Business Development

The global economy recorded negative growth in fiscal year 2020 due to the impact of the Covid-19 pandemic. Global demand for vehicles was lower than in the previous year. Amid these challenging market conditions, the Volkswagen Group delivered 9.3 million vehicles to customers.

GLOBAL SPREAD OF CORONAVIRUS (SARS-COV-2)

At the end of 2019, initial cases of a potentially fatal respiratory disease became known in Wuhan, in the Chinese province of Hubei. This disease is attributable to a novel coronavirus. Infections also appeared outside China from mid-January 2020. In Europe, the number of people infected rose continuously in the course of February, and especially in March and April 2020. While many European countries recorded declining numbers of new infections as the second quarter of 2020 progressed, the rate of new infections continued to rise in North, Central and South America, Africa and parts of Asia. In the second quarter, many of the measures taken to contain the Covid-19 pandemic were gradually eased, especially in Europe. This included partially lifting border controls and travel restrictions and easing lockdowns as well as the reopening of businesses and public facilities. In addition, the European Commission and numerous European governments approved aid packages to support the economy. In other regions, too, governments introduced measures aimed at shoring up the economy to counteract the enormous disruption to everyday life and economic activity caused by the Covid-19 pandemic. During the third quarter, and particularly during the fourth quarter of 2020, many regions outside China and around the world saw a renewed – and in some cases very rapid – increase in new infections, which led to the easing of restrictions being reversed in certain situations.

Throughout the whole of 2020, the global spread of the SARS-CoV-2 virus brought enormous disruption to all areas of everyday life and the economy.

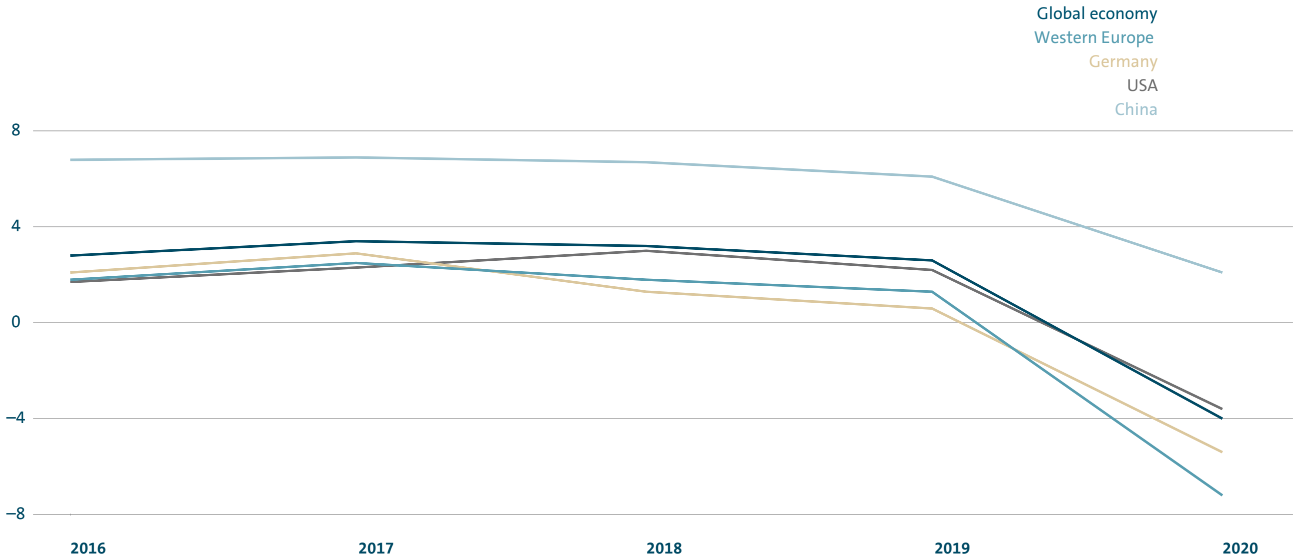
DEVELOPMENTS IN THE GLOBAL ECONOMY

The global spread of the SARS-CoV-2 virus, the associated restrictions, and the resulting downturn in demand and supply meant that growth in the world economy was negative in 2020, at –4.0 (2.6)%. The average rate of expansion of gross domestic product (GDP) was far below the previous year's level in both the advanced economies and the emerging markets. At country level, performance in the reporting period depended on the extent to which the negative impact of the Covid-19 pandemic was already materializing. The governments and central banks of numerous countries responded in some cases with substantial fiscal and monetary policy measures. This meant cuts in the already relatively low interest rates. There was a significant drop in prices for energy resources, while other commodity prices increased slightly year-on-year on average. On a global average, consumer prices rose at a slower pace than in 2019, and global trade in goods declined in the reporting period.

Europe/Other Markets

At –7.2 (1.3)%, the economies of Western Europe as a whole, recorded a sharp fall in growth in 2020. This trend was seen in nearly all countries in Northern and Southern Europe. The impact of national measures to contain the pandemic, including border closures and physical distancing, caused deep cuts. In some states, the measures severely restricted everyday life and also had grave economic consequences. Governments of many countries in this region subsequently started to lift some of the restrictions imposed, spawning a gradual economic recovery.

ECONOMIC GROWTH
Percentage change in GDP



Due to the renewed increase in case numbers in many countries as the year went on, several of these measures were tightened again, or at least left in place. In addition, the uncertain outcome of the Brexit negotiations between the United Kingdom and the European Union (EU) generated uncertainty in fiscal year 2020, as did the related question of what form this relationship would take in the future.

The economies in Central and Eastern Europe reported a marked decline in the real absolute GDP in 2020 at –3.7 (2.5)%, with economic output falling by –3.4 (2.9)% in Central Europe and by –4.0 (2.0)% in Eastern Europe. The same trend was observed in Russia; economic output in Eastern Europe's largest economy contracted by –4.1 (1.3)%.

Turkey was unable to sustain the recovery seen in the first quarter, with GDP growth declining to 0.2 (1.0)% for 2020 as a whole but remaining in positive territory. South Africa's GDP trend declined sharply in the reporting period to –7.3 (0.2)% amid persistent structural deficits and political challenges.

Germany

Germany's economic output showed a significantly negative trend in the reporting year at –5.3 (0.6)%. The labor market was in a favorable situation at the start of the year, but the pandemic led many companies to introduce short-time working (Kurzarbeit) throughout the course of the year. The temporary easing of restrictions in everyday life and economic activity as well as government assistance packages enacted to support the economy led to improved confidence among consumers and companies as the year progressed. However, it only occasionally matched the previous years' levels.

North America

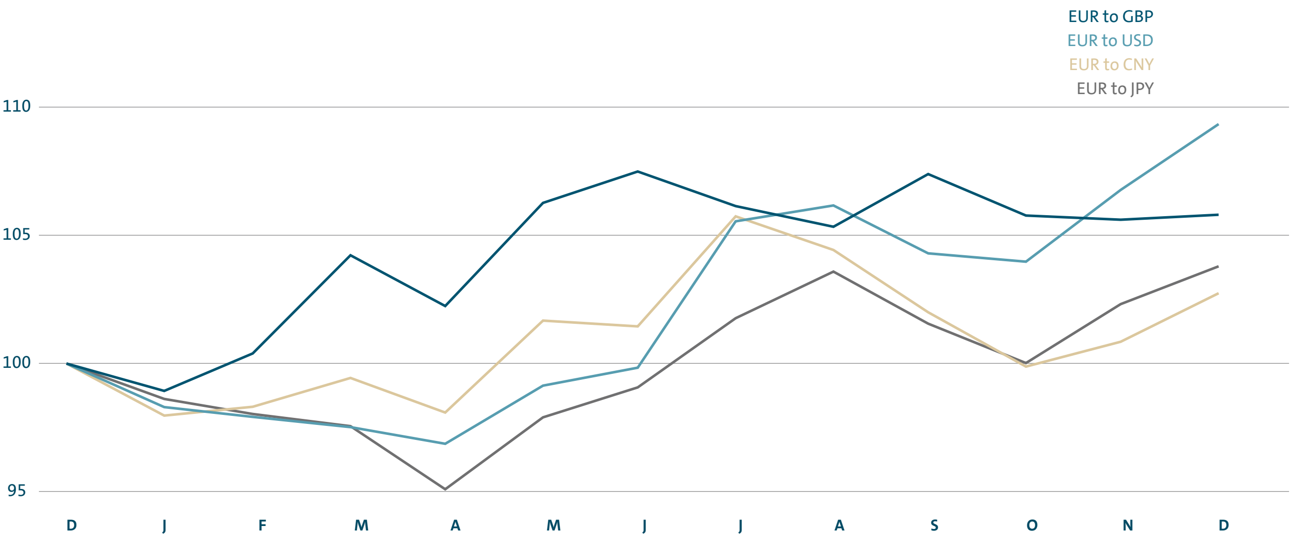
US economic output declined by –3.6 (2.2)% in the reporting year as rates of infection soared. To strengthen the economy in light of the disruption caused by the Covid-19 pandemic, the US government passed comprehensive stimulus packages. The US Federal Reserve cut interest rates twice, alongside other measures to support the economy. The weekly number of people filing new claims for unemployment benefits rose by several million before declining but still remaining at a relatively high level. This was reflected accordingly in the unemployment rate, which more than doubled year-on-year to 8.1 (3.7)% in the reporting period. GDP fell by –5.7 (1.9)% in neighboring Canada and by –9.0 (0.0)% in Mexico.

South America

Brazil's economy recorded a decline of –4.6 (1.4)% in 2020, resulting from the dynamic rate of infection caused by the Covid-19 pandemic. At –11.1 (–2.1)%, the economic downturn in Argentina intensified amid continued high inflation and substantial depreciation of the local currency compared with the previous year.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2019 TO DECEMBER 2020

Index based on month-end prices: as of December 31, 2019 = 100



Asia-Pacific

The Chinese economy, which had been exposed to the negative effects of the Covid-19 pandemic earlier than other economies and benefited from a relatively small number of new infections as the year progressed, recorded positive growth rates from the second quarter onwards, expanding by 2.1 (6.1)% overall. Growth in India fell sharply to −8.9 (4.2)% amid relatively high infection rates. Japan also recorded negative growth of −5.4 (0.3)% compared with the same period of the previous year owing to the negative impact of the Covid-19 pandemic.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

In fiscal year 2020, the global market volume of passenger cars fell significantly below the prior-year level due to the Covid-19 pandemic, decreasing to 67.7 million vehicles (−15.2%). This marked a decline for the third year in a row. All regions were affected by this slump. The overall markets of Western Europe, South America and Africa recorded above-average losses, while the decline in Asia-Pacific and the Middle East was smaller in percentage terms.

Global demand for light commercial vehicles in the reporting period was down significantly on the previous year.

Sector-specific environment

The sector-specific environment was influenced significantly by fiscal policy measures, which contributed considerably to the mixed trends in sales volumes in the markets in 2020. These measures included tax cuts or increases, incentive programs and sales incentives, as well as import duties.

In addition, non-tariff trade barriers to protect the respective domestic automotive industries made the movement of vehicles, parts and components more difficult.

Europe/Other Markets

In Western Europe, the number of new passenger car registrations in the reporting period was down substantially by as much as −24.5% on the prior-year figure, at 10.9 million vehicles. The negative impact from the spread of the SARS-CoV-2 virus was noticeable in all countries in the region as early as March. After the drastic decline at the beginning of the second quarter, recovery started in the months that followed, and by the end of the third quarter, figures even matched those of the prior year. The fourth quarter of 2020 witnessed a lateral movement in the market, keeping volumes noticeably below the previous year's level. New registrations saw declines on a similar scale in all major individual markets and were in negative territory at year-end: France (−25.4%), Italy (−27.9%), the UK (−29.4%) and Spain (−32.1%).

The volume of new registrations of light commercial vehicles in Western Europe fell significantly below the prior-year figure, essentially due to the pandemic.

In the Central and Eastern Europe region, the market volume of passenger cars in fiscal year 2020 was down 15.9% on the prior-year level at 2.8 million vehicles. Following the slump in the second quarter and the recovery in the third quarter, the volume of new vehicle registrations flatlined in the fourth quarter and was moderately short of the previous year's figure. The development of demand in the reporting period differed from market to market. In Central Europe, the number of new registrations dropped substantially by 23.3% to 1.1 million units. By contrast, the decline in sales of passenger cars in Eastern Europe (–10.1%) was weaker, due in particular to demand in Russia slowing less sharply (–8.8%).

Registration volumes for light commercial vehicles in Central and Eastern Europe were down significantly year-on-year. In Russia, the number of vehicles sold in the reporting period was also significantly lower than in the previous year.

At 0.6 million units, the volume of the passenger car market in Turkey in the reporting period was up by over 50% on the very low prior-year level. The increase in demand was boosted in particular by the strong growth in the third quarter of 2020. In South Africa, the pandemic meant that the number of new passenger car registrations was down sharply on the comparatively poor results of the previous year (–30.4%).

Germany

New passenger car registrations in Germany in fiscal year 2020 fell significantly short of the previous year's high level, declining to 2.9 million units (–19.1%). Exacerbated by the Covid-19 pandemic and its fallout, demand for passenger cars fell to its lowest level since the German reunification despite a temporary reduction in value-added tax and higher purchase premiums for electric vehicles.

Owing to the mandated temporary shutdowns driven by the pandemic and weak demand in important foreign markets, domestic production and exports in the reporting period again fell short of the comparable prior-year figures: passenger car production decreased by –24.6% to 3.5 million vehicles, largely due to the –24.1% drop in passenger car exports to 2.6 million units.

Demand for light commercial vehicles in Germany in the reporting period was significantly lower than in 2019.

North America

At 17.1 million vehicles, sales of passenger cars and light commercial vehicles (up to 6.35 tonnes) in North America in fiscal year 2020 were down significantly on the prior-year figure (–15.9%). The negative effects of the Covid-19 pandemic were also very noticeable in this region. After a drastic decline in demand at the beginning of the second quarter and a steady recovery in the months that followed, until the prior-year level was reached in September, the region witnessed volatile market performance in the last quarter of 2020. In December, a new recovery set in and the previous year's figure was exceeded. The market volume in the USA remained markedly lower than the 2019 level, falling to 14.6 million units (–14.5%). The decline affected both the passenger car segment (–28.3%) and light commercial vehicles (–11.9%) such as SUVs and pickup models. In the Canadian automotive market, the Covid-19 pandemic significantly accelerated the downward trend that began in 2018 (–19.7%). In Mexico, sales of passenger cars and light commercial vehicles declined sharply (–28.0%), falling short of the prior-year figure for the fourth year in a row.

South America

In the markets of the South America region, the volume of new registrations for passenger cars and light commercial vehicles in 2020 was much lower (–28.1%) at 3.1 million units following the drastic decline in the second quarter, a strong recovery in the third quarter and a lateral movement in the fourth quarter, though falling short of the levels recorded in the previous year. The South America region saw the most severe negative impact of the Covid-19 pandemic on the automotive markets in terms of percentage. In Brazil, the recovery in vehicle demand that began in 2017 was interrupted in the reporting year; at 2.0 million vehicles (–26.7%), the number of new registrations was sharply lower than in the prior-year period. Exports of vehicles manufactured in Brazil continued to decline, falling by –24.3% to 324 thousand. In the Argentinian market, too, the spread of the SARS-CoV-2 virus negatively impacted the demand for passenger cars and light commercial vehicles. In 2020, there was a sharp –26.6% fall in sales to 0.3 million units.

Asia-Pacific

In the Asia-Pacific region, too, the reporting period was adversely impacted by the spread of the SARS-CoV-2 virus. After the very sharp decline in the first three months, the rapid rebound in the second quarter and a return to prior-year levels in the third quarter, demand in the last quarter of 2020 was moderately up on the previous year. The market volume of passenger cars was noticeably lower than the prior-year level at 30.9 million units (–9.6%). This was also partly due to developments in the Chinese passenger car market, where the volume of demand fell distinctly short of the previous year to 19.9 million units (–6.5%) as a result of the Covid-19 pandemic. Following the severe losses in the first three months of 2020, there were clear signs of a recovery in the overall market there as the year went on. In India, sales of passenger cars dwindled significantly year-on-year, falling by –17.3% to 2.3 million units. In the Japanese passenger car market, vehicle demand in the reporting period of 3.8 million units (–11.2%) was down markedly on the previous year due not only to the Covid-19 pandemic, but also to the increase in VAT as of October 1, 2019.

There was a significant year-on-year decline in demand for light commercial vehicles in the Asia-Pacific region. Registration volumes in China, the region's dominant market and the largest market worldwide, fell distinctly year-on-year. The number of new vehicle registrations was significantly below the previous year's level in Japan and drastically lower in India.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

In the markets that are relevant for the Volkswagen Group, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was down substantially year-on-year in fiscal year 2020 due to the spread of the SARS-CoV-2 virus: 460 thousand new vehicles were registered (–20.1%). Despite the ongoing uncertainty generated by the Covid-19 pandemic, a recovery could be seen in almost all of the markets that are relevant for the Volkswagen Group in the second half of 2020 compared with the first six months.

In the 27 EU states excluding Malta, but plus the United Kingdom, Norway and Switzerland (EU27+3), the number of new truck registrations was sharply down on the prior-year figure, dropping –27.4% to a total of 273 thousand vehicles. Registrations in Germany, the largest market in this region, fell substantially year-on-year. The previously anticipated downturn in the market for 2020 was amplified by the Covid-19 pandemic, especially in the second quarter of the year. The Russian market also deteriorated noticeably as a consequence of the Covid-19 pandemic and the related economic fallout. Turkey saw new registrations more than double compared to an admittedly very low prior-year figure. By contrast, the South African market declined considerably. In Brazil, the largest market in the South America region, demand for trucks was significantly below the level seen in the previous year as a result of the pandemic.

Demand for buses in the markets that are relevant for the Volkswagen Group was much lower than in the previous year as a consequence of the pandemic. All key markets within the EU27+3 contributed to this trend, with the market for coaches in particular virtually grinding to a halt. Demand was very much lower in Brazil and was less than half the prior-year level in Mexico.

TRENDS IN THE MARKETS FOR POWER ENGINEERING

The markets for power engineering are subject to differing regional and economic factors. Consequently, their business growth trends are mostly independent of each other.

In 2020, the marine market contracted to a significantly lower level than in the previous year. Demand was curbed predominantly by the global impact of the Covid-19 pandemic and uncertainty about future emissions regulations, and in merchant shipping by the negative impact of the ongoing trade disputes between the USA and China. Demand for cruise ships virtually ceased entirely due to the difficult liquidity situation, resulting from the Covid-19 pandemic. The passenger ferry segment – similarly affected by a loss of revenue resulting in part from project postponements – was also impacted by a decline in demand. The special market for government vessels, which is driven by state investment, continued on a stable trajectory. In the offshore sector, the existing overcapacity and low oil prices virtually stifled investment in offshore oil production. China, South Korea and Japan remained the dominant shipbuilding countries, accounting for a global market share of around 85% measured in terms of the number of ships. Since market volumes are still low, all sectors in the marine market were continuing to experience significant competition and strong pricing pressure as a result.

The market for power generation was unable to continue its growth trend in 2020 due to the Covid-19 pandemic and declined significantly overall. Most projects were postponed as a result of the spread of the SARS-CoV-2 virus and the pandemic-related uncertainty, with some being canceled altogether. Due to the collapse in oil prices and low equipment prices, there was a short-term rise in demand for stock engines run on HFO (heavy fuel oil) in developing countries, though the trend away from oil-fired power plants towards dual-fuel and gas-fired power plants continued. Demand for new energy solutions such as hydrogen, battery or solar technologies remained high, with a strong trend towards greater flexibility and decentralized availability. Due to the negative consequences of the SARS-CoV-2 virus, inventories in the reporting period increased, intensifying continued pressure from competition and pricing.

In 2020, the market for turbo machinery showed a significant deterioration year-on-year. The Covid-19 pandemic had a delayed negative impact on demand for turbo compressors in the raw materials, oil, gas and processing industry and varied in severity depending on market segment and region. Investments in oil production facilities remained at the prior-year level despite substantial, short-term price fluctuations. Demand for turbo compressors for industrial gases also remained slightly below the previous year's level. By contrast, demand in the raw materials and processing industry dropped substantially. As a consequence of the Covid-19 pandemic, nearly all regions except for China recorded a severe downturn in demand compared with the previous year. The steam and gas turbine business continued to be dominated by overcapacity on the part of electricity producers. In addition, the pandemic-induced uncertainty and the continued pressure from competition and pricing compared with the prior-year period brought about a substantial dip in demand.

The after-sales business for diesel engines performed positively on the whole in 2020 compared with the previous year, benefiting from a continued increase in interest in long-term maintenance contracts and retrofitting solutions. The Covid-19 pandemic reduced demand for standard products, however, and decisions about capital-intensive modifications were delayed owing to cash-flow difficulties on the part of the customers. After undergoing a marked recovery in the previous year, the after-sales market for turbo machinery collapsed sharply in 2020 due to the Covid-19 pandemic. Here, too, capital-intensive modifications were postponed or canceled due to financial difficulties.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

Demand for automotive financial services was at a high level in 2020, particularly in the first three months, due in part to the persistently low key interest rates in the main currency areas. Nevertheless, the Covid-19 pandemic put pressure on the demand for financial services in almost all regions during the reporting period. The effects of the Covid-19 pandemic were noticeable worldwide, especially in the second quarter of 2020. Markets for automotive financial services staged a partial recovery in the third and fourth quarters.

The European passenger car market was affected by the Covid-19 pandemic especially in the second quarter of 2020, which led to a significant decline in demand in the automotive business over the reporting period as a whole. Amid this challenging market environment, the share of lease and financing contracts to vehicle sales was expanded further in the European markets although the absolute number of contracts declined year-on-year. Demand increased for integrated mobility services such as parking, refueling and charging. The business with after-sales products such as servicing, maintenance and spare parts agreements, as well as automotive-related insurance was maintained at the prior-year level in the current market environment.

Germany saw a year-on-year drop in the number of loan-financed and leased new vehicles in 2020 due to the challenges of the Covid-19 pandemic. In the leasing business with individual customers, the shift from financing to lease contracts that began in 2019 continued.

In South Africa, demand for financing and insurance products stabilized in the second half of 2020 after declining in the first half, but was down year-on-year in the reporting period. Lower interest rates led to an increase in cash purchases. Non-vehicle loans were also used to buy vehicles.

A drop in demand for new vehicles has been seen across the entire North American region as a consequence of the Covid-19 pandemic. In the United States, however, demand for financial services rose slightly and increased as a proportion of vehicle sales. A shift from lease to financing contracts was observed here along with an increase in sales of used vehicles. The proportion of lease and financing contracts in Canada in 2020 was also up on the prior-year level. Absolute numbers of contracts decreased, however, due to the decline in deliveries. A downward trend was observed in Mexico, both for the absolute number of financing contracts and for the percentage share, which was attributable in part to the currently limited fleet business.

In South America, demand for vehicles and automotive financial services in the reporting year was down on the previous year. It recovered at the end of 2020 after dipping in the second and third quarters as a consequence of the pandemic. In Brazil, the trend toward fleet business and long-term leases continued to strengthen, with the number of long-term lease contracts exceeding the prior-year level. In a difficult macroeconomic environment, customers in Argentina purchased their vehicles mostly in cash; demand for automotive financial services decreased year-on-year.

China's passenger car market started to recover from the Covid-19 pandemic from the second quarter of 2020 onwards. The easing of restrictions continuously led to increasing numbers of new contracts being signed for automotive-related financial services, which were up slightly overall on the prior-year level. In Japan, the effects of the Covid-19 pandemic were perceptible in the form of weaker new car sales, with a related fall in demand for financing and leasing products. In India, demand for financial services was below the previous year but rose again in the course of the year as lending rates in the new and used vehicle segments stabilized.

The Covid-19 pandemic also led to substantial declines in demand for new and used vehicles in the commercial vehicles business area in 2020. As a result, there was an equal fall in the number of lease and financing contracts in Europe; however, there was a rise in the penetration rate of these financial products in Brazil.

NEW GROUP MODELS IN 2020

Thanks to a broad portfolio of products – from small cars to super sports cars in the passenger car segment, and from pickups to heavy trucks and buses in the commercial vehicles segment, as well as motorcycles – covering almost all key segments and body types, Volkswagen Group customers are able to choose the vehicle tailored to their needs. In fiscal year 2020, we added further attractive vehicles to this range, whereby one focus was on electric vehicles.

In 2020, the Volkswagen Passenger Cars brand brought out the compact ID.3, the first vehicle based on the Modular Electric Drive Toolkit (MEB). It also expanded its range of electric vehicles by adding the new ID.4, an all-electric SUV designed for urban use. The first vehicles from the ID. family have suitable ranges and come fitted with forward-looking equipment such as the augmented reality head-up display. 2020 also saw the launch of the eighth generation of the new Golf including its derivatives, the Golf GTI, Golf R and Golf Estate. The up!, the Tiguan and the Arteon all received product upgrades. The T-Roc Cabriolet and the Arteon Shooting Brake were also rolled out, the latter combining exclusivity and practicability at a high level. In addition, the first Tiguan R model was launched. The Volkswagen Passenger Cars brand continued rolling out its plug-in hybrid offensive with derivatives of the Golf and Touareg. In the USA, the successful Atlas received an update and the Atlas Cross Sport was launched. In the South American market, the Nivus SUV coupé developed in Brazil was rolled out along with sporty versions of the Polo and Virtus models. In the Chinese market, the new Tiguan X and Tayron X crossover models cater to the growing demand for lifestyle vehicles. The Viloran seven-seater van, designed to meet the needs of regional markets and customers, and the Tacqua compact SUV were also launched. The CC and the Phideon were upgraded. The electrification offensive was continued with the electric Tharu, and the Tayron as a plug-in hybrid. JETTA brought out the VS7 SUV.

The Audi brand also added further all-electric vehicles to its product range in fiscal year 2020. The Audi e-tron Sportback, for example, celebrated its market launch with a new interpretation of the coupé design. The range of plug-in hybrid vehicles was also expanded. Audi also introduced S models of the Q7 and Q8 in 2020 and, for the first time, also of the electric vehicles e-tron and e-tron Sportback. In addition, successors to models from the A3 series that is especially popular with customers were brought out. The A5, Q2 and Q5 model series were updated.

Launched in early 2020, the all-electric Citigo^{e} iV kicked off the electrification of the ŠKODA portfolio. In addition, the successor models from the popular Octavia series celebrated their market launch. The Octavia and the Superb are also available as plug-in hybrids, both as a saloon and as an estate. Along with these, the Rapid received an update in China and Russia.

The SEAT brand launched the successors to the Leon and the Leon Sportstourer in 2020. Moreover, both the SEAT brand and CUPRA expanded their product ranges through the addition of two plug-in hybrid versions of the Leon in each case. The Ateca received a comprehensive product upgrade at both SEAT and CUPRA. CUPRA enhanced its model range by adding its first completely standalone model, the Formentor SUV coupé.

Following the unveiling of the all-electric Taycan in the preceding fiscal year, Porsche launched new Taycan derivatives in 2020 including the top-of-the range Turbo S. The updated Panamera was also released. The Cayenne GTS Coupé rounds off the Cayenne family.

In the growing SUV segment, Bentley launched the extensively upgraded Bentayga in fiscal year 2020. Presented in 2019, the successor to the Flying Spur luxury saloon is now also available with a V8 engine. The luxurious spearhead of the model series became available at the end of 2020 with the Continental GT Mulliner.

Since 2020, Lamborghini's Huracán RWD with rear-wheel drive has been on the market as the upgraded EVO model.

Bugatti presented the DIVO hyper sports car in 2020, limited to only 40 vehicles. The new Chiron Pur Sport also celebrated its market premiere.

The Volkswagen Commercial Vehicles brand completely redesigned the Caddy, which now boasts technologies from the Modular Transverse Toolkit (MQB).

Scania reached a milestone in the electrification of the brand in 2020: a plug-in hybrid drive is now also available for the L and P series, a purely electric drive system was presented for these models.

MAN brought out the visually and technically revamped TGX, which received the International Truck of the Year 2021 award for its reliability and efficiency.

Ducati introduced the new Streetfighter V4 in 2020 as well as updated models of the Panigale V2 and V4, the Multistrada 1260S Grand Tour and the Diavel 1260S. The Icon Dark expanded the Scrambler family.

VOLKSWAGEN GROUP DELIVERIES

The Volkswagen Group delivered 9,305,372 vehicles to customers worldwide in fiscal year 2020. The decrease of 15.2% or 1,669,925 units year-on-year was due almost exclusively to the Covid-19 pandemic and the measures taken worldwide to contain its spread. Sales figures for both the Passenger Cars Business Area and the Commercial Vehicles Business Area declined as a result of the fall in demand. The chart on the page after next illustrates the trend in deliveries from month to month, comparing each monthly figure to the same month of the previous year. Deliveries of passenger cars and commercial vehicles are reported separately in the following.

VOLKSWAGEN GROUP DELIVERIES[1]

	2020	2019	%
Passenger Cars	9,115,185	10,733,077	–15.1
Commercial Vehicles	190,187	242,220	–21.5
Total	**9,305,372**	**10,975,297**	**–15.2**

1 Prior-year deliveries have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures.

GLOBAL DELIVERIES BY THE PASSENGER CARS BUSINESS AREA

With its passenger car brands, the Volkswagen Group is present in all relevant automotive markets around the world. The key sales markets currently include Western Europe, China, the USA, Brazil, Russia, Poland, Turkey and Mexico.

Global demand for Volkswagen Group passenger cars and light commercial vehicles fell in the reporting year by 15.1% year-on-year to 9,115,185 units as a consequence of the debilitating market conditions arising from the uncertainty and the measures taken worldwide to tackle the Covid-19 pandemic. In connection with the pandemic, our deliveries to customers were affected by differing temporal and geographical effects. Following in some cases drastic losses at the end of the first quarter and the start of the second quarter, demand for Group models recovered as the reporting year went on, with declines becoming weaker. We registered declining demand year-on-year in nearly all regions. The sole exception was the Middle East region, largely driven by the positive trend in sales figures in Turkey. Bentley was the only Volkswagen Group brand that did not fall short of its prior-year figures.

Our e-mobility offensive had a positive impact on Group sales: we delivered 231,624 fully electric vehicles to customers globally – more than three times as many as in 2019. Our plug-in hybrid models were also very popular with customers; sales amounted to 190,644 vehicles. The Group's most successful all-electric vehicles included the ID.3, the e-Golf and the e-up! from Volkswagen Passenger Cars as well as the Audi e-tron and Porsche Taycan. The Passat and the Golf from Volkswagen Passenger Cars, the Audi Q5, the ŠKODA Superb and the Porsche Cayenne were among the most popular plug-in hybrid models.

In a significantly declining overall global market, our passenger car market share increased slightly to 13.0 (12.9)%.

The table at the end of this section gives an overview of passenger car deliveries to customers of the Volkswagen Group in the regions and the key individual markets. The trends in demand for Group models in these markets and regions are described in the following sections.

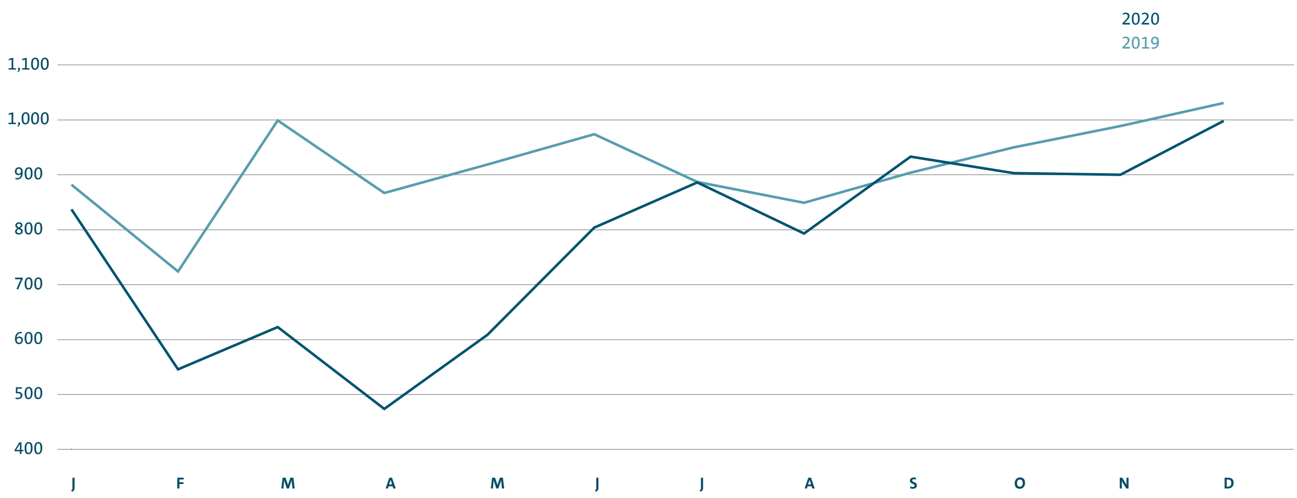
Deliveries in Europe/Other Markets

In Western Europe, the Volkswagen Group delivered 2,848,861 passenger cars and light commercial vehicles to customers in fiscal year 2020 in a substantially contracting overall market. This was 21.5% fewer than in the previous year. The increasing spread of the SARS-CoV-2 virus and the measures taken to contain it sent demand for Group vehicles into a tailspin during the first quarter and at the beginning of the second quarter. All of the major individual markets demonstrated very similar declines in demand for Group vehicles. By the end of the first half of the year, the declines had tapered off. In the second half of the year, demand for Group vehicles in individual markets was once again up on a monthly basis compared with the relevant prior-year figure. The Group models with the highest volume of demand were the Golf, Polo, T-Roc and Tiguan from the Volkswagen Passenger Cars brand. In addition, the T-Cross from Volkswagen Passenger Cars, the Q3 Sportback, Q7 and e-tron from Audi, the Scala and Kamiq from ŠKODA, the Mii electric from SEAT, and the Porsche Cayenne Coupé and Porsche Taycan, all of which had been introduced as new or successor models over the course of the previous year, were very popular with customers. Some of the models successfully launched on the market during the reporting year as new or successor models were the up!, T-Roc Cabriolet, Golf, Tiguan and Arteon Shooting Brake and the first all-electric production models, the ID.3 and ID.4, from Volkswagen Passenger Cars, the A3 saloon, A3 Sportback, A5 and e-tron Sportback from Audi, the Citigo^{e} iV, Superb iV and Octavia from ŠKODA, the Leon, Leon Sportstourer and Ateca from SEAT and the Caddy from Volkswagen Commercial Vehicles. The Volkswagen Group's share of the passenger car market in Western Europe rose to 23.7 (22.8)%.

With a decline of 14.9%, the number of vehicles handed over to customers in the reporting year in the Central and Eastern Europe region fell less sharply than the global average. This was largely attributable to the trend in deliveries in Russia, which almost reached the prior-year level. Demand developed encouragingly for the T-Cross from Volkswagen Passenger Cars, for the Audi Q3 Sportback, for ŠKODA's Scala, Kamiq and Karoq models and for the Porsche Cayenne Coupé. The Volkswagen Group's share of the passenger car market in the Central and Eastern Europe region increased to 22.0 (21.5)%.

In Turkey, the Volkswagen Group continued to benefit from the catch-up effects in the overall market, raising the number of vehicles handed over to customers in 2020 by 54.8% compared with the previous year. The Passat saloon was the most sought-after Group model from the Volkswagen Passenger Cars brand. In the sharply contracting South African market, the number of Group models sold fell by

VOLKSWAGEN GROUP DELIVERIES BY MONTH
Vehicles in thousands



28.9%. The Polo from Volkswagen Passenger Cars continued to be the most frequently sold Group model there.

Deliveries in Germany

In Germany, demand for vehicles from the Volkswagen Group was down 19.6% year-on-year at 1,065,811 units in 2020 in an overall market that was suffering a significant decline. As with the overall market in Western Europe, the decrease was attributable to the negative impact of the spread of the SARS-CoV-2 virus. The Group models with the highest volume of demand were the Golf and Passat Estate from the Volkswagen Passenger Cars brand. Also in high demand from customers were the T-Cross from Volkswagen Passenger Cars, the Q3 Sportback, Q7 and e-tron from Audi, the Scala and Kamiq from ŠKODA, the Mii electric from SEAT, and the Porsche Cayenne Coupé and Porsche Taycan, all of which had been introduced as new or successor models over the course of the previous year. Seven Group models led the Kraftfahrt-Bundesamt (KBA – German Federal Motor Transport Authority) registration statistics in their respective segments: the Golf, T-Roc, Tiguan, Touran, Passat, Porsche 911 and Caddy. In addition, the Golf continued to top the list of the most popular passenger cars in Germany in terms of registrations.

Deliveries in North America

In North America, demand for Volkswagen Group models fell by 17.3% year-on-year to 784,299 units in the reporting year, a decrease largely mirroring the trend in the market as a whole. The impact of the Covid-19 pandemic became apparent in this region somewhat later, intensifying at the beginning of the second quarter. The month-on-month declines diminished again as the year went on. The Group's market share was 4.6 (4.7)%. The Tiguan Allspace and Jetta from Volkswagen Passenger Cars were the most sought-after Group models in North America.

In the considerably weaker US market, the Volkswagen Group delivered 12.1% fewer vehicles to customers in fiscal year 2020 than in the prior-year period. The Group models to record the greatest increases included the Passat and Arteon from Volkswagen Passenger Cars, the Audi Q3 and e-tron, and the Porsche 911 Cabriolet. The Atlas and the Atlas Cross Sport from the Volkswagen Passenger Cars brand, Audi's A4, A5, Q7 and e-tron Sportback models, and the Porsche Taycan and Cayenne Coupé were successfully launched on the market as new or successor models during the reporting period.

In Canada, the number of deliveries to Volkswagen Group customers fell by 25.6% year-on-year in 2020. The market as a whole experienced a lesser decline during this period. The Audi Q3 in particular recorded encouraging growth in demand.

In the Mexican market, which was diminishing sharply overall, the Volkswagen Group delivered 30.8% fewer vehicles to customers in the reporting year than in the previous year. The Group models with the highest volume of demand were the Vento and Jetta from the Volkswagen Passenger Cars brand.

WORLDWIDE DELIVERIES OF THE MOST SUCCESSFUL GROUP MODEL RANGES IN 2020
Vehicles in thousands

Deliveries in South America

In the South American passenger car and light commercial vehicles market, which recorded a strong contraction overall, the number of Group models delivered to customers in fiscal year 2020 was down by 20.2% year-on-year to 440,326 units. The effects of the Covid-19 pandemic became apparent in this region somewhat later, intensifying at the beginning of the second quarter before weakening again on a monthly basis over the rest of the year. The new T-Cross that was launched in the previous year and the Gol from Volkswagen Passenger Cars were the Group models in highest demand. The Nivus SUV coupé was successfully launched on the market in the reporting year. The Volkswagen Group's share of the passenger car market in South America rose to 14.1 (12.7)%.

The recovery of the Brazilian market was interrupted by the outbreak of the Covid-19 pandemic. The Volkswagen Group delivered 20.0% fewer vehicles to customers there than in the previous year. Along with the Gol and the Polo, the new T-Cross from Volkswagen Passenger Cars was in especially high demand.

In Argentina, the number of vehicles delivered to Volkswagen Group customers in 2020 was 18.4% down on the prior-year figure in a sharply declining overall market. The Gol and T-Cross from Volkswagen Passenger Cars and the Amarok from Volkswagen Commercial Vehicles saw the highest demand of all Group models.

Deliveries in the Asia-Pacific region

In fiscal year 2020, the Volkswagen Group saw demand taper off in the overall market of the Asia-Pacific region, which witnessed a noticeable decline due primarily to the Covid-19 pandemic, and handed over 4,110,782 vehicles to customers, 9.1% fewer than in the year before. The Group's market share in the Asia-Pacific region amounted to 13.2 (13.1)%.

China, the world's largest single market and the main growth driver of the Asia-Pacific region for many years, was distinctly weaker in the past fiscal year, mainly due to the spread of the SARS-CoV-2 virus. The Volkswagen Group delivered 9.1% fewer vehicles to customers there than in the preceding year. Following very high declines in volumes in the first quarter, we recorded a slight increase in most of the following months compared with the respective prior-year figure. The T-Cross and Teramont X from the Volkswagen Passenger Cars brand, the VA3 and VS5 from the JETTA brand, the Audi A6L and Audi Q8, the ŠKODA Kamiq GT and the Porsche Cayenne Coupé, all of which had been introduced as new or successor models over the course of the previous year, were in especially high demand. In addition, the Tayron and the Tharu from Volkswagen Passenger Cars, the Audi Q2L, Q2L e-tron and Q5, and the Porsche Panamera saloon saw encouraging growth in demand. The Tacqua, Golf, Tayron X, Tiguan X, CC, Viloran and Phideon models from Volkswagen Passenger Cars, the VS7 from the JETTA brand, the Audi Q7 and Audi e-tron and the ŠKODA Rapid were successfully launched on the market as new or successor models in the reporting year.

In the Indian passenger car market, which registered a significant decline, the Volkswagen Group saw 44.9% less demand in the reporting year than in the preceding year. The Polo from the Volkswagen Passenger Cars brand and the Rapid from ŠKODA were the most sought-after Group models there.

In a significantly weaker overall market in Japan, the number of Group models handed over to customers in fiscal year 2020 decreased by 15.6% year-on-year. The Group model to record the highest demand was the Volkswagen T-Cross.

PASSENGER CAR DELIVERIES TO CUSTOMERS BY MARKET[1]

	DELIVERIES (UNITS)		CHANGE
	2020	2019	(%)
Europe/Other Markets	**3,779,778**	**4,712,746**	**– 19.8**
Western Europe	**2,848,861**	**3,628,314**	**– 21.5**
of which: Germany	1,065,811	1,324,942	– 19.6
France	222,522	307,847	– 27.7
United Kingdom	409,064	544,117	– 24.8
Italy	239,167	310,944	– 23.1
Spain	213,700	305,494	– 30.0
Central and Eastern Europe	**652,813**	**766,810**	**– 14.9**
of which: Czech Republic	112,589	136,377	– 17.4
Russia	221,811	223,454	– 0.7
Poland	126,883	165,530	– 23.3
Other Markets	**278,104**	**317,622**	**– 12.4**
of which: Turkey	121,129	78,251	+ 54.8
South Africa	64,693	90,968	– 28.9
North America	**784,299**	**948,275**	**– 17.3**
of which: USA	574,822	654,118	– 12.1
Canada	83,531	112,247	– 25.6
Mexico	125,946	181,910	– 30.8
South America	**440,326**	**551,734**	**– 20.2**
of which: Brazil	336,773	420,880	– 20.0
Argentina	57,555	70,496	– 18.4
Asia-Pacific	**4,110,782**	**4,520,322**	**– 9.1**
of which: China	3,844,679	4,228,841	– 9.1
India	28,423	51,541	– 44.9
Japan	66,935	79,268	– 15.6
Worldwide	**9,115,185**	**10,733,077**	**– 15.1**
Volkswagen Passenger Cars	5,328,029	6,279,007	– 15.1
Audi	1,692,773	1,845,573	– 8.3
ŠKODA	1,004,816	1,242,767	– 19.1
SEAT	427,035	574,078	– 25.6
Bentley	11,206	11,006	+ 1.8
Lamborghini	7,430	8,205	– 9.4
Porsche	272,162	280,800	– 3.1
Bugatti	77	82	– 6.1
Volkswagen Commercial Vehicles	371,657	491,559	– 24.4

1 Prior-year deliveries have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures.

COMMERCIAL VEHICLE DELIVERIES

In the period from January to December 2020, the Volkswagen Group handed over 21.5% fewer commercial vehicles to customers worldwide than in the previous year. We delivered a total of 190,187 commercial vehicles to customers. Trucks accounted for 156,378 units (–24.1%) and buses for 16,174 units (–24.8%). A total of 17,635 (14,788) vehicles from the MAN TGE van series were delivered. The decline in the truck and bus business was due to a slump in our core markets, which was exacerbated by the ongoing uncertainty generated by the Covid-19 pandemic.

In the 27 EU states excluding Malta, but plus the United Kingdom, Norway and Switzerland (EU27+3), sales were down by 26.0% on the same period of the previous year to a total of 105,131 units, of which 81,727 were trucks and 6,098 were buses. Here, the MAN brand delivered 17,306 light commercial vehicles.

In Russia, sales fell by 16.2% year-on-year to 8,486 units, comprising 8,267 trucks and 219 buses.

Deliveries in Turkey increased to 2,681 (707) vehicles in fiscal year 2020. Trucks accounted for 2,457 units and buses for 99 units, while 125 vehicles from the MAN TGE van series were sold. In South Africa, deliveries of Volkswagen Group commercial vehicles decreased by 30.2% year-on-year to a total of 3,111 units; of this figure 2,789 were trucks and 322 were buses.

Sales in North America declined in fiscal year 2020 to 1,502 vehicles (–53.3%), which were delivered almost exclusively to customers in Mexico; of this figure 1,110 units were trucks and 392 were buses.

Deliveries in South America fell to a total of 49,372 vehicles (–13.1%), of which 42,283 were trucks and 7,089 were buses. Sales in Brazil decreased by 17.5% in fiscal year 2020. Of the units delivered, 35,738 were trucks and 5,117 were buses.

In the Asia-Pacific region, the Volkswagen Group sold 11,420 vehicles to customers in the reporting period; among these, 10,331 were trucks and 1,075 were buses. Overall, this was 14.4% less than in the previous year.

COMMERCIAL VEHICLE DELIVERIES TO CUSTOMERS BY MARKET[1]

	DELIVERIES (UNITS)		CHANGE
	2020	2019	(%)
Europe/Other Markets	**127,893**	**168,831**	**– 24.2**
of which: EU27+3	105,131	142,058	– 26.0
of which: Germany	31,859	39,059	– 18.4
Russia	8,486	10,123	– 16.2
Turkey	2,681	707	x
South Africa	3,111	4,455	– 30.2
North America	**1,502**	**3,219**	**– 53.3**
of which: Mexico	1,498	3,218	– 53.4
South America	**49,372**	**56,826**	**– 13.1**
of which: Brazil	40,855	49,551	– 17.5
Asia-Pacific	**11,420**	**13,344**	**– 14.4**
Worldwide	**190,187**	**242,220**	**– 21.5**
Scania	72,085	99,457	– 27.5
MAN	118,102	142,763	– 17.3

1 Prior-year deliveries have been updated to reflect subsequent statistical trends.

DELIVERIES IN THE POWER ENGINEERING SEGMENT

Orders in the Power Engineering segment are usually part of major investment projects. Lead times typically range from just under one year to several years, and partial deliveries as construction progresses are common. Accordingly, there is a time lag between incoming orders and sales revenue from the new construction business.

Sales revenue in the Power Engineering segment was largely driven by Engines & Marine Systems and Turbomachinery, which together generated more than two-thirds of overall sales revenue. Until October 2020, this included the business of Renk.

ORDERS RECEIVED IN THE PASSENGER CARS SEGMENT IN WESTERN EUROPE

In the reporting year, orders received in Western Europe fell by 17.8% compared with the previous year as a result of the pandemic. All key markets fell short of the previous year's level. The scale of decline varied from country to country: while Germany was markedly down on the previous year, the United Kingdom, France, Italy and Spain were significantly or sharply below the equivalent prior-year figure.

ORDERS RECEIVED FOR COMMERCIAL VEHICLES

Orders received for mid-sized and heavy trucks, for buses and for commercial vehicles from the MAN TGE van series decreased by 4.8% year-on-year to 216,251 vehicles in 2020. The decline was attributable to both the truck and bus markets. The overall market downturn expected for 2020 was amplified by the uncertainty arising from the Covid-19 pandemic, especially in the second quarter of the year. However, there was a noticeable recovery in the second half of 2020.

ORDERS RECEIVED IN THE POWER ENGINEERING SEGMENT

The long-term performance of the Power Engineering business is determined by the macroeconomic environment. Individual major orders lead to fluctuations in incoming orders during the year that do not correlate with these long-term trends.

Orders received in the Power Engineering segment in 2020 amounted to €3.4 (4.3) billion. Engines & Marine Systems and Turbomachinery generated more than two-thirds of the order volume in a persistently difficult market environment. Until October 2020, this included the business of Renk.

In the marine business, for example, orders for 30 dual fuel engines were placed in 2020 in a project for five ice-breaking LNG tankers. In the power plant business, orders were won for 35 engines of different types with an aggregate output of 350 MW. For turbomachinery, we received several orders for compressor trains and floating production and storage units, as well as two engineering orders for carbon capture and storage in the North Sea.

VOLKSWAGEN GROUP FINANCIAL SERVICES

The Financial Services Division covers the Volkswagen Group's dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility offerings. The division comprises Volkswagen Financial Services and the financial services activities of Scania and Porsche Holding Salzburg. It also includes the contracts concluded by our international joint ventures in its figures.

The Financial Services Division's products and services were popular in fiscal year 2020, although the Covid-19 pandemic weighed on demand. At 8.6 (9.3) million, the number of new financing, leasing, service and insurance contracts worldwide was below the previous year's level. The ratio of leased or financed vehicles to Group deliveries (penetration rate) in the Financial Services Division's markets increased to 35.5 (34.5)% as the Group's deliveries fell at a higher rate than the number of contracts signed. As of December 31, 2020, the total number of contracts was 24.1 million, up 1.8% from year-end 2019. The number of contracts in the customer financing/leasing area climbed 1.2% to 11.9 million, while it increased by 2.4% to 12.2 million in the service/insurance area.

In Europe/Other Markets, the financial services business was impacted by the Covid-19 pandemic, particularly in the second quarter. The number of new contracts signed here in 2020 fell by 9.4% to 6.3 million. The penetration rate was 50.1 (48.5)%. At 17.6 million, the total number of contracts at the end of the reporting year slightly exceeded the 2019 figure of 17.5 million. The customer financing/leasing area accounted for 7.6 million of these contracts (–1.3%), while 10.0 million (+2.3%) related to the service/insurance area.

At 936 thousand, the number of new contracts signed in North America was 2.1% down on the previous year. The ratio of leased or financed vehicles to Group deliveries in North America was 67.0 (59.3)%. The number of contracts here on December 31, 2020 was 3.1 million, an increase of 2.2% compared with the previous year. The customer financing/leasing area accounted for 1.9 million contracts (+4.7%) and 1.2 million contracts (–1.7%) were owing to the service/insurance area.

The South America region was impacted by the Covid-19 pandemic in the second and third quarter in particular. The number of new contracts signed here in the reporting year fell to 318 (386) thousand. The penetration rate declined to 32.7 (38.4)%. The total number of contracts as of December 31, 2020 increased by 2.6% year-on-year to 721 thousand. The contracts mainly related to the customer financing/leasing area.

In Asia-Pacific, where the SARS-CoV-2 virus spread first, the number of new contracts signed in the past fiscal year rose by 5.3% to 1.1 million. The ratio of leased or financed vehicles to Group deliveries was 17.7 (15.5)%. The total number of contracts amounted to 2.6 million at the end of the reporting year, 9.1% more than at year-end 2019. The customer financing/leasing area grew by 9.6% to 1.9 million contracts, and the service/insurance area by 7.8% to 0.7 million contracts.

SALES TO THE DEALER ORGANIZATION

The Volkswagen Group's unit sales to the dealer organization decreased by 16.4% to 9,156,612 units (including the Chinese joint ventures) in the reporting year. This decline was essentially due to the negative effects of the Covid-19 pandemic. Ongoing uncertainty in connection with this and national measures introduced to contain the pandemic, such as mobility restrictions and store closures, were accompanied by a fall in customer demand. Above-average decreases in demand were recorded especially in Europe and in North and South America. Overall, the unit sales volumes fell by 16.2% outside Germany and unit sales decreased by 17.8% in Germany. At 12.1 (12.3)%, the proportion of the Group's total unit sales accounted for by Germany was lower than in 2019.

The Tiguan, Polo, Passat, Golf, Jetta, T-Cross and T-Roc from the Volkswagen Passenger Cars brand were our biggest sellers last year. The largest increases in unit sales were recorded by the e-up, T-Cross and Tharu from the Volkswagen Passenger Cars brand, the e-tron, A6 saloon and Q3 Sportback from Audi, the ŠKODA Rapid and the Bentley Flying Spur. The Porsche Taycan and Boxster also achieved a strong growth rate.

PRODUCTION

In fiscal year 2020, the Volkswagen Group's global production declined by 17.8% to a total of 8,900,154 vehicles due to the measures taken to contain the spread of the SARS-CoV-2 virus. The impact of national measures to contain the pandemic led to a disruption of supply chains and consequently to production stoppages within the Volkswagen Group. The production figures for the locations in China have seen a year-on-year recovery since the second quarter of 2020; in total, our Chinese joint ventures manufactured 9.5% fewer units than in the year before. By contrast, the delayed impact of the Covid-19 pandemic at the other locations worldwide caused declines in production in the first three quarters of 2020.

In Germany, production contracted by 22.7% to a total of 1,633,239 vehicles. The percentage of the Group's total production accounted for by Germany fell to 18.4 (19.5)%.

INVENTORIES

Global inventories at Group companies and in the dealer organization were significantly lower at the end of the reporting period than at year-end 2019.

EMPLOYEES

Including the Chinese joint ventures, the Volkswagen Group employed an average of 665,445 people in fiscal year 2020, a decrease of −0.3% year-on-year. In Germany, we employed 295,133 people on average; at 44.4 (44.1)%, their share of the total headcount was slightly above the level of the previous year.

The number of active employees in the Volkswagen Group fell by 1.3% to 633,364 as of December 31, 2020. In addition, 11,272 employees were in the passive phase of their partial retirement and 17,939 young people were in vocational traineeships. At the end of the reporting period, the Volkswagen Group had a total of 662,575 employees worldwide. Due to market conditions and employees leaving the Group not being replaced, this was slightly below the year- end 2019 figure. A total of 294,510 people were employed in Germany (−1.0%) and 368,065 outside Germany (−1.5%).

EMPLOYEES BY DIVISION/BUSINESS AREA
as of December 31, 2020