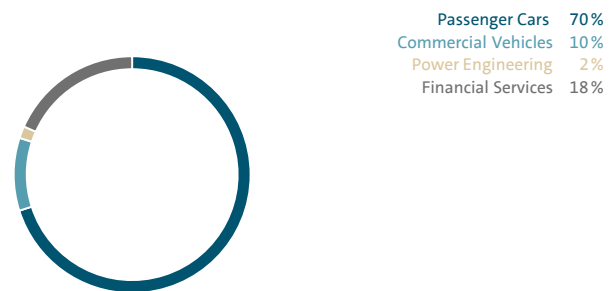


SHARE OF SALES REVENUE BY MARKET 2020

in percent

**SHARE OF SALES REVENUE BY DIVISION/BUSINESS AREA 2020**

in percent



Payment of the second tranche is subject to a technical milestone being reached. Since there has meanwhile been a merger with a special purpose acquisition company (SPAC), which resulted in a listing on the New York Stock Exchange, the forward purchases are measured with reference to the share price of QuantumScape Corporation until the contribution has been made and the new shares have been issued. This measurement and realization resulted in non-cash income of €1.4 billion in fiscal year 2020, which are reported in the other financial result.

RESULTS OF OPERATIONS**Results of operations of the Group**

In fiscal year 2020, the Volkswagen Group generated sales revenue of €222.9 billion. The year-on-year decrease of 11.8% was mainly attributable to falling volumes as a result of the Covid-19 pandemic, as well as the negative effects of changes in exchange rates. Improvements in the mix and in price positioning had a positive impact. 80.8 (80.6)% of the Volkswagen Group's sales revenue originated abroad.

Gross profit amounted to €38.9 billion, €10.2 billion lower than in 2019. This figure also included risk provisions for any non-compliance with legal emissions limits. Positive special items amounting to €0.1 (0.3) billion recognized here in both periods due to the reversal of provisions for technical measures in connection with the diesel issue had an offsetting effect. The gross margin stood at 17.5 (19.5)%; excluding special items, it amounted to 17.4 (19.3)%.

The persistent negative impact of the spread of the SARS-CoV-2 virus was the main factor driving the €8.7 billion decline in the Volkswagen Group's operating profit before special items to €10.6 billion in the reporting year. The operating return on sales before special items fell to

4.8 (7.6)%. In addition to lower unit sales due to the pandemic-related decline in customer demand, turbulence in the capital markets meant that the measurement of receivables and liabilities denominated in foreign currencies had a negative effect. One-off expenses for restructuring measures of €0.5 billion also contributed to the reduction in profit. Positive factors were lower costs. The contribution of the consolidated subsidiary Autonomous Intelligent Driving (AID) to Argo AI, a company that is working on the development of a system for autonomous driving, led to income of €0.8 billion. This figure also includes the income from the sale of Renk. Special items in connection with the diesel issue weighed on operating profit, reducing this item by €-0.9 (-2.3) billion. The Volkswagen Group's operating profit was €9.7 (17.0) billion, while the operating return on sales fell to 4.3 (6.7)%.

The financial result increased by €0.6 billion year-on-year to €2.0 billion. The interest expenses included in the financial result were down, mainly for measurement-related reasons caused by a change in discount rates applied in the measurement of liabilities, while changes in share prices, also as a response to the Covid-19 pandemic, weighed on net income from securities and funds. The share of the result of equity-accounted investments was lower than in the previous year. The decline was primarily due to lower profit generated by the Chinese joint ventures, which were affected by the spread of the SARS-CoV-2 virus especially in the first quarter of 2020. The other financial result includes the measurement and realization of forward purchase agreements for new shares in QuantumScape Corporation, which led to noncash income of €1.4 billion in fiscal year 2020.

The Volkswagen Group's profit before tax amounted to €11.7 (18.4) billion. The return on sales before tax decreased to 5.2 (7.3)%. Income taxes resulted in an expense of

€2.8 (4.3) billion in fiscal year 2020, which in turn led to a tax rate of 24.4 (23.6)%. Profit after tax decreased by €5.2 billion to €8.8 billion.

Results of operations in the Automotive Division

In the period from January to December 2020, the Automotive Division recorded sales revenue of €182.1 billion, down 14.3% on the prior-year period. Profit was weighed down especially by the decline in volumes resulting from the Covid-19 pandemic, while changes in exchange rates also had a negative effect. In contrast, mix effects and improved price positioning made a positive contribution. Since our Chinese joint ventures are accounted for using the equity method, the Group's business performance in the Chinese passenger car market is primarily reflected in the Group's sales revenue only through deliveries of vehicles and vehicle parts.

Lower volumes led to a decrease in cost of sales, although its ratio to sales revenue rose year-on-year. Positive special items recognized here in both periods due to the reversal of provisions for technical measures in connection with the diesel issue had a favorable effect. Higher depreciation and amortization charges due to the large capex volume of previous years and provisions for any non-compliance with legal emissions limits were set against lower research and development costs recognized in profit or loss. Despite the reduction in their absolute amount, total research and development costs as a percentage of the Automotive Division's sales revenue (research and development ratio or R&D ratio) increased to 7.6 (6.7)% in fiscal year 2020 compared to the prior-year period, due to the decline in sales revenue. In addition to new models, our activities focused above all on the electrification of our vehicle portfolio, a more efficient range of engines, digitalization and new technologies.

Factors such as exchange rate effects led to a year-on-year decline in both distribution and administrative expenses in the reporting period, although their ratio to sales revenue rose. The other operating result amounted to €-0.5 (-1.0) billion. The main items to be recognized here were negative special items in connection with the diesel issue in an amount of €-1.0 (-2.6) billion. Other adverse factors were the negative effects of the measurement of receivables and liabilities denominated in foreign currencies and one-off expenses for restructuring measures. The income from the contribution of AID to the Argo AI joint venture and from the sale of the shares in Renk was also included in this item. In the prior-year period, the reversal of impairment losses following the remeasurement of development costs had a positive effect.

The Automotive Division's operating profit was €6.7 (13.7) billion in 2020. Its operating return on sales fell to

3.7 (6.5)%. Compared with the previous year, lower unit sales caused by the Covid-19 pandemic had a negative impact, as did the measurement of receivables and liabilities denominated in foreign currencies. One-off expenses for restructuring measures of €0.5 billion also contributed to the reduction in profit. Positive factors were lower costs as well as the income from the contribution of AID and from the sale of Renk; negative special items declined compared with the previous year, in which the reversal of impairment losses following the remeasurement of development costs had a positive impact. The operating profit before special items decreased by €8.5 billion to €7.6 billion, while the operating return on sales before special items went down to 4.2 (7.6)%.

Our operating profit largely benefits from the business performance of our Chinese joint ventures only through deliveries of vehicles and vehicle parts and through license income, as the joint ventures are accounted for using the equity method and therefore included in the financial result.

RESULTS OF OPERATIONS IN THE PASSENGER CARS BUSINESS AREA

€ million	2020	2019
Sales revenue	156,311	182,031
Operating result	7,224	12,188
Operating return on sales (%)	4.6	6.7

The Passenger Cars Business Area reported sales revenue of €156.3 billion in fiscal year 2020, 14.1% less than in the previous year. The year-on-year decrease was mainly attributable to falling volumes as a result of the Covid-19 pandemic. Moreover, changes in exchange rates had a negative effect, while the contribution of mix effects and better price positioning was positive. The Passenger Cars Business Area's operating profit was down €5.0 billion to €7.2 billion. The spread of the SARS-CoV-2 virus led to a drop in vehicle sales and caused the measurement of receivables and liabilities denominated in foreign currencies to have a negative effect. One-off expenses for restructuring measures also weighed on operating profit. Lower costs and the income from the contribution of AID led to higher profit. Special items recognized in connection with the diesel issue in an amount of €-0.9 (-2.3) billion were lower than in fiscal year 2019. The prior-year figure had also included the reversal of impairment losses following the remeasurement of development costs. The operating return on sales decreased to 4.6 (6.7)%.

RESULTS OF OPERATIONS IN THE COMMERCIAL VEHICLES BUSINESS AREA

€ million	2020	2019
Sales revenue	22,156	26,444
Operating result	-79	1,653
Operating return on sales (%)	-0.4	6.3

In the period from January to December 2020, the Commercial Vehicles Business Area recorded sales revenue of €22.2 billion; this was a significant year-on-year drop of 16.2%, due primarily to falling volumes as a result of the Covid-19 pandemic. Again due mainly to the pandemic-related decline in customer demand, as well as exchange rate-related factors, the Commercial Vehicles Business Area's operating result decreased by €1.7 billion to €-0.1 billion year-on-year. Improvements in the mix, in price positioning and in fixed costs had a beneficial impact. The operating return on sales fell to -0.4 (6.3)%.

RESULTS OF OPERATIONS IN THE POWER ENGINEERING BUSINESS AREA

€ million	2020	2019
Sales revenue	3,640	3,997
Operating result	-482	-93
Operating return on sales (%)	-13.2	-2.3

Following the sale of Renk as of October 6, 2020, the Power Engineering Business Area now comprises MAN Energy Solutions and the purchase price allocation made to the segment. The result of Renk's operating activities for 2020 is therefore included in the Power Engineering Business Area only for the first nine months.

The Power Engineering Business Area generated sales revenue of €3.6 (4.0) billion in the reporting year. The operating loss amounted to €-0.5 (-0.1) billion. The main reasons were falling volumes and in particular one-off expenses for restructuring measures of €0.4 billion. Cost reductions and improvements in the mix had a positive effect. The operating return on sales was at -13.2 (-2.3)%.

Results of operations in the Financial Services Division

The Financial Services Division reported sales revenue of €40.8 billion in fiscal year 2020, 1.5% more than in the

previous year. Due to the Financial Services Division's business model, the negative effect of the Covid-19 pandemic on sales revenue is less severe here than in the Automotive Division.

Cost of sales increased by 1.3% to €33.4 billion. When taken together, distribution expenses, administrative expenses and the other operating result were up; their ratio to sales revenue also increased overall. The other operating result was weighed down particularly by higher risk costs.

The Financial Services Division's operating profit was 6.2% lower, at €3.0 billion, primarily for pandemic-related reasons. The operating return on sales amounted to 7.4 (8.0)%. The return on equity before tax of 8.8 (10.8)% was down on the prior-year figure.

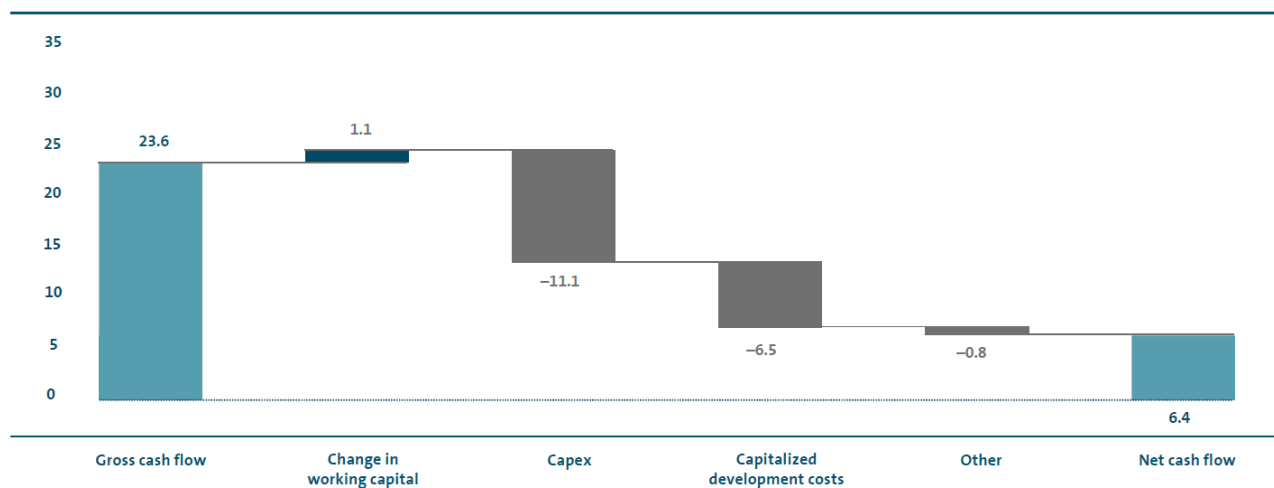
Principles and goals of financial management

Financial management in the Volkswagen Group covers liquidity management, the management of currency, interest rate and commodity price risks, as well as credit and country risk management. It is performed centrally for all Group companies by Group Treasury, based on internal guidelines and risk parameters. Some functions of the MAN Energy Solutions, Porsche Holding Salzburg and TRATON subgroups are integrated into the financial management. Additionally, these subgroups have their own financial management structures.

The goal of financial management is to ensure that the Volkswagen Group remains solvent at all times and at the same time to generate an adequate return from the investment of surplus funds. We use cash pooling to optimize the use of existing liquidity between the significant companies. In this system, the balances, either positive or negative, accumulating in the cash pooling accounts are swept daily to a regional target account and thus pooled. The overriding aim of currency, interest rate and commodity risk management is to hedge, using derivative financial instruments and commodity forwards, the prices on which investment, production and sales plans are based when making planning assumptions and to mitigate interest rate risks incurred in financing transactions. In the management of credit and country risk, diversification is used to limit the Volkswagen Group's exposure to the so-called counterparty risk. To achieve this, counterparty risk management imposes internal limits on the volume of business allowed per counterparty when financial transactions are entered into. Various credit rating criteria are applied in this process. These focus primarily on the capital resources of potential counterparties, as well as the ratings awarded by independent agencies. The relevant risk limits and the authorized financial instruments, hedging methods and hedging horizons are approved by the Group Board of Management Committee for Risk Management. For additional information on the principles and goals

AUTOMOTIVE DIVISION NET CASH FLOW 2020

€ billion



of financial management, please refer to the chapter on “Financial risk management and financial instruments” in the notes to the consolidated financial statements.

FINANCIAL POSITION

Financial position of the Group

The Volkswagen Group’s gross cash flow decreased to €35.0 (39.9) billion in the reporting year, mainly due to the pandemic-related decline in profit. The change in working capital amounted to €-10.1 (-22.0) billion. The effects of the Covid-19 pandemic included a reduction in receivables, including in the financial services business, lower inventories because of downscaled production, a decline in other provisions and a smaller rise in liabilities. Cash outflows attributable to the diesel issue were higher than in fiscal year 2019. Cash flows from operating activities improved significantly year-on-year, to €24.9 (18.0) billion.

The Volkswagen Group’s investing activities attributable to operating activities amounted to €18.4 (20.1) billion in fiscal year 2020; this was down on the previous year, mainly due to lower capex.

Financing activities accounted for total cash inflows of €7.6 billion in the reporting year, primarily to boost gross liquidity; a cash outflow of €-0.9 billion had been recorded in the previous year. Financing activities primarily include the issuance and redemption of bonds and changes in other financial liabilities. In June 2020, hybrid notes totaling €3.0 billion were placed successfully. In September 2020, Volkswagen issued green bonds in an amount of €2.0 billion. The dividend payment to the shareholders of Volkswagen AG led to a cash outflow in October 2020 in the same amount as

in the previous year. The figure for fiscal year 2019 had included the acquisition of MAN shares tendered as a result of the termination of the control and profit and loss transfer agreement, and the cash inflow resulting from the IPO of TRATON.

At the end of the reporting period, the Volkswagen Group’s cash and cash equivalents reported in the cash flow statement amounted to €33.4 (24.3) billion.

On December 31, 2020, the Volkswagen Group’s net liquidity stood at €-137.4 billion, compared with €-148.0 billion at the end of 2019.

Financial position of the Automotive Division

In the period from January to December 2020, the Automotive Division’s gross cash flow was €23.6 billion, down €5.5 billion on the previous year due to earnings-related factors. Working capital, which underwent very different changes in the individual quarters, amounted to €1.1 (1.6) billion. The effects of the Covid-19 pandemic included lower inventories because of downscaled production, a reduction in receivables as well as lower liabilities and a decline in other provisions. Cash outflows attributable to the diesel issue were higher than a year earlier. Consequently, cash flows from operating activities were down €6.0 billion to €24.7 billion.

Investing activities attributable to operating activities decreased by €18.4 billion to €1.5 billion. Investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) included in this figure declined by €2.9 billion to €11.1 billion. Despite a drop in sales revenue as a result of the pandemic, the ratio of capex to sales revenue was 6.1 (6.6)% down on the prior-year figure due to a significant fall in