Report on Expected Developments

Growth in the global economy is expected to recover overall in 2021. Global demand for passenger cars will probably vary from region to region and increase noticeably year-on-year. With our brand diversity, broad product range, technologies and services, we believe we are well prepared for the future challenges in the mobility business.

In the following, we describe the expected development of the Volkswagen Group and the general framework for its business activities. Risks and opportunities that could represent a departure from the forecast trends are presented in the Report on Risks and Opportunities.

Our assumptions are based on current estimates by third-party institutions. These include economic research institutes, banks, multinational organizations and consulting firms.

DEVELOPMENTS IN THE GLOBAL ECONOMY

Our planning is based on the assumption that global economic output will recover overall in 2021, provided lasting containment of the Covid-19 pandemic is achieved. This growth will most likely be sufficient for the economy to recover to approximately its pre-pandemic level. 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 negatively impacted by ongoing geopolitical tensions and conflicts. We anticipate that both the advanced economies and the emerging markets will experience positive momentum.

Furthermore, we anticipate that the global economy will also continue to grow in the period from 2022 to 2025.

Europe/Other Markets

In Western Europe, we expect moderate economic growth in 2021 after the downturn in the last fiscal year. The impact of the Covid-19 pandemic and the uncertain consequences of the United Kingdom's withdrawal from the EU will fundamentally pose major challenges.

We also anticipate moderate growth rates in Central Europe in 2021. The economic situation in Eastern Europe is expected to recover as well, albeit at a somewhat slower pace given that only slight growth is anticipated for the Russian economy.

For Turkey, we expect an increasing economic growth rate combined with high inflation and a weak domestic currency. The South African economy will probably be dominated by political uncertainty and social tensions again in 2021 resulting from high unemployment, among other factors. Despite the sharp slump in the past fiscal year, we therefore expect only moderate growth.

Germany

We expect gross domestic product (GDP) in Germany to grow at a relatively robust pace in 2021 but to remain short of its pre-pandemic level. The labor market situation is likely to deteriorate somewhat depending, among other things, on a delayed increase in corporate insolvencies following the suspension of the obligation to file for insolvency during the pandemic.

North America

We anticipate a distinct improvement in the economic situation in the USA in 2021, despite a declining but still relatively high unemployment rate. The US Federal Reserve will probably leave key interest rates close to zero. Economic growth is also likely to increase distinctly in neighboring Canada and Mexico, although growth in Mexico is not expected to match the pace of the relatively sharp decline in the reporting year.

South America

In all probability, the Brazilian economy will recover in 2021 and record a moderate rate of growth. After three years of negative GDP growth rates, we anticipate only little improvement in the economic situation in Argentina. Inflation is likely to remain very high and the local currency to depreciate.

Asia-Pacific

The Chinese economy will probably continue growing at a relatively high level in 2021 after being one of the few economies not to experience a recession in 2020. After a sharp contraction in the reporting year, we also expect a relatively high rate of expansion for the Indian economy in 2021, outpacing the average growth seen in the years before the Covid-19 pandemic. In Japan, we anticipate a solid rise in GDP growth.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

We predict that trends in the markets for passenger cars in the individual regions will be mixed in 2021. Overall, the volume of demand worldwide for new vehicles is expected to be noticeably up on the reporting year, but will not reach the pre-pandemic level, provided successful containment of the Covid-19 pandemic is achieved. We are forecasting growing demand for passenger cars worldwide in the period from 2022 to 2025.

Trends in the markets for light commercial vehicles in the individual regions will also be mixed in 2021; on the whole, we anticipate a moderate rise in demand for 2021, assuming a successful containment of the Covid-19 pandemic. For the years 2022 to 2025, we expect demand for light commercial vehicles to increase globally.

We believe we are well prepared overall for the future challenges pertaining to automobility business activities and for the mixed development of the regional automotive markets. Our brand diversity, our presence in all major world markets, our broad and selectively expanded product range, and our technologies and services put us in a good competitive position worldwide. With electric drives, digital connectivity and autonomous driving, we want to make the automobile cleaner, quieter, more intelligent and safer. With an appealing product portfolio of impressive vehicles and forward-looking, tailor-made mobility solutions we have set ourselves the goal of continuing to excite our customers and to meet their diverse needs.

Europe/Other Markets

For 2021, we anticipate that the volume of new passenger car registrations in Western Europe will be significantly above that recorded in the reporting year. At the same time, however, possible consequences of the pandemic and the uncertain impact of the United Kingdom's exit from the EU may result in ongoing uncertainty among consumers and dampen demand. Despite this, we expect a strong increase in the United Kingdom in 2021. In Italy, Spain and France, the markets are likely to significantly exceed the level seen in the reporting year.

For light commercial vehicles, we anticipate demand in Western Europe in 2021 to be noticeably up on the previous year's level despite the possible consequences of the pandemic and the uncertain impact of the United Kingdom's exit from the EU. We predict a moderate to large increase in Italy, France, Spain and the United Kingdom.

Sales of passenger cars in 2021 are expected to distinctly exceed the prior-year figures in markets in Central and Eastern Europe. In Russia, we anticipate a moderate year-on-year increase in market volume. In the region's other markets, a slight to strong rise in the number of new registrations is expected.

Registrations of light commercial vehicles in the Central and Eastern European markets in 2021 will probably be distinctly higher than in the previous year. We predict a moderate increase in market volume for Russia.

The volume of the passenger car market in Turkey in 2021 is expected to remain at the previous year's level. The volume of new registrations in South Africa in 2021 is likely to be substantially higher year-on-year.

Germany

In the German passenger car market, we expect a moderate year-on-year increase in demand in 2021.

We also anticipate that registrations of light commercial vehicles will be noticeably up on the previous year.

North America

The volume of demand in the markets for passenger cars and light commercial vehicles (up to 6.35 tonnes) in North America as a whole and in the USA in 2021 is likely to be distinctly higher than the previous year's level. Demand will probably remain highest for models in the SUV and pickup segments. In Canada, the number of new registrations is also projected to be significantly higher than the previous year's level. For Mexico, we expect demand to rise slightly compared with the reporting year.

South America

Owing to their dependence on demand for raw materials worldwide, the South American markets for passenger cars and light commercial vehicles are heavily influenced by developments in the global economy. We anticipate an overall large increase in new registrations in the South American markets in 2021 compared with the previous year. In Brazil, the volume of demand is expected to increase substantially compared with 2020. We anticipate that demand in Argentina will be significantly higher year-on-year.

Asia-Pacific

The passenger car markets in the Asia-Pacific region are expected to be noticeably up on the prior-year level in 2021. We predict demand in China to also be noticeably higher than the comparative figure for 2020. Attractively priced entry-level models in the SUV segment in particular should still see strong demand. As long as there is no resolution in sight, the trade dispute between China and the United States is likely to continue to weigh on business and consumer confidence. We anticipate an appreciable increase in the Indian market compared with the previous year. Japan should see slight growth in market volume in 2021.

The market volume for light commercial vehicles in 2021 will probably be slightly higher than the previous year's figure. We are expecting demand in the Chinese market to be distinctly lower than in the previous year. For India, we are forecasting a substantially higher volume in 2021 than in the reporting year. In the Japanese market, we expect demand to be comparable with the previous year.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

For 2021, we expect a significantly positive development in new registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes compared with the previous year, with variations from region to region, in the markets that are relevant for the Volkswagen Group.

Significant market growth is expected for the 27 EU states excluding Malta, but plus the United Kingdom, Norway and Switzerland (EU27+3). Russia will probably witness a noticeable rebound in demand. We are forecasting a slight increase in Turkey and a significant increase in demand in South Africa. We estimate that demand in Brazil will be considerably higher than in the previous year.

On average, we anticipate moderate growth rates in the relevant truck markets for the years 2022 to 2025.

A moderate increase in overall demand with regional variations for 2021 is likely in the bus markets relevant for the Volkswagen Group. We anticipate a slight year-on-year decline in the market in the EU27+3 countries. In Mexico, we expect to see very strong market growth. New registrations in Brazil will probably be distinctly higher than the prior-year figure.

Overall, we expect a noticeable increase in the demand for buses on the relevant markets for the period from 2022 to 2025.

TRENDS IN THE MARKETS FOR POWER ENGINEERING

In the Power Engineering segment, we expect the market environment to remain difficult in 2021. The further course of the Covid-19 pandemic and its consequences bring additional uncertainty.

In 2021, the market volume for two-stroke engines used in merchant shipping is likely to reach a higher level than in the reporting period. An expected higher volume of sea trade, combined with calls for high energy efficiency and low pollutant emissions, will continue to have a significant influence on drive systems in the future. The market for four-stroke engines for cruise ships is likely to remain at a very low level due to the continuing very difficult liquidity situation. Demand in the passenger ferry segment – similarly affected by a loss of revenue – is also expected at a low level. We also expect demand to remain stable for government vessels and dredgers. In the offshore sector, new order volumes of special applications look set to be on the low side due to continued overcapacity. Overall, we expect the marine market to be at a slightly higher level than that seen in the reporting year with competitive pressure continuing unabated.

The Covid-19 pandemic has led to great uncertainty concerning likely energy demand in 2021. Initial signs point to a further slight decline in market volume. The global spread of the SARS-CoV-2 virus and the measures taken to contain it have reduced demand for energy and made it harder to raise capital for investment in energy generation plants. Despite this impact on the markets, we expect the trend towards decentralized power stations and gas-based applications to further intensify. In addition, demand for new and carbon-neutral technologies should continue to increase in future.

Potential projects in turbomachinery suggest that demand will stabilize in 2021 at the previous year's level. However, the course of the Covid-19 pandemic brings substantial uncertainty to the decision-making process for capital expenditure. Favorable conditions in the capital markets and targeted state support facilitate such capital-intensive decisions. Lower capacity utilization of production facilities by market participants is expected. With the pandemic's increasing duration, this may lead to more intense competition. In energy generation, we expect increasing growth in renewable energy sources, bolstered by state support. Fluctuations in the amount of electricity generated by these will necessitate an increase in storage capacity. We are therefore pushing the construction of pilot plants for thermal storage. This could lead to an expansion of the market for turbocompressors and turboexpanders.

We anticipate a slight recovery in 2021 both in the marine and power plant after-sales business for diesel engines and in the after-sales market for turbomachinery. There may be a temporary catch-up effect in order intake following the postponement of projects over the past year.

For the period 2022 to 2025, we expect to see growing demand in the power engineering markets. However, the extent and timing of this growth will vary in the individual business fields. It remains to be seen for how long the pandemic will continue to affect the market.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

We anticipate that automotive financial services will prove highly important to global vehicle sales in 2021, particularly in the context of the ongoing challenges posed by the Covid-19 pandemic. We expect demand to rise in emerging markets where market penetration has so far been low. Regions with already established automotive financial services markets will see a continuation of the trend towards enabling mobility at the lowest possible total cost. Integrated end-to-end solutions, which include mobility-related service modules such as insurance and innovative packages of services, will become increasingly important for this. Additionally, we expect that demand will increase for new forms of mobility, such as rental services, and for integrated mobility services, for example parking, refueling and charging, and that the shift in the European leasing business initiated with individual customers from financing to lease contracts will continue. We estimate that this trend will continue in the years 2022 to 2025.

In the mid-sized and heavy commercial vehicles category, we anticipate rising demand for financial services products in emerging markets. In these countries in particular, financing solutions support vehicle sales and are thus an essential component of the sales process. In the developed markets, we expect to see increased demand for telematics services and services aimed at reducing total cost of ownership in 2021. This trend is also expected to persist in the period 2022 to 2025.

EXCHANGE RATE TRENDS

In 2020, the euro appreciated slightly against the US dollar on an annual average. It also rose against sterling. The euro/sterling exchange rate in 2020 was affected by high uncertainty about the outcome of the negotiations on the United Kingdom's exit from the EU and the shape of future relationships. Against the currencies of some emerging markets, the euro appreciated considerably in some cases. In particular, the Argentinian peso, Brazilian real, South African rand, Russian ruble and Mexican peso lost value against the European single currency. The currencies of Asian emerging markets also weakened overall against the euro on an annual average. For 2021, we are forecasting that the euro will strengthen against the US dollar, sterling and the Chinese renminbi. The Argentinian peso, Brazilian real, Mexican peso, South African rand and Russian ruble will most likely continue to depreciate. For 2022 to 2025, we expect that the euro will be stable against the key currencies, but that the comparative weakness of the currencies in the aforementioned emerging markets will probably continue. However, there is still a general event risk – defined as the risk arising from unforeseen market developments.

INTEREST RATE TRENDS

The challenging macroeconomic conditions, including as a result of the Covid-19 pandemic, resulted in globally falling interest rates in fiscal year 2020. National central banks both in the major Western industrialized nations and in emerging markets cut key interest rates, in some cases on multiple occasions, and also introduced additional expansionary monetary policy measures to support their economies. In March 2020, the US Federal Reserve cut the key interest rate to almost 0% in the space of just a few days, while the European Central Bank also left its key interest rate at zero. We expect these policies to generally continue in 2021 and therefore consider it currently unlikely that interest rates will rise in the USA or Europe. In the period from 2022 to 2025, we expect no more than a slight increase in interest rates.

COMMODITY PRICE TRENDS

The global spread of the coronavirus (SARS-CoV-2) has also affected commodity markets. The associated restrictions and the resulting downturn in demand and supply, reduced the prices of many raw and input materials in the first half of 2020. However, the prices recovered markedly in some cases over the course of the year. Compared with the previous year, there was a fall in the average prices for raw materials such as crude oil, coking coal, lead, aluminum and natural rubber, while prices for iron ore, rare earths and the precious metals rhodium and palladium rose and copper and platinum prices were more or less unchanged. Prices for the raw materials that are relevant for e-mobility also developed unevenly: average prices over the year for lithium and cobalt fell, while nickel prices were more or less on the prior-year level. Based on analyses of factors of influence and trends in the commodity markets, we expect the prices of most commodities to rise in 2021. For the years 2022 to 2025, we continue to expect volatility in the commodity markets with prices trending both upwards and downwards.

NEW MODELS IN 2021

The Volkswagen Passenger Cars brand will expand the ID. family in 2021 with the all-electric ID.5, a new crossover derivative based on the MEB. The Tiguan will be electrified as a plug-in hybrid. The brand will also launch a compact SUV coupé and the updated Polo. New entry-level SUVs in the compact category will also be debuted in the respective markets, with the Tarek being launched in Russia and the Taos in North and South America. In China, several all-electric vehicles will be introduced to the market, including the ID.4 Crozz and ID.4 X. In India, the locally produced Taigun compact SUV will be available.

Audi will also continue its electric car offensive in 2021, expanding the e-tron family with the new e-tron GT. The all-electric Q4 e-tron will also be available. In the Q5 series, Audi will offer a dynamic Sportback model and a version with plug-in hybrid drive.

The ŠKODA brand will power ahead with the electrification of its portfolio by introducing the new Enyaq iV. The new generation of the Fabia and the facelifted Kodiaq will also become available in the course of the year. In India, the Kushaq, a new small SUV, tailored to local needs, will arrive on the market.

SEAT will expand its range in 2021 with a plug-in hybrid Tarraco, among other models. The popular, compact Ibiza will receive an update. CUPRA will bring its Formentor e-Hybrid with powerful plug-in hybrid drive to the market. The el-Born will mark the brand's debut in the world of pure electric cars.

Porsche will expand its Taycan model range in 2021 with an all-electric Cross Turismo version. Sporty all-round models will be added to the 911 model range. The Macan will receive a product upgrade.

The Bentley brand will offer a plug-in hybrid version of the new Bentayga in 2021. The introduction of a further model with plug-in hybrid drive is also planned.

Lamborghini will launch its Huracán STO high-performance super sports car.

A new derivative of the Chiron will be available from Bugatti.

Volkswagen Commercial Vehicles will completely revamp the Multivan/Transporter in 2021, and in doing so pen a new chapter in this model's success story.

Scania and MAN will present innovative new models in 2021, including a truck and a bus with all-electric drives and other solutions for urban transport.

Ducati will introduce its new Monster, among other motorcycles, in 2021. The fourth generation of the Multistrada V4 will be available and the XDiavel and Scrambler families will be upgraded. The SuperSport 950, new Panigale V4 SP and updated Panigale 4 sports bikes are also waiting in the wings.

FUTURE ORGANIZATIONAL STRUCTURE OF THE GROUP

In November 2020, TRATON SE and Navistar International Corporation (Navistar), a leading US truck manufacturer, announced the signing of a binding merger agreement. Under this agreement, TRATON will acquire all outstanding shares in Navistar not already owned by TRATON in return for cash payment at a price of USD 44.50 per share (total: approximately USD 3.7 billion). As of December 31, 2020, TRATON already holds a 16.7% stake in Navistar. The aim of the transaction is to enhance the ability to meet challenges from new regulations and fast-developing technologies in connectivity, propulsion and autonomous driving and to benefit from Navistar's presence on the North American market. The completion of the transaction, through which TRATON will become Navistar's sole owner, is intended for mid-2021 and is subject to the approval of Navistar's shareholders, to the usual closing conditions and regulatory approvals. The main shareholders Icahn Capital LP and MHR Fund Management LC have already agreed to vote their stake in favor of the transaction.

Our plans are based on the Volkswagen Group's current structures. They do not include the conclusion of the merger agreement. The effects of this transaction on the financial performance, cash flows and financial position are not taken into account in the forecast of the Volkswagen Group.

INVESTMENT AND FINANCIAL PLANNING

To meet people's needs for individual, sustainable, fully connected mobility and thus increase the Volkswagen Group's future viability, we will continue to mobilize our pronounced strengths in innovation and technology and push the Volkswagen Group's transformation into a digital mobility group while leveraging our economies of scale and maximizing synergies.

In our current planning for 2021, most of the capex (investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs) will be spent on new products and the continued rollout and further development of the modular toolkit. Forthis, we will invest in the electrification and hybridization of our model portfolio and continue to advance the development of the Modular Electric Drive Toolkit (MEB) and the Premium Platform Electric (PPE), the all-electric platform for our premium and sports brands. We will also focus on the growing digitalization of our vehicles and locations and increase our capital expenditure on these. We are also investing in the modification of selected locations for the production of electric vehicles. The Automotive Division's ratio of capex to sales revenue is expected to fluctuate around a level of 6.0% to 6.5%.

Besides capex, investing activities will also cover additions to capitalized development costs. Among other things, these reflect upfront expenditures in connection with the electrification, digitalization and updating of our model range. Also included are the services of the Car.Software Organisation, which is developing a standardized operating system for Group brand vehicles, along with other projects.

With the investments in our facilities and models, as well as in the development of electric drives and modular toolkits and in digitalization, we are laying the foundations for profitable, sustainable growth at Volkswagen. These investments also include commitments arising from decisions taken in previous fiscal years.

We aim to finance the investments in our Automotive Division from our own capital resources and expect cash flows from operating activities to exceed the Automotive Division's investment requirements. For 2021, we estimate cash outflows resulting from the diesel issue to remain more or less the same and effects from mergers & acquisitions to be significantly higher. Consequently, we anticipate that the net cash flow will be in line with the previous year.

Net liquidity in the Automotive Division will probably see a moderate increase in 2021.

These plans are based on the Volkswagen Group's current structures. They do not include the intended acquisition of all outstanding ordinary shares of Navistar International Corporation and the related cash outflows.

Our joint ventures in China are accounted for using the equity method and are therefore not included in the figures above. For 2021, the joint ventures plan to invest in e-mobility, further enhancement of the model portfolio, the development of new mobility solutions and smart city concepts. Their capex will probably exceed the 2020 level and be financed from the companies' own funds.

In the Financial Services Division, we are planning higher investments in 2021 than in the previous year. We expect the development of lease assets and of receivables from leasing, customer and dealer financing to lead to funds tied up in working capital, of which around half will be financed from the gross cash flow. As is common in the sector, the remaining funds needed will be met primarily through unsecured bonds on the money and capital markets, the issuing of asset-backed securities, customer deposits from the direct banking business, and through the use of international credit lines.

TARGETS FOR VALUE-BASED MANAGEMENT

Based on long-term interest rates derived from the capital market and the target capital structure (fair value of equity to debt = 2:1), the minimum required rate of return on invested capital defined for the Automotive Division remains unchanged at 9%.

Business at the Volkswagen Group was affected by the consequences of the Covid-19 pandemic throughout the whole of 2020. As a result, ROI decreased in the reporting period due to earnings-related factors and, at 6.5% (11.2%), was below both the prior-year figure and our minimum required rate of return (for further information, please see the headline "Return on investment (ROI) and value contribution in the reporting period" in the chapter entitled "Results of Operations, Financial Position and Net Assets"). In the Automotive Division, we expect the return on investment (ROI) to be noticeably above our minimum required rate of return on the invested capital.

SUMMARY OF EXPECTED DEVELOPMENTS

Our planning is based on the assumption that global economic output will recover overall in 2021, provided lasting containment of the Covid-19 pandemic is achieved. This growth will most likely be sufficient for the economy to recover to approximately its pre-pandemic level. 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 negatively impacted by ongoing geopolitical tensions and conflicts. We anticipate that both the advanced economies and the emerging markets will experience positive momentum.

The trend in the automotive industry closely follows global economic developments. We assume that competition in the international automotive markets will intensify further.

We predict that trends in the markets for passenger cars in the individual regions will be mixed in 2021. Overall, the volume of demand worldwide for new vehicles is expected to be noticeably up on the reporting year, provided successful containment of the Covid-19 pandemic is achieved; however, it will not recover to its pre-pandemic level. For 2021, we anticipate that the volume of new passenger car registrations in Western Europe will be significantly above that recorded in the reporting year. In the German passenger car market, we expect a moderate year-on-year increase in demand in 2021. Sales of passenger cars in 2021 are expected to distinctly exceed the prior-year figures in markets in Central and Eastern Europe. The volume of demand in the markets for passenger cars and light commercial vehicles (up to 6.35 tonnes) in North America as a whole in 2021 is also likely to be distinctly higher than the previous year's level. We expect to see a large increase overall in new registrations in the South American markets in 2021 compared with the previous year. The passenger car markets in the Asia-Pacific region are expected to be noticeably up on the prior-year level in 2021.

Trends in the markets for light commercial vehicles in the individual regions will also be mixed in 2021; on the whole, we anticipate a moderate rise in demand for 2021, assuming that containment of the Covid-19 pandemic is successful.

For 2021, we expect a significantly positive development in new registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes compared with the previous year in the markets that are relevant for the Volkswagen Group. A moderate increase in overall demand for 2021 is likely in the bus markets relevant for the Volkswagen Group.

We anticipate that automotive financial services will be of great significance to global vehicle sales in 2021, particularly in the context of the ongoing challenges posed by the Covid-19 pandemic.

We believe we are well prepared overall for the future challenges pertaining to automotive business activities and for the mixed development of the regional automotive markets. Our brand diversity, our presence in all major world markets, our broad and selectively expanded product range, and our technologies and services put us in a good competitive position worldwide. As part of the transformation of our core business, we are positioning our Group brands with an even stronger focus on their individual characteristics, and are optimizing our vehicle and drive portfolio. The focus is primarily on our vehicle fleet's carbon footprint and on the most attractive and fastest-growing market segments. In addition, we are working to leverage the advantages of our multibrand Group even more effectively with the ongoing development of new technologies and the enhancement of our toolkits. With electric drives, digital connectivity and autonomous driving, we want to make the automobile cleaner, quieter, more intelligent and safer. We have set ourselves the goal of continuing to excite our customers in the future and meeting their diverse needs with an appealing product portfolio of impressive vehicles and forward-looking, tailor-made mobility solutions.

We anticipate that deliveries to Volkswagen Group customers will be significantly up on the previous year in 2021 – assuming successful containment of the Covid-19 pandemic – amid continued challenging market conditions.

Challenges will arise particularly from the economic situation, the increasing intensity of competition, volatile commodity and foreign exchange markets, securing supply chains, and more stringent emissions-related requirements.

We expect the sales revenues of the Volkswagen Group and Passenger Cars Business Area in 2021 to be significantly higher than the prior-year figure. In terms of operating profit for the Group and the Passenger Cars Business Area, we forecast an operating return on sales in the range of 5.0% to 6.5% in 2021. For the Commercial Vehicles Business Area, we anticipate an operating return on sales of 4.0% to 5.5% before restructuring measures amid a significant year-on-year increase in sales revenue. We expect the Power Engineering Business Area to reach the break-even point amid a noticeable decline in sales revenue compared with the previous year. For the Financial Services Division, we forecast that sales revenue will be noticeably higher than the prior-year figure and that the operating result will be in line with the previous year.

In the Automotive Division, we expect the R&D ratio to come in at around 7% and the ratio of capex to sales revenue at around 6% in 2021. For 2021, we expect cash outflows resulting from the diesel issue to remain more or less the same and effects from mergers & acquisitions to be significantly higher. Consequently, we anticipate that the net cash flow will be in line with the previous year. Net liquidity in the Automotive Division will probably see a moderate increase in 2021. We expect the return on investment (ROI) to be noticeably above our minimum required rate of return. Our unchanged stated goal is to continue our solid liquidity policy.

To achieve sustainable success, we need skilled and dedicated employees. We aim to increase their satisfaction and motivation by means of equal opportunities, an attractive and modern working environment, and a forward-looking approach to organizing work. Every day, we at the Volkswagen Group assume and exercise responsibility in issues relating to the environment, safety and society. In terms of integrity, Volkswagen aspires to become a role model for a modern, transparent and successful enterprise. We also aim for operational excellence in all business processes.