TRATON

2023
Annual Report

TRANSFORM

SCANIA / MAN / NAVISTAR / Truck Bus

TRANSFORM

It's not individual strength that helps a swarm of birds to thrive, but the fact that they work together toward a common goal. This is also true when it comes to transforming transportation.

TRATON's shared purpose is "Transforming Transportation Together. For a sustainable world." This is what defines us as a Group. It's not the purpose itself that makes us different, but how we execute it together and how seriously we take this commitment.

With its strong brands, the TRATON GROUP is a transportation powerhouse. We join forces, share common aims, and strive to create value. Together, we have unique capabilities to shape the future of transportation, empowering our brands and their customers to transform the transportation industry and benefit as a result.

AT A GLANCE

	2023	2022	Change
Trucks and buses (units)			
Incoming orders	264,798	334,583	–21%
Unit sales	338,183	305,485	11%
of which trucks	281,290	254,300	11%
of which buses	30,266	29,601	2%
of which MAN TGE vans	26,627	21,584	23%
TRATON GROUP			
Sales revenue (€ million)	46,872	40,335	16%
Operating result (adjusted) (€ million)	4,034	2,071	1,963
Operating return on sales (adjusted) (in %)	8.6	5.1	3.5 pp
Earnings per share (€)	4.90	2.28	2.62
Active workforce[1]	103,621	100,356	3,265
TRATON Operations			
Sales revenue (€ million)	45,736	39,554	16%
Operating result (adjusted) (€ million)	4,272	2,257	2,016
Operating return on sales (adjusted) (in %)	9.3	5.7	3.6 pp
Return on investment (ROI) (in %)	14.8	6.7	8.2 pp
Primary R&D costs (€ million)	2,170	1,892	15%
Capex (€ million)	1,516	1,298	17%
Net cash flow (€ million)	3,594	–625	4,219
TRATON Financial Services			
Sales revenue (€ million)	1,589	1,294	23%
Operating result (adjusted) (€ million)	269	303	–34
Operating return on sales (adjusted) (in %)	17.0	23.5	–6.5 pp
Return on equity (in %)	8.4	4.0	4.5 pp

1 As of December 31

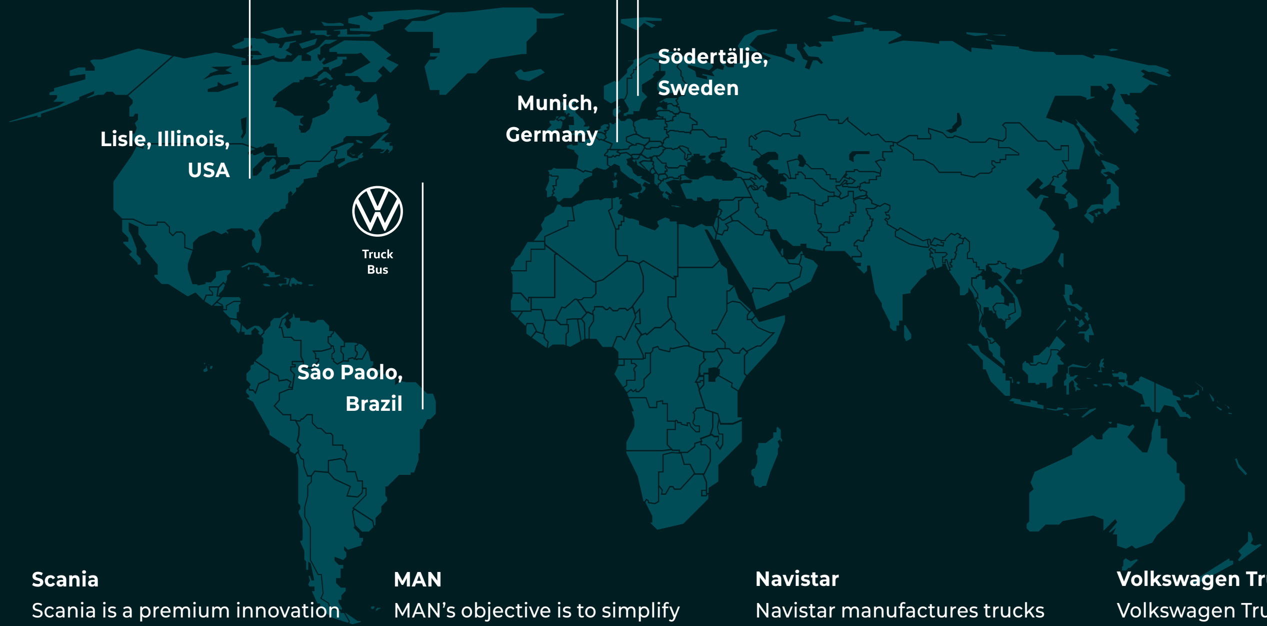
264,798
Incoming orders
(units)

46,872
Sales revenue
(€ million)

8.6%
Operating return on sales
(adjusted)

THE TRATON GROUP AND ITS BRANDS

More than the sum of its parts: four brands, each with its own history and strengths, become one Group and transform the transportation industry together.



global commercial vehicle brands 4

countries 12

production and assembly sites 33

Scania
Scania is a premium innovation leader for sustainable transportation solutions. These include trucks and buses for sophisticated transportation applications as well as numerous related service offerings. The company has a global footprint and sells its products in a variety of markets, including Europe, North and Latin America, Asia, Africa, and Oceania.

MAN
MAN's objective is to simplify customer business as a reliable business partner. For this purpose, MAN offers a full range of solutions, from light commercial vehicles to heavy-duty trucks. International sales markets include in particular Europe, Asia, the Middle East, Africa, and Latin America.

Navistar
Navistar manufactures trucks under the International brand and buses under the IC Bus brand. The company also sells spare parts and vehicle-specific services through various partner dealerships in the USA, Canada, and Mexico.

Volkswagen Truck & Bus
Volkswagen Truck & Bus offers excellent value with products that are tailored to growth markets, especially in Latin America, as well as in Africa and Asia.

STORIES

p. 6 THE PAST YEAR IN THE REARVIEW MIRROR

Looking back on important events in 2023 across the TRATON GROUP and its Scania, MAN, Navistar, and Volkswagen Truck & Bus brands.

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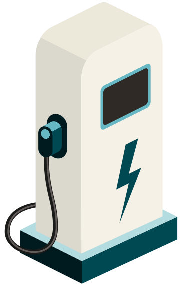
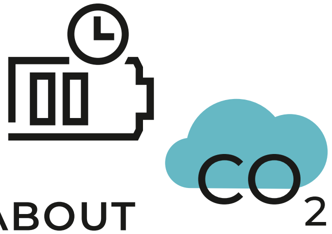
The six members of the TRATON SE Executive Board are working together as a team to drive forward the transformation of the transportation world.



p. 11 CHARGING AHEAD

TRATON is driving the development of a European charging infrastructure forward to help transform long-haul transportation.



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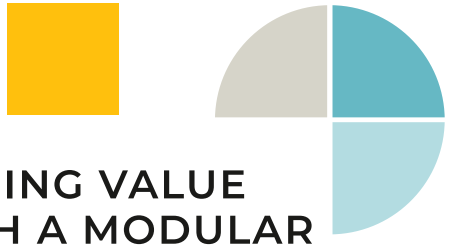
When it comes to electric trucks with batteries, some misconceptions still persist.

p. 13 SUSTAINABILITY TAKES TEAMWORK

The TRATON GROUP brands have also grown even closer together when it comes to sustainability.

p. 19 TRANSFORMATION IN ACTION

Zero-emission and autonomous commercial vehicles are just around the corner — and the Group's brands are already setting the course for them.



p. 17 ADDING VALUE WITH A MODULAR SYSTEM

The TRATON Modular System relies on shared modules and interfaces instead of individual solutions.

Online report
Financial report

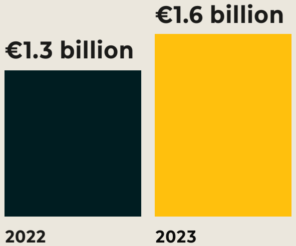
THE PAST YEAR IN THE REARVIEW MIRROR

Video: What were some of the other highlights of 2023?

Learn more

More to offer

TRATON Financial Services reached the next milestone as an integrated financial services provider, and TRATON Charging Solutions launched a new charging service for electric trucks.



Sales revenue of TRATON Financial Services

The first station

The Milence joint venture opened its first charging station for electric trucks in Venlo in the Netherlands. There are currently four charging bays, with another four set to follow later on in 2024. In total, Milence intends to build at least 1,700 charging points across Europe by 2027.

At least
1,700
charging points by 2027

Battery assembly

Scania opened a new, particularly sustainable battery assembly plant in Södertälje. There, battery cells from Northvolt are assembled into modules and packs for trucks.

MAN eTruck

MAN Truck & Bus launched sales of its eTruck. 700 orders and pre-orders have already been received for the first heavy-duty electric truck in the company's history. The first 200 trucks will be delivered to selected customers in 2024, before production starts in larger quantities in 2025.

CBE at Navistar

Navistar began series production of the International S13 Integrated Powertrain, bringing the Common Base Engine (CBE) to the North American market.

Expanding the lead

Volkswagen Truck & Bus won a major order in a government tender in Brazil: 5,600 school buses can be ordered and delivered by the end of 2024. This makes the company the leading brand in the school bus program.

5,600
That's how many buses Volkswagen Truck & Bus can deliver for the Brazilian initiative for more safety on the way to school.

BETTER TOGETHER

The TRATON Way Forward: together as a team and with a clear vision, the six members of the TRATON Executive Board are working to implement the Group's strategy and continue to drive forward the transformation of the transportation world.

Looking back over the past year, what stands out the most is a strong performance across all of the TRATON GROUP's brands — performance in truly challenging times. In addition, further progress was made toward becoming one Group with shared values and increasingly with a common structure. Last but not least, new products and services were successfully launched in 2023. All of this provides confidence that the TRATON GROUP will continue to successfully pursue its purpose: Transforming Transportation Together. For a sustainable world.

Videos: What do our Executive Board members have to say about the past year?

Learn more

The Executive Board of TRATON SE
Mathias Carlbaum, Catharina Modahl Nilsson, Dr. Michael Jackstein, Christian Levin, Alexander Vlaskamp, Antonio Roberto Cortes (f.l.t.r.)

Christian
Levin

Chief Executive Officer of
TRATON SE and
Chief Executive Officer of
Scania

“For me, the highlight of 2023 is that all our brands put in a strong performance, and that in times of difficult conditions.”

Dr. Michael
Jackstein

“We’ve managed to bring the TRATON GROUP with its brands and different cultures even closer together. This is a great accomplishment.”

Member of the Executive
Board of TRATON SE,
responsible for Finance and
Business Development as
well as Human Resources

Catharina
Modahl Nilsson

Member of the Executive Board of TRATON SE, responsible for TRATON Group Product Management

“The TRATON Modular System is the foundation for our future success. Together, as a Group, we have achieved a lot in the past year.”

Alexander
Vlaskamp

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

“At MAN, we are back on track with a return on sales of more than 7% and a good net cash flow. We have brought in the best result in the last 15 years.”

Mathias
Carlbaum

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

“With Navistar, we were able to reach more customers and increase our market share. We highly appreciate that we are gaining trust and credibility.”

Antonio Roberto
Cortes

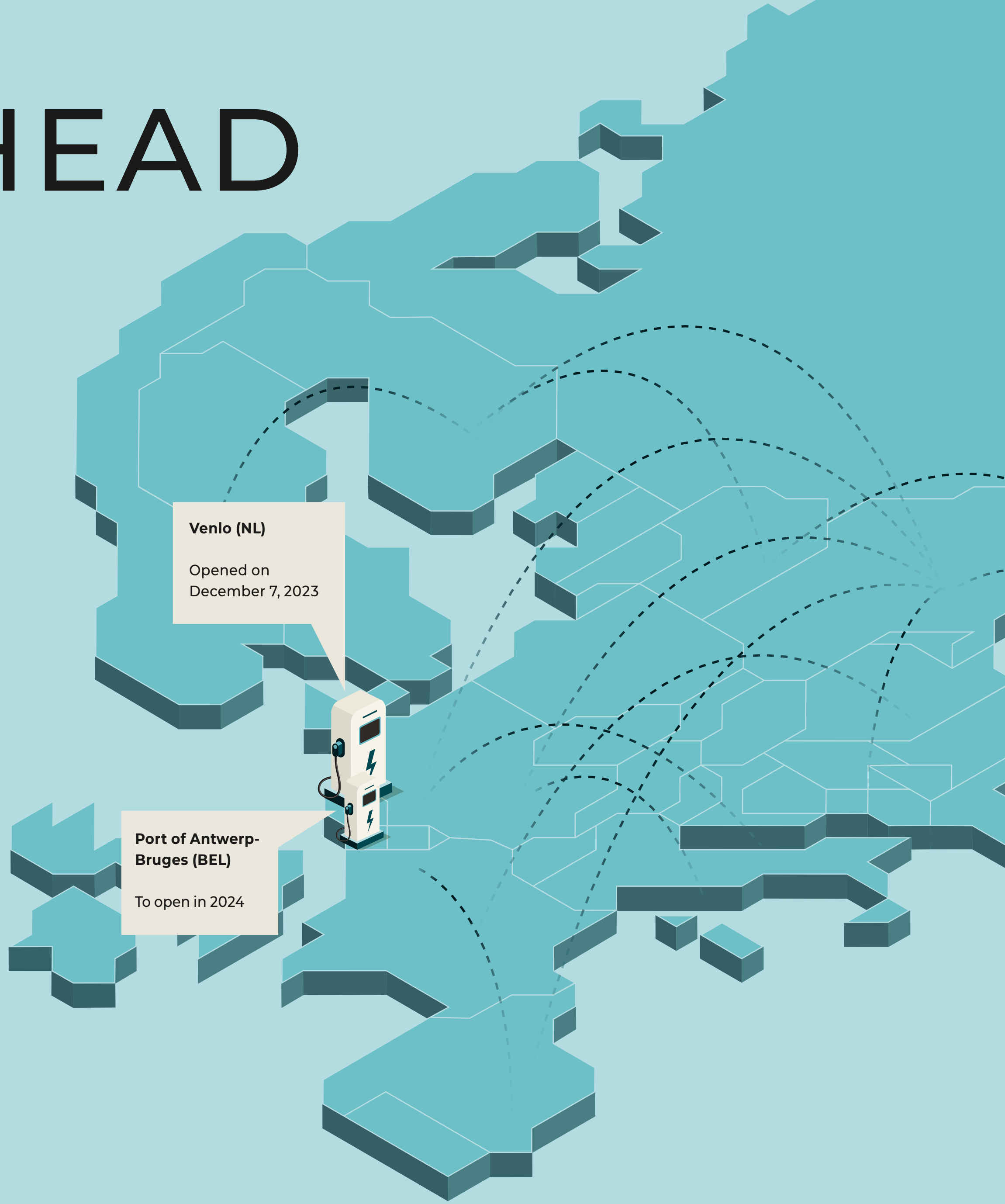
Member of the Executive
Board of TRATON SE,
Chief Executive Officer of
Volkswagen Truck & Bus

“With more than 30 new truck and bus models, the launch of our Euro 6 product line was one of the largest in the history of Volkswagen Truck & Bus.”

CHARGING AHEAD

Electric commercial vehicles are no longer a vision of the future. They are the here and now — the TRATON GROUP and its brands have made sure of that. But no one will buy these vehicles if there are no charging options. TRATON is driving the development of a European charging infrastructure forward with its investment in the Milence joint venture and its new TRATON Charging Solutions service entity. Customers like DHL Freight are just as keen to see the next steps succeed.

TRATON has already taken active steps on the road to a European charging infrastructure, for example by setting up the Milence joint venture in 2022 together with Daimler Truck and the Volvo Group. Milence aims to build at least 1,700 green charging energy points across Europe by 2027 and already opened its first charging hub in Venlo in the Netherlands in December 2023. Another two hubs are set to follow by May 2024 at the Port of Antwerp-Bruges. Milence is also the first operator to be contracted directly by TRATON Charging Solutions, the TRATON GROUP's new service entity to accelerate charging access for its brands' customers. A one-stop shop for a seamless charging experience across currently twelve European countries, this synergy project allows MAN and Scania to share generic capabilities and halve the cost.



As Milence and TRATON Charging Solutions work to make charging more accessible, companies like DHL Freight look to increase the number of electric vehicles in their fleets, but only if charging infrastructure is expanded throughout Europe. This is what determines whether they actually decide to make the switch to these vehicles. In turn, their decision is what stands between Milence and TRATON Charging Solutions using the promise of more electric trucks on the streets in their negotiations and that promise becoming a reality. What all of these stakeholders need is the right political roadmap for a European charging network. With it, they can plan ahead with confidence, and Europe can move closer to reaching its climate goals.

“Customers are waiting for us to launch more sites and even adjusting their routing to where our stations will be.”

Anja van Niersen,
CEO of Milence

Anja van Niersen

Anja van Niersen studied psychology and began her career working in IT organization, market development, and sales at BSO, later Atos, before shifting her focus to the energy market. She managed the product development team at Alliander and founded Allego in 2013. She ran Allego as Management Director and later as CEO and Chairwoman of the Board from 2013 to 2021. Anja van Niersen was appointed CEO of Milence in 2022.

TWO QUESTIONS FOR ANJA VAN NIERSEN, CEO OF MILENCE

1 It’s been over a year since Milence was born in 2022. How far have you come?

Back then, we set ourselves a mission: to make the future of European road transportation fossil-free. In other words, to give customers the confidence to purchase electric trucks, knowing that they can charge and travel across Europe. That mission is so important that TRATON, Daimler Truck, and Volvo joined forces to accomplish it. And even though these brands are competitors in other areas, Milence is an arm’s length venture under EU law, creating a level-playing field for its shareholders. This also ensures that the conditions under which all three companies can access our network are the same. We’ve come a long way since: customers are waiting for us to launch more sites in addition to our first one, which we opened in Venlo in the Netherlands in December 2023. They’re even adjusting their routing to where our stations will be. This is proof that what we are doing is absolutely necessary. And looking ahead, 2024 will be all about working even more closely with the brands, transportation companies, and mobility service providers to actively move the trucks to our locations to get this market going.

2 What are the main challenges in building a European charging infrastructure and how do you deal with them?

The constrained energy grids are the biggest challenge. Under current EU policy, grid companies are not allowed to build extensions to the grid until there is a request or offer on the table. The EU Action Plan for Grids is definitely a step in the right direction, but until it is fully implemented we have had to adapt our approach: working even more closely with grid companies to find locations that are within reach of our surge areas. Another issue is bureaucracy — countries like Germany and the Netherlands make you wait up to eight months for an answer of whether and when you can get a grid connection. Availability of plots for electrification is also a problem given the shortage of parking bays along the highways in Europe. So instead of taking up even more of that space, we are building our stations off the highways, where there are distribution centers and enough energy available. That way, we use the right amount of land and the right connection for the right purpose and with the right chance of high utilization, which is good for everybody.

What else is there to the Europe-wide charging infrastructure?

Learn more

SUSTAINABILITY TAKES TEAMWORK

Sustainability is an essential component of the Group-wide TRATON Way Forward strategy. Since the beginning of 2023, the TRATON GROUP has been stepping up its efforts in the area even further — with the combined strength of its Scania, MAN, Navistar, and Volkswagen Truck & Bus brands.

Christopher Perzan, Fabian Heidinger, Priscila Rocha, and Andreas Follér (f.l.t.r.) combine the power of the TRATON brands for more sustainability.

The road to sustainable transportation is not straightforward — it is full of challenges. According to Andreas Follér, Chief Sustainability Officer of the TRATON GROUP, the key is deep collaboration within and outside the Group. The brands Scania, MAN, Navistar, and Volkswagen Truck & Bus represent different cultures, serve different markets, and are subject to different laws. Each brand has gained its own experience in the field of sustainability in recent years and established individual approaches. Since the beginning of 2023, the Sustainability Leadership Group, consisting of Follér and the brands' sustainability managers, has been meeting once a week for a video conference. They exchange views on their respective sustainability approaches and projects, describe the challenges they face, and share experiences. In 2023, the sustainability team held intensive discussions to develop three key areas of impact: decarbonization, circularity, and human rights. The Sustainability Leadership Group is now defining joint goals and projects in line with these focal points in order to minimize environmental impact, maximize value to stakeholders, and assume social responsibility along the value chain and beyond. In 2024, the Group-wide sustainability management team will focus on developing and implementing common goals.

Fredrik Nilzén (left) has been Head of Sustainability at Scania since 2024, taking over from Andreas Follér, who is now Chief Sustainability Officer of the TRATON GROUP.

Achieving a positive impact with business models

The newest member of the team is Fredrik Nilzén, who has been Scania's Head of Sustainability since 2024. He has been working on the question of how business models can be changed to achieve a positive impact since the start of his career. Nilzén is particularly motivated in his work by the topic of scaling. He sees the connection to the TRATON GROUP as an important lever: "If we do things right across the whole Group and are aligned in how we move forward, we can make a bigger difference for our company and for society as a whole and have a major impact on the transportation industry."

How are our brands working together on sustainability?

Learn more

"If we do things right across the whole Group, we can make a bigger difference for our company and for society."

Fredrik Nilzén,
Head of Sustainability at Scania

MYTHS ABOUT ELECTRIC TRUCKS

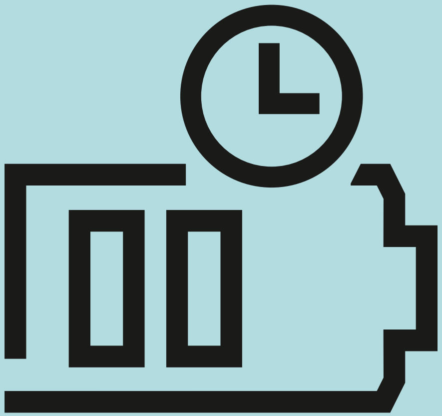
When it comes to electric trucks with batteries, some misconceptions still persist. We dispel a few of the most common myths.

What are the other myths?

Learn more

Myth 1

Trucks powered by batteries have too little range, and their batteries take too long to charge.



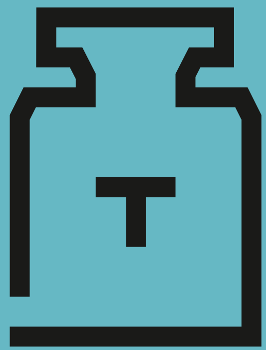
Fact 1

Modern battery electric vehicles already offer a range of approximately 400 kilometers on a single charge. A truck travelling long-haul in Europe covers an average of 500 kilometers per day. Drivers are also required by law to take a 45-minute break after 4.5 hours of driving. If they use this driving break to charge their vehicle, even the current range is not an issue. Plus there is still a lot of potential in the development of batteries, meaning further progress in terms of range and charging times can be expected in the next few years.

Today	In the future
400 km	1,000 km

Myth 2

Batteries are heavy, so electric trucks can’t carry as much cargo.



Fact 2

4 t

Today’s batteries weigh around four tons, depending on the configuration. That’s approximately double the weight of a diesel powertrain. However, because an electric truck doesn’t need the components of this powertrain, and because the EU allows zero-emission vehicles to weigh an additional two tons, there is little or no loss of payload, depending on the axle load distribution. Vehicles carrying volume freight or groupage transport don’t fully utilize their permissible total weight anyway, so the battery is not an additional factor.

Myth 3

Battery electric trucks emit more CO_2 during production than their diesel counterparts and cannot compensate for the additional emissions over their service life.

Fact 3

It’s true that electric trucks emit more CO_2 during production than their diesel counterparts. However, they make up for this disadvantage very quickly. According to a study by Scania, it only takes them 68,000 kilometers, based on the EU’s energy mix in 2016. On long journeys, this mileage would take around half a year. However, not only do modern batteries generate far fewer emissions during production, they are also designed for a total mileage of 1.5 million kilometers or more. At the same time, the industry is aiming for 100% of the electricity used to be green and for very high recycling rates. This makes it possible to reduce total emissions from production and use to almost zero.

68,000 km

ADDING VALUE WITH A MODULAR SYSTEM

There's no need to reinvent the wheel, as the saying goes. When it comes to the TRATON Modular System, this couldn't be truer: instead of developing individual solutions multiple times, the TRATON GROUP brands rely on shared components with standardized interfaces. This enables the Group to pool its resources efficiently.

"Group Product Management needs to describe, aggregate, and quantify the customer needs and strategic brand ambitions by following three well-defined modularization principles."

Björn Leksell,
Head of Group Product Planning in the TRATON GROUP

The transport sector, and with it the transportation industry, are undergoing the biggest transformation in history: combustion engines are gradually being replaced by electric drives, vehicles are becoming more connected, and autonomous trucks are soon to become part of everyday life. "All of this poses enormous challenges for our product planning," explains Björn Leksell, Head of Group Product Planning in the TRATON GROUP. This cross-brand organizational unit is mainly responsible for the strategic product roadmap and for overseeing the governance for the corresponding decision-making bodies. "It doesn't make sense for each of our brands to develop the answers to these challenges themselves," says Leksell.

In the face of increasingly complex customer requirements and new technologies popping up, how can we succeed in developing attractive and competitive products that can simultaneously meet the varying and individual customer requirements of the four brands? The answer to this is the TRATON Modular System, or TMS for short. Group Product Management (GPM) together with Group Research & Development have the task to create and implement the TMS. "That is our strategy for achieving both external effectiveness and internal efficiency. The GPM team needs to describe, aggregate, and quantify the customer needs and strategic brand ambitions by following three well-defined modularization principles: same needs — identical solutions; standardized interfaces, and well-balanced performance steps," explains Leksell. "From a technological perspective, the heart of the TMS is translating customer requirements into technical solutions using a sophisticated user-factor methodology and prioritizing the standardization of interfaces," explains Niklas Hammarström. As Head of Vehicle Portfolio, Hammarström is responsible for the TRATON GROUP's truck and bus portfolio, i.e., for all products relating to end customer applications.

"From a technological perspective, the heart of the TRATON Modular System is translating customer requirements into technical solutions using a sophisticated user-factor methodology and prioritizing the standardization of interfaces."

Niklas Hammarström,
Head of Vehicle Portfolio
in the TRATON GROUP

"Mapping the customer requirements of several brands and delivering them efficiently to the customer is the foundation of the TRATON Modular System."

Dr. Mathey Wiesbeck,
Head of GPM Business Development
in the TRATON GROUP

What makes the TRATON Modular System stand out?

Learn more

There is a clear connection between the TRATON GROUP's corporate values and the TRATON Modular System (TMS), as Dr. Mathey Wiesbeck, Head of GPM Business Development in the TRATON GROUP, explains.

Customer First

Mapping the customer requirements of several brands and delivering them efficiently to the customer is the foundation of the TMS. Because of this, Customer First is the starting point and purpose of the TMS.

Respect

We are four strong brands, each with its own advantages: be it a special market position, greater growth potential, or a premium claim. Respect for the individual strengths of the brands is also reflected in the structure of the TMS.

Team Spirit

Where there is respect, there is team spirit. Merging the development departments of the four brands into one Group-wide Research and Development department, and into one joint Group Product Management, can only work with team spirit.

Responsibility

Our brands have always had a responsibility to their customers and have been accountable for results, and this will remain the case. The TMS strengthens the independence of the brands and their responsibility toward customers.

Elimination of Waste

Operational excellence is the basic prerequisite for our success in the market. Elimination of Waste is an accurate reflection of this, for example when we consolidate four product management or four development departments into one base. This way, TRATON can make better use of its human resources and deliver the required solutions faster.

TRANSFORMATION IN ACTION

The transition in the transport sector has been underway for some time. We take a look at the latest developments in the Group.

What are our brands doing to drive this transformation?

Learn more

SCANIA

Scania's current electric trucks weigh 64 tons and have a range of 260 kilometers.

"Four years ago, we had nine batteries with an output of 330 kilowatt-hours. Today we have just six batteries, but they have an output of 624 kilowatt-hours."

Bo Andrén, Engineering Director Battery Development at Scania

MAN

1,000
e-buses

This is how many Lion's City E buses MAN built by September 2023, following the start of production in the fall of 2020. With its electric city buses, MAN is now the market leader in Europe. Half of the company's new city buses will be electric by 2025. Next, MAN will focus on intercity buses and coaches.

NAVISTAR

Navistar will also offer an electric variant for the new generation of the CE Series from its IC Bus brand.

"Customer education and engagement is essential at this early stage to ensure that they remain competitive and in a position to take advantage of innovation and new technology."

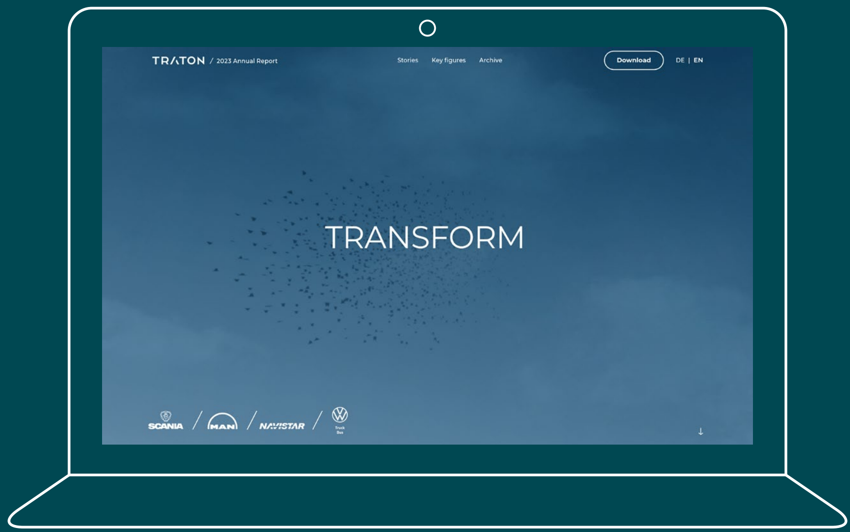
Jason Kazmar, Director of Mobility Solutions at Navistar

VOLKSWAGEN TRUCK & BUS

3,800 m

This is the altitude at which a version of the e-Delivery that was launched in 2023 can operate. This means that customers in the Andean countries also have an option for zero-emission delivery transport — the e-Delivery has been available in Argentina since 2023.

DISCOVER THE ONLINE VERSION OF OUR ANNUAL REPORT WITH ALL TEXTS IN FULL LENGTH, AS WELL AS VIDEOS AND LOTS OF ADDITIONAL INFORMATION.



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This report contains certain forward-looking statements for fiscal year 2024 that are based on present assumptions and forecasts by the Company's management. A range of known and unknown risks, uncertainties, and other factors may result in the actual results, financial position, development, or performance of the TRATON GROUP differing materially from the estimates given here. Such factors include those that TRATON has described in published reports. These reports are available on our website at **www.traton.com**. The Company does not assume any obligation to update such forward-looking statements or to adapt them to future events or developments.

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

TO OUR SHAREHOLDERS

1

TO OUR SHAREHOLDERS

Dear Shareholders,

We have set ourselves a clear purpose: “Transforming Transportation Together. For a sustainable world.” In 2023, we took further steps to sharpen the TRATON GROUP’s focus on shaping the transition to a world of sustainable transportation. We are clearly gearing our brands’ product portfolio toward this objective and made important progress in battery technology. And we did what we promised: we gave our customers the best possible technology for whatever they need to do to make their day-to-day business a success.

Let’s reflect on what 2023 was like for the TRATON GROUP in detail and look further down the line.

The transportation industry has an important role to play in making the world more sustainable. According to the International Council on Clean Transportation (ICCT), heavy-duty commercial vehicles are responsible for a quarter of all CO_2 emissions produced by the vehicles on the road in Europe, even though they only account for 2.5% of them. When it comes to climate change, up until recently we have been part of the problem. But we are doing everything we can to become part of the solution. That won’t happen overnight — the transition to alternative drive systems is definitely a marathon, not a sprint.

It’s a marathon I am entering with an excellent team and full of energy. My contract with TRATON and Scania was extended in March 2023 ahead of schedule and will now run for another five years until January 2029. Antonio Roberto Cortes’s contract was also extended ahead of schedule in March, by three years until January 2027. He has profound knowledge of our industry and of the Latin American market, and the fact that he is staying on as an Executive Board member is giving us extra stability and a confidence boost.

Dr. Michael Jackstein joined the TRATON Executive Board in April 2023. He has strengthened our team with his wealth of experience and in-depth knowledge of finance. He is responsible for Finance and Business Development as well as Human Resources. Catharina Modahl Nilsson also joined our Executive Board in April 2023 and is responsible for the TRATON GROUP’s new Product Management function at Board level. She had already been the TRATON GROUP’s Head of Group Product Management since the start of 2022. Along with me in my role as CEO of TRATON and Scania, Mathias Carlbaum, President of Navistar, and Alexander Vlaskamp, Chief Executive Officer of MAN, complete our Executive Board lineup. We are an experienced team that will continue to develop the TRATON GROUP further and keep it on the right track for success, while never losing sight of our commitment to growing our Company’s value. I am happy to be leading such a powerful team.

The best way for us to have an impact on the world of sustainable transportation is with our products and services. More than 90% of all emissions attributable to the TRATON GROUP are the result of our customers using our trucks and buses. This is something we are working on across the globe. We have a clear focus on battery electric vehicles — and will continue to have it. We reached additional milestones in this area in 2023, for example with the battery assembly plant Scania opened at its headquarters in Södertälje. The production of chassis in Södertälje was revamped in 2023 to accommodate large-scale production of electric vehicles, and locating the battery assembly in its vicinity means we have done everything to make the manufacturing process quick and efficient. The cells that are being assembled into battery packs in Södertälje have demonstrated a useful life in trucks of over 1.5 million kilometers when they were tested. This means that an electric truck can use the same battery throughout its entire service life.

Scania also made progress in decarbonizing its supply chains. H2 Green Steel was awarded the first contract to supply Scania with sustainably produced steel, allowing the company to reduce the climate footprint of its vehicle manufacturing. Scania also signed a letter of intent with SSAB, its main supplier of steel, to gradually decarbonize steel deliveries for its heavy-duty commercial vehicles, with full decarbonization planned by the end of the decade. From 2030 onward, Scania intends for all steel, batteries, aluminum, and cast iron it buys for its European production to be 100% green. This is now also a binding requirement for the brand’s suppliers.

The TRATON GROUP already has a strong portfolio of battery electric vehicles. There was a particular focus in 2023 on the electric long-haul MAN eTruck. Sales of this electric vehicle began at the end of October. The eTruck can cover up to 800 kilometers a day with just one charging break mid-route and is already equipped for megawatt charging in line with the future MCS standard.

Just like Scania, MAN is also getting ready to manufacture the all-important battery packs for electric trucks. The groundbreaking ceremony for large-scale production took place in Nuremberg in 2023, and up to 100,000 high-voltage battery packs will be produced there every year starting in 2025. 350 jobs will be created as a result. The Nuremberg engine plant has a long history, and this will allow it to play a key role with its profound competence for alternative drive technologies.

The TRATON GROUP is willing to make upfront investments in e-mobility. We are systematically shifting our investments from diesel powertrains to alternative drive systems. Our brands are continuing to expand their product and service portfolio and supporting their customers in switching to battery electric vehicles. The new Navistar plant in San Antonio was designed from the outset with the capacity to manufacture electric models as well. Volkswagen Truck & Bus (VWTB) expanded its e-Delivery offering to additional markets in Latin America and began testing its e-Volksbus in 2023. Barely three years after starting the series production of electric buses, MAN already managed to produce 1,000 of these vehicles. Scania presented a new platform for battery electric buses that offers a significant improvement in range to up to 500 kilometers.

We are even prepared to pay upfront when it comes to charging infrastructure. Together with the Volvo Group and Daimler Truck, we set up the Milence joint venture in 2022. The three partners have committed to investing a total of €500 million between them. Milence opened its first charging station in Venlo in the Netherlands at the end of 2023 and will continue its course for success in 2024. Charging infrastructure development is urgently needed, and the TRATON GROUP brands are doing their bit to drive it forward. Navistar, for example, has launched a partnership with Quanta Services, a major provider of grid infrastructure solutions in North America. It will work together with Quanta to offer a comprehensive vehicle and charging infrastructure solution to the customers of its International Truck and IC Bus brands that will allow them to add battery electric vehicles to their fleets quickly and efficiently. The TRATON GROUP is also facilitating the transition to electric vehicles with its new service entity: TRATON Charging Solutions currently offers the largest network of public charging stations in twelve European countries. By simplifying access to charging stations as much as possible, we are making it easier for our customers to switch to battery electric commercial vehicles.

But if we want the transition to sustainable transportation to succeed, we have to be clear about one thing: there is a challenge we as society have to overcome first. Vehicle manufacturers shifting up a gear when it comes to electric commercial vehicles will not be enough. The transportation industry desperately needs a reliable charging infrastructure. Milence plays an important role in driving this infrastructure forward and intends to build more than 1,700 charging points in Europe by 2027. But that alone is also not enough. The European Automobile Manufacturers' Association (ACEA) estimates that at least 50,000 publicly accessible charging points are needed, 35,000 of them compatible with the future powerful megawatt charging standard (MCS). The transition to electric vehicles will not gain the momentum we want it to until policymakers give new technologies the helping hand they need.

We were able to stabilize and increase production in the course of 2023 and gradually reduce our high order backlog. We did still feel the impact of bottlenecks in the supply of key components and of logistics shortages on our production and deliveries — but supply chains were significantly more resilient on the whole than even just a year ago in 2022. This meant that we were once again able to deliver our vehicles to our customers with shorter lead times. We were able to offset the significantly higher prices for energy, raw materials, and other bought-in components with price measures.

We managed to make 2023 a very successful year for the TRATON GROUP, something we could not have done without all of our brands. More than 100,000 TRATONians were fully committed to helping us achieve significant growth in our unit sales, sales revenue, and operating result (adjusted), and I want to thank you all for your hard work. We raised the forecast published at the beginning of the year twice as the year progressed. The latest figure was even more ambitious, yet we still managed to exceed it. The TRATON GROUP's unit sales were up 11% year-on-year to a total of 338,200 vehicles in 2023. We lifted our sales revenue by 16% to €46.9 billion. Operating result (adjusted) doubled year-on-year to around €4.0 billion. We reported an operating return on sales (adjusted) of 8.6%, slightly above the forecast range of 7.5 to 8.5%.

This is great news for you as our shareholders in two ways. We paid out a dividend of €0.70 per share for fiscal year 2022 in June — an increase of €0.20 per share compared to the previous year. Along with the very positive developments in the price of TRATON shares, this resulted in a total yield of 56% for shareholders in 2023, calculated at the Xetra closing price.

We shouldn't become complacent or expect 2024 not to be hard work — that much already became clear in the second half of 2023. Our incoming orders were significantly weaker in 2023 than in the previous year. Demand returned to normal in Europe. On the one hand, economic developments in 2024 remain uncertain. On the other, high interest rates have created a more difficult financing environment. Incoming orders were down sharply year-on-year in North America. Navistar consciously remained restrictive in its acceptance of new orders as a result of its very high order backlog, a consequence of pent-up demand. Incoming orders were also down significantly year-on-year in South America. This was due to the pull-forward effects in connection with the Conama P8 emissions standard, which entered into force in Brazil at the beginning of 2023. In spite of these challenges, our order books are well filled, with enough orders to last us into the second half of 2024. This gives us reason to be confident.

Our Vehicle Services business is important, and we will gain additional stability from our financial services in 2024. With TRATON Financial Services, we took an important step forward in 2023 on our journey to establish a global captive and integrated financial services business. This will allow us to offer even better solutions to our customers, for example when they want to make the switch to electric vehicles. Optimizing the TRATON GROUP's financing setup helps to make our earnings more resilient to the ups and downs of the commercial vehicle markets.

All of this means that we will have to remain extremely focused in 2024 and make the best of what we are good at. And it's clear what that is: established and committed brands focusing on customer satisfaction while also working together in perfect harmony, making us strong as a Group. I am confident that we can make 2024 an even more successful year than 2023, even without the support from the market. We should see a stronger reflection of our Group collaboration starting in 2024, with a visible result from our Common Base Engine, which was first launched at Scania and is now coming in at Navistar and MAN. And that is only a fraction of the potential we will see unfold with our TRATON Modular System, which we are working so hard on. For fiscal year 2024, we are expecting developments in unit sales and sales revenue to range from –5 to 10%. We are projecting an operating return on sales (adjusted) of 8.0 to 9.0% for the TRATON GROUP.

I hope we can continue to count on your support as our shareholders.

Sincerely,

Christian Levin
CEO of TRATON SE

Executive Board

CHRISTIAN LEVIN

Chairman of the Executive Board and Chief Executive Officer of TRATON SE, Chief Executive Officer of Scania

DR. MICHAEL JACKSTEIN (since April 1, 2023)

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

CATHARINA MODAHL NILSSON (since April 1, 2023)

Member of the Executive Board of TRATON SE, responsible for TRATON Group Product Management

ALEXANDER VLASKAMP

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

MATHIAS CARLBAUM

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

ANTONIO ROBERTO CORTES

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

Report of the Supervisory Board[1]

Dear readers,

The Company's Supervisory Board addressed the Company's position and performance regularly and in detail in fiscal year 2023. In accordance with the recommendations of the German Corporate Governance Code (the Code), the statutory requirements, the Articles of Association, and the Rules of Procedure, we regularly advised the Executive Board in its management of the Company and monitored its activities. We were involved in an advisory capacity in all matters and decisions of major importance for the TRATON GROUP.

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

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

The Supervisory Board held seven meetings in fiscal year 2023. It had four in-person meetings, two video meetings, and one telephone meeting. In addition, the Supervisory Board gained a first-hand impression of production at Volkswagen Truck & Bus Ltda. and Scania Latin America Ltda. and shed light on strategic issues in these regional markets. We adopted resolutions on specific, especially urgent matters in writing.

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

The attendance rate of members at Supervisory Board meetings (calculated for all meetings in the fiscal year and for all Supervisory Board members in office) was 92.7% in fiscal year 2023. The individualized attendance of the members of the Supervisory Board at the meetings of the Supervisory Board and its committees is shown in the following overview:

	Supervisory Board		Presiding Committee		Audit Committee		Nomination Committee	
	No.	%	No.	%	No.	%	No.	%
Mr. Pötsch	7/7	100	8/9	89			1/1	100
Mr. Lyngsie	6/7	86	9/9	100				
Ms. Andersson[2]	3/4	75						
Mr. Bechstädt	7/7	100			4/4	100		
Ms. Carlquist	7/7	100						
Ms. Cavallo[3]	4/7	57	2/3	67				
Dr. Döss	7/7	100						
Mr. Kerner	5/7	71	8/9	89			1/1	100
Mr. Kilian	7/7	100	9/9	100				
Dr. Kirchmann	7/7	100						
Dr. Kuhn-Piëch	6/7	86			3/4	75		
Ms. Lorentzon	7/7	100			4/4	100		
Mr. Luthin	7/7	100						
Ms. Macpherson	7/7	100			4/4	100		
Dr. Dr. Porsche	6/7	86	7/9	78			1/1	100
Dr. Schmid	7/7	100						
Ms. Schnur[4]	7/7	100	6/6	100	3/4	75		
Mr. Sedlmaier	6/7	86						
Mr. Wansch	7/7	100						
Mr. Witter	7/7	100			4/4	100		

2 From April 4, 2023

3 Member of the Presiding Committee until March 20, 2023

4 Member of the Presiding Committee from March 21, 2023

Committee activities

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

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

The names of the members of the committees as of the end of 2023 can be found in the **"Corporate Governance Statement"** section and in the list in Note **"49. Supervisory Board committees"** to the Consolidated Financial Statements.

The **Presiding Committee** of the Supervisory Board held nine meetings in the year under review. One of these meetings was in-person, six were video meetings, and two were telephone meetings. At its meetings, the Presiding Committee meticulously prepared the resolutions of the Supervisory Board, gathered information about ESG-related performance reviews and new features of the remuneration system for the Executive Board, discussed in detail the changes in Scania's bus business, and addressed the planning round, which contains the cornerstones of the medium and long-term financial planning, and the investment program. Strategy execution in connection with the realignment of the Group Research and Development division and succession planning for the Executive Board were also discussed.

The **Nomination Committee** met once in the year under review. This was an in-person meeting.

The **Audit Committee** held a total of four meetings in the year under review. One meeting was an in-person meeting and three were video meetings. It dealt in detail with financial reporting issues, the 2023 Annual Financial Statements of TRATON SE and the TRATON GROUP, and the audit reports submitted by the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (from February 1, 2024: EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft), Munich (EY). Additionally, it subjected the performance of the audits to a quality review. It also addressed the requirements of the Corporate Social Responsibility Directive and the TRATON Group policy on export controls, as well as corresponding measures and sanctions.

The committee discussed the Half-Year Financial Report with the Executive Board prior to its publication. EY reviewed the TRATON GROUP's Half-Year Financial Report for the period ended June 30, 2023. The review did not lead to any objections. The committee discussed the findings of the review with the auditors in detail.

The Audit Committee also addressed the engagement of the auditor to audit the Annual Financial Statements for 2023, and the areas of emphasis of the audit. The committee regularly addressed the business performance in the TRATON GROUP, the internal control system, risk management and the risk management system, and the TRATON GROUP's impending and pending litigation, among other issues. The Audit Committee also addressed compliance and internal audit issues, such as the TRATON GROUP's internal audit system and the audit plans for the TRATON GROUP's Corporate Audit function, as well as the implementation status. The head of Corporate Audit of the TRATON GROUP and the Chief Compliance Officer of the TRATON GROUP reported to the committee in person on a regular basis.

The members of the Supervisory Board are responsible for obtaining the education and training necessary for them to perform their duties, for example with regard to changes in the legal environment. They are supported by the Company if necessary. In addition, topics relating to the Company are regularly discussed in depth at Supervisory Board meetings. These included on the one hand the TRATON Financial Services segment, and on the other, regulatory developments and sustainability reporting requirements, as well as deep dives on the Future Powertrain program, the business strategy for China, and the Navistar strategy. Newly appointed members of the Supervisory Board are additionally given the opportunity to receive a detailed introduction to the specific issues concerning the Supervisory Board of TRATON SE.

Issues addressed by the Supervisory Board

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

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

The following additional information relates to the Supervisory Board meetings held in 2023:

Supervisory Board meeting on February 1, 2023

The main topic at our meeting on February 1, 2023, was the adjustment of the calculation parameters for the Executive Board's profit bonus for fiscal year 2022. It became necessary to discuss a potential adjustment in particular due to the unforeseen events in connection with the war in Ukraine.

Supervisory Board meeting on February 22, 2023

At our meeting on February 22, 2023, following detailed examination and discussion, we approved the Annual Financial Statements for TRATON SE and the Consolidated Financial Statements with the Combined Management Report, including the Nonfinancial Group Statement, for TRATON SE and the TRATON GROUP for fiscal year 2022 prepared by the Executive Board. The Supervisory Board also prepared the remuneration report for fiscal year 2022. In addition, the Supervisory Board examined the report on relationships with affiliated companies (Dependent Company Report). On completion of our examination, we raised no objections to the Dependent Company Report. Additionally, the Supervisory Board resolved to issue the audit engagement letter for the 2023 Annual and Consolidated Financial Statements, and to engage the auditors to review the interim financial statements, interim management reports, and the remuneration report for fiscal year 2023. Other agenda items included adjustments to the Executive Board's List of Responsibilities, the appointment of the Executive Board member for Production at Navistar International Corporation, and the appointment of the Head of Production at TRATON SE. We also addressed the planning round and the associated investment program of the TRATON GROUP in detail, and discussed the restructuring of the TRATON GROUP's financial services activities.

Supervisory Board meeting on March 20, 2023

The main focus of our meeting on March 20, 2023, was on changes in the Executive Board of TRATON SE. This related to two upcoming appointment extensions, two personnel changes, and an amendment to the List of Responsibilities. For example, we decided to extend the appointment of Christian Levin, Chairman of the Executive Board of TRATON SE and CEO of Scania CV AB, by five years until January 2029. We also resolved that Executive Board member Antonio Roberto Cortes, who is also CEO of Volkswagen Truck & Bus, will remain on the Executive Board for a further three years until January 2027 and approved the update to the Declaration of Compliance that this required.

At the same time, we approved the introduction of the new Global Product Management area of responsibility within the Executive Board as the strategic and operational integration of the commercial and industrial systems of the four brands and coordinated Group functions. In this context, we resolved to appoint Catharina Modahl Nilsson as the Executive Board member responsible for this area effective April 1, 2023.

We additionally appointed Dr. Michael Jackstein as the Executive Board member responsible for Finance and Human Resources effective April 1, 2023. He has since been heading the combined Finance and Human Resources division of TRATON SE, which also includes the Business Development division. The previous members of the Executive Board of TRATON SE Bernd Osterloh (Human Resources) and Annette Danielski (Finance and Business Development) left the Executive Board by mutual agreement on this date.

Supervisory Board meeting on May 31, 2023

At our meeting on May 31, 2023, we discussed in particular the launch of a TRATON commercial paper program and approved a €2.5 billion multi-currency commercial paper program for the issuers TRATON SE, TRATON Finance Luxembourg S.A., and TRATON Treasury AB. We were also briefed on the Future Powertrain Program focus topic and the business strategy for China. We additionally approved the appointment of a new Head of Logistics at TRATON SE.

Supervisory Board meeting on July 20, 2023

At our meeting on July 20, 2023, we obtained detailed information on the planning round and investment planning. We also addressed the China Business Case and approved the continuation of the China project.

Supervisory Board meeting on October 29, 2023
At our meeting on October 29, 2023, we dealt with filling the position of Head of TRATON GROUP R&D and obtained detailed information on the current status of the repositioning of the Group Research and Development division.

Supervisory Board meeting on December 11, 2023
At our meeting on December 11, 2023, we addressed issues related to Executive Board remuneration. We also adopted the Declaration of Compliance with the German Corporate Governance Code and discussed the Executive Board's decision to hold the 2024 Annual General Meeting of TRATON SE as a virtual Annual General Meeting without the physical presence of shareholders. We followed this by discussing the outcome of the Supervisory Board's self-assessment.

Resolutions adopted in writing
As well as the topics outlined above, we also approved holding TRATON SE's 2023 Annual General Meeting as an in-person meeting and approved the corresponding agenda and proposed resolutions by means of resolutions adopted in writing in the reporting period. Additionally, we approved the acquisition of the new financial services business relating to MAN and Volkswagen Truck & Bus Ltda. by TRATON Financial Services AB as a resolution adopted in writing. As well as the approval of the planning round and the investment program, we also adopted resolutions in writing approving Executive Board remuneration issues and appointing senior executives at the first management level below the Executive Board.

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

Corporate governance and Declaration of Compliance
In March 2023, the Executive Board and Supervisory Board issued a Declaration Of Compliance during the year due to the extension of the term of office on the Executive Board of Mr. Cortes. The annual Declaration of Compliance was issued by the Executive Board and the Supervisory Board in December 2023. The declarations are permanently available on TRATON SE's website at **https://ir.traton.com/en/corporate-governance**. The departures from the recommendations of the German Corporate Governance Code are described in detail and substantiated in the Declarations of Compliance.

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

Changes to the composition of the Supervisory Board and the Executive Board
Effective April 4, 2023, Ms. Ödgärd Andersson was appointed by court order to succeed Ms. Hiltrud Dorothea Werner as a member of the Supervisory Board. She was then elected at the Annual General Meeting on June 1, 2023, for the remainder of Ms. Werner's term of office.

Dr. Michael Jackstein was appointed to the Executive Board of TRATON SE as Chief Financial Officer and Chief Human Resources Officer effective April 1, 2023. Also effective April 1, 2023, Ms. Catharina Modahl Nilsson took over the Global Product Management function on the Executive Board. Effective the end of March 31, 2023, Ms. Annette Danielski, Chief Financial Officer, and Mr. Bernd Osterloh, Chief Human Resources Officer, both left the Executive Board of TRATON SE by mutual agreement. The Supervisory Board would like to thank Ms. Danielski and Mr. Osterloh for their important contributions to laying the foundations for TRATON's transformation and for driving forward the strategy in their areas of responsibility.

Audit of the Annual and Consolidated Financial Statements and of the Dependent Company Report
The Annual General Meeting of TRATON SE elected EY as the auditor of the Annual Financial Statements and the Consolidated Financial Statements for fiscal year 2023 on June 1, 2023. The Supervisory Board issued the concrete audit engagement letter to EY in line with the Audit Committee's recommendations and specified the areas of emphasis of the audit.

The auditor issued unqualified auditor reports on the 2023 Annual Financial Statements of TRATON SE and TRATON's 2023 Consolidated Financial Statements, together with the Combined Management Report. In addition, the auditor audited the remuneration report for fiscal year 2023 prepared jointly by the Executive Board and the Supervisory Board in accordance with section 162 of the *Aktiengesetz* (AktG — German Stock Corporation Act).

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

The Executive Board of TRATON SE prepared a report on relationships with affiliated companies (Dependent Company Report) in accordance with section 312 of the AktG for fiscal year 2023. The auditor audited the Dependent Company Report and issued the following opinion:

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

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

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

The members of the Audit Committee and the members of the Supervisory Board received the documents relating to the Annual Financial Statements, including the Dependent Company Report, and the audit reports prepared by the auditor in good time for the meetings of these committees that dealt with the 2023 Annual Financial Statements.

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

Based on the audit reports by the auditor and its discussion with them as well as its own findings, the Audit Committee prepared the Supervisory Board’s examination of the Consolidated Financial Statements and the Annual Financial Statements of TRATON SE, as well as the Combined Management Report (including the Nonfinancial Group Statement) and the Dependent Company Report, and reported on them in the Supervisory Board meeting on February 21, 2024.

We examined these documents in depth in the knowledge of, and taking into account, the report by the Audit Committee and the auditor’s report, and in our discussions with them. We came to the conclusion that there were no objections to the Annual Financial Statements and Consolidated Financial Statements prepared by the Executive Board for fiscal year 2023, and that the assessments by the Executive Board of the position of the Company and the Group presented in the Combined Management Report correspond to those of the Supervisory Board.

In our meeting on February 21, 2024, we concurred with the results of the audit by the auditor in line with the Audit Committee’s recommendation and our own examination and approved the Annual Financial Statements prepared by the Executive Board and the Consolidated Financial Statements. The Annual Financial Statements are thus adopted.

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

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

We would like to thank the Executive Board, the Works Council, the management, all employees of TRATON SE, and the employees of its affiliated companies for their work in 2023, and extend our special appreciation to them. 2023 was another year that brought many challenges, some of them considerable, that had to be overcome. With their great personal dedication and high level of motivation, they all made a decisive contribution to the TRATON GROUP’s successful performance in fiscal year 2023.

Munich, February 21, 2024

On behalf of the Supervisory Board,

Hans Dieter Pötsch
Chairman of the Supervisory Board

TRATON on the Capital Markets

2023 equity markets with year-end rally despite inflation and economic concerns

At the beginning of the year, the international equity markets initially continued the upward trend that began in October 2022 on the back of positive economic data and hopes of less aggressive interest rate hikes by leading central banks, and posted significant gains. Over the further course of the year, however, this positive trend was increasingly overshadowed by concerns about further interest rate hikes to rein in persistently high inflation rates. This was exacerbated by the debates about the debt ceiling taking place in the USA in the meantime as well as by fears of recession, among other things. Accompanied by strong volatility, the equity markets initially trended sideways in the spring and summer. Despite the difficult market environment, positive economic and corporate data started supporting share prices, with some stock market indices even reaching record highs at the end of July and beginning of August, although these could not be sustained. Subsequently, prices on the global stock exchanges came under significant pressure again until the end of October due to the conflict in the Middle East, persistent uncertainty as a result of the war in Ukraine, and weaker economic data, hitting their lows for the year in some cases. In the last two months of the year, lower inflation rates fed hopes of an end to the cycle of interest rate hikes by central banks. On the back of these positive stimuli, the global stock markets recorded a significant recovery, which continued until the end of 2023.

The German Dax benchmark index closed the 2023 trading year at 16,752 points, up 20.3%. The SDax, which comprises the 50 most important companies in Germany below the Dax and the MDax and is where TRATON is listed, rose by 17.1% compared with the 2022 year-end closing level. The Stoxx Europe 600 Industrial Goods & Services (SXNP) index, whose members are the largest listed European companies in the industrial goods and services sector, including TRATON, rose by 21.6% in 2023.

TRATON posts significant share price increase over the course of the year

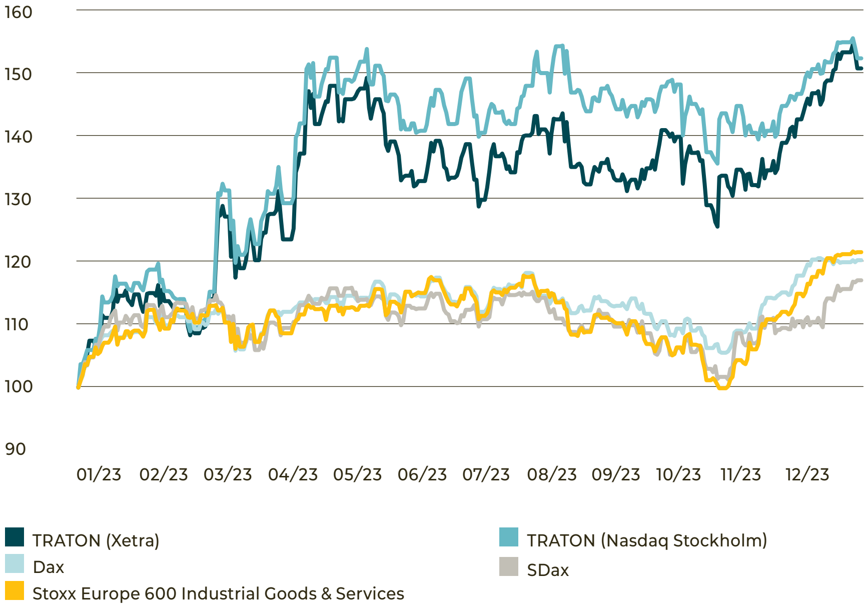
TRATON SE's shares began 2023 by broadly tracking the general performance of the stock markets. The positive reception given to the 2022 full-year figures and an outlook for 2023 that exceeded analysts' expectations led to TRATON shares performing significantly better than the relevant indices, particularly at the end of the first quarter and the beginning of the second quarter. In the second half of the year, TRATON's shares largely followed the volatile developments on the markets, which were shaped by geopolitical risks as well as inflation and economic concerns. In the final two months of the year, they benefited from the generally improved stock market environment and recorded a significant price increase. Overall, TRATON shares recorded a significantly positive performance in 2023.

TRATON shares reached their annual high of €21.86 on December 27, 2023. They recorded their lowest price on January 2, 2023, at €14.44. The share price on the Nasdaq Stockholm in Sweden reached a high for 2023 of SEK 241.40, also on December 27, 2023, and a low of SEK 160.80 on January 2, 2023.

TRATON shares were priced at €21.32 and SEK 236.40 on December 31, 2023. This resulted in price increases compared with year-end 2022 of 50.9% and 52.4%, respectively. Including the dividend of €0.70 paid out for 2022, this resulted in a total return to our shareholders of 55.8% and 57.7%, respectively. At the end of 2023, TRATON SE's market capitalization was €10.7 billion.

Currently, 21 financial analysts rate TRATON shares. At the end of 2023, twelve analysts issued a positive recommendation ("buy" or "overweight"). Nine analysts rated the shares as "neutral."

TRATON SHARE PRICE PERFORMANCE IN 2023 COMPARED WITH SELECTED INDICES SINCE JANUARY 1, 2023 (INDEXED; JANUARY 1, 2023 = 100%)



INDICATORS FOR TRATON SHARES

	2023	2022
Earnings per share in € (diluted/basic)	4.90	2.28
Price-earnings ratio (PE ratio)[1]	4.3	6.2
Dividend per share (€)[2]	1.50	0.70
Dividend yield (in %)[3]	7.0	5.0
Payout ratio (in %)	31	31
Xetra (in €)		
Year-end closing price	21.32	14.13
Annual average price	18.69	16.01
Annual high	21.86	23.38
Annual low	14.44	11.83
Nasdaq Stockholm (SEK)		
Year-end closing price	236.40	155.10
Annual average price	214.82	169.46
Annual high	241.40	239.00
Annual low	160.80	130.20
Number of shares (million)[4]	500	500
Market capitalization (€ billion)[4]	10.7	7.1

1 Year-end closing Xetra price in relation to earnings per share
2 2023: proposed dividend, subject to approval by the 2024 Annual General Meeting
3 Dividend per share based on the year-end closing price of TRATON shares (Xetra trading)
4 As of December 31

Earnings per share more than doubled

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

Earnings per share rose significantly by 115% to €4.90 (previous year: €2.28) due to the improvement in operating result in the year under review.

Proposed dividend of €1.50 per share

The Executive Board and Supervisory Board of TRATON SE will propose the payment of a dividend of €1.50 per share at the Annual General Meeting for fiscal year 2023 to be held on June 13, 2024. Based on the proposed dividend, the payout ratio is 30.6%. It is therefore within the target corridor of 30 to 40% of net income.

In relation to the proposed dividend for the year under review, the dividend yield for TRATON shares, calculated at the Xetra closing price on the last day of trading in 2023, was 7.0%.

Free float unchanged at 10.28%

TRATON has an international investor base, including from Germany, Sweden, the United Kingdom, and the USA, comprising both institutional and retail investors. At the end of 2023, the free float calculated in accordance with the criteria used by Deutsche Börse stood at 10.28%. The largest single shareholder is still Volkswagen Finance Luxemburg S.A., Strassen, Luxembourg, a Volkswagen Group company, which holds 89.72% of the share capital.

BASIC DATA FOR TRATON SHARES

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

More friendly market environment for corporate bonds

The capital market environment in 2023 was shaped by a high level of uncertainty due to the war in Ukraine and the conflict in the Middle East, together with a still shifting interest rate environment. Despite ongoing geopolitical tensions, the supply of liquidity from investors increased significantly compared with the previous year. This helped bond yields to stabilize at a higher level. The European Central Bank's continuing cycle of interest rate hikes led to further increases in euro reference rates and generally higher refinancing costs for companies. Overall, however, 2023 was significantly friendlier for corporate bond placements than 2022 and offered attractive market windows for new issuances, especially in the final quarter of 2023.

TRATON's ratings

TRATON SE has had long-term issuer ratings from Moody's Investors Service (Moody's) and S&P Global Ratings (S&P) since June 17, 2020. Since September 12, 2023, TRATON SE has also had short-term ratings from both rating agencies.

RATINGS (AS OF DECEMBER 31, 2023)

	Long-term rating	Outlook	Short-term rating
Standard & Poor's	BBB	stable	A-2
Moody's	Baa2	stable	P-2

European Medium Term Notes program updated

Since March 12, 2021, TRATON has had a European Medium Term Notes program (EMTN program), which was updated on May 3, 2023. The €12.0 billion capital market issuance program enables TRATON to raise capital on the debt markets flexibly and efficiently. In addition to TRATON SE, the Company's indirect subsidiaries TRATON Finance Luxembourg S.A. and TRATON Treasury AB can also issue bonds under the program. TRATON SE, TRATON Finance Luxembourg S.A., and TRATON Treasury AB are using the issuance program to raise capital for general corporate purposes, and the capital raised will be used as needed within the TRATON GROUP.

Commercial paper program launched

TRATON launched a €2.5 billion commercial paper program (CP program) on September 12, 2023. This opens up an additional financing market for TRATON and complements the existing EMTN program. TRATON will use the CP program to finance short-term maturities with tenors of up to one year. In doing so, TRATON is gaining access to another highly liquid financing market and expanding its debt investor base. The issuers under the CP program are TRATON SE and its indirect subsidiaries TRATON Finance Luxembourg S.A. and TRATON Treasury AB. Through the CP program, TRATON can issue bonds in various currencies, and the funds raised are intended for general corporate purposes.

TRATON active on the bond markets

TRATON continued to issue bonds under the €12 billion EMTN program in the course of 2023. Maturities of more than two years are generally conducted via public placements, while private placements under the EMTN program are primarily used for maturities of between one and two years. The bonds were issued by TRATON Finance Luxembourg S.A. All bonds were listed on the Regulated Market of the Luxembourg Stock Exchange.

OUTSTANDING BONDS OF TRATON FINANCE LUXEMBOURG S.A.

Million		EUR	SEK
Outstanding bonds	12/31/2022	5,700	–
	Issuances	3,000	2,550
	Repayments	–600	–
Outstanding bonds	12/31/2023	8,100	2,550

TRATON's indirect subsidiary Scania CV AB also issued bonds from its €5 billion bond issuance program in 2023.

OUTSTANDING BONDS OF SCANIA CV AB

Million		EUR	SEK	NOK
Outstanding bonds	12/31/2022	1,300	24,788	3,713
	Issuances	–	1,500	–
	Repayments	–800	–8,463	–1,263
Outstanding bonds	12/31/2023	500	17,825	2,450

Further information about the outstanding bonds is available on our Investor Relations website in the **"Debt & Rating"** section.

No change in TRATON's share capital

TRATON SE's share capital remained unchanged at the end of fiscal year 2023 at €500 million. It is composed of 500,000,000 no-par value shares, each with a notional value of €1.00. All shares carry full dividend rights in euros.

TRATON further expands its investor relations activities

TRATON further stepped up and expanded its investor relations activities in the fiscal year under review. For example, the Investor Relations team attended more conferences and held a credit roadshow together with their Treasury colleagues for the first time. We provided timely information to institutional investors and analysts, as well as retail investors, about current topics and the TRATON GROUP's business performance and strategic focus. In addition, we held continuous discussions with institutional investors and analysts at roadshows and investor conferences in Europe and North America — both virtually and in person.

For the first time since its IPO, TRATON SE held an in-person Annual General Meeting for shareholders and their representatives in Munich on June 1, 2023. Around 200 shareholders attended the meeting of shareholders in person.

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

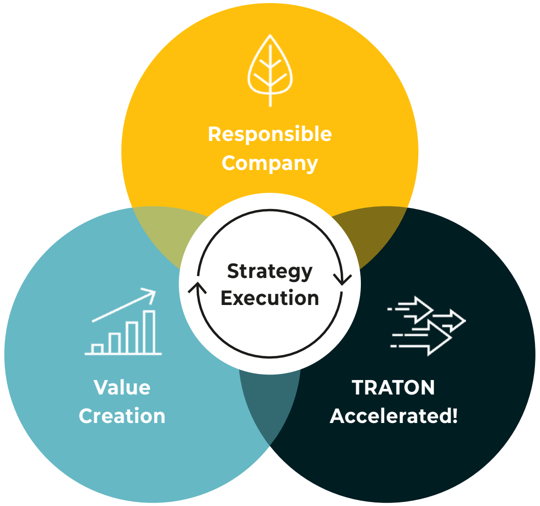
TRATON Way Forward

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

The TRATON Way Forward consists of three pillars, together with an additional focus on the systematic implementation and execution of the strategy. The elements are: (1) Responsible Company; (2) Value Creation; (3) TRATON Accelerated!; and (4) Strategy Execution.

Make responsible behavior a top priority in everything we do

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



Focus on sustainable value creation for our stakeholders

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

Shape our role in the future logistics ecosystem

- Business Model Expansion
- Partnership Culture
- Embrace Digital

(1) Responsible Company

The TRATON GROUP intends to become even more responsible as a company in every respect. Decarbonization and circularity play a key role in this endeavor and are a top priority for us. Together with our brands, we are working hard on our purpose of transforming transportation in a sustainable way. Our objective is to generate the greatest possible benefit for our customers and society as a whole across the entire life cycle of our products. The TRATON GROUP has a strong focus on achieving its environmental goals and strengthening sustainable conduct toward people, employees, customers, suppliers, and strategic partners. Being responsible has the highest priority and influences everything we do.

As part of our strategy, we have set ourselves a target for around half of our annual new sales in the relevant regions (EU27+3 region, USA, and Canada) to be zero-emission vehicles by 2030. This target is subject to the conditions needed to achieve it, such as the expansion of the corresponding charging infrastructure, being in place. It will also allow us to make a significant contribution to the decarbonization of the global transportation sector. An example of our stronger sense of responsibility is the establishment of the Milence charging joint venture together with Daimler Truck and the Volvo Group. The joint investment of €500 million to build at least 1,700 charging points for heavy-duty trucks and coaches by 2027 is one of the key factors for the expansion of electric mobility. The first site started operating in Venlo on December 7, 2023.

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

(2) Value Creation

The second element of the strategy is Value Creation. It focuses on a sustained increase in value for the TRATON GROUP stakeholders. It also involves tapping into additional sources of revenue and key markets to reach this goal. Making all TRATON brands even stronger is another objective. Each brand has a clearly defined strategic target return and works to deliver on it.

TRATON's entry into the North American market in 2021 strengthened its global footprint by giving it access to the world's largest profit pool in the commercial vehicle industry. Navistar plays a key role in this and will be led to new strengths as part of our strategy. The measures for doing this range from using the powerful component and technology setup within the TRATON GROUP and expanding the financial services business, all the way to even more effectively leveraging Navistar's dealer and service network, which is one of the largest independent networks in the North American market. The development and launch of the new Navistar S13 Powertrain on the basis of the TRATON Modular System is a key milestone.

As part of our global expansion, we will additionally strengthen our footprint in Asia by also establishing an industrial presence in China. China is the world's largest commercial vehicle market. Chinese fleet customers are increasingly looking toward higher-end vehicles, expecting more and more in terms of efficiency and safety. TRATON will meet this demand by making appropriate investments in this region.

(3) TRATON Accelerated!

The third element of the TRATON strategy is particularly forward-looking. In a world shaped by electrification, autonomous driving, and connectivity, TRATON will create more added value for customers in the future through new business models, solutions, and partnerships. To do this, the Company intends to create new business models and partnerships. The TRATON GROUP is accordingly expanding its perspective on business potential beyond pure transportation. What matters here is developing the right capabilities and partnerships in order to be able to help shape the transformation of the industry. In the field of autonomous driving, Scania and Rio Tinto have agreed a long-term research and development collaboration for the continuous refinement of autonomous technologies, under which Rio Tinto's Channar Mine has become the first active partner site for Scania's autonomous mining solution. Rio Tinto and Scania began new trials with Scania's 40-ton autonomous mining vehicles and quickly reached a key milestone in driverless operation. Another example of this is the establishment of a joint venture called JUNA between Scania and sennder with the goal of making it easier for customers to switch to battery electric vehicles, for example by offering a truck-as-a-service business model.

(4) Strategy Execution

The fourth element is focused on executing the strategy. Among other things, the goal is to concentrate capabilities and hence strengthen the overall competitiveness by developing a TRATON Modular System and through closer organizational integration. We laid the cornerstone by establishing new Group functions (Group Industrial Functions) for research and development and by coordinating purchasing, production, and logistics across the whole Group.

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

Highlights 2023

In 2023, the TRATON GROUP recorded tremendous progress in the field of electric mobility and at the same time further implemented its TRATON Way Forward strategy, which charts a course for the Company's future success.

The Company's Supervisory Board made key decisions in mid-March aimed at implementing its corporate strategy even more systematically. To this end, the contract with Christian Levin, Chief Executive Officer and Chairman of the Executive Board, was extended by five years until January 2029, and the contract with TRATON Executive Board member Antonio Roberto Cortes, Chief Executive Officer of Volkswagen Truck & Bus, was extended by three years until January 2027. In addition, the newly created Global Product Management area of responsibility at Executive Board level has been designed to safeguard the heart of the TRATON GROUP's business model, i.e., the systematic strategic and operational integration of the commercial and industrial systems of the four brands and coordinating Group functions. Catharina Modahl Nilsson has been responsible for this new area since April 2023 as a member of TRATON's Executive Board. She had previously been Head of Group Product Management at TRATON since the beginning of 2022. In addition, the Supervisory Board appointed Dr. Michael Jackstein to the Executive Board effective April 1, 2023. He is responsible for Finance, Business Development, and Human Resources at TRATON SE.

For the TRATON GROUP, there is no doubt that the future of transportation is electric. A dependable infrastructure is an essential prerequisite for success. That is why TRATON urged political support for the development of the European charging infrastructure for commercial vehicles at a joint Parliamentary Evening with ABB E-mobility in Berlin. Among the evening's guests were German Transport Minister Dr. Volker Wissing, Sweden's Infrastructure Minister Andreas Carlson, and Per Thöresson, Sweden's Ambassador to Germany.

TRATON Executive Board member and Chairman of MAN's Executive Board Alexander Vlaskamp also emphasized the importance of a rapid expansion of the charging infrastructure at a hearing of the European Parliament at the end of 2023. Vlaskamp explained to the Committee on Transport and Tourism the relevance of renewable energy and of a high CO_2 price for the transition to sustainable transportation. He cited the German CO_2 surcharge of €200 per ton of CO_2 in the truck toll as an example worth following by all EU member states.

Milence, the joint venture between the TRATON GROUP, Daimler Truck, and the Volvo Group, reached a key milestone in the development of the much-needed charging infrastructure with the opening of the first charging station in Venlo in the Netherlands at the end of 2023. The joint venture plans to install at least 1,700 charging points for heavy-duty trucks and coaches along key routes in Europe by 2027.

It is important for truck drivers to be able to access charging stations as easily as possible. TRATON formed the TRATON Charging Solutions service entity in 2023 to ensure this and hence simplify the switch to battery electric commercial vehicles. The company guarantees a seamless charging experience for operators of electric commercial vehicles by offering a single source for contracting, invoicing, route planning, and utilization insights. TRATON's Scania and MAN brands operating in Europe can now offer their customers access to Europe's most extensive charging network, which currently comprises twelve countries.

Eco-conscious business practices and respecting human rights are essential for TRATON. This is why, alongside TRATON, Navistar was the fourth TRATON GROUP brand to become a member of the UN Global Compact in 2023. This worldwide initiative aims at making globalization more social and ecological.

With Scania and MAN already participating in the Science Based Targets initiative (SBTi), Navistar has now made a commitment to develop science-based near-term targets to submit to the SBTi for validation. The SBTi is a global initiative that allows companies to adopt emissions reduction targets based on the latest scientific findings. The overarching goal of the initiative is to cut global emissions in half by 2030 and to achieve net zero emissions by 2050, in line with the Paris Climate Agreement.

The TRATON GROUP made an important step on its journey to establishing a global captive and integrated financial services business at the mid-year point. It signed a framework agreement on the gradual acquisition of key aspects of the global MAN and Volkswagen Truck & Bus (VWTB) Financial Services businesses. The scope of the transaction includes the sale and transfer of rights to provide financial solutions to MAN and VWTB customers. Bundling the financial services backbone for all TRATON commercial vehicle brands allows the Group to increase its unit sales. Just like the TRATON GROUP's important Vehicle Services business, optimizing the financing setup helps to make the Group's earnings more resilient to the ups and downs of the commercial vehicle markets.

The TRATON GROUP has also expanded its access to the capital markets with a commercial paper program (CP program). In doing so, TRATON is gaining access to additional sources of financing and expanding its debt investor base. The CP program has a volume of €2.5 billion and supplements the current European Medium Term Notes program (EMTN program) with a volume of €12 billion.

Scania

Scania reached important milestones on the road to sustainable transportation in 2023. Scania's battery assembly plant opened at its headquarters in Södertälje. The investment volume over several years amounted to SEK 1.5 billion. This battery assembly plant employs 550 people and is highly automated, from incoming goods through production, down to delivery. Locating the assembly plant in the immediate vicinity of chassis production in Södertälje, which was reconfigured for the large-scale production of electric vehicles in 2023, means that the conditions were put in place for quick and efficient production processes.

Cells that Scania developed together with Northvolt and that were unveiled in April 2023 are being assembled into battery packs in Södertälje. In tests, these lithium-ion cells have demonstrated a useful life in trucks of over 1.5 million kilometers. This means that an electric truck can use the same battery throughout its entire service life. The innovative cell is set to be manufactured in northern Sweden using fossil-free electricity and will have a CO_2 footprint equivalent to around one-third of a comparable industry benchmark cell.

To make it easier for freight forwarders to switch to battery electric trucks, Scania established the JUNA joint venture together with digital forwarder sennder, Berlin, Germany. It offers an innovative usage-based billing model (pay-per-use) to save customers upfront costs and address concerns about future residual values. By enabling access to guaranteed loads on sennder's digital platform, JUNA also guarantees its customers financial plannability.

Scania has made progress in decarbonizing its supply chains as well. Scania placed its first order for green steel with supplier H2 Green Steel. This sustainably manufactured steel will help further reduce the climate footprint of the company's vehicle manufacturing. Additionally, Scania has signed a letter of intent with its main supplier of steel, SSAB, to decarbonize all steel deliveries from SSAB for Scania's heavy-duty commercial vehicles in 2030. The corresponding deliveries are set to increase rapidly from 2026, starting from initially smaller volumes.

MAN

MAN Truck & Bus reached a significant milestone in its transition to zero-emission technologies when it launched sales of the new MAN eTruck at the end of October. It is the brand's first battery electric long-haul truck. It is offered as the MAN eTGX for long-haul transportation and as the MAN eTGS for delivery operations. With a single intermediate charge, the eTruck can be used for daily ranges of up to 800 kilometers. It is also already designed for megawatt charging under the future MCS standard. MAN offers the eTruck with modular battery packs, which means that customers can order it with four, five, or six packs, depending on the intended application. Customer demand has been strong right from the start: MAN has received a total of 700 orders and order requests. By 2030, every other MAN truck delivered to customers in Europe is expected to be electric. The eTruck not only emits significantly less CO_2 than its diesel counterparts but also makes significantly less noise. Electric trucks are perceived to be only about half as loud as comparable diesel trucks, especially at low speeds, as shown by a mobility study in which MAN took part.

The main technology platform for electric trucks is the battery, another area where MAN took an important step forward in 2023. The groundbreaking ceremony for large-series production was held at the Nuremberg site. Each year, up to 100,000 high-voltage battery packs will be manufactured there starting in 2025. They are designed for the MAN eTruck in particular, as well as for city buses and coaches. An additional 350 jobs will be created as a result. The Nuremberg engine plant has a long history, and this will allow it to play a key role with its profound competence for alternative drive technologies.

Electric mobility is already well and truly on the road for city buses. MAN had begun series production of the battery electric Lion's City E bus in fall 2020. The thousandth vehicle of this model was already produced at the bus plant in Starachowice, Poland, less than three years later. The Lion's City E is attracting great interest in Spain, as well as elsewhere. More than 175 electric buses have already been ordered from MAN for sustainable public transportation for the coastal region between Alicante and Valencia in the south-east of the country alone.

In the ANITA research project, MAN teamed up with Deutsche Bahn, Fresenius University of Applied Sciences, and radio technology specialist Götting KG to investigate the potential of autonomous trucks when transferring cargo to rail. Practical test runs at the Ulm container terminal showed that efficiency gains of up to 40% are possible, accompanied by improved process stability. The ANITA project provides insights for the integration of autonomous trucks into logistics hub processes and for driverless truck traffic between logistics hubs. MAN is also working on autonomous trucks with industrial companies and universities as part of the ATLAS-L4 research and development project. MAN has been awarded the prestigious "Truck Innovation Award 2024" future prize by the International Truck of the Year jury for the two research and development projects ANITA and ATLAS-L4.

Navistar

Navistar achieved a major technological advance in drive technology in 2023. The North American TRATON brand commenced production of the International S13 Integrated Powertrain at its site in Huntsville, Alabama. This means that Navistar's International brand trucks now also benefit from the efficient Group-wide 13-liter diesel engine, the Common Base Engine (CBE). The integrated powertrain of the International S13 consists of an S13 Engine, the T14 Transmission, and a two-stage exhaust aftertreatment system. The production facility in Huntsville was expanded by 110,000 square meters to accommodate S13 production. This expansion converted the plant from a single assembly line to two — one each for the T14 Transmission and the S13 Engine.

A new era began for Navistar in the area of financial services in 2023. With the reintroduction of the group's own financial services provider Navistar Financial, customers of the Navistar brands International and IC Bus can now be offered customized, competitive loan and lease finance solutions. As part of the TRATON Financial Services segment, Navistar Financial will be able to leverage global synergies and many years of global multi-brand experience.

Like the entire TRATON GROUP, Navistar also believes the future of transportation is battery electric. Major customers are already showing interest in the new technology. For example, in 2023 Navistar announced the delivery of the first vehicles in the International eMV Series to Sysco, a food distribution company.

Navistar also made charging network progress in 2023. It launched a new partnership with Quanta Services, a large company operating in the field of power grid infrastructure solutions in North America. Navistar will work together with Quanta to offer a comprehensive vehicle and charging infrastructure solution to the customers of its International Truck and IC Bus brands that will allow them to add battery electric vehicles to their fleets quickly and efficiently.

Volkswagen Truck & Bus

VWTB expanded the offer of its battery electric e-Delivery truck in 2023 to new international markets in Latin America like Argentina, Chile, Uruguay, and Guatemala. This happened in line with the TRATON's strategy that focuses on battery electric vehicles. The VWTB plant in Resende was the first in Brazil to produce trucks with zero-emission technology on a large scale.

As the e-Delivery consolidated itself as a clean and connected choice for the urban distribution in emerging markets, VWTB started testing an electric urban bus prototype. Using an exclusive modular architecture solution, the e-Volksbus configuration was designed to speed up adaptation to different platforms. It is this difference that the brand relies on to develop vehicles in record time.

VWTB is further strengthening its presence on international markets as part of its strategy to expand its global footprint. The brand will ramp up its activities on four continents. Additional representative offices will be opened in South America, Mexico and Central America, Africa, West Asia, and Southeast Asia to support this. The first step in VWTB's ambition to become more international is to further strengthen its brand in Argentina. A new factory is scheduled to open in Córdoba in April 2024 that will primarily supply the Argentine market with five VWTB models. VWTB has already assembled the first truck in Córdoba. The Constellation and Delivery trucks will be used to validate the production process and train employees. They will then be added to the fleet, which will be used to carry out tests throughout the country.

VWTB has won a major order in a government tender for school buses in Brazil: 5,600 school buses can be ordered from and delivered by this TRATON brand by the end of 2024. The success in the new tender means VWTB remains the leading brand in Brazil's school bus program.

COMBINED MANAGEMENT REPORT

2

COMBINED MANAGEMENT REPORT OF TRATON SE, MUNICH, FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2023

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

Key Information about the TRATON GROUP

1. Business activities and organization

With its brands Scania, MAN, Navistar, and Volkswagen Truck & Bus (VWTB), the TRATON GROUP is one of the world's leading manufacturers of commercial vehicles. The Group's portfolio consists of trucks, buses, and light-duty commercial vehicles, as well as the sale of spare parts and customer services. The TRATON GROUP also offers a broad range of financial services to its commercial vehicle customers.

The TRATON GROUP's business activities are divided into the Industrial Business (TRATON Operations) and Financial Services (TRATON Financial Services) business areas. The TRATON Operations business area combines the four segments Scania Vehicles & Services (brand name: Scania), MAN Truck & Bus (brand name: MAN), Navistar Sales & Services (brand name: Navistar), and Volkswagen Truck & Bus (brand name: Volkswagen Truck & Bus). In terms of organization and financial reporting, the activities and services of the TRATON Holding (TRATON SE and other investees not allocated to the segments), as well as investments, consolidation effects between the business areas, and the effects of purchase price allocation in the event that an individual segment is acquired are grouped under Corporate Items. As of year-end 2023, a total of 103,621 (previous year: 100,356) people worked for the Group.

The positions of the vehicle brands are clearly defined within the TRATON GROUP:

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

The main production sites of Scania and MAN are located in Europe, including the original plants in Södertälje, Sweden, and Munich. Navistar produces vehicles in the United States and Mexico. Scania and VWTB also manufacture trucks and buses in Brazil.

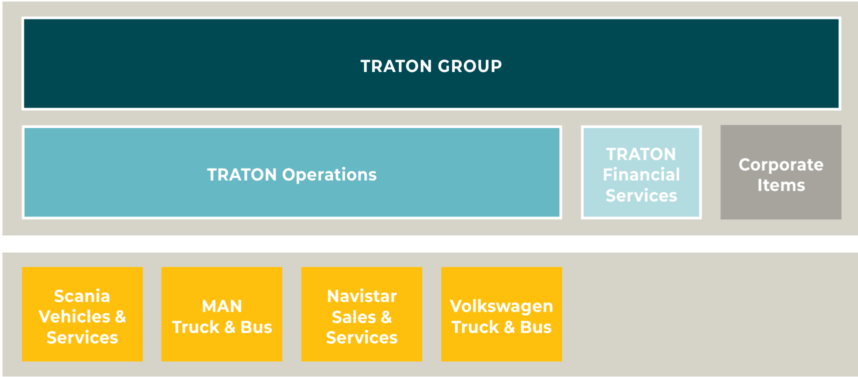
The TRATON Financial Services segment is an integrated part of the Group. The offered services include financing for customers, dealers, and distributors, as well as insurance solutions and additional services via the brands. The TRATON Financial Services segment is therefore supporting the transformation of the transportation sector. In the year under review, TRATON SE, TRATON Financial Services AB, Volkswagen Financial Services AG, Braunschweig (VWFS), and Volkswagen Bank GmbH, Braunschweig (VW Bank) signed a framework agreement on the acquisition of the key aspects of the global MAN and VWTB Financial Services businesses. The agreement constitutes the next logical step on the journey to develop TRATON Financial Services into a global captive and integrated financial services unit of the TRATON GROUP. The scope of the transaction includes the sale and gradual transfer of rights to provide financial solutions to MAN and VWTB customers. Integration into TRATON Financial Services is scheduled to be completed by the second quarter of 2025. For this purpose, TRATON already paid €275 million into an account of VW Bank in 2023.

Scania's financial services business (Scania Financial Services) was legally integrated into the TRATON Financial Services business area in 2023, and the range of financing solutions for Navistar customers in the USA was reorganized. As part of the TRATON Financial Services segment, Navistar Financial Services will leverage global synergies and years of experience to optimally serve customers in North America.

In the new Group Industrial Functions, Product Management, Research & Development, Procurement, Production, and Logistics all coordinate with each other. They operate together with the TRATON brands in an organizational matrix structure. This new management philosophy and structure is expected to further drive forward the implementation of the TRATON Modular System with the aim of delivering sustainable, efficient, and connected transportation solutions to the market.

A core component of the Group's business purpose is the management and further development of an integrated, powerful organization that is stronger than the sum of its parts. The Company is led by an experienced Executive Board team that comprises the Group functions Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Chief Human Resources Officer (CHRO), as well as another Executive Board member responsible for TRATON Group Product Management, plus the CEOs of Scania, MAN, Navistar, and VWTB.

Core functions like research & development are located across the different sites of the TRATON GROUP brands, particularly in Munich and Södertälje as well as in Lisle, Illinois, and São Paulo.



2. Research and development

The TRATON GROUP aims to drive forward the transition to sustainable transportation with its investments in research and development. The TRATON Modular System is a catalyst for commercial success because it supports global synergies and scalability. This strategic approach ensures versatile, efficient solutions and enables the TRATON brands to deploy innovative technologies.

The heart of TRATON's approach is the development of modular components with universal applicability across brands and applications. This approach streamlines development and signals a significant advance on the road to sustainable transportation solutions.

TRATON stands ready to continue playing a leading role in guiding the industry toward a more sustainable and electrified future.

The TRATON GROUP not only focuses systematically on innovation, but also on harmonizing its portfolio. In addition, the Company is making substantial investments in forward-looking key areas, such as electrification and autonomous driving. In this context, investments in electric mobility of more than €2 billion are planned for the years from 2024 to 2028. By contrast, expenditure on combustion engine technology will be scaled back.

Investments in future technologies and digital connectivity are of vital importance for facilitating the transition to a sustainable transportation system. Among other things, this is underlined by the research behind and the introduction of a digital cockpit, the Smart Dash, in Scania vehicles.

The main focus of research and development activities at Scania in 2023 was on electrification, compliance with future emissions legislation and other legal requirements, and development of the TRATON Modular System. Scania also invested in the establishment of a research and development department in China. In the future, Scania intends to be able to focus on offering vehicles that are specifically tailored to Chinese market conditions and customer requirements.

The research and development activities and the subsequent investments by MAN Truck & Bus in the field of battery technology are another example of our forward-looking approach. These capital expenditures also signal the start of mass production of high-voltage batteries at the Nuremberg site. Production at the new manufacturing plant, which broke ground in the fall of 2023, will now be gradually ramped up so that the batteries can be produced in large series from the beginning of 2025. MAN's battery packs are already being used successfully in the company's battery electric commercial vehicles. Customers from a wide range of industries are being supplied with customer- and application-specific solutions.

The progress made by the TRATON brands in megatrends such as autonomous driving is also attracting the attention of industry experts. For example, MAN was awarded the prestigious Truck Innovation Award 2024 for two research projects in the field of autonomous driving. This underscores the company's commitment to innovation from the initial idea through to implementation, with corresponding investments in transformative projects, autonomous transportation, and road safety.

Navistar's research and development expenditures increased in 2023, mainly on the back of investments in electrification and autonomous driving.

In South America, as part of the TRATON GROUP's transformation, VWTB invested primarily in projects whose legal requirements came into force in the reporting period in 2023. In addition, VWTB stepped up its investments in electric mobility and implemented various provisions related to electric mobility.

RESEARCH AND DEVELOPMENT IN FIGURES, TRATON OPERATIONS

€ million	2023	2022	Change
Primary R&D costs, TRATON Operations	2,170	1,892	278
of which capitalized development costs	687	604	83
Capitalization ratio (in %)	31.7	32.0	–0.3 pp
Amortization of, and impairment losses on, capitalized development costs	423	379	44
Research and development costs recognized in the income statement	1,906	1,666	240
Sales revenue, TRATON Operations	45,736	39,554	6,183
Primary R&D costs, TRATON Operations	2,170	1,892	278
R&D ratio (in %)	4.7	4.8	–0.0 pp
R&D employees (as of 12/31)	9,993	10,123	–130

3. Financial management

Internal management process within the TRATON GROUP

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

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

Key performance indicators of the TRATON GROUP

The following most important financial and nonfinancial key performance indicators have been defined for the TRATON GROUP and the TRATON Operations business area for fiscal year 2023:

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

For the TRATON Financial Services segment, return on equity, which was previously reported as an additional performance indicator, will become one of the most important performance indicators within the meaning of German Accounting Standard No. 20 from fiscal year 2024. This is a standard industry indicator for measuring the return on capital of financial services units.

Unit sales

Unit sales represent the number of vehicles sold by Scania, MAN, Navistar, and VWTB. They reflect the demand for our products and are decisive for the development of sales revenue.

Sales revenue

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

Operating return on sales (adjusted)

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

Adjustments are made in order to ensure the greatest possible transparency of our business performance. The adjustments to operating result concern certain items in the financial statements that, in the opinion of the Executive Board, can be presented separately to enable a more appropriate assessment of financial performance. They include, in particular, costs of restructurings and structural measures as well as one-time events with a material impact on the TRATON GROUP's earnings.

Return on investment (ROI)

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

Return on investment is calculated based on operating result after tax. In addition to operating result in the TRATON Operations business area, the calculation also includes operating result of the TRATON Holding, consolidation effects between the TRATON Operations business area and the TRATON Holding, and earnings effects from the purchase price allocation with regard to the TRATON Operations business area. An overall average tax rate of 30% is applied. Invested capital is calculated as total recognized operating assets (intangible assets, property, plant, and equipment, assets leased out, inventories, and receivables) less noninterest-bearing liabilities (trade payables and contract liabilities). Average invested capital is derived from the balance at the beginning and the end of the reporting period. Since the concept only comprises our operating activities, assets relating to investments in subsidiaries and associates and the investment of cash funds are not included when calculating invested capital. Interest charged on these assets is reported in financial result. The calculation is only performed on an annual basis.

Primary research and development costs

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

Capital expenditures

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

Net cash flow

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

Return on equity

For the TRATON Financial Services business area, return on equity describes the profitability of the capital employed. It is calculated as the ratio of earnings before tax to average equity. Average equity is calculated from the equity at the beginning and the end of the reporting period. If calculated during the year, earnings before tax for the period in question are extrapolated to the full fiscal year on a straight-line basis.

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

Operating result (adjusted)

Operating result (adjusted) is calculated to ensure the greatest possible transparency of our business performance by making adjustments to our operating result. These adjustments concern certain items in the financial statements that, in the opinion of the Executive Board, can be presented separately to enable a more appropriate assessment of financial performance. They include, in particular, costs of restructurings and structural measures as well as one-time events with a material impact on the TRATON GROUP's earnings.

Net liquidity/net financial debt

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

Net financial debt / EBITDA (adjusted) ratio

The net financial debt to EBITDA (adjusted) ratio is calculated by dividing net liquidity/net financial debt by EBITDA (adjusted) for the past twelve months and is determined for the TRATON Operations business area, including Corporate Items.

EBITDA (adjusted)

EBITDA (earnings before interest, taxes, depreciation, and amortization) (adjusted) reflects operating performance before interest, taxes, depreciation, and amortization, after accounting for the use of resources. Since depreciation and amortization may depend on the chosen accounting policies, the carrying amounts, the capital structure, and the way in which an asset was acquired, EBITDA (adjusted) is used as a key performance indicator for peer group comparisons, in particular. Adjustments to operating result are also taken into account in determining EBITDA (adjusted). EBITDA (adjusted) is calculated for the TRATON Operations business area including Corporate Items, as it is taken into account for the calculation of the net financial debt / EBITDA (adjusted) ratio for the TRATON Operations business area including Corporate Items. The previously more narrowly defined EBITDA (adjusted) is no longer reported for the TRATON Operations business area.

Equity ratio

The equity ratio indicates the ratio of total equity to total capital. For the TRATON Operations and TRATON Financial Services business areas, it is calculated from the perspective of the business area in question.

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

Report on Economic Position

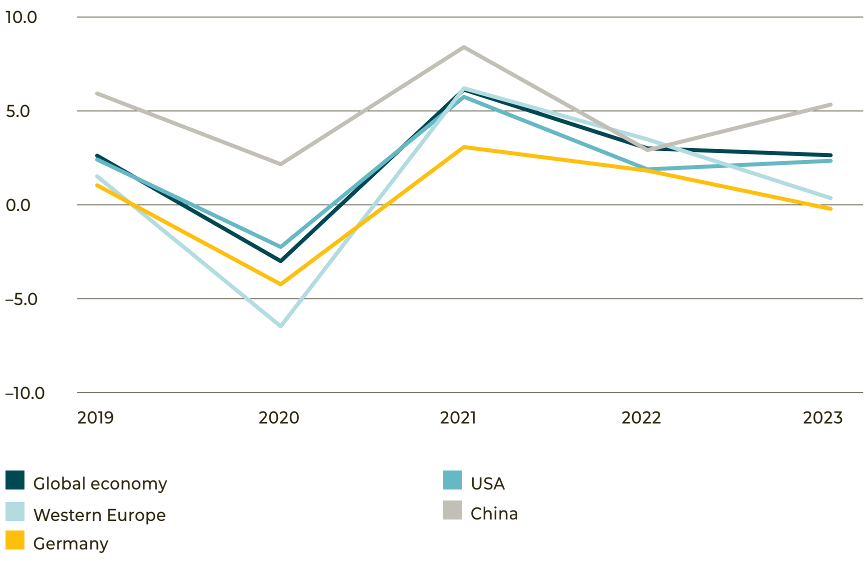
1. Macroeconomic environment

Developments in the global economy

The Russia-Ukraine conflict led to increased uncertainty in respect of developments in the global economy and prompted large sections of the community of Western states to impose sanctions on Russia, ranging from extensive trade embargoes to the partial exclusion of Russia from the global financial system. Russia itself, in its role as an energy exporter, restricted gas deliveries to Europe. The resulting shortage of supply led to rising prices on energy and commodity markets, particularly in 2022. While prices have dropped in the reporting period as a result of weakening momentum in the global economy, they remain at a relatively high level in some cases. Furthermore, salary trends in the overheated labor markets, among other factors, pose the threat of continued high inflation.

After the slump in global economic output in 2020 and the incipient recovery due to baseline and catch-up effects in 2021, followed by a further normalization of economic activity in 2022 despite the Russia-Ukraine conflict, the global economy recorded positive overall growth of 2.7% (previous year: 3.1%) in 2023. The slowdown in economic momentum versus the previous year was mainly due to weaker growth in the advanced economies, whereas the overall rate of change in the emerging markets increased slightly. At national level, developments depended on the one hand on the intensity with which central banks had to tighten monetary policy to curb the higher inflation — mainly by raising interest rates and reducing bond holdings — which had a negative impact on consumer spending and investment activity. On the other hand, the extent to which national economies were affected by the consequences of the Russia-Ukraine conflict was a decisive factor. Prices for energy and many other raw materials were lower than in the previous year, and shortages of intermediate products and commodities eased slightly. Global trade in goods expressed in nominal terms decreased in the year under review.

ECONOMIC GROWTH
GDP CHANGE (IN %)



Europe/other markets

The economy in Western Europe recorded positive, yet low overall growth of 0.4% (previous year: 3.5%) in 2023. This trend was seen in many countries in Northern and Southern Europe. The main reasons for this were the increases in energy and commodity prices, some of which were significant, which had substantially pushed up inflation rates in the previous year and thus had a negative impact on consumer confidence. Business sentiment also deteriorated across all sectors on average. In addition, the restrictive monetary policy measures taken to rein in inflation impacted both consumer spending and investment.

The economies in Central and Eastern Europe recorded real growth in absolute gross domestic product (GDP) of 2.6% (previous year: 1.1%) in the year under review. While economic output in Central Europe saw positive, albeit less dynamic growth of 1.7% (previous year: 4.5%), GDP in the Eastern Europe region rose again in 2023 compared with the prior year for the first time since the outbreak of the Russia-Ukraine conflict, with a growth rate of 3.6% (previous year: –2.8%). Inflation rates across the entire Central and Eastern Europe region declined on average in the year under review, but remained at a high level.

In Türkiye, economic output for the year 2023 as a whole rose by 3.8% (previous year: 5.3%) amid very high inflation and a fall in the value of the local currency. South Africa saw slight GDP growth of 0.6% (previous year: 1.9%) in the reporting period, amid persistent structural deficits and political challenges.

Germany
Germany's economic output recorded a negative growth rate of 0.2% (previous year: positive growth of 1.9%) in the year under review. Compared with the prior year, the seasonally adjusted unemployment figures rose on average. After reaching historically high levels in 2022, monthly inflation rates fell on average over the year, but remained relatively high.

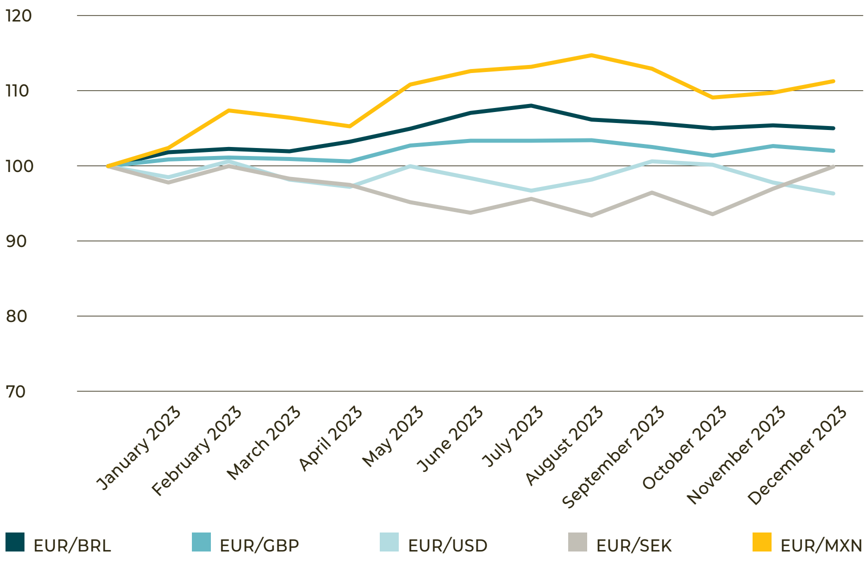
North America
US economic output grew by 2.4% (previous year: 1.9%) in the reporting period. In view of high inflation and the tight labor market, the US Federal Reserve maintained its restrictive monetary policy and raised its key interest rate four times over the course of the reporting period. Unemployment remained at a low level in the year under review. GDP rose by 1.1% (previous year: 3.8%) in neighboring Canada and by 3.3% (previous year: 3.9%) in Mexico.

South America
Brazil's economy posted GDP growth of 3.0% (previous year: 3.1%) in 2023. Argentina registered a negative economic performance with a year-on-year decline in GDP of 1.7% (previous year: increase of 5.0%) amid very high inflation and continued depreciation of the local currency.

Asia/Pacific
At 5.4% (previous year: 3.0%), China's economic output rose faster in the year under review compared with the previous year, positively influenced by the Chinese government's revocation of the zero-COVID strategy.

2. Exchange rates

TRATON'S PRIMARY FOREIGN CURRENCIES IN 2023



	Average rate for the year		Year-end closing rate	
	2023	2022	2023	2022
BRL/EUR	5.4031	5.4444	5.3750	5.6444
GBP/EUR	0.8700	0.8526	0.8691	0.8868
USD/EUR	1.0817	1.0541	1.1077	1.0677
SEK/EUR	11.4716	10.6278	11.0874	11.0787
MXN/EUR	19.1958	21.2121	18.7689	20.8879

In 2023, the euro appreciated slightly against the US dollar on average over the year. The euro had been comparatively weak in the previous year due to the high level of uncertainty about global economic development. The euro also appreciated slightly against the Swedish krona and sterling on average over the year. The euro remained virtually unchanged on average over the year against the Brazilian real.

3. Market environment

The most important truck markets (> 6t) for the TRATON GROUP are the EU27+3 region (defined as the EU27 countries excluding Malta, plus the United Kingdom, Norway, and Switzerland) and the North America region (i.e., the USA, Canada, and Mexico), as well as Brazil, South Africa, and Türkiye. In North America, the truck market is divided into weight Classes ranging from 1 through 8. The market relevant to Navistar's business is the segment comprising weight Classes 6 through 8, approximately equivalent to a weight class > 9t (Class 6: approx. 9 through 12t, Class 7: approx. 12 through 15t, and Class 8: > 15t).

In 2023, the most important truck markets (> 6t) for the TRATON GROUP reported noticeable growth overall. One of the main reasons for this was the worldwide easing of supply chain bottlenecks. After severe bottlenecks in the previous year had led to global disruptions in truck production and, at the same time, to high accumulated order backlogs, many manufacturers gradually reduced them in 2023 through significant increases in unit sales.

New truck registrations in the EU27+3 region were up substantially on the previous year's level in fiscal year 2023. Growth was recorded in virtually all of the truck markets in the region, although it varied from market to market. In Western Europe, the UK, Italy, and France saw significant growth, while the truck markets in Spain and Germany even recorded strong growth. Some EU countries in Eastern Europe experienced a slight to strong recovery compared with the previous year. Poland, Bulgaria, and Lithuania reached new all-time highs. Estonia was the only EU member state to record a moderate decline compared with the previous year.

The truck market in Türkiye was up substantially on the previous year. By contrast, the Brazilian market came under pressure due to the introduction of a new emissions standard at the beginning of 2023 and was substantially below the prior-year level throughout the year. New truck registrations in North America were up noticeably year-on-year. A noticeable increase was recorded in South Africa as well.

The Company's most important bus markets are the EU27+3 region, the school bus segment in North America, and Brazil. These markets recorded strong year-on-year growth. New bus registrations in the EU27+3 region in fiscal year 2023 substantially exceeded the previous year's level, albeit to varying degrees in the individual countries. The Brazilian bus market also recorded substantial growth. The North American school bus market in the USA/Canada recovered strongly compared with the previous year.

INCOMING ORDERS AND UNIT SALES BY COUNTRY, TRATON OPERATIONS

	Incoming orders			Unit sales		
Units	2023	2022	Change	2023	2022	Change
Total	**264,798**	**334,583**	**–21%**	**338,183**	**305,485**	**11%**
of which all-electric vehicles	2,430	2,366	3%	2,107	1,740	21%
BEV unit sales ratio (excluding MAN TGE vans, in %)	–	–	–	0.6	0.4	0.2 pp
Trucks	**210,617**	**274,299**	**–23%**	**281,290**	**254,300**	**11%**
EU27+3	82,559	111,833	–26%	123,516	89,060	39%
of which in Germany	19,056	29,650	–36%	33,073	21,281	55%
North America	53,213	72,864	–27%	78,288	68,897	14%
of which in the USA/Canada	42,357	63,517	–33%	66,961	59,840	12%
of which in Mexico	10,856	9,347	16%	11,327	9,057	25%
South America	47,221	60,570	–22%	46,083	68,211	–32%
of which in Brazil	40,460	47,923	–16%	36,671	53,704	–32%
Other regions	27,624	29,032	–5%	33,403	28,132	19%
Buses	**29,808**	**32,274**	**–8%**	**30,266**	**29,601**	**2%**
EU27+3	6,736	6,152	9%	6,306	5,036	25%
of which in Germany	1,650	1,652	0%	1,723	1,262	37%
North America	13,975	15,061	–7%	15,152	13,931	9%
of which in the USA/Canada	10,268	12,835	–20%	12,001	11,857	1%
of which in Mexico	3,707	2,226	67%	3,151	2,074	52%
South America	6,265	8,361	–25%	6,247	7,941	–21%
of which in Brazil	4,829	6,427	–25%	4,907	5,926	–17%
Other regions	2,832	2,700	5%	2,561	2,693	–5%
MAN TGE vans	**24,373**	**28,010**	**–13%**	**26,627**	**21,584**	**23%**
EU27+3	23,970	27,519	–13%	25,889	21,424	21%
of which in Germany	7,849	12,098	–35%	8,914	9,080	–2%

Following a very high level of incoming orders in 2022, the TRATON GROUP recorded a sharp decline in 2023. Existing uncertainty with regard to economic development and a more difficult financing environment led to demand returning to normal, especially in Europe. Incoming orders in North America were down sharply on the previous year, primarily because of the limited order acceptance resulting from the very high order backlog. In South America, incoming orders were also sizably below the high comparative figure. There had been pull-forward effects in Brazil in the previous year in connection with the stricter P-8 emissions standard that came into force there at the start of 2023.

Unit sales rose significantly in the reporting period due to the very high order backlog, supply chains becoming more and more stable, and a rise in production volume. The newly introduced emissions standard in Brazil led to lower customer demand and a corresponding decline in the unit sales of trucks in South America.

The book-to-bill ratio in the reporting period was 0.8 (previous year: 1.1). This meant that unit sales were higher than incoming orders, and although order backlog declined, it remains at a high level.

381 (previous year: 605) all-electric trucks, 1,411 (previous year: 449) all-electric buses, and 315 (previous year: 686) MAN eTGE models were sold in the reporting period. Additionally, 118 (previous year: 57) hybrid trucks and 284 (previous year: 83) hybrid buses were sold.

Sales revenue

SALES REVENUE BY PRODUCT GROUP

€ million	2023	2022	Change
TRATON GROUP	**46,872**	**40,335**	**16%**
TRATON Operations	**45,736**	**39,554**	**16%**
New Vehicles	31,224	25,542	22%
Vehicle Services business[1]	8,693	8,522	2%
Others	5,819	5,490	6%
TRATON Financial Services	**1,589**	**1,294**	**23%**
Corporate Items	–453	–513	–

1 Including genuine parts and workshop services

The TRATON GROUP generated sales revenue of €46.9 billion (previous year: €40.3 billion) in 2023. This increase was primarily attributable to higher unit sales of new vehicles, a positive market and product mix, better unit price realization, and an increase in the Vehicle Services business. Both the genuine parts business and workshop services recorded growth. Accounting for 19% (previous year: 21%) of total sales revenue, the Vehicle Services business contributed a considerable €8.7 billion (previous year: €8.5 billion) to business performance.

At €1.6 billion (previous year: €1.3 billion), sales revenue in the TRATON Financial Services segment rose sharply year-on-year. This growth resulted from the expansion of the financing portfolio and higher interest income, due in part to the rise in interest rates.

Profit and loss

CONDENSED INCOME STATEMENT OF THE TRATON GROUP

	TRATON GROUP		TRATON Operations		TRATON Financial Services		Corporate Items	
€ million	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Sales revenue	46,872	40,335	45,736	39,554	1,589	1,294	–453	–513
Cost of sales	–37,632	–33,482	–36,900	–33,086	–1,060	–794	328	398
Gross profit	**9,240**	**6,853**	**8,836**	**6,468**	**529**	**500**	**–125**	**–115**
Distribution expenses	–3,604	–3,399	–3,175	–2,981	–182	–162	–246	–256
Administrative expenses	–1,518	–1,376	–1,334	–1,239	–40	–28	–144	–109
Other operating result	–355	–513	–223	–274	–139	–230	8	–9
Operating result	**3,763**	**1,564**	**4,103**	**1,973**	**168**	**80**	**–508**	**–489**
Operating result (adjusted)	**4,034**	**2,071**	**4,272**	**2,257**	**269**	**303**	**–508**	**–489**
Operating return on sales (adjusted) (in %)	8.6	5.1	9.3	5.7	17.0	23.5	–	–
Financial result	–511	–4	626	–40	3	0	–1,140	36
Earnings before tax	**3,253**	**1,560**	**4,730**	**1,934**	**171**	**80**	**–1,649**	**–453**
Income taxes	–802	–419	–1,019	–326	–91	–86	308	–8
Earnings after tax	**2,451**	**1,141**	**3,710**	**1,607**	**81**	**–6**	**–1,340**	**–461**

Operating result

The TRATON GROUP's gross profit increased at a faster rate than sales revenue compared with the prior-year period. At €9.2 billion (previous year: €6.9 billion), gross profit in the year under review was 35% higher year-on-year. The main drivers of the increase were higher unit sales and greater capacity utilization due to significantly increased production figures, especially for trucks. However, bottlenecks in the supply of key components and logistics shortages continued to leave their mark on production and deliveries. Expenses of €80 million in connection with the realignment of the bus business at Scania Vehicles & Services were incurred in the reporting period, €53 million of which was attributable to impairment losses on capitalized development costs and property, plant, and equipment. The previous year had been impacted mainly by the war in Ukraine, which had led to massive supply shortages for truck cable harnesses at MAN Truck & Bus, among other things.

Gross margin increased by 2.7 percentage points to 19.7% (previous year: 17.0%) in the TRATON GROUP and by 3.0 percentage points to 19.3% (previous year: 16.4%) in the TRATON Operations business area. The year-on-year improvement is primarily attributable to higher production capacity utilization and increased vehicle deliveries, as well as the associated decline in fixed costs in the TRATON Operations business area. The significantly higher costs of energy, raw materials, and other bought-in components were offset by price increases on the market.

At €3.6 billion (previous year: €3.4 billion), distribution expenses in the TRATON GROUP were up €205 million year-on-year. The increase is attributable primarily to higher costs in connection with increased vehicle deliveries, such as shipping costs, and to cost increases due to inflation.

Administrative expenses rose by €142 million year-on-year to €1.5 billion (previous year: €1.4 billion). The main drivers were cost increases due to inflation. Despite the increases in costs, the ratio of distribution and administrative expenses to sales revenue improved by 0.9 percentage points to 10.9% (previous year: 11.8%).

At €–355 million (previous year: €–513 million), other operating result was up €158 million year-on-year. This improvement was primarily due to the discontinuation of expenses of €477 million in the previous year that had related directly to the war in Ukraine. In the reporting period, this was offset in particular by negative accumulated other comprehensive income of €102 million from currency translation effects attributable to Scania Finance Russia, which was reclassified to the income statement upon disposal. Other negative effects were higher expenses of €89 million attributable to civil lawsuits against Scania and MAN in connection with the EU truck cases in individual countries.

The TRATON GROUP's operating result rose very significantly by €2.2 billion year-on-year to €3.8 billion (previous year: €1.6 billion).

Operating result (adjusted)

Adjustments (€ million)	2023	2022
Scania Vehicles & Services	**102**	**140**
of which legal proceedings and related measures	22	17
of which in connection with the war in Ukraine	–	123
of which restructuring measures	80	–
MAN Truck & Bus	**67**	**143**
of which legal proceedings and related measures	67	–
of which in connection with the war in Ukraine	–	130
of which restructuring measures	–	13
TRATON Operations	**169**	**283**
TRATON Financial Services	**102**	**224**
TRATON GROUP	**271**	**507**

Operating result (adjusted) in the reporting period was €4.0 billion (previous year: €2.1 billion), €2.0 billion higher year-on-year. Adjustments in the TRATON Operations business area in fiscal year 2023 amounted to €169 million. They include expenses of €89 million in connection with civil lawsuits against Scania and MAN as a result of the EU truck cases. These were recognized as a consequence of the updated reassessment of risks in the year under review. The adjustments also contain €80 million in connection with the realignment of the Scania bus business. Adjustments in the TRATON Financial Services segment amounted to €102 million. These included the reclassification of negative accumulated other comprehensive income from currency translation effects at Scania Finance Russia to the income statement.

In the prior-year period, the adjustments of €507 million had included both bad debt allowances on receivables in the TRATON Financial Services segment (€224 million) and loss allowances and other expenses in the TRATON Operations business area (€253 million), all of which had been directly connected to the war in Ukraine. In addition, expenses in connection with the EU antitrust proceedings (€17 million) and in connection with the repositioning at MAN Truck & Bus (€13 million) had been adjusted in the TRATON Operations business area in the prior-year period.

The TRATON GROUP increased its operating return on sales (adjusted) by 3.5 percentage points to 8.6% (previous year: 5.1%). In the TRATON Operations business area, operating return on sales (adjusted) increased by 3.6 percentage points to 9.3% (previous year: 5.7%). In the TRATON Financial Services segment, operating return on sales (adjusted) declined by 6.5 percentage points to 17.0% (previous year: 23.5%).

Financial result

At €–511 million (previous year: €–4 million), the TRATON GROUP's financial result was down €507 million year-on-year. On the one hand, the decline is due to the general rise in interest rates and the resulting higher interest expenses. On the other, it was impacted by negative measurement effects from financial instruments. The adjustment of the ownership structure of the financial services business resulted in income of €971 million in the TRATON Operations business area in the second quarter of 2023. This effect was eliminated at the TRATON GROUP level.

Taxes

Income taxes in 2023 came to €–802 million (previous year: €–419 million). This corresponds to a tax rate of 25% (previous year: 27%). The rate was thus lower than the nominal Group tax rate and the previous year's figure, mainly because of offsetting effects attributable to loss carryforwards from previous years, for which deferred taxes were recognized for the first time.

Earnings after tax

Earnings after tax increased to €2.5 billion (previous year: €1.1 billion) in the year under review. This resulted in earnings per share of €4.90 (previous year: €2.28). Calculation of earnings per share was based on an average of 500 million shares.

Segments of the TRATON GROUP

Scania Vehicles & Services

	2023	2022	Change
Incoming orders (units)	**84,080**	**82,071**	**2%**
Sales (units)	**96,727**	**85,232**	**13%**
of which trucks	91,652	80,238	14%
of which buses	5,075	4,994	2%
Book-to-bill ratio	**0.87**	**0.96**	**–0.09**
Sales revenue (€ million)	**17,878**	**15,316**	**17%**
New Vehicles	11,672	9,580	22%
Vehicle Services business[1]	3,700	3,426	8%
Others	2,505	2,311	8%
Operating result (adjusted) (€ million)	2,266	1,315	951
Operating return on sales (adjusted) (in %)	12.7	8.6	4.1 pp

1 Including genuine parts and workshop services

Scania Vehicles & Services recorded a slight increase in incoming orders in 2023, albeit with regional differences. Unit sales rose significantly, driven by the high order backlog, more stable supply chains, and the significant increase in production volume.

Scania Vehicles & Services was able to increase sales revenue by 17% year-on-year to €17.9 billion (previous year: €15.3 billion). This growth in sales revenue was mainly attributable to the increase in the New Vehicles business. In addition to the volume-driven increase in sales revenue, sales revenue and operating result (adjusted) were positively affected by a favorable market and product mix and by better unit price realization, especially in the truck business. The Vehicle Services business also made a contribution to the positive overall development thanks to an increase in volumes and improved margins. This was partly offset by increased material and raw material prices, higher nonstaff-related expenses, and increased personnel expenses, which were primarily attributable to the expansion of the Vehicle Services business. Higher spending on electric mobility also had a negative impact.

MAN Truck & Bus

	2023	2022	Change
Incoming orders (units)	**86,783**	**109,717**	**–21%**
Sales (units)	**116,033**	**84,513**	**37%**
of which trucks	83,703	58,123	44%
of which buses	5,703	4,806	19%
of which MAN TGE vans	26,627	21,584	23%
Book-to-bill ratio	**0.75**	**1.30**	**–0.55**
Sales revenue (€ million)	**14,811**	**11,331**	**31%**
New Vehicles	9,527	6,317	51%
Vehicle Services business[1]	2,808	2,603	8%
Others	2,476	2,411	3%
Operating result (adjusted) (€ million)	1,075	139	935
Operating return on sales (adjusted) (in %)	7.3	1.2	6.0 pp

1 Including genuine parts and workshop services

MAN Truck & Bus recorded a decline in incoming orders in the reporting period due to economic uncertainties, particularly in the European market. On the back of the high order backlog, unit sales recorded a very sharp increase due to the gradual stabilization of supply chains and the resulting strong rise in production volumes. Moreover, a six-week production stop at some plants had had an adverse impact on unit sales in the prior-year period.

MAN Truck & Bus generated sales revenue of €14.8 billion (previous year: €11.3 billion), a year-on-year increase of 31%. This growth was attributable primarily to higher unit sales of new vehicles. The Vehicle Services and the engines business also made a positive contribution.

In addition to the volume-driven increase in sales revenue, operating result (adjusted) was positively impacted by better unit price realization for new and used vehicles, improved margins in the Vehicle Services business, and cost efficiency measures, such as the realignment of the Bus business area. Operating result (adjusted) was negatively impacted by increased material and energy prices and higher personnel expenses, including those in connection with the increase in inflation worldwide and the wage adjustments that had to be made as a result. In the prior-year period, production shutdowns at some plants had had a substantial negative impact on operating result (adjusted).

Navistar Sales & Services

	2023	2022	Change
Incoming orders (units)	**60,932**	**86,019**	**–29%**
Sales (units)	**88,890**	**81,892**	**9%**
of which trucks	75,532	69,073	9%
of which buses	13,358	12,819	4%
Book-to-bill ratio	**0.69**	**1.05**	**–0.36**
Sales revenue (€ million)	**11,042**	**10,501**	**5%**
New Vehicles	7,859	6,861	15%
Vehicle Services business[1]	2,045	2,394	–15%
Others	1,138	1,247	–9%
Operating result (adjusted) (€ million)	734	502	232
Operating return on sales (adjusted) (in %)	6.6	4.8	1.9 pp

1 Including genuine parts

Navistar Sales & Services recorded a year-on-year decline in incoming orders in 2023 because the majority of the orders for 2023 had already been received in 2022. New orders for 2024 could only be accepted to a limited extent on account of the high order backlog. Unit sales rose noticeably as a result of the continued high order backlog and the significantly higher production volume.

Navistar Sales & Services generated sales revenue of €11.0 billion (previous year: €10.5 billion) in the reporting period, a year-on-year increase of 5%. This increase was attributable to the New Vehicles business. The Vehicle Services business and other sales revenue were down year-on-year due to the sale of International Indústria Automotiva Da América Do Sul Ltda. (MWM), a Brazilian engine plant, which had been completed in 2022, as well as the resulting discontinuation of the associated genuine parts and engines business. Adjusted for this effect, Navistar Sales & Services would have recorded only a slight decrease in its Vehicle Services business, but a substantial increase in other sales revenue.

Navistar Sales & Services recorded an operating result (adjusted) of €734 million (previous year: €502 million). In addition to the volume-driven increase in sales revenue, other positive factors were a favorable product and customer mix and improved unit price realization. Negative factors were ongoing supply bottlenecks and higher expenses for warranties.

Volkswagen Truck & Bus (VWTB)

	2023	2022	Change
Incoming orders (units)	**33,739**	**57,042**	**–41%**
Sales (units)	**37,203**	**54,136**	**–31%**
of which trucks	30,953	47,074	–34%
of which buses	6,250	7,062	–11%
Book-to-bill ratio	**0.91**	**1.05**	**–0.15**
Sales revenue (€ million)	**2,477**	**2,952**	**–16%**
New Vehicles	2,258	2,801	–19%
Vehicle Services business[1]	165	131	26%
Others	53	20	168%
Operating result (adjusted) (€ million)	217	309	–91
Operating return on sales (adjusted) (in %)	8.8	10.5	–1.7 pp

1 Including genuine parts and workshop services

Volkswagen Truck & Bus generated sales revenue of €2.5 billion (previous year: €3.0 billion) in the reporting period. This corresponds to a 16% year-on-year decline. The decrease is primarily attributable to lower unit sales of trucks as a result of the new P-8 emissions standard that has been in force in Brazil since January 2023. Operating result (adjusted) declined by €91 million to €217 million.

In addition to the decline in sales revenue due to the lower volumes, higher material and distribution expenses negatively impacted operating result (adjusted). These effects were partly offset by improved product positioning and unit price realization.

TRATON Financial Services

	2023	2022	Change
Sales revenue (€ million)	**1,589**	**1,294**	**23%**
Operating result (adjusted) (€ million)	269	303	–34
Operating return on sales (adjusted) (in %)	17.0	23.5	–6.5 pp
Return on equity (in %)	8.4	4.0	4.5 pp

TRATON Financial Services generated sales revenue of €1.6 billion (previous year: €1.3 billion) in 2023. This growth is primarily attributable to the expansion of the financing portfolio and to higher interest income due to the higher interest rates. Operating result (adjusted) in the TRATON Financial Services segment was €269 million (previous year: €303 million). At 17.0% (previous year: 23.5%), operating return on sales (adjusted) was down year-on-year, largely because of the lower interest rate margin.

Return on equity in the TRATON Financial Services segment was 8.4% (previous year: 4.0%) in the reporting period and thus up on the previous year's level, mainly due to a negative earnings effect of €224 million in 2022 that had related directly to the war in Ukraine.

5. Financial position

Principles and goals of financial management

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

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

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

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

Financing strategy

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

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

Financing mix

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

Liquidity

The TRATON GROUP strives to maintain adequate available liquidity from net cash flow in the TRATON Operations business area. In addition to TRATON's access to the debt market, liquidity is supplemented by the syndicated revolving credit line and by credit lines from Volkswagen AG and banks, among others, to cover liquidity requirements at all times.

Maturity profile

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

Dividends policy

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

Risk management

TRATON operates an appropriate risk management system, including financial instruments such as derivatives, to cover the Group's financial risks, for example exchange rate risks or commodity price risks. Order book and other probable future sales and purchase contracts are partly hedged within defined limits. Commodity price risks are also partly hedged, while counterparty risks are closely monitored. Management of foreign currency, interest rate, and commodity exposure is at the discretion of each brand. The relevant requirements of each company are considered since different functional currencies and business environments apply. The Group's activities in the TRATON Financial Services business area are managed to largely match assets and liabilities in order to minimize interest rate mismatches using appropriate methods to manage risks.

Financing in 2023

Gross financial liabilities amounted to €21.7 billion (previous year: €21.1 billion) as of December 31, 2023. €13.4 billion (previous year: €11.7 billion) of this amount was attributable to capital market instruments, €5.9 billion (previous year: €5.9 billion) to bank funding, €1.2 billion (previous year: €2.2 billion) to Volkswagen Group loans, and €1.2 billion (previous year: €1.2 billion) to lease liabilities.

Financial liabilities of the TRATON GROUP as of 12/31/2023 € billion	**Total**	**Due 2024**	**Due 2025**	**Due 2026**	**Due 2027**	**Due 2028**	**Due 2029 or later**
Bonds	11.7	2.7	4.9	1.7	0.1	0.5	2.0
of which for the financial services business	7.9	2.6	3.7	1.5	0.1	0.0	0.0
Commercial paper	1.0	1.0	–	–	–	–	–
of which for the financial services business	1.0	1.0	–	–	–	–	–
Liabilities to banks	5.9	2.8	0.5	2.0	0.3	0.1	0.2
of which for the financial services business	2.3	1.0	0.5	0.4	0.3	0.1	–
Schuldscheindarlehen	0.7	0.4	–	0.3	–	0.0	–
of which for the financial services business	–	–	–	–	–	–	–
Volkswagen Group liabilities	1.2	0.7	0.5	–	–	–	–
of which for the financial services business	0.9	0.4	0.5	–	–	–	–
Total financial liabilities (excluding lease liabilities)	**20.5**	**7.6**	**5.9**	**4.0**	**0.4**	**0.6**	**2.2**
of which for the financial services business	12.1	5.0	4.7	1.9	0.4	0.1	–
Lease liabilities[1]	1.2						
Total financial liabilities	**21.7**						
of which for the financial services business	12.1						

1 The maturity structure of the lease liabilities (IFRS 16 *Leases*) is as follows:
< 1 year: €239 million; 1–5 years: €666 million; > 5 years: €275 million.

Financial liabilities of the TRATON GROUP as of 12/31/2022 € billion[1]	**Total**	**Due 2023**	**Due 2024**	**Due 2025**	**Due 2026**	**Due 2027**	**Due 2028 or later**
Bonds	10.2	2.5	2.6	2.8	0.3	0.1	1.9
of which for the financial services business[2]	6.9	1.9	2.6	1.9	0.3	0.1	–
Commercial paper	0.8	0.8	–	–	–	–	–
of which for the financial services business	0.8	0.8	–	–	–	–	–
Liabilities to banks	5.9	3.2	1.7	0.4	0.2	0.1	0.3
of which for the financial services business	2.4	0.8	0.6	0.4	0.2	0.1	0.3
Schuldscheindarlehen	0.7	–	0.4	–	0.3	–	–
of which for the financial services business	–	–	–	–	–	–	–
Volkswagen Group liabilities	2.2	1.7	–	0.5	–	–	–
of which for the financial services business[2]	0.5	–	–	0.5	–	–	–
Total financial liabilities (excluding lease liabilities)	**19.9**	**8.2**	**4.7**	**3.7**	**0.8**	**0.2**	**2.2**
of which for the financial services business	10.6	3.5	3.2	2.8	0.5	0.2	0.3
Lease liabilities[3]	1.2						
Total financial liabilities	**21.1**						
of which for the financial services business	10.6						

1 The classification for 2022 was adjusted to reflect the current presentation.

2 Prior-year period adjusted

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

Financing of the TRATON GROUP

The total principal amount of bonds as of December 31, 2023, was €8.3 billion (previous year: €5.7 billion), which were issued under the €12.0 billion European Medium Term Notes program (EMTN program) by TRATON Finance Luxembourg S.A., Strassen, Luxembourg (TRATON Finance) and partly hedged by interest rate derivatives.

In September 2023, TRATON launched a commercial paper program (CP program) with a volume of €2.5 billion, €999 million of which is used for financing in the TRATON Financial Services segment. The CP program finances short-term maturities with tenors of up to one year. In doing so, TRATON further diversified its sources of financing and expanded its debt investor base. In the context of the CP program, TRATON SE has received short-term credit ratings from rating agencies Moody's and S&P in addition to the existing long-term ratings. The P-2 rating assigned by Moody's and the A-2 rating assigned by S&P correspond to TRATON SE's long-term investment-grade ratings.

The financial services business saw an increase of around €1.2 billion in bonds and commercial paper. Scania maintains a €5.0 billion (previous year: €7.0 billion) EMTN program, of which €2.3 billion (previous year: €3.9 billion) has been drawn down as of year-end 2023. In addition, approximately €4.8 billion (previous year: €2.7 billion) was drawn down from the TRATON Finance EMTN program. There is a Scania bond of €456 million (previous year: €451 million) and Navistar bonds of €542 million (previous year: €281 million) from asset-backed securities transactions. To cover short-term funding needs in the financial services business, there are two additional Scania CP programs in Swedish krona and euro amounting to a total of €2.4 billion (previous year: €2.5 billion), of which €– million (previous year: €784 million) had been drawn down by the end of the year under review. €999 million is also available from the TRATON CP program.

The *Schuldscheindarlehen* placed by TRATON SE in 2021 were drawn down in the amount of €700 million (previous year: €700 million) as of December 31, 2023.

The TRATON GROUP has access to revolving credit lines of €4.3 billion (previous year: €4.0 billion) from Volkswagen AG, of which €797 million (previous year: €1.7 billion) was drawn down, as well as a new loan of €359 million from Volkswagen Group of America Finance, LLC to Navistar Financial Corporation. The loan that had been taken out with Volkswagen International Luxemburg S.A. in the amount of €500 million in 2022 was repaid in full. There are also bank liabilities of €5.9 billion (previous year: €5.9 billion) and lease liabilities of €1.2 billion (previous year: €1.2 billion).

The TRATON GROUP's total liquidity reserve consists of unused confirmed credit lines of €8.0 billion (previous year: €6.8 billion), including €3.5 billion (previous year: €2.3 billion) from Volkswagen AG. A further €4.5 billion (previous year: €4.5 billion) is attributable to the syndicated loan that TRATON SE entered into on July 28, 2020, and increased from €3.8 billion to €4.5 billion on December 15, 2021. The revolving credit line has a term of five years and has been extended twice for one year each following agreement after the banking consortium consisting of 23 banks approved both extension requests. The term of the syndicated loan ends on December 16, 2028. The credit line serves general corporate purposes as well as to safeguard the TRATON GROUP's liquidity.

The TRATON GROUP also has €624 million (previous year: €457 million) in unused unconfirmed credit lines from banks at its disposal in order to enhance flexibility in financing decisions.

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

FINANCIAL LIABILITIES OF THE TRATON GROUP BY CURRENCY

€ billion	12/31/2023	12/31/2022
EUR	14.1	14.1
SEK	2.7	2.8
USD	1.2	0.6
BRL	0.6	0.6
GBP	0.4	0.4
MXN	0.4	0.5
ZAR	0.3	0.3
NOK	0.2	0.4
Other currencies	0.6	0.3
Lease liabilities	1.2	1.2
Total financial liabilities	**21.7**	**21.1**

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

Liquidity

Cash and cash equivalents amounted to €1.7 billion (previous year: €1.4 billion) as of December 31, 2023. Cash and cash equivalents in certain countries (e.g., Brazil, China, and Poland) in the amount of €792 million (previous year: €628 million) are subject to exchange controls and are not available to the Group for cross-border transactions without restriction. Such amounts are used locally to cover the financing needs of the operating business. No further cash and cash equivalents are reported in the current year under "Assets held for sale." In the previous year, cash and cash equivalents of €304 million were reported that were in Russia and also not available to the Group for cross-border transactions without restriction.

€333 million (previous year: €46 million) was reported in other financial assets as restricted cash as of December 31, 2023. Restricted cash included €271 million for the gradual acquisition of key aspects of the global financial services businesses of MAN and VWTB. Miscellaneous restricted cash is mainly used as collateral in asset-backed securities transactions.

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

Equity

EQUITY RATIO

	TRATON GROUP		TRATON Operations		TRATON Financial Services		Corporate Items	
€ million	2023	2022	2023	2022	2023	2022	2023	2022
Equity	16,488	14,374	10,246	8,473	1,884	2,175	4,358	3,725
Total assets	61,699	58,256	41,446	38,896	17,166	14,955	3,087	4,404
Equity ratio (in %)	**26.7**	**24.7**	**24.7**	**21.8**	**11.0**	**14.5**	–	–

Cash flow

CONDENSED STATEMENT OF CASH FLOWS OF THE TRATON GROUP

	TRATON GROUP		TRATON Operations		TRATON Financial Services		Corporate Items	
€ million	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Cash and cash equivalents as of 01/01[1]	**1,743**	**2,002**	**3,155**	**4,775**	**455**	**146**	**–1,867**	**–2,919**
Gross cash flow	5,266	4,041	5,546	4,171	566	624	–846	–755
Change in working capital	–2,683	–4,701	–737	–2,847	–2,340	–2,251	394	397
Net cash provided by/used in operating activities	**2,583**	**–660**	**4,809**	**1,325**	**–1,774**	**–1,627**	**–452**	**–358**
Net cash provided by/used in investing activities attributable to operating activities	–2,385	–1,916	–1,214	–1,950	–718	–2	–453	36
Change in marketable securities, investment deposits, and loans	18	103	–1,153	–376	–8	188	1,179	292
Net cash provided by/used in investing activities	**–2,368**	**–1,813**	**–2,368**	**–2,326**	**–725**	**186**	**725**	**327**
Net cash provided by/used in financing activities	**–128**	**2,216**	**–1,259**	**–625**	**2,294**	**1,778**	**–1,163**	**1,064**
Effect of exchange rate changes on cash and cash equivalents	–100	–2	–81	6	–4	–27	–15	19
Change in cash and cash equivalents	**–13**	**–259**	**1,101**	**–1,621**	**–210**	**310**	**–905**	**1,052**
Cash and cash equivalents as of 12/31[1]	**1,730**	**1,743**	**4,256**	**3,155**	**246**	**455**	**–2,772**	**–1,867**
Gross cash flow	5,266	4,041	5,546	4,171	566	624	–846	–755
Change in working capital	–2,683	–4,701	–737	–2,847	–2,340	–2,251	394	397
Net cash provided by/used in investing activities attributable to operating activities	–2,385	–1,916	–1,214	–1,950	–718	–2	–453	36
Net cash flow	**198**	**–2,576**	**3,594**	**–625**	**–2,492**	**–1,629**	**–905**	**–322**

1 €304 million of the reported cash and cash equivalents was contained in “Assets held for sale” as of January 1, 2023, and December 31, 2022. The entire amount is attributable to the TRATON Financial Services segment.

The TRATON GROUP's net cash provided by/used in operating activities rose by €3.2 billion year-on-year to €2.6 billion. This was primarily the result of the €2.0 billion lower cash outflows year-on-year in working capital. The prior-year period had contained payments such as Scania's settlement of the fine imposed in the EU antitrust proceedings of €937 million, including interest. In addition, Navistar had made final payments totaling €420 million in June 2022 following court approval of the "Profit Sharing Settlement Agreement" and the "Krzysiak Action Settlement Agreement." There was also a €1.2 billion rise in gross cash flow in 2023, which above all reflected the €2.2 billion increase in operating result. This was offset in part by a €322 million decrease in net interest income and a €215 million increase in income tax paid.

Cash tied up in working capital rose by a total of €2.7 billion in the reporting period. This primarily reflected the €1.6 billion increase in financial services receivables resulting from the expansion of the business volume and reported in net cash flow in the TRATON Financial Services segment. It also reflected the €885 million increase in inventories, due in part to the higher production volume and to improved, albeit still scarce, logistics capacity.

Net cash used in investing activities attributable to operating activities rose by €469 million, primarily due to the payment of €275 million for the gradual acquisition of key aspects of the global MAN and VWTB financial services businesses within the TRATON Financial Services business area. €96 million received from the disposal of Scania Finance Russia had an offsetting effect. This effect is the result of the purchase price payment of €400 million in the TRATON Operations business area, less the disposal of the cash of Scania Finance Russia of €304 million, which affected the TRATON Financial Services business area. A further factor was the receipt of a payment for purchase price adjustments from the disposal of MWM amounting to €31 million in the TRATON Operations business area. Furthermore, additions to intangible assets, property, plant, and equipment, and capitalized development costs, which are primarily included in the TRATON Operations business area, rose by €300 million.

Net cash flow in the TRATON Operations business area was positively affected by a €130 million (previous year: €200 million) dividend payment by TRATON Financial Services. This effect was eliminated at the TRATON GROUP level.

The adjustment of the ownership structure of the financial services business led to a positive effect of €499 million on net cash used in investing activities and on net cash flow in the TRATON Operations business area. At the same time, €547 million in dividends paid increased net cash used in financing activities in the TRATON Operations business area. These effects were eliminated at the TRATON GROUP level.

Net cash used in financing activities contained bond issuances amounting to €3.8 billion (previous year: €3.2 billion) in 2023, including €3.2 billion (previous year: €1.4 billion) issued by TRATON Finance and allocated to Corporate Items. These were partly offset by repayments of €2.4 billion (previous year: €2.2 billion). Of this amount, €1.7 billion (previous year: €1.8 billion) was attributable to Scania Vehicles & Services in the TRATON Operations business area and €614 million (previous year: €5 million) to TRATON Finance (Corporate Items). The bond issuances and repayments related primarily to the EMTN programs. In addition, TRATON Financial Services drew down a new credit line of €371 million from Volkswagen Group of America in 2023 and took out an additional €297 million credit line from Volkswagen AG. By contrast, the drawdown on the Volkswagen AG credit line was reduced by repayments of €1.2 billion, and a loan of €500 million taken out with Volkswagen International Luxemburg was repaid.

TRATON SE paid out a dividend of €350 million (previous year: €250 million) for fiscal year 2022 in June 2023.

Net liquidity/net financial debt

NET LIQUIDITY/NET FINANCIAL DEBT OF THE TRATON GROUP

€ million	TRATON GROUP		TRATON Operations		TRATON Financial Services		Corporate Items	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Cash and cash equivalents[1]	1,730	1,743	4,256	3,155	246	455	–2,772	–1,867
Marketable securities, investment deposits, and loans to affiliated companies	427	208	1,653	518	331	50	–1,557	–361
Gross liquidity	**2,157**	**1,951**	**5,909**	**3,673**	**576**	**506**	**–4,329**	**–2,228**
Third-party borrowings	–21,704	–21,131	–6,527	–7,236	–14,347	–11,952	–830	–1,944
Net liquidity/net financial debt	**–19,547**	**–19,180**	**–617**	**–3,563**	**–13,770**	**–11,446**	**–5,159**	**–4,172**

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

More detailed information explaining changes in net liquidity can be found in the **"Cash flow"** section.

The net financial debt / EBITDA (adjusted) ratio for the TRATON Operations business area including Corporate Items was –1.0 (previous year: –2.1) as of December 31, 2023. The improvement in the net financial debt / EBITDA (adjusted) ratio is due to a decrease in net financial debt for the TRATON Operations business area including Corporate Items to €5.8 billion (previous year: €7.7 billion) and an increase in EBITDA (adjusted) for the TRATON Operations business area including Corporate Items to €5.5 billion (previous year: €3.8 billion).

The following table shows the reconciliation of operating result to EBITDA (adjusted) for the TRATON Operations business area including Corporate Items:

EBITDA (ADJUSTED), TRATON OPERATIONS INCLUDING CORPORATE ITEMS

€ million	2023	2022
Operating result, TRATON Operations	**4,103**	**1,973**
Operating result, Corporate Items	**–508**	**–489**
Operating result, TRATON Operations including Corporate Items	3,595	1,485
Adjustments	169	283
Operating result (adjusted), TRATON Operations including Corporate Items	**3,764**	**1,768**
plus share of earnings of equity-method investments	124	97
plus other financial result	–92	124
plus depreciation and amortization of, and impairment losses on, intangible assets, property, plant, and equipment, and investment property, net of impairment reversals[1]	1,331	1,397
plus amortization of, and impairment losses on, capitalized development costs, net of impairment reversals[2]	393	379
plus impairment losses on equity investments, net of impairment reversals	2	0
EBITDA (adjusted), TRATON Operations including Corporate Items	**5,522**	**3,764**

1 Adjusted for depreciation and amortization in the adjustments to operating result amounting to €22 million (previous year: €0 million)

2 Adjusted for depreciation and amortization in the adjustments to operating result amounting to €31 million (previous year: €0 million)

Investments

INVESTMENTS BY SEGMENT

€ million	2023	2022	Change
TRATON GROUP	**2,592**	**2,029**	**563**
TRATON Operations	**2,270**	**2,051**	**218**
Scania Vehicles & Services	1,127	905	222
MAN Truck & Bus	564	633	–69
Navistar Sales & Services	488	392	96
Volkswagen Truck & Bus	91	122	–31
Reconciliation	0	–1	1
TRATON Financial Services	**415**	**4**	**412**
Corporate Items	**–93**	**–26**	**–67**
Investments, TRATON Operations	**2,270**	**2,051**	**218**
of which capex	1,516	1,298	218
Capex ratio (in %)	3.3	3.3	0.0 pp
of which capitalized development costs	687	604	83
of which other investees	66	149	–83

The largest factors for the increased investments at Scania Vehicles & Services were expenditures on electric mobility and the construction of a production site in China. In this context, the production line in Södertälje was converted in 2023 to handle the large-series production of electric trucks. Another reason for the increase in capital expenditures was the new battery factory, which was completed at the same site in September 2023.

The lower investments at MAN Truck & Bus in 2023 compared to the previous year are mainly due to two factors. One reason is the completion of the structural measures in 2023, which saw the plant in Krakow, Poland, being expanded and production capacity being relocated there. Furthermore, the additional expenses in 2022 to secure the supply chain for cable harnesses were discontinued.

In 2023, Navistar intensified its investments in the new S13 Integrated Powertrain, which went into series production at the production facility in Huntsville, Alabama, USA, in the third quarter of 2023. In addition, Navistar made expansion investments at its sites in Escobedo, Mexico, and San Antonio, Texas, USA.

In 2023, VWTB invested primarily in the field of electric mobility and in compliance with statutory requirements, e.g., compliance with emissions standards.

TRATON Financial Services invested in the gradual acquisition of key aspects of the global MAN and VWTB Financial Services businesses, and paid €275 million into an account of Volkswagen Bank GmbH for this purpose. Scania's financial services business was also integrated legally into the TRATON Financial Services business area in 2023. In Corporate Items, there were offsetting effects from the adjustment of the ownership structure of the financial services business.

THE TRATON GROUP'S OFF-BALANCE SHEET COMMITMENTS

€ million	12/31/2023	12/31/2022	Change
TRATON GROUP			
Contingent liabilities	4,835	4,492	343
Purchase order commitments for property, plant, and equipment, and intangible assets	980	672	308
Obligations under irrevocable credit commitments	923	770	153
Off-balance sheet commitments under rental and lease contracts	73	81	–7
Miscellaneous financial obligations	306	370	–64

Contingent liabilities included buyback guarantees of €2.9 billion (previous year: €2.6 billion) under which TRATON undertakes to repurchase vehicles from the financing company in the event of default.

They also included guarantees by Navistar of €730 million (previous year: €867 million). These are mostly default guarantees in favor of banks.

Miscellaneous financial obligations were impacted by the obligations of the TRATON GROUP amounting to €123 million (previous year: €162 million) arising from the agreement signed on December 15, 2021, to set up the Milence charging infrastructure joint venture together with Daimler Truck and the Volvo Group.

In addition to the off-balance sheet commitments shown above, there were long-term purchase obligations from battery procurement contracts between TRATON GROUP companies and Northvolt Group companies in the amount of approximately €7.2 billion (previous year: approximately €2.5 billion).

For information on contingent liabilities, refer to Note **"38. Contingent liabilities and commitments."** For all other off-balance sheet commitments, refer to Note **"40. Other financial obligations."**

6. Net assets

Balance sheet analysis

CONDENSED BALANCE SHEET OF THE TRATON GROUP

€ million	TRATON GROUP 12/31/2023	TRATON GROUP 12/31/2022	TRATON Operations 12/31/2023	TRATON Operations 12/31/2022	TRATON Financial Services 12/31/2023	TRATON Financial Services 12/31/2022	Corporate Items 12/31/2023	Corporate Items 12/31/2022
Goodwill	6,083	6,184	367	366	–	–	5,717	5,818
Intangible assets	7,114	7,195	4,475	4,198	15	3	2,624	2,994
Property, plant, and equipment	8,964	8,354	8,550	7,930	28	23	386	402
Assets leased out	5,658	6,162	5,504	6,015	874	784	–720	–637
Equity-method investments	1,482	1,328	286	236	4	–	1,192	1,093
Other equity investments	235	204	330	1,185	35	–	–130	–981
Income tax receivables	281	225	329	356	32	23	–81	–154
Deferred tax assets	2,366	2,274	2,562	2,581	151	150	–347	–456
Financial services receivables	13,321	11,622	1	2	13,345	11,618	–25	2
Inventories	7,447	6,574	7,444	6,573	3	0	0	1
Trade receivables	3,894	3,348	3,233	2,999	839	557	–179	–209
Other assets	3,071	2,854	4,057	3,229	1,593	1,224	–2,580	–1,600
Marketable securities and investment deposits	53	73	53	73	–	–	–	–
Cash and cash equivalents	1,730	1,439	4,256	3,155	246	152	–2,772	–1,867
Assets held for sale	–	421	–	–	–	421	–	–
Total assets	**61,699**	**58,256**	**41,446**	**38,896**	**17,166**	**14,955**	**3,087**	**4,404**
Equity	16,488	14,374	10,246	8,473	1,884	2,175	4,358	3,725
Financial liabilities	21,704	21,131	6,527	7,236	14,347	11,951	830	1,944
Provisions for pensions and other post-employment benefits	1,847	1,786	1,823	1,763	9	10	15	14
Income tax payables	226	237	477	343	79	57	–329	–164
Deferred tax liabilities	681	690	472	394	103	120	106	175
Income tax provisions	280	218	76	61	4	4	201	153
Other provisions	3,527	3,293	3,427	3,197	13	13	88	82
Other liabilities	11,154	10,988	12,637	11,855	525	452	–2,009	–1,319
Trade payables	5,791	5,518	5,762	5,573	203	151	–174	–206
Liabilities directly associated with assets held for sale	–	21	–	–	–	21	–	–
Total equity and liabilities	**61,699**	**58,256**	**41,446**	**38,896**	**17,166**	**14,955**	**3,087**	**4,404**

As of December 31, 2023, the TRATON GROUP's total assets increased by approximately €3.4 billion compared with December 31, 2022. This increase was due primarily to the €1.7 billion rise in financial services receivables, the €873 million increase in inventories, and the €610 million increase in property, plant, and equipment.

The decrease in intangible assets and goodwill is mainly attributable to negative effects from the translation of financial statements of foreign operations into euros. This reflected in particular the negative development of the US dollar against the euro.

The €610 million increase in property, plant, and equipment is attributable primarily to the construction and expansion of production facilities and investments in connection with new products.

Assets leased out decreased by €504 million. Among other things, this reflected a lower share of sales with buyback obligations.

Equity-method investments rose by €154 million, primarily as a result of positive earnings of Sinotruk (Hong Kong) Limited, Hong Kong, China (Sinotruk) and Rheinmetall MAN Military Vehicles GmbH, Munich (RMMV), as well as other contributions to the Milence joint venture.

The €1.7 billion increase in financial services receivables resulted primarily from the expansion of the financing business, in particular in South and Central America and in Europe.

Inventories increased by €873 million compared with December 31, 2022. Among other factors, this reflected the higher production in 2023. The €546 million increase in trade receivables was due primarily to increased business volume in Europe. Trade receivables in the TRATON Financial Services business area rose as a result of increased factoring activities within the Group.

The €217 million increase in other assets resulted in particular from the payment made by TRATON Financial Services to an account of Volkswagen Bank GmbH in the course of the gradual acquisition of key aspects of the global financial services business of MAN and VWTB.

The sale of Scania Finance Russia was completed on January 17, 2023, following receipt of all regulatory approvals. The sale proceeds amounted to €400 million. This resulted in the disposal of assets and liabilities held for sale. For further information, see Note **"8. Noncurrent assets and disposal groups held for sale"** to the Consolidated Financial Statements.

The TRATON GROUP's total equity increased to €16.5 billion as of December 31, 2023. This is attributable primarily to the total comprehensive income of €2.5 billion, which resulted almost exclusively from the positive earnings after tax amounting to €2.5 billion. The dividend payout reduced equity (see Note **"28. Equity"** to the Consolidated Financial Statements). The equity ratio rose by 2.1 percentage points to 26.7% on the back of the significant improvement in earnings after tax.

Financial liabilities increased by €573 million. This mainly reflected the issuance of notes under the EMTN program by TRATON Finance and the issuance of commercial paper. It was offset in particular by the reduction in liabilities to Volkswagen companies (for further information, refer to the **"Financial position"** section).

Other provisions increased by €235 million. This was attributable to higher provisions for price adjustments and warranties. Other liabilities rose by €165 million. This was attributable primarily to the rise in prepayments received and to higher payroll liabilities.

Trade payables rose by €273 million. This reflected higher production volumes compared with December 2022, in particular at Scania Vehicles & Services.

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

Return on investment

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

RETURN ON INVESTMENT, TRATON OPERATIONS

€ million	2023	2022
Annual average invested capital	17,528	16,595
Operating result, TRATON Operations	4,103	1,973
Operating result, TRATON Holding	–135	–124
Earnings effects from purchase price allocation, TRATON Operations	–253	–278
Consolidation effects between TRATON Operations and the TRATON Holding	0	11
Operating result for ROI, before tax	3,715	1,583
Operating result for ROI, net of tax	2,600	1,108
Return on investment (ROI) (in %)	**14.8**	**6.7**

Compared with the previous year, return on investment (ROI) increased due to the rise in operating result. Average invested capital, which also rose in 2023, had an offsetting effect on ROI. For more information on the change in invested capital and operating result, refer to the disclosures in the **"Balance sheet analysis"** and **"Profit and loss"** sections.

Expenses of €169 million (previous year: €283 million) reported as adjustments were not deducted when calculating ROI.

7. Target achievement in 2023 and summary of economic position

The TRATON GROUP's Executive Board can look back on a very successful fiscal year 2023. The TRATON GROUP achieved all of its targets. This was due, among other things, to the positive market and unit sales growth as well as the stabilization of supply chains. The TRATON GROUP's most important truck (> 6 t) and bus markets recorded noticeable or strong growth overall, with very marked variations between the regions. Overall, the TRATON GROUP's unit sales rose to 338,183 (previous year: 305,485) units. The year-on-year growth of 11% was at the midpoint of the forecast range.

The TRATON GROUP generated sales revenue of €46.9 billion (previous year: €40.3 billion) in the reporting period, 16% higher than in the previous year. The substantial increase in sales revenue in the TRATON Operations business area was primarily the result of higher unit sales of new vehicles, a positive market and product mix, better unit price realization, and growth in the Vehicle Services business. This saw the forecasts for the TRATON GROUP and the TRATON Operations business area being slightly exceeded. Sales revenue in the TRATON Financial Services segment rose strongly year-on-year and was above the forecast target range.

The TRATON GROUP's operating return on sales (adjusted) was 8.6% in the reporting period, and hence slightly above the forecast range.

The return on investment (ROI) was 14.8% and thus above the forecast target corridor.

Capital expenditures in the TRATON Operations business area were up substantially year-on-year, although lower than our forecast. This shortfall was due to seasonable shifts in our investment projects. Primary research and development costs increased significantly and were therefore in line with our forecast.

Net cash flow was €3.6 billion in the TRATON Operations business area and thus exceeded our forecast. This development is due to a better operating result and to temporary effects in cash tied up especially in receivables and liabilities. Net cash flow in the TRATON Operations business area included cash inflows of €400 million from the disposal of Scania Finance Russia. The adjustment of the ownership structure of the financial services business led to a positive effect of €499 million on net cash flow in the TRATON Operations business area. These effects were eliminated at the TRATON GROUP level.

The variations from the original projection published in the 2022 Annual Report are mainly due to sales revenue development. The increase in sales revenue in the TRATON Operations business area was primarily the result of higher than expected unit sales of new vehicles, a better market and product mix, better unit price realization, and growth in the Vehicle Services business. All of this meant that the operating return on sales originally forecast for the TRATON GROUP was also exceeded.

	Actual 2022	Original forecast for 2023	Latest forecast for 2023	Actual 2023
TRATON GROUP				
Sales (units)	305,485	+5–15%	+5–15%	338,183
Sales revenue (€ million)	40,335	+5–15%	+5–15%	46,872
Operating return on sales (adjusted) (in %)	5.1	6.0–7.0	7.5–8.5	8.6
TRATON Operations				
Sales revenue (€ million)	39,554	+5–15%	+5–15%	45,736
Operating return on sales (adjusted) (in %)	5.7	6.5–7.5	8.0–9.0	9.3
Return on investment (ROI) (in %)	6.7	8.0–12.0	10.0–14.0	14.8
Net cash flow (€ million)	–625	1,300–1,800	2,300–2,800	3,594
Capex (€ million)	1,298	very sharp increase	sharp increase	1,516
Primary R&D costs (€ million)	1,892	significant increase	significant increase	2,170
TRATON Financial Services				
Sales revenue (€ million)	1,294	+10–20%	+10–20%	1,589
Operating return on sales (adjusted) (in %)	23.5	10.0–15.0	13.0–18.0	17.0

TRATON SE (German GAAP)

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

TRATON SE is entered in the commercial register at the Munich Local Court under no. HRB 246068. The Annual Financial Statements of TRATON SE for the fiscal year from January 1 through December 31, 2023, have been prepared in accordance with the provisions of the *Handelsgesetzbuch* (HGB — German Commercial Code) and the SE Regulation, in conjunction with the *Aktiengesetz* (AktG — German Stock Corporation Act).

As of the reporting date of December 31, 2023, TRATON SE was an 89.72%-owned direct subsidiary of Volkswagen Finance Luxemburg S.A., Strassen, Luxembourg (Volkswagen Finance Luxemburg), which in turn is a wholly owned subsidiary of Volkswagen AG, Wolfsburg.

1. Course of business

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

At its meeting on March 20, 2023, the TRATON SE Supervisory Board revised the composition of the Company's Executive Board. The appointment of Christian Levin, Chairman of the Executive Board of TRATON SE and Chief Executive Officer of Scania CV AB, was renewed until January 2029. Furthermore, Executive Board member Antonio Roberto Cortes, who is also Chief Executive Officer of Volkswagen Truck & Bus, will remain on the Executive Board until January 2027. Dr. Michael Jackstein has been heading the combined Finance and Human Resources division of TRATON SE, which also includes the Business

Development division, since April 1, 2023. Former Executive Board members Bernd Osterloh (Human Resources) and Annette Danielski (Finance and Business Development) left the Executive Board on this date. At the same time, the introduction of the new Global Product Management area of responsibility within the Executive Board safeguards the heart of the business model: the strategic and operational integration of the commercial and industrial systems of the four brands and coordinated Group functions. Catharina Modahl Nilsson has been responsible for this area since April 1, 2023.

The *Schuldscheindarlehen* that had been placed by TRATON SE in 2021 were drawn down in the amount of €700 million (previous year: €700 million) as of December 31, 2023.

TRATON SE's total liquidity reserve consists of unused confirmed credit lines of €8.0 billion (previous year: €6.8 billion), including €3.5 billion (previous year: €2.3 billion) from Volkswagen AG. A further €4.5 billion (previous year: €4.5 billion) is attributable to the syndicated loan that TRATON SE entered into on July 28, 2020, and increased from €3.8 billion to €4.5 billion on December 15, 2021. The revolving credit line has a term of five years and has been extended twice for one year each. The banking consortium consisting of 23 banks approved both extension requests. The term of the syndicated loan ends on December 16, 2028. The credit line serves general corporate purposes as well as to safeguard the TRATON GROUP's liquidity.

The TRATON GROUP has had a European Medium Term Notes program in place since March 12, 2021. The €12.0 billion capital market issuance program enables the TRATON GROUP to raise capital on the debt markets flexibly and efficiently. As well as TRATON SE, the indirect subsidiaries TRATON Finance and TRATON Treasury AB can issue bonds under the program. TRATON SE, TRATON Finance, and TRATON Treasury AB are using the issuance program to raise capital for general corporate purposes, and the capital raised will be used as needed within the TRATON GROUP. The total principal amount of bonds as of December 31, 2023, was €8.3 billion (previous year: €5.7 billion) under TRATON Finance's €12.0 billion European Medium Term Notes program, and is hedged in part by interest rate derivatives.

In September 2023, the TRATON GROUP launched a commercial paper program (CP program) with a volume of €2.5 billion, €999 million of which had been used as of December 31, 2023, for financing in the TRATON Financial Services business area. In addition to TRATON SE, the Company's indirect subsidiaries TRATON Finance and TRATON Treasury AB can also issue commercial paper under the CP program. This has opened up an additional financing market for the TRATON GROUP and complements the existing TRATON Finance EMTN program. The CP program finances short-term maturities with tenors of up to one year.

The TRATON GROUP's most important truck (> 6 t) and bus markets recorded noticeable or strong growth overall, with very marked variations between the regions. Overall, the TRATON GROUP's unit sales rose to 338,183 (previous year: 305,485) units. The TRATON GROUP generated sales revenue of €46.9 billion (previous year: €40.3 billion) in the reporting period, 16% higher than in the previous year. The substantial increase in revenue in the TRATON Operations business area was primarily the result of higher unit sales of new vehicles, a positive market and product mix, better unit price realization, and growth in the Vehicle Services business.

For fiscal year 2023, TRATON SE reported earnings after tax of €565 million (previous year: €–261 million). The €825 million improvement resulted primarily from net investment income and lower other operating expenses. Lower net interest income and the higher tax expense were offsetting factors. This means that we achieved the improvement in both net investment income and earnings after tax projected in the previous year.

2. Results of operations

INCOME STATEMENT OF TRATON SE

€ million	2023	2022	Change
Net investment income	839	–150	990
Income from other securities and long-term loans[1]	189	46	143
Net interest income/expense[1]	–248	12	–259
Sales revenue	36	26	10
Cost of sales	–33	–24	–10
Gross profit	**2**	**2**	**0**
General and administrative expenses	–137	–102	–35
Other operating income	381	495	–114
Other operating expenses	–381	–563	182
Income taxes	–81	–1	–80
Earnings after tax	**565**	**–261**	**825**
Net profit/loss	**565**	**–261**	**825**
Profit carried forward from the previous year	16	27	–11
Withdrawal from capital reserves	400	600	–200
Allocation to the statutory reserve	–28	–	–28
Net retained profit	**952**	**366**	**586**

1 Prior-year amounts adjusted

Net investment income primarily includes income of €805 million (previous year: €143 million) from profit transfer agreements, investment income of €51 million (previous year: €40 million), and expenses of €17 million (previous year: €334 million) from loss absorption. Net investment income increased by €990 million year-on-year. This was mainly the result of the profit transfers from MAN Truck & Bus SE and Scania CV Deutschland, Koblenz.

The net interest expense of €248 million represents a decline of €259 million year-on-year. The decline is mainly attributable to the effect of higher interest rates for both intragroup and external financing arrangements.

Sales revenue, which primarily contains services and cost allocations charged to affiliated companies, rose from €26 million to €36 million. General and administrative expenses increased by €35 million to €137 million. This is primarily due to the increase in personnel expenses as a result of changes in the Executive Board, higher remuneration for governing bodies, and increased post-employment benefit costs, as well as higher consulting costs in connection with the implementation of the TRATON Way Forward strategy.

The changes in other operating income and other operating expenses mainly result from foreign currency translation.

A tax expense of €81 million (previous year: €1 million) was reported for fiscal year 2023.

The Executive Board and Supervisory Board of TRATON SE will propose the payout of a dividend of €1.50 (previous year: €0.70) per share for fiscal year 2023 to the shareholders at the Annual General Meeting. This proposal corresponds to a total payout of €750 million (previous year: €350 million).

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

3. Assets and financial position

BALANCE SHEET OF TRATON SE

€ million	2023	2022	Change
Fixed assets	22,849	20,553	2,296
Receivables and other assets[1]	2,094	5,040	–2,946
Bank balances	220	77	142
Total assets	**25,162**	**25,670**	**–508**
Equity	14,776	14,561	215
Liabilities to banks	3,644	3,989	–345
Miscellaneous provisions and liabilities[2]	6,742	7,120	–377
Total equity and liabilities	**25,162**	**25,670**	**–508**

1 Including accruals and deferrals, and differences from offsetting assets

2 Including accruals and deferrals

Total assets decreased by €508 million year-on-year to €25.2 billion.

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

The proportion of fixed assets relative to total assets rose to 90.8% (previous year: 80.1%). The increase in noncurrent assets is due to the addition of shares in affiliated companies. In connection with the reorganization of the financing structure, the receivables of €2.2 billion from TRATON US, LLC, Pompano Beach, Florida, USA (TRATON US) were contributed to TRATON International S.A. by way of capitalization measures.

Receivables and other assets fell by €2.9 billion to €2.1 billion. This was mainly the result of the contribution of receivables to TRATON International S.A.

The increase in equity is the result of the net income for the year of €565 million less the dividend of €350 million paid out in the reporting period for fiscal year 2022. As of December 31, 2023, the equity ratio rose to 58.7% (previous year: 56.7%).

TRATON SE's capital reserves of €13.3 billion (previous year: €13.7 billion) constitute the contributions by Volkswagen AG to TRATON SE, in particular from the contribution of MAN SE and Scania AB. €400 million (previous year: €600 million) was withdrawn from the capital reserves during fiscal year 2023.

Miscellaneous provisions and liabilities contain, in particular, liabilities to affiliated companies and other provisions. The miscellaneous provisions of €263 million (previous year: €166 million) were recognized mainly for tax liabilities, obligations under public law, obligations from *Aufhebungsvereinbarungen* (agreements to annul employment contracts) with former Executive Board members, expected losses on derivatives, and other individual risks.

Net liquidity/net financial debt comprises bank balances, intragroup receivables from financing transactions, loans to Group companies, and marketable securities less financial liabilities to banks/others and less intragroup liabilities from financing transactions. TRATON SE's net financial debt was €4.2 billion (previous year: €1.4 billion) as of December 31, 2023.

4. Opportunities and risks

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

5. Report on expected developments

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

Report on Expected Developments, Opportunities, and Risks

1. Report on expected developments

Our forecast for the most important key performance indicators of the TRATON GROUP for the period from January 1, 2024, to December 31, 2024, reflects the forward-looking expectations of the Company with respect to the key performance indicators of the TRATON GROUP. Assumptions that we have made regarding changes in opportunities and risks, the overall economic environment, and the development of the truck and bus markets serve as the foundation for this planning. The assessments presented for future development of the business are based on the targets of our segments. Developments that run counter to our assumptions and expectations may lead to corresponding adjustments to the forecast.

Expected macroeconomic developments

Our planning is based on the assumption that global economic output will grow overall in 2024 albeit at a slower pace. The persistently high inflation in many regions and the restrictive monetary policy measures taken by central banks to rein this in are expected to increasingly dampen consumer spending. We continue to believe that risks will arise from protectionist tendencies, turbulence in the financial markets, and structural deficits in individual countries. In addition, growth prospects will be impacted by ongoing geopolitical tensions and conflicts; the war in Ukraine and the conflicts in the Middle East pose particular risks. We assume that both the advanced economies and the emerging markets will show positive momentum on average, even with below-average growth in gross domestic product (GDP).

We also expect the global economy to recover in 2025 and continue down a path of stable growth until 2028.

Europe

In Western Europe, we expect a comparatively low rate of economic growth in 2024. The relatively high overall level of inflation, which is projected to taper off further as the year goes on, as well as the comparatively high level of interest rates, pose a major challenge for consumers and companies alike. The European Central Bank (ECB) could therefore cut key interest rates for the first time as early as 2024 with the aim of supporting the economic situation in the eurozone.

In Central Europe, we are anticipating a higher growth rate in 2024 compared to the previous year with continued but more moderate price increases, while economic output in Eastern Europe is likely to continue recovering after the sharp slump in 2022 as a result of the war in Ukraine and the comparatively strong increase in 2023.

We expect GDP in Germany to grow only slightly in 2024 and inflation to continue falling, averaged over the year, but to remain comparatively high. The labor market situation is likely to see deterioration.

North America

We anticipate modest economic growth in the USA in 2024, accompanied by a worsening labor market situation. Like the ECB, the Federal Reserve could cut key interest rates as early as 2024. Further inflationary trends and developments in the labor market as well as in the general economic situation will play a key role as decisive factors for possible adjustments to the key interest rate. Economic growth in Canada is also likely to be relatively modest, while economic output in Mexico is expected to expand somewhat more strongly by comparison.

South America

The Brazilian economy will most likely record a slightly positive rate of growth in 2024. In Argentina, economic output is likely to deteriorate further with inflation rising to a very high level and a weakening local currency.

Other markets

For Türkiye we expect positive, albeit slower, growth than in the reporting period given high inflation and a weak local currency. The South African economy will probably be characterized by political uncertainty and social tensions again in 2024 resulting from high unemployment, among other factors. Growth will probably be higher than in the previous year, but will remain at a low level. The Chinese economy is likely to grow at a relatively high level in 2024, although growth is expected to be somewhat slower than in the reporting period.

Expected sectoral developments

In the truck and bus markets relevant to the TRATON GROUP, the Executive Board is anticipating a moderate decrease overall, following a year with very high demand for commercial vehicles. Uncertainties continue to result from the current geopolitical risks and the associated consequences for the macroeconomic situation, the further development of our supply chains, ongoing logistics shortages, energy and raw material price trends, as well as financing conditions.

For new registrations of medium- and heavy-duty trucks (> 6t or Class 6 through 8 in North America), we are expecting the market to contract overall in our core geographic regions, albeit with regional differences: we are now anticipating a noticeable market decline in the EU27+3 and North America regions. In Brazil, we are anticipating noticeable market growth following a weak 2023 due to the introduction of a new emissions standard. We are expecting a significant market decline in Türkiye. We are anticipating a slight decline in demand in South Africa.

Our expectations for demand in the bus markets relevant to the TRATON GROUP (EU27+3 region, Brazil, and school buses in North America) in 2024 are for a positive market trend overall, albeit with regional variations: we are assuming a slight decline in the market in the EU27+3 region. We are expecting a significant year-on-year increase in new registrations in North America. We expect the market in Brazil to remain at the previous year's level.

Unit sales 2024

The TRATON GROUP will continue to capitalize on its high order backlog in 2024. At the same time, we are expecting overall demand to decline in our core markets. In light of this, we estimate that unit sales for all vehicles (including MAN TGE vans) worldwide will record growth in a range of –5 to +10% in fiscal year 2024.

Sales revenue and profitability 2024

In line with our unit sales expectations, we are projecting a range of between –5 and +10% for sales revenue in the TRATON Operations business area and the TRATON GROUP.

For 2024, we forecast an operating return on sales (adjusted) of between 8.0 and 9.0% for the TRATON GROUP. For the TRATON Operations business area, we are anticipating an operating return on sales (adjusted) of between 9.0 and 10.0%.

We expect a return on investment of between 13.0 and 15.0%.

Reflecting the gradual integration of the Financial Services business of MAN and VWTB, we are projecting a return on equity of 7.0 to 10.0% for the TRATON Financial Services business area.

Net cash flow 2024

The TRATON GROUP's Executive Board expects net cash flow in the TRATON Operations business area to range between €2.3 billion and €2.8 billion for fiscal year 2024. Net cash flow in 2023 was impacted by effects from the sale of the Russia activities and the adjustment of the ownership structure of the financial services business amounting to €899 million. Excluding these effects, net cash flow in 2024 is expected to be at a similar level as in 2023.

Investments in our products and plants as well as our research and development activities are helping us to lay the foundation for profitable and sustainable growth in the TRATON GROUP. In fiscal year 2024, we are planning a sharp increase in capital expenditures for the TRATON Operations business area compared with 2023, as well as a moderate increase in primary research and development costs.

Summary of expected developments

Despite a more difficult industry environment, the Executive Board is optimistic about 2024, a year in which the TRATON GROUP will continue to grow together so as to leverage potential synergies and successfully position its products and services on the market.

	Actual 2023	Forecast 2024
TRATON GROUP		
Sales (units)	338,183	–5–10%
Sales revenue (€ million)	46,872	–5–10%
Operating return on sales (adjusted) (in %)	8.6	8.0–9.0
TRATON Operations		
Sales revenue (€ million)	45,736	–5–10%
Operating return on sales (adjusted) (in %)	9.3	9.0–10.0
Return on investment (ROI) (in %)	14.8	13.0–15.0
Net cash flow (€ million)	3,594[1]	2,300–2,800
Capex (€ million)	1,516	sharp increase
Primary R&D costs (€ million)	2,170	moderate increase
TRATON Financial Services		
Return on equity (in %)	8.4	7.0–10.0

1 This contained effects from the sale of the Russia activities and the adjustment of the ownership structure of the financial services business amounting to €899 million.

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

The TRATON GROUP is exposed to numerous risks in a wide range of categories. Entrepreneurial risks are acceptable to a reasonable extent, but they need to be managed effectively and controlled with appropriate risk response measures. Risks that pose a threat to the continued existence of the TRATON GROUP or any TRATON brand must be avoided.

In this context, the term “risk” describes the possibility of events or developments occurring that may — individually or together with other circumstances — have a material impact on TRATON’s targets being achieved. In contrast, risks with a positive impact are referred to as “opportunities.”

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

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

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

Risk management organization

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

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

As a principle, all managers across the organization have a responsibility to manage risks within their area of responsibility (risk ownership). As soon as these risks fulfill the relevant reporting criteria and thresholds, they must be reported openly and promptly along the defined reporting channels and additionally to the respective risk management function.

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

Risk management framework

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

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

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

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

Risk management processes

Enterprise risk management (ERM)

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

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

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

In addition, significant nonfinancial risks were identified at Group level in connection with the ERM in the year under review. We are working to integrate nonfinancial risks into the existing ERM process in the future.

Internal control system (ICS)

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

In preparation for the European Union Corporate Sustainability Reporting Directive (CSRD), which will enter into force in 2024, TRATON already initiated a project to implement the requirements for the internal control system in the Group in the year under review.

Risk reporting

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

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

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

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

Appropriateness and effectiveness of risk management

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

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

Main features of internal control over financial reporting

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

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

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

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

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

Opportunities and risks

Significant opportunities and risks that may have an impact on the TRATON GROUP's net assets, financial position, and results of operations, as well as nonfinancial aspects, are classified into six categories: strategy, markets, products, operations, legal & compliance, and finance.

Nonfinancial risks are reportable for TRATON if their occurrence is highly probable and the resulting negative impact on the nonfinancial aspects is severe. No reportable nonfinancial risks were identified in 2023. Nevertheless, some of the risks presented below also relate to nonfinancial aspects.

Strategy

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

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

(1) Responsible Company

Commercial vehicles are subject to increasingly rigorous environmental requirements and other rules worldwide. The goal of climate neutrality by 2050 defined in the European Green Deal for the 27 EU member states and the associated ambitious CO_2 reduction targets for 2030 (general reduction of CO_2 emissions in the EU by at least 55% by 2030 vs. 1990) pose a significant challenge for TRATON and the entire transportation sector.

Early in 2023, for example, the European Union set very ambitious targets for the manufacturers of heavy-duty commercial vehicles like the TRATON GROUP to reduce CO_2 emissions in Europe in the course of the present decade in the revised Regulation (EU) 2019/1242 (CO_2 regulation). The target set for 2025 of reducing CO_2 emissions from heavy-duty commercial vehicles by 15% was confirmed. However, the newly proposed CO_2 emissions targets for the same vehicle category are aimed at a reduction of 45% by 2030 (previously 30%) and 65% by 2035, based on a benchmark from the period from July 2019 to June 2020. The European Commission also intends to extend the targets to additional vehicle groups. This would affect all medium- and heavy-duty commercial vehicles over 5t, including buses, although professional and special vehicles will continue to be exempt. The European Commission has further proposed that all new city buses in Europe should be zero-emission starting in 2030. If these emissions targets are not met, there are to be penalties of €4,250 for every gram of CO_2 emitted per ton-kilometer (tkm) that exceeds the limits starting in 2025. The European Council and the European Parliament have reached initial agreement to revise the proposed CO_2 regulation for heavy-duty commercial vehicles. The European bodies want to reach a compromise in the upcoming trialogue negotiations in 2024.

The European Commission had already published proposals for a new Euro 7 emissions standard in November 2022 to limit harmful pollutants such as nitrous oxide (NOx) or particulate matter from vehicle exhaust gases. The Euro 6 emissions standard, the sixth stage of the minimum standards that have become increasingly rigorous in recent years, applies to commercial vehicles in the European Union at present. Representatives from the European Parliament and the EU member states negotiated a compromise text for the Euro 7 emissions standard at the end of 2023. The results of the negotiations for the new Euro 7 emissions standard that have been revealed so far are likely to exacerbate these challenges to further reduce pollutant emissions.

Along with other important markets in which the Group sells its products, China also set new targets in mid-2023 for reducing CO_2 emissions for all heavy-duty commercial vehicles. Brazil, too, introduced new rules for 2023 to reduce pollutant emissions produced by heavy-duty commercial vehicles.

TRATON is also affected by the potential further tightening of CO_2 and NOx emissions regulations in the USA. For example, the USA has issued a new NOx regulation, which is expected to come into force in 2024 or 2027. It is currently also working on further CO_2 reduction targets for the coming years. In April 2023, the US Environmental Protection Agency (EPA) published a proposal to revise the CO_2 requirements from 2027 and introduce a new set of requirements for the period from 2028 to 2032. At the beginning of 2023, the California Air Resources Board (CARB) adopted the Advanced Clean Fleet Regulation (ACF). The ACF requires fleet owners to convert their vehicles to zero emissions. Some fleet requirements begin in 2024, but vary by industry. In addition to the fleet requirements, the ACF requires all trucks sold in California to be zero-emission by 2036. This may expose the TRATON GROUP to differing regulatory standards at the level of the USA as a whole and of individual states, with the result that emissions regulations may become effective at different times and with varying degrees of severity.

Adapting commercial vehicles to new emissions standards is technologically challenging and costly, especially in light of often conflicting regulations for CO_2 and other pollutant emissions produced by combustion engines. To meet European Union and North American targets, it is imperative to deploy new technologies to reduce CO_2 and other exhaust emissions. TRATON is therefore investing to a substantial extent in climate-friendly alternative drive systems, primarily battery electric commercial vehicles. However, the medium- to long-term transition from combustion engines to zero-emission commercial vehicles is associated with uncertainties that are reflected in various risks and opportunities. The current and future investments in battery electric vehicles might not generate the expected income. The gradual but well-timed switch to battery electric vehicles, for example, offers TRATON the opportunity to meet CO_2 emissions standards worldwide, respond better and faster to customer wishes, and gain market share by entering the market at an early stage. The availability of batteries and the higher purchase costs for battery electric commercial vehicles represent risks to the transition to zero-emission commercial vehicles. An additional condition for the transition is a powerful, widespread charging infrastructure tailored specifically to commercial vehicles. To raise acceptance of these vehicles in the European market further, the TRATON GROUP has established the Milence joint venture together with commercial vehicle manufacturers Daimler Truck and the Volvo Group. This partnership aims to develop a publicly accessible, high-performance charging network for battery electric commercial vehicles throughout Europe that is open to vehicles from all manufacturers. Despite the common efforts in the Milence joint venture, the development of an adequate charging infrastructure remains a challenge.

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

(2) Value Creation

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

In addition, TRATON's presence on the North American market is creating opportunities from leveraging the powerful component and technology base within the TRATON GROUP, expanding the financial services business, and further leveraging Navistar's dealer and service network, which is one of the largest independent networks in the North American market. To realize these opportunities, Navistar must be successfully integrated into the TRATON GROUP. The success of this complex and long-term process is always associated with uncertainty.

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

(3) TRATON Accelerated!

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

(4) Strategy Execution & Governance

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

Markets

The commercial vehicle industry is heavily influenced by economic and political conditions globally and in TRATON's regional and product-specific core markets. For that reason, the industry is subject to significant cyclicality. Deviations from expected developments in the economic environment and fluctuations in the business climate may result in both opportunities and risks when it comes to demand for our products.

In general, demand in the commercial vehicle sector is cyclical, i.e., phases of where customer investments in commercial vehicles are high are mostly followed by phases of slowing demand. The start and duration of these demand cycles can vary depending on the market segment, customer group, and region. Additionally, these cycles are influenced by external political and economic factors and are hence generally subject to uncertainty. Such variable demand patterns can therefore lead to a rapid rise or fall in demand for TRATON's products and services. The global macroeconomic situation, which is characterized, among other factors, by rising inflation and bottlenecks in the value chain that were also caused by the war in Ukraine, has led to a worsening of the imbalance between supply and demand. This may lead to considerable risks for TRATON.

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

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

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

Geopolitical tensions and conflicts, such as the war in Ukraine, tensions between China and Taiwan, and the violent conflict in the Middle East, as well as signs that the global economy is becoming increasingly fragmented are additional material risk factors for the development of individual countries and regions. These are increasingly giving rise to sanctions, tariff barriers, and other protectionist obstacles to trade. In light of the existing, strong global interdependence, local developments may also negatively impact the global economy. Any escalation of regional conflicts could further distort the semiconductor, energy, and commodity markets around the world and intensify migration trends, for example. The same applies to violent conflicts, terrorist activities, cyberattacks, and the spread of infectious diseases, which may prompt unexpected, short-term responses from the markets.

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

TRATON is subject to intense competition, which may increase further in the future, e.g., as a result of new competitors entering our primary markets. TRATON's future success depends on the Group's ability to address the key factors of competition in the commercial vehicle industry. These are, in particular, its innovative capacity, which has a positive effect on the total cost of ownership of our products, the ability to address specific customer needs with tailored solutions, and the availability of technological innovations that respond to the major trends of the industry (i.e., alternative drives, connectivity, and autonomous driving). If TRATON fails to successfully compete in changing markets, this may result in pricing pressure, loss of sales revenue, and lower margins.

The TRATON GROUP can address the fluctuation in the demand for its products with flexible production and labor concepts, among other things. Furthermore, the international footprint of the TRATON GROUP may help to buffer market volatility that is limited to specific regions, at least to some extent. As a further option, we may implement structural adjustments if a market downturn cannot be addressed by temporary measures. However, such adjustments may involve substantial nonrecurring expenses.

Products

The TRATON GROUP's future success will depend on its ability to correctly assess and respond to the industry's major trends with innovative, commercially attractive products, technologies, and services. Timely innovations in disruptive trends like autonomous driving, digital connectivity, and electric vehicles may provide business opportunities. To achieve this, TRATON is investing significantly in research and development. This may also involve partnerships and cooperation with suppliers or other organizations outside TRATON's core competences.

The development of new products involves large and complex projects that are subject to various risks. These may result from a number of factors, including inaccurate assumptions with respect to planning and implementation costs, unexpected technical challenges, weaknesses in project design and management, or poor performance of third-party suppliers and partners. These factors could result in cost overruns, delays in new product launches, delivery delays, quality issues, and damage to customer relationships. To address these risks, the TRATON GROUP and its brands have set up a strategic planning process based on an analysis of trends in the market and business environment. The resulting product plans are used to manage our extensive research and development activities. Nevertheless, risks in the supply of batteries, for example, can lead to risks in the transformation of our product range.

As commercial vehicle technology becomes increasingly complex, the risks of vehicle defects and quality issues generally rise. Substandard quality may result in manufacturer's guarantee, statutory warranty, and ex gratia repair costs as well as the loss of market share or lower product margins. In severe cases, TRATON may be exposed to product recalls as well as product liability and compensation claims. By the same token, superior product quality may strengthen our positioning within the competitive environment.

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

In order to maintain high quality standards for its products and to comply with government-prescribed safety and other standards, TRATON incurs costs for monitoring, certification, and quality assurance. We have implemented a comprehensive quality management system that begins at the product gestation stage and extends to manufacturing, suppliers, and in-life monitoring of the Group's products.

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

Operations

The TRATON GROUP's success depends on the uninterrupted operation of its manufacturing activities. Unforeseen disruption of a production facility represents a risk and may be caused by a number of incidents — for example power failure, equipment failure, fires, floods, social unrest or terrorist activity, labor difficulties, or other operational problems. Additionally, the TRATON GROUP relies on the timely delivery of high-quality materials and components by its suppliers. If one or more suppliers are unable or unwilling to fulfill delivery obligations, for example due to supply shortages, labor strikes, capacity allocation to other customers, or financial distress, we face risks of production downtimes and inventory backlogs.

Furthermore, accidents or technical faults in production facilities may cause hazardous substances to contaminate water, soil, and air. The TRATON GROUP has taken a variety of preventive and detective measures to counter these risks. These measures include preventive plant maintenance and servicing, regular checks by qualified personnel, on-site inspections, risk avoidance plans, hazardous substance management, and plant fire departments.

Due to the high level of competition in the commercial vehicle industry, efficiency improvements and cost savings are crucial in order to maintain competitiveness and profitability. We have put operational efficiency initiatives in place for each of our brands. However, there can be no assurance that these programs will yield the targeted improvements permanently, or that they will not entail higher implementation costs than expected. This could result in considerable risks for TRATON.

The TRATON GROUP's business processes rely heavily on information technology. As well as opportunities for improving the efficiency and effectiveness of TRATON's operations, this also gives rise to risks. Parts of the infrastructure may fail as a result of accidents, disasters, technical damage, outdated technology, or cyberattacks, thereby impairing business processes or bringing them to a complete standstill. There is also the risk of unauthorized access to confidential business data and information stored on the Company's IT systems or those of our business partners. In order to ensure the availability, integrity, and confidentiality of information, TRATON uses a risk-based information security management system as well as a combination of the latest hardware and software technologies, effective IT organizational mechanisms, and an IT-related internal control system.

Our success further depends on our ability to attract, hire, train, and retain experienced management and personnel for the Company. TRATON's management team has substantial expertise and industry experience, and the loss of key members of management may adversely affect our ability to implement our strategic objectives. Further, the TRATON GROUP also depends on employees that are highly skilled and qualified in scientific and technical fields. Attracting and retaining these employees depends on a variety of factors, for example attractive remuneration and benefit programs, work environment, career development opportunities, commitment to diversity, and public image. To capture the value of our employees and support the strategic targets of the TRATON GROUP, all brands foster an environment in which training, qualification, and continuous professional development are central to the personnel development strategy, from modern training strategies for vocational trainees all the way to top management executive education programs.

Legal & compliance

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

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

The TRATON GROUP is subject to data protection regulations with respect to, among other things, the use and disclosure of personal data, and the confidentiality, integrity, and availability of such information. In particular, we are subject to the stringent requirements of the EU's General Data Protection Regulation (GDPR), which entered into force in May 2018. If the TRATON GROUP fails to comply with this regulation, this could result in claims for damages and other liabilities, significant fines and other penalties, and the loss of customers and reputation.

The TRATON GROUP's global footprint and large number of products and services expose us to risks arising from breaches of the Company's patents by third parties, or the unauthorized disclosure of company-specific TRATON expertise by third parties. To address these risks, we review the specific legal situation in each case, if appropriate with the support of external legal advisors. This enables us to defend ourselves against unjustified claims or assert our own claims. Further, the TRATON GROUP has set up and is continuously enhancing a comprehensive compliance program with a special focus on combating corruption, antitrust law, preventing money laundering, and business and human rights, among other things.

Finance

Due to its global business activities and international nature, the TRATON GROUP is exposed to considerable financial risks. It manages these risks using a Group-wide financial risk management system.

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

Interest rate risk results from interest rate-sensitive assets and liabilities. The goal of interest rate risk management is to largely reduce these risks through the use of derivative financial instruments.

The manufacture of the TRATON GROUP's products requires commodities. Price trends on the commodity markets or price escalation clauses in supplier contracts may entail commodity price risks. These risks are managed through long-term supplier contracts, price escalation clauses in customer contracts, and targeted commodity price hedging in the banking market.

Liquidity risk describes the risk that the TRATON GROUP may have difficulty in meeting obligations associated with financial liabilities. To ensure sufficient liquidity at all times, cash inflows and outflows are continuously monitored and managed. In addition, changes in the TRATON GROUP's liquidity are monitored using a detailed financial plan. The TRATON GROUP's financial management manages automated cash pools, wherever legally and economically appropriate and feasible. There are increased liquidity risks because of uncertainty relating to the impact of the war in Ukraine.

For external financing purposes, the opportunities available on the financial market are tracked continuously so as to ensure the TRATON GROUP's financial flexibility. Additionally, the TRATON GROUP has access to Volkswagen intragroup financing.

Credit risk is the risk that a party to a contract will fail to meet its contractual obligations as a result of its own financial situation or the political environment, thereby causing a financial loss for the TRATON GROUP. This country and counterparty risk is reduced through the careful selection of business partners, through appropriate contractual and payment terms, and through guarantees and documentary credits. In addition, central cash management functions and a central limit allocation system are used to distribute investments of cash funds across financial institutions.

The TRATON GROUP is exposed to a risk of impairment affecting earnings if equity-method investments are impaired.

The Company grants its employees pension commitments and other long-term benefits. The present value of these liabilities depends largely on the discount rate used to discount future benefits, the inflation rate as the basis of future benefit adjustments, expected salary trends, the contribution payments to be made, and the life expectancy of the beneficiaries. In order to reduce the financial risks inherent in pension commitments, some of the TRATON GROUP's pension plans are — on a mandatory or voluntary basis — funded through pension plan assets that can be offset against pension plan liabilities in the balance sheet. The fair value of plan assets can be negatively impacted in particular by changes in exchange rates, interest rates, credit risks, and securities prices. Any significant increase in the present value of pension commitments and other long-term benefits granted by TRATON to its employees and/or significant reductions in the fair value of plan assets could materially adversely affect the TRATON GROUP's net assets, financial position, and results of operations.

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

Furthermore, the TRATON GROUP is subject to income and other taxes in multiple jurisdictions. Provisions for income, sales, value-added, and other taxes, including withholding taxes, are primarily determined on the basis of responsible judgment and estimates of tax bases. Accordingly, in the ordinary course of our business, there are various transactions and calculations, including, for example, intercompany transactions and cross-jurisdictional transfer pricing and transactions with specific documentation requirements, for which the final tax assessments or the timing of the tax effect are subject to some uncertainty.

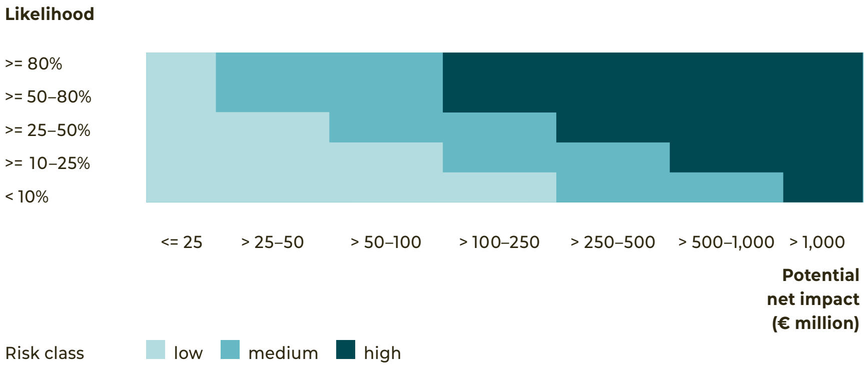
TRATON is regularly subject to tax audits conducted by the tax authorities responsible, which may disagree with the tax positions we have included. Even if the TRATON GROUP considers the reported tax positions appropriate, an external tax audit may affect the tax positions reported. As a result, we may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

Aggregated representation on the basis of risk categories

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

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

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



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

Risk category	Risk class, current (2023 Annual Report)	Risk class, previous year (2022 Annual Report)
Strategy	High	High
Markets	Medium	Medium
Products	High	High
Operations	Medium	Medium
Legal & compliance	High	High
Finance	High	High

The current economic environment, a range of issues in the supply chains, and future trends in the cost of bought-in components, energy, and raw materials continue to lead to a high degree of uncertainty. This means that the “Strategy,” “Products,” “Legal & compliance,” and “Finance” categories are assessed as “High,” which is unchanged compared with the previous year. We continue to rate the “Markets” and “Operations” categories as “Medium.”

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

According to our evaluation, risks in the “Legal & compliance” category have the most considerable impact on the TRATON GROUP. As in the previous year, legal and compliance risks comprise litigation risks, in particular. In the area of strategic risks, the requirements and risks arising from the CO_2 emissions regulation in the European Union, as well as CO_2 and nitrogen oxides (NOx) rules in North America, remain a particular focus. In addition to the general cyclicality of and intense competition in the commercial vehicle industry, market risks include the economic environment. As in the previous year, these risks can arise from supply chain issues, from protectionist measures, and from growing geopolitical tensions such as the war in Ukraine. These may have a negative impact on sales volumes and sales margins. Product-related risks continue to primarily consist of possible cost increases for bought-in components, energy, and raw materials. The primary risks associated with the operating business result from the successful implementation of efficiency programs. Among the finance risks, future currency developments remain an area of considerable uncertainty that may have both a positive and a negative effect on our Company.

Overall, the TRATON GROUP is exposed to significant levels of uncertainty that it can influence only partially. In the aggregate, the described risks generally outweigh the corresponding opportunities. However, TRATON has determined that there are no risks that could endanger its continued existence, either individually or in combination with other risks.

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

Important legal cases

MAN and Scania/EU antitrust proceedings

After unannounced inspections at the premises of several European truck manufacturers including MAN and Scania in 2011, the European Commission initiated proceedings in 2014 for suspected violations of EU antitrust rules in the European truck sector. On July 19, 2016, the European Commission issued a settlement decision (the "Settlement Decision") against MAN and four other European truck manufacturers (excluding Scania) holding that collusive arrangements on pricing and gross price increases for medium- and heavy-duty trucks in the European Economic Area and the timing and the passing on of costs for the introduction of emission technologies for medium- and heavy-duty trucks required by Euro 3 to Euro 6 standards had lasted from January 17, 1997, to January 18, 2011 (for MAN: until September 20, 2010). While the other four truck manufacturers were fined, MAN was granted immunity from fines since it had acted as a key witness and informed the European Commission of the antitrust infringements in September 2010. Scania decided not to apply for leniency and not to settle this antitrust case and, by decision of the European Commission dated September 27, 2017 (the "Scania Decision"), received a fine in the amount of approximately €880.5 million. Scania appealed the Scania Decision to the General Court of the European Union and asked for full annulment. On February 2, 2022, the General Court rendered its judgment, whereby Scania's appeal was dismissed in its entirety and the amount of fines set by the European Commission upheld. On April 8, 2022, Scania appealed against the judgment of the General Court of the European Union from February 2, 2022, to the European Court of Justice. The €880.5 million fine plus interest from the EU antitrust proceedings was paid on April 12, 2022, to avoid additional interest penalties. On February 1, 2024, the European Court of Justice decided to dismiss Scania's appeal.

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

In 2023, MAN companies were for the first time held jointly and severally liable for alleged damages in two cases in Germany. The Regional Court of Berlin put aside expert reports from both the claimants and the defendants and estimated the damages freehand at up to 5% of the purchase price of the respective trucks. The defendant MAN companies have appealed both decisions. By contrast, most Regional Courts in Germany — to the extent they have not dismissed respective claims — have issued "orders for evidence to be taken" (*Beweisbeschlüsse*) so that an expert can clarify the question of whether any damages have been sustained and, if so, in what amount. While some experts retained by the courts have already delivered their expert opinions, the MAN companies involved have filed complaints as well as requests and supplemental questions, which are currently under review by the respective experts.

In addition to a series of dismissals of lawsuits — some of them already final — in various countries, individual courts in Spain have upheld a number of damages claims — either in part or in full. The defendant MAN companies have appealed all of the decisions (with one negligible exception) or will do so within the statutory period. While in a few cases, the respective court of appeal has already revoked the decision of the court of first instance, in other cases, the respective court of appeal has upheld the first instance ruling awarding damages — in full or in part. In June 2023, the Spanish Supreme Court confirmed a freehand estimate of damages by the respective Court of Appeals of 5% of the purchase price of the respective trucks for so-called "first wave claims." The MAN companies involved have filed complaints to the Spanish Constitutional Court against these rulings, which are currently pending.

Since such complaints have no suspensive effect and since the Supreme Court has rejected further requests for appeals in a number of cases, 36 Spanish judgments awarding damages have become final, while the defendant MAN companies will continue to appeal all decisions awarding damages. In Belgium, a judgment on the merits and a judgment awarding damages (on an equitable basis) have been issued against MAN. MAN companies have appealed both decisions. In the meantime, the respective plaintiffs have withdrawn both claims. In Portugal, the first instance court of Santarém held an MAN company liable and awarded damages in one case. The defendant MAN company has appealed this decision.

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

As of December 31, 2023, no provisions were recognized for the majority of these cases as it is not assumed as of the reporting date that there will be a final and unappealable court ruling awarding damages. Provisions in the amount of €89 million (previous year: €– million) were recognized for cases in which, as a result of a reassessment of the risks, a final and unappealable ruling under which MAN or Scania would have to pay damages is more likely than unlikely at present. No contingent liabilities were reported because these damages cannot currently be quantified. In particular, this applies to proceedings that are still in the early stages, including those in the early stages of expert appraisals.

VW Truck & Bus Ltda.

In the tax proceedings between Volkswagen Truck & Bus Indústria e Comércio de Veículos Ltda. (VW Truck & Bus Ltda.), formerly MAN Latin America Indústria e Comércio de Veículos Ltda. (MAN Latin America), and the Brazilian tax authorities, the Brazilian tax authorities took a different view of the tax implications of the acquisition structure chosen by MAN SE (now merged with TRATON SE) for the acquisition of VW Truck & Bus Ltda. in 2009. The tax proceedings have been divided into two auditing periods, covering the years 2009–2011 (Phase 1) and 2012–2014 (Phase 2). In December 2017, an adverse last instance judgment was rendered by the Brazilian Administrative Court (Phase 1), which was negative for VW Truck & Bus Ltda. VW Truck & Bus Ltda. appealed this judgment before a regular judicial court in 2018. This lawsuit was dismissed in 2019, and an appeal was filed against the dismissal. The appeal was then rejected in June 2023, and a petition for review was filed in July 2023. In the tax proceeding related to Phase 2, a partial success was achieved that partly reduced the penalties. An appeal against this decision was filed, which was rejected in September 2023, thus concluding the Administrative Court proceedings. As a result of a new law regarding the handling of casting vote decisions in September 2023, VW Truck & Bus Ltda. filed an objection to the determinations of Phases 1 and 2 in October 2023. Due to the potential range of penalties plus interest which could apply under Brazilian law, the estimated size of the risk in the event that the tax authorities are able to prevail overall with their view is uncertain. This could result in a risk of about BRL 3.4 billion (equivalent to €0.6 billion as of December 31, 2023) for the contested period from 2009 onward. This assessment is based on the accumulated accounts at the reporting date for the claimed tax liability including the potential penalty surcharges, as well as accumulated interest, but excluding any future interest and without discounting any cash flows. Several banks have issued bank guarantees for the benefit of VW Truck & Bus Ltda. as is customary in connection with such tax proceedings, which in turn are secured by TRATON SE.

Update on the MAN SE merger squeeze-out

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

Cash compensation in the amount of €70.68 per common and preferred share was paid out to MAN SE noncontrolling shareholders on September 3, 2021. This marked the conclusion of the MAN SE merger squeeze-out. The appropriateness of the cash compensation will be reviewed by a court-appointed auditor as part of the judicial award proceedings initiated by affected noncontrolling interest shareholders. TRATON submitted its response to the court at the end of June 2022. An oral hearing has not yet been scheduled.

Nonfinancial Group Statement

Nonfinancial Group Statement

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

With its Scania, MAN, Navistar, and Volkswagen Truck & Bus (VWTB) brands, as well as TRATON Financial Services, the TRATON GROUP is one of the world's leading commercial vehicle manufacturers. Unless otherwise stated, the terms "TRATON," "Group," and "Company" refer to the TRATON GROUP. The activities of TRATON Financial Services are of only minor relevance for the Nonfinancial Group Statement and were only included in the disclosures on the EU Taxonomy.

The acquisition of Navistar by TRATON was completed in 2021. Navistar was included in all activities of 2023 with the exception of some in the Governance & Ethics section, where this is indicated accordingly.

The Nonfinancial Statement contains material information that is required by the HGB and relates to five nonfinancial issues: environmental matters, employee matters, social matters, respect for human rights, and combating corruption and bribery. To identify issues relevant for the Company within these nonfinancial matters, TRATON conducted its first materiality analysis in 2021. The strategic focus areas were reviewed and deemed to be valid for 2023 as well. No new materiality assessment was therefore performed since the business model and the strategic focus areas are still valid (see the "Content of the Nonfinancial Statement" table).

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

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

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

Sustainability at TRATON

TRATON's sustainability efforts are built on the Sustainable Development Goals (SDGs) adopted by the United Nations (UN). By aligning our sustainability efforts with these global goals, we want to contribute to the UN's 2030 Agenda. Since TRATON is a company that primarily manufactures commercial vehicles, this means that we want to make a substantial contribution to a more sustainable transportation industry. TRATON supports the principles of the UN Global Compact with its participation in the initiative and confirms its contribution to the United Nations' goals with the "Statement of continued support."

Sustainability management and strategy

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

The central Sustainability function at TRATON reports directly to the Chief Executive Officer and the other Executive Board members via the TRATON Sustainability Board and is responsible for coordinating sustainability management at TRATON. Developing TRATON's sustainability strategy is a cross-functional task with responsibilities embedded at the level of the brands and in several central TRATON functions. In 2023, an ESG function, which reports directly to the Chief Financial Officer, was established to coordinate ESG topics relevant to the capital markets at Group level. Among other things, this function is responsible for preparing the TRATON sustainability statement according to the Corporate Sustainability Reporting Directive (CSRD), which will be produced for the first time for fiscal year 2024.

The TRATON Sustainability Board is led by the Chief Executive Officer of the TRATON GROUP. The TRATON central functions Sustainability and ESG are represented, and each brand is represented by its CEO and Head of Sustainability. The TRATON Sustainability Board gives overall strategic direction, defines ambition level, and decides on strategic focus areas with an impact on sustainability for the TRATON GROUP.

New programs and measures receive their final approval from the TRATON Sustainability Board and at the level of each brand, with the brands solely responsible for their implementation. The TRATON Sustainability Board met four times in 2023.

Together with the Group brands in 2021, it analyzed which material issues are necessary to understand TRATON's course of business and the impact of the TRATON GROUP's activities on the five nonfinancial aspects (see the "Content of the Nonfinancial Statement" table).

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

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

CONTENT OF THE NONFINANCIAL STATEMENT

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

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

The design of Group-wide or brand-specific management approaches depends on the different market requirements of our brands as well as the different levels of maturity within individual sustainability topics. We are currently working on making the status of the brands' measures transparent. The process is still ongoing, and our goal is to report on these within our first CSRD reporting for 2024. Where feasible, we apply overarching management approaches covering all brands. This currently applies especially to the material issues of "Diversity & Inclusion" and "Education & Human Capital" as well as the Governance & Ethics strategic focus area. Where the suitability of management approaches depends to a greater extent on production conditions, the product portfolio, or regulatory requirements, the brands have been in the lead. This is especially true for the material issues identified within the strategic focus area of "Decarbonization & Circularity," as well as for the Decent Work material issue. It is important for TRATON that there is constant communication and active cooperation between the knowledge carriers in the Group. Coordinating these is the task of the TRATON Sustainability Board.

Decarbonization & Circularity

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

Decarbonization

TRATON strives to make a contribution to decarbonizing the transportation sector. With a view to achieving holistic decarbonization, the TRATON GROUP brands review and address greenhouse gas (GHG) emissions across scopes 1–3.

To achieve this goal, all brands of the TRATON GROUP work together with several TRATON corporate functions. The TRATON GROUP is fully committed to further reducing GHG emissions from its products in order to reach the targets of the Paris Climate Agreement and to limit global warming to 1.5°C above preindustrial levels. The most prominent lever for TRATON's contribution to combating climate change is the electrification of its product portfolio. We measure our progress in this area by analyzing the change in the BEV unit sales ratio. This metric describes the ratio of the number of battery electric and fuel cell electric vehicles to the total number of vehicles sold, excluding the MAN eTGE model.

The brands pursue their own GHG reduction programs. Scania, for example, has adopted science-based climate targets, which were officially endorsed by the Science Based Targets initiative (SBTi) in 2020. As part of this endeavor, Scania plans to reduce CO_2 emissions from its own operations (scopes 1 and 2) by 50% in absolute figures by 2025 compared with 2015, and emissions from its vehicles by 20% per kilometer over the same period (intensity target, scope 3, category 11). In April 2023, Scania and Northvolt unveiled a jointly developed battery cell designed for heavy-duty transportation. Battery cells have been manufactured at the Northvolt ETT gigafactory in Northern Sweden since September 2023 and assembled into battery packs at Scania's new 18,000 square meter plant in Södertälje. This will enable the start of series production of Scania's premium electric trucks for regional transport.

Already in 2022, Scania specified its supply chain decarbonization targets further. It aims to use 100% green batteries, 100% green steel, 100% green aluminum, and 100% green cast iron in its European production by 2030. Scania's definition of "green" requires eliminating the main sources of emissions by utilizing new technologies, green electricity, and/or recycled materials. In 2023, Scania took a step toward decarbonizing its supply chain by placing its first order for green steel. The contract with H2 Green Steel will provide Scania with sustainably produced steel for building its trucks, allowing the company to take another big step toward improving the climate footprint of its vehicle manufacturing. Production will begin at H2 Green Steel's new plant in Northern Sweden in 2025, with deliveries of the sustainable material set for 2027. Further, in 2023 Scania and SSAB signed a letter of intent to decarbonize all steel deliveries from SSAB to Scania's heavy-duty vehicles from 2030.

MAN had already joined the SBTi back in 2021 and had its near-term goals validated in 2022. As part of its SBTi commitment to the Business Ambition for 1.5°C, MAN intends to become greenhouse gas-neutral by 2050 at the latest. The company aims to have its net zero target validated by the SBTi as soon as the SBTi reopens the submission of targets by automakers. The near-term goals include the reduction of absolute GHG emissions at the company's sites around the world (scopes 1 and 2) by 70% by 2030 compared to the 2019 base year and a decrease of fleet GHG emissions per vehicle kilometer of MAN trucks, buses, and vans already in customer use (scope 3) by 28% within the same period. In 2022, MAN had decided to build a battery pack production plant in Nuremberg. Groundbreaking for the construction started in late 2023. After completion of the construction work, battery production is expected to be ramped up at the new production plant in 2025.

Navistar prepared a full carbon footprint for 2022 in the year under review. This measured emissions across all scopes. In the year under review, Navistar committed to developing science-based targets consistent with the criteria of the SBTi based on these measurements and to submitting these targets for validation. Navistar is aiming to submit these targets in a timely manner after the SBTi releases its target calculation guidance for the automotive sector. Navistar also included energy efficiency as a metric for its annual performance incentives in 2023. This metric measures energy intensity (energy use per unit of production) at its major facilities and will account for 5% of its overall incentives. Energy intensity is directly related to the reduction in CO_2 emissions since scope 2 emissions account for the largest portion of Navistar's direct and indirect emissions in the production process.

VWTB also continued its decarbonization efforts in 2023. The result of these efforts was the reduction of electricity and natural gas consumption through the conversion of lighting in the production plants and the increase of cooling systems' efficiency. Additionally, approximately 71% of the electricity used is from renewable sources, which enables scope 2 GHG emissions to be offset. This was certified by the Interstate Renewable Energy Council (I-REC). In line with the decarbonization strategy, measurement and monitoring of GHG emissions has been improved by incorporating a diagnosis of activities, alignment with the GHG protocol methodology, and a carbon inventory verified by a third party. VWTB had committed to taking action to reduce its scope 1 and 2 GHG emissions by 5% by 2023 compared to 2021. With a reduction of 10.7%, this goal has been exceeded, in particular through the introduction of electricity from renewable energy sources, the requirement for using ethanol in vehicle fleets (flexible fuel), and improving energy efficiency at the Resende plant in Brazil.

Another key area is the expansion of the public charging network for battery electric heavy-duty trucks and long-distance coaches. With its new service entity, TRATON Charging Solutions AB, the TRATON GROUP has been offering its brands' customers access to charging stations since 2023. This service provider comprises a network of public charging stations in twelve European countries and bundles contracting, invoicing, route planning, and utilization insights under one roof. In this way, TRATON aims to help meet the growing demand for charging options outside depots, which goes hand in hand with the increase in the number of electric commercial vehicles.

One of the first charging point operators that has been contracted directly is Milence, the joint venture between TRATON, Daimler Truck, and the Volvo Group. Milence aims to build and operate at least 1,700 high-performance green energy charging points on and close to highways as well as at logistics hubs in Europe by 2027. In December 2023, Milence opened phase one of its first charging hub at Truck Parking Venlo in the Netherlands. The hub consists of four charging bays. The second phase and additional hubs will open across Europe in 2024.

The TRATON GROUP's priority for its decarbonization strategy is to focus on all-electric vehicles. As part of our strategy, we have set ourselves the target of around half of our annual new vehicle sales in the relevant regions (EU27+3 region, USA, and Canada) to be zero-emission vehicles by 2030[1]. This target is subject to the conditions needed to achieve it, such as the expansion of the corresponding charging infrastructure, being in place.

MAN has launched sales of the first heavy-duty electric truck, marking another milestone in the decarbonization of freight transport. A total of around 700 orders and order requests have already been received. The majority will be covered from large-series production, which will start at the MAN plant in Munich from 2025 onward. The first vehicles will be delivered to customers as early as 2024.

Further, MAN started sales of a 10-meter version of the Lion's City E bus in 2023. The 10-meter bus completes the all-electric city bus lineup, which consists of vehicles available in 12- and 18-meter variants.

Navistar will also work with customers, policy makers, and other parties to promote electrification in its market in the future. This includes engaging with the US Environmental Protection Agency (EPA) and other US regulators to ensure that policy aligns with the conditions in the heavy-duty on-road sector, including in EPA's current work on its third phase of greenhouse gas regulation as well as its incentive programs for vehicle electrification. In addition, one element of Navistar's annual incentive measured dealer readiness to sell and support electric vehicles. Navistar strives to achieve 50% new battery electric vehicle sales by 2030 and 100% by 2040 for the US market.

VWTB established the innovative e-Consortium at its site in Resende in 2019. The main role of the e-Consortium is to provide its customers with the entire operating infrastructure and services, including sustainable management services, alongside the product itself. The aim is to develop a comprehensive support structure for electric trucks and establish it on site: from vehicle manufacturing through building the charging infrastructure, down to managing the life cycle of the battery.

1 See BEV unit sales ratio in the "Incoming orders and unit sales by country, TRATON Operations" table in the **"Results of operations"** section

Circularity

As part of its commitment to sustainability in the transportation sector, the TRATON GROUP also relies on the idea of circularity. Since a substantial part of industry emissions results from the usage of resources like steel, aluminum, and chemicals, increasing resource efficiency — especially through the recycling of raw materials and the extension of life cycles — will have to play an important role. In 2023, the TRATON GROUP decided to focus on three pillars in the field of circular economy. The key elements are Action, Strategy, and Mindset. The first building block aims at extending current remanufacturing activities and a strong alignment within the Group. It also includes building up a joint logistics network in order to leverage synergies. The second component is intended to drive the development of suitable Group-wide targets and corresponding KPIs for measuring progress. The third building block aims at Group-wide design principles and a "Circular First" mindset to support the implementation of circularity in product development and product management. The launch of these initiatives has been approved by the TRATON Sustainability Board with an intended timeframe of the end of 2024.

In addition, TRATON encourages its strategic partners at brand level to work on concepts that will enable the Group to take responsibility in both upstream and downstream stages of our value chain and foster the exchange of best practices between the brands. The TRATON Sustainability Leadership Group is a central platform for achieving this.

Our brands are already taking initiatives toward more circular production. Scania, for example, focuses on extending the life of products, remanufacturing spare parts, and promoting recycling at the end-of-life product phase. A particular challenge in increasing resource efficiency while electrifying the transportation sector is the recyclability of battery cells. Scania has a continuous partnership with Northvolt AB, Sweden, on the development and commercialization of battery cell technology for heavy-duty vehicles. Together they make an investment in the European value chain for battery manufacturing, all the way from processing raw materials to producing battery cells and systems and creating the recycling infrastructure.

MAN defined the following major goals for its transition to a circular economy: (1) closing the material loop, (2) optimizing the lifetime of products and components, and (3) improving product usage and utilization. Due to the increasing electrification of its fleet, creating a second use (i.e., within another vehicle) or a second life (i.e., within another application, for example as mobile energy storage) for used batteries before they are recycled continued to be a clear imperative for MAN's research activities in 2023 as well. MAN's smart digital services also support the transition toward a stronger position in the circular economy. The MAN ServiceCare proactive maintenance and repair management system, for example, helps to replace wear parts at the right time to prevent a major breakdown of the vehicle and thus optimize its lifetime. Furthermore, digital drive program upgrades were continued in the year under review that improve the vehicles' utilization without needing to go to the workshop or install new hardware. This is made possible by MAN's flexible over-the-air retrofitting solution, MAN Now.

VWTB had already started the UERJ Circular project with the University of the State of Rio de Janeiro (UERJ) in 2021. This project aims to develop studies, research, and measures that promote the circularity of the processes and products developed by the company. In 2023, 18 employees of VWTB were trained in circular design at the UERJ as part of this project. In addition, VWTB began developing projects focused on circularity in the automotive sector.

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

MAN professionally remanufactures used parts such as engines, cooling water pumps, crankshafts, a wide range of parts for charging and cooling, or powertrain components and sells these remanufactured parts under the MAN Genuine Parts ecoline brand. In 2023, 53,255 ecoline engines were remanufactured and sold, which represents a decline of around 17%. Among other factors, this was attributable to quality improvements, the availability of used parts, and general parts availability. Sales revenue in the ecoline parts business rose by 9% as a result of high-quality vehicle components being remanufactured. In addition, MAN launched the REVAMP project in February 2023. This project aims to automate the process of assessing the condition of used vehicle batteries. With this knowledge, batteries are to be economically reconditioned for subsequent use in the vehicle (second use) or for other purposes (second life). A consortium of nine partners from business and academia is involved in the project, which is funded by the German Federal Ministry of Economic Affairs and Climate Action (BMWK). The consortium is led by MAN Truck & Bus.

Navistar focuses on remanufacturing used parts in its resource efficiency approach. The company collects used parts through four core facilities dedicated to assessing parts for remanufacturing. It then restores them through a network of around 50 suppliers and distributes these "ReNEWed" parts through its parts sales network — and thus returns the parts to another product life cycle. More than 3,000 unique part types are regularly remanufactured as part of this process. During the reporting period, Navistar launched a new reverse logistics process and an associated fifth core facility for the collection of batteries for electric vehicles, together with the commercial launch of a "ReNEWed" version of such batteries for use in warranty replacement.

In the reporting period, VWTB continued its efforts and worked to improve its remanufacturing portfolio and increase the revenue generated with more than 74 (previous year: 71) remanufactured parts. Further efforts for promoting circular economy included the upcycling of textile waste for the Volkswagen Social Project, which involves the production of new materials by seamstresses.

People & Diversity

The attractiveness and innovative strength of an organization is largely dependent on how well it recognizes and leverages the individual capabilities of its employees. Especially considering the ongoing structural change in our working world, diversity in our employees' job profiles and qualifications is becoming increasingly important. Providing the right skills is a key success factor for the TRATON GROUP. TRATON relies on qualified and motivated employees. We want to offer our employees a safe and attractive working environment in which they can develop to their full potential.

Diversity & Inclusion

TRATON promotes equal opportunities for everyone. We do not tolerate discrimination on grounds of ethnic or national origin, sex, gender identity, religion, views, age, disability, sexual orientation, skin color, political views, social background, or any other characteristics protected by law. We embrace diversity, actively encourage inclusion, and create an environment that fosters each employee's individuality in the interests of the Company.

TRATON has embedded the core principles of diversity and inclusion in its corporate culture and overall strategy. We underpinned our commitment to a diverse and inclusive workforce by signing the Diversity Charter in 2017 and becoming its member in Germany in 2020. Having already signed the Diversity Charter in Germany in 2017, MAN signed it in Austria and France in 2023. The Charter is a corporate initiative to promote diversity in companies and institutions. It aims to promote the recognition, appreciation, and integration of diversity into business culture. In February 2023, the TRATON GROUP signed a TRATON Diversity & Inclusion commitment. This commitment forms the basis for our cross-brand collaboration with the aim of further improving the workplace culture throughout the entire TRATON GROUP. It describes our common responsibilities, commitments, and actions.

The Group's Diversity & Inclusion (D&I) team with representatives from all brands aims to ensure our common strategy, vision, activities, and adherence to KPIs for D&I across the TRATON GROUP. Specific teams are responsible for diversity management for each brand. They implement a number of measures and initiatives in line with the Group's D&I strategy. To obtain a comprehensive picture of employee attitudes in the field of diversity and inclusion, TRATON has included three questions on the perception of diversity and inclusion in its yearly employee survey. Together, these questions form the Diversity & Inclusion index [0–100], where we achieved an overall score of 79.9 in 2023 and 80.5 in 2022.

By employing and developing people with the widest possible range of skills, knowledge, backgrounds, and experiences, the companies are taking important steps to promote an inclusive corporate culture that they consider to be a prerequisite for the TRATON GROUP's business success. As a matter of principle, our employees are chosen, hired, and supported based on their qualifications and skills, something that is reflected in our Skill Capture approach, which describes the TRATON GROUP's D&I strategy and method. This approach is designed to develop management teams and employees by continuously working on diversity and inclusion awareness and creating value through actions and accountability. This systematic approach helps managers to work with their employees.

During 2023, VWTB took further steps to also include its stakeholders in spreading the TRATON D&I culture by promoting the Skill Capture approach to its partners in the Consórcio Modular production system at its Resende site in Brazil. Scania's management is using the Skill Capture approach to promote diversity, equity, inclusion, and a sense of belonging. The approach guides the company's employees, emphasizing integration into all work aspects, and is supported by Ambassadors and revisits. Revisits revealed a global focus on recruitment, inclusive ways of working, team building, and mentorship, resulting in shared best practices. In the second quarter of 2023, Scania started a Skill Capture Review Project aimed at enhancing diversity and inclusion throughout the organization, closely aligning with business results, with the inclusive involvement of both internal and external stakeholders as a critical success factor.

To create equal opportunities for men and women to become managers, the TRATON GROUP brands have embedded a variety of approaches and initiatives, and developed individual approaches according to their needs. TRATON's target is a 20% proportion of women across all management positions by 2024 and a 30% proportion by 2029. With a rate of 21.5% for the 2023 reporting period, the first interim target has already been achieved. To realize equal opportunities, we support potential female candidates on track for an executive career through HR development measures such as a mentoring program and an orientation program. New managers receive training to raise awareness of the topic of equal opportunities among all employees throughout the Company.

To encourage women in their careers, MAN shows female role models in its internal and external communication. MAN hosted a female empowerment networking event in cooperation with FC Bayern with roughly 80 participants. Students and mentors of the Bayern Mentoring program, a support program specifically tailored to girls and young women, as well as female employees of MAN and FC Bayern shared their experiences and learnings. At Navistar, approximately 140 women have graduated from leadership development training through the Empowering Women Network, a virtual education program that shortens the gap to women's advancement.

MAN launched the We@MAN series in 2023. Members of the top management discussed relevant topics with groups of employees from various departments. There are sessions planned with all Board members on different subjects until the end of 2024. Talking Diversity is a further communication format to bring diversity-related topics up for debate with the employees. In 2023, topics such as gender stereotypes in the workplace or part-time work were discussed. Apprentices took also part in workshops to learn more about Diversity & Inclusion from the beginning.

Navistar President and CEO Mathias Carlbaum continued to support the CEO Action for Diversity & Inclusion initiative in 2023. This initiative is a CEO-driven business commitment to advance diversity and inclusion within the workplace and society. In addition, the Navistar Diversity, Equity & Inclusion (DEI) team hired a dedicated resource for diverse recruiting and a diversity analyst to focus on expanding its DEI communication.

At VWTB, an agreement with the trade union and the Works Council was established related to the Women Protection Program, which includes job security, psychological and social support, as well as legal assistance for women in vulnerable situations. Customized plans driven by analytics methods for each department are being rolled out to strengthen and enable the strategic goals, aiming for diversity in all dimensions.

Education & Human Capital

TRATON's HR department follows the "same needs, same solutions" approach in order to leverage synergies, reflecting brand-specific characteristics, and create added value for TRATON. To do this, the Chief Human Resources Officers (CHROs) of TRATON SE and the brands meet on a monthly basis to set the strategic directions as well as to discuss agreed Group-wide activities.

Six strategic and operational focus topics were defined, which will be executed through a cross-brand project team setup:

- Exchange People
- Competence & Learning
- Leadership, Culture & Change
- Digitalization
- Compensation & Benefits, and
- Diversity & Inclusion

These six strategic focus topics are steered in the People and Culture Strategy Execution Committee. This is also linked to HR Business Operations to drive the operational needs forward. The People and Culture Strategy Execution Committee's responsibility for coordinating all the project teams rotates between the brands to foster our Group mindset. MAN took over this role in the first year.

The basic premise for all of the focus topics is "Group first." We will deliver value to the business through cross-brand collaboration, focused joint priorities, and consistent execution. Each project team is staffed with colleagues from all brands and works together based on a mutual commitment to the TRATON GROUP, respecting and being open to the diverse perspectives of all. Their work is based on the common principles the CHROs agreed on.

To secure operational execution and support for the business, HR has created a project structure in the spirit of "one face to the customer" that supports all the Group functions' HR needs.

During the year under review, Scania has focused on establishing end-to-end processes as a basis for the implementation of the new global HR system. Development Planning and Learning are two of the global HR processes that aim to help develop skills and nurture talent, aiming to ensure that Scania has the right people and competencies available when they are needed. With its Scania Academy, the company provides a range of programs designed to foster and develop employee knowledge and expertise for today's dynamically evolving transportation industry. Examples include reskilling initiatives where employees with no prior experience in a particular field are put on development paths that result in the individual's transition to a new career in the company. With an in-house academy, Scania is able to continuously nurture the required culture and competencies in line with the ever-changing business needs. Leadership programs are a top priority, and the concepts range from those for junior managers to executive levels, all in partnership with business schools. In addition to individual competency development, the Scania Academy also provides formats for continuously developing team effectiveness with the Scania team factory concept. Additionally, focus remains high on learning research, for instance by incorporating learning experience platforms in the company's learning system landscape.

At MAN, internal experts impart specific professional skills and thereby ensure the systematic transfer of knowledge and the training of the employees. For example, the E-Mobility Experience Days are organized to train employees working in sales in e-mobility. All employees in production are also trained in the associated technical changes and the challenges of high voltage. In addition, worldwide strategic and technological innovations such as zero-emission mobility, digitalization, and automation require more targeted qualifications and new forms of learning. The MAN Academy expanded its range of training opportunities in 2023 to meet this demand. MAN's upskilling and reskilling measures continue to focus heavily on competency development in the areas of alternative drives, automation, autonomous driving, data science and software development, and new working methods. The digitization of learning formats — in particular the implementation of external digital learning platforms — has also been important for all training content.

Navistar also offers development opportunities for hired college graduates, for example the Finance and Accounting Leadership Development (FALD) program. This program is a three-year full-time rotational program to explore a career in finance and accounting. It includes executive mentorship and interaction, tuition assistance, and opportunities to relocate. There are currently around 30 participants in the program, ten in each year. In the year under review, Navistar relaunched the Navistar University, hired a talent team, and put a learning system landscape in place. The Navistar University is now an essential tool in developing the company's culture and leadership. The Navistar University is focused on the strategic competencies needed to guide Navistar's transition to new technologies and processes that allow the company to be more innovative and responsive to change.

In 2023, some notable efforts included:

- Change Enablement Programs that help employees adapt to change effectively and develop crucial skills to embrace an industry that constantly evolves due to technological advancements and market demands
- Leadership Development Programs that ensure a solid pipeline of competent leaders who can guide the organization toward success
- A Learning Strategy emphasizing a learning culture that encourages continuous professional development, innovation, and knowledge sharing, enabling the company to stay competitive and meet the evolving needs of its industry
- The rollout of company values. Through its learning system landscape, the Navistar University has been providing leaders with tools and resources to communicate and reinforce the values within their teams at Navistar and TRATON.

The VWTB Academy was launched in 2023 in order to strengthen the technical and strategic skills of the company. All VWTB employees currently have unlimited access to the Academy. This venture is supported by a digital platform based on Success Factors, initially in Brazil and with further plans for integrating Mexico in 2024. The organizational architecture is being reshaped in order to promote a learning organization, with new job descriptions that foster knowledge retention and transfer by local experts. A program focused on software development, the so-called Code School, was created in partnership with the Fundação Grupo Volkswagen foundation, targeting diversity aspects in the students list.

Decent Work

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

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

Decent work is highlighted in multiple ways in the Policy Statement on Human Rights, which was published in 2022 and is valid for all brands of the TRATON GROUP. The Policy Statement includes a section on the rejection of forced or compulsory labor and the rejection of child labor and underage workers, as well as a section on equal treatment in employment. The topic of freedom of association and collective bargaining is also addressed. TRATON respects the right of all employees to establish and join unions as well as employee representative bodies and rejects any form of discrimination that could occur based on union activities. On top of this, the Policy Statement on Human Rights underlines that TRATON is committed to its responsibility for the health and safety of its employees and the continuous improvement of their work environment. Compliance with occupational health and safety requirements is handled by the brands' health and safety systems. TRATON also takes the necessary steps to identify and mitigate the risks in all the aforementioned areas (child labor, forced labor, slavery, disregard of occupational health and safety, unequal treatment in employment, disregard of freedom of association, withholding of adequate wages) through regular risk analyses carried out within the entire Group.

At TRATON, the focus in recent years has been on working conditions, including flexible working models. The goal of the Exchange People workstream is to ensure that the experience of going on a global assignment is the same across the TRATON GROUP and available everywhere. Representatives from TRATON SE, Scania, MAN, Navistar, and VWTB meet regularly to harmonize, analyze, and streamline current policies. Following an agile sprint plan in the 2023 reporting period, the first measures will be developed in the course of 2024.

During 2023, Scania continued to expand its Future of Work initiative to develop flexible and hybrid ways of working with a focus on a great employee experience. This hybrid work model continues to be the way forward, offering the best of both remote and in-person work. Throughout the pandemic and beyond, Scania developed working methods based on trust and transparency. In 2023, the core focus of the Future of Work initiative was on laying the foundation for reshaping workspaces to align with the company's current modes of work and collaboration across the organization. By creating a network of shared coworking spaces, Scania aims to transform the office campus into an attractive destination for its employees, fostering increased collaboration and networking. Additionally, this corporate coworking strategy contributes to increased office utilization, maintaining a flexible space that is also the right size.

In the year under review, more countries were also added to the work from abroad program at Scania, which had been launched in 2022.

Scania has a global group policy in place that regulates minimum standards for working hours, weekly rest periods, vacation, and sick leave for its employees. The policy also contains requirements for recruitment as well as termination of employment. Based on the Scania global principles for labor relations, a Labor Relations Improvement Program, a workshop-centered tool for improved dialogue between management and employee representatives, has been developed together with the employee representatives. It is available to the organization, and its rollout was launched at the Top Management Meeting in June 2023.

Navistar has continued to work on enhancing the employee experience for all employees. Several examples include:

- Negotiated a new four-year labor contract at its Tulsa bus plant in early 2023 that provides job security and improvements to employee time off, wages, and working conditions
- New career paths and wage improvements were introduced at the San Antonio assembly plant. These career paths provide employees the opportunity to grow their skills within the company and create a meaningful long-term career. The San Antonio assembly plant and the Dallas Parts Distribution Center changed working schedules, which provides increased flexibility and allows employees to spend more time away from work.

In the Huntsville Powertrain Operations, the successful launch of the new S13 Engine and T14 Transmission provides job security to employees in Alabama. This launch allows employees to develop new skills working with state-of-the-art tools and processes.

Governance & Ethics

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

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

Values-Based Governance

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

Compliance

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

Communication and employee training play a key role in TRATON's preventive compliance and sustainability work across all hierarchy levels. TRATON conducts regular face-to-face and online training sessions on compliance and integrity topics.

The compliance training program includes training modules on the Code of Conduct, the Company's guideline for acting with integrity. A web-based training was created in the reporting period, which is to be updated by the GRC Organization every two years in the future and must be repeated by the relevant employees every two years. Employees without access to the web-based training receive face-to-face training on the Code of Conduct from their managers, following a train-the-trainer approach, which is to be repeated at least every four years. Navistar runs the web-based training on the Code of Conduct every year. This training was updated in 2023. Navistar employees without access to the web-based training receive a face-to-face training every two years. As of December 31, 2023, 45,176 employees in the TRATON GROUP completed the web-based Code of Conduct training, equivalent to 91% of the TRATON employees who need to be qualified in this training format.

In addition, TRATON conducts compliance training sessions on the topics of anti-corruption, preventing money laundering, antitrust issues, business and human rights, and whistleblowing as well as general compliance and integrity training for employees in key positions, such as the Executive Board. The respective target groups for each training are defined on the basis of employees' respective risk exposure. The last update of the web-based anti-corruption training took place in 2022, whereas Navistar updated its anti-corruption training in 2023. 34,945 employees had completed these trainings for anti-corruption by the end of 2023, equivalent to 82% of the TRATON employees who need to be qualified in this training format. In the year under review, TRATON also introduced a new web-based training course on business & human rights and updated the training for key contacts of the whistleblower system. Further, business partners received compliance training on the Code of Conduct for Suppliers and Business Partners. Business partners with an intermediary or representative function with a medium or higher corruption risk exposure underwent this training in 2023 as part of their approval process via TRATON's Business Partner Approval Tool.

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

The TRATON whistleblower system focuses on investigating potential regulatory violations that could cause damage to the Company and its employees as a whole. Potential violations of the Code of Conduct for Suppliers and Business Partners by suppliers and violations of human rights and environmental laws by direct and indirect suppliers can also be reported to the TRATON Investigation Office. The TRATON Investigation Office is responsible for an initial legal assessment of each tip-off received and for subsequent coordination with the responsible investigating body. Following the investigation, the TRATON Investigation Office performs a legal assessment based on the factual report provided by the responsible investigating body and recommends disciplinary measures in the case of serious regulatory violations (where applicable). Furthermore, the TRATON Investigation Office is also tasked with recommending and overseeing the implementation of preventative measures, aimed at mitigating and/or eliminating identified violations and/or risks.

The whistleblower system is designed to protect both whistleblowers and the persons concerned. The investigation process is based on procedural principles, which include confidentiality, the need-to-know principle, and objectivity. The presumption of innocence applies to all persons concerned, as defined in TRATON's Internal Investigations Policy. In 2023, the TRATON Investigation Office received around 330 tip-offs, of which approximately 40% were investigated. Of all investigations completed in the reporting period, 5% resulted in disciplinary measures[2].

Human Rights

TRATON aims to act sustainably in its own business operations, as well as in its engagements with third parties. This includes complying with, protecting, and promoting internal regulations safeguarding human rights that are applicable worldwide as fundamental and universally valid guidelines. TRATON updated its Policy Statement on Human Rights in 2023, which reflects TRATON's commitment and describes the activities that TRATON has implemented for the protection of human rights.

A central element of our risk management is the risk analysis. We conduct a human rights-related risk assessment in our own operations on a regular basis (as well as ad hoc when needed). Taking into account the results of a generic risk assessment questionnaire as well as the analysis of internal and external sources (e.g., audit reports and external studies), relevant entities are categorized into three levels of human rights risk exposure (higher, medium, or low risk). For the higher risk entities, we conduct workshops with local experts from different departments in order to identify more concrete human rights risks. Going forward, we are planning to validate and refine the risk assessment annually (to ensure that it is consistent, complete, and up-to-date) and identify specific areas for further analysis (ad hoc). The results of the risk assessment are analyzed in the context of our Human Rights Management System and matched with the implemented human rights measures, and potential gaps are addressed by additional measures and controls, if needed. However, the protection of human rights does not only apply to operations within our Company, but also to the conduct of and toward suppliers and business partners. We ask our suppliers and business partners to also factor human rights risks into the equation when selecting their own suppliers and business partners. Our expectations toward suppliers and business partners with regard to human rights are described in the Code of Conduct for Suppliers and Business Partners.

In order to strengthen sustainability requirements in supplier relationships and address the topic of human rights in addition to ecological aspects, our brands have established their own approaches. A central tool in this area is the sustainability rating (S-Rating) system, which is used at Scania, MAN, and VWTB. Navistar is currently onboarding its suppliers to the S-Rating system.

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

2 Navistar is not included in these figures.

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

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

EU Taxonomy disclosures

1. Background and objectives

Under the European Green Deal, the European Union (EU) has put the issues of climate change mitigation, environmental protection, and sustainability at the center of its political agenda. It has defined the goal of achieving climate neutrality by 2050. In this context, the EU published the Strategy on Financing the Transition to a Sustainable Economy in 2021 in order to support the financing of the transformation to a sustainable economy. This strategy is based on the 2018 EU action plan on financing sustainable growth. It aims to reorient capital flows toward sustainable investments, mainstream sustainability into risk management, and foster transparency and long-termism. The action plan consists of ten actions and has as its core Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (Regulation 2020/852)[1], as well as the related delegated acts (hereinafter referred to collectively as "EU Taxonomy").

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

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

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

2. Reporting on fiscal year 2023

For fiscal year 2023, the TRATON GROUP is reporting for the first time on all environmental objectives in accordance with Article 8 of Regulation 2020/852 and Article 10(4) of the Delegated Regulation on Article 8 of the aforementioned Regulation. In addition to climate change mitigation and adaptation, four further environmental objectives have now been defined: the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems.

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

3. Economic activities of the TRATON GROUP

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

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

3.1 Taxonomy-eligible economic activities

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

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

In detail, the manufacture and related selling activities for all new and used vehicles (including the sale of leased used vehicles) as well as financial services are allocated to economic activity 3.3 under the "climate change mitigation" environmental objective. In addition, service activities such as maintenance and repair, including the genuine parts used for this purpose, are also allocated to this economic activity. In contrast, economic activities where TRATON acts as dealer of vehicles or as supplier of components and parts for non-battery electric vehicles are assigned to the taxonomy-non-eligible activities. They relate to economic activities for vehicles not manufactured internally being sold by the TRATON GROUP brands as well as those in connection with the "Engines, powertrains, and parts deliveries" sales revenue item.

Hedging transactions and individual activities that are reported in the "Other sales revenue" item in the Consolidated Financial Statements as of December 31, 2023, do not conform to the descriptions of economic activities in the delegated acts and are therefore classified as taxonomy-non-eligible.

In the course of an analysis of economic activity within the framework of the EU Taxonomy, no activities were identified for TRATON that specifically account for any of the five other environmental objectives. However, the dynamic evolution of EU Taxonomy rules may lead to modifications of economic activities in the future.

3.2 Taxonomy-aligned economic activities

Substantial contribution

The criteria for assessing the substantial contribution of economic activity 3.3 defined in Annex I to Regulation 2020/852 are based on the relevant vehicle classes and the associated CO_2 emissions and drive technologies. For the TRATON GROUP, all internally produced, all-electric vehicles (BEVs) meet the criteria for a significant contribution. In addition, buses manufactured internally that met the requirements of the Euro 6 Stage E standard (Euro 6e buses) also counted toward the technical criteria for assessing the substantial contribution of economic activity 3.3 until December 31, 2022. This means that economic activities associated with BEVs made a significant contribution to climate change mitigation in the fiscal year. The prior-period comparative figures also contain economic activities connected with Euro 6e buses.

DNSH criteria

The analysis of the DNSH criteria was conducted at the level of the relevant sites. In addition to production sites, component plants and research and development units that are associated with vehicles that meet the technical screening criteria for substantial contribution, or will do so in the next five years, were also analyzed. The majority of the sites included in the analysis are located in countries within the EU, in the USA, and in South America. The EU Taxonomy is subject to interpretation uncertainties with regard to the DNSH criteria and goes beyond the requirements applicable to ongoing business operations to some extent. In addition, the application of the EU Taxonomy to sites outside the EU leads to particular challenges due to the different legal situations that may apply there.

The assessment of the DNSH criteria was based on the requirements applicable in the EU in 2023 for ongoing business operations as well as on internal policies and processes. Country-specific requirements and internal processes were used for sites outside the EU. The assessment of the DNSH criteria was completely positive for the sites of the brands included in the analysis that operate in the European Economic Area. With the exception of the DNSH criterion on pollution prevention and control, the assessment of the DNSH criteria was also positive for all other sites. The TRATON GROUP's approach to assessing the DNSH criteria is presented in detail in the following.

Climate change adaptation

A climate risk and vulnerability assessment was performed to identify sites that could be impacted by physical climate risks. The assessment of the chronic and acute physical climate risks analyzed was performed in line with the useful life of the relevant assets in relation to economic activity 3.3. TRATON's climate-based DNSH assessment is based on Shared Socioeconomic Pathway (SSP) 8.5 of the 6th Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) up to the year 2050 and thus assumes the highest expected CO_2 concentration according to the IPCC. In addition, risk-specific analyses were conducted with additional data sources based on the exact locations. Identified threats were assessed for relevance in the local environment, and any necessary risk mitigation measures were developed.

The sustainable use and protection of water and marine resources

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

The transition to a circular economy

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

Pollution prevention and control

In order to be considered environmentally sustainable, an economic activity cannot result in a substantial increase in air, water, or ground pollution compared to the levels before it began. The automotive industry is already extremely regulated on the whole — among other things, this is reflected in the publicly accessible Global Automotive Declarable Substance List (GADSL). Implemented approval and control processes are designed to ensure compliance with the legal requirements and internal regulations applicable to ongoing business operations. In this context, we are already addressing the use of alternative substances in our analyses and assessments.

The European Commission amended the DNSH criteria in the EU Taxonomy in July 2023. There is interpretation uncertainty as to the impact that changes in the requirements for internal substitution testing processes for substances of very high concern (SVHCs) may have on the 2023 reporting period.

TRATON already has regulations and processes in place that generally aim to avoid and substitute SVHCs. Taking these as our basis, we review the ingredients contained in and the suppliers of production-related process materials and vehicle-related components of all-electric vehicles as part of our analyses to review the substitutability of SVHCs, taking into account technical and economic criteria, among others. For brand sites that only operate outside the European Economic Area, it was not possible to provide evidence of compliance with the new requirements due to, among other factors, an insufficient lead time for implementation. By contrast, the review of the new requirements was positive for sites of the brands operating in the European Economic Area, as they already have intercompany processes, agreements, and standards for identifying, assessing, approving, and substituting SVHCs.

The protection and restoration of biodiversity and ecosystems

To verify compliance with the requirements governing biodiversity and ecosystems, the relevant areas were identified using various information sources (including Natura 2000 areas and environmental impact assessments). To the extent that biodiversity-sensitive areas are close to a site, an assessment of the associated risks and impacts on the area was performed. If necessary, compensatory or remedial measures are taken to ensure that the business activity has no significant impact on the conservation objectives of the protected area.

Minimum safeguards

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

- Human rights, including workers' rights
- Bribery/corruption
- Taxation
- Fair competition

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

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

4. Key performance indicators pursuant to the EU Taxonomy

The key performance indicators (KPIs) for fiscal year 2023 included the taxonomy-aligned turnover, capital expenditure (capex), and operating expenditure (opex) of the TRATON GROUP. Only transactions with third parties have been taken into account. Turnover, capital expenditure, and operating expenditure relate in full to the "climate change mitigation" environmental objective.

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

The tables required by the EU Taxonomy are shown at the end of the chapter.

4.1 Turnover

2023	Turnover		Substantial contribution to climate change mitigation		Compliance with DNSH criteria	Compliance with minimum safeguards	Taxonomy-aligned turnover	
	€ million	%[1]	€ million	%[1]	Y/N	Y/N	€ million	%[1]
A. Taxonomy-eligible activities								
3.3 Manufacture of low-carbon technologies for transport	44,085	94%	645	1%	Y/N	Y	439	1%
B. Taxonomy-non-eligible activities	**2,787**	**6%**						
Total (A+B)	**46,872**							

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

Turnover was calculated on the basis of the sales revenue (denominator) reported in the income statement for the period from January 1 to December 31, 2023, in the Consolidated Financial Statements as of December 31, 2023, which amounted to €46.9 billion in fiscal year 2023.

Economic activity 3.3 accounted for €44.1 billion of this total, or 94% of the TRATON GROUP's sales revenue, which was classified as taxonomy-eligible turnover. This includes in particular revenue from the sale, lease, and financing of new and used vehicles manufactured internally, as well as revenue from genuine parts and workshop services. By contrast, revenue from the sale of vehicles that are not manufactured internally or revenue under the "Engines, powertrains, and parts deliveries" item is not included. Other taxonomy-non-eligible sales revenue is contained in the "Other sales revenue" item in the Consolidated Financial Statements as of December 31, 2023.

Taking into account the technical screening criteria and the minimum safeguards, taxonomy-aligned turnover amounted to €439 million, or 1% of the TRATON GROUP's sales revenue, in 2023. The change in taxonomy-aligned turnover is due largely to the fact that buses manufactured internally that met the requirements of the Euro 6 Stage E standard no longer met the criteria for a substantial contribution in 2023, and that evidence of the DNSH criterion for pollution prevention and control could no longer be provided for certain sites (details are contained in the **"Pollution prevention and control"** section). By contrast, taxonomy-aligned turnover from battery electric new vehicles increased. The following table contains a breakdown of taxonomy-aligned turnover:

€ million	**2023**	**2022**
Taxonomy-aligned turnover from battery electric new vehicles	424	300
Taxonomy-aligned turnover from non-battery electric new vehicles	–	186
Other taxonomy-aligned turnover	15	11
Total	**439**	**496**

4.2 Capital expenditure

2023	Capital expenditure		Substantial contribution to climate change mitigation		Compliance with DNSH criteria	Compliance with minimum safeguards	Taxonomy-aligned capital expenditure	
	€ million	%[1]	€ million	%[1]	Y/N	Y/N	€ million	%[1]
A. Taxonomy-eligible activities								
3.3 Manufacture of low-carbon technologies for transport	4,308	98%	602	14%	Y/N	Y	505	11%
B. Taxonomy-non-eligible activities	**106**	**2%**						
Total (A+B)	**4,414**							

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

Capital expenditure was determined on the basis of additions and additions from business combinations to intangible assets (see Note **"17. Intangible assets"** to the Consolidated Financial Statements), property, plant, and equipment (see Note **"18. Property, plant, and equipment, right-of-use assets under IFRS 16, and lease liabilities"**), and assets leased out (see Note **"19. Assets leased out"**) contained in the Consolidated Financial Statements as of December 31, 2023, which amounted to €4.4 billion in fiscal year 2023. Additions to goodwill were not included in the denominator.

Economic activity 3.3 accounted for €4.3 billion of this total, or 98% of the TRATON GROUP's capital expenditure classified as taxonomy-eligible. This includes in particular capital expenditure related directly to taxonomy-eligible economic activities. Capital expenditure on administration or distribution primarily benefits taxonomy-eligible economic activities and has therefore been included. By contrast, capital expenditure incurred in connection with vehicles not manufactured internally or the business with engines, powertrains, and parts deliveries is taxonomy-non-eligible. Also excluded is capital expenditure on investment property, since it is not economically required by TRATON to manufacture low-carbon technologies for transport.

Taking into account the technical screening criteria and the minimum safeguards, taxonomy-aligned capital expenditure amounted to €505 million, or 11% of the TRATON GROUP's capital expenditure, in 2023. Where possible, capital expenditure was allocated directly to BEVs. Capital expenditure that could not be allocated directly was taken into account ratably using brand-specific allocation keys. The allocation keys are based on the five-year planning approved by the Executive Board and represent the ratio of planned five-year production of BEVs to planned total production over five years.

In the same way as turnover, the change in taxonomy-aligned capital expenditure is due largely to the fact that buses manufactured internally that met the requirements of the Euro 6 Stage E standard no longer met the criteria for a substantial contribution in 2023, and that evidence of the DNSH criterion for pollution prevention and control could no longer be provided for certain sites. By contrast, a growing number of additions to property, plant, and equipment related to the production of battery electric vehicles. The following table contains a breakdown of taxonomy-aligned capital expenditure:

€ million	2023	2022
Attributable to intangible assets	197	205
Attributable to property, plant, and equipment	221	148
Attributable to assets leased out	87	127
Taxonomy-aligned capital expenditure in the reporting period	**505**	**478**

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

In 2022, Scania had issued a green bond totaling SEK 3.0 billion to finance investments in research and development of battery electric vehicles. In the year under review, €91 million of this was used to finance taxonomy-aligned research and development activities, of which €46 million was attributable to taxonomy-aligned capital expenditure and €44 million to taxonomy-aligned operating expenditure. The used bond proceeds were set in relation to total taxonomy-aligned research and development costs for the fiscal year in order to allocate them between capital and operating expenditure. Taking into account the portion of the bond proceeds attributable to taxonomy-aligned capital expenditure, the adjusted share of taxonomy-aligned capital expenditure in relation to the total capital expenditure as defined by the EU Taxonomy amounted to 10% in the year under review.

4.3 Operating expenditure

2023	Operating expenditure € million	%[1]	Substantial contribution to climate change mitigation € million	%[1]	Compliance with DNSH criteria Y/N	Compliance with minimum safeguards Y/N	Taxonomy-aligned operating expenditure € million	%[1]
A. Taxonomy-eligible activities								
3.3 Manufacture of low-carbon technologies for transport	1,623	95%	260	15%	Y/N	Y	236	14%
B. Taxonomy-non-eligible activities	**85**	**5%**						
Total (A+B)	**1,708**							

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

Operating expenditure is determined on the basis of noncapitalized research and development costs as reported in Note **"10. Functional expenses — Cost of sales"** to the Consolidated Financial Statements as of December 31, 2023. These are calculated by subtracting capitalized development costs from primary R&D costs. The calculation of the denominator of the KPI includes the following:

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

The TRATON GROUP's total operating expenditure as defined by the EU Taxonomy amounted to €1.7 billion in the year under review.

Economic activity 3.3 accounted for €1.6 billion of this total, or 95% of the TRATON GROUP's operating expenditure, which was classified as taxonomy-eligible. In the same way as capital expenditure, only operating expenditure incurred in direct connection with taxonomy-eligible economic activities was included here. Operating expenditure related to taxonomy-non-eligible economic activities, such as the business with engines, powertrains, and parts deliveries, has therefore not been included in the numerator.

Taking into account the technical screening criteria and the minimum safeguards, taxonomy-aligned operating expenditure amounted to €236 million, or 14% of the TRATON GROUP's operating expenditure in 2023. Where possible, taxonomy-eligible operating expenditure was allocated directly to BEVs. Operating expenditure that could not be allocated directly was taken into account ratably using brand-specific allocation keys. The same allocation keys were used as for capital expenditure. Taking into account the portion of the bond proceeds attributable to taxonomy-aligned operating expenditure, the adjusted share of taxonomy-aligned operating expenditure in relation to the total operating expenditure as defined by the EU Taxonomy amounted to 11% in 2023.

The change in taxonomy-aligned operating expenditure is due in particular to the fact that evidence of the DNSH criterion for pollution prevention and control could no longer be provided for certain sites. By contrast, noncapitalized research and development costs were increasingly attributable to battery electric vehicles. The following table contains a breakdown of taxonomy-aligned operating expenditure:

€ million	2023	2022
Taxonomy-aligned operating expenditure from noncapitalized research and development costs related to battery electric vehicles[1]	221	239
Taxonomy-aligned operating expenditure from noncapitalized research and development costs related to non-battery electric vehicles	–	1
Other taxonomy-aligned operating expenditure	15	11
Total	**236**	**251**

1 Previous year adjusted

4.4 Disclosures on the capex plan

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

In the course of allocation, all taxonomy-aligned additions to assets leased out (primarily vehicle leases) were entirely taken into account as capital expenditure that is already associated with environmentally sustainable economic activities, because the underlying vehicles are already manufactured and taxonomy-aligned. These were therefore not included in the capex plan. By contrast, taxonomy-aligned additions to intangible assets and to property, plant, and equipment as well as noncapitalized research and development costs were allocated to the capex plan on a pro rata basis with the help of the allocation key. The allocation key compares the ratio of the production volume of taxonomy-aligned vehicles for the reporting period in question with the average projected taxonomy-aligned production volume under the five-year plan. The proportion over and above that is allocated to the capex plan. As a result, €402 million of the taxonomy-aligned capital expenditure and €212 million of the taxonomy-aligned operating expenditure were required to be allocated to the capex plan in the reporting period. The total capital expenditure of the capex plan that was incurred in the reporting period and is expected to be incurred under the five-year plan amounts to €6.7 billion.

4.5 Table overview according to the EU Taxonomy

TURNOVER

Fiscal year 2023[1]		Year		Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities (1)	Code (2)	Turnover (3)	Proportion of turnover, year 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circularity (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circularity (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) turnover, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
		€ million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
3.3 Manufacture of low-carbon technologies for transport	CCM 3.3	439	1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y/N	Y	Y	Y	1%	E	–
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		**439**	**1%**	**1%**	**–%**	**–%**	**–%**	**–%**	**–%**	**Y**	**Y**	**Y**	**Y/N**	**Y**	**Y**	**Y**	**1%**	**–**	**–**
of which enabling activities		439	1%	1%	–%	–%	–%	–%	–%	Y	Y	Y	Y/N	Y	Y	Y	1%	E	–
of which transitional activities		–	–%	–%						N	N	N	N	N	N	N	–%	–	–
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
3.3 Manufacture of low-carbon technologies for transport	CCM 3.3	43,646	93%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								93%	–	–
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**43,646**	**93%**	**93%**	**–%**	**–%**	**–%**	**–%**	**–%**								**93%**	**–**	**–**
A. Turnover of taxonomy-eligible activities (A.1 + A.2)		**44,085**	**94%**	**94%**	**–%**	**–%**	**–%**	**–%**	**–%**								**94%**		**–**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of taxonomy-non-eligible activities		**2,787**	**6%**																
Total		**46,872**	**100%**																

1 Abbreviations used in the table: CCM: climate change mitigation; Y: yes; N: no; N/EL: not eligible; E: enabling activity; T: transitional activity; EL: eligible.

CAPITAL EXPENDITURE

Fiscal year 2023			Year	Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities (1)	Code (2)	Capex (3)	Proportion of capex, year 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circularity (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circularity (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) capex, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
		€ million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
3.3 Manufacture of low-carbon technologies for transport	CCM 3.3	505	11%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y/N	Y	Y	Y	12%	E	–
Capex of environmentally sustainable activities (taxonomy-aligned) (A.1)		**505**	**11%**	**11%**	**–%**	**–%**	**–%**	**–%**	**–%**	**Y**	**Y**	**Y**	**Y/N**	**Y**	**Y**	**Y**	**12%**	**–**	**–**
of which enabling activities		505	11%	11%	–%	–%	–%	–%	–%	Y	Y	Y	Y/N	Y	Y	Y	12%	E	–
of which transitional activities		–	–%	–%						N	N	N	N	N	N	N	–%	–	–
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
3.3 Manufacture of low-carbon technologies for transport	CCM 3.3	3,803	86%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								85%	–	–
Capex of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**3,803**	**86%**	**86%**	**–%**	**–%**	**–%**	**–%**	**–%**								**85%**	**–**	**–**
A. Capex of taxonomy-eligible activities (A.1 + A.2)		**4,308**	**98%**	**98%**	**–%**	**–%**	**–%**	**–%**	**–%**								**97%**		**–**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Capex of taxonomy-non-eligible activities		**106**	**2%**																
Total		**4,414**	**100%**																

OPERATING EXPENDITURE

Fiscal year 2023		Year		Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities (1)	Code (2)	Opex (3)	Proportion of opex, year 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circularity (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circularity (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) opex, year 2022 (18)[1]	Category enabling activity (19)	Category transitional activity (20)
		€ million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
3.3 Manufacture of low-carbon technologies for transport	CCM 3.3	236	14%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y/N	Y	Y	Y	17%	E	–
Opex of environmentally sustainable activities (taxonomy-aligned) (A.1)		**236**	**14%**	**14%**	**–%**	**–%**	**–%**	**–%**	**–%**	**Y**	**Y**	**Y**	**Y/N**	**Y**	**Y**	**Y**	**17%**	**–**	**–**
of which enabling activities		236	14%	14%	–%	–%	–%	–%	–%	Y	Y	Y	Y/N	Y	Y	Y	17%	E	–
of which transitional activities		–	–%	–%						N	N	N	N	N	N	N	–%	–	–
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL									–	–
3.3 Manufacture of low-carbon technologies for transport	CCM 3.3	1,387	81%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								78%	–	–
Opex of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		**1,387**	**81%**	**81%**	**–%**	**–%**	**–%**	**–%**	**–%**								**78%**	**–**	**–**
A. Opex of taxonomy-eligible activities (A.1 + A.2)		**1,623**	**95%**	**95%**	**–%**	**–%**	**–%**	**–%**	**–%**								**95%**		**–**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Opex of taxonomy-non-eligible activities		**85**	**5%**																
Total		**1,708**	**100%**																

1 Previous year adjusted

Supplemental Information on Fiscal Year 2023

1. Corporate Governance Statement[1]

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

Our system of corporate governance is determined by applicable laws, our Articles of Association, internal regulations and guidelines, as well as by national and international standards of good corporate governance. The German Corporate Governance Code (the Code) provides recommendations and suggestions for responsible and transparent corporate governance at TRATON in accordance with recognized standards. The contents of the Corporate Governance Statement required by sections 289f and 315d of the *Handelsgesetzbuch* (HGB — German Commercial Code) and the recommendations of the Code are presented in the following.

I. Corporate Governance at TRATON

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

Declaration of Compliance

The Executive Board and Supervisory Board of TRATON SE issued their annual Declaration of Compliance in December 2023 as follows:

"The Executive Board and Supervisory Board of TRATON SE declare that the recommendations of the Government Commission on the German Corporate Governance Code as amended April 28, 2022 ("the Code"), published by the German Federal Ministry of Justice in the official section of the *Bundesanzeiger* (the Federal Gazette) on June 27, 2022, were complied with in the period since the publication of the last regular Declaration of Compliance respectively since the update of the Declaration of Compliance in March 2023 and continue to be complied with, except for the recommendations set out below, for the reasons and periods indicated below:

1. Recommendation A.3 (Sustainability-related objectives in the risk management and internal control system) is not fulfilled to the extent that TRATON already has risk management and internal control systems in place that also take into account selected sustainability-related objectives. However, given the scope and dynamic nature of this issue, TRATON has initiated a project that aims to address sustainability aspects in risk management and internal control systems even more comprehensively in the future. A departure from recommendation A.3 is therefore being declared as a precautionary measure until this project has been implemented.
2. Pursuant to recommendation B.5, an age limit is to be specified for members of the Executive Board and disclosed in the Corporate Governance Statement. This was implemented. In March 2023, the Supervisory Board reappointed Mr. Antonio Roberto Cortes and thus in this exceptional case exceeded the specified age limit. The Supervisory Board, however, considers the reappointment of Mr. Cortes to be in the best interest of the Company. In particular, Mr. Cortes has lead responsibility for the South American market, which faces significant challenges over the next three years. The reappointment of Mr. Cortes ensures that the strategy for South America designed by him can be efficiently and effectively implemented. The Supervisory Board adheres to the age limit determined for the Executive Board in all other respects. However, it cannot be ruled out that legal commentators would regard the Company as having deviated from recommendation B.5 if it had overridden a specific applicable age limit only once. As a precautionary measure, such a departure is therefore declared.
3. The recommendation in C.5 (Upper limit of offices for Board members) is not fulfilled to the extent that in addition to his seat on the Supervisory Board of TRATON SE, the Chairman of the Supervisory Board discharges one further mandate as Chairman of the Supervisory Board of VOLKSWAGEN AG, a listed company, as well as having seats on the Supervisory Board of Dr. Ing. h.c. F. Porsche Aktiengesellschaft, likewise a listed company, and Bertelsmann SE & Co. KGaA, and is also Chairman of the Board of Management of Porsche Automobil Holding SE. VOLKSWAGEN AG, Dr. Ing. h.c. F. Porsche Aktiengesellschaft and TRATON SE do not form a group with Porsche Automobil Holding SE within the meaning of the German Stock Corporation Act. Nonetheless, we are of the opinion that the Chairman of the Supervisory Board has sufficient time available to discharge his mandates.

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

4. With regard to the recommendation in C.13 (Disclosure in the event of election proposals), the guidelines in the Code are vague and the definitions unclear. A departure from the Code is therefore being declared as a precautionary measure. Notwithstanding this, the Supervisory Board will make every effort to comply with the requirements of the recommendation in C.13.
5. The recommendation in G.13 sentence 1 (Severance cap) is not fulfilled. According to recommendation G.13 sentence 1, payments made to a member of the Executive Board due to early termination of their Board activity shall not exceed twice the annual remuneration (severance cap) and shall not constitute remuneration for more than the remaining term of the employment contract. It is not clear to the Executive Board and the Supervisory Board of TRATON SE whether recommendation G.13 sentence 1 only refers to severance payments or also to payments made to a member who has left the Executive Board that result from a continuing employment contract. In July 2020, Mr. Joachim Drees, among others, left the Executive Board by mutual consent. The employment contract between Mr. Drees and TRATON SE shall, in agreement with Mr. Drees, continue following his departure and remain in force — subject to earlier termination by Mr. Drees — for more than two additional years following the departure of Mr. Drees.
6. Mr. Drees shall accordingly not receive a severance payment but may, under certain circumstances, receive his contractual remuneration for a period of more than two years following his departure. This remuneration was also paid out in the period since the submission of the last Declaration of Compliance. In light of the above, the Executive Board and Supervisory Board of TRATON SE declare a departure from recommendation G.13 sentence 1 as a precautionary measure."

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

Swedish Corporate Governance Code

Furthermore, TRATON has published a statement regarding departures by TRATON's corporate governance system from the Swedish Corporate Governance Code. It is also available on the Company's website at **https://ir.traton.com/en/corporate-governance**.

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

Annual General Meeting

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

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

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

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

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

The Company's Executive Board currently has six members. The Executive Board does not have any committees. For information on its composition, refer to Note **"47. Members of the Executive Board and their appointments"** to the Consolidated Financial Statements.

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

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

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

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

In accordance with the requirements of the *Aktiengesetz* (AktG — German Stock Corporation Act) and recommendation E.3 of the Code, members of the Executive Board may undertake secondary activities only with the Supervisory Board's consent.

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

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

In line with the Articles of Association, the Company's Supervisory Board comprises 20 members, with equal numbers of shareholder and employee representatives. The Company's Supervisory Board once again has 20 members since the court appointment of Ms. Ödgärd Andersson as a member of the Supervisory Board on April 4, 2023, and her election by the Annual General Meeting.

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

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

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

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

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

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

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

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

In line with the requirements of the AktG and the recommendation of the Code, Mr. Witter (Chairman of the Audit Committee) and Mr. Bechstädt (Deputy Chairman of the Audit Committee) in particular have expertise in the areas of financial reporting (including internal control and risk management systems) and auditing. Mr. Witter has extensive experience in the areas of accounting and auditing, including sustainability reporting and audits, in particular by virtue of his many years of experience as Chief Financial Officer of various Volkswagen Group companies and from his time as Chief Financial Officer of Volkswagen AG (2015 to 2021). Mr. Bechstädt has extensive experience in the areas of accounting and auditing due to his many years of work in the Group Finance department of Volkswagen AG, and as a member of the Examination Committee for Accountants of the Hannover Chamber of Commerce and Industry. This also includes experience in sustainability reporting/auditing. Of the other members of the Audit Committee, Ms. Schnur also has experience in these areas due to her membership of audit committees.

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

In accordance with section 17 (2) of the *SE-Ausführungsgesetz* (SEAG — German SE Implementation Act), women and men must each account for at least 30% of the Supervisory Board of TRATON SE. As of December 31, 2023, 30% of the members of the Supervisory Board of TRATON SE on the shareholder side were women: Ödgärd Andersson, Dr. Julia Kuhn-Piëch, and Nina Macpherson, and 70% were men. On the employee side, 40% women were represented on the Supervisory Board: Daniela Cavallo, Mari Carlquist, Lisa Lorentzon, and Karina Schnur, and 60% men on this date. The statutory quotas are therefore met by both the shareholder and the employee representatives on the Supervisory Board.

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

The Presiding Committee prepares the meetings of the Supervisory Board and the resolutions of the Supervisory Board, including the resolutions of the Supervisory Board on Executive Board matters, supports and advises the Chairman of the Supervisory Board, and, together with the Chairman of the Executive Board, prepares the long-term succession planning for the Executive Board. In addition, among other things the Presiding Committee is assigned responsibility for deciding on transactions or measures requiring approval up to a certain value limit, in place of the Supervisory Board.

The Audit Committee established by the Supervisory Board deals in particular with preparing the decision by the Supervisory Board regarding the adoption of the annual financial statements and the approval of the consolidated financial statements, monitoring and the integrity of the financial reporting process, monitoring financial reporting, the effectiveness of the internal control system, of the risk management system, and of the internal audit system, and with financial statements audit and compliance. Furthermore, the Audit Committee submits a reasoned recommendation for the choice of external auditor to the Supervisory Board, obtains a statement regarding the auditor's independence, deals with the additional services provided by the auditor, drafts the resolution on issuing the audit engagement letter, and also deals with determining the areas of emphasis of the audit and agreeing the auditor's fees.

The Nomination Committee identifies candidates for Supervisory Board positions and recommends suitable candidates to the Supervisory Board for the latter's proposals for election to the Annual General Meeting.

The members of the Presiding Committee are (as of December 31, 2023):

- Hans Dieter Pötsch (Chairman)
- Michael Lyngsie (Deputy Chairman)
- Daniela Cavallo (until March 20, 2023)
- Jürgen Kerner
- Gunnar Kilian
- Dr. Dr. Christian Porsche
- Karina Schnur (since March 21, 2023)

The members of the Audit Committee are (as of December 31, 2023):

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

The members of the Nomination Committee are (as of December 31, 2023):

- Hans Dieter Pötsch
- Gunnar Kilian
- Dr. Dr. Christian Porsche

Further details about the members of the Executive and Supervisory Boards as well as of the work of the committees can be obtained from the **"Report of the Supervisory Board"** and from Notes **"48. Members of the Supervisory Board and their appointments"** and **"49. Supervisory Board committees"** to the Consolidated Financial Statements.

Self-assessment of the Supervisory Board

In line with recommendation D.12 of the Code, the Supervisory Board assesses, at regular intervals, how effectively it as a whole and its committees fulfill their tasks. As part of the self-assessment, the members of the Supervisory Board receive in advance a detailed questionnaire that enables them to submit their appraisal of the procedures of the Supervisory Board and its committees, and make proposals for improvements. The results are discussed in a following meeting of the Supervisory Board and, if necessary, in further individual conversations. The results are also used to derive measures for improving the work of the Supervisory Board. The most recent self-assessment of the Supervisory Board took place in fiscal year 2023.

Long-term succession planning for the Executive Board

The Supervisory Board's Presiding Committee works with the Chairman of the Executive Board to ensure long-term succession planning for the Executive Board. In addition to the statutory requirements, the requirements of the Code, and the Rules of Procedure of the Supervisory Board, long-term succession planning considers the criteria laid down in the diversity concept resolved by the Supervisory Board for the composition of the Executive Board.

After additionally considering the specific qualification requirements, the Presiding Committee prepares a requirements profile, if needed, on the basis of which it then selects the most suitable candidates. After interviewing the candidates, it makes a proposal to the Supervisory Board for resolution. If necessary, the Supervisory Board and Presiding Committee are supported by external consultants when developing requirements profiles and selecting candidates.

Remuneration of the Executive Board and Supervisory Board

The current remuneration system in accordance with section 87a (1) and (2) sentence 1 of the AktG, the last resolution on remuneration in accordance with section 113 (3) of the AktG, the remuneration report for the past fiscal year, and the audit opinion in accordance with section 162 of the AktG can be found on our website at **https://ir.traton.com/en/corporate-governance**.

Compliance/risk management

The Governance, Risk & Compliance (GRC) function is managed by the Head of GRC/Chief Compliance Officer of the Group, who reports directly to the Chief Executive Officer of TRATON SE. GRC is comprised by the Corporate GRC Office at TRATON SE and the decentralized GRC functions at the brands. The Corporate GRC Office of TRATON SE and the decentralized GRC functions are jointly responsible for compliance and risk management throughout the entire TRATON GROUP.

The Corporate GRC Office plays a central control and support role in respect of the Group's risk management and compliance activities. This includes specifying GRC principles and uniform minimum standards for the entire Group, as well as giving the brands the necessary flexibility to implement tangible GRC measures, which fit with their respective organizations and environments. On the one hand, the processes for whistleblowing and internal investigations are strictly standardized, with a central Investigation Office in place at TRATON SE. By contrast, GRC communication is primarily embedded at brand level. The Corporate GRC Office also coordinates IT support systems and takes action to monitor and continuously improve the Group's GRC activities in terms of effectiveness and efficiency.

The Head of GRC/Chief Compliance Officer reports regularly, at least every quarter, to the Executive Board of the TRATON GROUP on the Group's risk exposure as well as on the current situation and on the GRC function's main activities. The Governance & Risk Board (GRB) as well as the Compliance Board (CB) have also been set up at TRATON level. These enable top-level executives from the entire Group to discuss relevant GRC issues regularly and in detail.

The GRC functions at brand level are responsible for implementing the compliance management and risk management systems at each brand. Each brand maintains a GRC organization, i.e., employees fully assigned to the GRC function. This organization is supported by a network of employees in the brands' subsidiaries, who are responsible for certain GRC activities, in particular risk reports, internal control systems, and compliance.

For a detailed description of TRATON's risk management system as well as its risk and opportunity position, refer to the **"Report on opportunities and risks"** contained in the Combined Management Report.

The TRATON GROUP GRC functions' (including the GRC functions within the brands) main duties include:

- Supporting a risk management process that makes the Group's key business risks transparent and ensures a clear line of responsibility for risks and for implementing risk-reducing measures
- Providing a system for monitoring the effectiveness of internal controls and for taking the appropriate remedial action where necessary
- Providing and continuously improving a compliance program covering anti-corruption activities, antitrust law, the prevention of money laundering, and respect for human rights, based on a comprehensive compliance-related risk assessment
- Coordinating policy management throughout the TRATON GROUP
- Developing policies for relevant GRC issues, such as how to manage gifts, hospitality, and invitations to events, how to manage conflicts of interest, preventing money laundering and terrorism financing, and implementing internal investigations
- Tool-based integrity checks for business partners. This relates primarily, albeit not exclusively, to business partners with sales support functions.
- Providing various training courses to foster awareness and knowledge of GRC-relevant topics
- A range of different communication activities to strengthen compliance and integrity in accordance with each of the codes of conduct of the TRATON GROUP and the individual brands
- Providing compliance-related advice to all employees at central and local levels (Compliance Helpdesk)
- Providing a whistleblower system, including examining and investigating the tip-offs received, so that any violations are identified, clarified, and remedied internally at an early stage. Potential violations include violations that cause significant reputational damage or have financial consequences, or violations of corporate values and human rights. An investigation is only launched after a careful examination of the tip-off and if there are concrete indications of a violation. The responsible departments are informed so that they can address the issue appropriately and take the necessary measures to minimize or stop the violations and/or risks.

Further explanations about selected GRC activities, especially in respect of human rights, are contained in the corresponding section of the Nonfinancial Group Statement.

Transparency and communication

The **https://ir.traton.com/en/** page provides shareholders with access to the Company's Articles of Association, consolidated financial statements for the TRATON GROUP, the financial calendar with all the relevant dates, and information about upcoming events.

The Company's ad hoc releases can also be accessed on TRATON SE's website at **https://ir.traton.com/websites/traton/English/4000/financial-news.html** immediately after they have been published in compliance with the law.

Notifications of voting rights pursuant to section 33ff. of the *Wertpapierhandelsgesetz* (WpHG — German Securities Trading Act) can be found on the same page, and disclosures of directors' dealings in accordance with Article 19 of the European Market Abuse Directive at **https://ir.traton.com/en/corporate-governance**. Information on the Executive Board and Supervisory Board of TRATON SE is available on the Company's website at **https://traton.com/en/company.html**.

The above-mentioned information and documents are available in both German and English.

Financial reporting

The year-end consolidated financial statements of the TRATON GROUP are prepared by the Executive Board on the basis of the International Financial Reporting Standards (IFRSs), while the single-entity financial statements of TRATON SE are prepared in accordance with German GAAP. The Executive Board discusses the half-year financial report with the Audit Committee prior to its publication.

The publication deadlines set out in recommendation F.2 of the Code are complied with.

II. Other corporate governance practices

TRATON has a Code of Conduct, which is the mandatory guideline on acting with integrity at TRATON and applies equally to all employees — from the Executive Board and managers down to each individual employee. The Code of Conduct focuses on integrity and the responsibility that each individual has — responsibility as a member of society, as a business partner, and in the workplace. With the aid of practical examples, it also explains how each individual can live up to this responsibility and behave with integrity, especially in conflict situations.

Furthermore, TRATON also expects its suppliers and business partners as well as their employees to act responsibly, comply with applicable laws everywhere and at all times, and respect core ethical values. TRATON has therefore issued its own Code of Conduct for Suppliers and Business Partners, which details minimum ethical standards to be met by TRATON's suppliers and business partners.

The Code of Conduct as well as the Code of Conduct for Suppliers and Business Partners are available at **https://traton.com/en/governance-risk-compliance/compliance-integrity-program.html**.

Sustainability is an integral component of TRATON's strategy and is a firmly established concept within the TRATON GROUP brands. Our Group and our brands take sustainability to mean understanding and proactively addressing global challenges and recognizing the opportunities and risks of sustainable development. TRATON takes the expectations of our customers, of politicians, and of society on board and provides specific answers to the various challenges posed by sustainable mobility. Wherever we operate in the world, our goal is to meet the highest standards and partner with companies that are leading the way in terms of sustainability.

For more information on sustainability, refer to the Company's website at **https://traton.com/en/sustainability.html**.

III. Representation requirement and target for percentage of women

In accordance with section 16 (2) of the *SE-Ausführungsgesetz* (SEAG — German SE Implementation Act), TRATON SE's Executive Board must include at least one woman and one man. TRATON SE complied with this requirement in the year under review. The Executive Board consisted of five men and one woman throughout the 2023 reporting period.

Pursuant to section 76 (4) of the AktG, the Executive Board of TRATON SE has likewise set the following goals for females in the two management levels directly below the Executive Board in the period until December 31, 2023:

- 20% for females in the first management level below the Executive Board
- 30% for females in the second management level below the Executive Board

By the end of the December 31, 2023, deadline, this target for the proportion of women at the first management level below the Executive Board had been exceeded at 33%. At 23%, the target was not met at the second management level below the Executive Board.

The reasons for falling short of the target at the second management level were organizational and personnel changes: as part of the implementation of Group Industrial Functions, male managers were transferred from MAN Truck & Bus SE to TRATON SE. In addition, the changes in the areas of responsibility of some central functions in the course of the TRATON GROUP's transformation have led to a reassessment of the positions occupied by predominantly male colleagues, with the result that they have moved up into management positions. At the same time, some female managers were seconded to our brands as part of the increased exchange within the TRATON GROUP. One female manager left the Company last year and a vacant management position could not be filled until January 1, 2024. TRATON acknowledges the importance of diversity as a driver of innovation and will therefore continue its efforts to foster diversity in management.

The Executive Board has defined the following targets for the proportion of women in the two management levels below the Executive Board for the period from January 1, 2024, to December 31, 2028:

- 30% for females in the first management level below the Executive Board
- 30% for females in the second management level below the Executive Board

For the corresponding disclosures by TRATON SE subsidiaries, which are required by law to set target percentages, refer to the MAN Truck & Bus SE website (**https://www.mantruckandbus.com/en/company/management.html**).

IV. Disclosures on the diversity concept for the Executive Board and the Supervisory Board

A diversity concept for the Executive and Supervisory Boards is to be devised in accordance with section 289f (2) no. 6 of the *Handelsgesetzbuch* (HGB — German Commercial Code). This concept is to factor in aspects like age, gender, educational or occupational background.

The diversity concept for the Supervisory Board comprises the following elements:

- The defined goals for the composition of the Supervisory Board
- The skills and expertise profile for the Supervisory Board
- The gender quota of 30% for the composition of TRATON SE's Supervisory Board that is already imposed by law and must therefore be complied with in accordance with section 17 (2) of the SEAG

The targets defined by the Supervisory Board for its composition and the skills and expertise profile of the Supervisory Board also describe the concept with which the Supervisory Board strives to achieve a diverse composition. The diversity concept aims to encourage a good understanding of the organizational and business affairs of TRATON SE through diversity. This diversity is intended to enable the members of the Supervisory Board to constructively question the decisions of the Executive Board and to be open to innovative ideas. All aims have been fulfilled or taken into consideration, respectively.

The proposals for the election of Supervisory Board members by the Annual General Meeting comply with the statutory requirements and the standards laid down in the diversity concept. In fiscal year 2023, the Nomination Committee and the Supervisory Board took into account the diversity concept, the specific targets for the composition of the Supervisory Board, and the skills and expertise profile, as amended. It should be noted that the Supervisory Board's proposals for election can only affect the composition of the Supervisory Board in respect of the shareholder representatives.

The Supervisory Board adopted the following diversity concept for the Executive Board:

- Appointments of members of the Executive Board should, as a rule, end when those members reach the age of 65, although an extension by a maximum of three more years is possible.
- Members of the Executive Board should have long-standing management experience and contribute as much experience as possible from a range of different activities.
- The Executive Board should collectively have leadership experience in an international context.
- The Executive Board should collectively possess long-standing experience in the fields of machinery/vehicle manufacturing, finance, and HR management.

The diversity concept aims to encourage a good understanding of the organizational and business affairs of TRATON SE through diversity. The Supervisory Board decides which individual should be appointed to a specific Executive Board position in the interests of the Company, taking all the circumstances of the individual case into consideration. By extending the appointment of Mr. Antonio Roberto Cortes to the Executive Board, the Supervisory Board has, exceptionally, exceeded the age limit defined for the Executive Board. The reasons for this and the precautionary departure from recommendation B.5 of the Code are set out in section I. of the Declaration of Compliance. In all other respects, all of the aforementioned criteria have been fulfilled or taken into consideration, respectively.

2. Dependent Company Report

The Executive Board of TRATON SE prepared a report on relationships with affiliated companies (Dependent Company Report) in accordance with section 312 of the *Aktiengesetz* (AktG — German Stock Corporation Act), which concluded with the following declaration: "We declare that TRATON SE received appropriate consideration for every legal transaction, or that any disadvantages have been compensated, and that it was not disadvantaged as a result of taking any measures listed in this report on relationships with affiliated companies in fiscal year 2023 in accordance with the circumstances known to us at the time the legal transactions were conducted or the measures taken. There were no measures we refrained from taking in the reporting period."

3. Takeover-related disclosures in accordance with sections 289a (1) and 315a (1) of the HGB

Composition of subscribed capital

Details of the composition of subscribed capital can be found in the notes to the Annual and Consolidated Financial Statements in Note **"28. Equity."**

Significant shareholdings in TRATON SE

TRATON SE's largest single shareholder is Volkswagen Finance Luxemburg S.A., Strassen, Luxembourg, a Volkswagen Group company, which holds 89.72% of the share capital. Disclosures on indirect interests in the capital of TRATON SE that are over the threshold of 10% of voting rights attributed in accordance with sections 34f of the *Wertpapierhandelsgesetz* (WpHG — German Securities Trading Act) are explained in the overview below:

Porsche Piech Holding GmbH, Salzburg, Austria	Dr. Hans-Michel Piëch	Mag. Josef Ahorner	– Dr. Wolfgang Porsche, born 05/10/1943; – Dr. Dr. Christian Porsche, born 03/21/1974; – Dipl.-Design. Stephanie Porsche-Schröder, born 02/11/1978; – Ferdinand Rudolf Wolfgang Porsche, born 04/14/1993; – Felix Alexander Porsche, born 02/15/1996; – Gerhard Anton Porsche, born 06/05/1938; – Dr. Ferdinand Oliver Porsche, born 03/13/1961; – Mag. Mark Philipp Porsche, born 09/17/1977; – Kai Alexander Porsche, born 12/14/1964; – Dr. Geraldine Porsche, born 07/22/1980; – Ing. Hans-Peter Porsche, born 10/29/1940; – Peter Daniell Porsche, born 09/17/1973; – Diana Porsche, born 03/03/1996	– Dr. Wolfgang Porsche, born 05/10/1943; – Dr. Dr. Christian Porsche, born 03/21/1974; – Dipl.-Design. Stephanie Porsche-Schröder, born 02/11/1978; – Ferdinand Rudolf Wolfgang Porsche, born 04/14/1993; – Felix Alexander Porsche, born 02/15/1996
			Ferdinand Porsche Familien-Privatstiftung, Salzburg, Austria	Familie WP Holding GmbH, Salzburg, Austria
			Ferdinand Porsche Familien-Holding GmbH, Salzburg, Austria	
Porsche Gesellschaft m.b.H., Salzburg, Austria	Dr. Hans-Michel Piëch GmbH, Vienna, Austria	Ahorner Holding GmbH, Vienna, Austria	Ferdinand Alexander Porsche GmbH, Grünwald, Munich (district)	
Porsche Gesellschaft mit beschränkter Haftung, Grünwald, Munich (district)	HMP Vermögensverwaltung GmbH, Grünwald, Munich (district)	Ahorner GmbH, Vienna, Austria	Familie Porsche Beteiligung GmbH, Grünwald, Munich (district)	
Porsche Automobil Holding SE, Stuttgart				
Volkswagen AG, Wolfsburg				
Volkswagen Finance Luxemburg S.A., Strassen, Luxembourg[1]				

1 Direct shareholder of TRATON SE

TRATON SE has not been notified of, nor is it aware of, further existing direct or indirect interests in the capital of the Company that exceed the relevant threshold of 10% or the relevant thresholds of the WpHG. The free float was 10.28% as of December 31, 2023.

Restrictions on voting rights

Each TRATON share conveys one vote at the Annual General Meeting and is relevant for determining the shareholders' interest in the earnings of the Company. This does not apply to treasury shares held by the Company, which do not convey any rights for the Company. In cases of section 136 of the *Aktiengesetz* (AktG — German Stock Corporation Act), voting rights from the affected shares are excluded by law.

Statutory provisions and provisions of the Articles of Association governing the appointment and dismissal of the Executive Board and amendments to the Articles of Association

The appointment and dismissal of members of the Company's Executive Board is governed by Articles 39 (2) and 46 of the SE Regulation in conjunction with sections 84 and 85 of the AktG and Article 8 of the Company's Articles of Association. These state that the Executive Board must consist of at least two persons. In other respects, the Supervisory Board determines the number of members of the Executive Board. The members of the Executive Board are appointed for a period of up to five years. If the Executive Board consists of more than three persons, it must include at least one woman and at least one man (section 16 (2) of the *SE-Ausführungsgesetz* (SEAG — German SE Implementation Act)). Members of the Executive Board may be reappointed. The Supervisory Board is entitled to revoke the appointment of a member of the Executive Board for cause (Article 39 (2) of the SE Regulation, section 84 of the AktG).

Amendments to the Company's Articles of Association are resolved by the Annual General Meeting and are governed by Article 59 of the SE Regulation, section 51 of the SEAG, sections 179ff. of the AktG, and the Articles of Association. Unless otherwise required by law, amendments to the Articles of Association require a majority of two-thirds of the valid votes cast or, if at least half of the share capital is represented, a simple majority of the valid votes cast (Article 59(1), (2) of the SE Regulation in conjunction with section 51 of the SEAG, Article 21 (1) of the Articles of Association). If the law prescribes a capital majority in addition to a majority of votes for resolutions of the Annual General Meeting, a simple majority of the share capital represented at the time the resolution is adopted is sufficient, to the extent permitted by law. The majority requirement set out in section 103 (1) sentence 2 of the AktG remains unaffected.

In accordance with Article 13 (4) of the Company's Articles of Association, the Supervisory Board may pass resolutions to amend the Articles of Association that alter only its wording. Additionally, in accordance with Article 5 (3) of the Company's Articles of Association, the Supervisory Board is authorized to amend the wording of Article 5 of the Articles of Association following the complete or partial implementation of the capital increase from Authorized Capital 2023 or after the expiration of the authorization period, in line with the scope of the capital increase.

Powers of the Executive Board, in particular to issue new shares and repurchase shares

The powers of the Executive Board are governed by Article 39 of the SE Regulation in conjunction with sections 77ff. of the AktG and Article 9 of the Articles of Association of the Company. These provisions require the Executive Board to manage the Company independently and to represent the Company both in court and otherwise.

In accordance with Article 5 (3) of the Articles of Association, the Executive Board is authorized to increase the Company's share capital on one or several occasions by a total of up to €200,000,000 by issuing up to 200,000,000 no-par value bearer shares on a cash and/or noncash basis on or before May 31, 2028, subject to the Supervisory Board's approval (Authorized Capital 2023). The dividend entitlement of new shares can be determined contrary to the provisions of section 60 (2) of the AktG. Shareholders must be granted preemptive rights unless the Executive Board makes use of one of the following authorizations to disapply preemptive rights, with the consent of the Supervisory Board. The new shares may also be underwritten by a credit institution or an entity operating pursuant to section 53 (1) sentence 1 of the *Kreditwesengesetz* (KWG — German Banking Act) or section 53b (1) sentence 1 or (7) of the KWG (financial institution) to be designated by the Executive Board, or by a consortium of such credit or financial institutions, with the obligation to offer them for sale to shareholders of the Company. The Executive Board is authorized, with the consent of the Supervisory Board, to disapply shareholders' preemptive rights in the following cases:

a) To settle fractions resulting from a capital increase
b) To the extent necessary to grant holders or creditors of convertible bonds or bonds with warrants, as well as convertible profit participation rights, issued by the Company and/or its direct or indirect majority investees a preemptive right to new shares in the amount to which they would be entitled following the exercise of their options or conversion rights or after meeting their exercise of option or conversion obligations
c) If the new shares are issued against cash contributions and the issue price of the new shares is not materially lower than the quoted market price of existing listed shares of the Company at the date when the issue price is finally determined, which should be as close as possible to the placement of the shares. However, this authorization to disapply preemptive rights applies only to the extent that the notional amount of the share capital attributable to the shares issued with preemptive rights disapplied in accordance with section 186 (3) sentence 4 of the AktG does not exceed a total of 10%

of the share capital, meaning neither the share capital existing when this authorization takes effect, nor the share capital existing at the date when this authorization is exercised. Shares that (i) are sold or issued, with preemptive rights disapplied, during the term of this authorization up to the date of its exercise on the basis of other authorizations in direct application, or application with the necessary modifications, of section 186 (3) sentence 4 of the AktG, or (ii) shares that were issued or will be issued, with preemptive rights disapplied, to settle bonds or profit participation rights with conversion or exercise rights or obligations will be counted toward this limit, to the extent that the bonds or profit participation rights were issued during the term of this authorization up to the date of its exercise, in application, with the necessary modifications, of section 186 (3) sentence 4 of the AktG.

d) To the extent that the capital increase is implemented to grant shares against noncash contributions, in particular for the purposes of acquiring companies, parts of companies, or investments in companies, or other assets

The Executive Board is also authorized to define further details of the capital increase and its implementation, with the consent of the Supervisory Board. The Supervisory Board is authorized to amend the wording of Article 5 of the Articles of Association following the complete or partial implementation of the capital increase from Authorized Capital 2023 or after the expiration of the authorization period, in line with the scope of the capital increase.

Additionally, under Article 5 (4) of the Company's Articles of Association, the Company's share capital may also be increased by up to €50,000,000 on a contingent basis through the issue of up to 50,000,000 bearer shares (no-par value shares) (Contingent Capital 2023). The sole purpose of Contingent Capital 2023 is to issue new shares to the holders/creditors of bonds which are issued by the Company or by other companies in which the Company directly or indirectly holds a majority interest up to May 31, 2028, in accordance with a resolution passed by the shareholders under item 10.2 of the agenda for the meeting of June 1, 2023, in the event that conversion and/or option rights are exercised or conversion or option exercise obligations are settled or the Company makes use of its right to grant shares in the Company, either in full or in part, in lieu of payment of the respective cash amount. The shares are issued at the conversion or option price to be determined in accordance with the aforementioned resolution. The contingent capital increase will only be implemented to the extent that conversion rights or options are exercised or conversion or option exercise obligations are settled, or the Company exercises its right to grant shares of the Company, either in full or in part, in lieu of payment of the cash amount due, and to the extent that other instruments are not used to settle the conversion rights or options.

The new shares carry dividend rights from the beginning of the fiscal year in which they are issued. To the extent permitted by law, the Executive Board may, with the consent of the Supervisory Board, determine the dividend rights in derogation of the above and of section 60 (2) of the AktG, including for a fiscal year that has already closed. The Executive Board is authorized to define further details of the implementation of the contingent capital increase, with the consent of the Supervisory Board.

In addition, by virtue of the resolution of the Annual General Meeting on June 1, 2023, the Executive Board may, in the period up to May 31, 2028, acquire treasury shares up to a total of 10% of the share capital existing at the time of the resolution or, if this value is lower, of the share capital existing at the time this authorization is exercised. The acquired shares, together with other treasury shares held by TRATON SE or attributable to it in accordance with sections 71a ff. of the AktG, may at no time account for more than 10% of the share capital. The treasury shares acquired on the basis of the authorization resolved by the Annual General Meeting on June 1, 2023, or an earlier authorization may be used for any permissible purpose, in particular the purposes specified in the authorization of the Annual General Meeting, with the approval of the Supervisory Board and with preemptive rights disapplied. In addition, treasury shares may be acquired through the use of derivatives in the period up to May 31, 2028, on the basis of the further authorization resolved at the Annual General Meeting on June 1, 2023. Acquisitions of shares using derivatives are limited to a maximum of 5% of the share capital existing at the time of the resolution by the Annual General Meeting or, if this value is lower, at the time the authorization is exercised. The acquired shares also count toward the aforementioned 10% limit of the authorization to acquire treasury shares resolved by the Annual General Meeting. For the relevant details of the authorization to acquire treasury shares, please refer to the resolutions proposed by the Executive Board and Supervisory Board on agenda items 11 and 12 of our Annual General Meeting on June 1, 2023, that were published in the *Bundesanzeiger* (the Federal Gazette) on April 17, 2023.

Material agreements of TRATON SE that are subject to a change of control as a result of a takeover bid

As of December 31, 2023, TRATON SE had taken out bilateral loan agreements in the amount of €2.9 billion. The agreements grant the lenders in question the right to terminate the contract in line with standard market practice in the event of a change of control. A change of control is considered to have occurred if Volkswagen AG no longer holds more than 50% of the shares or voting rights in TRATON SE, either directly or indirectly. A syndicated multi-currency revolving credit facility agreement with a bank consortium with a credit line of €4.5 billion and *Schuldscheindarlehen* agreements with a total volume of €700 million are also in place. Both of these grant the lenders the right to terminate the agreements in the event that Volkswagen AG ceases to be a controlling company of TRATON SE within the meaning of section 17 of the *Aktiengesetz* (AktG — German Stock Corporation Act).

TRATON Finance Luxembourg S.A. issued bonds with a total nominal amount of €8.1 billion and SEK 2.55 billion in 2021, 2022, and 2023. All bonds are guaranteed by TRATON SE. In the event of a change of control (defined as obtaining any form of direct or indirect legal or beneficial ownership or any form of direct or indirect legal or beneficial power of disposition (as described in section 34 of the *Wertpapierhandelsgesetz* (WpHG — German Securities Trading Act) for a total of more than 50% of the shares in TRATON SE that carry voting rights) and subsequent deterioration of TRATON SE's credit rating within 120 days of the change of control taking effect, creditors of most of these bonds have the right to demand that TRATON Finance Luxembourg S.A. buy them back. More detailed information on the bonds and their terms can be found on the Company's website at **https://ir.traton.com/en/bonds/**.

In addition, there is a revolving credit facility agreement, among others, in the amount of €4.0 billion in place with Volkswagen AG. Although the agreement does not contain a contractual provision for the event of a change of control over TRATON SE, Volkswagen AG is authorized to terminate the revolving credit facility agreement at any time and without cause. In the event that Volkswagen AG ceases to be a direct or indirect controlling company of TRATON SE, it cannot be ruled out that Volkswagen AG exercises this termination right. Moreover, there are further agreements in place, in particular guaranteed credit lines with banks. While these also do not contain a contractual provision for the event of a change of control over TRATON SE, it cannot be ruled out that the contractual party in question terminates the agreement in due form and/or requests additional collateral in the event of a change of control.

Other takeover-related disclosures, in particular compensation agreements of the Company

Employees who hold shares in TRATON SE exercise the rights associated with these shares in the same way as other shareholders in accordance with the statutory provisions and the provisions of the Articles of Association. The Company has not entered into any compensation agreements with members of the Executive Board or employees in the event of a takeover bid.

CONSOLIDATED FINANCIAL STATEMENTS

3

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2023

Income Statement

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

		TRATON GROUP	
€ million	**Note**	**2023**	**2022**
Sales revenue	[9]	**46,872**	**40,335**
Cost of sales	[10]	–37,632	–33,482
Gross profit		**9,240**	**6,853**
Distribution expenses		–3,604	–3,399
Administrative expenses		–1,518	–1,376
Net impairment losses on financial assets		–89	–339
Other operating income	[11]	1,712	1,207
Other operating expenses	[11]	–1,978	–1,381
Operating result		**3,763**	**1,564**
Share of earnings of equity-method investments		124	97
Interest income	[12]	341	184
Interest expense	[12]	–888	–409
Other financial result	[13]	–89	123
Financial result		**–511**	**–4**
Earnings before tax		**3,253**	**1,560**
Income taxes	[14]	–802	–419
current		–890	–833
deferred		89	414
Earnings after tax		**2,451**	**1,141**
of which attributable to shareholders of TRATON SE		2,451	1,141
of which attributable to noncontrolling interests		0	0
Earnings per share in € (diluted/basic)	[15]	4.90	2.28

Statement of Comprehensive Income

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

€ million	Note	2023	2022
Earnings after tax		**2,451**	**1,141**
Pension plan remeasurements recognized in other comprehensive income			
Pension plan remeasurements recognized in other comprehensive income, before tax	[32]	–95	874
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income		22	–219
Pension plan remeasurements recognized in other comprehensive income, net of tax		–72	655
Fair value measurement of other equity investments			
Fair value measurement of other equity investments, before tax	[35]	19	–527
Deferred taxes relating to the fair value measurement of other equity investments		–6	56
Fair value measurement of other equity investments, net of tax		13	–471
Share of other comprehensive income of equity-method investments that will not be reclassified subsequently to profit or loss, net of tax		3	1
Items that will not be reclassified subsequently to profit or loss		**–56**	**185**
Currency translation differences			
Unrealized currency translation gains/losses		–15	–254
Transferred to profit or loss		102	53
Currency translation differences, before tax		87	–201
Deferred taxes relating to currency translation differences		–3	5
Currency translation differences, net of tax		84	–196
Cash flow hedges			
Fair value changes recognized in other comprehensive income	[35]	9	46
Transferred to profit or loss	[35]	–29	15
Cash flow hedges, before tax		–20	61
Deferred taxes relating to cash flow hedges		6	–20

€ million	Note	2023	2022
Cash flow hedges, net of tax		–14	42
Cost of hedging			
Cost of hedging recognized in other comprehensive income	[35]	–4	–2
Transferred to profit or loss	[35]	10	5
Cost of hedging, before tax		6	3
Deferred taxes relating to cost of hedging		–2	–1
Cost of hedging, net of tax		4	2
Share of other comprehensive income of equity-method investments that will be reclassified subsequently to profit or loss, net of tax		–3	5
Items that will be reclassified subsequently to profit or loss		**70**	**–147**
Other comprehensive income, before tax		–4	216
Deferred taxes relating to other comprehensive income		18	–178
Other comprehensive income, net of tax		**14**	**38**
Total comprehensive income		**2,465**	**1,179**
of which attributable to shareholders of TRATON SE		2,465	1,178
of which attributable to noncontrolling interests		0	0

Balance Sheet

Assets of the TRATON GROUP as of December 31, 2023, and December 31, 2022

		TRATON GROUP	
€ million	Note	12/31/2023	12/31/2022
Noncurrent assets			
Goodwill	[16]	6,083	6,184
Intangible assets	[17]	7,114	7,195
Property, plant, and equipment	[18]	8,964	8,354
Assets leased out	[19]	5,658	6,162
Equity-method investments	[20]	1,482	1,328
Other equity investments	[21]	235	204
Noncurrent income tax receivables		109	71
Deferred tax assets	[14]	2,366	2,274
Noncurrent financial services receivables	[22]	7,767	6,560
Other noncurrent financial assets	[23]	469	414
Other noncurrent receivables	[24]	350	404
		40,598	**39,150**
Current assets			
Inventories	[25]	7,447	6,574
Trade receivables	[26]	3,894	3,348
Current income tax receivables		172	153
Current financial services receivables	[22]	5,554	5,061
Other current financial assets	[23]	918	695
Other current receivables	[24]	1,334	1,340
Marketable securities and investment deposits		53	73
Cash and cash equivalents	[27]	1,730	1,439
Assets held for sale	[8]	–	421
		21,101	**19,106**
Total assets		**61,699**	**58,256**

Equity and liabilities of the TRATON GROUP as of December 31, 2023, and December 31, 2022

€ million	Note	TRATON GROUP 12/31/2023	TRATON GROUP 12/31/2022
Equity	[28]		
Subscribed capital		500	500
Capital reserves		13,295	13,695
Retained earnings		5,464	2,964
Accumulated other comprehensive income		–2,777	–2,791
Equity attributable to shareholders of TRATON SE		**16,482**	**14,368**
Noncontrolling interests		6	6
		16,488	**14,374**
Noncurrent liabilities			
Noncurrent financial liabilities	[29]	14,044	12,485
Provisions for pensions and other post-employment benefits	[32]	1,847	1,786
Deferred tax liabilities	[14]	681	690
Noncurrent income tax provisions		264	205
Other noncurrent provisions	[33]	1,534	1,462
Other noncurrent financial liabilities	[30]	2,172	2,652
Other noncurrent liabilities	[31]	2,299	1,971
		22,842	**21,250**
Current liabilities			
Current financial liabilities	[29]	7,660	8,646
Trade payables		5,791	5,518
Current income tax payables		226	236
Current income tax provisions		16	14
Other current provisions	[33]	1,993	1,831
Other current financial liabilities	[30]	2,115	2,113
Other current liabilities	[31]	4,567	4,253
Liabilities directly associated with assets held for sale	[8]	–	21
		22,369	**22,632**
Total equity and liabilities		**61,699**	**58,256**

Statement of Changes in Equity[1]

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

				Accumulated other comprehensive income		
				Items that will be reclassified subsequently to profit or loss		
€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation	Cash flow hedges	Equity-method investments
Balance as of 01/01/2022	**500**	**14,295**	**1,477**	**–1,984**	**–20**	**3**
Earnings after tax	–	–	1,141	–	–	–
Other comprehensive income, net of tax	–	–	–	–196	44	5
Total comprehensive income	–	–	1,141	–196	44	5
Dividend payout	–	–	–250	–	–	–
Release of distributable capital reserves	–	–600	600	–	–	–
Other changes	–	–	–5	–	–	0
Balance as of 12/31/2022	**500**	**13,695**	**2,964**	**–2,180**	**23**	**8**
Balance as of 01/01/2023	**500**	**13,695**	**2,964**	**–2,180**	**23**	**8**
Earnings after tax	–	–	2,451	–	–	–
Other comprehensive income, net of tax	–	–	–	84	–10	–3
Total comprehensive income	–	–	2,451	84	–10	–3
Dividend payout	–	–	–350	–	–	–
Release of distributable capital reserves	–	–400	400	–	–	–
Other changes	–	–	–	0	–	0
Balance as of 12/31/2023	**500**	**13,295**	**5,464**	**–2,096**	**13**	**5**

€ million	Accumulated other comprehensive income Items that will not be reclassified subsequently to profit or loss Remeasurements of pension plans	Equity-method investments	Other equity investments	Equity attributable to shareholders of TRATON SE	Noncontrolling interests	Total
Balance as of 01/01/2022	**–745**	**–7**	**–76**	**13,444**	**3**	**13,446**
Earnings after tax	–	–	–	1,141	0	1,141
Other comprehensive income, net of tax	655	1	–471	38	0	38
Total comprehensive income	655	1	–471	1,178	0	1,179
Dividend payout	–	–	–	–250	–	–250
Release of distributable capital reserves	–	–	–	–	–	–
Other changes	0	0	–	–5	3	–1
Balance as of 12/31/2022	**–90**	**–6**	**–547**	**14,368**	**6**	**14,374**
Balance as of 01/01/2023	**–90**	**–6**	**–547**	**14,368**	**6**	**14,374**
Earnings after tax	–	–	–	2,451	0	2,451
Other comprehensive income, net of tax	–72	3	13	14	0	14
Total comprehensive income	–72	3	13	2,465	0	2,465
Dividend payout	–	–	–	–350	–	–350
Release of distributable capital reserves	–	–	–	–	–	–
Other changes	–	–	–	0	0	0
Balance as of 12/31/2023	**–162**	**–3**	**–534**	**16,482**	**6**	**16,488**

1 See Note **"28. Equity"** for more information

Statement of Cash Flows[1]

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

€ million	TRATON GROUP 2023	TRATON GROUP 2022
Cash and cash equivalents as of 01/01 (reported in the balance sheet)	**1,439**	**2,002**
Cash and cash equivalents reported separately at the beginning of the year (assets held for sale)	304	–
Cash and cash equivalents as of 01/01	**1,743**	**2,002**
Earnings before tax	3,253	1,560
Income taxes paid	–904	–689
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant, and equipment, and investment property[2]	1,362	1,404
Amortization of, and impairment losses on, capitalized development costs[2]	423	379
Impairment losses on equity investments[2]	2	0
Depreciation of and impairment losses on products leased out[2]	1,078	1,199
Change in pension obligations	6	–3
Earnings on disposal of noncurrent assets and equity investments	91	139
Share of earnings of equity-method investments	–97	–40
Other noncash income/expense	52	91
Change in inventories	–885	–1,158
Change in receivables (excluding financial services)	–534	–1,169
Change in liabilities (excluding financial liabilities)	714	1,090
Change in provisions	255	–1,432
Change in products leased out	–584	–440
Change in financial services receivables	–1,647	–1,592
Net cash provided by/used in operating activities	**2,583**	**–660**
Investments in intangible assets (excluding capitalized development costs) and in property, plant, and equipment	–1,522	–1,305
Additions to capitalized development costs	–687	–604
Investments to acquire subsidiaries and other businesses	–309	–94
Investments to acquire other investees	–74	–26
Proceeds from the disposal of subsidiaries	128	58
Proceeds from the disposal of other investees	–	0
Proceeds from the disposal of intangible assets, property, plant, and equipment, and investment property	79	55
Change in marketable securities and investment deposits	18	154
Change in loans	0	–50
Net cash used in investing activities	**–2,368**	**–1,813**
Dividend payouts	–350	–250
Proceeds from the issuance of bonds	3,757	3,172
Repayment of bonds	–2,358	–2,153
Loans extended by Volkswagen AG, Volkswagen International Luxemburg, and Volkswagen Group of America Finance	669	1,950
Loan repayment to Volkswagen AG and Volkswagen International Luxemburg	–1,720	–1,049
Change in miscellaneous financial liabilities	137	827
Repayment of lease liabilities	–263	–281
Net cash provided by/used in financing activities	**–128**	**2,216**
Effect of exchange rate changes on cash and cash equivalents	–100	–2
Change in cash and cash equivalents	–13	–259
Cash and cash equivalents as of 12/31	**1,730**	**1,743**
Cash and cash equivalents reported separately in the balance sheet (assets held for sale)	–	–304
Cash and cash equivalents as of 12/31 (reported in the balance sheet)	**1,730**	**1,439**

1 See Note **"34. Statement of cash flows"** for more information

2 Net of impairment reversals

NOTES

to the Consolidated Financial Statements

1. Basis of preparation

Information about the Company and basis of reporting

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

With its Scania, MAN, Navistar, and Volkswagen Truck & Bus brands, the TRATON GROUP is one of the world's leading manufacturers of commercial vehicles. The Group's portfolio consists of light-duty commercial vehicles, trucks, and buses, as well as the sale of spare parts and customer services. The TRATON GROUP also offers a broad range of financial services to its commercial vehicle customers.

TRATON SE is a direct subsidiary of Volkswagen Finance Luxemburg S.A., Strassen, Luxembourg (Volkswagen Finance Luxemburg). The financial statements of Volkswagen Finance Luxemburg are published in the Luxembourg Trade and Company Register. TRATON SE and its subsidiaries are included in the consolidated financial statements of Volkswagen AG, Wolfsburg (Volkswagen AG), which are published in the company register.

The accompanying Consolidated Financial Statements of TRATON SE for the fiscal year ended December 31, 2023, were prepared in accordance with section 315e (1) of the *Handelsgesetzbuch* (HGB — German Commercial Code) and in compliance with the International Financial Reporting Standards (IFRSs), as adopted in the European Union.

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

The accompanying Consolidated Financial Statements were audited by EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Munich (EY). The Consolidated Financial Statements were prepared on February 12, 2024, and approved for submission to the Supervisory Board by means of an Executive Board resolution. The period in which adjusting events after the reporting period are recognized ended on that date.

Accounting policies

With the exception of certain items, such as financial instruments measured at fair value through profit or loss or provisions for pensions and other post-employment benefits, items are measured in the TRATON GROUP on the basis of the historical cost convention. Starting in fiscal year 2023, the material accounting policies for the individual items of the consolidated financial statements are explained at the beginning of the corresponding sections in the notes in order to make the individual items easier to understand. An accounting policy is considered material if the relevant disclosures relate to material transactions, other events, or conditions and if the accounting required for them is complex, significant judgment or assumptions have been made, TRATON has exercised an IFRS option, the accounting policy has been applied in the absence of an IFRS that applies specifically to the case in question in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, or if it has changed compared with the previous year and this change resulted in a material change to the information in the financial statements.

New accounting pronouncements applied

TRATON has applied all accounting pronouncements adopted by the EU and required to be applied for periods beginning on or after January 1, 2023. The changes in accounting pronouncements do not materially affect the TRATON GROUP's net assets, financial position, or results of operations.

The amendments to IAS 1 *Presentation of Financial Statements* that have been applicable since January 1, 2023, are intended to make the disclosures on accounting policies more entity-specific, and hence more decision-useful, by refining the concept of materiality. In view of these amendments, the TRATON GROUP's disclosures on accounting policies in the notes have been revised and, in this context, the structure of the notes has also changed (see first paragraph in the "Accounting policies" section).

The TRATON GROUP applies the amendments to IAS 12 *Income Taxes* regarding minimum taxation (Pillar 2). For further information, refer to Note **"14. Income taxes."**

The TRATON GROUP also considers the requirements of IFRS 17 *Insurance Contracts* and the amendments to IAS 12 *Income Taxes* concerning the recognition of deferred taxes on leases and decommissioning obligations, and the amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which clarifies the difference between a change in an accounting policy and a change in an accounting estimate.

New or amended IFRSs not applied

In its 2023 Consolidated Financial Statements, TRATON did not apply the accounting pronouncements that have already been adopted by the IASB, but were not yet required to be applied for the fiscal year.

On May 25, 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* that require specific disclosures on supplier finance arrangements from January 1, 2024. These amendments are designed to increase the transparency of the supply chain financing business and its impact on an entity's liabilities, cash flows, and liquidity risk. Additional disclosures will be required in the Consolidated Financial Statements for the period ending December 31, 2024.

The other financial reporting standards issued by the IASB but not yet effective are not expected to materially affect the TRATON GROUP's consolidated financial statements.

Prior-period information

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

Currency translation

The consolidated financial statements have been prepared in euros (€), TRATON SE's functional currency. The financial statements of subsidiaries and associates from countries outside the eurozone are translated into euros in line with the functional currency concept. For the subsidiaries, the functional currency is based on their primary economic environment and almost always corresponds to the relevant national currency. For individual subsidiaries, the functional currency differs from the local currency and is the euro, US dollar, and Swedish krona, among others.

Foreign currency transactions in the single-entity financial statements of TRATON SE and the subsidiaries included in the basis of consolidation are translated at the exchange rates prevailing at the transaction dates. Foreign currency monetary items are recognized at the closing date in the balance sheet. The resulting currency translation differences are recognized in operating result or in financial result, in accordance with their substance.

Financial statements of foreign entities are translated from their functional currency into euros using the modified closing rate method, under which balance sheet items (with the exception of equity) are translated at the closing rate, and income statement items are translated at weighted average exchange rates for the year. With the exception of income and expenses recognized in equity, equity is translated at historical exchange rates. The resulting currency translation differences are recognized as a separate item in equity until the disposal of the subsidiary.

For an overview of the exchange rates on which currency translation was based and which had a material impact on the consolidated financial statements, see the **"Report on Economic Position — 2. Exchange rates"** section of the Combined Management Report.

2. Basis of consolidation

Accounting policies: basis of consolidation

In addition to TRATON SE, the consolidated financial statements comprise all significant subsidiaries, including structured entities, that are controlled directly or indirectly by TRATON SE. The structured entities largely serve to implement asset-backed securities transactions to refinance the financial services business and to securitize receivables.

Material entities whose financial and operating policies TRATON SE can significantly influence indirectly or directly (associates), or over which TRATON SE shares control indirectly or directly (joint ventures), are measured using the equity method. Joint ventures also include entities in which the TRATON GROUP holds a majority of the voting rights, but whose shareholder agreements stipulate that important decisions may only be resolved unanimously.

Subsidiaries whose business activities have been suspended or whose business volume is minimal and that are insignificant individually and in the aggregate for the presentation of a true and fair view of the TRATON GROUP's net assets, financial position, and results of operations are not consolidated. They are generally recognized at cost, net of any impairment losses required to be recognized, plus any reversals of impairment losses required to be recognized. The same applies to insignificant associates and joint ventures.

All other investees are financial investments.

The list of the TRATON GROUP's shareholdings within the meaning of section 313 (2) of the *Handelsgesetzbuch* (HGB — German Commercial Code) is presented in Note **"50. List of shareholdings."**

The following affiliated German companies included in the consolidated financial statements of TRATON SE have met the criteria set out in section 264 (3) of the HGB or section 264b of the HGB and have as far as possible exercised the option not to publish annual financial statements:

- MAN Grundstücksgesellschaft mbH & Co. Epsilon KG, Munich
- MAN Truck & Bus SE, Munich
- MAN Truck & Bus Deutschland GmbH, Munich
- TORINU Verwaltung GmbH & Co. Beta KG, Pullach i. Isartal
- TARONA Verwaltung GmbH & Co. Alpha KG, Pullach i. Isartal
- M A N Verwaltungs-Gesellschaft mbH, Munich
- MAN Service und Support GmbH, Munich
- KOSIGA GmbH & Co. KG, Pullach i. Isartal
- MAN GHH Immobilien GmbH, Oberhausen
- TB Digital Services GmbH, Munich
- MAN Marken GmbH, Munich
- MAN Brand GmbH & Co. KG, Grünwald
- Scania CV Deutschland Holding GmbH, Koblenz
- SCANIA DEUTSCHLAND GmbH, Koblenz
- SCANIA Vertrieb und Service GmbH, Koblenz
- SCANIA Real Estate Deutschland GmbH, Koblenz
- TRATON Beteiligungsverwaltungs GmbH, Munich
- TRATON Dritte Beteiligungs GmbH, Munich
- MAN Zweite Beteiligungs GmbH, Munich

3. Impact of the war in Ukraine

The war in Ukraine had a negative impact on the TRATON GROUP's business in 2022 and 2023. As well as price increases on the energy and commodity markets, shortages of truck cable harnesses had temporarily led to production stops at MAN in 2022. As a consequence of the war and the sanctions imposed by the EU in this context, the Russian distribution units of Scania Vehicles & Services and MAN Truck & Bus were sold in fiscal year 2022, and the Russian financial services business (Scania Finance Russia) was sold in January 2023. The TRATON GROUP does not have any material subsidiaries or equity investments in Ukraine.

Expenses directly related to the effects of the war amounted to €102 million (previous year: €477 million) in the reporting period and are attributable to currency translation effects that were recognized in other operating expenses following the sale of the Russian financial services business. Further information on the sale can be found in Note **"8. Non-current assets and disposal groups held for sale."**

The sale of the Russian business means that the TRATON GROUP is no longer exposed to any material credit and liquidity risks in that country. However, because certain globally traded input materials are substantial for the production of our vehicles, it is still necessary for TRATON to monitor the price fluctuation risks for raw materials and energy associated with the war and the sanctions imposed. Moreover, the uncertainties arising from the war in Ukraine in terms of macroeconomic development are also exacerbating the uncertainties in forecasts and material management estimates and judgments.

4. Effects of climate change

In light of climate change and the associated tightening of emissions regulations, the commercial vehicle industry is continuing its transition to electric mobility. The Executive Board gives additional emphasis to this transition with the Company's TRATON Way Forward strategy. Circularity will play a key role alongside the focus area of decarbonization. The electrification of our product portfolio is the primary contributor to decarbonization. Increasing resource efficiency — particularly by extending life cycles and recycling raw materials — will play an important role for the circular economy.

The financial effect of the transition to a circular economy is currently reflected above all in the sale of new and remanufactured genuine parts (see Note **"9. Sales revenue"**), which means longer life cycles for our vehicles. In terms of decarbonization, the potential impact of future regulatory requirements in connection with electric mobility plays a particularly crucial role, especially in the five-year planning and hence in the derivation of future cash flows for impairment tests. For example, the European Union set targets to reduce CO_2 emissions in Europe at the beginning of 2023 by way of the revised Regulation (EU) 2019/1242 (CO_2 Regulation). The target set for 2025 of reducing CO_2 emissions from heavy-duty commercial vehicles by 15% was confirmed. However, the newly proposed CO_2 emissions targets for the same vehicle category are aimed at a reduction of 45% by 2030 (previously 30%) and 65% by 2035, based on a benchmark from the period from July 2019 to June 2020. In addition, the European Commission is planning to extend the targets to all medium- and heavy-duty commercial vehicles over 5t, including buses, although professional and special vehicles will continue to be exempt. The European Commission has further proposed that all new city buses in Europe should be zero-emission starting in 2030. If these emissions targets are not met, starting in 2025, there are to be penalties of €4,250 for every gram of CO_2 emitted per ton-kilometer (tkm) that exceeds the limits. In addition, China set new targets in mid-2023 for reducing the CO_2 emissions of all heavy-duty commercial vehicles. Brazil, too, introduced new rules for 2023 to reduce pollutant emissions produced by heavy-duty commercial vehicles. TRATON is also affected by the potential further tightening of CO_2 and NOx emissions regulations in the USA. For example, the USA has issued a new NOx regulation, which is expected to come into force in 2024 or 2027. It is currently also working on further CO_2 reduction targets for the coming years. In April 2023, the US Environmental Protection Agency (EPA) published a proposal to revise the CO_2 requirements from 2027 and introduce a new set of requirements for the period from 2028 to 2032. At the beginning of 2023, the California Air Resources Board (CARB) adopted the Advanced Clean Fleet Regulation (ACF). The ACF requires fleet owners to convert their vehicles to zero emissions. Some fleet requirements begin in 2024, but vary by industry. In addition to the fleet requirements, the ACF requires all trucks sold in California to be zero-emission by 2036.

We have set ourselves the target of around half of our annual new sales in the relevant regions (EU27+3 region, USA, and Canada) to be zero-emission vehicles by 2030. This target is subject to the conditions needed to achieve it, such as the expansion of the corresponding charging infrastructure, being in place. For the period after 2030, we will continue to monitor the evolution of regulatory requirements and incorporate these into our planning. The BEV unit sales ratio (excluding MAN TGE vans) across all regions was still 0.6% (previous year: 0.4%) in 2023. However, TRATON is preparing to ramp up production by focusing its development activities on battery electric vehicles. TRATON is also safeguarding supplies of bought-in components for battery electric vehicles through long-term orders. The Milence joint venture was established to develop the charging infrastructure, with TRATON, the Volvo Group, and Daimler Truck committing a financing volume of €500 million (see Note **"40. Other financial obligations"**). TRATON had already invested €44 million (previous year: €5 million) in Milence by the end of 2023.

It is technically challenging and expensive to adapt commercial vehicles to new emissions standards. In particular, investments in electric mobility of more than €2 billion are planned for the years from 2024 to 2028. By contrast, expenditure on combustion engine technology will be scaled back. The restructuring of the product portfolio continues to involve capital expenditures on production facilities. No impact on the useful lives of capitalized development costs or items of property, plant, and equipment was identified in light of the observation period of regulatory requirements and as a result of the parallel production of battery electric vehicles and vehicles with combustion engines in the next few years. Liabilities resulting from emission limits being exceeded do not currently play any role. However, the increased development activity in the field of electric mobility resulted in a corresponding increase in capitalized (intangible assets) and noncapitalized (cost of sales) development costs. There are also long-term purchase obligations to procure batteries (see Note **"40. Other financial obligations"** and Note **"41. Related party disclosures"**).

5. Estimates and management's judgment

Preparation of consolidated financial statements in accordance with IFRSs requires assumptions to be made with regard to certain items that affect the carrying amounts in the balance sheet or income statement and the disclosure of contingent assets and liabilities. All estimates and assumptions represent the best of management's knowledge and belief in order to convey a true and fair view of the Group's net assets, financial position, and results of operations. Nevertheless, actual developments may differ significantly from expected developments due to uncertainties over which the Group does not have complete control. This may result in the carrying amounts of the assets and liabilities concerned having to be adjusted accordingly in subsequent periods. Estimates and management's judgment relate primarily to the following matters:

Accounting matter	Note	Sources of estimation uncertainty
Income taxes	14	Measurement of tax provisions: uncertainty resulting from possible changes in tax legislation, jurisdiction, and how these are interpreted by the financial authorities
Goodwill	16	Recoverability of cash-generating units: estimates of expected cash flows and discount rate
Intangible assets	17	Amortization of intangible assets: estimates of useful lives
Property, plant, and equipment	18	Depreciation of property, plant, and equipment: estimates of useful lives
Leases	18, 19, 22	TRATON as lessee — measurement of right-of-use assets: estimates of contractual term in the event of extension and termination TRATON as lessor — measurement of assets leased out/financial services receivables: estimates of residual value at the end of contractual term
Financial services receivables	22	Measurement: estimates of expected credit losses
Provision for pensions and other post-employment benefits	32	Measurement: estimates of actuarial assumptions
Other provisions	33	Recognition and measurement of provisions: estimates of the amount and probability of occurrence of the obligation as well as of the discount rate

6. Segment reporting

Accounting policies: segment reporting

The TRATON GROUP's production and marketing activities are divided into the Scania Vehicles & Services, MAN Truck & Bus, Navistar Sales & Services, and Volkswagen Truck & Bus segments. The classification corresponds to the internal organizational and reporting structure. In order to make decisions about the allocation of resources and the assessment of performance, the results of the units are regularly reviewed by the Executive Board of TRATON SE in its role as chief operating decision maker. As an additional reference, we include the TRATON Operations business area in the reporting, which corresponds to the consolidated value of the four vehicle segments allocated to it.

The TRATON Financial Services segment combines the activities of Scania Financial Services and Navistar Financial Services. Both businesses offer their customers financing solutions to purchase commercial vehicles and are therefore subject to the same cyclical fluctuations. They are also extremely similar with regard to customer groups and distribution channels, as their mission is to finance the products of the relevant vehicle segment. The units have a similar business cycle in terms of their sales revenue development, capital intensity, and long-term financial performance, and are therefore combined in the reporting.

The "Reconciliation" column presents the Corporate Items with the activities and services of the TRATON Holding (TRATON SE and other investees not allocated to the segments). In addition, consolidation between the segments and the earnings effects from purchase price allocations in the event of the acquisition of an individual segment are presented here.

In the TRATON GROUP, segment result is calculated on the basis of operating result (adjusted). Operating result (adjusted) is calculated to ensure the greatest possible transparency about our business performance by making adjustments to our operating result. These adjustments concern certain items in the financial statements that, in the opinion of the Executive Board, can be presented separately to enable a more appropriate assessment of financial performance. They include, in particular, costs of restructurings and structural measures as well as one-time events with a material impact on the TRATON GROUP's earnings.

Segment financial information is generally presented in accordance with the disclosure and measurement policies applied in the preparation of the consolidated financial statements. As a departure from IFRS 16 *Leases*, subleasing of buyback vehicles in the Financial Services segment is always accounted for as an operating lease.

Sales revenue between the segments is transacted on an arm's length basis. Depreciation, amortization, and impairment losses relate to intangible assets, property, plant, and equipment, and assets leased out allocated to the individual divisions. They also include the depreciation of and impairment losses on right-of-use assets under IFRS 16. Investments in intangible assets, property, plant, and equipment, and investment property are reported exclusive of additions to right-of-use assets under IFRS 16.

Allocation of sales revenue to the regions follows the destination principle. Sales revenue from hedging transactions is allocated to "Other regions."

The four vehicle segments develop, produce, and distribute trucks and buses, and offer related services and spare parts.

With its Scania brand, **Scania Vehicles & Services** has positioned itself as the premium innovation leader for sustainable transportation solutions in the TRATON GROUP. Scania operates globally, especially in Europe, South America, and Asia.

MAN Truck & Bus is the reliable business partner in the truck and bus business whose objective is to simplify its customers' business and to offer a full range of solutions, from light commercial vehicles through heavy-duty trucks. MAN is expanding from its core market of Western Europe into the growth markets of Eastern Europe and Asia, as well as the Middle East, Africa, and Latin America.

Navistar Sales & Services manufactures trucks and school buses and also sells spare parts, as well as vehicle-specific services. Navistar is mainly active in the USA, Mexico, and Canada.

Volkswagen Truck & Bus offers excellent value with products that are tailored to growth markets, especially in Latin America, as well as in Africa and Asia.

TRATON Financial Services offers Scania and Navistar customers financing solutions such as loans or leases. For customers of MAN Truck & Bus and Volkswagen Truck & Bus, Volkswagen Financial Services AG, Braunschweig, and its subsidiaries (Volkswagen Financial Services) provide similar financing solutions outside the TRATON GROUP. A framework agreement for the gradual acquisition of this financial services business was entered into in the fiscal year to integrate its key aspects into the TRATON GROUP in the future (see Note **"7. Acquisitions"**).

2023 REPORTING SEGMENTS

€ million	Scania Vehicles & Services	MAN Truck & Bus	Navistar Sales & Services	Volkswagen Truck & Bus	TRATON Financial Services	Total segments	Reconciliation	TRATON GROUP	of which TRATON Operations
Total sales revenue	**17,878**	**14,811**	**11,042**	**2,477**	**1,589**	**47,797**	**–924**	**46,872**	**45,736**
Intragroup sales revenue	–471	–270	16	–7	–139	–871	871	–	–313
External sales revenue	17,407	14,541	11,059	2,469	1,450	46,926	–54	46,872	45,423
Depreciation and amortization	–1,047	–1,083	–286	–81	–397	–2,895	85	–2,810	–2,496
Impairment losses	–55	–	–	–2	–2	–58	–	–58	–57
Operating result (adjusted)	**2,266**	**1,075**	**734**	**217**	**269**	**4,561**	**–527**	**4,034**	**4,272**
Financial result	934	–28	–113	–167	3	630	–1,140	–511	626
of which share of earnings of equity-method investments	1	39	–	–	1	41	84	124	40
Investments[1]	**1,127**	**564**	**488**	**91**	**415**	**2,685**	**–93**	**2,592**	**2,270**
Equity-method investments	112	174	–	–	4	290	1,192	1,482	286

1 The aggregate addition to noncurrent assets (including right-of-use assets under IFRS 16) amounting to €2,867 million was distributed as follows in fiscal year 2023: Scania Vehicles & Services: €1,239 million; MAN Truck & Bus: €637 million; Navistar Sales & Services: €570 million; Volkswagen Truck & Bus: €94 million; TRATON Financial Services: €420 million, reconciliation: €–93 million.

2022 REPORTING SEGMENTS

€ million	Scania Vehicles & Services	MAN Truck & Bus	Navistar Sales & Services	Volkswagen Truck & Bus	TRATON Financial Services	Total segments	Reconciliation	TRATON GROUP	of which TRATON Operations
Total sales revenue	**15,316**	**11,331**	**10,501**	**2,952**	**1,294**	**41,395**	**–1,060**	**40,335**	**39,554**
Intragroup sales revenue	–428	–210	–287	–8	–90	–1,023	1,023	–	–386
External sales revenue	14,888	11,121	10,215	2,944	1,204	40,372	–37	40,335	39,168
Depreciation and amortization	–1,151	–1,163	–270	–61	–448	–3,094	139	–2,954	–2,643
Impairment losses	–13	–16	–18	–2	0	–50	16	–34	–50
Operating result (adjusted)	**1,315**	**139**	**502**	**309**	**303**	**2,568**	**–497**	**2,071**	**2,257**
Financial result	27	78	23	–167	0	–40	36	–4	–40
of which share of earnings of equity-method investments	–7	35	–	–	–	27	70	97	27
Investments[1]	**905**	**633**	**392**	**122**	**4**	**2,056**	**–27**	**2,029**	**2,051**
Equity-method investments	101	135	–	–	–	236	1,093	1,328	236

1 The aggregate addition to noncurrent assets (including right-of-use assets under IFRS 16) amounting to €2,349 million was distributed as follows in fiscal year 2022: Scania Vehicles & Services: €1,033 million; MAN Truck & Bus: €738 million; Navistar Sales & Services: €449 million; Volkswagen Truck & Bus: €128 million; TRATON Financial Services: €8 million, reconciliation: €–7 million.

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

RECONCILIATION TO THE TRATON GROUP'S SALES REVENUE

€ million	2023	2022
Total sales revenue, total segments	**47,797**	**41,395**
External sales revenue of the TRATON Holding	15	12
Effects from purchase price allocation not allocated to the segments	–11	–43
Consolidation	–929	–1,029
Sales revenue of the TRATON GROUP	**46,872**	**40,335**

RECONCILIATION TO THE TRATON GROUP'S EARNINGS BEFORE TAX

€ million	2023	2022
Operating result (adjusted), total segments	**4,561**	**2,568**
Adjustments in connection with the war in Ukraine	–102	–477
Adjustments related to legal proceedings and related measures	–89	–17
Adjustments related to restructurings	–80	–13
Operating result of the TRATON Holding	–135	–124
Earnings effects from purchase price allocation not allocated to the segments	–290	–317
Consolidation	–102	–57
Operating result of the TRATON GROUP	**3,763**	**1,564**
Financial result	–511	–4
Earnings before tax of the TRATON GROUP	**3,253**	**1,560**

SEGMENT REPORTING BY REGIONS

€ million	Germany	EU27+3 (excluding Germany)	USA	North America (excluding USA)	Brazil	South America (excluding Brazil)	Other regions	Total
2023								
Noncurrent assets (excluding financial instruments, equity investments, and deferred taxes) as of 12/31/2023	5,006	12,420	7,266	809	1,805	170	801	28,278
Sales revenue	5,995	18,035	9,578	2,435	4,173	1,333	5,323	46,872
2022								
Noncurrent assets (excluding financial instruments, equity investments, and deferred taxes) as of 12/31/2022	5,165	12,294	7,477	782	1,792	176	683	28,369
Sales revenue	4,446	14,312	8,545	1,913	4,765	1,577	4,778	40,335

7. Acquisitions

Accounting policies: business combinations

Business combinations are accounted for using the acquisition method of accounting. In the course of initial consolidation, assets and liabilities are recognized at their acquisition-date fair values. If the economic consideration paid for the acquisition is less than the identified net assets, the difference is recognized in profit or loss in the year of acquisition. Unless otherwise stated, the share of equity directly attributable to noncontrolling interests at the acquisition date is measured at the fair value of the net assets (excluding goodwill) attributable to such noncontrolling interests. Any difference arising due to the acquisition of additional shares of a subsidiary that has already been consolidated is charged directly to equity.

Business combinations involving entities under common control are accounted for using the book-value method of accounting. In applying the book-value method of accounting, the assets acquired and liabilities assumed are carried at the existing Group carrying amounts from the perspective of Volkswagen AG at the acquisition date. Any difference between the consideration and the aggregate acquired carrying amounts at the acquisition date is recognized in equity.

On July 12, 2023, companies of the TRATON GROUP and companies of the Volkswagen Group signed a framework agreement on the acquisition of key aspects of the global financial services business of MAN and Volkswagen Truck & Bus (VWTB). TRATON Financial Services will gradually acquire the rights to the future financial services business for MAN and VWTB customers in 14 countries that was most recently managed by Volkswagen Financial Services. The existing portfolio will remain with Volkswagen Financial Services. Transfer of the activities in the individual countries is accounted for as a business combination under common control using the book-value method. On July 19, 2023, TRATON Financial Services AB, Södertälje, Sweden, paid €275 million into an account at Volkswagen Bank GmbH, Braunschweig (VW Bank) for the acquisition, which will be reported in net cash provided by/used in investing activities. Effective August 1, 2023, 50% of the shares in the joint venture MAN Financial Services (SA) (RF) (Pty) Ltd., Johannesburg, South Africa, were acquired. The €4 million purchase price for the joint venture is reported in the statement of cash flows under "Investments to acquire other investees." The remaining €271 million for transfers in the remaining countries is reported under "Investments to acquire subsidiaries and other businesses" in the statement of cash flows. These transfers had not yet been completed as of the reporting date.

8. Noncurrent assets and disposal groups held for sale

Accounting policies: noncurrent assets and disposal groups held for sale

Noncurrent assets held for sale include both individual noncurrent assets and groups of assets, together with liabilities directly associated with those assets (disposal groups), if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Noncurrent assets classified as "held for sale," either individually or as part of a disposal group, are presented separately as "held for sale" in the balance sheet. They are measured at the lower of their carrying amount and fair value less costs to sell and are no longer depreciated or amortized. Measurement is based on the assets and liabilities that will actually be derecognized at the expected date of disposal. If the total carrying amount of the disposal group exceeds fair value less costs to sell, an impairment loss is recognized on the assets in the disposal group; this excludes cash and cash equivalents. Any remaining impairment loss required to be recognized that is not covered by assets eligible to be impaired is recognized in other provisions. Amounts of accumulated other comprehensive income allocated to the disposal group attributable to items that will be reclassified subsequently to profit or loss and primarily relate to currency translation differences, cash flow hedges, or cost of hedging, are only recognized in profit or loss upon disposal. Amounts from items that will not be reclassified subsequently to profit or loss are reclassified to the TRATON GROUP's retained earnings upon disposal.

Disposal groups sold in the fiscal year

The sale of the 100% interest in Scania Finance LLC, Scania Insurance LLC, and Scania Leasing LLC, all with registered offices in the Russian Federation (collectively "Scania Finance Russia"), to companies in the Volkswagen Group was completed on January 17, 2023, after receipt of all regulatory approvals. The sale price was €400 million. The assets and liabilities of Scania Finance Russia can be disaggregated as follows as of the disposal date:

€ million	01/17/2023
Financial services receivables	109
Other receivables and financial assets	9
Cash and cash equivalents	304
Total assets	**421**
Other liabilities	20
Deferred tax liabilities	1
Total liabilities	**21**

An expense of €285 million was recognized in connection with the disposal, of which €184 had already been recognized in fiscal year 2022. Intangible assets and property, plant, and equipment of Scania Finance Russia were written off in full. In addition, receivables from financial services were partially written off. Of the total expense in 2022, €183 million had related to net impairment losses on financial assets and €1 million to other operating expenses. In addition, negative accumulated other comprehensive income of €102 million relating to currency translation effects was reclassified to other operating expenses as of the disposal date. The sale of Scania Finance Russia resulted in a net inflow of cash amounting to €96 million, which is reported in the "Proceeds from the disposal of subsidiaries" item in the statement of cash flows. The related assets and liabilities were allocated to the TRATON Financial Services segment.

Disposals completed in the previous year

The TRATON GROUP received a payment of €31 million in the fiscal year as a result of the sale of International Indústria Automotiva Da América Do Sul Ltda., São Paulo, Brazil (MWM), a company specializing in diesel engines, to Tupy S.A., Brazil, which was completed on November 30, 2022. The payment resulted from purchase price adjustments relating to the closing balance sheet of MWM. For further information about the transaction, refer to the TRATON GROUP's Consolidated Financial Statements as of December 31, 2022.

A total expense of €199 million was reported in fiscal year 2022 for the disposals of MAN Truck and Bus Rus LLC, Moscow, Russian Federation, and Scania-Rus LLC, Golitsino, Russian Federation, which had been completed in fiscal year 2022. €151 million of this amount had related to other operating expenses, €40 million to net impairment losses on financial assets, and €8 million to tax result. For further information on both disposals, refer to the TRATON GROUP's Consolidated Financial Statements as of December 31, 2022.

9. Sales revenue

Accounting policies: sales revenue

As a rule, sales revenue is only recognized after performance of the work, i.e., on delivery to and acceptance by the customer, or when the customer has obtained control over the goods or services. In the case of long-term contracts for services and service guarantees, sales 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 expected expense trend using the cost-to-cost method. In the case of prepayments received for these services, the allocated transaction price is recognized as a contract liability at the date of the original sale transaction and recognized as sales revenue over the period of the service. If payments are made for contracts for services to satisfy the performance obligations, the sales revenue recognized corresponds to the payments.

If a contract contains multiple performance obligations, the transaction price is allocated to the relevant performance obligations. In the case of contracts in which service elements are insignificant compared with the sales revenue from the sale of the vehicle, the residual approach is used to allocate the transaction price. This does not result in any material differences compared with the revenue based on relative standalone selling prices. In other cases, the transaction price is allocated based on the relative standalone selling prices.

Furthermore, certain parts are repurchased at a later date for reconditioning at TRATON. These result in the recognition of a right-of-return obligation to the customer, which is calculated using the expected value method, and of a receivable under "Other receivables" for the underlying part. Sales revenue is not recognized in this case.

A range of measures such as residual value guarantees are offered to third-party finance providers and end customers in order to support sales. Residual value guarantees result in a refund liability and are normally calculated on the basis of the most likely amount.

Discounts, customer rebates, and other sales allowances reduce the transaction price. Variable consideration is only included in the transaction price to the extent that it is extremely probable that a subsequent reversal of the sales revenue can be ruled out.

TRATON uses the practical expedient of accounting for a financing component only if it is material and if a period of more than one year is expected between the transfer of the product or service to the customer and the customer payment. No financing components are accounted for because of the application of this practical expedient.

If the TRATON GROUP retains control in addition to the risks and rewards, vehicles sold with a buyback obligation are accounted for as operating leases. The sale price obtained on sale of the vehicle is recognized ratably in profit or loss over the term of the lease, net of the present value of the buyback price. Sales transactions for which a buyback obligation is not agreed from the outset, with the customer alone deciding whether to sell the vehicle back at a pre-arranged price, are also accounted for as operating leases. Based on contractual arrangements and our experience with such sales, we assume that customers will always make use of their put option.

By contrast, if the significant risks and rewards are transferred to the lessee, the transaction is accounted for as a finance lease. The vehicle is derecognized from the TRATON GROUP's assets leased out and recognized in cost of sales. Additionally, a receivable is recognized in the amount of the net investment in the lease, which results in sales revenue being recognized in the amount of the discounted lease payments. Further information on accounting for operating leases is contained in Note **"19. Assets leased out."** Further information on accounting for finance leases can be found in Note **"22. Financial services receivables."**

The TRATON GROUP also secured contingent purchase options in order to participate in the development of the residual values. This contingent purchase option results in the recognition of a lease. This is then used to defer the sales revenue from the sale, which must be allocated over the period of the lease. This leads to deferred sales revenue in the amount of the calculated lease payments and financial loss in the amount of the expected residual value.

Income from customer or dealer finance is recognized over the term of the agreement using the effective interest rate method and reported in sales revenue. When interest-free or low-interest vehicle finance is awarded, sales revenue is reduced by the interest savings granted.

Structure of sales revenue

REPORTING PERIOD FROM JANUARY 1 TO DECEMBER 31, 2023

€ million	2023								2022							
	Scania Vehicles & Services	MAN Truck & Bus	Navistar Sales & Services	Volkswagen Truck & Bus	TRATON Financial Services	Reconciliation	Total	of which TRATON Operations	Scania Vehicles & Services	MAN Truck & Bus	Navistar Sales & Services	Volkswagen Truck & Bus	TRATON Financial Services	Reconciliation	Total	of which TRATON Operations
New vehicles	11,672	9,527	7,859	2,258	–	–30	31,286	31,224	9,580	6,317	6,861	2,801	–	20	25,579	25,542
Genuine parts	2,703	1,984	2,045	148	–	–27	6,853	6,854	2,475	1,800	2,394	121	–	–32	6,757	6,759
Used vehicles and third-party products	1,051	682	823	3	25	–1	2,583	2,560	991	707	635	1	18	0	2,353	2,334
Engines, powertrains, and parts deliveries	447	835	–	–	–	–272	1,010	1,010	364	691	287	–	–	–484	858	858
Workshop services	998	824	–	17	–	–1	1,838	1,839	951	803	–	9	–	–1	1,763	1,764
Rental and leasing business	678	842	55	–	473	–364	1,684	1,575	767	880	46	–	523	–418	1,798	1,693
Interest and similar income	0	–	–	–	1,092	–137	956	0	1	–	–	–	752	–89	665	1
Other sales revenue	328	117	260	50	–	–92	664	674	187	133	279	19	–	–56	563	603
	17,878	**14,811**	**11,042**	**2,477**	**1,589**	**–924**	**46,872**	**45,736**	**15,316**	**11,331**	**10,501**	**2,952**	**1,294**	**–1,060**	**40,335**	**39,554**

Information about the Group's performance obligations

The Group's performance obligations primarily comprise sales of trucks, heavy-duty special-purpose vehicles, buses, light commercial vehicles, and related spare parts, as well as the provision of repair and maintenance services. In addition to standard statutory warranties, the TRATON GROUP also offers service guarantees.

In line with standard business practice, payment terms are 30 days, although a payment term of up to 140 days is granted in certain markets. Customers can decide to purchase a vehicle by means of financing solutions from TRATON Financial Services or from a Volkswagen Group subsidiary (e.g., Volkswagen Financial Services). If a third party outside the TRATON GROUP is used, TRATON normally receives the payment from that party shortly after the customer has received the vehicle.

Other sales revenue includes revenue from product-related royalties. The reconciliation contains the TRATON Holding, the effects of purchase price allocations in the event of the acquisition of an individual segment, and the consolidation adjustments between the reporting segments and the TRATON Holding.

Sales revenue recognized in the reporting period that was included in contract liabilities at the beginning of the reporting period (see Note **"31. Other liabilities"**) amounted to €1,338 million (previous year: €1,232 million). Sales revenue includes €22 million (previous year: €37 million) relating to the satisfaction of performance obligations in previous years.

ORDER BACKLOG

€ million	2023	2022
Expected timing of revenue recognition		
Within one year	21,517	26,287
1 to 5 years	2,382	2,077
More than 5 years	216	188
	24,115	**28,552**

The order backlog under IFRS 15 *Revenue from Contracts with Customers* resulting in revenue recognition within one year relates primarily to the delivery of vehicles. Revenue recognition expected after more than one year relates primarily to long-term service agreements and extended warranties. The order backlog was reduced by improving supply shortages and delivery bottlenecks.

10. Functional expenses

Accounting policies: operating expenses

Operating expenses are recognized when the underlying products or services are used. Costs of advertising and other distribution expenses are recognized as incurred.

The production cost incurred to generate sales revenue and the purchase costs of merchandise are recognized in cost of sales. This item also includes the cost of additions to warranty provisions for statutory or contractual guarantee obligations that are recognized when products are sold. Cost of sales includes nonstaff overheads and personnel costs, as well as depreciation and amortization applicable to production. Research and development costs not eligible for capitalization and amortization on capitalized development costs are also reported in cost of sales.

Corresponding to the presentation of interest and commission income in sales revenue, interest and commission expenses attributable to the financial services business are presented in cost of sales.

Cost of sales

Cost of sales of €37,632 million was incurred in the fiscal year ended December 31, 2023. This includes expenses of €1,060 million (previous year: €794 million) attributable to the TRATON Financial Services segment.

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

€ million	2023	2022
Primary R&D costs	2,184	1,905
of which capitalized development costs	687	604
Capitalization ratio (in %)	31%	32%
Amortization of, and impairment losses on, capitalized development costs	423	379
Research and development costs recognized in the income statement	**1,921**	**1,679**

Personnel

The personnel expenses contained in the functional expenses rose by €667 million year-on-year. This is due primarily to the increase in the number of employees and higher wages and salaries as a result of inflation.

PERSONNEL EXPENSES

€ million	2023	2022
Wages and salaries	5,555	4,952
Social security, post-employment, and other benefit costs	1,435	1,371
Personnel expenses	**6,990**	**6,323**

Post-employment benefit costs amounted to €312 million (previous year: €340 million).

AVERAGE ANNUAL NUMBER OF EMPLOYEES

	2023	2022
Performance-related wage-earners	49,036	46,597
Salaried staff	53,584	53,830
Total number of employees	**102,620**	**100,427**
of which in the passive phase of partial retirement	661	546
Vocational trainees	3,054	2,966
Total workforce	**105,674**	**103,393**

The increase is primarily attributable to the higher number of employees at Scania and Navistar.

11. Other operating income and expenses

€ million	2023 Other operating income	2023 Other operating expenses	2023 Net income (+)/ net expense (–)	2022 Other operating income	2022 Other operating expenses	2022 Net income (+)/ net expense (–)
Effects from exchange rate movements	1,268	1,318	–51	679	726	–47
Income from reversal of provisions and accruals	100	–	100	111	–	111
Effects from derivatives not included in hedge accounting	100	88	12	87	119	–32
Rental and lease income	19	–	19	36	–	36
Effects from disposal of noncurrent assets	25	10	15	31	12	19
Expenses for litigation and legal risks	–	230	–230	–	152	–152
Miscellaneous income and expenses	200	332	–131	263	372	–109
	1,712	**1,978**	**–266**	**1,207**	**1,381**	**–174**

Foreign exchange gains mainly comprise gains from changes in exchange rates between the dates of recognition and payment of receivables and liabilities denominated in foreign currencies, as well as exchange rate gains resulting from measurement at the closing rate. Exchange rate losses from these items are included in other operating expenses.

Due to high inflation and the associated stabilizing measures taken by the central banks, there were substantial currency fluctuations, leading to an increase in income and expenses from exchange rate movements in fiscal year 2023. The effects of changes in exchange rates largely canceled each other out within other operating income and expense.

Litigation and legal risks include expenses of €89 million attributable to civil lawsuits against Scania Vehicles & Services and MAN Truck & Bus in connection with the EU truck cases in individual countries.

Income from derivatives not included in hedge accounting is mainly comprised of exchange rate gains resulting from the fair value measurement of foreign currency derivatives not included in hedge accounting. Foreign exchange losses are included in other operating expenses. Losses from derivatives not included in hedge accounting are primarily comprised of exchange rate losses from the fair value measurement of foreign currency derivatives not included in hedge accounting.

Miscellaneous expenses of €102 million were attributable to the disposal of Scania Finance Russia in the fiscal year under review. For more information, refer to Note **"8. Noncurrent assets and disposal groups held for sale."** In fiscal year 2022, miscellaneous expenses of €154 million had been attributable to the disposal of certain noncurrent assets and disposal groups.

12. Net interest income/net interest expense

REPORTING PERIOD FROM JANUARY 1 TO DECEMBER 31

€ million	2023	2022
Interest and similar income	341	184
Interest and similar expenses	–703	–358
Interest expenses for lease liabilities	–42	–31
Net interest on the net liability for pensions and other post-employment benefits	–87	–70
Unwinding of discount and effect of change in discount rate on liabilities and other provisions	–55	51
	–546	**–224**

Interest income in the current fiscal year was positively impacted in particular by the higher interest income from derivatives due to the rise in interest rates.

The increase in interest and similar expenses is primarily due to the increased financing volume and the general rise in interest rates.

The expense from unwinding discounts and changes in the discount rate resulted almost exclusively from the change in the maturities of liabilities and provisions, in particular relating to warranty obligations.

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

13. Other financial result

REPORTING PERIOD FROM JANUARY 1 TO DECEMBER 31

€ million	2023	2022
Other income from equity investments	4	3
Other expenses from equity investments	–2	–2
Income and expenses from profit and loss transfer agreements	2	2
Realized income and expenses from loan receivables and payables in foreign currency	–85	189
Income and expenses from remeasurement of primary financial instruments	–86	487
Income and expenses from changes in the fair value of derivatives not included in hedge accounting	89	–570
Income and expenses from changes in the fair value of derivatives included in hedge accounting	–10	15
Other financial result	**–89**	**123**

The fair value changes from derivatives not included in hedge accounting offset the currency translation effects of realization and measurement on net financial debt. There was a residual expense in fiscal year 2023 that is primarily attributable to the devaluation of Argentinian currency. By contrast, a residual amount had been incurred in the previous year because the net expense from interest rate swaps was lower than net income from foreign currency positions in net financial debt as a result of a general rise in interest rates.

14. Income taxes

Accounting policies: income taxes

Tax provisions contain obligations under current taxes. A liability is recognized for other provisions resulting from supplementary tax payments that are due in this context.

Deferred tax assets for tax loss carryforwards are usually measured on the basis of future taxable income over a planning period of five fiscal years. Deferred tax assets that are unlikely to be realized within a clearly predictable period are reduced by valuation allowances.

The exception introduced in May 2023 by the amendments to IAS 12 means that deferred taxes in connection with income taxes resulting from enacted or announced tax law provisions to implement the Model Rules on Global Minimum Taxation (Pillar 2) published by the OECD are neither recognized nor reported in the TRATON GROUP.

Estimates and management's judgment: income taxes

TRATON SE and its subsidiaries operate all over the world and are continuously audited by the local financial authorities. Changes in tax legislation, jurisdiction, and how these are interpreted by the financial authorities in the different countries may result in tax payments that differ from the estimates made in these financial statements. The measurement of the tax provision is based on the most probable estimate that this risk materializes. Depending on the individual case, whether tax-related uncertainties are recognized individually or as part of a group at TRATON depends on which presentation is better suited to forecasting whether the tax-related risk materializes. In the case of contracts entailing cross-border goods and services supplied within the Group, determining the price of the individual products and services is particularly complex because no market prices are available for the Company's own products in many cases or because using the market prices of similar products entails a degree of uncertainty due to lack of comparability. In these cases, the products and services are priced using recognized standard valuation methods, including for tax purposes.

COMPONENTS OF TAX INCOME AND EXPENSE

€ million	2023	2022
Current tax expense (+)/income (–), Germany	54	52
Current tax expense (+)/income (–), outside Germany	836	782
Current income taxes	**890**	**833**
of which prior-period expense (+)/income (–)	–15	2
Deferred tax expense (+)/income (–), Germany	210	–32
Deferred tax expense (+)/income (–), outside Germany	–298	–382
Deferred tax expense (+)/income (–)	**–89**	**–414**

The statutory corporate income tax rate in Germany for the 2023 assessment period was 15%. Including trade tax and the solidarity surcharge, this produces an aggregate tax rate of 31.9% (previous year: 31.9%).

The measurement of deferred taxes in the German consolidated tax group as of December 31, 2023, was based on a tax rate of 31.9% (previous year: 31.9%).

The local income tax rates applied to foreign companies vary between 0 and 46%. In cases of split tax rates, the tax rate applicable to undistributed profits was applied. The deferred tax expense/income resulting from changes in tax rates amounted to €–4 million (previous year: €0 million) at Group level in 2023.

The realization of tax loss carryforwards from previous years reduced current income taxes in 2023 by €363 million (previous year: €112 million).

The actual income tax expense in the reporting period decreased by €35 million (previous year: €81 million) due to the utilization of previously unrecognized tax losses and tax credits from previous periods. Previously unrecognized tax losses and tax credits contributed to a €164 million (previous year: €119 million) reduction in deferred tax expense in 2023.

TAX LOSS CARRYFORWARDS

€ million	12/31/2023	12/31/2022
Available for an indefinite period	1,789	2,495
Limit on utilization within the next 10 years	666	987
Limit on utilization between 11 and 20 years	1,885	2,072
Total currently unused tax loss carryforwards	**4,341**	**5,554**
Indefinite tax loss carryforwards	291	344
Expire within the next 10 years	95	113
Expire between 11 and 20 years	196	764
Total unusable tax loss carryforwards	**581**	**1,222**

WRITE-DOWNS OF DEFERRED TAX ASSETS

€ million	12/31/2023	12/31/2022
Deferred tax expense resulting from the write-down of a deferred tax asset	22	24
Deferred tax income resulting from the reversal of a write-down of a deferred tax asset	–45	–22

Tax credits granted by various countries amounted to €155 million (previous year: €171 million) as of December 31, 2023.

NONRECOGNITION OF DEFERRED TAX ASSETS

€ million	12/31/2023	12/31/2022
for deductible temporary differences	–	–
for tax credits that would expire in the next 20 years	103	135
for tax credits that will not expire	0	8

No deferred taxes were recognized for the retained earnings of €37,228 million (previous year: €33,537 million) at foreign subsidiaries because these profits are largely expected to be reinvested in the operations of the companies concerned. As a general rule, distribution would lead to additional income tax expense.

Deferred taxes in respect of temporary differences and tax loss carryforwards of €527 million (previous year: €1,321 million) were recognized as of December 31, 2023, without any offsetting deferred tax liabilities in the same amount. The companies concerned are expecting positive taxable income in the future, following losses in the current or previous fiscal year.

In fiscal year 2023, total deferred taxes of €–11 million (previous year: €168 million) were recognized directly in other comprehensive income. Changes in deferred taxes classified by balance sheet item are presented in the statement of comprehensive income.

Global minimum taxation

The Model Rules on Global Minimum Taxation (Pillar 2) published by the OECD have been enacted or substantially enacted in certain countries in which the TRATON GROUP operates. The legislation in Germany comes into force for the fiscal year beginning on January 1, 2024. TRATON and the Volkswagen Group both fall within the scope of the enacted or substantially enacted legislation and have assessed the potential risk in relation to the global minimum tax.

The assessment of the potential risk from the minimum tax is based on the most recently available country-by-country reporting and annual financial statements for the Group's business units. Based on the assessment, the effective Pillar 2 tax rates are above 15% in most of the countries in which TRATON operates. However, there is a small number of countries where the temporary safe harbor does not apply and the effective Pillar 2 tax rate is below 15%. TRATON does not expect any considerable income tax risk to arise from Pillar 2 in these countries.

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 AND LIABILITIES

	Deferred tax assets		Deferred tax liabilities	
€ million	**2023**	**2022**	**2023**	**2022**
Intangible assets	139	138	1,682	1,694
Property, plant, and equipment, and assets leased out	102	108	1,697	1,844
Noncurrent financial assets	1	5	6	7
Inventories	53	45	55	104
Receivables and other assets (including financial services receivables)	313	310	271	233
Pensions and other post-employment benefits	521	499	0	3
Liabilities and other provisions	2,573	2,709	153	120
Loss allowances on deferred tax assets from temporary differences	–2	–4	–	–
Temporary differences, net of loss allowances	3,700	3,808	3,864	4,005
Tax loss carryforwards, net of loss allowances	1,118	1,197	–	–
Tax credits, net of loss allowances	53	34	–	–
Value before consolidation and offset	**4,871**	**5,039**	**3,864**	**4,005**
of which attributable to noncurrent assets and liabilities	3,822	3,888	3,540	3,688
Offset	–3,300	–3,470	–3,300	–3,470
Consolidation	796	705	116	155
Amount recognized	**2,366**	**2,274**	**681**	**690**

RECONCILIATION OF EXPECTED TO EFFECTIVE INCOME TAX EXPENSE

€ million	**2023**	**2022**
Earnings before income tax	3,253	1,560
Expected income tax expense (+)/income (–) (tax rate: 31.9%; previous year: 31.9%)	**1,037**	**497**
Reconciliation:		
Effect of different tax rates outside Germany	–143	–84
Proportion of taxation relating to:		
tax-exempt income	–93	–83
expenses not deductible for tax purposes	255	199
effects of loss carryforwards and tax credits	–233	–207
Prior-period tax expense and tax risks	–22	50
Effect of tax rate changes	–4	0
Other taxation changes	5	46
Effective income tax expense (+)/income (–)	**802**	**419**
Effective tax rate (in %)	**25**	**27**

15. Earnings per share

Accounting policies: earnings per share

Earnings per share are calculated by dividing consolidated earnings after tax attributable to TRATON SE shareholders by the average number of shares outstanding. The computation of diluted earnings per share is identical to that of basic earnings per share because TRATON SE has not issued any financial instruments that could result in dilutive effects. Dilution may arise in the future if TRATON SE's contingent capital is exercised.

€ million	2023	2022
Earnings after tax (attributable to shareholders of TRATON SE)	2,451	1,141
Number of shares outstanding	500,000,000	500,000,000
Earnings per share (€)	**4.90**	**2.28**

TRATON SE's share capital amounts to €500 million and is composed of 500 million (previous year: 500 million) no-par value bearer shares.

16. Goodwill and impairment losses on assets

Accounting policies: goodwill and impairment losses on assets

Goodwill from business combinations is tested for impairment at least once a year. The goodwill impairment test is usually conducted at segment level on the basis of value in use. The same applies to indefinite-lived intangible assets (especially brand names) and intangible assets not yet available for use (in particular capitalized development costs prior to the start of series production).

In the case of other intangible assets and property, plant, and equipment, an impairment test is performed if there are indications of impairment at the reporting date.

As a rule, value in use is the present value of the expected future cash flows from the asset concerned. If no recoverable amount can be measured for an individual asset, the recoverable amount is determined for the smallest identifiable group of assets that generate cash flows (cash-generating unit) to which the asset belongs. If the recoverable amount is less than the carrying amount, an impairment loss is recognized in profit or loss for the period.

Estimates and management's judgment: recoverability of cash-generating units

The impairment testing of nonfinancial assets — especially goodwill, brand names, capitalized development costs, other intangible assets, and property, plant, and equipment — and equity-accounted investments, or investments accounted at cost, require assumptions to be made about future market trends, the future cash flows to be derived on that basis, and the discount rate to be applied. The cash flows are derived from the detailed sales and revenue planning for commercial vehicles, profitability (gross margin) projections for products, and trends in the service business. They also reflect the transition to electric mobility and the associated regulatory timetables (see also Note **"4. Effects of climate change"**). Estimated cash flows after the end of the five-year planning period are based on a growth rate of 1% (previous year: 1%) per annum, which also reflects the switch toward electric mobility.

Management inputs its mid-range expectations into the planning on the basis of estimates of changes in the development of the economic environment, market volume, market share, and cost and price trends. The planning is based on past experience and external sources of information. The planning period is generally five years.

The TRATON GROUP's planning is based on the assumption that global economic output will grow overall in 2024, albeit at a slower pace. The persistently high inflation in many regions and the restrictive monetary policy measures taken by central banks to rein this in are expected to increasingly dampen consumer spending. Risks will continue to arise from protectionist tendencies, turbulence in the financial markets, and structural deficits in individual countries. Growth prospects are also being negatively impacted by persistent geopolitical tensions and conflicts. The war in Ukraine and the conflicts in the Middle East pose particular risks. It is also assumed that both the advanced economies and the emerging markets will show positive momentum on average, even with below-average growth in gross domestic product. The global economy is also expected to recover in 2025 and continue down a path of stable growth until 2028. This macroeconomic environment also results in an increased level of uncertainty affecting the calculation of values in use. Even though the interest rate hikes by central banks in 2023 already resulted in a slowdown in inflation, it has remained at a high level. We are expecting slightly lower inflationary trends for fiscal year 2024. Starting in 2025, we believe that the increases in material and personnel costs will return to levels normally seen in the past, depending on the region. Increases in sales revenue were also projected because of the rise in costs.

In the commercial vehicle markets relevant to the TRATON GROUP, the Executive Board is anticipating a slight overall market decline in the period from 2024 to 2028, with varying regional trends. We are anticipating a stable commercial vehicle market in the EU27+3 region, whereas a slight decline is expected in North America. Market volatility is likely to occur in the years before and after the introduction of new emissions standards in the EU27+3 region and in North America. We are anticipating a moderate increase in South America in the planning period following a weak 2023 impacted by the introduction of a new emissions standard in Brazil. More details on expected industry developments and the forecast for fiscal year 2024 can be found in the **"Report on expected developments"** in the Combined Management Report.

Based on volume and price effects, we are projecting an increase in sales revenue over the planning period. An expansion in electric mobility is also projected in all segments in the five-year planning (see also Note **"4. Effects of climate change"**). The costs from the transition to electric mobility were included in the cash flows.

At Scania Vehicles & Services, increasing unit sales volumes and the growth of the Vehicle Services business will also have a positive impact on projected cash flows.

For MAN Truck & Bus, 2023 was the turnaround year, as the positive impact of the realignment program initiated in 2021 could not be fully leveraged in the previous year due to the negative consequences of the war in Ukraine. Following a stabilization phase in 2024, the transition to electric mobility will increasingly impact cash flows from fiscal year 2025 onward.

Another goal is to guide Navistar Sales & Services to new strength. The measures for doing this range from using the powerful component and technology setup within the TRATON GROUP and expanding the financial services business, all the way to further leveraging one of the largest independent dealer and service networks in the North American market, to which Navistar already has access.

We are also expecting Volkswagen Truck & Bus to strengthen its market position in Brazil as well as enter new markets by expanding its global footprint.

Overall, these assumptions led to an expected improvement in operating return on sales (adjusted) up to 2028 across all cash-generating units to which goodwill is allocated.

The planning assumptions are adjusted to reflect the current state of knowledge.

When determining the value in use for the impairment test, the following pretax weighted average cost of capital (WACC) rates are used, modified if necessary to reflect country-specific risks:

WACC	2023	2022
Scania Vehicles & Services	12.1%	13.4%
MAN Truck & Bus	12.1%	13.4%
Navistar Sales & Services	12.6%	14.1%
Volkswagen Truck & Bus	17.5%	19.2%

The WACC rates are calculated based on the interest rate for risk-free investments, the market risk premium, and the cost of debt. Additionally, specific peer group information on beta factors and the cost of debt are considered. The composition of the peer groups used to determine beta factors is continuously reviewed and adjusted if necessary.

CHANGES IN GOODWILL

€ million	2023	2022
Cost		
Balance as of 01/01	**6,254**	**6,242**
Currency translation differences	–102	0
Additions from business combinations	3	18
Disposals of subsidiaries	0	–6
Balance as of 12/31	**6,154**	**6,254**
Depreciation and amortization		
Balance as of 01/01	**70**	**69**
Other changes	1	1
Balance as of 12/31	**70**	**70**
Carrying amount as of 12/31	**6,083**	**6,184**

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

€ million	12/31/2023	12/31/2022
Goodwill by segment		
Scania Vehicles & Services	2,560	2,560
MAN Truck & Bus	222	222
Navistar Sales & Services	2,989	3,101
Volkswagen Truck & Bus	312	301
	6,083	**6,184**

It was not necessary to charge impairment losses on our goodwill. Goodwill and brand names are not impaired even if the growth forecast for the perpetuity or the discount rate varies by –/+ 1.0 percentage points. As a result of the transition of the commercial vehicle industry to electric mobility and the associated uncertainty, the projected cash flows were also tested for sensitivity in light of the changes considered possible, and their recoverability was established.

17. Intangible assets

Accounting policies: intangible assets

Purchased intangible assets are recognized at cost. The cost of capitalized development projects consists of all direct and overhead costs that are directly attributable to the development process. They are amortized using the straight-line method from the start of use (e.g., start of production) over the expected life of the models or technologies developed.

The amortization periods for intangible assets are broken down as follows:

Expected useful lives	
Software and licenses	3–5 years
Capitalized development costs	3–15 years
Customer relationships	5–20 years
Brand names	indefinite

The indefinite useful life of brand names acquired under business combinations generally arises from the continued use and maintenance of a brand. Brand names from business combinations and intangible assets that are not yet available for use (in particular capitalized development costs prior to the start of series production) are also tested for impairment at least once a year in accordance with the principles of goodwill impairment testing.

Amortization charges and impairment losses in a reporting period are allocated to the corresponding functions in the income statement and are included in particular in cost of sales and distribution expenses.

Estimates and management's judgment: useful life of intangible assets

Estimates of the useful life of finite-lived intangible assets are based on experience and reviewed regularly. Where estimates are modified, the residual useful life is adjusted and an impairment loss is recognized, if necessary.

For further information, see Note **"16. Goodwill and impairment losses on assets."**

CHANGES IN INTANGIBLE ASSETS IN THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2023

					2023					2022
€ million	Brand names	Customer relationships	Capitalized development costs	Other intangible assets	Total	Brand names	Customer relationships	Capitalized development costs	Other intangible assets	Total
Cost										
Balance as of 01/01	**1,732**	**2,994**	**6,249**	**676**	**11,651**	**1,761**	**2,856**	**5,826**	**659**	**11,102**
Currency translation differences	–27	–76	1	2	–101	–19	138	–143	–12	–36
Additions	–	–	687	29	717	–	–	604	24	629
Additions from business combinations	–	–	–	–	–	–	1	–	2	3
Transfers	–	–	0	37	37	–	–	0	19	19
Disposals	0	–	0	–10	–10	–11	–	–34	–16	–60
Disposals of subsidiaries/transfer to assets held for sale	–	–	–	0	0	–	–	–5	–2	–7
Other changes in basis of consolidation	–	–	–	–	–	–	–	–	1	1
Balance as of 12/31	**1,705**	**2,918**	**6,937**	**734**	**12,293**	**1,732**	**2,994**	**6,249**	**676**	**11,651**
Amortization and impairment										
Balance as of 01/01	**41**	**859**	**3,138**	**418**	**4,456**	**37**	**603**	**2,905**	**383**	**3,929**
Currency translation differences	3	–11	3	3	–2	4	–6	–112	2	–113
Additions to cumulative amortization	0	253	393	58	703	2	262	379	51	693
Additions to cumulative impairment losses	–	–	31	1	32	–	–	0	1	2
Transfers	–	–	–	0	0	–	–	–	–4	–4
Disposals	0	–	0	–9	–9	–2	–	–34	–13	–49
Disposals of subsidiaries/transfer to assets held for sale	–	–	–	–1	–1	–	–	–	–2	–2
Balance as of 12/31	**43**	**1,101**	**3,564**	**471**	**5,179**	**41**	**859**	**3,138**	**418**	**4,456**
Carrying amount as of 12/31	**1,661**	**1,817**	**3,373**	**263**	**7,114**	**1,691**	**2,136**	**3,111**	**257**	**7,195**

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

€ million	12/31/2023	12/31/2022
Brand names by segment	**1,661**	**1,691**
Scania Vehicles & Services	878	878
Navistar Sales & Services	760	788
TRATON Financial Services	24	24

Impairment losses on capitalized development costs of €31 million were recognized in cost of sales in fiscal year 2023 in connection with the realignment of the bus business and the discontinuation of body production for Scania bus chassis at the plant in Słupsk, Poland. These are attributable to Scania Vehicles & Services.

18. Property, plant, and equipment, right-of-use assets under IFRS 16, and lease liabilities

Accounting policies: property, plant, and equipment, right-of-use assets under IFRS 16, and lease liabilities

Items of property, plant, and equipment are measured at cost and reduced by depreciation and, if necessary, impairment losses (for further information, refer also to Note **"16. Goodwill and impairment losses on assets."**)

Items of property, plant, and equipment are depreciated using the straight-line method ratably over their estimated useful lives. The useful lives of items of property, plant, and equipment are periodically reassessed and adjusted if necessary.

Expected useful lives	
Buildings	10–50 years
Land improvements	5–33 years
Technical equipment and machinery	3–12 years
Other equipment	3–15 years
Operating and office equipment	3–15 years

The right-of-use assets from contracts in which the TRATON GROUP is a lessee are reported under "Property, plant, and equipment" in the balance sheet and generally depreciated over the term of the lease using the straight-line method.

The lease liability is measured by reference to the outstanding lease payments, discounted using the lessee's incremental borrowing rate. The lease liability is subsequently measured using the effective interest rate method reflecting the lease payments made. Interest expenses from unwinding the discount on lease liabilities are presented in interest expense in the income statement and in net cash provided by/used in operating activities in the statement of cash flows. In addition, the TRATON GROUP exercises the options under IFRS 16 not to recognize leases for intangible assets and low-value assets, as well as short-term leases, as leases and instead to recognize the corresponding lease payments as expenses in the income statement.

Estimates and management's judgment: useful lives of noncurrent assets and measurement of right-of-use assets and lease liabilities

Estimates of the useful life of items of property, plant, and equipment are based on experience and are reviewed regularly. Where estimates are modified, the residual useful life is adjusted and an impairment loss is recognized, if necessary. As part of this review, new estimates were made and the useful life of certain items of property, plant, and equipment were extended in January 2023. These adjustments in 2023 resulted in a positive effect in the mid tens of millions on operating result. A positive effect in the mid double-digit millions is also expected for 2024.

Measurement of right-of-use assets from leases and the associated lease liabilities is based on a best estimate of the exercise of extension and termination options. This estimate is updated in the event of material changes in the operating environment or the contract.

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

€ million	2023					2022				
	Land, land rights, and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and assets under construction	Total	Land, land rights, and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
Cost										
Balance as of 01/01	**5,936**	**5,099**	**3,276**	**1,311**	**15,623**	**5,593**	**4,694**	**3,028**	**1,334**	**14,650**
Currency translation differences	–23	2	9	6	–6	–39	–117	–27	16	–168
Additions	268	137	377	984	1,766	290	191	267	852	1,600
Additions from business combinations	53	1	0	0	55	14	14	14	–	42
Transfers	317	–565	1,108	–897	–37	278	460	126	–889	–24
Disposals	–113	–119	–200	–13	–445	–153	–144	–129	–3	–429
Disposals of subsidiaries/transfer to assets held for sale	–1	0	–1	0	–2	–47	–17	–7	0	–71
Other changes in basis of consolidation	–	–	–	–	–	1	17	3	1	23
Balance as of 12/31	**6,438**	**4,554**	**4,570**	**1,391**	**16,953**	**5,936**	**5,099**	**3,276**	**1,311**	**15,623**
Depreciation and impairment										
Balance as of 01/01	**2,009**	**3,180**	**2,077**	**4**	**7,269**	**1,817**	**3,051**	**1,785**	**3**	**6,657**
Currency translation differences	–3	4	11	0	13	–19	–85	–19	0	–122
Additions to cumulative depreciation	325	329	372	–	1,027	315	325	419	–	1,059
Additions to cumulative impairment losses	8	10	5	2	25	23	1	2	3	29
Transfers	–3	–866	868	–	0	0	0	0	–	0
Disposals	–60	–106	–173	–	–339	–97	–125	–113	–	–335
Disposals of subsidiaries/transfer to assets held for sale	–1	0	–1	–	–2	–32	–9	–3	0	–44
Reversals of impairment losses	0	–1	–	–2	–3	–1	0	–	–2	–3
Other changes in basis of consolidation	0	0	–	–	0	1	22	5	–	28
Balance as of 12/31	**2,275**	**2,551**	**3,159**	**4**	**7,989**	**2,009**	**3,180**	**2,077**	**4**	**7,269**
Carrying amount as of 12/31	**4,162**	**2,004**	**1,411**	**1,387**	**8,964**	**3,928**	**1,919**	**1,200**	**1,307**	**8,354**

Impairment losses on property, plant, and equipment amounting to €22 million were recognized in cost of sales in fiscal year 2023 in connection with the realignment of the bus business and the discontinuation of body production for Scania bus chassis at the plant in Słupsk, Poland. These were attributable to Scania Vehicles & Services.

Impairment losses of €29 million on property, plant, and equipment in the previous year had been mainly attributable to the disposal of the Russian distribution companies of MAN Truck & Bus and Scania Vehicles & Services.

Right-of-use assets from leases reported in property, plant, and equipment changed as follows:

	2023			2022		
€ million	Right-of-use assets contained in land, land rights, and buildings, including buildings on third-party land	Right-of-use assets contained in other equipment, operating and office equipment	Total right-of-use assets	Right-of-use assets contained in land, land rights, and buildings, including buildings on third-party land	Right-of-use assets contained in other equipment, operating and office equipment	Total right-of-use assets
Cost						
Balance as of 01/01	**1,530**	**290**	**1,822**	**1,426**	**266**	**1,693**
Currency translation differences	–11	–2	–14	1	–5	–5
Changes in basis of consolidation	18	0	18	–12	0	–12
Additions	165	104	274	244	85	330
Disposals	–100	–93	–194	–128	–55	–183
Balance as of 12/31	**1,601**	**299**	**1,906**	**1,530**	**290**	**1,822**
Depreciation and impairment						
Balance as of 01/01	**491**	**147**	**638**	**381**	**125**	**507**
Currency translation differences	–4	–1	–6	–3	–3	–6
Changes in basis of consolidation	–1	–	–1	–6	0	–7
Additions to cumulative depreciation	188	84	273	189	78	267
Additions to cumulative impairment losses	–	–	–	1	0	1
Disposals	–55	–85	–141	–71	–52	–123
Balance as of 12/31	**619**	**144**	**764**	**491**	**147**	**638**
Carrying amount as of 12/31	**982**	**155**	**1,142**	**1,039**	**144**	**1,183**

Taking into account future interest payable, the maturity structure of the lease liabilities reported in financial liabilities is as follows:

€ million	12/31/2023	12/31/2022
Within one year	279	271
In two to five years	789	740
In more than five years	311	368
	1,380	**1,379**

The interest expenses for lease liabilities, the expenses for variable lease payments, and the expenses for low-value and short-term underlying assets in the year under review do not materially affect our net assets, financial position, or results of operations. Overall, leases resulted in cash outflows of €359 million (previous year: €363 million) in the reporting period.

The following table shows an overview of potential future cash outflows that were not included in the measurement of lease liabilities:

€ million	12/31/2023	12/31/2022
Potential future cash outflows due to		
extension options	661	705
leases not yet commenced (contractual obligation)	7	2

19. Assets leased out

Accounting policies: assets leased out

The "Assets leased out" line item reports assets for which the TRATON GROUP is the lessor. These include in particular vehicles and real estate marketed in the context of short-term rentals or operating leases, as well as vehicles that continue to be attributable to the TRATON GROUP as a result of buyback agreements. The underlying asset is measured at amortized cost, recognized in the TRATON GROUP's assets leased out, and depreciated to the calculated residual value over the estimated useful life using the straight-line method. The useful lives underlying depreciation generally correspond to those of items of property, plant, and equipment used by the entity. Changes to the calculated residual value are taken into account by adjusting the future depreciation rates. Impairment losses identified as a result of an impairment test in accordance with IAS 36 *Impairment of Assets* are recognized. The lease payments received in the period are recognized as income in the income statement on a straight-line or other systematic basis. Depreciation and impairment losses are included in functional expenses. Further information on accounting for operating leases is contained in Note **"9. Sales revenue."**

As a general rule, the fair value of investment property is calculated using an income capitalization approach based on internal data, using internal calculations, or by external experts (Level 3 of the fair value hierarchy).

Estimates and management's judgment: recoverability of assets leased out

The recoverability of the Group's assets leased out depends in particular on the residual value of vehicles leased out after the end of the lease term, since this constitutes a significant portion of the expected cash flows. Forecasting residual values requires management to make assumptions about the future supply of and demand for vehicles, as well as vehicle price trends. These assumptions are based either on qualified estimates or on information published by expert third parties. Where available, qualified estimates are based on external data and also reflect additional information available internally, such as values derived from past experience and current sales data.

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

€ million	Vehicles leased out	Investment property	Other assets leased out	Total	Vehicles leased out	Investment property	Other assets leased out	Total
				2023				2022
Cost								
Balance as of 01/01	**9,139**	**99**	**41**	**9,279**	**9,785**	**94**	**44**	**9,922**
Currency translation differences	–17	0	0	–18	–5	4	–3	–5
Additions	1,875	1	0	1,877	1,599	0	0	1,599
Additions from business combinations	–	–	0	0	1	–	–	1
Transfers	0	–	–	0	–1	3	–	2
Disposals	–2,592	0	0	–2,593	–2,234	–1	0	–2,235
Disposals of subsidiaries/transfer to assets held for sale	–	–	–	–	–6	–	–	–6
Balance as of 12/31	**8,405**	**100**	**40**	**8,545**	**9,139**	**99**	**41**	**9,279**
Depreciation and impairment								
Balance as of 01/01	**3,045**	**37**	**36**	**3,117**	**2,926**	**33**	**39**	**2,998**
Currency translation differences	–9	0	0	–9	–1	0	–3	–4
Additions to cumulative depreciation	1,078	2	0	1,080	1,199	3	0	1,202
Additions to cumulative impairment losses	2	–	–	2	1	1	–	2
Transfers	0	–	–	0	–	1	–	1
Disposals	–1,301	0	0	–1,301	–1,075	0	0	–1,075
Disposals of subsidiaries/transfer to assets held for sale	–	–	–	–	–4	–	–	–4
Reversals of impairment losses	–2	–	–	–2	–1	–1	–	–2
Balance as of 12/31	**2,812**	**38**	**36**	**2,887**	**3,045**	**37**	**36**	**3,117**
Carrying amount as of 12/31	**5,593**	**61**	**4**	**5,658**	**6,095**	**63**	**5**	**6,162**

Since new business cannot compensate for expiring contracts, a year-on-year decline was recorded in vehicles leased out. This reflects the reduced share of business with buyback agreements in total unit sales.

The “Investment property” item contains land and buildings held for rental or capital appreciation with a fair value of €100 million (previous year: €103 million). Lease income from investment property amounted to €5 million (previous year: €22 million) in the reporting period. The decrease is due to a nonrecurring effect at Navistar in 2022.

Additional information on operating leases

The following payments are expected in the years shown from outstanding undiscounted lease payments arising from operating leases:

€ million	12/31/2023	12/31/2022
Within one year	417	473
In one to two years	269	285
In two to three years	194	197
In three to four years	118	115
In four to five years	72	58
In more than five years	35	23
Total lease payments	**1,104**	**1,151**

Income from operating leases came to €1,683 million (previous year: €1,829 million).

20. Equity-method investments

Accounting policies: equity-method investments

Equity-method investments include associates and joint ventures. Associates and joint ventures are initially measured at cost. In subsequent periods, the TRATON GROUP's share of earnings generated after acquisition is recognized in the income statement. Effects from the increase in the share of the equity (for example capital increases) of entities in which the TRATON GROUP does not participate, or only has a disproportionately low participation, are also recognized in the share of earnings of equity-method investments in the income statement. Other changes in the equity of associates and joint ventures, such as currency translation differences, are recognized in other comprehensive income. Changes in the interests/noncontrolling interests in subsidiaries of equity-method investments are accounted for directly in equity.

Intercompany profits or losses from transactions by Group companies with associates and joint ventures are eliminated ratably in the profit or loss of the Group companies. If there are indications that the carrying amount may be impaired, equity-method investments are tested for impairment; any impairment loss is recognized in the income statement (see Note **"16. Goodwill and impairment losses on assets"**). If the reason for impairment ceases to exist at a later date, the impairment loss is reversed to the carrying amount that would have been determined had no impairment loss been recognized.

Goodwill arising from the acquisition of an associate or a joint venture is included in the carrying amounts of investments in associates or joint ventures.

Sinotruk

Sinotruk (Hong Kong) Limited, Hong Kong, China (Sinotruk) is one of the largest truck manufacturers in the Chinese market. Sinotruk's principal place of business is in Hong Kong, China. Due to the application of the equity method, taking into account local capital market regulations relating to the disclosure of financial information for the investee, a reporting period that differs from the TRATON GROUP's fiscal year is used to account for Sinotruk.

The market price of the Sinotruk shares held by TRATON was €1,222 million (previous year: €903 million) as of December 31, 2023.

Summarized financial information for Sinotruk (on a 100% basis and thus not adjusted for the equity interest held by TRATON) and a reconciliation to the carrying amounts are presented in the following tables:

STATEMENT OF COMPREHENSIVE INCOME

€ million	2023[1]	2022[1]
Sales revenue	9,836	7,863
Earnings after tax from continuing operations	425	309
Other comprehensive income	–2	5
Total comprehensive income	**423**	**314**
Dividend received[2]	25	54

1 Amounts shown relate to the period from July 1 of the previous year to June 30 of the year in question.

2 Dividends net of withholding tax

BALANCE SHEET

€ million	12/31/2023[1]	12/31/2022[1]
Noncurrent assets	4,072	4,150
Current assets	10,165	10,393
Noncurrent liabilities and provisions	154	180
Current liabilities and provisions	8,414	8,258
Net assets	**5,669**	**6,105**
Reconciliation of the financial information to the carrying amount of the equity-accounted investments		
Net assets	5,669	6,105
Noncontrolling interests	920	1,025
Net assets attributable to shareholders	4,749	5,080
Interest held by TRATON (in %)	25	25
Net assets attributable to the TRATON GROUP	**1,187**	**1,270**
Goodwill, effects of purchase price allocation, currency translation differences, and other changes	–30	–181
Carrying amount as of 12/31	**1,158**	**1,089**

1 Amounts shown relate to the reporting period ended June 30 of the year in question.

Rheinmetall MAN Military Vehicles GmbH (RMMV)

Rheinmetall MAN Military Vehicles GmbH (RMMV), headquartered in Munich, develops, manufactures, and sells logistics wheeled vehicles for military use. The TRATON GROUP holds a 49% equity interest, which is reported in the MAN Truck & Bus segment. Due to the application of the equity method, taking into account local capital market regulations relating to the disclosure of financial information, a reporting period that differs from the TRATON GROUP's fiscal year by three months is used to account for this company.

Summarized financial information for RMMV (on a 100% basis and thus not adjusted for the equity interest held by TRATON) and a reconciliation to the carrying amounts are presented in the following tables:

STATEMENT OF COMPREHENSIVE INCOME

€ million	2023[1]	2022[1]
Sales revenue	918	717
Earnings after tax from continuing operations	78	70
Other comprehensive income	2	4
Total comprehensive income	**80**	**75**

1 Amounts shown relate to the period from October 1 of the previous year to September 30 of the year in question.

BALANCE SHEET

€ million	12/31/2023[1]	12/31/2022[1]
Noncurrent assets	126	133
Current assets	744	510
Noncurrent liabilities and provisions	70	77
Current liabilities and provisions	474	321
Net assets	**326**	**245**
Reconciliation of the financial information to the carrying amount of the equity-accounted investments		
Net assets	326	245
Net assets attributable to shareholders	326	245
Interest held by TRATON (in %)	49	49
Net assets attributable to the TRATON GROUP	**160**	**120**
Goodwill	10	10
Carrying amount as of 12/31	**170**	**130**

1 Amounts shown relate to the reporting period ended September 30 of the year in question.

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

The carrying amounts of other associates amounted to €42 million (previous year: €30 million) as of December 31, 2023. The following table contains summarized financial information on the other associates; the disclosures relate to the Group's share of the associates in all cases:

€ million	2023	2022
Earnings after tax from continuing operations	–13	–10
Total comprehensive income	**–13**	**–10**

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

The carrying amounts of the joint ventures were €114 million (previous year: €79 million) as of December 31, 2023. The following table contains summarized financial information on the joint ventures; the disclosures relate to the Group's share of the joint ventures in all cases:

€ million	2023	2022
Earnings after tax from continuing operations	–5	2
Total comprehensive income	**–5**	**2**

21. Other equity investments

Accounting policies: 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 TRATON GROUP has exercised the option under IFRS 9 *Financial Instruments* to recognize investments in equity instruments that are not held for trading and not measured under IFRS 9 at fair value through other comprehensive income (no recycling) because recognition of gains and losses on these instruments at fair value through profit or loss would not provide any information about the entity's performance for the TRATON GROUP.

The following table contains financial information about other equity investments at fair value through other comprehensive income:

€ million	Fair value 12/31/2023	12/31/2022
Northvolt AB	78	78
H2GS AB	15	14
TuSimple Holdings Inc.	13	24
OneH2, Inc.	12	7
Other investees	22	11
	140	134

22. Financial services receivables

Accounting policies: financial services receivables

TRATON Financial Services offers a wide range of financing solutions, normally with maturities of between three and five years, in which the vehicles serve as collateral. The type of financing solution offered often depends on market conditions as well as civil and tax law rules in the country concerned.

Customer finance receivables primarily comprise loans granted to direct customers. These loans are collateralized by the underlying vehicles or other liens. Dealer finance receivables mainly include working capital loans to dealers. The loans are collateralized by the underlying vehicles or other liens.

Additionally, TRATON Financial Services also acts as lessor in finance leases. The resulting finance lease receivables relate to leases of commercial vehicles. The receivables are recognized at the amount of the net investment in the lease. The lease payments received in the reporting period subsequently reduce the principal and the unearned finance income. Credit risk from lease receivables is accounted for in accordance with IFRS 9. If hire purchase agreements are offered, title passes to the customer at the sale date, but TRATON Financial Services receives collateral in the form of liens. Further information on accounting for finance leases can be found in Note **“9. Sales revenue.”**

Some companies in the TRATON GROUP sell revolving current trade receivables as well as contractually agreed cash flows from leases. Further sales are agreed in specific cases. Asset-backed securities transactions are also carried out at TRATON Financial Services, in which future cash flows from financial services receivables are assigned to structured entities, which then securitize them. If substantially all the risks and rewards of ownership remain with TRATON Financial Services, the financial asset is not derecognized. Instead, a financial liability is recognized in the case of asset-backed securities transactions. In all other cases, other financial liabilities are recognized in the amount of the consideration received.

For further information on the recognition and measurement principles applicable to financial services receivables and on accounting for credit risk from lease receivables, refer to Notes **“35. Significance of financial instruments for net assets, financial position, and results of operations”** and **“36. Nature and extent of risks arising from financial instruments.”**

Estimates and management’s judgment: measurement of expected credit losses

The TRATON GROUP is exposed to risks from contractual payments. In all major respects, the Group has the right to recover the vehicles underlying the contracts as collateral. The Group has an exposure to loss if the fair value of the collateral does not fully cover the risk exposure to the customer and the customer is unable to fulfill its contractual payment obligations. If possible, the estimates of this loss exposure are derived from past experience, taking into account current market data and rating classes, as well as scoring information.

FINANCIAL SERVICES RECEIVABLES

	Carrying amount			Carrying amount		
€ million	current	non-current	12/31/2023	current	non-current	12/31/2022
Receivables from the financing business						
Customer financing	2,162	4,322	6,484	1,856	3,519	5,374
Dealer financing	1,498	5	1,504	1,502	4	1,506
	3,661	**4,327**	**7,988**	**3,358**	**3,523**	**6,881**
Receivables from operating leases	23	–	23	17	–	17
Receivables from finance leases	1,870	3,440	5,310	1,687	3,038	4,724
	5,554	**7,767**	**13,321**	**5,061**	**6,560**	**11,622**

The year-on-year increase in customer finance receivables and finance lease receivables is due to the good business performance of the TRATON Financial Services segment.

As of December 31, 2023, financial services receivables contained related party balances of €1 million (previous year: €3 million), mainly for rental agreements.

RECONCILIATION OF LEASE PAYMENTS FROM FINANCE LEASES

€ million	12/31/2023	12/31/2022
Undiscounted lease payments	**6,064**	**5,512**
Unearned interest income	–618	–437
Net investment in the lease	**5,447**	**5,075**
Loss allowance for lease receivables	–137	–351
Carrying amount	**5,310**	**4,724**

Interest income from the net investment in the leases amounted to €303 million (previous year: €260 million) and is reported in sales revenue. Finance leases resulted in a disposal gain of €445 million (previous year: €220 million) in the fiscal year under review. The increase is attributable to a higher volume of finance leases, particularly in Europe, among other things.

The following payments are expected in the years shown from expected outstanding undiscounted lease payments arising from finance leases:

€ million	12/31/2023	12/31/2022
Within one year	2,157	1,939
In one to two years	1,535	1,484
In two to three years	1,124	1,033
In three to four years	713	610
In four to five years	349	279
In more than five years	186	167
Total lease payments	**6,064**	**5,512**

As of the reporting date, asset-backed securities transactions implemented to refinance the TRATON Financial Services segment are included in receivables at a carrying amount of €1,122 million (previous year: €843 million). The carrying amount of corresponding financial liabilities is €997 million (previous year: €684 million). The expected payments were assigned to structured entities during the transaction, and collateral with a total amount of €1,122 million (previous year: €843 million) was provided. The asset-backed securities transactions did not result in the receivables being derecognized, as the TRATON GROUP retains nonpayment and late payment risks. In certain cases, it is also able to retransfer receivables from the asset-backed securities structure. The difference between the amount of financial services receivables and the associated liabilities is the result of different terms and conditions and overcollateralization.

Under certain conditions, parts of the asset-backed securities transactions implemented may be repaid early (clean-up call). In cases where receivables from the asset-backed securities structure are transferred back, the receivables can be assigned a second time or used as collateral in any other way. The bondholders' claims are limited to the assigned receivables, and the cash inflows arising from these receivables are intended for the settlement of the corresponding liability. As of December 31, 2023, the fair value of the assigned receivables that continue to be recognized in the balance sheet was €1,122 million (previous year €843 million). The fair value of the associated liabilities amounted to €1,000 million (previous year: €684 million) as of that date. The resulting net position is €122 million (previous year: €159 million).

23. Other financial assets

€ million	12/31/2023	12/31/2022
Positive fair value of derivatives	337	397
Restricted cash	333	46
Receivables from loans (excluding interest)	85	92
Miscellaneous financial assets	633	576
	1,387	**1,110**

Other financial assets include positive fair values of derivative financial instruments, primarily for hedging interest rate and currency risks. The slight decline in positive fair values in the current year is mainly due to interest rate hedging transactions, as interest rates in the eurozone are expected to fall in the long term. Further information on derivatives as a whole can be found in Notes **"35. Significance of financial instruments for net assets, financial position, and results of operations"** and **"36. Nature and extent of risks arising from financial instruments."**

Restricted cash included €271 million for the gradual acquisition of key aspects of the global financial services business of MAN and VWTB (see Note **"7. Acquisitions"**). Miscellaneous restricted cash is mainly used as collateral in asset-backed securities transactions.

Miscellaneous financial assets include receivables from customers who purchased parts from dealers using a credit card program, claims for refunds, receivables from insurance management, and warranty credits.

As of December 31, 2023, other financial assets contained related party receivables of €396 million (previous year: €114 million, prior-period amount adjusted). Of this amount, €84 million (previous year: €89 million) is attributable to receivables from loans.

24. Other receivables

€ million	12/31/2023	12/31/2022
Recoverable taxes	1,044	1,045
Miscellaneous receivables	640	698
	1,684	**1,744**

Miscellaneous receivables include €70 million (previous year: €70 million) from sales with a right of return, mainly from sold vehicles for which TRATON will repurchase certain parts at a later date for reconditioning. This also contains prepaid expenses of €464 million (previous year: €481 million).

As of December 31, 2023, other receivables contained related party balances of €24 million (previous year: €24 million).

25. Inventories

Accounting policies: inventories

Inventories are measured at the lower of cost and net realizable value. Production cost comprises directly attributable production costs and proportionate fixed and variable production overheads. Overheads are allocated on the basis of normal capacity of the production facilities. Borrowing costs are not capitalized. Distribution expenses and general and administrative expenses are not included in production cost. As a general principle, similar items of inventories are measured using the weighted average method or the FIFO method.

€ million	12/31/2023	12/31/2022
Raw materials, consumables, and supplies	1,731	1,480
Work in progress	734	847
Finished goods and purchased merchandise	4,957	4,226
Prepayments	24	20
	7,447	**6,574**

Inventories increased by €873 million compared with December 31, 2022. This is mainly the result of the sharp increase in the number of new vehicles. Among other things, this reflects the increase in production at certain brands.

In fiscal year 2023, inventories of €37,223 million (previous year: €33,178 million) were recognized in cost of sales at the same time as the sales revenue. Valuation allowances recognized as expenses in the fiscal year under review amounted to €115 million (previous year: €37 million).

26. Trade receivables

Accounting policies: trade receivables

Trade receivables are initially recognized at the transaction price.

Some companies in the TRATON GROUP sell revolving current trade receivables; for further information, refer to Note **"22. Financial services receivables."** For information on the sale of receivables to companies in the Volkswagen Group (non-recourse factoring), refer to Note **"41. Related party disclosures."** For further information on the measurement principles applicable to trade receivables, refer to Note **"35. Significance of financial instruments for net assets, financial position, and results of operations."**

TRADE RECEIVABLES

€ million	12/31/2023	12/31/2022
Trade receivables from		
third parties	3,635	3,181
related parties	258	166
	3,894	**3,348**

The increase in trade receivables was due primarily to increased business volume.

27. Cash and cash equivalents

Accounting policies: cash and cash equivalents

Cash and cash equivalents include bank balances and highly liquid financial investments of a temporary nature that are exposed to no more than minor risks of fluctuation in value.

The TRATON GROUP's financial management manages cash pool structures at brand level, wherever legally and economically appropriate and feasible. The TRATON segments manage operational cash themselves. Excess cash in the TRATON segments is managed at TRATON SE level. Cash pool receivables from affiliated companies are reported in cash and cash equivalents.

The TRATON GROUP deposits a portion of its excess cash with Volkswagen AG under interest rates in keeping with standard market conditions. Demand deposits are reported in cash and cash equivalents. By contrast, deposits classified as investments are recognized as marketable securities and investment deposits (current) or as other financial assets (noncurrent). Correspondingly, loans and short-term borrowings from Volkswagen AG are recognized as financial liabilities. Deposits with globally positioned banks are also a standard practice.

For further information on the measurement principles, refer to Note **"35. Significance of financial instruments for net assets, financial position, and results of operations."**

CASH AND CASH EQUIVALENTS

€ million	12/31/2023	12/31/2022
Bank balances	1,441	1,244
Checks, bills, and cash	34	59
Cash pool receivables from unconsolidated affiliated companies	1	1
Receivables from affiliated companies of the Volkswagen Group	255	135
	1,730	**1,439**

In the previous year, cash and cash equivalents amounting to €304 million had been reported in "Assets held for sale." The entire amount was attributable to the TRATON Financial Services segment.

28. Equity

Share capital

The share capital of TRATON SE amounts to €500,000,000 and is composed of 500,000,000 no-par value bearer shares with a notional value of €1.00 each.

All shares are fully paid up and have the same dividend rights. Under Article 6 (2) sentence 1 of the Articles of Association, shareholders may not claim delivery of physical share certificates.

Authorized capital

In accordance with Article 5 (3) of the Company's Articles of Association, the Executive Board is authorized to increase the Company's share capital on one or several occasions by a total of up to €200,000,000 by issuing up to 200,000,000 no-par value bearer shares on a cash and/or noncash basis on or before May 31, 2028, subject to the Supervisory Board's approval (Authorized Capital 2023). The dividend entitlement of new shares can be determined contrary to the provisions of section 60 (2) of the *Aktiengesetz* (AktG — German Stock Corporation Act).

Shareholders must be granted preemptive rights unless the Executive Board makes use of one of the following authorizations to disapply preemptive rights, with the consent of the Supervisory Board. The new shares may also be underwritten by a credit institution or an entity operating pursuant to section 53 (1) sentence 1 of the *Kreditwesengesetz*

(KWG — German Banking Act) or section 53b (1) sentence 1 or (7) of the KWG (financial institution) to be designated by the Executive Board, or by a consortium of such credit or financial institutions, with the obligation to offer them for sale to shareholders of the Company. The Executive Board is authorized, with the consent of the Supervisory Board, to disapply shareholders' preemptive rights in the following cases:

a) To settle fractions resulting from a capital increase.
b) To the extent necessary to grant holders or creditors of convertible bonds or bonds with warrants, as well as convertible profit participation rights, issued by the Company and/or its direct or indirect majority investees a preemptive right to new shares in the amount to which they would be entitled following the exercise of their options or conversion rights or after meeting their exercise of option or conversion obligations.
c) If the new shares are issued against cash contributions and the issue price of the new shares is not materially lower than the quoted market price of existing listed shares of the Company at the date when the issue price is finally determined, which should be as close as possible to the placement of the shares. However, this authorization to disapply preemptive rights applies only to the extent that the notional amount of the share capital attributable to the shares issued with preemptive rights disapplied in accordance with section 186 (3) sentence 4 of the AktG does not exceed a total of 10% of the share capital, meaning neither the share capital existing when this authorization takes effect, nor the share capital existing at the date when this authorization is exercised. Shares that (i) are sold or issued, with preemptive rights disapplied, during the term of this authorization up to the date of its exercise on the basis of other authorizations in direct application, or application with the necessary modifications, of section 186 (3) sentence 4 of the AktG, or (ii) shares that were issued or will be issued, with preemptive rights disapplied, to settle bonds or profit participation rights with conversion or exercise rights or obligations will be counted toward this limit, to the extent that the bonds or profit participation rights were issued during the term of this authorization up to the date of its exercise, in application, with the necessary modifications, of section 186 (3) sentence 4 of the AktG.
d) To the extent that the capital increase is implemented to grant shares against noncash contributions, in particular for the purposes of acquiring companies, parts of companies, or investments in companies, or other assets.

The Executive Board is also authorized to define further details of the capital increase and its implementation, with the consent of the Supervisory Board. The Supervisory Board is authorized to amend the wording of Article 5 of the Articles of Association following the complete or partial implementation of the capital increase from Authorized Capital 2023 or after the expiration of the authorization period, in line with the scope of the capital increase.

Contingent capital

Additionally, under Article 5 (4) of the Company's Articles of Association, the Company's share capital may also be increased by up to €50,000,000 on a contingent basis through the issue of up to 50,000,000 bearer shares (no-par value shares) (Contingent Capital 2023). The sole purpose of Contingent Capital 2023 is to issue new shares to the holders/creditors of bonds which are issued by the Company or by other companies in which the Company directly or indirectly holds a majority interest up to May 31, 2028, in accordance with a resolution passed by the shareholders under item 10.2 of the agenda for the meeting on June 1, 2023, in the event that conversion and/or option rights are exercised or conversion or option exercise obligations are settled or the Company makes use of its right to grant shares in the Company, either in full or in part, in lieu of payment of the respective cash amount. The shares are issued at the conversion or option price to be determined in accordance with the aforementioned resolution. The contingent capital increase will only be implemented to the extent that conversion rights or options are exercised or conversion or option exercise obligations are settled, or the Company exercises its right to grant shares of the Company, either in full or in part, in lieu of payment of the cash amount due, and to the extent that other instruments are not used to settle the conversion rights or options.

The new shares carry dividend rights from the beginning of the fiscal year in which they are issued. To the extent permitted by law, the Executive Board may, with the consent of the Supervisory Board, determine the dividend rights in derogation of the above and of section 60 (2) of the AktG, including for a fiscal year that has already closed.

The Executive Board is authorized to define further details of the implementation of the contingent capital increase, with the consent of the Supervisory Board.

Capital reserves

TRATON SE's capital reserves of €13,295 million (previous year: €13,695 million) constitute the contributions by Volkswagen AG to TRATON SE, in particular from the contribution of MAN SE and Scania AB.

The entire capital reserves of €13,295 million are distributable capital reserves within the meaning of section 272 (2) no. 4 of the *Handelsgesetzbuch* (HGB — German Commercial Code). €400 million (previous year: €600 million) was released in the reporting period and transferred to retained earnings.

Retained earnings and other comprehensive income

The retained earnings of €5,464 million (previous year: €2,964 million) reported as of December 31, 2023, constitute amounts recognized as earnings after tax in prior periods. They also contain the difference between the value of MAN SE shares at the date of their contribution to TRATON SE and the recognized carrying amount of the corresponding assets and liabilities. TRATON SE paid its shareholders a dividend of €0.70 (previous year: €0.50) per share in 2023. This resulted in a total payout of €350 million (previous year: €250 million).

As of December 31, 2023, the accumulated other comprehensive income of €–2,777 million (previous year: €–2,791 million) contains the accumulated amounts of transactions recognized in other comprehensive income, in particular currency translation differences, differences from pension plan remeasurements, and the measurement of equity investments. Further information can be found in the **statement of comprehensive income.**

For fiscal year 2023, TRATON SE's Executive and Supervisory Boards are proposing to the Annual General Meeting to be held on June 13, 2024, to pay a dividend of €1.50 (previous year: €0.70) per share. This proposal corresponds to a total payout of €750 million (previous year: €350 million).

29. Financial liabilities

The details of noncurrent and current financial liabilities are presented in the following table:

€ million	12/31/2023	12/31/2022
Bonds	11,576	10,136
Liabilities to banks[1]	5,920	5,915
Lease liabilities	1,181	1,209
Commercial paper	1,121	899
Loans and short-term borrowings from Volkswagen AG	797	1,720
Schuldscheindarlehen	700	700
Loans from Volkswagen Group of America Finance	359	–
Loans from Volkswagen International Luxemburg	–	500
Loans and miscellaneous liabilities[1]	50	53
	21,704	**21,131**

1 Prior-period amounts adjusted to reflect the current presentation

Financial liabilities from bonds mainly relate to European Medium Term Notes (EMTNs).

TRATON has a €12,000 million European Medium Term Notes program (EMTN program) in place. TRATON Finance Luxembourg S.A., Strassen, Luxembourg (TRATON Finance) is using the issuance program to raise capital for general corporate purposes, and the capital raised will be used as needed within the TRATON GROUP. Under the program, TRATON Finance issued bonds totaling €3,235 million (previous year: €1,405 million) in 2023 and made repayments of €614 million (previous year: €5 million). Liabilities with a carrying amount of €8,131 million (previous year: €5,408 million) were reported under this EMTN program as of December 31, 2023. These were partly hedged using interest rate derivatives.

Scania has a €5,000 million (previous year: €7,000 million) EMTN program in place. Liabilities with a carrying amount of €2,326 million (previous year: €3,891 million) were reported under this program as of December 31, 2023. Bonds amounting to €134 million (previous year: €905 million) were issued, and bonds amounting to €1,658 million (previous year: €1,769 million) were redeemed under this program in the reporting period.

TRATON launched a €2,500 million commercial paper program on September 12, 2023, of which €990 million was issued by end of December 2023. Scania has two commercial paper programs: one in Swedish kronor and one in euros, which were recognized at €– million (previous year: €780 million) at the end of the reporting period and were therefore not utilized.

The loan taken out with Volkswagen International Luxemburg S.A., Strassen, Luxembourg (Volkswagen International Luxemburg) in the amount of €500 million was repaid in full in the first quarter of 2023. The drawdown on the Volkswagen AG credit line was reduced by a repayment of €1,220 million in 2023. By contrast, a new €359 million credit line with Volkswagen Group of America Finance, LLC, Herndon, Virginia, USA (Volkswagen Group of America Finance) and an additional €297 million credit line with Volkswagen AG were drawn down.

For information on the measurement principles, refer to Note **"35. Significance of financial instruments for net assets, financial position, and results of operations."** For information on the derecognition of financial assets, refer to Note **"22. Financial services receivables."**

30. Other financial liabilities

€ million	12/31/2023	12/31/2022
Liabilities from buyback obligations	2,672	3,064
Negative fair value of derivatives	579	826
Interest rate liabilities	172	94
Factoring liabilities	86	105
Miscellaneous financial liabilities	779	676
	4,288	**4,765**

The liabilities from buyback obligations originate from sales of commercial vehicles accounted for as operating leases because of a buyback agreement. For further information on the accounting policies, see Note **"19. Assets leased out."**

Other financial liabilities include negative fair values of derivative financial instruments for hedging interest rate and currency risks. These instruments, which are mainly used to hedge currency risk in customer orders and net liquidity, are matched by offsetting gains and losses of the underlyings. Further information on derivatives as a whole can be found in Notes **"35. Significance of financial instruments for net assets, financial position, and results of operations"** and **"36. Nature and extent of risks arising from financial instruments."**

In some cases, the contractual rights to cash flows from leases are transferred to an external bank. The carrying amount of the lease assets that have been transferred but not derecognized was €83 million (previous year: €98 million) as of the reporting date. The assets did not qualify for derecognition due to a general recourse clause. The corresponding other financial liability had a carrying amount of €86 million (previous year: €105 million) as of the reporting date. The difference between the amount of assets and liabilities is mainly the result of the asset capturing only the portion currently resulting from operating leases, whereas the liability includes the discounted present value of all future cash flows that have been transferred. As of the reporting date, the fair value of the transferred but not derecognized assets amounted to €80 million (previous year: €105 million), the fair value of the corresponding liability amounted to €85 million (previous year: €105 million), and the net position thus equaled €–5 million (previous year: €0 million). For information on the accounting policies in connection with derecognition of financial assets, refer to Note **"22. Financial services receivables."**

Miscellaneous financial liabilities partly contain deferrals for outstanding supplier invoices.

31. Other liabilities

€ million	12/31/2023	12/31/2022
Deferred purchase price payments for assets leased out	2,250	2,167
Contract liabilities	2,195	1,985
Payroll liabilities	1,107	897
Miscellaneous tax payables	587	482
Liabilities related to social security contributions	325	266
Miscellaneous other liabilities	401	425
	6,866	**6,223**

Deferred purchase price payments for assets leased out relate to liabilities from buyback transactions.

The following table explains the change in contract liabilities in the reporting period:

€ million	2023	2022
Contract liabilities as of 01/01	**1,985**	**1,767**
Additions and disposals	214	269
Currency translation adjustments	–4	–34
Changes in basis of consolidation/transfer to liabilities directly associated with assets held for sale	–	–18
Contract liabilities as of 12/31	**2,195**	**1,985**

32. Provisions for pensions and other post-employment benefits

Accounting policies: provisions for pensions and other post-employment benefits

Obligations for post-employment benefits under defined benefit plans are determined by independent actuaries using the projected unit credit method in accordance with IAS 19 *Employee Benefits*. Under this method, future obligations (the “defined benefit obligation”) are measured on the basis of the proportionate benefit entitlements acquired at the balance sheet date and discounted to their present value. Measurement takes into account both the pensions and vested benefits known at the balance sheet date and actuarial assumptions for discount rates, salary and pension trends, staff turnover rates, life expectancy, and increases in healthcare costs, which are calculated for each Group company depending on its economic environment.

Provisions for pensions and other post-employment benefits are reduced by the fair value of the plan assets used to cover the pension obligations. If the plan assets exceed the obligation, the excess is only recognized as an asset if this results in a refund from the plan or a reduction in future contributions.

The service cost, which represents the entitlements of active employees accruing in the fiscal year in accordance with the plan, is reported in functional expenses. Net interest income and expenses are reported in interest expense and calculated by multiplying the net asset or liability by the discount rate.

Remeasurements of the net asset or liability comprise actuarial gains and losses resulting from differences between the actuarial assumptions made and what has actually occurred, and changes in actuarial assumptions, as well as the return on plan assets, excluding amounts included in net interest income or expenses. Remeasurements are recognized in other comprehensive income, net of deferred taxes, in the period in which they arise. The remeasurements from pension plans recognized in other comprehensive income also include the relevant currency translation differences.

Estimates and management's judgment: provisions for pensions and other post-employment benefits

Measurement of the pension provisions was based on the following actuarial assumptions:

In %	Germany 2023	Germany 2022	USA 2023	USA 2022	Sweden 2023	Sweden 2022	Other countries 2023	Other countries 2022
Discount rate as of 12/31	3.3	3.8	5.0	5.3	3.3	4.0	4.8	5.1
Payroll trend	3.2	3.2	0.5	0.5	2.3	2.8	1.5	2.0
Pension trend	2.2	2.2	–	–	1.5	2.0	0.8	1.1
Staff turnover rate	2.5	2.5	3.7	3.9	4.8	4.8	2.8	2.8

These amounts are averages that were weighted using the present value of the defined benefit obligation. With regard to life expectancy, the most recent mortality tables in each country are used. For Germany, the 2005 G mortality tables developed by Professor Klaus Heubeck were adapted, most recently in 2017, to MAN-specific experience for the MAN Truck & Bus companies and the TRATON Holding, and thus describe mortality in the TRATON GROUP better than the RT2018G mortality tables. For the US retirement plans, the mortality rates from standard mortality tables published by the Society of Actuaries are adjusted for plan experience. A study is conducted every five years to determine the best estimate of current mortality levels. A special study was conducted in 2022 for the US pension plan for salaried employees that reflects the change in the demographic structure of the plan following the transfer of more than 6,000 participants to a qualified insurer. On the basis of the study, the mortality rates for the pension plan for salaried employees reflect the standard mortality tables published by the Society of Actuaries. In Sweden, the DUS2023 standard mortality tables are applied. As a general principle, the discount rates are defined to reflect the yields on highly-rated (AA) corporate bonds with matching maturities and currencies. The payroll trends cover expected wage and salary trends, which also include increases due to career development. The pension trends either reflect the contractually defined guaranteed pension adjustments or are based on the rules for pension adjustments in force in each country. The staff turnover rates are based on past experience and future expectations.

Depending on the situation in specific countries, the TRATON GROUP grants its employees pension benefits in the form of defined benefit or defined contribution pension plans.

Defined contribution plans in the TRATON GROUP

Under defined contribution plans, contributions are paid to public or private pension providers on the basis of legislative or contractual requirements. There are no benefit obligations over and above the payment of contributions. Current contribution payments are recognized as an expense in the period in which they are incurred; in the TRATON GROUP, they amounted to a total of €407 million (previous year: €401 million) in 2023. €119 million (previous year: €114 million) was paid for contributions to the statutory pension insurance system in Germany. Additionally, these primarily relate to defined contribution pension plans in Sweden and the USA and to defined benefit multi-employer pension plans that are accounted for as defined contribution pension plans.

Multi-employer plans in the TRATON GROUP

In the TRATON GROUP, there are multi-employer pension plans in the United Kingdom, Sweden, and the Netherlands (see the **"Scania's plans in Sweden"** and **"Plans in other countries"** sections). The majority of these plans are defined benefit plans. A small proportion of these multi-employer pension plans are accounted for as defined contribution plans because the TRATON GROUP is unable to obtain the information required to account for them as defined benefit plans. Under the terms of the multi-employer plans, the TRATON GROUP only has a very limited liability for the obligations of the other employers.

Defined benefit plans in the TRATON GROUP

Most of the pension entitlements in the TRATON GROUP are classified as defined benefit plans under IAS 19, which are funded by external plan assets to a considerable extent.

Due to their similarity to pensions, the obligations in particular of the US, Canadian, and Brazilian Group companies for their employees' post-retirement healthcare benefits are also reported in provisions for pensions and other post-employment benefits. The expected long-term trend in healthcare costs is taken into account for these post-employment benefits. The associated present value of the obligation amounted to €377 million (previous year: €470 million) as of December 31, 2023.

The significant pension plans are described in the following.

Scania's plans in Sweden

Scania's employees in Sweden are covered through post-employment benefit plans that offer benefits in the form of retirement pensions, early retirement pensions, surviving dependents' pensions, and severance payments.

Employees born before 1979 are covered by the joint defined benefit ITP2 pension plan, which is funded by recognized provisions and, since 2019, also partly by plan assets, and is secured by credit insurance taken out with Försäkringsbolaget PRI Pensionsgaranti, a mutual insurance company that also administers the plan. External funding of plan assets uses a foundation (*Pensionsstiftelsen*). The fair value of plan assets was €300 million (previous year: €240 million) as of December 31, 2023. Another part of ITP2 is secured by contributions to Alecta, a pensions insurer, and is accounted for as a defined contribution plan (see the **"Multi-employer plans in the TRATON GROUP"** section).

In addition to these obligations, there are also defined benefit obligations for employees entitled to early retirement who have reached the age of 62 and were employed by the company for 30 years, or who have reached the age of 63 and were employed by the company for 25 years, as well as for a limited number of former executives.

For obligations that are funded entirely by recognized provisions, the company bears the risks associated with lifelong pension benefits.

Navistar's plans in the USA

Navistar offers employees in the USA a range of defined benefit pension plans that provide retirement benefits in the form of life annuities. The benefits of the pension plan for salaried employees is generally based on salary and length of service, while benefits under the two pension plans for wage-earning staff are generally based on a negotiated amount for each year of service.

The pension plans for wage-earning staff and salaried employees have been closed to new entrants since 2008 and 1996, respectively, and, with the exception of one of the plans for wage-earning staff, are also closed to the accrual of further benefit entitlements.

Effective September 13, 2023, the obligations for around 2,500 participants were transferred to a qualified insurer. Prior to this, the two pension plans for salaried employees were merged into a single pension plan in August 2022, and the obligations for more than 6,000 participants were transferred to a qualified insurer effective September 1, 2022.

These plans are funded pension plans subject to the US Employee Retirement Income Security Act (ERISA) and are eligible for tax benefits as qualified pension plans under US law. Under internal guidelines, the minimum required contribution pursuant to ERISA and the Internal Revenue Code is funded in each case, and additional discretionary contributions are paid in from time to time.

The pension plans are exposed to interest rate, market, and longevity risks, which are regularly monitored and assessed.

The plan assets are invested as part of a diversified strategy by experienced fund managers in equities, real estate, hedge funds, credit products, and assets in order to hedge liabilities, and diversified by an external investment advisor to avoid concentrations in type, sector, issuer, market, or country. Each pension plan has an investment policy that, among other things, defines strategic asset allocation depending on the funding level. As the funding level increases, investments are reallocated to asset classes that reduce interest rate risk at the expense of higher-yielding asset classes that are also more volatile. No derivative products are currently used to hedge longevity or interest rate risk.

For executives, US law provides for nonqualified defined benefit plans that are not subject to the ERISA and provide retirement benefits in the form of a life annuity, a lump sum, or installments. These are financed solely by provisions.

In addition, other post-employment benefits (OPEBs) in the form of medical benefits, prescription drugs, and life insurance, some of which are funded, are provided to a closed group of participants for life in the USA.

The funded plan benefits in place at the time of the acquisition of Navistar resulted from a 1993 Settlement Agreement between Navistar, Navistar's employees, pensioners, and collective bargaining organizations, and stipulated cost sharing between the company and the participants in the form of premiums, copayments, and deductibles. As part of this agreement, plan assets (a "Base Program Trust") were established to fund part of the healthcare and life insurance obligations. Navistar was required to make annual contributions. In addition, the cost of the benefits was shared between Navistar, the beneficiaries, and the plan assets.

Effective January 1, 2022, the funded OPEB plan was adjusted with regard to the contributions that participants are required to pay for pensioner healthcare under the terms of the plan. This saw pensioner contributions being reduced by the government subsidies from the employer group waiver plan agreement. In June 2022, the competent court approved the final agreement to adjust the plan.

TRATON Holding and MAN's plans in Germany

Once their active working life is over, the German companies of MAN Truck & Bus and the TRATON Holding grant their employees in Germany benefits provided by an occupational pension system that constitutes one of the key elements of their remuneration policy. Occupational pensions provide additional retirement benefits as well as risk protection in the event of invalidity or death.

Under the current pension plans, all active employees receive employer contributions that are tied to their remuneration and can also make additional provisions through deferred compensation — which is employer-subsidized for staff subject to collective bargaining agreements. The employer- and employee-funded contributions plus returns on capital market investments allow staff to accumulate plan assets during their active employment that are paid out as a lump sum or in installments on retirement, or that can be annuitized in certain cases. The risk of the investments is gradually reduced as employees get older (life cycle concept). The performance of the plan assets is based on the return on capital investments. The total amount of contributions paid in for the employee is paid out as a minimum when the employee retires.

Former employees, pensioners, or employees with vested benefits who have left also have benefit entitlements from discontinued pension plans, which are designed to provide lifelong pension payments. These commitments are exposed to the standard longevity and inflation risks, which are regularly monitored and assessed.

German pension assets are managed by MAN Pension Trust e.V. and WTW Pensionsfonds AG. These assets are irrevocably protected from recourse by the Group companies and may only be used to fund current pension benefit payments or to settle claims by employees in the event of insolvency. Proper management and utilization of the trust assets is supervised by independent trustees. Additionally, WTW Pensionsfonds AG is regulated by the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin — German Federal Financial Supervisory Authority).

The pension assets are invested by professional investment managers in accordance with investment rules laid down by TRATON SE's Investment Committee. Strategic allocation of the pension assets is based on regular asset/liability management studies.

The acquisition of securities issued by Volkswagen Group companies and investments in owner-occupied real estate are generally not permitted.

Plans in other countries

Employees in the United Kingdom, Switzerland, Canada, and Brazil receive pension benefits under defined benefit funded pension and healthcare plans.

The pension plans granting lifelong pensions in the United Kingdom have been closed to new entrants, and existing members cannot acquire additional entitlements. Trustee boards, which have appointed professional administrators and advisors, are responsible for administering the pension plans, including investing the assets. Regular asset/liability management studies form the basis of investment and risk management. The investment risk at MAN Truck & Bus is being gradually reduced as part of a defined derisking strategy as funding ratios improve.

Employees in Switzerland accrue entitlements through employer and employee contributions to multi-employer (MAN Truck & Bus) or occupational (Scania) pension providers that are converted into a lifelong pension at retirement at the terms in force at that time. The pension institutions are managed conservatively on the basis of standards imposed by the government. If the plan assets are insufficient to meet the pension entitlements because of adverse market developments, the member employers and their employees may be required to make "stabilization contributions."

In Canada, there are two registered and funded defined benefit pension plans, one for wage-earning staff and one for salaried employees, as well as an Other Post-Employment Benefits (OPEB) plan. The pension plans provide lifetime annuities and are closed to new entrants. The pension plan for salaried employees (the defined benefit component) is also closed for the acquisition of additional entitlements. The Canadian OPEB plan provides health, dental, and life insurance benefits to eligible pensioners and is also closed to new entrants.

Employees in Brazil are entitled to benefits under defined benefit pension plans funded largely by plan assets and have entitlements under healthcare plans funded by provisions.

Furthermore, other countries have pension plans with a low level of benefits or grant mandatory post-employment benefits. Some of these benefits are funded by plan assets, either in full (the Netherlands) or in part (Belgium, France, India), or are only funded by provisions (Austria, Türkiye, Poland, Italy).

The following amounts were recognized in the balance sheet for defined benefit plans:

€ million	12/31/2023	12/31/2022
Present value of funded obligations	4,654	4,783
Fair value of plan assets	3,500	3,678
Funded status (net)	1,154	1,104
Present value of unfunded obligations	637	619
Amount not recognized as an asset because of the ceiling in IAS 19	20	36
Net liabilities recognized in the balance sheet	**1,811**	**1,760**
of which provisions for pensions and other post-employment benefits	1,847	1,786
of which other receivables	36	26

The following table shows changes in the net defined benefit liability recognized in the balance sheet:

€ million	2023	2022
Net liabilities recognized in the balance sheet as of 01/01	**1,760**	**2,581**
Current service cost[1]	75	100
Net interest expense[1]	87	70
Actuarial gains (–)/losses (+) arising from changes in demographic assumptions	10	17
Actuarial gains (–)/losses (+) arising from changes in financial assumptions	102	–1,651
Actuarial gains (–)/losses (+) arising from experience adjustments	91	144
Income/expenses from plan assets not included in interest income	–111	649
Change in amount not recognized as an asset because of the ceiling in IAS 19	–18	30
Employer contributions to plan assets	–59	–94
Employee contributions to plan assets	17	12
Pension payments from company assets	–106	–82
Past service cost (including plan curtailments)[1]	6	1
Gains (–)/losses (+) arising from plan settlements[1]	–13	–6
Changes in basis of consolidation	–	–3
Other changes	–3	–1
Currency translation differences from foreign plans	–25	–5
Net liabilities recognized in the balance sheet as of 12/31	**1,811**	**1,760**

1 Amounts recognized in the income statement

The change in the present value of the defined benefit obligation is attributable to the following factors:

€ million	2023	2022
Present value of obligations as of 01/01	**5,402**	**7,033**
Current service cost	75	100
Interest expense	236	152
Actuarial gains (–)/losses (+) arising from changes in demographic assumptions	10	17
Actuarial gains (–)/losses (+) arising from changes in financial assumptions	102	–1,651
Actuarial gains (–)/losses (+) arising from experience adjustments	91	144
Employee contributions to plan assets	20	15
Pension payments from company assets	–106	–82
Pension payments from plan assets	–297	–315
Past service cost (including plan curtailments)	6	1
Disposals arising from plan settlements	–177	–114
Changes in basis of consolidation	–	–3
Other changes	–3	–1
Currency translation differences from foreign plans	–67	108
Present value of obligations as of 12/31	**5,291**	**5,402**

At the reporting date, €2,060 million (previous year: €2,469 million) of the defined benefit obligation is attributable to the Navistar plans in the USA, €1,548 million (previous year: €1,452 million) to the plans of the TRATON Holding and the German MAN Truck & Bus companies, and a further €988 million (previous year: €827 million) to Scania's plans in Sweden.

At Navistar in the USA, the obligations for about 2,500 participants in the pension plan for salaried employees amounting to €179 million were transferred to a qualified insurer effective September 13, 2023. This resulted in the disposal of plan assets in the amount of €167 million and thus to a plan settlement gain of €12 million, which is contained in the personnel expenses of the functions. In the previous year, the obligations for more than 6,000 participants amounting to €114 million had been transferred to a qualified insurer. This had resulted in the disposal of plan assets in the amount of €110 million and thus to a plan settlement gain of €4 million.

Changes in the relevant actuarial assumptions would have the following effects on the defined benefit obligation:

		12/31/2023		12/31/2022	
Present value of defined benefit obligation if		**€ million**	**Change in %**	**€ million**	**Change in %**
Discount rate	is 0.5 percentage points higher	5,022	–5.1	5,142	–4.8
	is 0.5 percentage points lower	5,588	5.6	5,690	5.3
Pension trend	is 0.5 percentage points higher	5,410	2.3	5,497	1.8
	is 0.5 percentage points lower	5,182	–2.1	5,312	–1.9
Payroll trend	is 0.5 percentage points higher	5,349	1.1	5,456	1.0
	is 0.5 percentage points lower	5,238	–1.0	5,351	–0.9
Life expectancy	increases by one year	5,482	3.6	5,568	3.1

The sensitivity analyses shown above consider the change in one assumption at a time, leaving the other assumptions unchanged versus the original calculation, i.e., any correlation effects between the individual assumptions are ignored. To examine the sensitivity of the present value of the defined benefit obligation to a change in assumed life expectancy, 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 ten years (previous year: nine years).

The present value of the defined benefit obligation is spread across the members of the plan as follows:

€ million	12/31/2023	12/31/2022
Active members with entitlements from defined benefits	1,752	1,609
Members who have left the company with vested entitlements	638	582
Pensioners	2,901	3,211
	5,291	**5,402**

The maturity profile of payments attributable to the defined benefit obligations is presented in the following table by classifying the present value of the obligations by the maturity of the underlying payments:

€ million	12/31/2023	12/31/2022
Payments due within the next fiscal year	303	380
Payments due in two to five years	1,193	1,344
Payments due in more than five years	3,794	3,677
	5,291	**5,402**

Changes in plan assets are shown in the following table:

€ million	2023	2022
Fair value of plan assets as of 01/01	**3,678**	**4,458**
Interest income from plan assets determined using the discount rate	150	82
Income/expenses from plan assets not included in interest income	111	–649
Employer contributions to plan assets	59	94
Employee contributions to plan assets	3	3
Pension payments from plan assets	–297	–315
Disposals arising from plan settlements	–164	–108
Currency translation differences from foreign plans	–41	113
Fair value of plan assets as of 12/31	**3,500**	**3,678**

As of the reporting date, €1,369 million (previous year: €1,688 million) of the fair value of plan assets was attributable to the Navistar plans in the USA, €1,364 million (previous year: €1,308 million) to the plans of the TRATON Holding and the German MAN Truck & Bus companies, and a further €300 million (previous year: €239 million) to Scania's plans in Sweden.

In the next fiscal year, employer contributions to plan assets are expected to amount to €123 million (previous year: €99 million).

The investment of plan assets to cover future pension obligations resulted in total comprehensive income of €261 million (previous year: €–567 million).

Plan assets are invested in the following asset classes:

			12/31/2023			12/31/2022
€ 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	110	–	110	134	–	134
Equity instruments	151	–	151	118	–	118
Debt instruments	148	4	152	123	5	128
Direct investments in real estate	–	54	54	–	52	52
Equity funds	1,011	2	1,013	1,078	1	1,079
Bond funds	1,059	87	1,146	1,024	94	1,119
Real estate funds	242	24	266	407	30	437
Other instruments	18	184	202	17	207	224
Other	73	333	406	51	338	389
Fair value of plan assets	**2,811**	**689**	**3,500**	**2,952**	**727**	**3,678**

33. Other provisions

Accounting policies: other provisions

Under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, provisions are recognized for a present obligation to a third party arising from a past event that is likely to result in an outflow of resources and whose amount can be measured reliably. The amount of the provision is determined based on estimates of the amount of the loss and the probability of utilization.

Provisions that do not result in an outflow of resources within the year are recognized at the settlement amount discounted at the reporting date. Discounting uses market rates of interest. The settlement amount also reflects expected cost increases at the reporting date. Provisions are not offset against recourse rights.

Estimates and management's judgment: recognition and measurement of provisions

Recognition and measurement of provisions are based on estimates of the amount and probability of future events, and estimates of the discount rate. If possible, experience or external appraisals are used in these cases. Warranty claims arising from unit sales are determined on the basis of estimated future costs and ex gratia arrangements. In addition, assumptions must be made about the nature and extent of future guarantee and ex gratia claims. The measurement of restructuring provisions is based on estimates and assumptions regarding the amount of severance payments, the effects of onerous contracts, the timeline for the implementation of measures, and, consequently, the timing of the expected payments. Litigation and other court proceedings lead to complex legal issues and entail numerous uncertainties. The current status of negotiations and estimates by local management and TRATON SE's Executive Board as well as by external lawyers are taken into account for the measurement.

€ million	Obligations arising from unit sales	Obligations to employees	Litigation and legal risks	Restructuring	Miscellaneous provisions	Total
Balance as of 01/01/2023	**1,861**[1]	**351**	**361**	**124**	**595**[1]	**3,293**
Currency translation differences	–16	–2	–6	0	5	–20
Utilization	–1,097	–86	–62	–39	–221	–1,504
Additions/ new provisions	1,452	101	98	13	341	2,006
Unwinding of discount/ effect of change in discount rate	27	4	1	–	0	32
Reversals	–152	–6	–27	–32	–62	–279
Balance as of 12/31/2023	**2,074**	**362**	**365**	**68**	**658**	**3,527**
of which current	1,242	98	126	68	458	1,993
of which noncurrent	831	264	239	–	200	1,534

1 Prior-year amounts adjusted. The "Provision for goods sold that are expected to be returned" amounting to €119 million was reclassified from the "Miscellaneous provisions" line item to "Obligations arising from unit sales."

Obligations arising from unit sales contain provisions that cover all risks attributable to the sale of vehicles and spare parts. These primarily relate to provisions for warranties and statutory or contractual guarantee obligations. They also include provisions for discounts, bonuses, and similar allowances incurred after the reporting date, but for which there is a legal or constructive obligation attributable to sales revenue before the reporting date.

Provisions for obligations to employees are recognized for long-service awards, partial retirement arrangements, severance payments, and similar obligations, among other things.

As of December 31, 2023, there were provisions in the mid double-digit millions for civil lawsuits against Scania Vehicles & Services and MAN Truck & Bus in connection with the EU antitrust proceedings. The provisions for litigation and legal risks also contain amounts related to a large number of legal disputes and official proceedings in which TRATON GROUP companies become involved in Germany and internationally in the course of their operating activities. In particular, such legal disputes and other proceedings may occur in relation to suppliers, dealers, customers, and employees. Refer to Note **"39. Litigation/ legal proceedings"** for a discussion of the legal risks.

Provisions for restructuring consist largely of provisions recognized at MAN Truck & Bus in fiscal year 2021 for the repositioning as part of the restructuring and provisions related to personnel measures (including severance payments and partial retirement arrangements). Another key component of the provisions for restructuring results from the realignment of the bus business and the discontinuation of body production for Scania bus chassis at the plant in Słupsk, Poland.

Miscellaneous provisions relate to a large number of identifiable specific risks and uncertain obligations arising from operating activities that are measured at the expected settlement amount. Miscellaneous provisions also contain provisions for litigation in connection with indirect and other taxes.

34. Statement of cash flows

Accounting policies: statement of cash flows

The cash and cash equivalents presented in the statement of cash flows correspond to the "Cash and cash equivalents" balance sheet item (see Note **"27. Cash and cash equivalents"**). Current account overdraft facilities are not presented as a component of cash and cash equivalents in the statement of cash flows, but are reported in net cash used in/provided by financing activities if they are used.

In 2023, net cash provided by/used in operating activities contained interest received of €1,213 million (previous year: €799 million) and interest paid of €1,300 million (previous year: €749 million). Net cash provided by/used in operating activities in 2023 also contained dividends received from joint ventures and associates amounting to €27 million (previous year: €57 million) and dividends received from other equity investments of €4 million (previous year: €3 million). Other noncash income and expenses result primarily from measurement effects relating to financial instruments denominated in foreign currencies and fair value changes relating to derivatives.

We report the acquisition and disposal of subsidiaries in investing activities. Payments from the disposal of subsidiaries are reported net of cash and cash equivalents disposed at the date of disposal. Payments of €400 million (previous year: €266 million) were offset against cash and cash equivalents disposed of €304 million (previous year: €208 million) in 2023. A further €31 million was received in the reporting period in the context of purchase price adjustments from the disposal of MWM in 2022. When subsidiaries are acquired, cash and cash equivalents acquired are deducted from the purchase price paid. In the year under review, €5 million (previous year: €22 million) of cash and cash equivalents acquired was therefore deducted from the purchase prices paid in the total amount of €43 million (previous year: €116 million). Additionally, the "Investments to acquire subsidiaries and other businesses" line item contained €271 million in 2023 that was paid into an account at VW Bank under the terms of the framework agreement to gradually acquire key aspects of the global MAN and VWTB financial services business. For further information on this transaction, see Note **"7. Acquisitions."**

The following reconciliation shows the changes in financial liabilities, classified by changes affecting cash flows and noncash changes.

€ million	01/01/2023	Changes affecting cash flows	Noncash changes: Foreign exchange differences	Noncash changes: Changes in basis of consolidation	Noncash changes: Other changes	12/31/2023	01/01/2022	Changes affecting cash flows	Noncash changes: Foreign exchange differences	Noncash changes: Changes in basis of consolidation	Noncash changes: Other changes	12/31/2022
Bonds	10,136	1,399	40	–	–	11,576	9,553	1,019	–436	–	–	10,136
Schuldscheindarlehen	700	0	–	–	–	700	699	–	–	–	1	700
Other third-party borrowings	9,086	–823	–36	27	–7	8,247	6,717	1,825	302	242	–	9,086
Lease liabilities[1]	1,209	–263	–7	18	223	1,181	1,237	–281	4	–7	256	1,209
Total third-party borrowings	**21,131**	**314**	**–2**	**45**	**215**	**21,704**	**18,205**	**2,563**	**–129**	**236**	**256**	**21,131**
Derivatives in connection with financing activities[2]	203	–92	–109	–	112	115	–25	–97	36	–	289	203
Financial assets and liabilities in financing activities	**21,334**	**222**	**–111**	**45**	**328**	**21,818**	**18,180**	**2,466**	**–93**	**236**	**545**	**21,334**

1 Other changes in lease liabilities largely contain noncash additions to lease liabilities.

2 Other changes in foreign exchange derivatives in connection with financing activities result from changes in fair value.

35. Significance of financial instruments for net assets, financial position, and results of operations

Recognition, derecognition, and classification of financial instruments

Accounting policies: recognition, derecognition, and classification of financial instruments

Primary financial instruments are accounted for at the settlement date in the case of regular way purchases or sales — that is, the date on which the asset is delivered. Financial instruments are recognized at the time when TRATON becomes a party to the contract. A financial asset is derecognized if the rights to receive cash flows have expired or have been transferred, and TRATON has transferred substantially all the risks and rewards of ownership, in particular the bad debt and payment date risk. A financial liability is derecognized when the obligations specified in the contract are fulfilled or canceled.

Classification of financial assets depends on the contractual cash flow characteristics and TRATON's business model for managing financial assets. Since all cash flows from primary financial instruments of the TRATON GROUP, with the exception of other equity investments, consist exclusively of payments of principal and interest on the principal amount outstanding, and since TRATON's intention is to collect these contractual cash flows, financial assets in the form of a debt instrument are exclusively allocated to the "at amortized cost" measurement category.

In the case of derivatives and other equity investments, the cash flows do not consist exclusively of payments of principal and interest on the principal amount outstanding. They are therefore allocated to the “at fair value” measurement category. For further information on derivative financial instruments included in hedge accounting, see the **“Derivatives and hedge accounting”** section in this chapter.

With the exception of derivatives, all financial liabilities are allocated to the “at amortized cost” measurement category.

Investments in associates and joint ventures as well as lease receivables and liabilities are allocated to the “no measurement category” measurement category. Financial instruments that form part of a disposal group continue to be allocated to their original IFRS 9 measurement category.

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. For reasons of materiality, the fair value of current balance sheet items is generally considered to be their carrying amount.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS

€ million	Note	Measured at fair value		Measured at amortized cost		Derivative financial instruments within hedge accounting	Not allocated to any measurement category	Balance sheet item as of 12/31/2023	Measured at fair value		Measured at amortized cost		Derivative financial instruments within hedge accounting	Not allocated to any measurement category	Balance sheet item as of 12/31/2022
		Through other comprehensive income	Through profit or loss	Carrying amount	Fair value	Carrying amount	Carrying amount		Through other comprehensive income	Through profit or loss	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets															
Other equity investments	[21]	140	–	–	–	–	95	235	134	–	–	–	–	69	204
Financial services receivables	[22]	–	–	4,327	4,331	–	3,440	7,767	–	–	3,523	3,424	–	3,038	6,560
Other financial assets	[23]	–	287	165	165	17	–	469	–	256	145	145	14	–	414
Current assets															
Trade receivables	[26]	–	–	3,894	3,894	–	–	3,894	–	–	3,348	3,348	–	–	3,348
Financial services receivables	[22]	–	–	3,661	3,661	–	1,893	5,554	–	–	3,358	3,358	–	1,703	5,061
Income tax receivables[1]		–	–	5	5	–	–	5	–	–	5	5	–	–	5
Other financial assets	[23]	–	83	813	813	22	–	918	–	111	554	554	31	–	695
Marketable securities and investment deposits		–	–	53	53	–	–	53	–	–	73	73	–	–	73
Cash and cash equivalents	[27]	–	–	1,730	1,730	–	–	1,730	–	–	1,439	1,439	–	–	1,439
Assets held for sale	[8]	–	–	–	–	–	–	–	–	–	307	307	–	114	421
Noncurrent liabilities															
Financial liabilities	[29]	–	–	13,102	13,045	–	942	14,044	–	–	11,517	11,038	–	968	12,485
Other financial liabilities	[30]	–	275	1,733	1,687	164	–	2,172	–	420	1,975	1,867	257	–	2,652

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS

		Measured at fair value		Measured at amortized cost		Derivative financial instruments within hedge accounting	Not allocated to any measurement category	Balance sheet item as of 12/31/2023	Measured at fair value		Measured at amortized cost		Derivative financial instruments within hedge accounting	Not allocated to any measurement category	Balance sheet item as of 12/31/2022
€ million	Note	Through other comprehensive income	Through profit or loss	Carrying amount	Fair value	Carrying amount	Carrying amount		Through other comprehensive income	Through profit or loss	Carrying amount	Fair value	Carrying amount	Carrying amount	
Current liabilities															
Financial liabilities	[29]	–	–	7,421	7,421	–	239	7,660	–	–	8,406	8,406	–	240	8,646
Trade payables		–	–	5,791	5,791	–	–	5,791	–	–	5,518	5,518	–	–	5,518
Other financial liabilities	[30]	–	124	1,975	1,975	16	–	2,115	–	142	1,965	1,965	7	–	2,113
Income tax payables[1]		–	–	8	8	–	–	8	–	–	4	4	–	–	4

1 Income tax receivables/liabilities as a result of tax allocation to Volkswagen Group companies

The “Financial liabilities” item contains liabilities from bonds with a carrying amount of €2,147 million (previous year: €1,779 million) and a fair value of €2,137 million (previous year: €1,746 million) that are included in hedge accounting as a fair value hedge. They were allocated to the “at amortized cost” measurement category.

CARRYING AMOUNT OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORIES

€ million	12/31/2023	12/31/2022
Assets measured at amortized cost	14,646	12,753
Other equity investments measured at fair value through other comprehensive income	140	134
Assets measured at fair value through profit or loss	371	366
Total financial assets	**15,157**	**13,253**
Liabilities measured at amortized cost[1]	30,030	29,384
Liabilities measured at fair value through profit or loss	399	562
Total financial liabilities	**30,429**	**29,946**

1 The prior-year period was adjusted to reflect the current presentation.

Financial assets and liabilities measured at fair value

Accounting policies: financial assets and liabilities measured at fair value

As a rule, fair value corresponds to the market or stock exchange price. If no active market exists, fair value is determined using observable inputs as far as possible. If no observable inputs are available, fair value is determined using valuation techniques.

Measurement and presentation of the fair value of financial instruments are based on a fair value hierarchy that reflects the significance of the inputs used for measurement and is categorized as follows:

Level 1 inputs: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 inputs: Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of Level 2 financial instruments is determined on the basis of the conditions prevailing at the end of the reporting period, such as interest rates or exchange rates, and using recognized models, such as discounted cash flow or option pricing models.

Level 3 inputs: Level 3 inputs are inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value of these assets and liabilities is determined on the basis of previous transactions, option pricing models, or discounted cash flow models.

The TRATON GROUP's other equity investment in TuSimple shares is categorized within Level 1 of the fair value hierarchy since there is market price data available.

The financial instruments that are categorized within fair value Level 2 primarily comprise derivative financial instruments.

With the exception of the investment in TuSimple, the other equity investments measured at fair value are categorized within Level 3 of the fair value hierarchy. These equity investments largely comprise shares in unlisted companies for which there is no active market. Due to the small carrying amount of these investments, a change in unobservable inputs would not result in a significantly lower or higher fair value of the instruments.

The "Other financial assets" item includes a receivable relating to contingent consideration from the disposal of MWM. The receivable is measured at fair value through profit or loss and categorized within Level 3 of the fair value hierarchy, since it was measured using probability and usage assumptions. In addition, the "Other financial assets" item also includes receivables from associates arising from convertible loan agreements. The receivables are measured at fair value through profit or loss and categorized within Level 3 of the fair value hierarchy, as assumptions are made regarding the various conversion scenarios and their probability of occurrence. Any change in the unobservable inputs would not result in any significant change in the fair value of any of the instruments.

The following table shows changes in other equity investments and other financial assets measured at fair value and categorized within Level 3:

CHANGES IN BALANCE SHEET ITEMS MEASURED AT FAIR VALUE BASED ON LEVEL 3

	2023		2022	
€ million	Other equity investments categorized within Level 3	Other financial assets categorized within Level 3	Other equity investments categorized within Level 3	Other financial assets categorized within Level 3
Balance as of 01/01	**110**	**14**	**119**	–
Fair value changes in “Fair value measurement of other equity investments” recognized in other comprehensive income	6	–	–6	–
Fair value changes in “Other financial result” recognized in profit or loss	–	11	–	–
Additions/acquisitions	11	47	6	14
Currency translation differences	0	1	–8	0
Balance as of 12/31	**127**	**73**	**110**	**14**

There were no transfers between the levels of the fair value hierarchy in 2023 or the previous year.

NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

€ millions	2023	2022
Net gains and losses:		
Financial instruments measured at fair value through profit or loss	–9	–734

Net gains and losses on financial assets and liabilities measured at fair value through profit or loss mainly comprise derivatives not included in hedge accounting.

Financial assets and liabilities measured at amortized cost

Accounting policies: financial assets and liabilities measured at amortized cost

As a rule, primary financial assets and liabilities are initially recognized at cost, plus or minus transaction costs. Primary financial assets and liabilities are subsequently measured at amortized cost. Amortized cost is the amount at which financial assets or liabilities are measured at initial recognition, minus any principal repayments, plus or minus the cumulative amortization of any difference between the original amount and the amount repayable at maturity, amortized using the effective interest method. In the case of financial assets, the amount is adjusted for any loss allowances.

If fair value is disclosed for financial instruments measured at amortized cost, it is calculated by discounting, using a market rate of interest for a similar risk and matching maturity.

In all cases, the TRATON GROUP recognizes lifetime expected credit losses (ECLs) for trade receivables and lease receivables (referred to in the following as the “simplified approach”). For trade receivables, expected credit losses are estimated using a provision matrix unless there is objective evidence of individual impairment. The provision matrix is based on the Group’s historical loss experience, adjusted for debtor-specific factors, general economic factors, and an estimate of both current and expected changes in variables as of the reporting date, including the time value of money. The provision rates depend on the number of days a receivable is past due:

– Not impaired and not past due: 1.0% of the receivable
– Up to 30 days past due: 1.5% of the receivable
– 31 to 90 days past due: 2.0% of the receivable
– More than 91 days past due: 3.0% of the receivable

For other financial instruments, the TRATON GROUP recognizes ECLs if there has been a significant increase in credit risk since initial recognition (referred to in the following as the “general approach”). By contrast, if the credit risk of the financial instrument has not increased significantly since initial recognition, a loss allowance is measured for that financial instrument at an amount equal to 12-month ECLs. To the extent that the internal risk management and control systems do not indicate a significant increase in credit risk at an earlier point in time, there is generally a rebuttable presumption in the TRATON GROUP that a significant increase in credit risk has arisen if payments are more than one day past due.

Financial instruments are allocated to one of four loss stages:

Stage 1: financial instruments at initial recognition and whose credit risk has not increased significantly
Stage 2: financial instruments with a significant increase in credit risk since recognition of the instrument, based on expected credit losses over the lifetime of the underlying contract
Stage 3: credit-impaired financial instruments
Stage 4: purchased or originated credit-impaired financial instruments

Allocation to a stage is reviewed in each reporting period. A financial asset is credit-impaired if one or more events have occurred that negatively impact future expected cash flows. These events include delayed payment over a certain period, the institution of enforcement measures, the threat of insolvency or overindebtedness, the application for or opening of bankruptcy proceedings, or the failure of reorganization measures. The amount of expected credit losses is based on the probability of default, the loss given default, and the exposure at default. For financial assets, expected credit losses are calculated as the present value of the difference between all contractual cash flows payable to the TRATON GROUP under the terms of the contract and all cash flows that the Group expects to receive. If, based on the internal risk management and control systems, there are no grounds for assuming that there will be an increase in credit risk at an earlier point in time, there is a rebuttable presumption in the TRATON GROUP that default has occurred if payments are more than 90 days past due. Appropriate groupings are made when determining the expected credit losses. The financial asset is always derecognized if there are no longer any reasonable expectations that it is collectible.

The loss allowance for the subsequent measurement of Stage 4 financial instruments is measured as the cumulative change in lifetime expected credit loss. These instruments are not reclassified from Stage 4.

The following tables contain an overview of the financial assets and liabilities measured at amortized cost by level:

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST BY LEVEL

€ million	Level 1	Level 2	Level 3	12/31/2023	Level 1	Level 2	Level 3	12/31/2022
Financial services receivables	–	–	7,992	7,992	–	–	6,782	6,782
Trade receivables	–	3,894	–	3,894	–	3,348	–	3,348
Income tax receivables	–	5	–	5	–	5	–	5
Other financial assets	1	976	0	977	0	700	–	700
Marketable securities and investment deposits	–	53	–	53	–	73	–	73
Cash and cash equivalents	1,730	–	–	1,730	1,439	–	–	1,439
Assets held for sale	–	–	–	–	307	–	–	307
Fair values of financial assets measured at amortized cost	**1,731**	**4,928**	**7,992**	**14,650**	**1,746**	**4,125**	**6,782**	**12,654**
Trade payables	–	5,791	–	5,791	–	5,518	–	5,518
Financial liabilities	6,075	14,390	–	20,465	6,417	13,027	–	19,444
Other financial liabilities	19	3,643	0	3,662	9	3,823	–	3,832
Income tax payables	–	8	–	8	–	4	–	4
Fair values of financial liabilities measured at amortized cost	**6,094**	**23,832**	**0**	**29,926**	**6,426**	**22,372**	**–**	**28,798**

The lease receivables have a carrying amount of €5,333 million (previous year: €4,850 million) and a fair value (Level 3 of the fair value hierarchy) of €5,295 million (previous year: €4,768 million).

TOTAL INTEREST INCOME AND EXPENSES FROM FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

€ million	2023	2022
Interest income	707	437
Interest expenses	–961	–459

NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

€ million	2023	2022
Net gains and losses:		
Financial assets measured at amortized cost	418	1,481
Financial liabilities measured at amortized cost	–980	–925

Net gains and losses on financial assets and liabilities at amortized cost comprise interest income and expenses measured using the effective interest method under IFRS 9, including currency translation effects. In addition, net gains and losses on financial assets include impairment losses as well as related reversals.

For further information on credit risk, refer to Note **"36. Nature and extent of risks arising from financial instruments."**

Derivatives and hedge accounting

Accounting policies: derivatives and hedge accounting

Derivatives are initially recognized and accounted for at each subsequent reporting date at their fair value. They are generally recognized at the trade date.

The recognition of gains and losses from fair value measurement depends on the designation of the derivative. Derivatives that do not meet the IFRS 9 hedge accounting criteria are measured at fair value through profit or loss (also referred to in the following as "derivatives or hedging instruments not included in hedge accounting"). These gains and losses from measurement and realization are recognized in other operating income/expense (for example, foreign currency derivatives for customer orders) or in financial result (for example, foreign currency hedges for net liquidity items), depending on the underlying risk.

A condition for applying hedge accounting is that the hedging relationship between the hedged item and the hedging instrument is clearly documented and that there is an economic relationship between the hedged item and the hedging instrument that is not dominated by the effect of the credit risk. The hedging instruments are selected so that they are essentially affected by the same risk as the underlying transactions, namely foreign exchange risk or interest rate risk.

In the case of cash flow hedges, gains or losses from the remeasurement of the effective designated portion of the derivative are recognized in the cash flow hedge reserve in other comprehensive income. If the forward element and the cross-currency basis spread are not designated, the resulting gains and losses are recognized in the reserve for cost of hedging. The amounts recognized in other comprehensive income are reclassified to the income statement as soon as the hedged future cash flows are recognized in profit or loss. The reclassification of both the cash flow hedge reserve and the reserve for cost of hedging is recognized in the item to which the hedged item is allocated. If a cash flow hedge subsequently results in the recognition of a nonfinancial asset, the cash flow hedge reserve and the reserve for cost of hedging are included in the initial cost of the nonfinancial asset; this does not constitute any reclassification adjustment. The ineffective portion of a cash flow hedge is recognized in profit or loss for the period.

When hedging against the risk of changes in the value of balance sheet items (fair value hedges), both the hedging instrument and the hedged effective risk portion of the underlying transaction are measured at fair value. Changes in the fair value of hedging instruments and hedged items are recognized in profit or loss. The hedged items in the TRATON GROUP relate to bonds that are measured at amortized cost. Changes in amortized cost because of hedging gains and losses are amortized at the latest when hedge accounting is discontinued.

For further information on the risk strategy, refer to Note **"36. Nature and extent of risks arising from financial instruments."**

The following table contains an overview of the TRATON GROUP's derivative financial instruments, broken down by whether or not they are included in hedge accounting and by the hedged risk.

OVERVIEW OF THE TRATON GROUP'S DERIVATIVE FINANCIAL INSTRUMENTS

	2023					2022				
€ million	Derivative financial instruments	Derivative financial instruments not included in hedge accounting	Derivative financial instruments within hedge accounting	Of which: hedging of currency risk through hedge accounting	Of which: hedging of interest rate risk through hedge accounting	Derivative financial instruments	Derivative financial instruments not included in hedge accounting	Derivative financial instruments within hedge accounting	Of which: hedging of currency risk through hedge accounting	Of which: hedging of interest rate risk through hedge accounting
Noncurrent assets										
Other financial assets	244	227	17	15	2	257	243	14	14	–
Current assets										
Other financial assets	93	71	22	22	–	140	109	31	31	–
Noncurrent liabilities										
Other financial liabilities	439	275	164	1	163	677	420	257	1	256
Current liabilities										
Other financial liabilities	140	124	16	16	–	148	142	7	7	–

Hedging of currency risk through hedge accounting

The TRATON GROUP partly hedges currency risk arising from order backlog, receivables and liabilities, and planned unit sales. Companies that enter into hedging transactions choose the hedge ratio for expected sales revenue on the basis of past experience in order to avoid ineffectiveness. Nevertheless, ineffectiveness can result from changes in counterparty credit risk or if the spot component of a forward is not separated from the forward element. There are no fair value hedges relating to currency risk.

The following tables show details of derivatives included in hedge accounting in terms of the currency risk:

AMOUNT, TIMING, AND UNCERTAINTY OF CASH FLOWS

€ million	2023				2022			
	Maturity				Maturity			
	< 1 year	1–5 years	> 5 years	Total nominal amount	< 1 year	1–5 years	> 5 years	Total nominal amount
Currency risk:								
Currency forwards EUR/GBP	454	–	–	454	557	45	–	602
Currency forwards BRL/USD	119	120	–	239	111	134	–	244
Currency forwards EUR/CHF	135	–	–	135	119	31	–	151
Currency forwards EUR/DKK	72	–	–	72	82	2	–	84
Currency forwards EUR/ZAR	70	–	–	70	69	–	–	69
Currency forwards EUR/USD	37	1	–	37	31	20	–	51
Currency forwards EUR/PLN	32	–	–	32	–	–	–	–
Currency forwards EUR/NOK	31	–	–	31	25	–	–	25
Currency forwards — other currencies	49	–	–	49	63	–	–	63
	999	**121**	**–**	**1,120**	**1,057**	**232**	**–**	**1,289**

Currency risk was hedged by cash flow hedges at the following average hedging exchange rates for the major currency pairs: 0.89 EUR/GBP; 6.13 BRL/USD; 0.95 EUR/CHF.

INFORMATION ON HEDGING INSTRUMENTS INCLUDED IN HEDGE ACCOUNTING

€ million	2023	2022
Currency risk:		
Fair value change to determine hedge ineffectiveness	11	31
Nominal value	1,120	1,289

INFORMATION ON HEDGED ITEMS INCLUDED IN HEDGE ACCOUNTING

€ million	2023	2022
Currency risk:		
Fair value change to determine hedge ineffectiveness	–11	–31
Reserve for active cash flow hedges	11	31

INFORMATION ABOUT THE EFFECTS OF HEDGE ACCOUNTING ON THE STATEMENT OF COMPREHENSIVE INCOME

€ million	2023	2022
Currency risk:		
Hedging instruments included in hedge accounting		
Unrealized gains and losses on hedging instruments	6	30
Reclassification of realized gains and losses to profit or loss	–20	10
Cost of hedging		
Unrealized gains and losses relating to cost of hedging	–3	0
Reclassification of realized gains and losses to profit or loss	7	4

RECONCILIATION OF CASH FLOW HEDGE RESERVE

€ million	2023	2022
Balance as of 01/01	**31**	**–30**
Gains or losses from effective hedges	9	45
Reclassification to profit or loss due to recognition of hedged item in profit or loss	–29	15
Other changes (foreign exchange effects)	0	1
Balance as of 12/31	**11**	**31**

RECONCILIATION OF THE RESERVE FOR COST OF HEDGING

€ million	2023	2022
Balance as of 01/01	**3**	**0**
Gains or losses from effective hedges	–5	0
Reclassification to profit or loss due to recognition of hedged item in profit or loss	10	5
Other changes (foreign exchange effects)	1	–2
Balance as of 12/31	**10**	**3**

Hedging of interest rate risk through hedge accounting

Of the outstanding total amount of €8,330 million (previous year: €5,700 million) issued by TRATON Finance, €2,050 million (previous year: €2,050 million) is included in hedge accounting as of December 31, 2023; interest rate swaps are used to hedge against interest rate changes. In addition, the TRATON GROUP entered into an interest rate swap with a nominal value of €271 million (previous year: €–) in September 2023 to hedge the interest rate risk of Navistar Financial Corporation's fixed-rate asset-backed securities debt. The interest rate swaps and the hedged items have the same material conditions, which is why an offsetting economic relationship can be assumed. Nevertheless, ineffectiveness arises mainly because of TRATON's nondesignated own credit risk, which is reflected in the measurement of the swaps. The hedging relationships are accounted for as a fair value hedge.

The following tables show details of the derivatives:

AMOUNT, TIMING, AND UNCERTAINTY OF CASH FLOWS

€ million	2023				2022			
	Maturity				Maturity			
	< 1 year	1–5 years	> 5 years	Total	< 1 year	1–5 years	> 5 years	Total
Interest rate risk:								
Interest rate swaps	101	143	8	253	81	220	52	353

The average rate for interest rate swaps used to hedge interest rate risk in fair value hedges was 0.54% (previous year: 0.45%).

INFORMATION ON HEDGING INSTRUMENTS INCLUDED IN HEDGE ACCOUNTING

€ million	2023	2022
Interest rate risk:		
Accumulated fair value change to determine hedge ineffectiveness	–168	–256
Nominal amount	2,321	2,050

INFORMATION ON HEDGED ITEMS INCLUDED IN HEDGE ACCOUNTING

€ million	2023	2022
Interest rate risk:		
Carrying amount of financial liabilities	2,147	1,779
Accumulated amount of hedge adjustments	–172	–271
Accumulated fair value change to determine hedge ineffectiveness	172	271
Ineffectiveness recognized in profit or loss and reported in other financial result	–10	15

Offsetting financial assets and liabilities

Accounting policies: offsetting financial assets and liabilities

Financial assets and financial liabilities are generally reported at their gross carrying amounts. They are only offset if the TRATON GROUP currently has a legally enforceable right to offset the recognized amounts and intends to do so.

The following table presents information about the effects of offsetting on the consolidated balance sheet and the potential financial effects of offsetting in the case of instruments that are subject to a legally enforceable master netting arrangement or a similar agreement. With the exception of the offset amounts presented below, the gross amounts correspond to the net amounts because they were not offset in the consolidated balance sheet.

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

€ million	Gross amount	Gross amount offset in the balance sheet	Net amount presented in the balance sheet	Amounts that are not offset in the balance sheet		Net amount as of 12/31
				Financial instruments	Collateral pledged	
2023						
Financial assets						
Derivative financial instruments	337	–	337	–260	–	77
Trade receivables	3,928	–35	3,894	–	–	3,894
Financial liabilities						
Derivative financial instruments	579	–	579	–260	–	320
Financial liabilities	21,704	–	21,704	–	–957	20,747
Trade payables	5,826	–35	5,791	–	–	5,791
2022						
Financial assets						
Derivative financial instruments including IFRS 5 companies	397	–	397	–227	–	169
Trade receivables including IFRS 5 companies	3,380	–32	3,348	–	–	3,348
Financial liabilities						
Derivative financial instruments including IFRS 5 companies	826	–	826	–227	–	598
Financial liabilities including IFRS 5 companies	21,131	–	21,131	–	–767	20,364
Trade payables including IFRS 5 companies	5,550	–32	5,518	–	–	5,518

The “Financial instruments” column shows the amounts that are subject to a master netting arrangement but that have not been offset in the consolidated balance sheet because they do not meet the offsetting criteria.

The “Collateral pledged” column contains financial receivables that were pledged as collateral for leases. Vehicles were also pledged as collateral in addition to these leases. It also contains payments for receivables that were pledged as collateral in order to obtain more favorable financing conditions.

36. Nature and extent of risks arising from financial instruments

Principles of financial risk management

Due to the TRATON GROUP's business activities and international focus, its assets, liabilities, and forecast transactions are exposed to credit, liquidity, currency, interest rate, and commodity price risk.

The Group's currency, interest rate, and commodity price risks are hedged with banks on the basis of internally defined limits. The TRATON GROUP uses suitable financial instruments such as derivatives to do this. Financial risks from balance sheet items, the order backlog, and other projected transactions are hedged. Such risks are not managed centrally, but directly by TRATON SE and each of its brands. The relevant requirements of each company are considered since different functional currencies and business environments apply.

Counterparty risk is diversified as much as possible and monitored centrally. Liquidity risk is minimized by diversifying the sources of funding and ensuring a balanced mix of funding with different maturities, currencies, and interest rate agreements.

The TRATON GROUP management is notified regularly about the financial risk position. Compliance with the applicable Group policies is reviewed by the internal Audit function.

Credit and default risk

The TRATON GROUP is exposed to credit risk through its business operations and financing activities. From the Group's perspective, credit risk entails the risk that a party to a financial instrument will fail to meet its contractual obligations and thus cause a financial loss for the Group. Credit risk comprises both the direct default risk and the risk of a deterioration in credit quality.

The maximum credit risk is reflected in the carrying amount of the financial assets recognized in the balance sheet. The TRATON GROUP holds collateral and other credit enhancements to further mitigate credit risk. Assets assigned as security, credit insurance, and guarantees are used as collateral. The risk from primary financial instruments is additionally accounted for by recognizing bad debt allowances.

The financial institutions and investment forms are carefully selected when investing cash funds, while a central limit system ensures diversification. Significant investments and derivatives are only entered into with national and international prime-rated banks. There are no material concentrations of credit risk in the TRATON GROUP.

Credit risk related to credit commitments to customers is managed decentrally, considering certain limits and using local credit quality assessments. Decisions on major credit commitments for the TRATON GROUP are made in subgroup credit committees. The maximum exposure to credit risk resulting from financial guarantees issued and irrevocable credit commitments is determined by the amount that the TRATON GROUP would have to pay in the event of claims under these guarantees.

RECONCILIATION OF THE LOSS ALLOWANCE FOR FINANCIAL ASSETS MEASURED AT AMORTIZED COST

€ million	General approach					
	12-month expected credit losses (Stage 1)	Lifetime expected credit losses — not impaired (Stage 2)	Lifetime expected credit losses — impaired (Stage 3)	Purchased credit-impaired assets (Stage 4)	Simplified approach	Total
Loss allowance as of 01/01/2023	**25**	**11**	**32**	**5**	**143**	**215**
Change	13	0	2	–2	35	49
Loss allowance as of 12/31/2023	**38**	**11**	**34**	**3**	**179**	**264**
Loss allowance as of 01/01/2022	**13**	**5**	**25**	**2**	**119**	**165**
Change	11	6	6	2	24	50
Loss allowance as of 12/31/2022	**25**	**11**	**32**	**5**	**143**	**215**

CHANGES IN LOSS ALLOWANCE FOR LEASE RECEIVABLES

€ million	2023 Simplified approach	2022 Simplified approach
Loss allowance as of 01/01	**338**	**94**
Change	–197	244
Loss allowance as of 12/31	**141**	**338**

The loss allowance relates mainly to credit risk from trade receivables and financial services receivables. The decline in the loss allowance for lease receivables is due above all to the sale of the companies in Russia. As of December 31, 2022, the loss allowance included impairment losses on lease receivables in the amount of €206 million that were recognized as a result of the war in Ukraine and the planned sale of the business activities of Scania Finance Russia. These are no longer included in the loss allowance as of December 31, 2023, due to the sale of the companies.

The gross carrying amounts of financial assets measured at amortized cost increased by €1,942 million to €14,910 million (previous year: €12,967 million) due in particular to new financial services receivables and newly established trade receivables allocated to the simplified approach.

The TRATON GROUP uses collateral, among other things, to lower credit risk. For financial assets with objective indications of impairment at the reporting date, the collateral mitigates the risk by €74 million (previous year: €33 million).

The carrying amounts of financial assets and the credit risk exposure of financial guarantees and credit commitments by credit risk rating grade are presented in the following. Credit risk rating grade 1 consists of financial instruments not exposed to any credit risk. Credit risk rating grade 2 consists of financial instruments that are subject to intensive credit management. Credit risk rating grade 3 consists of impaired financial instruments.

GROSS CARRYING AMOUNTS OF FINANCIAL ASSETS BY RATING GRADE

€ million	12-month expected credit losses (Stage 1)	Lifetime expected credit losses — not impaired (Stage 2)	Lifetime expected credit losses — impaired (Stage 3)	Purchased credit-impaired assets (Stage 4)	Simplified approach	12/31/2023	12-month expected credit losses (Stage 1)	Lifetime expected credit losses — not impaired (Stage 2)	Lifetime expected credit losses — impaired (Stage 3)	Purchased credit-impaired assets (Stage 4)	Simplified approach	12/31/2022
Rating grade												
Credit risk rating grade 1	10,479	–	–	7	8,667	19,153	9,181	–	–	8	7,950	17,139
Credit risk rating grade 2	–	245	–	1	622	868	–	213	–	1	507	721
Credit risk rating grade 3	–	–	104	2	257	363	–	–	69	4	212	285
	10,479	**245**	**104**	**10**	**9,546**	**20,384**	**9,181**	**213**	**69**	**13**	**8,669**	**18,145**

In the case of financial guarantee contracts and credit commitments, the bulk of the default risk exposure, accounting for €1,873 million (previous year: €1,868 million), relates to financial instruments for which the impairment loss is calculated on the basis of the expected 12-month credit loss (Stage 1), and is therefore allocated to credit risk rating grade 1.

Liquidity risk

Liquidity risk describes the risk that the TRATON GROUP will have difficulty in meeting its obligations associated with financial liabilities or that it can only procure liquidity at a higher price. To counter the liquidity 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. The TRATON GROUP's solvency and liquidity are assured at all times by rolling liquidity planning, a liquidity reserve in the form of cash, credit lines with financial institutions and companies of the Volkswagen Group, and the issuance of securities on international money and capital markets. Special issuance programs and financing lines have been established for companies in the TRATON Financial Services segment to cover their funding requirements. There were no material concentrations of liquidity risk in the past fiscal year.

Cash and cash equivalents amounted to €1,730 million (previous year: €1,439 million) as of December 31, 2023. Cash and cash equivalents in certain countries (e.g., Brazil, China, and Poland) in the amount of €792 million (previous year: €628 million) are subject to exchange controls and are not available to the Group for cross-border transactions without restriction. Such amounts are used locally to cover the financing needs of the operating business. No cash and cash equivalents are reported in the current year under "Assets held for sale." In the previous year, cash and cash equivalents of €304 million were reported that were in Russia and also not available to the Group for cross-border transactions without restriction.

The liquidity reserve available to the TRATON GROUP consists of unused confirmed credit lines of €8,000 million (previous year: €6,780 million), including €3,500 million (previous year: €2,280 million) from Volkswagen AG. The TRATON GROUP also has €624 million (previous year: €457 million) in unused unconfirmed credit lines from banks at its disposal in order to enhance flexibility in financing decisions.

The following table shows how the cash flows relating to liabilities, derivatives, and financial guarantees affect the TRATON GROUP's liquidity position:

Maturity overview	2023			2022		
	Remaining contractual maturities			Remaining contractual maturities		
€ million	**2024**	**2025–2028**	**> 2028**	**2023**	**2024–2027**	**> 2027**
Financial liabilities[1]	8,014	12,170	2,662	8,883	10,557	2,710
Trade payables[1]	5,780	11	1	5,502	16	0
Other financial liabilities[1, 2]	1,973	1,558	102	1,965	1,860	115
Derivatives	5,203	3,726	1,950	5,785	5,141	1,140
Financial guarantees	734	–	–	860	–	–
	21,704	**17,464**	**4,715**	**22,995**	**17,574**	**3,966**

1 The amounts were calculated as follows:
- If there is no agreement on contractual maturity, the liability refers to the earliest possible maturity date.
- In the case of variable interest rate agreements, interest reflects the conditions as of the reporting date.
- It is assumed that the cash outflows will not occur earlier than shown.

2 The undiscounted maximum cash outflows from buyback obligations are recognized as a financial liability.

Derivatives comprise both cash outflows from derivatives with negative fair values and cash outflows from derivatives with positive fair values for which gross settlement has been agreed. Derivatives entered into through offsetting transactions are also accounted for as cash outflows. The cash outflows from derivatives for which gross settlement has been agreed are matched by cash inflows that are not disclosed in the maturity analysis. If these cash inflows had also been recognized, the cash outflows presented would be significantly lower. This also applies in particular if hedges have been closed out through offsetting transactions.

The cash outflows from irrevocable credit commitments are presented in Note **"40. Other financial obligations,"** classified by contractual maturities.

In addition, certain TRATON GROUP companies use supplier finance arrangements. These continue to be presented in the balance sheet under trade payables because they meet the definition of a trade payable, and the contractual terms (e.g., payment terms) do not change or do not change materially. Collateral is not pledged in this context. Correspondingly, the cash outflow is reported in net cash provided by/used in operating activities. As of December 31, 2023, trade payables included €559 million (previous year: €521 million, prior-year amount adjusted) attributable to supplier finance arrangements. This does not result in any material liquidity risk or any risks from risk concentrations.

Currency risk

Currency risk describes the risk of negative effects on earnings, cash flow, and balance sheet items due to exchange rate movements. The TRATON GROUP's currency risk is a result of its investments, financing measures, and operating activities. Currency forwards, currency options, currency swaps, and cross-currency swaps are used to mitigate risks to future cash flows.

The inclusion of subsidiaries or other affiliated Group companies in countries outside the eurozone in the consolidated financial statements represents a risk as a result of currency translation. As a general rule, TRATON does not use derivatives to hedge these translation risks.

Assets in the TRATON Financial Services segment should generally be funded by liabilities in the same currency.

Hedging transactions entered into as part of foreign currency risk management were mainly in Swedish kronor, British pounds sterling, US dollars, and Brazilian reais.

There are no material concentrations of currency risk in the TRATON GROUP.

The primary and derivative financial instruments at the end of the reporting period were measured in a hypothetical scenario as part of a sensitivity analysis. The effects of a 10% increase/decrease in an exchange rate were as follows:

	12/31/2023				12/31/2022			
	Equity		Earnings for the period		Equity		Earnings for the period	
€ million	+10%	–10%	+10%	–10%	+10%	–10%	+10%	–10%
Currency pair								
EUR/SEK	–	–	–221	221	–	–	–59	59
EUR/BRL	–	–	–181	181	–	–	–57	57
EUR/GBP	28	–34	26	–32	37	–45	–4	5
SEK/USD	–	–	22	–22	–	–	–14	14
CLP/USD	–	–	–12	12	–	–	1	–1
USD/BRL	2	–3	8	–8	2	–3	–21	22
EUR/CHF	8	–10	1	–1	9	–11	3	–4
SEK/CNY	–	–	7	–7	–	–	–4	4

Interest rate risk

Interest rate risk describes the risk of negative effects from movements in interest rates. Financial instruments that are sensitive to movements in interest rates are exposed to interest rate risk in the form of fair value risk or cash flow risk. Fair value risk is calculated using the sensitivity of the carrying amount of a recognized financial instrument to changes in market interest rates. Cash flow risk describes the exposure to variability in future interest payments in response to interest rate movements. Interest rate swaps and cross-currency swaps are used to implement the risk management strategy.

The TRATON GROUP is exposed to interest rate risk from interest rate-sensitive assets and liabilities. Intragroup financing arrangements are mainly funded at matching maturities. Departures from the Group's standards are subject to centrally defined limits and are monitored continuously.

Interest rate risk within the meaning of IFRS 7 is calculated for the companies using sensitivity analyses. Any earnings effects attributable to interest rate sensitivity would be recognized exclusively in earnings for the period. The Group's activities in the TRATON Financial Services segment are managed to largely match assets and liabilities in order to minimize interest rate mismatches. Appropriate risk methodologies are applied. There are no material concentrations of interest rate risk in the TRATON GROUP.

If market interest rates had been 100 basis points (bps) higher as of December 31, 2023, earnings after tax would have been €51 million lower (previous year: €41 million lower). If market interest rates had been 100 bps lower as of December 31, 2023, earnings after tax would have been €51 million higher (previous year: €42 million higher).

Commodity price risk

The TRATON GROUP is primarily exposed to commodity price risk from fluctuations in the price and availability of commodities. Commodity price risks are captured centrally at regular intervals for MAN Truck & Bus and Navistar Sales & Services and hedged externally based on defined risk limits, provided there are liquid markets. This approach also considers whether changes in commodity prices will be reflected in higher selling prices for the products. The Group enters into cash-settled commodity futures to mitigate these risks. There were no material concentrations of risk in the past fiscal year.

Cash-settled commodity futures had been entered into at the balance sheet date to hedge commodity and energy price risks relating to heating oil, nonferrous metals, precious metals, and rubber with a fair value of €1 million (previous year: €–5 million). Hedge accounting is not used at present.

The maximum remaining maturity of hedges of future transactions at the end of fiscal year 2023 was 30 months (previous year: 20 months). Reflecting the sensitivity analysis of currency risk, a hypothetical 10% increase/decrease in the value of commodity prices did not have any significant effect on earnings after tax.

Interest rate benchmark reform

The TRATON GROUP no longer had any financial instruments referencing USD LIBOR after June 30, 2023. Additionally, the responsible supervisory authority approved the reform of STIBOR. This means that the TRATON GROUP has completed the transition process for interest rate benchmarks as part of the reform of interest rate benchmarks.

37. Capital management

The TRATON GROUP's capital management ensures that the goals and strategies can be achieved in the interests of its shareholders, employees, and other stakeholders. In particular, management focuses on generating the minimum return on invested capital in the TRATON Operations business area that is required by the capital markets, which is determined via the return on investment (ROI), and on increasing the return on equity in the TRATON Financial Services segment.

Return on investment is calculated based on operating result after tax. In addition to operating result of the TRATON Operations business area, the calculation also includes operating result of the TRATON Holding, consolidation effects between the TRATON Operations business area and the TRATON Holding, and earnings effects from the purchase price allocation with regard to the TRATON Operations business area. An overall average tax rate of 30% is applied. Invested capital is calculated as total recognized operating assets (intangible assets, property, plant, and equipment, assets leased out, inventories, and receivables) less noninterest-bearing liabilities (trade payables and contract liabilities). Average invested capital is derived from the balance at the beginning and the end of the reporting period.

The return on equity in the TRATON Financial Services segment is calculated as the ratio of earnings before tax to average equity.

An additional goal is to satisfy the capital requirements of the banking regulator. To do so, a planning procedure integrated into internal reporting has been put in place, allowing the required equity to be continuously determined on the basis of actual and expected business performance. The external minimum capital requirements applicable to certain companies in the TRATON Financial Services segment were met.

The return on investment in the TRATON Operations business area as well as the return on equity in the Financial Services segment are shown in the following table:

€ million	2023	2022
TRATON Operations		
Operating result for ROI after tax	2,600	1,108
Annual average invested capital	17,528	16,595
Return on investment (ROI) (in %)	**14.8**	**6.7**
TRATON Financial Services		
Earnings before tax	171	80
Average equity	2,030	1,999
Return on equity before tax (in %)	**8.4**	**4.0**

38. Contingent liabilities and commitments

Accounting policies: contingent liabilities and commitments

If the criteria for recognizing a provision are not met, but the outflow of financial resources is not improbable, or if the provision amount cannot be measured reliably, such obligations are disclosed in the form of the note shown below. Contingent liabilities are only recognized as a provision once the obligations are more certain, i.e., the outflow of financial resources has become probable, and their amount can be reliably estimated.

CONTINGENT LIABILITIES AND COMMITMENTS

€ million	12/31/2023	12/31/2022
Liabilities under buyback guarantees	2,926	2,555
Contingent liabilities under guarantees	777	904
Other contingent liabilities	1,133	1,033
	4,835	**4,492**

Customer liabilities to financial services companies of the Volkswagen Group, to joint ventures and, to a small extent, to third parties are covered by standard industry buyback guarantees under which TRATON is obliged to buy back vehicles from the financial services company in the event of default. Liabilities under buyback guarantees at the end of the fiscal year amounted to €2,781 million (previous year: €2,534 million) owed to financing companies of the Volkswagen Group, €134 million (previous year: €0 million) owed to joint ventures, and €11 million (previous year: €21 million) owed to third parties. The maximum expenses from such obligations are shown under "Liabilities under buyback guarantees." However, experience shows that the majority of these guarantees expire without being drawn upon.

As of December 31, 2023, contingent liabilities under guarantees include financial guarantees of €742 million (previous year: €870 million). These are mostly default guarantees by Navistar in favor of banks.

The guarantees in favor of or for related party entities were insignificant at year-end.

Other contingent liabilities relate mainly to contingent liabilities for potential charges from tax risks, which exist primarily for Volkswagen Truck & Bus. For further information, refer to Note **"39. Litigation/legal proceedings."**

39. Litigation/legal proceedings

MAN and Scania/EU antitrust proceedings

After unannounced inspections at the premises of several European truck manufacturers including MAN and Scania in 2011, the European Commission initiated proceedings in 2014 for suspected violations of EU antitrust rules in the European truck sector. On July 19, 2016, the European Commission issued a settlement decision (the "Settlement Decision") against MAN and four other European truck manufacturers (excluding Scania) holding that collusive arrangements on pricing and gross price increases for medium- and heavy-duty trucks in the European Economic Area and the timing and the passing on of costs for the introduction of emission technologies for medium- and heavy-duty trucks required by Euro 3 to Euro 6 standards had lasted from January 17, 1997, to January 18, 2011 (for MAN: until September 20, 2010). While the other four truck manufacturers were fined, MAN was granted immunity from fines since it had acted as a key witness and informed the European Commission of the antitrust infringements in September 2010. Scania decided not to apply for leniency and not to settle this antitrust case and, by decision of the European Commission dated September 27, 2017 (the "Scania Decision"), received a fine in the amount of approximately €880.5 million. Scania appealed the Scania Decision to the General Court of the European Union and asked for full annulment. On February 2, 2022, the General Court rendered its judgment, whereby Scania's appeal was dismissed in its entirety and the amount of fines set by the European Commission upheld. On April 8, 2022, Scania appealed against the judgment of the General Court of the European Union from February 2, 2022, to the European Court of Justice. The €880.5 million fine plus interest from the EU antitrust proceedings was paid on April 12, 2022, to avoid additional interest penalties. On February 1, 2024, the European Court of Justice decided to dismiss Scania's appeal.

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

In 2023, MAN companies were for the first time held jointly and severally liable for alleged damages in two cases in Germany. The Regional Court of Berlin put aside expert reports from both the claimants and the defendants and estimated the damages freehand at up to 5% of the purchase price of the respective trucks. The defendant MAN companies have appealed both decisions. By contrast, most Regional Courts in Germany — to the extent they have not dismissed respective claims — have issued "orders for evidence to be taken" (*Beweisbeschlüsse*) so that an expert can clarify the question of whether any damages have been sustained and, if so, in what amount. While some experts retained by the courts have already delivered their expert opinions, the MAN companies involved have filed complaints as well as requests and supplemental questions, which are currently under review by the respective experts.

In addition to a series of dismissals of lawsuits — some of them already final — in various countries, individual courts in Spain have upheld a number of damages claims — either in part or in full. The defendant MAN companies have appealed all of the decisions (with one negligible exception) or will do so within the statutory period. While in a few cases, the respective court of appeal has already revoked the decision of the court of first instance, in other cases, the respective court of appeal has upheld the first instance ruling awarding damages — in full or in part. In June 2023, the Spanish Supreme Court confirmed a freehand estimate of damages by the respective Court of Appeals of 5% of the purchase price of the respective trucks for so-called "first wave claims." The MAN companies involved have filed complaints to the Spanish Constitutional Court against these rulings, which are currently pending.

Since such complaints have no suspensive effect and since the Supreme Court has rejected further requests for appeals in a number of cases, 36 Spanish judgments awarding damages have become final, while the defendant MAN companies will continue to appeal all decisions awarding damages. In Belgium, a judgment on the merits and a judgment awarding damages (on an equitable basis) have been issued against MAN. MAN companies have appealed both decisions. In the meantime, the respective plaintiffs have withdrawn both claims. In Portugal, the first instance court of Santarém held an MAN company liable and awarded damages in one case. The defendant MAN company has appealed this decision.

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

As of December 31, 2023, no provisions were recognized for the majority of these cases as it is not assumed as of the reporting date that there will be a final and unappealable court ruling awarding damages. Provisions in the amount of €89 million (previous year: €– million) were recognized for cases in which, as a result of a reassessment of the risks, a final and unappealable ruling under which MAN or Scania would have to pay damages is more likely than unlikely at present. No contingent liabilities were reported because these damages cannot currently be quantified. In particular, this applies to proceedings that are still in the early stages, including those in the early stages of expert appraisals.

VW Truck & Bus Ltda.

In the tax proceedings between Volkswagen Truck & Bus Indústria e Comércio de Veículos Ltda. (VW Truck & Bus Ltda.), formerly MAN Latin America Indústria e Comércio de Veículos Ltda. (MAN Latin America), and the Brazilian tax authorities, the Brazilian tax authorities took a different view of the tax implications of the acquisition structure chosen by MAN SE (now merged with TRATON SE) for the acquisition of VW Truck & Bus Ltda. in 2009. The tax proceedings have been divided into two auditing periods, covering the years 2009–2011 (Phase 1) and 2012–2014 (Phase 2). In December 2017, an adverse last instance judgment was rendered by the Brazilian Administrative Court (Phase 1), which was negative for VW Truck & Bus Ltda. VW Truck & Bus Ltda. appealed this judgment before a regular judicial court in 2018. This lawsuit was dismissed in 2019, and an appeal was filed against the dismissal. The appeal was then rejected in June 2023, and a petition for review was filed in July 2023. In the tax proceeding related to Phase 2, a partial success was achieved that partly reduced the penalties. An appeal against this decision was filed, which was rejected in September 2023, thus concluding the Administrative Court proceedings. As a result of a new law regarding the handling of casting vote decisions in September 2023, VW Truck & Bus Ltda. filed an objection to the determinations of Phases 1 and 2 in October 2023. Due to the potential range of penalties plus interest which could apply under Brazilian law, the estimated size of the risk in the event that the tax authorities are able to prevail overall with their view is uncertain. This could result in a risk of about BRL 3.4 billion (equivalent to €0.6 billion as of December 31, 2023) for the contested period from 2009 onward. This assessment is based on the accumulated accounts at the reporting date for the claimed tax liability including the potential penalty surcharges, as well as accumulated interest, but excluding any future interest and without discounting any cash flows. Several banks have issued bank guarantees for the benefit of VW Truck & Bus Ltda. as is customary in connection with such tax proceedings, which in turn are secured by TRATON SE.

Update on the MAN SE merger squeeze-out

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

Cash compensation in the amount of €70.68 per common and preferred share was paid out to MAN SE noncontrolling shareholders on September 3, 2021. This marked the conclusion of the MAN SE merger squeeze-out. The appropriateness of the cash compensation will be reviewed by a court-appointed auditor as part of the judicial award proceedings initiated by affected noncontrolling interest shareholders. TRATON submitted its response to the court at the end of June 2022. An oral hearing has not yet been scheduled.

40. Other financial obligations

€ million	Due 2024	Due 2025–2028	Due from 2029	2023 Total 12/31/2023	Due 2023	Due 2024–2027	Due from 2028	2022 Total 12/31/2022
Purchase order commitments for								
property, plant, and equipment	590	344	0	934	354	259	1	614
intangible assets	21	24	1	46	20	37	–	58
Obligations from								
irrevocable credit and lease commitments to customers	824	91	8	923	673	88	9	770
long-term rental and lease contracts	40	29	5	73	30	43	8	81
Miscellaneous financial obligations	66	240	0	306	101	267	2	370

In addition to the other financial obligations shown, there were long-term purchase obligations from battery procurement contracts between TRATON GROUP companies and Northvolt Group companies amounting to approximately €7,218 million (previous year: €2,504 million).

On December 15, 2021, the TRATON GROUP signed the contract to establish the Milence charging infrastructure joint venture together with Daimler Truck and the Volvo Group and undertook to invest a total amount of up to €167 million in this joint venture. In 2023, €39 million (previous year: €5 million) was paid into Milence's equity.

41. Related party disclosures

Accounting policies: related party disclosures

Related parties from the TRATON GROUP's perspective as of December 31, 2023, were:

- Volkswagen Finance Luxemburg
- Volkswagen AG and its subsidiaries, together with its significant investees outside the TRATON GROUP
- Porsche Automobil Holding SE, Stuttgart (Porsche Stuttgart), which has significant influence on the Volkswagen Group's operating policy decisions within the meaning of IAS 28 *Investments in Associates and Joint Ventures,* together with its affiliated companies and related parties
- The state of Lower Saxony and its related majority-owned interests
- Other individuals or entities that can be influenced by the TRATON GROUP or that can influence the TRATON GROUP, such as:
  - Members of TRATON SE's Executive and Supervisory Boards
  - Members of the Board of Management and Supervisory Board of Volkswagen Finance Luxemburg
  - Members of the Board of Management and Supervisory Board of Volkswagen AG
  - Associates and joint ventures
  - Unconsolidated subsidiaries

Some members of the Executive and Supervisory Boards of the TRATON GROUP are members of supervisory and executive boards or shareholders of other companies with which the TRATON GROUP has relations in the normal course of business.

On December 31, 2023, Volkswagen Finance Luxemburg, a wholly owned subsidiary of Volkswagen AG, held 89.72% (previous year: 89.72%) of TRATON SE's share capital. Additionally, Mr. Levin held 3,600 (previous year: 3,600) shares of TRATON SE on December 31, 2023.

The following tables present the amounts of supplies and services transacted, as well as outstanding receivables and obligations, between consolidated companies of the TRATON GROUP and its related parties, including Volkswagen AG. There were no significant transactions with Porsche Stuttgart, Volkswagen Finance Luxemburg, or the state of Lower Saxony in any of the reported periods presented.

RELATED PARTIES

	Sales and services rendered		Purchases and services received	
€ million	2023	2022	2023	2022
Volkswagen AG	23	5	273	186
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP	2,032	1,934	1,118	949
Unconsolidated subsidiaries	26	16	11	11
Associates and their majority-owned interests	226	175	239	254
Joint ventures and their majority-owned interests	95	13	44	49

€ million	Receivables from 12/31/2023	12/31/2022	Liabilities (including obligations) to 12/31/2023	12/31/2022
Volkswagen AG	10	11	971	1,904
Other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP[1]	813	624	9,575	5,216
Unconsolidated subsidiaries	41	60	46	40
Associates and their majority-owned interests	51	40	17	12
Joint ventures and their majority-owned interests[1]	3	5	123	162

1 The previous year was adjusted (liabilities (including obligations) to related parties).

Supplies and services rendered to other subsidiaries and investees of Volkswagen AG that are not part of the TRATON GROUP mainly relate to the sales financing business of MAN Truck & Bus, in which customer finance for vehicles is provided by Volkswagen Financial Services. Supplies and services received from other subsidiaries and investees of Volkswagen AG that are not part of the TRATON GROUP relate mainly to unfinished goods and products.

On July 12, 2023, companies of the TRATON GROUP and companies of the Volkswagen Group signed a framework agreement on the gradual acquisition of key aspects of the global MAN and VWTB financial services business. TRATON Financial Services AB, Södertälje, Sweden, paid €275 million into an account at VW Bank for the acquisition on July 19, 2023. The associated restricted cash amounted to €271 million as of December 31, 2023, and is reported as a receivable in other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP. Effective August 1, 2023, 50% of the shares in the joint venture MAN Financial Services (SA) (RF) (Pty) Ltd., Johannesburg, South Africa, were acquired. The purchase price for the joint venture amounted to €4 million. The acquisition increased sales and services rendered to joint ventures and their majority-owned interests. The other transfers in the remaining countries had not yet been completed as of the reporting date.

In October 2022, the TRATON GROUP entered into an agreement to sell 100% of its interest in Scania Finance Russia to companies of the Volkswagen Group. The transaction was completed on January, 17, 2023, after all regulatory approvals had been obtained. The sale price was €400 million. The bank balances of Scania Finance Russia amounting to €287 million in relation to a company of the Volkswagen Group recognized as of December 31, 2022, were disposed of. For further information, see Note **"8. Noncurrent assets and disposal groups held for sale."**

Liabilities to Volkswagen AG include loans granted by Volkswagen AG in the amount of €500 million (previous year: €1,720 million) resulting from a €4,000 million (previous year: €4,000 million) credit line. The credit facility is subject to market interest rates. Furthermore, an additional credit line of €297 million was drawn down from Volkswagen AG in 2023.

The sharp increase in liabilities (including obligations) to other subsidiaries and equity investments of Volkswagen AG that are not part of the TRATON GROUP is primarily attributable to long-term purchase obligations under battery procurement contracts between TRATON GROUP companies and Northvolt Group companies in the amount of €7,218 million (previous year: €2,504 million). The liabilities also relate to liabilities to Volkswagen Financial Services and a new credit line of €359 million from Volkswagen Group of America Finance. The loan of €500 million taken out with Volkswagen International Luxemburg in 2022 at standard market terms was repaid in full in January 2023.

The TRATON GROUP signed the agreement to establish the Milence charging infrastructure joint venture together with Daimler Truck and the Volvo Group on December 15, 2021. As a result, the TRATON GROUP made a capital contribution of €39 million (previous year: €5 million) as of December 31, 2023. The outstanding obligation as of year-end 2023 is €123 million (previous year: €162 million).

The sale of receivables to subsidiaries of Volkswagen AG that are not part of the TRATON GROUP amounted to €1,361 million (previous year: €1,251 million) in fiscal year 2023. This relates to the volume of receivables that were transferred and derecognized in each reporting period. Customer liabilities to Volkswagen Financial Services are covered by standard industry buyback guarantees, see Note **“38. Contingent liabilities and commitments.”**

The remuneration system for the Executive Board comprises fixed and variable components. The variable remuneration consists of a performance-related profit bonus with a one-year assessment period and a long-term incentive (LTI) in the form of a performance share plan with a forward-looking four-year term (share-based payment). For the members of the Executive Board who were already in office prior to December 16, 2020, the remuneration system for the Executive Board applies until their contract is renewed on the condition that the performance share plan continues to have a performance period of three years. The same applies to tranches of the performance share plan that were granted in fiscal years prior to the year beginning January 1, 2021.

Liabilities to the current members of the Executive Board and Supervisory Board comprise outstanding balances for the remuneration of the Supervisory Board, for the fair values of performance shares granted to members of the Executive Board, and for variable remuneration in the amount of €15 million (previous year: €7 million). The pension provisions for the members of the Executive Board in office amounted to €2 million (previous year: €2 million) as of December 31, 2023. As of December 31, 2023, a subsidiary of TRATON SE extended a secured loan at a standard market rate of interest to a member of TRATON SE’s Executive Board, which is described in Note **“43. Remuneration of the Executive Board and the Supervisory Board in accordance with section 314 of the HGB.”**

The following expenses were recognized in fiscal year 2023 for the benefits and remuneration granted to members of the Executive and Supervisory Boards of TRATON SE in the course of their activities as members of governing bodies.

€ million	2023	2022
Short-term benefits	15	11
Benefits based on performance shares	9	1
Post-employment benefits	2	3
Termination benefits	11	–
	38	**16**

The employee representatives on the Supervisory Board who are employed by TRATON SE or other TRATON GROUP companies also receive their regular salaries as specified in their employment contracts. If they are members of German works councils, this is based on the provisions of the *Betriebsverfassungsgesetz* (BetrVG — German Works Council Constitution Act).

Post-employment benefits relate to additions to pension provisions, expenses for defined contribution pension plans, and — depending on the social security system — contributions to the Swedish pension system for current members of the Executive Board.

The termination benefits relate to payments to Ms. Danielski and Mr. Osterloh in connection with their early departure from the Executive Board. No member of the Executive Board left TRATON SE in the previous year.

42. Benefits based on performance shares (share-based payment)

Accounting policies: share-based payment

The share-based payment for the Executive Board and senior management consists of performance shares. Share-based payment obligations are accounted for as cash-settled plans under IFRS 2 *Share-based Payment*. For these plans, obligations are measured at fair value during the term of the plan using a recognized option pricing model. The total remuneration expense to be recognized corresponds to the actual payout and is recognized over the vesting period.

The remuneration system for the Executive Board comprises fixed and variable components. The variable remuneration consists of a performance-related profit bonus with a one-year assessment period and a long-term incentive (LTI) in the form of a performance share plan with a forward-looking four-year performance period (share-based payment). For the members of the Executive Board who were already in office prior to December 16, 2020, the remuneration system for the Executive Board applies until their contract is renewed on the condition that the performance share plan continues to have a performance period of three years. The same applies to tranches of the performance share plans that were granted in fiscal years prior to the year beginning January 1, 2021.

At the beginning of fiscal year 2022, the group of beneficiaries offered a performance share plan was expanded to include members of the brand Executive Boards who are not members of the Executive Board of TRATON SE under stock corporation law and, in 2023, to include members of Navistar's management who are entitled to LTIs. The performance share plan for brand Executive Board members and members of Navistar's management largely works in the same way as the performance share plan that applies to the members of the Executive Board of TRATON SE. The performance period is four years for the brand Executive Board members and three or four years for the members of Navistar's management.

At the time the LTI is granted, the annual target amount under the LTI is converted into virtual performance shares on the basis of the initial reference price of TRATON SE shares. These performance shares are allocated to the individual beneficiary as a pure calculation value. At the end of the three- or four-year performance period, a final number of virtual performance shares is determined, based on the degree to which the earnings per share (EPS) performance criterion of the TRATON GROUP has been met. A cash settlement is made at the beginning of the fiscal year following the last fiscal year of the performance period; the issuance of shares of the Company is excluded. The payment amount corresponds to the number of specified performance shares multiplied by the closing reference price at the end of the three- or four-year performance period, plus a dividend equivalent for the relevant term. The payment amount under the performance share plan is limited to 200% of the target amount.

If the employment contract begins or ends during a year, the target amount is reduced pro rata temporis. At Navistar, the performance shares lapse without replacement or compensation if the employment relationship ends before the end of the performance period.

EXECUTIVE BOARD OF TRATON SE, BRAND EXECUTIVE BOARDS, AND MEMBERS OF NAVISTAR'S MANAGEMENT

€ million	2023	2022
Total expense for the period	33	7
Total carrying amount of the obligation	45	13
Intrinsic value of the liabilities	5	1
Fair value at the time the shares were granted	22	11
Number of performance shares granted	3,141,926	1,231,047
of which number of shares granted in the reporting period	2,031,474	582,441

The increase in the obligation and expenses compared with the prior-year figures is due to the expansion of the performance share plan offered to members of Navistar's management starting in 2023, the significantly positive performance of the TRATON share price, and additional performance share plans granted to members of the Executive Board who left in 2023 as part of their termination agreement.

Members of management and employees of the TRATON GROUP not covered by collective bargaining agreements (excluding Navistar)
Since fiscal year 2022, members of management and employees of the TRATON GROUP not covered by collective bargaining agreements have received a retrospective long-term bonus whose performance period covers the fiscal year and the three preceding fiscal years. The length of the performance period will be increased gradually starting in fiscal year 2022. It only covers the fiscal year in question for fiscal year 2022, two years for fiscal year 2023, three years for fiscal year 2024, and four years for the first time starting in fiscal year 2025. Payment depends on the TRATON GROUP's average EPS performance and TRATON's share price performance (including dividends) over the performance period, and is limited to 200% of the target amount.

The payment amount for all beneficiaries is determined by multiplying the target amount by the degree of EPS target achievement and the ratio between the closing reference price at the end of the period, plus a dividend equivalent, and the opening reference price.

As of December 31, 2023, the total carrying amount of the obligation, which corresponded to the intrinsic value of the liabilities, amounted to €24 million (previous year: €23 million). A total expense of €24 million (previous year: €24 million) was recognized for these awards in the reporting period.

43. Remuneration of the Executive Board and the Supervisory Board in accordance with section 314 of the HGB

The total remuneration granted to the members of the Executive Board amounted to €17 million (previous year: €15 million).

Under the performance share plan, the members of the Executive Board were awarded a total of 409,869 (previous year: 272,166) performance shares for fiscal year 2023, whose value at the award date amounted to €5 million (previous year: €5 million).

Outstanding advances in connection with the 2020–2022 tranche of the performance share plan amounted to €– million (previous year: €1 million) as of December 31, 2023. In fiscal year 2023, a total of €1 million (previous year: €– thousand) of the advances paid to the members of the Executive Board was offset against claims of the relevant Executive Board member against the Company. Alternatively, repayment was requested. In addition, a loan extended to a member of the Executive Board in 2021 was outstanding in the amount of €3 million (previous year: €3 million) as of December 31, 2023.

Former members of the Executive Board and their surviving dependents were paid €7 million (previous year: €– million) in fiscal year 2023. There were pension provisions of €12 million (previous year: €9 million) for this group of persons.

The total remuneration granted to the members of the Supervisory Board amounted to €2 million (previous year: €2 million).

44. Fees paid to the auditor of the consolidated financial statements

Of the total fees of €4 million (previous year: €3 million) charged in the year under review for the work performed by the auditor of the consolidated financial statements, EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft in Germany, €3 million (previous year: €3 million) related to audit services. These comprised the audits of TRATON SE's consolidated financial statements and of the annual financial statements of the German Group companies as well as intraperiod reviews of the interim financial statements of TRATON SE and the German Group companies. €1 million (previous year: €0 million) related to other assurance services.

45. German Corporate Governance Code

The Executive Board and Supervisory Board of TRATON SE issued their annual Declaration of Compliance in December 2023 in accordance with section 161 of the *Aktiengesetz* (AktG — German Stock Corporation Act), which is reproduced in the **Corporate Governance Statement** as a separate part of the Combined Management Report and published on TRATON SE's website at **https://ir.traton.com/corporate-governance**. Furthermore, TRATON has published a statement regarding departures by TRATON's corporate governance system from the Swedish Corporate Governance Code. This is also available at **https://ir.traton.com/corporate-governance**.

46. Events after December 31, 2023

In January 2024, the TRATON GROUP issued several bonds in euros, Swedish krona, and sterling with a total volume equivalent to €1,270 million under TRATON's €12,000 million EMTN program.

47. Members of the Executive Board and their appointments

Christian Levin
Lidingö, Sweden
Chairman of the Executive Board and Chief Executive Officer of TRATON SE
Chief Executive Officer of Scania

2 MAN Truck & Bus SE (Chairman)
4 Navistar International Corporation, USA
Scania Growth Capital AB, Sweden
Scania Growth Capital II AB, Sweden
TRATON Financial Services AB, Sweden (Chairman)
Volkswagen Truck & Bus Indústria e Comércio de Veículos Ltda., Brazil (Chairman)

Mathias Carlbaum
Hinsdale, USA
Member of the Executive Board of TRATON SE
Chief Executive Officer and President of Navistar

4 TRATON Financial Services AB, Sweden (since December 15, 2023)

Antonio Roberto Cortes
São Paulo-Indianópolis, Brazil
Member of the Executive Board of TRATON SE
Chief Executive Officer of Volkswagen Truck & Bus

3 Santa Joana Medical Group, Brazil
4 TRATON Financial Services AB, Sweden (since December 15, 2023)

Annette Danielski (until March 31, 2023)
Leinfelden-Echterdingen
Member of the Executive Board of TRATON SE,
responsible for Finance and Business Development

2 MAN Truck & Bus SE (until March 31, 2023)
Volkswagen Original Teile Logistik Beteiligungs-GmbH (until March 31, 2023)
4 Navistar International Corporation, USA (until March 31, 2023)
Scania AB, Sweden (Chairwoman) (until March 31, 2023)
Scania CV AB, Sweden (Chairwoman) (until March 31, 2023)
TRATON Financial Services AB, Sweden (Chairwoman) (until March 31, 2023)
TRATON Sweden AB, Sweden (until March 31, 2023)
TRATON Treasury AB, Sweden (Chairwoman) (until March 31, 2023)
Volkswagen Truck & Bus Indústria e Comércio de Veículos Ltda., Brazil
(until March 31, 2023)

Dr. Michael Jackstein (since April 1, 2023)
Braunschweig
Member of the Executive Board of TRATON SE,
responsible for Finance, Business Development, and Human Resources

2 MAN Truck & Bus SE
4 Navistar International Corporation, USA (since April 18, 2023)
Scania AB, Sweden (Chairman) (since May 4, 2023)
Scania CV AB, Sweden (Chairman) (since May 4, 2023)
TRATON Financial Services AB, Sweden (since December 15, 2023)
TRATON Sweden AB, Sweden (Chairman) (since April 24, 2023)
TRATON Treasury AB, Sweden (Chairman) (until December 14, 2023)
TRATON AB, Sweden (since December 14, 2023)
Volkswagen Middle East QFZ LLC
Volkswagen Truck & Bus Indústria e Comércio de Veículos Ltda., Brazil
(since May 2, 2023)

Catharina Modahl Nilsson (since April 1, 2023)
Stockholm, Sweden
Member of the Executive Board of TRATON SE,
responsible for Product Management in the TRATON GROUP

3 Chalmers University of Technology AB, Sweden
Knightec AB, Sweden
Modahlen Group AB, Sweden
Semcon AB, Sweden
4 TRATON AB, Sweden

Bernd Osterloh (until March 31, 2023)
Wolfsburg, Fallersleben
Member of the Executive Board of TRATON SE,
responsible for Human Resources

2 Volkswagen Group Services GmbH (until May 16, 2023)
4 Autostadt GmbH (until March 31, 2023)
VfL Wolfsburg-Fußball GmbH

Alexander Vlaskamp
Starnberg
Member of the Executive Board of TRATON SE
Chief Executive Officer of MAN

2 MAN Truck & Bus Deutschland GmbH (Chairman)
3 Sinotruk (Hong Kong) Ltd., China
Rheinmetall MAN Military Vehicles GmbH
4 TRATON Financial Services AB, Sweden

As of December 31, 2023
1 Membership of statutory German supervisory boards
2 Membership of statutory German supervisory boards,
Volkswagen AG Group appointments
3 Membership of comparable German or foreign governing bodies
4 Membership of comparable German or foreign governing bodies,
Volkswagen AG Group appointments

48. Members of the Supervisory Board and their appointments

Hans Dieter Pötsch
Wolfsburg
Chairman of the Executive Board of Porsche Automobil Holding SE and Chairman of the Supervisory Board of Volkswagen AG
Chairman of the Supervisory Board

1 Bertelsmann Management SE
Bertelsmann SE & Co. KGaA
Wolfsburg AG
2 AUDI AG
Dr. Ing. h.c. F. Porsche AG
Volkswagen AG (Chairman)
4 Autostadt GmbH
Porsche Austria Gesellschaft m.b.H., Austria (Chairman)
Porsche Holding Gesellschaft m.b.H., Austria (Chairman)
Porsche Retail GmbH, Austria (Chairman)
VfL Wolfsburg-Fußball GmbH (Deputy Chairman)

Michael Lyngsie*
Gnesta, Sweden
Chair of IF Metall (labor union in Sweden) at Scania
Deputy Chairman of the Supervisory Board

4 Scania AB, Sweden
Scania CV AB, Sweden

Ödgärd Andersson
Gothenburg, Sweden
Chairwoman of the Executive Board of Zenseact AB, Sweden

3 Sleep Cycle AB, Sweden (until May 8, 2023)

Torsten Bechstädt*
Helmstedt
Head of Supervisory Board matters of the Chair of the Group Works Council of Volkswagen AG

Mari Carlquist*
Södertälje, Sweden
Representative of PTK (Privattjänstemannakartellen, Confederation of Labor Unions in Sweden) at Scania

4 Scania AB, Sweden
Scania CV AB, Sweden
TRATON Financial Services AB, Sweden (since December 15, 2023)

Daniela Cavallo*
Wolfsburg
Chairwoman of the General and Group Works Councils of Volkswagen AG

1 Wolfsburg AG
2 PowerCo SE (Deputy Chairwoman)
Volkswagen AG
Volkswagen Financial Services AG (Deputy Chairwoman)
Volkswagen Group Services GmbH
3 Allianz für die Region GmbH (until May 31, 2023)
4 Autostadt GmbH (since April 1, 2023)
Brose Sitech Sp. z o.o.
Porsche Holding Gesellschaft m.b.H., Austria
Skoda Auto a.s., Czech Republic
SEAT, S.A., Spain
VfL Wolfsburg-Fußball GmbH

Dr. Manfred Döss
Wolfsburg
Member of the Executive Board of Porsche Automobil Holding SE and member of the Board of Management of Volkswagen AG

2 AUDI AG (Chairman)
3 Grizzlys Wolfsburg GmbH

Jürgen Kerner*
Frankfurt
Executive Board member of IG Metall

1 Airbus GmbH (previously Premium Aerotec GmbH)
Siemens AG
Siemens Energy AG
Thyssenkrupp AG (Deputy Chairman)
2 MAN Truck & Bus SE (Deputy Chairman)

Gunnar Kilian
Lehre
Member of the Board of Management of Volkswagen AG
Member of the Brand Board of Management of Volkswagen Passenger Cars

1 Wolfsburg AG
2 AUDI AG
MAN Energy Solutions SE (Chairman)
MAN Truck & Bus SE
PowerCo SE
Volkswagen Group Services GmbH (Chairman)
3 Allianz für die Region GmbH (until June 30, 2023)
4 Autostadt GmbH (Chairman)
FAW-Volkswagen Automotive Co., Ltd., China
Scania AB, Sweden
Scania CV AB, Sweden
VfL Wolfsburg-Fußball GmbH (since May 11, 2023)
Volkswagen Immobilien GmbH (Chairman)

Dr. Albert X. Kirchmann
Lindau, Bodolz
Chief Executive Advisor

2 MAN Truck & Bus SE
3 MCE Bank GmbH (until May 31, 2023)
Stremler AG (Deputy Chairman)

Dr. Julia Kuhn-Piëch
Salzburg, Austria
Real estate manager

2 AUDI AG
MAN Truck & Bus SE
4 Scania AB, Sweden
Scania CV AB, Sweden

Lisa Lorentzon*
Huddinge, Sweden
Chair of the Labor Unions for Graduate Employees at Scania

4 Scania AB, Sweden
Scania CV AB, Sweden
TRATON Financial Services AB, Sweden (since December 15, 2023)

Bo Luthin*
Södertälje, Sweden
Head of Occupational Health and Safety at Scania Södertälje and Coordinator for IF Metall (labor union in Sweden)

Nina Macpherson
Stocksund, Sweden
Member of the Board of Directors of Scania AB

3 M&K Industrials AB, Sweden (Deputy Member)
Netel Holding AB, Sweden
Scandinavian Enviro Systems AB, Sweden
4 Scania AB, Sweden
Scania CV AB, Sweden

Dr. Dr. Christian Porsche
Salzburg, Austria
Specialist in Neurology

2 MAN Truck & Bus SE
4 Scania AB, Sweden
Scania CV AB, Sweden

Dr. Wolf-Michael Schmid
Helmstedt
Businessman (Managing Director of the Schmid Group)

1 BRW AG (Chairman)

Karina Schnur*
Reichertshofen
Chairwoman of the SE Works Council and Chairwoman of the Group Works Council of TRATON SE
Chairwoman of the SE Works Council and the General and Group Works Council of MAN Truck & Bus SE
Chairwoman of the Works Council of MAN Truck & Bus SE, Munich

2 MAN Truck & Bus SE
Volkswagen AG (since July 11, 2023)
3 Rheinmetall MAN Military Vehicles GmbH

Josef Sedlmaier*
(since December 31, 2022)
Weichs
Chairman of the Works Council of TRATON SE

Markus Wansch*
Schwabach
Deputy Chairman of the Group Works Council of TRATON SE
and Chairman of the Works Council of MAN Truck & Bus SE, Nuremberg plant

2 MAN Truck & Bus SE

Frank Witter
Braunschweig
Former member of the Board of Management of Volkswagen AG

1 Deutsche Bank AG
3 CGI Inc., Canada
4 VfL Wolfsburg-Fußball GmbH (Chairman)

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* Elected by the workforce

As of December 31, 2023, or date of departure
1 Membership of statutory German supervisory boards
2 Membership of statutory German supervisory boards, Volkswagen AG Group appointments
3 Membership of comparable German or foreign governing bodies
4 Membership of comparable German or foreign governing bodies, Volkswagen AG Group appointments

49. Supervisory Board committees

(As of December 31, 2023)

Presiding Committee

Hans Dieter Pötsch (Chairman)
Michael Lyngsie (Deputy Chairman)
Daniela Cavallo (until March 20, 2023)
Jürgen Kerner
Gunnar Kilian
Dr. Dr. Christian Porsche
Karina Schnur (since March 21, 2023)

Audit Committee

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

Nomination Committee

Hans Dieter Pötsch
Gunnar Kilian
Dr. Dr. Christian Porsche

50. List of shareholdings

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2023

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2023	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
I. PARENT COMPANY							
TRATON SE, Munich							
II. SUBSIDIARIES							
A. Consolidated companies							
1. Germany							
KOSIGA GmbH & Co. KG, Pullach i. Isartal	EUR		94.00	38,584	497		2022
LOTS Germany GmbH, Koblenz	EUR		100.00	25	–	4)	2022
M A N Verwaltungs-Gesellschaft mbH, Munich	EUR		100.00	1,039	–	1)	2023
MAN Brand GmbH & Co. KG, Grünwald	EUR		100.00	25	40,146		2022
MAN GHH Immobilien GmbH, Oberhausen	EUR		100.00	44,668	–	1)	2023
MAN Grundstücksgesellschaft mbH & Co. Epsilon KG, Munich	EUR		100.00	665	50		2022
MAN Marken GmbH, Munich	EUR		100.00	27	–	1)	2023
MAN Service und Support GmbH, Munich	EUR		100.00	25	–	1)	2023
MAN Truck & Bus Deutschland GmbH, Munich	EUR		100.00	130,934	–	1)	2023
MAN Truck & Bus SE, Munich	EUR		100.00	573,491	–	1)	2023
MAN Zweite Beteiligungs GmbH, Munich	EUR		100.00	–	–		2022
Navistar Europe GmbH, Nuremberg	EUR		100.00	619	2		2022
Scania CV Deutschland Holding GmbH, Koblenz	EUR		100.00	66,295	–	1)	2023
SCANIA DEUTSCHLAND GmbH, Koblenz	EUR		100.00	36,625	–	1)	2023
Scania Finance Deutschland GmbH, Koblenz	EUR		100.00	62,913	–	1)	2023
SCANIA Real Estate Deutschland GmbH, Koblenz	EUR		100.00	15,183	–	1)	2023
Scania Versicherungsvermittlung GmbH, Koblenz	EUR		100.00	1,322	189		2022
SCANIA Vertrieb und Service GmbH, Koblenz	EUR		100.00	9,463	–	1)	2023
TARONA Verwaltung GmbH & Co. Alpha KG, Pullach i. Isartal	EUR		100.00	5,124	2,248		2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2023	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
TB Digital Services GmbH, Munich	EUR		100.00	25	–	1)	2023
TORINU Verwaltung GmbH & Co. Beta KG, Pullach i. Isartal	EUR		100.00	18,100	1,866		2022
2. Other countries							
AB Dure, Södertälje	SEK	11.0874	100.00	1,440	–	5)	2022
AB Folkvagn, Södertälje	SEK	11.0874	100.00	100	–	5)	2022
AB Scania-Vabis, Södertälje	SEK	11.0874	100.00	100	–	5)	2022
Ainax AB, Södertälje	SEK	11.0874	100.00	120	–	5)	2022
Bellwether Forest Products, LLC, Camden, South Carolina	USD	1.1077	100.00	–	–		2022
Bilmetro AB, Gävle	SEK	11.0874	100.00	628,874	124,486		2022
Bilmetro Lastbilar i Hudiksvall AB, Gävle	SEK	11.0874	100.00	29	–110		2022
Blue Diamond Parts LLC, Lisle, Illinois	USD	1.1077	100.00	42,403	30,698		2022
Centurion Truck & Bus (Pty) Ltd. t/a, Centurion	ZAR	20.4442	70.00	24,337	3,945		2022
Chicago International Trucks - Chicago, LLC, Chicago, Illinois	USD	1.1077	100.00	–5,793	–	5)	2022
Codema Comercial e Importadora Ltda., Guarulhos	BRL	5.3750	99.98	321,985	97,408		2022
Fastighetsaktiebolaget Flygmotorn, Södertälje	SEK	11.0874	100.00	18,719	65		2022
Fastighetsaktiebolaget Hjulnavet, Södertälje	SEK	11.0874	100.00	55,260	1,396		2022
Fastighetsaktiebolaget Vindbron, Södertälje	SEK	11.0874	100.00	44,146	1,106		2022
Fastighetsbolaget Bärgningsbilen 2 Örebro AB, Stockholm	SEK	11.0874	100.00	–	–		2022
Fastighetsbolaget Fluoret AB, Stockholm	SEK	11.0874	100.00	–	–		2022
Fastighetsbolaget Gilltuna Västerås AB, Stockholm	SEK	11.0874	100.00	–	–		2022
Ferruform AB, Luleå	SEK	11.0874	100.00	80,269	8,701		2022
Griffin Automotive Ltd., Road Town	TWD	33.9211	100.00	2,729,741	614,568		2022
Griffin Lux S.à r.l., Luxembourg	EUR		–	–	–	12)	2022
Harbour Assurance Company of Bermuda Ltd., Hamilton	USD	1.1077	100.00	8,366	2,487		2022
HTD I Oskarshamn AB, Oskarshamn	SEK	11.0874	100.00	571	–		2022
IC Bus LLC, Lisle, Illinois	USD	1.1077	100.00	986,193	66,842		2022
IC Bus of Oklahoma, LLC, Tulsa, Oklahoma	USD	1.1077	100.00	–	–	3)	2022

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2023

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2023	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
International DealCor Operations, Ltd., George Town	USD	1.1077	100.00	56,788	–		2022
International Engine Intellectual Property Company, LLC, Lisle, Illinois	USD	1.1077	100.00	503,030	1,091		2022
International of Mexico Holding Corporation LLC, Lisle, Illinois	USD	1.1077	100.00	720,329	–4,746		2022
International Parts Distribution S. de R.L. de C.V., Miguel Hidalgo	MXN	18.7689	100.00	398,411	326,287		2022
International Truck and Engine Corporation Cayman Islands Holding Company, Lisle, Illinois	USD	1.1077	100.00	–68,006	3,120		2022
International Truck and Engine Corporation U.S. Holding Company, LLC, Lisle, Illinois	USD	1.1077	100.00	92	–		2022
International Truck and Engine Overseas Corp., Lisle, Illinois	USD	1.1077	100.00	–10,124	–		2022
International Truck Intellectual Property Company, LLC, Lisle, Illinois	USD	1.1077	100.00	1,009,222	23,869		2022
International Truck Leasing Corp., Lisle, Illinois	USD	1.1077	100.00	5,687	937		2022
Italscania S.p.A., Trento	EUR		100.00	65,845	37,589		2022
Kai Tak Holding AB, Södertälje	SEK	11.0874	100.00	120	–	5)	2022
Laxå Specialvehicles AB, Laxå	SEK	11.0874	100.00	121,949	1,333		2022
LOTS Chile S.p.A., Santiago de Chile	CLP	977.9400	100.00	3,082,244	–731,211		2022
LOTS Group AB, Södertälje	SEK	11.0874	100.00	447,602	–8,397		2022
LOTS Latin América Logística de Transportes Ltda., São Bernardo do Campo	BRL	5.3750	100.00	155,918	–5,578		2022
Lots Logistics (Guangxi) Co. Ltd., Beihai	CNY	7.8700	100.00	4,780	–	5)	2022
LOTS Peru S.A., Lima	PEN	4.0905	100.00	–	–	4)	2022
LOTS SPV USA LLC, Wilmington, Delaware	USD	1.1077	70.00	11,548	–534		2022
LOTS Ventures Canada Inc., Vancouver, British Columbia	CAD	1.4681	80.00	6,660	–1,656		2022
LOTS Ventures USA Inc., Wilmington, Delaware	USD	1.1077	100.00	8,084	–		2022
Mälardalens Tekniska Gymnasium AB, Södertälje	SEK	11.0874	80.00	28,622	1,586		2022
MAN Automotive (South Africa) (Pty) Ltd., Johannesburg	ZAR	20.4442	100.00	1,072,157	80,329		2022
MAN Bus Sp. z o.o., Starachowice	PLN	4.3409	100.00	986,498	97,941		2022
MAN Components s.r.o., Bánovce nad Bebravou	EUR		100.00	11,782	1,954		2022
MAN Engines & Components Inc., Pompano Beach, Florida	USD	1.1077	100.00	113,906	10,050		2022
MAN Finance and Holding S.A., Strassen	EUR		100.00	1,689,321	133,325		2022
MAN Hellas Truck & Bus A.E., Aspropygros	EUR		100.00	1,874	2		2022

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2023

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2023	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
MAN Kamion és Busz Kereskedelmi Kft., Dunaharaszti	HUF	382.3900	100.00	6,919,490	238,677		2022
MAN Kamyon ve Otobüs Ticaret A.S., Ankara	TRY	32.7438	100.00	706,553	118,464		2022
MAN Nutzfahrzeuge Immobilien GmbH, Vienna	EUR		100.00	32,828	3,181		2022
MAN Shared Services Center Sp. z o.o., Poznan	PLN	4.3409	100.00	15,589	1,759		2022
MAN Truck & Bus (Korea) Ltd., Yongin	KRW	1,440.7150	100.00	17,275,566	5,193,413		2022
MAN Truck & Bus (M) Sdn. Bhd., Rawang	MYR	5.0899	100.00	54,244	–1,930		2022
MAN Truck & Bus Czech Republic s.r.o., Cestlice	CZK	24.7180	100.00	1,428,630	191,024		2022
MAN Truck & Bus Danmark A/S, Greve	DKK	7.4530	100.00	155,666	14,268		2022
MAN Truck & Bus France S.A.S., Evry	EUR		100.00	89,528	3,767		2022
MAN Truck & Bus Iberia S.A., Coslada	EUR		100.00	130,659	12,620		2022
MAN Truck & Bus Italia S.p.A., Dossobuono di Villafranca	EUR		100.00	36,091	4,177		2022
MAN Truck & Bus Middle East FZE, Dubai	AED	4.0683	100.00	52,859	1,298		2022
MAN Truck & Bus N.V., Kobbegem	EUR		100.00	31,449	3,163		2022
MAN Truck & Bus Norge A/S, Lorenskog	NOK	11.2408	100.00	160,183	27,631		2022
MAN Truck & Bus Polska Sp. z o.o., Nadarzyn	PLN	4.3409	100.00	113,444	54,412		2022
MAN Truck & Bus Portugal S.U. Lda., Lisbon	EUR		100.00	9,265	4,150		2022
MAN Truck & Bus Schweiz AG, Otelfingen	CHF	0.9264	100.00	31,761	2,377		2022
MAN Truck & Bus Slovakia s.r.o., Bratislava	EUR		100.00	13,993	3,155		2022
MAN Truck & Bus Slovenija d.o.o., Ljubljana	EUR		100.00	14,565	851		2022
MAN Truck & Bus Trading (China) Co., Ltd., Beijing	CNY	7.8700	100.00	67,330	–4,595		2022
MAN Truck & Bus UK Ltd., Swindon	GBP	0.8691	100.00	121,972	11,100		2022
MAN Truck & Bus Vertrieb Österreich GmbH, Vienna	EUR		100.00	264,985	12,630		2022
MAN Trucks Sp. z o.o., Niepolomice	PLN	4.3409	100.00	1,468,188	158,856		2022
MAN Türkiye A.S., Ankara	TRY	32.7438	99.99	2,256,419	650,349		2022
Metrobus AB, Gävle	SEK	11.0874	100.00	1,089	661		2022
MW-Hallen Restaurang AB, Södertälje	SEK	11.0874	100.00	1,987	–6		2022
N.W.S. S.r.l., in liquidation, Trento	EUR		52.50	21	–3	2)	2022
Navistar (Shanghai) Trading Co., Ltd., Shanghai	CNY	7.8700	100.00	25,613	976		2022

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2023

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2023	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Navistar Aftermarket Products, Inc., Lisle, Illinois	USD	1.1077	100.00	38,776	7,591		2022
Navistar Auspac Pty. Ltd., Tullamarine	AUD	1.6292	100.00	1,759	26		2022
Navistar Big Bore Diesels, LLC, Huntsville, Alabama	USD	1.1077	100.00	–59,016	–15,162		2022
Navistar Canada, ULC, Hannon, Ontario	CAD	1.4681	100.00	137,736	325,549		2022
Navistar Comercial S.A. de C.V., Miguel Hidalgo	MXN	18.7689	100.00	307,728	33,541		2022
Navistar Diesel of Alabama, LLC, Lisle, Illinois	USD	1.1077	100.00	90,056	–84		2022
Navistar Financial Corporation, Lisle, Illinois	USD	1.1077	100.00	191,436	20,505		2022
Navistar Financial Dealer Note Master Owner Trust II, Wilmington, Delaware	USD	1.1077	–	–	–	12)	2022
Navistar Financial Securities Corp., Lisle, Illinois	USD	1.1077	100.00	67,596	8,182		2022
Navistar Financial Services North America Holding LLC, Herndon, Virginia	USD	1.1077	100.00	1,420	147		2022
Navistar Financial, S.A. de C.V. SOFOM E.R., Miguel Hidalgo	MXN	18.7689	100.00	5,838,094	889,110		2022
Navistar Global Operations Corp., Lisle, Illinois	USD	1.1077	100.00	–	–		2022
Navistar Hong Kong Holding Company Ltd., Hong Kong	HKD	8.6529	100.00	4,110	–123		2022
Navistar International B.V., Amsterdam	USD	1.1077	100.00	605,428	–3,985		2022
Navistar International Corporation, Lisle, Illinois	USD	1.1077	100.00	3,310,843	–23,053		2022
Navistar International Employee Leasing Company, Lisle, Illinois	USD	1.1077	100.00	10,443	3,945		2022
Navistar International Mexico, S. de R.L. de C.V., Escobedo	MXN	18.7689	100.00	5,284,371	1,855,895		2022
Navistar International Pvt. Ltd., Pune	INR	92.1170	100.00	146,323	3,272	3)	2022
Navistar International Southern Africa (Pty) Ltd., Johannesburg	ZAR	20.4442	100.00	–59,385	–13,299		2022
Navistar International Truck Mexico, S. de R.L. de C.V., Miguel Hidalgo	MXN	18.7689	100.00	5,064,500	1,851,502		2022
Navistar Leasing Company, Lisle, Illinois	USD	1.1077	–	–	–	12)	2022
Navistar Leasing Services Corp., Lisle, Illinois	USD	1.1077	100.00	39,971	3,811		2022
Navistar Mexico, S. de R.L. de C.V., Mexico City	MXN	18.7689	100.00	4,666,244	1,518,562		2022
Navistar San Antonio Manufacturing LLC, Lisle, Illinois	USD	1.1077	100.00	–89,813	–63,611		2022
Navistar, Inc., Lisle, Illinois	USD	1.1077	100.00	–7,006,733	284,018		2022
NC2 Global LLC, Lisle, Illinois	USD	1.1077	100.00	140,081	2,323		2022
NC2 Luxembourg S.a.r.l., Luxembourg	USD	1.1077	100.00	–122,364	–5,140	3)	2022
Norsk Scania AS, Oslo	NOK	11.2408	100.00	305,051	555,614		2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2023	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Norsk Scania Eiendom AS, Oslo	NOK	11.2408	100.00	130,664	9,223		2022
OCC Technologies, LLC, Lisle, Illinois	USD	1.1077	100.00	15,174	–6,916		2022
OOO Scania Peter, St. Petersburg	RUB	99.9661	100.00	311,827	44,918		2022
Parts and Service Ventures, Inc., Lisle, Illinois	USD	1.1077	100.00	1,720	–4		2022
Power Vehicle Co. Ltd., Bangkok	THB	37.9886	49.00	26,964	25,321		2022
PT Scania Parts Indonesia, Balikpapan	IDR	17,055.2550	100.00	1,319	–5,995		2022
Reliable Vehicles Ltd., Milton Keynes	GBP	0.8691	100.00	2,500	–	5)	2022
Revra AB, Örebro	SEK	11.0874	100.00	–	–		2022
Sågverket 6 AB, Södertälje	SEK	11.0874	100.00	122	–244		2022
Scan Siam Service Co. Ltd., Bangkok	THB	37.9886	49.00	89,368	39,953		2022
Scanexpo International S.A., Montevideo	USD	1.1077	100.00	3,072	75		2022
Scania (Hong Kong) Ltd., Hong Kong	HKD	8.6529	100.00	45,709	4,630		2022
Scania (Malaysia) Sdn. Bhd., Shah Alam	MYR	5.0899	100.00	57,628	7,947		2022
Scania AB, Södertälje	SEK	11.0874	100.00	25,070,257	9,500,161		2022
Scania Administradora de Consórcios Ltda., Cotia	BRL	5.3750	99.99	157,650	72,859		2022
Scania Argentina S.A., Buenos Aires	USD	1.1077	100.00	51,300,070	5,893,215		2022
Scania Australia Pty. Ltd., Melbourne	AUD	1.6292	100.00	80,790	22,030	9)	2022
Scania Banco S.A., São Bernardo do Campo	BRL	5.3750	100.00	768,112	89,799	9)	2022
Scania Belgium N.V., Neder-Over-Heembeek	EUR		100.00	3,884	11,882		2022
Scania BH d.o.o., Sarajevo	BAM	1.9558	100.00	3,709	700		2022
Scania Botswana (Pty) Ltd., Gaborone	BWP	14.8486	100.00	16,312	7,204		2022
Scania Bulgaria EOOD, Sofia	BGN	1.9559	100.00	14,673	11,659		2022
Scania Bus & Coach UK Ltd., Milton Keynes	GBP	0.8691	100.00	–	–	5)	2022
Scania Bus Financing AB, Södertälje	SEK	11.0874	100.00	100	–		2022
Scania Central Asia LLP, Almaty	KZT	506.0100	100.00	890,212	–5,886		2022
Scania Chile S.A., Santiago de Chile	CLP	977.9400	100.00	34,618,661	10,475,113		2022
Scania Colombia S.A.S., Bogotá	COP	4,291.2300	100.00	180,346,329	45,777,621		2022
Scania Comercial, S.A. de C.V., Querétaro	MXN	18.7689	100.00	435,745	20,271		2022

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2023

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2023	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Scania Commercial Vehicles India Pvt. Ltd., Bangalore	INR	92.1170	100.00	–2,249,245	–202,456		2022
Scania Commercial Vehicles Renting S.A., San Fernando de Henares	EUR		100.00	42,267	2,881		2022
Scania Commerciale S.p.A., Trento	EUR		100.00	12,517	2,203		2022
Scania Corretora de Seguros Ltda., São Bernardo do Campo	BRL	5.3750	100.00	–	–		2022
Scania Credit (Malaysia) Sdn. Bhd., Shah Alam	MYR	5.0899	100.00	4,995	–6,162		2022
Scania Credit AB, Södertälje	EUR		100.00	1,714	304		2022
Scania Credit Argentina S.A.U., Buenos Aires	ARS	894.9939	100.00	202,182	72,838		2022
Scania Credit Hrvatska d.o.o., Lucko (Zagreb)	EUR		100.00	4,077	205		2022
Scania Credit Romania IFN S.A., Ciorogârla	RON	4.9759	100.00	57,787	6,472		2022
Scania Credit Singapore Pte. Ltd., Singapore	SGD	1.4612	100.00	255	83		2022
Scania Credit Solutions (T) Ltd., Dar es Salaam	TZS	2,788.0800	100.00	4,260,912	–394,098		2022
Scania Credit Solutions Pty Ltd., Aeroton	ZAR	20.4442	100.00	21,825	4,107		2022
Scania Credit Taiwan Ltd., New Taipei City	TWD	33.9211	100.00	12,726	5,089		2022
Scania Crna Gora d.o.o., Danilovgrad	EUR		100.00	37	–99		2022
Scania CV AB, Södertälje	SEK	11.0874	100.00	42,545,102	3,239,074		2022
Scania Czech Republic s.r.o., Prague	CZK	24.7180	100.00	942,953	649,602		2022
Scania Danmark A/S, Ishöj	DKK	7.4530	100.00	396,778	180,080		2022
Scania Danmark Ejendom ApS, Ishöj	DKK	7.4530	100.00	110,473	3,467		2022
Scania del Perú S.A., Lima	PEN	4.0905	100.00	71,333	30,267		2022
Scania Delivery Center AB, Södertälje	SEK	11.0874	100.00	191,685	39,127		2022
Scania East Africa Ltd., Nairobi	KES	173.9050	100.00	–825,094	–415,558		2021
Scania Eesti AS, Tallinn	EUR		100.00	12,370	4,108		2022
Scania Finance Australia Pty. Ltd., Melbourne	AUD	1.6292	100.00	28,067	3,175		2022
Scania Finance Belgium N.V., Neder-Over-Heembeek	EUR		100.00	20,187	1,747		2022
Scania Finance Bulgaria EOOD, Sofia	BGN	1.9559	100.00	22,650	4,154	8)	2022
Scania Finance Chile S.A., Santiago de Chile	CLP	977.9400	100.00	23,157,768	12,787,946	8)	2022
Scania Finance Colombia S.A.S., Bogotá	COP	4,291.2300	100.00	4,111,090	–1,455,765		2022
Scania Finance Czech Republic spol. s r.o., Prague	CZK	24.7180	100.00	894,790	21,068		2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2023	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Scania Finance France S.A.S., Angers	EUR		100.00	63,752	2,474		2022
Scania Finance Great Britain Ltd., London	GBP	0.8691	100.00	138,725	22,776		2022
Scania Finance Hispania EFC S.A., San Fernando de Henares	EUR		100.00	50,293	1,526		2022
Scania Finance Ireland Ltd., Dublin	EUR		100.00	15,595	2,671		2022
Scania Finance Italy S.p.A., Milan	EUR		100.00	68,255	7,461		2022
Scania Finance Korea Ltd., Chung-Ang	KRW	1,440.7150	100.00	63,616,862	5,434,611		2022
Scania Finance Luxembourg S.A., Munsbach	EUR		100.00	5,570	156		2022
Scania Finance Magyarország Zrt., Biatorbágy	HUF	382.3900	100.00	3,176,575	181,030		2022
Scania Finance Maroc S.A., Casablanca	MAD	10.9521	100.00	–	–	4) 6)	2023
Scania Finance Mexico, S.A. de C.V. SOFOM, E.N.R., El Marqués	MXN	18.7689	100.00	36,742	11,751		2022
Scania Finance Nederland B.V., Breda	EUR		100.00	50,018	5,646	8)	2022
Scania Finance New Zealand Ltd., Auckland	NZD	1.7529	100.00	5,967	328		2022
Scania Finance Polska Sp. z o.o., Nadarzyn	PLN	4.3409	100.00	271,149	35,198		2022
Scania Finance Schweiz AG, Kloten	CHF	0.9264	100.00	8,717	–45		2022
Scania Finance Slovak Republic s.r.o., Senec	EUR		100.00	13,781	748		2022
Scania Finance Southern Africa (Pty) Ltd., Aeroton	ZAR	20.4442	100.00	910,451	164,026		2022
Scania Financial Leasing (China) Co., Ltd., Shanghai	CNY	7.8700	100.00	150,379	–6,102		2022
Scania Finans AB, Södertälje	SEK	11.0874	100.00	2,461,402	705,457		2022
Scania France S.A.S., Angers	EUR		100.00	96,343	51,771		2022
Scania Great Britain Ltd., Milton Keynes	GBP	0.8691	100.00	169,627	108,030		2022
Scania Griffin Sales & Services AB, Södertälje	SEK	11.0874	100.00	100	–	5)	2022
Scania Group (Thailand) Co., Ltd., Bangkok	THB	37.9886	100.00	32,394	–		2022
Scania Growth Capital AB, Södertälje	SEK	11.0874	90.10	399,925	15,145		2022
Scania Growth Capital II AB, Södertälje	SEK	11.0874	90.10	280,269	244	4)	2022
Scania Hispania S.A., San Fernando de Henares	EUR		100.00	33,608	25,404	11)	2022
Scania Holding France S.A.S., Angers	EUR		100.00	109,173	50,224		2022
Scania Holding Inc., Columbus, Indiana	USD	1.1077	100.00	632	–989		2022
Scania Hrvatska d.o.o., Lucko (Zagreb)	EUR		100.00	7,414	1,954		2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2023	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Scania Hungaria Kft., Biatorbágy	HUF	382.3900	100.00	4,826,678	3,524,821		2022
Scania Industrial Maintenance AB, Södertälje	SEK	11.0874	100.00	27,277	4,183		2022
Scania Insurance Nederland B.V., Middelharnis	EUR		100.00	–	–	9)	2022
Scania Insurance Polska Sp. z o.o., Nadarzyn	PLN	4.3409	100.00	3,788	3,704		2022
Scania Investimentos Imobiliários S.A., Vialonga	EUR		100.00	693	–29		2022
Scania IT AB, Södertälje	SEK	11.0874	100.00	117,162	–		2022
Scania IT France S.A.S., Angers	EUR		100.00	298	207		2022
Scania IT Nederland B.V., Zwolle	EUR		100.00	1,022	173		2022
Scania Japan Ltd., Tokyo	JPY	156.7900	100.00	–433,436	75,173		2022
Scania Korea Group Ltd., Seoul	KRW	1,440.7150	100.00	93,037,926	65,390,279		2022
Scania Latin America Ltda., São Bernardo do Campo	BRL	5.3750	100.00	4,748,288	2,183,182		2022
Scania Latvia SIA, Riga	EUR		100.00	13,347	4,416		2022
Scania Leasing BH d.o.o., Sarajevo	BAM	1.9558	100.00	322	–461	4)	2022
Scania Leasing d.o.o., Ljubljana	EUR		100.00	8,211	618		2022
Scania Leasing Ltd., Dublin	EUR		100.00	0	–	5)	2022
Scania Leasing Österreich GmbH, Brunn am Gebirge	EUR		100.00	15,814	1,866		2022
Scania Leasing RS d.o.o., Krnješevci	RSD	117.1850	100.00	177,915	30,745		2022
Scania Lízing Kft., Biatorbágy	HUF	382.3900	100.00	277,492	–134,300		2022
Scania Locacao Ltda., São Bernardo do Campo	BRL	5.3750	100.00	471	–29	4)	2022
Scania Location S.A.S., Angers	EUR		100.00	–	–		2022
Scania Logistics Netherlands B.V., Zwolle	EUR		100.00	6,011	2,093		2022
Scania Luxembourg S.A., Munsbach	EUR		100.00	–	841		2019
Scania Makedonija d.o.o.e.l., Ilinden	MKD	61.6200	100.00	16,088	4,084		2022
Scania Manufacturing (Thailand) Co., Ltd., Bangkok	THB	37.9886	100.00	105,289	–		2022
Scania Maroc S.A., Casablanca	MAD	10.9521	100.00	176,960	49,822		2022
Scania Middle East FZE, Dubai	AED	4.0683	100.00	24,446	13,559		2022
Scania Milano S.p.A., Lainate	EUR		100.00	9,396	2,041		2022
Scania Moçambique, S.A., Beira	MZN	70.7650	100.00	–4,500	–7,109		2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2023	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Scania Namibia (Pty) Ltd., Windhoek	NAD	20.5401	100.00	31,785	10,137		2022
Scania Nederland B.V., Breda	EUR		100.00	74,888	29,871		2022
Scania New Zealand Ltd., Wellington	NZD	1.7529	100.00	34,668	4,738		2022
Scania Omni AB, Södertälje	SEK	11.0874	100.00	2,400	–	5)	2022
Scania Österreich Ges.m.b.H., Brunn am Gebirge	EUR		100.00	42,653	23,435		2022
Scania Österreich Holding GmbH, Brunn am Gebirge	EUR		100.00	18,579	–6		2022
Scania Overseas AB, Södertälje	SEK	11.0874	100.00	71,635	4		2022
Scania Polska S.A., Nadarzyn	PLN	4.3409	100.00	383,594	281,088		2022
Scania Portugal, Unipessoal Lda., Santa Iria de Azóia	EUR		100.00	15,111	7,733		2022
Scania Production (China) Co., Ltd., Rugao	CNY	7.8700	100.00	738,841	–63,454		2022
Scania Production Angers S.A.S., Angers	EUR		100.00	29,656	4,363		2022
Scania Production Meppel B.V., Meppel	EUR		100.00	28,680	3,162		2022
Scania Production Słupsk S.A., Słupsk	PLN	4.3409	100.00	49,563	6,238		2022
Scania Production Zwolle B.V., Zwolle	EUR		100.00	820	245		2022
Scania Properties Ltd., Milton Keynes	GBP	0.8691	100.00	501	–	5)	2022
Scania Real Estate (UK) Ltd., Milton Keynes	GBP	0.8691	100.00	9,067	1,011		2022
Scania Real Estate Belgium N.V., Neder-Over-Heembeek	EUR		100.00	4,496	500		2022
Scania Real Estate Bulgaria EOOD, Sofia	BGN	1.9559	100.00	167	201		2022
Scania Real Estate Czech Republic s.r.o., Prague	CZK	24.7180	100.00	104,497	6,189		2022
Scania Real Estate Finland Oy, Helsinki	EUR		100.00	18,370	51		2022
Scania Real Estate France S.A.S., Angers	EUR		100.00	5,139	319		2022
Scania Real Estate Hispania S.L., San Fernando de Henares	EUR		100.00	1,605	231		2022
Scania Real Estate Holding Luxembourg S.àr.l., Munsbach	EUR		100.00	5,736	826		2022
Scania Real Estate Holding Oy, Helsinki	EUR		100.00	5,574	80		2022
Scania Real Estate Hong Kong Ltd., Hong Kong	HKD	8.6529	100.00	46	–	5)	2022
Scania Real Estate Hungaria Kft., Biatorbágy	HUF	382.3900	100.00	956,591	55,890		2022
Scania Real Estate Kenya Ltd., Nairobi	KES	173.9050	100.00	183,783	–11,579		2020
Scania Real Estate Lund AB, Södertälje	SEK	11.0874	100.00	104	2		2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2023	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Scania Real Estate New Zealand Limited, Auckland	NZD	1.7529	100.00	–	–	4) 6)	2023
Scania Real Estate Österreich GmbH, Brunn am Gebirge	EUR		100.00	8,937	1,160		2022
Scania Real Estate Polska Sp. z o.o., Nadarzyn	PLN	4.3409	100.00	81,126	7,940		2022
Scania Real Estate Romania S.R.L., Ciorogârla	RON	4.9759	100.00	8,625	1,106		2022
Scania Real Estate Schweiz AG, Kloten	CHF	0.9264	100.00	3,463	1,902		2022
Scania Real Estate Services AB, Södertälje	SEK	11.0874	100.00	1,183,432	249,736		2022
Scania Real Estate Slovakia s.r.o., Senec	EUR		100.00	4,220	353		2022
Scania Real Estate The Netherlands B.V., Breda	EUR		100.00	8,370	1,205		2022
Scania Rent Romania S.R.L., Ciorogârla	RON	4.9759	100.00	21,508	7,522		2022
Scania Romania S.R.L., Ciorogârla	RON	4.9759	100.00	62,141	39,270		2022
Scania Sales (China) Co., Ltd., Beijing	CNY	7.8700	100.00	121,434	–80,937		2022
Scania Sales and Service (Guangzhou) Co., Ltd., Guangzhou	CNY	7.8700	100.00	–42,444	–15,660		2022
Scania Sales and Services AB, Södertälje	SEK	11.0874	100.00	18,224,201	3,342,101		2022
Scania Schweiz AG, Kloten	CHF	0.9264	100.00	32,578	29,317		2022
Scania Senegal S.U.A.R.L., Dakar	XOF	655.9570	100.00	–63,214	–27,304		2022
Scania Services del Perú S.A., Lima	PEN	4.0905	100.00	61,512	25,699		2022
Scania Servicii Asigurari S.R.L., Ciorogârla	RON	4.9759	100.00	2,385	–73		2022
Scania Servicios, S.A. de C.V., El Marqués	MXN	18.7689	100.00	110	–9		2022
Scania Siam Co. Ltd., Bangkok	THB	37.9886	99.99	482,352	19,188		2022
Scania Siam Leasing Co. Ltd., Bangkok	THB	37.9886	100.00	412,016	64,431		2022
Scania Singapore Pte. Ltd., Singapore	SGD	1.4612	100.00	5,920	3,158		2022
Scania Slovakia s.r.o., Senec	EUR		100.00	13,382	5,869		2022
Scania Slovenija d.o.o., Ljubljana	EUR		100.00	9,363	4,292		2022
Scania South Africa (Pty) Ltd., Aeroton	ZAR	20.4442	100.00	900,040	364,509		2022
Scania Srbija d.o.o., Krnješevci	RSD	117.1850	100.00	602,266	249,124		2022
Scania Sumistradora de Flota Tres SpA, Santiago de Chile	CLP	977.9400	100.00	–	–	6) 9)	2023
Scania Sumistradora de Flota Uno SpA, Santiago de Chile	CLP	977.9400	100.00	–	–	6) 9)	2023
Scania Suomi Oy, Helsinki	EUR		100.00	37,498	23,588		2022

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2023

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2023	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Scania Sverige AB, Södertälje	SEK	11.0874	100.00	546,330	12,754		2022
Scania Sverige Bussar AB, Södertälje	SEK	11.0874	100.00	42,966	–	5)	2022
Scania Tanzania Ltd., Dar es Salaam	TZS	2,788.0800	100.00	14,990,000	809,537		2022
Scania Thailand Co. Ltd., Bangkok	THB	37.9886	99.99	118,948	21,933		2022
Scania Transportlaboratorium AB, Södertälje	SEK	11.0874	100.00	3,224	–31		2022
Scania Treasury AB, Södertälje	SEK	11.0874	100.00	78,082,414	–946,747		2022
Scania Trucks & Buses AB, Södertälje	SEK	11.0874	100.00	80,721	732		2022
Scania USA Inc., San Antonio, Texas	USD	1.1077	100.00	15,133	3,963		2022
Scania West Africa Ltd., Accra	GHS	13.2537	100.00	–9,381	–5,925		2022
Scania-Kringlan AB, Södertälje	SEK	11.0874	100.00	6,000	–	5)	2022
Scania-Vabis 118 AB, Värnamo	SEK	11.0874	100.00	5,106	3,127		2022
Scanlink Ltd., Milton Keynes	GBP	0.8691	100.00	1,956	–	5)	2022
Scanrent - Alguer de Viaturas sem Condutor, S.A., Santa Iria de Azóia	EUR		100.00	14,095	1,496		2022
Scantruck Ltd., Milton Keynes	GBP	0.8691	100.00	1,671	–	5)	2022
SLA Treasury Spain S.L., Barcelona	BRL	5.3750	100.00	9,829,025	–144,164		2022
Södertälje Bilkredit AB, Södertälje	SEK	11.0874	100.00	100	–	5)	2022
SOE Busproduction Finland Oy, Lahti	EUR		100.00	9,490	1,032		2022
Southway Scania Ltd., Milton Keynes	GBP	0.8691	100.00	1,170	–	5)	2022
SST Sustainable Transport Solutions India Pvt. Ltd., Nagpur	INR	92.1170	99.99	25,327	–420		2022
Stop 134 AB, Stockholm	SEK	11.0874	100.00	–	–		2022
Tachy Experts S.A.S., Angers	EUR		100.00	229	77		2022
TFS Brasil Holding Ltda., São Paulo	BRL	5.3750	100.00	–	–	6)	2023
TOV Donbas-Scan-Service, Makiivka	UAH	42.1157	100.00	11,673	571		2022
TOV Kyiv-Scan, Kyiv	UAH	42.1157	100.00	12,600	54		2022
TOV MAN Truck & Bus Ukraine, Kyiv	UAH	42.1157	100.00	414,688	94,802		2022
TOV Scania Credit Ukraine, Kyiv	UAH	42.1157	100.00	298,502	61,532		2022
TOV Scania Ukraine, Kyiv	UAH	42.1157	100.00	278,884	91,378		2022
TOV Scania-Lviv, Lviv	UAH	42.1157	100.00	32,769	13		2022

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2023

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2023	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Transproteccion Agente de Seguros S.A. de C.V., Miguel Hidalgo	MXN	18.7689	100.00	77,507	27,068		2022
TRATON AB, Södertälje	SEK	11.0874	100.00	12,693	–2,638		2022
TRATON Finance & Services AS, Tallinn	EUR		100.00	–	–	4)	2022
TRATON Finance Luxembourg S.A., Strassen	EUR		100.00	49,020	4,296		2022
TRATON Financial Services Aktiebolag, Södertälje	SEK	11.0874	100.00	494,485	133,607		2022
TRATON International S.A., Strassen	EUR		100.00	16,433,487	368,913		2022
TRATON Sweden AB, Södertälje	EUR		100.00	11,163,097	292,694		2022
TRATON Treasury AB, Södertälje	SEK	11.0874	100.00	500	–	4)	2022
TRATON US, LLC, Pompano Beach, Florida	EUR		100.00	1,404,091	70,012		2022
UAB Scania Lietuva, Vilnius	EUR		100.00	16,036	4,913		2022
Union Trucks Ltd., Milton Keynes	GBP	0.8691	100.00	573	–	5)	2022
Uppsala Danmark-Säby 8:1 AB, Gävle	SEK	11.0874	100.00	1,034	872		2022
UTP Holdings, LLC, Lisle, Illinois	USD	1.1077	100.00	–	–	3)	2022
Vabis Bilverkstad AB, Södertälje	SEK	11.0874	100.00	101	–	5)	2022
Vabis Försäkringsaktiebolag, Södertälje	SEK	11.0874	100.00	197,049	–981	3) 11)	2022
Vindbron Arendal AB, Södertälje	SEK	11.0874	100.00	13,463	108		2022
Vita Gjuteriets Fastighetsbolag AB, Stockholm	SEK	11.0874	100.00	–	–		2022
Volkswagen Truck & Bus Indústria e Comércio de Veículos Ltda., São Paulo	BRL	5.3750	100.00	2,420,720	1,391,758		2022
Volkswagen Truck & Bus México S.A. de C.V., El Marqués	MXN	18.7689	100.00	381,294	–352,406		2022
Westrucks Ltd., Milton Keynes	GBP	0.8691	100.00	336	–	5)	2022
Workhorse International Holding Company, Lisle, Illinois	USD	1.1077	100.00	–1,132	–86		2022
B. Unconsolidated companies							
1. Germany							
LoadFox GmbH, in liquidation, Munich	EUR		100.00	3,221	151	2)	2022
LoadFox Transport Solutions GmbH, Munich	EUR		100.00	296	–	1)	2023
MAN Brand Management GmbH, Grünwald	EUR		100.00	25	–	1)	2023
MAN Grundstücksgesellschaft mbH & Co. Gamma KG, Munich	EUR		100.00	1,307	37		2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2023	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
MAN HR Services GmbH, Munich	EUR		100.00	766	–	1)	2023
MAN Personal Services GmbH, Dachau	EUR		100.00	25	–	1)	2023
MAN-Unterstützungskasse GmbH, Munich	EUR		100.00	363	34		2022
Ortan Verwaltung GmbH & Co. Objekt Karlsfeld KG, Pullach i. Isartal	EUR		100.00	1,470	580		2022
TRATON Beteiligungsverwaltungs GmbH, Munich	EUR		100.00	25	–	1)	2023
TRATON Dritte Beteiligungs GmbH, Munich	EUR		100.00	23	2		2022
Unterstützungseinrichtung VGW GmbH, Munich	EUR		100.00	183	28		2022
2. Other countries							
Banco Volkswagen Truck & Bus S.A., São Paulo	BRL	5.3750	100.00	–	–	4) 6)	2023
ERF (Holdings) plc, Swindon	GBP	0.8691	100.00	757	–	5)	2022
ERF Ltd., Swindon	GBP	0.8691	100.00	–	–	5)	2022
HRVS Group Ltd., Belper	GBP	0.8691	100.00	–	–	5)	2022
HRVS Rentals Ltd., in liquidation, Belper	GBP	0.8691	100.00	–	–	2) 5)	2022
Lauken S.A., in liquidation, Montevideo	UYU	43.2390	100.00	–	–	2) 5)	2022
MAN Bus & Coach (Pty) Ltd., in liquidation, Olifantsfontein	ZAR	20.4442	100.00	–	–	2) 5)	2022
MAN Financial Services Administrators (S.A.) (Pty) Ltd., in liquidation, Isando	ZAR	20.4442	100.00	0	–	2) 5)	2022
MAN Financial Services Polska Sp.z o.o, Wolica	PLN	4.3409	100.00	–	–	4) 7)	2023
MAN Financial Services UK Limited, Swindon	GBP	0.8691	100.00	–	–	4) 6)	2023
MAN Truck & Bus (S.A.) (Pty) Ltd., in liquidation, Isando	GBP	0.8691	100.00	–	–	2) 5)	2022
MAN Truck & Bus Asia Pacific Co. Ltd., Bangkok	THB	37.9886	99.99	155,319	12,213		2022
MAN Truck & Bus India Pvt. Ltd., Pune	INR	92.1170	99.99	3,462,300	133,050		2022
MAN Truck and Bus Hong Kong Ltd., Hong Kong	HKD	8.6529	100.00	17,143	3,556		2022
OOO MAN Truck & Bus Production RUS, St. Petersburg	RUB	99.9661	100.00	609,680	208,902		2022
OOO Truck Production RUS, St. Petersburg	RUB	99.9661	100.00	157,952	–18,681		2022
Re-MAN Parts Ltd., in liquidation, Belper	GBP	0.8691	100.00	–	–	2) 5)	2022
Rio Soluções Digitais Ltda., São Paulo	BRL	5.3750	100.00	10	–		2022
S.A. Trucks Ltd., in liquidation, Bristol	GBP	0.8691	100.00	–	–	2) 5)	2022

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2023	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
Scanexpo S.A., in liquidation, Montevideo	UYU	43.2390	100.00	–	–	2) 5)	2022
Scania China Holding AB, Södertälje	SEK	11.0874	100.00	–	–	7)	2023
Scania DCS AB, Södertälje	SEK	11.0874	100.00	–	–	4) 7)	2023
Scania de Venezuela S.A., Valencia	VES	39.7505	100.00	–5,892,535	–7,243,176		2022
Scania Finance Israel Ltd., in liquidation, Tel Aviv	ILS	3.9951	100.00	1,000	–	2)	2021
Scania Invest AB, Södertälje	SEK	11.0874	100.00	–	–	4) 6)	2023
Scania Power Polska Sp. z o.o., in liquidation, Warsaw	PLN	4.3409	100.00	–413	–32	2)	2022
Scania-MAN Administration ApS, Copenhagen	DKK	7.4530	100.00	310	21		2022
TRATON Charging Solutions AB, Södertälje	EUR		100.00	1,212	73		2022
Volkswagen Caminhões e Ônibus Comércio e Serviços Ltda., Limeira	BRL	5.3750	100.00	16,760	–394		2022
III. JOINT VENTURES							
A. Equity-accounted companies							
1. Germany							
2. Other countries							
Commercial Vehicle Charging Europe B.V, Amsterdam	EUR		33.33	10,521	4,479	4)	2022
Cummins-Scania XPI Manufacturing, LLC, Columbus, Indiana	USD	1.1077	50.00	157,951	6,916		2022
MAN Financial Services (SA) (RF) (Pty) Ltd., Johannesburg	ZAR	20.4442	50.00	271,132	67,508	7) 10)	2022
Oppland Tungbilservice A/S, Fagernes	NOK	11.2408	50.00	5,701	1,449		2022
Tynset Diesel A/S, Tynset	NOK	11.2408	50.00	5,519	1,117		2022
B. Companies accounted for at cost							
1. Germany							
HINO & TRATON Global Procurement GmbH, Munich	EUR		51.00	486	161	2)	2022
2. Other countries							
AMEXCI AB, Karlskoga	SEK	11.0874	11.86	161,503	–26,889		2022

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2023

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2023	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
IV. ASSOCIATES							
A. Equity-accounted associates							
1. Germany							
Rheinmetall MAN Military Vehicles GmbH, Munich	EUR		49.00	68,934	7,225		2022
Scantinel Photonics GmbH, Ulm	EUR		47.14	2,586	–4,970		2022
sennder Technologies GmbH, Berlin	EUR		13.69	184,088	–77,545		2022
Telematics Solutions GmbH, Berlin	EUR		46.73	2,266	47		2022
2. Other countries							
BITS DATA i Södertälje AB, Södertälje	SEK	11.0874	33.00	18,771	3,759		2022
ScaValencia, S.A., Ribarroja del Turia	EUR		26.00	13,787	1,730		2022
Sinotruk (Hong Kong) Ltd., Hong Kong	CNY	7.8700	25.00	42,968,577	2,050,740	8) 10)	2022
UZ Truck and Bus Motors, LLC, Samarkand	UZS	13,667.6550	32.89	315,323,032	16,943,998		2021
B. Associates accounted for at cost							
1. Germany							
bex technologies GmbH, Stuttgart	EUR		32.55	–	–		2022
Juna Technologies GmbH, Berlin	EUR		49.00	–	–	4) 7)	2023
2. Other countries							
Corebon AB, Arlöv	SEK	11.0787	24.20	56,569	–58,027		2021
Innokraft AB, Sundsvall	SEK	11.0787	46.00	4,483	–		2020
Magnum Power Products, LLC, Franklin, Indiana	USD	1.0677	30.00	31,185	–5		2021
Maudlin International Parts and Services of Palm Bay, LLC, Lisle, Illinois	USD	1.0677	49.00	139	–329		2021
Newstream Enterprises, LLC, Springfield, Missouri	USD	1.0677	49.00	6,769	3,208		2021
Parcelly Limited, London	GBP	0.8868	33.40	–	–	7)	2022
Roboyo Group Limited, Stockholm	SEK	11.0787	15.83	26,292	3,981		2020
SIB Solutions AB, Lund	SEK	11.0787	20.70	–	–	7)	2022
Södertälje Science Park AB, Södertälje	SEK	11.0787	25.00	2,496	273		2021

LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2023

Name and domicile of the company	Currency	Exchange rate (1 euro =) 12/31/2023	Equity interest (in %)	Equity in thousands Local currency	Result in thousands Local currency	Footnote	Year
V. EQUITY INVESTMENTS							
1. Germany							
Car2Car Communication Consortium GbR, Braunschweig	EUR		7.40	521	122		2022
Cycle Mobility Holding GmbH, Berlin	EUR		17.65	–	–	7)	2023
FFK Fahrzeugservice Förtsch GmbH Kronach, Kronach	EUR		30.00	1,597	–139		2022
Grundstücksgesellschaft Schlossplatz 1 mbH & Co. KG, Berlin	EUR		8.16	1,052	844		2022
Roland Holding GmbH, Munich	EUR		22.83	3,719	1		2022
Verwaltungsgesellschaft Wasseralfingen mbH, Aalen	EUR		50.00	14,147	–290		2022
vialytics GmbH, Stuttgart	EUR		15.69	–3,348	–3,156		2022
2. Other countries							
Car IQ Inc., Oakland, California	USD	1.0677	0.20	–	–	4)	2022
Combient AB, Stockholm	SEK	11.0787	4.65	42,449	–2,520		2022
H2GS AB, Stockholm	SEK		2.02	3,333,997	–175,627	8)	2022
Lindholmen Science Park Aktiebolag, Gothenburg	SEK	11.0787	8.98	–	–	7)	2023
Maghreb Truck Industry S.p.A., Sidi M'Hamed	DZD	146.4838	10.00	130,943	879		2022
Northvolt AB, Stockholm	SEK	11.0787	0.94	37,030,987	–928,715		2022
OneH2, Inc., Hickory, North Carolina	USD	1.0677	5.13	57,542	809		2022
Shenzhen Haylion Technologies Co. Ltd., Shenzhen	CNY	7.3661	2.00	72,456	–13,760		2022
TuSimple Holdings Inc., San Diego, California	USD	1.0677	7.41	954,481	–1,610		2022

1 Profit and loss transfer agreement
2 In liquidation
3 Different fiscal year
4 Short fiscal year
5 Currently not trading
6 Newly established company/spin-off
7 Newly acquired company
8 Consolidated financial statements
9 Figures included in the consolidated financial statements of the parent company
10 Figures in accordance with IFRSs
11 Matter within the meaning of section 1 of the *Umwandlungsgesetz* (UmwG — German Transformation Act)
12 Structured company in accordance with IFRS 10 and IFRS 12

FURTHER INFORMATION

4

FURTHER INFORMATION

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Combined Management Report includes a fair review of the development and performance of the business and the position of the TRATON GROUP, together with a description of the material opportunities and risks associated with the expected development of the TRATON GROUP.

Munich, February 12, 2024

TRATON SE

The Executive Board

Christian Levin	Dr. Michael Jackstein	Mathias Carlbaum
Antonio Roberto Cortes	Catharina Modahl Nilsson	Alexander Vlaskamp

Independent Auditor's Report

To TRATON SE

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of TRATON SE, Munich, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from January 1 to December 31, 2023 and the consolidated balance sheet as at December 31, 2023, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of TRATON SE, which is combined with the Company's management report ("group management report"), for the fiscal year from January 1 to December 31, 2023. In accordance with the German legal requirements, we have not audited the content of the parts of the group management report specified in the appendix to the auditor's report and the company information stated therein that is provided outside of the annual report and is referenced in the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2023, and of its financial performance for the fiscal year from January 1 to December 31, 2023, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. We do not express an opinion on the content of the parts of the group management report listed in the appendix to the auditor's report.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Recoverability of goodwill

Reasons why the matter was determined to be a key audit matter

The result of the impairment testing of goodwill is highly dependent on the executive directors' estimate of future cash flows and which discount rates they use. The recoverable amount of the cash-generating units is calculated on the basis of their value in use, applying discounted cash flow models.

The ongoing transformation of the core business toward electromobility and digitalization as well as growing environmental regulation lead to uncertainties that have to be factored into the estimation of market shares and margins for electric vehicles and the long-term growth rates. Growth expectations of the executive directors are subject to risk and may be revised in response to changes in environmental regulation and market conditions.

In view of the foregoing, the materiality of goodwill in relation to total assets, the complexity of its valuation and the judgment exercised during valuation, the impairment testing of goodwill was a key audit matter.

Auditor's response

As part of our audit procedures, we discussed with management and assessed the identification of cash-generating units and the allocation of assets and liabilities to the respective cash-generating units on the basis of the internal reporting structure. We analyzed the planning process established in the TRATON GROUP and tested the operating effectiveness of the controls implemented in each process. We assessed the underlying valuation models for the determination of values in use calculated using the discounted cash flow model in terms of methodology and reperformed the calculations with the assistance of internal valuation specialists. We discussed the operative planning prepared by the executive directors in connection with the development of sales markets, production costs, margins and growth rates applied with the employees responsible for planning and compared it with external information, particularly with market studies. In doing so, we considered in particular the effects of possible shortages in the supply of important bought-in components, inflation expectations and increases in the cost of materials and personnel expenses. Furthermore, we discussed and assessed the planning assumptions regarding the effects of climate change and the associated expansion of e-mobility, particularly the existing uncertainties related to the estimation of market shares for electric vehicles and margins as well as long-term growth rates used for the planning. We assessed the derivation of the capitalization rates, in particular by evaluating the composition of the peer groups used to determine the beta factors and comparing the country-specific parameters used by the TRATON GROUP on the current development of interest rates and market risk premiums. We assessed the sensitivity analyses performed by the Company and performed our own in order to estimate any impairment risk associated with a reasonably possible change in one of the significant assumptions.

Our audit procedures did not lead to any reservations relating to the assessment of impairment testing of goodwill.

Reference to related disclosures

The Company's disclosures regarding the relevant accounting principles for the recognition and measurement of goodwill are contained in sections "5. Estimates and management's judgment" and "16. Goodwill and impairment losses on assets" of the notes to the consolidated financial statements.

Capitalization and recoverability of development costs

Reasons why the matter was determined to be a key audit matter

Key criteria for capitalizing development costs are the ability to implement the development projects (including their technical feasibility, the intention to complete them and the ability to use them) as well as the realization of an expected future economic benefit. The complexity of research and development projects is mounting in view of the technological transformation of the TRATON GROUP and the resulting new development areas (including high investments in electromobility and autonomous driving). Assessments of project feasibility are playing an ever greater role in this connection and entail the use of considerable judgment.

Where capitalized development costs are not yet subject to amortization, they must be tested for impairment as part of the related cash-generating unit at least annually at the level of the brands defined as cash-generating units. The assumption of realizing future economic benefits and the result of testing the recoverability of capitalized development costs during the analyses and impairment tests performed are highly dependent on the executive directors' estimate of future cash flows and which discount rates they use. The recoverable amount of the cash-generating units is calculated on the basis of their value in use, applying discounted cash flow models.

The ongoing transformation of the core business toward electromobility and digitalization as well as growing environmental regulation lead to uncertainties that have to be factored into the estimation of market shares and margins for electric vehicles and the long-term growth rates. Growth expectations of the executive directors are subject to risk and may be revised in response to changes in environmental regulation and market conditions.

In light of the foregoing, the materiality of the capitalized development costs in relation to total assets, the total amount of research and development costs and the judgment exercised in the valuation process, the capitalization of development costs and the impairment test were a key audit matter.

Auditor's response

During our audit, we examined the process for identifying the research and development costs, particularly with reference to the criteria for capitalization. In this connection, we carried out analytical audit procedures such as comparisons of project budgets and capitalization rates, inspected documentation on project feasibility and tested the capitalized costs on a sample basis. We also assessed the future economic benefit criterion for capitalization based on the assumptions regarding the cash inflows of the cash-generating unit to which the capitalized development work is allocated. We also obtained an understanding of the executive directors' estimate regarding changes in the useful lives applied and indicators for changes in value of individual projects.

Moreover, we involved valuation specialists to assess among other things the methodology used to determine the relevant cash-generating units and perform the impairment tests in light of the provisions of IAS 36. We also checked the arithmetical accuracy of the valuation models used.

We analyzed the planning process established in the TRATON GROUP and tested the operating effectiveness of the controls implemented therein. As a starting point, we compared the five-year operational plan of the TRATON GROUP and of the cash-generating units prepared by the executive directors and acknowledged by the Supervisory Board with the forecast figures in the underlying impairment tests. We discussed the key planning assumptions with the executive directors and compared them with past earnings and cash inflows to assess the planning accuracy. We based plausibility testing of the inputs for the impairment tests among other things on a comparison with general and industry-specific market expectations underlying the expected cash inflows. We also investigated the expectations regarding the development of market shares for battery electric vehicles, the effects on the planned investments and their indirect effects on the long-term cash inflows expected by the executive directors. With respect to the rollforward from the medium-term plan to the long-term forecast, we assessed the plausibility of the assumed growth rates by comparing them with observable data. To assess the discount rates and growth rates applied, we analyzed the inputs used to determine them on the basis of publicly available information and obtained an understanding of the methods used with regard to the relevant requirements of IAS 36.

We also assessed the sensitivity analyses performed by the executive directors and performed our own sensitivity analyses in order to estimate any potential impairment risk associated with a reasonably possible change in one of the significant assumptions used in the valuation.

Our procedures did not lead to any reservations relating to the recognition and recoverability of the capitalized development costs.

Reference to related disclosures

The Company's disclosures regarding the relevant accounting principles for the recognition and measurement of development costs are contained in sections "5. Estimates and management's judgment" and "17. Intangible assets" of the notes to the consolidated financial statements.

Completeness and measurement of provisions for warranty obligations

Reasons why the matter was determined to be a key audit matter

Obligations for warranty claims are calculated on the basis of estimated warranty costs and ex gratia arrangements. Where unusual individual technical risks are anticipated, an individual assessment is made whether and, if so, to what extent measures are required to remediate them and provisions need to be recognized. In light of the amount of the provisions and the judgment exercised during valuation, the completeness and measurement of provisions for warranty obligations was a key audit matter.

Auditor's response

With regard to the accounting for the provisions for warranty obligations, we examined the underlying processes for recording previous claims, calculating and valuing the estimated future warranty costs and recognizing the provisions, and tested controls in some areas.

In light of the uncertainty in relation to the estimated future warranty costs, we assessed the underlying valuation assumptions, especially the expected claim rate per vehicle and the cost thereof, using analyses of historical data. Where there was a lack of past experience, we obtained an understanding of the assumptions made by the executive directors and tested their plausibility using historical data for comparable items. Using the calculation bases derived from these historical data, we checked the estimated costs for expected claims per vehicle. To assess the completeness of the provisions, we also reconciled the number of sold vehicles used to recognize the provision with the sales volumes. We obtained an understanding of the method used for calculating the provisions, including the discounting, and reperformed the calculations.

For significant individual technical risks, we assessed the expected incidence of technical faults and the calculation of expected costs per claim/vehicle using documentation on previous claims, inspecting resolutions passed by technical committees and holding discussions with the departments responsible.

Our audit procedures did not lead to any reservations relating to the completeness and valuation of provisions for warranty obligations.

Reference to related disclosures

The Company's disclosures regarding the recognition and measurement of provisions for warranty obligations are contained in section "33. Other provisions" of the notes to the consolidated financial statements.

Accounting treatment of risks in connection with the EU antitrust proceedings

Reasons why the matter was determined to be a key audit matter

In 2011, the European Commission initiated fine proceedings on suspicion of breaches of European antitrust law in the European truck sector. By decision dated 19 July 2016, the fine proceedings against MAN and four other European truck manufacturers (with the exception of Scania) were concluded in a final and unappealable settlement. While the other four truck manufacturers were fined, MAN's fine was waived under the leniency program. Scania was fined approximately EUR 880.5m in a decision by the European Commission on 27 September 2017. The fine was paid in full fiscal year 2022.

Following the fine decision, a large number of (direct and indirect) customers in various jurisdictions initiated or joined lawsuits against MAN and/or Scania. The claims differ significantly in scope. 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.

As part of our audit, we determined this to be a key audit matter because the risk assessment and the amount of the provision to cover the aforementioned risks from civil proceedings are subject to a high level of uncertainty and are influenced by estimates and assumptions made by the executive directors with regard to the outcome of the proceedings.

Auditor's response

As part of our audit procedures, we obtained an understanding of the process installed by the Group to deal with the facts of the civil lawsuits. We discussed with the executive directors and the Company's legal department the estimates and assumptions made by the executive directors and the Company's internal lawyers in connection with the current development and the reasons underlying these estimates and assumptions, and assessed them with the involvement of internal experts for antitrust law from various countries.

We also discussed the development in the various countries arising from new judgments or additional claims with the executive directors and internal and external lawyers. In addition, we obtained quarterly confirmations from external lawyers and addressed the significant topics and developments in discussions with the external lawyers. The significant results of various economic reports (party reports, court reports) were also explained to us in this context. For the discussions with the Company and the external lawyers, we also consulted relevant publications in the specialist literature and other sources such as databases.

Where provisions were recognized for individual cases or in some countries, we reperformed the calculations and checked the underlying assumptions against the confirmations from external lawyers and the corresponding settlement agreements.

Our audit procedures did not lead to any reservations relating to the accounting treatment of the provision for civil law risks from EU antitrust proceedings.

Reference to related disclosures

The Company's disclosures regarding the relevant accounting principles for the recognition and measurement of development costs are contained in sections "33. Other provisions" and "39. Litigation/legal proceedings" of the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board in the 2023 Annual Report. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the German Corporate Governance Code, which is part of the Corporate Governance Statement. In all other respects, the executive directors are responsible for the other information. The other information comprises the parts of the annual report listed in the appendix.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the group management report prepared for publication purposes in accordance with Sec. 317 (3a) HGB

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file TRATON_SE_KA_ZLB_ESEF-2023-12-31 and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from January 1 to December 31, 2023 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 1 June 2023. We were engaged by the Supervisory Board on 11 July 2023. We have been the group auditor of TRATON SE since fiscal year 2020.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed individually in the consolidated financial statements or in the group management report:

- Issuance of comfort letters for TRATON SE in connection with the EUR 12b European Medium Term Notes (EMTN) Program
- Audit of the remuneration report in accordance with Sec. 162 AktG
- Limited assurance engagement on the Nonfinancial Group Statement in accordance with Sec. 315b et seq. HGB
- Voluntary audits or reviews of annual financial statements

Other matter – Use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Unternehmensregister [German Company Register] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Heiko Hummel.

Appendix to the auditor's report:

1. Parts of the group management report whose content is unaudited

We have not audited the content of the following parts of the group management report:

- The Corporate Governance Statement contained in the section "Supplemental Information on Fiscal Year 2023" of the group management report
- The Nonfinancial Group Statement contained in the group management report

Furthermore, we have not audited the content of the following disclosures extraneous to management reports. Disclosures extraneous to management reports are such disclosures that are not required pursuant to Secs. 315, 315a HGB or Secs. 315b to 315d HGB.

- The section "Appropriateness and effectiveness of risk management" contained in the section "Report on Expected Developments, Opportunities, and Risks, 2. Report on opportunities and risks" of the group management report.

2. Further other information

The other information also comprises other parts to be included in the annual report, of which we obtained a copy prior to issuing this auditor's report, in particular the sections:

– Section 1 To Our Shareholders
– Section 4 Further Information

but not the consolidated financial statements, not the group management report disclosures whose content is audited and not our auditor's report thereon.

3. Company information outside of the annual report referenced in the group management report

The management report contains cross-references to webpages of the Group and the Group companies. We have not audited the content of the information to which these cross-references refer.

Munich, February 15, 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Meyer	Hummel
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Independent Auditor's Report on the Nonfinancial Statement

Independent auditor's report on a limited assurance engagement

To TRATON SE, Munich

We have performed a limited assurance engagement on the non-financial group statement included in the "Nonfinancial Group statement" section of the Combined Management Report of TRATON SE, Munich, (hereinafter the "Company"), as well as the "Business activities and organization" section of the Combined Management Report incorporated by reference, for the period from January, 1 2023 to December, 31 2023 (hereinafter the "non-financial Reporting").

Not subject to our assurance engagement are other references to disclosures made outside the non-financial Reporting as well as prior-year disclosures.

Responsibilities of the executive directors

The executive directors of the Company are responsible for the preparation of the non-financial Reporting in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB ["Handelsgesetzbuch": German Commercial Code] and Art. 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder as well as in accordance with their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as set out in section "EU Taxonomy Disclosures" of the non-financial Reporting.

These responsibilities of the Company's executive directors include the selection and application of appropriate methods for the preparation of the non-financial Reporting methods and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a non-financial Reporting that is free from material misstatement, whether due to fraud (manipulation of the non-financial Reporting) or error.

The EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section “EU Taxonomy Disclosures” of the non-financial Reporting. They are responsible for the defensibility of this interpretation. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and quality assurance of the auditor’s firm

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements - in particular the BS WP/vBP [“Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer”: Professional Charter for German Public Accountants/German Sworn Auditors]) in the exercise of their Profession and the IDW Standard on Quality Management issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QS 1) and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

Responsibilities of the auditor

Our responsibility is to express a conclusion with limited assurance on the non-financial Reporting based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company’s non-financial Reporting is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors disclosed in section “EU Taxonomy Disclosures” of the non-financial Reporting. Not subject to our assurance engagement are other references to disclosures made outside the non-financial Reporting, prior-year disclosures as well as the external sources of documentation or expert opinions mentioned in the non-financial Reporting, which are marked as unassured.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the auditor.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the sustainability organization and stakeholder engagement,
- Inquiries of relevant employees regarding the selection of topics for the non-financial Reporting, the impact and risk assessment and the policies of the Group for the topics identified as material,
- Inquiries of relevant employees involved in the preparation of the non-financial Reporting about the preparation process, about the internal controls related to this process as well as disclosures in the non-financial Reporting,
- Inspection of the relevant documentation of the systems and processes for collecting, aggregating and validating relevant data in the reporting period,
- Identification and assessment of risks of material misstatement in the non-financial Reporting,
- Analytical procedures on selected disclosures in the non-financial Reporting,
- Inquiries, inspection of sample documents and obtaining evidence relating to the collection and reporting of selected disclosures in the non-financial Reporting,

- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and in the Combined Management Report,
- Evaluation of the process to identify the economic activities taxonomy-eligible and taxonomy-aligned as well as the corresponding disclosures in the non-financial Reporting,
- Evaluation of the presentation of disclosures in the non-financial Reporting.

In determining the disclosures in accordance with Art. 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial Reporting of the Company for the period from January, 1 2023 to December, 31 2023 is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors as disclosed in section "EU-Taxonomy disclosures" of the non-financial Reporting.

We do not express an assurance conclusion on the other references to disclosures made outside the non-financial Reporting and prior-year disclosures.

Restriction of use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.

General Engagement Terms and Liability

The enclosed "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" as issued by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] on 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We accept no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the report to reflect events or circumstances arising after it was issued, unless required to do so by law. It is the sole responsibility of anyone taking note of the summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Stuttgart, 15 February 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Hinderer	Welz
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Remuneration Report

Section 162 of the *Aktiengesetz* (AktG — German Stock Corporation Act) requires the Executive Board and Supervisory Board of TRATON SE to prepare a clear, readily understandable report on the remuneration of members of the Executive Board and the Supervisory Board. In this report, we explain the principles of the remuneration system for the Executive Board and Supervisory Board. The Remuneration Report also presents the individual remuneration broken down by component for current and former members of the Executive Board and Supervisory Board of TRATON SE.

Executive Board remuneration

Business performance in the year under review

Despite the ongoing war in Ukraine, market and sales trends changed for the better in fiscal year 2023 and supply chains also stabilized. As a result, the TRATON GROUP was able to achieve its targets in fiscal year 2023. In particular, the TRATON GROUP's unit sales increased by 11% year-on-year to 338,183 units, although market developments varied from region to region. The TRATON GROUP generated sales revenue of €46.9 billion in fiscal year 2023, 16% higher than in the previous year. The substantial increase in sales revenue was primarily the result of higher unit sales of new vehicles, a positive market and product mix, better unit price realization, and growth in the Vehicle Services business. Sales revenue also grew substantially year-on-year in the TRATON Financial Services segment.

Principles of Executive Board remuneration

The remuneration of the members of the Executive Board is based on the revised remuneration system ("remuneration system") adopted by the Supervisory Board on December 16, 2021, and effective from January 1, 2022, which largely corresponds to the remuneration system already adopted on December 16, 2020, and effective from January 1, 2021, and approved by the Annual General Meeting on June 30, 2021. The Annual General Meeting approved the remuneration system on June 9, 2022, with 97.98% of the votes cast. The remuneration system implements the requirements of the AktG in the version as amended by ARUG II and takes account of the recommendations of the German Corporate Governance Code (the Code) as amended on April 28, 2022 (entered into force on June 27, 2022).

The remuneration system applies to all members of the Executive Board with new or extended employment contracts from the date of the 2022 Annual General Meeting. For the members of the Executive Board who were already in office prior to December 16, 2020, the remuneration system shall apply until their contract is renewed and with the proviso that the performance share plan will continue to have a performance period of three years. This applied to Mr. Levin and Mr. Cortes in fiscal year 2023. In fiscal year 2023, the Supervisory Board extended the appointment of Mr. Levin and Mr. Cortes, which was set to expire on January 17, 2024, for a further term of office in each case. As a result of this, a performance share plan with a four-year performance period also applies to Mr. Levin and Mr. Cortes with effect from fiscal year 2024.

The level of the Executive Board remuneration should be appropriate and attractive in the context of the Company's national and international peer group. Criteria include the tasks of the individual Executive Board member, their personal performance, the economic situation, and the performance of and outlook for the Company, as well as how customary the remuneration is when measured against the peer group. In this context, comparative studies on remuneration are conducted on a regular basis.

The Executive Board and Supervisory Board reported in detail on the remuneration of the Executive Board and Supervisory Board in fiscal year 2022 in the 2022 Remuneration Report. The Annual General Meeting approved the 2022 Remuneration Report on June 1, 2023, with 98.37% of the votes cast. Comments from investors were taken into consideration when preparing the Remuneration Report for fiscal year 2023. For example, an explanation of the composition of the peer group was added.

The following provides an overview of the remuneration system for the Executive Board that was applicable in fiscal year 2023 before discussing the remuneration components in the same reporting period.

Overview of the remuneration components

The following table provides an overview of the components of the remuneration system applicable to the members of the Executive Board for fiscal year 2023. It also provides an overview of the composition of the individual remuneration components and explains the targets, especially in respect of how the remuneration is intended to foster the Company's long-term development.

2023 EXECUTIVE BOARD REMUNERATION SYSTEM

Component	Composition	Target
Fixed remuneration components		
Base salary	Twelve equal installments payable at month-end	The base remuneration and fringe benefits are intended to reflect the tasks and responsibility of the Executive Board members, provide a basic income, and prevent them from taking inappropriate risks.
Fringe benefits	In particular: – Private use of the first company car; second and third company cars with fuel cards in return for payment of a monthly flat fee; private use of the driver pool to an appropriate extent – Allowance toward health and long-term care insurance and retirement provision – Accident insurance – Installation and private use of security measures – Medical check-up for managers – Inclusion in D&O and criminal legal expenses insurance – Benefits in the event of death – Possible payment of tax consulting costs Modified fringe benefits for Executive Board members who are also members of the Executive Board of a foreign subsidiary: – Executive Board members who are also members of the Executive Board of a foreign subsidiary do not currently receive their fringe benefits from TRATON SE but from the respective foreign subsidiary. – These Executive Board members are only entitled to modified fringe benefits from TRATON SE, i.e., they are included in the D&O and criminal legal expenses insurance, they are entitled to benefits in the event of death, and, under certain circumstances, to the payment of tax consulting costs.	
Occupational retirement provision	– Retirement, disability, and surviving dependents' benefits – In principle, upon reaching the age of 65 (earlier claims are possible) – Defined contribution system dependent on the performance of certain fund indices – Annual contribution of 40% of the contractually agreed base salary – Executive Board members who are also members of the Executive Board of a foreign subsidiary do not currently receive occupational retirement provision from TRATON SE but from the respective foreign subsidiary.	The occupational retirement provision is intended to provide Executive Board members with an adequate pension when they retire.

2023 EXECUTIVE BOARD REMUNERATION SYSTEM

Component	Composition	Target
Variable remuneration components		
Profit bonus	– Plan type: target bonus – Minimum payment amount: €0 – Cap: 180% of the target amount – Assessment period: profit bonus fiscal year (year for which the bonus is granted) – Performance criteria: o **Financial subtargets:** • **Operating return on sales (**50%) and **return on investment** (50%) o Operating return on sales is the ratio of operating result in the TRATON Operations business area (including Corporate Items) before tax and excluding adjustments to the corresponding sales revenue. o Return on investment is the ratio of operating result in the TRATON Operations business area (including Corporate Items) after tax (normalized tax rate of 30%) and excluding adjustments to the corresponding average invested capital. • The Supervisory Board defines threshold, target, and maximum values for the financial subtargets for the profit bonus fiscal year. The threshold, target, and maximum values correspond to subtarget achievement of 50%, 100%, and 180%, respectively. Interim values are interpolated on a linear basis. • The profit bonus depends on target achievement in the profit bonus fiscal year. • Total financial target achievement = subtarget achievement operating return on sales x 50% + subtarget achievement return on investment x 50% o **ESG targets** • **Environmental** subtarget (ratio of the number of battery electric vehicles and fuel cell electric vehicles sold to the total number of vehicles sold, excluding the MAN TGE model) weighted at 50% • **Social** subtarget (opinion index) weighted at 50% • **Governance factor** (compliance and integrity) of between 0.9 and 1.1 (normal value 1.0) • The Supervisory Board defines minimum, target, and maximum values for the Environmental and Social subtargets for each fiscal year. The minimum, target, and maximum values correspond to subtarget achievement of 0.7, 1.0, and 1.3, respectively. Interim values are interpolated on a linear basis. • Calculation of the ESG factor: [Environmental subtarget achievement x 50% + Social subtarget achievement x 50%] x Governance factor (0.9–1.1) – Profit bonus payment amount = individual target amount x financial target achievement x ESG factor – Payout: generally in cash in the month following approval of the consolidated financial statements for the profit bonus fiscal year	The profit bonus is intended to motivate the Executive Board members to pursue ambitious targets during the assessment period. The financial performance targets support the strategic target of achieving competitive earnings power. The integration of sustainability targets reflects the significance of the Environmental, Social, and Governance factors.

Component	Composition	Target
Long-term incentive (LTI) (Note: for Executive Board members appointed prior to December 16, 2020, a three-year performance period continues to apply until their contract is renewed; in all other respects, however, the terms of the LTI are equivalent to the terms of the performance share plan described for fiscal year 2022.)	– Plan type: performance share plan – Performance period: in principle, forward-looking four-year term – Minimum payment amount: €0 – Cap: 200% of the target amount – **Allocation of performance shares:** at the start of each fiscal year, the individually agreed target amount is divided by the arithmetic mean of the TRATON SE share price (German Securities Identification Number: TRAT0N) in the Xetra trading system of Deutsche Börse AG on the last 30 trading days prior to January 1 of the respective performance period (initial reference price). – **Target setting:** at the start of the performance period, the Supervisory Board defines minimum, target, and maximum values for earnings per share (EPS), the audited diluted earnings per TRATON share for continuing and discontinued operations. The minimum, target, and maximum EPS values correspond to target achievement of 50, 100, and 150%, respectively. – **Calculation of the payment amount:** the final number of performance shares is calculated by multiplying the number of performance shares conditionally allocated at the start of the performance period by the arithmetic mean of the annual EPS target achievement figures during the performance period. The final number of performance shares is then multiplied by the sum of the arithmetic mean of the closing prices on the last 30 trading days prior to the end of the performance period (closing reference price) and the dividends paid per share during the performance period (dividend equivalent). – Payout: generally in cash in the month following approval of the consolidated financial statements for the last fiscal year of the respective performance period – If the employment contract ends before the end of the performance period due to a bad leaver case (extraordinary termination for cause or revocation of appointment due to a gross breach of duties, resignation, termination without cause by the person concerned, a breach of a contractual or post-contractual restraint on competition), all performance shares will be forfeited.	The long-term incentive serves to align the remuneration of the Executive Board members to the Company's long-term performance. The financial performance target EPS in conjunction with share price performance and the dividends paid, measured over four years, ensures the long-term effect of the behavioral incentives and supports the strategic target of achieving competitive earnings power.
Other benefits		
Special payment	– If applicable, on the basis of a separate agreement with the Executive Board member – The agreement is made in advance for the fiscal year and defines performance criteria for the special payment.	Special payments are intended to reward outstanding performance and will only be granted if it is in the Company's interest to do so and generates a forward-looking benefit for the Company.
Benefits agreed with new Executive Board members for a defined period of time or for the entire term of their employment contracts	– Optional payments to compensate for declining variable remuneration or other financial disadvantages – Optional benefits in connection with relocation – Optional minimum remuneration guarantee	These (compensation) payments are intended to enable the Company to attract qualified candidates for the Executive Board.

2023 EXECUTIVE BOARD REMUNERATION SYSTEM

Component	Composition	Target
Other remuneration provisions		
Penalty and clawback	– The possibility for the Supervisory Board to reduce profit bonuses and the performance share plan by up to 100% or to claw back the remuneration that has already been paid in the case of relevant misconduct during the respective relevant assessment period – Clawback is excluded if more than three years have passed since the variable remuneration component was paid out.	The aim is to motivate Executive Board members to maintain lawful and ethical conduct.
Maximum remuneration	– The relevant components are the base salary paid for the respective fiscal year, the service cost for occupational retirement provision, the fringe benefits granted, the profit bonuses granted for the respective fiscal year and paid out in the following year, the performance share plan paid out in the respective fiscal year and for which the performance period ended immediately before the respective fiscal year, any special payment granted for the respective fiscal year, and any benefits granted to new Executive Board members. – €5,500 thousand gross for the Chairman of the Executive Board per fiscal year; in general, €3,700 thousand gross for the members of the Executive Board per fiscal year; in deviation from this €1,750 thousand gross for Mr. Cortes and €4,000 thousand gross for the member of the Executive Board who is also CEO of Scania AB and/or Scania CV AB, and €4,000 thousand gross for the member of the Executive Board who is also CEO of Navistar – The maximum remuneration for Executive Board members who are also members of the Executive Board of a foreign subsidiary consists of the total remuneration from TRATON SE together with that from the respective subsidiary. – If the maximum remuneration is exceeded, the variable remuneration components will be reduced accordingly.	The aim is to ensure that the remuneration of Executive Board members is not inappropriately high when measured against the peer group.

Remuneration of the Executive Board members appointed in fiscal year 2023

Members of the Executive Board in fiscal year 2023

On the one hand, the Executive Board of TRATON SE is made up of members who are also members of the Executive Board of a foreign subsidiary and receive their remuneration proportionately from TRATON SE and from the respective foreign subsidiary. On the other, it consists of members who are only members of the Executive Board of TRATON SE or also members of the Executive Board of a German subsidiary. These Executive Board members are remunerated entirely by TRATON SE; if they hold an additional Executive Board function at a German subsidiary, part of their remuneration will be reimbursed by way of intercompany charging. The members of the Executive Board receive no additional remuneration for discharging further mandates in the management bodies, supervisory boards, or comparable bodies of other Group companies in the course of their board activity. Should such remuneration be granted nonetheless, it will be offset against the remuneration for the activity as a member of the Executive Board of TRATON SE.

In fiscal year 2023, the Executive Board of TRATON SE had the following members:

Christian Levin: Mr. Levin has been a member of the Executive Board since the effective date of the change of legal form of TRATON AG to TRATON SE on the day this was entered in the commercial register in 2019, and has been the Chief Executive Officer and Chairman of the Executive Board since October 1, 2021. Mr. Levin has also been Chief Executive Officer of Scania AB and Scania CV AB since May 1, 2021. Since October 1, 2021, the remuneration has been divided between TRATON SE and Scania CV AB based on areas of responsibility. Since May 1, 2021, Mr. Levin has received fringe benefits and occupational retirement provision solely from Scania CV AB.

Mathias Carlbaum: Mr. Carlbaum has been a member of the Executive Board since October 1, 2021, and, in addition, Chief Executive Officer and President of Navistar since September 1, 2021, on the basis of a secondment agreement between him, Scania CV AB, and Navistar. Since October 1, 2021, 20% of his fixed and variable remuneration has been borne by TRATON SE and 80% by Navistar. The fringe benefits for Mr. Carlbaum are borne by Navistar. All pension expenses and some fringe benefits were paid by Scania CV AB, with which Mr. Carlbaum still has a dormant employment contract, and charged on to Navistar.

Antonio Roberto Cortes: Mr. Cortes has been a member of the Executive Board since the effective date of the change of legal form of TRATON AG to TRATON SE on the day this was entered in the commercial register in 2019, and is also Chief Executive Officer of Volkswagen Truck & Bus Latin America Indústria e Comércio de Veículos Ltda. (Volkswagen Truck & Bus), formerly MAN Latin America Indústria e Comércio de Veículos Ltda. Mr. Cortes received 20% of his fixed and variable remuneration from TRATON SE and 80% from Volkswagen Truck & Bus. Mr. Cortes received fringe benefits and occupational pension benefits solely from Volkswagen Truck & Bus.

Dr. Michael Jackstein: Dr. Jackstein has been a member of the Executive Board of TRATON SE since April 1, 2023.

Catharina Modahl Nilsson: Ms. Modahl Nilsson has been a member of the Executive Board of TRATON SE since April 1, 2023. Ms. Modahl Nilsson has also been the CTO of TRATON AB since April 1, 2023. Ms. Modahl Nilsson received 20% of her fixed and variable remuneration from TRATON SE and 80% from TRATON AB. Ms. Modahl Nilsson received fringe benefits and occupational pension benefits solely from TRATON AB.

Annette Danielski: Ms. Danielski was a member of the Executive Board since October 1, 2021. Ms. Danielski left the Executive Board effective March 31, 2023.

Bernd Osterloh: Mr. Osterloh was a member of the Executive Board since May 1, 2021. Mr. Osterloh left the Executive Board effective March 31, 2023.

Alexander Vlaskamp: Mr. Vlaskamp has been a member of the Executive Board since November 25, 2021, and is also Chief Executive Officer of MAN Truck & Bus SE. Mr. Vlaskamp received no separate remuneration in fiscal year 2023 for his role at MAN Truck & Bus SE. The Supervisory Board of MAN Truck & Bus SE resolved to reimburse TRATON SE for 80% of the remuneration expenses by way of intercompany charging.

Remuneration granted and owed in fiscal year 2023

In accordance with section 162 (1) sentence 1 of the AktG, the remuneration report must detail the remuneration granted and owed to each individual member of the Executive Board in the past fiscal year.

Table overview

The following tables show the remuneration actually received by the members of the Executive Board in fiscal year 2023. The time of actual payment is not significant. Correspondingly, the remuneration granted in 2023 includes the base salary paid in fiscal year 2023, the fringe benefits, and the profit bonus for fiscal year 2023 paid in the month following approval of the Company's 2023 Consolidated Financial Statements. In fiscal year 2023, the LTI with the 2020–2022 performance period was also paid out and is reported as remuneration granted. As the companies were not in arrears with the payment of remuneration components, the tables do not show any remuneration owed.

The relative portions shown in the tables refer to the remuneration components "granted and owed" in the respective fiscal year in accordance with section 162 (1) sentence 1 of the AktG. They therefore include all benefits actually received by the members of the Executive Board in the respective fiscal year, irrespective of which fiscal year they were paid for. The relative portions shown here are therefore not comparable with the respective relative portions of the fixed and variable remuneration components in total remuneration as contained in the description of the remuneration system in accordance with section 87a (1) sentence 2 no. 3 of the AktG. The portions shown in the remuneration system refer to the respective target values granted for the respective fiscal year, irrespective of the time at which the remuneration component in question is paid out.

Pension expense is reported as service cost within the meaning of IAS 19. The service cost in accordance with IAS 19 does not constitute remuneration granted or owed within the meaning of section 162 (1) sentence 1 of the AktG as it is not actually received by the Executive Board member in the year under review. It also includes other pension benefits such as surviving dependents' benefits and the use of company cars, as well as defined contribution pension plans where these are provided for under foreign legislation.

The maximum remuneration is the maximum remuneration within the meaning of section 87a (1) sentence 2 no. 1 of the AktG in accordance with the remuneration system resolved by the Supervisory Board and approved by the Annual General Meeting.

In addition, the employment contracts of the Executive Board members contain a penalty and clawback provision in accordance with the approved remuneration system. TRATON SE did not make use of these regulations in fiscal year 2023.

To the extent that members of the Executive Board left during fiscal year 2023, only the portion of remuneration attributable to the period of their Executive Board appointment is shown in the following tables. If such Executive Board members receive remuneration for periods after the termination of their Executive Board appointment, e.g., in the case of an expiring employment contract, this is reported in the "Remuneration of former Executive Board members" section.

Further explanations about the individual tables can be found below the tables.

CHRISTIAN LEVIN

		2023	
Remuneration component		**€ thousand[1]**	**in %**
Fixed remuneration components			
Base salary	TRATON SE	1,220	47
	Scania	630	
Fringe benefits	TRATON SE	–	1
	Scania	32	
Total	**TRATON SE**	**1,220**	**48**
	Scania	**662**	
	Total	**1,882**	
Variable remuneration components			
– Profit bonus 2023 (target amount €1,350 thousand per annum)	TRATON SE	1,094	52
	Scania	957	
– LTI 2020–2022 (performance share plan, three-year term; target amount €930 thousand per annum; minus advance payment[2])	TRATON SE	0	0
	TRATON AB	0	
Subtotal — remuneration granted and owed without repayment/offsetting[3]	**TRATON SE**	**2,314**	**100**
	Scania	**1,619**	
	TRATON AB	**0**	
	Total	**3,933**	
– Repayment/offsetting of advance payment[4]	TRATON SE	–121	–
	TRATON AB	–483	
Sum — remuneration granted and owed	**TRATON SE**	**2,193**	**–**
	Scania	**1,619**	
	TRATON AB	**–483**	
	Total	**3,329**	

CHRISTIAN LEVIN

Remuneration component		2023 € thousand[1]	2023 in %
Pension expenses	TRATON SE	–	–
	Scania	918	
Total remuneration including pension expenses	**TRATON SE**	**2,193**	
	Scania	**2,537**	
	TRATON AB	**–483**	
	Total	**4,247**	
Maximum remuneration	**Total**	**5,500**	

1 Contractually agreed exchange rate: SEK 10.78 = €1

2 Mr. Levin received an advance payment on the LTI 2020–2022 of €149 thousand (TRATON SE) and €595 thousand (TRATON AB) at the beginning of fiscal year 2021. The advance payment does not represent remuneration granted in fiscal year 2023 and is therefore not shown in the table. However, the payment amount of the performance share plan for the 2020–2022 performance period calculated after the end of the performance period fell short of the advance payments already made. No further payment amount from the performance share plan for the 2020–2022 performance period is therefore reported as remuneration granted in fiscal year 2023.

3 Subtotal without taking into account the repayment/offsetting of the advance payment, which results in a negative amount granted (see footnote 4). This subtotal is used solely to calculate the relative portions (as a percentage) of the remuneration actually granted to the members of the Executive Board in fiscal year 2023.

4 The LTI 2020–2022 had a target achievement that would have led to payment amounts of €28 thousand (TRATON SE) and €112 thousand (TRATON AB) and thus below the amounts of the advance payments already made to Mr. Levin in fiscal year 2021. Mr. Levin was therefore obliged to repay the differences of €121 thousand (TRATON SE) and €483 thousand (TRATON AB), which are shown here as negative amounts granted. In Mr. Levin's case, these amounts were offset against the profit bonus to be paid out for fiscal year 2022 in fiscal year 2023, the amount of which was reported in the 2022 Remuneration Report.

MATHIAS CARLBAUM

Remuneration component		2023 € thousand	2023 in %
Fixed remuneration components			
Base salary	TRATON SE	150	34
	Navistar	600	
Fringe benefits	TRATON SE	–	15
	Navistar[1]	321	
Total	**TRATON SE**	**150**	**48**
	Navistar	**921**	
	Total	**1,071**	
Variable remuneration components			
– Profit bonus 2023 (target amount €750 thousand per annum)	TRATON SE	228	52
	Navistar	911	
Sum — remuneration granted and owed	**TRATON SE**	**378**	**100**
	Navistar	**1,832**	
	Total	**2,210**	
Pension expenses	TRATON SE	–	–
	Navistar	336	
Total remuneration including pension expenses	**TRATON SE**	**378**	
	Navistar	**2,168**	
	Total	**2,546**	
Maximum remuneration	**Total**	**4,000**	

1 The fringe benefits also include benefits due to Mr. Carlbaum's secondment to Navistar.

ANTONIO ROBERTO CORTES

Remuneration component		2023 € thousand[1]	in %
Fixed remuneration components			
Base salary	TRATON SE	126	52
	Volkswagen Truck & Bus	504	
Fringe benefits	TRATON SE	–	4
	Volkswagen Truck & Bus	49	
Total	**TRATON SE**	**126**	**56**
	Volkswagen Truck & Bus	**553**	
	Total	**679**	
Variable remuneration components			
– Profit bonus 2023 (target amount €350 thousand per annum)	TRATON SE	106	44
	Volkswagen Truck & Bus	425	
– LTI 2020–2022 (performance share plan, three-year term; target amount €310 thousand per annum; minus advance payment[2])	TRATON SE	0	0
	Volkswagen Truck & Bus	0	
Subtotal — remuneration granted and owed without repayment/offsetting[3]	**TRATON SE**	232	**100**
	Volkswagen Truck & Bus	**978**	
	Total	**1,210**	
Repayment/offsetting of advance payment[4]	TRATON SE	–40	–
	Volkswagen Truck & Bus	–161	
Sum — remuneration granted and owed	**TRATON SE**	**192**	**–**
	Volkswagen Truck & Bus	**817**	
	Total	**1,009**	

ANTONIO ROBERTO CORTES

Remuneration component		2023 € thousand[1]	in %
Pension expenses	TRATON SE	–	–
	Volkswagen Truck & Bus	249	
Total remuneration including pension expenses	**TRATON SE**	**192**	
	Volkswagen Truck & Bus	**1,066**	
	Total	**1,258**	
Maximum remuneration	**Total**	**1,750**	

1 Contractually agreed exchange rate: BRL 5.33 = €1

2 Mr. Cortes received an advance payment on the LTI 2020–2022 of €50 thousand (TRATON SE) and €198 thousand (Volkswagen Truck & Bus) at the beginning of fiscal year 2021. The advance payment does not represent remuneration granted in fiscal year 2023 and is therefore not shown in the table. However, the payment amount of the performance share plan for the 2020–2022 performance period calculated after the end of the performance period fell short of the advance payments already made. No further payment amount from the performance share plan for the 2020–2022 performance period is therefore reported as remuneration granted in fiscal year 2023.

3 Subtotal without taking into account the repayment/offsetting of the advance payment, which results in a negative amount granted (see footnote 4). This subtotal is used solely to calculate the relative portions (as a percentage) of the remuneration actually granted to the members of the Executive Board in fiscal year 2023.

4 The LTI 2020–2022 had a target achievement that would have led to payment amounts of €9 thousand (TRATON SE) and €37 thousand (Volkswagen Truck & Bus) and thus below the amounts of the advance payments already made to Mr. Cortes in fiscal year 2021. Mr. Cortes was therefore obliged to repay the differences of €40 thousand (TRATON SE) and €161 thousand (Volkswagen Truck & Bus), which are shown here as negative amounts granted. In Mr. Cortes's case, these amounts were offset against the profit bonus to be paid out for fiscal year 2022 in fiscal year 2023, the amount of which was reported in the 2022 Remuneration Report.

ANNETTE DANIELSKI[1]

Remuneration component	2023 € thousand	2023 in %
Fixed remuneration components		
Base salary	175	39
Fringe benefits	12	3
Total	**187**	**41**
Variable remuneration components		
– Profit bonus 2023 (target amount €700 thousand per annum)	266	59
Sum — remuneration granted and owed	**453**	**100**
Pension expenses	123	–
Total remuneration including pension expenses	**576**	
Maximum remuneration	**925**	

1 Until March 31, 2023

DR. MICHAEL JACKSTEIN[1]

Remuneration component	2023 € thousand	2023 in %
Fixed remuneration components		
Base salary	525	38
Fringe benefits	62	4
Total	**587**	**42**
Variable remuneration components		
– Profit bonus 2023 (target amount €700 thousand per annum)	797	58
Sum — remuneration granted and owed	**1,384**	**100**
Pension expenses	210	–
Total remuneration including pension expenses	**1,594**	
Maximum remuneration	**2,775**	

1 From April 1, 2023

CATHARINA MODAHL NILSSON[1]

Remuneration component		2023 € thousand[2]	2023 in %
Fixed remuneration components			
Base salary	TRATON SE	105	39
	TRATON AB	420	
Fringe benefits	TRATON SE	–	2
	TRATON AB	21	
Total	**TRATON SE**	**105**	**41**
	TRATON AB	**441**	
	Total	**546**	
Variable remuneration components			
– Profit bonus 2023 (target amount €700 thousand per annum)	TRATON SE	159	59
	TRATON AB	638	
Sum — remuneration granted and owed	**TRATON SE**	**264**	**100**
	TRATON AB	**1,079**	
	Total	**1,343**	
Pension expenses	TRATON SE	–	–
	TRATON AB	264	
Total remuneration including pension expenses	**TRATON SE**	**264**	
	TRATON AB	**1,343**	
	Total	**1,607**	
Maximum remuneration	**Total**	**2,775**	

1 From April 1, 2023

2 Contractually agreed exchange rate: SEK 10.78 = €1

BERND OSTERLOH[1]

Remuneration component	2023 € thousand	in %
Fixed remuneration components		
Base salary	175	37
Fringe benefits	29	6
Total	**204**	**43**
Variable remuneration components		
– Profit bonus 2023 (target amount €700 thousand per annum)	266	57
Sum — remuneration granted and owed	**470**	**100**
Pension expenses	93	–
Total remuneration including pension expenses	**563**	
Maximum remuneration	**925**	

1 Until March 31, 2023

ALEXANDER VLASKAMP

Remuneration component	2023 € thousand	in %
Fixed remuneration components		
Base salary	700	38
Fringe benefits	72	4
Total	**772**	**42**
Variable remuneration components		
– Profit bonus 2023 (target amount €700 thousand per annum)	1,063	58
Sum — remuneration granted and owed	**1,835**	**100**
Pension expenses	289	–
Total remuneration including pension expenses	**2,124**	
Maximum remuneration	**3,700**	

Explanation

Additional contractual agreements with the members of the Executive Board

The Company pays the costs of a tax advisor for **Mr. Vlaskamp**.

A contractual arrangement with **Mr. Cortes** specifies the payment of an amount to compensate for the higher tax burden in Germany.

Until the end of her appointment, i.e., until March 31, 2023, **Ms. Danielski** received reimbursement of the costs of weekly family trips home and of accommodation at her regular place of work. These benefits largely ended when she left the Executive Board. For more information, refer to the “Benefits and defined benefits in connection with termination” section.

Until the end of his appointment, i.e., until March 31, 2023, **Mr. Osterloh** received reimbursement of the costs of weekly family trips home and of accommodation at his regular place of work. These benefits largely ended when he left the Executive Board. In addition, TRATON SE agreed to reimburse Mr. Osterloh for the costs of obtaining a class C/CE driver’s license, including the associated follow-up costs and travel expenses to and from driving lessons in Munich, until June 30, 2023. For more information, refer to the “Benefits and defined benefits in connection with termination” section.

For the duration of his appointment, **Dr. Jackstein** will be reimbursed for the costs of accommodation at his regular place of work and for weekly family trips home.

These benefits for members of the Executive Board are reported in the amounts included for fringe benefits.

Performance criteria for variable remuneration

Profit bonus performance criteria

Financial subtargets

The following overviews show the values defined by the Supervisory Board for the threshold, target, and maximum values for the financial subtargets, namely operating return on sales and return on investment for fiscal year 2023, and the actual values or target achievement in percent.

	2023
Operating return on sales	
Maximum value	10.8%
100% target level	6.0%
Threshold value	4.0%
Actual	8.0%
Target achievement (in %)	**132%**
Return on investment	
Maximum value	13.8%
100% target level	7.7%
Threshold value	3.8%
Actual	13.6%
Target achievement (in %)	**177%**
Overall target achievement	**155%**

The indicator relevant for calculating operating return on sales and return on investment is operating result in the TRATON Operations business area, including Corporate Items. Operating return on sales for the TRATON Operations business area including Corporate Items is the ratio of operating result in the TRATON Operations business area including Corporate Items to sales revenue. Both variables are calculated as the sum of the values presented in the annual report for the TRATON Operations business area and Corporate Items. The return on investment (ROI) for the TRATON Operations business area including Corporate Items is calculated as the ratio of operating result in the TRATON Operations business area including Corporate Items after tax to the annual average invested capital in the TRATON Operations business area including Corporate Items. The return on investment is based on an average tax rate of 30% and average invested capital of €18,543 million.

ESG targets

The following overview shows the values defined by the Supervisory Board for the minimum, target, and maximum values for the Environmental subtarget and the Social subtarget for fiscal year 2023, and the actual values or target achievement in percent in fiscal year 2023.

The Environmental subtarget is based on the decarbonization target. This is based on the ratio of the number of battery electric vehicles and fuel cell electric vehicles sold to the total number of vehicles sold, excluding the MAN TGE model. The minimum, target, and maximum values for the Environmental subtarget are defined by the Supervisory Board for each fiscal year and are based in particular on the business plan to achieve a consistently high proportion of battery electric and fuel cell electric vehicles.

The Social subtarget is based on the opinion index. The opinion index reflects the results of the Stimmungsbarometer employee survey in the TRATON GROUP, which regularly surveys employee satisfaction in the companies of the TRATON GROUP and also evaluates characteristics of the corporate culture. The minimum, target, and maximum values for the Social subtarget are defined by the Supervisory Board for each fiscal year and are based in particular on the results of previous years and on current developments.

ENVIRONMENTAL (DECARBONIZATION TARGET)

in %	2023
Maximum value	1.46
100% target level	0.97
Minimum value	0.49
Actual	**0.58**
Subtarget achievement	**0.75**

SOCIAL (OPINION INDEX)

Points	2023
Maximum value	79
100% target level	75
Minimum value	71
Actual	**77.8**
Subtarget achievement	**1.21**

For fiscal year 2023, the Supervisory Board defined a normal value of 1.0 for the Governance factor, taking account of and assessing the performance of the Executive Board as a whole and the performance of the current individual members of the Executive Board. To determine the Governance factor, the Supervisory Board assesses the collective performance of the Executive Board in the first step. In the second step, the Supervisory Board assesses the performance of each individual Executive Board member in terms of integrity and compliance. The Supervisory Board can increase the Governance factor to 1.1 or reduce it to 0.9 on the basis of the collective and individual assessment. If there are no special circumstances in a fiscal year, the Governance factor is 1.0 (normal value).

The ESG factor for fiscal year 2023 is therefore 0.98, taking into account the achievement of the Environmental subtarget, the Social subtarget, and the Governance factor.

LTI performance criteria

LTI introductory phase

In the introductory phase of the performance share plan, those members of the Executive Board who were members of the Executive Board as of January 17, 2019, received advance payments of 80% of their target amount for the first two tranches (2019–2021 tranche and 2020–2022 tranche) of the performance share plan. This affected Mr. Cortes, Mr. Drees, Professor Intra, Mr. Levin, and Mr. Schulz. By contrast, Mr. Henriksson waived any advance payment for the 2020–2022 tranche. The two advances were each paid after the first year of the performance period. These amounts are offset against the actual achievement of targets at the end of the relevant three-year performance period. The advances on the 2020–2022 tranche were paid out at the start of fiscal year 2021 and reported as remuneration received in the 2020 Remuneration Report. These advances were deducted when calculating the payment amounts from the 2020–2022 tranche.

EPS target values

The following overviews show the minimum, target, and maximum values defined by the Supervisory Board at the beginning of the relevant 2020–2022, 2021–2023, 2021–2024, 2022–2024, 2022–2025, 2023–2025, and 2023–2026 performance periods, and the actual values and target percentage achievement already achieved for individual years in the assessment period. The performance share plans for the 2021–2023, 2021–2024, 2022–2024, 2022–2025, 2023–2025, and 2023–2026 performance periods were not yet due and were not paid out in fiscal year 2023. They therefore do not represent remuneration granted or owed in fiscal year 2023.

The performance share plan due for payment in fiscal year 2023 for the 2020–2022 performance period is based on the target achievement of the EPS of TRATON shares.

2020–2022 PERFORMANCE PERIOD EPS TRATON SHARES

€	2022	2021	2020
Maximum value	4.32	4.32	4.32
100% target level	2.90	2.90	2.90
Minimum value	1.95	1.95	1.95
Actual	2.28	0.91	–0.20
Target achievement (in %)	67.37	0	0

The total target achievement of the EPS in the 2020–2022 performance period is therefore 22.46%. The previous EPS target achievement for the past fiscal years of a performance period of performance share plans that were not yet due in fiscal year 2023 and were therefore not yet paid out can be seen in the following overview:

2021–2023 PERFORMANCE PERIOD EPS TRATON SHARES

€	2023	2022	2021
Maximum value	4.32	4.32	4.32
100% target level	2.90	2.90	2.90
Minimum value	1.95	1.95	1.95
Actual	4.90	2.28	0.91
Target achievement (in %)	150.00	67.37	0

2021–2024 PERFORMANCE PERIOD EPS TRATON SHARES

€	2023	2022	2021
Maximum value	4.32	4.32	4.32
100% target level	2.90	2.90	2.90
Minimum value	1.95	1.95	1.95
Actual	4.90	2.28	0.91
Target achievement (in %)	150.00	67.37	0

2022–2024 PERFORMANCE PERIOD EPS TRATON SHARES

€	2023	2022
Maximum value	4.32	4.32
100% target level	2.90	2.90
Minimum value	1.95	1.95
Actual	4.90	2.28
Target achievement (in %)	150.00	67.37

2022–2025 PERFORMANCE PERIOD EPS TRATON SHARES

€	2023	2022
Maximum value	4.32	4.32
100% target level	2.90	2.90
Minimum value	1.95	1.95
Actual	4.90	2.28
Target achievement (in %)	150.00	67.37

2023–2025 PERFORMANCE PERIOD EPS TRATON SHARES

€	2023
Maximum value	4.32
100% target level	2.90
Minimum value	1.95
Actual	4.90
Target achievement (in %)	150.00

2023–2026 PERFORMANCE PERIOD
EPS TRATON SHARES

€	2023
Maximum value	4.32
100% target level	2.90
Minimum value	1.95
Actual	4.90
Target achievement (in %)	150.00

Reference prices/dividend equivalent for the performance period

The initial reference price, closing reference price, and dividend equivalent for TRATON shares for the 2020–2022 performance period are shown in the following overview.

€	2020–2022
Initial reference price	24.58
Closing reference price	14.69
Dividend equivalent	
2020	1.00
2021	0.25
2022	0.50

The reference prices and dividend equivalents for TRATON shares for the performance periods of the performance share plans not yet due and not yet paid out in fiscal year 2023 are shown in the following overview.

€	2023–2026	2023–2025	2022–2025	2022–2024	2021–2024	2021–2023
Initial reference price	14.69	14.69	21.70	21.70	22.40	22.40
Closing reference price[1]	–	–	–	–	–	20.42
Dividend equivalent						
2021	–	–	–	–	0.25	0.25
2022	–	–	0.50	0.50	0.50	0.50
2023	0.70	0.70	0.70	0.70	0.70	0.70

1 Determined at the end of the performance period

Repayment/offsetting of advance payments

As described in the “LTI introductory phase” section, TRATON SE already made advance payments to Executive Board members Mr. Levin and Mr. Cortes and former Executive Board members Mr. Drees, Professor Intra, and Mr. Schulz for the performance share plan for the 2020–2022 performance period in fiscal year 2021, which will be offset against the actual payment amount of this tranche of the performance share plan after the end of the performance period. The payment amount calculated after the end of the performance period for the performance share plan for the 2020–2022 performance period fell short of the advance payments already made. For this reason, no further payment amount for this tranche of the performance share plan is shown in the 2023 Remuneration Report as remuneration granted for the Executive Board members with whom advance payments for the performance share plan for the 2020–2022 performance period were agreed. TRATON SE and its subsidiaries claimed back the difference between the advance payment made and the calculated payment amount from the performance share plan for the 2020–2022 performance period from the members of the Executive Board who received advance payments for the performance share plan for the 2020–2022 performance period. In the first step, TRATON SE and its subsidiaries deducted the relevant amount from the amount paid out under the profit bonus for 2022, which was paid out in fiscal year 2023 and reported in the 2022 Remuneration Report, and — if the amount paid out under the profit bonus for 2022 was not sufficient to meet the amount to be claimed back — asked the members of the Executive Board to repay the difference in the second step or offset the amount against further claims of the relevant member of the Executive Board against the Company in the second.

Alignment with the remuneration system

The remuneration granted and owed to the members of the Executive Board in fiscal year 2023 complies with the requirements of the Executive Board remuneration system. There was no deviation from the valid remuneration system in fiscal year 2023. The profit bonus payments and the payments under the performance share plan for the 2020–2022 performance period were not reduced because the caps of 180% on the profit bonus target amount and 200% on the target amount for the performance share plan were not exceeded. Overall, the remuneration granted and owed to the members of the Executive Board in fiscal year 2023 did not exceed the maximum remuneration prescribed by the remuneration system.

Benefits and defined benefits in connection with termination

Benefits and defined benefits granted to members of the Executive Board in the event of early termination

The Executive Board remuneration system and employment contracts of the members of the Executive Board prescribe termination periods and severance payments in the event of revocation of the appointment of a member of the Executive Board and the mutual termination of the Executive Board function. If an appointment is revoked without cause within the meaning of section 626 of the *Bürgerliches Gesetzbuch* (BGB — German Civil Code), the employment contract will generally end after a period of twelve months. Other than in cases of cause justifying extraordinary termination of the employment contract by the Company, members of the Executive Board receive a severance payment in the amount of their gross remuneration for the remaining period of the employment contract, capped at twice the annual gross income. As a rule, the annual gross income used as the basis for calculating the severance payment consists of the base salary paid in the previous year plus the variable remuneration components defined for the previous year.

The severance payment is paid in twelve equal monthly gross installments from the end of the employment contract. Contractual remuneration paid by the Company for the time between termination of the appointment and the end of the employment contract is offset against the severance payment. If a member of the Executive Board takes up a new position after termination of the appointment, the severance payment will be reduced by the income from the new position. If a post-contractual restraint on competition has been agreed, the severance payment will be offset against the waiting allowance. No severance payment will be made if the member of the Executive Board continues to work for the Company or for another Volkswagen Group company in the context of an employment contract.

The members of the Executive Board are also generally entitled to retirement, disability, and surviving dependents' benefits in the event of early termination of their appointment without having entered retirement (cf. the following section for further information), although the minimum plan assets will only be maintained as ratably reduced plan assets pursuant to sections 2 (1) and 2a (1) of the *Gesetz zur Verbesserung der betrieblichen Altersversorgung* (BetrAVG — German Occupational Pensions Act). Pursuant to section 2a (2) item 2a) of the BetrAVG, the maintained portion of the minimum plan assets is adjusted by 1% per annum from the Board member's departure from the Company until the benefits fall due.

Defined benefits granted to members of the Executive Board in the event of regular termination of their role

TRATON SE generally grants retirement, disability, and surviving dependents' benefits to the members of the Executive Board. As a rule, the agreed retirement benefits are paid when the Executive Board member reaches the age of 65. However, Executive Board members who are also members of the Executive Board of a foreign subsidiary of TRATON SE do not receive retirement benefits from TRATON SE but from the respective foreign subsidiary. TRATON SE manages the occupational pension plans for Executive Board members Dr. Jackstein and Mr. Vlaskamp, as well as the former Executive Board members Ms. Danielski and Mr. Osterloh, who left in fiscal year 2023. The occupational pension plans for the other members of the Executive Board are maintained by Scania CV AB (Mr. Levin and Mr. Carlbaum), TRATON AB (Mr. Levin and Ms. Modahl Nilsson), and Volkswagen Truck & Bus (Mr. Cortes).

Entitlements to such benefits granted by TRATON SE are accumulated under a defined contribution system, the Capital Account Plan, with the value of benefits dependent upon the performance of certain fund indices. TRATON SE pays an annual contribution of 40% of the contractually agreed fixed remuneration in the calendar year. Executive Board members may elect to make contributions themselves out of their gross salary.

Contributions and interest are held in individual capital accounts. The performance of the capital account is directly linked to the capital markets and is determined by a basket of indices and other suitable parameters. The risk of the investments is gradually reduced as the beneficiaries get older (life cycle concept).

At retirement, the beneficiary may elect to receive the balance of the capital account, or at a minimum the total amount of the contributions, as a lump-sum payment, in installments, or as an annuity at an insurance rate valid as of the date of retirement.

In the event of disability or death, the beneficiary is paid the accumulated account balance, or a minimum of €2,000 thousand.

The following overview shows the individual pension entitlements of the members of the Executive Board and their cash value as of December 31, 2023, as well as the pension expenses incurred in fiscal year 2023, if applicable considering the special features of the applicable foreign legislation in each case. The measurement of post-employment benefits also includes other pension benefits such as surviving dependents' benefits and the use of company cars, as well as defined contribution plans provided for by foreign legislation where pension expenses are incurred in the year under review.

€ thousand	Cash value	Pension expenses in fiscal year 2023
Christian Levin (Scania)	555	918
Mathias Carlbaum (Scania)	277	336
Antonio Roberto Cortes (Volkswagen Truck & Bus)	–	249
Annette Danielski (TRATON SE)	1,319	490
Dr. Michael Jackstein (TRATON SE)	210	210
Catharina Modahl Nilsson (TRATON AB)	–	264
Bernd Osterloh (TRATON SE)	851	373
Alexander Vlaskamp (TRATON SE)	602	289

In the event of the regular termination of their function, the members of the Executive Board who previously had a company car provided to them by TRATON SE may be able to continue using their company car under certain circumstances. These include the respective Executive Board member having held the function for a total of at least ten years, or having worked for the Company for a total of at least 15 years, or the Supervisory Board considering the provision of a company car in retirement to be appropriate and in the Company's interest.

On account of Mr. Osterloh's long service with the Volkswagen Group, it was agreed in his employment contract that the minimum term of office that is the condition for the use of a company car in retirement should be considered to have been fulfilled when he retires at the end of his term of office. In connection with the termination of the appointment of Mr. Osterloh effective March 31, 2023, it was therefore clarified that Mr. Osterloh is also entitled to receive a company car from TRATON after his retirement.

No other changes were made to the commitments explained in this section in fiscal year 2023.

Benefits and defined benefits to members of the Executive Board who stepped down in fiscal year 2023

Ms. Danielski and Mr. Osterloh left the Executive Board in fiscal year 2023.

Ms. Danielski was originally appointed as a member of the Executive Board of TRATON SE until the end of September 30, 2024. TRATON SE and Ms. Danielski mutually agreed to terminate her appointment to the Executive Board early effective the end of March 31, 2023. TRATON SE entered into a termination agreement with Ms. Danielski in connection with the termination. Among other things, the subject of this termination agreement is the continuation of the employment contract until the end of the regular termination date, i.e., until the end of September 30, 2024. TRATON SE agreed to continue paying Ms. Danielski her monthly base salary until the termination date of her employment contract. For fiscal year 2023, Ms. Danielski receives a profit bonus without any ratable reduction of the target amount and participates in the performance share plan for the 2023–2026 performance period without any ratable reduction of the target amount. In fiscal year 2024, the target amount of the profit bonus and the performance share plan for the 2024–2027 performance period will each be reduced ratably to 9/12. Calculation and payment of variable remuneration are based on the arrangements laid down in the employment contract in conjunction with the conditions for the profit bonus and the conditions for the performance share plan. The penalty and clawback provisions are applied to the remuneration paid up to the date of termination of the employment contract. Ms. Danielski will continue to have her company cars at her disposal for private use until the termination of her employment contract and is generally entitled to fringe benefits until the termination date of her employment contract. Notwithstanding this, TRATON SE only paid the costs for accommodation at the regular place of work until the end of the notice period of a rental agreement, but not beyond June 30, 2023. TRATON SE will pay pension contributions for Ms. Danielski until the termination date of her employment contract.

Mr. Osterloh was originally appointed as a member of the Executive Board of TRATON SE until the end of April 30, 2024. TRATON SE and Mr. Osterloh mutually agreed to terminate his appointment to the Executive Board early effective the end of March 31, 2023. TRATON SE entered into a termination agreement with Mr. Osterloh in connection with the termination. Among other things, the subject of this termination agreement is the continuation of the employment contract until the end of the regular termination date, i.e., until the end of April 30, 2024. TRATON SE agreed to continue paying Mr. Osterloh his monthly base salary until the termination date of his employment contract. For fiscal year 2023, Mr. Osterloh receives a profit bonus without any ratable reduction of the target amount and participates in the performance share plan for the 2023–2026 performance period without any ratable reduction of the target amount. In fiscal year 2024, the target amount of the profit bonus and the performance share plan for the 2024–2027 performance period will each be reduced ratably to 4/12. Calculation and payment of variable remuneration are based on the arrangements laid down in the employment contract in conjunction with the conditions for the profit bonus and the conditions for the performance share plan. The penalty and clawback provisions are applied to the remuneration paid up to the date of termination of the employment contract. Mr. Osterloh will continue to have his company cars at his disposal for private use until the termination of his employment contract and is generally entitled to fringe benefits until the termination date of his employment contract. It was also clarified that Mr. Osterloh is entitled to a company car after his retirement. Notwithstanding the agreements in the employment contract, TRATON SE only paid the costs for accommodation at the regular place of work until the end of the notice period of a rental agreement, but not beyond June 30, 2023. The reimbursement of the costs of obtaining a class C/CE driver's license, including the associated follow-up costs and travel expenses to and from driving lessons in Munich, ceased as a result of Mr. Osterloh's departure from the Executive Board effective June 30, 2023. TRATON SE will pay pension contributions for Mr. Osterloh until the termination date of his employment contract.

No clawback in fiscal year 2023

TRATON SE did not claw back any variable remuneration components in fiscal year 2023 on the basis of the penalty and clawback conditions agreed with the members of the Executive Board. None of the circumstances justifying such a clawback existed.

To the extent that Executive Board members were obliged to repay the advance payment under the performance share plan for the 2020–2022 performance period, these obligations were not based on breaches of the agreed penalty and clawback conditions, but instead on the provisions of the employment contracts agreed when the advance payments were granted in the event that the payment amount under the performance share plan exceeds the advance payment already made.

Remuneration of former Executive Board members

In accordance with section 162 (1) sentence 1 of the AktG, the remuneration report must also detail the remuneration granted and owed to former members of the Executive Board.

Remuneration granted and owed in fiscal year 2023 (individual)

In accordance with section 162 (5) sentence 2 of the AktG, the obligation to report individually on the remuneration granted and owed to former members of the Executive Board extends to the remuneration granted and owed until the end of ten years after the fiscal year in which the former Executive Board member ended their role as a member of the Executive or Supervisory Board of TRATON SE.

Table overview

The following tables show the individual remuneration granted and owed in fiscal year 2023 to former members of the Executive Board who stepped down after fiscal year 2013. The profit bonuses for fiscal year 2023 paid out at the start of 2024 as well as the performance share plan with the 2020–2022 tranche paid out in fiscal year 2023 are included in the remuneration granted in fiscal year 2023 for both active and former members of the Executive Board.

ANNETTE DANIELSKI

Member of the Executive Board of TRATON SE, CFO Left March 31, 2023	2023 € thousand	 in %
Pension payments	–	–
Base salary	525	39
Fringe benefits	32	2
Profit bonus 2023	797	59
Severance payments	–	–
Sum — remuneration granted and owed	**1,354**	**100**
Pension expenses	368	–

JOACHIM DREES

Member of the Executive Board of TRATON SE; CEO of MAN SE and MAN Truck & Bus SE Left July 15, 2020	2023 € thousand	 in %
Pension payments	–	–
Base salary	700	39
Fringe benefits	55	3
Profit bonus 2023	1,063	58
LTI 2020–2022 (performance share plan, three-year term; target amount €930 thousand per annum; minus advance payment[1])	0	0
Severance payments	–	–
Subtotal — remuneration granted and owed without repayment/offsetting[2]	**1,818**	**100**
Repayment/offsetting of advance payment[3]	–604	–
Sum — remuneration granted and owed	**1,214**	**–**
Pension expenses	–	–

1 Mr. Drees received an advance payment on the LTI 2020–2022 of €744 thousand at the beginning of fiscal year 2021. The advance payment does not represent remuneration granted in fiscal year 2023 and is therefore not shown in the table. However, the payment amount of the performance share plan for the 2020–2022 performance period calculated after the end of the performance period fell short of the advance payments already made. No further payment amount from the performance share plan for the 2020–2022 performance period is therefore reported as remuneration granted in fiscal year 2023.

2 Subtotal without taking into account the repayment/offsetting of the advance payment, which results in a negative amount granted (see footnote 4). This subtotal is used solely to calculate the relative portions (as a percentage) of the remuneration actually granted to the members of the Executive Board in fiscal year 2023.

3 The LTI 2020–2022 had a target achievement that would have led to a payment amount of €140 thousand and thus below the amount of the advance payment already made to Mr. Drees in fiscal year 2021. Mr. Drees was therefore obliged to repay the difference of €604 thousand, which is shown here as a negative amount granted. In Mr. Drees's case, this amount was offset against the profit bonus to be paid out for fiscal year 2022 in fiscal year 2023, the amount of which was reported in the 2022 Remuneration Report. The remaining difference of €49 thousand was offset against the base salary disclosed in full in the table.

MATTHIAS GRÜNDLER

Chief Executive Officer of TRATON SE Left September 30, 2021	2023 € thousand	in %
Pension payments	–	–
Base salary	729	37
Fringe benefits	17	1
Profit bonus 2023	1,101	56
LTI 2020–2022 (performance share plan, three-year term; target amount €1,800 thousand per annum)	125	6
Severance payments	–	–
Sum — remuneration granted and owed	**1,972**	**100**
Pension expenses	–	–

HENRIK HENRIKSSON

Member of the Executive Board of TRATON SE; CEO of Scania CV AB and Scania AB Left April 30, 2021		2023 € thousand[1]	in %
Pension payments		–	–
Base salary		–	–
Fringe benefits		–	–
Profit bonus 2023		–	–
LTI 2020–2022 (performance share plan, three-year term; target amount €996 thousand per annum)	TRATON SE	30	100
	Scania	120	
Severance payments		–	–
Sum — remuneration granted and owed	**TRATON SE**	**30**	**100**
	Scania	**120**	
	Total	**150**	
Pension expenses		3	–

1 Contractually agreed exchange rate: SEK 10.30 = €1

PROFESSOR CARSTEN INTRA

Member of the Executive Board & *Arbeitsdirektor* of TRATON SE; Chief Human Resources Officer & *Arbeitsdirektor* of MAN SE and MAN Truck & Bus SE Left July 15, 2020	2023 € thousand	in %
Pension payments	–	–
Base salary	–	–
Fringe benefits	–	–
Profit bonus 2023	–	–
LTI 2020–2022 (performance share plan, three-year term; target amount €930 thousand per annum; minus advance payment[1])	0	0
Repayment of advance payment[2]	–327	–
Severance payments	–	–
Sum — remuneration granted and owed	**–327**	**–**
Pension expenses	–	–

1 Professor Intra received an advance payment on the LTI 2020–2022 of €403 thousand at the beginning of fiscal year 2021. The advance payment does not represent remuneration granted in fiscal year 2023 and is therefore not shown in the table. However, the payment amount of the performance share plan for the 2020–2022 performance period calculated after the end of the performance period fell short of the advance payments already made. No further payment amount from the performance share plan for the 2020–2022 performance period is therefore reported as remuneration granted in fiscal year 2023.

2 The LTI 2020–2022 had a target achievement that would have led to a payment amount of €76 thousand and thus below the amount of the advance payment already made to Professor Intra in fiscal year 2021. Professor Intra was therefore obliged to repay the difference of €327 thousand, which is shown here as a negative amount granted. Professor Intra repaid this amount.

BERND OSTERLOH

Member of the Executive Board of TRATON SE Left March 31, 2023	2023 € thousand	in %
Pension payments	–	–
Base salary	525	38
Fringe benefits	50	4
Profit bonus 2023	797	58
Severance payments	–	–
Sum — remuneration granted and owed	**1,372**	**100**
Pension expenses	280	–

CHRISTIAN SCHULZ

Member of the Executive Board of TRATON SE, CFO Left September 30, 2021	2023 € thousand	 in %
Pension payments	–	–
Base salary	–	–
Fringe benefits	–	–
Profit bonus 2023	–	–
LTI 2020–2022 (performance share plan, three-year term; target amount €930 thousand per annum; minus advance payment[1])	0	0
Repayment/offsetting of advance payment[2]	–604	–
Severance payments	–	–
Sum — remuneration granted and owed	**–604**	**–**
Pension expenses	–	–

1 Mr. Schulz received an advance payment on the LTI 2020–2022 of €744 thousand at the beginning of fiscal year 2021. The advance payment does not represent remuneration granted in fiscal year 2023 and is therefore not shown in the table. However, the payment amount of the performance share plan for the 2020–2022 performance period calculated after the end of the performance period fell short of the advance payments already made. No further payment amount from the performance share plan for the 2020–2022 performance period is therefore reported as remuneration granted in fiscal year 2023.

2 The LTI 2020–2022 had a target achievement that would have led to a payment amount of €140 thousand and thus below the amount of the advance payment already made to Mr. Schulz in fiscal year 2021. Mr. Schulz was therefore obliged to repay the difference of €604 thousand, which is shown here as a negative amount granted. In Mr. Schulz's case, this amount was offset against the profit bonus to be paid out for fiscal year 2022 in fiscal year 2023, the amount of which was reported in the 2022 Remuneration Report. The remaining difference of €49 thousand was offset against the remuneration payable due to the post-contractual restraint on competition.

DR. ING. H.C. TOSTMANN

Member of the Executive Board of TRATON SE; CEO of MAN SE[1] and MAN Truck & Bus SE Left November 24, 2021	2023 € thousand	 in %
Pension payments	–	–
Base salary	378	37
Fringe benefits	17	2
Profit bonus 2023	571	55
LTI 2020–2022 (performance share plan, three-year term; target amount €930 thousand per annum)	64	6
Severance payments	–	–
Sum — remuneration granted and owed	**1,030**	**100**
Pension expenses	–	–

1 Until August 31, 2021 (merger between MAN SE and TRATON SE)

Explanation

Ms. Danielski was a member of the Executive Board of TRATON SE until the end of March 31, 2023. Ms. Danielski's employment contract with TRATON SE runs until the end of its regular termination effective the end of September 30, 2024. The portion of the remuneration granted and owed for fiscal year 2023 that is attributable to the period after the end of Ms. Danielski's appointment is disclosed in the table in this section.

In addition to his activity as a member of the Executive Board of TRATON SE, Mr. Drees was a member of the Executive Boards of MAN SE and MAN Truck & Bus SE until his departure effective the end of July 15, 2020. The employment contract between Mr. Drees and TRATON SE will continue until its planned end on January 17, 2024. The Supervisory Board of MAN Truck & Bus SE has resolved that MAN Truck & Bus SE will continue to reimburse TRATON SE for 80% of the expenses for Mr. Drees's remuneration until the regular end of his original appointment as a member of the Executive Board of MAN Truck & Bus SE, i.e., until March 31, 2023. The difference between the advance payment for the performance share plan for the 2020–2022 performance period and the calculated payment amount was offset against the payment amount of the profit bonus payable for fiscal year 2022 in fiscal year 2023 and against the base salary payable in fiscal year 2023.

Professor Intra was a member of the Executive Board of TRATON SE until the end of July 15, 2020. Until this time, Professor Intra was also a member of the Executive Boards of MAN SE and MAN Truck & Bus SE. His employment contracts with TRATON SE and MAN Truck & Bus SE ended when he stepped down from his Executive Board positions. At no time was there an employment contract with MAN SE. The performance share plan for the 2020–2022 performance period would have been paid out in fiscal year 2023. Because the calculated payment amount was below the advance payment already made for the 2020–2022 performance share plan, the remuneration granted and owed to Professor Intra is disclosed at €0. TRATON SE has claimed back the difference between the advance payment for the performance share plan for the 2020–2022 performance period and the calculated payment amount from Professor Intra.

Mr. Henriksson was appointed as a member of the Executive Board of TRATON SE and as President and Chief Executive Officer of Scania CV AB and Scania AB until the end of April 30, 2021. Mr. Henriksson still has rights to payments under the performance share plans that he acquired during his term of office.

Mr. Schulz left the Executive Board of TRATON SE effective the end of September 30, 2021. He was originally appointed as a member of the Executive Board until January 17, 2024. The employment contract between Mr. Schulz and TRATON SE continued until December 31, 2022. The performance share plan for the 2020–2022 performance period would have been paid out in fiscal year 2023. Because the calculated payment amount was below the advance payment already made for the 2020–2022 performance share plan, the remuneration granted and owed to Mr. Schulz is disclosed at €0. The difference between the advance payment for the performance share plan for the 2020–2022 performance period and the calculated payment amount was offset against the payment amount of the profit bonus payable for fiscal year 2022 in fiscal year 2023 and against the remuneration payable in fiscal year 2023 due to the post-contractual restraint on competition.

Mr. Osterloh was a member of the Executive Board of TRATON SE until the end of March 31, 2023. Mr. Osterloh's employment contract with TRATON SE runs until the end of its regular termination effective the end of April 30, 2024. The portion of the remuneration granted and owed for fiscal year 2023 that is attributable to the period after the end of Mr. Osterloh's appointment is disclosed in the table in this section.

Mr. Gründler was a member of the Executive Board of TRATON SE until the end of September 30, 2021, and was appointed Chairman of the Executive Board. Mr. Gründler's employment contract with TRATON SE expired at the end of its regular term effective the end of July 15, 2023.

Dr. Ing. h.c. Tostmann was appointed as a member of the Executive Board of TRATON SE until November 24, 2021, as Chairman of the Executive Board of MAN SE until August 31, 2021, and as Chairman of the Executive Board of MAN Truck & Bus SE until November 24, 2021. Dr. Ing. h.c. Tostmann's employment contract with TRATON SE expired at the end of its regular term effective the end of July 15, 2023. The Supervisory Board of MAN Truck & Bus SE has resolved that MAN Truck & Bus SE will reimburse TRATON SE for 80% of the expenses for Dr. Ing. h.c. Tostmann.

Comparative presentation

The following table shows a year-on-year comparison of the percentage change in remuneration for the members of the Executive Board with the earnings performance of TRATON SE and with the average remuneration for employees on a full-time equivalent (FTE) basis.

Earnings performance is calculated using the following earnings-related indicators of TRATON SE and the TRATON GROUP, which are published in TRATON SE's annual report: the earnings after tax of TRATON SE in accordance with German GAAP. The TRATON GROUP's operating return on sales corresponds to the ratio of the TRATON GROUP's operating result to the TRATON GROUP's sales revenue, as reported in TRATON SE's annual report.

The development of the average remuneration of employees is shown on the basis of two indicators. First, the average remuneration of employees is calculated by adjusting TRATON SE's personnel expenses as reported in the single-entity financial statements of TRATON SE to exclude the remuneration of the Group's Executive Board members. The adjusted personnel expenses are divided by the number of TRATON SE employees (309.4 employees) on FTE basis as of December 31, 2023, excluding the members of the Group's Executive Board (employees of TRATON SE). Second, the personnel expenses of the TRATON GROUP, as reported in the notes to the consolidated financial statements, adjusted to exclude the remuneration of the Group's Executive Board members, are divided by the number of employees of the TRATON GROUP (total workforce of 107,697 in accordance with internal reporting, i.e., including performance-related wage-earners, salaried staff, and vocational trainees) (employees of the TRATON GROUP).

Annual change in %	2023 compared with 2022[2]	2022 compared with 2021[2]	2021 compared with 2020[2]
Executive Board remuneration[1]			
Carlbaum, Mathias[3]	28.8%	431.3%	–
Cortes, Antonio Roberto	–11.1%	27.3%	–10.6%
Danielski, Annette[3]	38.5%	597.2%	–
Drees, Joachim	–32.4%	19.5%	3.8%
Gründler, Matthias	–19.5%	68.8%	69.0%
Henriksson, Henrik	–79.7%	176.3%	–85.0%
Intra, Professor Carsten	–168.1%	19.4%	–59.5%
Jackstein, Dr. Michael[4]	–	–	–
Levin, Christian	–3.2%	96.1%	25.1%
Modahl Nilsson, Catharina[4]	–	–	–
Osterloh, Bernd[3]	34.5%	152.2%	–
Schulz, Christian	–134.1%	16.2%	6.1%
Tostmann, Dr. Andreas	–22.1%	–22.5%	96.9%
Vlaskamp, Alexander[3]	37.9%	1,542.7%	–
Earnings performance			
Earnings after tax of TRATON SE in accordance with German GAAP[5]	316.6%	–	–
Operating return on sales of the TRATON GROUP	+2.0 pp	+2.6 pp	+0.9 pp
Development of employee remuneration[6]			
Employees of TRATON SE	21.7%	–7.0%	7.5%
Employees of the TRATON GROUP	6.6%	0.5%	1.1%

1 Remuneration granted and owed within the meaning of section 162 (1) sentence 1 of the AktG

2 In accordance with the transitional provision of section 26j (2) sentence 2 of the EGAktG, only the average remuneration for the period from fiscal year 2020 and not the average remuneration for the past five fiscal years must be included in the comparison until the end of fiscal year 2025.

3 Joined in the course of fiscal year 2021

4 Joined as of April 1, 2023

5 Percentage change in earnings after tax of TRATON SE in accordance with German GAAP cannot be presented because there were negative earnings from fiscal year 2020 through fiscal year 2022.

6 Personnel expenses additionally adjusted for exceptional project profit sharing by selected managers in 2021

Peer group

The remuneration amount, the maximum remuneration, and the targets agreed individually are regularly reviewed by the Supervisory Board and adjusted if necessary. As part of this process, the Supervisory Board carries out a vertical comparison with the remuneration and employment conditions of the Company's employees and a horizontal comparison with the remuneration and employment conditions of executive board members of other companies. In order to assess how customary the total remuneration of specific Executive Board members is compared to other companies, the Supervisory Board uses a peer group comparison method. This peer group is reviewed and adjusted on a regular basis, most recently in December 2022. The peer group currently comprises the following companies: Caterpillar Inc., Continental AG, Cummins Inc., Daimler Truck AG, Deere & Company, Henkel AG & Co. KGaA, Komatsu Kabushiki kaisha, Magna International Inc., Mitsubishi Motors Corporation, Paccar Inc., Schaeffler AG, Tata Motors Ltd., Thyssenkrupp AG, Volvo AB.

The companies in the peer group were selected on the basis of their size, sector, and regional distribution, and reflect TRATON SE's strategic business areas and most relevant competitors. To adequately reflect TRATON SE's business model, competitors from the manufacturing industry and the mechanical and plant engineering sectors were selected in addition to companies from the automotive sector. The peer group comprises an appropriate mix of listed companies from Europe, America, and Asia. In the opinion of the Supervisory Board, this peer group represents the specific competitive environment of TRATON SE on the sales market as well as on the recruitment market for top executives.

Remuneration of the members of the Supervisory Board

Principles of Supervisory Board remuneration

The remuneration of the members of the Supervisory Board is regulated in Article 16 of the Articles of Association of TRATON SE. According to section 113 (3) of the AktG, which has been amended on the basis of the ARUG II, the annual general meeting of a listed company must resolve on the remuneration of its supervisory board members at least every four years. It is permissible to confirm the existing remuneration. Moreover, information must be provided about the remuneration system for supervisory board members. In preparing the resolution for the Annual General Meeting, the Executive Board and Supervisory Board review whether the remuneration, especially its amount and structure, is still in the interest of TRATON SE and whether it is commensurate with the tasks performed by the members of the Supervisory Board and with the position of TRATON SE. In the Annual General Meeting on June 30, 2021, the Supervisory Board and Executive Board presented the existing remuneration for members of the Supervisory Board for confirmation and the remuneration system for a resolution to be adopted. The remuneration was confirmed, and the remuneration system resolved on by 99.99% of the votes cast in the Annual General Meeting on June 30, 2021.

Overview of the remuneration

Remuneration components

The remuneration of the members of the Supervisory Board consists of annual fixed remuneration and an attendance fee.

The fixed annual remuneration is €225 thousand for the Chairman of the Supervisory Board, €150 thousand for the Deputy Chairman of the Supervisory Board, and €75 thousand for each further member of the Supervisory Board.

For their work on committees, the members of the Supervisory Board receive additional fixed annual remuneration per committee provided the committee has met at least once per year for the performance of its duties. The fixed annual remuneration is €80 thousand for the chair of a committee, €60 thousand for the deputy chair of a committee, and €40 thousand for each further member of a committee. No remuneration will be paid for membership of the Nomination Committee or the Mediation Committee within the meaning of section 27 (3) of the *Mitbestimmungsgesetz* (MitbestG — German Codetermination Act), should such a committee be established in the future. If a member of the Supervisory Board is a member of several committees, remuneration will be paid only for the two committee functions with the highest fixed annual remuneration. The remuneration of the members of the Supervisory Board thus also complies with recommendation G.17 of the German Corporate Governance Code, which specifies that appropriate consideration be given to the greater investment of time required from the Chairman and Deputy Chairman of the Supervisory Board as well as from the chairs and members of the committees.

The Supervisory Board members each receive an attendance fee of €1 thousand for attending a meeting of the Supervisory Board or of a committee. The attendance fee is paid only once, even if several meetings are held in one day.

The fixed annual remuneration becomes due after the end of the Annual General Meeting that accepts or decides to approve the consolidated financial statements for the fiscal year for which the remuneration is paid. The fixed annual remuneration will be reduced pro rata temporis if a member of the Supervisory Board or of a committee is not a member for the full fiscal year or does not hold the office of Chairman or Deputy Chairman of the Supervisory Board or chair or deputy chair of the committee for the full fiscal year. TRATON SE will reimburse any value-added tax that may be payable on the remuneration and expenses of Supervisory Board members.

TRATON SE will also ensure that liability insurance with a deductible is taken out for the members of the Supervisory Board.

Former members of the Supervisory Board of TRATON SE do not receive any further remuneration for the period following the termination of office.

How the remuneration contributes to promoting the long-term development of TRATON SE

Both the structure and the amount of the remuneration received by the members of the Supervisory Board consider what is required of a member of the Supervisory Board of TRATON SE, especially the associated investment of time and the associated responsibility. The remuneration is in line with standard market practice in terms of its structure, and the amount is commensurate with the tasks of the members of the Supervisory Board and with the position of TRATON SE, also in comparison with the remuneration of the members of the supervisory boards of other listed companies of a similar size in Germany.

The remuneration makes it possible to attract suitable and qualified candidates as Supervisory Board members. Therefore, the remuneration of the members of the Supervisory Board contributes to enabling the Supervisory Board as a whole to exercise its governance role and advise the Executive Board appropriately and competently. The restriction to just one fixed remuneration is also in line with these Supervisory Board tasks. It is an incentive for the members of the Supervisory Board to ask appropriate questions when exercising their governance role and advising the Executive Board, without primarily focusing on the development of operational performance indicators. Together with the Executive Board, the Supervisory Board thus promotes the business strategy and long-term development of TRATON SE. Moreover, the restriction to just one fixed remuneration is in line with suggestion G.18 sentence 1 of the German Corporate Governance Code.

Remuneration of Supervisory Board members in fiscal year 2023

Remuneration granted and owed to the Supervisory Board members in office in fiscal year 2023

The following table shows the members of the Supervisory Board of TRATON SE in office in fiscal year 2023 and the remuneration granted and owed to the individual members of the Supervisory Board in fiscal year 2023. Remuneration “granted and owed” has the same meaning as described for members of the Executive Board. The remuneration shown in the table therefore represents the amounts actually received in fiscal year 2023, i.e., the remuneration paid to the members of the Supervisory Board for their roles on the Supervisory Board in fiscal year 2023, even if the remuneration is not owed until the year following the end of the Annual General Meeting.

	Fixed remuneration		Work in the committees		Attendance fees		Total	Remuneration from other Group appointments
	2023		2023		2023		2023	2023
	€ thousand	in %	€ thousand	in %	€ thousand	in %	€ thousand	€ thousand
Pötsch, Hans Dieter	225	71	80	25	12	4	317	–
Lyngsie, Michael[2,3]	–	–	–	–	–	–	–	–
Andersson, Ödgärd[6]	56	95	–	–	3	5	59	–
Bechstädt, Torsten[1]	75	52	60	41	10	7	145	–
Carlquist, Mari[2,3]	–	–	–	–	–	–	–	–
Cavallo, Daniela[1,5]	75	84	9	10	6	7	90	–
Döss, Dr. Manfred[2]	–	–	–	–	–	–	–	–
Kerner, Jürgen[1]	75	60	40	32	10	8	125	21
Kilian, Gunnar[2]	–	–	–	–	–	–	–	–
Kirchmann, Dr. Albert X.	75	91	–	–	7	9	82	21
Kuhn-Piëch, Dr. Julia	75	61	40	33	8	7	123	72
Lorentzon, Lisa[2,3]	–	–	–	–	–	–	–	–
Luthin, Bo[2,3]	–	–	–	–	–	–	–	–
Macpherson, Nina	75	60	40	32	10	8	125	65
Porsche, Dr. Dr. Christian	75	60	40	32	10	8	125	72
Schmid, Dr. Wolf-Michael	75	91	–	–	7	9	82	–
Schnur, Karina[1,4]	75	47	71	45	13	8	159	21
Sedlmaier, Josef[1]	75	93	–	–	6	7	81	–
Wansch, Markus[1]	75	91	–	–	7	9	82	21
Witter, Frank	75	45	80	48	10	6	165	–

1 These employee representatives have stated that they will transfer their Supervisory Board remuneration to the Hans Böckler Foundation in accordance with the guidelines issued by the German Confederation of Trade Unions (DGB).

2 Remuneration for fiscal year 2023 was waived in full.

3 In view of the waivers, the Executive Board of TRATON SE decided that it will make a contribution of €512 thousand to “Scanias Personalstiftelse 1996” after the 2024 Annual General Meeting.

4 Member of the Presiding Committee of TRATON SE since March 21, 2023

5 Member of the Presiding Committee of TRATON SE until March 20, 2023

6 Member of the Supervisory Board of TRATON SE since April 4, 2023

Comparative presentation

The following table shows a year-on-year comparison of the percentage change in remuneration for the members of the Supervisory Board with the earnings performance of TRATON SE and with the average remuneration for employees on FTE basis.

Earnings performance is calculated using the following earnings-related indicators of TRATON SE and the TRATON GROUP, which are published in TRATON SE’s annual report: the earnings after tax of TRATON SE in accordance with German GAAP. The TRATON GROUP’s operating return on sales corresponds to the ratio of the TRATON GROUP’s operating result to the TRATON GROUP’s sales revenue, as reported in TRATON SE’s annual report.

The development of the average remuneration of employees is shown on the basis of two indicators. First, the average remuneration of employees is calculated by adjusting TRATON SE’s personnel expenses as reported in the single-entity financial statements of TRATON SE to exclude the remuneration of the Group’s Executive Board members. The adjusted personnel expenses are divided by the number of TRATON SE employees (309.4 employees) on FTE basis as of December 31, 2023, excluding the members of the Group’s Executive Board (employees of TRATON SE). Second, the personnel expenses of the TRATON GROUP, as reported in the notes to the consolidated financial statements, adjusted to exclude the remuneration of the Group’s Executive Board members, are divided by the number of employees of the TRATON GROUP (total workforce of 107,697 in accordance with internal reporting, i.e., including performance-related wage-earners, salaried staff, and vocational trainees) (employees of the TRATON GROUP).

Annual change in %	2023 compared with 2022[2]	2022 compared with 2021[2]	2021 compared with 2020
Supervisory Board remuneration[1]			
Pötsch, Hans Dieter	1.6%	0.0%	0.3%
Lyngsie, Michael	0.0%	0.0%	0.0%
Andersson, Ödgärd[6]	–	–	–
Bechstädt, Torsten	–0.7%	0.7%	–1.4%
Carlquist, Mari	0.0%	0.0%	0.0%
Cavallo, Daniela[3]	–25.3%	73.9%	–
Döss, Dr. Manfred	0.0%	0.0%	0.0%
Kerner, Jürgen	2.0%	–10.6%	–18.8%
Kilian, Gunnar	0.0%	0.0%	0.0%
Kirchmann, Dr. Albert X.	–0.1%	4.0%	15.1%
Kuhn-Piëch, Dr. Julia	1.5%	27.2%	–16.6%
Lorentzon, Lisa	0.0%	0.0%	0.0%
Luthin, Bo	0.0%	0.0%	0.0%
Macpherson, Nina	–0.6%	0.0%	–1.5%
Porsche, Dr. Dr. Christian	4.6%	25.3%	17.2%
Schmid, Dr. Wolf-Michael	0.0%	0.0%	–1.2%
Schnur, Karina	24.3%	–16.2%	–16.0%
Sedlmaier, Josef[3]	–	–	–
Wansch, Markus[3]	0.9%	43.7%	–
Witter, Frank	0.0%	103.7%	–

Annual change in %	2023 compared with 2022[2]	2022 compared with 2021[2]	2021 compared with 2020
Earnings performance			
Earnings after tax of TRATON SE in accordance with German GAAP[4]	316.6%	–	–
Operating return on sales of the TRATON GROUP	+2.0 pp	+2.6 pp	+0.9 pp
Development of employee remuneration[5]			
Employees of TRATON SE	21.5%	–7.0%	7.5%
Employees of the TRATON GROUP	6.6%	0.5%	1.1%

1 Remuneration granted and owed within the meaning of section 162 (1) sentence 1 of the AktG

2 In accordance with the transitional provision of section 26j (2) sentence 2 of the EGAktG, only the average remuneration for the period from fiscal year 2020 and not the average remuneration for the past five fiscal years must be included in the comparison until the end of fiscal year 2025.

3 Joined in fiscal year 2021 or 2022

4 Percentage change in earnings after tax of TRATON SE in accordance with German GAAP cannot be presented because there were negative earnings from fiscal year 2020 through fiscal year 2022.

5 Personnel expenses additionally adjusted for exceptional project profit sharing by selected managers in 2021

6 Joined in fiscal year 2023

Independent Auditor's Report

To TRATON SE

We have audited the attached remuneration report of TRATON SE, Munich prepared to comply with Sec. 162 AktG ["Aktiengesetz": German Stock Corporation Act] for the fiscal year from January 1, 2023 to December 31, 2023 and the related disclosures.

Report on the audit of the remuneration report

Responsibilities of the executive directors and the supervisory board

The executive directors and supervisory board of TRATON SE are responsible for the preparation of the remuneration report and the related disclosures in compliance with the requirements of Sec. 162 AktG. In addition, the executive directors and supervisory board are responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report and the related disclosures that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

Auditor's responsibility

Our responsibility is to express an opinion on this remuneration report and the related disclosures based on our audit. We conducted our audit in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report and the related disclosures are free from material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts in the remuneration report and the related disclosures. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the remuneration report and the related disclosures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report and the related disclosures in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the accounting policies used and the reasonableness of accounting estimates made by the executive directors and supervisory board, as well as evaluating the overall presentation of the remuneration report and the related disclosures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, on the basis of the knowledge obtained in the audit, the remuneration report for the fiscal year from January 1, 2023 to December 31, 2023 and the related disclosures comply, in all material respects, with the financial reporting provisions of Sec. 162 AktG.

Other matter – formal audit of the remuneration report

The audit of the content of the remuneration report described in this auditor's report comprises the formal audit of the remuneration report required by Sec. 162 (3) AktG and the issue of a report on this audit. As we are issuing an unqualified opinion on the audit of the content of the remuneration report, this also includes the opinion that the disclosures pursuant to Sec. 162 (1) and (2) AktG are made in the remuneration report in all material respects.

Limitation of liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" as issued by the IDW on 1 January 2017, which are attached to this report, are applicable to this engagement and also govern our responsibility and liability to third parties in the context of this engagement.

Munich, February 21, 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Meyer	Hummel
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial Calendar

April 26, 2024
3M 2024 Interim Statement

June 13, 2024
2024 Annual General Meeting

July 26, 2024
2024 Half-Year Financial Report

October 28, 2024
9M 2024 Interim Statement

The latest information and dates are available on TRATON SE's website at **www.traton.com/financialcalendar**.

Defined Terms

Active employees/active workforce: Number of employees who have an active employment contract, excluding vocational trainees and employees in the passive phase of partial retirement.

BEV unit sales ratio: The ratio of the number of battery electric vehicles and fuel cell electric vehicles to the total number of vehicles sold, excluding the MAN TGE model.

Book-to-bill ratio: The ratio of incoming orders to unit sales.

Capex ratio: The capex ratio indicates the ratio of capital expenditures to sales revenue and is calculated for the TRATON Operations business area.

Capitalized development costs: Capitalized development costs consist of all direct and indirect costs that are directly attributable to the development process and are required to be capitalized.

Capitalization ratio: The capitalization ratio is defined as the ratio of capitalized development costs to primary research and development costs. It indicates which proportion of primary research and development costs is required to be capitalized.

Change in working capital: The change in working capital comprises changes in inventories, receivables, liabilities, other provisions, assets leased out (excluding depreciation and impairment losses), and the change in financial services receivables.

Commercial paper program (CP program): A master agreement between companies and dealers that allows companies to place unsecured, short-term debt instruments on the international money market very quickly to obtain debt capital.

Committee of Sponsoring Organizations of the Treadway Commission (COSO): Internationally recognized framework for enterprise risk management and internal control (ICS).

Compliance: Adherence to statutory provisions, internal corporate policies, and ethical principles.

Contract liability: Obligation to transfer goods or services to a customer for which it has already provided or is yet to provide consideration.

Corporate governance: A commonly used international term that denotes responsible corporate management and control geared toward long-term value added.

Derivatives/derivative financial instruments: Financial instruments whose value is derived primarily from the price and price volatility/expectations of an underlying (e.g., stocks, foreign currency, interest-bearing securities).

Dividend yield: Dividend yield is defined as the ratio of the dividend for the reporting period to the closing price per share class on the final trading date of the reporting period and indicates the return per share. Dividend yield is used in particular for measuring and comparing shares.

ESG: Environmental, Social, Governance.

European Medium Term Notes program (EMTN program): A master agreement between companies and bond dealers that allows companies to place securities on the European capital markets very quickly to obtain debt capital.

Fair value: The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing, and independent parties in an arm's length transaction.

Functional expenses: Functional expenses comprise the cost of sales, distribution expenses, and general and administrative expenses.

German Corporate Governance Code (the Code): Constitutes key statutory requirements for the management and supervision of listed German companies and contains internationally and nationally recognized standards of good, responsible corporate governance in the form of recommendations and suggestions.

Gross cash flow: Gross cash flow is calculated as the sum of earnings before tax and income tax payments, adjusted by depreciation and amortization of, and impairment losses on, intangible assets, property, plant, and equipment, investment property, capitalized development costs, products leased out (net of impairment reversals), impairment losses on equity investments (net of impairment reversals), changes in pension obligations, earnings on disposal of noncurrent assets and equity investments, share of earnings of equity-method investments, and other noncash expenses/income.

Gross margin: The gross margin is calculated as the percentage ratio of gross profit to sales revenue for the period in question.

Incoming orders: Incoming orders are defined as legally effective, binding orders.

Market share: TRATON's share of registrations of trucks and buses in the overall market.

Option: Agreements under which the purchaser is entitled, but not obligated, to acquire (call option) or sell (put option) the underlying asset at a future date for a predefined price. By contrast, the seller of the option is obligated to sell or purchase the asset and usually receives a premium for granting the option rights.

Other operating result: Other operating result comprises the following income statement items: net impairment losses on financial assets, other operating income, and other operating expenses.

Payout ratio: The payout ratio means the proportion of the total amount of dividends attributable to common shares to earnings after tax attributable to TRATON SE shareholders. The payout ratio provides information about the allocation of earnings.

Price-earnings ratio: The price-earnings ratio is calculated by dividing the year-end closing price per share by earnings per share. It reflects the earnings power per share and provides information about its development compared over a number of years.

R&D ratio: Ratio of primary R&D costs to sales revenue.

R&D employees: Number of permanent employees working in R&D.

Registrations: Number of new vehicles registered for the first time in a country with the relevant registration authorities. The term "registrations" describes the size of the market for new vehicles and thus also the development of the market. Market share is also calculated from the registration data.

Swap: Agreement between two counterparties to swap cash payments over a certain period. Prime examples are currency swaps, under which principal amounts denominated in various currencies are exchanged, and interest rate swaps, which usually entail the exchange of fixed and variable interest payments in the same currency.

Total cost of ownership (TCO): Sum of all incurred costs for the acquisition, use, and potential disposal of an asset.

Weighted Average Cost of Capital (WACC): WACC is derived from the return required by capital providers.

Five-Year Overview

	2023	2022	2021	2020	2019
Trucks and buses (units)					
Incoming orders	264,798	334,583	359,975	216,251	227,240
of which trucks	210,617	274,299	305,745	182,402	190,974
of which buses	29,808	32,274	22,237	14,611	21,032
of which MAN TGE vans	24,373	28,010	31,993	19,238	15,234
Unit sales	338,183	305,485	271,608	190,180	242,219
of which trucks	281,290	254,300	230,549	156,371	205,935
of which buses	30,266	29,601	18,857	16,174	21,496
of which MAN TGE vans	26,627	21,584	22,202	17,635	14,788
TRATON GROUP					
Sales revenue (€ million)	46,872	40,335	30,620	22,580	26,901
Operating result (adjusted) (€ million)	4,034	2,071	1,599	135	1,871
Operating return on sales (adjusted) (in %)	8.6	5.1	5.2	0.6	7.0
Active workforce[1]	103,621	100,356	97,235	82,567	82,679

	2023	2022	2021	2020	2019
TRATON Operations[2]					
Sales revenue (€ million)	45,736	39,554	30,103	22,152	26,444
Operating result (adjusted) (€ million)	4,272	2,257	1,883	230	1,729
Operating return on sales (adjusted) (in %)	9.3	5.7	6.3	1.0	6.5
Return on investment (ROI) (in %)	14.8	6.7	0.8	–0.1	9.7
Primary R&D costs (€ million)	2,170	1,892	1,462	1,154	1,376
Capex (€ million)	1,516	1,298	1,125	988	993
Net cash flow (€ million)	3,594	–625	938	979	2,711
Scania Vehicles & Services					
Incoming orders (units)	84,080	82,071	116,798	92,940	88,739
Sales (units)	96,727	85,232	90,366	72,085	99,457
Sales revenue (€ million)	17,878	15,316	13,927	11,521	13,934
Operating result (adjusted) (€ million)	2,266	1,315	1,412	802	1,506
Operating return on sales (adjusted) (in %)	12.7	8.6	10.1	7.0	10.8

	2023	2022	2021	2020	2019
MAN Truck & Bus					
Incoming orders (units)	86,783	109,717	143,531	84,921	100,652
Sales (units)	116,033	84,513	93,668	81,673	104,887
Sales revenue (€ million)	14,811	11,331	10,934	9,659	11,088
Operating result (adjusted) (€ million)	1,075	139	249	–553	371
Operating return on sales (adjusted) (in %)	7.3	1.2	2.3	–5.7	3.3
Navistar Sales & Services[3]					
Incoming orders (units)	60,932	86,019	42,588	–	–
Sales (units)	88,890	81,892	30,305	–	–
Sales revenue (€ million)	11,042	10,501	3,557	–	–
Operating result (adjusted) (€ million)	734	502	41	–	–
Operating return on sales (adjusted) (in %)	6.6	4.8	1.2	–	–

	2023	2022	2021	2020	2019
Volkswagen Truck & Bus					
Incoming orders (units)	33,739	57,042	57,241	38,805	41,103
Sales (units)	37,203	54,136	57,405	36,974	41,891
Sales revenue (€ million)	2,477	2,952	2,113	1,235	1,738
Operating result (adjusted) (€ million)	217	309	171	–15	43
Operating return on sales (adjusted) (in %)	8.8	10.5	8.1	–1.2	2.5
TRATON Financial Services					
Sales revenue (€ million)	1,589	1,294	964	820	849
Operating result (adjusted) (€ million)	269	303	259	107	142
Operating return on sales (adjusted) (in %)	17.0	23.5	26.9	13.1	16.8
Return on equity (in %)	8.4	4.0	18.6	11.1	16.9
TRATON shares					
Earnings per share (€)	4.90	2.28	0.91	–0.20	3.04
Dividend per share (€)[4]	1.50	0.70	0.50	0.25	1.00
Number of common shares as of 12/31	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Common shares, closing price (Xetra price in €)	21.32	14.13	22.14	22.61	23.92

1 As of December 31

2 The figures for 2019 were not adjusted to match the current structure of the TRATON Operations business area, but rather correspond to the structure prior to 2021 (Industrial Business).

3 2021: July 1 to December 31

4 2023: proposed dividend, subject to approval by the 2024 Annual General Meeting

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MAN Truck & Bus (p. 6: top right; p. 20: top row, right)
Navistar (p. 6: middle; p. 20: bottom row, left)
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