

Responsibility Statement

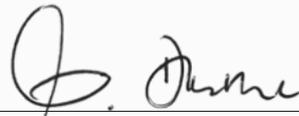
To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Wolfsburg, February 18, 2020

Volkswagen Aktiengesellschaft
The Board of Management



Herbert Drees



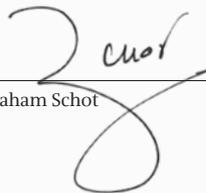
Oliver Blume



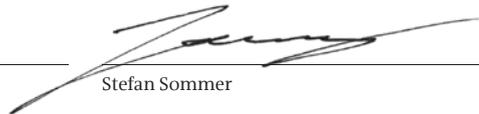
Gunnar Kilian



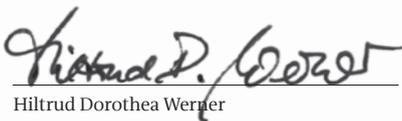
Andreas Renschler



Abraham Schot



Stefan Sommer



Hiltrud Dorothea Werner



Frank Witter

Independent Auditor's Report

On completion of our audit, we issued an unqualified auditor's report dated February 26, 2020 in German language. The following text is a translation of this auditor's report. The German text is authoritative:

To VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2019, and the income statement and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the financial year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of VOLKSWAGEN AKTIENGESELLSCHAFT, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2019. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- > the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, and
- > the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

EMPHASIS OF MATTER – DIESEL ISSUE

We draw attention to the information provided and statements made in section “Key Events“ of the notes to the consolidated financial statements and in section “Report on Risks and Opportunities“ of the group management report with regard to the diesel issue including information about the allegations made and claims filed, the underlying causes, the non-involvement of members of the board of management as well as the impact on these financial statements.

Based on the results of the various measures taken to investigate the issue presented so far, which underlie the consolidated financial statements and the group management report, there is still no evidence that members of the Company's board of management were aware of the deliberate manipulation of engine management software before summer 2015. Nevertheless, should as a result of the ongoing investigation new solid knowledge be obtained showing that members of the board of management were informed earlier about the diesel issue, this could eventually have an impact on the consolidated financial statements and on the group management report for financial year 2019 and prior years.

The provisions for warranties and legal risks recorded so far are based on the presented state of knowledge. Due to the inevitable uncertainties associated with the current and expected litigation it cannot be excluded that a future assessment of the risks may be different.

Our opinions on the consolidated financial statements and on the group management report are not modified in respect of this matter.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- ① Accounting treatment of risk provisions for the diesel issue
- ② Recoverability of goodwill and brand names
- ③ Recoverability of capitalized development costs
- ④ Completeness and measurement of provisions for warranty obligations arising from sales

Our presentation of these key audit matters has been structured in each case as follows:

- ① Matter and issue
- ② Audit approach and findings
- ③ Reference to further information

Hereinafter we present the key audit matters:

- ① Accounting treatment of risk provisions for the diesel issue
- ① Companies of the Volkswagen Group are involved in investigations by government authorities in numerous countries (in particular in Europe, the United States and Canada) with respect to irregularities in the exhaust gas emissions from diesel engines in certain vehicles of the Volkswagen Group. Different measures are being implemented in various countries for affected vehicles. These include hardware and/or software solutions, vehicle repurchases or the early termination of leases and, in some cases, cash payments to vehicle owners. Furthermore, payments are being made as a result of criminal proceedings and civil law settlements with various parties. In addition, there are civil lawsuits pending from customers, dealers and holders of securities. Further direct and indirect effects concern in particular impairment of assets and customer-specific sales programs.

The Volkswagen Group recognizes the expenses directly related to the diesel issue in its operating income. The special items expensed in financial year 2019 amount to € 2.3 billion. These relate to fines paid (€ 0.5 billion) and to further additions to reserves for legal risks (€ 2.1 billion). The reversal of reserves for technical measures in the amount of € 0.3 billion had an inverse effect. In addition to provisions, contingent liabilities for legal risks in regard to the diesel issue in the amount of € 3.7 billion are reported as of December 31, 2019.

The reported provisions and contingent liabilities are exposed to considerable estimation risk due to the wide-ranging investigations and proceedings that are ongoing, the complexity of the various negotiations and pending approval procedures by authorities, and developments in market conditions. This matter was of particular significance for our audit due to the material amounts of the provisions as well as the scope of assumptions and discretion on the part of the executive directors.

- ② In order to audit the recognition and measurement of provisions for field activities and vehicle repurchases arising as a result of the diesel issue, we critically examined the processes put in place by the companies of the Volkswagen Group to make substantive preparations to address the diesel issue, and assessed the progress made in implementing the technical solutions developed to remedy it. We compared this knowledge with the technical and legal substantiations of independent experts, as presented to us. We used in particular an IT data analysis solution to examine the quantity structure underlying the field activities and repurchases. We assessed the inputs used to measure the repair solutions and the repurchases. We used this as a basis to evaluate the calculation of the provisions.

In order to audit the recognition and measurement of the provisions for legal risks and the disclosure of contingent liabilities for legal risks resulting from the diesel issue, we assessed both the available official documents as well as in particular the work delivered and opinions prepared by experts commissioned by the Volkswagen Group. As part of a targeted selection of key procedures and supplemented by additional samples, we inspected the correspondence relating to the litigation and, in talks with officials from the affected companies and the lawyers involved, and including our own legal experts, we discussed the assessments made.

Taking into consideration the information provided and statements made in the section entitled "Key events" in the notes to the consolidated financial statements and in the section entitled "Report on Risks and Opportunities" in the group management report with regard to the diesel issue including information about the underlying causes, the non-involvement of members of the board of management as well as the impact on these financial statements, we believe that, overall, the assumptions and inputs underlying the calculation of the risk provisions for the diesel issue are appropriate to properly recognize and measure the provisions.

- ③ The Company's disclosures on the diesel issue are contained in the sections entitled "Key events" and "Litigation" in the notes to the consolidated financial statements, and in sections entitled "Report on Risks and Opportunities", sub-section "Legal risks" in the group management report.

② Recoverability of goodwill and brand names

- ① The intangible assets reported in the consolidated financial statements of VOLKSWAGEN AKTIENGESELLSCHAFT include € 23.2 billion in goodwill and € 16.8 billion in purchased brand names (intangible assets with indefinite useful lives). The Company allocates goodwill and brand names to the subgroups and brands, respectively, within the Volkswagen Group. As part of the regular impairment testing of goodwill and brand names, the Company compares the carrying amount of the subgroups and brands, respectively, against their respective recoverable amount. In general, the recoverable amount is calculated on the basis of the value in use. The value in use is calculated using discounted cash flow models on the basis of the Volkswagen Group's five-year operating plan prepared by the executive directors and acknowledged by the Supervisory Board and extrapolated based on assumptions about long-term growth rates. The discount rate used is the weighted average cost of capital for the relevant reporting segment. The result of this measurement depends to a large extent on the executive directors'

assessment with regard to the future cash inflows of the respective subgroups and brands, respectively, and on the discount rate used, and is therefore subject to considerable uncertainty. Against this background and due to the underlying complexity of the measurement models, this matter was of particular importance for our audit.

- ② As part of our audit, we assessed, among other things, the method used to perform impairment tests and the calculation of the weighted cost of capital. We evaluated the appropriateness of the future cash inflows used in the measurement, including by comparing this data with the five-year operating plan prepared by the executive directors and acknowledged by the Supervisory Board, and through reconciliation with general and sector-specific market expectations. We also evaluated that the costs for Group functions not recognized in a segment were properly included in the impairment test for the respective subgroup and brand, respectively. With the knowledge that even relatively small changes in the discount rate applied can have a material impact on the recoverable amounts calculated in this way, we also focused our testing in particular on the parameters used to determine the discount rate applied and evaluated the measurement model. Furthermore, due to the materiality of the goodwill and brand names, we also performed our own sensitivity analyses for the subgroups and brands, respectively, (comparison of carrying amounts and recoverable amounts) and determined that the respective goodwill and brand names were sufficiently covered by the discounted future cash flows. Overall, we consider the measurement inputs and assumptions used by the executive directors to be in line with our expectations and to lie also within a range that we consider reasonable.
- ③ The Company's disclosures on goodwill and brand names are contained in section entitled "Intangible assets" in the notes to the consolidated financial statements.
- ③ Recoverability of capitalized development costs
- ① In the consolidated financial statements of VOLKSWAGEN AKTIENGESELLSCHAFT capitalized development costs amounting to € 24.0 billion are reported under the "Intangible assets" balance sheet item. In accordance with IAS 38, research costs are treated as expenses incurred, while development costs for future series products are capitalized provided in particular that sale of these products (in connection with other assets) is likely to bring an economic benefit. Until amortization begins, developments must be tested for impairment in accordance with IAS 36 at least once a year based on the cash-generating units to which they are allocated. To meet this requirement, over the period from capitalization until completion of development the Company assesses whether the capitalized development costs incurred are covered by future cash flows. Once amortization begins, an assessment must be carried out at each reporting date as to whether there are indications of impairment. If this is the case, an impairment test must be performed and any impairment loss recognized. For impairment losses recognized in prior periods, an annual assessment must be carried out as to whether there are indications that the reason for the impairment has ceased to apply. In the financial year, the Volkswagen Group adjusted the definition of cash-generating units for capitalized development costs. While the focus in the Passenger Cars division was previously on individual models or model groups, the Volkswagen Group has made the judgment that the required degree of independence of cash flows from models or model groups is no longer given due to the increasing tightening of CO₂ and emissions-related fleet requirements and other changes in the fourth quarter of 2019 and that brands must therefore now be regarded as the smallest identifiable group of assets that meet the definition criteria of a cash-generating unit.

The Volkswagen Group generally applies the present value of the future cash flows (value in use) from the relevant cash-generating units to test these intangible assets for impairment. The value in use is determined using the discounted cash flow method based on the Group's five-year financial planning prepared by the executive directors. The discount rate used is the weighted average cost of capital (WACC). The weighted average cost of capital applied in the Volkswagen Group includes the weighted average cost of equity and debt before taxes.

Due to the adjusted definition of the cash-generating units a one-time write-up in an amount of € 1.1 billion resulted in the fourth quarter 2019, thereof € 0.9 billion from prior years that are recognized in the "other operating income" income statement line item. Furthermore, the "finance income" is increased by € 0.1 billion due to write-ups at the Chinese joint ventures accounted for at-equity

The result of this measurement depends to a large extent on the executive directors' assessment of future cash inflows and the discount rate used and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

- ② As part of our audit we assessed whether, overall, the assumptions underlying the measurements particularly in the form of future cash inflows, and the discount rates used provide an appropriate basis by which to test the individual cash-generating units for impairment. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as the executive directors' detailed explanations regarding key planning value drivers. We also evaluated that the costs for Group functions were properly included in the impairment tests of the respective cash-generating units. With the knowledge that even relatively small changes in the discount rate applied can in some cases have material effects on values, we also focused our testing on the parameters used to determine the discount rate applied and evaluated the measurement model. We also assessed the consistency of the measurement model applied and evaluated the mathematical accuracy of the calculations. With respect to completed development projects, we inquired the executive directors about whether or not there were indications of impairment or that reasons for impairment had ceased to apply, and critically examined these assumptions based on our knowledge of the Group's legal and economic environment. As part of our audit, we also assessed whether the adjusted definition of the cash-generating units is in line with the relevant requirements of IAS 36. In our view, the measurement inputs and assumptions used by the executive directors, and the measurement model, were properly derived for the purposes of conducting impairment tests and the adjustment made to the definition of the cash-generating units are substantiated and reasonably documented.
- ③ Company's disclosures on capitalized development costs and the associated impairment testing and the adjustment of the cash-generating units are contained in sections entitled "Accounting policies" and "Intangible assets" in the notes to the consolidated financial statements.
- ④ Completeness and measurement of provisions for warranty obligations arising from sales
- ① In the consolidated financial statements of the Volkswagen Group € 27.0 billion in provisions for obligations arising from sales are reported under the "Other provisions" balance sheet item. These obligations primarily relate to warranty claims arising from the sale of vehicles, motorcycles, components and genuine parts. Warranty claims are calculated on the basis of losses to date, estimated future losses and the policy on ex gratia arrangements. An estimate is also made of the discount rate. In addition, assumptions must be made about the nature and extent of future warranty and ex gratia claims. These assumptions are based on qualified estimates.

From our point of view, this matter was of particular significance for our audit because the recognition and measurement of this material item is to a large extent based on estimates and assumptions made by the Company's executive directors.

- ② With the knowledge that estimated values result in an increased risk of accounting misstatements and that the measurement decisions made by the executive directors have a direct and significant effect on consolidated net profit/loss, we assessed the appropriateness of the carrying amounts, including by comparing these figures with historical data and using the measurement bases presented to us. Furthermore, we assessed that the interest rates with matching terms were properly derived from market data. We evaluated the entire calculations (including discounting) for the provisions using the applicable measurement inputs and assessed the planned timetable for utilizing the provisions.

In doing so, we were able to satisfy ourselves that the estimates applied, and the assumptions made by the executive directors were sufficiently documented and supported to justify the recognition and measurement of the provisions for warranty obligations arising from sales.

- ③ The Company's disclosures on other provisions are contained in sections entitled "Accounting policies" and "Noncurrent and current other provisions" in the notes to the consolidated financial statements.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Corporate Governance Report" of the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report, –excluding cross-references to external information– with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS**Further Information pursuant to Article 10 of the EU Audit Regulation**

We were elected as group auditor by the annual general meeting on May 14, 2019. We were engaged by the supervisory board on May 20, 2019. We have been the group auditor of the VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, without interruption since the financial year 1948/1949.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Frank Hübner.

Hanover, February 26, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Harald Kayser
Wirtschaftsprüfer
(German Public Auditor)

Frank Hübner
Wirtschaftsprüfer
(German Public Auditor)

Five-Year Review

	2019	2018	2017	2016	2015
Volume Data (thousands)					
Vehicle sales (units)	10,956	10,900	10,777	10,391	10,010
Germany	1,347	1,236	1,264	1,257	1,279
Abroad	9,609	9,664	9,513	9,135	8,731
Production (units)	10,823	11,018	10,875	10,405	10,017
Germany	2,112	2,303	2,579	2,685	2,681
Abroad	8,712	8,715	8,296	7,720	7,336
Employees (yearly average)	671	656	634	619	604
Germany	297	291	285	280	276
Abroad	374	365	350	339	329
Financial Data (in € million)					
Income Statement					
Sales revenue	252,632	235,849	229,550	217,267	213,292
Cost of sales	-203,490	-189,500	-186,001	-176,270	-179,382
Gross profit	49,142	46,350	43,549	40,997	33,911
Distribution expenses	-20,978	-20,510	-20,859	-22,700	-23,515
Administrative expenses	-9,767	-8,819	-8,126	-7,336	-7,197
Net other operating result	-1,437	-3,100	-745	-3,858	-7,267
Operating result	16,960	13,920	13,818	7,103	-4,069
Financial result	1,396	1,723	-146	189	2,767
Earnings before tax	18,356	15,643	13,673	7,292	-1,301
Income tax expense	4,326	-3,489	-2,210	1,912	-59
Earnings after tax	14,029	12,153	11,463	5,379	-1,361
Personnel expenses	42,913	41,158	38,950	37,017	36,268
Balance Sheet (at December 31)					
Noncurrent assets	300,608	274,620	262,081	254,010	236,548
Current assets	187,463	183,536	160,112	155,722	145,387
Total assets	488,071	458,156	422,193	409,732	381,935
Equity	123,651	117,342	109,077	92,910	88,270
of which: noncontrolling interests	1,870	225	229	221	210
Noncurrent liabilities	196,497	172,846	152,726	139,306	145,175
Current liabilities	167,924	167,968	160,389	177,515	148,489
Total equity and liabilities	488,071	458,156	422,193	409,732	381,935
Cash flows from operating activities	17,983	7,272	-1,185	9,430	13,679
Cash flows from investing activities attributable to operating activities	20,076	19,386	18,218	16,797	15,523
Cash flows from financing activities	-865	24,566	17,625	9,712	9,068

Financial Key Performance Indicators

%	2019	2018	2017	2016	2015
Volkswagen Group					
Gross margin	19.5	19.7	19.0	18.9	15.9
Personnel expense ratio	17.0	17.5	17.0	17.0	17.0
Operating return on sales	6.7	5.9	6.0	3.3	-1.9
Return on sales before tax	7.3	6.6	6.0	3.4	-0.6
Return on sales after tax	5.6	5.2	5.0	2.5	-0.6
Equity ratio	25.3	25.6	25.8	22.7	23.1
Automotive Division¹					
Change in unit sales year-on-year ²	+ 0.5	+ 1.1	+ 3.7	+ 3.8	-2.0
Change in sales revenue year-on-year	+ 5.7	+ 2.7	+ 5.3	+ 1.1	+ 3.6
Research and development costs as a percentage of sales revenue	6.7	6.8	6.7	7.3	7.4
Operating return on sales	6.5	5.5	5.7	2.5	-3.4
EBITDA (in € million) ³	29,706	26,707	26,094	18,999	7,212
Return on investment (ROI) ⁴	11.2	11.0	12.1	8.2	-0.2
Cash flows from operating activities as a percentage of sales revenue	14.5	9.2	6.0	10.9	12.9
Cash flows from investing activities attributable to operating activities as a percentage of sales revenue	9.4	9.4	9.0	8.6	8.1
Capex as a percentage of sales revenue	6.6	6.6	6.5	6.9	6.9
Net liquidity as a percentage of sales revenue	8.4	8.2	9.7	12.5	11.5
Ratio of noncurrent assets to total assets ⁵	26.4	23.3	23.7	23.4	23.1
Ratio of current assets to total assets ⁶	17.0	17.6	16.3	15.9	15.2
Inventory turnover ⁷	4.8	5.0	5.1	5.5	5.8
Equity ratio	37.6	37.9	36.9	31.4	32.6
Financial Services Division					
Increase in total assets	7.9	11.2	6.0	8.3	13.9
Return on equity before tax ⁸	10.8	9.9	9.8	10.8	12.2
Equity ratio	12.8	12.7	13.7	12.5	11.9

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

2 Including the Chinese joint ventures. These companies are accounted for using the equity method.

3 Operating result plus net depreciation/amortization and impairment losses/reversals of impairment losses on property, plant and equipment, capitalized development costs, lease assets, goodwill and financial assets as reported in the cash flow statement.

4 For details, see Value-based management on page 126.

5 Ratio of property, plant and equipment to total ass.

6 Ratio of inventories to total assets at the balance sheet date.

7 Ratio of sales revenue to average monthly inventories.

8 Earnings before tax as a percentage of average equity.

Glossary

Selected terms at a glance

Big Data

Big data is a term used to describe new ways of analyzing and evaluating data volumes that are too vast and too complex to be processed using manual or conventional methods.

Compliance

Adherence to statutory provisions, internal company policies and ethical principles.

Corporate Governance

International term for responsible corporate management and supervision driven by long-term value added.

Hybrid drive

Drive combining two different types of engine and energy storage systems (usually an internal combustion engine and an electric motor).

Hybrid notes

Hybrid notes issued by Volkswagen are classified in their entirety as equity. The issuer has call options at defined dates during their perpetual maturities. They pay a fixed coupon until the first possible call date, followed by a variable rate depending on their terms and conditions.

Industry 4.0

Describes the fourth industrial revolution and the systematic development of real-time and intelligent networks between people, objects and systems, exploiting all of the opportunities of information technology along the entire value added chain. Intelligent machines, inventory systems and operating equipment that independently exchange information, trigger actions and control each other will be integrated into production and logistics at a technical level. This offers tremendous versatility, efficient resource utilization, ergonomics and the integration of customers and business partners in operational processes throughout the entire value chain.

Liquefied Natural Gas (LNG)

LNG is needed so that natural gas engines can be used in long-distance trucks and buses, since this is the only way of achieving the required energy density.

Modular Electric Drive Toolkit (MEB)

The modular system is being developed for the manufacturing of electric vehicles. The MEB establishes parameters for axles, drive systems, high-voltage batteries, wheelbases and weight ratios to ensure a vehicle optimally fulfills the requirements of e-mobility. The first vehicle based on the MEB should go into series production in 2020.

Modular Transverse Toolkit (MQB)

As an extension of the modular strategy, this platform can be deployed in vehicles whose architecture permits a transverse arrangement of the engine components. The modular perspective enables high synergies to be achieved between the vehicles in the Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, Audi, SEAT and ŠKODA brands.

Plug-in hybrid

Performance levels of hybrid vehicles. Plug-in hybrid electric vehicles (PHEVs) have a larger battery with a correspondingly higher capacity that can be charged via the combustion engine, the brake system, or an electrical outlet. This increases the range of the vehicle.

Rating

Systematic assessment of companies in terms of their credit quality. Ratings are expressed by means of rating classes, which are defined differently by the individual rating agencies.

Test procedure

Levels of fuel consumption and exhaust gas emissions for vehicles registered in Europe were previously measured on a chassis dynamometer with the help of the "New European Driving Cycle (NEDC)". Since fall 2017, the existing test procedure for emissions and fuel consumption used in the EU is being gradually replaced by the Worldwide Harmonized Light-Duty Vehicles Test Procedure (WLTP). This has been in place for new vehicle types since fall 2017 and will apply to all new vehicles since fall 2018. The aim of this new test cycle is to state CO₂ emissions and fuel consumption in a more practice-oriented manner. A further important European regulation is the Real Driving Emissions (RDE) for passenger cars and light commercial vehicles, which also monitors emissions using portable emission measuring technology in real road traffic.

Turntable concept

Concept of flexible manufacturing enabling the production of different models in variable daily volumes within a single plant, as well as offering the facility to vary daily production volumes of one model between two or more plants.

Vocational groups

For example, electronics, logistics, marketing, or finance. A new teaching and learning culture is gradually being established by promoting training in the vocational groups. The specialists are actively involved in the teaching process by passing on their skills and knowledge to their colleagues.

Zero-Emissions Vehicle (ZEV)

Vehicles that operate without exhibiting any harmful emissions from combustion gases. Examples of zero-emissions vehicles include purely battery-powered electric vehicles (BEV) or fuel cell vehicles.

Capitalization ratio

The capitalization ratio is defined as the ratio of capitalized development costs to total research and development costs in the Automotive Division. It shows the proportion of primary research and development costs subject to capitalization.

Distribution ratio

The distribution ratio is the ratio of total dividends attributable to ordinary and preferred shares to earnings after tax attributable to the shareholders of Volkswagen AG. The distribution ratio provides information on how earnings are distributed.

Dividend yield

The dividend yield is the ratio of the dividend for the reporting year to the closing price per share class on the last trading day of the reporting year; it represents the interest rate earned per share. The dividend yield is used in particular for measuring and comparing shares.

Equity ratio

The equity ratio measures the percentage of total assets attributable to shareholders' equity as of a reporting date. This ratio indicates the stability and financial strength of the company and shows the degree of financial independence.

Gross margin

Gross margin is the percentage of sales revenue attributable to gross profit in a period. Gross margin provides information on profitability net of cost of sales.

Price-earnings ratio

The price-earnings ratio is calculated by dividing the share price per share class at the end of the year by the earnings per share. It reflects a company's profitability per share; a comparison over several years shows how its performance has developed over time.

Return on equity before tax

The return on equity shows the ratio of profit before tax to average shareholders' equity of a period, expressed as a percentage. It reflects the company's profitability per share and indicates the interest rate earned on equity.

Return on sales before tax

The return on sales is the ratio of profit before tax to sales revenue in a period, expressed as a percentage. It shows the level of profit generated for each unit of sales revenue. The return on sales provides information on the profitability of all business activities before deducting income tax expense.

Tax rate

The tax rate is the ratio of income tax expense to profit before tax, expressed in percent. It shows what percentage of the profit generated has to be paid over as tax.

Index

A		G		Q	
Accounting policies	221 ff	Group structure	196 f	Quality assurance	147 ff, 174 f
B		I		R	
Balance sheet	122 ff, 129 f, 245 ff	IFRSs	203 ff	Ratings	112
Basis of consolidation	208 ff	Income statement	114 ff, 129, 195	Refinancing	111 f
Board of Management	7 ff, 61 ff, 70 ff, 334 f	Information technology	153 f, 175	Remuneration	63, 70 ff, 328 f
Brands	21 ff	Investment policy	161 f	Report on post-balance sheet date events	156
C		K		Research and development	
Cash flow statement	119 ff, 202, 291 f	Key figures	U2	Return on investment (ROI) and	131, 136 ff, 172 f
CO ₂ emissions	136 f, 176 ff	L		value contribution	56, 125 ff, 163
Consolidation methods	219	Litigation	179 ff, 317 ff	Risk management	68, 164 ff
Core performance indicators	56	M		S	
Corporate Governance	60 ff, 334	Market development	95 ff, 158 ff	Sales and marketing	146 f
Currency	96, 160, 220	Models	98 f, 160 f	Segment reporting	113, 233 ff
D		N		Shareholders	92, 109
Declaration of conformity	60 f	Nonfinancial key performance indicators	133 ff	Shares	92 f, 107 ff
Deliveries	100 ff	O		Statement of comprehensive income	196 f
Dividend policy, yield	108	Orders received	41, 43, 105	Strategy	51 ff, 148 ff, 155 f
Dividend proposal	130, 260	P		Summaries	128, 162 f, 189
E		Procurement	141 ff, 173	Supervisory Board	57 ff, 86 ff, 334 f
Earnings per share	108, 244	Production	25 ff, 106, 131, 143 ff, 173 f	Sustainability	112, 133 ff
Employees	53, 106, 131, 149 ff, 163, 176, 272, 328	Proposal on the appropriation of net profit	130	T	
Environmental		Prospects	190	Target-performance comparison	128
protection	131, 155 f, 176 ff	V		Test procedure	U2, 136, 177
Environmental strategy	155 f	Value added	60, 133 ff	V	
Equity	200 f, 259 f	Vehicle sales	23, 106, 131		
F					
Financial data, overview	346 f				
Financial risk management	293 ff				

Scheduled Dates 2020

FINANCIAL CALENDER

March 17
Volkswagen AG Annual Media Conference
and Investor Conference

April 29
Interim Report January – March

May 7
Volkswagen AG Annual General Meeting

Juli 30
Half-Yearly Financial Report

Oktober 29
Interim Report January – September

Contact Information

PUBLISHED BY

Volkswagen AG
Group Financial Publications, Letterbox 1848-2
38436 Wolfsburg, Germany
Phone + 49 (0) 5361 9-0
Fax + 49 (0) 5361 9-28282

This annual report is published in English and German.
Both versions of the report are available on the Internet
at www.volkswagenag.com/ir.
The German version is legally binding.

INVESTOR RELATIONS

Volkswagen AG
Investor Relations, Letterbox 1849
38436 Wolfsburg, Germany
Phone + 49 (0) 5361 9-0
Fax + 49 (0) 5361 9-30411
E-mail investor.relations@volkswagen.de
Internet www.volkswagenag.com/ir

CONCEPT, DESIGN AND REALIZATION

C3 Creative Code and Content GmbH

ENGLISH TRANSLATION

Leinhäuser Language Services GmbH, Unterhaching

FINANCIAL REPORT

Produced in-house with firesys

PHOTOGRAPHY

Volkswagen AG