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Media information

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Volkswagen Group's business substantially impacted by Covid-19 pandemic in first quarter

- **Deliveries 23.0 percent down on previous year at 2.0 (2.6) million vehicles – decline especially in Asia-Pacific and Europe**
- **Group sales revenue down by 8.3 percent to EUR 55.1 billion**
- **Operating profit before special items fell by EUR 3.9 billion to EUR 0.9 billion**
- **Earnings before tax came to EUR 0.7 (4.1) billion**
- **Automotive Division's net cash flow down EUR 4.5 billion on prior-year period to EUR –2.5 billion – the ratio of capex to sales revenue was 4.7 (4.0) percent**
- **Net liquidity in the Automotive Division remains robust at EUR 17.8 billion**
- **CFO Frank Witter: "The global Covid-19 pandemic substantially impacted our business in the first quarter. We've taken numerous countermeasures to cut costs and ensure liquidity and we continue to be robustly positioned financially. The Volkswagen Group is steering through this unprecedented crisis with focus and determination."**

Wolfsburg, April 29, 2020 – The Volkswagen Group recorded a substantial impact on its business as a result of the global Covid-19 pandemic following the first three months of the current fiscal year. Deliveries to customers decreased by 23.0 percent compared to the same period of the previous year to 2.0 (2.6) million vehicles. Sales revenue fell by 8.3 percent from January to March to EUR 55.1 (60.0) billion. Operating profit before special items decreased significantly by 81.4 percent to EUR 0.9 (4.8) billion. In the previous year, special items as a result of the diesel crisis reduced profit by EUR –1.0 billion. There were no special items in the first quarter of 2020. The operating return on sales in the first quarter of 2020 was 1.6 percent (6.4 or 8.1 percent before special items). In addition to the fall in unit sales due to the drop in customer demand, turbulence in the commodity and capital markets caused the fair value measurement of commodity hedges to have a negative effect and also led to negative currency effects. Earnings before tax fell to EUR 0.7 (4.1) billion.

Frank Witter, member of the Group Board of Management responsible for Finance and IT, said, "The global Covid-19 pandemic substantially impacted our business in the first quarter. We've taken numerous countermeasures to cut costs and ensure liquidity and we continue to be robustly positioned financially. The gradual restart, also of our factories outside of China, has begun. The health of our employees and suppliers remains the clear priority here. In Germany, the dealers have reopened since last week. We have thus taken initial steps together to get the business up and running again. The Volkswagen Group is steering through this unprecedented crisis with focus and determination."

Operating profit expected for full year

The Volkswagen Group expects deliveries to customers in 2020 to be significantly below the prior year due to the impact of the Covid-19 pandemic. Challenges will also arise particularly from the increasing intensity of competition, volatile commodity and foreign exchange markets and more stringent emissions-related requirements. Sales revenue of the Volkswagen Group in 2020 is expected to be significantly below the prior s year's level as a result of the Covid-19 pandemic. Overall, the Volkswagen Group expects operating profit for 2020 to be severely below the prior year, but still to remain positive.

Despite countermeasures, the R&D ratio and the ratio of capex to sales revenue in the Automotive Division are expected to be above the previous year's level in 2020 due to lower demand and therefore falling sales revenues. In view of the lower customer demand, further payouts in relation to the diesel crisis and cash outflows from mergers & acquisitions, net cash flow for 2020 is expected to be below the prior-year figure. As a result, net liquidity in the Automotive Division will also fall short of the previous year's level. We expect lower return on investment (ROI) than in the previous year due to earnings-related factors and do not expect to achieve our targeted minimum required rate of return on investment of 9 percent.

Net liquidity in the Automotive Division remains robust

At the end of March 2020, net liquidity in the Automotive Division stood at EUR 17.8 billion. At the end of December 2019, it was EUR 21.3 billion. Net cash flow from the Automotive Division fell by EUR 4.5 billion year-on-year to EUR –2.5 billion. In the first three months, research and development costs were up by 2.3 percent compared to the same period of the previous year at EUR 3.6 billion. The R&D ratio increased to 8.0 (6.9) percent, due primarily to the lower sales revenue. Capex in the Automotive Division was EUR 2.1 (2.0) billion. The capex ratio in the Automotive Division increased to 4.7 (4.0) percent due to lower sales revenues as a result of the pandemic.

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Brands and Business Fields

In the first three months of the year, the **Volkswagen Passenger Cars** brand sold 765,000 (910,000) vehicles, a decline of 16.0 percent. Sales of the Gol and Passat models increased, against the trend, and the T-Cross was also very popular. Sales revenue stood at EUR 19.0 billion, a decline of 11.9 percent compared with the previous year. Operating profit decreased to EUR 481 (921) million (prior-year figure before special items); here, falling volumes as a result of the Covid-19 pandemic, cost increases and a deterioration in the mix were unable to be compensated by lower sales incentives and better price positioning.

Unit sales by the **Audi** brand fell to 268,000 (305,000) vehicles globally in the reporting period. The Chinese joint venture FAW-Volkswagen sold a further 97,000 (130,000) Audi vehicles. The Q3 and e-tron in particular saw increasing demand. Sales revenue decreased to EUR 12.5 (13.8) billion. Operating profit fell to EUR 15 million (EUR 1.1 billion). Lower fixed and development costs were unable to compensate for the decrease in volumes, the impact of the measurement of commodity hedges and negative exchange rate effects. The key financial figures for the Audi brand include the Lamborghini and Ducati brands. In the period from January to March 2020, Lamborghini sold 2,253 (2,349) vehicles and Ducati sold 10,171 (13,806) motorcycles.

The **ŠKODA** brand sold 237,000 vehicles in the reporting period, 13.7 percent fewer than in the previous year. The Scala and Kamiq models were in high demand. Sales revenue amounted to EUR 4.8 (4.9) billion. At EUR 307 million, operating profit was EUR 103 million lower than in the previous year. Positive mix effects failed to make up for the impact of lower volumes, exchange rate effects and emissions-related expenses.

Unit sales by the **SEAT** brand stood at 140,000 vehicles in the first three months of 2020. This was 20.6 percent lower than a year earlier. This figure includes the A1 manufactured for Audi. The SUV models Arona, Ateca and Tarraco were especially popular. Sales revenue fell short of the prior-year figure by 16.2 percent at EUR 2.6 billion. At EUR –48 (89) million, the operating result declined, primarily due to volume effects.

The **Bentley** brand recorded unit sales of 3,302 (2,584) vehicles in the reporting period. Sales revenue increased to EUR 620 (456) million. Operating profit improved to EUR 56 (49) million due to volume and mix effects.

Porsche Automotive sold 56,000 vehicles worldwide in the period from January to March 2020, 1.3 percent fewer than a year before. Sales revenue amounted to EUR 5.4 (5.2) billion. Operating result fell to EUR 529 (829) million. Along with cost increases, exchange rate effects and the drop in vehicle sales burdened earnings, while the mix developed favorably.

Unit sales by **Volkswagen Commercial Vehicles** fell to 99,000 (129,000) vehicles worldwide in the first three months of 2020. Sales revenue fell by 18.9 percent to EUR 2.7 billion. The fall in unit sales reduced operating profit to EUR 14 (291) million. In addition to the decrease in volumes, CO_2 incentive tax that enters into force this year, more unfavorable exchange rate trends and higher fixed and development costs impacted on earnings. Product cost optimizations and mix effects had a positive impact.

Unit sales at **Scania Vehicles and Services** amounted to 19,000 (24,000) vehicles in the first quarter of 2020. Sales revenue slipped to EUR 3.0 (3.4) billion. The operating profit of Scania Vehicles and Services stood EUR 256 (370) million. Declining vehicle sales were compensated in part by positive mix effects and lower fixed costs. Service business was up slightly.

MAN Commercial Vehicles sold 28,000 vehicles in the reporting period, down 17.2 percent year-on-year. Sales revenue declined to EUR 2.6 (3.0) billion. Operating result fell to EUR –83 (115) million. In addition to lower volumes, earnings were reduced by additional costs incurred in connection with the introduction of the new generation of trucks and an increasingly difficult used vehicle business.

Power Engineering generated sales revenue of EUR 922 (891) million in the first three months of 2020. As a result of the different business model in this area, operating profit was affected by the Covid-19 pandemic only to a limited extent and rose to EUR 16 (9) million on the strength of volume and mix factors.

In the first quarter of 2020, customers concluded 1.9 (1.9) million new financing, leasing, service and insurance contracts with **Volkswagen Financial Services** (–1.4 percent). The total number of contracts at the end of the reporting period stood at 21.6 million, 6.5 percent more than at the end of 2019. Operating profit improved to EUR 654 (638) million in the first three months of 2020.

Note:
This text and further documents 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 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).