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TRATON increases operating profit to over €1 billion in first half of the year

- **Sales revenue increases by 7% to €13.5 billion**
- **Operating profit up year-on-year by around 25% to €1.1 billion**
- **Operating return on sales rises to 7.9%**
- **Earnings after tax increases by 65% to €792 million**
- **Unit sales up by around 10% to 123,336 trucks and buses**
- **Order intake down by 6%**
- **CEO Andreas Renschler: "Our IPO in June demonstrates that at TRATON we are executing on our goals. Looking forward, we are now running full steam ahead with implementing our Global Champion Strategy and leveraging additional synergies in the entire Group."**

Munich, July 29, 2019 – The TRATON GROUP announces strong first half-year results. During the first six months of this year, the Group increased its operating profit by €212 million compared with the prior-year period to over €1 billion. The Group generated sales revenue of €13.5 billion (previous year: €12.6 billion), representing a 7% increase compared with the first six months of 2018. The previous year figure still includes sales revenue of Volkswagen Gebrauchtfahrzeughandels und Service GmbH (VGSG), which was disposed of as of January 1, 2019, in the amount of €348 million. Adjusted for this sales revenue, the increase for the current fiscal year was 10%. During the first six months of 2019, TRATON GROUP sold 123,336 vehicles worldwide, which was also up around 10% against the prior-year figure. This growth was driven primarily by the continued favorable development of the core markets in Europe, especially Germany, and Brazil. At the same time, however, the level of order intakes in the Industrial Business segment at 120,491 units during the first six months of 2019 was 6% below the same period of 2018, driven by a decline in truck orders in the EU28+2 region, Russia, India, and Turkey as well as lower orders for buses in Mexico, Iran, and Saudi Arabia. The ratio of order intake to sales (book-to-bill ratio) was 0.98 in the first half of 2019.

Andreas Renschler, the CEO of TRATON GROUP and member of the Board of Management of Volkswagen AG, said: "Our IPO in June demonstrates that we at TRATON are executing on our goals. Looking forward, we are now running full steam ahead with implementing our Global Champion Strategy and leveraging additional synergies in the entire Group. At the same time, we are keeping a very watchful eye on developments in the market in order to adjust our production with flexibility."

TRATON GROUP operates in two segments: Industrial Business and Financial Services.

The **Industrial Business segment** comprises specifically the three operating units MAN Truck & Bus, Scania Vehicles & Services, and Volkswagen Caminhões e Ônibus. During the first half of 2019, the Industrial Business segment generated sales revenue of €13.3 billion (previous year: €12.1 billion), with an operating profit of €1,008 million (previous year: €787 million). The significant increase in sales revenue of 10% was in particular due to the new vehicle business, driven by strong growth in the truck business. There was slight growth in the after sales business.

The **Financial Services segment** offers customers a wide range of financial services, including dealer and retail financing, leasing, and insurance products. During the first half of 2019, this segment recorded an operating profit of €70 million (previous year: €65 million) and sales revenue of €419 million (previous year: €380 million). A larger net portfolio and currency effects positively impacted operating profit, while lower margins and higher operating expenses were offsetting factors.

Christian Schulz, CFO of the TRATON GROUP, said: “We had a strong start to the year and have again improved on our growth of the first quarter. With an operating return on sales of 7.9% for the first half of 2019, we are clearly ahead of the same period last year. Looking ahead to the rest of the year, despite continued worsening economic indicators, we remain confident and reaffirm our targets set for the year. And furthermore, we are fully focused on the launch of the new truck generation at MAN.”

TRATON GROUP: Three strong brands under one roof

With its brands MAN, Scania, and Volkswagen Caminhões e Ônibus, the TRATON GROUP is a leading commercial vehicle manufacturer worldwide, pursuing the goal of creating a Global Champion in the transportation industry through profitable growth, global expansion and customer-focused innovations. The Group posted operating profit of €1,075 million for the first half of 2019, which is reflected in an operating return on sales of 7.9% (previous year: 6.8%). The Group increased earnings after tax by 65% to €792 million in the first half of 2019, which is attributable to a favorable tax rate and an improved financial result.

The operating units at a glance

The **MAN** brand is a reliable business partner offering a full range of products from light commercial vehicles to heavy-duty trucks with the aim of supporting and facilitating its customers’ business operations. During the first half of 2019, MAN Truck & Bus recorded unit sales of 54,028 vehicles (+10%). In addition to the boost in the sales of trucks, the MAN TGE van series contributed continued significant growth to this figure. Sales revenue of the MAN Truck & Bus operational unit rose by around 6% to €5.5 billion. At €253 million, operating profit in the first half of 2019 was down from the prior-year figure (previous year: €285 million), which is reflected in an operating return on sales of 4.6% (previous year: 5.5%). The operating profit for the first half of 2018 included earnings of €19 million from the transfer of the RIO brand to TRATON SE.

The **Scania** brand is the premium innovation leader of sustainable transportation solutions. At 51,524 trucks and buses, Scania delivered more vehicles in the first half of 2019 than in the same period last year (+10%). Sales revenue of the Scania Vehicles & Services operational unit rose by around 13% to €7.1 billion. As a result of this strong volume growth, operating profit increased by around 34% to €828 million during the reporting period. This includes a positive currency effect of €57 million. The successful rollout of the new Scania truck generation in Latin America and Asia meant that the previous parallel production of old and new series was ended altogether. Scania is continuously working on optimizing the logistics and production processes, thus systematically improving the cost situation and normalizing production capacity following the introduction of the new truck generation. The operating return on sales of Scania Vehicles & Services for the first six months of the year was 11.6% (previous year: 9.8%)

VWCO, with tailor-made products at great value for money, has continuously held a leading position in the Brazilian truck market over the past 15 years. During the first half of 2019, deliveries of VWCO increased by just over 18% to 20,384 units, with brand sales revenue of €860 million (previous year: €674 million). VWCO recorded operating profit of €18 million (previous year: €13 million), which includes the effect of the reversal of a restructuring provision of €13 million. The positive sales revenue effects were offset by foreign exchange effects and inflation-related cost increases, e.g. for materials and higher depreciation and amortization charges. Volkswagen Caminhões e Ônibus continues to focus on a comprehensive program to strengthen the business in an intensely competitive market environment with the aim of systematically improving the quality of earnings. The operating return on sales was 2.1% (previous year: 2.0%).

Positive sales performance in core markets

Despite the overall favorable sales performance during the first half of 2019, the high pace of growth of the past year has slowed slightly.

During the first half of 2019, truck unit sales of the TRATON brands increased by around 12% to 113,112 vehicles, a result considerably above the prior-year figure. This includes the MAN TGE van series (7,266 units), which contributed to the strong growth with more than double the volume from the previous year. Deliveries of buses decreased by around 9% to 10,224 units due to the decline in Iran and Russia.

Truck unit sales in the EU28+2 region were considerably higher than in the previous year, with Germany contributing a tremendous increase to the result. Unit sales of trucks in other EU28+2 markets also recorded positive growth. Growth in unit sales of trucks in South America differed from region to region. Whereas unit sales rose considerably in Brazil, most of the other South American markets posted huge declines. Especially in Argentina, unit sales declined considerably because of the difficult macroeconomic situation. In the remaining markets, in particular truck unit sales in Russia, Turkey, Iran, and India declined sharply year-on-year.

Bus unit sales in the EU28+2 region improved slightly compared with the previous year, largely due to the contribution of the France and Sweden markets. Sales in South America were significantly higher than the same period last year, with a considerable increase in unit sales in Brazil in particular. This growth was driven by a contract as part of a federal government school bus program. Unit sales fell short of the prior-year level in the remaining markets, due primarily to sharp declines in Mexico and Iran.

This press release, the interim report, and additional material can be found at:
https://ir.traton.com/websites/traton/English/8900/events.html

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