

SUMMARY OF BUSINESS DEVELOPMENT AND ECONOMIC POSITION

The Board of Management of Volkswagen AG considers business development and the economic position to have been positive overall given the context created by the extensively and persistently negative impact of the spread of the SARS-CoV-2 virus.

Throughout the entire reporting period, the Covid-19 pandemic had a strong impact on business at the Volkswagen Group and led to lower figures in terms of deliveries, sales revenue and profit, as well as to deviations from the original forecast. In this environment, which was also dominated by fierce competition, technological change in our industry and growing environmental awareness, we delivered 9.3 million vehicles to customers. The Group's sales revenue also fell significantly by 11.8% as a result of lower volumes and exchange rate effects. This reduced operating profit before special items to €10.6 billion. At 4.8%, the operating return on sales before special items fell short of the originally forecast range of 6.5 to 7.5%. The operating return on sales, including special items related to the diesel issue, amounted to 4.3%.

The research and development costs reflect our activities to safeguard the Company's future viability; despite the countermeasures taken, the R&D ratio in the Automotive Division came to 7.6% and, as ultimately expected, was therefore higher than in the previous year owing to the decline in sales revenue caused by the pandemic.

Due to a significant fall in capex, the Automotive Division's ratio of capex to sales revenue declined to 6.1% and was within the originally expected range. At €6.4 billion, the net cash flow came in clearly positive despite the Covid-19 pandemic, the year-on-year decline was driven particularly by the lower profits and by higher cash outflows attributable to the diesel issue. Net liquidity improved beyond the forecast to €26.8 billion, partly due to the successful placement of hybrid notes.

The return on investment (ROI) in the Automotive Division decreased to 6.5% as a consequence of the pandemic and fell short of the minimum required rate of return on invested capital.

FORECAST VERSUS ACTUAL FIGURES

	Actual 2019	Original forecast for 2020	Adjusted forecast for 2020	Actual 2020
Deliveries to customers (units)	11.0 million	around the prior-year level	considerable decline	9.3 million
Volkswagen Group				
Sales revenue	€252.6 billion	increase of up to 4%	considerable decline	€222.9 billion
Operating return on sales before special items	7.6%	6.5–7.5%	positive, <6.5%	4.8%
Operating return on sales	6.7%	6.5–7.5%	positive, <6.5%	4.3%
Operating result before special items	€19.3 billion	in forecast range	severe decline, positive	€10.6 billion
Operating result	€17.0 billion	in forecast range	severe decline, positive	€9.7 billion
Passenger Cars Business Area				
Sales revenue	€182.0 billion	moderate increase	considerable decline	€156.3 billion
Operating return on sales before special items	8.0%	6.5–7.5%	in forecast range, <6.5%	5.2%
Operating return on sales	6.7%	6.5–7.5%	in forecast range, <6.5%	4.6%
Operating result before special items	€14.5 billion	in forecast range	severe decline	€8.2 billion
Operating result	€12.2 billion	in forecast range	severe decline	€7.2 billion
Commercial Vehicles Business Area				
Sales revenue	€26.4 billion	moderate decline	considerable decline	€22.2 billion
Operating return on sales	6.3%	4.0–5.0%	in forecast range, <4.0%	–0.4%
Operating result	€1.7 billion	in forecast range	severe decline	€–79 million
Power Engineering Business Area				
Sales revenue	€4.0 billion	at prior-year level	considerable decline	€3.6 billion
Operating result	€–93 million	smaller loss	considerably higher loss	€–482 million
Financial Services Division				
Sales revenue	€40.2 billion	around the prior-year level	at prior-year level	€40.8 billion
Operating result	€3.2 billion	around the prior-year level	considerable decline	€3.0 billion
R&D ratio in the Automotive Division	6.7%	6.0–6.5%	increase, >6.5%	7.6%
Capex/sales revenue in the Automotive Division	6.6%	6.0–6.5%	at prior-year level	6.1%
Net cash flow in the Automotive Division	€10.8 billion	noticeable decline, clearly positive	considerable decline, positive	€6.4 billion
Net liquidity in the Automotive Division	€21.3 billion	distinct increase	around the prior-year level	€26.8 billion
Return on investment (ROI) in the Automotive Division	11.2%	slight increase, >9%	decline, positive, <9%	6.5%