

Business Development

The robust growth of the global economy continued in fiscal year 2019 with a decrease in momentum. Global demand for vehicles was lower than in the previous year.

Amid persistently challenging market conditions, the Volkswagen Group delivered 10.97 million vehicles to customers.

DEVELOPMENTS IN THE GLOBAL ECONOMY

The global economy sustained its robust growth in 2019 with a decrease in momentum: global gross domestic product (GDP) rose by 2.6 (3.2)%. Economic momentum weakened compared with the previous year, both in advanced economies and emerging markets. With interest rates remaining comparatively low and prices for energy and other commodities falling year-on-year on the whole, consumer prices also declined worldwide. Growing upheaval in trade policy at international level and continuing geopolitical tensions led to much greater economic uncertainty and resulted in a wane in the international trade of goods.

Europe/Other Markets

GDP growth in Western Europe slowed to 1.2 (1.8)% as the year went on. The rate of change in nearly all countries in northern and southern Europe declined compared with the previous year. The uncertain outcome of the Brexit negotiations between the United Kingdom and the European Union (EU) continued to generate uncertainty, as did the related question of what form this relationship would take in the future. The unemployment rate in the eurozone continued to decrease, falling to an average of 7.5 (8.1)%, though rates remained considerably higher – albeit declining – in Greece and Spain.

At 2.3 (3.3)%, the Central and Eastern Europe region also recorded a slower growth rate in the reporting period than in the previous year. In Central Europe, GDP growth tapered off at a relatively high level. Economic growth in Eastern Europe was also weaker. Lower prices for energy and other commodities led to a deterioration in the economic situation of the

individual countries from this region that export raw materials. At 1.1 (2.2)%, the growth of the Russian economy, the region's largest economy, halved compared with the previous year.

The Turkish economy showed a slightly positive rate of change of 0.5 (2.9)%. Increased tariffs along with the depreciation of the Turkish lira, which was accompanied by very high inflation, led to a decline in purchasing power. South Africa's GDP rose by just 0.2 (0.8)% in the reporting period, down further on the already low figure for the prior period. Ongoing structural deficits, social unrest and political challenges weighed on the economy.

Germany

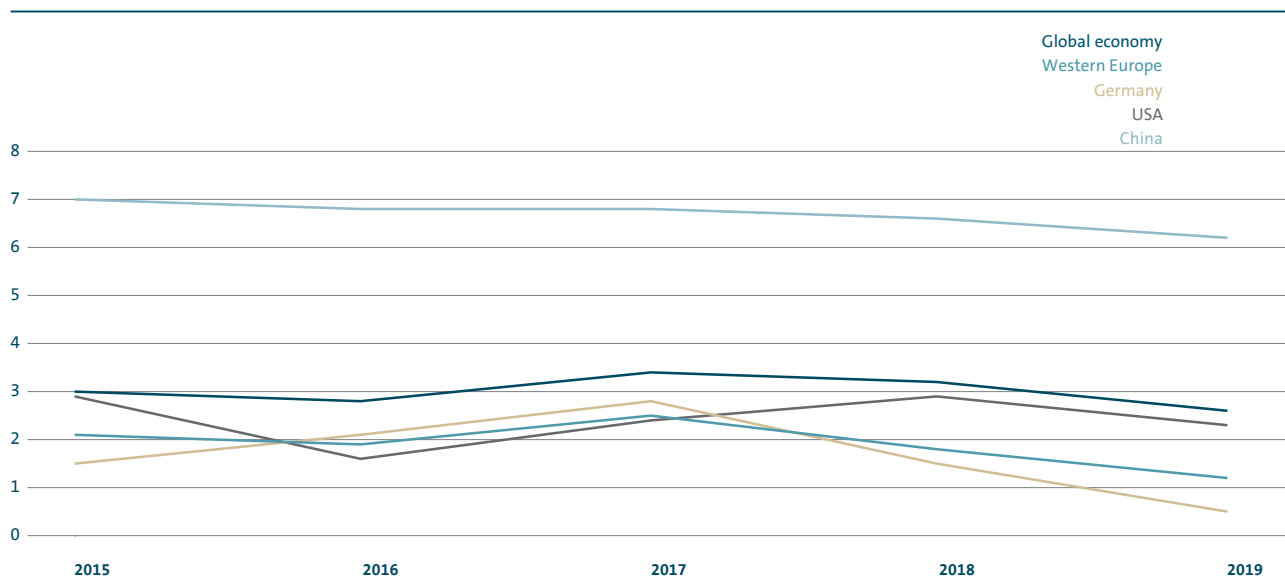
Germany's GDP continued to grow in 2019 on the back of the strong labor market, though momentum diminished markedly year-on-year to 0.5 (1.5)%. Both business and consumer sentiment darkened further as the year progressed.

North America

Economic growth in the USA declined in the reporting period, reaching 2.3 (2.9)%. The economy was supported mainly by domestic consumer demand. The unemployment rate in the United States was at 3.7 (3.9)%. Given the global uncertainty, the US Federal Reserve lowered its key rate amid relatively steady inflation, thus reversing the tightening of monetary policy it had initiated in the meantime. The US dollar gained strength against the euro in the course of the year. Growth in Canada decreased to 1.6 (2.0)%, while the Mexican economy stagnated at a rate of 0.1 (2.1)%.

ECONOMIC GROWTH

Percentage change in GDP

**South America**

Brazil's economy once again recorded only slight growth, at 1.1 (1.3)%. The situation in South America's largest economy remained tense due to political uncertainty, among other factors. The economic situation in Argentina deteriorated further as the year went on. Amid continuing high inflation and at the same time considerable devaluation of the local currency, the country remained in recession, with GDP falling by 2.6 (-2.5)%.

Asia-Pacific

At 6.2 (6.6)%, China's economy recorded a growth rate at a high level in 2019, but its rate of expansion was slightly lower than in the previous year. Government support provided in response to the trade policy dispute between China and the US continued in the course of 2019. The Indian economy saw growth of 4.8 (6.8)% in the reporting period. Japan's GDP grew by only 1.1 (0.3)%.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

In fiscal year 2019, the global market volume of passenger cars fell below the prior-year level for the second year in a row, decreasing to 79.6 million vehicles (-4.0%). While new registrations in Western Europe and in Central and Eastern Europe exceeded the prior-year figure, the overall markets in the Middle East, North America, South America and especially Asia-Pacific recorded a dip in demand.

Global demand for light commercial vehicles in the reporting period was down moderately 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 last year. 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 industry made the movement of vehicles, parts and components more difficult.

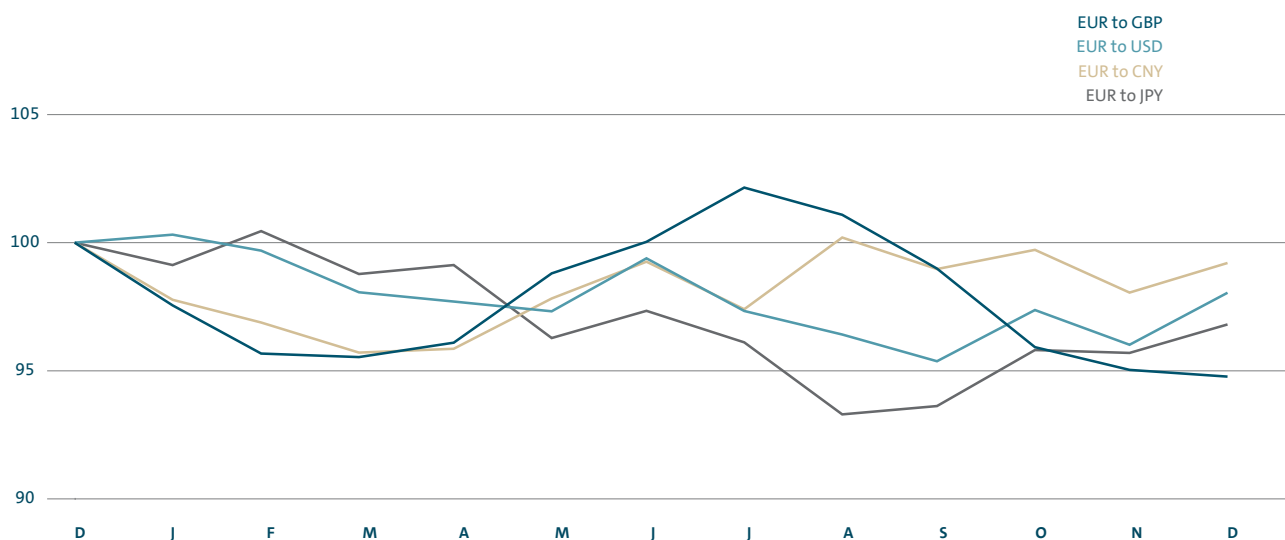
Europe/Other Markets

In Western Europe, the number of new passenger car registrations in the reporting period was up 0.6% on the prior-year figure, at 14.4 million. New vehicle registrations were mixed in the largest single markets. France (+1.6%) slightly exceeded the previous year's figure. While Italy stagnated (+0.3%), Spain recorded a moderate (-4.7%) decline. The UK passenger car market saw a weaker continuation of the negative trend from the previous years (-2.4%). This was due, among other things, to the uncertain outcome of the Brexit negotiations with the EU. The share of diesel vehicles (passenger cars) in Western Europe slipped to 32.0 (36.4)% in the reporting year.

Despite the uncertain outcome of the Brexit negotiations between the EU and UK, new light commercial vehicle registrations in Western Europe in the reporting period slightly exceeded the prior-year level; WLTP-related pull-forward effects provided a degree of stimulus.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2018 TO DECEMBER 2019

Index based on month-end prices: as of December 31, 2018 = 100



In the Central and Eastern Europe region, the market volume of passenger cars in fiscal year 2019 rose slightly by 2.7% year-on-year to 3.6 million vehicles. New passenger car registrations in the EU member states of Central Europe increased further by 5.8% to 1.5 million units. In Eastern Europe, passenger car sales matched the level of the previous year (+0.2%). Following a solid start in spite of the value-added tax increase as of January 1, 2019, the Russian passenger car market weakened as the year went on and was down on the prior-year figure at the end of the reporting period (-2.2%).

Registration volumes of light commercial vehicles in Central and Eastern Europe were at the same level as the previous year, while the number of vehicles sold in Russia in the reporting period was distinctly lower than in the prior year.

The Turkish passenger car market recorded a substantial drop in demand of 20.4%, largely due to the deteriorating macroeconomic situation. In South Africa (-2.7%), the number of new passenger car registrations in the reporting period was below the comparatively low level seen in recent years, also due to slow macroeconomic momentum.

Germany

New passenger car registrations in Germany in the reporting period exceeded the previous year's high level, rising to 3.6 million units (+5.0%). In addition to the strong labor market and the rise in commercial demand, sales incentives, particularly in the form of an environmental bonus, underpinned the positive trend.

However, domestic production and exports once again fell short of the comparable prior-year figures in 2019: passenger car production decreased by 9.0% to 4.7 million vehicles, mainly due to the 12.8% drop in passenger car exports to 3.5 million units. This was primarily a result of the slowdown in global market growth and markedly lower exports of passenger cars fitted with diesel engines.

Demand for light commercial vehicles in Germany in the reporting period was perceptibly higher than in 2018.

North America

At 20.2 million vehicles, sales of passenger cars and light commercial vehicles (up to 6.35 tonnes) in the North America region in fiscal year 2019 were down slightly on the prior-year figure (-2.3%). The market volume in the USA also fell somewhat short of the level in 2018 at 17.0 million units (-1.6%). The shift in demand from traditional passenger cars (-10.1%) to light commercial vehicles such as SUVs and pickup models (+2.6%) also continued in the reporting period. In the Canadian automotive market, the downward trend that had begun in the previous year continued during the reporting period (-4.3%). In Mexico, sales of passenger cars and light commercial vehicles fell short of the prior-year figure (-8.2%) for the third year in a row.

South America

In the markets of the South America region, new registrations for passenger cars and light commercial vehicles decreased on the whole in 2019 to 4.3 million units (-5.0%). While in Brazil the recovery in the demand for automobiles continued,

providing for a growth rate of 7.7%, new registrations, at 2.7 million, remained much lower than the record level achieved in 2012. Exports of vehicles manufactured in Brazil continued to decline, falling by 31.9% to 428 thousand units. In the Argentinian market, the deterioration in the macro-economic situation once again had a negative impact on demand for passenger cars and light commercial vehicles, with sales figures declining drastically by 43.0%.

Asia-Pacific

Following slight decreases in 2018, the market volume of passenger cars in the Asia-Pacific region weakened further to stand at 34.0 million units at the end of the reporting period (-6.0%). This was largely due to falling demand in China and India. The trade dispute with the United States weighed on the Chinese market, leading to a distinct reduction (-6.4%). On the Indian market, passenger car sales dropped 11.9% in total compared with the previous year. The Japanese passenger car market fell 2.4% short of the prior-year volume.

Demand for light commercial vehicles in the Asia-Pacific region declined distinctly as against the previous year. Registration volumes in China, the region's dominant market and the largest market worldwide, fell markedly year-on-year. The number of new vehicle registrations in India saw a noticeable decrease versus the prior year, while in Thailand the number was on a level with the previous year.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

Global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes in the markets that are relevant for the Volkswagen Group was higher in fiscal year 2019 than in the previous year, with 609 thousand new vehicle registrations (+2.8%).

In Western Europe, the number of new truck registrations was up 3.1% on the prior-year figure at a total of 306 thousand vehicles. In Germany, Western Europe's largest market, the previous year's level was exceeded moderately. While demand in the United Kingdom rose markedly due to pull-forward effects caused by the uncertain outcome of the Brexit negotiations with the EU, demand in Italy decreased perceptibly.

The Central and Eastern Europe region saw demand recede by 6.7% to 159 thousand units owing to the deterioration in the economic climate. The Russian market contracted further as the year progressed, recording a distinct year-on-year decrease. New registrations there were down 6.9% to 73 thousand vehicles.

In fiscal year 2019, the market volume in South America rose markedly compared with the previous year, with the number of new vehicle registrations climbing 15.1% to

145 thousand units. In Brazil, the region's largest market, demand for trucks grew very sharply compared with the relatively low figure for the prior-year period as a consequence of the economic recovery. By contrast, Argentina saw new registrations fall substantially. This was due to weak economic performance with a related weakening of the peso and rising interest rates.

Demand for buses in the markets that are relevant for the Volkswagen Group was much higher than in the previous year. The markets in Brazil as well as in Western Europe contributed in particular to this growth. Demand in Central and Eastern Europe was moderately higher year-on-year.

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 2019, the marine market contracted to a much lower level than in the previous year. Demand in merchant shipping fell, mainly due to economic uncertainty such as the trade dispute between China and the United States and to environmental requirements, for example a reduction of the sulfur content in marine fuel that became effective on January 1, 2020. Demand for cruise ships, passenger ferries, fishing vessels and dredgers remained steady. The special market for government vessels also continued on a stable trajectory. The existing overcapacity in the market curbed investment in offshore oil production and thus in new ship construction in this segment. Plans for tighter emission standards resulted in a positive trend toward gas-powered or dual-fuel-engined ships. China, South Korea and Japan remained the dominant shipbuilding countries, accounting for a global market share of 85% measured in terms of the number of ships. Because market volumes are still low, all segments in the marine market were continuing to experience significant competition and strong pricing pressure as a result.

The market for power generation continued the positive trend seen in 2018. Higher demand was registered in all areas of application, in particular for gas. This confirms the shift away from oil-fired power plants towards dual-fuel and gas-fired power plants. Demand for energy solutions remained high, with a strong trend towards greater flexibility and decentralized availability. The economies of key emerging markets developed positively. However, continued strong pressure from competition and pricing was discernible in all projects, having a negative impact on the earnings quality of orders. Furthermore, order placement was often delayed due to persistently difficult financing conditions for customers, particularly in emerging markets.

In 2019, the market for turbomachinery showed a pronounced improvement year-on-year. Demand for turbo compressors in the raw materials, oil, gas and processing industries recovered steadily over the year, buoyed by pent-up demand following several years of muted investment. The steam and gas turbine business continued to be dominated by overcapacity on the part of electricity producers and recorded only a slight improvement compared with the previous year. Pressure from competition and pricing eased somewhat year-on-year, and there were signs of a recovery as a result of improved use of market participants' engineering and manufacturing capacity.

The marine after-sales business for diesel engines performed positively and benefited from a continued increase in interest in long-term maintenance contracts and retrofitting solutions. The power plant after-sales business was negatively impacted by shifts in the energy mix and regulatory changes in key sales markets. The global after-sales market for turbomachinery registered a marked improvement year-on-year and, like new construction, benefited from pent-up demand from previous years.

TRENDS IN THE MARKET FOR FINANCIAL SERVICES

Amid a contraction in the overall market, demand for automotive financial services was again on a high level in 2019 due, among other reasons, to the persistently low key interest rates in the main currency areas. Service products such as maintenance and servicing agreements or insurance were especially popular, as customers in more advanced automotive financial services markets are putting their focus on reducing total cost of ownership. In the fleet segment, more customers elicited the support of automotive financial service providers in order to optimize their entire mobility management beyond mere fleet operation. There was also increased demand from both private and business customers for mobility services centered on vehicle usage rather than on ownership.

Overall, a small increase in the demand for new vehicles was recorded in the European market in 2019. As a consequence, the number of new lease and financing contracts signed also increased slightly. The share of loan-financed or leased new vehicles remained stable in France and Spain, while Italy saw significant volume growth. Sales of used vehicles in Europe rose somewhat, while a minor decrease was recorded in lease and financing contracts for used vehicles. There was increased demand for after-sales products such as servicing, maintenance and spare parts agreements in 2019. The number of automotive-related insurances grew modestly.

In Germany, the share of loan-financed or leased new vehicles was lifted further in the reporting period. There was also greater demand for after-sales products and integrated mobility solutions in the business customer segment.

In South Africa, demand for financing and insurance products fell slightly.

In the markets of the USA and Mexico, demand for automotive financial services remained at a high level in 2019. In the USA, demand for leasing through captive financial services products in particular was consistently high.

In Brazil, the consumer credit business was in line with the restrained positive trend seen in 2018. However, the country-specific financial services product *Consorcio*, a lottery-style savings plan, saw falling sales. Nearly half of the new vehicle sales were covered by financial services products in the reporting period. In the Argentinian market, the sharp rise in interest rates resulting from the most recent economic crisis posed a challenge for sales of financing and leasing products.

Demand for automotive financial services across the Asia-Pacific region was mixed in 2019. In China, new contract growth slowed as a result of the downturn in vehicle sales. The relaxation of existing restrictions on registrations in metropolitan areas, in addition to the situation in the interior of the country and for the used vehicles market, offers great potential in terms of acquiring new customers for automotive-related financial services. Demand for financial services products was slightly weaker in India and in Japan.

The demand for financial services in the Commercial Vehicles Business Area also varied from region to region. In Europe, financial services including after-sales registered a slight increase compared to 2018. In Brazil, the truck and bus business and the related financial services market recorded strong growth.

NEW GROUP MODELS IN 2019

We launched a large number of attractive new models in fiscal year 2019 with which we aim to excite our customers. Our extensive product portfolio covers almost all key segments and body types, with offerings 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.

The Volkswagen Passenger Cars brand continued its global product initiative in the past year, rounding out its SUV portfolio with the new T-Cross. The T-Cross wins over customers with its colorful individualization options for the vehicle's interior and exterior along with considerable versatility in

the interior. The new T-Roc R stands out in particular due to its striking dynamics for its vehicle class. The Passat – a classic in the model range – was given a fresh look and many new technical features and is the first Volkswagen to be equipped with the latest generation of the infotainment system that is now permanently connected to the internet. Innovative driver assistance systems such as Travel Assist have also been included. In addition to the Passat GTE, which has also been updated, Volkswagen is pushing the electrification of its model range with the new e-up!, which now has a range of up to 260 km. The e-Golf and electric versions of the popular Bora and Laida saloons were launched in China. The Magotan received a sweeping model update. Volkswagen met the steadily growing demand for SUV models with the Teramont X SUV coupé and a version of the T-Cross that has been adapted to meet the needs of local customers. Successor models to the Bora, Polo and Sagitar were unveiled. To tap the full potential of the Chinese market, Volkswagen Passenger Cars launched the JETTA brand there, closing a gap between the volume segment and entry-level mobility with its VA3 and VS5 models. JETTA appeals in particular to first-time buyers by offering a fresh design, a high level of safety and good value for money. In the United States, a completely updated version of the Passat was unveiled in 2019. South America saw the premiere of the T-Cross, which has been tailored to the needs of local customers.

The Audi brand brought out the versatile Q3 Sportback in 2019. In showcasing the RS Q3 and RS Q4 models, the brand is demonstrating its expertise as a manufacturer of high-performance vehicles. This was also impressively evident elsewhere: the Audi e-tron SUV with its all-electric drive system was launched in Europe, China and the United States. A high-quality interior and a plethora of technical highlights make this a compelling vehicle; for example, thin cameras and displays in the door trims take over the function of the exterior mirrors. With extensive product updates in the A4 and Q7 series, the successful models not only have a fresh look but are also made more efficient by mild hybrid versions. In China, the best-selling A6 saloon and the Q3 were modernized from the ground up in 2019.

ŠKODA rolled out the new Scala in the reporting period. The hatchback impresses with a spacious interior, the latest technology based on the Modular Transverse Toolkit and an attractive price-performance ratio. With the new Kamiq SUV, ŠKODA is meeting the high demand for compact SUVs. Both

the Superb saloon and the Superb estate have been revamped and provide the latest connectivity solutions.

The SEAT brand continued its SUV product initiative in 2019 with the Tarraco. The model joins the smaller Arona and Ateca models in the offroader series and stands out with its assertive, emotional design language. SEAT launched its first model with an all-electric drive, the Mii electric.

In 2019, Porsche impressed its customers with the all-electric Taycan featuring a puristic design, an all-digital interior and dynamic performance. In addition, different versions of the reinterpreted iconic car, the 911, were rolled out; this is distinguished by many Porsche Connect functions as well as by vehicle components that can be adjusted to the driving situation, such as the chassis and transmission. The Cayenne Coupé also boasts a variety of features ranging from its carbon roof to an E-Hybrid version.

After launching the third generation of the Continental GT in the preceding year, Bentley rolled out the open-top GTC version in the reporting period. In addition, the brand expanded its successful Bentayga series by adding the powerful yet low-emission Bentayga Hybrid and the dynamic Bentayga Speed. The new Flying Spur once again claims the apex of the automotive premium class for itself with expressive lines and technical innovations.

In 2019, Lamborghini upgraded its Huracán EVO Coupé and Spyder super sports cars and brought out the Aventador SVJ Roadster.

Bugatti celebrated its 110th birthday in 2019 with a special edition of the Chiron Sport. The one-off Bugatti La Voiture Noire pays homage to the golden era of Ettore and Jean Bugatti in the 1930s.

Volkswagen Commercial Vehicles has extensively updated all versions of the T6. The T6.1 impressively offers a new instrument cluster and center console, including the latest generation of the infotainment system, as well as a completely redesigned front end.

In 2019, Scania unveiled the new generation of Citywide buses, which will be offered with a wide variety of drive concepts including an all-electric version.

MAN presented the latest generation of its Lion's City series of city buses in fiscal year 2019; these can be ordered with a diesel, gas or electric drive.

The models Ducati launched in 2019 include the Panigale V4 R, the Monster 821 Stealth, two versions of the Multistrada and four upgraded members of the Scrambler family.

VOLKSWAGEN GROUP DELIVERIES

The Volkswagen Group delivered 10,974,636 vehicles to customers worldwide in 2019. This exceeded the previous year's figure by 1.3% and set a new record. The Volkswagen Commercial Vehicles brand has been reported as part of the Passenger Cars Business Area since January 1, 2019. The prior-year figures have been adjusted accordingly. The chart on the next page shows how deliveries changed from month to month and compares 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 DELIVERIES¹

	2019	2018	%
Passenger Cars	10,732,415	10,601,014	+1.2
Commercial Vehicles	242,221	232,994	+4.0
Total	10,974,636	10,834,008	+1.3

¹ Prior-year deliveries have been updated or amended to reflect subsequent statistical trends and the changed reporting structure. 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, Mexico and Poland. The Group recorded encouraging growth in many key markets.

During the reporting period, deliveries of passenger cars to Volkswagen Group customers worldwide rose to 10,732,415 units amid difficult conditions resulting primarily from mainly declining overall markets. Year-on-year, the number of deliveries increased by 131,401 vehicles or 1.2%. The Group's new SUV models made a particular contribution to this increase. As the passenger car market as a whole declined by 4.0% over the same period, the Volkswagen Group's share of the global market rose to 12.9 (12.2)%. The largest increases in volume in absolute terms were seen in Germany and Brazil. In Argentina and Turkey, among other countries, sales figures were down on the previous year. The Volkswagen Passenger Cars, SEAT, Porsche and Lamborghini brands each exceeded their record figures from the previous year. The brands that achieved the largest growth in absolute terms were SEAT, Volkswagen Passenger Cars and Audi; ŠKODA and Volkswagen Commercial Vehicles both fell slightly short of the previous year's high figures.

The table on page 103 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

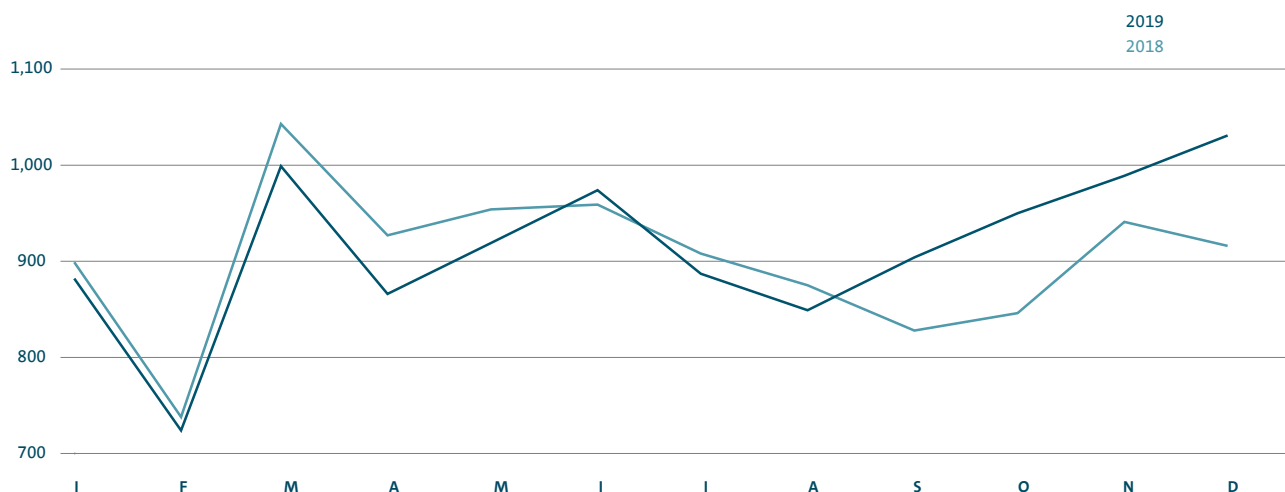
In Western Europe, the Volkswagen Group delivered 3,627,693 passenger cars and light commercial vehicles to customers, exceeding the previous year's figure by 4.4%. Our deliveries rose in France, Italy and the United Kingdom, but registered a slight decline in Spain. As the overall market grew by 0.6% over the same period, the Group's share of the passenger car market in Western Europe increased to 22.8 (21.9)%. Negative effects arose from the public debate on driving bans for diesel vehicles and restricted capacity for petrol engines, among other things. The successful launch of new models had a positive effect. Encouraging increases in deliveries were recorded by the T-Roc and Tiguan Allspace models from Volkswagen Passenger Cars, the Karoq and Kodiaq from ŠKODA, the Arona and Ateca from the SEAT brand, the Porsche Macan, and the Crafter from Volkswagen Commercial Vehicles. Additionally, new or successor models introduced in the previous year were very popular with customers, these being the Touareg from Volkswagen Passenger Cars and Audi's A1 Sportback, Q3, A6 Avant and Q8. The T-Cross and Passat from the Volkswagen Passenger Cars brand, the e-tron (Audi's first all-electric production model), the Scala and Kamiq from the ŠKODA brand, the SEAT Tarraco and the Porsche Cayenne Coupé were successfully launched on the market as new or successor models.

In the Central and Eastern Europe region, the number of deliveries of passenger cars and light commercial vehicles to Volkswagen Group customers increased by 1.6% year-on-year during the reporting period. Demand for Group models increased in Russia and Poland, while it declined in the Czech Republic. Demand developed encouragingly for the T-Roc, Tiguan and Touareg models from the Volkswagen Passenger Cars brand, for ŠKODA's Scala, Karoq and Kodiaq models, and for the SEAT Arona and Tarraco. The Volkswagen Group's share of the passenger car market in Central and Eastern Europe was 20.3 (20.6)%.

In Turkey, the Volkswagen Group delivered 29.4% fewer vehicles than in the previous year in a substantially weaker overall market. In South Africa's declining passenger car market, demand for Volkswagen Group vehicles fell by 0.4%. The Polo from Volkswagen Passenger Cars continued to be the most frequently sold Group model there.

VOLKSWAGEN GROUP DELIVERIES BY MONTH

Vehicles in thousands



Deliveries in Germany

In the reporting period, the German passenger car market exceeded the high prior-year level (+5.0%). The Volkswagen Group delivered 1,324,942 vehicles to customers in its home market, 6.1% more than in the previous year, which had been positively influenced by the environmental bonus among other things. Negative effects caused by the public debate on driving bans for diesel vehicles and restricted capacity for petrol engines were compensated by the successful introduction of new models, for example. The Golf continued to top the list of the most popular passenger cars in Germany in terms of registrations. The most popular Group models also included the T-Roc and Tiguan from Volkswagen Passenger Cars, the Karoq, Kodiaq and Superb from the ŠKODA brand, the Arona and Ateca from the SEAT brand and the Porsche Macan. The Touareg from Volkswagen Passenger Cars, the Audi A1 Sportback, Q3, Q3 Sportback, A6 Avant and Q8 as well as the ŠKODA Fabia, all of which had been introduced as new or successor models over the course of the previous year, were also in high demand from customers. The T-Cross and the Passat from the Volkswagen Passenger Cars brand, the e-tron (the Audi brand's first all-electric production model), the ŠKODA Scala and Kamiq, the SEAT Tarraco and the Porsche Cayenne Coupé were successfully launched on the market as new or successor models during the reporting period. Eight Group models led the Kraftfahrt-Bundesamt (KBA – German Federal Motor Transport Authority) registration statistics in their respective segments: the Polo, Golf, T-Roc, Tiguan, Touran, Audi A6, Porsche 911 and Multivan/Transporter.

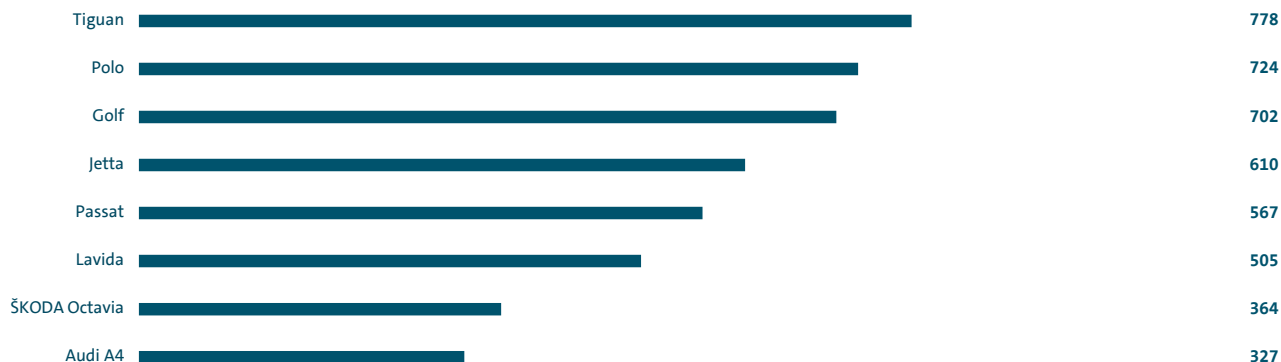
Deliveries in North America

Demand for Volkswagen Group models in North America in the reporting period was 0.5% lower at 948,309 vehicles in a slightly declining overall passenger car and light commercial vehicle market. The Group's market share was 4.7 (4.6%). The Jetta and the Tiguan Allspace from the Volkswagen Passenger Cars brand were the most in-demand Group models in North America.

In the weaker US market, demand for Volkswagen Group models rose by 2.5% year-on-year in 2019. The biggest increases of all Group models were recorded by the Jetta, Tiguan Allspace and Atlas from the Volkswagen Passenger Cars brand, the Audi A6 and Q8, and the Porsche Cayenne. The Audi e-tron and the new Porsche Macan were successfully launched on the market.

In Canada, demand for Group models in the reporting period fell by 5.3% year-on-year in a shrinking overall market. The Golf, Jetta and Audi Q5 models as well as the new Tiguan Allspace and Atlas SUVs from the Volkswagen Passenger Cars brand were particularly popular.

In the Mexican market, which was declining on the whole, the Volkswagen Group delivered 7.4% fewer vehicles to customers compared with the previous year. The Group models with the highest level of demand were the Vento, Jetta and Tiguan Allspace from the Volkswagen Passenger Cars brand.

WORLDWIDE DELIVERIES OF THE MOST SUCCESSFUL GROUP MODEL RANGES IN 2019
Vehicles in thousands

Deliveries in South America

The South American market for passenger cars and light commercial vehicles declined overall in the reporting year. In this region we delivered 551,734 vehicles to customers, 1.8% more than a year before. The Gol and Polo from the Volkswagen Passenger Cars brand were in the greatest demand among the Group models. The T-Cross from Volkswagen Passenger Cars was successfully introduced to the market. The Volkswagen Group's share of the passenger car market in South America rose to 12.8 (11.9)%.

The Brazilian market continued its recovery path in the reporting year. The Volkswagen Group benefited from this development and delivered 15.7% more vehicles to customers there than in the previous year. This was due primarily to the market launch of the new T-Cross from the Volkswagen Passenger Cars brand, as well as the success of the Virtus, Jetta and Tiguan Allspace which the Volkswagen Passenger Cars brand had introduced to the market in the previous year as new or successor models. Demand was also very encouraging for Volkswagen Passenger Cars' Polo and Gol models as well as for the Amarok from Volkswagen Commercial Vehicles.

In Argentina, the Group recorded a 38.9% decline in sales year-on-year amid a dramatically weaker overall market. The Gol and Polo from Volkswagen Passenger Cars and the Amarok from Volkswagen Commercial Vehicles saw the highest demand of all Group models. The T-Cross, newly introduced by the

Volkswagen Passenger Cars brand, was also well received by customers.

Deliveries in the Asia-Pacific region

The market volume of passenger cars in the Asia-Pacific region weakened further in the reporting year. The Volkswagen Group delivered 4,517,375 units to customers in this region. This was 0.3% fewer vehicles than in the previous year. The Group's market share in the Asia-Pacific region rose to 13.2 (12.4)%.

China, the world's largest single market and the main growth driver of the Asia-Pacific region for many years, recorded a distinct downturn in the reporting period. However, the Volkswagen Group slightly increased sales here and delivered 0.6% more vehicles to customers in China than in the prior year. The T-Roc, Tayron, Tharu, Bora, Passat and Lavida models from Volkswagen Passenger Cars, the Audi Q2L e-tron and Q5L, the ŠKODA Karoq and Kamiq, as well as the Porsche Macan and Cayenne, all of which had been introduced as new or successor models over the course of the previous year, were in especially high demand. The T-Cross, Polo, Sagitar and Teramont X models from the Volkswagen Passenger Cars brand, the Audi Q3, A6L and Q8, and the ŠKODA Kodiaq GT and Porsche Cayenne Coupé were successfully launched on the market as new or successor models during the reporting period. In addition, the Volkswagen sub-brand JETTA celebrated its successful launch in China with the VS5 SUV and the VA3 saloon.

The volume of the Indian passenger car market declined in the reporting year. Demand for models from the Volkswagen Group fell by 15.9% in this period compared with the previous year. The Polo from the Volkswagen Passenger Cars brand was the Group's most sought-after model in India.

In Japan, the number of passenger cars delivered to Volkswagen Group customers in 2019 was down 8.2% year-on-year amid a declining overall market volume. The Tiguan from the Volkswagen Passenger Cars brand, the Audi Q5 and the Porsche 911 all recorded encouraging growth in demand.

PASSENGER CAR DELIVERIES TO CUSTOMERS BY MARKET¹

	DELIVERIES (UNITS)		CHANGE
	2019	2018	(%)
Europe/Other markets	4,714,997	4,575,023	+3.1
Western Europe	3,627,693	3,475,401	+4.4
of which: Germany	1,324,942	1,248,952	+6.1
United Kingdom	544,117	540,817	+0.6
Italy	310,944	286,980	+8.4
France	307,847	280,533	+9.7
Spain	305,494	309,907	-1.4
Central and Eastern Europe	769,681	757,575	+1.6
of which: Russia	223,452	216,950	+3.0
Poland	165,530	164,480	+0.6
Czech Republic	136,377	138,922	-1.8
Other markets	317,623	342,047	-7.1
of which: South Africa	90,969	91,311	-0.4
Turkey	78,251	110,785	-29.4
North America	948,309	953,188	-0.5
of which: USA	654,152	638,274	+2.5
Mexico	181,910	196,431	-7.4
Canada	112,247	118,483	-5.3
South America	551,734	542,239	+1.8
of which: Brazil	420,880	363,766	+15.7
Argentina	70,496	115,426	-38.9
Asia-Pacific	4,517,375	4,530,564	-0.3
of which: China	4,228,840	4,202,398	+0.6
Japan	79,268	86,356	-8.2
India	51,541	61,277	-15.9
Worldwide	10,732,415	10,601,014	+1.2
Volkswagen Passenger Cars	6,278,345	6,244,888	+0.5
Audi	1,845,573	1,812,485	+1.8
ŠKODA	1,242,767	1,253,741	-0.9
SEAT	574,078	517,627	+10.9
Bentley	11,006	10,494	+4.9
Lamborghini	8,205	5,750	+42.7
Porsche	280,800	256,255	+9.6
Bugatti	82	76	+7.9
Volkswagen Commercial Vehicles	491,559	499,698	-1.6

¹ Prior-year deliveries have been updated or amended to reflect subsequent statistical trends and the changed reporting structure. The figures include the Chinese joint ventures.

COMMERCIAL VEHICLE DELIVERIES

Worldwide, the Volkswagen Group delivered a total of 242,221 mid-sized and heavy trucks, buses and commercial vehicles from the MAN TGE van series in 2019 (+4.0%). Trucks accounted for 205,936 units (+1.7%), buses for 21,496 units (–5.0%) and the TGE from MAN for 14,789 (7,871) deliveries.

In Western Europe, total deliveries stood at 119,284 units, up 10.3% on the previous year's figure. The growth was mainly driven by the German, French and UK markets. Of this figure, 100,362 were trucks and 6,042 buses; commercial vehicles from the MAN TGE van series amounted to 12,880 units.

In the period from January to December 2019, deliveries in the markets of the Central and Eastern Europe region fell by 8.7% to 36,130 vehicles; trucks accounted for 33,312 and buses for 1,311; light commercial vehicles from the MAN brand came to 1,507 units. In Russia, the region's largest market, sales declined year-on-year by 21.4% to 10,123 units.

In the Other markets, particularly in Turkey, deliveries of Volkswagen Group commercial vehicles decreased by 23.5%

year-on-year to a total of 13,995 units; of this figure 11,280 were trucks and 2,326 were buses.

Deliveries in North America in the reporting period declined by 8.5% to 3,219 vehicles; this included 1,794 trucks and 1,425 buses. The vehicles were handed over almost exclusively to customers in Mexico.

In South America, the Volkswagen Group sold a total of 56,826 units (+19.0%); of this figure 48,350 were trucks and 8,476 were buses. In Brazil, deliveries rose by 30.5% following continued improvement in the economic climate. Of the units delivered, 43,438 were trucks and 6,113 were buses. Marked declines in deliveries were recorded in the other South American markets, especially Argentina, due to the development of the general economic environment.

In the Asia-Pacific region, the Volkswagen Group delivered 12,767 commercial vehicles to customers in the reporting period; among these 10,838 were trucks and 1,916 were buses. Overall, this was 18.9% less than in the previous year. In China, sales increased by 1.7% to 4,737 vehicles, of which 4,514 were trucks and 219 were buses.

COMMERCIAL VEHICLE DELIVERIES TO CUSTOMERS BY MARKET¹

	DELIVERIES (UNITS)		CHANGE (%)
	2019	2018	
Europe/Other markets	169,409	165,998	+2.1
Western Europe	119,284	108,122	+10.3
Central and Eastern Europe	36,130	39,590	–8.7
Other markets	13,995	18,286	–23.5
North America	3,219	3,517	–8.5
South America	56,826	47,734	+19.0
of which: Brazil	49,551	37,984	+30.5
Asia-Pacific	12,767	15,745	–18.9
of which: China	4,737	4,658	+1.7
Worldwide	242,221	232,994	+4.0
Scania	99,457	96,477	+3.1
MAN	142,764	136,517	+4.6

¹ Prior-year deliveries have been updated or amended to reflect subsequent statistical trends and the changed reporting structure.

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 around two-thirds of overall sales revenue.

ORDERS RECEIVED IN THE PASSENGER CARS SEGMENT IN WESTERN EUROPE

In the reporting period orders received in Western Europe recorded a slight increase of 2.4% compared to the previous year, which had seen a decline due to the introduction of the WLTP test procedure. Developments in the key markets were mixed: while Germany, France and Italy registered increases, incoming orders fell in the United Kingdom and Spain.

ORDERS RECEIVED FOR COMMERCIAL VEHICLES

Orders received for mid-sized and heavy trucks and buses as well as for commercial vehicles from the MAN TGE van series decreased by 6.8% year-on-year to 227,240 vehicles in 2019. In Western Europe, our main sales market, the deteriorating economic situation, especially in Germany, and the uncertain outcome of the United Kingdom's exit from the EU led to a marked decline in orders received. Orders received in South America were up as a consequence of the economic stabilization in Brazil.

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 2019 amounted to €4.3 (4.0) billion. Engines & Marine Systems and Turbomachinery generated more than two-thirds of the order volume in a persistently difficult market environment.

In the marine business, for example, hybrid drive systems each consisting of dual fuel engines, a MAN Cryo gas system including an LNG tank, a battery system and an energy management system, were commissioned for two new ferries. Orders were won in Germany for 22 gas-powered engines with an aggregate output of 270 MW in the power plant business. For turbomachinery, we received several orders for compres-

or trains, which will be used in the world's largest terephthalic acid (PTA) plant, as well as an engineering contract for several underwater compressor stations, which will be deployed at a depth of 1,350 meters at a gas production facility in the waters off the coast of Australia.

VOLKSWAGEN GROUP FINANCIAL SERVICES

The Financial Services Division includes 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. As of January 1, 2019, contracts signed by our international joint ventures are also included; the comparison figures have been adjusted accordingly.

The Financial Services Division's products and services remained very popular in the 2019 fiscal year. The number of new financing, leasing, service and insurance contracts signed was higher than in the previous year at 9.3 (8.8) million worldwide. In the reporting period, the ratio of leased or financed vehicles to Group deliveries (penetration rate) in the Financial Services Division's markets was 34.5 (34.2)%. As of December 31, 2019, the total number of contracts was 23.7 million, which is 5.7% higher than at the end of 2018. The number of contracts in the customer financing/leasing area climbed 4.7% to 11.8 million, while it increased by 6.7% to 11.9 million in the service/insurance area.

In the Europe/Other markets region, the number of new contracts signed between January and December 2019 increased by 8.0% to 6.9 million. The penetration rate was 48.5 (47.9)%. At the end of the reporting year, the total number of contracts was 17.5 million, thus exceeding the figure for 2018 by 6.1%. The customer financing/leasing area accounted for 7.7 million of these contracts (+6.1%), while 9.8 million (+6.2%) related to the service/insurance area.

In North America, the number of contracts on December 31, 2019 was 3.1 million, an increase of 0.8% compared to the previous year. The customer financing/leasing area accounted for 1.8 million contracts (-1.3%) and 1.2 million contracts (+4.0%) were owing to the service/insurance area. At 956 thousand contracts, the number of new contracts signed was 8.3% lower than the year before. The ratio of leased or financed vehicles to Group deliveries in North America was 59.3 (65.9)%.

The initial consolidation of Porsche Volkswagen Servicios Financieros Chile S.p.A. led to a marked boost in the number of contracts in South America. 386 (295) thousand new contracts were signed in the reporting year. The penetration rate increased to 38.4 (32.0)%. The total number of contracts as of December 31, 2019 increased by 19.4% year-on-year to

703 thousand. The contracts mainly related to the customer financing/leasing area.

In the Asia-Pacific region, the number of new contracts signed rose by 3.3% to 1.0 million in 2019. The ratio of leased or financed vehicles to Group deliveries was 15.5 (15.1)%. The total number of contracts at the end of the past financial year was 2.4 million. This was 5.7% more than on December 31, 2018. The customer financing/leasing area accounted for 1.7 million contracts (+3.7%), the number of contracts in the service/insurance area increased by 11.4% to 0.7 million contracts.

SALES TO THE DEALER ORGANIZATION

The Volkswagen Group's sales to the dealer organization increased by 0.5% to 10,956,499 units (including the Chinese joint ventures) in the reporting year. This was primarily due to higher demand in its home market of Germany as well as continually rising demand in Brazil and an upward trend in the United States. Overall, the unit sales volumes fell by 0.6% outside Germany and unit sales rose by 9.0% in Germany. At 12.3 (11.3)%, the proportion of the Group's total sales accounted for by Germany was higher than in 2018.

The Tiguan, Polo, Golf, Jetta and Passat were our biggest sellers last year. The largest increases in sales were recorded by the T-Roc, Tharu, Tiguan and T-Cross models from the Volkswagen Passenger Cars brand, the Audi Q8, Q2 and the new e-tron, as well as the ŠKODA Karoq/Yeti and Kodiaq and the SEAT Arona and the new Tarraco. Both the Porsche Cayenne and the Crafter from the Volkswagen Commercial Vehicles brand also achieved a strong growth rate.

PRODUCTION

The Volkswagen Group produced 10,823,378 vehicles worldwide in fiscal year 2019, 1.8% less than in the previous year. In total, our Chinese joint ventures manufactured 4.1% fewer units than in the year before. In Germany, the production declined by 8.3%, mainly due to numerous new vehicle start-ups as well as the transition to electric vehicles. The percentage of the Group's total production accounted for by Germany was lower than in 2018, at 19.5 (20.9)%.

INVENTORIES

Global inventories at Group companies and in the dealer organization were lower at the end of the reporting period than at year-end 2018.

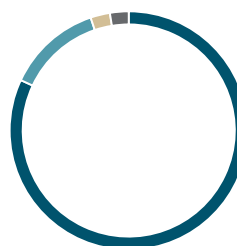
EMPLOYEES

Including the Chinese joint ventures, the Volkswagen Group employed an average of 667,748 people in fiscal year 2019, an increase of 1.8% year-on-year. In Germany, we employed 294,779 people on average in 2019; at 44.1 (44.3)%, their share of the total headcount was slightly below the level of the previous year.

The Volkswagen Group had 641,838 active employees (+0.9%) as of December 31, 2019. In addition, 9,968 employees were in the passive phase of their partial retirement and 19,399 young people were in vocational traineeships. The Volkswagen Group's headcount was 671,205 employees (+1.0%) at the end of the reporting period. This was primarily due to recruitments in the areas of electric mobility, digitalization and new mobility offerings. A total of 297,433 people were employed in Germany (+1.6%), while 373,772 were employed abroad (+0.5%).

EMPLOYEES BY DIVISION/BUSINESS AREA

as of December 31, 2019



Passenger Cars	550,122
Commercial Vehicles	86,358
Power Engineering	17,767
Financial Services	16,958