
Media information

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Volkswagen Group closes 2020 stronger than expected and accelerates transformation

- **Effects of Covid-19 successfully contained: effective crisis management, rapid recovery in core Chinese market and particularly robust premium and financial services business key to strong performance**
- **Sales revenue of EUR 222.9 billion (–11.8 percent) outperforming sales volumes (–16.4 percent)**
- **Operating profit before special items achieves solid level of EUR 10.6 billion (–45.0 percent) despite unprecedented pandemic, including EUR 0.5 billion for restructuring measures**
- **Automotive Division: robust business model and rigorous working capital management yield strong net cash flow of EUR 6.4 (10.8) billion; net liquidity develops very positively and climbs to EUR 26.8 (21.3) billion**
- **Board of Management and Supervisory Board propose unchanged dividend of EUR 4.80 per ordinary share and EUR 4.86 per preferred share, which would give a payout ratio of 29.0 percent**
- **Outlook for 2021: marked rise in deliveries expected with a significant increase in sales revenue year-on-year; operating return on sales probably between 5.0 and 6.5 percent, striving for higher end of the range**

Wolfsburg, February 26, 2021 – The Volkswagen Group closed fiscal year 2020 stronger than expected despite the Covid-19 pandemic. Important strategic steps accelerated the Group's transformation into a tech company at the same time. The Group's effective crisis management, the rapid recovery of its largest single market China and particularly the more stable premium and financial services business were key to the strong performance and successful containment of the pandemic effects. Sales revenue amounted to EUR 222.9 billion (–11.8 percent), outperforming sales volumes (–16.4 percent). Operating profit before special items (diesel) reached a solid level of EUR 10.6 billion (–45.0 percent) despite the pandemic. The operating return on sales before special items stood at 4.8 (7.6) percent. The robust business model and rigorous working capital management produced a strong net cash flow of EUR 6.4 billion (–41.3 percent) in the Automotive Division. The net liquidity of the Automotive Division could be lifted by 25.9 percent to a very solid EUR 26.8 billion. The Board of Management and Supervisory Board are proposing an unchanged dividend of EUR 4.80 per ordinary share and EUR 4.86 per preferred share. This would take the payout ratio of 29.0 percent close to the strategic target level of 30 percent. Earnings per ordinary share were EUR 16.60 (26.60) and earnings per preferred share were EUR 16.66 (26.66).

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Frank Witter, member of the Group Board of Management responsible for Finance and IT, said: “Covid-19 is posing unprecedented challenges for us all. Last year, the Volkswagen Group succeeded in containing the effects of the pandemic on its business and laying important strategic foundations for its transformation at the same time. The financial results now available are far better than originally expected and show what our company is capable of achieving, especially in a crisis. We intend to carry over the strong momentum from the significantly better second half into the current year, and the programs for reducing our fixed costs and in procurement will make us more robust in the long term. We are thus more optimistic and are striving to hit the higher end of the range targeted for the Group’s operating return on sales.”

In fiscal year 2020, the Volkswagen Group sold 9.2 million vehicles (–16.4 percent) and slightly increased its share of the global passenger car market to 13.0 (12.9) percent. As part of the global e-offensive, 422,000 electric vehicles were delivered to customers, three times as many as in the preceding year. Sales revenue amounted to EUR 222.9 billion. The 11.8 decrease year-on-year was mainly attributable to falling volumes as a result of the Covid-19 pandemic. Operating profit before special items nevertheless came in at a solid EUR 10.6 (19.3) billion, which amounts to an operating return on sales before special items of 4.8 (7.6) percent. In addition to the decline in the sales volume, negative exchange rate effects constituted adverse factors, and one-off expenses for restructuring measures of EUR 0.5 billion also contributed to the reduction in profit. Positive factors were lower fixed costs. The Volkswagen Group’s profit before tax amounted to EUR 11.7 (18.4) billion. The return on sales before tax fell to 5.2 (7.3) percent. The share of operating profit attributable to the Chinese joint ventures amounted to EUR 3.6 (4.4) billion.

At EUR 6.4 (10.8) billion, net cash flow in the Automotive Division came in clearly positive despite the Covid-19 pandemic; the year-on-year decline was particularly due to the lower profits and higher cash outflows attributable to diesel. Successful inventory management was an especially positive factor here. Net liquidity improved to EUR 26.8 (21.3) billion, partly due to the successful placement of hybrid bonds. In spite of the decrease in absolute terms in research and development costs in the Automotive Division, the R&D ratio was, at 7.6 (6.7) percent, higher than in the previous year owing to the substantial pandemic related decline in sales revenue. As a consequence of a significant fall in capex, the Automotive Division’s ratio of capex to sales revenue even declined to 6.1 (6.6) percent.

Outlook

The Volkswagen Group anticipates that – assuming successful containment of the Covid-19 pandemic – deliveries to customers in 2021 will be significantly up on the previous year amid continued challenging market conditions. Challenges will arise in particular from the economic situation, 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 the 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 5.0–6.5 percent in 2021. For the Commercial Vehicles Business Area, we anticipate an operating return on sales of 4.0–5.5 percent 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

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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 percent in 2021 and the ratio of capex to sales revenue at around 6 percent. For 2021, we expect cash outflows resulting from diesel to remain more or less the same and effects from mergers & acquisitions to be significantly higher. Consequently, we estimate 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 perceptibly higher than our minimum required rate of return.

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	2020	2019	%
Volume Data¹ in thousands			
Deliveries to customers (units)	9,305	10,975	-15.2
Vehicle sales (units)	9,157	10,956	-16.4
Production (units)	8,900	10,823	-17.8
Employees at Dec. 31	662.6	671.2	-1.3
Financial Data (IFRSs), € million			
Sales revenue	222,884	252,632	-11.8
Operating result before special items	10,607	19,296	-45.0
Operating return on sales before special items (%)	4.8	7.6	
Special items	-931	-2,336	-60.1
Operating result	9,675	16,960	-43.0
Operating return on sales (%)	4.3	6.7	
Earnings before tax	11,667	18,356	-36.4
Return on sales before tax (%)	5.2	7.3	
Earnings after tax	8,824	14,029	-37.1
Automotive Division²			
Total research and development costs	13,885	14,306	-2.9
R&D ratio (%)	7.6	6.7	
Cash flows from operating activities	24,721	30,733	-19.6
Cash flows from investing activities attributable to operating activities ³	18,364	19,898	-7.7
of which: capex	11,065	14,007	-21.0
capex/sales revenue (%)	6.1	6.6	
Net cash flow	6,357	10,835	-41.3
Net liquidity at Dec. 31	26,796	21,276	+ 25.9
Return on investment (ROI) in %	6.5	11.2	
Financial Services Division			
Return on equity before tax ⁴ (%)	8.8	10.8	

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	2020	2019	%
Volume Data in thousands			
Employees at Dec. 31	118.7	119.2	-0.4
Financial Data (HGB), € million			
Sales revenue	67,535	80,621	-16.2
Net income for the fiscal year	6,338	4,958	+ 27.8
Dividends (€)			
per ordinary share	4.80	4.80	
per preferred share	4.86	4.86	

1 Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method. Prior-year deliveries updated to reflect subsequent statistical trends.

2 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

3 Excluding acquisition and disposal of equity investments: €17,175 (19,182) million.

4 Earnings before tax as a percentage of average equity.

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Note:

Details of the performance of the brands and business fields of the Volkswagen Group will be released around 7:00 a.m. for the annual press conference on March 16. Traton SE will hold its annual press conference on March 22.

This text and photo materials are available at:
www.volkswagen-newsroom.com.



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About the Volkswagen Group:

The Volkswagen Group, with its headquarters in Wolfsburg, is one of the world's leading automobile manufacturers and the largest carmaker in Europe. The Group comprises twelve brands from seven European countries: Volkswagen Passenger Cars, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen Commercial Vehicles, Scania and MAN. The passenger car portfolio ranges from small cars all the way to luxury-class vehicles. Ducati offers motorcycles. In the light and heavy commercial vehicles sector, the products range from pick-ups to buses and heavy trucks. Every weekday, 671,205 employees around the globe produce on average 44,567 vehicles, are involved in vehicle-related services or work in other areas of business. The Volkswagen Group sells its vehicles in 153 countries.

In 2020, the total number of vehicles delivered to customers by the Group globally was 9.31 million (2019: 10.97 million). Group sales revenue in 2019 totaled EUR 252.6 billion (2018: EUR 236 billion). Earnings after tax in fiscal year 2019 amounted to EUR 14.0 billion (2018: EUR 12.2 billion).