contested period from 2009 onwards. 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. Certain banks have issued bank guarantees for the benefit of MAN Latin America customary in connection with such tax proceedings, which in turn are secured by MAN SE.

14.16.4 News Printers Assets Ltd. Damages Claims

In August 2016, News Printers Assets Ltd., a British printing plant, filed a letter of claims in the amount of approximately EUR 40 million against MAN SE in connection with the delivery of allegedly defective printing presses. The printing presses were produced by manroland AG, a former subsidiary of MAN SE, and delivered to News Printers Assets Ltd. in the years 2007 and 2008. After the insolvency of manroland AG in November 2011, News Printers Assets Ltd. asserted its claims against MAN SE on the grounds of a parent company guarantee issued by MAN SE. Both parties exchanged correspondence in the course of which

MAN SE responded in November 2016 to the claims letter and rejected the claims made. Settlement negotiations in the second quarter of 2017 were unsuccessful.

The exchange of pre-trial correspondence and expert opinions in relation to the alleged defects is ongoing.

In December 2018, a lawsuit was filed by News Printers Assets Ltd. In the UK High Court of Justice which was not yet served to MAN SE due to the agreement to first continue with settlement negotiations. The claim made was reduced to an amount of approximately EUR 30 million.

14.16.5 Patent Dispute with Volvo

In July 2015 and July 2016 Scania CV AB received warning letters from the Volvo group ("**Volvo**") alleging infringements of two Swedish patents (including "family member" patents) held by Volvo. Scania CV AB has denied any infringement of the Volvo patents. Nevertheless, Scania CV AB and Volvo have had discussions in order to reach a settlement, but the parties have not succeeded. In November 2018, Volvo filed a claim with the Swedish Patent and Market Court asking the court to establish that Scania CV AB is infringing one of the Volvo patents. Volvo has now filed infringement law suits regarding three patents in Sweden, Germany and France respectively. Volvo has requested the Swedish court (Patent and Markets Court) to issue, *inter alia*, an injunction in all three cases respectively prohibiting Scania CV AB from continuing to use, sell, manufacture and market the infringing products. If an injunction will be granted by the Patent and Market court and/or the Patent and Market appeal court, the injunction will be enforceable as long as the respective patents are valid. The patents relate to eco-rolling and active prediction of speed. Volvo believes that Scania's Active Prediction system is infringing Volvo's patents. Scania CV AB is denying any infringement in the court proceedings and has or will claim that Volvo's patents are invalid. Volvo has not yet made any substantiated monetary claims against Scania in any of the court proceedings.

14.17 Material Contracts

14.17.1 Financing Agreements

As of March 31, 2019, the TRATON GROUP had committed credit facilities with banks in place in an aggregate amount of up to EUR 3,823 million, of which EUR 1,986 million was drawn as of March 31, 2019.

As of March 31, 2019, the TRATON GROUP has revolving credit facilities with Volkswagen AG of up to EUR 4,288 million (or its equivalent amount in other currencies) in place, of which EUR 1,288 million (or its equivalent amount in other currencies) was drawn as of March 31, 2019.

The main financing agreements of the TRATON GROUP as of the date of this Prospectus include those of MAN SE, VWCO and Scania CV AB as described below. The credit facilities described are typically extended from time to time. In addition, Scania has issued debt issuance programs as described below in order to raise funds at the capital markets.

Certain financing agreements related to Scania are guaranteed by Scania AB or Scania CV AB.

14.17.1.1 Scania

Financing Agreements with Volkswagen AG as Lender

On June 10/16, 2015, Scania CV AB entered into a German law governed unsecured revolving credit facility agreement with Volkswagen AG in an amount of up to EUR 1,000 million (or its equivalent amount in SEK) for the financing of Scania CV AB's business operations and working capital and with maturity on July 1, 2021 (the "**Scania Volkswagen Agreement**"). The term automatically extends for a further three years, if neither Scania nor Volkswagen AG terminates the Scania Volkswagen Agreement 15 months prior to that maturity date. The credit facility can be utilized according to a prior mutual agreement between Volkswagen AG and Scania CV AB. As of March 31, 2019, the facility under the Scania Volkswagen Agreement had not been drawn. The interest rate applicable is the aggregate of the currency's and period's applicable interest base rate (for a loan with a term of less than one year e.g. EURIBOR for EUR-utilizations; for a loan with a term equal or longer than one year e.g. EURIRS ICAP Midswap for EUR-utilizations), credit spread, country risk and a margin, all according to the Volkswagen Group's internal pricing guideline. The Scania Volkswagen Agreement is made on an uncommitted basis.

Financing Agreement with Certain Financial Institutions as Lenders

On June 20, 2016 Scania CV AB entered into an English law governed unsecured syndicated EUR 1,250 million multicurrency revolving credit facility agreement with, among others, Skandinaviska Enskilda Banken AB (publ) as agent, and 17 further financial institutions of the international credit market as original lenders (the "**Syn Loan Agreement**") for the refinancing of certain third-party debt and for general corporate purposes within the Scania Group and with maturity on June 20, 2023. As of March 31, 2019, the facility under the Syn Loan Agreement had not been drawn. Scania CV AB's obligations under the Syn Loan Agreement are guaranteed by Scania AB. The Syn Loan Agreement provides for a floating interest rate in

the amount of the aggregate of 0.40% per annum and EURIBOR (in relation to any loan denominated in Euro), STIBOR (in relation to any Loan denominated in Swedish Kronor) or LIBOR (in any other case). The Syn Loan Agreement includes a market standard increased costs provision and several market standard representations, undertakings and events of default and the right of each lender to demand prepayment and to cancel its commitment (in whole or part) upon the occurrence of certain prepayment events. In particular, each lender may have the right to cancel its commitment and require prepayment of its participations if Volkswagen AG ceases to own or control, directly or indirectly, more than 50% of the voting share capital of Scania AB. Scania CV AB must promptly notify the agent upon becoming aware of that prepayment event.

Financing Agreement with Skandinaviska Enskilda Banken AB (publ) ("SEB") as Lender

On April 15, 2019, Scania CV AB entered into a Swedish law governed unsecured term loan facility agreement with SEB in an amount of SEK 5,000 million (the "**SEB Agreement**") as bridge to either a secured borrowing base limited recourse loan facility or an unsecured financing or similar transaction, in each case to be arranged by SEB as already pre-agreed in a mandate letter between the relevant parties (the "**Mandate Letter**"), for general corporate and working capital purposes. The SEB Agreement has been granted substantially under the same terms and conditions set out in the Syn Loan Agreement (as described in more detail above) with final maturity on April 15, 2020. As of April 17, 2019, an amount of SEK 5,000 million has been drawn under the SEB Agreement. Scania CV AB's obligations under the SEB Agreement are guaranteed by Scania AB. The SEB Agreement provides for a floating interest rate in the amount of the aggregate of 0.38% per annum and STIBOR. The SEB Agreement includes (directly or by way of reference to the Syn Loan Agreement) the right of SEB to demand prepayment and to cancel its commitment (in whole or part) upon the occurrence of certain prepayment events. In particular, SEB may have the right to cancel its commitment and require prepayment of its participations if Volkswagen AG ceases to own or control, directly or indirectly, more than 50% of the voting share capital of Scania AB (the "**Change of Control**") or if the Mandate Letter is terminated by any party thereto. Pursuant to the Mandate Letter each party may terminate the appointment of SEB as an arranger under the Mandate Letter at any time. Scania CV AB must promptly notify SEB upon becoming aware of the Change of Control.

Financing Agreement with Svenska Handelsbanken AB (publ) ("Svenska") as Lender

On June 28, 2016, Scania CV AB entered into a Swedish law governed unsecured revolving credit facility agreement with Svenska in an amount of EUR 550 million (the "**Svenska Agreement**") for general corporate use and with maturity on June 28, 2021. As of March 31, 2019, no funds have been drawn under the Svenska Agreement. Scania CV AB's obligations under the Svenska Agreement are guaranteed by Scania AB. The utilization of the facility under the Svenska Agreement is subject to certain conditions being satisfied, e.g., among others, the satisfaction of certain financial ratios (net debt to equity ratio and the ratio of EBITDA to net interest expenses). The Svenska Agreement provides for a floating interest rate in the amount of the aggregate of 1.40% per annum and EURIBOR. The Svenska Agreement includes a market standard increased costs provision and several market standard representations, undertakings and events of default and the right of each lender to demand prepayment and to cancel its commitment upon the occurrence of certain prepayment events. In particular, Svenska may have the right to cancel its commitment and require prepayment of its participations if a person, other than Volkswagen AG, directly or indirectly, or group of persons acting together, acquires ownership or control, directly or indirectly, of more than 50% of the voting share capital of Scania AB. Scania CV AB must promptly notify Svenska upon becoming aware of that prepayment event.

Financing Agreement with Nordic Investment Bank ("NIB") as Lender

On December 9, 2015, Scania CV AB entered into a Swedish law governed unsecured term loan agreement with NIB in an amount of up to EUR 250 million (the "**NIB Agreement**") for the partial financing of a specific investment project by Scania CV AB with maturity on December 17, 2022. As of March 31, 2019, an amount of EUR 250 million has been drawn under the NIB Agreement. Scania CV AB's obligations under the NIB Agreement are guaranteed by Scania AB. The NIB Agreement provides for a floating interest rate in the amount of the aggregate of 1.03% per annum and EURIBOR. However, the floating rate applicable to a loan may be converted to a fixed interest rate at a rate agreed between the parties. The NIB Agreement includes a market standard increased costs provision and several representations, undertakings (including a "most-favored-lender" clause) and events of default and the right of NIB to demand prepayment and to cancel its commitment upon the occurrence of certain prepayment events. In particular, NIB may have the right to require prepayment of the loan if Volkswagen AG ceases to control, directly or indirectly, at least 50.1% of the voting rights in Scania AB. Scania CV AB must promptly notify NIB upon becoming aware of that prepayment event.

Financing Agreement with Certain Financial Institutions as Lenders

Scania CV AB entered into an English law governed guarantee facility agreement, originally dated January 4, 2018 and amended and restated on November 20, 2018, in an amount of EUR 906,938,694 (subject to certain increases required to meet a certain minimum amount) with Svenska Handelsbanken AB (publ.) as agent and issuing bank (the "**Issuing Bank**") and certain financial institutions of the international credit market as original lenders (the "**EU Guarantee Facility Agreement**") with maturity on January 4, 2020 subject to the exercise of the extension option provided for under the EU Guarantee Agreement. The EU Guarantee Agreement provides for a guarantee facility under which the Issuing Bank has issued on January 4, 2018 a bank guarantee in favor of the European Commission as security for Scania CV AB's liability to pay a fine of EUR 880,523,000 together with any accrued interest to the European Commission in accordance with a decision of the European Commission of 27 September 2017 in case No AT39824 (the "**Guarantee**"). Scania CV AB must pay a guarantee fee of 0.25% per annum for so long any amount under the Guarantee is outstanding and subject to a reduction under certain conditions, this corresponds to an amount of EUR 2,298,837.67 for 2019. Scania CV AB's obligations under the EU Guarantee Facility Agreement are guaranteed by Scania AB. The EU Guarantee Facility includes an increased costs provision and several representations, undertakings and events of default and the right of each lender to demand cancellation of its commitment as well as repayment of its participation in the Guarantee (*inter alia*, by providing cash cover to the cash account pledged in favor of the Issuing Bank) upon the occurrence of certain prepayment events. In particular, each lender may have the right to cancel its commitment of its participations, if Volkswagen AG ceases to own or control, directly or indirectly, more than 50% of the voting share capital of Scania AB. In such case, Scania CV AB must promptly notify the agent upon becoming aware of that prepayment event. In certain of the prepayment events the Issuing Bank may even pay the full amount covered by the Guarantee to the European Commission and demand repayment of the Guarantee by Scania CV AB.

Guarantee in respect of a Financing Agreement of Scania Services del Perú S.A ("Scania Perú") as Borrower

On July 2, 2013, as amended from time to time, Scania CV AB granted a Swedish law governed guarantee in respect of an uncommitted revolving loan facility agreement in an amount of USD 220 million between Scania Perú as borrower and AB Svenska Exportkredit (publ) as lender ("**AB SEK**") dated June 28, 2013, and amended from time to time, (the "**Perú Agreement**") for general corporate purposes in favor of AB SEK. Amounts drawn under the Perú Agreement must be repaid subject to the terms individually agreed in relation to each individual loan outstanding thereunder. The availability period of the facility has been extended to June 28, 2020. The Perú Agreement includes several representations, undertakings and events of default relating to Scania Perú as borrower and Scania CV AB as guarantor and the right of AB SEK to demand prepayment and to cancel its commitment upon the occurrence of certain prepayment events. In particular, AB SEK may have the right to require prepayment of the loan if Scania CV AB ceases to hold or be in control of, whether directly or indirectly, more than 50 % of the shares or voting rights attached thereto in Scania Perú.

Guarantee in respect of a Financing Agreements of Scania Finance Chile S.A ("Scania Chile") as Borrower

On June 23, 2011, Scania CV AB granted a Swedish law governed guarantee in respect of an uncommitted term loan agreement in an amount of USD 300 million between Scania Chile as borrower and AB SEK as lender dated April 30, 2011, and amended from time to time, (the "**Chile I Agreement**") for general corporate purposes in favor of AB SEK. Amounts drawn under the Chile I Agreement must be repaid subject to the terms individually agreed in relation to each individual loan outstanding thereunder. The facility is not available for any additional drawdown and only a minor amount is still outstanding under the facility. The Chile I Agreement includes several representations, undertakings and events of default relating to Scania Chile and Scania CV AB as guarantor and the right of AB SEK to demand prepayment and to cancel its commitment upon the occurrence of certain prepayment events. In particular, AB SEK may have the right to require prepayment of the loan if Scania CV AB ceases to hold or be in control of, whether directly or indirectly, more than 50 % of the shares or voting rights attached thereto in Scania Chile.

On November 13, 2013, Scania CV AB granted a Swedish law governed guarantee in respect of a uncommitted revolving loan facility agreement in an amount of USD 165 million between Scania Chile as borrower and AB SEK as lender dated November 13, 2013, and amended from time to time, (the "**Chile II Agreement**") in favor of AB SEK. On November 13, 2017, the guarantee was replaced by a letter of comfort for all loans drawn under the facility after December 31, 2014. Amounts drawn under the Chile II Agreement must be repaid subject to the terms individually agreed in relation to each individual loan outstanding thereunder. The facility is available for any additional drawdown until

November 17, 2019. The Chile II Agreement includes several representations, undertakings and events of default relating to Scania Chile and Scania CV AB as guarantor and the right of AB SEK to demand prepayment and to cancel its commitment upon the occurrence of certain prepayment events. In particular, AB SEK may have the right to require prepayment of the loan if Scania CV AB or (for loans that have been disbursed after December, 31 2014) any other person that holds or is in control of, whether directly or indirectly, more than 50 % of the issued share or voting rights attaching thereto in Scania Chile ceases to hold or be in control of, whether directly or indirectly, more than 50 % of the shares or voting rights attached thereto in Scania Chile.

Euro Medium Term Note Program

Scania CV AB as issuer and Scania AB as guarantor together with Deutsche Bank AG, London Branch as arranger and certain other banks as dealers, have established a Euro medium term note program (last updated on June 13, 2018) which allows for the issuance of notes in a maximum amount of EUR 7,000 million (the "**EMTN Program**"). According to the EMTN Program, all notes issued by Scania CV AB may be issued with a minimum denomination of EUR 100,000 and for maturities as agreed between Scania CV AB and the relevant dealers. Such notes may be denominated in Euros or any other currency agreed between Scania CV AB and the relevant dealers. Notes issued under the EMTN Program are unconditionally and irrevocably guaranteed by Scania AB and may be issued as fixed rate notes, floating rate notes, zero coupon notes or a combination of any of the foregoing. The terms of the notes contain a negative pledge provision. The EMTN Program is governed by and construed in accordance with English law. As of March 31, 2019, Scania CV AB had outstanding notes under the EMTN Program listed on the Luxembourg Stock Exchange in an aggregate amount of EUR 5,620 million, with last maturity on December 19, 2023.

Belgian Multi-Currency Short-Term Treasury Notes Program

On July 6, 2016, Scania CV AB as issuer and Scania AB as guarantor together with BNP Paribas Fortis SA/NV as arranger and certain other banks as dealers established a Belgian multi-currency short-term treasury notes program for the issue of Belgian law governed treasury notes (*billets de trésorerie/thesauriebewijzen*) in dematerialized form, which allows for the issuance of short-term treasury notes in a maximum amount of EUR 1,000 million (the "**Treasury Notes Program**"). On May 10, 2019, the programme amount was increased to a maximum amount of EUR 1,500 million. According to the Treasury Notes Program, the treasury notes may be issued with initial minimum denominations of EUR 250,000 and USD 500,000, and for maturities of not less than one day or more than 364 days from and including the date of the issue. The treasury notes may be denominated in Euro and, under certain conditions, any other lawful currency. Treasury notes issued under the Treasury Notes Program are unconditionally and irrevocably guaranteed by Scania AB and may bear fixed or floating rate interest. As of March 31, 2019, Scania CV AB had outstanding treasury notes in an aggregate amount of EUR 650 million.

Swedish Commercial Paper Program (Företagscertifikatprogram)

On September 19, 2006, Scania CV AB as issuer and Scania AB as guarantor together with Swedbank AB (publ) as arranger and certain other banks as dealers, established a Swedish commercial paper program (*Företagscertifikatprogram)* for the issue of commercial papers (*Företagscertifikaten)* in dematerialized form in an amount of up to SEK 10,000 million (the "**Commercial Paper Program**"). According to the Commercial Paper Program, commercial papers issued thereunder may be denominated in Swedish Kronors (SEK) and Euro. The commercial papers may be issued with an initial minimum denomination of SEK 1 million and EUR 100,000 or a whole multiple thereof, and for maturities of not less than one day and not more than one year. Commercial papers issued under the Commercial Paper Program are unconditionally and irrevocably guaranteed by Scania AB. The Commercial Paper Program is governed by Swedish law. As of March 31, 2019, Scania CV AB had outstanding commercial papers in an aggregate amount of SEK 1,225 million.

14.17.1.2 MAN

Financing Agreement with Volkswagen AG as Lender

On March 28, 2013, MAN SE entered into a German law governed unsecured revolving credit facility agreement with VW, as amended, increased and/or extended from time to time, in an amount of up to EUR 3,000 million for general corporate purposes and without maturity (as amended, the "**MAN Volkswagen Agreement**"). As of March 31, 2019, an amount of EUR 1,000 million has been drawn under the MAN Volkswagen Agreement. The credit facility can be utilized according to a prior mutual agreement between Volkswagen AG and MAN SE as term loans with a term up to three years and overnight loans. In

case of a term loan the interest rate is the aggregate of (i) if the term of the relevant loan is less than one year, the then applicable base rate EURIBOR, or, if the term of the relevant loan is equal or longer than one year, the then applicable base rate EURIRS=ICAP (Midswap) and, in each case, (ii) a risk premium and a margin, both determined in accordance with the Volkswagen Group's internal pricing guideline. The interest rate for a term loan is payable at the end of the relevant term and, respectively, the agreed interest period, or, in case of a term and availability period longer than one year, annually in arrears. In case of an overnight loan the interest rate is the aggregate of the applicable screen rate EONIA plus a risk premium and a margin, both determined in accordance with the Volkswagen Group's internal pricing guideline and the interest is due and payable monthly in arrears. VW may cancel the MAN Volkswagen Agreement (i) at any time if MAN SE violates any of the material provisions of the MAN Volkswagen Agreement and (ii) with three months' prior written notice to the end of each calendar quarter.

Financing Agreement with Landesbank Baden-Württemberg ("LBBW") as Lender

On August 24, 2010, MAN SE entered into a German law governed money market credit facility agreement with LBBW, as amended and extended from time to time, in an amount of EUR 100 million (as amended, the "**LBBW Agreement**") without maturity and which may be made available by way of revolving loans for a fixed interest rate agreed between the parties in respect of the relevant loan. As of March 31, 2019, no funds have been drawn under the LBBW Agreement. The LBBW Agreement includes certain limited market standard representations, undertakings and events of default. In particular, MAN SE must promptly inform LBBW in case of any events which might have a material adverse effect on the credit relationship. LBBW may cancel the LBBW Agreement for any reason with legally applicable notice and without prior written notice for good cause, in particular upon the occurrence of a material change in the ownership structure of MAN SE. However, the cancellation of any loan outstanding as at that time is subject to the terms individually agreed in each case. Subject to any security interest arising under LBBW's general terms over any bank account of MAN SE held with LBBW, the LBBW Agreement is unsecured.

Financing Agreement with Intesa Sanpalo S.p.A. ("Intesa") as Lender

On April 17, 2015, MAN SE entered into a German law governed uncommitted money market credit facility in a maximum aggregate amount of EUR 100 million (the "**Intesa Agreement**"). The facility is available for money market money borrowings for periods up to 90 days. As of March 31, 2019, no funds have been drawn under the Intesa Agreement. The interest rate applicable to each borrowing must be agreed by a case by case basis. The Intesa Agreement includes certain limited market standard representations, information undertakings and events of default. Apart from that the facility may be cancelled with Intesa's written notice at any time. Subject to any security interest arising under Intesa's general terms over any bank account of MAN SE held with Intesa, the Intesa Agreement is unsecured.

Financing Agreement with UniCredit Bank AG ("UniCredit") as Lender

On July 20, 2016, MAN SE entered into a German law governed uncommitted money market credit facility in a maximum aggregate amount of EUR 100 million for general corporate purposes (the "**UniCredit Agreement**"). As of March 31, 2019, no funds have been drawn under the UniCredit Agreement. The facility may be made available by call money and overnight loans. The interest rate applicable to each borrowing must be agreed by a case by case basis. The Facility may be cancelled with UniCredit's prior written notice at any time subject to a reasonable cancellation period whereas utilizations under the facility remain unaffected by such cancellation of the facility in general. Subject to any security interest arising under UniCredit's general terms over any bank account of MAN SE held with UniCredit, the UniCredit Agreement is unsecured.

14.17.1.3 VWCO

Financing Agreement with Banco Nacional de Desenvolvimento Económico e Social as Lender ("BNDES")

On December 23, 2013, VWCO entered into a term loan facilities agreement with BNDES, governed by Brazilian law, in an aggregate amount of BRL 393.5 million (the "**BNDES Agreement**") for the financing of certain investment projects and with maturity on July 15, 2021. As of March 31, 2019, an amount of BRL 176.2 million (equivalent to EUR 40.2 million) was the outstanding position under the BNDES Agreement considering the total amount financed less amortizations started in August 15, 2016.

Certain facilities provided for under the BNDES Agreement are secured by a cash deposit or, as the case may be, a letter of credit issued by a financial institution. The applicable interest rate depends on the various facilities provided for under the agreement: for certain facilities a fixed interest rate at 3.5% is agreed. For other facilities the agreement provides for a floating interest rate either: (i) at a rate of 1.8% or

2.16% per annum plus a variable interest rate (TJLP – Long Term Interest Rate or Selic Rate) fixed by the Central Bank of Brazil, in certain cases, plus 1%; or (ii) at a rate fixed by the Central Bank of Brazil. The BNDES Agreement includes certain undertakings and acceleration events. In particular, the whole debt is accelerated in case the partnership agreement or, as the case may be, the articles of association of VWCO or of the respective controlling entities of VWCO are amended in a way that may have an impact on the payment of the obligations under the BNDES Agreement or in case of cancellation of any employment contract if VWCO does not, at the same time, provide a professional training program in the region or does not take care of a relocation in another company. Furthermore, VWCO must comply with certain financial covenants, i.e., the ratio of total net debt to EBITDA must be less than 2.0 and the percentage of net assets to total assets must exceed 35%, in case of an agreement secured by a cash deposit.

Financing Agreement with Banco do Brasil S.A. as Lender ("BB")

On December 5, 2017, VWCO entered into an unsecured agreement with BB, governed by Brazilian law, in an amount of BRL 400 million, as amended, increased and/or extended from time to time, for use as working capital exclusively for export activities, under penalty of losing the right to the financial operation tax exemption (IOF tax), and with maturity on November 6, 2019 (the "**BB Agreement**"). As of March 31, 2019, an amount of BRL 400 million (equivalent to EUR 91.2 million) had been drawn under the BB Agreement. The interest rate is a floating interest rate of 107.5% of the average interest rate for interbank deposits (CDI). The BB Agreement includes several market standard representations, undertakings and acceleration events. In particular, the whole debt is accelerated in case of the transfer of control to a company outside of the group as of December 5, 2017 or if the corporate purpose changes to an activity other than producing trucks.

14.17.2 Agreements relating to Acquisitions and Disposals/Joint Ventures and Partnerships

14.17.2.1 Joint Venture with Navistar

On September 5, 2016, the Company as purchaser and Navistar as seller, entered into a share purchase agreement regarding the acquisition of 16,242,012 newly issued shares of common stock in Navistar, corresponding at that time to 16.6% of the shares in Navistar, each with a par value of USD 0.10. As consideration for the transfer of the shares, Navistar received an aggregate purchase price of approximately USD 256 million. The agreement is governed by and construed in accordance with the laws of the state of New York. The transaction closed on February 28, 2017. The stake in Navistar was further increased and amounted to 16.77% as of May 31, 2019.

In addition to the share purchase agreement, on September 5, 2016, the Company and Navistar also entered into a procurement joint venture framework agreement with regard to a strategic sourcing joint venture covering the joint purchase of components and parts purchased by the TRATON GROUP and Navistar, respectively, for use in their respective brands' products. Both parties agreed to enter into procurement service agreements pursuant to which they pay service fees to the procurement joint venture in respect of services provided based on a cost-plus model. The agreement is governed by the laws of the state of New York.

The procurement joint venture operates under the legal name Global Truck & Bus Procurement LLC (the "**Procurement Joint Venture**") and is organized under the laws of the State of Delaware, United States. The respective rights, powers and interests of the members to the procurement joint venture are set out in a joint venture operating agreement dated February 28, 2017 and governed by the laws of the State of Delaware. The joint venture operating agreement was entered into by TRATON, LLC (formerly Volkswagen Truck & Bus, LLC), a wholly-owned direct subsidiary of the Company, International Truck and Engine Investments Corporation, a wholly-owned direct subsidiary of Navistar, and the Procurement Joint Venture. The Company indirectly holds 51% and Navistar indirectly holds 49% interest in the Procurement Joint Venture. The ownership interest cannot be transferred, directly or indirectly, without the prior written consent of the other party outside of the respective corporate groups of the parties. Unless otherwise agreed, all capital contributions of the Company and Navistar to the Procurement Joint Venture are made in proportion to their respective ownership interests. The Procurement Joint Venture is managed by a management board, which consists of three members. Navistar is entitled to appoint one member, whereas the Company has the right to appoint two members. With the exception of certain significant events, such as, among other things, material changes to the corporate purpose of the Procurement Joint Venture or the issuance of additional equity interests or related measures, neither the Company nor Navistar takes any part in the control or management of the Procurement Joint Venture. In addition, a finance director, nominated by Navistar, manages the Procurement Joint Venture's treasury, finance and accounting functions. All other employees are employees of the Company or Navistar that are also assigned to the Procurement Joint Venture.

The core services of the Procurement Joint Venture consist, among other things, of (i) the identification of procurement opportunities for the parties with respect to parts or components and services used in the manufacture of the vehicles sold by the parties, (ii) the determination of a sourcing strategy for components and services determined to be in scope for the Procurement Joint Venture, (iii) the execution of a strategic sourcing process and (iv) the issuance of sourcing recommendations to the relevant stakeholders of the parties.

The joint venture operating agreement may be terminated by either party, among others, (i) at any time by mutual consent of the parties, (ii) at the option of a party, if membership of the other party in the joint venture is terminated under applicable law, (iii) upon the termination of all individual contracts entered into pursuant to the framework agreement concerning technology licensing and supply, or (iv) if the Company's ownership of the common stock of Navistar should fall below a threshold of 7%.

Furthermore, on September 5, 2016, the Company and Navistar entered into a framework agreement on technology licensing and supply. According to this agreement, the companies intend to undertake several cooperative measures, in particular with regard to diesel engines and related technologies so that they comply with certain mandatory US regulations and can be utilized in commercial vehicles manufactured by Navistar. In this regard, the Company is aiming to provide Navistar with access to certain powertrain technologies of the Group and to supply Navistar International with certain types of powertrain and related technologies in exchange for either a purchase price or a licensing fee, as the case may be. The parties further agreed to conduct feasibility studies on the mutual compatibility of vehicle parts. The individual agreements envisaged in the framework agreement may be terminated by each party, among other reasons, (i) due to a change in control in Navistar or the Company and subject to certain transition periods, or (ii) with a notice period of 1 year upon convenience and subject to certain subsequent supply and license obligations. The framework agreement on technology licensing and supply has been concluded for an unlimited period of time and ends automatically after the execution of all individual agreements or by termination with a notice period of 6 months. The agreement is governed by and construed in accordance with the laws of Switzerland.

14.17.2.2 Partnership with Sinotruk

On July 15, 2009, MAN SE, MAN Finance and Holding S.à r.l. (now: MAN Finance and Holding S.A., a wholly-owned subsidiary of MAN SE), China National Heavy Duty Truck Group Co., Ltd ("**CNHTC**"), and Sinotruk (BVI) Limited entered into a shareholders' agreement (the "**SHA**"). Under the agreement, the parties agreed that MAN Finance and Holding S.à r.l. would acquire a shareholding of 25% plus one additional share in Sinotruk (Hong Kong) Limited ("**Sinotruk**") for a purchase price of EUR 560 million by way of conversion according to a subscription agreement and by way of purchase according to a share purchase agreement. The parties further agreed that CNHTC and Sinotruk (BVI) Limited intend to retain a shareholding of no less than 51% in Sinotruk on an as-if converted and fully-diluted basis.

As long as its shareholding does not fall below a threshold of 25% plus one share, MAN Finance and Holding S.à r.l. has the right to nominate 4 directors of Sinotruk's board of directors (one executive and three non-executive). In the event that MAN Finance and Holding S.à r.l. voluntarily decreases its shareholding in Sinotruk, the number of directors appointed by MAN Finance and Holding S.à r.l. will decrease on a proportional basis as well with no right to appoint any directors, if the shareholding of MAN Finance and Holding S.à r.l. in Sinotruk falls below 25% plus one share.

The SHA further provides for a tag-along mechanism, which in certain cases of a sale of shares in Sinotruk to a third party by Sinotruk (BVI) Limited allows MAN Finance and Holding S.à r.l. to have a pro-rata portion of the shares owned by it to be included in such a sale. The pro-rata portion of the shares owned by MAN Finance and Holding S.à r.l. shall be transferred at substantially the same price and upon substantially the same terms and conditions as those proposed for the sale by Sinotruk (BVI) Limited.

The SHA was concluded for an unlimited period of time until the earliest of, among others, (i) termination of the technology licensing agreement dated 15 July 2009 (the "**TLA**"), (ii) MAN SE's shareholding in Sinotruk, directly or indirectly, falling below a threshold of 15% on an as-if converted and fully-diluted basis, or (iii) a competitor acquiring a stake of more than 50% in the shareholding of MAN SE, MAN Nutzfahrzeuge Aktiengesellschaft (referred to under its new legal name MAN Truck & Bus SE in the following) and/or MAN Finance and Holding S.à r.l. The agreement further contains a non-compete clause with regard to the production and/or assembly of products substantially similar to the products covered by the agreement in Asia and other connected countries with certain exemptions for both sides. The agreement is governed by the laws of Hong Kong. Due to the expiry of the TLA in October 2016 (with limited clauses surviving for a certain period), the SHA also terminated already, however, with some key clauses surviving indefinitely, among others, related to the governance of Sinotruk and transfer of shares.

As provided for in the SHA, MAN SE, MAN Finance and Holding S.à r.l., CNHTC, and Sinotruk (BVI) Limited on July 15, 2009 entered into an agreement for the sale and purchase of shares in Sinotruk. In this

agreement, MAN Finance and Holding S.à r.l. as purchaser agreed to acquire from Sinotruk (BVI) Limited as seller 91,185,497 ordinary shares in Sinotruk, each with a par value of HKD 0.1. As consideration for the transfer of the shares, Sinotruk (BVI) Limited received an aggregate purchase price of approximately EUR 74 million. The agreement is governed by the laws of Hong Kong. The transaction closed on October 7, 2009.

In addition, on July 15, 2009, MAN SE, MAN Finance and Holding S.à r.l., CNHTC, and Sinotruk (Hong Kong) Limited entered into a subscription agreement, whereby MAN Finance and Holding S.à r.l. as subscriber agreed to subscribe for a convertible note due December 31, 2012 without the right to interest payments by MAN Finance and Holding S.à r.l in the principal amount of EUR 486,021,005 issued by Sinotruk. It provided for a conversion right to 599,062,839 ordinary shares in the share capital of Sinotruk, each with a par value of HKD0.1. The conversion right was exercised in December 2009. In the event that due to any acquisition by MAN Finance and Holding S.à r.l. or a person connected to it, the public float of Sinotruk falls below the minimum percentage level as required by the Hong Kong Stock Exchange, the agreement stipulates that MAN Finance and Holding S.à r.l. shall at its own expense take immediate steps to restore the minimum percentage. The agreement is governed by the laws of Hong Kong.

Furthermore, on July 15, 2009, and as amended from time to time, MAN Truck & Bus SE, a wholly-owned subsidiary of MAN SE, Sinotruk, Sinotruk Jinan Commercial Truck Co., Ltd. and Sinotruk Jinan Power Co. Ltd. entered into the TLA, whereby MAN Truck & Bus SE agreed to grant to Sinotruk Jinan Commercial Truck Co., Ltd. and Sinotruk Jinan Power Co. Ltd. a license to use certain of its technologies in relation to a long-term strategic cooperation relating to the manufacture of certain medium- to heavy-duty trucks and the licensing of technology and know-how. The license grant is exclusive with respect to the territory of China. The agreement is, *inter alia*, subject to a change of control provision. It is governed by the laws of Hong Kong. The TLA already expired in October 2016 (with limited clauses surviving for a certain period); however, Sinotruk's right to use the technologies remains unaffected.

Furthermore, in June 2012, MAN Truck & Bus SE, Sinotruk (Hong Kong) Limited and Sinotruk Jinan Power Co., Ltd. entered into another technology license agreement, whereby MAN Truck & Bus SE agreed to grant to Sinotruk Jinan Power Co., Ltd. a license to use certain parts of its technology and know-how in a defined scope. The license grant is exclusive with respect to the territory of China. The agreement is, *inter alia*, subject to a change of control provision. It is governed by the laws of Hong Kong.

14.17.2.3 Cooperation with Solera

On June 18, 2018, MAN Truck & Bus SE and Audatex GmbH, a subsidiary of Solera, entered into a framework cooperation agreement to establish a cooperation regarding the digitalization of MAN Truck & Bus SE's business processes focusing on the truck aftersales domain. Under the framework cooperation agreement, MAN Truck & Bus SE agreed to retain Audatex GmbH to perform certain professional services that are aimed, in particular, at customizing existing services and solutions of Solera for MAN Truck & Bus SE. The individual services and solutions to be performed are set out in separate statements of work. MAN Truck & Bus SE agreed to compensate Audatex GmbH for its services, as set out in the applicable statement of work or license agreement.

With the exception of certain intellectual property customized or branded for MAN Truck & Bus SE, all intellectual property developed or made available by Audatex GmbH in the course of performing its services or co-developed by the parties of the framework cooperation agreement, vests exclusively with Audatex GmbH.

14.17.2.4 Partnership with Rheinmetall Aktiengesellschaft

On December 22, 2009, MAN SE, MAN Nutzfahrzeuge Aktiengesellschaft (now MAN Truck & Bus SE) and Rheinmetall Aktiengesellschaft entered into a joint venture agreement, which was last amended on September 14, 2017 and is governed by German law. Under the agreement, Rheinmetall Aktiengesellschaft agreed to transfer its wheeled tank business segment and MAN Truck & Bus SE agreed to transfer its military trucks business segment to a newly established joint venture. The joint venture operates under the legal name Rheinmetall MAN Military Vehicles GmbH ("**RMMV**") and has a share capital of EUR 5 million. The corporate purpose of RMMV is the product planning, development, project planning and production of military wheeled vehicles as well as their servicing during their use period. Rheinmetall Aktiengesellschaft holds 51% and MAN Truck & Bus SE holds 49% of the shares in RMMV. Taking into account the respective transferred business segments and their assets, the parties agreed that Rheinmetall Aktiengesellschaft will pay to MAN Truck & Bus SE an aggregate purchase price of EUR 37.4 million as consideration for the transfer. Both, MAN Truck & Bus SE and Rheinmetall Aktiengesellschaft, have provided guarantees to each other relating, *inter alia*, to the corporate relationships, intellectual property rights and financial statements of their respective business that have been transferred by them to RMMV.

The board of directors of RMMV consists of 4 directors, with Rheinmetall Aktiengesellschaft and MAN Truck & Bus SE each being entitled to appoint 2 directors and one of the directors appointed by Rheinmetall Aktiengesellschaft acting as the chairman of the board. In case of a deadlock on shareholder level, when decisions of the shareholder meeting require a unanimous decision, MAN Truck & Bus SE is entitled to exercise a put option concerning the sale and transfer of all its shares in RMMV to Rheinmetall Aktiengesellschaft. In case MAN Truck & Bus SE does not exercise its put option, Rheinmetall Aktiengesellschaft is entitled to exercise a call option within a period of 4 weeks, concerning the purchase and transfer of all shares in RMMV held by MAN Truck & Bus SE to Rheinmetall Aktiengesellschaft. The parties further agreed that MAN Truck & Bus SE is entitled to exercise such put option in the case of an increase in the share capital of RMMV, in which MAN Truck & Bus SE does not participate. In addition to the board of directors, RMMV has a supervisory board, which consists of 6 members. Rheinmetall Aktiengesellschaft and MAN Truck & Bus SE are each entitled to appoint 2 members and one of the members appointed by Rheinmetall Aktiengesellschaft acting as chairman of the supervisory board. The remaining 2 members are appointed as representatives of the employees.

The joint venture agreement contains a restriction on competition, with the parties agreeing not to compete with RMMV in the fields of heavily protected wheeled vehicles as well as certain other military vehicles for the duration of the joint venture agreement, except regarding agreements that had already been concluded at the time of the conclusion of the joint venture agreement or in relation to certain specified third parties. The joint venture agreement further contains a restriction on the transfer of shares in RMMV to a third party, which requires the unanimous consent of the shareholders meeting.

The agreement has been concluded for an unlimited period of time and may only be terminated for extraordinary reasons due to (i) a significant violation of a material obligation of one of the parties under the joint venture agreement, (ii) the occurrence of a change in control event with one of the parties, or (iii) the opening of insolvency proceedings concerning the assets of one of the parties. If the joint venture agreement is extraordinarily terminated by one of the parties, MAN Truck & Bus SE or Rheinmetall Aktiengesellschaft, as the case may be, have the right to exercise a put option concerning the transfer of their respective shares in RMMV.

Since the divisions for tactical vehicles (wheeled tanks) and logistic vehicles (military vehicles) are in the meantime managed and administrated separately by Rheinmetall Aktiengesellschaft, Rheinmetall Aktiengesellschaft proposed to acquire MAN Truck & Bus SE's stake in the tactical vehicles business. On 18 January, 2019, the parties entered into a purchase agreement pursuant to which the transaction will be carried out in two steps. In the first step, the logistic vehicles business will be carved out to a new company ("**JV NewCo**"), in which MAN Truck & Bus SE will hold a stake of 49%. In the second step, MAN Truck & Bus SE will sell its 49% stake in RMMV (only comprising the tactical business). The transaction is subject to several closing conditions. The cooperation between Rheinmetall Aktiengesellschaft and MAN Truck & Bus SE will be continued in relation to JV NewCo (only comprising the logistic vehicles business).

14.17.2.5 Acquisition of MAN DigitalServices and RIO

On June 28, 2018, MAN Truck & Bus SE and TB Digital Services GmbH, a wholly-owned subsidiary of the Company, entered into an asset purchase agreement (the "**APA**"), whereby MAN Truck & Bus SE agreed to sell and transfer its business segment GF RIO and all of its assets to TB Digital Services GmbH. The APA also included the sale and transfer of all rights of MAN Truck & Bus SE relating to the trademark RIO to TB Digital Services GmbH. The purchase price amounted to approximately EUR 19.9 million. In addition, but subject to certain exceptions, e.g. with regard to employment contracts, TB Digital Services GmbH assumed by way of transfer of contract (*Vertragsübernahme*) all rights and obligations of MAN Truck & Bus SE resulting from all contracts that had been attributed exclusively or primarily to its business segment GF RIO. The sale and transfer became effective on June 30, 2018, 24:00h. The APA further contains an earn-out clause, under which TB Digital Services GmbH agreed to pay to MAN Truck & Bus SE an earn-out amount of up to EUR 10 million in addition to the purchase price, if the sales of TB Digital Services GmbH generated by the RIO business, as shown in the relevant annual financial statements, will exceed an earn-out trigger amount of EUR 107 million in the financial year 2021. Additionally, the earn-out clause will be triggered in the case that the RIO business is sold by TB Digital Services GmbH to a third party, with the overall earn-out amount depending on the purchase price of such sale. Furthermore, the APA is subject to certain representations and warranties by MAN Truck & Bus SE regarding the assets, trademarks and domains sold to TB Digital Services GmbH. The liability of MAN Truck & Bus SE for damages resulting from violations of such representations and warranties is excluded, if damages do not exceed an amount of EUR 10,000 in total (*de minimis*). The APA is governed by the laws of the Federal Republic of Germany.

In connection with the APA, MAN Truck & Bus SE and TB Digital Services GmbH also entered into a trademark license agreement on March 5, 2019, under which TB Digital Services GmbH granted to MAN Truck & Bus SE the non-exclusive, non-transferrable and sub-licensable right to use certain trademarks in

connection with the development, marketing and distribution of its digital solutions, in particular mainly RIO branded digital services. The license is granted to MAN Truck & Bus SE free of charge. The trademark license agreement has been concluded for an unlimited period of time and can be terminated with a notice period of six months at the end of each calendar year. It is governed by the laws of the Federal Republic of Germany.

Furthermore, on July 1, 2018, MAN Truck & Bus SE and TB Digital Services GmbH entered into an agreement on intra group staff leasing (*Vereinbarung zur Konzernleihe*). Under this agreement, MAN Truck & Bus SE agreed to lease certain of its employees to TB Digital Services GmbH on a temporary basis, beginning on July 1, 2018 and ending at the latest on December 31, 2019. While MAN Truck & Bus SE remains the employer of all leased employees during the respective lease period, the employees are professionally and organizationally assigned to TB Digital Services GmbH, with TB Digital Services GmbH also exercising the right of instruction (*Weisungsrecht*). All personnel costs related to this lease are invoiced to TB Digital Services GmbH.

In addition, on July 3, 2017, the Company and TB Digital Services GmbH entered into a domination and profit and loss transfer agreement, under which TB Digital Services GmbH agreed to transfer all of its profits to the Company. The agreement has been concluded for an unlimited period of time and may be terminated at the earliest with effect as of January 1, 2028 or with a notice period of 3 months at the end of each subsequent financial year of TB Digital Services GmbH.

14.17.2.6 Consortium Agreement with suppliers of VWCO

On September 19, 1996, Volkswagen do Brasil Ltda. entered into a consortium agreement with Iochpe-Maxion S.A., Remon Resende Montadora Ltda., Rockwell do Brasil Ltda. (replaced by AKC Aethra Karmann-Ghia Industria e Comercio de Carrocerias Ltda. on August 03, 2004), MWM Motores Diesel Ltda., Cummins Brasil Ltda., Delga Automotiva Ind. e Com. Ltda. and VDO do Brasil Medidores Ltda. (replaced by KROSCHU Kromberg & Schubert do Brasil Ltda. on January 2, 2019), and Carese Pintura Automotiva Ltda. (on February 27, 1997) (together, the "**Consortium Suppliers**") in order to implement the industrial production process called "consórcio modular" (as assigned by Volkswagen do Brasil Indústria de Veiculos Automotores Ltda to Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda. (now MAN Latin America) on August 15, 2007, the "**Consortium Agreement**"). Pursuant to the Consortium Agreement, each of the Consortium Suppliers is responsible for providing, with the use of its own and/or VWCO equipment and machinery, certain products (being defined as a composite of parts, sets or subsets of parts and process materials) corresponding to a certain module (i.e. a sub-division of an area in the plant in Resende, which also corresponds to an individualized phase of the productive process of a vehicle or parts thereof for commercialization) attributed to it. MAN Latin America assumes the responsibility for covering the costs (certain individual costs, such as utility costs and insurance costs could be apportioned among the Consortium Suppliers, if required by MAN Latin America) and providing the infrastructure at the plant in Resende, Brazil, maintaining the harmony of the production process, assisting the Consortium Suppliers in providing the respective operations and acquiring the products from the Consortium Suppliers. The Consortium Suppliers are fully responsible for their respective modules. Details of the individual relationships between MAN Latin America and the respective Consortium Suppliers are set out in separate supply agreements.

The term of the Consortium Agreement shall be the same as that of the individual supply agreement with the respective Consortium Supplier. The Consortium Agreement may be terminated by each of the parties with a notice period of 30 days or without notice in certain other cases, such as the insolvency of one of the parties or a willful stop of production by a Consortium Supplier for a period of more than 24 hours. MAN Latin America may further terminate the Consortium Agreement without notice, if a Consortium Supplier enters into any relationship with a competitor of MAN Latin America.

The consortium agreement contains an arbitration clause and is governed by Brazilian law.

14.17.3 Material Intragroup Licensing Agreements

14.17.3.1 PERSEU Technology Transfer Agreements

MAN Truck & Bus SE and MAN Latin America engaged into a project (Project Perseu) for the development of a new product line for MAN Latin America to be manufactured in Brazil. Project Perseu is based on the current TGX production series and the D26 Euro VI d Diesel Engines of MAN Truck & Bus SE. On June 10, 2019, MAN Truck & Bus SE and MAN Latin America entered into two royalty technology transfer agreements, one relating to engine technology and a second relating to technology of cabin, chassis and E/E-architecture, each with a term of 10 years (the "**PERSEU Technology Transfer Agreements**").

Under the PERSEU Technology Transfer Agreements, MAN Truck & Bus SE grants MAN Latin America the non-exclusive and non-transferable right to use technology, patents, designs and know-how solely within

the agreed territory for the following purposes: (i) production, assembling and testing of the products referred to by the PERSEU Technology Transfer Agreements, for the installation in MAN Latin America trucks and buses in Brazil; and (ii) the sale, distribution and/or aftersales maintenance and services for the contracted products in Brazil and Argentina.

MAN Latin America is prohibited to transfer, sub-license, sell, assign or pledge any of the rights granted under the PERSEU Technology Transfer Agreements to any third party with the exemption of suppliers of MAN Latin America. Furthermore, MAN Latin America may stock, sell and/or distribute products manufactured under the PERSEU Technology Transfer Agreements only using its own type plates (comprising its own models, designations and company logos). The right of use granted by MAN Truck & Bus SE to MAN Latin America does not permit MAN Latin America to use any trademarks, service marks, trade names, models, designations or logos of MAN Truck & Bus SE or its affiliates except (i) for the use of certain trademarks named therein on parts, spare parts, (sub)components of the respective products and related packaging as long as such parts are commonly used by MAN Truck & Bus SE and MAN Latin America or produced on the same tooling and (ii) for the use of the claim "Powered by MAN" on the cabin of vehicles of MAN Latin America equipped with a licensed product.

In case of TRATON SE ceasing to hold the majority shareholding and/or direct or indirect voting power in MAN Latin America and/or MAN Truck & Bus SE, the PERSEU Technology Transfer Agreements terminate immediately. If the termination of the PERSEU Technology Transfer Agreements is caused by MAN Latin America by a breach of certain provisions or by a breach not remedied within a 90 days remediation period, MAN Latin America shall, for each agreement terminated, pay to MAN Truck & Bus SE as a minimum damage compensation a mutually agreed indemnification, limited to the amount equal to the difference between the overall limited fee amount set out in the respective agreement and the total fees already paid. None of the benefits, rights and interest granted to MAN Latin America under the PERSEU Technology Transfer Agreements may be assigned without the express written consent of MAN Truck & Bus SE. The PERSEU Technology Transfer Agreements are governed by German law.

14.17.3.2 The MAN Technology Transfer Agreement

On July 14, 2011, MAN Truck & Bus SE and MAN Latin America entered into a technology transfer agreement with an initial term of five years. The term of the agreement was extended for another five years in 2016 (the "**Technology Transfer Agreement**"). Under the Technology Transfer Agreement, MAN Truck & Bus SE grants MAN Latin America a non-exclusive and non-transferable right to use technology and know-how solely within the agreed territory for the following purposes: (i) production and testing of the products referred to by the Technology Transfer Agreement, for the installation in MAN Latin America trucks and buses in Brazil; and (ii) the sale, distribution and/or aftersales maintenance and services for the contracted products in Americas (excluding the United States).

MAN Latin America is prohibited to transfer, sub-license, sell, assign or pledge any of the rights thereunder to any third party. Furthermore, MAN Latin America may stock, sell and/or distribute products manufactured under the Technology Transfer Agreement only using its own type plates (comprising its own models, designations and company logos). The right of use granted by MAN Truck & Bus SE to MAN Latin America does not permit MAN Latin America to use any trademarks, service marks, trade names, models, designations or logos of MAN Truck & Bus SE or its affiliates and/or of MAN SE. In case of a change of control in MAN Latin America and/or MAN Truck & Bus SE, MAN Truck & Bus SE may terminate the Technology Transfer Agreement immediately. None of the benefits, rights and interest granted to MAN Latin America under the Technology Transfer Agreement may be assigned (whether by contract, operation of law or otherwise) without the express written consent of MAN Truck & Bus SE. The agreement is governed by German law.

On March 4, 2013, the parties amended the Technology Transfer Agreement, thereby (i) replacing MAN Truck & Bus SE by its subsidiary MAN Truck & Bus License GmbH as party thereto, (ii) clarifying certain exchange rates used for the calculation of the quarterly payments, and (iii) stipulating a termination right with a termination period of six months at the end of each calendar month. In connection with the merger of MAN Truck & Bus License GmbH with MAN Truck & Bus SE in 2013, MAN Truck & Bus SE replaced MAN Truck & Bus License GmbH as a party to this Technology Transfer Agreement. On May 30, 2016, the parties further agreed to renew the term of the Technology Transfer Agreement for an additional five-year period, starting on July 15, 2016 and expiring on July 14, 2021, and subject to any earlier termination of the agreement.

14.17.3.3 The Scania Technology Transfer Agreement

On October 14, 2016, Scania CV AB and Scania Latin America Ltda. ("**Scania Latin America**") entered into a royalty technology agreement with an initial term of five years, which shall be automatically renewed for an additional period of five years (the "**Royalty Technology Agreement**"). The Royalty Technology

Agreement was recorded at the Brazilian National Institute of Industrial Property under recordal process no. BR702016000576, on April 4, 2017, and amended on May 30, 2017 and on June 27, 2017.

Under the Royalty Technology Agreement, Scania CV AB grants Scania Latin America (i) a non-exclusive and non-transferable right to use the technical information (know-how) and patents for the manufacturing and adapting of the commercial motor vehicles, engines, chassis, as well as any other product manufactured or adapted by Scania Latin America using the technical information and patents, including, but not limited to, the products specified in the Royalty Technology Agreement ("**RTA Products**"), within the territory of the Federative Republic of Brazil, and (ii) the right to sell the RTA Products all over the world.

Scania Latin America agreed to observe and comply with all specifications required by Scania CV AB for the manufacture, adaptation and commercialization of the RTA Products, so as to comply with the product standards fixed by Scania CV AB, and with the Brazilian applicable legislation pertaining to the manufacture and quality control of the RTA Products. Any of the parties may terminate the Royalty Technology Agreement, if the other party ceases to be controlled by its present management and/or present controlling company. The Royalty Technology Agreement is governed by Swedish law.

14.17.3.4 Project Phevos Transfer Agreement

MAN Truck & Bus SE has developed a technology related to the manufacturing of new light-duty trucks (the related project is referred to as "**Project Phevos**"). MAN Truck & Bus License GmbH ("**MAN T&BL**") was a wholly-owned subsidiary of MAN Truck & Bus SE until 2013 and, as the beneficiary of this technology, entitled to grant the exclusive right of use relating thereto. On April 17, 2013, MAN T&BL and MAN Latin America entered into a commercial agreement (the "**CA**"), including a technology transfer agreement as annex in order to transfer the definitive right of use of this technology to MAN Latin America for potential and contingent arm's length remuneration plus interest. This technology transfer agreement was never signed. In connection with the merger of MAN T&BL and MAN Truck & Bus SE in 2013, MAN Truck & Bus SE joined the CA as a party thereto, thereby taking on MAN T&BL's rights and obligations thereto. The parties then decided to transfer all rights and obligations of MAN Truck & Bus SE under the CA to MAN Finance and Holding S.A ("**MFH**") and, therefore, the parties entered into a transfer agreement on September 30, 2017. Furthermore, the parties also entered into a cancellation agreement in order to unwind the CA, which foresees that MAN Latin America transfers to MFH any technical documentation, any materials received from MAN Truck & Bus SE in connection with the Project Phevos transaction as well as all rights associated with the licensed technology.

In September 2017, MFH and MAN Latin America entered into a technology transfer and free license agreement, pursuant to which MAN Latin America is granted an exclusive, unconditional, indefinite and free-of-charge right for the fruition, use and exploitation of the licensed technology (however, excluding the transfer of the legal title thereto from MFH to MAN Latin America) (the "**Technology Transfer and Free License Agreement**"). Under the Technology Transfer and Free License Agreement, MAN Latin America may stock, sell and/or distribute products relating to Project Phevos only under its own type plates (comprising its own models, designs and company logos). MAN Latin America may not use, however, any trademarks, service marks, trade names, models, designations or logos of MAN Truck & Bus SE or its affiliates and/or of MAN SE. Both parties have the right to terminate this agreement with immediate legal effect by written notice to the other party after consultation of the CEO of MAN SE, if MAN SE ceases to hold the majority shareholding and/or direct or indirect voting power in MAN Latin America and/or MFH.

14.18 Insurance

Volkswagen AG as the Company's parent company maintains both group-wide and local insurance policies for the Company and certain TRATON GROUP companies (except for Scania AB and its subsidiaries) which are managed by Volkswagen Insurance Brokers GmbH, a subsidiary of Volkswagen AG that provides insurance broker services. These insurance policies relate to a number of risks associated with their business activities, including the following: product and environmental liability, property damage and business interruption, marine cargo, legal expenses, cyber, crime, terrorism and political violence, as well as D&O liability (*Vermögensschaden-Haftpflichtversicherung*).

With the exception of crime and cyber insurance, for which the Volkswagen program is used, Scania AB maintains, via Scania CV AB, its own group insurance portfolio, which provides coverage for Scania AB and its subsidiaries through a combination of central group insurances and local insurance placements, similar to the insurance policies maintained by Volkswagen AG.

The D&O liability insurance taken out by Volkswagen AG for the Company and the MAN group companies covers all past, present and future members of the management boards (*Vorstände*), supervisory boards (*Aufsichtsräte*), advisory boards (*Beiräte*) and managing directors (*Geschäftsführer*) of companies in which Volkswagen AG – directly or indirectly – holds the majority of company shares or voting rights and such

does not violate foreign supervisory law (some countries require local insurance). Executive employees (*Leitende Angestellte*) are also insured, provided they are subject to claims based on corporate principles (*organschaftliche Grundsätze*). The maximum insurance coverage is EUR 300 million per claim and for all claims per year. The insurance stipulates deductibles (*Selbstbeteiligungen*) for both board members/ managing directors and the company itself. Certain limitations apply regarding coverage in relation to claims in the US or Canada. In addition, there are several exemptions from insurance coverage, e.g. in case of intentional breaches of duty or regarding claims in countries where the insurance of local risks by insurers not licensed in that country (so-called: non-admitted insurance) is prohibited. In those countries, the scope of insurance and the amount of cover depend on the local insurance policies taken out for these countries. Scania AB maintains a D&O liability insurance providing coverage for all past, present and future directors and officers of Scania AB and its subsidiaries, with local fronted insurances linked to the Scania Group insurance in a select number of countries. The maximum insurance coverage is USD 200 million per claim and for all claims per year.

The Group's local insurance policies vary from country to country. In Germany, for example, the TRATON GROUP maintains local insurance in relation to occupational and other accidents suffered by employees causing death or serious injuries, motor insurance, travel-related insurance and insurance of electronic devices.

The TRATON GROUP's and Volkswagen AG's insurance policies are subject to customary exclusions, limits and deductibles. Furthermore, the TRATON GROUP has identified several risks that cannot be insured on economically feasible terms and for which, therefore, no insurance cover has been purchased, such as nuclear catastrophes, credit failure, product recalls, warranty claims and intellectual property violations.

The Company believes that its insurance coverage is adequate and consistent with standard market practice for the trucks and bus industry sector. The Group regularly reviews its insurance coverage, together with its insurance brokers.

15 CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies that are, inter alia, members of the same group as the Company, or that are in control of or controlled by the Company, must be disclosed unless they are already included as consolidated entities in the Company's consolidated financial statements. Control exists if a shareholder has the power to control the financial and operating policies of a company's management by virtue of owning more than one half of the voting rights in a company or, by virtue of an agreement. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on the Company's financial and operating policies, including close family members and intermediate entities. This includes the members of the Managing Board and Supervisory Board and close members of their families, as well as those entities over which the members of the Managing Board and Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of the voting rights.

Set forth below is a summary of transactions with related parties as of and for the current fiscal year up to and including the date of the Prospectus as well as of and for the fiscal years ended December 31, 2018, 2017 and 2016 and as of and for the three months ended March 31, 2019. Further information on related party transactions, including quantitative amounts, are contained in the notes to the Audited Consolidated Financial Statements, which are included elsewhere in the Prospectus. Business relationships between companies of the TRATON GROUP are not included. For the purpose of this section, references to the "Volkswagen Group" mean the Volkswagen Group including the TRATON GROUP, and references to the "Volkswagen Group (excl. TRATON GROUP)" mean the Volkswagen Group excluding the TRATON GROUP.

15.1 Overview of Relationship between the TRATON GROUP and the Volkswagen Group (excl. TRATON GROUP)

The Company is a wholly-owned subsidiary of Volkswagen AG and the holding company of the TRATON GROUP. As a member of the Volkswagen Group, the Company and the other members of the TRATON GROUP have had various business relationships with other companies of the Volkswagen Group (excl. TRATON GROUP) in the past and will continue to have significant relationships with the Volkswagen Group (excl. TRATON GROUP) following the Offering. In particular:

Volkswagen AG and the Company entered into an Indemnification Agreement (as defined below) pursuant to which Volkswagen AG has agreed to indemnify and hold harmless the Company from any liability regarding the Offering and to reimburse fees, costs and expenses relating to the Offering to the extent not already borne by Volkswagen AG pursuant to the VW/TRATON DPLTA. For more details on the VW/TRATON DPLTA, see "*8.3. 2019 Dividend.*"

- The Company is a party to the VW/TRATON DPLTA with Volkswagen AG that will terminate by operation of law pursuant to Section 307 AktG with effect as of December 31, 2019. Following such termination, due to the majority ownership of Volkswagen AG in the Company, the rules governing factual domination as set out in Sections 311 et seq. AktG will apply to the relations between Volkswagen AG and the Company. Under these rules, it is possible for the management of the Company, in exercising its duties, to also take the interests of Volkswagen AG into consideration. The management of the Company may even consider requests from Volkswagen AG that are to the disadvantage of the Company provided that the disadvantage is quantifiable, and Volkswagen AG compensates or agrees to compensate the Company for the disadvantage and provided further that such compensation or agreement to compensate takes place in the same fiscal year.
- As part of the pre-IPO reorganization process, the Company's Power Engineering Business was transferred to Volkswagen Klassik GmbH, which has been renamed Volkswagen Vermögensverwaltungs-GmbH ("**VW Klassik**"), as of December 31, 2018. See "*3. Pre-IPO Reorganization.*"
- Volkswagen AG and the Company have entered into a Relationship Agreement (as defined below), pursuant to which the parties have agreed on key principles governing their future relationship and cooperation.
- The TRATON GROUP's companies expect to continue to benefit from certain services provided by Volkswagen AG relating to financial services, IT, procurement, research and development, intellectual property, treasury and financing, human resources and other functions. See also, "*1.4.5 Services to be provided by the Volkswagen Group (excluding the Group) to the Group based on the existing service relationships may be insufficient to cover the Group's needs as a stand-alone company and the Group may be unable to subsequently replace the services provided by the Volkswagen Group (excluding the Group) after the Offering without operational problems or additional cost.*"

15.2 Ongoing Relationship and Services between the TRATON GROUP and the Volkswagen Group (excl. the TRATON GROUP)

15.2.1 Indemnification Agreement

On June 14, 2019, the Company entered into an indemnification agreement with Volkswagen AG (the "**Indemnification Agreement**"). Under this agreement, Volkswagen AG has agreed to indemnify and hold harmless the Company from any liabilities, losses, and damages resulting from or related to the Offering, including reasonable legal costs related to the defense against Offering-related claims (together, the "**IPO Damages**"), subject to any deduction for IPO Damages of the Company reimbursed through any IPO-related insurance. In addition, Volkswagen AG has agreed to reimburse the Company for all fees, costs and expenses incurred in connection with the preparation and the execution of the Offering to the extent these costs and expenses were not already economically borne by Volkswagen AG due to reduced profits or increased losses transferred to Volkswagen AG under the VW/TRATON DPLTA.

15.2.2 Termination of Domination and Profit and Loss Transfer Agreement with Volkswagen AG

At the date of this Prospectus, TRATON SE, as controlled entity, and Volkswagen AG, as controlling entity, are parties to the VW/TRATON DPLTA. The latest amendment to the VW/TRATON DPLTA is dated February 25, 2014 and became effective as of January 1, 2014. Under the VW/TRATON DPLTA, TRATON SE must transfer to Volkswagen AG its entire profit after taxes (*Ergebnis nach Steuern*) as determined by TRATON SE's German GAAP unconsolidated stand-alone annual financial statements (subject to the allocation of amounts to retained earnings or the dissolution of reserves (*Rücklagen*), reduced by any loss carry-forward (*Verlustvortrag*) of previous years and allocations to the statutory reserves (*gesetzliche Rücklagen*)). Conversely, any loss after taxes (*Verlust nach Steuern*) must be absorbed by Volkswagen AG. TRATON SE's after tax loss for the fiscal year ended December 31, 2018 absorbed by Volkswagen AG amounted to EUR 4,161 million; and TRATON SE's after tax losses absorbed by Volkswagen AG in the fiscal years ended December 31, 2017 and 2016 amounted to EUR 28 million and EUR 32 million, respectively.

Pursuant to Section 307 AktG, the VW/TRATON DPLTA terminates by operation of law at the end of the fiscal year of TRATON SE in which a minority shareholder acquires a shareholding in TRATON SE. It will therefore terminate with effect as of December 31, 2019 when TRATON SE's financial year ending December 31, 2019 (the "**2019 Fiscal Year**") ends. Following the end of the 2019 Fiscal Year, the 2019 German GAAP Profit will be transferred to Volkswagen AG under the VW/TRATON DPLTA (the amount so transferred the "**2019 DPLTA Transfer Amount**"). TRATON SE expects the main components of the 2019 German GAAP Profit to be (i) the EUR 0.8 billion extraordinary 2019 dividend and the EUR 0.4 billion ordinary dividend 2018 from Scania AB, both received by TRATON SE in 2019, (ii) plus EUR 0.3 billion from the release of provisions for impending losses originally accrued for the potential obligation to purchase further shares in MAN SE and (iii) less TRATON SE's holding costs for the 2019 Fiscal Year. In 2018, other costs within the Industrial Business, which included holding costs of the TRATON SE and MAN SE, amounted to EUR 0.3 billion.

Volkswagen AG and TRATON SE have agreed that on the basis of these components of the 2019 German GAAP Profit, they expect the 2019 DPLTA Transfer Amount to be EUR 1.35 billion and other than with regard to this amount they are committed to achieve a situation for investors as if the VW/TRATON DPLTA was not in place. As a consequence, if any events or circumstances result in a deviation of EUR 20 million or more from this expectation for the 2019 DPLTA Transfer Amount, the full deviation will be neutralized. Any such deviation will therefore not be borne by or be for the benefit of Volkswagen AG under the VW/TRATON DPLTA, but rather borne by or for the benefit of TRATON SE as if the VW/TRATON DPLTA was not in place. Because pursuant to the VW/TRATON DPLTA, Volkswagen AG would bear any decreases and, respectively, benefit from any increases of the 2019 DPLTA Transfer Amount (because the 2019 German GAAP Profit to be transferred under VW/TRATON DPLTA would be EUR 20 million lower, respectively higher than EUR 1.35 billion), any such decreases (or even losses) or gains will be fully cancelled out, by extraordinary distributions from subsidiaries of TRATON SE (and subsequent transfer under the VW/TRATON DPLTA to Volkswagen AG) or extraordinary contributions from Volkswagen AG into the capital reserves of TRATON SE to achieve the same outcome as if the VW/TRATON DPLTA was not in place.

15.2.3 Relationship Agreement between TRATON SE and Volkswagen AG

On June 14, 2019, the Company and Volkswagen AG entered into an agreement that governs certain key principles for the future relationship and cooperation between the Company and Volkswagen AG (the "**Relationship Agreement**"). Among other things, the Company and Volkswagen AG have agreed to collaborate, cooperate and align on certain matters in order to allow Volkswagen AG (i) to prepare its

consolidated financial statements, prospectuses, other mandatory reports, tax returns and budget planning, (ii) to ensure compliance with its organizational and compliance duties and (iii) to ensure compliance with its reporting and capital markets related obligations. The collaboration obligations also extend to the alignment of certain external communication, reporting processes, risk management and corporate social responsibilities. The Company is permitted to request certain information regarding the Volkswagen Group required for the Company to comply with applicable mandatory laws, including, but not limited to, the rules of any national stock exchange. Further, certain confidentiality standards are set forth regarding the Relationship Agreement and its performance, including with respect to information exchange pursuant to the Relationship Agreement. The Relationship Agreement does not affect the rights of Volkswagen AG under the VW/TRATON DPLTA prior to its automatic termination on December 31, 2019.

The Relationship Agreement has an initial fixed term until December 31, 2026 and will be automatically renewed for further consecutive fixed terms of five (5) years each, unless one party terminates the Relationship Agreement no later than six (6) months prior to the expiration of the respective term by giving written notice to the other party. The Relationship Agreement shall terminate automatically if Volkswagen AG ceases to own, directly or indirectly, at least 40% of the shares in the Company. If Volkswagen AG remains invested in the Company, however, and is therefore still subject to governance, reporting and risk management requirements under applicable law, Volkswagen AG and the Company shall negotiate in good faith during a three (3) month period prior to automatic termination, a substituting agreement with reduced scope, the terms of which will be designed to enable Volkswagen AG to fulfil such remaining legal requirements.

15.2.4 Service Agreements

As a member of the Volkswagen Group, certain business functions of the TRATON GROUP (such as financial services, IT, procurement, research and development, intellectual property, treasury and financing, and human resources) were historically provided by Volkswagen Group (excl. TRATON GROUP) to the TRATON GROUP (and in some limited cases by the TRATON GROUP to the Volkswagen Group (excl. TRATON GROUP)) based on a wide range of internal service and service level agreements. In preparation for the Offering, the Company evaluated its existing services relationships with the Volkswagen Group (excl. TRATON GROUP) and determined, on a group and local level, its future requirements and needs with respect to such services. The Company considered whether it would be more beneficial for the TRATON GROUP from an economic point of view to continue utilizing existing and natural synergies within the Volkswagen Group (excl. TRATON GROUP) after the Offering or to procure the relevant services from third-party providers. In addition, the Company evaluated whether any services, particularly for legal, compliance or regulatory reasons, could not be sourced from the Volkswagen Group (excl. TRATON GROUP) but would instead need to be set up within the TRATON GROUP.

Depending on the outcome of such determination, members of the TRATON GROUP are planning to either (i) continue receiving services from members of the Volkswagen Group (excl. TRATON GROUP) on the same or similar terms and conditions as under historical agreements and arrangements with those companies of the Volkswagen Group (excl. TRATON GROUP), (ii) in-source services or out-source services to third parties, or (iii) enter into new agreements with companies of the Volkswagen Group (excl. TRATON GROUP), as service providers, and companies of the TRATON GROUP, as service recipients, for the provision of services not sufficiently covered by existing agreements. Under these agreements and arrangements, the respective TRATON GROUP companies are or will be required to pay fees to the respective service provider within the Volkswagen Group (excl. TRATON GROUP). Besides the specific service agreements and arrangements which are described below, the TRATON GROUP receives other finished und unfinished products, which includes MAN T&B sourcing the TGE (i.e. the Volkswagen Crafter labeled with MAN brand) from the Volkswagen Group (excl. TRATON GROUP).

15.2.4.1 Financial Services

The TRATON GROUP's business success is dependent on its ability to offer its vehicle customers a range of financial services, including financing, leasing and insurance. Such services facilitate the TRATON GROUP's sale and lease of its vehicles by offering customers financing options and other incentives. MAN Financial Services is the financing provider for the MAN brand and supports the sales and distribution of MAN. MAN Financial Services is not owned by, and is not a member of, the TRATON GROUP. As a result, the TRATON GROUP does not derive sales revenue from financial services provided by MAN Financial Services (since January 1, 2014, MAN Financial Services has been a subsidiary of Volkswagen Financial Services AG and thus a company within the Volkswagen Group, but not, as noted above, a member of the TRATON GROUP). MAN is therefore dependent on Volkswagen Financial Services subsidiaries to be able to offer their customers access to financing services. See also "*1.1.20. The Group is dependent on the success of Scania's financial services business and the ability to offer financial services to MAN and VWCO customers through Volkswagen Financial Services subsidiaries.*"

MAN Financial Services provides customers of MAN with domestic and international financing services, such as hire purchase agreements or credit financing, leasing services (e.g. kilometer contracts, full-service leasing or partial amortization leasing) and various insurance services in approximately 23 countries through subsidiaries and cooperation arrangements. The commercial relationships between MAN and MAN Financial Services vary from country to country, with each local MAN sales entity negotiating and agreeing commercial terms with MAN Financial Services.

MAN does not have an exclusivity arrangement with MAN Financial Services, and therefore may sell or lease commercial vehicles to customers who rely on other banks or financial service providers for their financing needs. However, MAN Financial Services is MAN's preferred partner in 15 countries for MAN customers who purchase financial services. A majority of the commercial vehicles sold or leased by MAN worldwide, including both new vehicles as well as used commercial vehicles through MAN TopUsed centers, are sold or leased with a financial package of some kind.

In the case of commercial vehicle leases and sales by MAN that rely on MAN Financial Services' financial packages, MAN generally acts as the intermediary between the customer and MAN Financial Services, who holds the lease or credit agreement with the customer. In this role, MAN provides certain front office and client facing functions. Frequently, transactions are structured such that MAN sells a commercial vehicle to a leasing company, such as MAN Financial Services, with a contractual obligation to buy the vehicles back from the leasing company at a predetermined price at the conclusion of the lease term with the customer. As a result, in connection with such buyback obligations the TRATON GROUP is exposed to the risk of a decrease in the residual value of leased and other used vehicles and the vehicle remarketing risk, whereas MAN Financial Services, as the counterparty to the customer lease or credit agreement, is generally exposed to the risk of customer default as well as vehicle repossession and damage risks. See also "*1.2.11. The Group is subject to the risk of a decrease in the residual value of leased, rented and other used vehicles.*"

VWCO's financial services are provided by Volkswagen Financial Services, consisting of Banco Volkswagen, Consórcio Nacional Volkswagen and Volkswagen Corretora de Seguros in Brazil. The Group does not derive sales revenue from financial services provided by Volkswagen Financial Services. Volkswagen Financial Services has seven regional offices in Brazil and offers customers of VWCO a variety of financing solutions, including long-term financing credits and operational leasing, as well as insurance services (e.g. financial protection insurance that guarantees the total or partial payment of a financing or various other coverings against personal accidents, collisions, fire or theft). All financial services are available in various different plans, designed to meet the needs of individual customers.

Regarding floor plan financing and retail sales financing mainly provided by Volkswagen Financial Services directly to customers or independent dealers and service partners in a number of jurisdictions, see below "*15.2.4.6 Distributor Network.*"

The TRATON GROUP expects that the relationships with MAN Financial Services and Volkswagen Financial Services will continue after the Offering. The TRATON GROUP is currently assessing whether to establish its own financial services business at the TRATON GROUP level.

15.2.4.2 Research and Development

The TRATON GROUP dedicates substantial resources to research and development, and the TRATON GROUP's three operating units, Scania V&S, MAN T&B and VWCO, collaborate with each other on a range of TRATON GROUP-specific research and development initiatives. In addition, Scania and MAN currently pay an annual allocation fee to Volkswagen AG, calculated on the basis of the brand's revenue, for access to Volkswagen AG's proprietary research and development know-how, services and systems. In addition, members of the Volkswagen Group, including MAN T&B and Scania, are party to separate research and development agreements with other members of the Volkswagen Group (including members which are not part of the TRATON GROUP) pursuant to which a specific Volkswagen Group member is leading a research project on a particular technological initiative.

The TRATON GROUP is currently considering which arrangements shall continue and expects that the arrangements, which are deemed to be commercially beneficial for the TRATON GROUP, will continue as long as the TRATON GROUP remains part of the Volkswagen Group.

15.2.4.3 Procurement

The TRATON GROUP's three brands each pay a fee for access to Volkswagen AG's procurement platform. Use of this platform provides each brand with the opportunity to purchase parts, materials and components efficiently and at lower cost than it would otherwise pay, through leveraging the purchasing power of the Volkswagen Group. Such purchases are principally made through framework agreements between the

Volkswagen Group and the third-party supplier, in which each of the three brands (as a member of the Volkswagen Group) is expressly permitted to purchase materials from the supplier via purchase orders. Although the actual purchases are made directly from the third-party suppliers, the ability of each brand to engage in procurement via the platform provides a material benefit to each brand and to the TRATON GROUP as a whole. In addition, certain of VWCO's procurement contracts are handled by Volkswagen Group for a fee. VWCO believes this arrangement allows it to leverage the purchasing power of the Volkswagen Group.

The TRATON GROUP expects that these arrangements will continue following the Offering, and that its brands will be entitled to access the procurement platform and, in the case of VWCO, that it will continue to receive services in relation to certain procurement contracts, as long as the Company is majority owned by Volkswagen AG. Due to the fact that all members of the Volkswagen Group, including the TRATON GROUP companies, benefit from the others' participation on the platform, the TRATON GROUP regards its access to the procurement platform as likely to continue.

In addition, Volkswagen AG also operates a number of local sourcing offices in different countries around the world that are tasked with facilitating access to reliable local suppliers in those markets for its TRATON GROUP companies. Such local sourcing offices are financed by Volkswagen AG, and each member of the Volkswagen Group pays fees to Volkswagen AG. The TRATON GROUP also expects these arrangements to continue following the Offering.

15.2.4.4 Human Resources

Pursuant to certain contractual obligations, the Volkswagen Group (excl. TRATON GROUP) has provided the TRATON GROUP, and the TRATON GROUP expects that it will continue to provide certain human resources related services, such as arrangements on company cars, employee lease car programs and the participation in the Volkswagen pension trust for employees previously hired under the collective bargaining agreement applicable to TRATON SE. In addition, Volkswagen AG hosts employees with a payroll and HR consulting service who are working for TRATON SE (e.g. CEO Office). The TRATON GROUP may in the future participate in Volkswagen Group's human resource projects. Prior to any acceptance a project and pricing assessment will be undertaken to ensure that any participation would be in the best interest of the TRATON GROUP.

15.2.4.5 Information Technology

Volkswagen Group (excl. TRATON GROUP), through different entities such as Volkswagen Software Asset Management GmbH, Volkswagen do Brazil, Volkswagen AG itself or other companies of the Volkswagen Group (excl. TRATON GROUP), provides IT services to the TRATON GROUP companies comprising application services including development, maintenance and support services, operational and data center services, commissioned data processing, end user computing and IT help desk services, IT security services and software licenses. In a certain number of cases, certain software licenses and IT services are sourced on behalf of the TRATON GROUP companies by Volkswagen Software Asset Management GmbH pursuant to contracts it has with third-party suppliers following which the invoice is settled directly between Volkswagen Software Asset Management GmbH and the relevant TRATON GROUP company.

The Company believes that it benefits commercially from these arrangements because the ability of the Volkswagen Group to bundle the IT services mean that it is able to procure them from suppliers on attractive terms. The TRATON GROUP also provides certain IT services to Volkswagen AG on a much smaller scale, comprising certain application and data center services.

VWCO depends to a greater extent on Volkswagen's IT services than the rest of the TRATON GROUP, with its IT systems embedded in those of the Volkswagen Group and IT services provided by Volkswagen Brazil. An initiative is currently underway to shift certain of these services to VWCO, in order to reduce this level of dependence, but is not expected to be complete until mid-2021.

The services provided by Volkswagen Group (excl. TRATON GROUP) to TRATON GROUP are provided pursuant to a framework agreement or individual contracts which are in place with respect to specific services. The agreements are generally for an indefinite term but with termination rights subject to notice periods given in the individual agreements. Other than with respect to VWCO, as described above, the TRATON GROUP expects to continue relying on the existing framework and other agreements, as long as they are commercially beneficial to the TRATON GROUP, following the Offering, and does not expect the terms to change materially as long as Volkswagen AG is the majority shareholder of the Company. See also "*1.4.4. As the Group further integrates its information technology infrastructure, it could incur substantial additional costs and experience temporary business interruptions.*"

15.2.4.6 Distributor Network

In a number of jurisdictions, floor plan financing and retail sales financing are mainly provided by Volkswagen Financial Services directly to customers or independent dealers and service partners. The TRATON GROUP expects this dependency to continue following the Offering. In addition, VWCO depends significantly on distributors in Argentina, Chile and Colombia owned by the Volkswagen Group (excl. TRATON GROUP) to sell its commercial vehicles.

15.2.5 Treasury and Finance Arrangements

The TRATON GROUP's treasury activities are closely interlinked with the treasury activities of Volkswagen Group (excl. TRATON GROUP), particularly regarding access to financing and refinancing. Although Scania has established a presence in the debt capital markets through issuing debt in the past, neither MAN SE nor the Company presently has access to the debt capital markets, making them particularly dependent on Volkswagen as a source of debt financing and, indirectly, dependent on the financing terms of Volkswagen's external debt financing.

Pursuant to the MAN Volkswagen Agreement, dated March 28, 2013, Volkswagen AG as lender has committed to provide to MAN SE as borrower an unsecured revolving credit facility in an amount of up to EUR 3,000 million for general corporate purposes. The facility does not have a maturity date. As of March 31, 2019, an amount of EUR 1,000 million had been drawn under the MAN Volkswagen Agreement. Volkswagen may cancel the MAN Volkswagen Agreement (i) at any time if MAN SE violates any of the material provisions of the MAN Volkswagen Agreement and (ii) with three months' prior written notice at the end of each calendar quarter. For further details of the MAN Volkswagen Agreement, see "*14.17 Material Contracts.*"

Pursuant to the Scania Volkswagen Agreement dated June 10/16, 2015, Volkswagen AG as lender has agreed to provide to Scania CV AB as borrower an unsecured revolving credit facility in an amount of up to EUR 1,000 million for the financing of Scania CV AB's business operations and working capital. The facility matures on July 1, 2021. The term automatically extends for a further three years if neither Scania nor Volkswagen AG terminates the Scania Volkswagen Agreement 15 months prior to that maturity date. As of March 31, 2019, no amounts had been drawn under the facility. For further details of the Scania Volkswagen Agreement, see "*14.17 Material Contracts.*"

In addition to the MAN Volkswagen Agreement and the Scania Volkswagen Agreement, members of the Volkswagen Group (excl. TRATON GROUP) and members of the TRATON GROUP regularly extend short or mid-term inter-group loans to each other based on cash availability and cash demands of the various entities within the Volkswagen Group (excl. TRATON GROUP) and the TRATON GROUP which tend to be in EUR or EUR equivalent amounts typically ranging from single digit millions up to, in some cases, low-to-middle double digit millions (the "**Inter Group Loans**").

The financings under the MAN Volkswagen Agreement, the Scania Volkswagen Agreement and the Inter Group Loans are expected to continue to remain in place following the Offering, either under and in accordance with the existing agreements in place or via corresponding financings on Company level (whereby funds would be made available by Volkswagen AG to TRATON SE). The TRATON GROUP intends to phase out the financing support provided by Volkswagen AG over the medium term in favor of the TRATON GROUP accessing the debt capital markets and developing independent relationships with bank lenders at the TRATON GROUP level. See also "*1.2.6 The Company may not succeed in financing or refinancing its capital requirements in due time and to the extent necessary, or at all, or it may finance or refinance on unfavorable terms and conditions.*"

15.2.6 Sale of Power Engineering Business

In preparation for the Offering, the Company's power engineering business was sold and transferred to VW Klassik, a company outside the TRATON GROUP but within the Volkswagen Group. For more detail on the sale of the power engineering business, see "*3. Pre-IPO Reorganization.*" In addition to the sale itself, MAN SE has agreed to provide services to MAN ES and RENK for a certain period of time following the sale pursuant to two transitional services agreements. For more detail on these agreements, see "*3.5 Transitional Services Agreements.*"

15.2.7 Pensions

For a description of the services by MAN SE in connection with the Pension Services Agreements and by MAN HR Services GmbH, a wholly-owned subsidiary of MAN SE, in relation to company pensions granted by MAN ES, RENK, and RENK Test System GmbH, see "*3.9 Pensions.*"

15.2.8 Intellectual Property

Volkswagen AG as licensor and MAN Latin America Indústria e Comércio de Veículos Ltda. ("**MAN Latin America**") as licensee have entered into an intellectual property license agreement pursuant to which Volkswagen AG has granted MAN Latin America a non-exclusive, revocable and non-transferable license to use specified trademarks (the "**Property Rights**") of Volkswagen AG in the territory which is covered by the intellectual property license agreement and to use certain manufacturing know-how. Volkswagen AG authorizes MAN Latin America to use such licensed rights for the manufacturing, promotion, distribution and sale of certain Volkswagen trucks and buses against payment of a net sales based royalty fee. The intellectual property license agreement permits MAN Latin America to grant a sublicense to MAN Truck and Bus Mexico. The intellectual property license agreement became effective on January 1, 2019, with a term of ten years, but may be renewed on the same conditions for another ten years thereafter upon the request of MAN Latin America six months prior to the end of the first ten year term.

For information on the trademark license agreement between MAN SE and MAN ES entered into in connection with the sale of the power engineering business, see "*3.6 Trademarks*" and for information on the cross-license agreement between MAN ES and MAN Truck & Bus SE see "*3.7 Other IP rights.*"

15.3 Relationships with Related Parties in the Past

15.3.1 Relationships with Related Parties in the Fiscal Years 2018, 2017 and 2016

Related parties from TRATON's perspective as of December 31, 2018, are:

- Volkswagen AG and its subsidiaries and material equity investments outside the TRATON GROUP,
- Porsche Automobil Holding SE, Stuttgart, having significant influence on the operating policy decisions of the Volkswagen Group, and its affiliated companies and related parties ("**Porsche Stuttgart**"),
- Other individuals and entities that can be influenced by TRATON GROUP or that can influence TRATON GROUP, such as:
  - the members of the Management Board and the Supervisory Board of TRATON GROUP,
  - the members of the management board or the supervisory board of Volkswagen AG,
  - associates and joint ventures,
  - unconsolidated subsidiaries.

15.3.1.1 Sale of Power Engineering Business

In preparation for the Offering, the Company's power engineering business was sold and transferred to VW Klassik, a company outside the TRATON GROUP but within the Volkswagen Group. For more detail on the sale of the power engineering business, see "*3. Pre-IPO Reorganization.*"

15.3.1.2 Sale of Volkswagen Gebrauchtfahrzeughandels und Service GmbH

On December 6, 2018, TRATON AG entered into an agreement with a Volkswagen AG subsidiary outside of the TRATON GROUP to sell its subsidiary, VGSG, for a consideration of EUR 113,000 with effect from January 1, 2019.

15.3.1.3 Supplies and Services Rendered and Receivables and Liabilities

The following tables present the amounts of supplies and services transacted, as well as outstanding receivables and liabilities, between consolidated companies of the TRATON GROUP and related parties, including Volkswagen AG. No transactions with Porsche Stuttgart took place in any of the periods presented.

	Supplies and Services Rendered by TRATON GROUP to		
	Fiscal Year ended December 31,		
	2018	**2017**	**2016**
	(Audited) *(EUR in million)*		
Volkswagen AG	18	17	13
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	1,658	1,553	1,388
Unconsolidated subsidiaries	41	51	56
Associates and their majority interests	159	192	163
Joint Ventures	17	13	—

	Supplies and Services Received by TRATON GROUP from		
	Fiscal Year ended December 31,		
	2018	2017	2016
		(Audited) (EUR in million)	
Volkswagen AG	132	95	60
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	454	264	142
Unconsolidated subsidiaries	5	8	5
Associates and their majority interests	106	190	250
Joint Ventures	85	86	79

	Receivables of TRATON GROUP due from		
	As of December 31,		
	2018	2017	2016
		(Audited) (EUR in million)	
Volkswagen AG	5,650	3,487	3,527
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	2,724	306	581
Unconsolidated subsidiaries	8	26	28
Associates and their majority interests	89	51	41
Joint Ventures	2	2	2

	Liabilities (Including Obligations) owed by TRATON GROUP to		
	As of December 31,		
	2018	2017	2016
		(Audited) (EUR in million)	
Volkswagen AG	2,543	2,664	2,177
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	3,495	2,474	2,427
Unconsolidated subsidiaries	39	41	40
Associates and their majority interests	21	19	22
Joint Ventures	1	0	0

Supplies and services received from other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP relate mainly to unfinished and finished products. The supplies and services rendered to other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP mainly relate to the sales financing business of MAN T&B via Volkswagen Financial Services.

The receivables from Volkswagen AG mainly comprise inter-group cash balances and receivables from the VW/TRATON DPLTA and tax allocation procedure.

The receivables from other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP as of December 31, 2018, include the cash consideration of EUR 1,980 million regarding the sale of the PE Business.

The liabilities to Volkswagen AG as of December 31, 2018, include loans granted by Volkswagen AG of EUR 2,293 million. The 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.

Volkswagen AG's contributions to the TRATON GROUP's capital reserve amounted to EUR 311 million in cash in 2017, and to EUR 11,952 million as a contribution in kind of the Scania AB shares in 2016. The sale of receivables to subsidiaries of Volkswagen AG that are not part of the TRATON GROUP amounted to EUR 1,118 million as of December 31, 2018 (December 31, 2017: EUR 1,070 million, December 31, 2016: EUR 698 million). Furthermore, customer liabilities to Volkswagen Financial Services are covered by standard industry buyback guarantees which are further described in note 36 (*Contingencies and Commitments*) of the Audited Consolidated Financial Statements.

Obligations to key management personnel comprise the pension provisions for Management Board members. They amount to EUR 1 million as of December 31, 2018 (December 31, 2017: EUR 1 million, December 31, 2016: EUR 1 million).

The following expenses were recognized by TRATON for the key management personnel in the course of their activities as members of the Management board:

	Fiscal Year ended December 31,		
	2018	2017	2016
		(Audited) (EUR in million)	
Short-term benefits	6	7	6
Post-employment benefits	1	1	1
	7	8	7

The Supervisory Board of TRATON SE received an expense allowance for the fiscal year 2018. Furthermore, the employee representatives on the Supervisory Board who are employed by TRATON GROUP companies also received their regular salaries as specified in their employment contracts.

15.3.2 Relationships with Related Parties in the Three Months ended March 31, 2019

There have been no material changes in relationships with related parties compared with the disclosures in the Audited Consolidated Financial Statements for the period ended December 31, 2018.

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 related parties, including Volkswagen AG. No transactions with Porsche Stuttgart took place in the periods presented.

	Supplies and Services Rendered by TRATON GROUP to	
	Three months ended March 31,	
	2019	2018
	(Unaudited) (EUR in million)	
Volkswagen AG	0	3
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	394	403
Unconsolidated subsidiaries	3	12
Associates and their majority interests	34	31
Joint Ventures	4	4

	Supplies and Services Received by TRATON GROUP	
	Three months ended March 31,	
	2019	2018
	(Unaudited) (EUR in million)	
Volkswagen AG	10	14
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	124	68
Unconsolidated subsidiaries	2	1
Associates and their majority interests	28	23
Joint Ventures	25	20

	Receivables of TRATON GROUP due from	
	March 31, 2019	December 31, 2018
	(Unaudited) (EUR in million)	
Volkswagen AG	2,317	5,650
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	699	2,724
Unconsolidated subsidiaries	7	8
Associates and their majority interests	85	89
Joint Ventures	2	2

	Liabilities (Including Obligations) owed by TRATON GROUP to	
	March 31, 2019	December 31, 2018
	(Unaudited) (EUR in million)	
Volkswagen AG	2,673	2,543
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	3,180	3,495
Unconsolidated subsidiaries	29	39
Associates and their majority interests	23	21
Joint Ventures	1	1

A distribution of part of retained earnings of TRATON SE to Volkswagen AG amounting to EUR 3,250 million was made in the first quarter 2019.

During the fiscal years 2018 and 2017, Volkswagen AG and TRATON SE had a domination and profit and loss transfer agreement in place, i.e. VW/TRATON DPLTA. The loss of EUR 4,161 million for fiscal year 2018 was absorbed on March 15, 2019 (previous year: loss absorption of EUR 28 million). In the three months ended March 31, 2019, the TRATON GROUP made short-term investment deposits at Volkswagen AG, amounting to EUR 1,000 million as of March 31, 2019 (as of December 31, 2018: EUR 0 million). The liabilities to Volkswagen AG as of March 31, 2019 include loans granted by Volkswagen AG of EUR 1,288 million (EUR 2,293 million as of March 31, 2018).

The receivables from other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP included in the fiscal year 2018 the cash consideration regarding the sale of Power Engineering. The total amount of EUR 1,978 million was paid in the three months ended March 31, 2019.

The sale of receivables to subsidiaries of Volkswagen AG that are not part of the TRATON GROUP amounted to EUR 244 million as of March 31, 2019 (EUR 289 million as of March 31, 2018). Furthermore, customer liabilities to Volkswagen Financial Services are covered by standard industry buyback guarantees, see note 15 "Contingencies and Commitments" to the Unaudited Condensed Interim Consolidated Financial Statements.

The following expenses were recognized by TRATON for the key management personnel in the course of their activities as members of the Management Board:

	Three months ended March 31,	
	2019	2018
	(Unaudited) (EUR in million)	
Short-term benefits	2	2
Share-based benefits	1	—
Post-employment benefits	0	0
	3	2

For an overview regarding the remuneration (including share-based compensation) of the members of the Management Board and the Supervisory Board, see "*21.2.3 Remuneration and other benefits of the members of the Management Board*" and "*21.3.4 Remuneration of the members of the Supervisory Board*", as well as page F-23 of the financial statements included in this Prospectus.

16 REGULATORY ENVIRONMENT

16.1 Overview

In all of the jurisdictions in which the Group operates, its operations and the products that it manufactures are subject to laws, rules and regulations at international, EU, national, state and municipal levels. Such laws, rules and regulations include environmental law, intellectual property and copyright law, consumer protection law, product warranty and product liability law, energy law, labor and employment protection law, hazardous substances and chemicals law, export control regulations, banking and insurance law, competition and antitrust law, construction law, tax law, anti-money laundering law and criminal law. At the EU level, for example, the legal and regulatory environment in which the Group operates includes numerous EU directives and regulations, which are either implemented in the individual EU member states through national legislation or apply directly. In addition, international agreements, including bilateral and multilateral agreements between countries concerning customs duties or other regulations related to the import and export of products, apply directly or indirectly to the Group.

The legal and regulatory requirements applicable to the Group are diverse, wide-ranging and may impose conflicting obligations and limitations on the Group. The cost of compliance with legal and regulatory requirements can be significant and is ongoing. The legal and regulatory environment applicable to the Group's business operations, broken down by Group division and general category of regulation, is described in further detail below. Any reference in this section to any legislation or regulation is deemed to refer to such legislation or regulation as amended, supplemented or otherwise modified, and all further rules and regulations promulgated thereunder, unless the context requires otherwise.

16.2 Industrial Business

The industrial business is subject in particular to regulations concerning the development, design, production and sale/distribution of commercial vehicles, engines, components and spare parts, as well as product-related regulations.

16.2.1 Industrial Environmental Control

All member states of the European Union control the manufacture, use and disposal of pollutants by means of regulations on air pollutants, chemicals, heavy metals, persistent organic pollutants ("**POPs**"), soil contamination and biocides. The Group must comply with these regulations in its manufacturing, logistics and transport processes and in its end products.

The Group is subject to the Regulation for Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No 1907/2006 ("**REACH**")) and Regulation on Classification, Labeling and Packaging of Substances and Mixtures (Regulation (EC) No 1272/2008 ("**CLP**")). REACH requires manufacturers and importers of chemicals to identify and manage risks linked to the substances they manufacture and market, to submit a registration dossier for substances produced or imported in quantities of one ton or more per year per company, and to provide downstream users with risk information to ensure proper application of such substances. In addition, for "substances of very high concern," REACH may require government authorization for further use or impose restrictions in the future, any of which may delay or increase the costs of operations. CLP complements REACH by requiring suppliers of substances and mixtures, including manufacturers, downstream users and distributors, to apply harmonized criteria to their classification and labeling.

The Group must also comply with the Stockholm Convention on Persistent Organic Pollutants, which the European Union adopted as Regulation (EC) No 850/2004 ("**POP Regulation**"), restricting or prohibiting in some cases the production, release and use of certain POPs, and the Biocidal Product Regulation (Regulation (EU) 528/2012), which regulates how pesticides and anti-microbial substances are used and marketed. In addition, the Group must comply with Directive 2011/65/EU ("**RoHS Directive**") on the restriction of the use of certain hazardous substances, including lead, mercury and cadmium, in electrical and electronic equipment.

Substance restrictions under the POP Regulation and REACH in some cases prohibit the marketing in the EU of articles containing certain substances. This is particularly relevant in relation to spare parts for products which were designed before a relevant restriction was adopted and which are no longer in mass production ("**legacy parts**"). Similar problems may arise if a substance is placed under an authorization requirement under REACH and may, therefore, not be used for the production of legacy parts without a corresponding authorization. REACH and the POP Regulation do not include general exemptions with regard to legacy parts (so-called "repair as produced" clauses). In contrast, a "repair as built" clause is included in the RoHS Directive, applying, *inter alia*, to spare parts for the repair, the reuse, the updating of functionalities or upgrading of capacity of electrical and electronic equipment (i) placed on the market before

July 1, 2006 or (ii) that was outside the scope of the first RoHS Directive 2002/95/EC and which is placed on the market before July 22, 2019.

The European legislation regarding pollutants and chemicals described above is governed by regulations and, thus, applies directly in the EU member states. However, national regulation on such substances may impose further obligations. In Germany, the legislative framework on chemical law, the German Chemicals Act (*Chemikaliengesetz*), mainly reflects and accompanies REACH, but, to a certain extent, also establishes additional and further requirements. In Sweden, there are several laws and regulations on chemical law and the legislative framework is, to a large extent, a reflection of the European legislation relating to chemicals. The Environmental Code (1998:808) (*Miljöbalken (1998:808)*) contains broad and general rules as well as more specific rules relating to certain chemical products. There is also an ordinance relating to chemical products, the Chemical Products and Biotechnical Organisms Ordinance (2008:245) (*Förordning (2008:245) om kemiska produkter och biotekniska organismer*). In addition to this, there are several ordinances which contain detailed rules relating to certain chemical products, such as the Pesticides Ordinance (2014:425) (*Förordning (2014:425) om bekämpningsmedel*), the Pesticide Fees Ordinance (2013:63) (*Förordning (2013:63) om bekämpningsmedelsavgifter*), the PCB Ordinance (2007:19) (*Förordning (2007:19) om PCB m.m.*), the Usage of Organic Dissolving Agents (2013:254) (*Förordning (2013:254) om användning av organiska lösningsmedel*), and the Fluorinated Greenhouse Gases and Ozone-Depleting Substances (*Förordning 2007:846) om fluorerade växthusgaser och ozonnedbrytande ämnen*).

Directive 2004/35/EC on environmental liability, establishes a comprehensive liability system, based on the "polluter pays" principle, for damage to natural resources and protected species. Operators of specific activities that cause environmental damage or direct threat of damage to these natural resources or protected species could be held strictly liable, and for other operators, liability can be fault-based. In Germany, this directive is implemented mainly by the Environmental Damage Act (*Umweltschadensgesetz*). In Sweden, the directive is implemented by amendments to the Environmental Code (1998:808) (*Miljöbalken (1998:808)*).

Furthermore, in Germany, the Group is subject to several national environmental laws and regulations in respect of its operations, properties, products and waste, including, in particular, the German Federal Emissions Control Act (*Bundes-Immissionsschutzgesetz*) and related ordinances (e.g., the Hazardous Incidents Ordinance (*Störfall-Verordnung*), implementing Directive 2012/18/EU on the control of major accident hazards involving dangerous substances), the German Water Resources Act (*Wasserhaushaltsgesetz*), the German Chemicals Act (*Chemikaliengesetz*), the German Federal Soil Protection Act (*Bundes-Bodenschutzgesetz*), and the German Closed Substance Cycle Waste Management Act (*Kreislaufwirtschaftsgesetz*, "**KrWG**"). Under the KrWG, generators, owners, collectors and transporters of waste must demonstrate to the competent authority and to other parties that they have properly disposed of hazardous waste.

In Sweden, the main code relating to the environment, the Environmental Code (1998:808) (*Miljöbalken (1998:808)*), is applicable to all operations that may affect people's health or the environment. The Environmental Code (1998:808) (*Miljöbalken (1998:808)*) also contains rules relating to properties, certain products and waste. In relation to waste there is also, among others, the Waste Ordinance (2011:927) (*Avfallsförordningen (2011:927)*). The above-mentioned directive has been implemented by the Environmental Code (1998:808) (*Miljöbalken (1998:808)*), the Act (1999:381) on Measures to Prevent and Limit the Effects of Severe Chemical Accidents (*Lagen (1999:381) om åtgärder för att förebygga och begränsa följderna av allvarliga kemikalieolyckor*), the Protection Against Accidents Act (2003:778) (*Lagen (2003:778) om skydd mot olyckor*) and the Planning and Building Act (2010:900) (*Plan- och bygglagen (2010:900)*).

For some of the Group's operations in Germany and Sweden, including construction, operation and alteration of individual facilities, the Group is required to obtain and maintain permits from governmental authorities. Examples include emission control permits under the aforementioned Federal Emissions Control Act, building permits under building laws or permits under water laws. Some of these permits, in particular water law permits, might be granted for a specific period only and therefore must be renewed frequently. Non-compliance with permit requirements and environmental laws may trigger administrative fines, and the individuals responsible may also be subject to criminal prosecution. Furthermore, the authority may order operational restrictions or, in a worst-case scenario, a (partial) shutdown of the facility or revocation of the permit. Such developments can also be triggered by legal challenges of third parties, namely neighbors, citizen initiatives or non-governmental organizations whose participation rights have been expanded by the EU public participation directive (Directive 2003/35/EC of the European Parliament and of the Council) and its interpretation by the European Court of Justice, which have been incorporated into the German Environmental Appeals Act (*Umwelt-Rechtsbehelfsgesetz*). For some of the Group's operations in Sweden, the Group is required to obtain permits from governmental authorities.

In addition, the German Federal Soil Protection Act and regulations promulgated thereunder, for instance, require property owners and operators of facilities to prevent contamination of the soil by taking necessary precautions. If soil contamination has occurred, property owners, operators of facilities, the party which caused the pollution or its universal legal successor, and in some cases the previous owner, may be held responsible for investigation and remediation measures. In certain cases, a party may even be held liable for the entire cost of remediation, regardless of fault. Non-compliance may result in administrative fines or, in certain cases, criminal liability. The Group's historical and current operations involve the use of hazardous substances. The Group operates and has operated production plants that are or have been located on sites with a history of industrial use, also by third parties. Although the Group believes it is in material compliance with its legal obligations at such sites, it has had, in the past, small remediations at some of its sites.

The Swedish Environmental Code (1998:808) (*Miljöbalken (1998:808)*) contains similar rules, stating that persons who conduct or have conducted an activity or taken a measure that is a contributory cause of the pollution have the primary liability for the remediation of the polluted areas. However, in cases where no such person can be found who can pay for, or carry out, the remediation of the property, a person who acquired the property after January 1, 1999 and was aware of the pollution at the time of the acquisition or ought to have been aware of it at that time, shall be liable for the remediation.

16.2.2 Emissions from Production

In many countries in which the Group operates, the emission of, *inter alia*, air pollutants, noise, odors, vibrations and greenhouse gases (such as CO_2) is governed by specific laws and regulations, and, if the operation of a facility is subject to a permit, by specific conditions set forth therein. In some cases, the Group is required to submit emission reports on a regular basis. Non-compliance with maximum emission levels may result in administrative fines.

Moreover, at the 2015 United Nations Framework Convention on Climate Change in Paris, nearly 200 nations, including nations where the Group manufactures its products, entered into an international climate agreement (referred to as the "**Paris Agreement**"), which became effective in November 2016. The Paris Agreement sets a goal of limiting the increase in global average temperature to well below 2 degrees Celsius and pursuing efforts to limit the increase to 1.5 degrees Celsius, with global greenhouse gas emissions to peak and begin to decline as soon as possible. The Paris Agreement consists of two elements: a commitment by each participating country to set a voluntary emissions reduction target (referred to as "**nationally determined contributions**" or "**NDCs**"), with a review of the NDCs that could lead to updates and enhancements every five years beginning in 2023, and a transparency commitment requiring participating countries to disclose their progress.

International, as well as European and national regulations will have repercussions on the Group's production facilities to varying degrees. Several of the Group's production plants have in the past emitted and will continue to emit dust, odors, greenhouse gases, hazardous and non-hazardous substances into the air. Although the Group believes that it is in material compliance with its legal obligations with respect to such emissions, the Group may be required to incur significant capital expenditures to upgrade production plants by installing or improving technical equipment to comply with maximum emission levels that may become applicable in the future. For example, stricter regulation of CO_2 emissions from the Group's production facilities could require the Group to increase spending on energy efficiency measures and on alternative, in some cases more expensive, energy sources to power its industrial processes.

In January 2011, the European Directive 2010/75/EC on industrial emissions ("**IED Directive**") came into force. It sets out rules on the prevention and control of pollution from industrial activities including reducing emissions into air, water and land, as well as preventing the generation of waste. Under the IED Directive and its implementing law, the production of copper, aluminum and ferroalloys, among other industries, is subject to thresholds for various pollutants, such as carbon monoxide and fine particulate matter. Such thresholds, as well as operational conditions and other descriptions of industrial processes for various industrial activities, are set forth in so-called Best Available Techniques Reference Documents ("**BREFs**"), adopted *inter alia* under the IED Directive. The BREFs are continuously reviewed and updated to correspond with new developments. EU member states are required to take the so-called Best Available Techniques Conclusions, which are part of the BREFs, as a reference for setting or reconsidering permit conditions to installations covered by the IED Directive.

In Germany, the IED Directive has been implemented by way of amendments in particular to the German Federal Emissions Control Act (*Bundes-Immissionsschutzgesetz*), the German Water Resources Act (*Wasserhaushaltsgesetz*), and the German Closed Substance Cycle Waste Management Act (*Kreislaufwirtschaftsgesetz*), resulting in specific emission thresholds, authorization requirements and supervisory obligations for new and existing facilities. At present, the German government is considering an amendment of the Technical Instructions on Air Quality Control (*TA Luft*), with a revised draft by the Federal

Ministry for the Environment, Nature Conservation and Nuclear Safety published in July 2018. If the current version is passed, the amendments will lead to stricter emission thresholds e.g. for combustion and dust, in part adjusting for and in part going beyond thresholds set by European law. Sweden has implemented the IED Directive with, among others, the Environmental Code (1998:808) (*Miljöbalken (1998:808)*), the Ordinance on Industrial Emissions (2013:250) (*Industriutsläppsförordningen (2013:250)*) and the Ordinance (2013:252) on large incineration plants (*Förordning (2013:252) om stora förbränningsanläggningar*).

The Group is also subject to European and national emission trading systems ("**ETS**"). These systems are based on "cap and trade" principles designed to reduce carbon dioxide emissions by limiting the number of emission allowances (cap) required for certain facilities and allowing the purchase for shortfall or the sale of surplus emission allowances (trade).

The general legal framework for emission trading is provided in Directive 2003/87/EC, as amended by Directive 2009/29/EC and Directive (EU) 2018/410 (the "**ETS Directives**"). In Germany, the Greenhouse Gas Emissions Trading Act (*Treibhausgas-Emissionshandelsgesetz*) controls. In Sweden, the Act (2004:1199) on emissions trade (*Lag (2004:1199) om handel med utsläppsrätter*) and Ordinance (2004:1205) on emission trading (*Förordningen (2004:1205) om handel med utsläppsrätter*) control.

During the current allocation period (2013 to 2020) for the EU ETS, emission allowances are issued to facility operators on an auction basis except for certain defined categories of operators. The ETS Directives, among other things, extend the number of facilities that are subject to the EU ETS and establish the framework for the respective auction systems for emission allowances in the EU member states. Exceptions exist for certain parts of manufacturing, trade and energy generation facilities. In addition, the European Union has announced a binding target to reduce domestic greenhouse gas emissions by at least 40% below the 1990 level by 2030. In that vein, the EU ETS has been operating a market stability reserve since January 1, 2019 to address a perceived surplus of emission allowances by transferring certain amounts of allowances to a reserve instead of auctioning them. Furthermore, annual cuts of 2.2% to the overall number of emissions allowances are planned for the upcoming allocation period 2021 to 2030. Such cuts are intended to be part of the EU's contribution to the Paris Agreement. The revised EU ETS legislative framework as well as potentially rising costs for carbon dioxide emission allowances may have repercussions on the Group's production facilities to varying degrees.

16.2.3 Health and Safety

In all jurisdictions in which it operates, the Group must comply with applicable laws and regulations to protect employees against occupational injuries. Under such laws and regulations, employers typically must establish and maintain working conditions that effectively prevent danger to employees. In particular, employers must comply with certain medical and hygiene standards and meet certain health and safety requirements at work, such as carrying out risk assessments and deriving measures for the safety of employees. This is based, for example, on permissible maximum values for noise at the workplace, regulations for the use of personal protective equipment and requirements for ambient temperature, ventilation and lighting, as well as working time and work break regulations.

At the European Union level, Directive 2014/27/EU seeks to protect employees from hazards relating to dangerous substances. In Germany, the occupational Health and Safety Act (*Arbeitsschutzgesetz*), the Industrial Safety Regulation (*Betriebssicherheitsverordnung*), the Hazardous Substances Ordinance (*Gefahrstoffverordnung*) and the Technical Rules for Hazardous Substances (*Technische Regel für Gefahrstoffe*) regulate aspects of the Group's facilities. In Sweden, the Work Environment Act (1977:1160) (*Arbetsmiljölagen (1977:1160)*), the Work Environment Ordinance (1977:1166) (*Arbetsmiljöförordningen (1977:1166)*), the Working Hours Act (1982:673) (*Arbetstidslagen (1982:673)*), the Working Hours Ordinance (1982:901) (*Arbetstidsförordningen (1982:901)*) and the regulatory codes issued by the Swedish Work Environment Authority regulate the health and safety aspects of the Group's facilities.

16.2.4 Cross-border Import and Export of the Group's Products

Most countries in which the Group conducts business have import and export control regulations. The Group manufactures and deals with products which are subject to export control and sanction regulations, as well as trade policy measures, such as tariffs. The Group is required to comply with sanctions restrictions imposed by multiple authorities, such as the United Nations, the EU and the United States, in particular in its commercial interactions with parties in sanctioned countries. In addition, the European Union, United States and other applicable sanctions and embargo laws and regulations vary in their application: they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time.

16.2.4.1 Requirements in Member States of the European Union

Within the European Union's internal market, the principle of free movement of goods applies. When importing and exporting goods to non-EU countries, the Group has to comply with national and European foreign trade and customs regulations, including applicable trade sanctions law. At the EU level, the relevant regulatory framework concerning customs is the Union Customs Code (Regulation (EU) No 952/2013. For foreign trade regulations, a number of EU level regulations and national laws are applicable, as further described below.

Some of the Group's products can be used for both civil and military purposes and are defined as dual-use goods under EU regulations, such as Council Regulation (EC) No 428/2009 in its most current version, which set forth an EU-wide regime for the control of exports, transfer, brokering and transit of such items. The export of such goods to destinations outside the European Union requires a permit. The competent national authority may exercise a certain degree of discretion in its granting of such permit. Export controls regulations may also limit or prohibit the export of the Group's products if specific countries, entities or individuals are the destination of such exports. On the EU level, such restrictions are set out in specific regulations on sanctioned countries or individuals. In addition, specific domestic export controls and sanctions regulations may have an impact on the Group's customer or supply relationships even if these relationships do not relate directly to the relevant countries.

In Germany, the Group is subject to the German Foreign Trade and Payments Act (*Außenwirtschaftsgesetz*) and the German Foreign Trade and Payments Regulation (*Außenwirtschaftsverordnung*). In Sweden, the Control of Dual-Use Products and of Technical Aid Act (2000:1064) (*Lag (2000:1064) om kontroll av produkter med dubbla användningsområden och av tekniskt bistånd*) as well as the Ordinance on Control of Dual-Use Products and of Technical Aid (2000:1217) (*Förordning (2000:1217) om kontroll av produkter med dubbla användningsområden och av tekniskt bistånd*) govern exports of certain of the Group's products. Whether an export will be prohibited depends on the circumstances of the individual case, i.e. on the type of goods, the (end-) destination country and the intended use of the product. For example, certain parts built-in within vehicles are so-called dual use goods and export of these parts as spare parts to countries outside the EU is only allowed with a permit.

The Group must also comply with European Union compliance screening lists of specific persons and entities per Council Regulations including (EC) No 881/2002 and 2580/2001, and with anti-money laundering regulations including the Fourth Anti-Money Laundering Directive (EU) 2015/849. The European Union has also imposed sanctions on certain persons, entities and dual-use exports to Russia via Regulation (EU) No 692/2014 and Regulation (EU) No 833/2014. To ensure compliance with these laws and regulations, the Group screens its transactions and potential business partners.

16.2.4.2 Requirements under United States laws and regulations

In the United States, the U.S. Customs and Border Protection agency, among others, regulates the import and export of goods from the United States. Imports are governed by a number of laws including the Tariff Act of 1930. The U.S. Departments of Justice, Commerce, State and Treasury and other federal agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of economic sanctions laws, export controls laws, anti-money laundering laws and other federal statutes and regulations, including those established by the U.S. Department of Treasury's OFAC. Various government agencies may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries or with sanctioned persons or entities and modifications to compliance programs, which may increase compliance costs, and may subject the Group to fines, penalties and other sanctions. A violation of these laws or regulations could adversely impact the Group's business, results of operations and financial condition.

The Group's business in Russia and Iran is subject to the regulatory framework of U.S. secondary sanctions. The U.S. has imposed primary sanctions on certain Russian individuals and companies and sectors of the Russian economy. As a result of the Countering America's Adversaries Through Sanctions Act of 2017, non-U.S. persons must comply with certain secondary sanctions against Russia even if such activities have no connection to the U.S. Among other things, non-U.S. persons may face penalties for knowingly facilitating significant transactions or significant financial transactions for or on behalf of a party subject to the U.S. sanctions against Russia.

Moreover, on November 5, 2018, the U.S. announced it would withdraw from the Joint Comprehensive Plan of Action which had previously eased U.S. sanctions on Iran under the authority of, among others, the Iran Sanctions Act, the Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010, the National Defense Authorization Act for Fiscal Year 2012, the Iran Threat Reduction and Syria Human Rights Act of 2012, the Iran Freedom and Counter-Proliferation Act of 2012 and various Executive Orders. In broad terms, the U.S. has reimposed U.S. extraterritorial sanctions measures against Iran in connection with

activity related to Iran's energy, petrochemical, automotive, shipping, shipbuilding, port operating, and financial sectors. Persons engaged in such activities involving Iran will face exposure to secondary sanctions or enforcement actions under U.S. law. Additionally, the U.S. government has included certain Iranian persons and entities on the Specially Designated Nationals And Blocked Persons List ("SDN List") and other sanctions lists as administered by OFAC.

The Group has largely ceased its operations in Iran with the exception of transactions which are not prohibited under current U.S. (and EU) sanctions.

16.2.5 Antitrust Law

The Group must observe various antitrust laws and regulations applicable in the jurisdictions in which it operates. Provisions on merger control, the prohibition of anti-competitive agreements, collusive behavior, the prohibition of abuse of a dominant position and the receipt of advantages in violation of state aid rules within the market are particularly relevant. In general, such competition and antitrust laws and regulations are designed to preserve free and open competition in the marketplace to enhance competitiveness and economic efficiency. National and supranational competition and antitrust authorities may initiate investigations and proceedings for alleged infringements of competition or antitrust laws, which may result in significant fines or other forms of liability or impose certain limitations or conditions regarding acquisitions and certain business practices.

Certain brands of the Group have also been recently involved in antitrust proceedings with European authorities and have been subject to certain related third-party claims. For more information, see "*14.16.1 Antitrust Proceedings and Private Follow-on Litigation*."

Within the European Union, compliance with applicable European and national competition laws is monitored by the European Commission and in some cases the national competition authorities (for instance, in Germany, the Federal Cartel Office (*Bundeskartellamt*) and in Sweden, the Swedish Competition Authority (*Konkurensverket*)). The EU's antitrust rules are set out in Articles 101 and 102 of the Treaty on the Functioning of the European Union ("**TFEU**"). Article 101(1) of the TFEU prohibits anti-competitive agreements to the extent they are not otherwise exempted by Article 101(3) of the TFEU.

The assessment of whether the exemption criteria of Article 101(3) of the TFEU are met must be made by the Group in a "self-assessment." This self-assessment of compliance of the Group's agreements with dealers, suppliers or competitors generally carries the risk that the European Commission, national competition authorities or national courts could come to a different conclusion as to whether there is an infringement of competition law.

The self-assessment is guided in part by Commission Regulations and Notices, for example the Commission Notice on the implementation of Article 101(3) of the TFEU, and so-called Block Exemption Regulations ("**BERs**"). BERs provide a safe harbor for groups of agreements which can be assumed to meet the requirements for an exemption from the cartel prohibition without an individual review under Article 101(3) of the TFEU.

For new vehicle sales, the non-sector specific General BER on vertical agreements (Regulation (EU) No 330/2010) ("**General BER**") and the sector-specific guidelines issued by the European Commission apply to the sale of new motor vehicles, including the commercial vehicles of the Group. For spare part sales and the provision of repair and maintenance services, the European Commission issued an Automotive BER via Commission Regulation (EU) No 461/2010 on the application of Article 101(3) of the TFEU to categories of vertical agreements and concerted practices in the motor vehicle sector ("**Automotive BER**"). The Automotive BER is supplemented by the rules of the General BER.

Based on Europe-wide standardized contracts, which have been adapted to the requirements of national law, the Group's brands have established a selective sales and distribution system throughout Europe with vehicle dealers and workshops.

For new vehicle sales, the Group applies a quantitative selective system in accordance with the specifications of the General BER by which the number of dealers, which must fulfill specified qualitative standards, can be limited. This system is exempt from Article 101(1) of the TFEU only if the market shares of the supplier and the distributor each do not exceed 30%.

However, the European Commission has stated in sector-specific guidelines that quantitative selective distribution will generally satisfy the exemption conditions of Article 101(3) of the TFEU if the parties' market shares do not exceed 40%. Where the Group has a market share above 40%, it uses a purely qualitative selection for new vehicle sales, which is permitted even if the 40% threshold has been exceeded, so long as the nature of the product necessitates such selective distribution, the criteria are chosen objectively and do not go beyond what is necessary. If a change becomes necessary due to the

revised legal framework, the Group may have to change its distribution agreements and admit further dealers into its network.

For after-sales services (genuine parts and provision of repair and maintenance services), under the Automotive BER, vertical agreements are block-exempt only if they satisfy the requirements set forth in the General BER and comply with more stringent requirements with respect to certain types of restrictions on competition which could limit the supply of genuine parts in the motor vehicle aftermarket (in particular with respect to independent dealers, independent repair shops and end users).

Recent amendments to Euro VI legislation (Regulation (EC) 595/2009) on access to vehicle repair and maintenance information for commercial vehicles also apply to the Group. The amendments are meant to expand the access of independent market participants to technical information on genuine parts. The Group may have to incur additional expenses in connection with a review of its existing arrangements and other costs to comply with the new regulations and could expose the Group to further competition for aftersales services. For further discussion on genuine parts, see also "*16.2.9 Genuine Parts and Design Protection*."

16.2.6 Vehicle/Engine Type Approval/Road Safety

The Group's commercial vehicle and related component products require approval by the government authorities before they can be sold to customers and used on public roads. Each jurisdiction where the Group operates has various product-related regulatory requirements. The Group must comply with substantial licensing, certification, approval and permit requirements, as well as numerous and continually increasing technical product requirements, particularly with regard to environmental protection and the safety of vehicle occupants and other road users.

The European Union has passed extensive legislation and regulations on vehicle approval and safety. In particular, Directive 2007/46/EC establishes a framework for the approval of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles. On June 14, 2018, the new Regulation (EU) 2018/858 on the approval and market surveillance of motor vehicles and their trailers, and of systems components and separate technical units intended for such vehicles, was published in the Official Journal of the EU. With effect from September 1, 2020, this new Regulation will repeal Directive 2007/46/EC. The Regulation will be directly binding in all EU member states and will not need further implementation into national laws. The Regulation governs the testing necessary for a vehicle to be placed on the market. It also provides for market surveillance to control the conformity of vehicles already available on the market, and allows EU member states and the European Commission to carry out random tests on vehicles to detect failures. Directives 2014/45/EU on periodic roadworthiness tests for motor vehicles and their trailers and 2014/47/EU on the technical roadside inspection of the roadworthiness of commercial vehicles circulating in the Union also provide for heavy-duty vehicle road testing and roadside inspections.

Furthermore, road safety Regulation (EC) 661/2009 and its implementing regulations govern type-approval requirements for the general safety of motor vehicles (including heavy-duty vehicles), their trailers and systems, components and separate technical units intended therefor. In addition, Regulation (EC) 78/2009 concerns type approval of motor vehicles with regard to the protection of pedestrians and other vulnerable road users, and includes passive safety requirements to mitigate the risk of critical injury in the event of a collision between a vehicle and a person. Currently, the European Commission is revising Regulation (EC) No 661/2009 and intends to propose new measures for general and pedestrian safety, with a current target date of fourth quarter 2019.

The European Union has also passed Regulation (EU) No 540/2014 on the sound level of motor vehicles, including trucks. The Regulation establishes administrative and technical requirements on sound levels for the EU type-approval of new vehicles, including the sound level of compressed air generated by a truck's primary and parking brakes.

At the national level, Germany has implemented portions of the above into its Road Transport Law (*Straßenverkehrsgesetz*), Road Traffic Licensing Regulations (*Straßenverkehrszulassungsordnung*), EG-Vehicle Approval Regulation (*EG-Fahrzeuggenehmigungsverordnung*) and Ordinance on Technical Inspections of Commercial vehicles on the Road (*Verordnung über technische Kontrollen von Nutzfahrzeugen auf der Straße*). Similarly, Sweden has implemented the above by the Vehicles Act (2002:574) (*Fordonslagen (2002:574)*) and the Vehicle Ordinance (2009:211) (*Fordonsförordning (2009:211)*), the Road Act (1971:948) (*Väglagen (1971:948)*), the Ordinance on Traffic (1998:1276) (*Trafikförordning (1998:1276*) and TSFS 2017:77.

16.2.7 Vehicle Emissions

Across the markets where it operates, the Group's products must comply with increasingly stringent standards on vehicle emissions. Research and development as well as continuing compliance with a

varying set of rules on vehicle emissions impose significant costs on the Group and have the potential to adversely impact its business going forward.

In order to receive vehicle type approval in the European Union, new heavy-duty vehicles must comply with the Euro VI regulatory framework as provided by Regulation (EC) No. 595/2009 and Regulation (EU) No. 582/2011 ("**Euro VI**"). Implementation of Euro VI in the EU member states did not require additional legislation at the national level and became mandatory in 2013, with national authorities monitoring compliance and having the ability to recall non-compliant vehicles. The Euro VI standard for heavy-duty vehicles is different than the similarly named Euro 6 standard for light-duty and passenger vehicles with a maximum mass not exceeding 3.5 tons, which is provided for under Regulation (EC) No. 715/2007 ("**Euro 6**") and became mandatory in stages, depending on the vehicle, beginning in September 2014.

Euro VI and Euro 6 each regulate emissions of carbon monoxide, hydrocarbons, nitrogen oxides ("**NOx**"), ammonia and particulates. Emissions are tested according to the World Harmonized Stationary Cycle and World Harmonized Transient Cycle standards, which incorporate elements of real-world driving conditions. Testing results are based on g/kWh values. Euro VI and Euro 6 also set engine durability requirements to ensure lasting emissions performance and regulates certain on-board diagnostic functions of the engine's emissions system. The Group's current product offerings in the European Union comply with Euro VI and Euro 6.

For light commercial vehicles, the European Union has implemented mandatory CO_2 emissions targets as provided by Regulation (EU) No. 510/2011 and Regulation (EU) No. 253/2014. At present, manufacturers must meet a target average of 175g CO_2/km for their new light commercial vehicle fleets. Beginning in 2020, the CO_2 emissions target average will drop to 147g CO_2/km. There is a monetary penalty of 120 EUR for each g CO_2/km exceeding the limit multiplied by the number of vehicles produced. If a manufacturer also produces light commercial vehicles with low or no emissions, such as battery-electric powered models, or certain exempt models, this will factor into the average emissions calculation. The average emissions target of 147g CO_2/km will remain in place until 2025. In December 2018, the European Commission, the European Parliament and the European Council, using the 2021 target of 147g CO_2/km as a baseline, agreed on further g CO_2/km reductions for new light commercial vehicle fleets of 15% by 2025 and 31% by 2030.

The European Union has also instituted a monitoring and reporting system for fuel consumption and CO_2 emissions by heavy-duty vehicles to both assist customer access to information on fuel efficiency and fulfil, greenhouse gas reduction goals under the Paris Agreement. Beginning on January 1, 2019, Commission Regulations (EU) 2017/2400 and 2018/956 required manufacturers, including the Group, to monitor and report CO_2 and fuel consumption of new heavy-duty vehicles. The EU then posts the results in a publicly accessible Central Register.

In further pursuit of goals under the Paris Agreement, the European Commission has proposed steep reductions in CO_2 by heavy-duty vehicles in the coming years. In February, 2019, the European Council proposed a new regulation to the European Parliament targeting a 15% reduction in CO_2 emissions by trucks above 16 tons by 2025 and a 30% reduction by 2030, compared to the benchmark time period of July 1, 2019 to June 30, 2020 as determined using data from the EU's new Central Register on CO_2 and fuel consumption (such benchmark being subject to a further regulatory assessment by the European Union in 2022). In addition, the regulation imposes a system of supercredits for zero- and low-emission trucks for the period 2019-2024 and quotas for zero- and low-emission trucks based on a benchmark system beginning in 2025. Penalties for failing to reach the outlined targets will amount to EUR 4,250 for each gram CO_2/t-km of excess emissions, per vehicle, for the period 2025 to 2029, and from 2030, EUR 6,800 for each gram CO_2/t-km of excess emissions, per vehicle. The regulation was approved by the European Parliament in April 2019 and received final approval by the EU member states in June 2019.

At the national and municipal level in the European Union, several authorities are considering or have already instituted restrictions on the operation of certain diesel vehicles, in some cases including heavy-duty vehicles, in urban areas on the basis of NOx and particulate emissions. Examples include environmental zones in France, the Netherlands and Sweden. In Germany and Sweden, several municipalities are in the process of instituting or have already instituted bans on certain diesel passenger, and in some cases, commercial vehicles.

16.2.8 Fuel Requirements

Certain jurisdictions where the Group operates impose requirements on fuel mixtures and energy source requirements for transportation. Depending on the nature and extent of the regulations, this could affect the use and production of the Group's products. For instance, government-mandated mixing of conventional diesel with biodiesel beyond certain ratios can require engine modifications.

Pursuant to Directive 2009/28/EC on the promotion of renewable energy, each member state of the European Union is to ensure by 2020 that 10% of the energy used in transport is derived from renewable sources. This can include biodiesel intended to be used in diesel engines which the Group produces. In Germany, the Biofuels Quota Law (*Biokraftstoffquotengesetz*) and related regulations set the amount of biodiesel and other biofuels to be used domestically. In Sweden, the Fuel Act (2011:319) (*Drivmedelslagen (2011:319)*) and the Fuel Ordinance (2011:346) (*Drivmedelsförordningen (2011:346)*) regulate production, and require classification of petrol and diesel for the purpose of protecting health and the environment.

Directive (EU) 2018/2001 on the promotion of the use energy from renewable sources establishes a framework for the promotion of energy from renewable sources in the European Union until 2030 and continues to promote the use of renewable energy in transport, including biofuel and electricity, with a target of at least 14% renewables in the final energy consumption mix by 2030. Some EU member states as well as certain countries outside the European Union plan to implement measures (e.g., quota or tax incentives) to establish higher targets than those provided in the directive.

16.2.9 Genuine Parts and Design Protection

The Group produces and sells original spare parts ("**genuine parts**") as part of its after-sales business. Genuine parts, capable of being protected, are registered as design patents in most European countries based on national laws. For some time there has been a debate at the European Union level whether this protection should be limited by what is generally referred to as a "repair clause." Such a clause, which already exists for design patents registered at the EU level, would eliminate design protection for "must-match" genuine parts, i.e. component parts used in the repair of a complex product so as to restore such product's original appearance. A "repair clause" would largely eliminate the need for "must-match" genuine parts, since generic spare parts could be produced by third-party manufacturers using the relevant designs. Eliminating design patent protection for "must-match" genuine parts would have a significant impact on the Group as it would lead to intensified competition in the genuine parts market. Certain European countries have already adopted such repairs clauses within national design law; a European directive stipulates that EU member states shall maintain in force their existing legal provisions (if any) relating to the use of the design of a component part used for the purpose of the repair of a complex product so as to restore its original appearance and shall introduce changes to those provisions only if the purpose is to liberalize the market for such parts.

16.2.10 General Product Safety Liability

In addition to product-specific regulations in the jurisdictions where the Group operates, the Group must also comply in some cases with general, non-specific product safety and product liability legislation and associated regulations where product-specific regulations do not otherwise apply.

At the European Union level, Directive 2001/95/EC on general product safety applies in the absence of specific provisions among the EU regulations governing the safety of the products concerned, or if legislation on the sector is insufficient. Under this Directive, manufacturers and distributors may only market products which comply with a general requirement of consumer safety. A product is safe if it does not present any risk or only the minimum risks compatible with the product's use considered to be acceptable and consistent with a high level of protection for the safety and health of persons. In addition to compliance with the safety requirement, manufacturers and distributors must provide consumers with the necessary information in order to assess a product's inherent risks and take the necessary measures to avoid such threats (for example, withdraw products from the market, inform consumers and recall products). Strict liability applies for defective products via Directive 85/374/EEC and is supplemental to any consumer protections at the national level.

In Germany, the requirements of 2001/95/EC and 85/374/EEC have been implemented via the Product Safety Act (*Produktsicherheitsgesetz*) and the Product Liability Act (*Produkthaftungsgesetz*), which are accompanied by the more general provisions under the tort law codified in the German Civil Code § 823 (*Bürgerliches Gesetzbuch*). In Sweden, these EU directives have been implemented primarily by the Product Safety Act (2004:451) (*Produktsäkerhetslagen (2004:451)*) and Product Liability Act (1992:18) (*Produktansvarslagen (1992:18)*).

16.2.11 Reuse, Recycling and Recovery

In several of the jurisdictions where the Group operates, it is obligated to assist customers with the disposal, recovery and recycling of certain underlying components of its products once they have reached their end-of-life/disposal stage.

Directive 2006/66/EC on batteries (the "**Batteries Directive**") governs the recovery of batteries within the European Union. The Batteries Directive requires manufacturers and distributors of batteries to bear a

significant amount of the costs associated with proper collection and disposal of end-of-life batteries. In Germany, the directive has been implemented by the Battery Law (*Batteriegesetz*). In Sweden, the directive has been implemented by, among others, the Ordinance on producer responsibility for batteries (*Förordning (2008:834) om producentansvar för batterier*) and the Waste Ordinance (2011:927) (*Avfallsförordningen (2011:927)*). As hybrid and electric drivetrains become more prevalent in the Group's product offerings and batteries thereby become a more substantial portion of commercial vehicles, the Group will have to incur additional costs and administrative burdens to comply with these and other similar laws.

Furthermore, Directive 2000/53/EC on end-of-life vehicles ("**ELV Directive**") and Directive 2012/19/EC on waste electric and electronic equipment, also known as the WEEE Directive, each govern the recovery of motor vehicles and electric and electronic equipment within the European Union, providing for ambitious recovery, reuse and recycling rates. The directives require that manufacturers cover all, or a significant part of, the costs associated with recovery, reuse and recycling measures. The aforementioned directives, including the Batteries Directive, as well as the Directive 2011/65/EC on the restrictions of the use of certain hazardous substances in electrical and electronic equipment, limit manufacturing options because they also contain prohibitions on the use of certain identified substances and materials. It is to be noted that unlike REACH and the POP Regulation (see "*16.2.1 Industrial Environmental Control*"), the ELV Directive systematically includes "repair as produced" exemptions for legacy parts in every new material restriction.

In Sweden, Directive 2000/53/EC has been implemented by the Car Dismantling Fund Act (2007:162) (*Lag (2007:162) om bilskrotningsfonden*), the Prohibition Against Certain Metals in Cars Ordinance (2003:208) (*Förordning (2003:208) om förbud mot vissa metaller i bilar*) and the Producer's liability for Cars Ordinance (2007:185) (*Förordning (2007:185) om producentansvar för bilar*). Directive 2012/19/EC has been implemented by, among others, the Swedish Product Liability Act (1992:18) (*Produktansvarslagen (1992:18)*). Directive 2011/65/EC has partly been implemented by the Hazardous Substances in Electric and Electronic Equipment Ordinance (2012:861) (*Förordning (2012:861) om farliga ämnen i elektrisk och elektronisk utrustning*). For more general reuse, recycling and recovery, the Environmental Code (1998:808) (*Miljöbalken (1998:808)*) and the Waste Ordinance (2011:927) (*Avfallsförordningen (2011:927)*) are applicable. There are also two ordinances containing rules regarding reuse, recycling and recovery in relation to tires and vehicles, namely the Ordinance on Producer Responsibility for Tires (1994:1236) (*Förordning 1994:1236) om producentansvar för däck*) and Ordinance on Producer Responsibility for Batteries (2007:185) (*Förordning 2007:185) om producentansvar för bilar*).

16.2.12 Automated and Autonomous Driving

The regulatory landscape for automated and autonomous driving is currently in flux as jurisdictions consider how to best govern new developments. The United Nations Convention on Road Traffic (1968) ("**Vienna Convention**") is the basis for national regulatory law on road traffic for each ratifying Contracting Party (such parties include Brazil, Germany and Sweden). Until 2016, the Vienna Convention required that in any vehicle a driver able to maneuver at all times be present. The Vienna Convention has since been amended to allow control of the vehicle to be transferred from the driver to the vehicle, so long as the systems can be overridden or disabled by the driver.

At present the Group is working on multiple automated and autonomous driving projects, with some already in operation. As the Group continues to develop new technologies, regulations on automated and autonomous driving will be of increasing importance to the Group's business.

Although the European Union continues to debate potential regulation of autonomous and automated driving, several EU member states have passed initial legislation and regulations. In Germany, the government has amended its Code on Road Transport (*Straßenverkehrsgesetz*) to allow a mid- to high level of automated driving so long as a driver is present and able to regain control of the vehicle at any time. Furthermore, under the German Code on Road Transport, in principle, the driver of a car or, respectively, the vehicle owner, remains liable to compensate any damages caused with a vehicle, even when the driver uses automated driving functions. However, the driver can avoid liability if the driver can prove that the damage was not caused by fault of the driver but e.g. because of a failure of the automated driving system. Furthermore, the legal community continues to discuss to what extent the vehicle manufacturer and/or its suppliers can be held liable in general if the damage has been caused by an automated driving function. In Sweden, the government has adopted an ordinance for trial of automated vehicles (the Ordinance on trial of Automated Vehicles (2017:309) (*Förordning (2017:309) om försöksverksamhet med självkörande fordon*)) governing all permits required to carry out trials and other testing activities. An automated vehicle is required to have a physical person either inside or outside the vehicle. According to the Vehicle Ordinance, the Swedish Transport Administration could grant exceptions to the Vehicle Ordinance thus allowing, at least theoretically, for the use of automated vehicles in the future.

16.2.13 Data Protection

Due to the increasingly digital nature of the Group's offerings and its plan to further develop connectivity solutions for its customers, regulations governing the protection of the Group's various stakeholders' data can have a significant impact on the Group's business.

The new EU General Data Protection Regulation (EU) 2016/679 ("**GDPR**") became applicable on May 25, 2018, in most EU member states together with corresponding amendments to the relevant national data protection regulations. The GDPR regime represents a significant increase in the stringency of data protection rules in the European Union (including potentially substantial penalties in case of lack of compliance). The Group has incurred and expects to continue to incur costs to implement various measures throughout its operations (including appropriate training of employees, fulfillment of additional documentation duties, adjustments of processes and monitoring by the Group's data protection and compliance teams) as a result of the GDPR.

16.3 Non-Financial Reporting

Pursuant to EU Directive 2014/95/EU on non-financial and diversity information and Germany's 2017 implementing legislation, the CSR (Corporate Social Responsibility) Guideline Implementation Act (*CSR-Richtlinie-Umsetzungsgesetz*), the Group is required to publish reports periodically on certain non-financial aspects of its operations. Topics include environmental protection, social responsibility, treatment of employees, anti-corruption, respect for human rights and diversity. In Sweden, this directive has been implemented by amendments to several different acts, such as the Companies Act (2005:551) (*Aktiebolagslagen (2005:551)*) and the Annual Reports Act (1995:1554) (*Årsredovisningslagen (1995:1554)*).

16.4 Class Actions

In several of the jurisdictions in which the Group operates, there is or has been an increasing prevalence of legislation governing collective redress mechanisms/class actions and their use to enforce regulations. As a result of these developments, consumers have increasingly powerful legal mechanisms at their disposal to collectively sue manufacturers of consumer products.

In the European Union, under the banner of "A New Deal for Consumers," the European Commission is facilitating a trend towards the increasing availability and use of collective redress mechanisms in areas in which EU law grants rights, including in particular consumer protection rules and regulations. The Commission made a non-binding recommendation for EU member states to adopt collective redress procedures in June 2013 with 2013/396/EU, subsequently consulted on progress in 2017 and published a report on the subject in January 2018. A proposal for a new Directive regarding "better enforcement and modernization of EU consumer protection rules" has been put forward by the European Commission.

EU member states have also been developing their own rules in this regard. In Germany a law introducing a declaratory model action (*Musterfeststellungsklage*) came into force on November 1, 2018. With this new declaratory model action, certain persons are entitled to seek a legal declaration concerning factual or legal matters regarding consumer claims. Consumers can then opt-in to a register to be bound by a judgment (and under certain circumstances also a settlement) in the declaratory model proceedings, which effectively bundles a large number of claims.

In Sweden, class actions are permitted under the conditions set out in the Group Proceedings Act (2002:599) (*Lagen (2002:599) om grupprättegång*). In addition, according to the Code of Judicial Procedure (1942:740) (*Rättegångsbalken 1942:740)*), group actions can be brought by consolidating several individual cases for procedural management purposes. Consolidation is made under the general Swedish procedural rules. The Swedish Group Proceedings Act (2002:599) (*Lagen (2002:599) om grupprättegång*) is based on an opt-in model. There are currently ongoing discussions in Sweden regarding whether the opt-in model should be changed to an opt-out model. The discussions have not resulted in any amendments, nor has 2013/396/EU resulted in any amendments to the Group Proceedings Act.

16.5 Financial Services

The Group's operations include the provision of financing and insurance services in a number of different jurisdictions, which have to comply with the rules set out by the relevant financial services authorities. Non-compliance with these rules can lead to penalties or even the revocation of operating licenses in the relevant jurisdictions. The Group has specialized staff in the parts of the business that are affected so that it can monitor and respond to these requirements and ensure compliance with them. Scania Financial Services comprises the Group's financial services segment, and therefore comprises the main regulatory focus in the Group's financial services segment. VW Financial Services, which serves the MAN and VWCO brands, is not part of the Group and is therefore not addressed here.

16.5.1 Basel III Framework and CRD IV/CRR

In June 2013, the European Parliament and the Council of Europe issued Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**CRD IV Directive**") and Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, referred to as the EU Capital Requirements Regulation (the "**CRR**") (the CRR and the CRD IV Directive together, "**CRD IV**") which incorporate the key amendments of the Basel Committee for Banking Supervision (known as "**Basel III**"). The new regulations have been directly applicable to all EU member states since 2014, with some changes under CRD IV having been implemented in the meantime. As a result, Scania Financial Services is subject to extensive regulations on quantity of capital, counterparty credit risk, capital buffers, leverage ratios, liquidity ratios, credit valuation adjustment risk, and operational risk, among others.

16.5.2 Anti-Money Laundering and Combat Terrorist Financing

The European Union's Fourth Anti-Money Laundering Directive (EU) 2015/849 ("**AML IV**") came into force in 2015 and requires a risk-based approach to anti-money laundering measures. Appropriate steps must be taken to identify and assess the risks of money laundering and terrorist financing in individual business relationships and transactions. AML IV also sets out a prescribed list of matters which must be covered in each assessment of a transaction.

In Sweden, Directive (EU) 2015/849 has been implemented by several different acts and ordinances. The primary Swedish legislation relating to anti-money laundering is the Money Laundering and Terrorist Financing (Prevention) Act (2017:630) (*Lagen (2017:630) om åtgärder mot penningtvätt och finansiering av terrorism*) and the Money Laundering and Terrorist Financing (Prevention) Ordinance (2009:92) (*Förordning (2009:92) om åtgärder mot penningtvätt och finansiering av terrorism*). In addition, the Swedish Financial Supervisory Authority has issued regulatory codes covering anti-money laundering and the combat of terrorism financing.

To ensure compliance with AML IV and local laws, Scania Financial Services has established policies and trained anti-money laundering experts.

16.5.3 IDD

Scania Financial Services also provides insurance products to customers. As a result, the Insurance Distribution Directive (EU) 2016/97 ("**IDD**"), which came into force in February 2018, applies to its operations. The IDD requires Scania Financial Services to implement certain knowledge, competency and governance requirements, satisfy certain customer disclosure obligations, and disclose the nature of remuneration for sale of the insurance product. In Sweden, the directive has primarily been implemented by the Insurance Distribution Act (2018:1219) (*Lag (2018:1219) om försäkringsdistribution*) and the Insurance Distribution Ordinance (2018:1231) (*Förordning (2018:1231) om försäkringsdistribution*)). In addition, the Swedish Financial Supervisory Authority has issued a regulatory code covering insurance distribution. The Insurance Distribution Act (2018:1219) (*Lagen (2018:1219) om försäkringsdistribution*) requires an insurance broker to obtain a permit from the Swedish Financial Supervisory Authority in order to distribute insurance products.

17 INFORMATION ON THE COMPANY'S EXISTING SHAREHOLDER

17.1 Current Shareholders

Prior to the completion of the Offering, the Company's sole shareholder is Volkswagen Aktiengesellschaft, which is a German DAX company listed, *inter alia*, on the Regulated Market (*regulierter Markt*) (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

Volkswagen Aktiengesellschaft is a stock corporation (*Aktiengesellschaft*) organized under the laws of Germany and registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Brunswick (*Braunschweig*), Germany, under docket number HRB 100484. The registered office of Volkswagen Aktiengesellschaft is in Wolfsburg, Germany; its business address is Berliner Ring 2, 38440 Wolfsburg, Germany.

Each share of the Company carries one vote at the general shareholders' meeting of the Company. All of the Company's shares confer the same voting rights. There are no restrictions on voting rights. The following table sets forth the Company's ownership structure as of the date of this Prospectus as well as the expected ownership structure upon completion of the Offering:

	Actual (direct) Ownership		
	As of the date of this Prospectus	**Upon completion of the Offering (assuming all Base Shares are placed and no placement of Over-Allotment Shares (no exercise of the Greenshoe Option))**	**Upon completion of the Offering (assuming all Base Shares are placed and all Over-Allotment Shares are placed and full exercise of the Greenshoe Option)**
		(in %)	
Volkswagen Aktiengesellschaft	100.00	90.00	88.50
Public float	—	10.00	11.50
Total	**100.00**	**100.00**	**100.00**

17.2 Controlling Interest

Volkswagen AG owns 100% of the voting rights in the Company and therefore is considered to hold a controlling interest in the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

Following completion of the Offering and assuming placement of all of the Offer Shares and full exercise of the Greenshoe Option, Volkswagen AG will continue to hold 88.50% of the Company's share capital. As a result, Volkswagen AG will continue to hold a controlling interest in the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*). In relation to the termination of the VW/TRATON DPLTA, see "*8.3 2019 Dividend.*"

18 GENERAL INFORMATION ON THE GROUP

18.1 Formation, Incorporation, History and Share Capital

The Company's predecessor was formed as a German limited liability company (*Gesellschaft mit beschränkter Haftung*) under the laws of the Federal Republic of Germany by articles of association dated December 8, 1994. Its legal name was "Volkswagen Coaching Gesellschaft mbH" with its registered office in Wolfsburg, Federal Republic of Germany, registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Wolfsburg under registration number HRB 877.

On February 3, 2004 (as amended on February 25, 2014), the predecessor of the Company as controlled entity and its sole shareholder Volkswagen AG as controlling entity entered into a domination and profit and loss transfer agreement.

As of January 3, 2006, the Company was registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Brunswick (*Braunschweig*) under registration number HRB 100261, due to a new allocation of responsibilities between the local court (*Amtsgericht*) of Wolfsburg and the local court (*Amtsgericht*) of Brunswick (*Braunschweig*). By decision of its shareholder dated February 26, 2013, the articles of association were revised and the Company's legal name was changed to "Truck & Bus GmbH." The change in legal name was registered in the commercial register on March 5, 2013.

On April 26, 2013, Truck & Bus GmbH as controlling entity and MAN SE as controlled entity entered into a domination and profit and loss transfer agreement.

By decision of its shareholder dated July 7, 2015, the articles of association were revised again and the Company's legal name was changed to "Volkswagen Truck & Bus GmbH." Its registered office was moved to Brunswick (*Braunschweig*), Federal Republic of Germany. The changes in legal name and registered office were registered in the commercial register on July 22, 2015. By decision of its shareholder dated May 4, 2018, the articles of association were further revised and the Company's registered office was moved to Munich, Federal Republic of Germany. The change in registered office was registered on May 18, 2018 in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich under registration number HRB 241032.

On June 14, 2018, the extraordinary shareholders' meeting resolved to change the Company's legal form to a German stock corporation (*Aktiengesellschaft*) under the legal name "Volkswagen Truck & Bus AG." The changes in legal form and name were registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich on June 26, 2018 under registration number HRB 241814. All changes were effected in accordance with the applicable provisions of the German Transformation Act (*Umwandlungsgesetz*).

On July 17, 2018 and August 6, 2018, the Company's extraordinary shareholders' meeting resolved to change the Company's legal name to "TRATON AG." The change in legal name was registered in the commercial register on August 30, 2018.

Based on a Management Board resolution dated August 21, 2018, the Company terminated the domination and profit and loss transfer agreement between Truck & Bus GmbH as controlling and MAN SE as controlled entity, dated April 26, 2013, with effect as of January 1, 2019.

On December 14, 2018, the extraordinary shareholders' meeting of the Company approved the draft terms of conversion (*Umwandlungsplan*) dated November 7, 2018, relating to a change of the Company's legal form to a European company (*Societas Europaea (SE)*) governed by German and European law and its legal name to "TRATON SE" by way of a conversion (*Umwandlung*). The change in legal form and name was registered in the commercial register on January 17, 2019.

Pursuant to Section 307 AktG, the VW/TRATON DPLTA terminates by operation of law at the end of the fiscal year of the Company in which a minority shareholder acquires a shareholding in the Company. It will therefore terminate with effect as of December 31, 2019 when the 2019 Fiscal Year ends. For more detail on the VW/TRATON DPLTA, see "*8.3. 2019 Dividend*."

The Company is subject to European legislation on SEs, especially to the Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European company (SE) ("**SE Regulation**"), as amended from time to time. If any matter is not covered or only partially covered by the SE Regulation, the provisions of the national law where the SE is registered and which apply to public limited liability companies are applicable to the SE. Having its registered seat in the Federal Republic of Germany, TRATON SE is governed by the laws of the Federal Republic of Germany subject to the provisions of the SE Regulation. Thus, the German Stock Corporation Act (*Aktiengesetz*) as well as other provisions of law applicable to stock corporations (particularly the German Transformation Act (*Umwandlungsgesetz*), the

German Commercial Code (*Handelsgesetzbuch*), the German Securities Trading Act (*Wertpapierhandelsgesetz*), the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), the German SE Implementation Act (*SE-Ausführungsgesetz*) and the German SE Co-determination Act (*SE Beteiligungsgesetz*)) apply in addition and subject to the provisions of the SE Regulation. Therefore, with respect to capital measures such as capital increases and reductions, general shareholders' meetings and accounting, the laws of the Federal Republic of Germany (in particular the German stock corporation laws) continue to apply.

As of the date of this Prospectus, the share capital (*Grundkapital*) amounts to EUR 500,000,000.00 and has been fully paid in.

18.2 Commercial Name and Registered Office

The Company is a European company (*Societas Europaea (SE)*) incorporated under the laws of the European Union and the Federal Republic of Germany having its registered office and its headquarters in Munich, Federal Republic of Germany. The legal name of the Company is TRATON SE. It is registered in the commercial register of the local court (*Amtsgericht*) of Munich under registration number HRB 246068.

The Company is the Group's parent company. The Company and the Group operate under the commercial name "TRATON."

The Company's registered business address is at Dachauer Straße 641, 80995 Munich, Federal Republic of Germany (telephone + 49 89 36098 70).

18.3 Fiscal Year and Duration

The Company's fiscal year ends on December 31st of each calendar year. The Company was established for an unlimited period of time.

18.4 Corporate Purpose

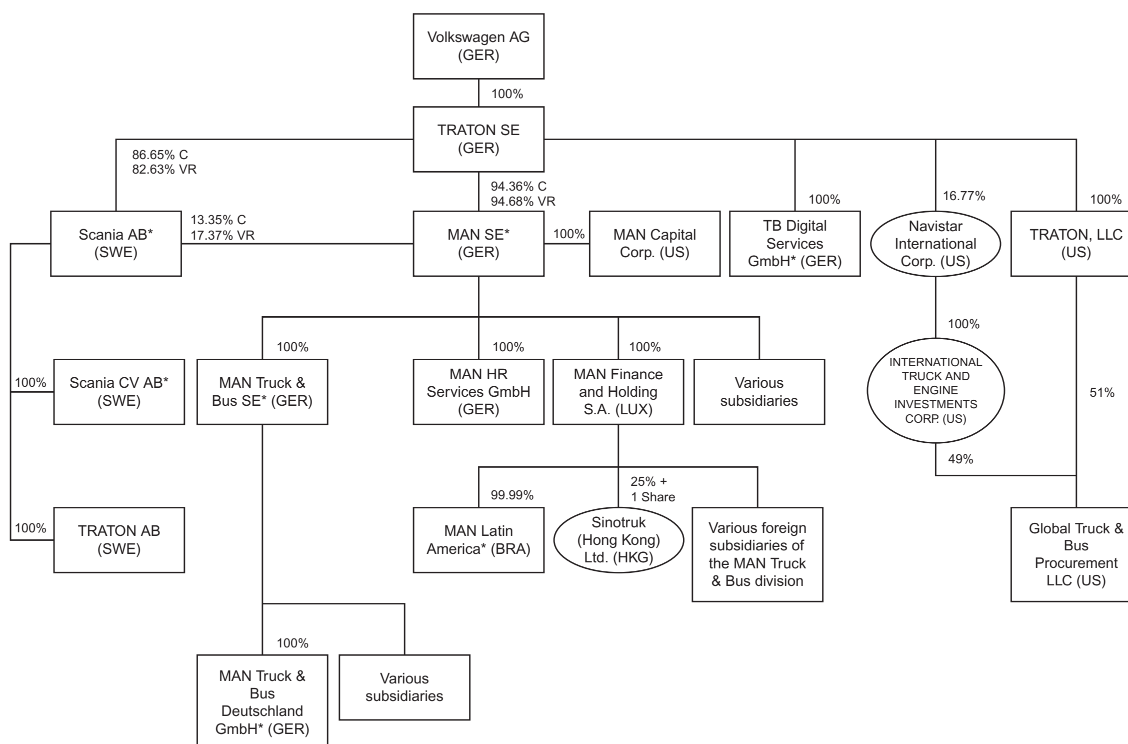
According to Article 2 of the Articles of Association, the object of the Company is the participation in entities whose corporate purpose is the manufacturing and distribution of vehicles and engines of any kind, their accessories as well as any facilities, machines, tools and other technical products.

The Company is entitled to carry out any business and take any measure that relates to the object of the Company or seems capable of furthering such object directly or indirectly. For this purpose, it may also establish branches in Germany and abroad and it may establish and acquire or participate in other entities.

18.5 Group Structure

The Company is the parent company of the Group. The Company's business is mainly conducted by its brands via its various subsidiaries. For further information on the Group's brands, see "*14.4 Product Offering and Operations.*"

The following diagram sets forth a summary (in simplified form) of the Company's significant subsidiaries as of the date of this Prospectus. The shareholdings presented also include shareholdings of affiliated companies pursuant to sections 15 et seqq. of the German Stock Corporation Act (*Aktiengesetz*).



18.6 Significant Subsidiaries

The following table presents an overview of the Group's significant subsidiaries as of the date of this Prospectus.

Except as noted in the table below, the names of the significant subsidiaries of the Group have not changed as of the date of this Prospectus.

Legal name	Seat	Business Area	Direct and/or indirect Interest
1 MAN			
MAN SE	Munich, Germany	Holding	94.36%[1] 94.68%[2]
MAN Truck & Bus SE	Munich, Germany	Trucks and Buses	100%
MAN Truck & Bus Deutschland GmbH	Munich, Germany	Trucks and Buses	100%
2 Scania -			
Scania AB	Södertälje, Sweden	Holding	100%[3]
Scania CV AB	Södertälje, Sweden	Trucks and Buses	100%
3 VWCO			
MAN Latin America Indústria e Comércio de Veiculos Ltda.	Sao Paolo, Brazil	Trucks and Buses	99.99%[4]
4 RIO			
TB Digital Services GmbH	Munich, Germany	Digital Services	100%

1 Interest in capital
2 Voting Rights
3 TRATON SE directly and indirectly holds 100% of the voting rights in Scania AB (17.37% of the voting rights are held by MAN SE)
4 0.01% held by Antonio Roberto Cortes, CEO of MAN Latin America, due to a mandatory legal requirement.

18.7 Potential Squeeze-Out of MAN SE Minorities

At the date of this Prospectus, the Company's stake in MAN SE amounts to approximately 94.36% of the share capital and 94.68% of the voting rights. The Company's stake in MAN SE enables the Company to squeeze out the remaining minority shareholders of MAN SE and fully integrate MAN SE and its subsidiaries into the Group by eliminating the "double listing" of both the Company and MAN SE. No decision has been made on whether and when to implement any of the reorganization options described below. However, the Company could decide to reorganize the Group and pursue one of the options described below (the "**Potential MAN Squeeze-Out**") at any later point in time.

There are principally two options for the Potential MAN Squeeze-Out:

- The first option is to acquire all outstanding shares in MAN SE by way of squeezing out MAN SE's minority shareholders against payment of an adequate cash compensation and simultaneously implement a merger of MAN SE into the Company (both measures together, the "**Merger Squeeze-out**"). Upon consummation of the Merger Squeeze-out, MAN SE would cease to exist. Minority shareholders of MAN SE would receive a cash compensation.
- The second option, requiring the Company to first acquire additional shares in MAN SE to reach or cross the relevant threshold of 95% of the share capital in MAN SE, is to squeeze out MAN SE's minority shareholders as described above (the "**Regular Squeeze-out**") so that as a result MAN SE would be a wholly-owned subsidiary of the Company. Subsequently, the Company could then e.g. implement a separate merger of MAN SE into the Company with MAN SE ceasing to exist or enter into a domination and profit and loss transfer agreement with MAN SE.

Under current German tax law, any increase of the Company's shareholding in MAN SE to 95% or more of MAN SE's share capital would result in German real estate transfer tax falling due with regard MAN SE's directly and indirectly owned German real estate. The Company expects the relevant amount of German real estate transfer tax to amount to a mid double-digit million Euro amount.

18.7.1 Merger Squeeze-out

The Merger Squeeze-out entails a merger of MAN SE into the Company and the exclusion of MAN SE's minority shareholders would become effective simultaneously with the merger. Under applicable German law, MAN SE's minority shareholders would be entitled to receive an adequate cash compensation for the transfer of their MAN shares to the Company as a result of the squeeze-out.

The merger squeeze-out process would commence with the Company's request to MAN SE to initiate all measures required to implement the merger squeeze-out, specifically to include the transfer of all outstanding MAN shares to the Company against payment of an adequate cash compensation on the agenda of the next ordinary, or call an extraordinary, shareholders' meeting of MAN SE. Upon consummation of the merger, all of MAN SE's assets, liabilities and agreements would transfer to the Company and MAN SE would be dissolved without winding-up and thus cease to exist. The listing of MAN SE would end automatically. Minority shareholders of MAN SE would not become shareholders of the Company as the squeeze-out would become effective simultaneously with the merger upon the registration of the merger in the Company's commercial register.

Under German law, the cash compensation for MAN SE's minority shareholders must correspond to the fair value (*Verkehrswert*) of their MAN shares, which would be determined by the Company and reviewed by a court-appointed auditor. The fair value per MAN share would typically be determined on the basis of the higher of (i) the volume-weighted average stock market price of the last three months before the announcement of the Merger Squeeze-out (the "**3m VWAP**") and (ii) the price per share determined on the basis of the discounted earnings valuation method in accordance with the generally accepted valuation standard S 1 promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland*) (the "**S 1 Valuation Standard**").

The squeeze-out would require the approval of the shareholders' meeting of MAN SE and the registration in MAN SE's commercial register as well as the registration of the merger in MAN SE's and TRATON SE's commercial registers. MAN SE's minority shareholders could file rescission claims (*Anfechtungsklagen*) against the squeeze-out resolution. A rescission claim would preclude the registration of the squeeze-out unless otherwise established by the competent court in so-called fast-track proceedings (*Freigabeverfahren*). In cases of squeeze-outs, the fast-track proceedings have a high likelihood of success so that rescission claims would very likely only delay the Merger Squeeze-out for the duration of the fast-track proceedings (typically four to six months), but ultimately not prevent it from becoming effective. Such rescission claims could not be based on the allegation that the cash compensation received was inadequate. Instead, minority shareholders of MAN SE would have the right to challenge the cash

compensation in separate appraisal proceedings (*Spruchverfahren*), claiming an additional cash compensation payment. Such proceedings usually last several years but would not block, delay or otherwise adversely affect the taking effect of the Merger Squeeze-out.

In case of successful appraisal proceedings, all minority shareholders of MAN SE would be entitled to an additional cash compensation payment. Such payment would bear interest at a rate of five percentage points per annum above the relevant base rate as published by the German Central Bank (*Deutsche Bundesbank*) from the end of the day on which the entry of the merger in the Company's commercial register would be announced.

Regarding the merger, in general, no resolutions of TRATON SE's or MAN SE's shareholders' meetings would be required. However, a resolution of TRATON SE's shareholders' meeting to approve the merger would be necessary, if so required by minority shareholders of TRATON SE with an aggregate shareholding of at least 5% of TRATON SE's share capital. In such case, TRATON SE's minority shareholders could file rescission claims (*Anfechtungsklagen*) against the merger resolution. A rescission claim would preclude the registration of the Merger Squeeze-Out unless otherwise established by the competent court in so-called fast-track proceedings (*Freigabeverfahren*). The fast-track proceedings in such cases have a high likelihood of success so that rescission claims against a potentially required resolution of TRATON SE's shareholders' meeting to approve the merger would very likely only delay the Merger Squeeze-out for the duration of the fast-track proceedings (typically four to six months), but ultimately not prevent it from becoming effective.

18.7.2 Regular Squeeze-out

If the Company acquired additional shares in MAN SE to reach or cross the threshold of 95% of MAN SE's share capital, it could also implement a Regular Squeeze-out. In a Regular Squeeze-out, MAN SE's minority shareholders would be squeezed out against payment of an adequate cash compensation. Contrary to the Merger Squeeze-out, there would be no simultaneous merger of MAN SE into the Company so that upon consummation of the Regular Squeeze-out, MAN SE would become a wholly-owned subsidiary of the Company.

The process for the implementation of the Regular Squeeze-out and the determination of the cash compensation for MAN SE's minority shareholders would be essentially identical to the process for the implementation of the Merger Squeeze-out (except for those steps relating to the merger). In particular, the cash compensation would also have to correspond to the fair value (*Verkehrswert*) of the MAN shares and would typically be determined on the basis of the higher of (i) the 3m VWAP and (ii) the price per share determined on the basis of the S 1 Valuation Standard.

18.8 Auditor

PwC was engaged as auditor for the Audited Consolidated Financial Statements and Audited Unconsolidated Financial Statements. PwC has issued an independent auditor's report on the Consolidated Financial Statements. PwC is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Federal Republic of Germany.

18.9 Announcements and Paying Agent

Pursuant to the Articles of Association, the Company's announcements are published in the German Federal Gazette (*Bundesanzeiger*), unless provided otherwise by mandatory law.

The Company is entitled, in accordance with section 49 para. 3 WpHG, to provide information to shareholders by way of remote data transmission.

Pursuant to section 14 para. 2 WpPG, the Prospectus, as well as any supplements thereto, are published on the Company's website www.traton.com under the section "Investor Relations."

Printed copies of the Prospectus are available from the Company free of charge during normal business hours at the following address: Dachauer Straße 641, 80995 Munich, Federal Republic of Germany.

The paying agent of the Company is UniCredit Bank AG. The mailing address of the paying agent is UniCredit Bank AG, Arabellastrasse 12, 81925 Munich, Germany.

19 DESCRIPTION OF SHARE CAPITAL

19.1 Current Share Capital and Shares

At the date of this Prospectus, the share capital of the Company amounts to EUR 500,000,000.00 and is divided into 500,000,000 ordinary bearer shares (*Inhaberaktien*) with no par value (*Stückaktien*). The share capital has been fully paid up. The Company's shares were created pursuant to the laws of the Federal Republic of Germany.

Each share carries one vote at the Company's general shareholders' meeting. There are no restrictions on voting rights and the shares carry full dividend entitlement.

All existing shares of the Company are held by the Existing Shareholder.

19.2 Development of the Share Capital

The Company's legal predecessor was incorporated in the form of a German limited liability company (*Gesellschaft mit beschränkter Haftung*) on December 8, 1994, under the laws of the Federal Republic of Germany with a share capital of EUR 5,113,000.00. Its legal name was "Volkswagen Coaching Gesellschaft mbH."

The following table sets out the changes in the Company's share capital from the founding of Volkswagen Coaching Gesellschaft mbH to the date of this Prospectus:

Date of the shareholder resolution to change the share capital	Nominal amount of the change in share	Resulting issued capital	Date of entry in the commercial register
December 4, 2006[(1)]	2,000.00	5,115,000.00	March 20, 2007
April 16, 2013[(2)]	4,885,000.00	10,000,000.00	April 16, 2013
June 25, 2013[(3)]	100.00	10,000,100.00	July 17, 2013
March 10, 2016[(4)]	100.00	10,000,200.00	April 27, 2016
February 25, 2019[(5)]	489,999,800.00	500,000,000.00	March 12, 2019
June 4, 2019[(6)]	16,000,000,000.00	16,500,000,000.00	June 12, 2019
June 4, 2019[(7)]	- 16,000,000,000.00	500,000,000.00	June 12, 2019

(1) On December 4, 2006, the shareholders' meeting of the Company resolved to increase the share capital from EUR 5,113,000.00 by EUR 2,000.00 to EUR 5,115,000.00.

(2) On April 16, 2013, the shareholders' meeting of the Company resolved to increase the share capital from EUR 5,115,000.00 by EUR 4,885,000.00 to EUR 10,000,000.00.

(3) On June 25, 2013, the shareholders' meeting of the Company resolved to increase the share capital from EUR 10,000,000.00 by EUR 100.00 to EUR 10,000,100.00.

(4) On March 10, 2016, the shareholders' meeting of the Company resolved to increase the share capital from EUR 10,000,100.00 by EUR 100.00 to EUR 10,000,200.00.

(5) On February 25, 2019, the shareholders' meeting of the Company resolved to increase the share capital from EUR 10,000,200.00 by EUR 489,999,800.00 to EUR 500,000,000.00.

(6) On June 4, 2019, the shareholders' meeting of the Company resolved to increase the share capital from EUR 500,000,000.00 by EUR 16,000,000,000.00 to EUR 16,500,000,000.00.

(7) On June 4, 2019, the shareholders' meeting of the Company resolved to decrease the share capital from EUR 16,500,000,000.00 by EUR 16,000,000,000.00 to EUR 500,000,000.00.

On February 25, 2019, the shareholders' meeting of the Company resolved to increase the Company's share capital of EUR 10,000,200 by EUR 489,999,800 to EUR 500,000,000 in preparation of the Company's IPO. The capital increase was implemented by converting the capital reserve shown on the Company's annual financial statements as at December 31, 2018 in the amount of EUR 489,999,800 into share capital and issuing 489,999,800 new no-par value bearer shares (*Stückaktien*). The capital increase was registered in the Company's commercial register and thus became effective on March 12, 2019.

On June 4, 2019, the shareholders' meeting of the Company resolved to increase the Company's share capital of EUR 500,000,000 by EUR 16,000,000,000 to EUR 16,500,000,000 by converting capital reserves shown on the Company's unconsolidated German GAAP annual financial statements as at December 31, 2018 in the amount of EUR 16,000,000,000 into share capital without issuing new shares (the "**June 2019 Capital Increase**"). This capital increase was registered in the Company's commercial register and thus became effective on June 12, 2019. As a result, the share capital represented by each no-par value bearer share (*Stückaktie*) increased from EUR 1.00 to EUR 33.00.

Also on June 4, 2019, the shareholders' meeting of the Company resolved that, upon effectiveness of that June 2019 Capital Increase, the increased Company's share capital of EUR 16,500,000,000 shall be reduced by EUR 16,000,000,000 to EUR 500,000,000 without cancellation of shares (the "**June 2019 Capital Decrease**"). This capital decrease was registered in the Company's commercial register and thus became

effective on June 12, 2019. As a result, the share capital represented by each no-par value bearer share (*Stückaktie*) decreased from EUR 33.00 to EUR 1.00. Under German corporate law, creditors of the Company who became creditors prior to publication of the registration of the capital decrease, are entitled to demand that the Company provides collateral for their claims. Requests can be logged with the Company for the period of six months following publication of the registration of the capital decrease, which occurred on June 12, 2019.

19.3 Authorized Capital

At the date of this Prospectus, the Company has an authorized capital pursuant to Section 5 para. 3 of the Articles of Association together with Article 9 para. 1 lit. c) ii) of the SE Regulation in conjunction with Section 202 AktG. Thereunder, the Management Board of the Company is authorized, subject to the consent of the Supervisory Board, to increase the share capital of the Company on or before May 21, 2024, on one or more occasions, by up to a total of EUR 200,000,000 through the issuance of up to 200,000,000 new bearer shares with no par value (*Stückaktien*) in return for contributions in cash or in kind (the "**Authorized Capital 2019**"). In doing so, the Management Board may determine that the new shares carry profit participation entitlements in a way that departs from Section 60 para. 2 AktG.

Shareholders are generally to be granted a subscription right, unless the Management Board exercises the below authorizations to exclude the subscription right, subject to the consent of the Supervisory Board. The new shares may also be taken up by a credit institution or a financial institution operating under Section 53 para. 1 sentence 1 or Section 53b para. 1 sentence 1 or para. 7 KWG or a syndicate of such credit or financial institutions, in each case as determined by the Management Board, subject to an undertaking to offer the shares to shareholders for subscription. Subject to the Supervisory Board's consent, the Management Board is authorized to exclude the subscription right of shareholders in the following cases:

- to even out fractional amounts occurring due to a capital increase;
- where this is necessary to grant subscription rights to new shares to holders or creditors of convertible or warrant bonds or convertible participation rights issued by the Company or entities in which the Company holds a direct or indirect majority interest, to the extent to which they would be entitled to such subscription rights as shareholders after exercising their conversion or option rights or, as the case may be, after fulfilment of their option or conversion obligations;
- where the new shares are issued against contributions in cash and the issue price of the new shares is not significantly lower than the stock market price of the Company's listed shares at the time of the final determination of the issue price. This authorization to exclude the subscription right only applies to the extent that the *pro rata* amount of the share capital mathematically attributable to the shares issued with the exclusion of subscription rights pursuant to Section 186 para. 3 sentence 4 AktG does not exceed 10% of the share capital – based on either the amount of share capital existing at the time when this authorization takes effect or the amount of share capital when the authorization is exercised. The 10%-limit includes shares that (i) were issued or sold during the term of this authorization up to the time of it being exercised with the exclusion of subscription rights on the basis of other authorizations in direct or *mutatis mutandis* application of Section 186 para 3 sentence 4 AktG or (ii) were issued or are to be issued to service bonds or participation rights with conversion or option rights or conversion or option obligations, provided that the bonds or participation rights were issued during the term of this authorization up to the time of it being exercised with the exclusion of subscription rights in *mutatis mutandis* application of Section 186 para. 3 sentence 4 AktG;
- where the capital increase is performed for the purposes of granting shares in return for contributions in kind, in particular with the aim of acquiring enterprises, parts of enterprises or interests in enterprises, or of other assets.

The Management Board is further authorized, subject to the consent of the Supervisory Board, to determine the further details regarding the capital increase and the conditions for the issuance of shares. The Supervisory Board is authorized to amend the wording of Section 5 of the Articles of Association following the performance, in whole or in part, of a capital increase under the Authorized Capital 2019 or after expiry of the authorization period, in line with the scope of the capital increase.

19.4 Conditional Capital

At the date of this Prospectus, the Company has a conditional capital pursuant to Section 5 para. 4 of the Articles of Association together with Article 9 para. 1 lit. c) ii) of the SE Regulation in conjunction with Section 192 AktG. Thereunder, the share capital of the Company is conditionally increased by up to EUR 50,000,000, by issuing up to 50,000,000 new, no-par value bearer shares (*Stückaktien*) (the "**Conditional Capital 2019**"). The sole purpose of the Conditional Capital 2019 is to grant new shares to

the holders or creditors of bonds issued by the Company or other entities in which the Company holds a direct or indirect majority interest under the shareholder resolution passed at the Company's shareholders' meeting of May 22, 2019 under agenda item 2, in case conversion or option rights are utilized or conversion or option obligations are fulfilled or in case the Company exercises its right to, in whole or in part, grant shares in the Company in lieu of cash payments due. The shares are issued at the conversion and option price to be set in accordance with the aforementioned resolution. The conditional capital increase will only be carried out to the extent that conversion or option rights are utilized or conversion or option obligations are fulfilled or the Company exercises its right to, in whole or in part, grant shares in the Company in lieu of cash payments due and unless other forms of fulfillment are used.

The new shares participate in the profit from the beginning of the financial year in which they are issued. Within the bounds of the law and subject to the Supervisory Board's consent, the Management Board can depart from this provision and from Section 60 para. 2 AktG, and also determine an entitlement to profit participation for a financial year that has already ended.

The Management Board is authorized, subject to Supervisory Board approval, to determine the remaining details for carrying out the conditional capital increase.

19.5 Authorization to Issue Convertible Bonds and/or Warrant Bonds

On May 22, 2019, the shareholders' meeting of the Company authorized the Management Board, subject to the consent of the Supervisory Board, to issue, on one or more occasions until May 21, 2024, bearer or registered convertible and/or warrant bonds or combinations of these instruments for an aggregate nominal amount of up to EUR 3,000,000,000, in each case with or without a definite maturity date, and to grant the holders of bonds option or conversion rights for up to 50,000,000 no-par value bearer shares (*Stückaktien*) of the Company with a *pro rata* amount of the share capital of up to a total of EUR 50,000,000, as set forth in detail in the issuing terms and conditions for the bonds ("**Issuing Terms**"). This authorization can be utilized in whole or in part. The bonds may also provide for an obligation to convert the bonds or exercise the options at the end of the term or at an earlier time. The Issuing Terms may also give the Company the right to grant the holders or creditors of the bonds shares of the Company in lieu of cash payments due, in whole or in part, or to choose other forms of fulfillment. Bonds may be issued in return for cash or for contributions in kind. The bonds can be denominated in Euros or – capped at their equivalent value in Euros – in the legal currency of an OECD country. Where the bonds are issued in a currency other than Euros, the relevant equivalent value is to be applied, calculated on the basis of the Euro reference rate of the European Central Bank applicable on the date of the resolution on the issuance of the bonds. The bonds can also be issued by entities in which the Company holds a direct or indirect majority interest. For such a case, the Management Board is authorized, subject to the consent of the Supervisory Board, to take on the necessary guarantees for the obligations under the bonds and to grant the holders or creditors of the bonds conversion or option rights for shares of the Company or to impose on them respective obligations.

If convertible bonds are issued, their holders or creditors receive the right or take on the obligation to convert the bonds into shares of the Company, pursuant to the Issuing Terms to be laid down by the Management Board. The *pro rata* amount of the share capital mathematically attributable to the shares to be issued in the event of conversion must not exceed the nominal amount of the bond or the issue price for the bond, if the issue price is less than the nominal amount. The conversion ratio is determined by dividing the nominal amount of a bond by the conversion price for a share of the Company. Where the issue price for the bonds is less than their nominal amount, the conversion ratio is established by dividing the issue price of a convertible bond by the conversion price for a share of the Company. The Issuing Terms can also provide that the conversion ratio be variable and that the conversion price be determined based on future stock market prices within a certain range. If warrant bonds are issued, one or more warrants will be attached to each bond, which entitle or obligate the holder or creditor to subscribe to shares of the Company under the Issuing Terms to be specified by the Management Board. The *pro rata* amount of the share capital mathematically attributable to the shares to be issued in the event of an option being exercised must not exceed the nominal amount of the bonds.

The conversion or option price to be stipulated in the Issuing Terms must be equivalent to (i) at least 80% of the volume-weighted average value of the stock market price of the Company's shares in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange on the last ten trading days before the day of the Management Board's resolution on the public announcement of the issuance of the bonds or (ii) – if subscription rights are granted, by choice of the Management Board alternatively – at least 80% of the volume-weighted average value of the stock market price of the Company's shares in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange from the beginning of the subscription period until the third day (included) prior to the announcement of the final conditions pursuant to Section 186 para 2 sentence 2 AktG. In the event of bonds with a conversion or option obligation or the right of the Company to grant the holders or creditors of the bonds shares of the

Company in lieu of cash payments due, in whole or in part, the conversion or option price must be at least the minimum price stated above (80%), or correspond to the volume-weighted average value of the stock market price of the Company's shares in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange (i) on the last ten trading days before the day of final maturity or (ii) on at least ten trading days immediately prior to the determination of the conversion or option price in accordance with the Issuing Terms, even if this average price is below the minimum price stated above (80%). Sections 9 para. 1 and 199 AktG remain unaffected.

Subject to the consent of the Supervisory Board, the Management Board is authorized to specify the Issuing Terms in more detail, in particular on the following: interest rate, issue price, term and denomination of the bonds; conversion or option period; conversion or option price; conversion rights and obligations; option rights and obligations to exercise options; whether the Company's shares to be delivered shall be in the form of shares newly created by a capital increase or in the form of existing shares, in whole or in part; whether, instead of delivering shares, their market value can be paid over in cash; whether the conversion or option price or the conversion ratio is to be fixed when issuing the bonds or based on future stock market prices within a certain range during the term of the bond. In the event of a situation where there are fractional amounts of the Company's shares, it can be stipulated that these fractions can be added together for the purposes of acquiring complete shares, in accordance with the Issuing Terms. An additional cash payment or cash compensation for fractions can also be stipulated.

The Issuing Terms can further provide for protection against dilution and adjustment mechanisms under certain circumstances, including changes in the Company's share capital during the term of the bond (such as a capital increase, a capital decrease or a share split), dividend payments, the issuance of additional convertible and/or warrant bonds, that provide an entitlement to subscribe for shares of the Company, transformation measures and extraordinary events occurring during the term of the bond, such as a change of control at the Company. The measures for protection against dilution and adjustment mechanisms that can be provided for under the Issuing Terms can, in particular, take the form of changing the conversion or option price, granting subscription rights to shares of the Company or to convertible or warrant bonds, or granting or adjusting cash components. Sections 9 para. 1 and 199 AktG remain unaffected.

When issuing bonds, shareholders are to be generally granted a subscription right to the bonds unless the Management Board exercises the below authorizations to exclude the subscription right, subject to the consent of the Supervisory Board. The bonds may also be taken up by a credit institution or a financial institution operating under Section 53 para. 1 sentence 1 or Section 53b para. 1 sentence 1 or para. 7 KWG or a syndicate of such credit or financial institutions, in each case as determined by the Management Board, subject to an undertaking to offer the bonds to shareholders for subscription. If bonds are issued by an entity in which the Company holds a direct or indirect majority interest, the Company must ensure that the Company's shareholders are granted subscription rights in line with the above sentences. However, the Management Board is authorized, subject to the consent of the Supervisory Board, to exclude the subscription right of shareholders when issuing bonds in the following cases:

- to make use of any fractional amounts;
- where the bonds are issued in return for contributions in kind in particular with the aim of acquiring enterprises, parts of enterprises or interests in enterprises;
- where this is necessary for protection against dilution, in order to grant holders or creditors of bonds with conversion or option rights or conversion or option obligations that were or will be issued by the Company or by other entities in which the Company holds a direct or indirect majority interest, a right to subscribe for new bonds to the extent to which they would be entitled to such subscription right as shareholders after exercising their conversion or option rights or, as the case may be, after fulfilment of their conversion or option obligations; or
- for bonds issued against cash, if the Management Board, after due examination, is of the opinion that the issue price for the bonds is not significantly lower than the theoretical market price of the bonds as calculated using recognized mathematical methods. However, this authorization to exclude subscription rights only applies to bonds with conversion or option rights or conversion or option obligations to shares with a *pro rata* amount of the share capital which does not exceed 10% of the share capital, based on either the amount of share capital existing at the time when this authorization takes effect or the amount of share capital when the authorization is exercised. The limit of 10% of the share capital includes shares that (i) were issued or sold by the Company during the term of this authorization up to the time of it being exercised with the exclusion of subscription rights on the basis of other authorizations in direct or *mutatis mutandis* application of Section 186 para. 3 sentence 4 AktG or (ii) were issued or are to be issued to service bonds or participation rights with conversion or option rights or conversion or option obligations, provided that the bonds or participation rights were issued

during the term of this authorization up to the time of it being exercised with the exclusion of subscription rights in *mutatis mutandis* application of Section 186 para. 3 sentence 4 AktG.

19.6 Authorization to Purchase and Use Treasury Shares

At the date of this Prospectus, the Company does not hold any treasury shares, nor does a third party hold any shares of the Company on behalf of, or for the account of, the Company. The Company's shareholders' meeting held on May 22, 2019 authorized the Management Board to acquire, on or before May 21, 2024, treasury shares of up to a total maximum of 10% of the share capital existing at the time of the adoption of the resolution or – in the event that this amount is the lower one – when the authorization is exercised. The acquired shares, together with other treasury shares which are in the possession of the Company or are attributable to it pursuant to Sections 71a et seq. AktG, may at no time exceed 10% of the Company's share capital. At the discretion of the Management Board, the acquisition may be conducted (i) through a stock exchange, (ii) by means of a public offer directed at all shareholders or a public solicitation to submit offers ("**Acquisition Offer**") or (iii) by use of derivatives (put or call options or a combination thereof).

- If the acquisition is conducted through a stock exchange, the consideration paid by the Company for each share of the Company (not including incidental acquisition costs) may not exceed the market price of one share of the Company in Xetra trading (or a comparable successor system), determined in the opening auction on the relevant trading day at the Frankfurt Stock Exchange, by more than 10% and may not fall below such price by more than 20%.

  If the acquisition is conducted through an Acquisition Offer, the Company may determine either a price or a price range at which it is willing to acquire the shares. However, – subject to an adjustment during the offer period – the purchase price (in each case not including incidental acquisition costs) may not exceed the average market price of one share of the Company on the Frankfurt Stock Exchange on the last three exchange trading days prior to the public announcement of the Acquisition Offer, as determined based on the arithmetic means of the auction closing prices in Xetra trading (or a comparable successor system), by more than 10% and may not fall below such price by more than 20%. In the event that after the public announcement of the offer significant variances in the applicable price occur, the purchase price may be adjusted. In that case, the average market price of the shares on the Frankfurt Stock Exchange on the last three exchange trading days prior to the public announcement of the adjustment, if any, as determined based on the arithmetic means of the auction closing prices in Xetra trading (or a comparable successor system), will be relevant. The Acquisition Offer may provide for additional requirements.

  In the event that the Acquisition Offer is over-subscribed, the acceptance is to be effected, as a general rule, in proportion to the respective shares offered. However, a preferred acceptance of small offers or small portions of offers of up to a maximum of 150 shares may be provided for.

- If the acquisition is conducted using derivatives in the form of put or call options or a combination thereof, the derivative transactions must be entered into with a financial institution or an entity conducting business pursuant to Section 53 para. 1 sentence 1 or Section 53b para. 1 sentence 1 or para. 7 KWG or through the stock exchange at terms close to market conditions, for the determination of which, *inter alia*, the purchase price of the shares payable upon exercise of the derivative, the exercise price, shall be taken into account. In any case, where derivatives are being used, treasury shares of up to a total maximum of 5% of the share capital existing at the time of the adoption of the resolution or – in the event the amount of the share capital is subsequently reduced – when the authorization is exercised may be acquired. The term of the respective option must not exceed 18 months and must end, in any case, no later than on May 21, 2024. In application, *mutatis mutandis*, of Section 186 para. 3 sentence 4 AktG, the shareholders will not be entitled to enter into such derivative transactions with the Company. The exercise price (not including incidental acquisition costs, but taking into account the premium paid or received, respectively) may not exceed the average market price of the shares of the Company on the Frankfurt Stock Exchange during the last three exchange trading days prior to the conclusion of the respective option transaction, as determined based on the arithmetic means of the auction closing prices in Xetra trading (or a comparable successor system), by more than 10% and may not fall below such arithmetic means by more than 20%.

  The above authorizations may be utilized on one or several occasions, in whole or in partial amounts, in pursuit of one or more objectives by the Company, and also by entities in which the Company holds a direct or indirect majority interest or by third parties on the account of the Company or one of such entities.

With regard to treasury shares that will be or have been acquired under the above authorization, the Management Board is authorized, subject to the consent of the Supervisory Board and excluding

shareholders' subscription rights, to use these shares – in addition to a disposal through a stock exchange or an offer granting a subscription right to all shareholders – as follows:

- The shares of the Company may be sold and transferred against cash consideration, provided that the selling price is not significantly lower than the market price of the Company's shares at the time of the sale (Section 186 para. 3 sentence 4 AktG). The *pro rata* amount of the share capital mathematically attributable to the shares sold in accordance with the preceding sentence may not, in total, exceed 10% of the share capital existing at the time of the adoption of the resolution or, if lower, at the time this authorization is utilized. The 10%-limit includes shares that (i) were issued or sold by the Company during the term of this authorization up to the time of it being exercised with the exclusion of subscription rights on the basis of other authorizations in direct or *mutatis mutandis* application of Section 186 para. 3 sentence 4 AktG (ii) were issued or are to be issued to service bonds or participation rights with conversion or option rights or conversion or option obligations, provided that the bonds or participation rights were issued during the term of this authorization up to the time of it being exercised with the exclusion of subscription rights in *mutatis mutandis* application of Section 186 para. 3 sentence 4 AktG.
- The shares of the Company may be sold and transferred against contribution in kind, particularly in the course of mergers or the acquisition of companies, parts of companies, equity interests in companies, receivables and other assets. The aforementioned shares may further be used for the settlement of any claims in the context of the ending or, respectively, the settlement of appraisal proceedings under company law (*gesellschaftsrechtliche Spruchverfahren*) of entities in which the Company holds a direct or indirect majority interest.
- The shares of the Company may be used in order to satisfy the rights of holders or creditors of bonds and participation rights carrying conversion or option rights or conversion or option obligations issued by the Company or entities in which the Company holds a direct or indirect majority interest.
- The shares of the Company may be offered for purchase, with or without consideration, and transferred to individuals who are or were employed by the Company or an entity in which the Company holds a direct or indirect majority interest as well as to organ members of such entities. Section 71 para. 1 no. 2 AktG remains unaffected.

In addition, the Management Board is authorized to redeem treasury shares, without such redemption or its implementation requiring an additional resolution by the Company's shareholders' meeting.

All aforementioned authorizations may be utilized on one or several occasions, in whole or in part, separately or collectively also with respect to treasury shares which have been acquired by entities in which the Company holds a direct or indirect majority interest or by third parties acting on account of such entities or on account of the Company.

In each case, the Management Board must inform the General Meeting of Shareholders about the utilization of the above authorizations, in particular about the reasons for and the purpose of the acquisition of treasury shares, the number of treasury shares acquired and the amount of the share capital attributable to them, the portion of the share capital represented by them and the equivalent value of the shares.

19.7 General Provisions Governing a Liquidation of the Company

Apart from liquidation as a result of insolvency proceedings, the Company may only be liquidated with a vote of 75% or more of the share capital represented at the vote. Furthermore, the commencement of insolvency proceedings regarding the assets of the Company, the rejection of insolvency proceedings for insufficient assets to cover the costs of the proceedings, a cancellation of the Company for lack of funds or the imposition of a final decision of the registration court about a material defect in the Articles of Association (including the transfer of the Company's registered seat to a country outside the EU) could lead to a cancellation of the Company. In the event of the Company's liquidation, the SE Regulation and the German Stock Corporation Act (*Aktiengesetz*) provided that any assets remaining following settlement of the Company's liabilities shall be distributed among the Company's shareholders in proportion to their shareholdings. The SE Regulation and the AktG provide certain protections for creditors in the event of a liquidation of the Company.

19.8 General Provisions Governing a Change in the Share Capital

The SE Regulation and the AktG provide that the share capital of a European company (*Societas Europaea (SE)*) may be increased by a resolution adopted at the general shareholders' meeting with a majority of at least two-thirds of the votes cast (*Stimmenmehrheit*) and 75% of the share capital represented (*Kapitalmehrheit*) when the resolution is passed. However, on the basis of the Company's Articles of Association, resolutions to increase the share capital generally require a simple majority of the votes cast

(*Stimmenmehrheit*) and the share capital represented (*Kapitalmehrheit*) when the resolution is passed. Apart from that, with respect to the simple majority of the votes cast (*Stimmenmehrheit*), a two-third majority is required, if less than 50% of the share capital is represented at the respective vote. With regard to the share capital represented (*Kapitalmehrheit*), a 75% majority is required, if preferred shares are issued in connection with the capital increase.

In addition, the general shareholders' meeting may resolve to issue authorized capital (*Genehmigtes Kapital*) upon a vote of 75% of the share capital represented at the passing of the resolution authorizing the Management Board to issue shares of up to a specific amount within a period not exceeding five years. The nominal amount of such issuance may not exceed 50% of the share capital in existence at the time the resolution of the general shareholders' meeting is registered with the commercial register (*Handelsregister*). The existing authorized capital for the Company is described above under "*19.3 Authorized Capital*." Additionally, shareholders may resolve to create conditional capital (*Bedingtes Kapital*) for the purpose of issuing shares (i) to holders of convertible bonds or other securities convertible into shares of the Company, (ii) as consideration in connection with a merger with another company, or (iii) offered to executives and employees. A resolution to create conditional capital must be adopted by at least 75% of the share capital represented at the passing of the resolution. The nominal amount of the conditional capital created for the purpose of share issues to executives and employees may not exceed 10% of the nominal share capital in existence at the time such resolution is passed, while the nominal amount of the conditional capital created for the purpose of share issues to holders of convertible bonds or other securities convertible into shares of the Company or as consideration in connection with a merger with another company may not exceed 50% of the nominal share capital in existence at the time such resolution is passed; however, there is generally no limitation with respect to a time period during which the conditional capital may be used. The existing conditional capital for the Company is described above under "*19.4 Conditional Capital*." The authorization of the Management Board to issue convertible bonds or other securities convertible into shares of the Company must be limited to a period not exceeding five years from the date of the respective shareholder resolution (see "*19.5. Authorization to Issue Convertible Bonds and/or Warrant Bonds*") above.

19.9 General Provisions Governing Subscription Rights

Art. 5 and 59 SE Regulation in connection with section 186 AktG generally grant all shareholders the right to subscribe for new shares of the Company issued in a capital increase. The same applies to convertible bonds, bonds with warrants, profit participation rights and participating bonds. Subscription rights are freely transferable and may be traded on German stock exchanges for a prescribed period before the deadline for subscription expires. However, shareholders do not have the right to demand admission to trading for subscription rights. The Company's shareholders' meeting may resolve to exclude shareholders' subscription rights with a majority of 75% or more of the share capital represented at the vote. Exclusion of shareholders' subscription rights, wholly or in part, also requires a report from the Management Board to the shareholders' meeting that justifies the exclusion and demonstrates that the Company's interest in excluding subscription rights outweighs the interests of the shareholders to be granted subscription rights. An exclusion of shareholders' subscription rights is, in particular, permissible if:

- the Company increases its share capital against cash contributions;
- the amount of the capital increase of the issued shares with no subscription rights does not exceed 10% of the share capital at issue, both at the time when the authorization takes effect and at the time when it is authorized; and
- the price at which the new shares are being issued is not significantly lower than the stock exchange price of the Company's shares.

19.10 Exclusion of Minority Shareholders

19.10.1 Squeeze-Out under Stock Corporation Law

Art. 9 para. 1 lit. c) ii) SE Regulation in connection with sections 327a et seq. AktG, which govern a so-called "squeeze-out under stock corporation law," provide that upon request of a shareholder holding 95% or more of the Company's share capital, the Company's shareholders' meeting may resolve to transfer the shares of minority shareholders to such majority shareholder against payment of adequate compensation in cash. The amount of the cash compensation offered to minority shareholders must reflect "the circumstances of the Company" at the time the shareholders' meeting passes the resolution. The amount of the cash compensation is based on the full value of the Company, which is generally determined using the capitalized earnings method. Minority shareholders are entitled to file for an appraisal proceeding (*Spruchverfahren*), wherein the court will review the appropriateness (*Angemessenheit*) of the cash compensation.

19.10.2 Squeeze-Out and Tender Rights under Takeover Law

Under sections 39a and 39b WpÜG, in the event of a so-called "squeeze-out under takeover law," an offeror holding at least 95% of the voting share capital of a target company (as defined in the WpÜG) following a takeover bid or mandatory offer may, within three months of the expiry of the deadline for acceptance of the offer, request the regional court (*Landgericht*) of Frankfurt am Main, Germany, to order the transfer of the remaining voting shares to such offer or against payment of adequate compensation. Such transfer does not require a resolution of the target company's shareholders' meeting. The consideration paid in connection with the takeover bid or mandatory offer is considered adequate if the offeror has obtained at least 90% of the share capital that was subject to the offer. The nature of the compensation must be the same as the consideration paid under the takeover bid or mandatory offer, while at all times a cash compensation must also be offered. In addition, following a takeover bid or mandatory offer, the shareholders in a target company who have not accepted the offer may do so up to three months after the acceptance period has expired (section 39c WpÜG), provided the offeror is entitled to petition for the transfer of the outstanding voting shares in accordance with section 39a WpÜG. The provisions for a squeeze-out under stock corporation law cease to apply once an offeror has petitioned for a squeeze-out under takeover law, and only apply again when these proceedings have been definitively completed.

19.10.3 Squeeze-Out under Reorganization Law

Under section 62 para. 5 UmwG, a majority shareholder holding at least 90% of the Company's share capital may require the Company's shareholders' meeting to resolve to transfer the shares of the minority shareholders to such majority shareholder against payment of adequate compensation in cash, provided that (i) the majority shareholder is a stock corporation (*Aktiengesellschaft (AG)*), a partnership limited by shares (*Kommanditgesellschaft auf Aktien (KGaA)*) or a European company (*Societas Europaea (SE)*) having its registered office in Germany, and (ii) the squeeze-out is performed to facilitate a merger under the UmwG between the majority shareholder and the Company. The shareholders' meeting held to approve the squeeze-out must take place within three months of the conclusion of the merger agreement. The procedure for a squeeze-out under the UmwG is essentially identical to the "squeeze-out under stock corporation law" described above, including the minority shareholders' right to judicial review of the appropriateness of the cash compensation.

19.10.4 Integration

Under Art. 9 para. 1 lit. c) ii) SE Regulation in connection with sections 319 et seq. AktG, the Company's shareholders' meeting may vote for an integration (*Eingliederung*) into another stock corporation that has its registered office in Germany, provided the prospective parent company holds at least 95% of the shares of the Company. The former shareholders of the Company are entitled to adequate compensation, which generally must be provided in the form of shares in the parent company. The amount of the compensation must be determined using the "merger value ratio" (*Verschmelzungswertrelation*) between the two companies, i.e. the exchange ratio which would be considered reasonable in the event of merging the two companies. Fractional amounts may be paid out in cash.

19.11 Shareholder Notification Requirements, Mandatory Takeover Bids and Managers' Transactions

Once the Company has applied for the admission of its shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and will apply on or about June 27, 2019 for admission of its shares to trading on the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*), with simultaneous admissions to the sub-segment of the regulated market with additional post admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the Large Cap segment of Nasdaq Stockholm (*börsen*), the Company will be subject to WpHG provisions governing, *inter alia*, disclosure requirements for significant shareholdings, the WpÜG provisions governing takeover bids and mandatory offers, as well as the MAR provisions governing, *inter alia*, obligations of persons discharging managerial responsibilities to disclose transactions in the Company's shares, debt instruments, related derivatives or other related financial instruments.

19.11.1 Notification Requirements of Shareholders

Pursuant to section 33 para. 1 WpHG, anyone who acquires or whose shareholding in any other way reaches or exceeds 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the total number of voting rights in the Company is required to concurrently notify the Company and BaFin of such occurrence. Subsequent notifications are required if such person reaches or exceeds another of the aforementioned thresholds or sells or in any other way falls below the aforementioned thresholds.

All such notifications must be submitted without undue delay, and no later than within four trading days. The four-day notification period starts at the time the person or the entity subject to the notification requirement has knowledge of, or in consideration of the circumstances should have had knowledge of, his proportion of voting rights reaching, exceeding or falling below the aforementioned thresholds. The WpHG contains a conclusive presumption that the person or the entity subject to the notification requirement has knowledge at the latest two trading days after such an event occurs. Moreover, a person or entity is deemed to already hold shares as of the point in time such person or entity has an unconditional and due claim of transfer related to such shares pursuant to section 33 para. 3 WpHG. If a threshold has been reached or crossed due to a change in the total number of voting rights, the notification period starts at the time the person or entity subject to the notification requirement has knowledge about such change, or upon the publication of the revised total number of voting rights by the Company, at the latest.

In connection with these requirements, section 34 WpHG contains various attribution rules. For example, voting rights attached to shares held by a subsidiary are attributed to its parent company. Similarly, voting rights attached to shares held by a third party for the account of a person or entity are attributed to such person or entity. Voting rights which a person or entity is able to exercise as a proxy according to such person's or entity's discretion are also attributed to such person or entity. Furthermore, any coordination by a person or entity with a third party on the basis of an agreement or in any other way generally results in a mutual attribution of the full amount of voting rights held by, or attributed to, the third party as well as to such person or entity. Such acting in concert generally requires a consultation on the exercise of voting rights or other efforts designed to effect a permanent and material change in the business strategy of the Company. Accordingly, the exercise of voting rights does not necessarily have to be the subject of acting in concert. Coordination in individual cases, however, is not considered as acting in concert.

Except for the 3% threshold, similar notification requirements towards the Company and BaFin exist pursuant to section 38 para. 1 WpHG if the aforementioned thresholds are reached, exceeded or fallen below, because a person or entity holds instruments that (i) confer to him (a) the unconditional right to acquire already issued shares of the Company to which voting rights are attached when due, or (b) discretion to exercise his right to acquire such shares, or (ii) relate to such shares and have a similar economic effect as the aforementioned instruments, whether or not conferring a right to a physical settlement. Thus, the latter mentioned notification requirements also apply, for example pursuant to section 39 para. 1 WpHG, to share swaps against cash consideration and contracts for difference. In addition, a person or entity is subject to a notification requirement towards the Company and BaFin pursuant to sections 33 para. 1 and 38 para. 1 WpHG, if the sum of the voting rights from shares and instruments held or attributed to such person or entity reaches, exceeds or falls below the aforementioned thresholds, except for the 3% threshold.

19.11.2 Exceptions to Notification Requirements

There are certain exceptions to the notification requirements. For example, a company is exempt from notification obligations if its parent company has filed a group notification pursuant to section 37 para. 1 WpHG. If the Company's parent company is itself a subsidiary, then the relevant company is exempt from notification obligations if its parent's parent company has filed such group notification. Moreover, shares or instruments held by a credit institution or a credit securities services company with a registered seat in the European Union or in an EEA member state are not taken into account for determining the notification obligation or proportion of voting rights held, provided (i) the shares or instruments are held in such credit institution's or credit securities services company's trading book, (ii) they amount to no more than 5% of the Company's voting rights, do not grant the right to acquire more than 5% of the voting rights, or do not have a similar economic effect, and (iii) it is ensured that the voting rights pertaining to such shares or instruments are not exercised or otherwise utilized.

19.11.3 Fulfillment of Notification Requirements

If any notification obligation is triggered, the notifying person or entity is required to fully complete the notification form set forth as an annex to the German Securities Trading Notification Regulation (*Wertpapierhandelsanzeigeverordnung*). The notice may be submitted either in German or English, in hard copy or via fax. Irrespective of the event triggering the notification, the notice must include (i) the number and proportion of voting rights, (ii) the number and proportion of instruments, and (iii) the aggregate number and proportion of voting rights and instruments held by, or attributed to, the notifying person or entity. In addition, the notice must include certain attribution details (e.g. the first name, surname and date of birth of the notifying individual or the legal name, seat and state of a notifying entity, the event triggering the notification, the date on which the threshold was reached or crossed and whether voting rights or instruments are attributed).

As a German domestic issuer, the Company is required to publish such notices without undue delay, but no later than three trading days after receipt, via media outlets or outlets where it can be assumed that the

notice will be disseminated in the entire European Union and in all EEA member states. Under certain circumstances, such publications may be made in English only. The Company is also required to notify BaFin of these publications, specifying the time of publication and the media used, and to transmit them to the German Company Register (*Unternehmensregister*).

19.11.4 Consequences of Violations of Notification Requirements

If a shareholder fails to file a notice or provides false information with regard to shareholdings, pursuant to sections 33 and 34 of the WpHG, the rights attached to shares held by or attributed to such shareholder do not exist for as long as the notification requirements are not fulfilled or not fulfilled appropriately. This temporary nullification of rights applies, in particular, to dividend, voting and subscription rights. However, it does not apply to entitlements to dividend and liquidation gains if the notifications were not omitted willfully and have since been submitted. If the shareholder willfully or grossly negligently fails to disclose the correct proportion of voting rights held, the rights attached to shares held by or attributed to such shareholder cease to exist for a period of six months after such shareholder has correctly filed the necessary notification, except if the variation was less than 10% of the actual voting right proportion and no notification with respect to reaching, exceeding or falling below the aforementioned thresholds, including the 3% threshold, was omitted. The same rules apply to shares held by a shareholder if such shareholder fails to file a notice or provides false information with regard to holdings in instruments or aggregate holdings in shares and instruments pursuant to sections 38 para. 1 and 39 para. 1 of the WpHG. In addition, a fine may be imposed for failure to comply with notification obligations.

19.11.5 Special Notification Requirements for more than 10% of the Voting Rights

Pursuant to section 43 WpHG, a shareholder who reaches or exceeds the threshold of 10% of the voting rights of the Company, or a higher threshold, is required to notify the Company (which has to publish such information) within 20 trading days regarding the objective being pursued through the acquisition of such voting rights, as well as regarding the source of funds used for the purchase. Afterwards, changes in those objectives must also be reported within 20 trading days. The Articles of Association have not made use of the option to release shareholders from this disclosure obligation. In calculating whether the 10% threshold has been reached, the aforementioned attribution rules apply.

19.12 Mandatory Offers

Pursuant to the WpÜG, every person whose share of voting rights reaches or exceeds 30% of the voting rights of the Company is required to publish this fact, including the percentage of its voting rights, within seven calendar days. Such publication must be furnished on the internet and by means of an electronically operated system for disseminating financial information, unless an exemption has been granted by the BaFin. If no exemption has been granted, this publication has to be made within seven calendar days and include the total amount of voting rights held by and attributed to such person and, subsequently, such person is further required to submit a mandatory public tender offer to all holders of shares in the Company. The WpÜG contains a series of provisions intended to ensure the attribution of shareholdings to the person who actually controls the voting rights attached to such shares. If the relevant shareholder fails to give notice of reaching or exceeding the 30% threshold or fails to submit the mandatory tender offer, such shareholder is barred from exercising the rights associated with these shares (including voting rights and, in case of willful failure to send the notice and failure to subsequently send the notice in a timely manner, the right to dividends) for the duration of the delinquency. A fine may also be imposed in such cases.

19.13 Transactions Undertaken for the Account of a Person with Management Duties

A person discharging managerial responsibilities within the meaning of Article 3 para. 1 No. 25 MAR (i.e. in particular the members of the Management Board and the Supervisory Board) must notify the Company and BaFin of transactions undertaken for their own account relating to the Company's shares, debt instruments, or in related financial instruments (subject to a EUR 5,000.00 *de minimis* exception per calendar year for all such transactions). This also applies to persons or entities closely associated with a person discharging managerial responsibilities within the meaning of Article 3 para. 1 No. 26 MAR. Such notifications shall be made promptly and no later than three business days after the date of the relevant transaction. The Company shall ensure that such notifications are made public promptly and no later than three business days after the relevant transaction.

19.14 EU Short Selling Regulation (Ban on Naked Short-Selling)

Pursuant to Regulation (EU) No. 236/2012 of the European Parliament and of the Council of March 14, 2012 on short-selling and certain aspects of credit default swaps (the "**EU Short Selling Regulation**"), the European Commission's delegated regulation for the purposes of detailing the EU Short Selling Regulation,

and the German EU Short Selling Implementation Act (*EU-Leerverkaufs-Ausführungsgesetz*) of November 15, 2012, the short-selling of the Company's shares is only permitted under certain conditions. Additionally, under the provisions of the EU Short Selling Regulation, significant net-short selling positions in the Company's shares must be reported to BaFin and published if they exceed a specific percentage. The reporting and publication process is detailed in the German Regulation on Net-Short Positions (*Netto-Leerverkaufspositionsverordnung*) of December 17, 2012. The net short-selling positions are calculated by offsetting the short positions of a natural person or legal entity in the Company's shares with its long positions in such shares. The details are regulated in the EU Short Selling Regulation and the other regulations the European Commission enacted on short-selling. In certain situations described in the EU Short Selling Regulation, BaFin may restrict short-selling and comparable transactions.

20 COMPARATIVE OVERVIEW OF SHAREHOLDER RIGHTS UNDER SWEDISH LAW AND EUROPEAN AS WELL AS GERMAN LAW APPLICABLE TO THE COMPANY

20.1 Background

As regards Sweden, the below comparative overview is based, unless otherwise stated, on the minority shareholders' rights under the Swedish Companies Act (Sw. *aktiebolagslagen*) in respect of a Swedish limited liability company (Sw. *aktiebolag*) listed on the main market of Nasdaq Stockholm and Swedish corporate governance principles.

As TRATON SE is a European company (*Societas Europaea (SE)*) having its registered seat in the Federal Republic of Germany, whose shares are intended to be admitted to trading on the regulated market (*regulierter Markt*) at the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and to the sub-segment of the regulated market with additional post-admission obligations (*Prime Standard*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Swedish rules set forth in this comparison will not apply to the Company or its shareholders, in spite of the intended admission of the Company's shares to trading also on the regulated market (*reglerad marknad*) of Nasdaq Stockholm.

The Company is subject to European legislation on SEs, especially to the Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European company (SE), as amended from time to time. If any matter is not covered or only partially covered by the SE Regulation, the provisions of the national law where the SE is registered, and which apply to public limited liability companies, are applicable to the SE. Having its registered seat in the Federal Republic of Germany, TRATON SE is governed by the laws of the Federal Republic of Germany, subject to the provisions of the SE Regulation. Thus, the German Stock Corporation Act (*Aktiengesetz*) as well as other provisions of law applicable to German stock corporations (particularly the German Transformation Act (*Umwandlungsgesetz*), the German Commercial Code (*Handelsgesetzbuch*), the German Securities Trading Act (*Wertpapierhandelsgesetz*), the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), the German SE Implementation Act (*SE-Ausführungsgesetz*) and the German SE Co-determination Act (*SE Beteiligungsgesetz*)) apply in addition and subject to the provisions of the SE Regulation.

Therefore, this comparison is based, unless otherwise set forth below, on the minority shareholders' rights that follow from the German Stock Corporation Act (*Aktiengesetz*) as well as other provisions of law applicable to German stock corporations, both subject to the provisions of the SE Regulation.

The below summary shall, however, not be relied upon as an exhaustive list or a complete description of the relevant provisions governing shareholder rights under Swedish law and European as well as German law.

20.2 Minority Shareholders' Rights Under Swedish and German Law

20.2.1 Swedish law (not applicable to the Company)

20.2.1.1 General restrictions on the right of decision-making

Under Swedish law, the shareholders' meeting, the board of directors and the managing director of the company may not adopt any resolutions or undertake any other measures which would give an undue advantage to a shareholder or other person to the disadvantage of the company or another shareholder. In addition, neither the shareholders' meeting, the board of directors nor the managing director of the company may undertake measures which contravene the company's object of business as stated in the articles of incorporation or the obligation to pursue a profit.

20.2.1.2 Shareholders initiatives

Shareholders are entitled to have a matter brought before the shareholders' meeting. Shareholders who wish to have a matter brought before the shareholders' meeting must submit a written request to the board of directors. Such request must normally be received by the board of directors no later than seven (7) weeks prior to the shareholders' meeting.

20.2.1.3 Right to request information

At the shareholders' meeting, any shareholder has the right to request information from the board of directors and the managing director that may impact (i) the assessment of a matter that is on the agenda of the shareholders' meeting, or (ii) the assessment of the company's financial situation. Should a company be included in a group, the duty to provide information also applies to the company's relationship to other group companies. Where the company is a parent company, the duty to provide information also applies to the group accounts and other circumstances regarding its subsidiaries.

In public limited liability companies, information in respect of (ii) above may only be requested at the shareholders' meeting where the annual report or, if applicable, group annual report is considered.

Information requests may be refused if it could cause material damage to the company to provide such information.

20.2.2 European and German law applicable to the Company

20.2.2.1 General restrictions on the right of decision-making

Under applicable European and German law, as a matter of principle, the shareholders of the Company are to be treated equally under the same conditions. Accordingly, a shareholder may challenge any resolution of the shareholders' meeting which gives rise to unjustified unequal treatment of shareholders. In addition, when carrying out their offices as board members, all Management Board and all Supervisory Board members are required to act in the best interest of the Company, thereby also taking into consideration the shareholders' rights to equal treatment and equal access to information.

20.2.2.2 Shareholder initiatives

According to applicable law, shareholders have certain initiative rights. Accordingly, one or more shareholders whose shares together amount to at least one twentieth (1/20) of the share capital may demand that a shareholders' meeting of the Company be convened. Furthermore, one or more shareholders whose shares together amount to at least one twentieth (1/20) of the share capital or represent a *pro rata* amount of EUR 500,000 may request that additional items be included in the agenda of a shareholders' meeting, such request to be received by the Company at the latest thirty (30) days prior to the shareholders' meeting.

20.2.2.3 Right to request information

At the shareholders' meeting, any shareholder has the right to request information from the Management Board concerning matters pertaining to the Company to the extent such information is required to assess the items on the agenda of the shareholders' meeting. The obligation to provide information also includes information on the legal and business relations of the Company with affiliated companies. The request for information may be refused in certain cases as stipulated in the German Stock Corporation Act (*Aktiengesetz*), in particular, if the disclosure of information is suited to cause a greater than insignificant disadvantage to the Company or its affiliated companies.

20.3 Shareholders' Meeting

20.3.1 Swedish law (not applicable to the Company)

According to the Swedish Companies Act, the shareholders' meeting is a company's ultimate decision-making body. Under Swedish law, an annual shareholders' meeting must be held within six (6) months of the expiry of each financial year. At the annual shareholders' meeting the shareholders exercise their voting rights in key issues, such as adoption of the income statement and the balance sheet, appropriation of the company's results, including declaration of dividends, discharge from liability for the board of directors and the managing director, election of members of the board of directors and auditors, as well as resolutions on guidelines for remuneration to management.

Notice of annual shareholders' meeting, and of an extraordinary shareholders' meeting convened for resolving on an amendment of the articles of incorporation, is required to be given no earlier than six (6) weeks and no later than four (4) weeks prior to the shareholders' meeting. Notice of other extraordinary shareholders' meetings, where an amendment of the articles of incorporation shall not be resolved upon, is required to be given no earlier than six (6) weeks and no later than three (3) weeks prior to the shareholders' meeting. Shareholders who wish to participate in the shareholders' meetings shall be registered in the shareholders' register on the record date five (5) weekdays prior to the shareholders' meeting and in connection therewith also notify the company of their intention to attend the meeting no later than the day stated in the notice convening the meeting. Notice of a shareholders' meeting must be given in accordance with the articles of incorporation, which must include an advertisement in the Swedish Official Gazette (Sw. *Post- och Inrikes Tidningar*), and the notice must also be published on the company's website. A notice that a shareholders' meeting has been convened must also be published in a daily newspaper with national coverage, as specified in the articles of incorporation. Upon the request of the company's auditor, or upon the written request of shareholders holding at least one tenth (1/10) of the shares in the company, the board of directors is obligated to convene a shareholders' meeting. The board of directors may also convene a shareholders' meeting at its own initiative. The notice shall include an agenda listing each item that will be considered at the meeting. Pursuant to the Swedish Corporate Governance

Code, a company shall, as soon as the time and venue of a shareholders' meeting have been decided, and, in respect of an annual shareholders' meeting, no later than in conjunction with the third quarterly report, post such information on the company's website.

Moreover, the Swedish Corporate Governance Code stipulates that the chairperson of the board of directors together with a quorum of directors, as well as the chief executive officer, shall attend shareholders' meetings. The chairperson of the shareholders' meeting shall be nominated by the nomination committee and elected at the shareholders' meeting. The minutes of a shareholders' meeting shall be available on the company's website no later than two (2) weeks after the meeting.

At a shareholders' meeting, a shareholder may vote for the full number of shares held unless otherwise stated in the articles of incorporation. When, pursuant to the Swedish Companies Act or the articles of incorporation, approval by the owners of a certain percentage of the shares is required for a particular resolution (certain majority requirements), shares held by the company or by a subsidiary of the company (also known as treasury shares) are not to be included in the voting.

20.3.2 European and German law applicable to the Company

According to applicable law, the annual shareholders' meeting of the Company must take place within the first six (6) months of each fiscal year. The annual shareholders' meeting must be held either at the registered seat of the Company, at the place of a German stock exchange, at a place within a radius of 50 km from the Company's seat or in any German city having more than 100,000 inhabitants. Except where other persons are authorized to do so by law and by the Articles of Association, the shareholders' meeting shall be convened by the Management Board.

The shareholders' meeting is to be convened at least thirty (30) days prior to the date of the shareholders' meeting. The invitation convening the shareholders' meeting is to be published in the German Federal Gazette (*Bundesanzeiger*), on the Company's website and by means of dissemination in the entire European Union and must provide the agenda of the shareholders' meeting.

Pursuant to the Articles of Association, all shareholders who have duly submitted notification of attendance and evidence of shareholding are entitled to participate in the shareholders' meeting and to exercise their voting rights. The registration for participation must be received by the Company by the end of the sixth (6) day prior to the date of the shareholders' meeting, unless a shorter period of time was set forth in the convening notice of the shareholders' meeting. The evidence of the shareholding is to be submitted in the form of proof prepared by a depository institution in German or English in text form. It must refer to the start of the twenty-first (21) day prior to the shareholders' meeting and be received by the Company at least six days prior to the shareholders' meeting, unless a shorter period of time was set forth in the convening notice of the shareholders' meeting. The granting of a proxy, its revocation and the evidence of authority to be provided to the Company must be in text form unless the convening notice provides for a less strict form.

The shareholders' meeting is chaired by the chairperson of the Supervisory Board or by another member of the Supervisory Board determined by its chairperson. In the event that neither are present, the chairperson of the shareholders' meeting is to be elected by the members of the Supervisory Board present. If the Supervisory Board does not exercise this right, the chairperson of the shareholders' meeting will be elected by the general meeting itself. The chairperson of the shareholders' meeting may decide that topics on the agenda be dealt with in a sequence that differs from the notified sequence. They may determine type, form and sequence of voting. They are entitled to reasonably limit the shareholders' right to speak and ask questions in time.

Resolutions of the shareholders' meeting are passed with a simple majority of the votes cast, unless a higher majority is required by mandatory law or by the Articles of Association. Unless this conflicts with mandatory law, changes to the Articles of Association require a majority of two-thirds (2/3) of the votes cast or, if at least one-half (1/2) of the share capital is represented, the simple majority of the votes cast. Many resolutions of fundamental importance (*grundlegende Bedeutung*) require both a majority of votes cast and a majority of at least 75% of the registered share capital represented at the vote on the resolution. Such resolutions of fundamental importance include, among others, (i) capital increases and reductions, (ii) issuance of, or authorization to issue, convertible and profit-sharing certificates and other profit-sharing rights, (iii) exclusion of subscription rights as part of an authorization on the use of treasury stock, (iv) liquidation of the Company and (v) approval to conclude, amend or terminate affiliation agreements (*Unternehmensverträge*).

At a shareholders' meeting, a shareholder may vote for the full number of shares held. Once the respective shares have been acquired in compliance with the applicable legal provisions, and subject to ongoing compliance with such applicable legal provisions, including for example merger control and foreign

investment regulations, neither the law applicable to the Company nor the Articles of Association limit the right of foreign shareholders or shareholders not domiciled in Germany to hold shares or exercise the voting rights associated therewith.

20.4 Board Structure and Appointment and Removal of its Members

20.4.1 Swedish law (not applicable to the Company)

The board of directors is the second highest decision-making body after the shareholders' meeting. According to the Swedish Companies Act, the board of directors is responsible for the organization of a company and the management of the company's affairs, which means that the board of directors is responsible for, among other things, setting targets and strategies, securing routines and systems for evaluation of set targets, continuously assessing the financial condition and profits as well as evaluating the operating management. The board of directors is also responsible for ensuring that annual reports and interim reports are prepared in a timely manner. Moreover, the board of directors appoints the managing director.

The members of the board of directors are elected by the shareholders' meeting, except employee representatives, which are board members appointed by the trade unions. Members of the board of directors are typically appointed at an annual shareholders' meeting for a period up until the end of the next annual shareholders' meeting. In respect of elections, the person who receives the most votes shall be deemed to have been elected and, formally, a vote is made for each of the nominated directors. Re-election of a board member is possible and also very common in Sweden.

The shareholders' meeting has the power to, at any time, remove the board members elected by it, i.e. also before expiration of the ordinary term of office. Each board member also has the right to, at any time, resign at its own request.

20.4.2 European and German law applicable to the Company

The Company has a two-tier governance structure comprising of the Management Board and the Supervisory Board. Each member of the Management Board and Supervisory Board owes a duty of loyalty, duty of legality and duty of care to the Company. Members of these bodies must consider in their decision-making a broad spectrum of interests, particularly those of the Company and its shareholders, employees and creditors.

20.4.2.1 Management Board

The Management Board is responsible for managing the Company in accordance with applicable law, the Articles of Association and the rules of procedure for the Management Board, including the schedule of responsibilities (*Geschäftsverteilungsplan*), taking into account the resolutions of the shareholders' meeting. The members of the Management Board represent the Company in dealings with third parties.

Under the Articles of Association, the Management Board consists of at least two (2) members. The Supervisory Board determines the exact number of the members of the Management Board. The Supervisory Board appoints members of the Management Board for a maximum term of five (5) years. The Supervisory Board may appoint a member of the Management Board to act as chairperson of the Management Board and another member as deputy chairperson. Reappointment or extension of the term of members of the Management Board, each for a maximum period of up to five (5) years, is permissible. The Supervisory Board may revoke the appointment of a member of the Management Board prior to the expiration of the member's term for good cause.

20.4.2.2 Supervisory Board

The Supervisory Board advises and supervises the Management Board's administration of the Company, but is not itself authorized to manage the Company. The Articles of Association of the Company and the Supervisory Board have, however, designated types of transactions that require the approval of the Supervisory Board.

The Supervisory Board comprises twenty (20) members, of which ten (10) members are elected by the Company's shareholders' meeting and represent the shareholders and ten (10) members are appointed in accordance with the provisions of an employee participation agreement concluded in accordance with the German SE Co-determination Act (*SE Beteiligungsgesetz*) and represent the employees. Re-election of the Supervisory Board members is possible. Supervisory Board members elected by the shareholders' meeting may be removed from office by a resolution of the shareholders' meeting if such resolution is approved by at least 75% of the votes cast.

Resolutions of the Supervisory Board are passed, unless otherwise provided by mandatory law, by a simple majority of the votes cast. For purposes of passing a resolution, abstentions do not count as votes cast. If a vote in the Supervisory Board results in a tie, the chairperson, who must be a shareholder representative, has the deciding vote.

20.5 Dividends and Unlawful Value Transfer

20.5.1 Swedish law (not applicable to the Company)

Under the Swedish Companies Act, only a shareholders' meeting may authorize the payment of dividends. A resolution to pay dividends may, with some exceptions, not exceed the amount recommended by the board of directors. Dividends may only be paid if, after the payment of the dividend, there is sufficient coverage for the company's restricted equity (calculated based on the most recently adopted balance sheet and taking into consideration changes in restricted shareholders' equity which have occurred subsequent to the balance sheet date) and the payment of dividends are justified, taking into consideration the equity required for the type of operations and risks associated with the operations, the company's need for consolidation and liquidity as well as the company's financial position in general. Each person who is listed as a shareholder in the printout of the entire share register as of the record date for the dividend (usually the second business day following the shareholders' meeting) will be entitled to receive the dividend distribution. Dividends are normally distributed to the shareholders through Euroclear Sweden.

If a value transfer has taken place in violation of the provisions of the Swedish Companies Act, the recipient is obligated to return what he or she has received, if the company can prove that he or she knew or should have realized that the value transfer was in violation of the Swedish Companies Act.

If a value transfer has been made in violation with the Swedish Companies Act, the persons who participated in the resolution will be liable for the shortage if all funds cannot be returned to the company. Such liability requires intent or negligence on the part of a board member, managing director, auditor, general examiner or special examiner and, with respect to a shareholder or other party, intent or gross negligence.

20.5.2 European and German law applicable to the Company

Under applicable law, the distribution of dividends for any given fiscal year, and the amount and payment date thereof, are generally resolved by the Company's annual shareholders' meeting with a simple majority of votes cast, based upon either a joint proposal by the Management Board and the Supervisory Board or upon the Management Board's or the Supervisory Board's proposal. The shareholders are not bound by such proposals, however, dividends may only be distributed from distributable profits of the Company which are calculated based on the Company's unconsolidated financial statements prepared in accordance with German generally accepted accounting principles of the German Commercial Code (*Handelsgesetzbuch*).

The shareholders' share of dividends is determined based on their respective interests in the Company's share capital. Dividends will be paid out in accordance with the rules of the respective clearing system on the third business day following the relevant shareholders' meeting. Since all of the Company's dividend entitlements will be evidenced by one or more global share certificates deposited with Clearstream, Clearstream will transfer the dividends to the shareholders' custodian banks for crediting to their accounts. German custodian banks are under an obligation to distribute these funds to their customers. Shareholders using a custodian bank located outside Germany must inquire at their respective bank about the terms and conditions applicable in their case.

According to applicable law, contributions to the Company's share capital may, in principle, not be re-distributed to the shareholders other than by means of dividend payment. The shareholders are obligated to return to the Company any performance they may have received from it in contravention of the aforementioned prohibition.

20.6 Preferential Rights in Relation to Share Issues

20.6.1 Swedish law (not applicable to the Company)

Under Swedish law, shareholders must approve of each issue of shares, or, as the case may be, authorize the board of directors to resolve on such an issue. Generally, existing shareholders have preferential rights to subscribe for new shares, convertibles and warrants (to subscribe for new shares), *pro rata* to their current shareholdings. Resolutions to issue new shares, convertibles or warrants, where the existing shareholders shall have preferential rights to the new shares, are adopted at a shareholders' meeting by simple majority (unless the articles of incorporation need to be amended in order to allow for the issue). The same applies to resolutions concerning an issue in kind.

A resolution approving or authorizing an issue with deviation from the preferential right for existing shareholders requires a majority of at least two thirds (2/3) of the votes cast and of the shares represented at the shareholders' meeting, and, in addition, that there are valid reasons for such deviation. If the shareholders are not to be given preferential rights and the issue is directed to (i) members of the board of directors, (ii) the managing director, (iii) employees of the company, or (iv) an individual or a legal person who is closely related to the aforementioned categories, the resolution approving the issue is subject to additional restrictions, requiring a majority of at least nine tenths (9/10) of the vote cast and of the shares represented at the shareholders' meeting. Further, such resolutions may not be adopted by the board of directors through the exercise of an authorization from the shareholders' meeting.

20.6.2 European and German law applicable to the Company

According to the Articles of Association, the share capital of the Company may be increased by a resolution adopted at the shareholders' meeting with a simple majority of the votes cast (*Stimmenmehrheit*) and the share capital represented (*Kapitalmehrheit*) when the resolution is passed. Apart from that, with respect to the simple majority of the votes cast (*Stimmenmehrheit*), a two-third (2/3) majority is required, if less than 50% of the share capital is represented at the respective vote. With regard to the share capital represented (*Kapitalmehrheit*), a 75% majority is required, if preferred shares are issued in connection with the capital increase.

In principle, shareholders have preferential subscription rights for new shares of the Company issued in a capital increase equivalent to their current shareholdings. The same applies to convertible bonds, bonds with warrants, profit participation rights and participating bonds. The Company's shareholders' meeting may resolve to exclude shareholders' subscription rights with a majority of 75% or more of the share capital represented at the vote. Exclusion of shareholders' subscription rights, wholly or in part, also requires a report from the Management Board to the shareholders' meeting that justifies the exclusion and demonstrates that the Company's interest in excluding subscription rights outweighs the interests of the shareholders to be granted subscription rights. An exclusion of shareholders' subscription rights is, in particular, permissible if (i) the Company increases its share capital against cash contributions, (ii) the amount of the capital increase of the issued shares with no subscription rights does not exceed 10% of the share capital at issue, both at the time when the authorization takes effect and at the time when it is authorized; and (iii) the price at which the new shares are being issued is not significantly lower than the stock exchange price of the Company's shares.

20.7 Distribution of Assets on Liquidation

20.7.1 Swedish law (not applicable to the Company)

Under the Swedish Companies Act, all shares carry equal rights in liquidation unless the articles of incorporation provide special rights to preferential rights.

20.7.2 European and German law applicable to the Company

Under applicable law, in the event of the Company's liquidation, any assets remaining following settlement of the Company's liabilities shall be distributed among the Company's shareholders in proportion to their shareholdings.

20.8 Assertion of Claims and Request for a Special Audit

20.8.1 Swedish law (not applicable to the Company)

Under the Swedish Companies Act, claims against the board of directors or the managing director regarding damages to the company may be brought where a majority or a minority consisting of owners of at least one tenth (1/10) of all shares in the company have, at a general shareholders' meeting, supported a resolution to bring such claim in damages or, with respect to a member of the board of directors or the managing director, have voted against a resolution regarding discharge from liability. In addition, owners of not less than one tenth (1/10) of all shares in the company may, in their own name, commence an action regarding damages to the company.

The Swedish Companies Act provides that minority shareholders, holding at least one tenth (1/10) of all shares in the company or representing at least one third (1/3) of the shares at a shareholders' meeting, have a right to request that the Swedish Companies Registration Office (Sw. *Bolagsverket*) appoints a minority auditor that shall participate in the audit together with the company's auditor (Sw. *minoritetsrevisor*). Minority shareholders may also request the appointment of a special examiner (Sw. *särskild granskare*) for examination of certain past events or circumstances in the company.

20.8.2 European and German law applicable to the Company

According to applicable law, in general, only the Company has the right to enforce claims for damages against the members of the Management Board or Supervisory Board. However, the Company must assert its claims for damages against the members of the Management Board or Supervisory Board if a resolution to this effect is passed by the shareholders' meeting with a simple majority vote. The shareholders' meeting may also appoint a special representative (*besonderer Vertreter*) to assert the claims. Such a special representative may as well be appointed by the court upon a request by shareholders whose shares together amount to not less than one tenth (1/10) of the share capital or represent a *pro rata* amount of EUR 1,000,000.

In addition, the shareholders' meeting may appoint a special auditor (*Sonderprüfer*) to audit transactions, particularly management transactions, by a simple majority vote. If the shareholders' meeting rejects a motion to appoint a special auditor, the court must appoint a special auditor upon the request of shareholders whose shares together amount to not less than one hundredth (1/100) of the share capital at the time the request is filed or represent a *pro rata* amount of EUR 100,000 if facts exist that justify the suspicion that the behavior in question constituted dishonesty or gross violations of the law or the Articles of Association.

20.9 Mandatory Redemption of Shares (Squeeze-Out Procedures)

20.9.1 Swedish law (not applicable to the Company)

The Swedish Companies Act provides that if a shareholder holds more than 90% of the shares of a Swedish limited liability company, such majority shareholder is entitled to acquire the remaining outstanding shares through a compulsory redemption procedure (so-called squeeze-out procedure) and the minority shareholders have a corresponding right to have their shares redeemed by the majority shareholder (this applies also to warrants and convertibles held by the minority). Unless the majority shareholder and the minority shareholders agree on the price to be paid for the minority shares, an arbitration tribunal will determine a fair price payable in cash for the minority shares.

20.9.2 European and German law applicable to the Company

Applicable law provides for the following three compulsory redemption procedures (so-called squeeze-out procedures):

The so-called "squeeze-out under stock corporation law" provides that upon request of a shareholder holding 95% or more of the Company's share capital, the Company's shareholders' meeting may resolve to transfer the shares of minority shareholders to such majority shareholder against payment of adequate compensation in cash. The amount of the cash compensation is based on the full value of the Company. Minority shareholders are entitled to file for an appraisal proceeding (*Spruchverfahren*), wherein the court will review the appropriateness (*Angemessenheit*) of the cash compensation.

In addition, under the so-called "squeeze-out under takeover law" an offeror holding at least 95% of the voting share capital of the Company following a voluntary or mandatory takeover offer may, within three (3) months of the expiry of the deadline for acceptance of the offer, request the court to order the transfer of the remaining voting shares to such offer or against payment of adequate compensation. The consideration paid in connection with the voluntary or mandatory takeover offer is considered adequate if the offeror has obtained at least 90% of the share capital that was subject to the offer. The nature of the compensation must be the same as the consideration paid under the takeover bid or mandatory offer, while at all times a cash compensation must also be offered.

Finally, under the German Transformation Act (*Umwandlungsgesetz*) a majority shareholder holding at least 90% of the Company's share capital may require the Company's shareholders' meeting to resolve to transfer the shares of the minority shareholders to such majority shareholder against payment of adequate compensation in cash, provided that (i) the majority shareholder is a stock corporation (*Aktiengesellschaft (AG)*), a partnership limited by shares (*Kommanditgesellschaft auf Aktien (KGaA)*) or a European company (*Societas Europaea (SE)*) having its registered office in Germany, and (ii) the squeeze-out is performed to facilitate a merger under the German Transformation Act (*Umwandlungsgesetz*) between the majority shareholder and the Company. The procedure for a squeeze-out is essentially identical to the "squeeze-out under stock corporation law" described above, including the minority shareholders' right to judicial review of the appropriateness of the cash compensation.

20.10 Public Takeovers and Other Similar Transactions

20.10.1 Swedish law (not applicable to the Company)

20.10.1.1 Public takeovers

The Swedish Takeover Act (Sw. *lag om offentliga uppköpserbjudanden på aktiemarknaden*), the Swedish Financial Instruments Trading Act (Sw. *lag om handel med finansiella instrument*) and the Takeover Rules issued by Nasdaq Stockholm will, as a general rule, govern a public offer by an offeror for all shares in a company listed on Nasdaq Stockholm. The Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*) supervises that a company complies with the Takeover Act, and the Swedish Securities Council (Sw. *Aktiemarknadsnämnden*) may grant exemptions in respect of certain provisions of the Takeover Act. The Swedish Securities Council also interprets the Takeover Rules.

In order for an effort to be allowed to make a public offer, the offeror must undertake towards Nasdaq Stockholm to comply with (i) the Takeover Rules, and (ii) the Swedish Securities Council's rulings concerning the interpretation and application of the Takeover Rules. The offeror must also submit to any sanctions imposed by Nasdaq Stockholm upon breach thereof. Such undertaking must be made prior to the announcement of an offer. The Takeover Rules contain detailed provisions of the takeover process and the rules are mainly based on principles derived from the Takeover Directive. These principles stipulate, among others, that all holders of the same class of securities in a target company must receive equal treatment; if a person has acquired control of a company, the other holders of securities must be protected (see also the description of the mandatory public offers below); that holders of securities in a target company must be given sufficient time and information to make a well-informed decision of the offer; and that the board of directors of the target company must take into account the interests of all holders in the target company and that it may not deprive holders of securities of an opportunity to make a decision on the offer. Further, if the board of directors or the managing director has reason to believe that a bid is imminent (based on information originating from a party who intends to make a public offer) or where such a bid has already been made, the board of directors of the target company is prohibited from taking measures, without the approval of shareholders, which could impair the conditions for making or implementing the offer (so-called defensive measures or frustrating action). The prohibition does not prevent the board of directors from seeking alternative, competing, offers. The mandatory bid rule and the prohibition on defensive measures under the Swedish Takeover Act are, however, only applicable to Swedish companies.

20.10.1.2 Mandatory public offers

The Swedish Takeover Act stipulates that if a person with less than 30% of the votes for all shares in a Swedish company acquires shares and thereby reaches or exceeds 30% of the votes in the company, such shareholder is obligated to, within four (4) weeks, either (i) sell a sufficient amount of shares so that its shareholdings fall below 30% of the votes in the company, or (ii) make a public offer for all remaining shares of the company (a so-called mandatory bid). In addition, such shareholder shall also immediately make public the extent of his or her shareholding in the company. Pursuant to the Takeover Rules issued by Nasdaq Stockholm, a mandatory bid can be made conditional only on regulatory approvals, and the consideration in a mandatory bid must be cash or include an all-cash alternative.

20.10.2 European and German law applicable to the Company

20.10.2.1 Public takeovers

The German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) and several regulations issued thereunder primarily govern public takeover offers regarding shares in companies listed in Germany. In addition, the German Securities Trading Act (*Wertpapierhandelsgesetz*), the EU Market Abuse Regulation (*Marktmissbrauchsverordnung*) and the German Stock Corporation Act (*Aktiengesetz*) are particularly relevant for public takeovers in Germany. Competent authority for the supervision of such public takeover offers is the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

The German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) contains detailed provisions on the takeover process, whereas, among others, in case of a voluntary takeover offer regarding shares in the Company, the bidder is required to prepare an offer document and submit the offer document to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) for approval. The offer document has to contain all information necessary to enable the shareholders of the Company to make an informed decision on the takeover offer and must set an acceptance period in between four (4) and ten (10) weeks. Voluntary takeover offers can – in principle – be made subject to conditions the fulfilment of which cannot exclusively be effected by the bidder and can provide either cash, or listed shares (exchange offer) or a mix of both as offer consideration.

The Management Board and the Supervisory Board are under applicable law required to act in the best interest of the Company. In addition, the Management Board has a so-called "neutrality obligation" and must – in principle – not take any actions or measures after publication of the bidder's decision to make a voluntary takeover offer, which could prevent the success of such offer. The Management Board remains, however, entitled to, among others, (i) search for a competing bidder, or (ii) take actions which have been approved by the Supervisory Board or the Company's shareholders' meeting.

20.10.2.2 Mandatory public offers

Pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), every person whose share of voting rights reaches or exceeds 30% of the voting rights in the Company is required to (i) publish this fact, including the percentage of its voting rights, and (ii) make a mandatory takeover offer to all other shareholders of the Company, unless the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) grants an exemption from this obligation. In principle, the mandatory takeover offer must not be subject to offer conditions apart from required merger control clearances and other regulatory approvals and can provide the same types of offer consideration as a voluntary takeover offer.

20.11 Statutory Mergers

20.11.1 Swedish law (not applicable to the Company)

The Swedish Companies Act requires the board of directors of the merging Swedish company to adopt a merger plan before a merger can be approved at a shareholders' meeting. The Swedish Companies Act further provides that, as a general rule, the merger plan must be approved by a majority of two-thirds (2/3) of the votes cast and the shares represented at the shareholders' meeting of the transferor company. Holders of at least 5% of the shares of the transferee company are entitled to demand that the plan shall also be submitted to the shareholders' meeting of the transferee company. If there are different classes of shares issued in the company, the above-mentioned majority rules apply within each class of shares represented at the shareholders' meeting. In connection with a statutory merger, the merger consideration to the shareholders of the transferor company may be composed of shares in the transferee company or cash. However, more than half of the total value of the consideration must be composed of share consideration.

When a Swedish public limited liability company is merged into a Swedish private limited liability company, the approval of the merger plan requires the vote of all the shareholders represented at the shareholders' meeting (in the transferor company) holding at least nine tenths (9/10) of all the shares of the company. The same applies if the transferor company is a public company with its shares listed on a regulated market or a corresponding market outside the EEA and the merger consideration is to be paid in shares which, at the time when the merger consideration should be paid, are not admitted to trading on such a marketplace. In connection with a resolution to approve the merger plan for a transferor company, shares held by the transferee company or by a company within the same group as the transferee company shall not be regarded.

The Takeover Rules issued by Nasdaq Stockholm provide that, in most respects, the Takeover Rules apply *mutatis mutandis* to mergers and similar procedures (see also Section 20.10.1 above).

20.11.2 European and German law applicable to the Company

According to the German Transformation Act (*Umwandlungsgesetz*), the Company can enter into a merger agreement with one or more companies to merge into a (new or existing) company. Under such merger, the assets and liabilities of all transferring companies are transferred into the absorbing company as a whole by way of universal succession (*Gesamtrechtsnachfolge*) with the transferring companies being simultaneously dissolved without being wound-up. In return, the shareholders of the transferring companies each receive newly issued shares in the absorbing company in accordance with the share exchange ratio (*Umtauschverhältnis*) set forth in the merger agreement.

The merger agreement, in particular the share exchange ratio (*Umtauschverhältnis*) set forth therein, must be explained in detail by the management boards of the merging companies either in individual merger reports or in a joint merger report. In addition, the merger agreement must be audited by individual merger auditors or a joint merger auditor appointed by the court. Finally, the merger agreement needs to be approved by the shareholders' meeting of each merging company – the approval of the Company's shareholders' meeting requiring a majority of three-quarters (3/4) of the share capital represented at the shareholders' meeting – and filed with the commercial registers of each merging company. The merger becomes effective with registration into the commercial registers. Minority shareholders may claim in appraisal proceedings (*Spruchverfahren*) that the exchange ratio was inadequate, which, however, would not delay the effectiveness of the merger.

21 MANAGEMENT, COMPENSATION AND CORPORATE BODIES

21.1 Overview

The Company's governing bodies are the Management Board (*Vorstand*), the Supervisory Board (*Aufsichtsrat*) and the shareholders' meeting (*Hauptversammlung*). The Company has a two-tier management and control system, consisting of the Management Board and the Supervisory Board. The powers and responsibilities of these governing bodies are determined by the SE Regulation, the German SE-Implementing Act (*SE-Ausführungsgesetz*), the German Stock Corporation Act (*Aktiengesetz*), the German Corporate Governance Code, the Articles of Association (*Satzung*) and the internal rules of procedure for both the Supervisory Board (*Geschäftsordnung für den Aufsichtsrat*) and the Management Board (*Geschäftsordnung für den Vorstand*).

The Management Board is responsible for managing the Company in accordance with applicable law, the Articles of Association and the rules of procedure for the Management Board, including the schedule of responsibilities (*Geschäftsverteilungsplan*), taking into account the resolutions of the shareholders' meeting. The members of the Management Board represent the Company in dealings with third parties.

Simultaneous management and supervisory board membership in a European Company (*SE*) is not permitted under the SE Regulation. However, in exceptional cases and for an interim period, a member of the supervisory board may take a vacant seat on the management board of the same European Company (*SE*). During this period, such individual may not perform any duties for the supervisory board. Such stand-in arrangement is limited in time for a maximum period of one year if the European Company (*SE*) is domiciled in Germany.

The Supervisory Board determines the exact number of members of the Management Board. Pursuant to the Articles of Association, the Management Board consists of at least two members. The Supervisory Board also appoints the members of the Management Board and is entitled to dismiss each of them under certain circumstances. As set out in Article 40 of the SE Regulation together with the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board advises and supervises the Management Board's administration of the Company but is not itself authorized to manage the Company. The Articles of Association of the Company and the Supervisory Board have, however, designated the types of transactions that require the approval of the Supervisory Board. Matters subject to the prior consent of the Supervisory Board or of a committee of the Supervisory Board pursuant to the Articles of Association and the internal rules of procedure for the Management Board currently include, in particular:

- annual corporate planning in the context of a planning sessions concept;
- establishment and discontinuation of branches of the Company or the Company's subsidiaries to the extent the relevant branch employs more than 500 employees or is expected to employ more than 500 employees in the next three years;
- establishment and relocation of production or research and development sites of the Company or the Company's subsidiaries;
- formation and dissolution of other entities by the Company or the Company's subsidiaries to the extent the relevant entity employs more than 500 employees or is expected to employ more than 500 employees in the next three years as well as the acquisition and disposition by the Company or the Company's subsidiaries of participations in other entities to the extent the relevant entity employs more than 500 employees or the expenses associated with the acquisition exceed an amount of EUR 100 million;
- capital expenditure programs and capital expenditure of the Company and the sub-groups in addition to these capital expenditure programs to the extent they exceed an amount of EUR 10 million in each individual case;
- taking out of bonds or loans outside the ordinary course of business and exceeding an amount of EUR 50 million in each individual case;
- assumption of sureties, guarantees or similar liability as well as the granting of loans to the extent these measures are outside the ordinary course of business and exceed an amount of EUR 50 million in each individual case;
- acquisition and disposition of, and creating of encumbrances on, real property and rights equivalent to real property rights to the extent the transaction value of the individual transaction exceeds an amount of EUR 10 million in each individual case;
- composition of the management boards of MAN SE, MAN Truck & Bus SE, MAN Latin America, Scania AB and Scania CV AB as well as of future subsidiaries of similar size and importance;

- conclusion of enterprise agreements within the meaning of sections 291 et seq. of the German Stock Corporation Act (*Aktiengesetz*); and
- implementation of synergy projects which affect more than one sub-group and which have, or are expected to have within the next three years, an impact on the employment of more than 250 employees as well as the reallocation of existing and the allocation of new development leads within the Group.

In addition to the aforementioned transactions and measures, the Supervisory Board may make other types of transactions and measures subject to a requirement of its consent within the internal rules of procedure for the Management Board or for the Supervisory Board or by a resolution of its members. The Supervisory Board may also give revocable consent in advance to a certain group of transactions in general or to individual transactions that meet certain requirements.

The Management Board is also required to obtain the prior approval of the Supervisory Board to certain transactions concluded by subsidiaries of the Company to the extent explicitly provided for in the Articles of Association and if such transactions require approval of the Supervisory Board had they been taken by the Company.

Each member of the Management Board and Supervisory Board owes a duty of loyalty, duty of legality and duty of care to the Company. Members of these bodies must consider in their decision-making a broad spectrum of interests, particularly those of the Company and its shareholders, employees and creditors. In addition, the Management Board must take into consideration the shareholders' rights to equal treatment and equal access to information. If members of the Management Board or Supervisory Board breach their duties, they may be individually or jointly and severally liable with the other members of the Management Board or the Supervisory Board to the Company for compensatory damages, as the case may be.

Under German law, a shareholder generally has no right to proceed directly against members of the Management Board or Supervisory Board to assert a breach of their duties to the Company. In general, only the Company has the right to enforce claims for damages against the members of the Management Board or Supervisory Board. With respect to claims against Supervisory Board members, the Company is represented by the Management Board, and the Supervisory Board represents the Company with respect to claims against members of the Management Board. Pursuant to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), the Supervisory Board is required to assert damages claims against the Management Board if they are likely to succeed unless significant interests of the Company conflict with the pursuit of such claims and outweigh the reasons for bringing such claims. Even if they decide not to pursue a claim, the Management Board and the Supervisory Board must nevertheless assert the Company's claims for damages if a resolution to this effect is passed by the shareholders' meeting with a simple majority vote. The shareholders' meeting may also appoint a special representative (*besonderer Vertreter*) to assert the claims. Such a special representative may also be appointed by the court upon a request by shareholders whose shares together amount to not less than one tenth (1/10) of the share capital or represent a *pro rata* amount of EUR 1,000,000. In addition, the shareholders' meeting may appoint a special auditor (*Sonderprüfer*) to audit transactions, particularly management transactions, by a simple majority vote. If the shareholders' meeting rejects a motion to appoint a special auditor, the court must appoint a special auditor upon the request of shareholders whose shares together amount to not less than one hundredth (1/100) of the share capital at the time the request is filed or represent a *pro rata* amount of EUR 100,000 if facts exist that justify the suspicion that the behavior in question constituted dishonesty or gross violations of the law or the articles of association. If the shareholders' meeting appoints a special auditor, the court must appoint another special auditor upon the petition of shareholders whose shares cumulatively constitute 1% of the share capital at the time the petition is filed or constitute a *pro rata* share of EUR 100,000 if this appears necessary, in particular because the appointed special auditor is unsuited.

Shareholders and shareholder associations can solicit other shareholders to file a petition, jointly or by proxy, for a special audit, for the appointment of a special representative, or to convene a shareholders' meeting or exercise voting rights in a shareholders' meeting in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*). If there are facts that justify the suspicion that the Company was harmed by dishonesty or a gross violation of law or the articles of association, shareholders who collectively hold 1% of the share capital or a *pro rata* share of EUR 100,000 may also, under certain further conditions, seek damages from members of the Company's governing bodies in their own names through court proceedings seeking leave to file a claim for damages. Such claims, however, become inadmissible if the Company itself files a claim for damages.

The Company may only waive or settle claims for damages against members of the Management Board or Supervisory Board three years after such claims arose and if the shareholders grant their consent at the

shareholders' meeting by simple majority vote and if no objection is raised and documented in the minutes of the shareholders' meeting by shareholders whose shares cumulatively constitute 10% of the share capital.

Under German law, individual shareholders and all other persons are prohibited from using their influence on the Company to cause a member of the Management Board or the Supervisory Board to take an action detrimental to the Company. A shareholder with a controlling influence may not use that influence to cause the Company to act contrary to its own interests unless there is a domination agreement (*Beherrschungsvertrag*) between the shareholder and the Company and unless the influence remains within the boundaries of certain mandatory provisions of law or compensation is paid for the disadvantages that the Company suffers from such influence. Any person who intentionally uses his influence on the Company to cause a member of the Management Board or the Supervisory Board, an authorized representative (*Prokurist*) or an authorized agent (*Handlungsbevollmächtigter*) to act to the detriment of the Company or its shareholders is liable to compensate the Company and the affected shareholders for the resulting losses. Alongside a person who uses his influence to the detriment of the Company, the members of the Management Board and Supervisory Board can be jointly and severally liable, if they acted in violation of their duties.

21.2 Management Board

21.2.1 Overview

Under the Articles of Association, the Management Board consists of at least two members. The Supervisory Board determines the exact number of the members of the Management Board. The Supervisory Board appoints members of the Management Board for a maximum term of five years. Pursuant to Article 9 para. 1 lit. c) ii) of the SE Regulation in conjunction with section 84 para. 2 of the German Stock Corporation Act (*Aktiengesetz*) the Supervisory Board may appoint a member of the Management Board to act as chairperson of the Management Board and another member as deputy chairperson.

Reappointment or extension of the term of members of the Management Board, each for a maximum period of up to five years, is permissible. The Supervisory Board may revoke the appointment of a member of the Management Board prior to the expiration of the member's term for good cause, such as a gross breach of fiduciary duty, or if the shareholders' meeting passes a vote of no-confidence with respect to such member, unless the no-confidence vote was clearly unreasonable. The Supervisory Board is also responsible for entering into, amending and terminating service agreements with members of the Management Board and, in general, for representing the Company in and out of court vis-à-vis the Management Board.

If the Management Board has only two members, it has a quorum if all its members take part in the voting, and if it has three or more members, if at least half of its members take part in the voting. As a rule, the Management Board will pass resolutions in meetings. In urgent cases, where a matter has already been comprehensively dealt with, or if no Management Board member objects without undue delay, resolutions may also be passed, at the order of the chairperson of the Management Board, outside meetings in writing, orally, by telephone, by fax, by email or by any other commonly used means of communication, by using a combination of the means mentioned above or by using a combination of a meeting and the passing of resolutions outside a meeting. The Management Board adopts resolutions by a majority of the votes cast by the participating members unless the Management Board consists of two members, in which case resolutions may be passed unanimously only. Further details, particularly regarding composition, duties, overall responsibility, allocation of responsibility for particular functions and internal organization are governed by the internal rules of procedure for the Management Board which were resolved upon by the Supervisory Board on December 20, 2018 and entered into force with immediate effect on the same day.

The Company is legally represented vis-à-vis third parties and in court proceedings by two members of the Management Board or by one member of the Management Board together with an authorized representative (*Prokurist*). The Supervisory Board may determine that all or specific members of the Management Board are authorized to represent the Company individually.

The internal rules of procedure for the Management Board provide for a delegation of responsibilities to individual members of the Management Board on the basis of the schedule of responsibilities (*Geschäftsverteilungsplan*). The schedule of responsibilities is an annex to the internal rules of procedure for the Management Board and it falls within the Supervisory Board's power to pass, change or repeal the schedule of responsibilities for the Management Board.

21.2.2 Members of the Management Board

The following table lists the current members of the Management Board and their respective responsibilities:

Name/Position	Born	First appointed in	Appointed until	Responsibilities
Andreas Renschler	1958	2019*	January 16, 2024	Chairperson
Antonio Roberto Cortes	1955	2019*	January 16, 2024	MAN Latin America
Joachim Gerhard Drees	1964	2019*	January 16, 2024	MAN
Henrik Henriksson	1970	2019*	January 16, 2024	Scania
Dr Carsten Intra	1971	2019**	January 16, 2024	Human Resources and IT
Christian Levin	1967	2019**	January 16, 2024	Procurement, Development and Strategic Product Planning
Christian Schulz	1977	2019*	January 16, 2024	Finance and Strategy

(*) Appointed as member of the management board of TRATON AG in connection with the conversion of the Company from a limited liability company into a stock corporation in June 2018. Andreas Renschler, Antonio Roberto Cortes and Joachim Drees were originally appointed as managing directors of the limited liability company in 2015 and Henrik Henriksson in 2016.

(**) Appointed as member of the management board of TRATON SE as of the incorporation of the Company as an SE.

The following description provides summaries of the curricula vitae of the current members of the Management Board and indicates their principal activities outside the TRATON GROUP to the extent those activities are significant with respect to the Group.

Andreas Renschler

Andreas Renschler was born in 1958 in Stuttgart (Germany). He completed an apprenticeship as a banker and holds degrees in business engineering and business administration. Mr. Renschler began his career at Daimler-Benz AG in 1988. He took over the M-Class unit as chairman of the management board and CEO of Mercedes-Benz US in 1993. After a brief interlude as senior vice president of DaimlerChrysler AG, responsible for human resources development, Mr. Renschler became managing director of smart GmbH. In 2004, he became a member of the Daimler AG management board for the Daimler trucks division and in 2013 he took responsibility for manufacturing and procurement in the cars & vans division. Andreas Renschler has served as a member of the management board of Volkswagen AG responsible for the commercial vehicles division since February 1, 2015. He has also been the Chief Executive Officer of the Company since 2015.

Antonio Roberto Cortes

Antonio Roberto Cortes was born in 1955 in São Paulo (Brazil). Mr. Cortes holds a degree in economics from the Universidade Mackenzie and conducted postgraduate studies at the Instituto Mauá de Tecnologia as well as at INSEAD Business School in France. Mr. Cortes began his career in the automotive industry in 1979. In 1986 he was involved in the formation of Autolatina, a joint venture between Ford and Volkswagen in Brazil and Argentina. From 1989 to 1990, he worked as business strategy executive manager at the Ford group headquarters in Detroit, USA. After the dissolution of Autolatina in 1994, he took over the position of corporate controller at Volkswagen for South America. In 1998, he led the transition of Volkswagen Caminhões e Ônibus (now MAN Latin America) to a business unit with more autonomy in terms of decision making and strategies and took charge of the South American business in 2000. Two years later, Mr. Cortes was made executive vice president of Volkswagen Veículos Comerciais. Antonio Roberto Cortes has been CEO and president of MAN Latin America since 2009. He is also a member of the management board of MAN SE and the Company.

Joachim Gerhard Drees

Joachim Gerhard Drees was born in 1964 in Dusseldorf (Germany). He studied business administration at the University of Stuttgart and earned an MBA from Portland State University, Oregon, USA. After graduation, Mr. Drees worked for Price Waterhouse as senior consultant, for Treuhandanstalt Berlin as head of department and deputy to the director of the steel business and for Baumgartner & Partner as project manager. From 1996 to 2006, Mr. Drees held various management positions at Daimler Chrysler, including head of the mergers & acquisitions department, head of corporate strategy for commercial vehicles, CFO and head of HR for the production unit transmissions as well as head of commercial vehicle

controlling. In 2006, Mr. Drees became a partner for portfolio management at HgCapital LLP, a British investment company. He then became CFO of Drees & Sommer AG (now SE) in 2012. Joachim Drees has been CEO of MAN SE and MAN Truck & Bus SE since 2015. He has also been a member of the Management Board of the Company since 2015.

Henrik Henriksson

Henrik Henriksson was born in 1970 in Reslöv (Sweden). He holds a bachelor of science in business administration from Lund University. In 1997, he earned a master of business administration attending Stern School of Business, New York, USA and Edinburgh University, UK. Mr. Henriksson began his career with Scania AB in 1997 as a management trainee. Starting in 1999, he held a number of management positions in marketing at Scania, including export director at Scania South Africa Pty Ltd in Johannesburg (South Africa). From 2004 until 2006, he acted as sales director of Scania Buses & Coaches and in 2007 as vice president deputy head of Scania Buses & Coaches. From 2007 to 2012, Mr. Henriksson was senior vice president head of trucks and from 2012 to 2016, he was executive vice president and head of sales and marketing. Henrik Henriksson was appointed president and CEO of Scania AB in 2016. He has also been a member of the Management Board of the Company since 2016.

Dr Carsten Intra

Dr Carsten Intra was born in 1971 in Koblenz (Germany). He studied mechanical engineering and economics, earning his doctorate degree in 2000 from the Technical University of Aachen. Dr Intra started his career in 2001 as a production engineer with MAN Nutzfahrzeuge AG. From 2002 to 2005, he led the cab production department and from 2004 to 2006 he also acted as director of central site network planning and director of logistics and material management for heavy-duty trucks. In 2006, Dr Intra took over as head of the business unit for heavy-duty trucks. Starting in 2007, he was also responsible for the standard bus unit as CEO of MAN operations in Turkey for half a year. From 2009 to 2012, Dr Intra was responsible for production and logistics at MAN Latin America. In 2012, he became a member of the management board of MAN Truck & Bus SE, responsible initially for production and logistics, then also for research and development starting in 2015. In 2017, Dr Intra was named chief human resources officer and since then has served as member of the management board responsible for employee relations at MAN SE and MAN Truck & Bus SE as well as executive manager for human resources & IT and general representative responsible for employee relations at TRATON AG (formerly Volkswagen Truck & Bus AG). Since January 2019, he has also been a member of the Management Board of the Company. During the last five years, Dr Intra was also a member of the board of administration of MAN Türkiye A.S. and of the supervisory board of MAN Bus sp. z o.o.

Christian Levin

Christian Levin was born in 1967 in Stockholm (Sweden). He holds a bachelor of science in business & administration and a master of science in mechanical engineering. In 1994, Christian Levin started his career with Scania AB as a marketing trainee. He held a number of marketing positions at Scania, including director of product marketing as well as managing positions as managing director of Scania Truck AG and Italscania. In 2010, Christian Levin was named executive vice president commercial operations of Scania CV AB. In 2016, he was appointed executive vice president sales & marketing at Scania CV AB. Since January 2019, he has also been a member of the Management Board of the Company.

Christian Schulz

Christian Schulz was born in 1977 in Schmalkalden (Germany). He studied business administration and began his career at Daimler AG in 1999. Having held various positions in the finance, controlling and risk management department of Daimler trucks, he took over as head of finance & controlling for the transmissions production area and the Gaggenau plant in 2006. He worked as the controlling director for purchasing, production, and development at Mitsubishi Fuso Truck & Bus in Tokyo between 2008 and 2011. Prior to joining the TRATON team in January 2017, Mr. Schulz worked as director of controlling operations worldwide at Mercedes-Benz cars and the latter's significant shareholdings abroad from 2011 to 2016. He played an important role in the expansion of the joint venture for passenger cars in China and collaborated with Nissan in Mexico as part of the supervisory board for the joint venture. Mr. Schulz has been in charge of Business Development, Strategy, and M&A at the Company since January 2017. Since June 2018, Christian Schulz has been Chief Financial Officer of the Company.

All members of the Management Board may be reached at the Company's offices at Dachauer Straße 641, 80995 Munich, Germany (telephone. +49 89 36098 – 70).

The following overview lists all of the companies and enterprises in which the members of the Management Board currently hold seats or have held seats on administrative, management or supervisory

boards, or comparable German or foreign supervisory bodies, or of which they were partners during the last five years, with the exception of the Company and companies within the Group:

Andreas Renschler

Current seats:

- Member of the management board of Volkswagen AG
- Member of the supervisory board of Navistar International Corporation
- Member of the supervisory board of Sinotruk (Hong Kong) Ltd.
- Member of the supervisory board of MAN Energy Solutions SE
- Member of the supervisory board of Porsche AG
- Member of the supervisory board of Porsche Holding Stuttgart GmbH
- Member of the supervisory board of Deutsche Messe AG
- Member of the managing board of the Verband der Automobilindustrie (VDA)
- Chairperson of the Lateinamerika-Ausschuss der Deutschen Wirtschaft

Past seats:

- None

Antonio Roberto Cortes

Current seats:

- Member of the supervisory board of Volkswagen Financial Services Brazil
- President of the German Chamber in Rio de Janeiro
- Director of the German Chamber in São Paulo

Past seats:

- Member of the Advisory Board of Fundação Volkswagen in Brazil (Volkswagen Foundation)
- Member of the Advisory Board of Volkswagen Previdência Privada (Volkswagen Private Pension)

Joachim Gerhard Drees

Current seats:

- Member of the supervisory board of Renk AG
- Member of the supervisory board of Sinotruk (Hong Kong) Ltd.
- Member of the supervisory board of MAN Energy Solutions SE
- Member of the supervisory board of Volkswagen Financial Services AG
- Member of the supervisory board of Veritas AG

Past seats:

- Member of the management board of Drees & Sommer SE

Henrik Henriksson

Current seats:

- Member of the board of Hexagon AB
- Member of the commercial vehicle board of ACEA (Association des Constructeurs Européens d'Automobiles)
- Member of the board of Teknikföretagen (The Association of Swedish Engineering Industries)
- Member of the board of Svenskt Näringsliv

Past seats:

- None

Dr Carsten Intra

Current seats:

- Trustee for Fraunhofer Research Institution for Casting, Composite and Processing Technology IGCV

Past seats:

- None

Christian Levin — Current seats:

- None

Past seats:

- None

Christian Schulz — Current seats:

- Member of the supervisory board of Navistar International Corporation

Past seats:

- Chairman of the supervisory board of Mercedes-Benz Manufacturing Hungary Kft.
- Member of the supervisory board of COMPAS JV in Mexico

21.2.3 Remuneration and other benefits of the members of the Management Board

Except for the CEO Mr. Renschler, the members of the Management Board are bound by service agreements with the Company. Mr. Renschler is bound by a service agreement with Volkswagen AG and renders his services for the Company on the basis of this service agreement. In difference to the other members of the Management Board, Mr. Renschler receives his remuneration and other benefits from Volkswagen AG.

The compensation of the members of the Management Board generally consists of fixed monthly salary payments (non-performance-based salary) and performance-based variable remuneration components. In months/financial years up to and including the month/financial year of the IPO of the Company ("**Pre-IPO-Phase**") the remuneration for some of the members of the Management Board shall differ from that in months/financial years that begin after the month/financial year of the IPO ("**Post-IPO-Phase**"). Certain members of the Management Board have entered into additional active service agreements with subsidiaries of the Company in Sweden and Brazil (see below at "*21.2.3.6 Secondary Activities of Members of the Management Board; Term; Further Arrangements"*) and receive 80% of (i) their non-performance-based remuneration, (ii) their performance-based variable remuneration and (iii) the transitional payments from the respective subsidiary of the Company whereas the other 20% are received from the Company under a service agreement with the Company. The amounts paid by the respective subsidiaries in Sweden are calculated in SEK based on a fixed exchange rate. The amounts paid by the respective subsidiary in Brazil are calculated in EUR.

21.2.3.1 Non-performance-based Salary

The members of the Management Board receive a fixed monthly base salary in cash which is paid in twelve (for one member of the Management Board under the additional active service agreement with the subsidiary in Brazil: 13) installments. The annual base compensation of the members of the Management Board ranges during the Pre-IPO-Phase between EUR 620,000 (gross), EUR 650,000 and EUR 750,000 (gross). During the Post-IPO-Phase, the annual base compensation of the members of the Management Board ranges between EUR 620,000 (gross), EUR 700,000 (gross) and EUR 750,000 (gross). For Mr. Renschler, the annual base compensation under his service agreement with Volkswagen AG amounts to EUR 1,350,000 (gross). The annual base compensation is reviewed at regular intervals by the Supervisory Board of the Company respectively in the case of Mr. Renschler by the supervisory board of Volkswagen AG.

Additionally, monetary and non-monetary benefits and perquisites are granted, such as allowances to insurances, benefits for incapacity for work due to illness, assumption of security measures, tax consulting costs (for members of the Management Board who live abroad for business reasons), provision of company cars and other fringe benefits such as a Group accident insurance based on the respective company guidelines (as amended) and, in one case, temporary additional hotel and homeward travel allowances. For members of the Management Board who entered into additional active service contracts with subsidiaries of the Company in Sweden and Brazil (see below at "*21.2.3.6 Secondary Activities of Members of the Management Board Term; Further Arrangements"*), the monetary and non-monetary benefits and perquisites are partially to be granted by the respective subsidiary of the Company respectively by Volkswagen AG (Mr. Renschler). One member of the Management Board who lives abroad is granted a compensation for income-tax disadvantages.

21.2.3.2 Performance-based Variable Remuneration Components

The variable remuneration consists of the following variable components. For Mr. Renschler, the supervisory board of Volkswagen AG may cap the performance-based variable remuneration components in the event of extraordinary developments. Furthermore, the supervisory board of Volkswagen AG has the right to grant Mr. Renschler a reasonable additional bonus payment in the event of outstanding, exceptional performance of Mr. Renschler, if such bonus payment is (pursuant to the discretion of the supervisory board of Volkswagen AG) in the interest of Volkswagen AG and provided there is a future-related benefit for Volkswagen AG from granting such bonus payment. The overall maximum compensation amount for Mr. Renschler (cf. 21.2.3.5.1) is applicable on such additional bonus payments and the overall-payments to Mr. Renschler have to be in an appropriate proportion to the position of Volkswagen AG.

21.2.3.2.1 Profit Bonus

The following applies regarding the annual profit bonus ("**Profit Bonus**") for members of the Management Board except for Mr. Renschler. Mr. Renschler's Profit Bonus is set out at the end of this section.

The Profit Bonus is determined out for each financial year at the reasonable discretion of the Supervisory Board and shall be based on the level of achievement during the respective financial year and the preceding financial year in accordance with the terms and conditions for the Profit Bonus, as amended from time to time. The equally weighted targets are currently the average operating return on sales and the average return on investment.

The individual target amount for 100% target achievement per member of the Management Board for the Profit Bonus ranges during the Pre-IPO-Phase between EUR 310,000 (gross), EUR 550,000 (gross) and EUR 750,000 (gross). During the Post-IPO-Phase, the target amount for 100% target achievement per member of the Management Board for the Profit Bonus ranges between EUR 310,000 (gross), EUR 700,000 (gross) and EUR 750,000 (gross). The Profit Bonus is capped at 180% of the target amount. If the service agreement begins or ends in the course of a year, the target amount for the Profit Bonus is reduced pro rata temporis.

The Profit Bonus amount is due for payment the month after the Company's consolidated financial statement is approved for the respective financial year.

The Supervisory Board is to stipulate the applicable targets and further details of the terms and conditions for the Profit Bonus for each Profit Bonus Year at its reasonable discretion. The Supervisory Board has laid down penalty and clawback provisions for misconduct (including, but not limited to, violations of monitoring or organizational duties ("**Culture and Integrity Corrective**"), which may lead to a reduction or complete forfeiture of the Profit Bonus, or to the clawing back of a Profit Bonus that has already been paid out, and which apply to the members of the Management Board who are bound by a service agreement with the Company.

The Profit Bonus of Mr. Renschler is governed by his service agreement with Volkswagen AG and the remuneration terms and conditions for board members of Volkswagen AG. The target amount in case of 100% target achievement amounts to EUR 1,350,000 (gross) p.a. and is based upon the result for the respective fiscal year of Volkswagen AG. Operating profit achieved by the Volkswagen Group plus the proportionate operating profit of the Chinese joint ventures form half of the basis for the Profit Bonus, with operating return on sales achieved by the Volkswagen Group making up the second half. Each of the two components of the Profit Bonus will only be payable if certain thresholds are reached or exceeded.

The calculated payment amount for the Profit Bonus of Mr. Renschler may be individually reduced (multiplier of 0.8) or increased (multiplier of 1.2) by up to 20% by the supervisory board of Volkswagen AG, taking into account the degree of achievement of individual targets agreed between the supervisory board of Volkswagen AG and Mr. Renschler, as well as the success of the full management board of Volkswagen AG in transforming the Volkswagen Group by transferring employees to new areas of activity.

The payment amount for the Profit Bonus of Mr. Renschler is capped at 180% of the target amount for the Profit Bonus. The cap arises from 150% maximum financial target achievement and a performance factor of a maximum of 1.2.

21.2.3.2.2 Long-term Incentive

The following applies regarding the long-term incentive ("**LTI**") for members of the Management Board except for Mr. Renschler. Mr. Renschler's LTI is set out at the end of this section.

The LTI is determined out by the Supervisory Board at its reasonable discretion and is based on the level of achievement during a three-year performance period in accordance with the LTI terms and conditions, as amended from time to time. A new performance period ("**Performance Period**") starts at the beginning of each financial year.

At the beginning of a new Performance Period, each member of the Management Board is conditionally awarded with a specific number of performance shares ("**Performance Shares**"). Performance Shares do not confer voting rights or rights to participate in dividends or any other rights under German stock corporation law. The number of Performance Shares depends on (i) the individual target amounts for each member of the Management Board and (ii) the calculated price of the preferred share of Volkswagen AG (during the Pre-IPO-Phase) respectively the price of the share of the Company (during the Post-IPO-Phase) whereby the arithmetic mean of the closing prices in the last 30 trading days prior to the beginning of the Performance Period is taken into account.

During the Pre-IPO-Phase, the individual target amount for 100% target achievement per member of the Management Board for the LTI differs between EUR 310,000 (gross), EUR 650,000 (gross) and EUR 996,000 (gross) per three-year performance period. During the Post-IPO-Phase, it ranges between EUR 310,000 (gross), EUR 930,000 (gross) and EUR 996,000 (gross) per three-year performance period. If the service agreement begins or ends in the course of a year, the target amount for the LTI is reduced pro rata temporis.

The number of Performance Shares at the end of a Performance Period ("**Final number of Performance Shares**") depends on the number of Performance Shares conditionally awarded at the beginning of the Performance Period and the achievement of the target "earnings per share" which are set at the beginning of the Performance Period. The amount to be paid out depends on the Final Number of Performance Shares and a calculated price of the preferred share of Volkswagen AG (during the Pre-IPO-Phase) and the price of the share of the Company (during the Post-IPO-Phase) taking into account the arithmetic mean of the closing prices in the last 30 trading days prior to the end of the Performance Period and the dividends paid out during the Performance Period.

The amount to be paid out is capped at 200% of the target amount.

In extraordinary events or developments, for example, a merger of the Company, material changes in the shareholder structure, or certain capital or structuring measures of the Company, the Company shall be entitled to adjust the terms or the number of Performance Shares subject to certain conditions. In a "Bad Leaver Case" as defined in the respective Performance Share Plan (in particular, but not limited to, in case of a dismissal for a cause of a member of the Management Board by the Company), all of the Performance Shares of an ongoing Performance Period shall be forfeited and not be replaced or compensated.

The LTI terms and conditions for each performance period are to be stipulated by the Supervisory Board in its reasonable discretion. The Supervisory Board has laid down penalty and clawback provisions for misconduct (including, but not limited to, violations of monitoring or organizational duties ("Culture and Integrity Corrective"), which may lead to a reduction or complete forfeiture of the LTI, or to the clawing back of an LTI that has already been paid out.

Mr. Renschler participates in the LTI program for members of the management board of Volkswagen AG ("**LTI-VW**") which is in general comparable to the LTI of the Company. An LTI-VW award is granted to Mr. Renschler annually which is subject to a performance share plan of Volkswagen AG ("**Performance Share Plan-VW**") as amended from time to time. The annual target amount from the Performance Share Plan-VW for Mr. Renschler is currently EUR 1,800,000 (gross) and stipulated by the supervisory board of Volkswagen AG. Performance Shares do not confer voting rights or rights to participate in dividends or any other rights under German stock corporation law.

Each Performance Period of the Performance Share Plan-VW has a term of three years. At the time the LTI-VW is granted, the annual target amount under the LTI-VW is converted on the basis of the initial reference price of Volkswagen's preferred shares into Performance Shares of Volkswagen AG, which are allocated to Mr. Renschler purely for calculation purposes. The conversion is performed based on the unweighted average of the closing prices of Volkswagen's preferred shares for the last 30 trading days preceding January 1 of a given fiscal year. At the end of each year, the number of Performance Shares is determined definitively for one-third of the three-year Performance Period based on the degree of target achievement for the annual earnings per Volkswagen preferred share (EPS – earnings per share per preferred share in EUR). A prerequisite for this is that a threshold is reached which is set by the supervisory board of Volkswagen AG. A cash settlement is made at the end of the three-year term of each Performance Share Plan-VW. The payment amount corresponds to the final number of determined Performance Shares, multiplied by the closing reference price at the end of the three-year period plus a dividend equivalent for the relevant term. The closing reference price is the unweighted average of the closing prices for Volkswagen's preferred shares for the 30 trading days preceding the last day of the three-year performance period.

The payment amount under the Performance Share Plan-VW is limited to 200% of the target amount. An advance of 20% on the payment amount is paid if the average ratio of capex to sales revenue in the Automotive Division or the R&D ratio of the last three years is smaller than 5%.

Unpaid performance shares will, *inter alia*, expire if the service agreement of Mr. Renschler terminates prior to the end of the Performance Period due to extraordinary termination based on good cause, or if he starts working for a competitor, (also referred to as "Bad-Leaver Cases" as defined in the respective Performance Share Plan-VW).

For the introductory phase of the performance share plan (2017–2018), Mr. Renschler shall generally receive advances of 80% of his target amount. The two advances are paid after the first year of the Performance Period. A settlement is made based on actual achievement of targets at the end of the relevant three-year Performance Period.

In extraordinary events or developments, which are comparable to the respective extraordinary events or developments of the Company under the Company's LTI terms and conditions, the supervisory board of Volkswagen AG shall be entitled to adjust the terms or the number of Performance Shares subject to certain conditions. In a "Bad Leaver Case" as defined in the respective Performance Share Plan-VW (in particular, but not limited to, in case of a dismissal for a cause of Mr. Renschler of the Management Board of Volkswagen AG by Volkswagen AG), all of the Performance Shares of an ongoing Performance Period shall be forfeited and not be replaced or compensated.

The LTI terms and conditions for each Performance Period are to be stipulated by the supervisory board of Volkswagen in its reasonable discretion.

21.2.3.3 Guaranteed Performance-based Variable Remuneration Amount

One member of the Management Board is granted a guarantee regarding the amount of his performance based Variable Remuneration for the financial year 2019. If the amount of the paid out Performance-based Variable Remuneration is not at least EUR 215,671 (gross), he is entitled to the respective difference amount.

21.2.3.4 Transitional Payments

The members of the Management Board are under certain circumstances entitled to special transitional payments as described below (guaranteed compensatory sum, advance payment after the IPO). The payment of the transitional payments is also subject to the Culture and Integrity Corrective (cf. 21.2.3.2.2). Mr. Renschler is not entitled to such transitional payments.

21.2.3.4.1 Guaranteed Compensatory Sum

The members of the Management Board are under certain circumstances entitled to a guaranteed compensatory sum: If the Company is not listed by the end of the financial year 2019, the respective amount of the remuneration individually paid to each member of the Management Board under the respective service agreements for the financial year 2018 (also concluded with other companies of the Volkswagen Group), consisting of the annual sum of the monthly salary payments and variable remuneration components ("**Reference Remuneration**") is guaranteed in full. If the Company is not listed by the end of the 2020 and/or 2021 financial years, this guarantee will also apply for those financial years with a guaranteed amount of 90% of the Reference Remuneration for 2020 and 80% of the Reference Remuneration for 2021. The guaranteed compensatory sum will be paid together with the Profit Bonus for the respective financial year. The guaranteed individual compensatory sum for each member of the Management Board is determined as follows: For the 2019 financial year: 100% of the Reference Remuneration minus base salary (2019) and Profit Bonus (2019) (if applicable); for the 2020 financial year: 90% of the Reference Remuneration minus base salary (2020) and Profit Bonus (2020); and (if applicable), for the 2021 financial year: 80% of the Reference Remuneration minus base salary (2021) and Profit Bonus (2021). The compensatory sum shall be set off against the disbursement amount under the LTI at the end of the respective performance period. If the service agreement begins or ends in the course of a year, the guaranteed individual compensatory sum is reduced pro rata temporis.

21.2.3.4.2 Advance Payment after the IPO

The members of the Management Board are, under certain circumstances, entitled to advance payments after the IPO: If the Company is listed by the end of the 2019 financial year at the latest, the members of the Management Board are entitled to an advance payment of 80% of the target amount for the first two tranches of the LTI, which are to be granted on January 1, 2019 and January 1, 2020, after the first year of the relevant term. In this case, each member of the Management Board is not entitled to the guaranteed compensatory sum. If the Company is not listed in the 2019 financial year, but by the end of the 2020 financial year at the latest, an advance payment of 80% of the target amount will be granted to each member of the Management Board for the second tranche of the LTI, which is to be granted on January 1, 2020, after the first year of the term. In this case, the guaranteed compensatory sum is only granted for the 2019 financial year.

The advance payment will be offset at the end of the respective performance period. At the end of the respective performance period, the disbursement amount shall be determined and the difference between it and the advance payment that was already paid shall be offset. This can also lead to repayment claims, namely if the advance payment of 80% of the Target Amount is higher than the disbursement amount calculated for the LTI.

21.2.3.5 Pension Benefit Commitments

The Company pays an annual contribution in the amount of 40% of the fixed base salary of a financial year into a pension fund of the Company for the purposes of the old-age, disability and surviving dependents' pension for each member of the Management Board under their respective service agreements with the Company. The paid amounts plus interests on the investment income indicate the available capital for the event giving rise to a pension claim in the amount of at least the sum of the contributions paid. If a claim to the accumulated pension is acquired as disability benefit or as a survivor benefit, the pension accumulated shall be increased to the minimum pension capital amount of EUR 2,000,000 (gross). The accrued benefits become immediately vested (*unverfallbare Anwartschaft*). For members of the Management Board who entered into additional active service contracts with subsidiaries of the Company in Sweden and Brazil (cf. below "*21.2.3.6 Secondary Activities of Members of the Management Board; Term Further Arrangements*") the 40% pension contribution is to be paid by the respective subsidiary into a local pension system.

Accrued benefits for the past for one member of the Management Board will be transferred from Volkswagen AG to the Company.

In the event of regular termination of his service as member of the management board of Volkswagen AG on 31 January 2020, Mr. Renschler is entitled to a pension, including a surviving dependents' pension, as well as the use of company cars for the period in which he receives his pension. The agreed benefits are paid or made available when Mr. Renschler reaches the age of 62. A retirement pension entitlement of 62% of the fixed monthly base salary was set for Mr. Renschler on his appointment as member of the management board of Volkswagen AG in 2015. The individual percentages rise by two percentage points for every year of service up to 70%. Mr. Renschler had reached a retirement pension entitlement of 68% of his fixed monthly base salary at the end of 2018. Calculation basis is an annual base salary of EUR 1,056,000 (gross). His pension is index-linked in accordance with the index-linking of the highest collectively agreed salary of Volkswagen AG insofar as the application of section 16 of the German Company Pension Act (*Gesetz zur Verbesserung der betrieblichen Altersversorgung*) does not lead to a higher increase of the ongoing pension.

Payments based on pension commitments of previous employers and revenues from other activities are under certain circumstances to be deducted from pension payments made by Volkswagen AG. If Mr. Renschler resigns at his own request or the service agreement with Volkswagen AG is terminated by Volkswagen AG with immediate effect pursuant to section 626 para. 1 German Civil Code (*Bürgerliches Gesetzbuch*), the vesting of his entitlements and the amount thereof are subject to the provisions of the German Company Pension Act.

21.2.3.5.1 Overall Maximum Compensation Amount

The total remuneration (monthly base salary, variable remuneration components, contributions to company pension and fringe benefits), is capped for each member of the Management Board.

During the Pre- IPO-Phase, the amount of the total remuneration cap of each member of the Management Board except for Mr. Renschler ranges currently between EUR 1,750,000 (gross) p.a., EUR 2,900,000 (gross) p.a. and EUR 4,000,000 (gross) p.a. During the Post-IPO-Phase, it ranges currently between EUR 1,750,000 (gross) p.a., EUR 3,700,000 (gross) p.a. and EUR 4,000,000 (gross) p.a. For members of the Management Board who entered into additional active service contracts with subsidiaries of the Company in Sweden and Brazil (cf. below "*21.2.3.6 Secondary Activities of Members of the Management Board; Term; Further Arrangements*") the cap is split between the service contract with the Company and the service contract with the respective subsidiary. For Mr. Renschler the total remuneration is capped at EUR 5,500,000 (gross) and the cap amount is reviewed at regular intervals by the supervisory board of Volkswagen AG.

21.2.3.5.2 Commitments in connection with Termination of Management Board Membership

The following applies with regard to commitments applicable in case of termination of members of the Management Board except for Mr. Renschler. Commitments in relation to Mr. Renschler are set out at the end of this section.

In case of a revocation of the appointment as member of the Management Board which is based on cause but which does not constitute cause pursuant to section 626 para. 1 German Civil Code (*Bürgerliches Gesetzbuch*), the service agreement automatically terminates with a notice period of 12 months to the end of a calendar month. The respective member of the Management Board is then entitled to a severance payment in the amount equivalent to the total gross earnings for the remaining regular term of this service agreement. In general, the basis for the calculation of the gross earnings for one year is the amount of (i) the 12 monthly base salaries of the previous year and (ii) the variable remuneration components Profit Bonus and LTI for the previous year. "Previous year" refers to the financial year preceding the year in which the appointment as a member of the Management Board ends. If the Supervisory Board arrives at the conclusion that calculating on the basis of the amounts of the previous year is unreasonable, the respective prospective remuneration for the financial year ongoing at the time of the revocation will be the calculation basis.

This severance payment is capped at a maximum amount equivalent to two (2) gross annual incomes and will be reduced by the amount of contractual remuneration that the Company pays for the period from the expiry of the appointment until the expiry of the notice period or (if earlier) until the end of the regular term of the service agreement and by other earnings that the member of the Management Board generates through the utilization of his working capacity during the period between the expiry of the appointment and the end of the service agreement. Potential compensation for post-contractual-non-compete arrangements would reduce the severance payments, as well. The member of the Management Board is not entitled to aforementioned severance payments if he continues to be employed with the Company or another company of Volkswagen Group. For members of the Management Board who entered into additional active service contracts with subsidiaries of the Company in Sweden and Brazil (cf. below "*21.2.3.6 Secondary Activities of Members of the Management Board; Further Arrangements*"), the severance payment is to be granted partially by the Company and by the respective subsidiary taking the respective split into account.

The member of the Management Board will also be entitled to such severance payments if (i) the Company and the member of the Management Board enter into a mutual termination agreement and (ii) there is no cause pursuant to section 626 para. 1 German Civil Code that would have entitled the Company to terminate the service agreement with immediate effect instead of by mutual agreement.

The member of the Management Board will not be entitled to severance payments if the Company would have been entitled to terminate the Service Agreement with immediate effect pursuant to section 626 para. 1 German Civil Code.

The member of the Management Board will likewise not be entitled to a severance payment in the event of a resignation from office.

In case of a revocation of the appointment of Mr. Renschler as member of the management board of Volkswagen AG which is based on cause but which does not constitute cause pursuant to section 626 para. 1 German Civil Code, the service agreement between Mr. Renschler and Volkswagen AG automatically terminates whereby the statutory notice period pursuant to section 622 para 1, 2 German Civil Code applies. The same applies if Mr. Renschler resigns from office.

Mr. Renschler is then entitled to a severance payment in the amount equivalent to the total gross earnings for the remaining regular term of his service agreement. In general, the basis for the calculation of the gross earnings for one year is the amount of (i) the 12 monthly base salaries of the previous year and (ii) the variable remuneration components Profit Bonus and LTI for the previous year taking also guaranteed LTI instalment payments into account. "Previous year" refers to the financial year preceding the year in which his appointment as a member of the management board ends.

This severance payment is capped at a maximum amount equivalent to two (2) gross annual incomes and will be reduced by the amount of contractual remuneration that Volkswagen AG pays for the period from the expiry of the appointment until the expiry of the notice period or (if earlier) until the end of the regular term of the service agreement and by other earnings that the member of the management board generates through the utilization of his working capacity during the period between the expiry of the appointment and the end of the service agreement. The compensation for the post-contractual-non-compete arrangement will under certain circumstances reduce the severance payments, as well. Mr. Renschler will not be entitled to a severance payment if Volkswagen AG is entitled to terminate his service agreement for cause or in case his appointment as a member of the management board of Volkswagen AG is terminated on grounds of a gross breach of duty.

Mr. Renschler is also entitled to a pension and to a surviving dependents' pension as well as the use of company cars for the period in which he receives a pension in the event of early termination of his appointment on the management board of Volkswagen AG.

21.2.3.6 Secondary Activities of Members of the Management Board; Term; Further Arrangements

During the term of their service relationship, the assumption of supervisory board mandates, advisory board mandates and any other secondary occupation by members of the Management Board which are not requested by the Company and in its interests, as well as the assumption of participations in companies that have a business relationship with the Company or with companies of the Volkswagen Group, requires the prior written approval of the Supervisory Board. The Supervisory Board can withdraw this approval at any time, possibly subject to a reasonable time period, if the interests of the Company or of the service relationship are, or risk being, compromised. The same applies for Mr. Renschler, whereby the interests of Volkswagen AG are relevant in this respect and the supervisory board of Volkswagen AG is competent.

Furthermore, within the term of their service relationship, the members of the Management Board have to get the prior written approval of the Supervisory Board to work on a freelance, dependent or other basis for a company that is a direct or indirect competitor of the Company, a company within the Group or a company of the Volkswagen Group or maintains substantial business relations with such companies. The members of the Management Board are also prohibited from setting up, acquiring, or directly or indirectly participating in any such company during the term of their service agreements if the share owning is not only part of private assets and it is not possible to exert any influence on the corporate bodies of the company concerned. The latter restriction applies to Mr. Renschler respectively.

The service agreements of the members of the Management Board except for Mr. Renschler do not contain post-contractual-non-compete arrangements.

The service agreement of Mr. Renschler with Volkswagen AG contains a post-contractual-non-compete arrangement under which he is prohibited from setting up, acquiring or directly or indirectly participating (with the exception of shareholdings for private capital forming purposes provided that such shareholding does not grant an influence on the management of the company) in any company which produces automobiles or utility vehicles within the European Union. Companies of the Volkswagen AG group are not in scope of this arrangement. For the duration of the post-contractual non-compete obligation, which is one year following the termination of the service agreement, Mr. Renschler is entitled to a compensation amounting to one half of the last monthly granted contractual remuneration per each month in which the post-contractual-non-compete arrangement is in effect. Under certain circumstances, potential pension payments of Volkswagen AG or severance payments are to be deducted from the post-contractual-non-compete compensation.

The current term of the service agreements between the members of the Management Board and the Company started on January 17, 2019 and runs until and including January 16, 2024. The service agreement between Mr. Renschler and Volkswagen AG started on February 1, 2015 and runs until and including January 31, 2020.

During such term, each service agreement may only be terminated for cause. In the event of revocation of the corporate appointment of a member of the Management Board which is based on cause, but which does not constitute cause pursuant to section 626 para. 1 German Civil Code (*Bürgerliches Gesetzbuch*), the revocation of the corporate appointment automatically terminates the service agreement with a notice period of 12 months to the end of a calendar month respectively, in the case of Mr. Renschler, with a notice period corresponding to the statutory notice period pursuant to section 622 para 1, 2 German Civil Code. In the event of an effective resignation from the position as a member of the Management Board by such member, the service agreement shall end upon expiry of a period of 12 months to the end of a calendar month, respectively, in case of Mr. Renschler, with the above indicated notice period.

All members of the Management Board are covered by the existing directors and officers ("**D&O**") insurance policies of Volkswagen Group with reasonable coverage and a deductible in line with the respective provisions of the German Stock Corporation Act (*Aktiengesetz*) of 10% of the damage but not exceeding 150% of the fixed annual remuneration for all claims within one year. The D&O insurance policies cover financial losses arising from a breach of duty by the members of the Management Board in the course of fulfilling their duties.

There are further active service agreements between some members of the Management Board and subsidiaries of the Company: Mr. Henriksson entered into a service agreement with Scania CV AB. Mr. Levin entered into a service agreement with TRATON AB and Mr. Cortes entered into a service agreement with MAN Latin America Indústria e Comércio de Veiculos Ltda.

There are partially inactive service agreements between Mr. Drees and MAN Truck & Bus SE and Dr Intra and MAN Truck & Bus SE for their services as members of the Management Board of MAN Truck & Bus SE. Each of these service contracts will become fully active again (unless they have terminated before or at the same time) if the respective service agreement with the Company terminates.

In the fiscal year ended December 31, 2018, the remuneration for the members of the Management Board (including fixed and variable components) excluding for Mr. Renschler amounted to EUR 6 million in the aggregate, including non-cash benefits but not including EUR 1 million post-employment benefits.

In the fiscal year ended December 31, 2018 the remuneration for Mr. Renschler (including fixed and variable components) amounted to EUR 9,995,749 (gross) including non-cash benefits.

21.2.4 Shareholdings of the Members of the Management Board in the Company

As of the date of this Prospectus, no members of the Management Board directly or indirectly hold Company shares or options on Company shares.

21.3 Supervisory Board

21.3.1 Overview

In accordance with the Articles of Association, the agreement on the future involvement of employees in the SE concluded pursuant to Section 21 of the German SE Co-determination Act (*SE-Beteiligungsgesetz*, "**SEBG**"), and the Articles 40 para. 3 and 9 para. 1 lit. c) i) of the SE Regulation together with Section 17 of the German SE Implementing Act (*SE-Ausführungsgesetz*, "**SEAG**") and Sections 95 and 96 of the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board consists of twenty (20) members. Ten (10) of the members are elected by the Company's shareholders' meeting and represent the shareholders, while the other ten (10) members are appointed in accordance with the provisions of the agreement on the future involvement of employees in the SE concluded pursuant to Section 21 of the German SE Co-Determination Act and represent the employees. For members of the Supervisory Board who are to be elected by the shareholders' meeting, the shareholders' meeting may, at the time of their election, appoint substitute members who shall replace members of the Supervisory Board representing the shareholders leaving office before the end of their term or whose election has been successfully contested. The term of office of such substitute members shall terminate at the end of the Company's shareholders' meeting in which a successor is elected and at the latest at the end of the term of office of the leaving member. If the substitute member whose term of office has terminated due to the election of a successor was appointed as substitute member for several members of the Supervisory Board, its position as substitute member shall revive. Reelection of members of the Supervisory Board is possible.

Unless otherwise specified at the time of their election, the shareholder representatives in the Supervisory Board, as well as each substitute member, are elected for a period terminating at the end of the shareholders' meeting that resolves on the formal approval of the Supervisory Board members' acts for the fourth fiscal year following the commencement of their term of office unless any other term of office is determined at the time when the shareholder representatives are elected by the shareholders' meeting, however, for no longer than a period of six years. The fiscal year in which the term of office commences shall not count towards the aforementioned number of years. For members of the Supervisory Board, who leave office before the end of their term, a successor shall be elected for the remaining term of the member who has left office unless the Company's shareholders' meeting specifies a shorter term for such successor. The same applies if a successor has to be elected due to a challenge of the election. The participation of employee representatives in the Supervisory Board and the appointment procedure in this respect are determined by the SEBG and the agreement on the future involvement of employees in the SE concluded in accordance with the provisions of the SEBG. The employee representatives are elected by employee representative bodies for a period terminating at the end of the shareholders' meeting that resolves on the formal approval of the Supervisory Board members' acts for the fourth fiscal year following the commencement of their term of office. The fiscal year in which the term of office commences shall not count towards the aforementioned number of years.

Supervisory Board members elected by the shareholders' meeting may be removed from office by a resolution of the shareholders' meeting if such resolution is approved by at least 75% of the votes cast. In addition, each member of the Supervisory Board and each substitute member may resign from office even without good cause with one month's written notice issued to the Management Board, with a copy being sent to the chairperson of the Supervisory Board, or, in case of a resignation by the chairperson, with a copy being sent to their deputy. The chairperson of the Supervisory Board or, in case of a resignation by the chairperson, their deputy, may reduce the notice period or waive the requirement to comply with the notice period. Following the shareholders' meeting, in the course of which the members of the Supervisory Board representing the shareholders have been elected for a new term, the Supervisory Board will elect a chairperson and a deputy chairperson from among its members to serve for the duration of those members' terms of office as members of the Supervisory Board, unless a shorter period is determined at the time of their respective election. If the chairperson or their deputy leaves such office before the end of their term, the Supervisory Board shall conduct a new election without undue delay.

The Supervisory Board shall adopt internal rules of procedure in accordance with mandatory statutory provisions and the Articles of Association. It is further authorized to establish committees in accordance with the law and the Articles of Association. To the extent permitted by law or by the Articles of Association, the Supervisory Board may delegate any of its duties, decision-making powers and rights to its chairperson, to one of its members or to committees established from among its members. The Supervisory Board shall determine the composition, competences and procedures of the committees. The current version of the Supervisory Board's internal rules of procedure was passed by resolution of the Supervisory Board on December 20, 2018. The Supervisory Board is entitled to resolve amendments to the Articles of Association if such amendments only relate to the wording. The Supervisory Board must hold at least two meetings in each calendar half-year. Meetings of the Supervisory Board must be called at least 14 days in advance by the chairman of the Supervisory Board. Notice of meetings may be given in writing, by telefax, by email or by any other customary means of communication. In urgent cases the chairperson may shorten this notice period and may convene the meeting orally or by telephone.

The Articles of Association and the internal rules of procedure for the Supervisory Board provide that resolutions of the Supervisory Board shall generally be passed in physical meetings. At the order of the chairperson or with the consent of all Supervisory Board members, meetings of the Supervisory Board may also be held in the form of a video or telephone conference; individual members of the Supervisory Board may attend the meetings by way of video transmission or by telephone and may also pass resolutions or vote via video conference or video transmission or telephone in such cases. Any Supervisory Board members who are absent or do not attend or join the conference call may also participate in the Supervisory Board's passing of resolutions by having another Supervisory Board member submit their written votes. In addition, they may also submit their vote orally, by telephone, by fax, by email or by any other commonly used means of communication prior to the meeting, in the course of the meeting or subsequent to the meeting within a reasonable period of time to be determined by the chairperson of the Supervisory Board. Objections to the form of voting determined by the chairperson are not permitted. Resolutions may also be passed outside of meetings in writing, by telefax or by email or any other comparable means of communication, whereas the aforementioned forms may also be combined, if ordered by the chairperson of the Supervisory Board within a reasonable period of time or if all Supervisory Board members participate in the passing of the resolution. Members who abstain from voting are considered to take part in the resolution.

The Articles of Association and the rules of procedure for the Supervisory Board provide that the Supervisory Board has a quorum if at least half of the members of which it has to consist in total take part in the voting. Absent members of the Supervisory Board or members who do not participate or are connected via telephone or via other electronic means of communication (especially via video conference), and who cast their vote in the aforementioned ways as well as members who abstain from voting, are considered to take part in the voting for purposes of the required quorum. Resolutions of the Supervisory Board are passed, unless otherwise provided by mandatory law, by a simple majority of the votes cast. For purposes of passing a resolution, abstentions do not count as votes cast. If a vote in the Supervisory Board results in a tie, the chairperson has the deciding vote. In the absence of the chairperson of the Supervisory Board, the deputy chairperson's vote shall be decisive, provided that the deputy chairperson is a shareholder representative. If the deputy chairperson is an employee representative, they shall not be entitled to a casting vote.

21.3.2 Members of the Supervisory Board

The table below lists the current members of the Supervisory Board.

Name	Born	Member since	Appointed until	Position	Principal occupation
Hans Dieter Pötsch	1951	2019	2024	Chairperson of the Supervisory Board; chairperson of the executive committee	Chairperson of the Management Board of Porsche Automobil Holding SE; Chairperson of the Supervisory Board of Volkswagen AG

Name	Born	Member since	Appointed until	Position	Principal occupation
Athanasios Stimoniaris	1971	2019	2024	Deputy chairperson of the Supervisory Board	Chairperson of the Group Works Council of MAN SE; Chairperson of the SE Works Council; Chairperson of the General Works Council of MAN Truck & Bus SE
Torsten Bechstädt	1973	2019	2024	Member of the Supervisory Board	Expert consultant of the Group Works Council
Mari Carlquist	1969	2019	2024	Member of the Supervisory Board	Representative of PTK at Scania Chairperson for Unionen at Scania, Whitecollar Union
Dr Manfred Döss	1958	2019	2024	Member of the Supervisory Board	Member of the Management Board of Porsche Automobil Holding SE; General Counsel of Volkswagen AG
Jürgen Kerner	1969	2019	2024	Member of the Supervisory Board	Executive Member of the Executive Board of IG Metall
Gunnar Kilian	1975	2019	2024	Member of the Supervisory Board	Member of the Management Board of Volkswagen AG
Dr Albert Xaver Kirchmann	1956	2019	2024	Member of the Supervisory Board	Chief Executive Advisor
Dr Julia Kuhn-Piëch	1981	2019	2024	Member of the Supervisory Board	Real Estate Manager
Lisa Lorentzon	1982	2019	2024	Member of the Supervisory Board	Chairperson of the Union for University Graduates at Scania AB
Bo Luthin	1967	2019	2024	Member of the Supervisory Board	Senior safety officer at Scania Södertälje; Coordinator for IF Metall
Michael Lyngsie	1977	2019	2024	Member of the Supervisory Board	Chairperson of IF Metall at Scania
Nina Macpherson	1958	2019	2024	Member of the Supervisory Board	Member of the Board of Directors of Scania AB
Bernd Osterloh	1956	2019	2024	Member of the Supervisory Board	Chairperson of the Group Works Council of Volkswagen AG; Chairperson of the General Works Council of Volkswagen AG

Name	Born	Member since	Appointed until	Position	Principal occupation
Dr Dr Christian Porsche	1974	2019	2024	Member of the Supervisory Board	Specialist for neurology
Dr Wolf-Michael Schmid	1947	2019	2024	Member of the Supervisory Board	Entrepreneur (Managing Director of the Schmid Group)
Karina Schnur	1977	2019	2024	Member of the Supervisory Board	Secretary of the Works Council of IG Metall
Hiltrud Dorothea Werner	1966	2019	2024	Member of the Supervisory Board	Member of the Management Board of Volkswagen AG
Frank Witter	1959	2019	2024	Member of the Supervisory Board	Member of the Management Board of Volkswagen AG
Steffen Zieger	1960	2019	2024	Member of the Supervisory Board	Chairman of the General Works Council of MAN Truck & Bus Deutschland GmbH

The following overview lists all of the companies and enterprises in which the members of the Supervisory Board currently hold seats or have held seats on administrative, management or supervisory boards, or comparable German or foreign supervisory bodies, or of which they were partners during the last five years, with the exception of the Company and companies within the Group:

Hans Dieter Pötsch

Current seats:

- Chairperson of the management board of Porsche Automobil Holding SE
- Chairperson of the supervisory board of Volkswagen AG
- Chairperson of the supervisory board of Porsche Austria Gesellschaft m.b.H.
- Chairperson of the supervisory board of Porsche Holding Gesellschaft m.b.H.
- Chairperson of the supervisory board of Porsche Retail GmbH
- Deputy Chairperson of the supervisory board of VfL Wolfsburg-Fußball GmbH
- Member of the supervisory board of AUDI AG
- Member of the supervisory board of Wolfsburg AG
- Member of the supervisory board of Autostadt GmbH
- Member of the supervisory board of Dr. Ing. h.c. F. Porsche AG
- Member of the supervisory board of Porsche Holding Stuttgart GmbH
- Member of the supervisory board of Bertelsmann SE & Co. KGaA
- Member of the supervisory board of Bertelsmann Management SE
- Member of the management board of AHK Deutsche Handelskammer in Österreich
- Chairperson of the board of trustees of Kunstmuseum Wolfsburg
- Member of the board of trustees of Linz Institute of Technology
- Member of the advisory board North of Deutsche Bank AG
- Member of the advisory board of Landesbank Baden-Württemberg

- Member of the administrative board of Gesellschaft zur Förderung des Instituts für Weltwirtschaft
- Member of the board of trustees of Holler-Stiftung

Past seats:

- Member of the management board of Volkswagen AG
- Member of the supervisory board of Volkswagen Financial Services AG
- Member of the supervisory board of Bentley Motors Ltd.
- Member of the supervisory board of Volkswagen (China) Investment Company Ltd.
- Member of the supervisory board of Volkswagen Group of America, Inc.
- Member of the central advisory board of Commerzbank AG
- Member of the executive committee of Lateinamerika-Verein
- Member of the scientific advisory board of IUP Gesellschaft für Unternehmensplanung e.V.

Athanasios Stimoniaris

Current seats:

- Member of the supervisory board of Volkswagen AG
- Member of the supervisory board of Rheinmetall MAN Military Vehicles GmbH
- Member of the supervisory board of TSV München von 1860 GmbH & Co. KGaA

Past seats:

- None

Torsten Bechstädt

Current seats:

- Member of the executive board of Volkswagen Belegschaftsstiftung
- Member of the board of examiners for accountants of the Chamber of Industry and Commerce Hanover

Past seats:

- None

Mari Carlquist

Current seats:

- Member of the board of Dynamate AB (former DIS AB)
- Vice chairperson of the Regional Union Board
- Member of the board of Unemployment Insurance Fund for Unionens arbetslöshetskassa

Past seats:

- None

Dr Manfred Döss

Current seats:

- Member of the management board of Porsche Automobil Holding SE
- Member of the supervisory board of PTV Planung Transport Verkehr AG

Past seats:

- None

Jürgen Kerner

Current seats:

- Head treasurer and executive member of the executive board of IG Metall
- Deputy chairman of the supervisory board of PremiumAerotec GmbH
- Member of the supervisory board of Siemens AG
- Member of the supervisory board of Airbus Operations GmbH
- Member of the supervisory board of Flender GmbH
- Chairperson of the advisory board of BGAG Beteiligungsgesellschaft der Gewerkschaften GmbH

Past seats:

- Member of the supervisory board of MAN Energy Solutions SE

Gunnar Kilian

Current seats:

- Member of the management board of Volkswagen AG
- Member of the supervisory board of AUDI AG
- Member of the supervisory board of MAN Energy Solutions SE
- Member of the supervisory board of Dr. Ing. h.c.F. Porsche Aktiengesellschaft
- Member of the supervisory board of Porsche Holding Stuttgart GmbH
- Member of the supervisory board of Allianz für die Region GmbH
- Member of the supervisory board of EHC Wolfsburg Grizzly Adams GmbH
- Chairperson of the supervisory board of Wolfsburg AG
- Chairperson of the supervisory board of Autostadt GmbH
- Chairperson of the supervisory board of VW Group Services GmbH
- Chairperson of the supervisory board of Volkswagen Pension Trust e.V.

Past seats:

- None

Dr Albert X. Kirchmann

Current seats:

- Member of the supervisory board of Mitsubishi Bank Europe
- Founding member AAA-Advisors.net GbR

Past seats:

- Chairperson of the supervisory board of Gauly Advisors AG
- Chief executive officer of Mitsubishi Fuso Truck & Bus Corporation
- Chairman of the supervisory board of Daimler Trucks Asia
- Member of the board and vice president of the German Chamber of Commerce in Japan
- Member of the board of Japan Automobile Manufacturer Association

Dr Julia Kuhn-Piëch

Current seats:

- Member of the supervisory board of AUDI AG
- Member of the board of trustees of Audi Stiftung für Umwelt GmbH

Past seats:

- Member of the supervisory board of Volkswagen AG

Lisa Lorentzon

Current seats:

- None

Past seats:

- None

Bo Luthin

Current seats:

- None

Past seats:

- None

Michael Lyngsie

Current seats:

- None

Past seats:

- None

Nina Macpherson

Current seats:

- Deputy member of the board of directors of M&K Industrials AB
- Member of the Swedish Securities Council

Past seats:

- Member of the executive team of Telefonaktiebolaget LM Ericsson
- Chairperson of Ericsson AB
- Member of the board of AB Aulis
- Deputy board member of Datasaab Contracting AB
- Member of the board of LME International AB
- Member of the board of Ericsson Telephone Corporation Far East
- Member of the board of Ericsson Telephone Corporation AB
- Member of the board of Netwise AB (now in liquidation)
- Member of the board of the Swedish Association of Listed Companies
- Member of the board of the Swedish Anti-Corruption Institute

Bernd Osterloh

Current seats:

- Member of the supervisory board of Volkswagen AG
- Member of the supervisory board of Autostadt GmbH
- Member of the supervisory board of Volkswagen Immobilien GmbH
- Member of the supervisory board of Porsche Holding Stuttgart GmbH
- Member of the supervisory board of Skoda Auto a.s.
- Member of the supervisory board of SEAT, S.A.
- Member of the supervisory board of Wolfsburg AG
- Member of the supervisory board of VfL Wolfsburg-Fußball GmbH
- Member of the supervisory board of Allianz für die Region GmbH

Past seats:

- None

Dr Dr Christian Porsche

Current seats:

- Managing director of Familie WP Holding GmbH
- Managing director of Neckar GmbH
- Managing director of Porsche Piech GmbH
- Member of the advisory board of an Austrian private Foundation

Past seats:

- None

Dr Wolf-Michael Schmid

Current seats:

- Chairman of the supervisory board of BRW AG
- Member of the supervisory board of Öffentliche Versicherung Braunschweig Anstalt des öffentlichen Rechts
- Shareholder and managing director of Ing. Otto Meyer GmbH & Co KG
- Shareholder and managing director of Dr. Schmid GmbH
- Shareholder and managing director of ISH GmbH
- Shareholder and managing director of Schmid Immobilien GmbH & Co. KG
- Managing director of Magdeburger Nutzfahrzeug GmbH

Past seats:

- None

Karina Schnur

Current seats:

- Member of the supervisory board of MAN Energy Solutions
- Member of the supervisory board of RENK AG

Past seats:

- None

Hiltrud Dorothea Werner

Current seats:

- Member of the management board of Volkswagen AG
- Member of the supervisory board of AUDI AG
- Member of the supervisory board of Porsche AG
- Member of the supervisory board of Porsche Holding Stuttgart GmbH
- Member of the supervisory board of SEAT S.A.
- Member of the supervisory board of Grizzly Wolfsburg GmbH

Past seats:

- Member of the supervisory board of MAN Diesel & Turbo AG (now MAN Energy Solutions SE)

Frank Witter

Current seats:

- Member of the management board of Volkswagen AG
- Member of the board of directors of (China) Investment Co., Ltd.
- Managing director of Audi China Dienstleistungen GmbH & Co. KG

- Chairperson of the supervisory board of Volkswagen Financial Services AG
- Chairperson of the supervisory board of Volkswagen Immobilien GmbH
- Chairperson of the supervisory board of VfL Wolfsburg-Fußball GmbH
- Member of the supervisory board of Skoda Auto a.s.
- Member of the supervisory board of Volkswagen Group Services GmbH
- Member of the supervisory board of Dr. Ing. h.c.F. Porsche AG
- Member of the supervisory board of Porsche Holding Stuttgart GmbH

Past seats:

- Chairperson of the management board of Volkswagen Financial Services AG
- Member of the supervisory board of Porsche Austria Gesellschaft m.b.H.
- Member of the supervisory board of Porsche Holding Gesellschaft m.b.H.
- Member of the supervisory board of Porsche Retail GmbH
- Chairperson of the supervisory board of LeasePlan Corporation N.V.
- Member of the supervisory board of VW Autoversicherung AG
- Member of the board of directors of VW Credit, Inc.
- Member of the supervisory board of Volkswagen Finance (China) Co. Ltd.
- Member of the supervisory board of Volkswagen New Mobility Services Investment Co. Ltd.
- Member of the supervisory board of Eintracht Braunschweig GmbH & Co. KGaA

Steffen Zieger

Current seats:

- None

Past seats:

- None

The following description provides summaries of the *curricula vitae* of the current members of the Supervisory Board and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Group.

Hans Dieter Pötsch

Hans Dieter Pötsch was born in 1951 in Traun (Austria). He studied industrial engineering at the Technical University of Darmstadt, Germany, from 1973 to 1979. He worked in controlling at BMW AG in Munich, Germany, from 1979, and subsequently became head of controlling at BMW AG in 1984, serving in this function until 1987. He was general manager for finance and administration at Trumpf GmbH & Co. KG from 1987 to 1991. He served as chairman of the management board of Traub AG from 1991 to 1995, and was chairman of the management board at Dürr AG from 1995 to 2002. Mr. Pötsch served as group management board member with responsibility for finance & controlling at Volkswagen AG from 2003 to 2015. He has served as board member for finance at Porsche Automobil Holding SE since 2009. Since 2015 he has served as chairman of the management board of Porsche Automobil Holding SE and chairman of the supervisory board of Volkswagen AG. Since January 2019, Hans Dieter Pötsch has been a member of the Supervisory Board of the Company.

Athanasios Stimoniaris

Athanasios Stimoniaris was born in 1971 in Munich (Germany). He held various positions in logistics at MAN Truck & Bus SE in Munich (Germany) from 1998 to 2002. He has been a member of the works council of MAN Truck & Bus SE since 2002, serving as deputy chairman of the works council from 2007 to 2015, and as deputy chairman of the general works council of MAN Truck & Bus SE from 2012 to 2015, and as deputy chairman of the group works council of MAN SE. Mr. Stimoniaris has been chairman of the works

council and general works council of MAN Truck & Bus SE since 2015. He is also chairman of the group works council of MAN SE and a member of the group works council of Volkswagen AG. Furthermore, he serves as a member of the European and global works councils of Volkswagen AG and since July 22, 2018 has been chairman of the group works council of TRATON AG (now TRATON SE). Athanasios Stimoniarias is deputy leader of the shop stewards' committee of IG Metall at MAN Truck & Bus SE in Munich and a member of the IG Metall local organization in Munich. Since January 2019, Athanasios Stimoniarias has been a member of the Supervisory Board of the Company.

Torsten Bechstädt

Torsten Bechstädt was born in 1973 in Bremen (Germany). He studied economics at the University of the German Armed Forces (*Bundeswehr*) Hamburg, Germany, from 1995 to 1999, and – alongside working – business administration at the distance university (*Fernuniversität*) Hagen, Germany, from 2001 to 2003. From 1999, he worked as head of a transport office in the German Armed Forces (*Bundeswehr*) and from 2001 to 2004 he headed a logistics office for port operations at home and abroad of the German Armed Forces (*Bundeswehr*). After his time with the German Armed Forces (*Bundeswehr*), Torsten Bechstädt worked in the controlling, capital markets and asset management departments of Volkswagen AG's group finance department from 2004 to 2015. He has been an expert consultant to the group works council at Volkswagen AG since 2015. He has also engaged in voluntary work as Chief Financial Officer of the Volkswagen Belegschaftsstiftung (Volkswagen Employee Foundation) and he is a member of the audit committee for accountants of the Hanover Chamber of Industry and Commerce. Since January 2019, Torsten Bechstädt has been a member of the Supervisory Board of the Company.

Mari Carlquist

Mari Carlquist was born in 1969 in Gävle (Sweden). After having finished secondary education in Gävle, she started her career at Scania chassis assembly and participated in several internal trainings. Subsequently, she held various positions at the company. Ms. Carlquist is currently working as chairman for the white collar union Unionen at Scania in Södertälje. Since 2015, Ms. Carlquist has been a member of the board of Scania CV, Scania AB and Dynamate AB (former DIS AB). Since January 2019, Mari Carlquist has been a member of the Supervisory Board of the Company.

Dr Manfred Döss

Dr Manfred Döss was born in 1958 in Bad Kreuznach (Germany). He studied law at the Johannes Gutenberg University in Mainz, Germany. After his post-graduate clerkship in 1987, he received his doctorate in 1990. Dr Döss started his career at Metallgesellschaft AG (today Gea AG) in the legal department. In 1996, he became head of the legal department and in 2004 he also became representative of senior executives in the co-determined supervisory board of Metallgesellschaft AG. From 2005 to 2013, Dr Döss worked as head of the legal department of RWE AG. From 2007 to 2009, he also acted as non-executive director during the initial public offering of American Water Works Co. Inc., Voorhees (NJ), USA, a former subsidiary of the RWE group. From 2013 to 2015, Dr Döss acted as head of the legal department of Porsche Automobil Holding SE. Since 2016, Dr Döss has served as member of the management board of Porsche Automobil Holding SE, being responsible for legal and compliance, and as chief legal counsel of Volkswagen AG. Since January 2019, Dr Döss has also been a member of the Supervisory Board of the Company.

Jürgen Kerner

Jürgen Kerner was born in 1969 in Augsburg (Germany). He trained as an information electronics technician at Siemens AG in Augsburg from 1985 to 1989 and afterwards worked as a function tester at Siemens AG from 1989 to 1990. Between 1990 and 1995, Mr. Kerner was a full-time works council member of Siemens AG. From 1995 until 2000, Mr. Kerner acted as trade union officer, from 2000 until 2004 as vice-president and from 2004 until 2011 as president of the IG Metall local branch in Augsburg. From 2011 until 2013 he was a full-time member of the executive committee of IG Metall. Since 2013, Mr. Kerner has served as treasurer of IG Metall responsible, among others, for finance, controlling, commercial and in-house services and IT. Since January 2019, Jürgen Kerner has been a member of the Supervisory Board of the Company.

Gunnar Kilian

Gunnar Kilian was born in 1975 in Westerland (Germany). He received his high school diploma in 1996 and has worked for the Volkswagen Group since 2000. Mr. Kilian started his professional career in 1999 at Verlag Lokalpresse GmbH as responsible editor for the Wolfsburger Kurier before joining Volkswagen AG as a public relations officer in 2000. From 2003 to 2006, Mr. Kilian was responsible for the office of a member of the German parliament, and returned to Volkswagen AG in 2006 as advisor to the works council and

became press spokesperson for the group works council in 2009. He worked in the Salzburg office of the chairperson of the Volkswagen AG supervisory board from 2012 before returning to Wolfsburg in 2013 to take up the position as secretary-general and general manager of the group works council. Since April 2018, Mr. Kilian has been a member of the management board of Volkswagen AG with functional responsibility for "Human Resources." Mr. Kilian also held supervisory board mandates at Volkswagen Truck & Bus GmbH, MAN Diesel & Turbo SE (now MAN Energy Solutions SE), as well as Volkswagen Vertriebsbetreuungsgesellschaft and MOIA GmbH. Mr. Kilian has engaged in voluntary work for many years, for example as chairperson of the Volkswagen Belegschaftsstiftung (Volkswagen Employee Foundation) and also as a member of the Stiftungsrat (Board of Trustees) of the International Youth Meeting Center in Auschwitz. Since January 2019, Mr. Kilian has been a member of the Supervisory Board of the Company.

Dr Albert Xaver Kirchmann

Dr Albert Xaver Kirchmann was born in 1956 in Engelitz (Germany). He studied business and engineering at the University of Karlsruhe and received his doctorate in 1984. Dr Kirchmann began his career at Daimler-Benz AG in 1984 as an assistant to the plant management and with responsibility for controlling and calculation. After various positions in controlling, including positions at Mercedes-Benz in Spain, Dr Kirchmann started in strategy, controlling and planning for the powertrain business unit in 1997. Subsequently, he held further management positions in finance before becoming head of finance and controlling, business and product planning at Daimler Truck & Buses in 2004. In 2009, Dr Kirchmann became head of and president of Daimler Trucks Asia as well as chief executive officer (CEO) of Mitsubishi Fuso Truck & Bus Corporation. Additionally, he has held further management board positions at the German Chamber of Commerce and Industry and the European Business Council in Japan as well as the Japan Automobile Manufacturers Association. Since 2017, Dr Kirchmann has been working self-employed as chief-executive advisor. Since January 2019, Dr Kirchmann has been a member of the Supervisory Board of the Company.

Dr Julia Kuhn-Piëch

Dr Julia Kuhn-Piëch was born in 1981 in Vienna (Austria). She studied law at the University of Vienna, graduating in 2007. Additionally, Dr Kuhn-Piëch studied real estate management at the Vienna Technical University. In 2017 she received a Doctor of Laws (Dr iur). Since 2009 Dr Kuhn-Piëch has been working as a self-employed real estate manager. Since 2014 Dr Kuhn-Piëch has served as a member of the supervisory board of MAN Truck & Bus SE. Since 2015 she has also served as a member of the supervisory board of MAN SE and AUDI AG. In 2015 she served as a member of Volkswagen AG's supervisory board. Dr Kuhn-Piëch has been a member of the board of trustees of Audi Stiftung für Umwelt GmbH since 2018. Since January 2019, Dr Kuhn-Piëch has been a member of the Supervisory Board of the Company.

Lisa Lorentzon

Lisa Lorentzon was born in 1982 in Växjö (Sweden). Between 2001 and 2007 she studied media technology at the Linköpings University and graduated with a master of science. She has held various positions at Scania since 2007. Since 2012, Ms. Lorentzon has been a member of the board of directors at Scania AB and Scania CV AB. Additionally, she is the chairperson for the Union for University Graduates (*Akademikerförening*) at Scania. Since January 2019, Lisa Lorentzon has been a member of the Supervisory Board of the Company.

Bo Luthin

Bo Luthin was born in 1967 in Eskilstuna (Sweden). Since 1985 he has worked at Scania in various positions and successfully participated in several trainings, among others in the field of work environment responsibility. He started his career at Scania chassis assembly. From 1991 to 2008, he was a mechanic in the transmission development. From 2003 to 2008, Mr. Luthin also worked as local safety officer before he became deputy senior safety officer at Scania Södertälje in 2008 and senior safety officer in 2010. Since 2016, Mr. Luthin has been working as coordinating senior safety officer at Scania Sweden responsible for the international coordination of work environment issues. Since then, he has also been a representative of IF Metall at Scania. He is a member of the Supervisory Board of the Company since January 2019.

Michael Lyngsie

Michael Lyngsie was born in 1977 in Södertälje (Sweden). He started his career as a CNC operator at Scania Gearbox in 1996 and has held various positions at Scania since then. In 2006, he became a full-time representative of IF Metall at Scania and has been a member of the board of directors since 2018. Additionally, Mr. Lyngsie has been president of the metalworkers union in Södertälje and Sweden since August 2018. Since January 2019, he has been a member of the Supervisory Board of the Company.

Nina Macpherson

Nina Macpherson was born in 1958 in Gothenburg (Sweden). She holds a master of laws from Stockholm University. Ms. Macpherson began her career in 1982 as in-house lawyer at Salén Shipping Companies, focusing on general marine law. From 1985 until 1988, she acted as legal advisor at Rederi AB Reut. In 1988, Ms. Macpherson joined Rydin & Carlsten Advokatbyra AB as a lawyer. From 1996 to 2018, Ms. Macpherson worked in various positions at Ericsson, including vice president deputy head of group function legal affairs and head of the general counsel's office, finance, insurance and M&A as well as trade compliance. In 2011 she became senior vice president and chief legal officer for the Ericsson group. Since April 2018, Ms. Macpherson has been a member of the board of Scania AB and Scania CV AB, and since January 2019 a member of the Supervisory Board of the Company.

Bernd Osterloh

Bernd Osterloh was born in 1956 in Brunswick (Germany). He trained as an industrial clerk from 1973 to 1975. Since 1977 he has been working for Volkswagen AG in Wolfsburg. Since 2005, he has been a member of the supervisory board of Volkswagen AG. He has been a member of the supervisory board of Allianz für die Region GmbH since 2007 and a member of the supervisory board of Wolfsburg AG since 2009. He has held positions in the supervisory boards of ŠKODA Auto a.s. and SEAT, S.A. since 2015. Since 2018, he has served as a member of the supervisory board of Porsche Holding Stuttgart GmbH and TRATON AG (now TRATON SE). In addition, Bernd Osterloh is chairperson of the Förderverein ready4work e.V. and a member of the board of Bildungszentrum Heimvolkshochschule Hustedt e.V. Since January 2019, he has been a member of the Supervisory Board of the Company.

Dr Dr Christian Porsche

Dr Dr Christian Porsche was born in 1974 in Munich (Germany). He studied human medicine at the Free University and Humboldt University in Berlin, Germany, and received his doctorate in medicine in 2002. In 2007, he received his doctorate in biology from the University of Wuerzburg. From 2005 to 2006, he participated in the distance learning course "BWL im Krankenhaus" offered by the University Nuernberg-Erlangen and in 2009 took part in the "Management Acceleration Programme" at INSEAD. Dr Dr Porsche started his career in 2007 with a specialist training for neurology. From 2013 to 2014, he worked as medical specialist in neurology at the Christian-Doppler Klinik in Salzburg, Austria. Since 2015, he has been working as neurologist in private practice in his own medical office "APEXMED" in Salzburg. From 2005 to 2009, Dr Dr Porsche held partnership interests in Porsche Austria GmbH & Co. OG, Porsche Konstruktionen GmbH & Co. KG and Porsche Inter Auto GmbH & Co. KG. In the period between 2013 and 2017, he served as member of the supervisory board of MAN Truck & Bus SE, Scania AB and MAN SE - with different dates of joining the respective committee. Since January 2019, Dr Dr Porsche has been a member of the Supervisory Board of the Company.

Dr Wolf-Michael Schmid

Dr Wolf-Michael Schmid was born in 1947 in Schoeningen (Germany). He studied business administration in Berlin and Goettingen and holds a doctorate from the TU Braunschweig. After graduation, Dr Schmid began his career as managing director of Mineralöltransport GmbH. He is currently managing director and shareholder of Dr W.-M. Schmid GmbH with registered seat in Helmstedt. Dr W.-M. Schmid GmbH operates several Bosch and MAN maintenance and service points and is furthermore engaged in properties development. For 10 years, Dr Schmid was president of the chamber of industry and commerce in Brunswick (*Braunschweig*). He is currently honorary president. Dr Schmid has also acted as honorary judge at the fiscal court of Lower Saxony in Hanover for 5 years. Since January 2019, he has been a member of the Supervisory Board of the Company.

Karina Schnur

Karina Schnur was born in 1977 in Ingolstadt (Germany). From 1994 to 1997 she completed a commercial apprenticeship at AUDI AG in Ingolstadt, Germany. In 1997, after three years working in the controlling department of AUDI AG, she became deputy chairperson of the representative body for youth and trainees (*Jugend- und Auszubildendenvertretung*). Since 2002 Ms. Schnur has held various positions at IG Metall and is now general secretary of the works council, responsible for MAN / MAN Truck & Bus SE. Since January 2019, she has been a member of the Supervisory Board of the Company.

Hiltrud Dorothea Werner

Hiltrud Dorothea Werner was born in 1966 in Bad Doberan (Germany). In 1985, she completed a textile technology training program in Muehlhausen, Thuringia. She then earned an economics degree in 1989 at the Martin Luther University in Halle-Wittenberg. Hiltrud Dorothea Werner began her career as a project

manager for process optimization at Softlab GmbH, a consulting firm that specialized in information technology. She joined BMW AG in 1996 and then completed an international management trainee program. Afterwards, she became a department head at BMW Bank GmbH. In 2000, she joined group audit and became the head of the BMW audit department for Great Britain and Ireland with global responsibility for the brands Rolls-Royce Motor Cars and MINI in 2003. After returning from Great Britain in 2008, she became head of group audit financial services. In 2011, Hiltrud Dorothea Werner was appointed chief audit executive at MAN SE. She then assumed the same position at ZF Friedrichshafen in 2014. She became head of group audit at Volkswagen AG on January 1, 2016. Since February 1, 2017, she has been a member of the management board of Volkswagen AG with responsibility for "integrity and legal affairs" and since January 2019, a member of the Supervisory Board of the Company.

Frank Witter

Frank Witter was born in 1959 in Hanover (Germany). He holds a degree in business administration and has been with the Volkswagen Group since 1992. After training as a qualified savings bank officer, Frank Witter studied economics at the University of Hanover. Mr. Witter started his career at BASF AG in Ludwigshafen as group leader special financing operations. He joined Volkswagen AG in 1992, heading the capital markets business section at group treasury until 1998. He subsequently became corporate treasurer at Volkswagen of America Inc., Volkswagen Canada Inc. and VW Credit Inc. and its subsidiaries in Auburn Hills, Michigan (USA). From 2001 to 2002, Mr. Witter served as corporate treasurer at SAirGroup in Zurich (Switzerland). In 2002, he became CFO at Volkswagen of America Inc., Volkswagen Canada Inc. and VW Credit Inc. and its subsidiaries. From the beginning of 2005, he held the function of CEO and CFO at Volkswagen of America Inc. and Volkswagen Canada Inc. From October 2007 to mid-September 2008, Frank Witter served as president and CFO of VW Credit Inc. and was regional manager for the North and South American markets of Volkswagen Financial Services AG. Frank Witter has been chairman of the board of management of Volkswagen Financial Services AG since September 2008. In October 2015, he was appointed member of the management board of Volkswagen AG with functional responsibility for "Finance and Controlling". The supervisory board of Volkswagen AG additionally transferred responsibility for IT to Mr. Witter with effect from April 2018. Since January 2019, Frank Witter has been a member of the Supervisory Board of the Company.

Steffen Zieger

Steffen Zieger was born in 1960 in Leipzig (Germany). From 1976 to 1978 he trained as an auto mechanic and until 1990 he worked as an auto mechanic at a car maintenance company in Leipzig. After joining MAN in 1990, Mr. Zieger became a member of the general works council of MAN Truck & Bus Deutschland GmbH in 2002. Since 2012 he has been chairperson of the general works council of MAN Truck & Bus Deutschland GmbH and since January 2019, a member of the Supervisory Board of the Company.

All members of the Supervisory Board may be reached at the Company's offices at Dachauer Straße 641, 80995 Munich, Germany (telephone +49 89 36098 – 70).

21.3.3 Supervisory Board Committees

Under the Articles of Association, the Supervisory Board can set up committees in accordance with the law. According to the Supervisory Board's internal rules of procedure (Sections 8 through 10), the Supervisory Board shall form an executive committee (*Präsidialausschuss*), a nomination committee (*Nominierungsausschuss*) and an audit committee (*Prüfungsausschuss*) from among its members. The Supervisory Board may set up further committees. Except for the nomination committee, the committees are to consist of equal numbers of shareholder and employee representatives; only shareholder representatives may be appointed chairperson and only employee representatives may be appointed deputy chairperson. The Supervisory Board's decision-making authority may be delegated to these committees to the extent permitted by law. The following committees have been established by the Supervisory Board:

21.3.3.1 Executive Committee (Präsidialausschuss)

The executive committee (*Präsidialausschuss*) consists of the chairperson of the Supervisory Board, their deputy and two members representing the shareholders and two members representing the employees. The chairperson of the Supervisory Board will be the chairperson of the executive committee. The executive committee shall prepare the meetings and resolutions of the Supervisory Board, in particular the draft resolutions regarding the appointment or removal of Management Board members and the Management Board members' service agreements, the total compensation and the remuneration system, and it shall provide assistance and advice to the chairperson of the Supervisory Board. Its further assignments include (i) the approval of any of the Management Board members' outside activities, in particular pursuant to Section 88 para. 1 of the German Stock Corporation Act (*Aktiengesetz*), (ii) the passing of resolutions regarding lending (*Kreditgewährungen*) within the meaning of Sections 89 and 115 of

the German Stock Corporation Act (*Aktiengesetz*), (iii) the approval of agreements between the Company and any Supervisory Board members under Section 114 German Stock Corporation Act (*Aktiengesetz*), and (iv) granting consent to the matters requiring consent pursuant to Section 5 para. 1 of the rules of procedure for the Management Board up to a value of EUR 300 million. This will not include matters requiring consent pursuant to Section 5 para. 1 (i) of the rules of procedure for the Management Board (annual corporate planning in the context of a planning sessions concept) and Section 5 para. 1 (iii) of the rules of procedure for the Management Board (establishment and relocation of production sites), which are always subject to the entire Supervisory Board's consent.

The current members of the executive committee are:

Name	**Responsibilities**
Hans Dieter Pötsch	Chairperson
Athanasios Stimoniaris	Deputy chairperson
Gunnar Kilian	Member
Michael Lyngsie	Member
Bernd Osterloh	Member
Dr Dr Christian Porsche	Member

21.3.3.2 Nomination Committee (Nominierungsausschuss)

The nomination committee (*Nominierungsausschuss*) consists of the Supervisory Board members representing the shareholders and being members of the executive committee. It shall identify candidates for seats on the Supervisory Board who best match the suitability criteria and who are prepared to take a seat, and will propose suitable candidates to the Supervisory Board for the Supervisory Board's nominations to be submitted to the general meeting. The nomination committee shall work out the targets regarding the composition of the Supervisory Board unless this is done by the entire Supervisory Board.

The current members of the nomination committee are:

Name	**Responsibilities**
Hans Dieter Pötsch	Chairperson
Gunnar Kilian	Deputy chairperson
Dr Dr Christian Porsche	Member

21.3.3.3 Audit Committee (Prüfungsausschuss)

The audit committee (*Prüfungsausschuss*) shall be composed of three members representing the shareholders and three members representing the employees. The chairperson will be elected upon proposal by the shareholder representatives. The chairperson of the audit committee shall be independent (with regard to the Company's deviation from the recommendation pursuant to no. 5.3.2 para. 3 sentence 2 of the German Corporate Governance Code in this regard, please see "*21.6 Corporate Governance*" below) and shall have special knowledge of, and experience in, applying accounting principles and internal control processes. Neither the chairperson of the Supervisory Board nor any former Management Board member whose term of office ended less than two years prior shall be chairperson of the audit committee. The audit committee shall prepare the Supervisory Board's decisions on the adoption of the financial statements and approval of the consolidated financial statements. It shall, above all, be responsible for (i) monitoring accounting, accounting processes, the effectiveness of the internal control system, risk management system, internal auditing system and dealing with compliance issues, (ii) the preparation of the Supervisory Board's decision and making reasoned proposals regarding the nomination of an auditor, (iii) monitoring the auditor's independence and, in addition, (iv) dealing with any additional services provided by such auditor, with the awarding of the audit mandate to the auditor, the determination of the focal points of the audit and the fee agreement. The audit committee shall discuss the semi-annual financial reports and any potential quarterly financial reports with the Management Board prior to their publication.

The current members of the audit committee are:

Name	**Responsibilities**
Frank Witter	Chairperson
Torsten Bechstädt	Deputy chairperson
Lisa Lorentzon	Member
Nina MacPherson	Member
Dr Julia Kuhn-Piëch	Member
Karina Schnur	Member

Section 107 para. 4 of the German Stock Corporation Act (*Aktiengesetz*) requires the Company to have at least one member of the audit committee with expertise in the fields of accounting or auditing within the meaning of Section 100 paragraph 5 of the German Stock Corporation Act (*Aktiengesetz*). As concerns the Supervisory Board and its audit committee, Frank Witter and Torsten Bechstädt are considered to possess the respective expertise.

As of the date of this Prospectus, the Supervisory Board has not established a separate remuneration committee (*Vergütungsausschuss*).

21.3.4 Remuneration of the members of the Supervisory Board

The remuneration of the Supervisory Board members is regulated by Section 16 of the Articles of Association. The members of the Supervisory Board receive a fixed compensation payable after the end of the shareholders' meeting accepting, or deciding on, the adoption of the consolidated financial statements for the fiscal year for which the remuneration is paid in the amount of EUR 75,000.00. The chairperson of the Supervisory Board receives three times and their deputy two times this amount. In addition, the Supervisory Board members receive for their activity in the committees of the Supervisory Board additional fixed annual remuneration of EUR 40,000.00 per committee, provided that the relevant committee met at least once per year to perform its tasks. Membership in the nomination committee shall not be taken into account. The chairperson of the committees receives two times and the deputy chairperson of the committees one and a half times this amount. Any activities in committees will be taken into account for a maximum of two committees; the two functions with the highest remuneration will be relevant in the event this maximum is exceeded. Members of the Supervisory Board who hold their office in the Supervisory Board or who hold the office as chairperson or deputy chairperson only during a part of the fiscal year shall receive a corresponding portion of the compensation. Moreover, the relevant member receives an attendance fee of EUR 1,000.00 for attending a meeting of the Supervisory Board or a committee; in the event a member attends several meetings on the same day, the attendance fee will only be paid once. In addition to the aforementioned compensation, the Company shall reimburse the members of the Supervisory Board for their reasonable out-of-pocket expenses incurred in the performance of their duties as Supervisory Board members as well as the value-added tax on their compensation and out-of-pocket expenses.

The Company shall ensure that third-party liability insurance with a deductible has been taken out for the benefit of the Supervisory Board members.

Members of the Management Board of Volkswagen Aktiengesellschaft who serve as members of the Supervisory Board of the Company shall not receive additional payments for their services, since these are considered to be covered by their contractual Management Board remuneration. As a rule, they are obligated to waive any compensation that may be due to them in connection with such positions.

In the fiscal year ended December 31, 2018, the remuneration for the members of the Supervisory Board (including fixed and variable components) amounted to EUR 0 million in the aggregate, including non-cash benefits, for their services on the Supervisory Board.

21.3.5 Shareholdings of the Supervisory Board members in the Company

As of the date of this Prospectus, the members of the Supervisory Board directly or indirectly hold the following Company's shares or options on Company's shares:

Dr Julia Kuhn-Piëch and Dr Dr Christian Porsche have an indirect interest via holding companies in Porsche Automobil Holding SE ("**PSE**") which is controlled by the Porsche Piëch family. The PSE holds a majority interest of 52.2% of the share capital in Volkswagen AG which in turn is the sole shareholder of the Company.

21.4 Certain Information Regarding the Members of the Management Board and Supervisory Board

In the last five years, no member of the Management Board or Supervisory Board has been convicted of fraudulent offences.

In the last five years, no member of the Management Board or Supervisory Board has been associated with any bankruptcy, receivership or liquidation acting in its capacity as a member of any administrative, management or supervisory body or as a senior manager.

Also, no official public incriminations and/or sanctions have been made by statutory or legal authorities (including designated professional bodies) against the members of the Management Board or Supervisory Board, nor have sanctions been imposed by the aforementioned authorities in the last five years, except for Hans Dieter Pötsch and Frank Witter. Hans Dieter Pötsch is involved in ongoing criminal investigation

proceedings regarding potential offences in relation to securities notifications and tax filings by Volkswagen AG and affiliates in relation to the diesel emissions cases. Frank Witter is involved in ongoing criminal investigation proceedings regarding potential offences in relation to tax filings by Volkswagen AG and in legal proceedings in the United Sates in relation to cases brought against Volkswagen AG and senior executives on a joint and several basis in connection with the diesel emission cases.

No court has ever disqualified any of the members of either board from acting as a member of the administrative, management, or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

Neither the members of the Management Board nor the Supervisory Board have entered into a service agreement with a Group company that provides for benefits upon termination of employment or office, except for where such benefits are a result of collective bargaining agreements.

There are no family relationships between the members of the Management Board and the Supervisory Board, either among themselves or in relation to the members of the other body, except that Dr Julia Kuhn-Piëch and Dr Dr Christian Porsche are distant relatives.

Apart from the foregoing, there are no conflicts of interest or potential conflicts of interest between the members of the Management Board and Supervisory Board as regards the Company on the one side and their private interests, membership in governing bodies of companies, or other obligations on the other side.

21.5 Retention Bonus Scheme

Following the Offering, the Company intends to implement a retention bonus scheme (the "**Retention Bonus Scheme**") for approximately 100 key employees (the "**Retention Bonus Beneficiaries**"). Members of the Management Board will not be Retention Bonus Beneficiaries. Payments will be in cash and are intended to fall due three years after the implementation of the Retention Bonus Scheme. The amount payable to each Retention Bonus Beneficiary is intended to be calculated by reference to their annual base compensation and to correspond to the relevant annual base compensation multiplied by a performance factor which will be determined by reference to the share price development. It is also intended to provide for customary floors and caps. The aggregate amount of the annual base compensation of the potential Retention Bonus Beneficiaries is estimated not to exceed EUR 23 million.

21.6 General Shareholders' Meeting

Pursuant to Article 54 para. 1 of the SE Regulation and Section 17 para. 1 of the Articles of Association, the annual shareholders' meeting takes place within the first six months of each fiscal year and pursuant to Section 15 paragraph 2 of the Articles of Association, it must be held, at the option of the body convening the Company's shareholders' meeting, either at the registered seat of the Company, at the place of a German stock exchange, at a place within a radius of 50 km from the Company's seat or in any German city having more than 100,000 inhabitants. Except where other persons are authorized to do so by law and by the Articles of Association, the shareholders' meeting shall be convened by the Management Board. Notice must be issued in the German Federal Gazette (*Bundesanzeiger*) at least 30 days prior to the day of the shareholders' meeting, the day of the receipt of the notice not being included when calculating this period. This period shall be extended by the number of days of any registration period pursuant to Article 18 para. 1 of the Articles of Association.

A shareholders' meeting may be convened by the Management Board, the Supervisory Board, or may be requested by shareholders whose shares collectively make up 5% of the share capital. Shareholders or shareholder associations may solicit other shareholders to make such a request, jointly or by proxy, in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*). If, following a request made by shareholders whose Company's shares collectively make up 5% of the share capital, a shareholders' meeting of the Company is not held in due time, the competent local court (*Amtsgericht*) may authorize the shareholders who have requested it or their representatives to convene a shareholders' meeting of the Company.

Pursuant to the Articles of Association, all shareholders who have duly submitted notification of attendance and of evidence of shareholding are entitled to participate in the shareholders' meeting and to exercise their voting rights. The registration for participation must be received by the Company by the end of the sixth day prior to the date of the shareholders' meeting, unless a shorter period of time was set forth in the convening notice of the shareholders' meeting. When calculating this period, the day of the shareholders' meeting and the day of the receipt of the notice shall not be included. The shareholder's registration must be in text form or by way of other electronic means as specified by the Company in greater detail and in

German or English. The evidence of the shareholding is to be submitted in the form of proof prepared by a depository institution in German or English in text form. It must refer to the start of the 21st day prior to the shareholders' meeting and be received by the Company at least six days prior to the shareholders' meeting, unless a shorter period of time was set forth in the convening notice of the shareholders' meeting. When calculating such period, the day of the receipt of the notice shall not be included. Voting rights may be exercised by proxy. The granting of a proxy, its revocation and the evidence of authority to be provided to the Company must be in text form unless the convening notice provides for a less strict form. The Management Board is authorized to provide that shareholders may cast their votes in writing or by electronic communication without attending the shareholders' meeting (absentee vote). The Management Board is further authorized to provide that shareholders may participate in the shareholders' meeting without being present in person at the place of the shareholders' meeting or being represented and may exercise all or specific shareholders' rights in total or in part by electronic communication (online participation).

The shareholders' meeting is chaired by the chairperson of the Supervisory Board or by another member of the Supervisory Board determined by its chairperson. In the event that neither are present, the chairperson of the shareholders' meeting is to be elected by the members of the Supervisory Board present. If the Supervisory Board does not exercise this right, the chairperson of the shareholders' meeting will be elected by the general meeting itself. The chairperson of the shareholders' meeting may decide that topics on the agenda be dealt with in a sequence that differs from the notified sequence. They may determine type, form and sequence of voting. They are entitled to reasonably limit the shareholders' right to speak and ask questions in time.

According to Articles 5, 57 and 59 of the SE Regulation, and Section 51 of the German SE Implementing Act (*SE-Ausführungsgesetz*) together with the current version the German Stock Corporation Act (*Aktiengesetz*), many resolutions of fundamental importance (*grundlegende Bedeutung*) require both a majority of votes cast and a majority of at least 75% of the registered share capital represented at the vote on the resolution. Such resolutions of fundamental importance include, among others:

- approval of contracts within the meaning of Section 179a of the German Stock Corporation Act (*Aktiengesetz*) (transfer of the entire assets of the company) and management actions of special significance that require the approval of the shareholders' meeting in compliance with legal precedents;
- capital increases, including the creation of conditional or authorized capital;
- issuance of, or authorization to issue, convertible and profit-sharing certificates and other profit-sharing rights;
- exclusion of subscription rights as part of an authorization on the use of treasury stock;
- capital reductions;
- liquidation of the Company;
- continuation of the liquidated company after the resolution on liquidation or expiry of the time period;
- approval to conclude, amend or terminate affiliation agreements (*Unternehmensverträge*);
- integration of a stock corporation into another stock corporation and squeeze-out of the minority shareholders; and
- action within the meaning of the German Transformation Act (*Umwandlungsgesetz*).

Pursuant to Section 21 of the Articles of Association, resolutions of the shareholders' meeting are passed with a simple majority of the votes cast, unless a higher majority is required by mandatory law or by the Articles of Association. Unless this conflicts with mandatory legal provisions, changes to the Articles of Association require a majority of two-thirds of the votes cast or, if at least one-half of the share capital is represented, the simple majority of the votes cast. In so far as the law requires a capital majority in addition to a majority of votes for resolutions of the Company's shareholders' meeting, a simple majority of the share capital represented at the time the resolution is passed shall be sufficient to the extent that this is legally permissible. The majority requirement of not less than three-fourths of the votes cast set out in Section 103 para. 1 sentence 2 of the German Stock Corporation Act (*Aktiengesetz*) regarding the removal of Supervisory Board members, however, remains unaffected.

Once the respective shares have been acquired in compliance with the applicable legal provisions, and subject to ongoing compliance with such applicable legal provisions, including for example merger control and foreign investment regulations, neither German law nor the Articles of Association limit the right of foreign shareholders or shareholders not domiciled in Germany to hold shares or exercise the voting rights associated therewith.

21.7 Corporate Governance

The German Corporate Governance Code (the "**Code**") makes proposals concerning the management and supervision of German-listed companies. It is based on internationally and nationally recognized standards of good, responsible governance. The Code contains recommendations ("shall provisions") and suggestions ("should provisions") for corporate governance in relation to shareholders and the shareholders' meeting, the management board and the supervisory board, transparency and accounting and auditing of financial statements. Compliance with the Code's recommendations or suggestions is not obligatory. German stock corporation law only requires the management board and the supervisory board of a German listed company to provide an annual statement regarding whether or not the recommendations in the Code were complied with. Alternatively, the management board and the supervisory board of a German listed company must explain which recommendations have not been complied with and are not being applied as well as the reasons underlying this non-compliance. The declaration of compliance must be publicly available on the Company's website at all times. The current version of the Code was adopted on February 7, 2017 and published in the German Federal Gazette (*Bundesanzeiger*) on April 24, 2017.

Prior to the listing of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and Nasdaq Stockholm, the Company is not subject to the obligation to render a declaration as to compliance with the Code. As of the date of this Prospectus, the Company complies, and following the listing of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and Nasdaq Stockholm intends to comply, with the recommendations of the Code except for the following:

- **No. 5.3.2 para. 3 sentence 2 of the Code:** According to the Code's recommendation, the chairperson of the audit committee shall be independent. The current chairperson of the audit committee, Mr. Witter, cannot be considered "independent" within the meaning of no. 5.4.2 sentence 2 of the Code as he serves as a member of the management board of Volkswagen AG. For the Company, it is most important that the chairperson of the audit committee possesses the required expert knowledge of the industry. It is not clear why an appointment or function at a controlling shareholder under which the criterion of "independence" pursuant to the definition in no. 5.4.2 sentence 2 of the Code is not fulfilled should rule out a position as chairperson of the audit committee.
- **No. 5.4.1 para. 2 sentence 1 of the Code:** According to the Code's recommendation, the supervisory board shall determine concrete objectives regarding its composition, and shall prepare a profile of skills and expertise for the entire board. The Supervisory Board has not yet determined such objectives nor prepared a profile of skills and expertise for the entire board, but intends to do both in one of the next Supervisory Board meetings in the course of 2019.
- **No. 5.4.1 paras. 6 through 8 of the Code:** According to the Code's recommendation, the supervisory board shall in its election proposals to the annual general meeting disclose the personal and business relationships of every candidate with the company, the governing bodies of the corporation and any shareholders with a material interest in the corporation. These requirements of the Code are vague and the definitions unclear. Purely as a precautionary measure, the Company therefore declares a deviation from the Code in this respect. Notwithstanding this, the Supervisory Board will make every effort to satisfy the requirements of this recommendation.

Swedish companies with shares admitted to trading on a regulated market in Sweden, including Nasdaq Stockholm, are subject to the Swedish Corporate Governance Code (the "**Swedish Code**"). The Swedish Code is a codification of best practices for Swedish listed companies based on Swedish market practices and circumstances. The Swedish Code follows a "comply or explain" approach, consequently the Swedish Code is considered to be guidelines and is not binding on companies, but if the guidelines are not complied with, the company must explain the deviation. A non-Swedish company listed in Sweden can elect to either apply the Swedish Code, or corresponding local rules and codes where the company's shares are also listed or where the company has its registered office. Given that TRATON SE is a German company with its primary listing on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), TRATON SE will elect to apply and comply with the Code and not the Swedish Code.

22 UNDERWRITING

22.1 General

On June 14, 2019, the Company, Volkswagen Aktiengesellschaft and the Underwriters entered into an underwriting agreement relating to the offer and sale of the Offer Shares in connection with the Offering (the "**Underwriting Agreement**"). Under the terms of the Underwriting Agreement and subject to certain conditions contained therein, including the execution of a pricing agreement, each Underwriter is obligated to acquire such number of Offer Shares as will be specified in the pricing agreement, but in any event only up to the maximum number of Offer Shares set forth below next to the relevant Underwriter's name:

Name	Address	Maximum number of Base Shares to be purchased	Maximum number of Over-Allotment Shares to be purchased	Percentage of purchased Base Shares and Over-Allotment Shares(*)
				(in %)
Citigroup Global Markets Limited	Citigroup Centre Canada Square Canary Wharf London E14 5LB United Kingdom	9,500,000	1,425,000	19.00
Deutsche Bank Aktiengesellschaft	Taunusanlage 12 60325 Frankfurt am Main Germany	9,500,000	1,425,000	19.00
Goldman Sachs International	Peterborough Court 133 Fleet Street London EC4A 2BB United Kingdom	9,500,000	1,425,000	19.00
J.P. Morgan Securities plc	25 Bank Street Canary Wharf London E14 5JP United Kingdom	9,500,000	1,425,000	19.00
Merrill Lynch International	2 King Edward Street London, EC1A 1HQ United Kingdom	1,825,000	273,750	3.65
Barclays Bank PLC	5 The North Colonnade Canary Wharf London E14 4BB United Kingdom	1,825,000	273,750	3.65
BNP Paribas	16 Boulevard des Italiens 75009 Paris France	1,825,000	273,750	3.65
Skandinaviska Enskilda Banken AB	Kungsträdgårdsgatan 8 SE-106 40 Stockholm Sweden	1,825,000	273,750	3.65
UniCredit Bank AG	Arabellastrasse 12 81925 Munich Germany	1,825,000	273,750	3.65
COMMERZBANK Aktiengesellschaft	Kaiserstraße 16 (Kaiserplatz) 60311 Frankfurt am Main Germany	825,000	123,750	1.65
HSBC Trinkaus & Burkhardt AG	Königsallee 21/23 40212 Düsseldorf Germany	825,000	123,750	1.65
Société Générale	29 boulevard Haussmann 75009 Paris France	825,000	123,750	1.65
Landesbank Baden-Württemberg	Am Hauptbahnhof 2 70173 Stuttgart Germany	400,000	60,000	0.80

(*) Assuming all Base Shares and all Over-Allotment Shares are placed and full exercise of the Greenshoe Option.

In connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for its own account, may subscribe for Offer Shares in the Offering and in that capacity may retain, purchase or sell such Offer Shares or related investments for its own account and may offer or sell such Offer Shares or other investments outside the Offering. Accordingly, references in the Prospectus to Offer Shares being offered or placed should be construed as including any offering or placement of Offer Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. None of the Underwriters intends to disclose the extent of any such investments or transactions other than in accordance with any legal or regulatory obligation to do so. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps with investors), due to which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Offer Shares.

22.2 Underwriting Agreement

In the Underwriting Agreement, the Underwriters agreed to underwrite and purchase the Offer Shares with a view to offering them to investors in the Offering.

The Underwriters further agreed to acquire the Base Shares from the holdings of the Existing Shareholder and to sell such shares as part of the Offering. The Underwriters agreed to remit the purchase price from the sale of the Base Shares (less agreed upon commissions and expenses) to the Existing Shareholder at the time the shares are delivered.

The obligations of the Underwriters under the Underwriting Agreement are subject to various conditions, including (i) the agreement of the Underwriters and the Existing Shareholder on the Offer Price and the final volume of Base Shares to be purchased by the Underwriters, (ii) the absence of a material adverse event (e.g.*,* a material adverse change in or affecting the condition, business, prospects, management, financial position, shareholders' equity, or results of operations of the Group, or a suspension or material limitation in trading in securities in generally on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the London Stock Exchange, the Stockholm Stock Exchange or the New York Stock Exchange), (iii) receipt of customary certificates, legal opinions and auditor letters, and (iv) the introduction of the Company's shares to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and Nasdaq Stockholm.

The Underwriters have provided, and may in the future provide, services to the Group in the ordinary course of business and may extend credit to, and have regular business dealings with the Group in their respective capacities as financial institutions. For a more detailed description of the interests of the Underwriters in the Offering, see "*4.14 Interests of Parties Participating in the Offering*."

22.3 Commission

In the Underwriting Agreement, the Existing Shareholder has agreed to pay the Underwriters a base fee equal to (i) 1.00% of the gross proceeds of the Offering amounting up to EUR 3,000 million; plus (ii) 0.75% of the incremental gross proceeds of the Offering in excess of EUR 3,000 million and up to EUR 4,000 million; plus (iii) 0.6% of the incremental gross proceeds of the Offering in excess of EUR 4,000 million (the "**Base Fee**"). In addition, the Existing Shareholder may, in its sole discretion, decide to award the Underwriters a discretionary fee of up to (i) 0.75% of the gross proceeds of the Offering amounting up to EUR 3,000 million; plus (ii) 0.50% of the incremental gross proceeds of the Offering in excess of EUR 3,000 million and up to EUR 4,000 million; plus (iii) 0.4% of the incremental gross proceeds of the Offering in excess of EUR 4,000 million (the "**Discretionary Fee**"). The maximum amounts of the Discretionary Fee (if any) to be awarded to each individual Underwriter will be determined by the Existing Shareholder in its sole discretion.

The Underwriters will withhold only the Base Fee. The Discretionary Fees, if any, will be determined and paid within 30 calendar days after the closing date of the Offering. The Existing Shareholder has also agreed to reimburse, in certain scenarios, the Underwriters for certain reasonable out-of-pocket expenses reasonably and properly incurred and documented by the Underwriters in connection with the Offering.

22.4 Securities Loan and Greenshoe Option

To cover potential Over-Allotments, the Existing Shareholder has agreed to make available to the Stabilization Manager, acting for the account of the Underwriters, up to 7,500,000 Over-Allotment Shares free of charge in the form of a securities loan. The total number of Over Allotment Shares will not exceed 15% of the final number of Base Shares placed with investors. Moreover, the Existing Shareholder granted the Underwriters an option to acquire a number of the Company's shares equal to the number of Over-Allotment Shares at the Offer Price, less agreed commissions ("**Greenshoe Option**"). The Stabilization Manager, acting for the account of the Underwriters, is entitled to exercise the Greenshoe Option to the extent Over-Allotments are made. The number of shares of the Company that can be acquired under the Greenshoe Option is reduced by the number of shares held by the Stabilization Manager

on the date when the Greenshoe Option is exercised and that were acquired by the Stabilization Manager in the context of stabilization measures, if any. The Greenshoe Option will terminate not later than 30 calendar days after the commencement of trading of the Company's shares, i.e., on July 28, 2019.

22.5 Termination and Indemnification

The Underwriters may, under certain circumstances, terminate the Underwriting Agreement, including after the Offer Shares have been allotted and admitted to trading, up to closing of the Offering, in particular, if any of the following has occurred:

- a material adverse change in or affecting the condition, business, prospects, management, financial position, shareholders' equity, or results of operations of the Group, or
- a suspension or material limitation in trading in securities in general on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the London Stock Exchange, the Nasdaq Stockholm (*börsen*) or the New York Stock Exchange.

If the Underwriting Agreement is terminated, the Offering will not take place, in which case any allotments already made to investors will be invalidated and investors will have no claim for delivery of Offer Shares. Claims with respect to subscription fees already paid and costs incurred by an investor in connection with the subscription will be governed solely by the legal relationship between the investor and the financial intermediary to which the investor submitted its purchase order. Investors who engage in short-selling bear the risk of being unable to satisfy their delivery obligations.

In the Underwriting Agreement, the Existing Shareholder and the Company have agreed to indemnify the Underwriters against certain liabilities that may arise in connection with the Offering, including liabilities under applicable securities laws.

22.6 Selling Restrictions

The distribution of the Prospectus and the sale of the Offer Shares may be restricted by law in certain jurisdictions. No action has been or will be taken by the Company, the Existing Shareholder or the Underwriters to permit a public offering of the Offer Shares anywhere other than in Germany and Sweden or the transmission or distribution of the Prospectus into any other jurisdiction where action for that purpose may be required.

Accordingly, neither the Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction other than in Germany and Sweden, except under circumstances that will result in compliance with applicable laws and regulations. Persons taking possession of the Prospectus are required to inform themselves about, and observe any, such restrictions, including those set out in the following paragraphs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Company does not intend to register either the Offering or any portion of the Offering in the United States, or to conduct a public offering of shares in the United States. The Offer Shares are not and will not be registered pursuant to the provisions of the Securities Act or with securities regulators of individual states of the United States. The Offer Shares may not be offered, sold or delivered, directly or indirectly, in or into the United States, except pursuant to an exemption from the registration and reporting requirements of the United States securities laws and in compliance with all other applicable United States legal requirements. The Offer Shares may only be sold in or into the United States to persons who are QIBs within the meaning of Rule 144A in transactions exempt from the registration requirements of the Securities Act, and outside the United States in accordance with Rule 903 of Regulation S and in compliance with other United States legal requirements. Any offer or sale of Offer Shares in reliance on Rule 144A will be made by broker dealers who are registered as such under the Securities Act. Terms used above shall have the meanings ascribed to them by Regulation S and Rule 144A under the Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act, if such offer or sale does not comply with Rule 144A or another exemption from registration under the Securities Act. In the United Kingdom, the Prospectus is only addressed and directed to Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19 para. 5 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), and/or (ii) who are high net worth entities falling within Article 49 para. 2 lit. a) through d) of the Order, and (iii) other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**Relevant Persons**").

In the United Kingdom, the Offer Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire Offer Shares in the United Kingdom will only be engaged in with,

Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on the Prospectus or any of its contents. No offer to the public of any Offer Shares which are the subject of this Offering has been and will be made in any EEA member state, other than the offers contemplated in the Prospectus in Germany and Sweden (once the Prospectus has been approved by BaFin, notified to the SFSA and published in accordance with Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading, as last amended with effect from July 20, 2017 (the "**Prospectus Directive**") as implemented in Germany and Sweden), except that offers to the public of Offer Shares in any EEA member state are permitted in accordance with the following exceptions under the Prospectus Directive:

- to qualified investors as defined in Article 2 para. 1 lit. e) of the Prospectus Directive;
- to fewer than 150 natural or legal persons per EEA member state (other than qualified investors as defined in Article 2 para. 1 lit. e) of the Prospectus Directive), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 3 para. 2 of the Prospectus Directive.

For the purposes of the Prospectus, the expression "offer to the public" in relation to any Offer Shares in any EEA member state means a communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares, so as to enable an investor to decide to purchase or subscribe for Offer Shares as such expression may be varied by any measure implementing the Prospectus Directive in that EEA member state.

22.7 Other Interests of the Underwriters in the Offering

In connection with the Offering and the admission to trading of the Company's shares, the Underwriters have formed a contractual relationship with the Company and the Existing Shareholder.

The Underwriters are acting exclusively for the Company and the Existing Shareholder on the Offering and no one else in connection with coordinating the structuring and execution of the Offering. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company and the Existing Shareholder for providing the protections afforded to their respective clients, nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein. In addition, each Joint Global Coordinator has been appointed to act as designated sponsor for the Company's shares and UniCredit Bank AG has been appointed to act as paying agent.

Upon successful implementation of the Offering, the Underwriters will receive a commission and the size of this commission depends on the results of the Offering. As a result of these contractual relationships, the Underwriters have a financial interest in the success of the Offering at the best possible terms.

The Underwriters or their affiliates have, and may from time to time in the future continue to have, business relations with companies of the Group and/or of the remaining Volkswagen Group, including lending activities, or may perform services for the Company or the Existing Shareholder in the ordinary course of business.

23 THE SWEDISH SECURITIES MARKET AND NASDAQ STOCKHOLM

The following is a general description of the Swedish securities market, including a brief summary of certain provisions of the laws and securities market regulations in Sweden in effect on the date of this Prospectus. The summary is not intended to provide a comprehensive description of all such regulatory matters and should not be considered exclusive. Moreover, the laws, regulations and procedures summarized below may be amended or reinterpreted.

23.1 Nasdaq Stockholm

Nasdaq Stockholm is a regulated market in Sweden, operated by Nasdaq OMX Stockholm AB, and is the principal Swedish market on which, bonds, derivatives and other securities are traded. One list, the Nordic List, is used for trading shares on Nasdaq Stockholm and all transactions, except for interest-bearing financial instruments, are executed through INET. Companies on the Nordic List are divided into three segments: Large Cap, Mid Cap and Small Cap. Companies with a market capitalization in excess of EUR 1 billion are included in the Large Cap segment. Companies with a market capitalization between EUR 150 million and EUR 1 billion are included in the Mid Cap segment, where companies with a market capitalization below EUR 150 million are included in the Small Cap segment. The segments are normally revised at year-end and the segments are reset, effective on the first trading day in January, based on the average market capitalization in November the year before. Companies with a market capitalization of more than 50% of the minimum or maximum segment threshold of a segment will be transferred into a new segment with immediate effect. Companies with a market capitalization of less than 50% of the minimum or maximum will have a transitional period until the next forthcoming review (or at least 12 months), and thus will be subject to one more review before transferring to a new segment. Furthermore, listed companies are divided into industry sectors in accordance with the global standard the Industry Classification Benchmark. This classification is based on a company's main operations, i.e., the business area that generates the most income for the company.

23.2 Trading Securities on Nasdaq Stockholm

Trading on Nasdaq Stockholm is conducted on behalf of customers by duly authorized Swedish and foreign banks and other securities brokers, as well as the Swedish Central Bank. While banks and brokers are permitted to act as principals in trading both on and off Nasdaq Stockholm, they generally engage in transactions as agents. Clearing and settlement of trades take place through an electronic account-based security system administered by Euroclear Sweden. Trades of shares in companies included in the Large Cap segments are cleared and settled through EuroCCP. See "*23.4 Securities Registration.*"

Trading through INET comprises all securities listed on Nasdaq Stockholm, except for interest-bearing financial instruments, such as bonds. Member firms of Nasdaq Stockholm are able to operate from remote locations via computer access. The brokers' representatives are able to trade shares via workstations that have been developed by Nasdaq Stockholm or via their own electronic data processing systems that are linked to INET. The round lot for all shares traded on Nasdaq Stockholm is one share. In INET, bids and offers are entered in the relevant order book and automatically matched to trades when price, volume and other conditions are met. INET continuously publishes all trading information. The information is displayed in real time in the form of order books, market summaries, concluded trades, index information and different kinds of reports. A two-day settlement schedule (T+2) applies to share trading.

Nasdaq Stockholm's trading hours in respect of equities are 9:00 a.m. to 5:25 p.m. CET on business days. Before the trading hours, there is a pre-open session (8:00 a.m. to 9:00 a.m. CET) during which orders can be placed, but where no automatic order matching occurs. The trading hours start with a so-called opening call uncross where each share is assigned its opening price and then becomes subject to continuous trading. At 5:25 p.m. CET, continuous trading is halted followed by a pre-closing session (5:25 p.m. to approximately 5.30 p.m. CET). During the pre-closing session, orders can still be placed but no automatic matching occurs. The pre- closing session ends with a so-called closing call uncross. The price generated at the closing call uncross (or, in absence thereof, the last trading price) is the official closing price. The trading hours are followed by a post-trading session (5:30 p.m. to 6:00 p.m. CET) in which changes to, and cancellations of, orders, as well as off hours transactions, are permitted.

In addition to official trading on Nasdaq Stockholm through automatic order matching in INET, shares may also be traded off Nasdaq Stockholm, (i.e., outside INET), during, as well as after, the official trading hours ("**manual trades**"). Manual trades during trading hours must normally be entered into at a price within the volume weighted average spread reported in INET at the close of trading hours. However, in the absence of a spread and in situations where there is a change in the market conditions during the closing call or after trading hours, as the case may be, manual trades must take place at a price that takes into account the market situation at the time of the trade. Manual trades that qualify as large scale (EUR 50,000 to

EUR 500,000, depending on the average daily turnover in the relevant share) may be effected without regard to any spread. Trading on Nasdaq Stockholm tends to involve a higher percentage of retail clients while trading off Nasdaq Stockholm, whether directly or through intermediaries, often involves larger Swedish institutions, banks arbitraging between the Swedish market and foreign markets, and foreign buyers and sellers purchasing from, or selling to, Swedish institutions.

All manual trades must normally be reported in INET within three minutes from the time of the trade, although trades outside the official trading hours must be reported during the pre-trading session on the following exchange day and not later than 15 minutes prior to the opening of the trading hours.

23.3 Securities Market Regulations

The Nordic List is regulated under EU directives, primarily Directive 2014/65/EU on markets in financial instruments ("**MiFID II**"), which has been implemented primarily through the Swedish Securities Market Act of 2007 (Sw. *lag (2007:528) om värdepappersmarknaden*) (the "**Securities Market Act**"). Nasdaq OMX Stockholm AB is authorized pursuant to the Securities Market Act to operate a regulated market under the supervision of the Swedish Financial Supervisory Authority (the "**SFSA**"). The SFSA is a governmental agency responsible for, among other things, supervising and monitoring the Swedish securities market and market participants. The SFSA also issues regulations that supplement Swedish securities market laws. Furthermore, pursuant to the Securities Market Act, Nasdaq OMX Stockholm AB is required to have rules of its own, governing the trading on Nasdaq Stockholm. The Rule Book for Issuers of Nasdaq Stockholm, based on European standards and EU directives such as MiFID II and Directive 2004/109/EC (the "**Transparency Directive**"), sets forth listing requirements and disclosure rules for companies listed on Nasdaq Stockholm. The Rule Book for Issuers of Nasdaq Stockholm will apply to the Company with the exceptions of the rules on financial reporting set out in items 3.3.3 and 3.3.4 and closely-related party transactions set out in item 3.3.10 as the Company instead will follow corresponding German rules. The objective of the regulatory system governing trading on and off Nasdaq Stockholm is to achieve transparency and equality of treatment among market participants. Nasdaq Stockholm records information as to the banks and brokers involved, the issuer, the number of shares, the price and the time of each transaction. Each bank or broker is required to maintain records indicating trades carried out as agent or principal. Nasdaq Stockholm also maintains a market supervision unit (the "**Trading Surveillance**") that monitors trading on a "real time" basis, as described below.

The Swedish Market Abuse Penal Act of 2016 (Sw. *lag (2016:1307) om straff för marknadsmissbruk på värdepappersmarknaden*) (the "**Market Abuse Act**"), and the European Market Abuse Regulation, Regulation (EU) No. 596/2014 ("**MAR**"), include prohibitions against insider trading and unlawful disclosure of insider information, as well as against market manipulation, making illegal any actions (in connection with trading on the securities market or otherwise) intended to unduly affect the market price or other conditions of trade in financial instruments, or otherwise mislead buyers or sellers of such instruments (such as through spreading false or misleading information). Market manipulation may also constitute fraud under Swedish law. The SFSA and the Trading Surveillance enforce compliance with the Market Abuse Act and other insider trading rules. Criminal offenses are enforced in court by the Swedish National Economic Crimes Bureau (Sw. *Ekobrottsmyndigheten*). Moreover, the SFSA may cause the operating license of a bank or broker to be revoked if the bank or broker has engaged in improper conduct, including market manipulation.

The Trading Surveillance monitors trading data for indications of unusual market activity and trading behavior, and continuously examines information disseminated by listed companies, such as earnings reports, acquisition and other investment plans and changes in ownership structure on a daily basis. When the Trading Surveillance becomes aware of non-public price sensitive information, it monitors trading in the shares concerned to ensure that if unusual trading activity develops indicating that persons may be trading on that information, the information is made public as soon as possible.

23.4 Securities Registration

The Shares which are traded on Nasdaq Stockholm, are registered in the account-based electronic securities system operated by Euroclear Sweden, the Swedish central securities depository and clearing organization authorized under the Swedish Financial Instruments Accounts Act (Sw. *lag (1998:1479) om kontoföring av finansiella instrument*) and the Securities Market Act. Among other things, Euroclear Sweden maintains the register of shareholders in Swedish companies listed on Nasdaq Stockholm. Shares administrated by Euroclear Sweden are registered in book-entry form on securities accounts (VP accounts) and no share certificates are issued. Title to shares is ensured exclusively through registration with Euroclear Sweden. All transactions and other changes to accounts are entered in the system of Euroclear Sweden through banks or other securities institutions that have been approved as account operators by Euroclear Sweden.

Shares may be registered on VP accounts, and consequently entered in the register of shareholders, either in the name of the beneficial owner (owner registered shares) or in the name of the nominee authorized by Euroclear Sweden (nominee registered shares), in which case a note thereof is made in the securities system. The relationship between the nominee and the beneficial owner is governed by agreement. In order to exercise certain rights, such as participation at a general meeting, shareholders whose shares are registered in the name of a nominee must temporarily re-register the shares in their own names. Nominees are also required to report the holdings of underlying beneficial owners to Euroclear Sweden on a regular basis. A public register of shareholders and a nominee list, both containing information of holders of more than 500 shares in the relevant company (or such lower number of shares that constitute all shares in the relevant company), is produced at the beginning of each quarter of the year and is available to the general public at both Euroclear Sweden and the issuer's registered office. There is also a separate register maintained by Euroclear Sweden for the recording of persons who have other interests in respect of shares, such as those of a pledgee.

The rights attaching to shares that are eligible for dividends, rights issues or bonus issues accrue to those holders whose names are recorded in the register of shareholders as of a particular record date, and the dividends are normally distributed to bank accounts as specified by the holders registered with Euroclear Sweden. The relevant record date must be specified in the resolution declaring a dividend or capital increase, or any similar matter in which the shareholders have preferential rights. Where the registered holder is a nominee, the nominee receives, for the account of the beneficial owner, dividends and other financial rights attaching to the shares, such as subscription rights in conjunction with rights offerings, as well as new shares subscribed through the exercise of subscription rights. Dividends are remitted in a single payment to the nominee, who is responsible for the distribution of such dividends to the beneficial owner. A similar procedure is applied for subscription rights and newly issued shares.

23.5 Compensation Scheme for Investors

Investor compensation covers financial instruments such as shares, bonds and various types of derivatives, for instance warrants and futures. Investor compensation is payable only if an institution is declared bankrupt and it is impossible for the investor to recover its securities or cash. The investor compensation does not cover financial loss due to changes in value of shares and other securities. Investor compensation covers securities handled by the securities companies, securities brokers and some other institutions on behalf of customers in the course of providing investment services (such as purchase, sale and custody of financial instruments). For the purpose of the scheme, securities mean shares, bonds and various types of derivatives. The scheme also covers funds that an institution receives in conjunction with providing an investment service for which it is accountable. Investors may be compensated for lost assets up to a value of SEK 250,000 per institution.

23.6 Transaction and Ownership Disclosure Requirements

German laws and regulations on voting rights disclosure apply with respect to the Company and its Shares (see "*19.11 Shareholder Notification Requirements, Mandatory Takeover Bids and Managers' Transactions*").

23.7 Mandatory Offers

German laws and regulations on mandatory offers apply with respect to the Company.

24 TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

The following section presents a number of key German taxation principles which generally are or can be relevant to the acquisition, holding or transfer of shares by a shareholder (an individual, a partnership or corporation) that has a tax domicile in Germany (that is, whose place of residence, habitual abode, registered office or place of management is in Germany). The information is not exhaustive and does not constitute a definitive explanation of all possible aspects of taxation that could be relevant for investors. In particular, this summary does not provide a comprehensive overview on tax considerations that may be relevant to a shareholder that is a tax resident of a jurisdiction other than Germany. The information is based on the tax laws in force in Germany as of the date of the Prospectus (and their interpretation by administrative directives and courts) as well as typical provisions of double taxation treaties that Germany has concluded with other countries. Tax law can change, sometimes retrospectively. Moreover, it cannot be ruled out that the German tax authorities or courts may consider an alternative interpretation or application to be correct that differs from the one described in this section.

This section cannot serve as a substitute for tailored tax advice to individual potential investors. Potential investors are therefore advised to consult their tax advisers regarding the individual tax implications of the acquisition, holding or transfer of shares and regarding the procedures to be followed to achieve a possible reimbursement of German withholding tax (Kapitalertragsteuer). Only such advisors are in a position to take the specific tax relevant circumstances of individual investors into due account.

24.1 Taxation of the Company

As a rule, the taxable profits generated by corporations with their seat or place of management in Germany are subject to corporate income tax (*Körperschaftsteuer*). The rate of the corporate income tax is a standard 15% for both distributed and retained earnings, plus a solidarity surcharge (*Solidaritätszuschlag*) amounting to 5.5% on the corporate income tax liability (i.e., 15.825% in total).

In general, dividends (*Dividenden*) or other profit shares that the Company derives from domestic or foreign corporations are effectively 95% exempt from corporate income tax (including solidarity surcharge (*Solidaritätszuschlag*)), as 5% of such receipts are treated as non-deductible business expenses and are therefore subject to corporate income tax (and solidarity surcharge (*Solidaritätszuschlag*) thereon). However, as an exception to the above, dividends that the Company receives from domestic or foreign corporations are subject to corporate income tax (including solidarity surcharge (*Solidaritätszuschlag*) thereon), if the Company holds a direct participation of less than 10% in the share capital of such corporation at the beginning of the calendar year (hereinafter in all cases, a "**Portfolio Participation**" – *Streubesitzbeteiligung*). Participations of at least 10% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations in the share capital of other corporations which the Company holds through a partnership (including those that are co entrepreneurships (*Mitunternehmerschaften*)) are attributable to the Company only on a *pro rata* basis at the ratio of the interest share of the Company in the assets of the relevant partnership.

The Company's gains from the disposal of shares in a domestic or foreign corporation are in general effectively 95% exempt from corporate income tax (including the solidarity surcharge (*Solidaritätszuschlag*) thereon), regardless of the size of the participation and the holding period. 5% of the gains are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge (*Solidaritätszuschlag*) thereon) at a rate of 15.825%. Conversely, losses incurred from the disposal of such shares are generally not deductible for corporate income tax purposes. Currently, there are no specific rules for the taxation of gains arising from the disposal of Portfolio Participations.

Additionally, the Company is subject to trade tax (*Gewerbesteuer*) with respect to its taxable trade profit (*Gewerbeertrag*) generated at its permanent establishments maintained in Germany (*inländische Betriebsstätte*). The average trade tax rate in Germany amounts to approximately 15% (with a statutory minimum rate of 7%) of the taxable trade profit. The trade tax rate applying to the Company is approximately 17.1%. When determining the income of the Company, trade tax may not be deducted as a business expense. In principle, profits derived from the sale of shares in another domestic and foreign corporation are treated in the same way for trade tax purposes as for corporate income tax (as described above). Contrary to this, profit shares derived from domestic and foreign corporations are only effectively 95% exempt from trade tax, if a) the participation is held in a German corporation and the Company held an interest of at least 15% in the share capital of the company making the distribution at the beginning of the relevant assessment period, b) the participation is held in a foreign corporation as per Article 2 of Council Directive 2011/96/EU of November 30, 2011, as amended (the "**Parent Subsidiary Directive**") with its registered office in another member state of the European Union, c) the participation is held in a foreign corporation not falling under b) and the Company has held a stake of at least 15% in the share capital continuously since the beginning of such period (trade tax participation exemption privilege –

gewerbesteuerliches Schachtelprivileg), or d) the distributing corporation is a foreign company resident in a jurisdiction with which Germany has concluded a double taxation treaty which provides for an exemption on the taxation of dividend income and the Company holds a stake of at least 15% (or any lower rate as set out in the treaty) in the distributing company at the time of the distribution. Otherwise, the profit shares will be subject to trade tax (at the above-mentioned rates) in full. Additional restrictions apply for profit shares originating from foreign corporations which do not fall under b) above. When applying the trade tax participation exemption, a recent decision by the European Court of Justice (the "**ECJ**") has to be considered. The ECJ held that the German provision pursuant to which the conditions for the participation exemption regarding shares in foreign corporations are stricter compared to shares in domestic corporations violates EU law (ECJ, September 20, 2018, C-685/16). The German Federal Ministry of Finance has recently published a draft bill for the Annual Tax Act 2019 which implements the recent decision by the ECJ into German law. According to the draft bill, the distinction between German and non-German corporations (including non-EU corporations) would be abolished and the trade tax participation exemption applies if the shareholder held an interest of at least 15% in the share capital of the company making the distribution at the beginning of the relevant assessment period. If and to the extent the Company and its German subsidiaries form a tax group for corporate income and trade tax purposes (*ertragsteuerliche Organschaft*), the profits and losses are generally effectively consolidated and subject to tax at the level of the Company.

The provisions of the so-called interest barrier (*Zinsschranke*) limit the degree to which expenses for debt financing are deductible from the tax base. Accordingly, as a rule, interest (and other debt financing) expenses exceeding interest income are deductible in an amount of up to 30% of the EBITDA as determined for tax purposes in a given fiscal year, although there are exceptions to this rule. Non-deductible interest expenses must be carried forward to subsequent fiscal years. EBITDA that has not been fully utilized can, under certain circumstances, be carried forward to subsequent years (for up to five years) and may be deducted subject to the limitations set out above. For trade tax purposes, 25% of the interest expenses deductible after applying the interest barrier are added when calculating the taxable trade profit. Therefore, for trade tax purposes, the amount of deductible interest expenses is only 75% of the interest expenses deductible for purposes of corporate income tax.

Under certain conditions, negative income of the Company that has not been offset by current year positive income can be carried forward or back into other assessment periods. Loss carry backs to the immediately preceding assessment period are only permissible up to €1,000,000 for corporate income tax but not at all for trade tax purposes. Negative income that has not been offset and not carried back can only be carried forward to subsequent assessment periods (tax loss carry forward). In subsequent periods an amount of up to €1,000,000 can be offset against positive income for corporate income and trade tax purposes. If the taxable income or the taxable trade profit exceeds this amount, only 60% of the excess amount can be offset by tax loss carry forwards. The remaining 40% of the taxable income is subject to tax in any case (minimum taxation – *Mindestbesteuerung*). Unused tax loss carry forwards can, as a rule, be carried forward indefinitely and deducted pursuant to the rules set out regarding future taxable income or trade income. However, if more than 50% of the Company's share capital or voting rights, respectively is/are transferred to a purchaser or group of purchasers within five years, directly or indirectly, or if a similar situation arises (harmful share acquisition – *schädlicher Beteiligungserwerb*), the Company's unutilized losses and interest carry forwards (possibly also EBITDA carry forwards) will generally be forfeited in full and, subject to certain exceptions, may not be offset against future profits. The Company's unutilized losses and interest carry forwards can be deducted, if and to the extent the Company's unutilized losses and interest carry forwards do not exceed the hidden reserves of the loss-making company's business assets that are subject to domestic taxation. In addition, the Company's unutilized losses are, upon application, not forfeited, if the Company's active business remains unchanged and if the Company proves that an ulterior use of the respective losses is precluded. This exemption applies to harmful share acquisitions (*schädlicher Beteiligungserwerb*) conducted after December 31, 2015.

24.2 Taxation of Shareholders

24.2.1 Income Tax Implications of the Holding, Sale and Transfer of Shares

In terms of the taxation of shareholders of the Company, a distinction must be made between taxation in connection with the holding of shares (see "*24.2.2 Taxation of Dividends*") and taxation in connection with the sale of shares (see "*24.2.3 Taxation of Capital Gains*") and taxation in connection with the gratuitous transfer of shares (see "*24.2.5 Inheritance and Gift Tax*").

24.2.2 Taxation of Dividends

24.2.2.1 Withholding Tax

As a general rule, the dividends distributed to the shareholder are subject to a withholding tax (*Kapitalertragsteuer*) of 25% and a solidarity surcharge (*Solidaritätszuschlag*) of 5.5% thereon (i.e., 26.375% in total plus church tax (*Kirchensteuer*), if applicable). This, however, will not apply if and to the extent that dividend payments are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto*; Section 27 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*, "**KStG**")); in this case, no withholding tax will be withheld. However, these payments will reduce the acquisition costs of the shares and may, consequently, increase a taxable gain upon the disposal of the shares. The assessment basis for the withholding tax is the dividend approved by the general shareholders' meeting.

As the shares of the Company are admitted for collective custody by a securities custodian bank (*Wertpapiersammelbank*) pursuant to Section 5 of the German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such bank for collective custody (*Sammelverwahrung*) in Germany, the withholding tax is levied for the account of the shareholders (i) by the domestic credit or financial services institution (*inländisches Kredit oder Finanzdienstleistungsinstitut*) (including domestic branches of such foreign enterprises), by the domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or the domestic securities trading bank (*inländische Wertpapierhandelsbank*) which keeps or administers the shares and disburses or credits the dividends or disburses the dividends to a foreign agent, (ii) by the central securities depository (*Wertpapiersammelbank*) to which the shares were entrusted for collective custody if the dividends are disbursed to a foreign agent by such central securities depository (*Wertpapiersammelbank*) or (iii) by the Company itself if and to the extent shares held in collective custody (*girosammelverwahrt*) by the central securities depository (*Wertpapiersammelbank*), are, however, treated as so-called "*abgesetzte Bestände*" (stock being held separately) (hereinafter in all cases, the "**Dividend Paying Agent**").

The Company does not assume any responsibility for the withholding of taxes on distributions at source, in accordance with the statutory provisions. This means that the Company is released from liability for the violation of its legal obligation to withhold and transfer the taxes at source, if it provides evidence that it has not breached its duties intentionally or gross negligently.

In general, the withholding tax must be withheld without regard to whether and to which extent the dividend is exempt from tax at the level of the shareholder and whether the shareholder is domiciled in Germany or abroad.

However, withholding tax on dividends distributed to a company domiciled in another EU member state within the meaning of Article 2 of the Parent Subsidiary Directive, may be refunded upon application and subject to further conditions. This also applies to dividends distributed to a permanent establishment of such a parent company in another member state of the European Union or to a parent company that is subject to unlimited tax liability in Germany, provided that the participation in the Company is actually part of such permanent establishment's business assets. Further requirements for the refund of withholding tax under the Parent Subsidiary Directive are that the shareholder has directly held at least 10% of the company's registered share capital for 12 months and that a respective application is filed with the German Federal Central Tax Office (*Bundeszentralamt für Steuern, Hauptdienstsitz Bonn-Beuel*, An der Küppe 1, 53225 Bonn, Germany).

If, in the case of a holding of at least 10% of the Company's registered share capital, shares held in collective custody (*girosammelverwahrt*) by the central securities depository (*Wertpapiersammelbank*) are treated as so-called "*abgesetzte Bestände*" (stock being held separately), the German tax authorities will not object when the main paying agent (*Hauptzahlstelle*) of the Company – upon presentation of an exemption certificate (*Freistellungsbescheinigung*) and of a proof that this stock has been held separately – disburses the dividend without deducting withholding tax. An exemption certificate can be granted upon application (using official application forms) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the address specified above)).

With respect to distributions made to other shareholders without a tax domicile in Germany, the withholding tax rate can be reduced in accordance with the double taxation treaty if Germany has entered into a double taxation treaty with the respective shareholder's country of residence and if the shares neither form part of the assets of a permanent establishment or a fixed place of business in Germany, nor form part of business assets for which a permanent representative in Germany has been appointed. The withholding tax reduction is generally granted by the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the address specified above)) upon application in such a manner that the difference between the total amount withheld, including the solidarity surcharge (*Solidaritätszuschlag*), and the reduced withholding tax actually owed under the relevant double taxation treaty (generally 15%) is refunded by the German Federal Central Tax Office.

Forms for the reimbursement and exemption from the withholding at source procedure are available at the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the address specified above) or online at http://www.bzst.de).

If dividends are distributed to corporations subject to non-resident taxation in Germany, i.e., corporations with no registered office or place of management in Germany and if the shares neither belong to the assets of a permanent establishment or fixed place of business in Germany nor are part of business assets for which a permanent representative in Germany has been appointed, two-fifths of the tax withheld at the source can generally be refunded even if not all of the prerequisites for a refund under the Parent Subsidiary Directive or the relevant double taxation treaty are fulfilled. The relevant application forms are available at the German Federal Central Tax Office (*Bundeszentralamt für Steuern* at the address specified above).

The aforementioned possibilities for an exemption from, or a refund of, withholding tax depend on certain other conditions being met (particularly the fulfillment of so-called substance requirements – *Substanzerfordernisse*). In addition, with respect to shares held as private or as business assets by shareholders that are subject to income taxation, the aforementioned relief in accordance with an applicable double taxation treaty may further depend on whether the prerequisites of the special rules on the restriction of withholding tax credit are fulfilled.

The aforementioned credit of withholding tax described for shares held as private and as business assets (see "*24.2.2.2 Taxation of Dividends of Shareholders with a Tax Domicile in Germany*" and "*24.2.2.3 Taxation of Dividends of Shareholders without a Tax Domicile in Germany*") is subject to the following three cumulative prerequisites: (i) the shareholder has been the economic owner of the shares for a continuous period of at least 45 days during the period starting 45 days prior to the date when the dividend becomes due and ending 45 days after such date (the "**Minimum Holding Period**" – *Mindesthaltedauer*), (ii) the shareholder has been exposed (if taking into account counter claims and claims against related parties) to at least 70% of the risk resulting from a decrease in value of the shares during the Minimum Holding Period (the minimum change in value risk; *Mindestwertänderungsrisiko*), and (iii) the shareholder is not obligated to forward (*vergüten*) these dividends, directly or indirectly, in total or predominant to another person (the tests under (i) to (iii) above are together described as the "**Minimum Risk Test**"). In case the shareholder does not meet the Minimum Risk Test, three-fifths of the withholding tax levied on the dividends is not creditable, but may, upon application, be deducted when determining the shareholder's taxable income. Shareholders who do not meet the Minimum Risk Test but who have, nevertheless, not suffered a withholding tax deduction on the dividends (e.g., due to the presentation of a non-assessment certificate) or have already obtained a refund of the taxes withheld, are obligated to notify their competent tax office thereof and to make the payment of an amount corresponding to the amount which would otherwise be withheld. As an exception to this rule, the Minimum Risk Test (and, if applicable, a corresponding notification and (re)payment obligation) does not apply to an investor if either (i) his or her amount of dividend income on shares (including shares from the Company) and certain profit participation rights (*Genussrechte*) does not exceed an amount of €20,000 in a given tax assessment period, or if (ii) he or she has been, upon actual receipt of the dividend, the economic owner of the shares for a continuous period of at least one year. These rules apply retroactively as from January 1, 2016. Further to the statutory amendments, the German Federal Ministry of Finance published a decree dated July 17, 2017 (BMF, Schreiben vom 17.7.2017 – IV C 1 – S 2252/15/10030:05, DOK 2017/0614356) outlining the treatment of transactions where the statutory Minimum Risk Test is not applicable but in which a credit of withholding tax will nevertheless be denied as an anti-abuse measure.

The same requirements apply for the aforementioned relief in accordance with applicable double taxation treaties if relief from withholding tax is sought in accordance with an applicable double taxation treaty, which goes beyond a reduction of the applicable withholding tax rate to 15%.

Prospective holders of the shares are advised to seek their own professional advice in relation to the possibility to obtain a tax credit or refund of withholding tax on dividends.

The Dividend Paying Agent which keeps or administrates the shares and pays or credits the capital income is required to create so-called pots for the loss set off (*Verlustverrechnungstöpfe*) to allow for setting off of negative capital income with current and future positive capital income. A set off of negative capital income at a Dividend Paying Agent with positive capital income at a different Dividend Paying Agent is not possible and can only be achieved in the course of the income tax assessment at the level of the respective investor. In this case the taxpayer has to apply for a certificate confirming the amount of losses not offset with the Dividend Paying Agent where the pots for the loss set off exists. The application is irrevocable and has to reach the Dividend Paying Agent by December 15th of the respective year. Otherwise the losses will be carried forward to the following year by the Dividend Paying Agent.

Withholding tax will not be withheld by a Dividend Paying Agent if the taxpayer provides the Dividend Paying Agent with an application for exemption (*Freistellungsauftrag*) to the extent the capital income does not

exceed the annual lump sum allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for investors filing jointly) as outlined on the application for exemption. Furthermore, no withholding tax will be levied if the taxpayer provides the Dividend Paying Agent with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) to be applied for with the competent tax office of the investor.

24.2.2.2 Taxation of Dividends of Shareholders with a Tax Domicile in Germany

24.2.2.2.1 Shares Held as Non-Business Assets

Dividends distributed to shareholders with a tax domicile in Germany whose shares are held as non-business assets form part of their taxable capital investment income, which is subject to a special uniform income tax rate of 25% plus solidarity surcharge (*Solidaritätszuschlag*) of 5.5% thereon (i.e., 26.375% in total plus church tax (*Kirchensteuer*), if applicable). The income tax owed for this dividend income is in general satisfied by the withholding tax withheld by the Dividend Paying Agent (flat rate withholding tax – *Abgeltungsteuer*). Income related expenses cannot be deducted from the shareholder's capital investment income (including dividends), except for an annual lump sum deduction (*Sparer Pauschbetrag*) of €801 (€1,602 for married couples and registered partners assessed jointly). However, the shareholder may request that his capital investment income (including dividends) along with his other taxable income be subject to the progressive income tax rate (instead of the uniform tax rate for capital investment income) if this results in a lower tax burden (*Günstigerprüfung*). This request may only be exercised consistently for all capital investment income and be exercised jointly in case of married couples and registered partners assessed jointly. In this case, the withholding tax will be credited against the progressive income tax and any excess amount will be refunded; in principle, such withholding tax credit or refund might be limited (*Section 36a EStG*); however, the German Federal Ministry of Finance published a decree dated April 3, 2017 (*BMF, Schreiben vom 3.4.2017 –IV C 1 – S 2299/16/10002, DOK 2017/0298180*) according to which this provision should only exceptionally apply to shares held as private assets. Pursuant to the current view of the German tax authorities (which has been confirmed by a decision of the German Federal Tax Court (*Bundesfinanzhof*)), income related expenses cannot be deducted from the capital investment income, except for the aforementioned annual lump sum deduction.

Exceptions from the flat rate withholding tax apply upon application for shareholders who have a shareholding of at least 25% in the Company and for shareholders who have a shareholding of at least 1% in the Company and work for the Company in a professional capacity, which enables them to exert significant entrepreneurial influence on the Company's business activities. In this situation, the tax treatment described below under "*24.2.2.2.2 Shares Held as Business Assets*" applies.

An automatic procedure for deducting church tax (*Kirchensteuer*) applies unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the above address)). The church tax (*Kirchensteuer*) payable on the dividend is withheld and passed on by the Dividend Paying Agent. In this case, the church tax (*Kirchensteuer*) for dividends is satisfied by the Dividend Paying Agent withholding such tax. Church tax (*Kirchensteuer*) withheld at source may not be deducted as a special expense (*Sonderausgabe*) in the course of the tax assessment, but the Dividend Paying Agent may reduce the withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*)) by 26.375% of the church tax (*Kirchensteuer*) to be withheld on the dividends. If the shareholder has filed a blocking notice and no church tax (*Kirchensteuer*) is withheld by a Dividend Paying Agent, a shareholder subject to church tax (*Kirchensteuer*) is obligated to declare the dividends in his income tax return. The church tax (*Kirchensteuer*) on the dividends is then levied by way of a tax assessment.

As an exemption, dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) and are paid to shareholders with a tax domicile in Germany whose shares are held as non-business assets, do – contrary to the above – not form part of the shareholder's taxable income. If the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) exceeds the shareholder's acquisition costs, negative acquisition costs will arise which can result in a higher capital gain in case of the shares' disposal (cf. below). This will not apply if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the (deemed, as the case may be) disposal directly or indirectly held at least 1% of the share capital of the Company (a "**Qualified Holding**"), and (ii) the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) exceeds the acquisition costs of the shares. In such a case of a Qualified Holding, a dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) is deemed a sale of the shares and is taxable as a capital gain if and to the extent the dividend payment funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) exceeds the acquisition costs of the shares. In this

case, the taxation corresponds with the description in the Section "*24.2.3 Taxation of Capital Gains*" made with regard to shareholders maintaining a Qualified Holding.

24.2.2.2.2 Shares Held as Business Assets

Dividends from shares held as business assets of a shareholder with a tax domicile in Germany are not subject to the flat rate withholding tax. The taxation depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). The withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if applicable) withheld and paid by the Dividend Paying Agent will generally be credited against the shareholder's income or corporate income tax liability (including the solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if applicable) or refunded in the amount of any excess. However, such withholding tax credit or refund might be limited if the prerequisites set out in *Section 36a EStG* are not met.

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) and are paid to shareholders with a tax domicile in Germany whose shares are held as business assets are generally fully tax exempt in the hands of such shareholder. To the extent the dividend payments funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) exceed the acquisition costs of the shares, a taxable capital gain should occur. The taxation of such gain corresponds with the description in the Section "*24.2.3 Taxation of Capital Gains*" made with regard to shareholders whose shares are held as business assets (however, as regards the application of the 95% exemption in case of a corporation, this is not undisputed).

(i) **Corporations**: If the shareholder is a corporation with a tax domicile in Germany, the dividends are in general effectively 95% exempt from corporate income tax and the solidarity surcharge (*Solidaritätszuschlag*). 5% of the dividends are treated as a non-deductible business expense and are therefore subject to corporate income tax (plus the solidarity surcharge (*Solidaritätszuschlag*)) at a total tax rate of 15.825%. In other respects, business expenses actually incurred in direct relation to the dividends may be deducted. However, dividends that the shareholder receives are no longer exempt from corporate income tax (including solidarity surcharge (*Solidaritätszuschlag*) thereon), if the shareholder only held (or holds) a Portfolio Participation at the beginning of the calendar year. Participations of at least 10% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations which a shareholder holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmerschaften*)) are attributable to the shareholder only on a *pro rata* basis at the ratio of the interest share of the shareholder in the assets of the relevant partnership.

Dividends (after deducting business expenses economically related to the dividends) are subject to trade tax in the full amount, unless the shareholder held an interest of at least 15% in the share capital of the Company at the beginning of the relevant assessment period. In this latter case, the dividends are not subject to trade tax; however, trade tax is levied on the amount considered to be non-deductible business expenses (amounting to 5% of the dividend). The average trade tax rate in Germany amounts to approximately 15% (with a statutory minimum rate of 7%) of the taxable trade profit but the (blended) trade tax rate applying to the respective shareholder might be lower or higher depending on the municipal trade tax multiplier applied by the relevant municipal authority in which the shareholder maintains its operations or permanent establishments.

(ii) **Sole Proprietors**: If the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60% of the dividends are subject to progressive income tax (plus the solidarity surcharge (*Solidaritätszuschlag*)) at a total tax rate of up to approximately 47.5% (plus church tax (*Kirchensteuer*), if applicable), the so-called partial income method (*Teileinkünfteverfahren*). Only 60% of the business expenses economically related to the dividends are tax deductible. If the shares belong to a domestic permanent establishment in Germany of a business operation of the shareholder, the dividend income (after deducting business expenses economically related thereto) is not only subject to income tax but is also fully subject to trade tax, unless the prerequisites of the trade tax participation exemption privilege are fulfilled. In this latter case, the net amount of dividends, i.e., after deducting directly related expenses, is exempt from trade tax. As a rule, trade tax can be credited against the shareholder's personal income tax, either in full or in part, by means of a lump sum tax credit method, depending on the level of the municipal trade tax multiplier and certain individual tax relevant circumstances of the taxpayer.

(iii) **Partnerships**: If the shareholder is a partnership, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation for every partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in the profit share of the shareholder will be taxed in accordance with the principles applicable for corporations (see "*(i) Corporations*" above). If the partner is an individual, the taxation is in line with the principles described for sole proprietors (see "*(ii) Sole Proprietors*" above). Upon application and subject to

further conditions, an individual as a partner can have his personal income tax rate lowered for earnings not withdrawn from the partnership.

In addition, if the partnership is a commercially active or commercially tainted partnership (co-entrepreneurship) with a tax domicile in Germany, the dividends are generally subject to trade tax in the full amount at the partnership level if the shares are attributed to a German permanent establishment of the partnership. If a partner of the partnership is an individual, the portion of the trade tax paid by the partnership pertaining to his profit share will generally be credited, either in full or in part, against his personal income tax by means of a lump sum method – depending on the level of the municipal trade tax multiplier and certain individual tax relevant circumstances of the taxpayer. If the partnership fulfills the prerequisites for the trade tax exemption privilege at the beginning of the relevant assessment period, the dividends (after the deduction of business expenses economically related thereto) should generally not be subject to trade tax. However, in this case, trade tax should be levied on 5% of the dividends to the extent they are attributable to the profit share of such corporate partners to whom at least 15% of the shares in the Company are attributable on a look through basis, since such portion of the dividends should be deemed to be non-deductible business expenses. The remaining portion of the dividend income attributable to other than such specific corporate partners (which includes individual partners and should, under a literal reading of the law, also include corporate partners to whom, on a look through basis, only Portfolio Participations are attributable) should not be subject to trade tax.

Special rules apply to companies operating in the financial and insurance sectors as well as to pension funds (see "*24.2.4 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

24.2.2.3 Taxation of Dividends of Shareholders without a Tax Domicile in Germany

Shareholders without a tax domicile in Germany, whose shares are attributable to a German permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed, are liable for tax in Germany on their dividend income. In this respect, the provisions outlined above for shareholders with a tax domicile in Germany whose shares are held as business assets apply accordingly (see "*24.2.2.2.1 Shares Held as Non-Business Assets*"). The withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*)) withheld and passed on will generally be credited against the income or corporate income tax liability or refunded in the amount of any excess.

In all other cases, any German tax liability for dividends is satisfied by the withholding of the withholding tax by the Dividend Paying Agent. Withholding tax is only reimbursed in the cases and to the extent described above under "*24.2.2.1 Withholding Tax.*"

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) are generally not taxable in Germany.

24.2.3 Taxation of Capital Gains

24.2.3.1 Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany

24.2.3.1.1 Shares Held as Non-Business Assets

Gains on the disposal of shares acquired after December 31, 2008 by a shareholder with a tax domicile in Germany and held as non-business assets are generally – regardless of the holding period – subject to a uniform tax rate on capital investment income in Germany (25% plus the solidarity surcharge (*Solidaritätszuschlag*) of 5.5% thereon, i.e., 26.375% in total plus any church tax (*Kirchensteuer*) if applicable). If the entitlement to dividend payments is disposed of without the shares, the income from the sale of the entitlement to dividend payments is taxable. The same applies if shares are sold without the entitlement to dividend payments.

The taxable capital gain is computed from the difference between (i) the proceeds of the disposal, and (ii) the acquisition costs of the shares and the expenses related directly and materially to the disposal. Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) reduce the original acquisition costs; if dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) exceed the acquisition costs, negative acquisition costs – which can increase a capital gain – can arise in case of shareholders, whose shares are held as non-business assets and do not qualify as Qualified Holding.

Only an annual lump sum deduction of €801 (€1,602 for investors filing jointly) may be deducted from the entire capital investments income. It is generally not possible to deduct income related expenses in

connection with capital gains, except for the expenses directly related in substance to the disposal which can be deducted when calculating the capital gains. Losses on disposals of shares may only be offset against gains on the disposal of shares.

If the shares are held in custody or administered by a domestic credit institution, domestic financial services institution, domestic securities trading company or a domestic securities trading bank, including domestic branches of foreign credit institutions or financial service institutions, or if such an office executes the disposal of the shares and pays out or credits the capital gains (a "**Domestic Paying Agent**"), the tax on the capital gains will in general be satisfied by the Domestic Paying Agent withholding the withholding tax on investment income in the amount of 26.375% (including the solidarity surcharge (*Solidaritätszuschlag*)) on the capital gain and transferring it to the tax authority for the account of the seller. If the shares were held in custody or administered by the same Domestic Paying Agent after acquisition, the amount of tax withheld is generally based on the difference between the proceeds from the sale, after deducting expenses directly relating to the sale, and the acquisition costs. If the shares are sold after being transferred to a Domestic Paying Agent the withholding tax rate of 25% (plus the 5.5% solidarity surcharge (*Solidaritätszuschlag*) thereon and church tax (*Kirchensteuer*), if any) will be applied to 30% of the gross sales proceeds unless the previous account bank is entitled and able to verify the actual acquisition cost. In any case, the shareholder is entitled to verify the original costs of the shares in the annual tax return. In any case, the acquisition costs for subscription rights granted by the Company are deemed to be EUR 0 for purposes of this calculation.

However, the shareholder can apply for his total capital investment income together with his other taxable income to be subject to progressive income tax rate as opposed to the uniform tax rate on investment income, if this results in a lower tax liability (*Günstigerprüfung*). This request may only be exercised consistently for all capital investment income and be exercised jointly in case of married couples and registered partners assessed jointly. In this case, the withholding tax is credited against the progressive income tax and any resulting excess amount will be refunded; limitations on offsetting losses are applicable. Further, pursuant to the current view of the German tax authorities (which has been confirmed by a decision of the German Federal Tax Court (*Bundesfinanzhof*)), income related expenses are non-deductible, except for the annual lump sum deduction. Further, the limitations on offsetting losses are also applicable under the income tax assessment.

If the withholding tax or, if applicable, the church tax (*Kirchensteuer*) on capital gains is not withheld by a Domestic Paying Agent, the shareholder is required to declare the capital gains in his income tax return. The income tax and any applicable church tax (*Kirchensteuer*) on the capital gains will then be collected by way of assessment.

An automatic procedure for deducting church tax (*Kirchensteuer*) applies unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the above address)) and church tax (*Kirchensteuer*) on capital gains is withheld by the Domestic Paying Agent and is deemed to have been paid when the tax is deducted. A deduction of the withheld church tax (*Kirchensteuer*) as a special expense is not permissible, but the withholding tax to be withheld (including the solidarity surcharge (*Solidaritätszuschlag*)) is reduced by 26.375% of the church tax (*Kirchensteuer*) to be withheld on the capital gains.

Regardless of the holding period and the time of acquisition, gains from the disposal of shares are not subject to a uniform withholding tax but to progressive income tax in case of a Qualified Holding. In this case, the partial income method applies to gains on the disposal of shares, which means that only 60% of the capital gains are subject to tax and only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. Even though withholding tax is withheld by a Domestic Paying Agent in the case of a Qualified Holding, this does not satisfy the tax liability of the shareholder. Consequently, a shareholder must declare his capital gains in his income tax returns. The withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if applicable) withheld and paid will be credited against the shareholder's income tax on his tax assessment (including the solidarity surcharge (*Solidaritätszuschlag*) and any church tax (*Kirchensteuer*) if applicable) or refunded in the amount of any excess.

24.2.3.1.2 Shares Held as Business Assets

Gains on the sale of shares held as business assets of a shareholder with a tax domicile in Germany are not subject to uniform withholding tax. The taxation of the capital gains depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; Section 27 KStG*) reduce the original acquisition costs. In case of disposal, a higher taxable capital gain can arise herefrom. If the dividend payments exceed the shares' book value for tax purposes, a taxable capital gain can arise.

(i) **Corporations**: If the shareholder is a corporation with a tax domicile in Germany, the gains on the disposal of shares are in general effectively 95% exempt from corporate income tax (including the solidarity surcharge (*Solidaritätszuschlag*)) and trade tax, currently, regardless of the size of the participation and the holding period. 5% of the gains are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge (*Solidaritätszuschlag*)) at a tax rate amounting to 15.825% and trade tax (depending on the municipal trade tax multiplier applied by the municipal authority in which the shareholder maintains its operations or permanent establishments). As a rule, losses on disposals and other profit reductions in connection with shares (e.g., from a write down) cannot be deducted as business expenses. Currently, there are no specific rules for the taxation of gains arising from the disposal of Portfolio Participations.

(ii) **Sole Proprietors**: If the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60% of the gains on the disposal of the shares are subject to progressive income tax (plus the solidarity surcharge (*Solidaritätszuschlag*)) at a total tax rate of up to approximately 47.5%, and, if applicable, church tax (*Kirchensteuer*) (partial income method). Only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. If the shares belong to a German permanent establishment of a business operation of the sole proprietor, 60% of the gains of the disposal of the shares are, in addition, subject to trade tax.

Trade tax can be credited towards the shareholder's personal income tax, either in full or in part, by means of a lump sum tax credit method – depending on the level of the municipal trade tax multiplier and certain individual tax relevant circumstances of the taxpayer.

(iii) **Partnerships**: If the shareholder is a partnership, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partner. The taxation depends on whether the partner is a corporation or an individual. If the partner is a corporation, the gains on the disposal of the shares as contained in the profit share of the partner will be taxed in accordance with the principles applicable for corporations (see "*(i) Corporations*" above). For capital gains in the profit share of a partner that is an individual, the principles outlined above for sole proprietors apply accordingly (partial income method, see above under "*(ii) Sole Proprietors*"). Upon application and subject to further conditions, an individual as a partner can obtain a reduction of his personal income tax rate for earnings not withdrawn from the partnership.

In addition, if the partnership is a commercially active or commercially tainted partnership (co-entrepreneurship) with a tax domicile in Germany, gains on the disposal of shares are subject to trade tax at the level of the partnership, if the shares are attributed to a domestic permanent establishment of a business operation of the partnership: Generally, at 60% as far as they are attributable to the profit share of an individual as the partner of the partnership, and, currently, at 5% as far as they are attributable to the profit share of a corporation as the partner of the partnership. Losses on disposals and other profit reductions in connection with the shares are currently not considered for the purposes of trade tax if they are attributable to the profit share of a corporation, and are taken into account at 60% in the context of general limitations if they are attributable to the profit share of an individual. If the partner of the partnership is an individual, the portion of the trade tax paid by the partnership attributable to his profit share will generally be credited, either in full or in part, against his personal income tax by means of a lump sum method – depending on the level of the municipal trade tax multiplier and certain individual tax relevant circumstances of the taxpayer.

Special rules apply to companies operating in the financial and insurance sectors as well as to pension funds (see "*24.2.4 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

24.2.3.1.3 Withholding Tax

In case of a Domestic Paying Agent, the gains of the sale of shares held as business assets are in general subject to withholding tax in the same way as shares held as non-business assets by a shareholder (see "*24.2.2.2.1 Shares Held as Non-Business Assets*"). However, the Dividend Paying Agent will not withhold the withholding tax, if (i) the shareholder is a corporation, association of persons or estate with a tax domicile in Germany, or (ii) the shares belong to the domestic business assets of a shareholder, and the shareholder declares so to the Domestic Paying Agent using the designated official form and certain other requirements are met. If withholding tax is nonetheless withheld by a Domestic Paying Agent, the withholding tax (including the solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if applicable) withheld and paid will be credited against the income or corporate income tax liability (including the solidarity surcharge (*Solidaritätszuschlag*) and church tax (*Kirchensteuer*), if applicable) or will be refunded in the amount of any excess.

24.2.3.2 Taxation of Capital Gains of Shareholders without a Tax Domicile in Germany

Capital gains derived by shareholders with no tax domicile in Germany are only subject to German tax if the selling shareholder has a Qualified Holding in the Company or the shares belong to a domestic permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed.

In case of a Qualified Holding, if the shareholder is a private individual, only 60% of the gains of the disposal of the shares are subject to progressive income tax plus the solidarity surcharge (*Solidaritätszuschlag*) (partial income method). However, most double taxation treaties provide for exemption from German taxation and assign the right of taxation to the shareholder's country of residence. According to the tax authorities, there is no obligation to withhold withholding tax at source in the case of a Qualified Holding if the shareholder submits to the Domestic Paying Agent a certificate of domicile issued by a foreign tax authority. Pursuant to a decision of the Federal Fiscal Court, the gains from a disposal of a Qualified Holding are exempt from corporate income tax if the shareholder is a corporation and has no domestic permanent establishment or fixed place of business in Germany and the shares do not form part of business assets for which a permanent representative in Germany has been appointed.

With regard to gains or losses of the disposal of shares belonging to a domestic permanent establishment or fixed place of business or which are part of business assets for which a permanent representative in Germany has been appointed, the above mentioned provisions pertaining to shareholders with a tax domicile in Germany whose shares are business assets apply *mutatis mutandis* (see "*24.2.2.2.1 Shares Held as Non-Business Assets*"). The Domestic Paying Agent can refrain from deducting the withholding tax if the shareholder declares to the Domestic Paying Agent on an official form that the shares form part of domestic business assets and certain other requirements are met.

24.2.4 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

As an exception to the aforementioned rules, dividends paid to, and capital gains realized by, certain companies in the financial and insurance sector are fully taxable. Since January 1, 2017, the aforementioned exclusions of (partial) tax exemptions for corporate income tax and trade tax purposes shall only apply to shares which, in the case of credit institutions and financial services institutions, are to be allocated to the trading portfolio (*Handelsbestand*) within the meaning of the German Commercial Code (*Handelsgesetzbuch*). In case of finance companies, the aforementioned exclusions of (partial) tax exemptions shall only apply to shares held by finance companies where (i) credit institutions or financial services institutions hold, directly or indirectly, a participation of more than 50% in the respective finance company, and (ii) where the finance company must disclose the shares as current assets (*Umlaufvermögen*) as of the time they are initially recognized as business assets. Likewise, the tax exemption described earlier afforded to corporations for dividend income and capital gains from the sale of shares does not apply to shares that qualify as a capital investment in the case of life insurance and health insurance companies, or those which are held by pension funds.

However, an exemption to the foregoing, and thus a 95% effective tax exemption, applies to dividends obtained by the aforementioned companies, to which the Parent Subsidiary Directive applies.

In addition, relief of withholding tax may be available under an applicable double taxation treaty, subject to certain prerequisites, e.g., substance requirements and holding periods, being met.

24.2.5 Inheritance and Gift Tax

The transfer of shares to another person *mortis causa* or by way of gift is generally subject to German inheritance or gift tax if:

- the place of residence, habitual abode, place of management or registered office of the decedent, the donor, the heir, the donee or another acquirer is, at the time of the asset transfer, in Germany, or such person, as a German national, has not spent more than five continuous years outside of Germany without maintaining a place of residence in Germany; or
- the decedent's or donor's shares belonged to business assets for which there had been a permanent establishment in Germany or a permanent representative had been appointed; or
- the decedent or the donor, at the time of the succession or gift, held a direct or indirect interest of at least 10% of the Company's share capital either alone or jointly with other related parties.

The small number of double taxation treaties in respect of inheritance and gift tax which Germany has concluded to date usually provide for German inheritance or gift tax only to be levied in the cases under (i) and, subject to certain restrictions, in the cases under (ii). Special provisions apply to certain German nationals living outside of Germany and to former German nationals.

24.2.6 Other Taxes

No German capital transfer taxes, value-added-tax, stamp duties or similar taxes are currently levied on the purchase or disposal or other forms of transfer of the shares. However, an entrepreneur may opt to subject disposals of shares, which are in principle exempt from value-added-tax, to value-added-tax if the sale is made to another entrepreneur for the entrepreneur's business. Wealth tax is currently not levied in Germany.

24.2.7 The Proposed Financial Transaction Tax (FTT)

On February 14, 2013, the EU Commission adopted a proposal for a Council Directive (the "**Draft Directive**") on a common financial transaction tax ("**FTT**"). According to the Draft Directive, the FTT shall be implemented in certain EU member states, including Germany.

The proposed FTT has very broad scope and could, if introduced, apply to certain dealings in the shares (including secondary market transactions) in certain circumstances. The issuance and subscription of shares should, however, be exempt.

According to the coalition agreement between the German Christian Democratic Party and the German Social Democratic Party, the current German government still has the intention to introduce a FTT. In June 2018, Germany and France agreed to further pursue the implementation of a FTT in the EU for which the current French financial transaction tax (which is mainly focused on transactions regarding shares in listed companies with a market capitalization of more than EUR 1 billion) could serve as a role model.

Any FTT proposal is however still subject to negotiation between (certain) EU member states. Therefore, it is currently uncertain whether and when the proposed FTT will be enacted by the participating EU member states and when it will take effect with regard to dealings in the shares.

Prospective investors are advised to seek their own professional advice in relation to the FTT.

25 TAXATION IN SWEDEN

Unless otherwise stated, the following is a summary of certain tax consequences that may arise from the Offering for individuals or limited liability companies tax resident in Sweden from the time that the shares are admitted to trading on Nasdaq Stockholm. This description does not address in a comprehensive manner all tax consequences that may occur in this context. For instance, the summary does not address shares held by partnerships or shares held as current assets in business operations. Moreover, the summary does not address the specific rules on tax-exempt capital gains and dividends, including non-deductibility for capital losses, in the corporate sector that may be applicable when shares are considered to be held for business purposes (Sw. näringsbetingade andelar). The following summary also does not address specific rules that could be applicable to holdings in companies that are, or have previously been, closely-held companies or shares acquired on the basis of so-called qualified shares in such companies. Moreover, the summary does not address shares that are held in a so-called investment savings account that are subject to special rules and are taxed on a standardized basis. Special tax rules apply to certain categories of taxpayers, such as investment companies and insurance companies. The tax treatment of an individual investor depends on such investor's particular circumstances. Investors in the shares are therefore urged to consult their own tax advisors regarding the specific implications that may arise in their individual case, including the applicability and effect of foreign rules and double taxation treaties.

25.1 Foreign Tax and Double Taxation Treaty Relief

The Company is organized as a European company with registered office in Munich, Germany. As a general rule, dividends distributed by the Company are subject to German withholding tax of 26.375%.

Under the Swedish-German double taxation treaty, the German withholding tax rate on dividend payments is reduced to 15% for individuals and legal entities that are resident in Sweden under the double taxation treaty and may be further reduced for legal entities holding at least 10% of the issued share capital of the Company. The withholding tax reduction is generally granted by the German Federal Central Tax Office first upon application. See "*24.2.2.1 Withholding Tax*" for further information.

25.2 Swedish Tax Resident Shareholders

25.2.1 Individuals' Dividend Taxation

Any gross dividends from the Company are taxable in Sweden as capital income at a rate of 30%.

For individuals and estates of deceased individuals, a preliminary tax of 30% is generally withheld on dividends. The Swedish preliminary tax rate is generally withheld by Euroclear Sweden or, in respect of nominee registered shares by the Swedish nominee, so that the total tax withheld, including the German withholding tax (see "*25.1 Foreign Tax and Double Taxation Treaty Relief*") amounts to 30% of the gross dividends. Hence, where German withholding tax is levied on dividends paid by the Company, the Swedish preliminary tax withheld by Euroclear Sweden will normally not amount to the full 30% that is due.

If Swedish preliminary tax has been withheld at a lower rate than 30%, the residual Swedish tax will normally need to be paid in the year following the calendar year that the dividends were paid. Under the Swedish-German double taxation treaty, the German withholding tax can generally be credited against Swedish tax at the treaty rate of 15% as a foreign tax credit.

The Company is not responsible for any Swedish tax at source being withheld.

25.2.2 Individuals' Capital Gains Taxation

Upon the sale or other disposal of the listed shares, which the shares are intended to be once admitted to trading on Nasdaq Stockholm, a taxable capital gain or deductible capital loss may arise. Capital gains are, as a general rule, taxed as income from capital at a flat tax rate of 30%. The capital gain or loss is calculated as the difference between the sales proceeds, after deducting sales costs, and the shares' acquisition cost for tax purposes. This means that the costs of acquiring all shares of the same type and class are added together and calculated collectively, with respect to changes to the holding. The tax basis for listed shares may alternatively be determined as 20% of the sales proceeds after deducting sales costs under the so-called standard rule.

Capital losses on listed shares and other listed securities that are taxed in the same manner as shares (except for listed shares in mutual funds containing only Swedish receivables), are fully deductible against taxable gains on such assets and on non-listed shares in Swedish limited liability companies and foreign legal entities. On non-listed shares in Swedish limited liability companies and foreign legal entities only five sixths of capital losses are deductible. If capital losses pertain to both listed and non-listed shares, the

losses pertaining to the listed shares are deductible prior to the losses on the non-listed shares. 70% of any excess amount is deductible according to the general rule or five-sixths of 70% is deductible if the capital loss relates to non-listed shares. Capital losses on listed shares in mutual funds containing only Swedish receivables are fully deductible in the income from capital category.

If a deductible deficit arises in the income from capital category, a reduction of the tax on income from employment and from business operations, as well as the tax on real estate and the municipal real estate fee, is allowed. The tax reduction is 30% of any part of the deficit not exceeding SEK 100,000 and 21% of any part of the deficit in excess of SEK 100,000. Deficits may not be carried forward to a subsequent fiscal year.

25.2.3 Limited Liability Companies' Dividend and Capital Gains Taxation

For a limited liability company, all income, including taxable capital gains and dividends, is taxed as business income at a tax rate of 21.4% (the tax rate is 22% for fiscal years commencing prior to January 1, 2019 and the rate will be reduced to 20.6% for fiscal years beginning after December 31, 2020). Capital gains and capital losses are calculated in the same manner as set forth above with respect to individuals. However, for legal entities, interest income and currency exchange fluctuations are normally taxable, or deductible, as the case may be, on an accrual basis.

Deductible capital losses on the shares may be offset only against taxable gains on shares or other securities that are taxed in the same manner as shares. Such capital losses may, however, under certain circumstances, also be deducted against capital gains on such securities within the same group of companies, provided that the requirements for exchanging group contributions (Sw. *koncernbidragsrätt*) between the companies are met. Capital losses on shares or other securities that are taxed in the same manner as shares, which have not been deducted from capital gains within a certain year may be carried forward and be offset against capital gains on such assets in future years without any limitation in time. Special rules may apply to certain categories of companies and legal persons, for example mutual funds and investment companies.

Where German withholding tax is levied on dividends paid by the Company, such tax can generally be credited from Swedish tax on the same income.

25.2.4 Currency Exchange Rate Fluctuations

Gains or losses on currency exchange rate fluctuations may arise in relation to any dividends and sales proceeds received in a foreign currency.

However, no special calculations are required if sales proceeds are exchanged into SEK within 30 days from the time of disposal. In such case, the exchange rate on the date of exchange shall be used when calculating the value of the sales proceeds. The exchange rate on the date of acquisition is generally used when determining the acquisition cost for tax purposes.

25.3 Non-Resident Shareholders

25.3.1 Dividend Taxation

Dividends paid by the Company to shareholders not tax resident in Sweden are not subject to Swedish withholding tax. Swedish withholding tax is only levied on dividends on shares of Swedish limited liability companies, European Companies with registered office in Sweden, Swedish investment funds, and Swedish special funds.

25.3.2 Capital Gains Taxation

Shareholders, who are not tax resident in Sweden and are not operating a business from a permanent establishment in Sweden, are generally not liable for Swedish capital gains taxation on the disposal of the shares. The shareholders may, however, be subject to taxation in their country of residence. Under a specific tax rule, individual shareholders who are not tax resident in Sweden may, however, be subject to tax in Sweden on the sale of the shares if they have been resident or stayed permanently in Sweden at any time during the calendar year of such disposal or during any of the previous ten calendar years. The application of this provision is, in many cases, limited by double taxation treaties, which Sweden has concluded with other countries.

25.4 Other

Sweden does not levy any net wealth tax and there are no transfer taxes on transfers of shares or other financial instruments.

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Unaudited Condensed Interim Consolidated Financial Statements of the Company

(prepared in accordance with IFRS as adopted by the EU)

as of and for the three months ended March 31, 2019

Condensed Interim Consolidated Financial Statements of TRATON GROUP as of March 31, 2019

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Consolidated Income Statement

of TRATON GROUP from January 1 to March 31

€ million	2019	2018
Sales revenue	**6,413**	**6,051**
Cost of sales	-5,109	-4,856
Gross profit	**1,304**	**1,195**
Distribution expenses	-580	-562
Administrative expenses	-259	-240
Net impairment losses on financial assets	-11	-10
Other operating income	185	173
Other operating expenses	-150	-169
Operating profit	**490**	**386**
Share of the result of equity-accounted investments	77	77
Interest income	20	22
Interest expenses	-70	-74
Other financial result	-9	-13
Financial result	**17**	**12**
Earnings before tax	**507**	**398**
Income tax income/expense	-122	-105
Current	-119	-114
Deferred	-3	9
Result from continuing operations, net of tax	**385**	**293**
Result from discontinued operations, net of tax	-2	20
Earnings after tax	**383**	**312**
of which attributable to		
Noncontrolling interests	5	0
TRATON SE shareholders	378	312
Earnings per ordinary share from continuing operations attributable to TRATON SE shareholders in € (basic/diluted)	**0.76**	**0.59**
Earnings per ordinary share attributable to TRATON SE shareholders in € (basic/diluted)	**0.76**	**0.62**

Consolidated Statement of Other Comprehensive Income

of TRATON GROUP from January 1 to March 31

€ million	2019	2018
Earnings after tax	**383**	**312**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	-148	-54
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	38	8
Pension plan remeasurements recognized in other comprehensive income, net of tax	-109	-46
Fair Value valuation of other participations and securities, net of tax	6	-
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	12	12
Items that will not be reclassified to profit or loss	**-91**	**-34**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	-37	-346
Transferred to profit or loss	-	-
Exchange differences on translating foreign operations, before tax	-37	-346
Deferred taxes relating to exchange differences on translating foreign operations	2	4
Exchange differences on translating foreign operations, net of tax	-35	-342
Cash flow hedges		
Fair value changes recognized in other comprehensive income	-15	-10
Transferred to profit or loss	10	-6
Cash flow hedges, before tax	-5	-16
Deferred taxes relating to cash flow hedges	1	4
Cash flow hedges, net of tax	-4	-12
Fair value changes recognized in other comprehensive income (Cost of hedging)	-3	12
Transferred to profit or loss (Cost of hedging)	0	-1
Cash flow hedges (Cost of hedging), before tax	-4	11
Deferred taxes relating to cash flow hedges (Cost of hedging)	2	-4
Cash flow hedges (Cost of hedging), net of tax	-2	8
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	28	-24
Items that may be reclassified subsequently to profit or loss	**-13**	**-371**
Other comprehensive income, before tax	-146	-416
Deferred taxes relating to other comprehensive income	43	11
Other comprehensive income, net of tax	**-103**	**-405**
Total comprehensive income	**280**	**-93**
Noncontrolling interests	3	0
TRATON SE shareholders	277	-93

Consolidated Balance Sheet

Assets of TRATON GROUP as of March 31, 2019

€ million	March 31, 2019	Dec. 31, 2018
Assets		
Noncurrent assets		
Intangible assets	6,597	6,597
Property, plant and equipment	6,465	5,469
Lease assets	6,746	6,599
Equity-accounted investments	1,340	1,223
Other equity investments	50	37
Financial services receivables	4,366	4,212
Other financial assets	88	63
Other receivables	649	663
Tax receivables	54	50
Deferred tax assets	961	939
	27,317	**25,851**
Current assets		
Inventories	5,500	4,822
Trade receivables	2,347	2,319
Financial services receivables	2,904	2,688
Other financial assets	390	6,371
Other receivables	815	939
Tax receivables	115	140
Marketable securities and investment deposits	1,100	98
Cash and cash equivalents	2,854	2,997
Assets classified as held for sale	-	157
	16,025	**20,533**
Total assets	**43,341**	**46,384**

Equity and liabilities of TRATON GROUP as of March 31, 2019

€ million	March 31, 2019	Dec. 31, 2018
Equity and Liabilities		
Equity		
Subscribed capital	500	10
Capital reserves	20,841	21,331
Retained earnings	-5,709	-2,064
Other comprehensive income	-2,554	-2,478
Equity attributable to TRATON SE shareholders	**13,078**	**16,799**
Noncontrolling interests	235	2
	13,313	**16,801**
Noncurrent liabilities		
Financial liabilities	5,604	5,449
Tax payables	124	122
Other financial liabilities	2,428	2,333
Other liabilities	1,813	1,780
Deferred tax liabilities	803	824
Provisions for pensions	1,623	1,506
Provisions for taxes	18	16
Other provisions	1,191	1,184
	13,605	**13,217**
Current liabilities		
Put options and compensation rights granted to noncontrolling interest shareholders	-	1,827
Financial liabilities	6,019	5,366
Trade payables	2,927	2,969
Tax payables	136	125
Other financial liabilities	2,688	1,620
Other liabilities	3,666	3,263
Provisions for taxes	83	137
Other provisions	905	938
Liabilities directly associated with assets classified as held for sale	-	123
	16,424	**16,366**
Total equity and liabilities	**43,341**	**46,384**

Consolidated Statement of Changes in Equity

of TRATON GROUP from January 1 to March 31

				OTHER RESERVES								
				Items that may be reclassified subsequently to profit or loss			Items that will not be reclassified to profit or loss					
€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation reserve	Cash flow hedge reserve	Equity-accounted investments	Pension plan reserve	Equity-accounted investments	Investments valuation reserve	Equity attributable to TRATON SE shareholders	Non-controlling interests[2]	Total equity
Balance at Jan. 1, 2018	**10**	**24,581**	**-10,760**	**-1,274**	**14**	**-80**	**-882**	**89**	**3**	**11,702**	**109**	**11,810**
Earnings after tax	-	-	312	-	-	-	-	-	-	312	0	**312**
Other comprehensive income, net of tax	-	-	-	-342	-4	-24	-46	12	0	-405	0	-405
Total comprehensive income	**-**	**-**	**312**	**-342**	**-4**	**-24**	**-46**	**12**	**0**	**-93**	**0**	**-93**
Other changes[1]	-	-	3	0	0	0	0	0	-1	3	0	3
Balance at March 31, 2018	**10**	**24,581**	**-10,444**	**-1,616**	**10**	**-105**	**-928**	**102**	**2**	**11,612**	**109**	**11,721**
Balance at Jan. 1, 2019	**10**	**21,331**	**-2,064**	**-1,762**	**-6**	**-62**	**-770**	**124**	**-1**	**16,799**	**2**	**16,801**
Earnings after tax	-	-	378	-	-	-	-	-	-	378	5	**383**
Other comprehensive income, net of tax	-	-	-	-34	-5	28	-107	12	6	-101	-3	**-103**
Total comprehensive income	**-**	**-**	**378**	**-34**	**-5**	**28**	**-107**	**12**	**6**	**277**	**3**	**280**
Capital increases from corporate funds	490	-490	-	-	-	-	-	-	-	-	-	**-**
Capital transactions involving a change in ownership interest	-	-	449	6	0	12	8	0	-1	473	230	**704**
Distribution of retained earnings	-	-	-3,250	-	-	-	-	-	-	-3,250	-	**-3,250**
Other changes[1]	-	-	-1,221	0	0	-	0	-	0	-1,221	-	**-1,221**
Balance at March 31, 2019	**500**	**20,841**	**-5,709**	**-1,791**	**-12**	**-24**	**-868**	**137**	**4**	**13,078**	**235**	**13,313**

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

2 The put options granted to noncontrolling interest shareholders of MAN SE expired on March 4, 2019. The remaining liability of € 704 million was reclassified directly to equity. € 230 million of this amount is attributable to noncontrolling interests.

Consolidated Cash Flow Statement

of TRATON GROUP from January 1 to March 31

€ million	2019	2018
Cash and cash equivalents at beginning of period	**2,997**	**4,593**
Earnings before tax	507	398
Income taxes paid	-132	-147
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant and equipment, and investment property*	199	146
Amortization of and impairment losses on capitalized development costs*	45	42
Impairment losses on equity investments*	0	0
Depreciation of and impairment losses on lease assets*	286	320
Change in pensions	-21	-0
Gain/loss on disposal of noncurrent assets and equity investments	-4	-5
Share of profit or loss of equity-accounted investments	-77	-76
Other noncash expense/income	7	-4
Change in inventories	-638	-562
Change in receivables (excluding financial services)	-90	-75
Change in liabilities (excluding financial liabilities)	192	494
Change in provisions	-28	18
Change in lease assets	-362	-334
Change in financial services receivables	-271	-168
Cash flows from operating activities - discontinued operations	-	-50
Cash flows from operating activities	**-385**	**-3**
Investments in intangible assets (excluding development costs), property, plant and equipment, and investment property	-156	-161
Additions to capitalized development costs	-110	-84
Acquisition of subsidiaries	-0	-0
Acquisition of other equity investments	-5	-14
Disposal of subsidiaries	1,978	-
Disposal of other equity investments	-	0
Proceeds from disposal of intangible assets, property, plant and equipment, and investment property	12	16
Change in marketable securities and investment deposits	-1,004	-14
Changes in loans and time deposits	9	13
Cash flows from investing activities - discontinued operations	-	-25
Cash flows from investing activities	**724**	**-269**
Capital contributions	-	-
Profit transfer to/loss absorption by Volkswagen AG	4,161	28
Distribution of retained earnings	-3,250	-
MAN nonctrolling interest shareholders: compensation payments and acquisition of shares tendered	-1,063	-0
Other changes	-	-
Proceeds from issuance of bonds	1,119	483
Repayments of bonds	-299	-
Changes in other financial liabilities	-1,129	-35
Repayment of lease liabilities	-32	-0
Cash flows from financing activities - discontinued operations	-	-2
Cash flows from financing activities	**-494**	**473**
Effect of exchange rate changes on cash and cash equivalents	12	-26
Net change in cash and cash equivalents	**-143**	**176**
Cash and cash equivalents at end of period	**2,854**	**4,769**

* Net of impairment reversals.

1. Basis of presentation

GENERAL INFORMATION

TRATON SE, Munich, Germany ("the Company", "TRATON"), formerly TRATON AG, is the parent company of TRATON GROUP ("Group"). By resolution of December 14, 2018 the Company changed its legal form to a European Stock Corporation (Societas Europaea/SE). The change in legal form became effective upon the registration in the commercial register on January 17, 2019. Since then TRATON is registered in the commercial register at the Munich Local Court under No. 246068.

In accordance with Regulation No. 1606/2002 of the European Parliament and of the Council, TRATON GROUP prepared its Consolidated Financial Statements for the fiscal years ended December 31, 2018, 2017 and 2016 in compliance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. On May 13, 2019, the Board of Management of Volkswagen AG resolved to go ahead with the planned IPO of TRATON SE, depending on further developments on capital markets. In accordance with Commission Regulation (EC) No. 809/2004, TRATON SE complemented the Consolidated Financial Statements for the fiscal years ended December 31, 2018, 2017 and 2016 by historical financial information on the period from January 1, 2019, to March 31, 2019. The accompanying interim consolidated financial statements as of March 31, 2019, were prepared in accordance with IAS 34 and do not contain all the information and disclosures required by IFRSs for full-year consolidated financial statements.

Unless expressly indicated otherwise, the accounting policies applied to these interim consolidated financial statements are identical to those adopted for the most recent full-year consolidated financial statements. A detailed description of these accounting policies is given in the notes to the consolidated financial statements for the year ended December 31, 2018. All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

From the Executive Board's perspective, the accompanying unaudited interim consolidated financial statements reflect all standard intraperiod 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 for the first three months of fiscal 2019 are not necessarily indicative of future results.

Preparation of the interim consolidated financial statements requires the Executive Board to make certain assumptions and estimates affecting the measurement and presentation of assets and liabilities, and income and expenses for the period. Actual amounts may differ from these estimates.

2. Basis of consolidation

In addition to TRATON SE, the consolidated financial statements comprise all significant subsidiaries that are controlled directly or indirectly by TRATON SE.

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

	March 31, 2019	Dec. 31, 2018
TRATON SE and consolidated subsidiaries		
Germany	25	26
Abroad	258	258

The effects of the changes in the scope of consolidation in the Interim Consolidated Financial Statements as of March 31, 2019 are not material.

3. Accounting policies

TRATON has applied all accounting pronouncements adopted by the EU and effective for periods beginning on or after January 1, 2019.

IFRS 16 – LEASES

IFRS 16 amends the rules for lease accounting and replaces the previous IAS 17 standard and related interpretations.

The main objective of IFRS 16 is the recognition of all leases on balance. Accordingly, lessees are no longer required to classify their leases as either finance leases or operating leases. Instead, they will be required to recognize a right-of-use asset and a lease liability for all leases in their balance sheets. In the TRATON

GROUP, the lease liability is measured on the basis of the outstanding lease payments discounted using the incremental borrowing rate, while the right-of-use asset is always measured at the amount of the lease liability plus initial direct costs. During the lease term, the right-of-use asset must be depreciated and the lease liability adjusted using the effective interest method while taking lease payments into account. IFRS 16 offers practical expedients for short-term and low-value leases that the TRATON GROUP applies and therefore does not recognize right-of-use assets or liabilities for these types of leases. In this respect, the lease payments will continue to be recognized in the income statement in the same way as before. At the initial application date, leases whose term end before January 1, 2020 were reclassified as short-term leases, irrespective of the start date of the lease.

Lessor accounting essentially follows the previous guidance of IAS 17. Lessors will be required to continue to classify lease assets as finance or operating leases on the basis of risks and rewards incidental to the ownership of the leased asset.

The TRATON GROUP accounts for leases in accordance with IFRS 16, using the modified retrospective method for the first time as of January 1, 2019. Prior-year periods have not been restated. According to this method, the lease liability had to be recognized at the present value of the outstanding lease payments at the transition date. The present value calculation was based on the incremental borrowing rates as of January 1, 2019. The weighted average interest rate applied in the TRATON GROUP was 3.6%.

For the purpose of simplification the right-of-use assets were recognized at the amount of the corresponding lease liability, adjusted for any prepaid or accrued lease payments. In addition, existing leases were not assessed at the initial application date to determine whether or not they are leases under the criteria of IFRS 16. Instead, contracts classified as leases under IAS 17 or IFRIC 4 will continue to be accounted for as leases. Contracts that were not classified as leases under IAS 17 or IFRIC 4 continue not to be treated as leases.

The right-of-use assets are recognized in the balance sheet under those items in which the assets underlying the lease would have been reported if they were owned by the TRATON GROUP. For this reason, the right-of-use assets are presented under non-current assets, mostly in property, plant and equipment, as of the balance sheet date.

The initial recognition of right-of-use assets and lease liabilities had the following effects as of January 1, 2019:

> Right-of-use assets amounting to € 1,023 million were recognized in the opening balance sheet. This amount is already reduced by right-of-use assets which were transferred to third parties under subleases and for which the sublease was classified as a finance lease. Such subleases resulted in finance lease receivables of € 13 million. Of the right-of-use assets recognized, € 3 million had already been recognized in the balance sheet as of December 31, 2018 under finance leases.

> From January 1, 2019, all lease assets must be reported separately from assets used by TRATON GROUP companies themselves. Assets with a total carrying amount of € 17 million were reclassified from property, plant and equipment to lease assets.

> Lease liabilities in an amount of € 1,034 million were recognized on balance and reported under non-current and current financial liabilities. Of the recognized lease liabilities, € 1 million had already been recognized in the balance sheet as of December 31, 2018 under finance leases.

> Initial application did not have any effect on equity.

The difference between the expected payments for operating leases in an amount of € 977 million discounted using the incremental borrowing rate as of December 31, 2018, and the lease liabilities in an amount of € 1,034 million recognized in the opening balance sheet is mainly due to the reassessment of lease terms in accordance with IFRS 16. In this process, reasonably certain extension or termination options were taken into account in determining the lease payments to be capitalized. Moreover the opening balance sheet does not include lease payments for low-value and short-term leases.

Unlike the previous procedure, under which all operating lease expenses were reported under operating profit, the only items allocated to operating profit in the segment Industrial Business under IFRS 16 are depreciation charges on right-of-use assets. Interest expense from adding interest on lease liabilities in the segment Industrial Business is reported in the financial result. This had a positive impact of € 12 million on the operating profit in the first quarter of 2019.

The change in the way expenses from operating leases are presented in the cash flow statement resulted in an improvement of € 32 million in cash flows from operating activities and net cash flow in the first quarter of 2019. Cash flows from financing activities declined accordingly. The increase in financial liabilities

attributable to the change in accounting rules had a negative impact of € 1,057 million on TRATON GROUP´s net liquidity as of March 31, 2019.

This standard also results in far more extensive disclosures in the notes.

OTHER ACCOUNTING POLICIES

The income tax expense for the interim consolidated financial statements was calculated on the basis of the average annual tax rate that is expected for the entire fiscal year, in accordance with IAS 34 (Interim Financial Reporting).

A discount rate of 1.3% (December 31,2018: 1.7%) was applied to German pension provisions and a discount rate of 2.0 % (December 31, 2018: 2.5%) to Swedish pension provisions in these interim consolidated financial statements.

In other respects, the same accounting policies and consolidation methods that were used for the 2018 consolidated financial statements are generally applied to the preparation of the interim consolidated financial statements and the measurement of the prior-year comparitives. A detailed description of the policies and methods applied is published in the "Accounting policies" section of the notes to the 2018 consolidated financial statements. Moreover, details on the effects of new standards can be found in the "New and amended IFRSs not yet applied" section.

4. Segment reporting

Please refer to the TRATON GROUP's consolidated financial statements as of December 31, 2018, for information on the basis used for identifying and assessing the performance of reportable segments. The adjustments to the measurement methods de-scribed in chapter 3 are also applied in the segments.

The segment information presented represents continuing operations. The segment disclosures for the current and the comparative period therefore do not include the corresponding information for discontinued operations.

The following tables contain segment-related information for the first three months of the year.

REPORTING SEGMENTS 2019

Reporting period January 1 to March 31, 2019 € million	INDUSTRIAL BUSINESS	FINANCIAL SERVICES	OTHER SEGMENTS	RECONCILIATION	GROUP
Segment sales revenue	**6,305**	**203**	**-**	**-95**	**6,413**
Intersegment sales revenue	93	1	-	-95	-
Group sales revenue	6,211	202	-	-0	6,413
Segment profit or loss (operating profit)	**457**	**33**	**-**	**-0**	**490**

REPORTING SEGMENTS 2018

Reporting period January 1 to March 31, 2018 € million	INDUSTRIAL BUSINESS	FINANCIAL SERVICES	OTHER SEGMENTS	RECONCILIATION	GROUP
Segment sales revenue	**5,765**	**179**	**196**	**-90**	**6,051**
Intersegment sales revenue	90	0	0	-90	-
Group sales revenue	5,675	179	196	0	6,051
Segment profit or loss (operating profit)	**352**	**30**	**5**	**-0**	**386**

The reconciliation of total profit/loss of the segments to the TRATON GROUP profit/loss before tax and discontinued operations is presented in the following:

Reporting period January 1 to March 31		
€ million	**2019**	**2018**
Reportable segment profit or loss (operating profit)	**490**	**381**
Other segments	-	5
Reconciliation	-0	-0
Operating profit (TRATON GROUP)	**490**	**386**
Financial result	17	12
Profit before tax from continuing operations (TRATON GROUP)	**507**	**398**

5. Noncurrent assets held for sale and discontinued operations

DISPOSAL OF POWER ENGINEERING BUSINESS

On October 25, 2018, the Group announced its intention to sell the Power Engineering ("PE") business to a Volkswagen AG subsidiary outside the TRATON GROUP for cash consideration determined based on the net assets measured at book values of the Power Engineering business. The Power Engineering business consists of the two former operating segments MAN Energy Solutions and Renk and the HABAMO Verwaltung GmbH & Co. Objekt Sterkrade KG.

MAN Energy Solutions is a global leader in large marine diesel engines and stationary engines and is also one of the leading suppliers of turbomachinery on the global market. Renk is a globally recognized manufacturer of high-quality special gear units, propulsion components, and testing systems. The transaction was completed on December 31, 2018. On this date control over the Power Engineering business passed to the acquirer.

The purchase price amounted to € 1,978 million and was settled in 2019. The payment is presented in the cashflow from investing activities under disposal of subsidiaries.

DISPOSAL OF VOLKSWAGEN GEBRAUCHTFAHRZEUGHANDELS UND SERVICE GMBH (VGSG)

On December 6, 2018 TRATON concluded an agreement with a Volkswagen AG subsidiary outside of the TRATON GROUP to sell its subsidiary, VGSG, with effect from January 1, 2019. The Volkswagen Gebrauchtfahrzeughandels und Service GmbH was expected to be sold within 12 months and therefore the associated assets and liabilities were classified as held for sale and presented separately in the consolidated balance sheet as of December 31, 2018.

The following assets and liabilities were disposed of in relation to VGSG as at January 1, 2019:

€ million	**Jan. 1, 2019**
Inventories	149
Other assets	8
Total assets	**157**
Trade payables	86
Other liabilities	37
Total liabilities[1]	**123**
Net assets	**34**

1 The liabilities shown exclude intercompany liabilities of € 34 million.

The transaction was completed on January 1, 2019. A gain was not achieved. The consideration received and the amount of cash disposed of in this transaction were each below € 1 milion.

Consolidated income statement disclosures

6. Sales revenue

STRUCTURE OF GROUP SALES REVENUE

Reporting period January 1 to March 31 € million	Industrial Business	Financial Services	Other Segments	Reconciliation	2019
Vehicles	4,057	-	-	-0	4,057
Genuine parts	873	-	-	-0	872
Used vehicles	356	-	-	-0	356
Engines, powertrains and parts deliveries	155	-	-	-	155
Workshop services	373	-	-	-0	373
Leasing business[1]	421	107	-	-92	436
Interest and similar income[1]	1	97	-	-1	96
Other sales revenue	69	-	-	-1	68
	6,305	**203**	**-**	**-95**	**6,413**

Reporting period January 1 to March 31 € million	Industrial Business	Financial Services	Other Segments	Reconciliation	2018
Vehicles	3,602	-	-	-0	3,601
Genuine parts	837	-	-	-0	837
Used vehicles	356	-	191	-0	547
Engines, powertrains and parts deliveries	152	-	-	-	152
Workshop services	346	-	0	-0	346
Leasing business[1]	391	96	-	-88	399
Interest and similar income[1]	1	83	-	-0	84
Other sales revenue	81	-	5	-1	85
	5,765	**179**	**196**	**-90**	**6,051**

1 Sales revenue not in the scope of IFRS 15.

7. Administrative expenses

The administrative expenses mainly include nonstaff overheads and personnel costs, as well as depreciation and amortization applicable to the administrative functions. An increase by € 18 million in 2019 results from costs in relation with the setup of the parent company TRATON SE.

8. Other financial result

Reporting period January 1 to March 31 € million	2019	2018
Realized income and expense of loan receivables and payables in foreign currency	19	2
Gains and losses from remeasurement of financial instruments	91	-15
Gains and losses from fair value changes of derivatives not included in hedge accounting	-119	1
	-9	**-13**

Gains and losses from remeasurement of financial instruments contain no expenses from valuation of put options and compensation rights granted to noncontrolling interest shareholders in the first three months of 2019 (€ 16 million). Apart from that, gains and losses from remeasurment of financial instruments result from foreign currency valuation on net debt.

Gains and losses from fair value changes of derivatives not included in hedge accounting compensate the major part of realized and unrealized foreign currency effects on net debt.

9. Earnings per share

€ million	2019	2018
Earnings after tax attributable to TRATON SE shareholders	378	312
of which income/loss from discontinued operations, net of tax*	-2	19
Earnings after tax from continuing operations attributable to TRATON SE shareholders	**380**	**293**
Number of shares outstanding	500,000,000	500,000,000
Earnings per share from continuing operations in €	0.76	0.59
Earnings per share from discontinued operations in €*	-0.00	0.04
Total	**0.76**	**0.62**

* net of noncontrolling interests attributable to discontinued operations

Earnings per share are calculated by dividing consolidated earnings after tax from continuing operations attributable to TRATON SE shareholders by the number of shares outstanding following the capital increase to € 500,000,000 which was registered in the Company's commercial register and thus became effective on March 12, 2019. For further information please see also note 13.

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.

Consolidated balance sheet disclosures

10. Other financial assets

€ million	March 31, 2019	Dec. 31, 2018
Positive fair value of derivatives	100	146
Receivables from loans, bonds, profit participation rights (excluding interest)	105	113
Receivables from the profit and loss transfer agreement and tax allocation procedure with Volkswagen AG	-	4,161
Miscellaneous financial assets	273	2,014
	478	**6,434**

Miscellaneous financial assets contained € 0 million (€ 1,980 million) of consideration receivable from a subsidiary of Volkswagen AG outside the TRATON GROUP relating to the disposal of the Power Engineering business.

Receivables from loans include € 96 million as of March 31, 2019 (€ 104 million) from Volkswagen group companies.

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

€ million	March 31, 2019	Dec. 31, 2018
Other financial assets (noncurrent)	88	63
Other financial assets (current)	390	6,371

11. Inventories

€ million	March 31, 2019	Dec. 31, 2018
Raw materials, consumables and supplies	624	548
Work in progress	536	461
Finished goods and purchased merchandise	4,323	3,801
Prepayments	18	13
	5,500	**4,822**

12. Marketable securities and investment deposits

The marketable securities and investment deposits serve to safeguard liquidity. Marketable securities and investment deposits are fixed-income securities with short maturity. The item also includes deposits of € 1,000 million as of March 31, 2019 (€ 0 million) relating to short term investment deposits at Volkswagen AG. They are allocated to the amortized cost financial assets category.

13. Equity

In 2018 the management converted parts of the capital reserves into retained earnings for an intended distribution back to Volkswagen AG amounting to € 3,250 million. The payment was made in fiscal year 2019. Also, capital reserves in the amount of € 490 million were converted into subscribed capital in the period under review.

In accordance with the domination and profit and loss transfer agreement between Volkswagen AG and TRATON SE, TRATON SE will transfer its annual result (as determined under German statutory accounting rules and subject to certain limitations within German commercial law) to Volkswagen AG and accordingly, does not distribute dividends.

NONCONTROLLING INTERESTS

In August 2018, the domination and profit and loss transfer agreement with MAN SE was terminated by extraordinary notice as of January 1, 2019. Following the recording of the termination of the domination and profit and loss transfer agreement in the commercial register, the noncontrolling shareholders of MAN SE had the right to tender their shares to TRATON SE, pursuant to the provisions of the domination and profit and loss transfer agreement, within a two-month period. This resulted in cash outflows of € 1,063 million in the first quarter of this year for the acquisition of shares tendered and recurring compensation payments.

There was a corresponding decline of "put options and compensation rights granted to noncontrolling interest shareholders" reported in the balance sheet. The put options granted to noncontrolling shareholders of MAN SE expired on March 4, 2019. After the deduction of outstanding payments, which are shown in "Other financial liabilities" the remaining liability of € 704 million was derecognized and reclassified directly to equity. € 230 million of this amount is attributable to noncontrolling shareholders, representing the book value of MAN's equity not attributable to TRATON SE at the date of the reclassification. The remainder was recorded in Retained Earnings at an amount of € 449 million and in Other Comprehensive Income at an amount of € 24 million.

As a consequence, noncontrolling interests as of March 31, 2019, mainly comprise the noncontrolling shareholders of MAN SE.

14. Financial liabilities

The details of noncurrent and current financial liabilities are presented in the following table:

€ million	March 31, 2019	Dec. 31, 2018
Bonds	5,621	4,820
Liabilities to banks	2,796	2,770
Lease liabilities	1,057	1
Loans and other liabilities	2,149	3,223
	11,623	**10,814**

Financial liabilities from bonds mainly relate to European Medium Term Notes (EMTN). The issuance of bonds in the financial year 2019 of €1,119 million mainly relate to European Medium Term Notes (EMTN) which are related to the financing activities of the segment Financial Services.

Loans and other liabilities include loans from Volkswagen AG of € 1,288 million (€ 2,293 million).

€ million	March 31, 2019	Dec. 31, 2018
Noncurrent financial liabilities	5,604	5,449
Current financial liabilities	6,019	5,366

15. Additional financial instruments disclosures in accordance with IFRS 7

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 measured at amortized cost is calculated 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 deemed to be their carrying amount.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF MARCH 31, 2019

	MEASURED AT FAIR VALUE		MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO ANY IFRS 9 CATEGORY	BALANCE SHEET ITEM AT MARCH 31, 2019
€ million	Recognized in other comprehensive income	Through profit and loss	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets							
Equity-accounted investments	-	-	-	-	-	1,340	**1,340**
Other equity investments	37	-	-	-	-	13	**50**
Financial services receivables	-	-	4,366	4,324	-	-	**4,366**
Other financial assets	-	15	70	70	2	-	**88**
Current assets							
Trade receivables	-	-	2,347	2,347	-	-	**2,347**
Financial services receivables	-	-	2,904	2,904	-	-	**2,904**
Other financial assets	-	80	308	308	2	-	**390**
Marketable securities and investment deposits	-	-	1,100	1,100	-	-	**1,100**
Cash and cash equivalents	-	-	2,854	2,854	-	-	**2,854**
Noncurrent liabilities							
Financial liabilities	-	-	5,604	5,621	-	-	**5,604**
Other financial liabilities	-	80	2,342	2,342	6	-	**2,428**
Current liabilities							
Put Option and compensation rights granted to noncontrolling shareholders	-	-	-	-	-	-	**-**
Financial liabilities	-	-	6,019	6,019	-	-	**6,019**
Trade payables	-	-	2,927	2,927	-	-	**2,927**
Other financial liabilities	-	114	2,558	2,558	17	-	**2,688**

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2018

€ million	MEASURED AT FAIR VALUE		MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO ANY IFRS 9 CATEGORY	BALANCE SHEET ITEM AT DEC. 31, 2018
	Recognized in other comprehensive income	Through profit and loss	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets							
Equity-accounted investments	-	-	-	-	-	1,223	**1,223**
Other equity investments	25	-	-	-	-	12	**37**
Financial services receivables	-	-	4,212	4,180	-	-	**4,212**
Other financial assets	-	28	33	33	3	-	**63**
Current assets							
Trade receivables	-	-	2,319	2,319	-	0	**2,319**
Financial services receivables	-	-	2,688	2,688	-	-	**2,688**
Other financial assets	-	109	6,256	6,256	6	-	**6,371**
Marketable securities and investment deposits	-	-	98	98	-	-	**98**
Cash and cash equivalents	-	-	2,997	2,997	-	-	**2,997**
Noncurrent liabilities							
Financial liabilities	-	-	5,449	5,455	-	-	**5,449**
Other financial liabilities	-	39	2,289	2,289	6	-	**2,333**
Current liabilities							
Put Option and compensation rights granted to noncontrolling shareholders	-	-	1,827	1,827	-	-	**1,827**
Financial liabilities	-	-	5,366	5,366	-	-	**5,366**
Trade payables	-	-	2,969	2,969	-	-	**2,969**
Other financial liabilities	-	119	1,488	1,488	12	-	**1,620**

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE BY LEVEL

Measurement and presentation of the fair values of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and is classified 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 financial instruments in Level 2 is determined based on 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 fair value of put options and compensation rights granted to noncontrolling interest shareholders in 2018 was calculated using a present value model based on the cash settlement determined by the Munich Regional Court in the award proceedings, including cash compensation, as well as the minimum statutory interest rate and a risk-adjusted discount rate for a matching maturity.

Other equity investments measured at fair value are classified in Level 3. All other financial assets and liabilities measured at fair value as well as the derivative financial instruments included in hedging relationships are classified in Level 2 of the fair value hierarchy. Other equity investments mainly comprise shares in unlisted companies for which there are no quoted market values as there is no active market. The fair value of these investments is calculated using 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 following table shows the development of Other equity investments measured at fair value that are classified in Level 3:

€ million	**Other equity investments classified in Level 3**
Balance at January 1, 2018	13
Fair Value changes recognized in Other comprehensive income in "Fair Value valuation of other participations and securities, net of tax"	-
Purchases	14
Balance at March 31, 2018	**27**
Balance at January 1, 2019	25
Fair Value changes recognized in Other comprehensive income in "Fair Value valuation of other participations and securities, net of tax"	8
Purchases	5
Balance at March 31, 2019	**37**

The transfers between the levels of the fair value hierarchy are reported at the respective reporting dates. There were no transfers between Level 1, Level 2, and Level 3 in the course of the first quarter 2019.

Other disclosures

16. Contingencies and commitments

€ million	March 31, 2019	Dec. 31, 2018
Liabilities under buyback guarantees	2,207	2,149
Liabilities under guarantees	188	205
Assets pledged as security for third-party liabilities	-	-
Other contingent liabilities	1,003	936
	3,397	**3,290**

Customer liabilities to financial services companies of the Volkswagen Group and, to a small extent, third parties are covered by standard industry buyback guarantees under which TRATON is obliged to buy back vehicles from the financial services company in the event of default. The maximum expenses from such obligations are shown under Liabilities under buyback guarantees. However, based on experience, the majority of these guarantees expire without being drawn upon.

Other contingent liabilities relate mainly to contingent liabilities for potential charges from tax risks, which exist for Volkswagen Caminhões e Ônibus, in particular. It is not currently considered likely that a claim will be made against Volkswagen Caminhões e Ônibus, in connection with these liabilities. In the tax proceedings involving Volkswagen Caminhões e Ônibus, and the Brazilian tax authorities, the Brazilian tax authorities take a different position with regard to the tax effects of the acquisition structure chosen in 2009 for Volkswagen Caminhões e Ônibus. In December 2017, an administrative court ruled against Volkswagen Caminhões e Ônibus, following an appeal. Volkswagen Caminhões e Ônibus took legal action against this ruling by recourse to regular courts in 2018. Because of the potential range of punitive surcharges plus interest that may be applied under Brazilian law, the best estimate of the risk in the event that the tax authorities are successful in asserting their position entails a degree of uncertainty. Nevertheless, a positive outcome is still expected for Volkswagen Caminhões e Ônibus. In the event of an adverse outcome, the risk for the total contested period starting in 2009 could be approximately € 685 million (€ 683 million). This assessment is based on the accumulated amounts at the reporting date for the claimed tax liability including the potential expected punitive surcharges, as well as accumulated interest, but excluding any future interest, and without discounting any cash flows.

17. Litigation

In the course of their operating activities, TRATON GROUP and the companies in which it is directly or indirectly invested become involved in a great number of legal disputes and official proceedings in Germany and internationally. In particular, such legal disputes and other proceedings may occur in relation to suppliers, dealers, customers, employees, or investors. For the companies involved, these may result in payment or other obligations.

Risks may also emerge in connection with the adherence to regulatory requirements. This particularly applies in the case of regulatory vagueness that may be interpreted differently by TRATON GROUP and the agencies responsible for the respective regulations. In addition, legal risks can arise from the criminal activities of individual persons, which even the best compliance management system can never completely prevent.

Where transparent and economically viable, adequate insurance coverage is taken out for these risks. For the identifiable and measurable risks, provisions considered appropriate are recognized and information about contingent liabilities is disclosed. As some risks cannot be assessed or can only be assessed to a limited extent, the possibility of loss or damage not being covered by the insured amounts and provisions cannot be ruled out.

TRATON GROUP does not tolerate compliance violations. Neither corruption nor breaches of competition law are tolerated, encouraged, or accepted by TRATON.

IMPORTANT LEGAL CASES

In 2011, the European Commission launched an antitrust investigation into suspected antitrust violations in the commercial vehicles business and sent MAN, Scania and all other commercial vehicle manufacturers affected the statement of objections in November 2014, informing them of the allegations brought forward against them. With its settlement decision in July 2016 the European Commission imposed penalties on five European commercial vehicle manufacturers for "collusive arrangements on pricing and gross price increases in the European Economic Area for medium and heavy trucks and the timing and the passing on of the costs for the introduction of emission technologies for medium and heavy trucks required by EURO 3

to 6 standards" from January 17, 1997 to January 18, 2011 (for MAN: until September 20, 2010). MAN's fine was waived in full as it had notified the European Commission about the irregularities as a whistleblower. In September 2017, the European Commission then fined Scania € 0.88 billion. Scania has appealed to the European Court in Luxembourg and will use all means at its disposal to defend itself. Scania had already recognized a provision of € 0.4 billion in 2016. Furthermore, antitrust lawsuits for damages from customers who purchased or leased trucks were received. As is the case in any antitrust proceedings, this may result in further lawsuits for damages.

In the tax proceedings between 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 for MAN Latin America in 2009. In December 2017, a second instance judgment was rendered in administrative court proceedings, which was negative for MAN Latin America. MAN Latin America has initiated proceedings against this judgment before the regular court in 2018. Due to the difference in the penalties plus interest which could potentially 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 laden with uncertainty. However, a positive outcome continues to be expected for MAN Latin America. Should the opposite occur, this could result in a risk of about € 685 million for the contested period from 2009 onwards, which has been stated within note "Contingent liabilities".

In June 2013, the Annual General Meeting of MAN SE approved the conclusion of a domination and profit and loss transfer agreement between MAN SE and TRATON SE (formerly Truck & Bus GmbH, Volkswagen Truck & Bus AG, and TRATON AG). In July 2013, award proceedings were instituted to review the appropriateness of the cash settlement set out in the agreement in accordance with section 305 of the Aktiengesetz (AktG – German Stock Corporation Act) and the cash compensation in accordance with section 304 of the AktG.

In its final decision announced on June 26, 2018 (and corrected on July 30 and December 17, 2018), the Higher Regional Court (*Oberlandesgericht*) of Munich set the guaranteed dividend and the recurring fixed compensation payment at € 5.47 gross per share (minus potential corporate taxes and solidarity surcharges at the rates as applicable to the respective fiscal year). The amount of the cash settlement payable of € 90.29 per share from the Munich Regional Court ruling at first instance was confirmed. The decisions of the Higher Regional Court of Munich were published in the Federal Gazette (Bundesanzeiger) on August 6, 2018, and January 10, 2019. In accordance with Section 305 para. 4 AktG, non-controlling interest shareholders had the right to tender their shares to TRATON SE (at that point in time TRATON AG) in consideration for a cash redemption of € 90.29 per share plus interest within two months after this publication date and thereby cease to be shareholders. As a result of the court decision the compensation payment increased significantly. Consequently, the domination and profit and loss transfer agreement with MAN SE was terminated with effect from January 1, 2019. Following the legal effect of the court decisions, TRATON SE (at that point in time TRATON AG) terminated the domination and profit and loss transfer agreement for cause in accordance with Section 304 para. 4 AktG with effect as of January 1, 2019. After the publication of the registration of the termination, the non-controlling interest shareholders of MAN SE were again entitled to tender their shares to TRATON SE (at that point in time TRATON AG) in consideration for a cash redemption of € 90.29 per share without additional interest. As per March 2019, TRATON SE held 94.36% of the shares and 94.68% of the voting rights in MAN SE.

In line with IAS 37.92, no further statements have been made concerning estimates of financial impact or about uncertainty regarding the amount or maturity of provisions and contingent liabilities. This is so as to not compromise the results of the proceedings or the interests of the Company.

18. Other financial obligations

Other financial obligations declined during the first quarter of 2019, mainly due to the initial application of IFRS 16 (see disclosures on IFRS 16). Obligations from leasing and rental contracts therefore declined from € 1,154 million to € 73 million. Obligations from credit commitments had an offsetting effect, rising from € 354 million to € 442 million.

19. Related party disclosures in accordance with IAS 24

There have been no material changes in relationships with related parties compared with the disclosures in the consolidated financial statements for the period ended December 31, 2018.

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 related parties, including Volkswagen AG. No transactions with Porsche Stuttgart took place in the periods presented.

RELATED PARTIES

Reporting period January 1 to March 31	SUPPLIES AND SERVICES RENDERED		SUPPLIES AND SERVICES RECEIVED	
€ million	**2019**	2018	**2019**	2018
Volkswagen AG	0	3	10	14
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	394	403	124	68
Unconsolidated subsidiaries	3	12	2	1
Associates and their majority interests	34	31	28	23
Joint Ventures	4	4	25	20

	RECEIVABLES FROM		LIABILITIES (INCLUDING OBLIGATIONS) TO	
€ million	**March 31, 2019**	Dec. 31, 2018	**March 31, 2019**	Dec. 31, 2018
Volkswagen AG	2,317	5,650	2,673	2,543
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	699	2,724	3,180	3,495
Unconsolidated subsidiaries	7	8	29	39
Associates and their majority interests	85	89	23	21
Joint Ventures	2	2	1	1

A distribution of part of retained earnings of TRATON SE to Volkswagen AG amounting to € 3,250 million was made in the first quarter 2019.

Volkswagen AG and TRATON SE had a domination and profit and loss transfer agreement in place in fiscal years 2018 and 2017. The loss of € 4,161 million for fiscal 2018 was absorbed on March 15, 2019 (previous year: loss absorption of € 28 million). In 2019, the TRATON GROUP made short-term investment deposits at Volkswagen AG, amounting to € 1,000 million as of March 31, 2019 (€ 0 million). The liabilities to Volkswagen AG include loans granted by Volkswagen AG of € 1,288 million (€ 2,293 million) resulting from a loan framework of € 4,288 million.

The receivables from other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP included in fiscal 2018 the cash consideration regarding the sale of Power Engineering. The total amount of € 1,978 million was paid in the reporting period.

The sale of receivables to subsidiaries of Volkswagen AG that are not part of the TRATON GROUP amounted to € 244 million as of March 31, 2019 (€ 289 million). Furthermore, customer liabilities to Volkswagen Financial Services are covered by standard industry buyback guarantees, see note "Contingencies and Commitments".

The compensation of the members of the Management Board generally consists of monthly salary payments (non-performance-based salary) and performance-based variable remuneration components. The variable remuneration consists of the following variable components:

The annual profit bonus ("Profit Bonus") is set out for each financial year at the reasonable discretion of the Supervisory Board and shall be based on the level of achievement during the respective financial year and the preceding financial year in accordance with the terms and conditions for the Profit Bonus, as amended from time to time. The equally weighted targets are currently the average operating return on sales and the average return on investment.

The long-term incentive ("LTI") is set out by the Supervisory Board at its reasonable discretion and is based on the level of achievement during a three-year performance period in accordance with the LTI terms and conditions, as amended from time to time. The last amendment to the LTI was the introduction of a share-based benefit plan in January 2019, in which a new performance period ("Performance Period") starts at the beginning of each financial year.

At the beginning of a new Performance Period, each member of the Management Board is conditionally awarded with a specific number of performance shares ("Performance Shares"). The number of Performance Shares depends on (i) the individual target amounts for each member of the Management

Board and (ii) the calculated price of the preferred share of Volkswagen AG (during the Pre-IPO-Phase) respectively the price of the share of the Company (during the Post-IPO-Phase) whereby the arithmetic mean of the closing prices in the last 30 trading days prior to the beginning of the Performance Period is taken into account.

During the Pre-IPO-Phase, the individual target amount for 100% target achievement per member of the Management Board for the LTI differs between EUR 310,000 (gross), EUR 650,000 (gross) and EUR 996,000 (gross) per three-year performance period. If the service agreement begins or ends in the course of a year, the target amount for the LTI is reduced pro rata temporis.

The number of Performance Shares at the end of a Performance Period ("Final number of Performance Shares") depends on the number of Performance Shares conditionally awarded at the beginning of the Performance Period and the achievement of the target "earnings per share" which are set at the beginning of the Performance Period. The amount to be paid out depends on the Final Number of Performance Shares and a calculated price of the preferred share of Volkswagen AG (during the Pre-IPO-Phase) and the price of the share of the Company (during the Post-IPO-Phase) taking into account the arithmetic mean of the closing prices in the last 30 trading days prior to the end of the Performance Period and the dividends paid out during the Performance Period.

The amount is paid out in cash and is capped at 200% of the target amount.

In extraordinary events or developments, for example, a merger of the Company, material changes in the shareholder structure, or certain capital or structuring measures of the Company, the Company shall be entitled to adjust the terms or the number of Performance Shares subject to certain conditions. In a "Bad Leaver Case" as defined in the respective Performance Share Plan (in particular, but not limited to, in case of a dismissal for a cause of a member of the Management Board by the Company), all of the Performance Shares of an ongoing Performance Period shall be forfeited and not be replaced or compensated.

The LTI terms and conditions for each performance period are to be stipulated by the Supervisory Board in its reasonable discretion. The Supervisory Board has laid down penalty and clawback provisions for misconduct (including, but not limited to, violations of monitoring or organizational duties ("Culture and Integrity Corrective"), which may lead to a reduction or complete forfeiture of the LTI, or to the clawing back of an LTI that has already been paid out.

A total of 26,556 performance shares were allocated to the members of the Board of Management. The fair value of the obligation arising from the performance shares amounted to €1 million as of March 31, 2019. The benefit cost of €1 million was recognized under personnel costs. If the beneficiaries of the performance share plan had left the Company as of March 31, 2019, the obligation (intrinsic value) would have amounted to a total of €0 million.

The following expenses were recognized by TRATON for the key management personnel in the course of their activities as members of the Management board:

Reporting period January 1 to March 31 € million	**2019**	**2018**
Short-term benefits	2	2
Share-based benefits	1	-
Post-employment benefits	0	0
	3	**2**

20. Events after the reporting period

On May 13, 2019, the Board of Management of Volkswagen AG resolved to go ahead with the planned IPO of TRATON SE before the summer break, depending on further developments on capital markets. No other events occurred after the reporting period that are material for the TRATON GROUP and that could lead to a reassessment of the Company.

On June 4, 2019, the Extraordinary General Meeting of TRATON SE resolved a capital increase from company funds pursuant to section 207 et seqq. of the Aktiengesetz, whereby €16,000 million of capital reserves will be converted into subscribed capital. Simultaneously, the Extraordinary General Meeting resolved an ordinary capital reduction pursuant to section 222 et seqq. of the Aktiengesetz, whereby €16,000 million of subscribed capital will be converted into capital reserves. The amounts presented within

subscribed capital and capital reserves will not change due to the resolution. The resolutions from the Extraordinary General Meeting will be effective upon their entry into the Commercial Register.

Following the Offering, the Company intends to implement a retention bonus scheme for approximately 100 key employees. Payments will be in cash and are intended to fall due three years after the implementation of the Retention Bonus Scheme. The amount payable to each Retention Bonus Beneficiary is intended to be calculated by reference to their annual base compensation and to correspond to the relevant annual base salary multiplied by a performance factor which will be determined by reference to the share price development. It is also intended to provide for customary floors and caps. The aggregate amount of the annual base compensation of the potential Retention Bonus Beneficiaries is estimated not to exceed € 23 million.

Munich, June 11 , 2019

TRATON SE

The Executive Board

Andreas Renschler Christian Schulz Antonio Roberto Cortes

Joachim Drees Henrik Henriksson Dr. Carsten Intra

Christian Levin

Audited Consolidated Financial Statements of the Company (prepared in accordance with IFRS as adopted by the EU) as of and for the fiscal years ended December 31, 2018, 2017 and 2016

Consolidated Financial Statements of TRATON GROUP and related Notes

Consolidated Financial Statements of TRATON GROUP and related Notes

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Consolidated Income Statement

of TRATON GROUP for the years ended December 31, 2018, 2017 and 2016

€ million	Note	2018	2017	2016
Sales revenue	**6**	**25,927**	**24,366**	**21,915**
Cost of sales	7	-20,946	-19,653	-17,649
Gross profit		**4,981**	**4,713**	**4,266**
Distribution expenses		-2,391	-2,354	-2,316
Administrative expenses	8	-1,011	-872	-789
Net impairment losses on financial assets		-45	-44	-36
Other operating income	9	792	606	506
Other operating expenses	10	-814	-537	-904
Operating profit		**1,513**	**1,512**	**727**
Share of the result of equity-accounted investments		209	74	17
Interest income	11	83	91	79
Interest expenses	11	-245	-263	-298
Other financial result	12	6	-34	-32
Financial result		**53**	**-132**	**-234**
Earnings before tax		**1,566**	**1,379**	**493**
Income tax income/expense	13	-415	-489	-297
Current		-449	-377	-424
Deferred		34	-111	127
Result from continuing operations, net of tax		**1,151**	**890**	**196**
Result from discontinued operations, net of tax	5	250	149	22
Earnings after tax		**1,401**	**1,039**	**219**
of which attributable to				
Noncontrolling interests		11	10	10
TRATON SE (former TRATON AG) shareholders		1,390	1,029	208
Earnings per ordinary share from continuing operations attributable to TRATON SE (former TRATON AG) shareholders in € (basic/diluted)	**14**	**115.1**	**89.0**	**19.6**
Earnings per ordinary share attributable to TRATON SE (former TRATON AG) shareholders in € (basic/diluted)	**14**	**139.0**	**102.9**	**20.8**

Consolidated Statement of Comprehensive Income

Changes in consolidated comprehensive income of TRATON GROUP for the year ended December 31, 2018

€ million	Total	attributable to TRATON SE (former TRATON AG) shareholders	attributable to noncontrolling interests
Earnings after tax	**1,401**	**1,390**	**11**
Pension plan remeasurements recognized in other comprehensive income			
Pension plan remeasurements recognized in other comprehensive income, before tax	-49	-48	-1
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	4	4	-0
Pension plan remeasurements recognized in other comprehensive income, net of tax	-45	-44	-1
Fair Value valuation of other participations and securities, net of tax	-2	-2	-0
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	34	34	-
Items that will not be reclassified to profit or loss	**-12**	**-12**	**-1**
Exchange differences on translating foreign operations			
Unrealized currency translation gains/losses	-509	-509	0
Transferred to profit or loss	16	18	-2
Exchange differences on translating foreign operations, before tax	-492	-491	-1
Deferred taxes relating to exchange differences on translating foreign operations	3	3	-
Exchange differences on translating foreign operations, net of tax	-490	-488	-1
Cash flow hedges			
Fair value changes recognized in other comprehensive income	-21	-21	-0
Transferred to profit or loss	-12	-12	-0
Cash flow hedges, before tax	-33	-33	-0
Deferred taxes relating to cash flow hedges	12	12	0
Cash flow hedges, net of tax	-22	-22	-0
Fair value changes recognized in other comprehensive income (Cost of hedging)	-3	-3	0
Transferred to profit or loss (Cost of hedging)	5	5	-0
Cash flow hedges (Cost of hedging), before tax	1	1	-
Deferred taxes relating to cash flow hedges (Cost of hedging)	-1	-1	-
Cash flow hedges (Cost of hedging), net of tax	1	1	-
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	18	18	-
Items that may be reclassified subsequently to profit or loss	**-492**	**-491**	**-1**
Other comprehensive income, before tax	-521	-519	-2
Deferred taxes relating to other comprehensive income	17	17	0
Other comprehensive income, net of tax	**-504**	**-502**	**-2**
Total comprehensive income	**896**	**887**	**9**

Changes in consolidated comprehensive income of TRATON GROUP for the year ended December 31, 2017

€ million	Total	attributable to TRATON SE (former TRATON AG) shareholders	attributable to noncontrolling interests
Earnings after tax	**1,039**	**1,029**	**10**
Pension plan remeasurements recognized in other comprehensive income			
Pension plan remeasurements recognized in other comprehensive income, before tax	44	43	1
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	-8	-8	-0
Pension plan remeasurements recognized in other comprehensive income, net of tax	36	35	1
Fair Value valuation of other participations and securities, net of tax	-0	-0	-
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	95	95	-
Items that will not be reclassified to profit or loss	**131**	**130**	**1**
Exchange differences on translating foreign operations			
Unrealized currency translation gains/losses	-514	-512	-1
Transferred to profit or loss	-8	-8	-
Exchange differences on translating foreign operations, before tax	-521	-520	-1
Deferred taxes relating to exchange differences on translating foreign operations	-10	-10	-
Exchange differences on translating foreign operations, net of tax	-531	-530	-1
Cash flow hedges			
Fair value changes recognized in other comprehensive income	28	28	0
Transferred to profit or loss	-37	-37	0
Cash flow hedges, before tax	-9	-10	0
Deferred taxes relating to cash flow hedges	3	3	-0
Cash flow hedges, net of tax	-6	-6	0
Fair value changes recognized in other comprehensive income (Cost of hedging)	-7	-7	-
Transferred to profit or loss (Cost of hedging)	10	10	-
Cash flow hedges (Cost of hedging), before tax	3	3	-
Deferred taxes relating to cash flow hedges (Cost of hedging)	-2	-2	-
Cash flow hedges (Cost of hedging), net of tax	2	2	-
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	-91	-91	-
Items that may be reclassified subsequently to profit or loss	**-626**	**-625**	**-1**
Other comprehensive income, before tax	-478	-478	1
Deferred taxes relating to other comprehensive income	-17	-17	-0
Other comprehensive income, net of tax	**-495**	**-495**	**0**
Total comprehensive income	**545**	**535**	**10**

Changes in consolidated comprehensive income of TRATON GROUP for the year ended December 31, 2016

€ million	Total	attributable to TRATON SE (former TRATON AG) shareholders	attributable to noncontrolling interests
Earnings after tax	**219**	**208**	**10**
Pension plan remeasurements recognized in other comprehensive income			
Pension plan remeasurements recognized in other comprehensive income, before tax	-271	-270	-1
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	74	73	1
Pension plan remeasurements recognized in other comprehensive income, net of tax	-198	-198	-0
Fair Value valuation of other participations and securities, net of tax	1	1	-
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	-1	-1	-
Items that will not be reclassified to profit or loss	**-198**	**-198**	**-0**
Exchange differences on translating foreign operations			
Unrealized currency translation gains/losses	5	6	-1
Transferred to profit or loss	-	-	-
Exchange differences on translating foreign operations, before tax	5	6	-1
Deferred taxes relating to exchange differences on translating foreign operations	4	4	-
Exchange differences on translating foreign operations, net of tax	9	10	-1
Cash flow hedges			
Fair value changes recognized in other comprehensive income	87	87	0
Transferred to profit or loss	-68	-68	0
Cash flow hedges , before tax	19	19	0
Deferred taxes relating to cash flow hedges	-8	-8	-0
Cash flow hedges, net of tax	10	10	0
Fair value changes recognized in other comprehensive income (Cost of hedging)	19	19	-
Transferred to profit or loss (Cost of hedging)	-10	-10	-
Cash flow hedges (Cost of hedging), before tax	9	9	-
Deferred taxes relating to cash flow hedges (Cost of hedging)	-3	-3	-
Cash flow hedges (Cost of hedging), net of tax	6	6	-
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	2	2	-
Items that may be reclassified subsequently to profit or loss	**28**	**29**	**-1**
Other comprehensive income, before tax	-237	-236	-2
Deferred taxes relating to other comprehensive income	67	66	1
Other comprehensive income, net of tax	**-170**	**-169**	**-1**
Total comprehensive income	**48**	**39**	**9**

Consolidated Balance Sheet

Assets of TRATON GROUP as of December 31, 2018, 2017, 2016 and January 1, 2016

€ million	Note	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Assets					
Noncurrent assets					
Intangible assets	15	6,597	7,019	7,055	6,888
Property, plant and equipment	16	5,469	6,003	5,940	5,408
Lease assets	17	6,599	6,103	5,840	5,139
Equity-accounted investments	18	1,223	836	491	479
Other equity investments	18	37	50	65	54
Financial services receivables	19	4,212	3,805	3,237	2,873
Other financial assets	20	63	93	402	512
Other receivables	21	663	662	598	180
Tax receivables		50	59	76	50
Deferred tax assets	13	939	707	639	496
		25,851	**25,337**	**24,344**	**22,078**
Current assets					
Inventories	22	4,822	5,781	5,405	5,072
Trade receivables	23	2,319	3,048	2,860	2,670
Financial services receivables	19	2,688	2,319	2,112	1,764
Other financial assets	20	6,371	782	777	679
Other receivables	21	939	736	659	1,003
Tax receivables		140	117	113	156
Marketable securities	24	98	51	84	9
Cash and cash equivalents	25	2,997	4,594	4,907	6,575
Assets classified as held for sale	5	157	-	-	-
		20,533	**17,428**	**16,916**	**17,928**
Total assets		**46,384**	**42,765**	**41,260**	**40,006**

Equity and liabilities of TRATON GROUP as of December 31, 2018, 2017, 2016 and January 1, 2016

€ million	Note	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Equity and Liabilities					
Equity	**26**				
Subscribed capital		10	10	10	10
Capital reserves		21,331	24,581	24,271	24,271
Retained earnings		-2,064	-10,760	-11,817	-12,059
Other comprehensive income		-2,478	-2,130	-1,635	-1,466
Equity attributable to TRATON SE (former TRATON AG) shareholders		**16,799**	**11,702**	**10,829**	**10,756**
Noncontrolling interests		2	108	102	96
		16,801	**11,810**	**10,931**	**10,852**
Noncurrent liabilities					
Financial liabilities	27	5,449	5,545	3,555	4,899
Tax payables		122	-	-	-
Other financial liabilities	28	2,333	2,239	2,105	2,144
Other liabilities	29	1,780	1,963	1,994	1,469
Deferred tax liabilities	13	824	612	389	520
Provisions for pensions	30	1,506	1,541	1,526	1,295
Provisions for taxes		16	18	127	62
Other provisions	31	1,184	1,319	1,393	916
		13,217	**13,238**	**11,087**	**11,305**
Current liabilities					
Put options and compensation rights granted to noncontrolling interest shareholders	32	1,827	3,795	3,849	3,932
Financial liabilities	27	5,366	3,426	5,485	2,593
Trade payables		2,969	3,507	3,362	2,976
Tax payables		125	253	256	148
Other financial liabilities	28	1,620	1,176	1,060	3,382
Other liabilities	29	3,263	4,072	3,681	3,407
Provisions for taxes		137	129	27	27
Other provisions	31	938	1,359	1,522	1,383
Liabilities directly associated with assets classified as held for sale	5	123	-	-	-
		16,366	**17,717**	**19,241**	**17,849**
Total equity and liabilities		**46,384**	**42,765**	**41,260**	**40,006**

Consolidated Statement of Changes in Equity

of TRATON GROUP for the years ended December 31, 2018, 2017 and 2016

				OTHER RESERVES								
				Items that may be reclassified subsequently to profit or loss			Items that will not be reclassified to profit or loss					
€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation reserve	Cash flow hedge reserve	Equity-accounted investments	Pension plan reserve	Equity-accounted investments	Investments valuation reserve	Equity attributable to TRATON SE (former TRATON AG) shareholders	Non-controlling interests	Total equity
Balance at Jan. 1, 2018	**10**	**24,581**	**-10,760**	**-1,274**	**14**	**-80**	**-882**	**89**	**3**	**11,702**	**109**	**11,810**
Earnings after tax	-	-	1,390	-	-	-	-	-	-	1,390	11	1,401
Other comprehensive income, net of tax	-	-	-	-488	-21	18	-44	34	-2	-502	-2	-504
Total comprehensive income	**-**	**-**	**1,390**	**-488**	**-21**	**18**	**-44**	**34**	**-2**	**887**	**9**	**896**
Loss absorption by Volkswagen AG	-	-	4,161	-	-	-	-	-	-	4,161	-	**4,161**
Dividends allocated to noncontrolling interest shareholders	-	-	-	-	-	-	-	-	-	-	-4	-4
Other changes	-	-3,250	3,144	0	-	-	157	-	-2	50	-113	-63
Balance at Dec. 31, 2018	**10**	**21,331**	**-2,064**	**-1,762**	**-6**	**-62**	**-770**	**124**	**-1**	**16,799**	**2**	**16,801**
Balance at Jan. 1, 2017	**10**	**24,271**	**-11,817**	**-744**	**19**	**11**	**-917**	**-6**	**3**	**10,829**	**102**	**10,931**
Earnings after tax	-	-	1,029	-	-	-	-	-	-	1,029	10	**1,039**
Other comprehensive income, net of tax	-	-	-	-530	-5	-91	35	95	-0	-495	0	**-495**
Total comprehensive income	**-**	**-**	**1,029**	**-530**	**-5**	**-91**	**35**	**95**	**-0**	**535**	**10**	**545**
Capital increases	-	311	0	-	-	-	-	-	-	311	0	**311**
Loss absorption by Volkswagen AG	-	-	28	-	-	-	-	-	-	28	-	**28**
Dividends allocated to noncontrolling interest shareholders	-	-	-	-	-	-	-	-	-	-	-4	**-4**
Other changes	-	-	-	-	-	-	-	-	-	0	0	**0**
Balance at Dec. 31, 2017	**10**	**24,581**	**-10,760**	**-1,274**	**14**	**-80**	**-882**	**89**	**3**	**11,702**	**108**	**11,810**
Balance at Jan. 1, 2016	**10**	**24,271**	**-12,059**	**-755**	**3**	**9**	**-719**	**-5**	**2**	**10,756**	**96**	**10,852**
Earnings after tax	-	-	208	-	-	-	-	-	-	208	10	219
Other comprehensive income, net of tax	-	-	-	10	16	2	-198	-1	1	-169	-1	-171
Total comprehensive income	**-**	**-**	**208**	**10**	**16**	**2**	**-198**	**-1**	**1**	**39**	**9**	**48**
Loss absorption by Volkswagen AG	-	-	32	-	-	-	-	-	-	32	-	**32**
Dividends allocated to noncontrolling interest shareholders	-	-	-	-	-	-	-	-	-	-	-4	**-4**
Other changes	-	-	3	-	-	-	-	-	-	3	2	**4**
Balance at Dec. 31, 2016	**10**	**24,271**	**-11,817**	**-744**	**19**	**11**	**-917**	**-6**	**3**	**10,829**	**102**	**10,931**

Consolidated Cash Flow Statement

of TRATON GROUP for the years ended December 31, 2018, 2017 and 2016

€ million	2018	2017	2016
Cash and cash equivalents at beginning of period	**4,594**	**4,907**	**6,575**
Earnings before tax	1,566	1,379	493
Income taxes paid	-420	-303	-199
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant and equipment, and investment property*	639	589	555
Amortization of and impairment losses on capitalized development costs*	170	225	237
Impairment losses on equity investments*	6	1	0
Depreciation of and impairment losses on lease assets*	1,090	1,128	1,074
Change in pensions	57	13	23
Gain/loss on disposal of noncurrent assets and equity investments	13	-13	-11
Share of profit or loss of equity-accounted investments	-347	-63	-12
Other noncash expense/income	81	21	137
Change in inventories	-632	-482	-353
Change in receivables (excluding financial services)	-269	-415	-342
Change in liabilities (excluding financial liabilities)	993	1,121	1,392
Change in provisions	51	-70	415
Change in lease assets	-1,598	-1,408	-1,852
Change in financial services receivables	-947	-952	-919
Cash flows from operating activities - discontinued operations	-72	-46	118
Cash flows from operating activities	**382**	**726**	**758**
Investments in intangible assets (excluding development costs), property, plant and equipment, and investment property	-935	-849	-1,057
Additions to capitalized development costs	-449	-416	-400
Acquisition of subsidiaries	6	-0	-4
Acquisition of other equity investments	-17	-272	-7
Disposal of subsidiaries	394	-0	-0
Disposal of other equity investments	0	7	-0
Proceeds from disposal of intangible assets, property, plant and equipment, and investment property	69	43	43
Change in investments in securities	-49	31	-83
Changes in loans and time deposits	100	269	50
Cash flows from investing activities - discontinued operations	-184	-174	-186
Cash flows from investing activities	**-1,065**	**-1,361**	**-1,643**
Capital contributions	-0	311	0
Profit transfer to/loss absorption by Volkswagen AG	28	32	-2,365
Dividends paid to minorities	-	-	-0
Other changes	-	0	-0
Proceeds from issuance of bonds	2,162	2,264	751
Repayments of bonds	-720	-2,090	-1,105
Changes in other financial liabilities	-2,329	-114	1,963
Finance lease payments	1	-2	-2
Cash flows from financing activities - discontinued operations	-7	-8	-16
Cash flows from financing activities	**-865**	**392**	**-775**
Effect of exchange rate changes on cash and cash equivalents	-48	-71	-8
Net change in cash and cash equivalents	**-1,596**	**-314**	**-1,667**
Cash and cash equivalents at end of period	**2,997**	**4,594**	**4,907**

* Net of impairment reversals.

Notes to the Consolidated Financial Statements

of TRATON GROUP for the years ended December 31, 2018, 2017 and 2016

1. Basis of presentation

GENERAL INFORMATION

TRATON SE ("the Company", "TRATON"), formerly Volkswagen Truck & Bus GmbH, Volkswagen Truck & Bus AG, TRATON AG, was converted into a public company by shareholder resolution of June 14, 2018. The change in legal form became effective upon the registration in the commercial register on June 26, 2018. From August 30, 2018 to January 16, 2019 the Company, formerly named Volkswagen Truck & Bus AG, operated under the name TRATON AG. With effect from May 18, 2018, the Company's registered office was transferred from Braunschweig to Munich, Germany. By resolution of December 14, 2018 the Company changed its legal form to a European Stock Corporation (Societas Europaea/SE). The change in legal form became effective upon the registration in the commercial register on January 17, 2019. Since then TRATON is registered in the commercial register at the Munich Local Court under No. 246068.

TRATON with its brands MAN, Scania, Volkswagen Caminhões e Ônibus, and RIO is a commercial vehicle manufacturer. Its offering comprises light-duty commercial vehicles, trucks, and buses, as well as the sale of related genuine parts and customer services. The RIO brand provides a growing portfolio of digital services and solutions. In addition, TRATON offers a wide array of financial services for commercial vehicle customers.

The fiscal year corresponds to the calendar year. TRATON SE is a wholly owned direct subsidiary of Volkswagen Aktiengesellschaft, Wolfsburg (Volkswagen AG). TRATON SE and its subsidiaries ("TRATON GROUP") are included in Volkswagen AG's consolidated financial statements, which are published in the Bundesanzeiger (German Federal Gazette).

In accordance with Regulation No. 1606/2002 of the European Parliament and of the Council, TRATON GROUP prepared its consolidated financial statements for the fiscal years ended December 31, 2018, 2017 and 2016 in compliance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. We have complied with all the IFRSs adopted by the EU and required to be applied. The Executive Board prepared these consolidated financial statements on February 14, 2019, and resolved to authorize them for submission to the Supervisory Board. On that date, the period ended in which adjusting events after the reporting period are recognized.

The consolidated financial statements were prepared in euros. Unless otherwise stated, all amounts are given in millions of euros (€ million). All figures are shown rounded, so minor discrepancies may arise from addition of these amounts.

Preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates that affect the reported amounts of certain items in the consolidated balance sheet and in the consolidated income statement, as well as the related disclosure of contingent assets and liabilities. The consolidated financial statements present fairly the net assets, financial position and results of operations as well as the cash flows of the TRATON GROUP.

FIRST-TIME ADOPTION OF IFRS

These consolidated financial statements, for the years ended December 31, 2018, 2017 and 2016, are the first the TRATON GROUP has prepared in accordance with IFRS as it is a first-time adopter. Accordingly, the Group has prepared consolidated financial statements that comply with IFRS applicable as of December 31, 2018. In preparing the consolidated financial statements, the Group's opening consolidated balance sheet was prepared as of January 1, 2016, the Group's date of transition to IFRS.

As the Group did not previously prepare any consolidated financial statements, no reconciliation of equity according to IFRS 1 is required for the purpose of these consolidated financial statements. The TRATON GROUP did not apply any optional exemptions from retrospective application of IFRS.

GROUP RESTRUCTURING PROCESS

The TRATON GROUP in its current structure was set up in several steps following a reorganization of Volkswagen AG's Commercial Vehicles business area. In April 2013, Volkswagen AG contributed its 75.2% shareholding in MAN SE to TRATON for no consideration. In August 2013, Volkswagen AG merged its 100% interest in Volkswagen Gebrauchtfahrzeughandels und Service GmbH („VGSG") into Volkswagen Qualifizierungsgesellschaft GmbH, a subsidiary of TRATON. After the merger, the name of VGSG was continued. In a next step, in March 2016, Volkswagen contributed its 86% interest in Scania Aktiebolag ("Scania AB") to TRATON for no consideration. Together with the shares in Scania held by MAN SE, TRATON now is the sole shareholder of Scania AB. The contributions in kind from Volkswagen AG were recognized in TRATON's capital reserve.

As TRATON and Scania were controlled by Volkswagen AG both before and after the contribution of Scania into TRATON, this business combination is a common control transaction. As such, TRATON has applied the accounting policy to show Scania in its consolidated financial statements at the book values of its ultimate parent, Volkswagen AG. This also includes the adjustments of Scania book values at Volkswagen AG level resulting from the purchase price allocation ("PPA") effected following the acquisition of Scania by Volkswagen AG in 2008, including goodwill resulting from this transaction. In addition, TRATON has applied the accounting policy for business combinations under common control to restate its carrying amounts before the date of the transaction to present its consolidated financial statements as if the combination had occurred before the start of the earliest date presented (i.e. January 1, 2016).

The book values of MAN SE were continued in the TRATON consolidated financial statements and thus do not include the PPA values resulting from the acquisition of MAN SE by Volkswagen AG. This is because the contribution of MAN SE into TRATON in 2013 represented a group reorganization and did not meet the definition of a business combination. The difference between the value of the MAN SE shares at which they were contributed to TRATON SE and the recognized book value of corresponding assets and liabilities was recognized in retained earnings.

In October 2018, TRATON decided to sell its Power Engineering business (comprising large-bore diesel and gas engines, turbomachinery, industrial turbines, chemical reactor systems, special gear units, propulsion components and testing systems) to a Volkswagen Group entity outside the TRATON GROUP. The sale comprised the shares of TRATON (held indirectly through MAN SE or one of its subsidiaries) in Power Engineering, i.e. the 76% stake in RENK Aktiengesellschaft (RENK), the 100% stake in MAN Energy Solutions SE (MAN ES) and the 100% stake in MAN Energy Solutions USA Inc. (MAN ES USA). In addition, three German real-estate holding companies held by MAN SE were included in the sale. The share purchase agreements for the sale were signed on December 20, 2018 and the sale was effected on December 31, 2018. The aggregate purchase price for the stakes in MAN ES and RENK amounted to €1,874 million. The purchase price for the stake in MAN ES USA amounted to approximately €87 million. The aggregate purchase prices for the three real estate companies amounted to approximately €20 million.

In addition, as per January 1, 2019, VGSG was sold for a consideration of €113 thousand to a subsidiary of Volkswagen AG outside the TRATON GROUP.

NEW AND AMENDED IFRSs NOT YET APPLIED

TRATON has adopted and applied consistently over all periods presented in the consolidated financial statements all accounting standards mandatorily effective for the first-time as of the year end 2018, including IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers. The following new or amended standards and interpretations will only become mandatory in the EU in subsequent financial years. With the exception of IFRS 16, Leases, this is not expected to have any significant effect to TRATON.

The Group does not intend to early-adopt any of the standards or amendments.

Standard/Interpretation		Published by the IASB	Application mandatory[1]	Adopted by the EU	Expected impact
IFRS 16	Leases	Jan 13, 2016	Jan 1, 2019	Oct 31, 2017	Detailed descriptions after the tabular overview
IFRS 17	Insurance Contracts	May 18, 2017	Jan 1, 2021	Not yet adopted	None
IFRIC 23	Uncertainty over Income Tax Treatment	June 7, 2017	Jan 1, 2019	Oct 23, 2018	No material impact
Amendments to IFRS 3	Definition of a Business	Oct 22, 2018	Jan 1, 2020	Not yet adopted	No material impact
Amendments to IFRS 9	Prepayment Features with Negative Compensation	Oct 12, 2017	Jan 1, 2019	Mar 22, 2018	None
Amendments to IFRS 10 and IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sales or contributions of assets	Sep 11, 2014	Deferred[2]	-	None

Standard/Interpretation		Published by the IASB	Application mandatory[1]	Adopted by the EU	Expected impact
	between an investor and its associate/joint venture				
Amendments to IAS 1 and IAS 8	Definition of Material	Oct 31, 2018	Jan 1, 2020	Not yet adopted	None
Amendments to IAS 19	Plan amendment, curtailment or settlement	Feb 7, 2018	Jan 1, 2019	Not yet adopted	No material impact
Amendments to IAS 28	Long-term interests in Associates and Joint Ventures	Oct 12, 2017	Jan 1, 2019	Feb 11, 2019	No material impact
Annual improvement project	Improvements to IFRS Standards 2015-2017 Cycle[3]	Dec 12, 2017	Jan 1, 2019	Not yet adopted	No material impact

1 Mandatory first-time application for the TRATON GROUP.
2 The IASB decided on December 15, 2015 to indefinitely defer the date of first-time adoption.
3 Minor amendments to a number of IFRSs (IFRS 3, IFRS 11, IAS 12, and IAS 23).

IFRS 16 – LEASES

IFRS 16 changes the accounting requirements for leases and replaces the previous standard IAS 17 and related interpretations. The main objective of IFRS 16 is to recognize all leases on the consolidated balance sheet. It establishes that lessees are no longer required to classify their leases as finance leases or operating leases. In the future, they will instead be required to recognize a right-of-use asset and a lease liability for all leases on the consolidated balance sheet. Exceptions will only be made for short-term leases and leases of low-value assets. The right-of-use asset must be amortized over the lease term and the lease liability adjusted using the effective interest method, taking into account the lease payments. Lessor accounting largely corresponds to the current provisions of IAS 17. In the future, lessors will continue to classify their leases as finance leases or operating leases based on the risks and rewards incidental to ownership of the leased asset.

The TRATON GROUP applies the modified retrospective transition method for the first-time adoption of IFRS 16. As a result of the first-time recognition of the right-of-use assets and corresponding lease liabilities at the same amount the consolidated balance sheet total will increase according to the preliminary assessment by approximately 2%. The increase in financial liabilities has a negative impact on the net liquidity of the TRATON GROUP. No significant impact on equity is expected. In contrast to the previous approach to include expenses for operating leases in the operating profit, under IFRS 16 only the amortization of the right-of-use assets is included in the operating profit. Interest expenses from the compounding of the lease liability are shown in the financial result. Based on the lease contracts existing as of January 1, 2019, an increase in operating profit in the low two-digit millions of euros is expected. The changed recognition of expenses from operating leases in the consolidated cash flow statement results in a slight improvement of the cash flow from operating activities and an equivalent decline of the cash flow from financing activities.

The application of IFRS 16 will also lead to far more extensive disclosures.

2. Basis of consolidation

In addition to TRATON SE, the consolidated financial statements comprise all significant subsidiaries that are controlled directly or indirectly by TRATON SE. This is the case if TRATON SE obtains power over the potential subsidiaries 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. Consolidation of subsidiaries begins at the first date on which control exists, and ends when such control no longer exists. Subsidiaries that are acquired during the fiscal year are consolidated from the date when control exists. Companies that are disposed of in the fiscal year are deconsolidated from the date when control no longer exists.

Subsidiaries whose business is dormant or of low volume and that are insignificant, both individually and in the aggregate, for the fair presentation of the net assets, financial position and results of operations as well as the cash flows of the TRATON GROUP are not consolidated.

Significant companies where TRATON is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates), or that are directly or indirectly jointly controlled (joint ventures), are accounted for using the equity method. As a rule, significant influence is assumed when TRATON holds between 20% and 50% of the voting rights. Associates also include companies where TRATON has significant influence through participation in financial and operating policy decisions without having control. Insignificant associates and joint ventures are carried at cost net of any impairment losses and 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:

	2018	2017	2016
TRATON SE and consolidated subsidiaries			
Germany	26	32	33
Abroad	258	306	312
Subsidiaries carried at cost			
Germany	7	9	8
Abroad	15	61	56
Associates, joint ventures and other equity investments			
Germany	7	9	10
Abroad	17	16	11

CONSOLIDATED SUBSIDIARIES

	2018		2017		2016	
Number	Germany	Abroad	Germany	Abroad	Germany	Abroad
Initially consolidated						
of which: subsidiaries previously carried at cost	1	-	-	1	1	2
of which: previously equity-accounted investments	-	1	-	-	-	-
of which: newly acquired subsidiaries	-	-	-	1	-	1
of which: newly formed subsidiaries	-	5	-	5	-	1
	1	**6**	**-**	**7**	**1**	**4**
Deconsolidated						
of which: mergers	-	10	-	1	-	-
of which: liquidations	-	-	1	-	-	-
of which: sales/other	7	44	-	12	-	3
	7	**54**	**1**	**13**	**-**	**3**

The increase of deconsolidated entities in 2018 is mainly due to the sale of the Power Engineering business (see note "Noncurrent Assets held for sale and discontinued operations").

The list of all shareholdings that form part of the annual consolidated financial statements of TRATON GROUP can be found in Annex 1.

The assets and liabilities of the companies included in the consolidated financial statements are recognized in accordance with the uniform accounting policies used within the TRATON GROUP. In the case of companies accounted for using the equity method, the same accounting policies are applied to determine the proportionate equity, based on the most recent audited annual consolidated financial statements of each company.

Business combinations are accounted for using the acquisition method of accounting. In the case of subsidiaries consolidated for the first time, assets and liabilities are measured at their fair values at the date of acquisition. Their carrying amounts are adjusted in subsequent years. Goodwill arises when the consideration paid for the investment exceeds the fair value of identifiable net assets. Goodwill is tested for impairment once a year to determine whether its carrying amount is recoverable. If the carrying amount of goodwill is higher than the recoverable amount, an impairment loss must be recognized. If the consideration paid for the investment is less than the identifiable net assets, the difference is recognized in

the consolidated income statement in the year of acquisition. Any difference that arises from the acquisition of additional shares of an already consolidated subsidiary is taken directly to equity. Unless otherwise stated, the proportionate equity directly attributable to noncontrolling interests is determined at the acquisition date as the share of the fair value of the assets (excluding goodwill) and liabilities attributable to them. Contingent consideration is measured at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration do not result in the adjustment of the acquisition-date measurement. Acquisition-related costs that are not equity transaction costs are not added to the consideration paid, but instead are recognized as expenses in the period in which they are incurred.

The consolidation process involves adjusting the items in the separate financial statements of the parent and its subsidiaries and presenting them as if they were those of a single economic entity. Intragroup assets, liabilities, equity, income, expenses and cash flows are eliminated in full. Intercompany profits or losses are eliminated in Group inventories and noncurrent assets. Deferred taxes are recognized for consolidation adjustments, and deferred tax assets and liabilities are offset where taxes are levied by the same tax authority and relate to the same tax period.

CURRENCY TRANSLATION

Transactions in foreign currencies are translated in the single-entity financial statements of TRATON SE and its consolidated subsidiaries at the rates prevailing at the transaction date. Foreign currency monetary items are recorded in the balance sheet using the middle rate at the closing date. Foreign exchange gains and losses are recognized in the consolidated income statement.

The financial statements of foreign companies are translated into euros using the functional currency concept, under which asset and liability items are translated at the closing rate. With the exception of gains and losses recognized directly in equity, equity is translated at historical rates. The resulting foreign exchange differences are recognized in other comprehensive income until disposal of the subsidiary concerned, and are presented as a separate item in equity. Income statement items are translated into euros at weighted average rates.

The table below summarizes the principle exchange rates that have been used for foreign currency translation purposes of the Group:

		Period-end exchange rate				Average exchange rate		
Country	Currency (€1=)	**Dec. 31, 2018**	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016	**2018**	2017	2016
Brazil	BRL	4.44485	3.97065	3.43720	4.31170	4.30729	3.60471	3.86217
Denmark	DKK	7.46705	7.44510	7.43500	7.46260	7.45304	7.43871	7.44537
Great Britain	GBP	0.89690	0.88730	0.85850	0.73395	0.88476	0.87626	0.81897
Mexico	MXN	22.52035	23.61420	21.84800	8.91450	22.71496	21.33175	20.66535
Sweden	SEK	10.25070	9.83140	9.56720	9.18950	10.25830	9.63700	9.46712
USA	USD	1.14525	1.19875	1.05600	1.08870	1.18156	1.12933	1.10675

HYPERINFLATIONARY ECONOMIES

During 2018 Argentina was defined as a hyperinflationary economy and as a result the TRATON subsidiary Scania Argentina S.A. became hyperinflationary in that year. The entity has therefore adjusted its non-monetary items for inflation. The inflation adjustment has been remeasured using CPI Consumer Price index with an average rate of 184.13. The cumulative effect as of January 1, 2018 amounting to €48 million, net of tax, has been recognized in retained earnings, and adjustments of the year 2018 have been accounted for in other financial result. The figures in the TRATON consolidated financial statements for 2016 and 2017 have not been restated as they are presented in a currency which is that of a non-hyperinflationary economy. As from January 1, 2019 Scania Argentina S.A. will change its functional currency to USD as its economic environment is significantly influenced by the USD. As a result, non-monetary assets will no longer be inflation-adjusted from that date.

3. Accounting policies

With certain exceptions such as financial instruments measured at fair value and provisions for pensions and other post-employment benefits, items in the TRATON GROUP are accounted for under the historical cost convention, adjusted for the effects of inflation where entities operate in hyperinflationary economies. The methods used to measure the individual items are explained in more detail below.

In light of the domination and profit and loss transfer agreement entered into by TRATON SE and Volkswagen AG, the accompanying consolidated financial statements have been prepared following

appropriation of net profit by Volkswagen AG. Profit and loss transfers from and to Volkswagen AG are shown directly in equity as transactions with the shareholder.

The consolidated income statement was prepared using the cost of sales method.

INTANGIBLE ASSETS

The intangible assets of the TRATON GROUP mainly include brands, customer relationships, software and capitalized development costs.

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

Development costs for future series products and other internally generated intangible assets are capitalized at cost, provided manufacture of the products is likely to bring the TRATON GROUP an economic benefit. If the criteria for recognition as assets are not met, the expenses are recognized in the consolidated income statement in the year in which they are incurred. Research costs are recognized as expenses when incurred. Capitalized development costs include all direct and indirect costs that are directly attributable to the development process. The costs are amortized using the straight-line method from the start of production over the expected life cycle of the models or technology developed.

Intangible assets acquired in the course of a business combination are measured at their fair value at the acquisition date. Brand names from business combinations usually have an indefinite useful life and therefore are not amortized. An indefinite useful life is usually the result of a brand's further use and maintenance.

The amortization period for software is mainly 3 to 5 years. Capitalized development costs are amortized over 3 to 10 years. Customer relationships are amortized over 20 years.

Amortization recognized during the year is allocated to the relevant functions in the consolidated income statement. Goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet available for use are tested for impairment at least once a year. Assets in use and other intangible assets with finite useful lives are tested for impairment only if there are specific indications that they may be impaired. The TRATON GROUP generally applies the higher of value in use and fair value less costs of disposal of the relevant asset or cash-generating unit to determine the recoverability of goodwill and indefinite-lived intangible assets. Value in use is the present value of the future cash flows expected to be derived from the asset. 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. For impairment testing purposes, goodwill is allocated to the relevant cash-generating unit to which the goodwill relates. 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 determined for the purpose of impairment testing of goodwill, indefinite-lived intangible assets and finite-lived intangible assets – mainly capitalized development costs – using the following pre-tax weighted average cost of capital (WACC) rates, which are adjusted if necessary for country-specific discount factors:

WACC	**2018**	2017	2016
Volkswagen Caminhões & Ônibus	10.6%	10.6%	10.9%
MAN Truck & Bus	7.0%	6.8%	6.5%
Scania Vehicles & Services	7.0%	6.8%	6.5%
MAN Energy Solutions	-	8.0%	7.7%

The WACC rates are calculated based on the risk-free rate of interest, a market risk premium and the cost of debt. Additionally, specific peer group information on beta factors and leverage are taken into account. The composition of the peer groups used to determine beta factors is continuously reviewed and adjusted if necessary.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at cost less depreciation and – where necessary – write-downs for impairment. Cost is determined based on the direct and indirect costs that are directly attributable. The production cost of internally manufactured items of property, plant, and equipment comprises directly attributable production costs and proportionate production overheads. Borrowing costs are included in the cost of assets that take a substantial period to get ready.

Property, plant and equipment is depreciated using the straight-line method over its estimated useful life. 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 reviewed on a regular basis and adjusted if required.

Depreciation is based mainly on the following useful lives: buildings (10 to 100 years), site improvements (5 to 33 years), production plant and machinery (3 to 12 years), and other equipment, operating and office equipment (3 to 15 years).

Where leased items of property, plant and equipment are used, the criteria for classification as a finance lease as set out in IAS 17 are met if all material risks and rewards incidental to ownership have been transferred to the Group. In such cases, the assets concerned are recognized at fair value or at the present value of the minimum lease payments (if lower) and depreciated using the straight-line method over the asset's useful life, or over the term of the lease if this is shorter. The payment obligations arising from the future lease payments are discounted and recorded as a liability in the consolidated balance sheet.

Where Group companies are the lessees of assets under operating leases, i.e. if not all material risks and rewards are transferred, lease and rental payments are recorded directly as expenses in profit or loss.

INVESTMENT PROPERTY

Real estate and buildings held in order to obtain rental income (investment property) are measured at cost less accumulated depreciation and impairment losses and (except for land) depreciated by the straight-line method over its estimated useful life; the useful lives applied to depreciation generally correspond to those of the property, plant and equipment used by the Group itself. The fair value of this investment property is disclosed in the notes. 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. This procedure involves determining the income value based on 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. For reasons of materiality, the disclosures on investment property are combined with the disclosures on property, plant, and equipment.

LEASE ASSETS

Products sold with a buyback obligation are reported under "Lease assets" if TRATON GROUP retains the risks and rewards associated with the products. Vehicles leased out under operating leases are recognized at cost and depreciated to their estimated residual value using the straight-line method over the term of the lease. Impairment losses identified as a result of an impairment test in accordance with IAS 36 are recognized and the future depreciation rate is adjusted. The forecast residual values are adjusted to include constantly updated internal and external information on residual values, depending on specific local factors and the experiences gained in the marketing of used vehicles.

EQUITY-ACCOUNTED 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 profits and losses generated after acquisition is recognized in the consolidated income statement. Other changes in the equity of associates and joint ventures, such as currency translation differences, are recognized in other comprehensive income. 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 and the reversal of a previous impairment loss are recognized in the financial result.

The cost of equity-accounted investments is adjusted to reflect the share of increases or reductions in equity at the associates and joint ventures after the acquisition that is attributable to the TRATON GROUP, as well as any effects from purchase price allocation.

Goodwill arising from the acquisition of an associate or joint venture is included in the carrying amounts of investments in associates or joint ventures.

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments include in particular customer receivables, financial services receivables, loans, and cash and cash equivalents, as well as financial liabilities, trade payables, and liabilities from buyback obligations. Cash and cash equivalents include bank balances and highly liquid financial investments of a temporary nature that are exposed to no more than a minor risk of changes in

value. Non-derivative 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 uses the central cash management of the Volkswagen Group. Under a cash pooling process, the balances of the TRATON SE accounts included are closed out by Volkswagen AG, usually daily, and thus transformed into receivables from/liabilities to Volkswagen AG. As part of its central financial management, Volkswagen AG manages and guarantees the TRATON GROUP's liquidity and credit supply with corresponding transactions on the international financial markets. Given their cash-like nature, TRATON GROUP reports the cash pool receivables with Volkswagen AG as cash and cash equivalents. By contrast, deposits of an investment nature are reported as marketable securities (current) or other financial assets (non-current). Analogously, liabilities resulting from the central financial management of Volkswagen AG are reported as financial liabilities.

RECOGNITION OF FINANCIAL INSTRUMENTS

Non-derivative financial assets and liabilities are initially recognized at their cost, which is equivalent to their fair value at that time plus/minus transaction costs, aside from those classified as financial instruments recognized at fair value through profit or loss. The last-mentioned category is recognized at fair value, excluding transaction costs. Trade receivables without a significant financing component are initially measured at their 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 set off the recognized amounts and intends to perform the settlement.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial instruments are classified as a financial asset, an equity instrument or a financial liability according to the substance of the contractual arrangement and the definitions in IAS 32.

Financial assets (debt instruments) that meet the following conditions are subsequently measured at amortized cost (AC):

➢ 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 subsequently measured at fair value through other comprehensive income (FVOCI):

➢ the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the 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 elected to use the option of measuring investments in equity instruments that are not held for trading at FVOCI (without recycling), as presenting fair value gains and losses on such instruments in profit or loss is not indicative of the entity's performance for TRATON Group. By default, all other financial assets are classified as at fair value through profit or loss (FVTPL).

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 and loss. In the TRATON GROUP, only derivative financial instruments not included in hedge accounting meet this requirement.

➢ Financial liabilities measured at amortized cost.

  - By default, all other financial liabilities are measured at amortized cost.

As a general principle, TRATON GROUP does not apply the fair value option for financial assets or financial liabilities.

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 using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The fair value measurement is determined on the basis of the fair value hierarchy, which is explained in the section "Additional financial instruments disclosures in accordance with IFRS 7" (Fair Value of Financial Assets and Liabilities Measured at Amortized Cost by Level).

IMPAIRMENT OF FINANCIAL INSTRUMENTS AND CONTRACT ASSETS

The TRATON GROUP always recognizes lifetime ECL (expected credit loss) for trade receivables, lease receivables and contract assets. For trade receivables and contract assets lifetime ECL is estimated using a provision matrix as long as no objective evidence of individual credit-impairment is available. The provision matrix is based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The provision rates depend on the number of days that a receivable is past due:

- ➢ Not impaired and not past due: 1.0% of the receivable;
- ➢ Past due up to 30 days: 1.5% of the receivable;
- ➢ Past due 31 to 90 days: 2.5% of the receivable;
- ➢ Past due more than 91 days: 4.0% of the receivable.

For other financial instruments, the TRATON GROUP recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition. If the internal risk management and control systems do not indicate a significant increase in credit risk any earlier, the rebuttable presumption within TRATON GROUP is that a significant increase in credit risk has occurred when payments are more than 30 days overdue.

Financial instruments are assigned to one of three credit risk stages:

- ➢ Stage 1: Financial instruments at initial recognition and no changes in credit risk
- ➢ Stage 2: Significant changes in credit risk on the basis of the lifetime expectation of the underlying contract
- ➢ Stage 3: Credit impaired financial instruments

The assignment to the different stages is evaluated in every reporting period. A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flow. Such events comprise situations of 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 measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default. If there is no reason to assume a default has occurred any earlier based on the internal risk management and control systems, the general presumption in the TRATON GROUP is that a default has occurred when payments are more than 90 days overdue.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to TRATON GROUP in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For lease receivables, the cash flows and discount rates used for determining the expected credit losses are consistent with the cash flows and discount rates used in measuring the lease receivable in accordance with IAS 17 "Leases".

DERIVATIVES AND HEDGE ACCOUNTING

TRATON GROUP is exposed to various financial risks in its operations. In order to hedge currency rate risks, interest rate risks and commodity price risks, companies use appropriate derivatives such as swaps, forward transactions and options. Derivatives are recognized initially and at the end of each subsequent reporting period at fair value. They are generally recognized at the trade date.

The recognition of gains and losses from fair value measurement depends on the designation of the derivative. Derivatives that do not meet the IFRS 9 hedge accounting criteria are measured at fair value

through profit or loss (also referred to below as derivatives not included in hedging relationships). These gains and losses from the remeasurement and settlement are reported in other operating income and expenses, or in the financial result, depending on the risk covered by the derivative.

The criteria for the application of hedge accounting are 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, which is not dominated by the effect of credit risk. The hedging instruments are affected by the same risk as the hedged items, foreign exchange rate risk. In each hedging relationship for which hedge accounting is applied, the designated amount of the hedged item equals the volume of the hedging instrument. In the case of hedges of future cash flows (cash flow hedges), the hedging instruments are measured at fair value. Gains or losses from remeasurement of the effective designated portion of the derivative are initially recognized in the reserve for cash flow hedges in other comprehensive income, whereas gains or losses from the non-designated forward element of the derivative and the cross currency basis spread are recognized in the reserve for cost of hedging. The amounts cumulated in other comprehensive income are reclassified to the consolidated income statement once the hedged future cash flow affects profit or loss. The reclassification of both, the reserve for cash flow hedges and the reserve for cost of hedging, affect the line item in which the hedged item is included. The ineffective portion of a cash flow hedge is recognized immediately in profit or loss.

The Group currently does not use fair value hedges.

RECEIVABLES FROM FINANCE LEASES

Where a Group company is the lessor – generally of vehicles – a receivable in the amount of the net investment in the lease is recognized in the case of finance leases, i.e. where substantially all the risks and rewards are transferred to the lessee.

INCOME TAXES

Tax provisions contain obligations resulting from current taxes. Deferred taxes are presented in separate items of the consolidated balance sheet and consolidated income statement. Provisions are recognized for potential tax risks based on the best estimate of the liability. They also contain amounts for interest on taxes owed and any surcharges that are expected to lead to a future liability.

Deferred tax assets and liabilities are recognized for temporary differences between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements, for tax credits, and for tax loss carry-forwards. Deferred taxes are measured using the tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities and assets 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 earnings available for distribution 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 based on 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.

Changes in deferred taxes in the consolidated balance sheet generally result in deferred tax income or expense. If the change in deferred taxes results from items recognized in other comprehensive income, the change in deferred taxes is also recognized in other comprehensive income.

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 mainly allocated based on the normal capacity of the production facilities. Borrowing costs are not capitalized. Selling expenses, general and administrative expenses are not included in the cost of inventories. The measurement of same or similar inventories is generally based on the weighted average cost method.

NONCURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Noncurrent assets held for sale and discontinued operations 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 in separate line items in the consolidated balance sheet. To the extent that they are in the measurement scope of IFRS 5 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.

A discontinued operation is a component of an entity that represents a major line of business of the TRATON GROUP and that is classified as held for sale or has been disposed of. The assets and liabilities of a discontinued operation are classified as held for sale in the consolidated balance sheet until the disposal is completed, and are measured at the lower of their carrying amount and fair value less costs to sell. Gains or losses recognized on measurement to fair value less costs to sell, gains or losses on the disposal, and the post-tax profit or loss of the discontinued operation are presented separately in the consolidated income statement as "Result from discontinued operations, net of tax". Prior-period amounts in the consolidated income statement are adjusted accordingly. Discontinued operations are presented separately in the statement of cash flows. In these cases, too, prior period amounts are adjusted accordingly.

The elimination of intercompany transactions between TRATON and discontinued operations is based on the post-disposal arrangement situation. Where TRATON expects the arrangement to be continued post-disposal, the elimination is made against the discontinued operation. Reversely, if the arrangement will not be continued post-disposal the elimination is made against the continuing operation.

Notes to the consolidated financial statements outside note "Noncurrent assets held for sale and discontinued operations" generally relate to continuing operations, unless explicitly stated or otherwise required by IFRSs.

PENSION PROVISIONS

The actuarial valuation of pension provisions is based on the projected unit credit method stipulated by IAS 19 for defined benefit plans under which the future defined benefit obligation is measured based on the proportionate benefit entitlements earned by the end of the reporting period and discounted to its present value. The valuation is not only based on pension payments and vested entitlements known at the consolidated balance sheet date, but also reflects future salary and pension trends, as well as experience-based staff turnover rates. 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.

SHARE-BASED PAYMENTS

At the year-end 2018 the remuneration system in place within the Power Engineering business was modified to include a performance share plan with a term of three years (share-based payment). At the time the plan is granted the annual target amount under the plan is converted, on the basis of the initial reference price of Volkswagen's preferred shares, into performance shares of Volkswagen AG, which are allocated to the respective participant solely as a calculation figure. At the end of the three-year term of the performance share plan, a cash settlement takes place. The payment corresponds to the number of determined performance shares, multiplied with the closing reference price at the end of the three-year period plus a dividend equivalent for the relevant term. The payment under the performance share plan is limited to 200% of the target amount.

With the sale of the Power Engineering business as of December 31, 2018 (see note "Noncurrent assets held for sale and discontinued operations"), this remuneration system is no longer applied in the TRATON GROUP. The performance share plan had no material impact on the consolidated financial statements of TRATON GROUP.

An obligation arises from a share-based payment arrangement when TRATON and the participant have a shared understanding of the terms and conditions of the arrangement. If that arrangement is subject to an approval process, grant date is the date when that approval is obtained. The obligations arising from the share-based payment are accounted for as cash-settled plans in accordance with IFRS 2. The cash-settled share based payments are measured at fair value until maturity. Fair value is determined using a recognized valuation technique. The compensation cost representing personnel expense is allocated over the vesting period.

OTHER PROVISIONS

In accordance with IAS 37, provisions are recognized where a present obligation exists to third parties because of a past event, where a future outflow of resources is probable and where a reliable estimate of that outflow can be made.

Where the effect of the time value of money is material, the provision is recognized at its present value. Discounting is based on market interest rates. The settlement value also reflects cost increases expected at the balance sheet date.

Provisions are not offset against claims for reimbursement.

CONTINGENCIES AND COMMITMENTS

If the criteria for recognizing a provision are not met, but the outflow of financial resources is not improbable, or the amount cannot be measured reliably, such obligations are disclosed in the Notes to the consolidated financial statements (see the "Contingent liabilities" section). Contingent liabilities are only recognized as a provision if the obligations are more certain, i.e. the outflow of financial resources has become probable and their amount can be reliably estimated.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognized once a performance obligation in a contract with a customer is satisfied. Discounts, customer rebates, and other sales allowances are deducted from the transaction price. If a contract contains multiple performance obligations, the transaction price is allocated to each performance obligation. Variable consideration is only included in the transaction price to the extent that it is highly probable that a reversal of revenue will not occur.

Revenue from goods is recognized at the point in time when control over the product is transferred to the customer, which is normally the date of delivery of the vehicle.

Revenue from service contracts is recognized when the service has 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 which assure that the sold product complies with agreed upon specifications are accounted for as a provision. Extended warranties which customers can purchase separately are accounted for as separate performance obligations. Revenue from extended warranties is recognized over the term of the warranty.

Any unconditional rights to consideration are presented in Other financial assets with a corresponding contract liability.

TRATON takes the practical expedient to only account for significant financing components for contracts where TRATON expects that the period between transferring a good or service and the customer paying for it is more than one year.

REVENUE FROM LEASES, BUYBACK AGREEMENTS AND FINANCING ARRANGEMENTS

Sales revenue from financing arrangements and finance lease agreements is recognized using the effective interest method over the contract term. If non-interest-bearing or low-interest vehicle financing arrangements are agreed, sales revenue is reduced by the interest benefits granted.

In case of operating leases and short-term rentals of vehicles, revenue is allocated on a straight-line basis over the lease or rental period. Leases and rentals mainly involve new trucks and buses. The asset remains on the consolidated balance sheet as a lease asset.

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 when control does not transfer to the customer. The difference between the selling price and the present value of the buyback price is recognized as revenue on a straight-line basis over the period until the return of the item sold. Prior to that time, the assets are carried as lease assets on the consolidated balance sheet.

OPERATING INCOME AND EXPENSES

Operating expenses are recognized when the underlying products or services are utilized. Advertising expenses and other sales-related expenses are recognized when incurred.

Cost of sales includes the production costs incurred to generate the sales revenue and the cost of goods purchased for resale. 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 costs of additions to warranty provisions for statutory and contractual guarantee obligations which are recognized when the products are sold. Research and development costs not eligible for capitalization in the period and amortization of development costs are likewise carried under cost of sales. Reflecting the presentation of interest and commission income in sales revenue, the interest and commission expenses attributable to the financial services business are presented in cost of sales.

Government grants for expenses incurred are recognized in other operating income for the period or in the item in which the expenses to be offset are also recognized.

GOVERNMENT GRANTS

Government grants related to assets are deducted from the carrying amount of the asset and are recognized in profit or loss over the life of the depreciable asset as a reduced depreciation expense. If the Group becomes entitled to a grant subsequently, the amount of the grant attributable to prior periods is recognized in profit or loss.

ESTIMATES AND JUDGEMENTS BY MANAGEMENT

Preparation of the consolidated financial statements requires management to make certain estimates and exercise judgement that affect the reported amounts of assets and liabilities, and income and expenses, as well as the related disclosures of the reporting period. Estimates and judgements relate largely to the following matters:

The impairment testing of nonfinancial assets, especially goodwill, brand names, capitalized development costs and special tools and equity-accounted investments, or investments accounted at cost requires assumptions about future market trends as well as about the discount rate to be applied. The expected future market trends lead to detailed planning of the sales of commercial vehicles, the profitability of the products and the developments in the after-sales business. The planning period for the impairment test generally covers five years, in the case of finite-lived assets it may also depend on the lifetime of the item. Estimation of cash flows is generally based on the expected growth trends for the markets concerned which is primarily reflected in planned sales revenue and the gross margin of TRATON's products and services. The estimates for the cash flows following the end of the planning period are generally based on a growth rate of up to 1% p.a. (December 31, 2017: up to 1% p.a., December 31, 2016: up to 1% p.a.).

Estimates of the useful life of finite-lived assets are based on experience and are reviewed regularly. Where estimates are modified, the residual useful life is adjusted and an impairment loss is recognized, if necessary. In addition, the recoverability of the Group's lease assets depends in particular on the residual value of the leased vehicles after expiration of the lease term, because this represents a significant portion of the expected cash flows. The forecast of residual values requires management to make assumptions in particular about vehicle supply and demand in the future, as well as about vehicle price trends. Such assumptions are based either on qualified estimates or on data published by external experts. Qualified estimates are based on external data – if available – that reflects additional information that is available internally, such as historical experience and current sales data.

If there are no observable market inputs, the fair values of assets acquired and liabilities assumed in a business combination are measured using recognized valuation techniques, such as the relief-from-royalty method or the residual method.

The TRATON GROUP has an exposure in the form of contractual payments. In all essential respects, the Group has collateral in the form of the right to repossess the underlying vehicle. In case the market value of the collateral does not cover the exposure to the customer, and the customer has a problem completing its contractual payments, the Group has a risk of loss. Consequently, impairment testing of financial assets requires estimates about the extent and probability of occurrence of future events. As far as possible, estimates are derived from experience taking into account current market data as well as rating categories and scoring information.

Accounting for provisions is also based on estimates of the extent and probability of occurrence of future events, as well as estimates of the discount rate. As far as possible, these are also based on experience or external opinions. The assumptions applied in the measurement of pension provisions are described in the "Provisions for pensions and other post-employment benefits" section. Remeasurements are recognized in other comprehensive income and do not affect profit or loss reported in the consolidated income statement. Any change in the estimates of the amount of other provisions is always recognized in profit or loss. The provisions are regularly adjusted to reflect new information obtained. The use of expected values

means that additional amounts must frequently be recognized for provisions, or that unused provisions are reversed. Reversals of provisions and expenses relating to the recognition of provisions are allocated directly to the functions. Warranty claims from sales transactions are calculated based on estimated future costs and the policy on ex gratia arrangements. This requires assumptions to be made about the nature and extent of future warranty 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. At the same time, litigation and other legal proceedings raise complex legal issues and entail numerous difficulties and uncertainties. A provision is recognized for these if it is probable that an obligation has arisen in connection with these proceedings that is likely to lead to a future outflow of resources and its amount can be estimated reliably.

Because the Group operates in many countries, it is subject to a variety of tax laws in a large number of jurisdictions. The expected current income taxes and the deferred tax assets and liabilities must be determined for each tax entity. Among other things, this requires assumptions about the interpretation of complex tax regulations and the ability to generate sufficient taxable income, depending on the tax type and tax jurisdiction involved. Any variance between these assumptions and the actual outcome of such tax uncertainties may affect tax expense and deferred taxes. Uncertain recognized income tax items are based on a best estimate of the probable tax payment. Measuring deferred tax assets requires assumptions regarding future taxable income and the timing of the realization of deferred tax assets.

Estimates and judgement are based on underlying assumptions that reflect the current state of available knowledge. 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. Specifically, the expected future development of business was based on the circumstances known at the date of preparation of these consolidated financial statements and a realistic assessment of the future development of the general economic environment, the relevant markets and the legal environment. Our estimates and assumptions remain subject to a high degree of uncertainty because future business developments are subject to uncertainties that in part cannot be influenced by the Group.

Developments in this environment that differ from the assumptions and that cannot be influenced by management could result in amounts that differ significantly from the original estimates. If actual developments differ from the expected developments, the underlying assumptions and the carrying amounts of the assets and liabilities affected are adjusted.

Global gross domestic product (GDP) rose by 3.7% in 2018 (2017: 3.2%; 2016: 2.5%). In the medium and heavy trucks markets relevant for TRATON we expect a slight increase in new registrations of trucks in 2019. For the years 2020 to 2023 we expect a robust increase in demand. We expect the Western European market, including the German market, to contract slightly. We anticipate a moderate increase demand than in the previous year in Central and Eastern Europe. In Russia, we expect a strong recovery in demand in 2019. Demand in South America is expected to be noticeably higher year-on-year.

Demand in the bus markets relevant to TRATON GROUP should be slightly higher in 2019 than in 2018. We anticipate a moderate increase in demand compared to the previous year in Western Europe. In Central and Eastern Europe, we expect demand to be slightly down on the 2018 figure in 2019. New registrations in South America should moderately increase year-on-year.

4. Segment reporting

Segments are identified on the basis of the TRATON GROUP's internal management and reporting. Each of its operating segments is managed by its own board of management. In order to make decisions about the allocation of resources and the assessment of performance, the results of these segments are regularly reviewed by the Company's Executive Board in its role as chief operating decision-maker ("CODM"). Segment reporting comprises the following operating segments: MAN Truck & Bus, Volkswagen Caminhões & Ônibus, Scania Vehicles and Services as well as Financial Services. For external reporting purposes, the reportable segments are as follows:

Industrial Business: TRATON's business activities focus on Commercial Vehicles, comprising the operating segments MAN Truck & Bus, Volkswagen Caminhões & Ônibus and Scania Vehicles & Services, which encompass the following products: trucks, buses and engines, including the services associated with these products. Between the three segments there is a collaboration within key areas such as procurement, research and development. The segments are similar in the nature of the products and services offered and there is no systematic difference between the customers of the different segments. All brands operate in the market of commercial vehicles, which is a very cyclic market strongly dependent on the overall economic situation. As such, the operating performance of the three operating segments is

on a different level but the segments are exposed to a similar operating cycle regarding their long-term financial performance. This is assessed based on the development of Return on Sales (RoS) over time.

Consequently, in line with the accounting policy as set out IFRS 8 to aggregate segments with similar characteristics, TRATON chooses for external reporting purposes to aggregate the three operating segments into a single reportable segment referred to as "Industrial Business". The Industrial Business segment also comprises the holding functions of the Group and equity investments held by the holding companies, namely Sinotruk and since 2017 Navistar.

Financial Services provides financing solutions to customers, such as loan financing, lease contracts and insurance solutions. The reportable segment Financial Services only consists of Scania Financial Services. For MAN Truck & Bus and Volkswagen Caminhões & Ônibus customers, Volkswagen Financial Services AG and its subsidiaries provide similar financing solutions outside the TRATON GROUP.

The segment information presented represents continuing operations. The segment disclosures for the current and the comparative periods therefore do not include the corresponding information for discontinued operations, as presented in the section "Noncurrent assets held for sale and discontinued operations".

Operating profit/loss is the earnings measure for assessing a segment's results of operations. Operating profit/loss is calculated as profit/loss before tax and before the financial result. Purchase price allocation for companies acquired is allocated directly to the corresponding segments.

Segment financial information is presented in accordance with the disclosure and measurement policies applied to the preparation of the consolidated financial statements. 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, other equity investments, and assets leased out allocated to the individual divisions. Investments in intangible assets, property, plant and equipment, and investment property are reported net of investments under finance leases.

In the segment reporting, the share of the profits or losses of joint ventures are contained in the share of profits and losses of equity-accounted investments in the corresponding segments.

The other segments consist of activities carried out by VGSG, an entity sold in January 2019 (see note "Noncurrent assets held for sale and discontinued operations"), which relate to the sale of used passenger vehicles and by definition do not constitute a reportable segment. The reconciliation contains the consolidation adjustments between the reporting segments.

REPORTING SEGMENTS 2018

€ million	INDUSTRIAL BUSINESS	FINANCIAL SERVICES	OTHER SEGMENTS	RECONCILIATION	GROUP
Segment sales revenue	24,963	760	585	-381	25,927
Intersegment sales revenue	380	1	0	-381	-
Group sales revenue	24,583	758	585	0	25,927
Depreciation and amortization	1,810	4	1	-0	1,815
Impairment losses	95	0	2	-	97
Segment profit or loss (operating profit)	1,346	138	34	-6	1,513
Financial result	98	10	-24	-32	53
Thereof: share of profits and losses of equity-accounted investments	209	-	-	-	209
Capital expenditures	1,404	4	0	-13	1,395
Equity-accounted investments	1,223	-	-	-	1,223

REPORTING SEGMENTS 2017

€ million	INDUSTRIAL BUSINESS	FINANCIAL SERVICES	OTHER SEGMENTS	RECONCILIATION	GROUP
Segment sales revenue	23,403	721	590	-346	24,366
Intersegment sales revenue	346	1	0	-347	-
Group sales revenue	23,057	719	590	1	24,366
Depreciation and amortization	1,965	3	1	-27	1,941
Impairment losses	2	-	-	-	2
Segment profit or loss (operating profit)	1,368	111	33	0	1,512
Financial result	-196	1	-22	85	-132
Thereof: share of profits and losses of equity-accounted investments	74	-	-	-	74
Capital expenditures	1,523	3	1	11	1,537
Equity-accounted investments[1]	819	-	-	-	819

1 Not including equity-investments held by discontinued operations amounting to €17 million.

REPORTING SEGMENTS 2016

€ million	INDUSTRIAL BUSINESS	FINANCIAL SERVICES	OTHER SEGMENTS	RECONCILIATION	GROUP
Segment sales revenue	21,023	709	563	-380	21,915
Intersegment sales revenue	379	2	0	-380	-
Group sales revenue	20,645	708	563	-0	21,915
Depreciation and amortization	1,867	2	1	-11	1,860
Impairment losses	8	-	-	-	8
Segment profit or loss (operating profit)	596	105	27	-0	727
Financial result	-156	1	-16	-63	-234
Thereof: share of profits and losses of equity-accounted investments	17	-	-	-	17
Capital expenditures	1,465	5	1	-3	1,467
Equity-accounted investments	491	-	-	-	491

The reconciliation of total sales revenue of the segments to the TRATON GROUP sales revenue is presented in the following:

€ million	2018	2017	2016
Reportable segment sales revenue (sales revenue of the segments)	**25,722**	**24,123**	**21,733**
Other segments	585	590	563
Reconciliation	-381	-346	-380
Sales revenue (TRATON GROUP)	**25,927**	**24,366**	**21,915**

The reconciliation of total profit/loss of the segments to the TRATON GROUP profit/loss before tax and discontinued operations is presented in the following:

€ million	2018	2017	2016
Reportable segment profit or loss (operating profit)	**1,485**	**1,479**	**700**
Other segments	34	33	27
Reconciliation	-6	0	-0
Operating profit (TRATON GROUP)	**1,513**	**1,512**	**727**
Financial result	53	-132	-234
Profit before tax (TRATON GROUP)	**1,566**	**1,379**	**493**

SEGMENT INFORMATION BY REGION

€ million	Germany	EU-28+2 (excluding Germany)	Brazil	South America (excluding Brazil)	Rest of World[2]	Total
2018						
Noncurrent assets (excl. financial instruments, equity investments, and deferred taxes) at December 31	4,972	11,881	1,862	100	563	19,377
Sales revenue[1]	4,773	12,422	1,977	782	5,972	25,927
2017						
Noncurrent assets (excl. financial instruments, equity investments, and deferred taxes) at December 31	4,160	13,535	1,513	1	637	19,846
Sales revenue[1]	4,713	11,309	1,377	915	6,052	24,366
2016						
Noncurrent assets (excl. financial instruments, equity investments, and deferred taxes) at December 31	3,803	13,466	1,615	2	623	19,509
Sales revenue[1]	4,439	10,751	979	799	4,946	21,915

1 Allocation of sales revenue to the regions follows the destination principle.
2 Including sales revenue from hedging transactions.

5. Noncurrent assets held for sale and discontinued operations

DISPOSAL OF POWER ENGINEERING BUSINESS

On October 25, 2018, the Group announced its intention to sell the Power Engineering ("PE") business to a Volkswagen AG subsidiary outside the TRATON GROUP for cash consideration determined based on the net assets measured at book values of the Power Engineering business. The Power Engineering business consists of the two former operating segments MAN Energy Solutions and Renk and the HABAMO Verwaltung GmbH & Co. Objekt Sterkrade KG.

MAN Energy Solutions is a global leader in large marine diesel engines and stationary engines and is also one of the leading suppliers of turbomachinery on the global market. Renk is a globally recognized manufacturer of high-quality special gear units, propulsion components, and testing systems. The transaction was completed on December 31, 2018. On this date control over the Power Engineering business passed to the acquirer.

The proceeds of sale equal the carrying amount of the related net assets and, accordingly, no impairment losses were recognized on the reclassification of these operations as held for sale.

ANALYSIS OF PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS

The combined results of the operations classified as discontinued in the current year that are included in the profit for the year are presented separately in the consolidated income statement and are set out below (including comparative figures). In the consolidated balance sheet the assets and liabilities from

discontinued operations are not included, as the classification as held for sale occurred in October 2018 and the sale of the Power Engineering business took place on December 31, 2018. The consolidated balance sheets as of December 31, 2017, 2016 and January 1, 2016 include the assets and liabilities of the Power Engineering business.

Profit for the year from discontinued operations:

€ million	2018	2017	2016
Sales revenue	3,588	3,248	3,575
Other gains	173	117	74
Expenses	-3,519	-3,158	-3,621
Profit before tax of the discontinued operation	**242**	**207**	**27**
Attributable income tax expense	-41	-58	-5
Gain on sale after income tax	48	-	-
Profit for the year from discontinued operations	**250**	**149**	**22**

Taking into account non-controlling interests, reclassifications of previously unrealized gains and losses in equity of €36 million and income tax expenses on the gain of €89 million, the sale of the Power Engineering business for a consideration of €1,980 million resulted in a gain on the sale of €48 million. The purchase price was not settled in 2018.

The carrying amounts of the assets and liabilities of the Power Engineering business at the date of the sale were:

€ million	Dec. 31, 2018
Intangible assets	392
Property, plant and equipment	756
Cash and cash equivalents	862
Inventories	1,402
Trade receivables	935
Other assets	447
Total assets	**4,794**
Financial liabilities	555
Provisions for pensions	130
Trade payables	671
Other provisions	460
Other liabilities	997
Total liabilities	**2,814**
Net assets	**1,980**

With the sale of Power Engineering cash and cash equivalents of €862 million were disposed of. This includes a cash-pooling receivable of €759 million against TRATON without effect on the cash flow of TRATON in 2018. Reversely, cash-pooling receivables of €525 million arose in TRATON as a result from the deconsolidation, with an impact on the cash flow from investing activities of TRATON.

DISPOSAL OF VOLKSWAGEN GEBRAUCHTFAHRZEUGHANDELS UND SERVICE GMBH (VGSG)

On December 6, 2018 TRATON AG concluded an agreement with a Volkswagen AG subsidiary outside of the TRATON GROUP to sell its subsidiary, VGSG, with effect from January 1, 2019. The Volkswagen Gebrauchtfahrzeughandels und Service GmbH was expected to be sold within 12 months and therefore the associated assets and liabilities were classified as held for sale and presented separately in the consolidated balance sheet as of December 31, 2018. Reclassification of VGSG as held for sale resulted in the recognition of impairment losses of €6 million.

The following assets and liabilities were reclassified as held for sale in relation to VGSG as at December 31, 2018:

€ million	Dec. 31, 2018
Inventories	149
Other assets	8
Total assets	**157**
Trade payables	86
Other liabilities	37
Total liabilities[1]	**123**
Net assets	**34**

1 The liabilities shown exclude intercompany liabilities of €34 million.

OTHER DISPOSAL GROUPS

In the third quarter of 2018 the restructuring of MAN Truck & Bus´s activities in India was initiated and executed in the fourth quarter 2018. Impairment losses of €64 million were recognized in relation to the sale of assets, of which €30 million relate to property, plant and equipment and intangible assets and are included in the cost of sales. In total, cash consideration received amounted to €11 million and cash and cash equivalents of €27 million were disposed of.

Consolidated income statement disclosures

6. Sales revenue

STRUCTURE OF GROUP SALES REVENUE

€ million	Industrial Business	Financial Services	Other Segments	Reconciliation	2018
Vehicles	16,216	-	-	-1	16,215
Genuine parts	3,316	-	-	-1	3,315
Used vehicles	1,387	-	557	-0	1,944
Engines, powertrains and parts deliveries	676	-	-	-0	676
Workshop services	1,414	-	0	-0	1,414
Leasing business[1]	1,651	411	-	-374	1,688
Interest and similar income[1]	6	349	-	-1	353
Other sales revenue	296	-	28	-3	321
	24,963	**760**	**585**	**-381**	**25,927**

€ million	Industrial Business	Financial Services	Other Segments	Reconciliation	2017
Vehicles	14,357	-	-	-1	14,356
Genuine parts	3,190	-	-	-0	3,189
Used vehicles	1,354	-	564	-0	1,918
Engines, powertrains and parts deliveries	640	-	-	-0	640
Workshop services	1,318	-	0	-	1,318
Leasing business[1]	2,230	401	-	-341	2,289
Interest and similar income[1]	4	320	-	-1	322
Other sales revenue	310	-	26	-3	333
	23,403	**721**	**590**	**-347**	**24,366**

€ million	Industrial Business	Financial Services	Other Segments	Reconciliation	2016
Vehicles	13,039	-	-	-5	13,035
Genuine parts	2,995	-	-	-0	2,994
Used vehicles	1,243	-	543	-0	1,786
Engines, powertrains and parts deliveries	561	-	-	-0	561
Workshop services	1,227	-	0	-	1,227
Leasing business[1]	1,675	451	-	-374	1,752
Interest and similar income[1]	3	258	-	-1	260
Other sales revenue	280	-	20	-	300
	21,023	**709**	**563**	**-380**	**21,915**

1 Sales revenue not in the scope of IFRS 15.

Other sales revenue comprises revenue from licenses, among other things. Sales revenue from used vehicles included in "Others" relates to the VGSG which was disposed of after the balance sheet date (see note "Noncurrent assets held for sale and discontinued operations").

Sales revenue recognized in the reporting period that was included in the contract liability balance (note "Other liabilities") at the beginning of the period totalled €658 million (€542 million in 2017, €424 million in 2016).

Sales revenue of €26 million recognized in the reporting period (€18 million in 2017, €1 million in 2016) stems from performance obligations satisfied in previous periods. This mainly relates to the reversal of provisions for sales allowances.

REVENUE FROM CONTRACTS WITH CUSTOMERS

a) INFORMATION ABOUT THE GROUP'S PERFORMANCE OBLIGATIONS

The performance obligations of the Group primarily comprise the sale of trucks, heavy-duty special-purpose vehicles, buses and coaches, related genuine parts, as well as the provision of repair and maintenance services. Besides regular legal warranties, the Group also grants service-type warranties.

Performance obligations relating to the transfer of goods are satisfied when the customer obtains control over these goods. This is normally the case when the goods have been delivered to the customer and the customer has approved the vehicle.

Common business practice is for payment terms to be 30 days. In some markets, payments terms up to 140 days are granted. Contracts do not contain significant financing components. Customers can decide to finance a vehicle using financing solutions offered by TRATON's Financial Services or with a Volkswagen Group affiliate (e.g. Volkswagen Financial Services). When a party outside the TRATON GROUP is used, the Group receives the payment from that party shortly after the customer obtains the vehicle.

Performance obligations relating to service contracts and service-type warranties are satisfied over the contract term. In case of prepayments received, the transaction price allocated to these services is recognized as a contract liability at the time of the initial sales transaction and is released over the period of service. Where the payment of service fees parallels the services rendered, sales revenue recognized corresponds to the fees paid.

In the case of contracts, in which service elements have an insignificant value as compared to the revenue from the sale of the vehicle, the residual approach is used for the transaction price allocation. This does not result in material differences compared to revenue recognized based on relative stand-alone selling prices. In other cases, the transaction price is allocated based on the relative stand-alone selling prices.

b) TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATIONS

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period and the expected timing of revenue recognition were as follows:

€ million	**2018**	**2017**	**2016**
Expected timing of revenue recognition			
Within a year	7,482	6,524	4,786
1-5 years	1,640	1,450	1,318
In more than five years	6	5	5
	9,128	**7,980**	**6,109**

The transaction price allocated to remaining performance obligations for which revenue recognition is expected within a year primarily relates to the delivery of vehicles. An expected revenue recognition in more than one year mainly stems from long-term service and extended warranty contracts.

REVENUE FROM FINANCING ARRANGEMENTS

TRATON's Financial Services business offers various forms of financing solutions ordinarily with maturities between three until five years, with the vehicle as underlying collateral. Market conditions as well as civil law and tax rules in each country often determine what financing solution is offered. Financing consists mainly of financial leases, in which the right of ownership of the vehicle remains with TRATON during the lease term, but material risks and rewards have been transferred to the lessee. If hire purchase contracts are offered, the right of ownership is transferred to the customer on the date of sale, but Financial Services receives collateral in the form of a lien on the vehicle. If Financial Services offers a lease when delivering vehicles for which substantial risks remain with TRATON, primarily attributable to guaranteed residual values, the contract is recognized as an operating lease.

7. Cost of sales

Cost of sales includes nonstaff overheads and personnel costs, as well as depreciation and amortization attributable to the production function. It also includes expenses of €489 million for the year ended December 31, 2018 (December 31, 2017: €469 million, December 31, 2016: €482 million) attributable to the Financial Services business.

8. Administrative expenses

The administrative expenses mainly include nonstaff overheads and personnel costs, as well as depreciation and amortization applicable to the administrative functions. The increase in 2018 relates, amongst other, to costs in relation with the preparation of capital market readiness amounting to €68 million.

9. Other operating income

€ million	**2018**	2017	2016
Income from reversal of provisions and accruals	16	66	75
Income from foreign exchange gains	418	312	291
Income from cost allocations	56	68	39
Income from lease and other rental activities	19	21	23
Gains from fair value changes of derivatives not included in hedge accounting	66	20	7
Gains on asset disposals	30	22	19
Miscellaneous other operating income	186	95	51
	792	**606**	**506**

Foreign exchange gains mainly comprise gains from changes in exchange rates between the dates of recognition and payment of receivables and liabilities denominated in foreign currencies, as well as exchange rate gains resulting from measurement at the closing rate for such items. Foreign exchange losses from these items are included in other operating expenses.

Government grants related to income amounted to €7 million in 2018, €16 million in 2017 and €14 million in 2016 and were generally allocated to the functions.

Miscellaneous other operating income in 2018 includes income from reversal of liabilities related to social security contributions of Volkswagen Caminhões & Ônibus amounting to €144 million.

10. Other operating expenses

€ million	**2018**	2017	2016
Foreign exchange losses	381	327	293
Expenses for termination agreements	2	0	21
Losses from fair value changes of derivatives not included in hedge accounting	99	22	19
Losses on disposal of noncurrent assets	9	10	7
Expenses for antitrust proceedings	-	-	403
Miscellaneous other operating expenses	322	177	161
	814	**537**	**904**

The expenses for antitrust proceedings relate to provisions of Scania relating to the proceedings the European Commission opened against European truck manufacturers including MAN and Scania.

Miscellaneous other operating expenses in 2018 include expenses from the impairment of transaction tax receivables at Volkswagen Caminhões & Ônibus of €88 million and expenses from restructuring measures relating to MAN Truck & Bus India of €71 million (see also note "Noncurrent assets held for sale and discontinued operations").

Miscellaneous other operating expenses contains in 2016 restructuring expenses of Volkswagen Caminhões & Ônibus of €58 million.

11. Interest result

€ million	2018	2017	2016
Interest income	**83**	**91**	**79**
Other interest and similar income	83	91	79
Income from valuation of interest derivatives	-	0	-
Interest expenses	**-245**	**-263**	**-298**
Other interest and similar expenses	-186	-169	-171
Interest cost included in lease payments	-0	-0	-0
Unwinding of discount and effect of change in discount rate on liabilities and other provisions	-25	-58	-92
Net interest on the net liability for pensions and other post-employment benefits	-34	-36	-35
Interest result	**-162**	**-173**	**-219**

The finance costs primarily contain interest expenses for financial liabilities and the interest cost from unwinding discounts on put options and compensation rights granted to noncontrolling interest shareholders.

Capitalised borrowing costs amounted to €1 million in the reporting period (€8 million in 2017, €2 million in 2016) and related mainly to capitalized development costs.

12. Other financial result

€ million	2018	2017	2016
Income from profit and loss transfer agreements	2	-0	-
Cost of loss absorption	-0	-0	-
Other income from equity investments	190	2	2
Other expenses from equity investments	-24	-0	-4
Realized income and expense of loan receivables and payables in foreign currency	79	6	118
Gains and losses from remeasurement of financial instruments	-213	-9	71
Gains and losses from fair value changes of derivatives not included in hedge accounting	-27	-32	-220
	6	**-34**	**-32**

Gains and losses from remeasurement of financial instruments contains expenses from valuation of put options and compensation rights granted to noncontrolling interest shareholders of €142 million in 2018, €13 million in 2017 and €0 million in 2016. Other income from equity investments in 2018 stems from the reversal of impairment losses related to investment in Sinotruk (see note "Equity-accounted Investments and Other Equity Investments").

13. Income tax income/expense

COMPONENTS OF TAX INCOME AND EXPENSE

€ million	2018	2017	2016
Current tax expense (+)/income (–), Germany	-3	-18	81
Current tax expense (+)/income (–), other countries	452	396	343
Current tax expense (+)/income (–)	**449**	**377**	**424**
of which prior-period expense (+)/income (–)	-37	18	37
Deferred tax expense (+)/income (–), Germany	-37	66	-33
Deferred tax expense (+)/income (–), other countries	3	46	-93
Deferred tax expense (+)/income (–)	**-34**	**111**	**-127**
Income taxes	**415**	**489**	**297**

The statutory corporation tax rate in Germany for the 2018 assessment period was 15%. Including trade tax and the solidarity surcharge, this resulted in an aggregate tax rate of 29.9% (December 31, 2017: 29.9%, December 31, 2016: 29.9%).

A tax rate of 29.8% for December 31, 2018 (December 31, 2017: 29.9%, December 31, 2016: 29.9%) was used to measure deferred taxes in the German consolidated tax group with Volkswagen AG. The decrease

results from the termination of the domination and profit and loss transfer agreement with MAN SE with effect from January 1, 2019.

The local income tax rates applied for companies outside Germany vary between 0% and 45%. In the case of split tax rates, the tax rate applicable to undistributed profits is applied.

The realization of tax benefits from tax loss carryforwards from previous years resulted in a reduction in current income taxes to €6 million as of December 31, 2018 (December 31, 2017: €10 million, December 31, 2016: €9 million).

Previously unrecognized tax losses and tax credits used to reduce deferred tax expense amounted to €37 million as of December 31, 2018 (December 31, 2017: €7 million, December 31, 2016: €4 million).

TAX LOSS CARRYFORWARDS

€ million	Dec. 2018	Dec. 2017	Dec. 2016	Jan. 2016
Unused tax loss carryforwards	**1,804**	**1,311**	**1,208**	**5,573**
Of those can be used within the next 10 years	141	184	160	144
Of those can be used within a period of 15 or 20 years	8	0	0	-
Of those can be used indefinitely	1,654	1,127	1,047	5,430
Unusable tax loss carryfowards	**1,616**	**1,171**	**820**	**5,202**
Of those will expire within 5 years	24	5	8	44
Of those will expire within 6 to 20 years	85	3	20	21
Of those will not expire	1,507	1,162	793	5,137

WRITE DOWN OF DEFERRED TAX ASSETS

€ million	Dec. 2018	Dec. 2017	Dec. 2016
Deferred tax expenses resulting from write downs	77	60	1
Deferred tax income resulting from reversal of write downs	3	1	21

Tax credits granted by various countries amounted to €10 million as of December 31, 2018 (December 31, 2017: €18 million, December 31, 2016: €29 million, January 1, 2016: €25 million).

NO DEFFERED TAX ASSETS RECOGNIZED

€ million	Dec. 2018	Dec. 2017	Dec. 2016	Jan. 2016
For deductible temporary differences	-	-	-	-
For tax credits that would expire in the next 20 years	-	-	-	13
For tax credits that will not expire	-	-	-	-

Deferred taxes are not recognized on retained profits of €24.7 billion (December 31, 2017: €12.1 billion, December 31, 2016: €11.5 billion, January 1, 2016: €11.2 billion) of foreign subsidiaries, as it is largely intended to reinvest these profits in the operations of the relevant companies. Generally, the distribution would lead to an additional income tax expense. It is not practicable to estimate the aggregate amount of the underlying taxable temporary differences for these undistributed foreign earnings.

Deferred tax expense/income (+/-) resulting from changes in tax rates amounted to €-20 million as of December 31, 2018 (December 31, 2017: €-4 million, December 31, 2016: €4 million) at Group level.

Deferred taxes in respect of temporary differences and tax loss carryforwards of €18 million as of December 31, 2018 (December 31, 2017: €38 million, December 31, 2016: €174 million, January 1, 2016: €95 million) were recognized without being offset by deferred tax liabilities in the same amount. The deferred tax assets of companies within the German tax group were recognized due to positive results in the past and are included in this analysis. The companies affected are expecting positive tax income in the future, following losses in the reporting period or the previous year.

€10 million as of December 31, 2018 (December 31, 2017: €-13 million, December 31, 2016: €86 million) of the deferred taxes recognized in the consolidated balance sheet was credited to equity and relates to other comprehensive income. Changes in deferred taxes classified by balance sheet item are presented in the consolidated 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	**2018**	2017	Dec. 2016	Jan. 2016
Intangible assets	4	0	1	4
Property, plant and equipment, and lease assets	25	88	84	71
Noncurrent financial assets	1	2	1	1
Inventories	24	158	151	114
Receivables and other assets (including Financial Services Division)	57	213	159	125
Other current assets	0	0	0	0
Pensions and other post-employment benefits	365	426	411	346
Liabilities and other provisions	1,776	1,483	1,551	1,300
Valuation allowances on deferred tax assets from temporary differences	-0	-	-1	-10
Temporary differences, net of valuation allowances	2,253	2,371	2,358	1,950
Tax loss carryforwards, net of valuation allowances	55	43	124	117
Tax credits, net of valuation allowances	10	18	14	12
Value before consolidation and offset	**2,318**	**2,432**	**2,495**	**2,079**
of which noncurrent	1,625	1,753	1,884	1,612
Offset	**-1,789**	**-1,953**	**-2,051**	**-1,759**
Consolidation	**410**	**228**	**195**	**176**
Amount recognized	**939**	**707**	**639**	**496**

DEFERRED TAX LIABILITIES

€ million	**2018**	2017	Dec. 2016	Jan. 2016
Intangible assets	817	743	753	702
Property, plant and equipment, and lease assets	1,428	1,268	1,192	1,122
Noncurrent financial assets	25	28	24	22
Inventories	20	21	32	29
Receivables and other assets (including Financial Services Division)	129	389	346	334
Other current assets	0	0	2	0
Pensions and other post-employment benefits	0	1	1	1
Liabilities and other provisions	149	85	70	44
Temporary differences	2,569	2,535	2,419	2,254
Value before consolidation and offset	**2,569**	**2,535**	**2,419**	**2,254**
of which noncurrent	2,392	2,416	2,297	2,149
Offset	**-1,789**	**-1,953**	**-2,051**	**-1,759**
Consolidation	**45**	**31**	**21**	**26**
Amount recognized	**824**	**612**	**389**	**520**

In accordance with IAS 12, deferred tax assets and liabilities are offset if, and only if, they relate to income taxes levied by the same taxation authority and relate to the same tax period.

RECONCILIATION OF EXPECTED TO EFFECTIVE INCOME TAX

€ million	2018	2017	2016
Earnings before tax	1,566	1,379	493
Expected income tax income (–) / expense (+) (tax rate 29.9%; previous years: 29.9%)	**468**	**412**	**147**
Reconciliation:			
Effect of different tax rates outside Germany	-99	-103	-61
Proportion of taxation relating to:			
tax-exempt income	-106	-38	-24
expenses not deductible for tax purposes	151	63	149
effects of loss carryforwards and tax credits	37	140	51
Tax credits	-5	-10	-5
Prior-period tax expense/income	-37	18	37
Effect of tax rate changes	-20	-4	4
Nondeductible withholding tax	9	0	0
Other taxation changes	15	10	-1
Effective income tax expense (+)/income (–)	**415**	**489**	**297**
Effective tax rate in %	**26%**	**35%**	**60%**

14. Earnings per share

€ million	2018	2017	2016
Earnings after tax attributable to TRATON SE shareholders	1,390	1,029	208
of which income/loss from discontinued operations, net of tax*	239	139	11
Earnings after tax from continuing operations attributable to TRATON SE shareholders	**1,151**	**891**	**197**
Number of shares outstanding (weighted average)	10,000,200	10,000,200	10,000,200
Earnings per share from continuing operations in €	115.1	89.0	19.6
Earnings per share from discontinued operations in €*	23.9	13.9	1.1
Total	**139.0**	**102.9**	**20.8**

* net of noncontrolling interests attributable to discontinued operations

Earnings per share are calculated by dividing consolidated earnings after tax from continuing operations attributable to TRATON SE shareholders by the average number of shares outstanding in the year. Since TRATON's change of legal form from a limited liability company (*Gesellschaft mit beschränkter Haftung, GmbH*) to a public company (*Aktiengesellschaft*) took effect on June 26, 2018 (the change in legal form to a SE took effect on January 17, 2019), the calculation of the number of shares was based on the nominal amount of subscribed capital of EUR 10,000,200.

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.

15. Intangible assets

CHANGES IN INTANGIBLE ASSETS IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2018

€ million	Brand names	Goodwill	Capitalized development costs	Other intangible assets	Total
Cost					
Balance at Jan. 1, 2018	**1,049**	**3,675**	**4,354**	**1,274**	**10,352**
Foreign exchange differences	-47	-152	-117	-76	-393
Changes in consolidated Group	-	-0	0	-1	-1
Additions	-	-	483	29	511
Transfers	-	-	-	6	6
Disposals	-	-	-44	-42	-86
Reclassified as assets held for sale[1]	-	-116	-368	-101	-585
Balance at Dec. 31, 2018	**1,002**	**3,406**	**4,307**	**1,089**	**9,804**
Amortization and impairment					
Balance at Jan. 1, 2018	**59**	**78**	**2,234**	**962**	**3,333**
Foreign exchange differences	-6	1	-61	-51	-118
Changes in consolidated Group	-	-0	-0	-1	-2
Additions to cumulative amortization	-	-	186	56	242
Additions to cumulative impairment losses	-	-	-	10	10
Transfers	-	-	-	0	0
Disposals	-	-	-18	-42	-60
Reclassified as assets held for sale[1]	-	-10	-105	-84	-198
Balance at Dec. 31, 2018	**53**	**68**	**2,237**	**849**	**3,207**
Carrying amount at Dec. 31, 2018	**949**	**3,338**	**2,070**	**239**	**6,597**

1 Mainly relates to the reclassification of the Power Engineering business as held for sale in October 2018. The Power Engineering business was subsequently sold in December 2018. A small proportion relates to the reclassification as held for sale of VGSG in 2018. VGSG was sold in January 2019. See also note "Noncurrent assets held for sale and discontinued operations".

CHANGES IN INTANGIBLE ASSETS IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2017

€ million	Brand names	Goodwill	Capitalized development costs	Other intangible assets	Total
Cost					
Balance at Jan. 1, 2017	**1,085**	**3,804**	**3,985**	**1,338**	**10,212**
Foreign exchange differences	-36	-149	-96	-94	-375
Changes in consolidated Group	-	20	-	1	21
Additions	-	-	465	38	503
Transfers	-	-	-	6	6
Disposals	-	-	-0	-15	-16
Balance at Dec. 31, 2017	**1,049**	**3,675**	**4,354**	**1,274**	**10,352**
Amortization and impairment					
Balance at Jan. 1, 2017	**68**	**78**	**2,034**	**977**	**3,157**
Foreign exchange differences	-9	-0	-38	-61	-109
Changes in consolidated Group	-	-	-	-0	-0
Additions to cumulative amortization	-	-	239	60	300
Transfers	-	-	-	0	0
Disposals	-	-	-0	-14	-14
Balance at Dec. 31, 2017	**59**	**78**	**2,234**	**962**	**3,333**
Carrying amount at Dec. 31, 2017	**990**	**3,597**	**2,120**	**312**	**7,019**

CHANGES IN INTANGIBLE ASSETS IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2016

€ million	Brand names	Goodwill	Capitalized development costs	Other intangible assets	Total
Cost					
Balance at Jan. 1, 2016	**1,113**	**3,826**	**3,558**	**1,237**	**9,734**
Foreign exchange differences	-28	-22	-24	68	-5
Changes in consolidated Group	-	0	-	4	4
Additions	-	0	453	40	493
Transfers	-	-	0	7	7
Disposals	-	-0	-2	-19	-21
Balance at Dec. 31, 2016	**1,085**	**3,804**	**3,985**	**1,338**	**10,212**
Amortization and impairment					
Balance at Jan. 1, 2016	**54**	**78**	**1,820**	**894**	**2,846**
Foreign exchange differences	14	-0	-37	40	16
Changes in consolidated Group	-	-0	-	4	4
Additions to cumulative amortization	-	-	249	58	308
Additions to cumulative impairment losses	-	0	2	1	3
Transfers	-	-	0	-1	-1
Disposals	-	-0	-0	-19	-19
Balance at Dec. 31, 2016	**68**	**78**	**2,034**	**977**	**3,157**
Carrying amount at Dec. 31, 2016	**1,017**	**3,726**	**1,952**	**360**	**7,055**

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

In the third quarter of 2018 the restructuring of MAN Truck & Bus India was initiated and executed in the fourth quarter of 2018. In connection with the sale of assets allocated to that subsidiary, the relating intangible assets, in particular acquired customer bases, were fully impaired. The related impairment costs of €10 million were included in the cost of sales.

The allocation of the brand names and goodwill to the operating segments is shown in the following table:

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Brand names by operating segment	**949**	**990**	**1,017**	**1,059**
Scania Vehicles and Services	949	990	1,017	1,059
Goodwill by operating segment	**3,338**	**3,597**	**3,726**	**3,748**
MAN Energy Solutions	-	106	92	92
MAN Truck & Bus	222	230	243	242
Scania Vehicles and Services	2,755	2,866	2,947	3,044
Volkswagen Caminhões e Ônibus	361	395	444	370

Goodwill and brand names are tested for impairment at least once a year by comparing the carrying amounts of the units to which goodwill is allocated with their value in use. Value in use is determined using the discounted cash flow method. Impairment testing is based on the current five-year planning for the division concerned. The value of the recognized goodwill is not impaired even if the growth forecast for the perpetuity or the discount rate varies by -/+ 0.5 percentage points.

The following table shows the capitalized costs for products under development by operating segment:

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Capitalized development costs for products under development by operating segment	**1,074**	**932**	**1367**	**1,028**
MAN Energy Solutions	-	116	142	140
MAN Truck & Bus	774	681	454	300
Scania Vehicles and Services	264	126	594	455
Volkswagen Caminhões e Ônibus	37	10	177	133

Research and development costs were as follows:

€ million	Total	Continuing operations	Discontinued operations
2018:			
Total research and development costs	1,630	1,411	219
of which: capitalized development costs	490	449	41
Capitalization ratio in %	30%	32%	19%
Amortization of capitalized development costs	189	170	19
	1,329	**1,132**	**197**
2017:			
Total research and development costs	1,654	1,420	233
of which: capitalized development costs	459	409	49
Capitalization ratio in %	28%	29%	21%
Amortization of capitalized development costs	240	226	14
	1,434	**1,237**	**198**
2016:			
Total research and development costs	1,561	1,310	252
of which: capitalized development costs	453	399	54
Capitalization ratio in %	29%	30%	21%
Amortization of capitalized development costs	251	237	13
	1,360	**1,148**	**212**

16. Property, plant and equipment

CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2018

€ 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	Investment Property	Total
Cost						
Balance at Jan. 1, 2018	**4,144**	**4,797**	**2,297**	**881**	**49**	**12,167**
Foreign exchange differences	-67	-94	-43	-28	-	-233
Changes in consolidated Group	0	5	1	-1	-	5
Additions	63	138	171	617	-	989
Transfers	193	211	156	-567	1	-7
Disposals	-32	-144	-96	-4	-1	-278
Reclassified as assets held for sale[1]	-507	-956	-429	-83	-	-1,974
Balance at Dec. 31, 2018	**3,793**	**3,957**	**2,056**	**815**	**49**	**10,670**
Depreciation and impairment						
Balance at Jan. 1, 2018	**1,501**	**3,008**	**1,614**	**3**	**38**	**6,164**
Foreign exchange differences	-25	-49	-26	-0	-	-99
Changes in consolidated Group	-1	4	-1	-	-	2
Additions to cumulative depreciation	116	315	195	-	0	626
Additions to cumulative impairment losses	22	8	5	0	0	36
Transfers	0	-1	1	-	0	-0
Disposals	-26	-136	-85	-	-0	-247
Reversal of impairment losses	0	-0	-1	-1	-	-2
Reclassified as assets held for sale[1]	-285	-665	-327	-	-	-1,277
Balance at Dec. 31, 2018	**1,302**	**2,484**	**1,376**	**2**	**39**	**5,202**
Carrying amount at Dec. 31, 2018	**2,492**	**1,473**	**681**	**814**	**10**	**5,469**
of which assets leased under finance leases Carrying amount at Dec. 31, 2018	2	1	0	0	-	3

1 Mainly relates to the reclassification of the Power Engineering business as held for sale in October 2018. The Power Engineering business was subsequently sold in December 2018. A small proportion relates to the reclassification as held for sale of VGSG in 2018. VGSG was sold in January 2019. See also note "Noncurrent assets held for sale and discontinued operations".

CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2017

€ 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	Investment Property	Total
Cost						
Balance at Jan. 1, 2017	**4,071**	**4,593**	**2,215**	**1,023**	**83**	**11,986**
Foreign exchange differences	-92	-213	-70	-45	-	-420
Changes in consolidated Group	5	-1	1	-4	-	2
Additions	73	216	155	471	-	915
Transfers	94	356	95	-560	2	-12
Disposals	-9	-154	-100	-5	-36	-304
Balance at Dec. 31, 2017	**4,144**	**4,797**	**2,297**	**881**	**49**	**12,167**
Depreciation and impairment						
Balance at Jan. 1, 2017	**1,426**	**2,989**	**1,557**	**4**	**69**	**6,046**
Foreign exchange differences	-34	-166	-50	-0	-	-250
Changes in consolidated Group	-1	-3	0	-	-	-4
Additions to cumulative depreciation	112	328	193	-	1	634
Additions to cumulative impairment losses	0	0	0	0	1	2
Transfers	0	-0	-0	-	0	0
Disposals	-3	-140	-87	-	-33	-263
Reversal of impairment losses	-	-	-	-1	-	-1
Balance at Dec. 31, 2017	**1,501**	**3,008**	**1,614**	**3**	**38**	**6,164**
Carrying amount at Dec. 31, 2017	**2,642**	**1,789**	**683**	**878**	**11**	**6,003**
of which assets leased under finance leases Carrying amount at Dec. 31, 2017	5	1	0	-	-	7

CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2016

€ 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	Investment Property	Total
Cost						
Balance at Jan. 1, 2016	**3,888**	**4,106**	**2,113**	**858**	**97**	**11,061**
Foreign exchange differences	10	-0	22	5	-	37
Changes in consolidated Group	0	10	1	-	-	10
Additions	61	155	156	791	-	1,162
Transfers	128	435	54	-626	-2	-10
Disposals	-17	-112	-130	-5	-12	-276
Balance at Dec. 31, 2016	**4,071**	**4,593**	**2,215**	**1,023**	**83**	**11,986**
Depreciation and impairment						
Balance at Jan. 1, 2016	**1,325**	**2,783**	**1,463**	**3**	**80**	**5,654**
Foreign exchange differences	1	-1	14	1	-	14
Changes in consolidated Group	0	8	0	-	-	8
Additions to cumulative depreciation	105	290	195	-	1	592
Additions to cumulative impairment losses	5	2	0	1	-	8
Transfers	-1	2	-0	-	-	1
Disposals	-8	-96	-115	-	-12	-230
Reversal of impairment losses	-	-0	-	-0	-	-0
Balance at Dec. 31, 2016	**1,426**	**2,989**	**1,557**	**4**	**69**	**6,046**
Carrying amount at Dec. 31, 2016	**2,645**	**1,604**	**658**	**1,020**	**14**	**5,940**
of which assets leased under finance leases Carrying amount at Dec. 31, 2016	5	2	1	-	-	7

Investment property consists of land and buildings held for rental and/or capital appreciation with a fair value of €46 million as of December 31, 2018 (December 31, 2017: €47 million, December 31, 2016: €56 million, January 1, 2016: €52 million). Rental income from investment property amounted €3 million in the reporting period (€6 million in 2017, €5 million in 2016). No valuation by an independent valuer was carried out. Generally, fair value is calculated using an income capitalization approach based on internal calculations (Level 3 in the fair value hierarchy). Amortization and impairment losses are included in the functional expenses, in particular cost of sales and selling expenses.

In the third quarter of 2018 the restructuring of MAN Truck & Bus India was initiated and executed in the fourth quarter 2018. In connection with the sale of assets allocated to that subsidiary related property, plant and equipment, in particular acquired property, technical equipment and machinery as well as specialised tools and devices were fully impaired. The related impairment costs of €20 million were included in the cost of sales. Additionally €15 million impairment costs relate to the closure of Scania's bus operations in India.

17. Lease assets

CHANGES IN LEASE ASSETS

€ million	2018	2017	2016
Cost Balance at Jan. 1	**8,474**	**8,144**	**7,250**
Foreign exchange differences	-149	-76	-119
Additions	2,738	2,666	2,806
Transfers	1	6	3
Disposals	-2,109	-2,265	-1,796
Balance at Dec. 31	**8,955**	**8,474**	**8,144**
Depreciation and impairment Balance at Jan. 1	**2,370**	**2,304**	**2,112**
Foreign exchange differences	-135	-54	-39
Additions to cumulative depreciation	1,050	1,128	1,074
Additions to cumulative impairment losses	44	-	-
Transfers	0	-0	-0
Disposals	-969	-1,008	-842
Reversal of impairment losses	-5	-	-
Balance at Dec. 31	**2,356**	**2,370**	**2,304**
Carrying amount at Dec. 31	**6,599**	**6,103**	**5,840**

Lease assets include assets for short-term rentals, operating leases, as well as vehicles capitalized due to repurchase obligations.

The following operating lease payments from noncancellable leases and rental agreements were expected to be received over the coming years:

€ million	2018	2017	2016	Jan. 1, 2016
Lease payments				
Within 1 year	359	339	357	305
1-5 years	525	480	526	483
More than 5 years	9	11	15	9
Total	**893**	**829**	**898**	**797**

18. Equity-accounted investments and other equity investments

From a Group perspective, the associates Sinotruk (Hong Kong, China) Ltd. and Navistar International Corporation (Lisle, USA) were material at the reporting date.

SINOTRUK

Sinotruk is one of the largest truck manufacturers in the Chinese market. There is an agreement in place between Group companies and Sinotruk regarding a long-term strategic partnership, under which the Group participates in the local market. In addition to the partnership with Sinotruk in the volume segment, exports of MAN vehicles to China are also helping to expand access to the small, but fast-growing premium truck market. Sinotruk's principal place of business is in Hong Kong, China.

In previous years TRATON GROUP recognized impairment losses from the investment in Sinotruk, as the recoverable amount was lower than the carrying amount due to negative cash flow forecasts and a decline in business. This impairment was reversed as of June 30, 2018 as Sinotruk's business situation recovered. The reversal in 2018 amounts to €190 million and was recognized in other financial result (see note "Other Financial Result").

As of December 31, 2018, the quoted market price of the shares in Sinotruk amounted to €908 million (December 31, 2017: €648 million, December 31, 2016: €466 million, January 1, 2016: €251 million).

SUMMARIZED FINANCIAL INFORMATION FOR SINOTRUK ON A 100% BASIS AND RECONCILIATION TO THE CARRYING AMOUNT

Summarized financial information for Sinotruk (on a 100% basis and thus not adjusted for the equity interest held by TRATON) and the reconciliation to the carrying amount are presented in the following tables:

Statement of comprehensive income

€ million	2018[1]	2017[1]	2016[1]
Sales revenue	8,047	5,961	4,116
Post-tax profit or loss from continuing operations	558	260	46
Other comprehensive income	0	13	11
Total comprehensive income	**558**	**272**	**57**
Dividends received	53	6	2

1 Amounts shown relate to the reporting period ended June 30 of the respective year.

Balance sheet

€ million	Dec. 31, 2018[1]	Dec. 31, 2017[1]	Dec. 31, 2016[1]	Jan. 1, 2016[1]
Noncurrent assets	2,239	2,086	2,075	2,299
Current assets	6,461	5,449	4,034	4,472
Noncurrent liabilities	54	55	123	484
Current liabilities	5,250	4,420	3,029	3,204
Net assets	**3,395**	**3,060**	**2,956**	**3,083**
Reconciliation of the Financial Information to the Carrying Amount				
Net assets	3,395	3,060	2,956	3,083
Noncontrolling interests	347	327	317	299
Net assets attributable to shareholders	3,048	2,733	2,639	2,784
Interest held by TRATON GROUP in %[2]	25	25	25	25
Net assets attributable to the TRATON GROUP	**762**	**683**	**660**	**696**
Impairment losses	-	-190	-190	-190
Consolidation/Goodwill/Others	-64	-50	-68	-106
Carrying amount at December 31	**698**	**443**	**402**	**400**

1 Amounts shown relate to the reporting period ended June 30 of the respective year.
2 25% plus one share

NAVISTAR

TRATON GROUP and US-based commercial vehicles manufacturer Navistar International Corporation, Lisle, USA, announced on September 6, 2016 that they had entered into a far-reaching alliance. This includes framework agreements for a strategic technology and supply cooperation, as well as a procurement joint venture. The transaction closed on February 28, 2017. TRATON GROUP initially acquired a 16.6% equity interest in Navistar by subscribing for a capital increase. The share price was USD15.76 and the total purchase price amounted to €0.3 billion.

TRATON can exercise significant influence over Navistar through the appointment of two members of the Board of Directors.

As of December 31, 2018, the quoted market price of the shares in Navistar amounted to €377 million (December 31, 2017: €595 million).

SUMMARIZED FINANCIAL INFORMATION FOR NAVISTAR ON A 100% BASIS AND RECONCILIATION TO THE CARRYING AMOUNT

Summarized financial information for Navistar (on a 100% basis and thus not adjusted for the equity interests held by TRATON) and the reconciliation to the carrying amount are presented in the following tables:

Statement of comprehensive income

€ million	2018[1]	2017[1]
Sales revenue	8,625	5,507
Post-tax profit or loss from continuing operations	310	95
Post-tax profit or loss from discontinued operations	-	1
Other comprehensive income	245	341
Total comprehensive income	**555**	**437**
Dividends received	-	-

1 Due to the first-time inclusion of Navistar and the fact that it has a different fiscal year, the consolidated income statement disclosures for 2017 relate to the period from March 1, 2017 to October 31, 2017. Consolidated income statement disclosures for 2018 refer to the period from November 1, 2017 to October 31, 2018.

Balance sheet

€ million	Dec. 31, 2018[1]	Dec. 31, 2017[1]
Noncurrent assets	1,846	1,648
Current assets	4,528	3,470
Noncurrent liabilities	6,478	5,893
Current liabilities	3,356	3,041
Net assets	**-3,461**	**-3,816**
Reconciliation of the Financial Information to the Carrying Amount		
Net assets	-3,461	-3,816
Noncontrolling interests	4	3
Net assets attributable to shareholders	-3,465	-3,819
Interest held by TRATON GROUP in %	17	17
Net assets attributable to the TRATON GROUP	**-583**	**-645**
Impairment losses	-	-
Consolidation/Goodwill/Others	1,013	946
Carrying amount at December 31	**430**	**301**

1 Amounts shown relate to the reporting period ended October 31 of the respective year.

SUMMARIZED FINANCIAL INFORMATION ON INDIVIDUALLY IMMATERIAL ASSOCIATES BASED ON THE TRATON GROUP'S PROPORTIONATE INTEREST:

The carrying amounts of other associates amounted to €43 million as of December 31, 2018 (December 31, 2017: €46 million, December 31, 2016: €37 million, January 1, 2016: €33 million). 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	2018	2017	2016
Post-tax profit or loss from continuing operations	20	23	9
Post-tax profit or loss from discontinued operations	-	-	-
Other comprehensive income	1	-2	-3
Total comprehensive income	21	21	6

Unrecognized losses relating to investments in associates totaled €0 million as of December 31, 2018 (December 31, 2017: €0 million, December 31, 2016: €5 million, January 1, 2016: €3 million). There were no contingent liabilities relating to associates.

SUMMARIZED FINANCIAL INFORMATION ON INDIVIDUALLY IMMATERIAL JOINT VENTURES BASED ON THE TRATON GROUP'S PROPORTIONATE INTEREST:

The carrying amounts of joint ventures amounted to €51 million as of December 31, 2018 (December 31, 2017: €46 million, December 31, 2016: €52 million, January 1, 2016: €46 million). The following table contains summarized financial information on the joint ventures; the disclosures relate to the Group's share of the investees in all cases:

€ million	2018	2017	2016
Post-tax profit or loss from continuing operations	4	3	5
Post-tax profit or loss from discontinued operations	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	4	3	5

There were no unrecognized losses or contingent liabilities relating to investments in joint ventures.

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 summarized financial information on equity investments measured at fair value through other comprehensive income:

	Fair Value			Dividends		
€ million	2018	2017	2016	2018	2017	2016
Listed equity instruments:						
Enersize	0	1	-	-	-	-
Total	**0**	**1**	**-**	**-**	**-**	**-**
Unlisted equity instruments:						
Northvolt AB	10	-	-	-	-	-
Sennder	9	2	-	-	-	-
Corebon	3	-	-	-	-	-
Renk UAE	-	4	4	1	1	1
FR8 Revolution Inc.	-	5	4	-	-	-
Other Investments	3	3	3	-	-	-
Total	**25**	**14**	**10**	**1**	**1**	**1**

19. Noncurrent and current financial services receivables

	CARRYING AMOUNT			FAIR VALUE	CARRYING AMOUNT			FAIR VALUE
€ million	Current	Noncurrent	Dec. 31, 2018	Dec. 31, 2018	Current	Noncurrent	Dec. 31, 2017	Dec. 31, 2017
Receivables from financing business								
Customer financing	844	1,627	2,471	2,438	786	1,431	2,217	2,217
Dealer financing	343	6	350	350	179	5	184	184
	1,187	**1,634**	**2,821**	**2,788**	**966**	**1,436**	**2,402**	**2,402**
Receivables from operating leases	2	-	2	2	-	-	-	-
Receivables from finance leases	1,499	2,578	4,076	4,078	1,353	2,368	3,721	3,721
	2,688	**4,212**	**6,900**	**6,869**	**2,319**	**3,805**	**6,123**	**6,123**

€ million	CARRYING AMOUNT Current	Noncurrent	Dec. 31, 2016	FAIR VALUE Dec. 31, 2016	CARRYING AMOUNT Current	Noncurrent	Jan. 1, 2016	FAIR VALUE Jan. 1, 2016
Receivables from financing business								
Customer financing	760	1,288	2,047	2,047	680	1,174	1,854	1,862
Dealer financing	214	0	215	215	191	2	193	193
	974	**1,288**	**2,262**	**2,262**	**872**	**1,176**	**2,047**	**2,055**
Receivables from operating leases	-	-	-	-	-	-	-	-
Receivables from finance leases	1,139	1,949	3,087	3,087	893	1,697	2,590	2,600
	2,112	**3,237**	**5,350**	**5,350**	**1,764**	**2,873**	**4,637**	**4,654**

Receivables from finance leases relate to commercial vehicle leases. The gross investment in the lease is the aggregate of the future lease payments receivable until expiration of the lease. The present value is obtained by discounting the gross investment in the lease at the interest rate implicit in the lease. The receivables from finance leases were or are expected to generate the following cash flows as of December 31, 2018, December 31, 2017, December 31, 2016 and January 1, 2016:

2018

€ million	2019	2020 – 2023	from 2024	Total
Future payments from finance lease receivables	1,654	2,670	62	4,386
Unearned finance income from finance leases (discounting)	-155	-152	-1	-309
Present value of minimum lease payments outstanding at the reporting date	**1,499**	**2,517**	**61**	**4,076**

2017

€ million	2018	2019 – 2022	from 2023	Total
Future payments from finance lease receivables	1,466	2,483	56	4,005
Unearned finance income from finance leases (discounting)	-113	-170	-1	-284
Present value of minimum lease payments outstanding at the reporting date	**1,353**	**2,313**	**55**	**3,721**

2016

€ million	2017	2018 – 2021	from 2022	Total
Future payments from finance lease receivables	1,238	2,043	48	3,329
Unearned finance income from finance leases (discounting)	-100	-140	-1	-241
Present value of minimum lease payments outstanding at the reporting date	**1,139**	**1,902**	**47**	**3,087**

Jan. 1, 2016

€ million	2016	2017 – 2020	from 2021	Total
Future payments from finance lease receivables	998	1,747	63	2,807
Unearned finance income from finance leases (discounting)	-105	-112	-	-218
Present value of minimum lease payments outstanding at the reporting date	**893**	**1,634**	**63**	**2,590**

Accumulated valuation allowances for uncollectible minimum lease payments receivable amount to €78 million on December 31, 2018, €78 million on December 31, 2017, €67 million on December 31, 2016 and €62 million on January 1, 2016.

20. Other financial assets

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Positive fair value of derivatives	146	118	136	221
Receivables from loans, bonds, profit participation rights (excluding interest)	113	200	474	523
Receivables from the profit and loss transfer agreement and tax allocation procedure with Volkswagen AG	4,161	28	32	0
Receivables for customer advances	-	165	240	217
Miscellaneous financial assets	2,014	365	298	230
	6,434	**876**	**1,179**	**1,191**

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

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Other financial assets (noncurrent)	63	93	402	512
Other financial assets (current)	6,371	782	777	679

Derivatives are measured at fair value. They are mainly used to hedge currency risks in customer orders and other foreign currency positions. Further details on derivative financial instruments as a whole are given in the section "Financial risk management and financial instruments".

Miscellaneous financial assets contain €1,980 million of consideration receivable from a subsidiary of Volkswagen AG outside the TRATON GROUP relating to the disposal of the Power Engineering business.

Receivables from loans include €104 million as of December 31, 2018 (December 31, 2017: €197 million, December 31, 2016: €470 million, January 1, 2016: €518 million) from Volkswagen group companies.

21. Other receivables

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Other recoverable taxes	785	971	827	728
Miscellaneous receivables	817	426	430	455
	1,602	**1,398**	**1,257**	**1,183**

Other receivables are reported in the following balance sheets items:

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Other noncurrent receivables	663	662	598	180
Other current receivables	939	736	659	1,003

Current other receivables are predominantly non-interest-bearing.

22. Inventories

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Raw materials, consumables and supplies	548	795	715	658
Work in progress	461	1,149	1,081	1,076
Finished goods and purchased merchandise	3,801	3,761	3,503	3,241
Prepayments	13	76	107	96
	4,822	**5,781**	**5,405**	**5,072**

At the same time as the relevant sales revenue was recognized, inventories in the amount of €19,584 million as of December 31, 2018 (December 31, 2017: €18,610 million, December 31, 2016: €16,699 million) were included in cost of sales. Valuation allowances recognized as expenses in the reporting period amounted to €137 million as of December 31, 2018 (December 31, 2017: €48 million, December 31, 2016: €21 million). They include impairment costs of €21 million associated with the restructuring of MAN Truck & Bus India in the current year.

23. Trade receivables

Trade receivables consist of receivables from contracts with customers and contract assets.

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Receivables from contracts with customers	2,319	2,863	2,708	2,490
Contract assets	-	185	152	180
	2,319	**3,048**	**2,860**	**2,670**

€12 million of the trade receivables (December 31, 2017: €16 million, December 31, 2016: €13 million, January 1, 2016: €14 million) was due in more than one year.

Contract assets stem from the Power Engineering business. The following table provides an explanation of the changes of contract assets during the reporting period:

€ million	2018	2017	2016
Contract assets as of Jan. 1	**185**	**152**	**180**
Additions and disposals	-11	29	-27
Changes in impairment losses	10	6	0
Changes in measurements and estimates as well as contract modifications	-	0	-1
Currency translation adjustments	-0	-2	-1
Changes in the scope of consolidation	-184	-	-
Contract assets as of Dec. 31	**-**	**185**	**152**

Following the sale of the Power Engineering business, no contract assets exist any longer within the TRATON GROUP.

24. Marketable securities

The marketable securities serve to safeguard liquidity. Marketable securities are fixed-income securities with short maturity. They are allocated to the amortized cost financial assets category.

25. Cash and cash equivalents

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Cash at banks and on hand	1,075	1,284	1,464	2,031
Cash pooling	1,922	3,310	3,443	4,544
	2,997	**4,594**	**4,907**	**6,575**

The largest share of the cash pooling balance relates to cash retained for payouts from valuation proceedings ("Spruchverfahren") for minority shareholders of MAN SE. A small amount relates to regular transactions from the operative business of TRATON. In 2018, the cash pooling balance decreased by €2,132 million as a result of the purchase of MAN SE shares tendered to the Company (see section Litigation).

The cash pooling includes short term cash equivalents due from Power Engineering companies. In accordance with the purchase contract Volkswagen AG guarantees the reimbursement of these receivables.

26. Equity

The subscribed capital of TRATON SE is composed of 10,000,200 no-par value bearer shares with a nominal value of €1 per share. The subscribed capital of €10,000,200 is fully paid-in. All shares were subscribed by Volkswagen AG. Before the change of the legal form to a public company on June 14, 2018 subscribed capital composed ownership of the parent company in TRATON SE.

Capital reserves of €21,331 million as of December 31, 2018 (December 31, 2017: €24,581 million, December 31, 2016: €24,271 million, January 1, 2016: €24,271 million) represent contributions of Volkswagen AG in TRATON SE, in particular relating to the contributions in kind of MAN SE (increasing the capital reserve by €9,058 million) and Scania AB (increasing the capital reserve by €11,952 million). During 2017, capital reserves were increased through a cash contribution by Volkswagen AG in the total amount of €311 million. In 2018 the management converted parts of the capital reserves into retained earnings for an intended distribution back to Volkswagen AG amounting to €3,250 million. The distribution was not yet approved as per December 31, 2018 and as such, no liability was recognized.

Retained earnings of €-2,064 million as of December 31, 2018 (December 31, 2017: €-10,760 million, December 31, 2016: € 11,817 million, January 1, 2016: €-12,059 million) represent amounts that were recorded as earnings after tax in previous periods. They also include the difference between the value of the MAN SE shares at which they were contributed to TRATON SE and the recognized book value of corresponding assets and liabilities. This difference amounted to €2,963 million as of January 1, 2016. The accumulated other comprehensive income of €-2,478 million as of December 31, 2018 (December 31, 2017: €-2,130 million, December 31, 2016: €-1,635 million, January 1, 2016: €-1,466 million) includes the cumulative amounts of transactions recorded in other comprehensive income, in particular, exchange differences on translating foreign operations and pension plan remeasurements. For further information, see the Consolidated Statement of Comprehensive Income.

Other changes of €157 million in the pension plan reserve in 2018 relate to a change in presentation following the deconsolidation of the Power Engineering business.

In accordance with the domination and profit and loss transfer agreement between Volkswagen AG and TRATON SE, TRATON SE will transfer its annual result (as determined under German statutory accounting rules and subject to certain limitations within German commercial law) to Volkswagen AG and accordingly, does not distribute dividends.

NONCONTROLLING INTERESTS

The noncontrolling interests in 2016 and 2017 are mainly attributable to Renk Aktiengesellschaft, Augsburg, in which TRATON, through its subsidiary MAN SE, held a 76% interest until December 31, 2018. The following table presents summarized financial information for Renk. For 2018, no information is presented as Renk Aktiengesellschaft as part of the Power Engineering business was sold as per December 31, 2018 (see note "Noncurrent assets held for sale and discontinued operations"). As a result of the domination and profit and loss transfer agreement concluded between MAN SE and TRATON SE in June 2013, noncontrolling interest shareholders of MAN SE are entitled to a cash settlement or a cash compensation in accordance with German law. Their shares are not part of equity, they are presented in "Put Options and Compensation Rights Granted to Noncontrolling Interest Shareholders" instead. The domination and profit and loss transfer agreement with MAN SE was terminated with effect from January 1, 2019.

€ million	2017	2016	Jan. 1, 2016
Interest attributable to noncontrolling interest shareholders	**24**	**24**	**24**
Noncurrent assets	218	217	209
Current assets	494	507	472
Total assets at Dec. 31	**712**	**724**	**681**
Noncurrent liabilities and provisions	94	122	97
Current liabilities and provisions	193	209	221
Total liabilities and provisions at Dec. 31	**287**	**331**	**318**
Net assets	**425**	**393**	**363**
Carrying amount attributable to noncontrolling interest shareholders	102	94	87
Sales revenue[1]	469	495	-
Profit after tax[1]	43	44	-
Other comprehensive income	4	-	-
Total comprehensive income	**47**	**44**	**-**
Net income attributable to noncontrolling interest shareholders	10	11	-
Other comprehensive income attributable to noncontrolling interest shareholders	1	-	-
Dividends allocated to noncontrolling interest shareholders	3	3	-
Net cash provided by operating activities[2]	25	57	-
Net cash provided by/used in investing activities[2]	-24	55	-
Net cash used in financing activities[2]	-15	-15	-
Net change in cash and cash equivalents	**-15**	**97**	**-**

1 Included in profit from discontinued operations.
2 Included in cash flow from discontinued operations.

27. Financial liabilities

The details of noncurrent and current financial liabilities are presented in the following table:

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Bonds	4,820	3,448	3,364	3,790
Liabilities to banks	2,770	3,044	3,586	2,705
Loans and other liabilities	3,224	2,479	2,090	997
	10,814	**8,971**	**9,040**	**7,492**

Financial liabilities from bonds mainly relate to European Medium Term Notes (EMTN). The increase in bonds in 2018 relates to the growth of financing activities, carried out by the Financial Services business.

Loans and other liabilities include loans from Volkswagen AG of €2,293 million (December 31, 2017: €2,255 million, December 31, 2016: €1,877 million, January 1, 2016: €400 million). The increase in loans and other liabilities in 2018 mainly relates to liabilities towards the Power Engineering business of €759 million following deconsolidation as of December 31, 2018. The liabilities related to the Power Engineering business remain generally as liabilities in the normal course of the business of these entities.

TRATON's credit facilities include customary Change of Control clauses, which means that the counterparty could demand early payment in case of significant changes in ownership involving a change in control of the company.

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Noncurrent financial liabilities	5,449	5,545	3,555	4,899
Current financial liabilities	5,366	3,426	5,485	2,593

28. Other financial liabilities

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Liabilities from buyback obligations	3,407	3,126	2,867	2,509
Negative fair values of derivative financial instruments	176	169	197	186
Interest payable	87	66	46	42
Liabilities from the profit and loss transfer agreement and tax allocation procedure with Volkswagen AG	0	0	0	1,482
Dividends payable	-	-	-	905
Miscellaneous other financial liabilities	283	54	54	401
	3,953	**3,415**	**3,165**	**5,526**

The liabilities from buyback obligations result from repurchase obligations of sold commercial vehicles accounted for as operating leases because of a buyback agreement.

Other financial liabilities include the negative fair value of derivatives. Because these instruments are predominantly used to hedge currency risks in customer orders, they are matched in this respect by offsetting effects from the underlying.

The dividends payable were decided in an Extraordinary General Meeting of Scania AB in December 2015. They were paid out to the former shareholder, Volkswagen AG, in 2016.

Other financial liabilities are reported in the following balance sheets items:

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Other noncurrent financial liabilities	2,333	2,239	2,105	2,144
Other current financial liabilities	1,620	1,176	1,060	3,382

Further details on derivative financial instruments as a whole are given in the section entitled "Financial risk management and financial instruments".

29. Other liabilities

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Deferred purchase price payments for assets leased out	2,289	2,151	2,056	1,856
Payroll liabilities	724	868	795	668
Miscellaneous other tax payables	389	581	521	472
Liabilities related to social security contributions	161	166	146	121
Contract liabilities	1,124	1,716	1,632	1,588
Miscellaneous other liabilities	356	554	524	172
	5,043	**6,035**	**5,674**	**4,876**

The reduction of contract liabilities mainly stems from the reclassification as held for sale of the Power Engineering business that was disposed of in 2018.

Other liabilities are reported in the following balance sheet items:

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Other noncurrent liabilities	1,780	1,963	1,994	1,469
Other current liabilities	3,263	4,072	3,681	3,407

The following table provides an explanation of the changes of contract liabilities during the reporting period:

€ million	2018	2017	2016
Contract liabilities as of Jan. 1	**1,716**	**1,632**	**1,588**
Additions and disposals	91	118	32
Changes in measurements and estimates as well as contract modifications	-	-	-
Currency translation adjustments	-18	-36	12
Changes in the scope of consolidation	-665	2	-0
Contract liabilities as of Dec. 31	**1,124**	**1,716**	**1,632**

30. Provisions for pensions and other post-employment benefits

Provisions for pensions are recognized for commitments in the form of retirement, invalidity, dependents and other benefits payable under pension plans. The benefits provided by the Group vary according to the legal, tax and economic circumstances of the country concerned, and usually depend on the length of service and remuneration of the employees.

TRATON GROUP companies provide occupational pensions under both defined contribution and defined benefit plans. In the case of defined contribution plans, companies contribute to state or private pension schemes based on legal or contractual requirements, or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the TRATON GROUP. Current contributions are recognized as pension expenses of the period concerned. They amounted to a total of €276 million as of December 31, 2018 (December 31, 2017: €257 million, December 31, 2016: €238 million) in the TRATON GROUP.

In the case of defined benefit plans, a distinction is made between unfunded pensions and plans funded by external assets.

The pension provisions for defined benefits are measured by independent actuaries using the internationally accepted projected unit credit method in accordance with IAS 19, under which the future obligations are measured based on the ratable benefit entitlements earned as of the balance sheet date. Measurement reflects actuarial assumptions as to discount rates, salary and pension trends, employee turnover rates, longevity and increases in healthcare costs, which were determined for each Group company depending on the economic environment. Remeasurements arise from differences between what has actually occurred and the prior-year assumptions as well as from changes in assumptions. They are recognized in other comprehensive income, net of deferred taxes, in the period in which they arise.

Significant Pension Arrangements in the TRATON GROUP

For the period after their active working life, the TRATON GROUP offers its employees benefits under attractive, modern occupational pension arrangements. Most of the arrangements in the TRATON GROUP

classify as defined benefit plans under IAS 19. To reduce the risks associated with defined benefit plans, in particular longevity, salary increases and inflation, the TRATON GROUP makes use of defined benefit plans whose benefits are funded by appropriate external plan assets. The above-mentioned risks have been largely reduced in these pension plans. The significant pension plans are described in the following.

SCANIA'S UNFUNDED SWEDISH PENSION PLANS

Scania's employees in Sweden are covered through post-employment benefit plans that offer benefits in the form of retirement pensions, early retirement pensions, dependent's protection, health care and severance pay. Depending on their function and age, employees are eligible to enroll in either the SAF/LO defined-contribution plan or the ITP plan, both of which are multi-employer plans based on collective agreements.

The ITP plan has two parts, ITP1, which is a defined-contribution plan applying to employees born in 1979 or later, and ITP2, a defined-benefit plan applying to employees born before 1979. Most of the ITP2 plan is funded solely through recognized provisions, safeguarded through credit insurance from the mutual insurance company Försäkringsbolaget PRI Pensionsgaranti, which also administers the plan.

Asides from these obligations, there are early retirement defined-benefit obligations for workers who at the age of 62 have worked for 30 years or who at the age of 63 have worked for 25 years in the company, as well as to a limited number of persons in managerial positions.

As the obligations are funded solely through recognized provisions, the company bears the risks arising from changes in the longevity of plan participants as well as from changes in interest rate risk, as the present value of the guaranteed obligation rises as interest rates fall and is therefore exposed to interest rate risk.

MAN'S GERMAN PENSION PLANS FUNDED BY EXTERNAL PLAN ASSETS

Once their active working life is over, the MAN Group grants its employees in Germany benefits provided by a modern, attractive occupational pension system that constitute a key element of its remuneration policy. Occupational pensions provide reliable additional retirement benefits as well as risk protection in the event of invalidity or death.

Under MAN's current pension plans, all active employees receive employer contributions that are tied to their remuneration and can also make additional provision 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 (lifecycle concept). The performance of the plan assets is based on the return on capital investments. In line with the legislative requirements, at a minimum the total amount of contributions paid in for the employee are paid out when the employee retires.

Former employees, pensioners, or employees with vested benefits who have left MAN have benefit commitments from discontinued pension plans, most of 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.

MAN's German pension assets are managed by MAN Pension Trust e.V. and MAN 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 are supervised by independent trustees. Additionally, MAN 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 MAN's investment committee. Strategic allocation of the pension assets is based on regular asset/liability management studies. The assets attributable to the current pension plans are generally invested with the objective of covering the performance risk resulting from the return parameters of the lifecycle concept.

PENSION PLANS IN OTHER TRATON COUNTRIES

Employees in the United Kingdom, Switzerland, and Brazil receive pension benefits under defined benefit funded pension plans.

MAN´s pension plans in the United Kingdom have been closed and grant lifelong pension benefits plan. 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 for investment and risk management. The investment risk is being successively reduced as part of a defined de-risking strategy as funding ratios improve.

Scania's employees at Scania Great Britain (SGB) are covered by a premium-based occupational pension. Both the company and employees contribute to the plan. There are defined-benefit plans, which are closed for future accruals since May 31, 2003. All plans are administered by trustees who are responsible for ensuring that SGB has sufficient financing to fully meet all vested/earned benefits for all members. The normal retirement age in the schemes is 65.

For Scania's employees in Switzerland the Pensionskasse and the Wohlfahrtsstiftung are the legal carriers of the pension plans and reviewing early retirement pension. Contributions are split between employer and employees for the basic pension plan and in the supplementary plan for members of the management. Switzerland recognises the net pension assets in the balance sheet and an asset ceiling is thus applied.

Employees at Scania Latin America Ltda are covered by four post-employment defined-benefit plans. Three health care plans cover medical, dental and pharmaceutical expenses as well as the cost of a life insurance plan. The plans are open to personnel retiring at a minimum age of 55 with at least 10 years' service.

Furthermore, in other countries, there are pension plans with a low level of benefits or mandatory post-employment benefits are granted. These benefits are backed in full (Brazil) or in part (Belgium, France, India) by capital, or unfunded (Austria, Turkey, Poland).

There is a general prohibition on acquiring securities issued by companies in the Volkswagen Group.

MULTI-EMPLOYER PENSION PLANS

Multi-employer pension plans exist in the TRATON GROUP in Sweden, Switzerland and the Netherlands. These plans are mostly defined benefit plans.

In the Multiple-employer pension institutions in Switzerland the employees accumulate plan assets in these institutions that are then converted into a lifelong annuity at the terms prevailing when the employee reaches pensionable age. The pension institutions are managed conservatively based on standards imposed by government. If the plan assets are insufficient to meet the pension entitlements because of adverse market developments, the member employers and their employees can be required to make "stabilization contributions."

A small proportion of Multi-employer pension plans are accounted for as defined contribution plans, as the TRATON GROUP is not authorized to receive the information required in order to account for them as defined benefit plans. For the TRATON GROUP, this applies to the Dutch pension funds Pensioenfonds Metaal en Techniek and Bedrijfstakpensioenfonds Metal Elektro, which are administered via MN Services, as well as the portion of the Swedish ITP occupational pension plan that is administered via the retirement insurance company Alecta. In the Dutch plans, both companies and employees contribute to the plan. The consolidation level of PMT was 102% (as of December 31, 2018, 102% as of December 31, 2017, 97% as of December 31, 2016, 98% as of January 1, 2016) and for PME 101% (as of December 31, 2018, 102% as of December 31, 2017, 96% as of December 31, 2016, 98% as of January 1, 2016). At year-end 2018, Alecta's surplus, in the form of a collective consolidation level (assets in relation to the insurance obligation), amounted to 142% in Sweden (as of December 31, 2018, 154% as of December 31, 2017, 149% as of December 31, 2016, 153% as of January 1, 2016). If the consolidation level falls below or exceeds the normal range (122-155), Alecta shall take measures, for example raise agreed subscription prices and extension of existing benefits, or introduce premium reductions. Alecta's insurance obligation is calculated according to Alecta's actuarial methods and assumptions, which deviate from the methods and assumptions applied in measurement of defined-benefit pensions according to IAS 19. No probable significant risks arising from multi-employer defined benefit pension plans that are accounted for as defined contribution plans have been identified. The expected contributions to those plans will amount to €10 million for fiscal year 2019. Under the terms of the multi-employer plans, the TRATON GROUP has a very limited liability for the obligations of the other employers. In the event of its withdrawal from the plans or their winding-up, the proportionate share of the surplus of assets attributable to the TRATON GROUP will be credited or the proportionate share of the deficit attributable to the TRATON GROUP will have to be funded. 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.

The following amounts were recognized in the consolidated balance sheet for defined benefit plans:

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Present value of funded obligations	1,996	3,302	3,331	3,034
Fair value of plan assets	1,647	2,770	2,736	2,593
Funded status (net)	349	532	595	442
Present value of unfunded obligations	1,139	995	927	835
Amount not recognized as an asset because of the ceiling in IAS 19	4	1	1	3
Net liability recognized in the consolidated balance sheet	**1,493**	**1,528**	**1,523**	**1,279**
of which provisions for pensions	1,506	1,541	1,526	1,295
of which other assets	14	13	2	15

Calculation of the pension provisions was based on the following actuarial assumptions:

	GERMANY				SWEDEN				OTHER COUNTRIES			
%	2018	2017	2016	1.1.2016	2018	2017	2016	1.1.2016	2018	2017	2016	1.1.2016
Discount rate at Dec. 31	1.71	1.60	1.60	2.70	2.50	2.75	2.75	3.00	2.98	1.98	2.11	2.65
Payroll trend	3.47	3.60	3.20	3.40	2.75	2.75	3.00	3.00	1.16	1.11	2.50	2.25
Pension trend	1.50	1.50	1.50	1.70	2.00	2.00	1.50	1.50	0.99	1.22	1.25	1.11
Employee turnover rate	4.27	4.39	4.42	4.44	6.60	4.50	5.00	5.00	3.13	3.55	4.04	4.06

These assumptions are averages that were weighted using the present value of the defined benefit obligation. With regard to life expectancy, consideration is given to the latest mortality tables in each country. The discount rates are generally defined to reflect the yields on highly rated corporate bonds with matching maturities and currencies. The payroll trends cover expected wage and salary trends, which also include increases attributable to career development. The pension trends either reflect the contractually 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 following table shows changes in the net defined benefit liability recognized in the consolidated balance sheet:

€ million	2018	2017	2016
Net liability recognized in the balance sheet at Jan. 1	**1,528**	**1,523**	**1,279**
Current service cost	118	118	120
Net interest expense	36	38	38
Actuarial gains (–)/losses (+) arising from changes in demographic assumptions	-15	28	15
Actuarial gains (–)/losses (+) arising from changes in financial assumptions	-20	12	373
Actuarial gains (–)/losses (+) arising from experience adjustments	16	53	10
Income/expenses from plan assets not included in interest income	85	-116	-96
Change in amount not recognized as an asset because of the ceiling in IAS 19	3	0	-2
Employer contributions to plan assets	-45	-47	-126
Employee contributions to plan assets	9	8	7
Pension payments from company assets	-47	-56	-48
Pension payments from the Fund	0	0	-0
Past service cost (including plan curtailments)	-16	2	-31
Gains (–) or losses (+) arising from plan settlements	-0	-2	-0
Changes in consolidated Group	-124	-0	-
Other changes	3	-0	4
Foreign exchange differences from foreign plans	-38	-34	-20
Net liability recognized in the balance sheet at Dec. 31	**1,493**	**1,528**	**1,523**

The change in the present value of the defined benefit obligation is attributable to the following factors:

€ million	2018	2017	2016
Present value of obligations at Jan. 1	**4,297**	**4,257**	**3,869**
Current service cost	118	118	120
Interest cost	83	86	107
Actuarial gains(–)/losses (+) arising from changes in demographic assumptions	-15	28	15
Actuarial gains(–)/losses (+) arising from changes in financial assumptions	-20	12	373
Actuarial gains(–)/losses (+) arising from experience adjustments	16	53	10
Employee contributions to plan assets	17	17	16
Pension payments from company assets	-47	-56	-48
Pension payments from plan assets	-88	-120	-113
Past service cost (including plan curtailments)	-16	2	-31
Gains (–) or losses (+) arising from plan settlements	-1	-2	-0
Changes in consolidated Group	-1,134	-1	-
Other changes	-46	0	6
Foreign exchange differences from foreign plans	-29	-99	-66
Present value of obligations at Dec. 31	**3,135**	**4,297**	**4,257**

For MAN's pension plans in the United Kingdom in 2018 a past service gain resulted from the implementation of a Bridging Pension Option as well as a permanent Pension Increase Exchange Option.

Reductions from changes in consolidated Group relate to the sale of the Power Engineering business.

Changes in the relevant actuarial assumptions would have had the following effects on the defined benefit obligation:

Present value of defined benefit obligation if		DEC. 31, 2018 € million	DEC. 31, 2018 Change in percent	DEC. 31, 2017 € million	DEC. 31, 2017 Change in percent	DEC. 31, 2016 € million	DEC. 31, 2016 Change in percent	JAN. 1, 2016 € million	JAN. 1, 2016 Change in percent
Discount rate	is 0.5 percentage points higher	2,921	-6.83%	4,024	-6.36%	3,981	-6.49%	3,628	-6.24%
	is 0.5 percentage points lower	3,378	7.74%	4,608	7.23%	4,572	7.38%	4,143	7.09%
Pension trend	is 0.5 percentage points higher	3,279	4.57%	4,476	4.18%	4,435	4.17%	4,033	4.24%
	is 0.5 percentage points lower	3,004	-4.19%	4,133	-3.80%	4,095	-3.81%	3,719	-3.88%
Payroll trend	is 0.5 percentage points higher	3,232	3.09%	4,365	1.58%	4,320	1.47%	3,931	1.58%
	is 0.5 percentage points lower	3,063	-2.32%	4,238	-1.37%	4,202	-1.30%	3,815	-1.41%
Longevity	increases by one year	3,224	2.82%	4,405	2.52%	4,365	2.52%	3,965	2.48%

The sensitivity analysis shown above considers 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 15 years in 2018 (14 years in 2017 and 14 years in 2016).

The maturity profile of payments attributable to the defined benefit obligation is presented in the following table, which classifies the present value of the obligation by the maturity of the underlying payments:

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Payments due within the next fiscal year	111	164	171	160
Payments due between two and five years	432	617	618	579
Payments due in more than five years	2,592	3,517	3,468	3,130
	3,135	**4,297**	**4,257**	**3,869**

Changes in plan assets are shown in the following table:

€ million	2018	2017	2016
Fair value of plan assets at Jan. 1	**2,770**	**2,736**	**2,592**
Interest income on plan assets determined using the discount rate	47	48	69
Income/expenses from plan assets not included in interest income	-85	116	96
Employer contributions to plan assets	45	47	126
Employee contributions to plan assets	8	9	9
Pension payments from plan assets	-88	-120	-113
Gains (+) or losses (–) arising from plan settlements	0	-	-
Changes in consolidated Group	-1,010	-1	-
Other changes	-49	0	2
Foreign exchange differences from foreign plans	10	-65	-46
Fair value of plan assets at Dec. 31	**1,647**	**2,770**	**2,736**

Reductions from changes in consolidated Group relate to the sale of the Power Engineering business.

Employer contributions to plan assets are expected to amount to €53 million in the next fiscal year (as of December 31, 2018, €66 million as of December 31, 2017, €77 million as of December 31, 2016, €96 million as of January 1, 2016).

Plan assets are invested in the following asset classes:

	DEC. 31, 2018			DEC. 31, 2017		
€ 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	52	2	54	81	5	86
Equity instruments	45	-	45	82	-	82
Debt instruments	168	4	172	192	0	193
Direct investments in real estate	11	4	15	2	87	90
Derivatives	0	0	0	0	0	0
Equity funds	375	-	375	600	-	600
Bond funds	441	-	441	806	-	806
Real estate funds	76	-	76	112	-	112
Other funds	24	0	24	182	4	186
Other instruments	29	418	446	40	575	615
Fair value of plan assets	**1,220**	**428**	**1,647**	**2,098**	**672**	**2,770**

€ million	DEC. 31, 2016 Quoted prices in active markets	No quoted prices in active markets	Total	JAN. 1, 2016 Quoted prices in active markets	No quoted prices in active markets	Total
Cash and cash equivalents	106	-	106	80	-	80
Equity instruments	90	-	90	84	-	84
Debt instruments	208	0	209	198	0	199
Direct investments in real estate	2	92	94	2	85	87
Derivatives	0	-	0	0	-	0
Equity funds	583	-	583	541	-	541
Bond funds	893	-	893	912	-	912
Real estate funds	88	-	88	77	-	77
Other funds	81	2	83	47	2	49
Other instruments	32	558	590	24	539	563
Fair value of plan assets	**2,083**	**652**	**2,736**	**1,966**	**626**	**2,592**

29% (as of December 31, 2018, as of December 31, 2017 24%, as of December 31, 2016 24%, as of January 1, 2016 25%) of the plan assets are invested in German assets, 50% (as of December 31, 2018, as of December 31, 2017 59%, as of December 31, 2016 54%, as of January 1, 2016 57%) in other European assets and 21% (as of December 31, 2018, as of December 31, 2017 18%, as of December 31, 2016 22%, as of January 1, 2016 19%) in assets in other regions.

Plan assets include €7 million as of December 31, 2018, from which €4 million were financial and €4 million non-financial positions (€4 million as of December 31, 2017: €0 million financial and €4 million non-financial; €4 million as of December 31, 2016: €0 million financial and €4 million non-financial; €5 million as of January 1, 2016: €0 million financial and €5 million non-financial) invested in TRATON GROUP assets.

Changes in the effect of the assets ceiling are shown in the following table:

€ million	2018	2017	2016
Effect of the assets ceiling at Jan. 1	**1**	**1**	**3**
Interest expenses	0	0	0
Change in amount not recognized as an asset because of ceiling in IAS 19	3	0	-2
Foreign exchange differences from foreign plans	0	0	0
Effect of the assets ceiling at Dec. 31	**4**	**1**	**1**

The following amounts were recognized in the consolidated income statement:

€ million	2018	2017	2016
Current service cost	-89	-89	-89
Net interest on the net defined benefit liability	-34	-36	-35
Past service cost (including plan curtailments)	8	-2	7
Gains (+) or losses (-) arising from plan settlements	0	2	0
Net income (+) and expenses (-) recognized in profit or loss	**-115**	**-125**	**-117**

The above amounts are generally included in the personnel costs of the functions in the consolidated income statement. Net interest on the net defined benefit liability is reported in interest expenses.

31. Other provisions

€ million	Obligations arising from sales	Employee expenses	Litigation and legal risks	Miscellaneous provisions	Total
Balance at Jan. 1, 2018	**1,197**	**235**	**504**	**741**	**2,677**
Foreign exchange differences	-18	-2	-26	-11	-58
Changes in consolidated Group	-2	-7	-1	-35	-45
Utilized	-377	-51	-20	-204	-652
Additions/New provisions	591	69	33	247	940
Unwinding of discount/effect of change in discount rate	-10	1	-	-	-10
Reversals	-176	-4	-15	-82	-278
Classified as held for sale	-148	-56	-9	-241	-453
Balance at Dec. 31, 2018	**1,056**	**184**	**467**	**415**	**2,122**
of which current	563	44	18	313	938
of which noncurrent	493	140	449	103	1,184
Balance at Jan. 1, 2017	**1,234**	**208**	**512**	**961**	**2,915**
Foreign exchange differences	-22	-2	-24	-20	-69
Changes in consolidated Group	6	-	-	1	7
Utilized	-451	-50	-11	-279	-791
Additions/New provisions	609	80	35	235	959
Unwinding of discount/effect of change in discount rate	-7	1	-	-2	-8
Reversals	-171	-2	-8	-154	-335
Balance at Dec. 31, 2017	**1,197**	**235**	**504**	**741**	**2,677**
of which current	686	55	20	597	1,359
of which noncurrent	511	179	484	144	1,319
Balance at Jan. 1, 2016	**1,172**	**169**	**111**	**848**	**2,300**
Foreign exchange differences	11	1	14	18	44
Changes in consolidated Group	5	0	0	1	6
Utilized	-451	-49	-16	-269	-784
Additions/New provisions	616	107	428	447	1,599
Unwinding of discount/effect of change in discount rate	1	1	-	1	3
Reversals	-120	-22	-26	-85	-253
Balance at Dec. 31, 2016	**1,234**	**208**	**512**	**961**	**2,915**
of which current	696	53	18	755	1,522
of which noncurrent	538	156	494	206	1,393

The obligations arising from sales contain provisions covering all risks relating to the sale of vehicles, components and genuine parts. They primarily comprise warranty obligations for statutory and contractual guarantee obligations. The timing of settlement of provisions for warranties depends on the occurrence of the warranty claim. They also include provisions for discounts, bonuses and similar allowances which are incurred after the balance sheet date, but for which there is a legal or constructive obligation attributable to sales revenue before the balance sheet date.

Provisions for employee expenses 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 opened in 2011 against European truck manufacturers. Further information and the impact on provisions can be found in the section entitled “Litigation”. 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. Please refer to the “Litigation” section for a discussion of the legal risks.

Miscellaneous provisions relate to a wide range of identifiable specific risks and uncertain obligations arising from operative activities, which are measured in the amount of the expected settlement value. Miscellaneous provisions additionally include provisions for restructuring measures amounting to €38 million as of December 31, 2018 (December 31, 2017: €123 million, December 31, 2016: €309 million, January 1, 2016: €186 million). In 2017, an amount of €91 million of restructuring provisions was released, €50 million of which related to MAN Truck & Bus and €41 million to discontinued operations.

32. Put options and compensation rights granted to noncontrolling interest shareholders

This balance sheet item consists primarily of the present value of the cash settlement in accordance with section 305 of the Aktiengesetz (AktG – German Stock Corporation Act) offered to MAN shareholders in connection with the domination and profit and loss transfer agreement at €90.29 per share. The decrease in 2018 mainly results from the purchase of shares tendered to the Company, which lead to an increase of TRATON's shareholding in MAN SE from 74.55% to 86.87% by December 31, 2018. In 2018, cash payments of €2,132 million for compensation rights and the purchase of MAN SE shares tendered to TRATON were made. Further information is included in the section "Litigation".

Additional financial instruments disclosures in accordance with IFRS 7

CLASSES OF FINANCIAL INSTRUMENTS

Financial instruments are divided into the following classes at the TRATON GROUP:

- financial instruments measured at fair value
- financial instruments measured at amortized cost
- derivative financial instruments within hedge accounting and
- financial instruments not allocated to any IFRS 9 category.

Financial instruments not allocated to any IFRS 9 category include in particular investments in associates and joint ventures accounted for using the equity method.

NET GAINS OR LOSSES FROM FINANCIAL INSTRUMENTS BY IFRS 9 MEASUREMENT CATEGORY

€ million	**2018**	2017	2016
Net gains or losses from:			
Financial instruments measured at fair value through profit or loss	-62	-35	-231
Financial assets measured at amortized cost	444	210	334
Financial liabilities measured at amortized cost	-636	-421	-416
Equity instruments measured at fair value through OCI	1	1	1

€ million	**2018**	2017	2016
Gains recognized from the derecognition of financial assets measured at amortized cost	3	4	3
Losses recognized from the derecognition of financial assets measured at amortized cost	-20	-17	-18
Gains and losses arising from the derecognition of financial assets measured at amortized cost	**-17**	**-13**	**-15**

Net gains and losses from financial assets and liabilities at fair value through profit or loss are composed of derivative financial instruments not included in a hedging relationship.

Net gains and losses from financial assets measured at fair value through OCI primarily comprise dividends from investments.

Net gains and losses from financial assets and financial liabilities carried at amortized cost comprise interest income and expenses in accordance with 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 their respective reversals.

TOTAL INTEREST INCOME AND EXPENSES ATTRIBUTABLE TO FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

€ million	2018	2017	2016
Interest income from:			
Financial assets at amortized cost	182	193	183
Interest expenses from:			
Financial liabilities measured at amortized cost	-234	-326	-325

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 IFRS 9 MEASUREMENT CATEGORY

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Financial assets measured at amortized cost	18,603	14,389	14,091	14,680
Financial assets measured at fair value through OCI	25	13	10	4
Financial assets measured at fair value through profit or loss	137	83	91	203
Total financial assets	**18,765**	**14,485**	**14,192**	**14,887**
Financial liabilities measured at amortized cost	19,387	19,519	19,219	19,740
Financial liabilities measured at fair value through profit or loss	158	163	182	138
Total financial liabilities	**19,545**	**19,682**	**19,401**	**19,878**

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 measured at amortized cost is calculated 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 deemed to be their carrying amount.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2018

€ million	MEASURED AT FAIR VALUE: Recognized in other comprehensive income	MEASURED AT FAIR VALUE: Through profit and loss	MEASURED AT AMORTIZED COST: Carrying amount	MEASURED AT AMORTIZED COST: Fair value	DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING: Carrying amount	NOT ALLOCATED TO ANY IFRS 9 CATEGORY: Carrying amount	BALANCE SHEET ITEM AT DEC. 31, 2018
Noncurrent assets							
Equity-accounted investments	-	-	-	-	-	1,223	1,223
Other equity investments	25	-	-	-	-	12	37
Financial services receivables	-	-	4,212	4,180	-	-	4,212
Other financial assets	-	28	33	33	3	-	63
Current assets							
Trade receivables	-	-	2,319	2,319	-	0	2,319
Financial services receivables	-	-	2,688	2,688	-	-	2,688
Other financial assets	-	109	6,256	6,256	6	-	6,371
Marketable securities	-	-	98	98	-	-	98
Cash and cash equivalents	-	-	2,997	2,997	-	-	2,997
Noncurrent liabilities							
Financial liabilities	-	-	5,449	5,455	-	-	5,449
Other financial liabilities	-	39	2,289	2,289	6	-	2,333
Current liabilities							
Put Option and compensation rights granted to noncontrolling shareholders	-	-	1,827	1,827	-	-	1,827
Financial liabilities	-	-	5,366	5,366	-	-	5,366
Trade payables	-	-	2,969	2,969	-	-	2,969
Other financial liabilities	-	119	1,488	1,488	12	-	1,620

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2017

	MEASURED AT FAIR VALUE		MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO ANY IFRS 9 CATEGORY	BALANCE SHEET ITEM AT DEC. 31, 2017
€ million	Recognized in other comprehensive income	Through profit and loss	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets							
Equity-accounted investments	-	-	-	-	-	836	836
Other equity investments	13	-	-	-	-	36	50
Financial services receivables	-	-	3,805	3,805	-	-	3,805
Other financial assets	-	25	63	63	5	-	93
Current assets							
Trade receivables	-	-	2,863	2,863	-	185	3,048
Financial services receivables	-	-	2,319	2,319	-	-	2,319
Other financial assets	-	58	695	695	30	-	782
Marketable securities	-	-	51	51	-	-	51
Cash and cash equivalents	-	-	4,594	4,594	-	-	4,594
Noncurrent liabilities							
Financial liabilities	-	-	5,545	5,558	-	-	5,545
Other financial liabilities	-	51	2,187	2,187	1	-	2,239
Current liabilities							
Put Option and compensation rights granted to noncontrolling shareholders	-	-	3,795	3,811	-	-	3,795
Financial liabilities	-	-	3,426	3,426	-	-	3,426
Trade payables	-	-	3,507	3,507	-	-	3,507
Other financial liabilities	-	112	1,059	1,059	6	-	1,176

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2016

€ million	MEASURED AT FAIR VALUE		MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO ANY IFRS 9 CATEGORY	BALANCE SHEET ITEM AT DEC. 31, 2016
	Recognized in other comprehensive income	Through profit and loss	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets							
Equity-accounted investments	-	-	-	-	-	491	491
Other equity investments	10	-	-	-	-	56	65
Financial services receivables	-	-	3,237	3,237	-	-	3,237
Other financial assets	-	41	342	342	19	-	402
Current assets							
Trade receivables	-	-	2,708	2,708	-	152	2,860
Financial services receivables	-	-	2,112	2,112	-	-	2,112
Other financial assets	-	50	701	701	26	-	777
Marketable securities	-	-	84	84	-	-	84
Cash and cash equivalents	-	-	4,907	4,907	-	-	4,907
Noncurrent liabilities							
Financial liabilities	-	-	3,555	3,545	-	-	3,555
Other financial liabilities	-	84	2,019	2,019	3	-	2,105
Current liabilities							
Put Option and compensation rights granted to noncontrolling shareholders	-	-	3,849	3,861	-	-	3,849
Financial liabilities	-	-	5,485	5,485	-	-	5,485
Trade payables	-	-	3,362	3,362	-	-	3,362
Other financial liabilities	-	99	949	949	12	-	1,060

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF JANUARY 1, 2016

	MEASURED AT FAIR VALUE		MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO ANY IFRS 9 CATEGORY	BALANCE SHEET ITEM AT JAN. 1, 2016
€ million	Recognized in other comprehensive income	Through profit and loss	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets							
Equity-accounted investments	-	-	-	-	-	479	479
Other equity investments	4	-	-	-	-	51	54
Financial services receivables	-	-	2,873	2,890	-	-	2.873
Other financial assets	-	79	431	431	1	-	512
Current assets							
Trade receivables	-	-	2,490	2,490	-	180	2,670
Financial services receivables	-	-	1,764	1,764	-	-	1,764
Other financial assets	-	124	539	539	17	-	679
Marketable securities	-	-	9	9	-	-	9
Cash and cash equivalents	-	-	6,575	6,575	-	-	6,575
Noncurrent liabilities							
Financial liabilities	-	-	4,899	4,930	-	-	4,899
Other financial liabilities	-	66	2,061	2,061	17	-	2,144
Current liabilities							
Put Option and compensation rights granted to noncontrolling shareholders	-	-	3,932	3,783	-	-	3,932
Financial liabilities	-	-	2,593	2,593	-	-	2,593
Trade payables	-	-	2,976	2,976	-	-	2,976
Other financial liabilities	-	72	3,279	3,279	32	-	3,382

Measurement and presentation of the fair values of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and is classified 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 financial instruments in Level 2 is determined based on 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 fair value of put options and compensation rights granted to noncontrolling interest shareholders is calculated using a present value model based on the cash settlement determined by the Munich Regional Court in the award proceedings, including cash compensation, as well as the minimum statutory interest rate and a risk-adjusted discount rate for a matching maturity. For further information, please see the section "Litigation". The fair value of Level 3 receivables was measured by reference to individual expectations of losses; these are based to a significant extent on the Company's assumptions about counterparty credit quality.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE BY LEVEL

The financial assets and liabilities measured at fair value as well as the derivative financial instruments included in hedging relationships are classified in Level 2 of the fair value hierarchy, except for other equity investments which are classified in Level 3. Other equity investments mainly comprise shares in unlisted companies for which there are no quoted market values as there is no active market. The fair value of these investments is calculated using 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. Further information on these instruments can be found in note "Equity-accounted investments and other equity investments" in the subsection "Other equity investments". Dividends for investments derecognized in 2018 were received in the amount of €1 million as of December 31, 2018 (December 31, 2017: €1 million, December 31, 2016: €1 million).

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST BY LEVEL

€ million	Dec. 31, 2018	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	6,869	-	-	6,869
Trade receivables	2,319	-	2,319	-
Other financial assets	6,289	0	6,288	0
Marketable securities	98	-	98	-
Cash and cash equivalents	2,997	2,997	-	-
Fair value of financial assets measured at amortized cost	**18,572**	**2,997**	**8,706**	**6,869**
Fair value of financial liabilities measured at amortized cost				
Put options and compensation rights granted to noncontrolling interest shareholders	1,827	-	-	1,827
Trade payables	2,969	-	2,969	-
Financial liabilities	10,821	-	10,817	3
Other financial liabilities	3,777	41	3,736	0
Fair value of financial liabilities measured at amortized cost	**19,393**	**41**	**17,522**	**1,830**

€ million	Dec. 31, 2017	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	6,123	-	-	6,123
Trade receivables	2,863	-	2,863	-
Other financial assets	758	-	757	-0
Marketable securities	51	-	51	-
Cash and cash equivalents	4,594	4,594	-	-
Fair value of financial assets measured at amortized cost	**14,389**	**4,594**	**3,671**	**6,123**
Fair value of financial liabilities measured at amortized cost				
Put options and compensation rights granted to noncontrolling interest shareholders	3,811	-	-	3,811
Trade payables	3,507	-	3,507	-
Financial liabilities	8,983	0	8,983	-
Other financial liabilities	3,246	23	3,223	-
Fair value of financial liabilities measured at amortized cost	**19,547**	**23**	**15,713**	**3,811**

€ million	Dec. 31, 2016	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	5,350	-	-	5,350
Trade receivables	2,708	-	2,708	-
Other financial assets	1,043	-	1,042	2
Marketable securities	84	-	84	-
Cash and cash equivalents	4,907	4,907	-	-
Fair value of financial assets measured at amortized cost	**14,091**	**4,907**	**3,833**	**5,351**
Fair value of financial liabilities measured at amortized cost				
Put options and compensation rights granted to noncontrolling interest shareholders	3,861	-	-	3,861
Trade payables	3,362	-	3,362	-
Financial liabilities	9,030	753	8,276	-
Other financial liabilities	2,968	23	2,945	-
Fair value of financial liabilities measured at amortized cost	**19,220**	**776**	**14,583**	**3,861**

€ million	Jan. 1, 2016	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	4,654	-	-	4,654
Trade receivables	2,490	-	2,490	-
Other financial assets	970	-	970	-0
Marketable securities	9	-	9	-
Cash and cash equivalents	6,575	6,575	-	-
Fair value of financial assets measured at amortized cost	**14,698**	**6,575**	**3,469**	**4,654**
Fair value of financial liabilities measured at amortized cost				
Put options and compensation rights granted to noncontrolling interest shareholders	3,783	-	-	3,783
Trade payables	2,976	-	2,976	-
Financial liabilities	7,522	1,279	6,244	-
Other financial liabilities	5,340	911	4,429	-
Fair value of financial liabilities measured at amortized cost	**19,621**	**2,190**	**13,649**	**3,783**

The transfers between the levels of the fair value hierarchy are reported at the respective reporting dates. There were no transfers between Level 1, Level 2, and Level 3 in fiscal year ending December 31, 2018.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The following tables contain information about the effects of offsetting in 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. Except for January 1, 2016, the gross amounts and liabilities correspond to the net amount, since these were not offset in the consolidated balance sheet.

€ million	Net amounts of financial assets presented in the balance sheet	AMOUNTS THAT ARE NOT SET OFF IN THE CONSOLIDATED BALANCE SHEET		Net amount at Dec. 31, 2018
		Financial instruments	Collateral received	
Derivatives	146	-62	-	84
Financial services receivables	6,900	-	-	6,900
Trade receivables	2,319	-	-	2,319
Marketable securities	98	-	-	98
Cash and cash equivalents	2,997	-	-	2,997
Other financial assets	6,289	-	-	6,289

€ million	Net amounts of financial assets presented in the balance sheet	AMOUNTS THAT ARE NOT SET OFF IN THE CONSOLIDATED BALANCE SHEET		Net amount at Dec. 31, 2017
		Financial instruments	Collateral received	
Derivatives	118	-17	-	101
Financial services receivables	6,123	-	-	6,123
Trade receivables	2,863	-	-1	2,862
Marketable securities	51	-	-	51
Cash and cash equivalents	4,594	-	-	4,594
Other financial assets	758	-	-	758

€ million	Net amounts of financial assets presented in the balance sheet	AMOUNTS THAT ARE NOT SET OFF IN THE CONSOLIDATED BALANCE SHEET		Net amount at Dec. 31, 2016
		Financial instruments	Collateral received	
Derivatives	136	-24	-	112
Financial services receivables	5,349	-	-	5,349
Trade receivables	2,708	-	-7	2,701
Marketable securities	84	-	-	84
Cash and cash equivalents	4,907	-	-	4,907
Other financial assets	1,043	-	-	1,043

€ million	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	AMOUNTS THAT ARE NOT SET OFF IN THE CONSOLIDATED BALANCE SHEET		Net amount at Jan. 1, 2016
				Financial instruments	Collateral received	
Derivatives	221	-	221	-36	-	185
Financial services receivables	4,637	-	4,637	-	-	4,637
Trade receivables	2,490	-14	2,476	-	-231	2,245
Marketable securities	9	-	9	-	-	9
Cash and cash equivalents	6,575	-	6,575	-	-	6,575
Other financial assets	970	-	970	-	-	970

€ million	Net amounts of financial liabilities presented in the balance sheet	AMOUNTS THAT ARE NOT SET OFF IN THE CONSOLIDATED BALANCE SHEET		Net amount at Dec. 31, 2018
		Financial instruments	Collateral pledged	
Put options and compensation rights granted to noncontrolling interest shareholders	1,827	-	-	1,827
Derivatives	176	-62	-	114
Financial liabilities	10,814	-	-	10,814
Trade payables	2,969	-	-	2,969
Other financial liabilities	3,777	-	-	3,777

€ million	Net amounts of financial liabilities presented in the balance sheet	AMOUNTS THAT ARE NOT SET OFF IN THE CONSOLIDATED BALANCE SHEET		Net amount at Dec. 31, 2017
		Financial instruments	Collateral pledged	
Put options and compensation rights granted to noncontrolling interest shareholders	3,795	-	-	3,795
Derivatives	169	-17	-	153
Financial liabilities	8,971	-	-	8,971
Trade payables	3,507	-	-	3,507
Other financial liabilities	3,246	-	-	3,246

€ million	Net amounts of financial liabilities presented in the balance sheet	AMOUNTS THAT ARE NOT SET OFF IN THE CONSOLIDATED BALANCE SHEET		Net amount at Dec. 31, 2016
		Financial instruments	Collateral pledged	
Put options and compensation rights granted to noncontrolling interest shareholders	3,849	-	-	3,849
Derivatives	197	-24	-	173
Financial liabilities	9,040	-	-	9,040
Trade payables	3,362	-	-	3,362
Other financial liabilities	2,968	-	-	2,968

€ million	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	AMOUNTS THAT ARE NOT SET OFF IN THE CONSOLIDATED BALANCE SHEET		Net amount at Jan. 1, 2016
				Financial instruments	Collateral pledged	
Put options and compensation rights granted to noncontrolling interest shareholders	3,932	-	3,932	-	-	3,932
Derivatives	186	-	186	-36	-	150
Financial liabilities	7,492	-	7,492	-	-	7,492
Trade payables	2,976	-14	2,962	-	-	2,962
Other financial liabilities	5,340	-	5,340	-	-	5,340

The "Financial instruments" column shows the amounts that are subject to a master netting arrangement but were not set off because they do not meet the criteria for offsetting in the consolidated balance sheet. The "Collateral received" and "Collateral pledged" columns show the amounts of cash collateral and collateral in the form of financial instruments received and pledged for the total assets and liabilities that do not meet the criteria for offsetting in the consolidated balance sheet.

Other disclosures

33. Consolidated cash flow statement

Cash flows are presented in the consolidated cash flow statement classified into cash flows from operating activities, investing activities and financing activities.

The change in cash and cash equivalents attributable to changes in exchange rates is presented in a separate line item. Cash flow from operating activities is reported using the indirect method. Earnings before tax are adjusted to eliminate noncash expenditures (mainly depreciation, amortization and impairment losses) and income, as well as gains and losses from asset disposals. Other noncash expense/income results mainly from measurement effects in connection with financial instruments and from fair value changes relating to derivatives (see section entitled "Other financial result"). This results in cash flows from operating activities after accounting for changes in working capital, which also include changes in lease assets and in financial services receivables.

Investing activities include additions to property, plant and equipment and equity investments, additions to capitalized development costs and investments in securities and loans. Payments received from these positions are offset. Payments from the disposal of subsidiaries are reported net of cash disposed.

Financing activities include outflows of funds from dividend payments, profit transfers to and loss absorptions by Volkswagen AG and repayment of bonds, inflows from capital increases and issuance of bonds, and changes in other financial liabilities.

Cash and cash equivalents presented in the statement of cash flows 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. 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 cash flows from financing activities if they are used.

In 2018, cash flows from operating activities include interest received amounting to €400 million (in 2017: €368 million, in 2016: €330 million) and interest paid amounting to €275 million (in 2017: €284 million, in 2016: €261 million). Cash flows from operating activities also include dividend payments received from joint ventures and associates of €54 million as of December 31, 2018 (December 31, 2017: €8 million, December 31, 2016: €4 million). Dividends received from financial investments and other equity activities amounted to €0 million as of December 31, 2018 (December 31, 2017: €2 million, December 31, 2016: €2 million).

Based on the current domination and profit and loss transfer agreement between Volkswagen AG and TRATON SE, the 2017 loss of €28 million was transferred in 2018 (the 2016 loss of €32 million was transferred in 2017, the 2015 profit of €2,365 million was transferred in 2016).

The reconciliation shows the movement in financial liabilities, separated into changes from cash-effective operations and non-cash changes.

				Non-cash changes		
€ million	**Jan. 1, 2016**	**Cash-effective operations – continuing operations**	**Cash-effective operations – discontinued operations**	**Foreign exchange differences**	**Other changes**	**Dec. 31, 2016**
Bonds	**3,790**	-354	-	-74	1	**3,364**
Other third-party borrowings	**3,698**	2,001	-9	-17	-1	**5,672**
Finance lease liabilities	**5**	-2	-0	0	2	**4**
Total third-party borrowings	**7,492**	**1,644**	**-9**	**-90**	**2**	**9,040**
Put options and compensating rights of minority shareholders	**3,932**	-137	-	-	53	**3,849**
Other financial assets and liabilities	**-68**	99	0	36	24	**92**
Financial assets and liabilities in financing activities	**11,356**	**1,607**	**-9**	**-54**	**80**	**12,980**

€ million	Dec. 31, 2016	Cash-effective operations – continuing operations	Cash-effective operations – discontinued operations	Non-cash changes: Foreign exchange differences	Non-cash changes: Other changes	Dec. 31, 2017
Bonds	**3,364**	174	-	-89	-0	**3,448**
Other third-party borrowings	**5,672**	15	-2	-184	20	**5,520**
Finance lease liabilities	**4**	-2	-0	-0	1	**3**
Total third-party borrowings	**9,040**	**187**	**-2**	**-273**	**20**	**8,971**
Put options and compensating rights of minority shareholders	**3,849**	-118	-	-	64	**3,795**
Other financial assets and liabilities	**92**	-11	-2	-4	5	**81**
Financial assets and liabilities in financing activities	**12,980**	**59**	**-4**	**-277**	**89**	**12,847**

€ million	Dec. 31, 2017	Cash-effective operations – continuing operations	Cash-effective operations – discontinued operations	Non-cash changes: Foreign exchange differences	Non-cash changes: Changes in consolidated group	Non-cash changes: Other changes	Dec. 31, 2018
Bonds	**3,448**	1,442	-	-70	-	-	**4,820**
Other third-party borrowings	**5,520**	-126	-6	-152	757	-0	**5,993**
Finance lease liabilities	**3**	1	-0	-0	-	-3	**1**
Total third-party borrowings	**8,971**	**1,317**	**-6**	**-223**	**757**	**-3**	**10,814**
Put options and compensating rights of minority shareholders	**3,795**	-2,132	-	-	-	164	**1,827**
Other financial assets and liabilities	**81**	-72	-0	9	-	-	**18**
Financial assets and liabilities in financing activities	**12,847**	**-886**	**-6**	**-214**	**757**	**161**	**12,659**

34. Financial risk management and financial instruments

1. HEDGING GUIDELINES AND FINANCIAL RISK MANAGEMENT PRINCIPLES

Because of 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 risk positions are hedged externally with banks within defined risk limits. Subgroups have their own risk management structures. MAN's market risks are reported regularly to the Executive and Supervisory Boards. Compliance with the guidelines is reviewed by the Internal Audit function. Scania´s financial risk management is regulated by a Finance Policy adopted by Scania's Board of Directors. Risks are managed primarily at corporate level by Scania's treasury unit. On a daily basis, the corporate treasury

unit measures the risks of outstanding positions, which are managed within established limits in compliance with the Finance Policy as well as TRATON GROUP Treasury Framework Policy.

2. CREDIT AND DEFAULT RISK

The TRATON GROUP is exposed to credit risk because of its business operations and certain 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. Credit risk related to customer commitments is managed, within established limits, on a decentralized basis by means of local credit assessments. Decisions on major credit commitments are made in subgroup credit committees.

The maximum credit risk is reflected by the carrying amount of the financial assets recognized in the consolidated balance sheet; see note "Additional Financial Instruments Disclosures in accordance with IFRS 7". The maximum potential credit and default risk for trade receivables is reduced by collateral held and other credit enhancements in the amount of €190 million as of December 31, 2018 (December 31, 2017: €312 million, December 31, 2016: €226 million, January 1, 2016: €232 million), which represents the total estimated fair value. Collateral comprises assets transferred as security as well as credit insurance and guarantees. Collateral relating to receivables from the financing business mainly exists in the form of the possibility of repossessing the financed assets.

The risk arising from nonderivative financial instruments is also accounted for by recognizing bad debt losses. Material individual receivables, as well as receivables whose collectability is in doubt, are measured on an item-by-item basis. Significant cash and capital investments, as well as derivatives, are only entered into with national and international banks as well as with the Group's ultimate parent, Volkswagen AG. Financial guarantees issued also give rise to credit and default risk. The maximum potential credit and default risk is calculated from the amount the TRATON GROUP would have to pay if claims were to be asserted under the guarantees. The corresponding amounts are presented in the Liquidity risk section.

The TRATON GROUP has largely decentralized liquidity management at MAN and Scania. The financial institutions and investment forms are carefully selected when investing cash funds, while a limit system ensures diversification. In line with the nature of TRATON GROUP's inclusion in the central financial management of the Volkswagen Group agreed with Volkswagen AG, a significant portion of TRATON GROUP's financial assets is concentrated on a single partner, Volkswagen AG. Volkswagen AG's high credit rating and the risk management mechanisms installed limit the credit risks from the financial assets allocated at Volkswagen AG. Other than this, there were no material concentrations of credit risk in the TRATON GROUP.

RECONCILIATION OF LOSS ALLOWANCE FOR FINANCIAL ASSETS AT AMORTIZED COST (INCLUDING CONTRACT ASSETS AND LEASE RECEIVABLES)

	General Approach				
€ million	12 month expected credit loss (Stage 1)	Life time expected credit loss – not impaired (Stage 2)	Life time expected credit loss - impaired (Stage 3)	Simplified approach	Total
Loss allowance as at Jan. 1, 2016	**11**	**6**	**13**	**251**	**281**
Transfer to Level 1	0	-2	-1	-	-2
Transfer to Level 2	-3	7	-1	-	3
Transfer to Level 3	-1	-1	7	-	5
Write-offs	-	-	-2	-20	-22
Reversals	-7	-3	-7	-52	-68
New financial assets originated or purchased	8	-	-	60	68
Changes in models/ risk parameters	-	-	-	8	8
Changes from consolidation	0	0	0	0	0
Other changes (mainly foreign exchange rate effects)	0	1	5	17	23
Loss allowance as at Dec. 31, 2016	**8**	**8**	**14**	**266**	**296**
Loss allowance as at Jan. 1, 2017	**8**	**8**	**14**	**266**	**296**
Transfer to Level 1	0	-3	0	-	-3
Transfer to Level 2	-7	9	0	-	2
Transfer to Level 3	-3	-1	10	-	6
Write-offs	-	-	-3	-29	-31
Reversals	-5	-3	-5	-63	-75
New financial assets originated or purchased	13	-	-	57	70
Changes in models/ risk parameters	-	-	-	11	11
Changes from consolidation	0	0	0	0	0
Other changes (mainly foreign exchange rate effects)	0	-1	4	8	11
Loss allowance as at Dec. 31, 2017	**7**	**10**	**19**	**250**	**286**
Loss allowance as at Jan. 1, 2018	**7**	**10**	**19**	**250**	**286**
Transfer to Level 1	0	-2	-1	-	-2
Transfer to Level 2	-2	3	0	-	1
Transfer to Level 3	-2	-5	18	-	12
Write-offs	0	0	-1	-25	-27
Reversals	-3	-2	-6	-67	-78
New financial assets originated or purchased	10	0	0	17	27
Changes in models/ risk parameters	0	0	0	42	42
Changes from consolidation	0	0	0	-53	-54
Other changes (mainly foreign exchange rate effects)	-2	0	1	14	12
Loss allowance as at Dec. 31, 2018	**7**	**5**	**30**	**178**	**219**

The valuation allowances mainly relate to the credit risks associated with trade receivables and receivables from the financial services business.

€ million	General Approach: 12 month expected credit loss (Stage 1)	Life time expected credit loss – not impaired (Stage 2)	Life time expected credit loss - impaired (Stage 3)	Simplified approach	Total
Gross carrying amount as at Jan. 1, 2016	**9,482**	**112**	**39**	**5,511**	**15,144**
Transfer to Level 1	20	-18	-2		-
Transfer to Level 2	-68	70	-3		-1
Transfer to Level 3	-11	-14	24		-1
Changes due to modifications that did not result in derecognition	-	-	-	-	-
Changes (New or originated financial assets, derecognitions)	-1,334	-3	-13	835	-515
Changes from consolidation	8	-	-	1	9
Foreign exchange movements	20	12	5	-134	-97
Gross carrying amount as at Dec. 31, 2016	**8,118**	**158**	**51**	**6,213**	**14,539**
Gross carrying amount as at Jan. 1, 2017	**8,118**	**158**	**51**	**6,213**	**14,539**
Transfer to Level 1	28	-27	-1		-
Transfer to Level 2	-38	39	-1		-
Transfer to Level 3	-11	-11	22		-
Changes due to modifications that did not result in derecognition	-	-	-	-	-
Changes (New or originated financial assets, derecognitions)	-304	-	-11	965	650
Changes from consolidation	-5	-	-	3	-2
Foreign exchange movements	-152	-12	-4	-162	-330
Gross carrying amount as at Dec. 31, 2017	**7,638**	**147**	**56**	**7,019**	**14,859**
Gross carrying amount as at Jan. 1, 2018	**7,638**	**147**	**56**	**7,019**	**14,859**
Transfer to Level 1	25	-23	-2	-	-
Transfer to Level 2	-45	46	-1	-	-
Transfer to Level 3	-44	-33	77	-	-
Changes due to modifications that did not result in derecognition	-	-	-	-	-
Changes (New or originated financial assets, derecognitions)	4,705	-12	-9	682	5,367
Changes from consolidation	193	0	0	-981	-788
Foreign exchange and other movements	-145	-9	-8	-152	-313
Gross carrying amount as at Dec. 31, 2018	**12,327**	**116**	**113**	**6,568**	**19,125**

Gross Carrying Amounts of Financial Assets by Rating Category					
€ million	12 month expected credit loss (Stage 1)	Life time expected credit loss – not impaired (Stage 2)	Life time expected credit loss - impaired (Stage 3)	Simplified approach	Dec. 31, 2018
Rating Grade					
Credit risk rating Grade 1	12,327	-	-	5,882	18,209
Credit risk rating Grade 2	-	116	-	517	633
Credit risk rating Grade 3	-	-	113	166	280
Total	**12,327**	**116**	**113**	**6,565**	**19,122**

€ million	12 month expected credit loss (Stage 1)	Life time expected credit loss – not impaired (Stage 2)	Life time expected credit loss - impaired (Stage 3)	Simplified approach	Dec. 31, 2017
Rating Grade					
Credit risk rating Grade 1	7,638	-	-	5,587	13,225
Credit risk rating Grade 2	-	147	-	980	1,126
Credit risk rating Grade 3	-	-	56	451	508
Total	**7,638**	**147**	**56**	**7,018**	**14,859**

€ million	12 month expected credit loss (Stage 1)	Life time expected credit loss – not impaired (Stage 2)	Life time expected credit loss - impaired (Stage 3)	Simplified approach	Dec. 31, 2016
Rating Grade					
Credit risk rating Grade 1	8,118	-	-	4,888	13,006
Credit risk rating Grade 2	-	158	-	836	994
Credit risk rating Grade 3	-	-	51	489	540
Total	**8,118**	**158**	**51**	**6,213**	**14,539**

Credit risk rating grade 1 comprises financial instruments which are considered to be not at risk of default. Rating grade 2 refers to financial instruments under an intensified loan management. Rating grade 3 comprises impaired financial instruments.

Collateral that was accepted for financial assets in the current fiscal year was recognized in the consolidated balance sheet in the amount of €0 million as of December 31, 2018 (December 31, 2017: €0 million, December 31, 2016: €12 million, January 1, 2016: €8 million). This collateral mainly relates to vehicles.

3. 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. As a result, there were no material concentrations of risk in the past fiscal year.

The solvency and liquidity of TRATON GROUP are ensured at all times by rolling liquidity planning, a liquidity reserve in the form of cash, confirmed credit lines and the issuance of securities on the international money and capital markets. For Scania Financial Services, there shall be dedicated funding to cover the estimated funding demands during the next six months. There shall also always be borrowings that safeguard the existing portfolio.

There are also committed credit lines with financial institutions as well as with Volkswagen AG. For TRATON GROUP, unused credit lines from banks and Volkswagen AG amounting to €4.2 billion as of December 31, 2018 (December 31, 2017: €4.6 billion, December 31, 2016: €5.1 billion, January 1, 2016: €6.2 billion) were available as a liquidity reserve.

Local cash funds in certain countries (e.g. Brazil, China, India, and South Korea) are only available to the Group for cross-border transactions subject to exchange controls. There are no significant restrictions over and above these.

The following table shows how the cash flows relating to liabilities, derivatives, and contingent liabilities affect the TRATON GROUP's liquidity position:

MATURITY OVERVIEW[1]	2018 REMAINING CONTRACTUAL MATURITIES			2017 REMAINING CONTRACTUAL MATURITIES		
€ million	2019	2020–2023	>2023	2018	2019–2022	>2022
Financial liabilities[1]	5,416	5,417	78	3,901	5,899	23
Trade payables[1]	2,969	0	0	3,507	0	0
Other financial liabilities[1, 2]	1,488	2,160	109	1,061	2,156	49
Derivatives	4,735	2,501	10	4,814	61	7
Financial Guarantees	26	-	-	29	-	-
	14,634	**10,079**	**197**	**13,313**	**8,116**	**79**

MATURITY OVERVIEW[1]	2016 REMAINING CONTRACTUAL MATURITIES			JAN. 1, 2016 REMAINING CONTRACTUAL MATURITIES		
€ million	2017	2018–2021	>2021	2016	2017–2020	>2020
Financial liabilities[1]	5,575	3,605	12	2,692	4,689	261
Trade payables[1]	3,362	0	0	2,977	0	-
Other financial liabilities[1, 2]	949	2,000	39	3,279	2,056	29
Derivatives	4,583	91	1	4,440	83	8
Financial Guarantees	9	-	-	11	-	-
	14,477	**5,696**	**51**	**13,398**	**6,829**	**297**

1 The following methodology was applied in calculating the amounts:
- If no contractual maturity has been agreed, the liability refers to the earliest maturity date.
- Variable-rate interest payments reflect the conditions at the end of the reporting period.
- It is assumed that the cash outflows will not occur earlier than shown.

2 The undiscounted maximum cash flows from buyback obligations are recognized as a financial liability.

Derivatives comprise both cash flows from derivative financial instruments with negative fair values and cash flows 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 in part by cash inflows. These cash inflows are not reported in the maturity analysis. If these cash inflows were also recognized, the cash outflows presented would be substantially lower. This applies in particular also if hedges have been closed with offsetting transactions.

The cash outflows from irrevocable credit commitments are presented in section entitled "Other financial obligations", classified by contractual maturities.

4. MARKET RISK

4.1 HEDGING POLICY AND FINANCIAL DERIVATIVES

During the course of its general business activities, the TRATON GROUP is exposed to foreign currency, interest rate and commodity price risks. Corporate policy is to continuously monitor such risks through the TRATON risk management systems; actions to mitigate those risks are then taken by the treasury departments at MAN and Scania. There were no significant risk concentrations in the past fiscal year.

4.2 MARKET RISK IN THE TRATON GROUP

4.2.1 FOREIGN CURRENCY RISK

Currency Risk is the risk of negative effects on earnings and balance sheet items denominated in foreign currency, due to currency movements. Foreign currency risk in the TRATON GROUP is attributable to investments, financing measures and operating activities. Currency forwards, currency options, currency swaps and cross-currency swaps are used to limit risks to future cash flows.

Within MAN, all firm customer orders (firm commitments), the Group's own purchases, receivables, and liabilities denominated in foreign currencies are hedged as a matter of principle. MAN also enters into hedges for forecast foreign currency revenue from the series production business within defined hedging limits that are specific to MAN's business, and (on a case-by-case basis) for highly probable customer projects. Hedge accounting is not required to be applied in these cases, but it is applied for the most significant forecasted foreign currency revenues. Companies that apply hedge accounting choose the hedge ratio of the forecasted revenues based on their experience to avoid inefficiencies. In current or prior reporting periods no inefficiencies appeared. Smaller entities mostly do not apply hedge accounting. Currencies that are highly correlated with the euro, such as the Danish krone, as well as equity investments or equity-equivalent loans, are only hedged in individual instances. According to Scania's financial policy, Scania's Management may hedge future currency flows with a hedging period varying between 0 and 12 months. For maturities over 12 months, the decision is made by the Board of Directors. Hedge accounting is not used in these cases.

Assets at Scania Financial Services should be financed by liabilities in the same currencies generally. There are no fair value hedges.

Hedging transactions entered into as part of foreign currency risk management were primarily in UK pound sterling, U.S. dollars and Brazilian Real.

The non-derivative and derivative financial instruments existing 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 a currency per exchange rate were as follows:

	Dec. 31, 2018				Dec. 31, 2017			
	Equity		EARNINGS AFTER TAX		Equity		EARNINGS AFTER TAX	
€ million	+10%	–10%	+10%	-10%	+10%	-10%	+10%	-10%
Exchange rate								
EUR/SEK	-9	9	40	-40	1	-1	31	-31
EUR/DKK	5	-5	0	0	4	-4	23	-23
BRL/USD	2	-2	-11	11	-16	16	-4	4
EUR/USD	-1	1	15	-15	3	-3	15	-15
EUR/GBP	12	-12	4	-4	13	-13	2	-2
EUR/BRL	0	0	-11	11	-	-	-8	8
MXN/USD	8	-8	0	0	-1	1	-4	4
GBP/SEK	0	0	-4	4	-	-	-5	5

	Dec. 31, 2016				Jan. 1, 2016	
	Equity		EARNINGS AFTER TAX		Equity	
€ million	+10%	-10%	+10%	-10%	+10%	-10%
Exchange rate						
EUR/SEK	1	-1	16	-16	1	-1
EUR/DKK	5	-5	21	-21	4	-4
BRL/USD	-20	20	-5	5	5	-5
EUR/USD	8	-8	14	-14	7	-7
EUR/GBP	15	-15	3	-3	16	-16
EUR/BRL	0	-0	-12	12	-0	0
MXN/USD	-	-	-5	5	-	-
GBP/SEK	-	-	-7	7	-	-

Derivatives that are included in hedge accounting only refer to foreign currency risk. The following tables present details on these derivatives:

THE AMOUNT, TIMING AND UNCERTAINTY OF CASH FLOWS

€ million	Maturity				
	< 1 year	1-5 years	> 5 years	Total nominal volume	Average Hedging FX Rate
2018					
Foreign currency risk:					
Forward exchange contracts BRL/USD	140	140	-	280	2.7 – 4.2
Forward exchange contracts EUR/GBP	178	-	-	178	0.9 – 0.9
Forward exchange contracts EUR/CHF	54	10	-	64	1.1 – 1.2
Forward exchange contracts EUR/DKK	48	-	-	48	7.4 – 7.5
Forward exchange contracts EUR/ZAR	44	-	-	44	15.6 – 17.5
Forward exchange contracts EUR/USD	36	-	-	36	1.1 – 1.2
Forward exchange contracts EUR/NOK	29	-	-	29	9.4 – 9.7
Forward exchange contracts EUR/CNY	23	-	-	23	7.8 – 8.0
Forward exchange contracts (other currencies)	58	0	-	58	n/a
2017					
Foreign currency risk:					
Forward exchange contracts BRL/USD	121	96	-	216	3.2 – 5.5
Forward exchange contracts EUR/GBP	197	-	-	197	0.9 – 0.9
Forward exchange contracts EUR/CHF	71	2	-	74	1.1 – 1.2
Forward exchange contracts CHF/EUR	54	13	-	67	1.1 – 1.2
Forward exchange contracts EUR/USD	45	8	-	54	1.1 – 1.3
Forward exchange contracts EUR/DKK	54	-	-	54	7.4 – 7.4
Forward exchange contracts CHF/USD	29	12	-	41	0.9 – 1.0
Forward exchange contracts EUR/ZAR	41	-	-	41	16.1 – 17.2
Forward exchange contracts EUR/CNY	34	2	-	36	7.8 – 8.6
Forward exchange contracts USD/MXN	24	-	-	24	18.4 – 20.7
Forward exchange contracts (other currencies)	93	5	-	97	n/a
2016					
Foreign currency risk:					
Forward exchange contracts BRL/USD	130	103	-	233	3.3 – 5.5
Forward exchange contracts EUR/GBP	208	-	-	208	0.8 – 0.9
Forward exchange contracts EUR/USD	85	29	-	115	1,0 – 1.3
Forward exchange contracts CHF/EUR	72	19	-	90	1.0 – 1.2
Forward exchange contracts EUR/CHF	69	2	-	71	1.0 – 1.2
Forward exchange contracts EUR/DKK	65	-	-	65	7.4 – 7.5
Forward exchange contracts DKK/USD	17	13	-	29	6.6 – 7.0
Forward exchange contracts EUR/NOK	21	-	-	21	9.1 – 9.5
Forward exchange contracts JPY/EUR	14	6	-	20	112.0 – 135.7
Forward exchange contracts EUR/ZAR	21	-	-	21	15.4 – 16.8
Forward exchange contracts (other currencies)	128	3	-	132	n/a

ITEMS DESIGNATED AS HEDGING INSTRUMENTS

€ million	2018	2017	2016
Foreign currency risk:			
Fair Value change to determine hedge ineffectiveness	-23	11	20
Carrying amount of Other financial assets	9	35	44
Carrying amount of Other financial liabilities	18	7	15
Nominal amount	760	721	874

ITEMS DESIGNATED AS HEDGED ITEMS

€ million	2018	2017	2016
Foreign currency risk:			
Fair value change to determine hedge ineffectiveness	23	-11	-20
Carrying amount of Cash Flow Hedge reserve: Continued hedges	-23	11	20

GAINS AND LOSSES FROM CASH FLOW HEDGES

€ million	2018	2017	2016
Foreign currency risk:			
Cash flow hedges			
Hedging gains or losses recognized in OCI	-16	25	60
Amount reclassified from the cash flow hedge reserve to profit or loss because the hedged item has affected profit or loss	-4	-30	-50
Cash flow hedges (Cost of hedging)			
Hedging gains or losses recognized in OCI	-2	-4	17
Amount reclassified from the cash flow hedge reserve to profit or loss because the hedged item has affected profit or loss	3	8	-11

RECONCILIATION OF CASH FLOW HEDGE RESERVE

€ million	2018	2017	2016
Balance as of Jan. 1	**11**	**20**	**2**
Hedging gains or losses recognized in OCI	-20	30	86
Reclassification for basis adjustments	-	-	-
Reclassification to profit or loss			
because hedged future cash flows are no longer expected to occur	-	-	-
because the hedged item has affected profit or loss	-12	-37	-68
Other changes (foreign exchange differences)	-2	-2	1
Balance as of Dec. 31	**-23**	**11**	**20**

RECONCILIATION OF COST OF HEDGING RESERVE: FORWARD CONTRACTS AND CCBS

€ million	2018	2017	2016
Balance as of Jan. 1	**12**	**9**	**-**
Hedging gains or losses recognized in OCI for hedge transaction related hedge items	-3	-4	18
Reclassification for basis adjustments for hedge transaction related hedge items	-	-	-
Reclassification to profit or loss			
Reclassification to profit or loss because hedged future cash flows are no longer expected to occur for hedge transaction related hedge items	-	-	-
Reclassification to profit or loss because the hedged item has affected profit or loss for hedge transaction related hedge items	5	10	-10
Other changes (foreign exchange differences)	-1	-3	1
Balance as of Dec. 31	**13**	**12**	**9**

4.2.2 INTEREST RATE RISK

Interest Rate Risk is the risk of negative effects on interest income and expenses due to 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 a measure of the sensitivity of the carrying amount of a financial instrument to changes in market rates of interest. 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 achieve the risk management strategy. Hedge accounting is not applied.

The TRATON GROUP is exposed to interest rate risk from interest rate-sensitive assets and liabilities. Intragroup financing arrangements are mainly structured to match the maturities of their refinancing. In the same way, Scania's Financial Services hedges interest rate risks by matching interest rates and maturity periods of its assets and liabilities. Departures from the Group standards are subject to centrally defined limits and monitored on an ongoing basis.

Interest rate risk within the meaning of IFRS 7 is calculated for the companies using sensitivity analyses. Any earnings effects of the interest rate sensitivity would be recognized exclusively in profit for the period.

If market interest rates had been 100 bps higher as of December 31, 2018, earnings after tax would have been €34 million higher as of December 31, 2018 (December 31, 2017: €39 million, December 31, 2016: €23 million). If market interest rates had been 100 bps lower as of December 31, 2018, earnings after tax would have been €34 million lower (December 31, 2017: €41 million, December 31, 2016: €24 million).

4.2.3 COMMODITY PRICE RISK

Commodity price risk in the TRATON GROUP primarily results from price fluctuations and the availability of commodities.

The commodity price risks are regularly captured centrally and hedged externally based on defined risk limits, including considerations as to whether changes in commodity prices will translate into higher prices of the products sold, to the extent that there are liquid markets. Cash-settled commodity futures are used 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 end of the reporting period to hedge commodity price risks relating to gas, steel, nonferrous metals, precious metals, and rubber with a fair value of €-1 million (December 31, 2017: €0 million, December 31, 2016: €1 million). Hedge accounting is not used at present.

The maximum remaining term of hedges of forecast transactions was 18 months at the end of fiscal 2018. A hypothetical 10% increase/decrease in commodity prices is assumed, in line with the sensitivity analysis of currency risks. The potential effect on profit for the period of the change in the fair value of the commodity futures is €2 million as of December 31, 2018 (December 31, 2017: €1 million, December 31, 2016: €1 million) for +10% or €-2 million as of December 31, 2018 (December 31, 2017: €-1 million, December 31, 2016: €-1 million) for –10%, respectively.

35. Capital management

The Group's capital management ensures that its goals and strategies can be achieved in the interests of shareholders, employees and other stakeholders. In particular, management focuses on generating the minimum return on invested assets in the Industrial Business that is required by the capital markets, and on increasing the return on equity in Financial Services. In the process, it aims overall to achieve the highest possible growth in the value of the Group and its divisions for the benefit of all the Company's stakeholder groups.

In order to maximize the use of resources in the Industrial Business and to measure the success of this, we have for a number of years been using a value-based management system, with return on investment (ROI) as a relative indicator.

The return on investment (ROI) is defined as the return on invested capital for a particular period based on the operating profit after tax. The invested capital is calculated as total operating assets reported in the balance sheet (property, plant and equipment, intangible assets (excluding goodwill), investment property, lease assets, inventories, trade receivables and certain other assets) less non-interest bearing liabilities (trade payables and advanced payments received). The average invested capital is defined as the sum of invested capital at the beginning of the reporting period and the invested capital at the end of the reporting period divided by two. Operating profit after tax is calculated by deducting average taxes of 30.0% from operating profit.

If the return on investment exceeds the market cost of capital, there is an increase in the value of the invested capital. In the Group, a minimum required rate of return on invested capital of 9% is defined, which applies to both the business units and the individual products and product lines. Our goal of generating a sustained return on investment of over 15% is anchored in Strategy 2025. The return on investment therefore serves as a consistent target in operational and strategic management and is used to measure target attainment for the Industrial Business, the individual business units and products. The return on investment achieved for the Industrial Business in the reporting period was 8.56%.

Due to the specific features of Financial Services, its management focuses on return on equity, a special target linked to invested capital. This measure 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 Financial Services are to meet the banking supervisory authorities' regulatory capital requirements and to procure equity for the growth planned in the coming fiscal years. To ensure compliance with prudential requirements at all times, a planning procedure integrated into internal reporting has been put in place at Financial Services, allowing the required equity to be continuously determined based on actual and expected business performance. In the reporting period, this again ensured that regulatory minimum capital requirements were always met both at Group level and at the level of subordinate companies' individual, specific capital requirements.

The return on investment in the Industrial Business as well as the return on equity and the equity ratio in Financial Services are shown in the following table:

€ million	2018	2017	2016
Industrial Business			
Operating profit after tax	942	958	417
Invested capital (average)	11,013	10,642	10,475
Return on investment (ROI) in %	**8.56%**	**9.00%**	**3.98%**
Financial Services			
Earnings before tax	148	112	106
Average equity	772	702	657
Return on equity before tax in %	**19.22%**	**15.93%**	**16.11%**
Equity ratio in %	**8.91%**	**8.89%**	**9.03%**

36. Contingencies and commitments

€ million	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Liabilities under buyback guarantees	2,149	1,903	1,722	1,623
Liabilities under guarantees*	205	32	57	63
Assets pledged as security for third-party liabilities	-	-	-	-
Other contingent liabilities**	936	926	223	166
	3,290	**2,861**	**2,002**	**1,851**

* In addition, for liabilities under guarantees of discontinued operations were €2 million as of December 31, 2017, €5 million as of December 31, 2016 and €2 million as of January 1, 2016.

** Discontinued operations had other contingent liabilities of €6 million as of December 31, 2017, €6 million as of December 31, 2016 and €0 million as of January 1, 2016. All discontinued operations were deconsolidated in 2018.

The contingent liabilities under guarantees relate mainly to guarantees issued for trade obligations of investees, former investees, and other companies. They include financial guarantees amounting to €39 million as of December 31, 2018 (December 31, 2017: €29 million, December 31, 2016: €44 million, January 1, 2016: €35 million).

Guarantees of €21 million as of December 31, 2018 (December 31, 2017: €3 million, December 31, 2016: €4 million, January 1, 2016: €9 million) are in place for the benefit of subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP. Guarantees for consolidated subsidiaries of the Volkswagen AG not part of the TRATON GROUP and nonconsolidated subsidiaries of the TRATON GROUP in the amount of €174 million as of December 31, 2018 (December 31, 2017: €0 million, December 31, 2016: €2 million, January 1, 2016: €0 million) also exist. The increase in 2018 mainly relates to the sale of the Power Engineering business to a Volkswagen AG subsidiary outside the TRATON GROUP.

Other contingent liabilities relate mainly to contingent liabilities for potential charges from tax risks, which exist for Volkswagen Caminhões e Ônibus, in particular. It is not currently considered likely that a claim will be made against Volkswagen Caminhões e Ônibus, in connection with these liabilities. In the tax proceedings involving Volkswagen Caminhões e Ônibus, and the Brazilian tax authorities, the Brazilian tax authorities take a different position with regard to the tax effects of the acquisition structure chosen in 2009 for Volkswagen Caminhões e Ônibus. In December 2017, an administrative court ruled against Volkswagen Caminhões e Ônibus, following an appeal. Volkswagen Caminhões e Ônibus, took legal action against this ruling by recourse to regular courts in 2018. Because of the potential range of punitive surcharges plus interest that may be applied under Brazilian law, the best estimate of the risk in the event that the tax authorities are successful in asserting their position entails a degree of uncertainty. Nevertheless, a positive outcome is still expected for Volkswagen Caminhões e Ônibus. In the event of an adverse outcome, the risk for the total contested period starting in 2009 could be approximately €683 million. This assessment is based on the accumulated amounts at the reporting date for the claimed tax liability including the potential expected punitive surcharges, as well as accumulated interest, but excluding any future interest, and without discounting any cash flows.

Customer liabilities to financial services companies of the Volkswagen Group and, to a small extent, 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 €2,149 million as of December 31, 2018 (December 31, 2017: €1,903 million, December 31, 2016: €1,722 million, January 1, 2016: €1,623 million). However, based on experience, the majority of these guarantees expire without being drawn upon.

37. Litigation

In the course of their operating activities, TRATON GROUP and the companies in which it is directly or indirectly invested become involved in a great number of legal disputes and official proceedings in Germany and internationally. In particular, such legal disputes and other proceedings may occur in relation to suppliers, dealers, customers, employees, or investors. For the companies involved, these may result in payment or other obligations.

Risks may also emerge in connection with the adherence to regulatory requirements. This particularly applies in the case of regulatory vagueness that may be interpreted differently by TRATON GROUP and the agencies responsible for the respective regulations. In addition, legal risks can arise from the criminal activities of individual persons, which even the best compliance management system can never completely prevent.

Where transparent and economically viable, adequate insurance coverage is taken out for these risks. For the identifiable and measurable risks, provisions considered appropriate are recognized and information about contingent liabilities is disclosed. As some risks cannot be assessed or can only be assessed to a limited extent, the possibility of loss or damage not being covered by the insured amounts and provisions cannot be ruled out.

TRATON GROUP does not tolerate compliance violations. Neither corruption nor breaches of competition law are tolerated, encouraged, or accepted by TRATON.

IMPORTANT LEGAL CASES

In 2011, the European Commission launched an antitrust investigation into suspected antitrust violations in the commercial vehicles business and sent MAN, Scania and all other commercial vehicle manufacturers affected the statement of objections in November 2014, informing them of the allegations brought forward against them. With its settlement decision in July 2016 the European Commission imposed penalties on five European commercial vehicle manufacturers for "collusive arrangements on pricing and gross price

increases in the European Economic Area for medium and heavy trucks and the timing and the passing on of the costs for the introduction of emission technologies for medium and heavy trucks required by EURO 3 to 6 standards" from January 17, 1997 to January 18, 2011 (for MAN: until September 20, 2010). MAN's fine was waived in full as it had notified the European Commission about the irregularities as a whistleblower. In September 2017, the European Commission then fined Scania €0.88 billion. Scania has appealed to the European Court in Luxembourg and will use all means at its disposal to defend itself. Scania had already recognized a provision of €0.4 billion in 2016. Furthermore, antitrust lawsuits for damages from customers who purchased or leased trucks were received. As is the case in any antitrust proceedings, this may result in further lawsuits for damages.

In the tax proceedings between 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 for MAN Latin America in 2009. In December 2017, a second instance judgment was rendered in administrative court proceedings, which was negative for MAN Latin America. MAN Latin America has initiated proceedings against this judgment before the regular court in 2018. Due to the difference in the penalties plus interest which could potentially 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 laden with uncertainty. However, a positive outcome continues to be expected for MAN Latin America. Should the opposite occur, this could result in a risk of about €683 million for the contested period from 2009 onwards, which has been stated within note "Contingent liabilities".

In June 2013, the Annual General Meeting of MAN SE approved the conclusion of a domination and profit and loss transfer agreement between MAN SE and TRATON SE (formerly Volkswagen Truck & Bus GmbH, Volkswagen Truck & Bus AG, and TRATON AG). In July 2013, award proceedings were instituted to review the appropriateness of the cash settlement set out in the agreement in accordance with section 305 of the Aktiengesetz (AktG – German Stock Corporation Act) and the cash compensation in accordance with section 304 of the AktG.

In its final decision announced on June 26, 2018 (and corrected on July 30 and December 17, 2018), the Higher Regional Court (*Oberlandesgericht*) of Munich set the guaranteed dividend and the recurring fixed compensation payment at €5.47 gross per share (minus potential corporate taxes and solidarity surcharges at the rates as applicable to the respective fiscal year). The amount of the cash settlement payable of €90.29 per share from the Munich Regional Court ruling at first instance was confirmed. The decisions of the Higher Regional Court of Munich were published in the Federal Gazette (Bundesanzeiger) on August 6, 2018, and January 10, 2019. In accordance with Section 305 para. 4 AktG, non-controlling interest shareholders had the right to tender their shares to TRATON SE (at that point in time TRATON AG) in consideration for a cash redemption of EUR 90.29 per share plus interest within two months after this publication date and thereby cease to be shareholders. As a result of the court decision the compensation payment increased significantly. Consequently, the domination and profit and loss transfer agreement with MAN SE was terminated with effect from January 1, 2019. Following the legal effect of the court decisions, TRATON SE (at that point in time TRATON AG) terminated the domination and profit and loss transfer agreement for cause in accordance with Section 304 para. 4 AktG with effect as of January 1, 2019. After the publication of the registration of the termination, the non-controlling interest shareholders of MAN SE were again entitled to tender their shares to TRATON SE (at that point in time TRATON AG) in consideration for a cash redemption of EUR 90.29 per share without additional interest. As per December 2018, TRATON SE held 86.87% of the shares and 87.04% of the voting rights in MAN SE.

In line with IAS 37.92, no further statements have been made concerning estimates of financial impact or about uncertainty regarding the amount or maturity of provisions and contingent liabilities. This is so as to not compromise the results of the proceedings or the interests of the Company.

38. Other financial obligations

2018

€ million	PAYABLE 2019	PAYABLE 2020 – 2023	PAYABLE from 2024	TOTAL Dec. 31, 2018
Purchase commitments in respect of				
property, plant and equipment	447	85	-	532
intangible assets	1	-	-	1
Obligations from				
irrevocable credit and lease commitments to customers	290	59	5	354
long-term leasing and rental contracts	200	536	418	1,154
Miscellaneous other financial obligations	25	3	0	28

2017

€ million	PAYABLE 2018	PAYABLE 2019 – 2022	PAYABLE from 2023	TOTAL Dec. 31, 2017
Purchase commitments in respect of				
property, plant and equipment*	401	10	-	411
intangible assets*	4	-	-	4
Obligations from				
irrevocable credit and lease commitments to customers	326	52	3	380
long-term leasing and rental contracts**	175	423	387	985
Miscellaneous other financial obligations	105	1	1	107

* In addition, for discontinued operations purchase commitments in respect of property plant and equipment were €51 million and purchase commitments in respect of intangible assets amounted to €1 million.

** Discontinued operations had further obligations from irrevocable credit and lease commitments amounting to €203 million (thereof payable within a year €47 million, payable in more than one but less than five years €116 million and payable in more than five years €40 million) and miscellaneous other financial obligations of €152 million. All discontinued operations were deconsolidated in 2018.

2016

€ million	PAYABLE 2017	PAYABLE 2018 – 2021	PAYABLE from 2022	TOTAL Dec. 31, 2016
Purchase commitments in respect of				
property, plant and equipment*	348	17	–	365
intangible assets*	5	1	–	6
Obligations from				
irrevocable credit and lease commitments to customers	312	55	3	370
long-term leasing and rental contracts**	191	452	367	1,010
Miscellaneous other financial obligations	115	6	1	122

* In addition, for discontinued operations purchase commitments in respect of property plant and equipment were €48 million and purchase commitments in respect of intangible assets amounted to €1 million.

** Discontinued operations had further obligations from irrevocable credit and lease commitments amounting to €147 million (thereof payable within a year €52 million, payable in more than one but less than five years €83 million and payable in more than five years €12 million) and miscellaneous other financial obligations of €110 million. All discontinued operations were deconsolidated in 2018.

01.01.2016 € million	PAYABLE 2016	PAYABLE 2017 – 2020	PAYABLE from 2021	TOTAL Jan. 1, 2016
Purchase commitments in respect of				
property, plant and equipment*	226	95	–	321
intangible assets*	8	1	–	9
Obligations from				
irrevocable credit and lease commitments to customers	303	54	3	360
long-term leasing and rental contracts**	169	365	374	908
Miscellaneous other financial obligations	77	1	–	78

* In addition, for discontinued operations purchase commitments in respect of property plant and equipment were €69 million and purchase commitments in respect of intangible assets amounted to €1 million.

** Discontinued operations had further obligations from irrevocable credit and lease commitments amounting to €141 million (thereof payable within a year €45 million, payable in more than one but less than five years €81 million and payable in more than five years €15 million) and miscellaneous other financial obligations of €140 million. All discontinued operations were deconsolidated in 2018.

Expenses of €288 million in the reporting period (€198 million in 2017, €182 million in 2016) were recognized for minimum lease payments on assets leased through operating leases. These relate to lease expenses for buildings, among other things. Expenses of €4 million for contingent lease payments were also incurred in the reporting period (€48 million in 2017, €55 million in 2016).

39. Total personnel expense for the period

€ million	2018	2017	2016
Wages and salaries	5,403	5,028	4,990
Social security, post-employment and other employee benefit costs	1,530	1,358	1,241
	6,933	**6,386**	**6,231**
thereof from discontinued operations	**1,373**	**1,333**	**1,468**

40. Related party disclosures in accordance with IAS 24

Related parties as defined by IAS 24 are natural persons and entities that TRATON GROUP has the ability to control or on which it can exercise significant influence, or natural persons and entities that have the ability to control or exercise significant influence on TRATON GROUP, or that are influenced by another related party of TRATON GROUP.

Related parties from TRATON's perspective as of December 31, 2018, are:

- Volkswagen AG and its subsidiaries and material equity investments outside the TRATON GROUP,
- Porsche Automobil Holding SE, Stuttgart, having significant influence on the operating policy decisions of the Volkswagen Group, and its affiliated companies and related parties (Porsche Stuttgart),
- Other individuals and entities that can be influenced by TRATON GROUP or that can influence TRATON GROUP, such as:
  - the members of the Management and the Supervisory Board of TRATON GROUP,
  - the members of the Board of Management and Supervisory Board of Volkswagen AG,
  - associates and joint ventures,
  - unconsolidated subsidiaries.

On December 31, 2018, Volkswagen held 100% of TRATON GROUP's voting rights and 100% of its share capital. A domination and profit and loss transfer agreement is in place between TRATON SE and Volkswagen AG.

Members of the Board of Management and Supervisory Board of TRATON GROUP are members of supervisory and management boards or shareholders of other companies with which TRATON GROUP has relations in the normal course of business.

In 2018, the Power Engineering business was sold to a subsidiary of Volkswagen AG not part of the TRATON GROUP. In addition, TRATON decided in 2018 to sell its subsidiary VGSG to a subsidiary of Volkswagen AG as per January 1, 2019. Both transactions are described in more detail in the notes "Basis of presentation and Noncurrent assets held for sale and discontinued operations".

The following tables present the amounts of supplies and services transacted, as well as outstanding receivables and liabilities, between consolidated companies of the TRATON GROUP and related parties, including Volkswagen AG. No transactions with Porsche Stuttgart took place in any of the periods presented.

RELATED PARTIES

	SUPPLIES AND SERVICES RENDERED			SUPPLIES AND SERVICES RECEIVED		
€ million	**2018**	2017	2016	**2018**	2017	2016
Volkswagen AG	18	17	13	132	95	60
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	1,658	1,553	1,388	454	264	142
Unconsolidated subsidiaries	41	51	56	5	8	5
Associates and their majority interests	159	192	163	106	190	250
Joint Ventures	17	13	-	85	86	79

	RECEIVABLES FROM				LIABILITIES (INCLUDING OBLIGATIONS) TO			
€ million	**Dec. 31, 2018**	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016	**Dec. 31, 2018**	Dec. 31, 2017	Dec. 31, 2016	Jan. 1, 2016
Volkswagen AG	5,650	3,487	3,527	4,756	2,543	2,664	2,177	3,054
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	2,724	306	581	628	3,495	2,474	2,427	2,287
Unconsolidated subsidiaries	8	26	28	17	39	41	40	38
Associates and their majority interests	89	51	41	35	21	19	22	23
Joint Ventures	2	2	2	1	1	0	0	10

Supplies and services received from other subsidiaries and equity investments of the Volkswagen AG that are not part of the TRATON GROUP relate mainly to unfinished and finished products. The supplies and services rendered to other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP mainly relate to the sales financing business of MAN Truck & Bus via Volkswagen Financial Services.

The receivables from Volkswagen AG mainly comprise cash pooling balances and receivables from the profit and loss transfer agreement and tax allocation procedure. The cash pooling agreement with Volkswagen AG is described in more detail in the note “Accounting policies”. The receivables from other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP include the cash consideration of €1,980 million regarding the sale of Power Engineering.

The liabilities to Volkswagen AG include loans granted by Volkswagen AG of €2,293 million resulting from a loan framework of €4,800 million. The 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.

Volkswagen AG´s contributions to the TRATON GROUP´s capital reserve amounted to €311 million in cash in 2017, and to €11,952 million as a contribution in kind of the Scania AB shares in 2016. The sale of receivables to subsidiaries of Volkswagen AG that are not part of the TRATON GROUP amounted to €1,118 million as of December 31, 2018 (December 31, 2017: €1,070 million, December 31, 2016: €698 million). Furthermore, customer liabilities to Volkswagen Financial Services are covered by standard industry buyback guarantees, see note “Contingencies and Commitments”.

Obligations to key management personnel comprise the pension provisions for Board of Management members. They amount to €1 million as of December 31, 2018 (December 31, 2017: €1 million, December 31, 2016: €1 million, January 1, 2016: €0 million).

The following expenses were recognized by TRATON for the key management personnel in the course of their activities as members of the Management board:

€ million	2018	2017	2016
Short-term benefits	6	7	6
Post-employment benefits	1	1	1
	7	**8**	**7**

The Supervisory Board of TRATON SE received an expense allowance for the fiscal year 2018. Furthermore, the employee representatives on the Supervisory Board who are employed by TRATON GROUP companies also received their regular salaries as specified in their employment contracts.

41. Events after the reporting period

By resolution of December 14, 2018 the Company changed its legal form to a European Stock Corporation (Societas Europaea/SE). The change in legal form became effective upon the registration in the commercial register on January 17, 2019.

On December 6, 2018 TRATON SE concluded an agreement with a Volkswagen AG subsidiary outside of the TRATON GROUP to sell its subsidiary, Volkswagen Gebrauchtfahrzeughandels und Service GmbH, with effect from January 1, 2019. The associated assets and liabilities were presented as held for sale as of December 31, 2018.

After the balance sheet date, 839,380 shares of MAN SE shares were tendered to TRATON SE (see section "Litigation"). This will result in a cash outflow of €76 million in 2019.

No other events occurred after the reporting period that are material for the TRATON GROUP and that could lead to a reassessment of the Company.

Munich, February 14, 2019

TRATON SE

The Executive Board

Andreas Renschler	Christian Schulz	Antonio Roberto Cortes
Joachim Drees	Henrik Henriksson	Dr. Carsten Intra
Christian Levin		

Annex 1– List of Traton Group's shareholdings

The shown shareholding in percentage refers to the TRATON GROUP:

	Shareholdings in %			
	2018	2017	2016	01.01.2016
I Consolidated subsidiaries				
A. Germany				
B. + V. Grundstücks- Verwaltungs- und Verwertungs-GmbH, Koblenz, Germany	100,00%	100,00%	100,00%	100,00%
B. + V. Grundstücksverwertungs-GmbH & Co. KG, Koblenz, Germany	100,00%	100,00%	100,00%	100,00%
GETAS Verwaltung GmbH & Co. Objekt Augsburg KG, Pullach i. Isartal	-	100,00%	100,00%	100,00%
GETAS Verwaltung GmbH & Co. Objekt Ausbildungszentrum KG, Pullach i. Isartal	100,00%	100,00%	100,00%	100,00%
GETAS Verwaltung GmbH & Co. Objekt Heinrich-von-Buz-Straße KG, Pullach i. Isartal	-	100,00%	100,00%	100,00%
GETAS Verwaltung GmbH & Co. Objekt Offenbach KG, Pullach i. Isartal	100,00%	100,00%	100,00%	100,00%
GETAS Verwaltung GmbH & Co. Objekt Verwaltung Nürnberg KG, Pullach i. Isartal	100,00%	100,00%	100,00%	100,00%
HABAMO Verwaltung GmbH & Co. Objekt Sterkrade KG, Pullach i. Isartal	-	100,00%	100,00%	100,00%
KOSIGA GmbH & Co. KG, Pullach i. Isartal	94,00%	94,00%	94,00%	94,00%
MAN Verwaltungs-Gesellschaft mbH, Munich	100,00%	100,00%	100,00%	100,00%
MAN Diesel & Turbo SE, Augsburg	-	100,00%	100,00%	100,00%
MAN GHH Immobilien GmbH, Oberhausen	100,00%	100,00%	100,00%	100,00%
MAN Grundstücksgesellschaft mbH & Co. Epsilon KG, Munich	100,00%	100,00%	100,00%	100,00%
MAN HR Services GmbH, Munich	100,00%	100,00%	100,00%	100,00%
MAN SE, Munich	86,87%	74,52%	74,52%	74,35%
MAN Service und Support GmbH, Munich	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus AG, Munich	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus Deutschland GmbH, Munich	100,00%	100,00%	100,00%	100,00%
Renk Aktiengesellschaft, Augsburg	-	76,00%	76,00%	76,00%
RENK Test System GmbH, Augsburg	-	100,00%	100,00%	100,00%
Scania CV Deutschland Holding GmbH, Koblenz, Germany	100,00%	100,00%	100,00%	100,00%
Scania Danmark GmbH, Flensburg, Germany	-	100,00%	100,00%	100,00%
SCANIA DEUTSCHLAND GmbH, Koblenz, Germany	100,00%	100,00%	100,00%	100,00%
Scania Finance Deutschland GmbH, Koblenz, Germany	100,00%	100,00%	100,00%	100,00%
Scania Flensburg GmbH, in Liquidation, Flensburg	-	-	100,00%	100,00%
SCANIA Real Estate Deutschland GmbH, Koblenz, Germany	100,00%	100,00%	100,00%	100,00%
SCANIA Real Estate Deutschland Holding GmbH, Koblenz, Germany	100,00%	100,00%	100,00%	100,00%
Scania Versicherungsvermittlung GmbH, Koblenz	100,00%	100,00%	100,00%	100,00%
SCANIA Vertrieb und Service GmbH, Koblenz, Germany	100,00%	100,00%	100,00%	100,00%
TARONA Verwaltung GmbH & Co. Alpha KG, Pullach i. Isartal	100,00%	100,00%	100,00%	100,00%
TB Digital Services GmbH, München	100,00%	-	-	-
TORINU Verwaltung GmbH & Co. Beta KG, Pullach i. Isartal	100,00%	100,00%	100,00%	100,00%

	Shareholdings in %			
	2018	2017	2016	01.01.2016
Volkswagen Gebrauchtfahrzeughandels und Service GmbH, Langenhagen	100,00%	100,00%	100,00%	100,00%
B. Other countries				
AB Dure, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
AB Folkvagn, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
AB Scania-Vabis, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Aconcagua Vehiculos Comerciales S.A., Buenos Aires, Argentina	-	100,00%	100,00%	100,00%
Ainax AB, Stockholm, Sweden	100,00%	100,00%	100,00%	100,00%
Automotores del Atlantico S.A., Buenos Aires, Argentina	-	100,00%	100,00%	100,00%
Centurion Truck & Bus (Pty) Ltd. t/a, Centurion, South Africa	70,00%	70,00%	70,00%	70,00%
CNC Factory AB, Värnamo, Sweden	100,00%	100,00%	100,00%	-
Codema Comercial e Importadora Ltda., Guarulhos, Brazil	99,98%	99,98%	99,98%	99,98%
Concesionaria Automotores Pesados S.A., Buenos Aires, Argentina	-	100,00%	100,00%	100,00%
DynaMate Industrial Services AB, Södertälje,	100,00%	100,00%	100,00%	100,00%
DynaMate IntraLog AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
ERF Ltd., Swindon, Great Britain (inactive)	-	100,00%	100,00%	100,00%
Fastighets AB Katalysatorn, Södertälje	-	-	100,00%	100,00%
Fastighetsaktiebolaget Flygmotorn, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Fastighetsaktiebolaget Hjulnavet, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Fastighetsaktiebolaget Motorblocket, Södertälje, Sweden	-	100,00%	100,00%	100,00%
Fastighetsaktiebolaget Vindbron, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Ferruform AB, Luleå, Sweden	100,00%	100,00%	100,00%	100,00%
Garage Vetterli AG, Seuzach, Switzerland	-	100,00%	100,00%	100,00%
Griffin Automotive Ltd., Road Town, Great Britain	100,00%	100,00%	100,00%	100,00%
Gulf Turbo Services LLC, Doha, Qatar	-	55,00%	55,00%	55,00%
Ipecas - Gestão de Imóveis S.A., Lisbon, Portugal	-	100,00%	100,00%	100,00%
Italscania S.p.A., Trento, Italy	100,00%	100,00%	100,00%	100,00%
Kai Tak Holding AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Lauken S.A., Montevideo	-	100,00%	100,00%	100,00%
LOTS Group AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
LOTS Latin America Logistica de Transportes Ltda., São Bernardo do Campo, Brazil	100,00%	100,00%	-	-
Laxå Specialvehicles AB, Laxå	90,10%	-	-	-
Mälardalens Tekniska Gymnasium AB, Södertälje, Sweden	80,00%	80,00%	80,00%	80,00%
MAN Accounting Center Sp. z.o.o., Poznań, Poland	100,00%	100,00%	100,00%	100,00%
MAN Automotive (South Africa) (Pty) Ltd., Johannesburg, South Africa	100,00%	100,00%	100,00%	100,00%
MAN Bus & Coach (Pty) Ltd., Olifantsfontein, South Africa (inactive)	100,00%	100,00%	100,00%	100,00%
MAN Bus Sp. z.o.o., Tarnowo Podgórne, Poland	100,00%	100,00%	100,00%	100,00%
MAN Capital Corp, Pompano Beach, Florida, U.S.A.	100,00%	100,00%	100,00%	100,00%
MAN Diesel & Turbo Australia Pty. Ltd., North Ryde, Australia	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Benelux B.V., Schiedam, Netherlands	-	100,00%	100,00%	100,00%

	Shareholdings in %			
	2018	2017	2016	01.01.2016
MAN Diesel & Turbo Benelux N.V., Antwerpen, Belgium	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Brasil Ltda., Rio de Janeiro, Brazil	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Canada Ltd., Vancouver, British Columbia, Canada	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Chile Ltda., Valparaíso, Chile	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo China Production Co., Ltd., Changzhou, China	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Engine Services Ltd., Stockport	-	-	-	100,00%
MAN Diesel & Turbo España S.A., Madrid, Spain	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo France S.A.S., Villepinte, France	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Hellas E.P.E., Piraeus, Greece	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Hong Kong Ltd., Hong Kong, China	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo India Pvt. Ltd., Aurangabad, India	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Italia S.r.l., Genoa, Italy	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Korea Ltd., Busan, South Korea	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	-	100,00%	100,00%	-
MAN Diesel & Turbo Middle East LLC FZE, Fujairah Free Zone, United Arab Emirates	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Middle East LLC, Dubai, United Arab Emirates	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo North America Inc., Houston, Texas, U.S.A.	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Operations Pakistan Pvt. Ltd., Lahore, Pakistan	-	-	100,00%	100,00%
MAN Diesel & Turbo Pakistan Pvt. Ltd., Lahore, Pakistan	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Panama Enterprises Inc., Panama City, Panama	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Qatar Navigation LLC, Doha, Qatar	-	49,00%	49,00%	-
MAN Diesel & Turbo Saudi Arabia LLC, Jeddah, Saudi Arabia	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Schweiz AG, Zurich, Switzerland	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Shanghai Co., Ltd., Shanghai, China	-	-	100,00%	100,00%
MAN Diesel & Turbo Shanghai Logistics Co., Ltd., Shanghai, China	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Singapore Pte. Ltd., Singapore, Singapore	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo South Africa (Pty) Ltd., Elandsfontein, South Africa	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Sverige AB, Göteborg; Sweden	-	100,00%	-	-
MAN Diesel & Turbo UK Ltd., Stockport, Great Britain	-	100,00%	100,00%	100,00%
MAN Diesel ve Turbo Satis Servis Ltd. Sti., Istanbul, Turkey	-	100,00%	100,00%	100,00%
MAN Diesel Shanghai Co, Ltd., Shanghai	-	-	100,00%	100,00%
MAN Engines & Components Inc., Pompano Beach, Florida, U.S.A	100,00%	100,00%	100,00%	100,00%
MAN ERF Ireland Properties Ltd., Waterford	-	-	-	100,00%
MAN Finance and Holding S.A., Strasse, Luxembourg	100,00%	100,00%	100,00%	100,00%
MAN Finance Luxembourg S.A., Strassen, Luxembourg	100,00%	100,00%	100,00%	100,00%
MAN Hellas Truck & Bus A.E., Aspropygros, Greece	100,00%	100,00%	100,00%	100,00%

	Shareholdings in %			
	2018	2017	2016	01.01.2016
MAN Kamion és Busz Kereskedelmi Kft., Dunaharaszti, Hungary	100,00%	100,00%	100,00%	100,00%
MAN Kamyon ve Otobüs Ticaret A.S., Ankara, Turkey	100,00%	100,00%	100,00%	100,00%
MAN Latin America Indústria e Comércio de Veículos Ltda., São Paulo, Brazil	100,00%	100,00%	100,00%	100,00%
MAN Nutzfahrzeuge Immobilien GmbH, Steyr, Austria	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus (Korea) Ltd., Yongin, South Korea	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus (M) Sdn. Bhd., Rawang, Malaysia	70,00%	70,00%	70,00%	70,00%
MAN Truck & Bus (S.A.) (Pty) Ltd., Isando, South Africa (inactive)	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus Asia Pacific Co. Ltd., Bangkok, Thailand	99,99%	99,99%	99,99%	99,99%
MAN Truck & Bus Czech Republic s.r.o., Cestlice Czech Republic	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus Danmark A/S, Greve, Denmark	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus France S.A.S., Evry, France	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus Iberia S.A., Coslada, Spain	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus Italia S.p.A. Dossobuono di Villafranca, Italy	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus Mexico S.A. de C.V., El Marques, Mexico	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus Middle East and Africa FZE, Dubai, United Arab Emirates	-	-	100,00%	100,00%
MAN Truck & Bus Middle East FZE, Dubai, United Arab Emirates	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus N.V., Kobbegem, Belgium	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus Norge A/S, Lorenskog, Norway	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus Österreich GmbH, Steyr, Austria	100,00%	99,99%	99,99%	99,99%
MAN Truck & Bus Polska Sp. z o.o., Nadarzyn, Poland	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus Portugal S.U. Lda., Lisbon, Portugal	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus Schweiz AG, Otelfingen, Switzerland	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus Slovakia s.r.o., Bratislava, Slovakia	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus Slovenija d.o.o., Ljubljana, Slovenia	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus Sverige AB, Kungens Kurva, Sweden	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus Trading (China) Co., Ltd., Beijing, China	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus UK Ltd., Swindon, Great Britain	100,00%	100,00%	100,00%	100,00%
MAN Truck & Bus Vertrieb Österreich GmbH, Vienna, Austria	100,00%	100,00%	100,00%	100,00%
MAN Trucks India Pvt. Ltd., Pune, India	-	100,00%	100,00%	100,00%
MAN Trucks Sp. z o.o., Niepolomice, Poland	100,00%	100,00%	100,00%	100,00%
MAN Türkiye A.S., Ankara, Turkey	99,99%	99,99%	99,99%	99.99%
MECOS AG, Winterthur, Switzerland	-	100,00%	100,00%	100,00%
Motorcam S.A., Buenos Aires, Argentina	-	100,00%	100,00%	100,00%
MW-Hallen Restaurang AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Norsk Scania A/S, Oslo, Norway	100,00%	100,00%	100,00%	100,00%
Norsk Scania Eiendom A/S, Oslo, Norway	100,00%	100,00%	100,00%	100,00%
OOO MAN Truck & Bus Production RUS, St. Petersburg, Russian Federation	100,00%	100,00%	100,00%	100,00%

	Shareholdings in %			
	2018	2017	2016	01.01.2016
OOO MAN Truck and Bus RUS, Moscow, Russian Federation	100,00%	100,00%	100,00%	100,00%
OOO Scania Finance, Moskva, Russia	100,00%	100,00%	100,00%	100,00%
OOO Scania Leasing, Moskva, Russia	100,00%	100,00%	100,00%	100,00%
OOO Scania Peter, St. Petersburg, Russia	100,00%	100,00%	100,00%	100,00%
OOO Scania Service, Golitsino, Russia	100,00%	100,00%	100,00%	100,00%
OOO Scania Strachovanie, Moskva, Russia	100,00%	100,00%	100,00%	100,00%
OOO Scania-Rus, Golitsino, Russia	100,00%	100,00%	100,00%	100,00%
PBS Turbo s.r.o., Velká Bítes, Czech Republic	-	100,00%	100,00%	100,00%
Power Vehicle Co. Ltd., Bangkok, Thailand	100,00%	100,00%	100,00%	100,00%
PT Scania Parts Indonesia, Balikpapan, Indonesia	100,00%	100,00%	100,00%	100,00%
Qanadeel AL Rafidain Automotive Trading Co. Ltd., Erbil, Iraq	-	75,50%	75,50%	75,50%
Reliable Vehicles Ltd., Milton Keynes, Great Britain	100,00%	100,00%	100,00%	100,00%
Renk Corp., Duncan, South Carolina, U.S.A.	-	100,00%	100,00%	100,00%
Renk France S.A.S., Saint-Ouen-l'Aumône, France	-	100,00%	100,00%	100,00%
Renk Systems Corp., Camby, Indiana, U.S.A.	-	100,00%	100,00%	100,00%
RENK-MAAG GmbH, Winterthur, Switzerland	-	100,00%	100,00%	100,00%
Sågverket 6 AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Santa Catarina Veículos e Serviços Ltda., Biguaçu, Brazil	100,00%	100,00%	100,00%	100,00%
Scan Siam Service Co. Ltd., Bangkok, Thailand	100,00%	100,00%	100,00%	100,00%
Scanexpo International S.A., Montevideo, Uruguay	100,00%	100,00%	100,00%	100,00%
Scanexpo S.A., Montevideo, Uruguay	-	100,00%	100,00%	100,00%
Scania (Hong Kong) Ltd., Hongkong, China	100,00%	100,00%	100,00%	100,00%
Scania (Malaysia) Sdn. Bhd., Shah Alam, Malaysia	100,00%	100,00%	100,00%	100,00%
Scania AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania Administradora de Consórcios Ltda., Cotia, Brazil	99,99%	99,99%	99,99%	99,99%
Scania Argentina S.A., Buenos Aires, Argentina	100,00%	100,00%	100,00%	100,00%
Scania Australia Pty Ltd., Melbourne, Australia	100,00%	100,00%	100,00%	100,00%
Scania Banco S.A., São Bernardo do Campo, Brazil	100,00%	100,00%	100,00%	100,00%
Scania Belgium N.V., Neder-Over-Heembeek, Belgium	100,00%	100,00%	100,00%	100,00%
Scania BH d.o.o., Sarajevo, Sarajevo, Bosnia-Herzegovina	100,00%	100,00%	100,00%	100,00%
Scania Botswana (Pty) Ltd., Gaborone, Botswana	100,00%	100,00%	100,00%	100,00%
Scania Bulgaria EOOD, Sofia, Bulgaria	100,00%	100,00%	100,00%	100,00%
Scania Bus & Coach UK Ltd., Milton Keynes, Great Britain	100,00%	100,00%	100,00%	100,00%
Scania Bus Financing AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania Central Asia LLP, Almaty, Kazakhstan	100,00%	100,00%	100,00%	100,00%
Scania Chile S.A., Santiago de Chile, Chile	100,00%	100,00%	100,00%	100,00%
Scania Colombia S.A.S., Bogotá, Colombia	100,00%	100,00%	100,00%	100,00%
Scania Comercial, S.A. de C.V., Queretaro, Mexico	99,99%	99,99%	99,99%	99,99%
Scania Commercial Vehicles India Pvt. Ltd., Bangalore, India	100,00%	100,00%	100,00%	100,00%
Scania Commercial Vehicles Renting S.A., Madrid, Spain	100,00%	100,00%	100,00%	100,00%
Scania Commerciale S.p.A., Trento, Italy	100,00%	100,00%	100,00%	100,00%
Scania Corretora de Seguros Ltda., São Bernardo do Campo, Brazil	100,00%	100,00%	100,00%	100,00%
Scania Credit (Hong Kong) Ltd., Hongkong	100,00%	100,00%	100,00%	100,00%

	Shareholdings in %			
	2018	2017	2016	01.01.2016
Scania Credit (Malaysia) Sdn. Bhd., Shah Alam, Malaysia	100,00%	100,00%	100,00%	100,00%
Scania Credit AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania Credit Hrvatska d.o.o., Lucko, Croatia	100,00%	100,00%	100,00%	100,00%
Scania Credit Romania IFN S.A, Ciorogârla, Romania	100,00%	100,00%	100,00%	100,00%
Scania Credit Singapore Pte. Ltd., Singapur, Singapur	100,00%	-	-	-
Scania Credit Solutions Pty Ltd, Johannesburg, South Africa	-	100,00%	100,00%	-
Scania Credit Solutions Pty Ltd., Aeroton, South Africa	100,00%	100,00%	100,00%	100,00%
Scania Credit Taiwan Ltd., New Taipei City	100,00%	100,00%	100,00%	100,00%
Scania CV AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania Czech Republic s.r.o., Praha, Czech Republic	100,00%	100,00%	100,00%	100,00%
Scania Danmark A/S, Ishøj, Denmark	100,00%	100,00%	100,00%	100,00%
Scania Danmark Ejendom Aps, Ishøj, Denmark	100,00%	100,00%	100,00%	100,00%
Scania de Venezuela S.A., Valencia, Venezuela	-	-	100,00%	100,00%
Scania del Perú S.A., Lima, Peru	100,00%	100,00%	100,00%	100,00%
Scania Delivery Center AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania East Africa Ltd., Nairobi, Kenya	100,00%	100,00%	100,00%	100,00%
Scania Eesti AS, Tallinn, Estonia	100,00%	100,00%	100,00%	100,00%
Scania Finance Australia Pty Ltd., Melbourne, Australia	100,00%	100,00%	100,00%	-
Scania Finance Belgium N.V., Neder-Over-Heembeek, Belgium	100,00%	100,00%	100,00%	100,00%
Scania Finance Bulgaria EOOD, Sofia, Bulgaria	100,00%	100,00%	100,00%	100,00%
Scania Finance Chile S.A., Santiago de Chile, Chile	100,00%	100,00%	100,00%	100,00%
Scania Finance Colombia S.A S., Bogotá, Colombia	100,00%	-	-	-
Scania Finance Czech Republic spol. s.r.o., Rudná u Prahy, Czech Republic	100,00%	100,00%	100,00%	100,00%
Scania Finance France S.A.S., Angers, France	100,00%	100,00%	100,00%	100,00%
Scania Finance Great Britian Ltd., London, Great Britain	100,00%	100,00%	100,00%	100,00%
Scania Finance Hispania EFC S.A., San Fernando de Henares, Spain	100,00%	100,00%	100,00%	100,00%
Scania Finance Holding AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania Finance Holding Great Britain Ltd., London, Great Britain	-	-	100,00%	100,00%
Scania Finance Ireland Ltd., Dublin, Ireland	100,00%	100,00%	100,00%	100,00%
Scania Finance Italy S.p.A., Milano, Italy	100,00%	100,00%	100,00%	100,00%
Scania Finance Korea Ltd., Chung-Ang, South Korea	100,00%	100,00%	100,00%	100,00%
Scania Finance Luxembourg S.A., Münsbach, Luxembourg	100,00%	100,00%	100,00%	100,00%
Scania Finance Magyarország Zrt., Biatorbágy, Hungary	100,00%	100,00%	100,00%	100,00%
Scania Finance Nederland B.V., Breda, The Netherlands	100,00%	100,00%	100,00%	100,00%
Scania Finance Polska Sp.z.o.o., Stara Wies, Poland	100,00%	100,00%	100,00%	100,00%
Scania Finance Schweiz AG, Kloten, Switzerland	100,00%	100,00%	100,00%	100,00%
Scania Finance Slovak Republic s.r.o., Senec, Slovakia	100,00%	100,00%	100,00%	100,00%
Scania Finance Southern Africa (Pty) Ltd., Aeroton, South Africa	100,00%	100,00%	100,00%	100,00%
Scania Finans AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania France S.A.S., Angers, France	100,00%	100,00%	100,00%	100,00%
Scania Great Britain Ltd., Milton Keynes, Great Britain	100,00%	100,00%	100,00%	100,00%
Scania Group (Thailand) Co., Ltd., Samut Prakan	100,00%	100,00%	-	-

	Shareholdings in %			
	2018	2017	2016	01.01.2016
Scania Growth Capital AB, Södertälje, Sweden	90,10%	90,10%	-	-
Scania Hispania Holding S.L., Madrid, Spain	100,00%	100,00%	100,00%	100,00%
Scania Hispania S.A., Madrid, Spain	100,00%	100,00%	100,00%	100,00%
Scania Holding Europe AB, Södertälje	-	-	100,00%	100,00%
Scania Holding France S.A.S., Angers, France	100,00%	100,00%	100,00%	100,00%
Scania Holding Inc., Wilmington, United States	100,00%	100,00%	100,00%	100,00%
Scania Hrvatska d.o.o., Lucko, Croatia	100,00%	100,00%	100,00%	100,00%
Scania Hungaria Kft., Biatorbágy, Hungary	100,00%	100,00%	100,00%	100,00%
Scania Incheon Ltd., Incheon	-	-	100,00%	100,00%
Scania Industrial Maintenance AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania Insurance Nederland B.V., Middelharnis, The Netherlands	100,00%	100,00%	100,00%	100,00%
Scania Insurance Polska Sp.z.oo., Stara Wies, Poland	100,00%	100,00%	100,00%	100,00%
Scania Investimentos Imobiliários S.A., Vialonga, Portugal	100,00%	100,00%	100,00%	100,00%
Scania Iraq Automotive Trading Company Ltd., Basra, Iraq	-	100,00%	100,00%	100,00%
Scania IT AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania IT France S.A.S., Angers, France	100,00%	100,00%	100,00%	100,00%
Scania IT Nederland B.V., Zwolle, The Netherlands	100,00%	100,00%	100,00%	100,00%
Scania Japan Ltd., Tokyo, Japan	100,00%	100,00%	100,00%	100,00%
Scania Korea Ltd., Seoul	-	-	100,00%	100,00%
Scania Korea Group Ltd., Seoul, South Korea	100,00%	100,00%	100,00%	100,00%
Scania Latin America Ltda, São Bernardo do Campo, Brazil	100,00%	100,00%	100,00%	100,00%
Scania Latvia SIA, Riga, Latvia	100,00%	100,00%	100,00%	100,00%
Scania Leasing d.o.o., Ljubljana, Slovenia	100,00%	100,00%	100,00%	100,00%
Scania Leasing Österreich GmbH, Brunn am Gebirge, Austria	100,00%	100,00%	100,00%	100,00%
Scania Leasing RS d.o.o., Krnješevci, Serbia	100,00%	-	-	-
Scania Leasing Ltd., Dublin, Ireland	100,00%	100,00%	100,00%	100,00%
Scania Lizing Kft, Biatorbágy, Romania	100,00%	100,00%	100,00%	100,00%
Scania Location S.A.S., Angers, France	100,00%	100,00%	100,00%	100,00%
Scania Logistics Netherlands B.V., Zwolle, The Netherlands	100,00%	100,00%	100,00%	100,00%
Scania Luxembourg S.A., Münsbach, Luxembourg	100,00%	100,00%	100,00%	100,00%
Scania Makedonija d.o.o.e.l., Ilinden, Macedonia	100,00%	100,00%	100,00%	100,00%
Scania Manufacturing (Thailand) Co., Ltd., Smutprakarn, Thailand	100,00%	100,00%	-	-
Scania Maroc S.A., Casablanca, Morocco	100,00%	100,00%	100,00%	100,00%
Scania Middle East FZE, Dubai, The United Arab Emirates	100,00%	100,00%	100,00%	100,00%
Scania Milano S.p.A., Lainate, Italy	100,00%	100,00%	100,00%	100,00%
Scania Moçambique, S.A., Beira, Mozambique	100,00%	100,00%	100,00%	100,00%
Scania Namibia (Pty) Ltd., Windhoek, Namibia	100,00%	100,00%	100,00%	100,00%
Scania Nederland B.V., Breda, The Netherlands	100,00%	100,00%	100,00%	100,00%
Scania Omni AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania Österreich GmbH, Brunn am Gebirge, Austria	100,00%	100,00%	100,00%	100,00%
Scania Österreich Holding GmbH, Brunn am Gebirge, Austria	100,00%	100,00%	100,00%	100,00%
Scania Overseas AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania Polska S.A., Nadarzyn, Poland	100,00%	100,00%	100,00%	100,00%

	Shareholdings in %			
	2018	2017	2016	01.01.2016
Scania Portugal S.A., Santa Iria de Azóla, Portugal	100,00%	100,00%	100,00%	100,00%
Scania Power Polska Sp. z o.o., Warszawa, Poland	100,00%	100,00%	100,00%	100,00%
Scania Production Angers S.A.S., Angers, France	100,00%	100,00%	100,00%	100,00%
Scania Production Meppel B.V., Meppel, The Netherlands	100,00%	100,00%	100,00%	100,00%
Scania Production Slupsk S.A., Slupsk, Poland	100,00%	100,00%	100,00%	100,00%
Scania Production Zwolle B.V., Zwolle, The Netherlands	100,00%	100,00%	100,00%	100,00%
Scania Projektfinans AB, Södertälje, Sweden	-	100,00%	100,00%	100,00%
Scania Properties Ltd., Milton Keynes, Great Britain	100,00%	100,00%	100,00%	100,00%
Scania Real Estate (UK) Ltd, Milton Keynes, Great Britain	100,00%	100,00%	100,00%	100,00%
Scania Real Estate AB, Södertälje, Sweden	-	100,00%	100,00%	100,00%
Scania Real Estate Belgium N.V., Neder-Over-Heembeek, Belgium	100,00%	100,00%	100,00%	100,00%
Scania Real Estate Bulgaria EOOD, Sofia, Bulgaria	100,00%	100,00%	100,00%	100,00%
Scania Real Estate Czech Republic s.r.o., Praha, Czech Republic	100,00%	100,00%	100,00%	100,00%
Scania Real Estate d.o.o. Beograd, Belgrad, Serbia	100,00%	100,00%	100,00%	100,00%
Scania Real Estate Finland Oy, Helsinki, Finland	100,00%	100,00%	100,00%	100,00%
Scania Real Estate France S.A.S., Angers, France	100,00%	100,00%	100,00%	100,00%
Scania Real Estate Hispania, S.L.U., San Fernando de Henares, Spain	100,00%	100,00%	100,00%	100,00%
Scania Real Estate Holding Luxembourg S.àr.l, Münsbach, Luxembourg	100,00%	100,00%	100,00%	100,00%
Scania Real Estate Holding Oy, Helsinki, Finland	100,00%	100,00%	100,00%	100,00%
Scania Real Estate Hong Kong Ltd., Hongkong, China	100,00%	100,00%	100,00%	100,00%
Scania Real Estate Hungaria Kft., Biatorbágy, Hungary	100,00%	100,00%	100,00%	100,00%
Scania Real Estate Kenya Ltd, Nairobi, Kenia	100,00%	-	-	-
Scania Real Estate Lund AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania Real Estate Österreich GmbH, Brunn am Gebirge, Austria	100,00%	100,00%	100,00%	100,00%
Scania Real Estate Polska Sp.z o.o., Nadarzyn, Poland	100,00%	100,00%	100,00%	100,00%
Scania Real Estate Romania S.R.L., Ciorogârla, Romania	100,00%	100,00%	100,00%	100,00%
Scania Real Estate Schweiz AG, Kloten, Switzerland	100,00%	100,00%	100,00%	100,00%
Scania Real Estate Services AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania Real Estate Slovakia s.r.o., Senec, Slovakia	100,00%	100,00%	100,00%	100,00%
Scania Real Estate The Netherlands B.V., Breda, The Netherlands	100,00%	100,00%	100,00%	100,00%
Scania Regional Agent de Asigurare S.R.L., Ciorogârla, Romania	100,00%	100,00%	100,00%	100,00%
Scania Rent Bulgaria EOOD, Sofia, Bulgaria	100,00%	100,00%	100,00%	100,00%
Scania Rent Romania S.R.L., Ciorogârla, Romania	100,00%	100,00%	100,00%	100,00%
Scania Romania S.R.L., Ciorogârla, Romania	100,00%	100,00%	100,00%	100,00%
Scania Sales (China) Co., Ltd., Beijing, China	100,00%	100,00%	100,00%	100,00%
Scania Sales and Service (Guangzhou) Co., Ltd, Guangzhou, China	100,00%	100,00%	100,00%	100,00%
Scania Sales and Services AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania Schweiz AG, Kloten, Switzerland	100,00%	100,00%	100,00%	100,00%
Scania Senegal S.U.A.R.L., Dakar, Senegal	100,00%	-	-	-

	Shareholdings in %			
	2018	2017	2016	01.01.2016
Scania Services del Perú S.A, Lima, Peru	100,00%	100,00%	100,00%	100,00%
Scania Services S.A., Buenos Aires, Argentina	-	100,00%	100,00%	100,00%
Scania Services, S.A. de C.V., Queretaro, Mexico	99,99%	99,99%	99,99%	99,99%
Scania Siam Co Ltd., Samut Prakan, Tailand	99,99%	99,90%	99,90%	99,90%
Scania Siam Leasing Co. Ltd., Samut Prakan, Tailand	100,00%	100,00%	100,00%	100,00%
Scania Singapore Pte. Ltd., Singapore, Singapore	100,00%	100,00%	100,00%	100,00%
Scania Slovakia s.r.o., Senec, Slovakia	100,00%	100,00%	100,00%	100,00%
Scania Slovenija d.o.o., Ljubljana, Slovenia	100,00%	100,00%	100,00%	100,00%
Scania South Africa Pty Ltd., Aeroton, South Africa	100,00%	100,00%	100,00%	100,00%
Scania Srbija d.o.o., Krnjesevci, Serbia	100,00%	100,00%	100,00%	100,00%
Scania Suomi Oy, Helsinki, Finland	100,00%	100,00%	100,00%	100,00%
Scania Sverige AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania Sverige Bussar AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania Tanzania Ltd., Dar es Salaam, Tanzania	100,00%	100,00%	100,00%	100,00%
Scania Thailand Co Ltd., Bangkok, Thailand	99,99%	99,99%	99,99%	100,00%
Scania Trade Development AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania Transportlaboratorium AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania Treasury AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania Trucks & Buses AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania USA Inc., San Antonio/ TX, United States	100,00%	100,00%	100,00%	100,00%
Scania Used Vehicles AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scania West Africa Ltd., Accra, Ghana	100,00%	100,00%	100,00%	100,00%
Scania Yangsan Ltd., Yangsan	-	-	100,00%	100,00%
Scania-Kringlan AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Scanlink Ltd., Milton Keynes, Great Britain	100,00%	100,00%	100,00%	100,00%
Scanrent – Alguer de Viaturas sem Condutor, S.A., Santa Iria de Azóia., Portugal	100,00%	100,00%	100,00%	100,00%
Scantruck Ltd., Milton Keynes, Great Britain	100,00%	100,00%	100,00%	100,00%
Société de Mécanique de Précision de l'Aubois, Jouet-sur-l'Aubois	-	-	100,00%	100,00%
Södertälje Bilkredit AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
SOE Busproduction Finland Oy, Lahti, Finland	100,00%	100,00%	100,00%	100,00%
Southway Scania Ltd., Milton Keynes, Great Britain	100,00%	100,00%	100,00%	100,00%
SRE Kiruna AB, Södertälje	-	-	100,00%	100,00%
SST Sustainable Transport Solutions India Pvt. Ltd., Nagpur	99,99%	100,00%	-	-
Stockholms Industriassistans AB, Södertälje, Sweden	-	100,00%	100,00%	100,00%
Suvesa Super Veics Pesados Ltda., Eldorado do Sul, Brazil	99,98%	99,98%	99,98%	99,98%
TimmerLogistickVast AB, Amal	100,00%	100,00%	-	-
TOV Donbas-Scan-Service, Makijivka, Ukraine	100,00%	100,00%	100,00%	100,00%
TOV Kyiv-Scan, Kyiv, Ukraine	100,00%	100,00%	100,00%	100,00%
TOV MAN Truck & Bus Ukraine, Kiev, Ukraine	100,00%	100,00%	100,00%	100,00%
TOV Scania Credit Ukraine, Kyiv, Ukraine	100,00%	100,00%	100,00%	100,00%
TOV Scania Ukraine, Kyiv, Ukraine	100,00%	100,00%	100,00%	100,00%
TOV Scania-Lviv, Lviv, Ukraine	100,00%	100,00%	100,00%	100,00%
UAB Scania Lietuva, Vilnius, Lithuania	100,00%	100,00%	100,00%	100,00%
Union Trucks Ltd., Milton Keynes, Great Britain	100,00%	100,00%	100,00%	100,00%

	Shareholdings in %			
	2018	2017	2016	01.01.2016
Vabis Bilverkstad AB, Södertälje, sweden	100,00%	100,00%	100,00%	100,00%
Vabis Försäkringsaktiebolag, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Lots Logistics (Guangxi) Co.Ltd., Beihai, Guangxi Province, China	100,00%	100,00%	100,00%	100,00%
Vindbron Arendal AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
TRATON AB, Södertälje, Sweden	100,00%	100,00%	100,00%	100,00%
Westrucks Ltd., Milton Keynes, Great Brintain	100,00%	100,00%	100,00%	100,00%
II Subsidiaries carried at cost				
A. Germany				
LoadFox GmbH, Munich	87,00%	87,00%	87,00%	-
MAN Erste Beteiligungs GmbH, Munich	100,00%	100,00%	100,00%	100,00%
MAN Grundstücksgesellschaft mbH & Co. Gamma KG, Munich	100,00%	100,00%	100,00%	100,00%
MAN Grundstücksgesellschaft mbH, Oberhausen	100,00%	100,00%	100,00%	100,00%
MAN Personal Services GmbH, Dachau	100,00%	100,00%	100,00%	100,00%
MAN-Unterstützungskasse GmbH, Munich	100,00%	100,00%	100,00%	100,00%
Ortan Verwaltung GmbH & Co. Objekt Karlsfeld KG, Pullach i. Isartal	100,00%	100,00%	100,00%	100,00%
TB Digital Services GmbH, München	-	100,00%	-	-
tcu Turbo Charger GmbH, Augsburg	-	100,00%	100,00%	100,00%
B. Other countries				
Centrales Diesel Export S.A.S., Saint-Nazaire, France	-	100,00%	100,00%	100,00%
Cofical Renk Mancais do Brasil Ltda., Guaramirim, Brazil	-	98,00%	98,00%	98,00%
Damen Schelde Gears B.V., Vlissingen, Netherlands	-	100,00%	-	-
Dencop A/S, Copenhagen, Denmark	-	100,00%	100,00%	100,00%
ELCA Engineering Company (Pty) Ltd., in liquidation, Vanderbijlpark, South Africa (inactive)	-	100,00%	100,00%	100,00%
ERF (Holdings) plc, Swindon, UK (inactive)	100,00%	100,00%	100,00%	100,00%
ERF Ltd., Swindon, UK	100,00%	-	-	-
Lauken S.A., Montevideo, Uruguay	100,00%			
Fifty Two Ltd., Stockport, UK (inactive)	-	100,00%	100,00%	100,00%
LKW Komponenten s.r.o., Bánovce nad Bebravou, Slovakia	100,00%	100,00%	l00,00%	100,00%
MAN Diesel & Turbo (Gibraltar) Ltd., Gibraltar, Gibraltar	-	100,00%	100,00%	-
MAN Diesel & Turbo Argentina S.A., Buenos Aires, Argentina	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Bangladesh Ltd., Dhaka, Bangladesh	-	100,00%	l00,00%	100,00%
MAN Diesel & Turbo Bulgaria EOOD, Varna, Bulgaria	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Canarias S.L., Las Palmas, Spain	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Costa Rica Ltda., San José, Costa Rica (inactive)	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Egypt LLC, Cairo, Egypt	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Guatemala Ltda., Guatemala City, Guatemala	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Japan Ltd, Tokyo, Japan	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Jordan LLC, in liquidation, Aqaba, Jordan	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Kenya Ltd., Nairobi, Kenya	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Lanka Pvt. Ltd., Colombo, Sri Lanka	-	100,00%	100,00%	100,00%

	Shareholdings in %			
	2018	2017	2016	01.01.2016
MAN Diesel & Turbo Malaysia Oil & Gas Sdn. Bhd., Kuala Lumpur, Malaysia	-	55,00%	55,00%	55,00%
MAN Diesel & Turbo Malaysia Sdn. Bhd., Kuala Lumpur	-	-	-	100,00%
MAN Diesel & Turbo Mexico, S. de R.L. de C. V., Mexico City, Mexico	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Muscat LLC, Muscat, Oman	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo New Zealand Ltd., Auckland, New Zealand	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Nigeria FZE, Lagos, Nigeria	-	100,00%	-	-
MAN Diesel & Turbo Nigeria Pvt. Ltd., Lagos, Nigeria	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Norge A/S, Oslo, Norway	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Perú S.A.C., Lima, Peru	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Philippines Inc., Manila, Philippines	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Poland Sp. z o.o., Gdansk, Poland	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Portugal, Unipessoal, Lda., Setúbal, Portugal	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Qatar Navigation LLC, Doha, Qatar	-	-	-	49,00%
MAN Diesel & Turbo Sénégal SARL, Dakar, Senegal	-	100,00%	100,00%	100,00%
MAN Diesel & Turbo Shanghai Co., Ltd., Shanghai, China	-	100,00%	-	-
MAN Diesel & Turbo Sverige AB, Goteborg, Sweden	-	-	100,00%	100,00%
MAN Diesel & Turbo Taiwan Ltd., Kaohsiung, Taiwan	-	100,00%	100,00%	100,00%
MAN Diesel Turbochargers Shanghai Co., Ltd., in liquidation, Shanghai, China	-	100,00%	100,00%	100,00%
MAN Financial Services Administrators (S.A.) (Pty) Ltd, Isando, South Africa (inactive)	100,00%	100,00%	100,00%	100,00%
MAN Iran Power Sherkate Sahami Khass, Tehran, Iran	-	100,00%	100,00%	100,00%
MAN Latin America Importacao, Industria e Comércio de Veículos Ltda., Resende, Brazil (inactive)	100,00%	100,00%	100,00%	100,00%
MAN Properties (Midrand) (Pty) Ltd., in liquidation, Isando, South Africa	-	100,00%	100,00%	100,00%
MAN Properties (Pinetown) (Pty) Ltd., in liquidation, Isando, South Africa	-	100,00%	100,00%	100,00%
MAN Properties (Pty) Ltd., in liquidation, Isando, South Africa	-	100,00%	100,00%	100,00%
MAN Truck & Bus India Pvt. Ltd., Mumbai, India (inactive)	-	100,00%	100,00%	100,00%
MAN Truck & Bus India Pvt. Ltd., Pune	100,00%	-	-	-
MAN Turbo (UK) Ltd., Stockport, UK (inactive)	-	100,00%	100,00%	100,00%
MAN Turbomachinery India Pvt. Ltd., Bangalore	-	-	100,00%	100,00%
MBC Mobile Bridges Corp., Houston, Texas, U.S.A (inactive)	100,00%	100,00%	100,00%	100,00%
MDT CH International GmbH, Zurich, Switzerland	-	100,00%	100,00%	-
Mirrlees Blackstone Ltd., Stockport, UK (inactive)	-	100,00%	100,00%	100,00%
OOO MAN Diesel & Turbo Rus, Moscow, Russian Federation	-	100,00%	100,00%	100,00%
OOO Truck Production RUS, St. Petersburg	100,00%	100,00%	100,00%	-
Paxman Diesels Ltd., Stockport, UK (inactive)	-	100,00%	100,00%	100,00%
PT MAN Diesel & Turbo Indonesia, Jakarta, Indonesia	-	92,62%	92,62%	92,62%
Renk (UK) Ltd., London, UK (inactive)	-	100,00%	100,00%	100,00%

	Shareholdings in %			
	2018	2017	2016	01.01.2016
Renk Gears Private Ltd., Bangalore, India	-	100,00%	-	-
Renk Korea Co., Ltd, Busan, South Korea	-	100,00%	-	-
Renk Shanghai Service and Commercial Co., Ltd., Shanghai, China	-	100,00%	100,00%	100,00%
Renk Transmisyon Sanayi A.S., Istanbul, Turkey	-	55,00%	55,00%	55,00%
Ruston & Hornsby Ltd., Stockport, UK (inactive)	-	100,00%	100,00%	100,00%
Ruston Diesels Ltd., Stockport, UK (inactive)	-	100,00%	100,00%	100,00%
S.A Trucks Ltd., Bristol, UK (inactive)	100,00%	100,00%	100,00%	100,00%
Scanexpo S.A. Montevideo, Uruguay	100,00%	-	-	-
Scania de Venezuela S.A., Valencia	100,00%	100,00%	-	-
Scania New Zealand Ltd, Wellington, New Zealand	100,00%	-	-	-
Scania-MAN Administration ApS, Kopenhagen	100,00%	100,00%	100,00%	100,00%
TRATON LLC, Herndon / VA	100,00%	100,00%	-	-
III JOINT VENTURES				
A. Germany				
B. Other countries				
Cummins-Scania XPI Manufacturing, LLC, Columbus / IN, USA	50,00%	50,00%	50,00%	50,00%
Oppland Tungbilservice A/S, Fagernes, Norway	50,00%	50,00%	50,00%	50,00%
Tynset Diesel A/S, Tynset, Norway	50,00%	50,00%	50,00%	50,00%
Global Truck & Bus Procurement LLC, Lisle / IL, USA	51,00%	51,00%	-	-
Stoxy Solutions AB, Södertälje, Sweden	50,00%	50,00%	-	-
IV ASSOCIATES				
A. Germany				
Hörmann Automotive Gustavsburg GmbH, Ginsheim-Gustavsburg	-	-	40,00%	40,00%
Rheinmetall MAN Military Vehicles GmbH, Munich	49,00%	49,00%	49,00%	49,00%
B. Other countries				
Aspin Kemp & Associates Holding Corp., Montague, Prince Edward Island, Canada	-	40,00%	-	-
BITS DATA i Södertälje AB, Södertälje, Sweden	33,00%	33,00%	33,00%	33,00%
JV MAN AUTO - Uzbekistan LLC, Samarkand City, Uzbekistan	49,00%	49,00%	49,00%	49,00%
Laxä Specialvehicles AB, Laxä, Sweden	-	47,50%	47,50%	47,50%
N.W.S. S.r.l., Trento, Italy	46,50%	46,50%	46,50%	46,50%
Navistar International Corp., Lisle, USA	16,89%	16,89%	-	-
ScaValencia, S.A., Ribarroja del Turia, Spain	26,00%	26,00%	26,00%	26,00%
Sinotruk (Hong Kong) Ltd., Hong Kong, China	25,00%	25,00%	25,00%	25,00%
V OTHER EQUITY INVESTMENTS				
A. Germany				
Car2Car Communication Consortium, Braunschweig	5,55%	5,56%	6,25%	-
Coburger Nutzfahrzeuge Service GmbH, Dörfles-Esbach (inactive)	-	30,00%	30,00%	30,00%
FFK Fahrzeugservice Förtsch GmbH Kronach, Kronach	30,00%	30,00%	30,00%	30,00%
Grundstücksgesellschaft Schlossplatz 1 mbH & Co. KG, Berlin	8,16%	8,16%	8,16%	8,16%

	Shareholdings in %			
	2018	2017	2016	01.01.2016
GSB - Sonderabfall-Entsorgung Bayern GmbH, Baar-Ebenhausen	-	0,72%	0,72%	-
MTC Marine Training Center Hamburg GmbH, Hamburg	-	24,83%	24,83%	24,83%
Roland Holding GmbH, Munich [1]	22,83%	22,83%	22,83%	22,83%
sennder GmbH, Berlin	21,60%	-	-	-
Verwaltungsgeselschaft Wasseralfingen mbH, Aalen	50,00%	50,00%	50,00%	50,00%
B. Other countries				
Barkarby Science AB, Järfälla, Sweden	14,29%	-	-	-
Corebon AB, Arlöv, Sweden	24,20%	-	-	-
FR8 Revolution Inc., San Francisco, California, U.S.A.	12,20%	12,20%	12,20%	-
Innokraft AB, Sundsvall, Sweden	46,00%	-	-	-
Renk U.A.E. LLC, Abu Dhabi, United Arab Emirates	-	49,00%	49,00%	49,00%
NorthVolt AB, Stockholm, Sweden	1,69%	-	-	-
AMEXCI AB, Karlskoga, Sweden	9,10%	9,10%	-	-

1 Share of voting rights: 32.82%

Independent Auditor's Report

To TRATON SE, Munich

Opinion

We have audited the consolidated financial statements of TRATON SE, Munich, (formerly TRATON AG, Munich) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, 31 December 2017 and 31 December 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the years ended 31 December 2018, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 31 December 2017 and 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the years ended 31 December 2018, 2017 and 2016, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is 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, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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 to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 opinion. 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 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 the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. 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 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 represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

Munich, February 14, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Frank Hübner)	(sgd. Klaus Schuster)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Audited Unconsolidated Financial Statements of the Company (prepared in accordance with German GAAP) as of and for the fiscal year ended December 31, 2018

Annual financial statements of TRATON SE (until January 17, 2019: TRATON AG)

for the fiscal year from January 1 through December 31, 2018

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.

Contents

Annual financial statements of TRATON SE (until January 17, 2019: TRATON AG)

Income statement

Balance sheet

Notes to the financial statements

Members of the Supervisory Board and Executive Board / Management

Exemption pursuant to section 264 (3) of the HGB

TRATON SE, formerly Volkswagen Truck & Bus GmbH, Volkswagen Truck & Bus AG, and TRATON AG, is included in the consolidated financial statements of Volkswagen Aktien-gesellschaft, Wolfsburg, Germany (Volkswagen AG). In accordance with section 291 of the *Handelsgesetzbuch* (HGB — German Commercial Code), the TRATON SE subgroup does not have a legal obligation to draw up consolidated financial statements and a group management report because TRATON SE and its subsidiaries are included in the consolidated financial statements of Volkswagen AG and because other requirements set out under section 291 (2) nos. 2, 3, and 4 of the HGB have been met. Volkswagen AG has agreed to guarantee the obligations entered into by TRATON SE up to the reporting date in the following fiscal year and has disclosed this declaration in accordance with section 325 of the HGB. As the sole shareholder of TRATON SE, Volkswagen AG approved on November 29, 2018, the utilization of relief pursuant to section 264 (3) of the HGB for fiscal 2018.

Income statement

for the period from January 1 through 31 December, 2018

	Note	2018 € thousand	2017 € thousand
Net investment income	(1)	–87,832	–23,083
Write-downs of financial assets	(2)	–1,181,823	–
Net interest income/expense	(3)	837	–494
Sales revenue	(4)	13,795	11,943
Cost of sales		–13,684	–11,815
Gross profit		*111*	*128*
General and administrative expenses	(5)	–145,203	–52,245
Other operating income	(6)	1,703	3,931
Other operating expenses	(7)	–2,748,052	–26,547
Income taxes	(8)	–1,044	70,715
Loss after tax		**–4,161,303**	**–27,596**
Loss absorbed on the basis of a domination and profit and loss transfer agreement	(9)	4,161,303	27,596
Net income for the fiscal year		**–**	**-**
Withdrawal from capital reserves	(10)	3,250,000	–
Net retained profit	**(11)**	**3,250,000**	**–**

Balance sheet as of December 31, 2018

	Note	Dec. 31, 2018 € thousand	Dec. 31, 2017 € thousand
Assets			
Intangible assets		176	–
Property, plant, and equipment		1,312	801
Financial assets		19,090,719	21,383,672
Fixed assets	**(12)**	**19,092,207**	**21,384,474**
Receivables and other assets	(13)	6,784,016	3,714,557
Bank balances		6	–
Current assets		**6,784,022**	**3,714,557**
Deferred income and prepaid expenses		**103**	**–**
		25,876,333	**25,099,031**

	Note	Dec. 31, 2018 € thousand	Dec. 31, 2017 € thousand
Total equity and liabilities			
Subscribed capital		10,000	10,000
Common shares		*10,000,200*	*10,000,200*
Capital reserves		21,331,380	24,581,380
Net retained profit	(11)	3,250,000	–
Equity	**(14)**	**24,591,380**	**24,591,380**
Provisions for pensions		59	–
Other provisions		737,057	200,410
Provisions	**(15)**	**737,115**	**200,410**
Liabilities to banks		33	12
Other liabilities		547,804	307,228
Total liabilities	**(16)**	**547,837**	**307,240**
		25,876,333	**25,099,031**

Notes to the financial statements

Basis of preparation of the financial statements

The legal status of TRATON SE ("TRATON"), formerly Volkswagen Truck & Bus GmbH, Volkswagen Truck & Bus AG, and TRATON AG, was altered from a German limited liability company (GmbH) to a German stock corporation (AG) on the basis of the shareholder resolution dated June 14, 2018. The change took effect on June 26, 2018, when it was entered in the commercial register. From August 30, 2018, until January 16, 2019, the former Volkswagen Truck & Bus AG operated as TRATON AG. The Company's registered office was transferred from Braunschweig, Germany to Munich, Germany, effective May 18, 2018. On the basis of the resolution dated December 14, 2018, the legal status of TRATON AG was changed to a European stock corporation (Societas Europaea/SE). This change took effect on January 17, 2019, when it was entered in the commercial register. Since then, the Company has been registered 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, 2018, have been prepared in accordance with the provisions of the *Handelsgesetzbuch* (HGB — German Commercial Code) and the *Aktiengesetz* (AktG — German Stock Corporation Act).

To enhance clarity, some items have been combined in the balance sheet and income statement; these are explained separately in the notes to the financial statements. All amounts shown have been rounded. This may result in minor discrepancies when they are added.

The Company switched to the cost of sales (function of expense) format for its income statement in fiscal 2018 in the interests of harmonization within the Group. Prior-year figures were adjusted accordingly.

TRATON SE is a wholly owned direct subsidiary of Volkswagen Aktiengesellschaft, Wolfsburg, Germany (Volkswagen AG) and is therefore included in the consolidated financial statements of Volkswagen AG, which are published in the *Bundesanzeiger* (the Federal Gazette).

On April 29, 2014, the shareholders' meeting of TRATON SE approved the amendment of the domination and profit and loss transfer agreement concluded between TRATON SE and Volkswagen AG on February 3, 2004. The amended domination and profit and loss transfer agreement was entered in the commercial register of TRATON SE on December 12, 2014, and has been effective since this date.

Accounting policies

Intangible assets

Purchased intangible assets are recognized at cost and amortized over their useful life (generally 3–5 years) on a straight-line basis.

Property, plant, and equipment

Property, plant, and equipment is measured at cost less depreciation and, in some cases, write-downs.

Buildings on third-party land are depreciated on a straight-line basis over their rental term. Movable items of property, plant, and equipment are generally depreciated over 13 years.

Low-cost movable assets used by the Company that are subject to wear and tear are recognized immediately as expenses or capitalized and written down in full in the year of acquisition.

Write-downs are made for impairment losses that are expected to be permanent.

Financial assets

Shares in affiliated companies and other equity investments are measured at cost less reductions in cost or at the lower fair value.

They are written down if an impairment loss is expected to be permanent. In accordance with the requirement for write-downs to be reversed, if the reasons for the permanent impairment no longer apply, the write-down is reversed, but not beyond cost.

Current assets

In principle, receivables and other assets are recognized at nominal value. Appropriate loss allowances are recognized for identifiable individual risks.

Bank balances are carried at their nominal amount.

Deferred taxes

No deferred taxes are recognized because the Company forms an income tax group with Volkswagen AG.

Offset of assets and liabilities, and of income and expenses

Assets whose sole purpose is to meet pension obligations and that are protected from all other creditors are recognized at fair value. Income and expenses relating to these assets are offset against the expense for the unwinding of interest for the corresponding obligation and recognized in net interest income/expense. These assets are offset against the underlying obligation. If the fair value of these assets exceeds the amount of liabilities, the excess amount must be recognized as "excess arising from the offset of assets and liabilities." If liabilities exceed assets, the difference is recognized as a provision.

Pensions and other post-employment benefits

Pension obligations are calculated using the projected unit credit method. Future benefit obligations are measured on the basis of the proportionate benefit entitlements earned by the end of the reporting period and discounted to their present value. Measurement reflects assumptions about the future development of certain parameters , which affect the amount of future benefits. The discount rate for all obligations is the average market interest rate for the past ten years published by the German Bundesbank for a residual maturity of 15 years, in accordance with section 253 (2) of the HGB.

Pension provisions are reduced by the fair value of the assets used to cover the benefit obligations. See also "Offset of assets and liabilities, and of income and expenses."

Miscellaneous provisions, liabilities

Miscellaneous provisions relate to uncertain liabilities. Measurement ensures that they take account of all identifiable risks, taking into consideration future price and cost increases. Provisions with a term of more than one year are discounted on the basis of their remaining term.

Liabilities are recognized at their settlement amount.

Currency translation

Receivables and liabilities that are denominated in foreign currencies and hedged are measured at the hedged rate. Miscellaneous current foreign currency receivables and liabilities are measured at the average exchange rate on the reporting date. Miscellaneous noncurrent foreign currency receivables and liabilities are translated at the exchange date on the date of recognition or, in the case of receivables, the lower exchange rate applicable on the reporting date or, in the case of liabilities, the higher exchange rate applicable on the reporting date.

Derivatives

TRATON SE uses derivatives exclusively for hedging.

As of the reporting date, TRATON SE had no derivatives. For further information on hedging relationships during the fiscal year, please see the explanations in no. 21.

Income statement disclosures

(1) Net investment income

€ thousand	**2018**	**2017**
Income from profit and loss transfer agreements	580,629	49,418
Income from equity investments (of which from affiliated companies)	362,678 (362,676)	– (–)
Expenses from the absorption of losses	–26,234	–49,059
Expenses from equity investments	–1,004,905	–23,442
	–87,832	**–23,083**

Income from profit and loss transfer agreements originates primarily from MAN SE. It is mainly attributable to profit transferred for the 2018 fiscal year in the amount of €548,332 thousand and the reversal of the provision recognized for the reasonable compensation paid in the previous year. This was partially offset by the reasonable compensation payable to the free float shareholders of MAN SE for fiscal 2018.

The income from equity investments mainly comprises the dividend distributed by Scania AB in the amount of €362,651 thousand.

The expenses from the absorption of losses include the earnings of TB Digital Services GmbH. In the previous year, the expenses from the absorption of losses mainly comprised the provision recognized for the payment of reasonable compensation.

Expenses from equity investments include the provisions recognized in connection with the outcome of the proceedings of cash compensation. Expenses as a result of the increase in reasonable compensation were also taken into account. These were partially offset by the reversal of provisions recognized for the interest payable on the cash settlement amount. Please refer to no. 18 for additional explanations. The total amount relates to the proceedings of cash compensation and is an expense of extraordinary significance within the meaning of section 285 no. 31 of the HGB. Prior-year figure included the expenses for the unwinding the interest on the cash compensation in the amount of €23,442 thousand.

On August 21, 2018, the Executive Board of TRATON SE decided to terminate the domination and profit and loss transfer agreement concluded between TRATON SE and MAN SE on April 26, 2013, with effect from midnight (00:00) on January 1, 2019, in accordance with section 304 (4) of the AktG.

Under an agreement dated December 6, 2018, Volkswagen Gebrauchtfahrzeughandels und Service GmbH ("VGSG") was sold to Porsche Siebte Vermögensverwaltung GmbH, effective midnight (00:00) on January 1, 2019. In this connection, the domination and profit and loss transfer agreement between TRATON SE and VGSG was terminated effective midnight (24:00) on December 31.

(2) Write-downs of financial assets

In the reporting period, a write-down was made on the carrying amount of the equity investment in MAN SE. This expense is an amount in accordance with section 285 no. 31 of the HGB.

(3) Net interest income/expense

€ thousand	2018	2017
Miscellaneous interest and similar income	5,707	2,696
(of which from affiliated companies)	(5,707)	(2,696)
Interest and similar expenses	–4,834	–3,190
(of which to affiliated companies)	(–4,812)	(–3,190)
Interest from pension provisions	–36	0
	837	**–494**

The interest income and interest expenses mainly relate to intragroup receivables and liabilities from finance transactions. In the reporting period, net interest income/expense contained €1 thousand (previous year: €0 thousand) from the unwinding of discounts on provisions. The discounting of provisions had no effect (previous year: €0 thousand).

(4) Sales revenue

€ thousand	2018	2017
Services / cost allocations	13,795	11,943
	13,795	**11,943**

The prior-year figure was adjusted slightly by €14 thousand to enhance comparability.

(5) General and administrative expenses

€ thousand	2018	2017
Personnel expenses	9,758	5,906
Depreciation and amortization	172	155
Other administrative expenses	135,272	46,183
	145,203	**52,245**

Personnel expenses rose by €3,852 thousand mainly as a result of an increase in the number of employees.

In the reporting period, other administrative expenses comprised expenses of €68,343 thousand in connection with preparations to access the capital markets. These expenses are amounts in accordance with section 285 no. 31 of the HGB.

(6) Other operating income

Other operating income of €1,703 thousand (previous year: €3,931 thousand) mainly comprises income from derivatives (for further information, see the explanations in no. 21) and income from foreign currency measurement of €1,702 thousand (previous year: €97 thousand). In the prior year, other operating income included income of €3,575 thousand from the reversal of provisions.

The prior-year figure was adjusted slightly by €31 thousand to enhance comparability.

(7) Other operating expenses

Other operating expenses of €2,748,052 thousand (previous year: €26,547 thousand) include expenses that cannot be allocated to functional expenses. These comprise expenses of €2,747,680 thousand in connection with the partial divestment of the equity investment in MAN SE. This expenditure is of extraordinary significance and magnitude within the meaning of section 285 no. 31 of the HGB and is due to the sale of MAN SE's Power Engineering business. There were no expenses arising from foreign currency measurement in the reporting period (previous year: €5 thousand).

The prior-year figure was adjusted by €38,612 thousand due to the change from the total cost format to the cost of sales format.

(8) Income taxes

Tax expense of €1,044 thousand was recorded for the 2018 fiscal year (previous year: tax income of €70,715 thousand) resulting from intragroup income tax allocations.

(9) Loss absorbed on the basis of a domination and profit and loss transfer agreement

On the basis of the domination and profit and loss transfer agreement, the net loss before loss absorption amounting to €4,161,303 thousand (previous year: €27,596 thousand) was absorbed by Volkswagen AG.

(10) Withdrawal from capital reserves

It was resolved to liquidate some of the free capital reserves within the meaning of section 272 (2) no. 4 of the HGB.

(11) Net retained profits

It is proposed that the net retained profits of TRATON SE totaling €3,250,000 thousand for fiscal 2018 be distributed to the sole shareholder of the Company.

Balance sheet disclosures

(12) Development of fixed assets

€ thousand	Cost				Cumulative depreciation, amortization and write-downs				Net carrying amounts	
	As of 01/01/2018	Additions	Disposals	As of 12/31/2018	As of 01/01/2018	Additions	Disposals	As of 12/31/2018	As of 12/31/2018	As of 12/31/2017
Intangible assets										
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	–	176	–	**176**	–	–	–	**–**	**176**	–
	–	**176**	**–**	**176**	**–**	**–**	**–**	**–**	**176**	**–**
Property, plant, and equipment										
Land, land rights, and buildings, including buildings on third-party land	185	–	–	**185**	48	43	–	**91**	**94**	137
Operating and office equipment	850	45	12	**883**	185	129	12	**302**	**581**	664
Prepayments made and assets under construction	–	637	–	**637**	–	–	–	**–**	**637**	–
	1,035	**683**	**12**	**1,706**	**233**	**172**	**12**	**394**	**1,312**	**801**
Financial assets										
Shares in affiliated companies	21,120,743	1,636,553	2,747,680	**20,009,617**	–	1,181,823	–	**1,181,823**	**18,827,794**	21,120,743
Long-term equity investments	262,929	–	4	**262,925**	–	–	–	**–**	**262,925**	262,929
	21,383,672	**1,636,553**	**2,747,683**	**20,272,542**	**–**	**1,181,823**	**–**	**1,181,823**	**19,090,719**	**21,383,672**
Fixed assets	**21,384,707**	**1,637,412**	**2,747,695**	**20,274,424**	**233**	**1,181,995**	**12**	**1,182,217**	**19,092,207**	**21,384,474**

The development of fixed assets is shown in the statement of changes in fixed assets.

Additions to shares in affiliated companies result from the increase in the share in MAN SE. As a result of the MAN common and preferred shares being tendered by minority shareholders, TRATON SE's share in MAN SE has now increased to 86.87%.

The reduction in shares in affiliated companies results from the partial divestment of and, irrespective of the latter, the write-down on the carrying amount of the equity investment in MAN SE.

The shares in Navistar are disclosed in equity investments. The investment in Navistar was reclassified to equity investments as a result of the percentage of shares in affiliated companies. Prior-year disclosures were adjusted accordingly. In the previous year, these were disclosed in shares in affiliated companies. As of December 31, 2018, TRATON SE held 16.81% of Navistar's capital.

(13) Receivables and other assets

€ thousand	Dec. 31, 2018	Dec. 31, 2017
Trade receivables	–	–
Receivables from affiliated companies	6,783,981	3,713,574
(of which trade receivables)	(5,956)	(2,328)
(of which due in more than one year)	(–)	(–)
Other assets	35	982
(of which due in more than one year)	(–)	(–)
	6,784,016	**3,714,557**

The receivables from affiliated companies mainly comprise receivables from profit transfers and tax allocations.

The prior-year figures for receivables from affiliated companies and for other assets were adjusted by €240 thousand in each case to enhance comparability.

(14) Equity

The share capital of TRATON SE amounts to €10,000,200 and is composed of 10,000,200 no-par value bearer shares with a notional value of €1 each. All shares were subscribed by Volkswagen AG and are fully paid up. Before the change in the Company's legal status to a stock corporation, the share capital of the former Volkswagen Truck & Bus GmbH was also €10,000,200. The sole shareholder was Volkswagen AG.

The capital reserves of TRATON SE amounting to €21,331,380 thousand (previous year: €24,581,380 thousand) comprise the contributions made by Volkswagen AG to TRATON SE, especially the transfer of MAN SE and Scania AB. The reduction in capital reserves totaling €3,250,000 thousand results from the resolution to liquidate some of the free capital reserves within the meaning of section 272 (2) no. 4 of the HGB. No legal reserves were recognized due to the losses incurred in fiscal 2018.

Under the domination and profit and loss transfer agreement entered into with Volkswagen AG in 2004, the net loss before loss absorption of €4,161,303 thousand (previous year: €27,596 thousand) was absorbed by Volkswagen AG.

The Executive Board and Supervisory Board of TRATON SE will propose to the Annual General Meeting that the net retained profits of TRATON SE totaling €3,250,000 thousand for fiscal 2018 be distributed to the sole shareholder of the Company.

(15) Provisions

a) Provisions for pensions

Provisions for pension obligations are recognized on the basis of pension plans for commitments for retirement, disability, and surviving dependents' benefits. TRATON SE's company pension plan is based on externally financed (securities-based) incremental pension commitments. The benefits depend principally on length of service and the employees' remuneration.

The annual remuneration-related pension expense is invested in investment funds on a trust basis by Volkswagen Pension Trust e.V., Wolfsburg, Germany. By investing in funds, this model offers the opportunity to increase the pension entitlements and also ensures that they are fully protected. These assets are irrevocably protected from recourse by TRATON SE and may only be used to fund current pension benefit payments or to settle claims by employees in the event of insolvency.

The following measurement parameters are used:

	Dec. 31, 2018	**Dec. 31, 2017**
Actuarial interest rate	3.21%	3.68%
Actuarial interest rate (average market rate in seven fiscal years)	*2.32%*	*2.80%*
Pension trend	1.50%	1.50%
Salary trend	3.50%	3.60%

The percentage used to calculate the salary trend takes into account increases attributable to career development as an addition to regular salary increases.

The biometric parameters are based on the 2005 G mortality tables published by Prof. Klaus Heubeck. These were adapted to match MAN Group-specific experience, most recently in 2017, and thus model mortality at TRATON SE better than the updated RT 2018 G mortality tables published in the fiscal year.

Development of pension obligations € thousand	
Value of obligations as of January 1, 2018	**–5**
Interest allocation	–33
Allocation from personnel expenses	–18
Payments / employee contributions	1
Residual allocation	–166
Value of pension obligations as of December 31, 2018	**–221**
Change in pension assets	
Pension assets as of January 1, 2018	**5**
Income realized from pension assets	–
Other changes	160
Gains/losses from fair value measurement	–3
Fair value of pension assets as of December 31, 2018	**162**
Purchase cost of pension assets €165 thousand	
Provisions for pensions	**–59**

In the previous year, there was an excess arising from the offset of assets and liabilities of €16.93.

The impact on profit or loss resulting from fund assets (€3 thousand) has been combined with the interest allocations (€33 thousand) in accordance with section 246 (2) sentence 2 of the HGB. The resulting amount of €36 thousand is contained in net interest income/expense in the "Interest from pension provisions" item.

The fair value of the assets offset was determined from market prices.

b) Other provisions

Miscellaneous provisions are primarily recognized for risks in connection with termination benefit obligations to free float shareholders of MAN SE totaling €703,921 thousand (previous year: €49,053 thousand), for obligations regarding outstanding invoices totaling €27,027 thousand (previous year: €8,112 thousand), and for obligations to employees. In the previous year, interest in connection with the interest on the cash compensation paid to minority shareholders of MAN SE was recorded in the amount of €139,459 thousand.

For further information on the proceedings of cash compensation, please see the explanations in no. 18.

(16) Liabilities

€ thousand	12/31/2018 Total	of which < 1 year	of which 1–5 years	12/31/2017 Total	of which < 1 year	of which 1–5 years
Liabilities to banks	**33**	**33**	**–**	**12**	**12**	**–**
Trade payables	18,579	18,579	–	144	144	–
Liabilities to affiliated companies	359,213	359,213	–	179,999	179,999	–
(of which from trade payables)	(5,908)	(5,908)	–	(72)	(72)	–
Other liabilities	170,012	170,012	–	127,085	127,085	–
(of which from taxes)	(157)	(157)	–	(99)	(99)	–
(of which for social security)	–	–	–	(98)	(98)	–
Miscellaneous liabilities	**547,804**	**547,804**	**–**	**307,228**	**307,228**	**–**
	547,837	**547,837**	**–**	**307,240**	**307,240**	**–**

The liabilities to affiliated companies largely consist of liabilities from loans and from profit transfer, including income tax allocations.

Other liabilities mainly comprise liabilities in connection with the payment of reasonable compensation to minority shareholders of MAN SE and payroll liabilities.

In the year under review and the previous year, there were no liabilities due in more than 5 years.

Other annual financial statement disclosures

(17) Commitments

As of the reporting date there were no commitments from sureties or guarantees.

(18) Litigation/legal proceedings

In June 2013, MAN SE's Annual General Meeting approved the conclusion of a domination and profit and loss transfer agreement between MAN SE and TRATON SE (formerly Volkswagen Truck & Bus GmbH, Volkswagen Truck & Bus AG, and TRATON AG), a subsidiary of Volkswagen AG. In July 2013, proceedings of cash compensation were initiated to examine the appropriateness of the cash compensation payment set out in the agreement in accordance with section 305 of the AktG and the settlement payment in accordance with section 304 of the AktG.

In its decision dated June 26, 2018 (supplemented and revised by the decisions dated July 30, 2018, and December 17, 2018), the Higher Regional Court of Munich decided, with *res judicata* effect, that the annual compensation claim under section 304 of the AktG must be raised to €5.47 gross per share (less corporate income tax and solidarity surcharge based on the applicable tax rate for these taxes in the relevant fiscal year). The increased settlement of €90.29 per share set in the first instance by Munich I Regional Court was confirmed. The decisions of the Higher Regional Court of Munich are legally enforceable and were published in the *Bundesanzeiger* on August 6, 2018, and January 10, 2019.

In addition to the issues described above, TRATON is involved in various legal disputes and litigation in connection with its business activities. Although any negative decisions in such cases could have a material effect on the Company's results in a particular reporting period, TRATON does not expect these to have a material adverse effect on its net assets, financial position, and results of operations. TRATON does not tolerate compliance violations.

(19) Other financial obligations

Other financial obligations mainly comprise rental and lease agreements and purchase commitments. The future payments — up to the end of the minimum term of these agreements — are due as follows:

€ thousand	Dec. 31, 2018	Dec. 31, 2017
Due within one year	6,173	1,170
Due in more than one and up to five years	4,504	5,851
Due after more than five years	1,654	2,341
	12,331	**9,362**
of which due to affiliated companies	*348*	–

(20) Other income statement disclosures

Cost of materials

€ thousand	2018	2017
Expenses for purchased services	13,684	11,815
	13,684	**11,815**

The prior-year figure was adjusted by €7,589 thousand due to the change from the total cost format to the cost of sales format.

The general and administrative expenses contain the following personnel expenses:

€ thousand	2018	2017
Wages and salaries	8,808	5,398
Social security contributions, retirement benefit expenses	950	509
	9,758	**5,906**

The retirement benefit expenses were €238 thousand (previous year: €45 thousand).

The Company had an average of 53 employees during the year (previous year: 37).

(21) Derivatives

Until now, the companies in the TRATON GROUP have hedged their interest rate, foreign currency, and commodity risks on an arm's length basis independently via the central Group Treasury unit at MAN SE or the central Group Treasury unit at Scania AB.

In 2018, TRATON SE's risk positions were hedged via MAN SE. In April 2018, TRATON SE concluded derivatives to hedge the dividend payment from Scania. As of December 31, 2018, TRATON SE did not have any derivatives.

(22) Remuneration of the Management/Executive Board

The remuneration and benefits granted to the members of the Management/Executive Board amounted to €1,274 thousand in the fiscal year (previous year: €1,587 thousand).

Former members of the Management received total remuneration within the meaning of section 285 (1) no. 9b of the HGB totaling €972 thousand.

The members of the Executive Board and the Management are listed on pages F-146ff.

(23) Remuneration of the Supervisory Board

The Supervisory Board of TRATON SE received an expense allowance for fiscal 2018.

The members of the Supervisory Board in fiscal 2018 are listed on pages F-144ff.

(24) Notifications of investments in TRATON SE in accordance with section 20 of the AktG

Volkswagen Aktiengesellschaft, Wolfsburg, Germany, notified TRATON SE (formerly Volkswagen Truck & Bus GmbH, Volkswagen Truck & Bus AG, and TRATON AG) on July 25, 2018, in accordance with

section 20 (1), (3), and (4) of the AktG, that as of June 26, 2018, it directly held over a quarter and at the same time over half of the shares (majority stake within the meaning of section 16 (1) of the AktG) in TRATON SE (excluding the shares attributable to it under section 20 (2) of the AktG).

(25) Report on post-balance sheet date events

On the basis of the resolution dated December 14, 2018, the legal status of TRATON AG was changed to a European stock corporation (Societas Europaea/SE). This change took effect on January 17, 2019, when it was entered in the commercial register at the Munich Local Court.

At the constituent meeting of the Supervisory Board of TRATON SE on December 20, 2018, the Supervisory Board reappointed the entire Executive Board with effect from the entry of TRATON in the commercial register as an SE. In addition to the previous members of the Executive Board of TRATON AG, two further members were appointed to the Executive Board with effect from January 17, 2019. Dr. Carsten Intra will be responsible for human resources issues at TRATON SE as Chief Human Resources Officer and Mr. Christian Levin will be responsible for the Research & Development and Procurement functions.

Upon the change in the Company's legal status from TRATON AG to TRATON SE becoming legally effective on January 17, 2019, the Supervisory Board comprises the following members:

Shareholder representatives: Pötsch, Hans Dieter; Döss, Dr. Manfred; Kilian, Gunnar; Kirchmann, Dr. Albert X.; Kuhn-Piëch, Dr. Julia; Macpherson, Nina; Porsche, Dr. Dr. Christian; Schmid, Dr. Wolf-Michael; Werner, Hiltrud, and Witter, Frank.

Employee representatives: Stimoniaris, Athanasios; Bechstädt, Torsten; Carlquist, Mari; Lorentzon, Lisa; Luthin, Bo; Lyngsie, Michael; Osterloh, Bernd; Zieger, Steffen; Kerner, Jürgen and Schnur, Karina.

No events have occurred after the reporting period that are material for TRATON SE and could lead to a reassessment of the Company.

Members of the Supervisory Board in 2018

Pötsch, Hans Dieter (Chairman of the Supervisory Board)

Chairman of the Executive Board of Porsche Automobil Holding SE and Chairman of the Supervisory Board of Volkswagen AG

(since June 11, 2018)

Stimoniaris, Athanasios (Deputy Chairman)

Chairman of the Group Works Council of MAN SE

Bechstädt, Torsten

Subject specialist on the Group Works Council of Volkswagen AG

(since June 11, 2018)

Döss, Dr. Manfred

Member of the Executive Board of Porsche Automobil Holding SE and General Counsel of Volkswagen AG

(since June 11, 2018)

Dr. Garcia Sanz, Francisco Javier

Member of the Board of Management of Volkswagen AG

(until April 12, 2018)

Järvklo, Johan

Chairman of IF Metall (Swedish labor union) at Scania

(until July 3, 2018)

Kilian, Gunnar

Member of the Board of Management of Volkswagen AG

(until April 12, 2018, and since June 11, 2018)

Lorentzon, Lisa

Chairperson of the professional employees' committee at Scania AB

Lyngsie, Michael

Chairman of IF Metall (Swedish labor union) at Scania

(since August 22, 2018)

Müller, Matthias

Chairman of the Board of Management of Volkswagen AG

(until April 17, 2018)

Dr. Nägele, Frank

State Secretary at the Lower Saxony Ministry of the Economy, Labor and Transportation

(until January 15, 2018)

Osterloh, Bernd

Chairman of the Group Works Council of Volkswagen AG

Porsche, Dr. Ferdinand Oliver

Member of the Executive Board of Familie Porsche AG Beteiligungsgesellschaft

Pröbster, Günther

Chairman of the Works Council of the MAN engine plant in Nuremberg

Werner, Hiltrud

Member of the Board of Management of Volkswagen AG

(since June 11, 2018)

Witter, Frank

Member of the Board of Management of Volkswagen AG

As of: December 31, 2018, or date of departure

Members of the Executive Board in 2018

Andreas Renschler

Chairman of the Executive Board

(since June 14, 2018)

Christian Schulz

Chief Financial Officer

(since June 14, 2018)

Antonio Roberto Cortes

Chief Executive Officer of Volkswagen Caminhões e Ônibus

(since June 14, 2018)

Joachim Drees

Chief Executive Officer of MAN SE

(since June 14, 2018)

Henrik Henriksson

Chief Executive Officer of Scania AB

(since June 14, 2018)

As of: December 31, 2018, or date of departure

Members of the Management in 2018 until the change of legal status from Volkswagen Truck & Bus GmbH to Volkswagen Truck & Bus AG

Andreas Renschler

Chief Executive Officer

Matthias Gründler

Member of the Management

(until May 17, 2018)

Antonio Roberto Cortes

Chairman of the Executive Board of Volkswagen Caminhões e Ônibus

Joachim Drees

Chief Executive Officer of MAN SE

Henrik Henriksson

Chief Executive Officer of Scania AB

List of shareholdings

List of shareholdings of TRATON SE pursuant to section 285 no. 11 of the HGB

Name and domicile of the company	Currency	Exchange rate (€1=) 12/31/2018	Capital interest in %	Equity in thousands local currency	Profit/loss in thousands local currency	Foot-note	Year
I. PARENT COMPANY							
TRATON SE, Munich							
II. SUBSIDIARIES							
A. Consolidated companies							
1. Germany							
B. + V. Grundstücks-Verwaltungs- und Verwertungs-GmbH, Koblenz	EUR		100.00	108	1		2017
B. + V. Grundstücksverwertungs-GmbH & Co. KG, Koblenz	EUR		100.00	8,360	2,561		2017
GETAS Verwaltung GmbH & Co. Objekt Ausbildungszentrum KG, Pullach i. Isartal	EUR		100.00	26	530		2018
GETAS Verwaltung GmbH & Co. Objekt Offenbach KG, Pullach i. Isartal	EUR		100.00	26	1,882		2018
GETAS Verwaltung GmbH & Co. Objekt Verwaltung Nürnberg KG, Pullach i. Isartal	EUR		100.00	26	956		2018
KOSIGA GmbH & Co. KG, Pullach i. Isartal	EUR		94.00	35,689	910		2018
MAN Verwaltungs-Gesellschaft mbH, Munich	EUR		100.00	1,039	-	1)	2018
MAN GHH Immobilien GmbH, Oberhausen	EUR		100.00	42,111	-	1)	2018
MAN Grundstücksgesellschaft mbH & Co. Epsilon KG, Munich	EUR		100.00	623	315		2018
MAN HR Services GmbH, Munich	EUR		100.00	50	-	1)	2018
MAN SE, Munich	EUR		86.87	2,125,389	-	1)	2018
MAN Service und Support GmbH, Munich	EUR		100.00	25	-	1)	2018
MAN Truck & Bus AG, Munich	EUR		100.00	563,438	-	1)	2018
MAN Truck & Bus Deutschland GmbH, Munich	EUR		100.00	130,934	-	1)	2018
Scania CV Deutschland Holding GmbH, Koblenz	EUR		100.00	89,802	18,852		2017
SCANIA DEUTSCHLAND GmbH, Koblenz	EUR		100.00	36,625	-	1)	2017
Scania Finance Deutschland GmbH, Koblenz	EUR		100.00	62,523	5,505		2017
SCANIA Real Estate Deutschland GmbH, Koblenz	EUR		100.00	4,080	881		2017

Name and domicile of the company	Currency	Exchange rate (€1=) 12/31/2018	Capital interest in %	Equity in thousands local currency	Profit/loss in thousands local currency	Foot-note	Year
SCANIA Real Estate Deutschland Holding GmbH, Koblenz	EUR		100.00	12,152	2,159		2017
Scania Versicherungsvermittlung GmbH, Koblenz	EUR		100.00	-261	183		2017
SCANIA Vertrieb und Service GmbH, Koblenz	EUR		100.00	9,463	-	1)	2017
TARONA Verwaltung GmbH & Co. Alpha KG, Pullach i. Isartal	EUR		100.00	5,124	356		2018
TB Digital Services GmbH, Munich	EUR		100.00	25	-	1)	2018
TORINU Verwaltung GmbH & Co. Beta KG, Pullach i. Isartal	EUR		100.00	18,100	510		2018
Volkswagen Gebrauchtfahrzeughandels und Service GmbH, Langenhagen	EUR		100.00	603	-	1)	2017
2. Ausland							
AB Dure, Södertälje	SEK	10.2507	100.00	1,440	-	4)	2017
AB Folkvagn, Södertälje	SEK	10.2507	100.00	100,000	-	4)	2017
AB Scania-Vabis, Södertälje	SEK	10.2507	100.00	100,000	-	4)	2017
Ainax AB, Stockholm	SEK	10.2507	100.00	120	-	4)	2017
Centurion Truck & Bus (Pty) Ltd. t/a, Centurion	ZAR	16.4669	70.00	15,332	-4,433		2018
CNC Factory AB, Värnamo	SEK	10.2507	100.00	496	-1,829		2016
Codema Comercial e Importadora Ltda., Guarulhos	BRL	4.4449	99.98	-176,955	-1,953		2017
DynaMate Industrial Services AB, Södertälje	SEK	10.2507	100.00	4,697	-4,380		2016
DynaMate IntraLog AB, Södertälje	SEK	10.2507	100.00	7,543,000	-	4)	2017
Fastighetsaktiebolaget Flygmotorn, Södertälje	SEK	10.2507	100.00	18,485	-254		2017
Fastighetsaktiebolaget Hjulnavet, Södertälje	SEK	10.2507	100.00	53,550	-299		2017
Fastighetsaktiebolaget Vindbron, Södertälje	SEK	10.2507	100.00	42,070	-		2017
Ferruform AB, Luleå	SEK	10.2507	100.00	86,385	-13,063		2017
Garage Vetterli AG, Seuzach	CHF	1.1264	100.00	4,148	-		2016
Griffin Automotive Ltd., Road Town	TWD	35.026	100.00	551,579	281,397		2017
Italscania S.p.A., Trento	EUR		100.00	40,681	26,593		2017
Kai Tak Holding AB, Södertälje	SEK	10.2507	100.00	120	-		2017
Laxå Specialvehicles AB, Laxå	SEK	10.2507	90.10	73,470	10,551		2017
LOTS Group AB, Södertälje	SEK	10.2507	100.00	24,835	1,396		2017
LOTS Latin América Logística de Transportes Ltda., São Bernardo do Campo	BRL	4.4449	100.00	1,000	-	3)	2017

Name and domicile of the company	Currency	Exchange rate (€1=) 12/31/2018	Capital interest in %	Equity in thousands local currency	Profit/loss in thousands local currency	Foot-note	Year
Lots Logistics (Guangxi) Co.Ltd., Beihai	CNY	7.8773	100.00	4,169	-226		2017
Mälardalens Tekniska Gymnasium AB, Södertälje	SEK	10.2507	80.00	15,552	1,843		2017
MAN Accounting Center Sp. z o.o., Poznan	PLN	4.2978	100.00	8,445	547		2018
MAN Automotive (South Africa) (Pty) Ltd., Johannesburg	ZAR	16.4669	100.00	854,984	101,076		2018
MAN Bus & Coach (Pty) Ltd., Olifantsfontein	ZAR	16.4669	100.00	-	-1,775	4)	2017
MAN Bus Sp. z o.o., Starachow ice	EUR		100.00	155,874	12,238		2018
MAN Capital Corp., Pompano Beach, Florida	USD	1.1453	100.00	247,595	76,924		2018
MAN Engines & Components Inc., Pompano Beach, Florida	USD	1.1453	100.00	73,940	10,950		2018
MAN Finance and Holding S.A., Strassen	EUR		100.00	1,891,259	-322,527		2018
MAN Finance Luxembourg S.A., Strassen	EUR		100.00	63,436	8,709		2018
MAN Hellas Truck & Bus A.E., Aspropygros	EUR		100.00	2,288	-274		2017
MAN Kamion és Busz Kereskedelmi Kft., Dunaharaszti	HUF	321.04	100.00	4,347,254	863,918		2018
MAN Kamyon ve Otobüs Ticaret A.S., Ankara	EUR		100.00	43,261	5,176		2018
MAN Latin America Indústria e Comércio de Veículos Ltda., São Paulo	BRL	4.4449	100.00	2,326,695	262,801		2018
MAN Nutzfahrzeuge Immobilien GmbH, Steyr	EUR		100.00	27,280	2,112		2018
MAN Truck & Bus (Korea) Ltd., Yongin	KRW	1.276.9000	100.00	17,059,433	2,233,712		2018
MAN Truck & Bus (M) Sdn. Bhd., Raw ang	MYR	4.7326	70.00	-4,431	-569		2017
MAN Truck & Bus (S.A.) (Pty) Ltd., Isando	ZAR	16.4669	100.00	-	-68,539	4)	2017
MAN Truck & Bus Asia Pacific Co. Ltd., Bangkok	THB	37.0358	99.99	135,538	7,843		2018
MAN Truck & Bus Czech Republic s.r.o., Cestlice	CZK	25.7245	100.00	1,076,434	51,486		2018
MAN Truck & Bus Danmark A/S, Greve	DKK	7.4671	100.00	113,767	23,198		2018
MAN Truck & Bus France S.A.S., Evry	EUR		100.00	63,810	7,617		2018
MAN Truck & Bus Iberia S.A., Coslada	EUR		100.00	115,785	11,118		2018
MAN Truck & Bus Italia S.p.A., Dossobuono di Villafranca	EUR		100.00	21,602	5,718		2018
MAN Truck & Bus Mexico S.A. de C.V., El Marqués	MXN	22.5204	100.00	280,070	7,030		2018

Name and domicile of the company	Currency	Exchange rate (€1=) 12/31/2018	Capital interest in %	Equity in thousands local currency	Profit/loss in thousands local currency	Foot-note	Year
MAN Truck & Bus Middle East FZE, Dubai	AED	4.2067	100.00	45,881	-4,442		2018
MAN Truck & Bus N.V., Kobbegem	EUR		100.00	21,844	4,940		2018
MAN Truck & Bus Norge A/S, Lorenskog	NOK	9.9394	100.00	159,051	3,962		2018
MAN Truck & Bus Österreich GmbH, Steyr	EUR		100.00	725,754	33,512		2018
MAN Truck & Bus Polska Sp. z o.o., Nadarzyn	PLN	4.2978	100.00	6,712	-17,129		2018
MAN Truck & Bus Portugal S.U. Lda., Lisbon	EUR		100.00	3,767	1,905		2018
MAN Truck & Bus Schw eiz AG, Otelfingen	CHF	1.1264	100.00	24,572	3,082		2018
MAN Truck & Bus Slovakia s.r.o., Bratislava	EUR		100.00	8,658	560		2018
MAN Truck & Bus Slovenija d.o.o., Ljubljana	EUR		100.00	11,497	1,008		2018
MAN Truck & Bus Sverige AB, Kungens Kurva	SEK	10.2507	100.00	38,695	8,904		2018
MAN Truck & Bus Trading (China) Co., Ltd., Beijing	CNY	7.8773	100.00	63,387	-4,107		2018
MAN Truck & Bus UK Ltd., Swindon	GBP	0.8969	100.00	80,792	2,685		2017
MAN Truck & Bus Vertrieb Österreich GmbH, Vienna	EUR		100.00	243,330	52,852		2018
MAN Trucks Sp. z o.o., Niepolomice	EUR		100.00	234,446	16,030		2018
MAN Türkiye A.S., Ankara	EUR		99.99	113,030	22,522		2018
MW-Hallen Restaurang AB, Södertälje	SEK	10.2507	100.00	2,227	0		2017
Norsk Scania A/S, Oslo	NOK	9.9394	100.00	222,723	301,878		2017
Norsk Scania Eiendom A/S, Oslo	NOK	9.9394	100.00	75,071	12,492		2017
OOO MAN Truck & Bus Production RUS, St. Petersburg	EUR		100.00	6,452	-467		2018
OOO MAN Truck and Bus RUS, Moscow	RUB	79.8377	100.00	4,902,497	1,337,655		2018
OOO Scania Finance, Moscow	RUB	79.8377	100.00	74,159	7,765		2017
OOO Scania Leasing, Moscow	RUB	79.8377	100.00	3,120,420	797,185		2017
OOO Scania Peter, St. Petersburg	RUB	79.8377	100.00	239,015	73,461		2017
OOO Scania Service, Golitsino	RUB	79.8377	100.00	227,790	64,181		2017
OOO Scania Strachovanie, Moscow	RUB	79.8377	100.00	19,374	11,254		2017
OOO Scania-Rus, Golitsino	RUB	79.8377	100.00	4,345,121	1,307,719		2017
Pow er Vehicle Co. Ltd., Bangkok	THB	37.0358	100.00	2,081	-50		2017
PT Scania Parts Indonesia, Balikpapan	IDR	16.467.9800	100.00	4,147	1,447		2016
Reliable Vehicles Ltd., Milton Keynes	GBP	0.8969	100.00	6,420	973	4)	2017

Name and domicile of the company	Currency	Exchange rate (€1=) 12/31/2018	Capital interest in %	Equity in thousands local currency	Profit/loss in thousands local currency	Foot-note	Year
Sågverket 6 AB, Södertälje	SEK	10.2507	100.00	1,004	-59		2017
Santa Catarina Veículos e Serviços Ltda., Biguaçu	BRL	4.4449	100.00	35,328	562		2017
Scan Siam Service Co. Ltd., Bangkok	THB	37.0358	100.00	37,893	8,252		2017
Scanexpo International S.A., Montevideo	USD	1.1453	100.00	8,482	-97		2017
Scania (Hong Kong) Ltd., Hong Kong	HKD	8.9694	100.00	70,570	45,353		2017
Scania (Malaysia) Sdn. Bhd., Shah Alam	MYR	4.7326	100.00	47,845	7,482		2017
Scania AB, Södertälje	SEK	10.2507	100.00	10,002,232	53		2017
Scania Administradora de Consórcios Ltda., Cotia	BRL	4.4449	99.99	129,488	12,475		2017
Scania Argentina S.A., Buenos Aires	ARS	43.1569	100.00	2,690,388	1,070,874		2017
Scania Australia Pty. Ltd., Melbourne	AUD	1.6224	100.00	69,259	13,963		2017
Scania Banco S.A., São Bernardo do Campo	BRL	4.4449	100.00	267,057	20,337		2017
Scania Belgium N.V., Neder-Over-Heembeek	EUR		100.00	6,799	7,121		2017
Scania BH d.o.o., Sarajevo	BAM	1.9558	100.00	2,667	-50		2017
Scania Botsw ana (Pty) Ltd., Gaborone	BWP	12.2615	100.00	33,209	17,970		2017
Scania Bulgaria EOOD, Sofia	BGN	1.9559	100.00	12,534	6,428		2017
Scania Bus & Coach UK Ltd., Milton Keynes	GBP	0.8969	100.00	1,029	-	4)	2017
Scania Bus Financing AB, Södertälje	SEK	10.2507	100.00	204,232	203,964		2017
Scania Central Asia LLP, Almaty	KZT	440.135	100.00	1,022,611	120,402		2017
Scania Chile S.A., Santiago de Chile	CLP	794.77	100.00	11,598,545	1,923,705		2017
Scania Colombia S.A.S., Bogotá	COP	3.719.5000	100.00	22,243,280	1,515,076		2017
Scania Comercial, S.A. de C.V., Querétaro	MXN	22.5204	99.99	491,816	11,793		2017
Scania Commercial Vehicles India Pvt. Ltd., Bangalore	INR	79.9065	100.00	1,773,527	-2,977,659		2017
Scania Commercial Vehicles Renting S.A., San Fernando de Henares	EUR		100.00	61,149	1,590		2017
Scania Commerciale S.p.A., Trento	EUR		100.00	7,113	365		2017
Scania Corretora de Seguros Ltda., São Bernardo do Campo	BRL	4.4449	100.00	4,044	2,946		2017
Scania Credit (Hong Kong) Ltd., Hong Kong	HKD	8.9694	100.00	-3,839	-1,848		2017
Scania Credit (Malaysia) Sdn. Bhd., Shah Alam	MYR	4.7326	100.00	1,328	858		2017
Scania Credit AB, Södertälje	EUR		100.00	4,143	-652		2017
Scania Credit Hrvatska d.o.o., Lucko (Zagreb)	HRK	7.4136	100.00	9,559	-158		2017

Name and domicile of the company	Currency	Exchange rate (€1=) 12/31/2018	Capital interest in %	Equity in thousands local currency	Profit/loss in thousands local currency	Foot-note	Year
Scania Credit Romania IFN S.A., Ciorogârla	RON	4.6651	100.00	31,063	6,338		2017
Scania Credit Singapore Pte. Ltd., Singapore	SGD	1.5594	100.00	-	-	3) 6)	2018
Scania Credit Solutions (Pty) Ltd., Johannesburg	ZAR	16.4669	100.00	-	-	4)	2017
Scania Credit Solutions Pty Ltd., Aeroton	ZAR	16.4669	100.00	-1,243	-9,137		2017
Scania Credit Taiw an Ltd., New Taipei City	TWD	35.026	100.00	5,247	-14,831		2017
Scania CV AB, Södertälje	SEK	10.2507	100.00	41,897,624	4,222,204		2017
Scania Czech Republic s.r.o., Prague	CZK	25.7245	100.00	586,217	321,224		2017
Scania Danmark A/S, Ishöj	DKK	7.4671	100.00	135,885	25,831		2017
Scania Danmark Ejendom ApS, Ishöj	DKK	7.4671	100.00	116,261	15,008		2017
Scania del Perú S.A., Lima	PEN	3.8703	100.00	51,189	3,214		2017
Scania Delivery Center AB, Södertälje	SEK	10.2507	100.00	55,140	15,151		2017
Scania East Africa Ltd., Nairobi	KES	116.635	100.00	227,674	-187,251		2017
Scania Eesti AS, Tallinn	EUR		100.00	6,893	2,133		2017
Scania Finance Australia Pty. Ltd., Melbourne	AUD	1.6224	100.00	5,802	-1,070		2017
Scania Finance Belgium N.V., Neder-Over-Heembeek	EUR		100.00	12,774	923		2017
Scania Finance Bulgaria EOOD, Sofia	BGN	1.9559	100.00	8,252	2,350		2017
Scania Finance Chile S.A., Santiago de Chile	CLP	794.77	100.00	3,029,722	-2,573,569		2017
Scania Finance Colombia S.A.S., Bogotá	COP	3.719.5000	100.00	-	-	3) 6)	2018
Scania Finance Czech Republic spol. s r.o., Prague	CZK	25.7245	100.00	786,458	76,338		2017
Scania Finance France S.A.S., Angers	EUR		100.00	33,058	3,377		2017
Scania Finance Great Britain Ltd., London	GBP	0.8969	100.00	82,491	12,944		2017
Scania Finance Hispania EFC S.A., San Fernando de Henares	EUR		100.00	73,197	-15		2017
Scania Finance Holding AB, Södertälje	SEK	10.2507	100.00	169,886	67,089		2017
Scania Finance Ireland Ltd., Dublin	EUR		100.00	5,635	1,266		2017
Scania Finance Italy S.p.A., Milan	EUR		100.00	36,026	6,194		2017
Scania Finance Korea Ltd., Chung-Ang	KRW	1.276.9000	100.00	34,142,005	2,560,473		2017
Scania Finance Luxembourg S.A., Münsbach	EUR		100.00	4,590	436		2017
Scania Finance Magyarország Zrt., Biatorbágy	HUF	321.04	100.00	1,826,123	283,981		2017

Name and domicile of the company	Currency	Exchange rate (€1=) 12/31/2018	Capital interest in %	Equity in thousands local currency	Profit/loss in thousands local currency	Foot-note	Year
Scania Finance Nederland B.V., Breda	EUR		100.00	36,120	4,964		2017
Scania Finance Polska Sp. z o.o., Nadarzyn	PLN	4.2978	100.00	167,891	37,363		2017
Scania Finance Schweiz AG, Kloten	CHF	1.1264	100.00	5,745,239	-2,512		2017
Scania Finance Slovak Republic s.r.o., Senec	EUR		100.00	10,012	1,224		2017
Scania Finance Southern Africa (Pty) Ltd., Aeroton	ZAR	16.4669	100.00	492,919	68,160		2017
Scania Finans AB, Södertälje	SEK	10.2507	100.00	767,365	103,693		2017
Scania France S.A.S., Angers	EUR		100.00	50,643	16,403		2017
Scania Great Britain Ltd., Milton Keynes	GBP	0.8969	100.00	48,784	37,938		2017
Scania Group (Thailand) Co., Ltd., Samut Prakan	THB	37.0358	100.00	55,524,283	4,475,717	3)	2017
Scania Growth Capital AB, Södertälje	SEK	10.2507	90.10	108,000	-	3)	2017
Scania Hispania Holding S.L., San Fernando de Henares	EUR		100.00	64,249	17,984		2017
Scania Hispania S.A., San Fernando de Henares	EUR		100.00	21,333	13,903		2017
Scania Holding France S.A.S., Angers	EUR		100.00	76,328	16,939		2017
Scania Holding Inc., Wilmington, Delaware	USD	1.1453	100.00	28,536	3,358		2017
Scania Hrvatska d.o.o., Lucko (Zagreb)	HRK	7.4136	100.00	28,870	5,131		2017
Scania Hungaria Kft., Biatorbágy	HUF	321.04	100.00	2,225,694	1,285,195		2017
Scania Industrial Maintenance AB, Södertälje	SEK	10.2507	100.00	30,040	-2,266		2017
Scania Insurance Nederland B.V., Middelharnis	EUR		100.00	-	-		2017
Scania Insurance Polska Sp. z o.o., Nadarzyn	PLN	4.2978	100.00	2,503	2,419		2017
Scania Investimentos Imobiliários S.A., Vialonga	EUR		100.00	510	-1		2017
Scania IT AB, Södertälje	SEK	10.2507	100.00	116,179	39,950		2017
Scania IT France S.A.S., Angers	EUR		100.00	425	93		2017
Scania IT Nederland B.V., Zwolle	EUR		100.00	588	158		2017
Scania Japan Ltd., Tokyo	JPY	125.91	100.00	-163,973	-60,033		2017
Scania Korea Group Ltd., Seoul	KRW	1.276.9000	100.00	143,077,196	27,830,994		2017
Scania Latin America Ltda., São Bernardo do Campo	BRL	4.4449	100.00	2,073,534	470,514		2017
Scania Latvia SIA, Riga	EUR		100.00	5,653	2,490		2017
Scania Leasing d.o.o., Ljubljana	EUR		100.00	4,177	1,118		2017
Scania Leasing Ltd., Dublin	EUR		100.00	-	-	4)	2017
Scania Leasing Österreich GmbH, Brunn am Gebirge	EUR		100.00	11,410,609	1,470,064		2017

Name and domicile of the company	Currency	Exchange rate (€1=) 12/31/2018	Capital interest in %	Equity in thousands local currency	Profit/loss in thousands local currency	Foot-note	Year
Scania Leasing RS d.o.o., Krnješevci	RSD	118.4	100.00	-	-	3) 6)	2018
Scania Lízing Kft., Biatorbágy	HUF	321.04	100.00	485,482	-2,707		2017
Scania Location S.A.S., Angers	EUR		100.00	5,310	304		2017
Scania Logistics Netherlands B.V., Zwolle	EUR		100.00	2,806	891		2017
Scania Luxembourg S.A., Münsbach	EUR		100.00	1,633	627		2017
Scania Makedonija d.o.o.e.l., Ilinden	MKD	61.495	100.00	6,455	441		2017
Scania Manufacturing (Thailand) Co., Ltd., Samut Prakan	THB	37.0358	100.00	131,947,533	-8,052,467	3)	2017
Scania Maroc S.A., Casablanca	MAD	10.9505	100.00	173,020	28,941		2017
Scania Middle East FZE, Dubai	AED	4.2067	100.00	17,174	12,274		2017
Scania Milano S.p.A., Lainate	EUR		100.00	1,949	556		2017
Scania Moçambique, S.A., Beira	MZN	70.52	100.00	-42,948	-2,740		2017
Scania Namibia (Pty) Ltd., Windhoek	NAD	16.4674	100.00	46,164	20,006		2016
Scania Nederland B.V., Breda	EUR		100.00	39,475	13,486		2017
Scania Omni AB, Södertälje	SEK	10.2507	100.00	7,182,000	-	4)	2017
Scania Österreich GmbH, Brunn am Gebirge	EUR		100.00	16,775	10,058		2017
Scania Österreich Holding GmbH, Brunn am Gebirge	EUR		100.00	18,601	-6		2017
Scania Overseas AB, Södertälje	SEK	10.2507	100.00	105,022	-		2017
Scania Polska S.A., Nadarzyn	PLN	4.2978	100.00	156,528	96,366		2017
Scania Portugal S.A., Santa Iria de Azóia	EUR		100.00	8,551	2,443		2017
Scania Power Polska Sp. z o.o., Warsaw	PLN	4.2978	100.00	1,494	173		2017
Scania Production Angers S.A.S., Angers	EUR		100.00	28,152	1,579		2017
Scania Production Meppel B.V., Meppel	EUR		100.00	15,593	1,804		2017
Scania Production Slupsk S.A., Slupsk	PLN	4.2978	100.00	37,791	2,987		2017
Scania Production Zwolle B.V., Zwolle	EUR		100.00	37,279	6,101		2017
Scania Properties Ltd., Milton Keynes	GBP	0.8969	100.00	501	-	4)	2017
Scania Real Estate (UK) Ltd., Milton Keynes	GBP	0.8969	100.00	6,420	973		2017
Scania Real Estate Belgium N.V., Neder-Over-Heembeek	EUR		100.00	2,843	784		2017
Scania Real Estate Bulgaria EOOD, Sofia	BGN	1.9559	100.00	-14	-19		2017
Scania Real Estate Czech Republic s.r.o., Prague	CZK	25.7245	100.00	122,595	20,232		2017

Name and domicile of the company	Currency	Exchange rate (€1=) 12/31/2018	Capital interest in %	Equity in thousands local currency	Profit/loss in thousands local currency	Foot-note	Year
Scania Real Estate d.o.o. Beograd, Belgrade	RSD	118.4	100.00	215	-145		2017
Scania Real Estate Finland Oy, Helsinki	EUR		100.00	11,744	1,111		2017
Scania Real Estate France S.A.S., Angers	EUR		100.00	3,383	104		2017
Scania Real Estate Hispania S.L., San Fernando de Henares	EUR		100.00	413	104		2017
Scania Real Estate Holding Luxembourg S.àr.l, Münsbach	EUR		100.00	5,830	616		2017
Scania Real Estate Holding Oy, Helsinki	EUR		100.00	5,536	-8		2017
Scania Real Estate Hong Kong Ltd., Hong Kong	HKD	8.9694	100.00	100	111	4)	2017
Scania Real Estate Hungaria Kft., Biatorbágy	HUF	321.04	100.00	1,029,809	113,553		2017
Scania Real Estate Kenya Ltd., Nairobi	KES	116.635	100.00	-	-	3) 6)	2018
Scania Real Estate Lund AB, Södertälje	SEK	10.2507	100.00	-18	-118		2017
Scania Real Estate Österreich GmbH, Brunn am Gebirge	EUR		100.00	1,350	486		2017
Scania Real Estate Polska Sp. z o.o., Nadarzyn	PLN	4.2978	100.00	68,549	4,995		2017
Scania Real Estate Romania S.R.L., Ciorogârla	RON	4.6651	100.00	4,288	-570		2017
Scania Real Estate Schw eiz AG, Kloten	CHF	1.1264	100.00	3,390	1,317		2017
Scania Real Estate Services AB, Södertälje	SEK	10.2507	100.00	796,874	116,451		2017
Scania Real Estate Slovakia s.r.o., Senec	EUR		100.00	3,165	310		2017
Scania Real Estate The Netherlands B.V., Breda	EUR		100.00	6,393	2,314		2017
Scania Regional Agent de Asigurare S.R.L., Ciorogârla	RON	4.6651	100.00	31,063	6,338		2017
Scania Rent Bulgaria EOOD, Sofia	BGN	1.9559	100.00	100	-		2017
Scania Rent Romania S.R.L., Ciorogârla	RON	4.6651	100.00	2,570	849		2017
Scania Romania S.R.L., Ciorogârla	RON	4.6651	100.00	25,836	3,054		2017
Scania Sales (China) Co., Ltd., Beijing	CNY	7.8773	100.00	78,905	12,018		2017
Scania Sales and Service (Guangzhou) Co., Ltd., Guangzhou	CNY	7.8773	100.00	-49,890	-3,640		2017
Scania Sales and Services AB, Södertälje	SEK	10.2507	100.00	15,869,623	1,390,804		2017
Scania Schw eiz AG, Kloten	CHF	1.1264	100.00	25,977	22,960		2017
Scania Senegal S.U.A.R.L., Dakar	XOF	655.957	100.00	-	-	3) 6)	2018

Name and domicile of the company	Currency	Exchange rate (€1=) 12/31/2018	Capital interest in %	Equity in thousands local currency	Profit/loss in thousands local currency	Foot-note	Year
Scania Services del Perú S.A., Lima	PEN	3.8703	100.00	52,072	8,063		2017
Scania Servicios, S.A. de C.V., Querétaro	MXN	22.5204	99.99	138	78		2017
Scania Siam Co. Ltd., Bangkok	THB	37.0358	99.99	259,201	29,433		2017
Scania Siam Leasing Co. Ltd., Bangkok	THB	37.0358	100.00	369,725	42,813		2017
Scania Singapore Pte. Ltd., Singapore	SGD	1.5594	100.00	16,522	9,698		2017
Scania Slovakia s.r.o., Senec	EUR		100.00	11,420	4,464		2017
Scania Slovenija d.o.o., Ljubljana	EUR		100.00	7,861	3,347		2017
Scania South Africa (Pty) Ltd., Aeroton	ZAR	16.4669	100.00	241,668	101,046		2017
Scania Srbija d.o.o., Krnješevci	RSD	118.4	100.00	213,986	88,513		2017
Scania Suomi Oy, Helsinki	EUR		100.00	28,203	21,520		2017
Scania Sverige AB, Södertälje	SEK	10.2507	100.00	177,668	16,305		2017
Scania Sverige Bussar AB, Södertälje	SEK	10.2507	100.00	42,966,000	-	4)	2017
Scania Tanzania Ltd., Dar es Salaam	TZS	2.633.9650	100.00	1,974,252	-2,258,157		2017
Scania Thailand Co. Ltd., Bangkok	THB	37.0358	99.99	2,128,887	37,860		2017
Scania Trade Development AB, Södertälje	SEK	10.2507	100.00	357,829	-		2017
Scania Transportlaboratorium AB, Södertälje	SEK	10.2507	100.00	3,348	-74		2017
Scania Treasury AB, Södertälje	SEK	10.2507	100.00	55,124,572	44,926		2017
Scania Trucks & Buses AB, Södertälje	SEK	10.2507	100.00	78,637	10,982		2017
Scania USA Inc., San Antonio / TX	USD	1.1453	100.00	2,902	82		2017
Scania Used Vehicles AB, Södertälje	SEK	10.2507	100.00	5	-		2017
Scania West Africa Ltd., Accra	GHS	5.5256	100.00	10,161	-1,808		2017
Scania-Kringlan AB, Södertälje	SEK	10.2507	100.00	6,000,000	-	4)	2017
Scanlink Ltd., Milton Keynes	GBP	0.8969	100.00	1,956	-	4)	2017
Scanrent—Alguer de Viaturas sem Condutor, S.A., Santa Iria de Azóia	EUR		100.00	23,259	262		2017
Scantruck Ltd., Milton Keynes	GBP	0.8969	100.00	1,671	-	4)	2017
Södertälje Bilkredit AB, Södertälje	SEK	10.2507	100.00	100,000	-	4)	2017
SOE Busproduction Finland Oy, Lahti	EUR		100.00	6,759	3,522		2017
Southway Scania Ltd., Milton Keynes	GBP	0.8969	100.00	1,170	-	4)	2017

Name and domicile of the company	Currency	Exchange rate (€1=) 12/31/2018	Capital interest in %	Equity in thousands local currency	Profit/loss in thousands local currency	Foot-note	Year
SST Sustainable Transport Solutions India Pvt. Ltd., Nagpur	INR	79.9065	99.99	58,800	-	3)	2017
Suvesa Super Veics Pesados Ltda., Eldorado do Sul	BRL	4.4449	99.98	28,243	-70		2017
TimmerLogistikVäst AB, Amal	SEK	10.2507	100.00	1,597	235		2017
TOV Donbas-Scan-Service, Makijivka	UAH	31.7335	100.00	15,340	1,185		2017
TOV Kyiv-Scan, Kiev	UAH	31.7335	100.00	12,840	-24		2017
TOV MAN Truck & Bus Ukraine, Kiev	UAH	31.7335	100.00	116,731	-50,980		2018
TOV Scania Credit Ukraine, Kiev	UAH	31.7335	100.00	106,952	38,844		2017
TOV Scania Ukraine, Kiev	UAH	31.7335	100.00	-7,559	126,916		2017
TOV Scania-Lviv, Lwiw	UAH	31.7335	100.00	31,077	850		2017
TRATON AB, Södertälje	SEK	10.2507	100.00	-1,874	-1,994		2017
UAB Scania Lietuva, Vilnius	EUR		100.00	4,384	1,302		2017
Union Trucks Ltd., Milton Keynes	GBP	0.8969	100.00	573	-	4)	2017
Vabis Bilverkstad AB, Södertälje	SEK	10.2507	100.00	101,000	-	4)	2017
Vabis Försäkringsaktiebolag, Södertälje	SEK	10.2507	100.00	131,626	-		2017
Vindbron Arendal AB, Södertälje	SEK	10.2507	100.00	15,099	-308		2017
Westrucks Ltd., Milton Keynes	GBP	0.8969	100.00	336	-	4)	2017

Name and domicile of the company	Currency	Exchange rate (€1=) 12/31/2018	Capital interest in %	Equity in thousands local currency	Profit/loss in thousands local currency	Foot-note	Year
B. Unconsolidated companies							
1. Germany							
LoadFox GmbH, Munich	EUR		87.00	3,814	-3,361		2017
MAN Erste Beteiligungs GmbH, Munich	EUR		100.00	23	-0		2017
MAN Grundstücksgesellschaft mbH & Co. Gamma KG, Munich	EUR		100.00	2,693	135		2017
MAN Grundstücksgesellschaft mbH, Oberhausen	EUR		100.00	2,557	-	1)	2018
MAN Personal Services GmbH, Dachau	EUR		100.00	25	-	1)	2018
MAN-Unterstützungskasse GmbH, Munich	EUR		100.00	709	-121		2017
Ortan Verw altung GmbH & Co. Objekt Karlsfeld KG, Pullach i. Isartal	EUR		100.00	849	362		2017
2. Other countries							
ERF (Holdings) plc, Swindon	GBP	0.8969	100.00	757	-	4)	2017
ERF Ltd., Swindon	GBP	0.8969	100.00	-	-	4)	2017
Lauken S.A., Montevideo	UYU	37.076	100.00	-	-	4)	2017
LKW Komponenten s.r.o., Bánovce nad Bebravou	EUR		100.00	10,220	2,207		2017
MAN Financial Services Administrators (S.A.) (Pty) Ltd., Isando	ZAR	16.4669	100.00	-	-371	4)	2017
MAN Latin America Importacao, Industria e Comércio de Veículos Ltda., Resende	BRL	4.4449	100.00	-	-	4)	2017
MAN Truck & Bus India Pvt. Ltd., Pune	INR	79.9065	100.00	6,580,880	251,370		2018
MBC Mobile Bridges Corp., Houston, Texas	USD	1.1453	100.00	-	-	4)	2017
OOO Truck Production RUS, St. Petersburg	RUB	79.8377	100.00	116,876	-8,080		2017
S.A. Trucks Ltd., Bristol	GBP	0.8969	100.00	1	-	4)	2017
Scanexpo S.A., Montevideo	UYU	37.076	100.00	-	-	4)	2017
Scania de Venezuela S.A., Valencia	VEF	11.972	100.00	37,790	-9,146		2017
Scania New Zealand Ltd., Wellington	NZD	1.7057	100.00	-	-	3) 6)	2018
Scania-MAN Administration ApS, Copenhagen	DKK	7.4671	100.00	210	20		2017
TRATON, LLC, Herndon, Virginia	USD	1.1453	100.00	-	-	3)	2017
III. JOINT VENTURES							
1. Germany							
2. Other countries							
Cummins-Scania XPI Manufacturing, LLC, Columbus, Indiana	USD	1.1453	50.00	107,258	7,196		2017

Name and domicile of the company	Currency	Exchange rate (€1=) 12/31/2018	Capital interest in %	Equity in thousands local currency	Profit/loss in thousands local currency	Footnote	Year
Oppland Tungbilservice A/S, Fagernes	NOK	9.9394	50.00	5,701	1,982		2017
Tynset Diesel A/S, Tynset	NOK	9.9394	50.00	4,840	1,205		2017
Global Truck & Bus Procurement LLC, Lisle, Illinois	USD	1.1453	51.00	-	-	3)	2017
Stoxy Solutions AB, Södertälje	SEK	10.2507	50.00	-	-	3)	2017
IV. ASSOCIATES							
1. Germany							
Rheinmetall MAN Military Vehicles GmbH, Munich	EUR		49.00	1,050	29,752		2017
2. Other countries							
BITS DATA i Södertälje AB, Södertälje	SEK	10.2507	33.00	16,321	7,875		2017
JV MAN AUTO – Uzbekistan LLC, Samarkand City	UZS	9.550.3950	49.00	173,019,000	20,047,814		2016
N.W.S. S.r.l., Trento	EUR		46.50	278	385		2017
Navistar International Corporation, Lisle, Illinois	USD	1.1453	16.89	-4,578,000	30,000	2)	2017
ScaValencia, S.A., Ribarroja del Turia	EUR		26.00	9,959	669		2017
Sinotruk (Hong Kong) Ltd., Hong Kong	CNY	7.8773	25.00	25,430,711	3,335,895		2017
V. OTHER EQUITY INVESTMENTS							
1. Germany							
Car2Car Communication Consortium, Braunschweig	EUR		5.55	719	239		2017
FFK Fahrzeugservice Förtsch GmbH Kronach, Kronach	EUR		30.00	1,320	15		2017
Grundstücksgesellschaft Schlossplatz 1 mbH & Co. KG, Berlin	EUR		8.16	779	596		2017
Roland Holding GmbH, Munich	EUR		22.83	3,805	5	5)	2015
sennder GmbH, Berlin	EUR		21.60	-	-		2017
Verw altungsgesellschaft Wasseralfingen mbH, Aalen	EUR		50.00	14,611	-22		2017
2. Other countries							
AMEXCI AB, Karlskoga	SEK	10.2507	9.10	-	-	3)	2017
Barkarby Science AB, Järfälla	SEK	10.2507	14.29	-	-	6)	2018
Corebon AB, Arlöv	SEK	10.2507	24.20	-	-	6)	2018
FR8 Revolution Inc., San Francisco, California	USD	1.1453	12.20	2,513	-3,719		2017
Innokraft AB, Sundsvall	SEK	10.2507	46.00	-	-	6)	2018
NorthVolt AB, Stockholm	SEK	10.2507	1.69	-	-	6)	2018

1) Profit and loss transfer agreement
2) Different fiscal year
3) Short fiscal year
4) Currently inactive
5) Share of voting rights: 32.82%
6) Founded/acquired in 2018

Munich, February 12, 2019

TRATON SE

The Executive Board

Andreas Renschler	Christian Schulz	Antonio Roberto Cortes
Joachim Drees	Henrik Henriksson	Dr. Carsten Intra
Christian Levin		

“INDEPENDENT AUDITOR’S REPORT

To TRATON SE, Munich

Audit Opinion

We have audited the annual financial statements of TRATON SE (formerly TRATON AG), Munich, which comprise the balance sheet as at December 31, 2018, and the statement of profit and loss for the financial year from January 1 to December 31, 2018, and notes to the financial statements, including the presentation of the recognition and measurement policies.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2018 and of its financial performance for the financial year from January 1 to December 31, 2018 in compliance with German Legally Required Accounting Principles.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the Audit Opinion

We conducted our audit of the annual financial statements in accordance with § 317 HGB 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 Annual Financial Statements” section of our auditor’s report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company’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, provided no actual or legal circumstances conflict therewith.

The supervisory board is responsible for overseeing the Company’s financial reporting process for the preparation of the annual financial statements.

Auditor’s Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor’s report that includes our audit opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB 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 annual financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, 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 audit opinion. 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 controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of this system of the Company.
- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our audit opinion. 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 Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

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."

Munich, February 12, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Frank Hübner	Klaus Schuster
Wirtschaftsprüfer	Wirtschaftsprüfer

27 GLOSSARY

Term	Definition
€, **EUR** or **Euro**	€, EUR or Euro refers to the legal currency of the Eurozone (including Germany) as (an accounting currency) from January 1, 1999, and (as a circulation currency) from January 1, 2002.
$, **U.S. dollar** or **USD**	$, U.S. dollar or USD refers to the legal currency of the United States of America as from April 2, 1792.
ACE	Autonomous driving, connectivity and electrification.
ADAS	Advanced driver-assistance systems.
AktG	The German Stock Corporation Act (*Aktiengesetz*).
AML IV	Fourth Anti-Money Laundering Directive (EU) 2015/849.
Articles of Association	Articles of association (*Satzung*) of the Company.
Automotive BER	BER via Commission Regulation (EU) No 461/2010 on the application of Article 101(3) of the TFEU to categories of vertical agreements and concerted practices in the motor vehicle sector.
B100	Biodiesel.
BaFin	The German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).
Barclays	Barclays Bank PLC, London, United Kingdom. Barclays is acting as one of the Joint Bookrunners.
Base Shares	50,000,000 existing ordinary bearer shares (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) with no par value (*Stückaktien*) from the holdings of the Existing Shareholder.
Basel III	Basel Committee for Banking Supervision.
Batteries Directive	Directive 2006/66/EC.
BERs	Block Exemption Regulations.
BEV	Battery electric vehicle.
BNP Paribas	BNP Paribas, Paris, France. BNP Paribas is acting as one of the Joint Bookrunners.
BofA Merrill Lynch	Merrill Lynch International, London, United Kingdom. BofA Merrill Lynch is acting as one of the Joint Bookrunners.
BREFs	Best Available Techniques Reference Documents adopted, *inter alia,* under the IED Directive.
CBE1	Common Base Engine.
China	The People's Republic of China, including Hong Kong.
Citigroup	Citigroup Global Markets Limited, London, United Kingdom. Citigroup is acting as one of the Joint Global Coordinators.
Clearstream	Clearstream Banking AG.
CLP	Regulation on Classification, Labeling and Packaging (Regulation (EC) No 1272/2008).
CNG	Compressed natural gas.
CNHTC	China National Heavy Duty Truck Group Co., Ltda.
CO	Carbon monoxide.
COMMERZBANK	COMMERZBANK Aktiengesellschaft, Frankfurt am Main, Germany. COMMERZBANK is acting as one of the Co-Lead Managers.
Co-Lead Managers	COMMERZBANK, HSBC, Société Générale and Landesbank Baden-Württemberg.

Company	Company refers to TRATON SE, organized as a European company (*Societas Europaea (SE)*) incorporated in the Federal Republic of Germany and governed by European and German law.
Cornerstone Investor	AMF Pensionsförsäkring AB.
CRD IV	The CRR and the CRD IV Directive together.
CRD IV Directive	Directive 2013/36/EU.
CRR	Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, referred to as the EU Capital Requirements Regulation.
Deutsche Bank	Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany. Deutsche Bank is acting as one of the Joint Global Coordinators.
Dividend Paying Agent	Has the meaning given by 24.2.2.1.
Domestic Paying Agent	Has the meaning given by 24.2.3.1.1.
EBITDA	Earnings before interest, taxes, depreciation and amortization.
EEA	EEA refers to the European Economic Area.
EPA	U.S. Environmental Protection Agency.
ETS	Emissions trading system.
ETS Directives	Directive 2003/87/EC, as amended by Directive 2009/29/EC and Directive (EU) 2018/410.
EU	The European Union.
EU Short Selling Regulation	Regulation (EU) No. 236/2012 of the European Parliament and of the Council of March 14, 2012 on short-selling and certain aspects of credit default swaps.
EU28+2	The 28 member states of the European Union as well as Norway and Switzerland.
Euro VI	Regulatory framework as provided by Regulation (EC) No. 595/2009 and Regulation (EU) No. 582/2011.
Euroclear Sweden	Euroclear Sweden AB.
Existing Shareholder	Volkswagen Aktiengesellschaft.
FSMA	Financial Services and Markets Act 2000.
FTT	Financial transaction tax (*Finanztransaktionssteuer*).
GDPR	General Data Protection Regulation (EU) 2016/679.
General BER	BER on vertical agreements (Regulation (EU) No 330/2010).
genuine parts	Original spare parts.
German GAAP	German generally accepted accounting principles pursuant to HGB.
Global Share Certificate	The global share certificate representing the Company's shares, which will be deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany.
Goldman Sachs International	Goldman Sachs International, London, United Kingdom. Goldman Sachs International is acting as one of the Joint Global Coordinators.
Greenshoe Option	The option the Existing Shareholder has granted the Underwriters to acquire a number of shares in the Company equal to the number of Over-Allotment Shares at the Offer Price, less agreed commissions.
Group	TRATON SE and its consolidated subsidiaries.
HEV	Hybrid electric vehicles.
HGB	German Commercial Code (*Handelsgesetzbuch*).

Hino Motors	Hino Motors, Ltd.
HSBC	HSBC Trinkaus & Burkhardt AG, Düsseldorf, Germany. HSBC is acting as one of the Co-Lead Managers.
HVO	Hydrogenated vegetable oil.
IAS	International Accounting Standards.
ICCT	International Council on Clean Transportation.
IDD	The Insurance Distribution Directive (EU) 2016/97.
IED Directive	The European Directive 2010/75/EC on industrial emissions.
IFRS	International Financial Reporting Standards including IAS and interpretations published by the International Accounting Standards Board ("**IASB**"), as adopted by the European Union and (Commission Regulation (EC) No. 1126/2008 of November 3, 2008, as amended) available at http: // www.iasb.org/IFRSs/IFRS.htm.
IMF	International Monetary Fund.
ISIN	International Securities Identification Number.
IT	Information technology.
J.P. Morgan	J.P. Morgan Securities plc, London, United Kingdom. J.P. Morgan is acting as one of the Joint Global Coordinators.
Joint Bookrunners	BofA Merrill Lynch, Barclays, BNP Paribas, SEB and UniCredit.
Joint Global Coordinators	Citigroup Global Markets Limited, London, United Kingdom, Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany, Goldman Sachs International, London, United Kingdom and J.P. Morgan Securities plc, London, United Kingdom.
KrWG	the German Closed Substance Cycle Waste Management Act (*Kreislaufwirtschaftsgesetz*).
KStG	German Corporate Income Tax (*Körperschaftsteuergesetz*).
Landesbank Baden-Württemberg	Landesbank Baden-Württemberg, Stuttgart, Germany. Landesbank Baden-Württemberg is acting as one of the Co-Lead Managers.
Lead Buying	A concept for intra-company based purchasing networks in order to leverage available know-how and bundle volumes for defined components to achieve best-possible prices.
LNG	Liquefied natural gas.
MAN	MAN SE and its consolidated subsidiaries (excluding VWCO).
MAN brand	TRATON GROUP's MAN brand, comprising MAN SE and its consolidated subsidiaries, a global supplier of trucks, buses and vans.
MAN Latin America	MAN Latin America Indústria e Comércio de Veículos Ltda, a subsidiary of MAN SE.
MAN T&B	MAN Truck & Bus SE and its consolidated subsidiaries, one of the three operating units in the Group's Industrial Business reporting segment.
Management Board	Management Board (*Vorstand*) of the Company.
MAR	Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse.
mHEV	Mild hybrid electric vehicles.
MiFID II	EU Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments, as amended.
MiFID II Product Governance Requirements	Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing measures.

Minimum Holding Period	Has the meaning given by 24.2.2.1.
Minimum Risk Test	Has the meaning given by 24.2.2.1.
Navistar	Navistar International Corporation.
NDCs or **nationally determined contributions**	A voluntary emissions reduction target under the Paris Agreement.
Net Asset Value	The net asset value (total assets less current and non-current liabilities as shown in the Unaudited Condensed Consolidated Financial Statements).
NOx	Nitrogen oxide.
NTG	Scania's new truck generation.
OEM	Original Equipment Manufacturer.
OFAC	U.S. Department of Treasury's Office of Foreign Assets Control.
Offer Period	Period during which investors may submit purchase orders for the Offer Shares.
Offer Shares	Together, the Base Shares and the Over-Allotment Shares.
Offering	The offering of 57,500,000 ordinary bearer shares (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) of the Company with no par value *(Stückaktien)*, each such share representing a notional value of EUR 1.00 and with full dividend rights in EUR since January 1, 2019, consisting of: • 50,000,000 Base Shares; and • 7,500,000 Over-Allotment Shares.
Order	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended.
Over-Allotment	The allocation of Over-Allotment Shares as part of the allocation of the Offer Shares.
Over-Allotment Shares	7,500,000 existing ordinary bearer shares (*auf den Inhaber lautende Stammaktien ohne Nennbetrag*) with no par value *(Stückaktien)* from the holdings of the Existing Shareholder in connection with a possible over-allotment.
Parent-Subsidiary Directive	Directive 2011/96/EU of the European Parliament and of the Council of November 30, 2011.
Paris Agreement	The 2015 United Nations Framework Convention on Climate Change.
PE Business	The Company's power engineering business, which was sold and transferred to VW Klassik.
PGR	Scania's previous truck generation.
PHEV	Plug-in hybrid electric vehicle.
POPs	Persistent organic pollutants.
Portfolio Participation	has the meaning given by 24.1.
Price Range	The Price Range within which purchase orders may be placed per Offer Share.
Prospectus	Securities Prospectus as approved by the German Federal Supervisory Authority for Financial Services (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (BaFin).
Prospectus Directive	Directive 2003/71 EC of the European Parliament and the Council of November 4, 2003.
PwC	PricewaterhouseCoopers GmbH Wirtschaftsprüfungs-gesellschaft, Bernhard-Wicki-Straße 8, 80636 Munich, Federal Republic of Germany.

QIBs	Qualified institutional buyers as defined in Rule 144A.
Qualified Holding	Has the meaning given by 24.2.2.2.1.
R&D	Research and development.
REACH	Regulation for Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No 1907/2006.
Regulation S	Regulation S under the United States Securities Act of 1933.
RIO	The brand name of TB Digital Services GmbH.
RMMV	Rheinmetall MAN Military Vehicles GmbH.
Rule 144A	Rule 144A under the United States Securities Act of 1933, as amended.
Scania	Scania AB and its consolidated subsidiaries.
Scania AB	Scania AB (publ).
Scania brand	TRATON GROUP's Scania brand, comprising Scania AB and its consolidated subsidiaries, a global provider of transport solutions and manufacturer of heavy trucks, buses and engines and provider of financial services.
Scania V&S	Scania Vehicles & Services, comprising the vehicles and services related business of Scania AB and its consolidated subsidiaries, one of the three operating units in the Group's Industrial Business reporting segment.
SEB	Skandinaviska Enskilda Banken AB, Stockholm, Sweden. SEB is acting as one of the Joint Bookrunners.
SEK or **Swedish Kronor**	SEK or Swedish Kronor refers to the legal currency of Sweden.
SEK Converted Offer Price	The Offer Price which will be determined in EUR, and will be converted into SEK for Swedish Retail Investors and institutional investors who have elected to place their orders in SEK, as calculated based on the EUR/SEK exchange rate on the last day of the Offer Period (expected to be June 27, 2019) at 12:00 p.m. (noon) CET as displayed on the Bloomberg website under www.bloomberg.com/quote/EURSEK:CUR.
SE Regulation	Regulation (EC) No. 2157/2001 of the Council dated October 8, 2001, as amended.
Securities Act	The United States Securities Act of 1933, as amended.
SFSA	The Swedish Financial Supervisory Authority.
Shares	The shares of the Company.
Sinotruk	Sinotruk (Hong Kong) Ltd.
Société Générale	Société Générale, Paris, France. Société Générale is acting as one of the Co-Lead Managers.
Stabilization Manager	Goldman Sachs International, or its affiliates, acting for the account of the Underwriters, acting as the Stabilization Manager.
Stabilization Measures	Stabilization measures in accordance with Article 5 paras. 4 and 5 of the MAR in conjunction with Articles 5 through 8 of Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016, to provide support for the market price of the Company's shares, thus alleviating sales pressure generated by short-term investors and maintaining an orderly market in the Company's shares.
Stabilization Period	Period of 30 calendar days starting from the date the Company's shares commence trading on the regulated markets (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the regulated market (*reglerad marknad*) of Nasdaq Stockholm (*börsen*).
Supervisory Board	The supervisory board (*Aufsichtsrat*) of the Company.
Swedish Retail Investors	Retail investors who participate in the public offering in Sweden.

Target Market Assessment	A product approval process, which has determined that the Offer Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II.
TCO	Total Cost of Ownership is a financial estimate of all direct and indirect costs associated with an asset or acquisition over its entire lifecycle.
TFEU	Treaty on the Functioning of the European Union.
TRATON GROUP	TRATON SE and its consolidated subsidiaries.
TRATON SE	TRATON SE, organized as a European company (*Societas Europaea (SE)*) incorporated in the Federal Republic of Germany and governed by European and German law.
Underwriters	Citigroup Global Markets Limited, London, United Kingdom, Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany, Goldman Sachs International, London, United Kingdom and J.P. Morgan Securities plc, London, United Kingdom, Merrill Lynch International, London, United Kingdom, Barclays Bank PLC, London, United Kingdom, BNP Paribas, Paris, France, Skandinaviska Enskilda Banken AB, Stockholm, Sweden, UniCredit Bank AG, Munich, Germany, COMMERZBANK Aktiengesellschaft, Frankfurt am Main, Germany, HSBC Trinkaus & Burkhardt AG, Düsseldorf, Germany, Société Générale, Paris, France, Landesbank Baden-Württemberg, Stuttgart, Germany.
Underwriting Agreement	Underwriting Agreement between the Company, the Existing Shareholder and the Underwriters, dated June 14, 2019.
UniCredit	UniCredit Bank AG, Munich, Germany. UniCredit is acting as one of the Joint Bookrunners.
United States	The United States of America.
UmwG	German Transformation Act (*Umwandlungsgesetz*).
U.S.	The United States of America.
Vienna Convention	The United Nations Convention on Road Traffic (1968).
Volkswagen	Volkswagen Aktiengesellschaft.
Volkswagen Group	Volkswagen AG and its subsidiaries (including the TRATON GROUP, unless otherwise indicated or as the context otherwise requires).
VGSG	Volkswagen Gebrauchtfahrzeughandels und Service GmbH
VW/TRATON DPLTA	A domination and profit and loss transfer agreement (*Beherrschungs- und Gewinnabführungsvertrag*) with the Company, as controlled entity, and Volkswagen AG, as controlling entity.
VW Klassik	Volkswagen Klassik GmbH, which has been renamed Volkswagen Vermögensverwaltungs-GmbH.
VWCO	MAN Latin America and its consolidated subsidiaries, one of the three operating units in the Group's Industrial Business reporting segment.
VWCO brand	TRATON GROUP's VWCO brand, a provider of light- to heavy-duty trucks and bus chassis customized for markets such as South America and Africa.
WKN	German Securities Code (*Wertpapierkennnummer*).
WpPG	German Securities Prospectus Act (*Wertpapierprospektgesetz*).
WpÜG	German Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

28 RECENT DEVELOPMENTS AND OUTLOOK

28.1 Recent Developments

On February 25, 2019, the shareholders' meeting of the Company resolved to increase the Company's share capital of EUR 10,000,200 by EUR 489,999,800 to EUR 500,000,000 in preparation of the Company's IPO. The capital increase was implemented by converting the capital reserves shown on the Company's annual financial statements as at December 31, 2018 in the amount of EUR 489,999,800 into share capital and issuing 489,999,800 new no-par value bearer shares (*Stückaktien*). The capital increase was registered in the Company's commercial register and thus became effective on March 12, 2019.

On June 4, 2019, the shareholders' meeting of the Company resolved to increase the Company's share capital of EUR 500,000,000 by EUR 16,000,000,000 to EUR 16,500,000,000 by converting capital reserves shown on the Company's unconsolidated German GAAP annual financial statements as at December 31, 2018 in the amount of EUR 16,000,000,000 into share capital without issuing new shares (the "**June 2019 Capital Increase**"). This capital increase was registered in the Company's commercial register and thus became effective on June 12, 2019. As a result, the share capital represented by each no-par value bearer share (*Stückaktie*) increased from EUR 1.00 to EUR 33.00.

Also on June 4, 2019, the shareholders' meeting of the Company resolved that, upon effectiveness of June 2019 Capital Increase, the increased Company's share capital of EUR 16,500,000,000 shall be reduced by EUR 16,000,000,000 to EUR 500,000,000 without cancellation of shares (the "**June 2019 Capital Decrease**"). This capital decrease was registered in the Company's commercial register and thus became effective on June 12, 2019. As a result, the share capital represented by each no-par value bearer share (*Stückaktie*) decreased from EUR 33.00 to EUR 1.00. Under German corporate law, creditors of the Company who became creditors prior to publication of the registration of the capital decrease, are entitled to demand that the Company provides collateral for their claims. Requests can be logged with the Company for the period of six months following publication of the registration of the capital decrease, which occurred on June 12, 2019.

28.2 Outlook

28.2.1 The Group

The Group expects a slight increase in sales revenue in the year ended December 31, 2019 compared to the year ended December 31, 2018 (including the contribution from VGSG in the year ended December 31, 2018), driven by an expected slight increase in sales volume. The Group targets a further increase in sales volume in the year ended December 31, 2020.

The Group expects its Return on Sales (calculated by taking the ratio of operating profit to sales revenue for the period) for the year ended December 31, 2019 to be in the range of 6.5% to 7.5%. The Group believes that the key factors for an improvement compared to the year ended December 31, 2018 will be more favorable product mix effects following the introduction of Scania's new truck generation, the NTG. The Group also expects for Scania a better cost structure as a result of the elimination of inefficiencies of parallel production associated with the NTG as well as less supply chain bottlenecks at Scania. In addition, the Group expects to benefit from the continuous realization of planned efficiency measures across its Industrial Business segment. For additional information, see "*12. Profit Forecast*".

In the medium term, the Group believes that its ability to further improve Return on Sales will be driven by brand performance (operational excellence), the realization of group-wide synergies as well as scale effects from an increase in sales volume.

28.2.2 Industrial Business

28.2.2.1 Sales volume

The Group expects the total market volume in its core region EU28+2 in the year ended December 31, 2019 to slightly decline. However, for the entire group the Group targets a slight increase in its overall sales volume, mainly driven by an expected further market recovery in Brazil and a strengthening volume position in its light commercial vehicles business. Based on the assumption of an expected continued market recovery in Brazil the Group targets a further acceleration of sales volume growth in the year ended December 31, 2020 compared to the year ended December 31, 2019. Thereafter, the Group assumes a slight decrease in its overall sales volume growth rate, in particular in Brazil.

Scania V&S. The Group expects sales volume at Scania V&S in the year ended December 31, 2019 to be supported by the full ramp-up of the NTG and thus expects a slight increase in sales volume at Scania V&S in the year ended December 31, 2019 despite its expectation of a minor market slowdown in Europe and missing sales opportunities in the Near Middle East. Thereafter, the Group expects continued sales volume

growth supported by an expected further recovery in Brazil and its expectation that the European markets will remain stable.

MAN T&B. The Group targets a slight increase in the overall sales volume at MAN T&B in the year ended December 31, 2019, driven by further successful roll-outs of its new distribution approach (country strategy plans) and accelerated growth of its light commercial vehicle (TGE) line, despite its expectations in relation to its European core markets (EU28+2). On the back of the new product launch, the Group targets sales volume in the year ended December 31, 2020 to grow slightly. In the medium term, the Group expects sales volume growth to be driven by further penetration of European core markets supported by the launch of the new truck generation and further TGE growth.

VWCO. The Group targets significant sales volume growth at VWCO in the year ended December 31, 2019 and a further improvement in the years ended December 31, 2020 and 2021. Thereafter, it expects growth rates to slow down. The Group expects that sales volume growth will be mainly driven by the assumed recovery of the Brazilian market and the introduction of new trucks (New Delivery: 2018, Extra Heavy Constellation: target 2020).

28.2.2.2 Sales revenue

The Group expects a slight increase in sales revenue in the year ended December 31, 2019 compared to the year ended December 31, 2018 (including the contribution from VGSG in the year ended December 31, 2018). In the medium term, the Group targets growing sales revenue and expects revenue from aftermarket services to grow proportionally.

Scania V&S. The Group targets slightly increasing sales revenue at Scania V&S in the year ended December 31, 2019 compared to the year ended December 31, 2018. The Group expects favorable product mix effects and a slight increase in sales volume. In the medium term, the Group targets a further increase in sales revenue driven mainly by a targeted uptake in sales volume.

MAN T&B. The Group expects a moderate increase in sales revenue at MAN T&B in the year ended December 31, 2019 compared to the year ended December 31, 2018. Despite higher TGE ratio, sales revenue growth is assumed to be higher than sales volume growth as a result of product mix. In the medium term, the Group targets sales revenue growth to mirror increasing sales volume from both TGE and the new vehicle generation. The Group's aim is that the product positioning of the new vehicle generation will add to the growth in sales revenue. Therefore, the Group targets a slight top line growth in the medium term.

VWCO. The Group expects that sales revenue at VWCO in the year ended December 31, 2019 will benefit further from the expected market recovery in Brazil. In the medium term, the Group expects a further improvement in line with the market recovery which it expects to be additionally supported by the new Delivery and Constellation truck lines.

28.2.2.3 Return on Sales

Scania V&S. The Group expects Scania V&S to have a favorable cost structure in the year ended December 31, 2019 driven by full availability of the new truck generation, ending of parallel production costs, and in the absence of extraordinary costs from supply chain bottlenecks. Scania is committed to the over the cycle Return on Sales target of 12% (including Scania Financial Services).

MAN T&B. The Group expects that its cost structure in the year ended December 31, 2019 will be moderately influenced by launch costs for the new truck generation. In the medium term, the main drivers for the targeted improvement of MAN T&B's Return on Sales are the successful introduction and product positioning of the new truck generation, while at the same time realizing efficiency measures from the Operational Excellence Program. However, in the medium term, the Group expects Return on Sales to remain below the MAN T&B over the cycle target of 8%.

VWCO. The Group expects VWCO to have a favorable cost structure in the year ended December 31, 2019 due to improving truck and bus markets and product positioning. In the medium term, the Group expects Return on Sales at VWCO to gradually improve due to the better cost leverage.

28.2.2.4 Other Financial Information for the Industrial Business

The Group expects research and development costs (including capitalized research and developments costs) in the year ended December 31, 2019 to remain at approximately the same level in absolute terms than in the year ended December 31, 2018. Thereafter, the Group expects that the research and developments costs (including capitalized research and developments costs) will slightly decline in absolute terms.

The Group expects capital expenditures in property, plant and equipment (capital expenditures excluding research and development costs) to increase to approximately EUR 1.1 billion in the year ended December 31, 2019. In the medium term, the Group targets capital expenditures level similar to the capital expenditure in the year ended December 31, 2019.

The Group expects total depreciation and amortization for property, plant and equipment and capitalized research development costs to increase to the level of capital expenditure by 2021.

The Group expects that trade working capital will grow in line with sales revenue and that the ratio of trade working capital to Industrial Business sales revenue to remain stable in the medium term.

The Group expects that the net cash flow of the Industrial Business will further improve in the year ended December 31, 2019 compared to the year ended December 31, 2018. The Group targets a cash conversion (defined as net cash flow of the Industrial Business divided by net income of the Industrial Business) of approximately 30-40% in the year ended December 31, 2019 (excluding any effects relating to the sale of the PE business and the tender by non-controlling interest shareholders of MAN shares to TRATON AG (now TRATON SE)). In the medium term, the Group aims to improve its cash conversion towards approximately 70%.

28.2.3 Financial Services

In the medium term, the Group expects sales revenue growth in its Financial Services segment to outperform the sales revenue growth at Scania V&S supported by expected increasing penetration rates. In the medium term, the Group aims to achieve an operating profit in line with the operating profit achieved in 2018.

In preparing its targets described above, the Company has generally assumed that there will be no significant changes in existing political, legal, fiscal, market or economic conditions, or in applicable legislation, regulations or rules and that the Group will not become party to any litigation or administrative proceeding or proceedings that might have a material impact on the Group of which it is not currently aware.