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Annual General Meeting: Volkswagen confirms outlook for 2020 and underscores future investments

- **Group continues to expect positive operating result for 2020**
- **Deliveries and incoming orders in September expected to be up on the previous year**
- **Upward trend anticipated to continue for the remainder of the year**
- **Investments in e-mobility and digitalization confirmed despite COVID-19 pandemic**
- **CEO Diess: "The transformation of the Group is not being held back by corona, but accelerated by it. The fact that the car will develop into a fully networked mobility device in the next ten years will be much more far-reaching than the transformation of propulsion."**

Berlin, September 30, 2020 – The Volkswagen Group today confirmed its outlook for 2020 and underscored the planned future investments despite the COVID-19 pandemic. "In both 2019 and 2020, we took significant steps towards becoming a leading provider of electric, digital mobility, achieving important milestones", Group CEO Herbert Diess said at the virtual Annual General Meeting of Volkswagen Aktiengesellschaft. "The transformation of the Group is not being held back by corona, but accelerated by it." The Group plans to invest €33 billion in e-mobility by 2024 and aims to become the market leader in battery-electric vehicles. A further important success factor is the new VW.OS operating system that is being developed by Car.Software.Org and will be used for the first time in Audi's Artemis project. €14 billion alone will be invested in building IT expertise and in autonomous driving by 2024. "The fact that the car will develop into a fully networked mobility device in the next ten years will be much more far-reaching than the transformation of propulsion", Diess said. Volkswagen expects the upward trend to continue for the remainder of the year and confirmed the outlook for a positive operating result for 2020.

The company's development in the current fiscal year has clearly felt the effects of the COVID-19 pandemic, although business started to pick up again in the second half of the year. Worldwide deliveries in the first eight months were down by 21.5 percent to 5.6 (previous year: 7.1) million vehicles. The Group outperformed the market and reported 0.4 percentage points growth in its global market share compared with the previous year, taking this share to 13 percent. The premium and luxury brands recorded smaller decreases in the crisis than the volume brands and Truck & Bus. China, the Group's largest single market, saw the smallest regional decrease in deliveries, at 11.5 percent up to the end of August. Around one in five new cars there comes from the Group. During this period, the Group saw the sharpest drop of 30.9 percent in its home market of Western Europe, hit more severely by the COVID-19 pandemic. Nevertheless, there, too, the market share grew 0.8 percentage points to 23.7 percent. At the end of the second quarter the Automotive Division's net liquidity came to a respectable 18.7 billion euros. The reduction of inventory helped a lot to achieve this.

The Group implemented a 100-point plan to keep delivery chains stable and continue to supply dealers and customers with products. Volkswagen also lived up to its social responsibility, for example by converting a former factory in South Africa into a temporary hospital, manufacturing respiratory equipment and medical masks and donating relief supplies worth €40 million. Extensive programs were initiated to support dealer partners. The CEO thanked employees for their commitment. "Volkswagen's 670,000 employees particularly demonstrated their ability during the corona pandemic", Diess said.

The Group expects incoming orders and deliveries in September to be up on the previous year and anticipates that the upward trend will continue for the remainder of the year. As a result, Volkswagen confirmed its goal to remain profitable in the sum of all parts of the Group and to report a positive operating result in 2020. "All medium- and long-term forecasts continue to involve considerable uncertainty and depend on the future course of the pandemic", Diess added.

The Board of Management and Supervisory Board proposed to the Annual General Meeting the distribution of a dividend of €4.80 per ordinary share and €4.86 per preferred share. The company thus amended the proposed dividend previously announced for the 2019 fiscal year, which had originally been €6.50 per ordinary share and €6.56 per preferred share. The remaining net retained profits of €855 million will be carried forward to next year's accounts. Explaining the background, Diess said: "This decision is not based on a lack of financial robustness of the Group. The original dividend proposal was based on the good results of the successful financial year 2019. The new proposal now takes into account the massive impact that the pandemic has had and continues to have on our company."

Statements on strategic areas and brands

In the **commercial vehicle business,** the focus is on implementing the Global Champion strategy to leverage the synergies between Scania and MAN even better and tap into further efficiency potential. "In the Group Board of Management, Gunnar Kilian is now in charge of the Truck & Bus division and is systematically tackling the restructuring of our truck business. Together with the new TRATON CEO, Matthias Gründler, and the new MAN CEO, Andreas Tostmann, the focus will now be on improving the efficiency of the long-established Munich-based manufacturer MAN", Diess said. He described a possible acquisition of US truck producer Navistar as an important step in implementing the strategy.

Referring to the electrification of **Porsche**, Diess said: “The brand has adopted by far the most ambitious electrification strategy of all the brands. Porsche estimates that by 2025 at the latest over half of all new Porsches will be electrified, in other words powered solely by batteries or as plug-in hybrids.”

Describing the role of **Audi**, Group CEO Diess said: “To be the technical and technological spearhead for the Group is the aim of Audi and its new Board of Management chaired by Markus Duesmann. The new team began work in spring with the ambition to lead Audi back to the top of the premium competition.” The Artemis project under the leadership of Alexander Hitzinger is of particular significance. “Artemis will develop a next-generation electric car and is teaming up with Car.Software.Org to develop the E^3 2.0 software for it. This software is to roll out across the Group.” Artemis will be the first Group vehicle to use VW.OS, the new operating system by Volkswagen. For this, Artemis has close ties to the Car.Software organization that combines the Group’s existing software expertise and the acquisitions in this field.

Diess characterized the current situation of the **Sports & Luxury** brands as follows: “Our emotional luxury cars from Bentley, Lamborghini and Bugatti are weathering the crisis exceedingly well. Booked business in Ducati’s motorbike business is up significantly year-on-year.”

Diess’ comments on the core brand **Volkswagen** focused on the launch of the first two models based on the Modular Electric Drive Matrix (MEB): “The launch of the ID.3[1] is fundamental for the future of VW and the achievement of climate targets. Over 30,000 units of this all-electric vehicle have been ordered. Following on the heels of the ID.3, Ralf Brandstätter as the Volkswagen brand’s new CEO presented the second model from the ID family – the ID.4[2] – only last week. The ID.4 is a global car that will be launched almost simultaneously in Europe, China and the USA.”

Diess congratulated the longest-established Group brand **ŠKODA**, celebrating its 125th birthday this year, on the positive response to its first MEB vehicle. ŠKODA has just rolled out its first electric SUV based on the MEB, the Enyaq[3], that combines typical ŠKODA values such as compelling technology, plenty of space and good value for money. “I would like to wish the new CEO Thomas Schäfer every success in further sharpening awareness of precisely these values”, Diess said.

Group CEO Diess also commented on the orientation of the **SEAT** and **CUPRA** brands: “SEAT stands for exciting products and is increasingly venturing into higher price segments with CUPRA. CUPRA will become an electric and electrifying automotive brand that captivates with exciting designs, the latest technology, and a modern, urban appearance. The electrification of CUPRA is starting with the CUPRA Leon as a plug-in hybrid[4] and the all-electric el-Born[5], which will be launched next year."

According to Diess, key decisions on the orientation of the **Volkswagen Commercial Vehicles** brand were taken last year: "What is probably the most radical change in the Group is taking place in light commercial vehicles in Hanover. The decisions on the Ford partnership, the electrification of the VW Bulli, and the preparation for self-driving technology to move people and goods with ArgoAI set the direction. Carsten Intra is taking light commercial vehicles through this change as new CEO." The collaboration with Ford is particularly important because it significantly reduces development costs for both partners and allows them to take advantage of economies of scale.

Volkswagen was the first car manufacturer to commit to the climate targets of the Paris Agreement. With reference to the EU'S **Green Deal**, Diess said: "With our rapidly growing range of electric vehicles and the powerful transformation of the value chain, the Volkswagen Group is better prepared for the foreseeable introduction of stricter CO_2 fleet targets than the competition. However, efforts to transform the value chain must be further stepped up to support the European Commission's Green Deal."

Concluding his speech, the CEO underscored the significance of the **digital transformation** for the industry: "The transformation of propulsion is the simpler change that traditional automotive manufacturers must accomplish. The fact that the car will develop into a fully networked mobility device in the next ten years will be much more far-reaching. Volkswagen must be able not only to offer transportation shells but also the brain that safely steers the vehicle with artificial intelligence. Volkswagen wants to combine the car, the brain, and services and offer a unique mobility experience of the new era. Therefore, we need to transform into a digital company that reliably operates millions of mobility devices worldwide, always remains in contact with customers, and improves services, the vehicles' comfort, and safety on a weekly or even daily basis."

1) Volkswagen ID.3: combined electric power consumption 15.4-14.5 kWh/100 km; combined CO_2 emissions 0 g/km, efficiency class A+
2) Volkswagen ID.4: combined electric power consumption 16.9 – 16.2 kWh/100km; combined CO_2 emissions 0 g/km, efficiency class A+
3) ŠKODA ENYAQ iV 80: combined electric power consumption 15.5 kWh/100 km; combined CO_2 emissions 0 g/km, efficiency class A+
4) CUPRA Leon Hybrid: This vehicle has not yet gone on sale in the EU.
5) CUPRA el-Born: This vehicle has not yet gone on sale in the EU.

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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 2019, the total number of vehicles delivered to customers by the Group globally was 10.97 million (2018: 10.83 million). The passenger car global market share was 12.9 percent. Group sales revenue in 2019 totaled EUR 252.6 billion (2018: EUR 235.8 billion). Earnings after tax in the fiscal year now ended amounted to EUR 14.0 billion (2018: EUR 12.2 billion).