

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.

In an environment dominated by persistently difficult market conditions, fierce competition, technological change in our industry and growing environmental awareness, we achieved a new sales record with 11.0 million vehicles delivered. We saw growth in Europe and South America. The Group's sales revenue increased by 7.1%, which was slightly better than expected. This was particularly due to mix and price improvements and the healthy business performance in the Financial Services Division. Consequently, the Volkswagen Group's operating profit before special items improved to €19.3 billion. At 7.6%, the operating return on sales before special items was slightly above the forecast range of 6.5–7.5%.

Including special items related to the diesel issue, the operating return on sales rose to 6.7% and was therefore within the originally forecast range.

The research and development costs reflect our activities to safeguard the Company's future viability; at 6.7%, the R&D ratio in the Automotive Division was within the expected range.

At 6.6%, the Automotive Division's ratio of capex to sales revenue was also within the expected range. At €10.8 billion, net cash flow was, as forecast, markedly higher than in the previous year due in particular to the improved profits, lower cash outflows attributable to the diesel issue and improvements in working capital. As a consequence, net liquidity was higher than in the year before, at €21.3 billion.

The return on investment (ROI) in the Automotive Division of 11.2% was slightly higher than in the previous year and exceeded the minimum required rate of return on invested capital.

FORECAST VERSUS ACTUAL FIGURES

	Actual 2018	Original forecast for 2019	Adjusted forecast for 2019	Actual 2019
Deliveries to customers (units)	10.8 million	slight increase	at prior-year level	11.0 million
Volkswagen Group				
Sales revenue	€235.8 billion	increase of up to 5%	increase of up to 5%	€252.6 billion
Operating return on sales before special items	7.3%	6.5–7.5%	6.5–7.5%	7.6%
Operating return on sales	5.9%	6.5–7.5%	~6.5%	6.7%
Operating result before special items	€17.1 billion	within the forecast range	within the forecast range	€19.3 billion
Operating result	€13.9 billion	within the forecast range	within the forecast range	€17.0 billion
Passenger Cars Business Area¹				
Sales revenue	€172.7 billion	increase of up to 5%	increase of up to 5%	€182.0 billion
Operating return on sales before special items	7.6%	6.5–7.5%	6.5–7.5%	8.0%
Operating return on sales	5.8%	6.5–7.5%	~6.5%	6.7%
Operating result before special items	€13.2 billion	within the forecast range	within the forecast range	€14.5 billion
Operating result	€10.0 billion	within the forecast range	within the forecast range	€12.2 billion
Commercial Vehicles Business Area¹				
Sales revenue	€24.8 billion	increase of up to 5%	increase of up to 5%	€26.4 billion
Operating return on sales	4.8%	6.0–7.0%	6.0–7.0%	6.3%
Operating result	€1.2 billion	within the forecast range	within the forecast range	€1.7 billion
Power Engineering Business Area				
Sales revenue	€3.6 billion	slight increase	slight increase	€4.0 billion
Operating result	€–64 million	around the prior-year level	distinctly higher loss	€–93 million
Financial Services Division				
Sales revenue	€34.8 billion	moderate increase	moderate increase	€40.2 billion
Operating result	€2.8 billion	at prior-year level	at prior-year level	€3.2 billion
R&D ratio in the Automotive Division	6.8%	6.5–7.0%	6.5–7.0%	6.7%
Capex/sales revenue in the Automotive Division	6.6%	6.5–7.0%	6.5–7.0%	6.6%
Net cash flow in the Automotive Division	€–0.3 billion	significant increase, positive	significant increase, positive	€10.8 billion
Net liquidity in the Automotive Division	€19.4 billion	considerable decline	considerable decline	€21.3 billion
Return on investment (ROI) in the Automotive Division	11.0%	slight increase, >9%	slight increase, >9%	11.2%

1 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.