

Key Figures

VOLKSWAGEN GROUP

	2020	2019	%
Volume Data¹ in thousands			
Deliveries to customers (units)	9,305	10,975	-15.2
Vehicle sales (units)	9,157	10,956	-16.4
Production (units)	8,900	10,823	-17.8
Employees at Dec. 31	662.6	671.2	-1.3
Financial Data (IFRSs), € million			
Sales revenue	222,884	252,632	-11.8
Operating result before special items	10,607	19,296	-45.0
Operating return on sales before special items (%)	4.8	7.6	
Special items	-931	-2,336	-60.1
Operating result	9,675	16,960	-43.0
Operating return on sales (%)	4.3	6.7	
Earnings before tax	11,667	18,356	-36.4
Return on sales before tax (%)	5.2	7.3	
Earnings after tax	8,824	14,029	-37.1
Automotive Division²			
Total research and development costs	13,885	14,306	-2.9
R&D ratio (%)	7.6	6.7	
Cash flows from operating activities	24,721	30,733	-19.6
Cash flows from investing activities attributable to operating activities ³	18,364	19,898	-7.7
of which: capex	11,065	14,007	-21.0
capex/sales revenue (%)	6.1	6.6	
Net cash flow	6,357	10,835	-41.3
Net liquidity at Dec. 31	26,796	21,276	+ 25.9
Return on investment (ROI) in %	6.5	11.2	
Financial Services Division			
Return on equity before tax ⁴ (%)	8.8	10.8	

VOLKSWAGEN AG

	2020	2019	%
Volume Data in thousands			
Employees at Dec. 31	118.7	119.2	-0.4
Financial Data (HGB), € million			
Sales revenue	67,535	80,621	-16.2
Net income for the fiscal year	6,338	4,958	+ 27.8
Dividends (€)			
per ordinary share	4.80	4.80	
per preferred share	4.86	4.86	

1 Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method. Prior-year deliveries updated to reflect subsequent statistical trends.

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

3 Excluding acquisition and disposal of equity investments: €17,175 (19,182) million.

4 Earnings before tax as a percentage of average equity.

This version of the annual report is a translation of the German original. The German takes precedence. All figures shown in the report are rounded, so minor discrepancies may arise from addition of these amounts. The figures from the previous fiscal year are shown in parentheses directly after the figures for the current reporting period.

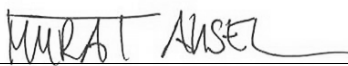
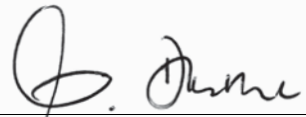
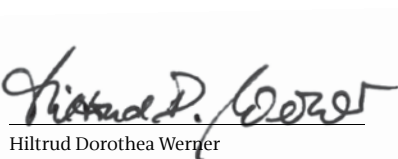
Specified vehicle ranges correspond to results obtained through the Worldwide Harmonized Light vehicles Test Procedure (WLTP) on the chassis dynamometer. WLTP value ranges for series-produced vehicles may vary depending on the equipment. The actual range will deviate in practice depending on various other factors.

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 16, 2021

Volkswagen Aktiengesellschaft
The Board of Management


Herbert Dues
Murat Aksel
Oliver Blume
Markus Duesmann
Gunnar Kilian
Thomas Schmall-von Westerholt
Hiltrud Dorothea Werner
Frank Witter

Independent auditor's report

To VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg

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

OPINIONS

We have audited the consolidated financial statements of VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January to 31 December 2020, and the consolidated balance sheet as at 31 December 2020, consolidated statement of changes in equity and consolidated cash flow statement for the fiscal year from 1 January to 31 December 2020, 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 fiscal year from 1 January to 31 December 2020. In accordance with German legal requirements, we have not audited the content of the parts of the group management report specified in the appendix to the auditor's report and the company information stated therein that is provided outside of the annual report and is referenced in the group management 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 Sec. 315e (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 31 December 2020 and of its financial performance for the fiscal year from 1 January to 31 December 2020, 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 opinion on the group management report does not cover the content of the parts of the group management report listed in the appendix to the auditor's report.

Pursuant to Sec. 322 (3) 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 OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 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 Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 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 opinions on the consolidated financial statements and on the group management report.

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 fiscal year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Accounting treatment of the risk provisions for the diesel issue

Reasons why the matter was determined to be a key audit matter

Due to indications of irregularities in connection with exhaust gas emissions from diesel engines in certain vehicles of the Volkswagen Group, regulatory authorities in numerous countries (particularly in Europe, the USA and Canada) commenced investigations in the past few years, some of which are still ongoing.

On the basis of its own findings and those of the authorities, the Volkswagen Group implemented various measures, which differed according to the country in some cases and included hardware and software measures, vehicle buybacks and early termination of leases as well as compensation payments to vehicle owners in some instances. The hardware and software measures had largely been completed as of the reporting date. The risk provisions for the diesel issue mainly include provisions for criminal, administrative and civil proceedings. Furthermore, there are legal risks from other criminal and administrative proceedings as well as civil actions, particularly by customers and holders of securities.

The provisions recognized as of 31 December 2020 and the contingent liabilities disclosed in the notes to the consolidated financial statements are subject to a significant estimation risk in view of the extensive ongoing criminal and administrative investigations and proceedings, the complexity of the different issues, developments in court rulings and market conditions for used diesel vehicles. Whether provisions need to be recognized or contingent liabilities disclosed for the legal risks from the diesel issue, and in what amount, depends to a large extent on the assessments and assumptions made by the executive directors. As described in the "Key events" section of the notes to the consolidated financial statements and in the "Report on Expected Developments, Risks and Opportunities" section of the group management report, the executive directors considered in their assessments in particular the fact that, based on the various measures taken to resolve the diesel issue to date, there is still no confirmation that members of the Board of Management were aware of any deliberate manipulation of the engine control unit software prior to the summer of 2015.

In light of the significance of the risk provisions and the extent of the assumptions and scope for judgment by the executive directors, this matter was a key audit matter.

Auditor's response

To assess the recognition and measurement of the provisions for legal risks and the disclosure of contingent liabilities from legal risks arising from the diesel issue, we considered, in particular, work and opinions by experts engaged by the executive directors of the Volkswagen Group in addition to available official notices and court judgments as part of a risk-based selection of significant transactions. Moreover, with the involvement of our own legal and forensic specialists, we held regular meetings with the internal Legal department and the external lawyers engaged by the executive directors of the Volkswagen Group to obtain oral explanations about the current developments and reasons leading to the assessments of the ongoing proceedings. We compared confirmations received from external lawyers with the risk assessment by the executive directors. We also regularly reviewed publicly available information, such as media reports, to assess the completeness of the provisions.

In addition, we reviewed on a sample basis the input factors (quantity and value) of the provisions and contingent liabilities for individual matters using statements of claims received, settlement agreements and court judgments. With regard to the valuation, we also compared the current assessments by the executive directors with past experience, where observable. For significant additions to provisions, we examined whether they were due to new matters or to changes in the estimation inputs and obtained corresponding evidence. To analyze significant utilizations of the provisions, we examined a sample to determine whether they were based on settlement agreements or court judgments and whether corresponding payments were made.

Furthermore, inquiries were made of the executive directors and the external law firms engaged to carry out the investigations, with the assistance of our own forensic specialists, in order to understand and assess the investigations undertaken in terms of when former and current members of the Board of Management became aware of the diesel issue.

Our audit procedures did not lead to any objections relating to the accounting treatment of the risk provisions for the diesel issue.

Reference to related disclosures

The information presented and the statements made in connection with the diesel issue, including the comments on the underlying causes, on when the members of the Board of Management became aware of the issue and on the effects on the accompanying financial statements are contained in the "Key events" and "Litigation" sections of the notes to the consolidated financial statements and in the "Report on Risks and Opportunities" section of the group management report, subsection "Legal risks."

2. Recoverability of goodwill and the acquired brand names

Reasons why the matter was determined to be a key audit matter

The result of the impairment testing of goodwill and the acquired brand names is highly dependent on the executive directors' estimate of future cash flows and which discount rates they use. The recoverable amount of the cash-generating units is calculated on the basis of their value in use, applying discounted cash flow models.

The COVID-19 pandemic has negatively affected the cash inflows of the Volkswagen Group and its brands as a result of the global drop in demand and the temporary production stops. The executive directors of the Volkswagen Group expect cash inflows to continue to be affected in subsequent years.

In addition, the executive directors have scope for judgment in determining the cash-generating units for impairment testing, in determining the discount rates used and the long-term growth rates assumed.

In view of the foregoing, the materiality of goodwill and the acquired brand names in relation to total assets, the complexity of the valuation and the judgment exercised during valuation, the impairment testing of goodwill and the acquired brands was a key audit matter.

Auditor's response

During our audit, we involved valuation specialists to assess among other things the methodology used to perform the impairment tests in light of the provisions of IAS 36. We also checked the arithmetical accuracy of the valuation models used.

On the basis of the Volkswagen Group's internal reporting, we assessed for the acquired brands whether the brands represent the lowest level within the Group at which independent cash inflows are generated and whether goodwill is monitored at brand level for internal management purposes.

We analyzed the planning process established in the Volkswagen Group and tested the operating effectiveness of the controls implemented in the planning process. As a starting point, we compared the Volkswagen Group's five-year operational plan prepared by the executive directors and acknowledged by the Supervisory Board with the forecast figures in the underlying impairment tests. We discussed the key planning assumptions for selected brands to which significant goodwill and acquired brand names are allocated with the executive directors and compared them with past earnings and cash inflows to assess the planning accuracy. Our plausibility testing of the inputs for the impairment tests was based among other things on a comparison with general and industry-specific market expectations underlying the expected cash inflows. We discussed with the executive directors the effects of the COVID-19 pandemic on the development of cash inflows in the individual cash-generating units and compared them with current market expectations. With respect to the rollforward from the medium-term plan to the long-term forecast, we assessed the plausibility of the assumed growth rates by comparing them with observable data.

To assess the discount rates and growth rates applied, we analyzed the inputs used to determine them on the basis of publicly available information and obtained an understanding of the methods used with regard to the relevant requirements of IAS 36.

We also assessed the sensitivity analyses performed by the executive directors in order to estimate any potential impairment risk associated with a reasonably possible change in one of the significant assumptions used in the valuation.

Our procedures did not lead to any reservations relating to the recoverability of goodwill and the acquired brand names.

Reference to related disclosures

With regard to the recognition and measurement policies applied for goodwill and the acquired brand names, refer to the disclosure on intangible assets in the "Accounting policies" section of the notes to the consolidated financial statements. For the related disclosures on judgments by the executive directors and sources of estimation uncertainty as well as the disclosures on goodwill and the acquired brand names, refer to the disclosure in the "Accounting policies" and "Estimates and assumptions by management" sections and in note 12 "Intangible assets" in the "Balance Sheet disclosures" section of the notes to the consolidated financial statements.

3. Capitalization and recoverability of development costs**Reasons why the matter was determined to be a key audit matter**

Key criteria for capitalizing development costs are the ability to implement the development projects (including their technical feasibility, the intention to complete them and the ability to use them) as well as the realization of an expected future economic benefit. The complexity of research and development projects is mounting in view of the technological transformation of the Volkswagen Group and the resulting new development areas (including high investments in electromobility, software and autonomous driving). Assessments of project feasibility are playing an ever greater role in this connection and entail the use of considerable judgment.

Where capitalized development costs are not yet subject to amortization, they must be tested for impairment as part of the related cash-generating unit at least annually at the level of the brands defined as cash-generating units. The assumption of realizing future economic benefits and the result of testing the recoverability of capitalized development costs during the analyses and impairment tests performed are highly dependent on the executive directors' estimate of future cash flows and which discount rates they use. The recoverable amount of the cash-generating units is calculated on the basis of their value in use, applying discounted cash flow models. The COVID-19 pandemic has negatively affected the cash inflows of the Volkswagen Group and its brands as a result of the global drop in demand and the temporary production stops. The executive directors of the Volkswagen Group expect cash inflows to continue to be affected in subsequent years.

In light of the foregoing, the materiality of the capitalized development costs in relation to total assets, the total amount of research and development costs and the judgment exercised during valuation, the capitalization of development costs and the impairment test were a key audit matter.

Auditor's response

During our audit, we examined the process for identifying the research and development costs, particularly with reference to the criteria for capitalization. In this connection, we tested process-related controls, carried out analytical audit procedures such as comparisons of project budgets and capitalization rates and inspected documentation on project feasibility. We also assessed the future economic benefit criterion for capitalization based on the assumptions regarding the cash inflows of the cash-generating unit to which the capitalized development work is allocated.

Moreover, we involved valuation specialists to assess among other things the methodology used to determine the relevant cash-generating units and perform the impairment tests in light of the provisions of IAS 36. We also checked the arithmetical accuracy of the valuation models used, analyzed the planning process established in the Volkswagen Group and tested the operating effectiveness of the controls implemented in the planning process.

We discussed with the executive directors the key planning assumptions for a sample we selected of brands with significant capitalized development costs and compared them with past earnings and cash inflows to assess the planning accuracy. Our plausibility testing of the inputs for the impairment tests was based among other things on a comparison with general and industry-specific market expectations underlying the expected cash inflows. We discussed with the executive directors the effects of the COVID-19 pandemic on the development of cash inflows in the individual cash-generating units and compared them with current market expectations. Furthermore, we analyzed the inputs used to determine the discount rates on the basis of publicly available information and obtained an understanding of the calculation with regard to the relevant requirements of IAS 36.

We also assessed the sensitivity analyses performed by the executive directors in order to estimate any potential impairment risk associated with a reasonably possible change in one of the significant assumptions used in the valuation.

Our procedures did not lead to any reservations relating to the recognition and recoverability of the capitalized development costs.

Reference to related disclosures

With regard to the recognition and measurement policies applied for capitalized development costs, refer to the disclosure on intangible assets in the "Accounting policies" section of the notes to the consolidated financial statements. For the related disclosures on judgments by the executive directors and sources of estimation uncertainty as well as the disclosures on capitalized development costs, refer to the disclosures in the "Accounting policies" and "Estimates and assumptions by management" sections and in note 12 "Intangible assets" in the "Balance Sheet disclosures" section of the notes to the consolidated financial statements.

4. Completeness and measurement of provisions for warranty obligations

Reasons why the matter was determined to be a key audit matter

Obligations for warranty claims are calculated on the basis of estimated warranty costs at the level of individual models and model years by reference to claims to date, including their nature, frequency and remediation cost, and by reference to historical and expected policy on ex gratia arrangements. Where unusual individual technical risks are anticipated, an individual assessment is made whether and, if so, to what extent measures are required to remediate them and provisions need to be recognized.

The amount of provisions for warranty claims is significant overall. Besides the general use of judgment in selecting the valuation methods and assessing the obligations, increasing estimation uncertainty stems from the rise in hybrid and battery electric vehicles entering the market and a lack of experience of their susceptibility to faults. In light of the amount of the provisions and the judgment exercised during valuation, the completeness and measurement of provisions for warranty obligations was a key audit matter.

Auditor's response

With regard to the accounting for the provisions for warranty obligations, we examined the underlying processes for recording previous claims, calculating and valuing the estimated future warranty costs and recognizing the provisions, and tested controls.

In light of the uncertainty in relation to the estimated future losses, we assessed the underlying valuation assumptions, especially the expected claim rate per vehicle and the cost thereof, using analyses of historical data. Where there was a lack of past experience, we obtained an understanding of the assumptions made by the executive directors and tested their plausibility using historical data for comparable items. Using the calculation bases derived from these historical data, we checked the estimated costs for expected claims per vehicle. To assess the completeness of the provisions, we also reconciled the number of sold vehicles used to recognize the provision with the sales volumes. We obtained an understanding of the method used for calculating the provisions, including the discounting, and reperformed the calculations.

For significant individual technical risks, we assessed the expected incidence of technical faults and the calculation of expected costs per claim/vehicle using documentation on previous claims, inspecting resolutions passed by technical committees and holding discussions with the departments responsible.

Our audit procedures did not lead to any reservations relating to the completeness and valuation of provisions for warranty obligations.

Reference to related disclosures

With regard to the recognition and measurement policies applied in accounting for provisions for warranty obligations, refer to the disclosures in the "Accounting policies" and "Noncurrent and current other provisions" sections of the notes to the consolidated financial statements.

5. Calculation of the expected residual values of lease assets during impairment testing

Reasons why the matter was determined to be a key audit matter

Lease assets comprise vehicles under leases that are due to expire. There is an impairment risk for these vehicles which is primarily dependent on the residual value expected at the end of the lease. The expected residual value of these vehicles is a significant area which is subject to estimation uncertainty and in which the executive directors of Volkswagen Financial Services AG exercise judgment.

The expected residual value is reviewed quarterly using internal and external marketing results and on the basis of estimates of future market price development.

In light of the existing estimation uncertainty, the judgment exercised in calculating the residual values and the significance of the amount for impairment testing, the calculation of expected residual values was a key audit matter. As it is not possible to make a conclusive assessment of the impact of the global COVID-19 pandemic, the estimation uncertainty in relation to the calculation of the expected residual values is significantly heightened.

Auditor's response

During our audit, we analyzed the process implemented by the executive directors of Volkswagen Financial Services AG for monitoring and calculating the residual values to identify any risks of material misstatement and obtained an understanding of the process steps and controls. On this basis, we tested the operating effectiveness of the implemented controls over the calculation of the expected residual values. To assess the forecasting model used to calculate the residual values, we assessed the validation plan on the basis of the model design and analyzed the validation procedures performed and the backtesting results as to whether any need for an impairment allowance was identified and whether there had been an unusual number of outliers. Furthermore, we assessed whether the assumptions underlying the forecasting model and the inputs used for calculating the expected residual values were clearly documented. We obtained evidence for the main inputs and assumptions used for age, mileage and lifecycle phase of the vehicles to calculate the residual values and examined them for currentness and transparency. We assessed whether the marketing assumptions used reflect current marketing results and industry-specific and general market expectations.

Our audit procedures did not lead to any reservations relating to the calculation of the expected residual values of the lease assets during impairment testing.

Reference to related disclosures

With regard to the recognition and measurement policies applied for lease assets, refer to the disclosure on intangible assets in the "Accounting policies" section of the notes to the consolidated financial statements. For the related disclosures on judgments by the executive directors and sources of estimation uncertainty, refer to the disclosures in the "Accounting policies" and "Estimates and assumptions by management" sections and in note 14 "Lease assets and investment property" in the "Balance Sheet disclosures" section of the notes to the consolidated financial statements.

OTHER INFORMATION

The Supervisory Board is responsible for the Report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the German Corporate Governance Code, which is part of the group corporate governance declaration. In all other respects, the executive directors are responsible for the other information. The other information comprises the parts of the annual report listed in the appendix.

Our 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 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 Sec. 315e (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 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 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 Sec. 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 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 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 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 Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express 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 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

Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes

Opinion

We have performed assurance work in accordance with Sec. 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file VWAG_JFB_Konzern_2020-12-31 and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January 2020 to 31 December 2020 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above.

Basis for the opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file in accordance with Sec. 317 (3b) HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Our responsibilities under that standard are further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the requirements for quality control systems set forth in IDW Standard on Quality Control: "Requirements for Quality Control in Audit Firms" (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec. 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and the audited group management report as well as other documents to be published to the operator of the *Bundesanzeiger* [German Federal Gazette].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 30 September 2020. We were engaged by the Supervisory Board on 23 November 2020. We have been the group auditor of VOLKSWAGEN AKTIENGESELLSCHAFT since fiscal year 2020.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 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 Martin Matischiok.

APPENDIX TO THE AUDITOR'S REPORT:**1. Parts of the group management report whose content is unaudited**

We have not audited the content of the following part of the group management report:

- The group corporate governance declaration which is published on the website stated in the group management report and is part of the group management report.

2. Further other information

The other information comprises the following parts of the annual report, of which we obtained a copy prior to issuing this auditor's report:

- To our shareholders
- Divisions
- Further information
- Responsibility statement
- Non-financial report

but not the consolidated financial statements, not the group management report disclosures whose content is audited and not our auditor's report thereon.

3. Company information outside of the annual report referenced in the group management report

The group management report contains other cross-references to webpages of the Group. We have not audited the content of the information to which these cross-references refer.

Hanover, 26 February 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Meyer
Wirtschaftsprüfer
[German Public Auditor]

Matischiok
Wirtschaftsprüfer
[German Public Auditor]

Five-Year Review

1 Adjusted.

	2020	2019	2018	2017 ¹	2016
Volume Data (thousands)					
Vehicle sales (units)	9,157	10,956	10,900	10,777	10,391
Germany	1,108	1,347	1,236	1,264	1,257
Abroad	8,049	9,609	9,664	9,513	9,135
Production (units)	8,900	10,823	11,018	10,875	10,405
Germany	1,633	2,112	2,303	2,579	2,685
Abroad	7,267	8,712	8,715	8,296	7,720
Employees (yearly average)	665	668	656	634	619
Germany	295	295	291	285	280
Abroad	370	373	365	350	339
Financial Data (in € million)					
Income Statement					
Sales revenue	222,884	252,632	235,849	229,550	217,267
Cost of sales	-183,937	-203,490	-189,500	-186,001	-176,270
Gross profit	38,947	49,142	46,350	43,549	40,997
Distribution expenses	-18,407	-20,978	-20,510	-20,859	-22,700
Administrative expenses	-9,399	-9,767	-8,819	-8,126	-7,336
Net other operating result	-1,466	-1,437	-3,100	-745	-3,858
Operating result	9,675	16,960	13,920	13,818	7,103
Financial result	1,991	1,396	1,723	-146	189
Earnings before tax	11,667	18,356	15,643	13,673	7,292
Income tax expense	-2,843	-4,326	-3,489	-2,210	-1,912
Earnings after tax	8,824	14,029	12,153	11,463	5,379
Personnel expenses	40,516	42,913	41,158	38,950	37,017
Balance Sheet (at December 31)					
Noncurrent assets	302,170	300,608	274,620	262,081	254,010
Current assets	194,944	187,463	183,536	160,112	155,722
Total assets	497,114	488,071	458,156	422,193	409,732
Equity	128,783	123,651	117,342	109,077	92,910
of which: noncontrolling interests	1,734	1,870	225	229	221
Noncurrent liabilities	202,921	196,497	172,846	152,726	139,306
Current liabilities	165,410	167,924	167,968	160,389	177,515
Total equity and liabilities	497,114	488,071	458,156	422,193	409,732
Cash flows from operating activities	24,901	17,983	7,272	-1,185	9,430
Cash flows from investing activities attributable to operating activities	18,372	20,076	19,386	18,218	16,797
Cash flows from financing activities	7,637	-865	24,566	17,625	9,712

1 Adjusted.

Financial Key Performance Indicators

%	2020	2019	2018	2017 ¹	2016
Volkswagen Group					
Gross margin	17.5	19.5	19.7	19.0	18.9
Personnel expense ratio	18.2	17.0	17.5	17.0	17.0
Operating return on sales	4.3	6.7	5.9	6.0	3.3
Return on sales before tax	5.2	7.3	6.6	6.0	3.4
Return on sales after tax	4.0	5.6	5.2	5.0	2.5
Equity ratio	25.9	25.3	25.6	25.8	22.7
Automotive Division²					
Change in unit sales year-on-year ³	- 16.4	+ 0.5	+ 1.1	+ 3.7	+ 3.8
Change in sales revenue year-on-year	- 14.3	+ 5.7	+ 2.7	+ 5.3	+ 1.1
Research and development costs as a percentage of sales revenue	7.6	6.7	6.8	6.7	7.3
Operating return on sales	3.7	6.5	5.5	5.7	2.5
EBITDA (in € million) ⁴	24,462	29,706	26,707	26,094	18,999
Return on investment (ROI) ⁵	6.5	11.2	11.0	12.1	8.2
Cash flows from operating activities as a percentage of sales revenue	13.6	14.5	9.2	6.0	10.9
Cash flows from investing activities attributable to operating activities as a percentage of sales revenue	10.1	9.4	9.4	9.0	8.6
Capex as a percentage of sales revenue	6.1	6.6	6.6	6.5	6.9
Net liquidity as a percentage of sales revenue	12.0	8.4	8.2	9.7	12.5
Ratio of noncurrent assets to total assets ⁶	24.7	26.4	23.3	23.7	23.4
Ratio of current assets to total assets ⁷	15.4	17.0	17.6	16.3	15.9
Inventory turnover ⁸	4.4	4.8	5.0	5.1	5.5
Equity ratio	38.1	37.6	37.9	36.9	31.4
Financial Services Division					
Increase in total assets	0.7	7.9	11.2	6.0	8.3
Return on equity before tax ⁹	8.8	10.8	9.9	9.8	10.8
Equity ratio	13.2	12.8	12.7	13.7	12.5

1 Adjusted.

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

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

4 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.

5 For details, see the section entitled "Return on investment (ROI) and value contribution in the reporting period" in the chapter entitled "Results of Operations, Financial Position and Net Assets".

6 Ratio of property, plant and equipment to total assets.

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

8 Ratio of sales revenue to average monthly inventories.

9 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.

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 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 production of the first vehicles based on the MEB started 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.

Premium Platform Electric (PPE)

A new vehicle platform for all-electric premium, sport and luxury class vehicles. The components and functions of this platform are especially tailored to meet the high demands of this segment. This platform enables high synergies to be achieved particularly between the Audi, Porsche and Bentley brands.

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 for 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.

Scheduled Dates 2021

FINANCIAL CALENDER

March 16

Volkswagen AG Annual Media Conference
and Investor Conference

May 6

Interim Report January – March

July 29

Half-Yearly Financial Report

October 28

Interim Report January – September

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