VOLKSWAGEN GROUP

ANNUAL REPORT

2023

Key Figures

VOLKSWAGEN GROUP

	2023	2022[1]	%
Volume Data[2] in thousands			
Deliveries to customers (units)	9,240	8,263	+11.8
Vehicle sales (units)	9,362	8,481	+10.4
Production (units)	9,309	8,717	+6.8
Employees at Dec. 31	684.0	675.8	+1.2
Financial Data (IFRSs), € million			
Sales revenue	322,284	279,050	+15.5
Operating result before special items	22,576	22,509	+0.3
Operating return on sales before special items (%)	7.0	8.1	
Special items	0	–399	x
Operating result	22,576	22,109	+2.1
Operating return on sales (%)	7.0	7.9	
Earnings before tax	23,194	22,070	+5.1
Return on sales before tax (%)	7.2	7.9	
Earnings after tax	17,928	15,852	+13.1
Automotive Division[3]			
Total research and development costs	21,779	18,908	+15.2
R&D ratio (%)	8.1	8.1	
Cash flows from operating activities	37,851	29,865	+26.7
Cash flows from investing activities attributable to operating activities[4]	27,153	25,058	+8.4
of which: capex	14,371	12,731	+12.9
ratio of capex to sales revenue (%)	5.4	5.5	
Net cash flow	10,698	4,807	x
Net liquidity at Dec. 31	40,289	43,015	–6.3
Return on investment (ROI) in %	12.3	12.0	
Financial Services Division			
Return on equity before tax[5] (%)	8.8	14.1	

VOLKSWAGEN AG

	2023	2022[1]	%
Volume Data in thousands			
Employees at Dec. 31	116.1	116.7	–0.5
Financial Data (HGB), € million			
Sales	92,413	79,491	+16.3
Net income for the fiscal year	6,243	12,477	–50.0
Dividends (€)			
per ordinary share	9.00	8.70	
per preferred share	9.06	8.76	

1 Prior-year figures adjusted (see disclosures on IFRS 17).
2 The figures also include the equity-accounted Chinese joint ventures. Prior-year deliveries have been updated to reflect subsequent statistical trends.
3 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
4 Excluding acquisition and disposal of equity investments: €25,038 (22,061) million.
5 Earnings before tax as a percentage of average equity.

This document is an English translation of the original annual report written in German. In case of discrepancies, the German version shall take 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 year. 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.

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Additional Information

This annual report was published on the occasion of the Annual Media Conference on March 13, 2024.

This annual report contains forward-looking statements on the business development of the Volkswagen Group. These statements are based on assumptions relating to the development of the economic, political and legal environment in individual countries, economic regions and markets, and in particular for the automotive industry, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. The estimates given entail a degree of risk, and actual developments may differ from those forecast. Any changes in significant parameters relating to our key sales markets, or any significant shifts in exchange rates, energy and other commodities or the supply of parts relevant to the Volkswagen Group will have a corresponding effect on the development of our business. In addition, there may be departures from our expected business development if the assessments of the factors influencing sustainable value enhancement and of risks and opportunities presented in this annual report develop in a way other than we are currently expecting, or if additional risks and opportunities or other factors emerge that affect the development of our business.

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To our Shareholders

Letter to our Shareholders

Dear Shareholders,

Growth that enhances value for years to come: that is the Volkswagen Group's objective. For our investors, for our customers, for our employees and for society as a whole.

Amidst a demanding environment, we delivered robust results in fiscal year 2023. We increased deliveries to customers by 12% to 9.24 million vehicles, with all regions contributing to this growth. In China, the Group’s largest single market, we expanded by 1.6% despite a very challenging market environment. At the same time, the Volkswagen Group successfully continued its transformation, delivering 771,100 all-electric vehicles, up 34.7% compared with the previous year. In Europe, we further consolidated our strong market position in this segment.

Our robust financial performance reflects our customers' satisfaction in our products. With sales revenue of €322.3 billion, an operating result of €22.6 billion and a resulting operating return on sales of 7%, we have demonstrated the resilience of our business model. These results were achieved despite substantial headwinds from the measurement of commodity derivatives, which had had a beneficial effect on the operating result in the previous year. Another successful outcome of our endeavors was that we generated convincing net cash flow in the Automotive Division on the back of earnings of €10.7 billion. What’s more, the Automotive Division’s net liquidity of €40.3 billion at the end of 2023 puts us in a very solid position.

The Volkswagen Group delivers. Again and again. And it does so reliably, even in a market environment characterized by uncertainty. We are proud of our strong performance, and it is important to us that our shareholders also participate in this result. The Board of Management and Supervisory Board therefore propose a dividend of €9.00 per ordinary share and €9.06 per preferred share.

Our focus is on electrification. At the same time, we are seeing that the ramp-up of e-mobility in some regions, such as North America and Europe, is progressing at a slower rate than previously assumed. Other countries, such as China, continue to impress with the speed of their transformation. This is why the Volkswagen Group is pursuing powertrain flexibility and financial robustness. Our unique portfolio provides the right products for customers. While we are investing extensively in the ramp-up of e-mobility, we continue to offer highly competitive, efficient and attractive combustion-engine models. By including both these models and our hybrid and electric vehicles in our portfolio, we ensure maximum flexibility without losing sight of our goal – the transition to e-mobility is our priority.

The Top 10 program again guided the success of our operational and strategic actions in the past year. We set priorities, and in doing so follow a clear and transparent logic: specific milestones, clear responsibilities and regular progress reviews. One of the key points of the program is to align our company with the capital market. The development of virtual equity stories for all Volkswagen Group brands was an important element in this pursuit. To us, investors are more than an important source of impetus: as shareholders, they are part of our company. Generating added value for them, together with all other stakeholders, is a key component of how we see our corporate governance role. This was one of the motivations for the Group Board of Management to seek intensive dialog with the capital market; as part of personal discussions at investor conferences in the world's most important financial centers or at our Capital Markets Day held at the Hockenheimring in June 2023.

2023 was a year of realignment and restructuring for the Volkswagen Group. In many areas, we made faster progress than originally planned and expected. A lot of streamlining has been completed, and we are forging ahead with other tasks. We are transforming ourselves. The ground has been prepared: we are turning from renovator to architect and builder all in one. We have a plan and a clear view of the strengths and potential of the Volkswagen Group. We know where we are heading. We know the way. Our focus is on implementation. We are moving ahead, step by step and day by day, making visible, measurable progress.

The Group's strength lies in the strength of its brands. No other company offers such a compelling, strong and unique product portfolio. We cater to our customers' wishes in all segments and across all vehicle categories. We set high standards for the quality and design of our vehicles. In the past, we did not always meet these standards – our own and those of our customers – to the fullest extent. Last year, we established ambitious quality and design programs across all brands, drawing on synergies and lessons learned from all players in the Volkswagen Group team. Initial results have shown that we are on the right track. 2024 will be a record year for new models. The launch of our first vehicles on the all-electric premium PPE platform, the Audi Q6 e-tron and the Porsche Macan, is an important milestone. They mark the establishment of a new generation of powerful, attractive models.

We have lived up to our responsibility in the interest of generations, for generations. Our brands and our products must be viable for the future. To achieve this, we have to make a strong investment in the future. We have to be in a position to finance this goal, which is why we have agreed clear targets with all brands and launched effective performance programs. These programs are not just to make cost savings: they are a unique opportunity to shape things. We want to prepare the brands for future success, which includes new sources of revenue. It's about sustainably increasing our profitability.

Living up to our responsibility also means that we think of sustainability holistically, mindful of the natural environment, people, society and value-creating entrepreneurship. We have launched ambitious, structured programs in the Volkswagen Group and in all the brands. Meeting the targets set in these programs is the personal responsibility of the managers. An important element of our sustainability strategy is our commitment to decarbonization. Production is one of the key levers in this regard: by 2030, we aim to cut production-related CO_2 emissions from passenger cars and light commercial vehicles by 50% compared with the base year 2018. The prestigious Science Based Targets initiative (SBTi) has confirmed that, by setting this target for the production phase (Scope 1 and Scope 2), our company will meet the requirements for contributing to limiting global warming to 1.5 degrees Celsius. The target to reduce CO_2 emissions during the use phase (Scope 3) by 30% has been confirmed by the SBTi as compliant with limiting global warming to 2 degrees Celsius. These confirmations are an incentive for us.

The Volkswagen Group team stands for a new leadership mindset. Together, we have committed ourselves to a clear stance: one of entrepreneurship and individual responsibility, a winning stance. Volkswagen – our joint enterprise. Those are our tasks. And it is for us to solve them.

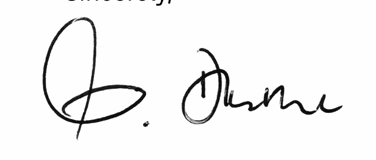
In 2023, we homed in on one of our key skills, technology leadership, which is an integral part of Volkswagen's DNA. The customers of our strong and captivating brands benefit from an intelligent platform strategy. This is also the key to creating greater efficiency, using synergies and building economic resilience in challenging and fiercely competitive times. In this process, we think from the customer's perspective and are able to offer attractive vehicles with attractive solutions at an attractive price. With the realignment of our architectures, the establishment of technology profiles, progress in implementing the battery strategy and the expansion of high-performance charging networks, we have already achieved important milestones. The realignment of our software activities also is a powerful lever in the revision of our technology strategy. We focus on our core competencies, and also collaborate with a strong network of high-performing partners.

The Volkswagen Group thinks global and acts local. We want to remain strong in Europe and China and take advantage of our growth opportunities in North America. We do so with products tailored to the various requirements of our customers in different regions. Our strategy for the largest single market is entitled "In China for China", and our actions have reflected the meaning of these words. In Hefei, we established Volkswagen China Technology Company last year. Today, more than 2,000 technology experts are already working here on the future of Chinese automaking. We aim to cut the development time for new products and technology by around 30% compared to the status quo to be in line with "China speed". We are also making our product substance in China more Chinese. Our cooperations with strong partners such as XPeng, Thundersoft and Horizon Robotics are helping to make this possible: we will continue to work on the development of vehicles that are fully aligned with the needs of Chinese customers. In the North America region, we have taken significant steps forward by making fundamental strategy decisions such as on increasingly localized production, the construction of a battery cell plant in Ontario, Canada, and the revival and electrification of the traditional Scout brand. Here we will make increased use of product synergies to leverage our growth potential with local production. Beyond the markets in China, North America and Europe, we also apply regional strategies in the growth markets of South America and India.

We established a new steering model in 2023, which signifies less head office and more entrepreneurial responsibility and greater creative freedom for the brands and their decision makers. We pursue intelligent capital allocation and set clear guidelines.

Growth that enhances value for years to come, with our transformation, ladies and gentlemen, we are making systematic progress toward realizing this objective. Step by step. After a year of reorganizing and streamlining our structures and focusing on the fundamental alignment of the Volkswagen Group, we are heading into a year of stabilizing and shaping our business. The path is clear. We are working toward the vision of a sustainably profitable group. A group with the most attractive products, the best team and the clear promise: sustainable mobility for generations to come.

Sincerely,



Oliver Blume

We have lived up to our responsibility in the interest of generations, for generations. Our brands and our products must be viable for the future. To achieve this, we have to make a strong investment in the future.

– Oliver Blume –

The Board of Management

of Volkswagen Aktiengesellschaft

Oliver Blume

Chair of the Board of Management
of Volkswagen AG,
Sport Luxury brand group

Dr. Arno Antlitz

Finance and Operations

Ralf Brandstätter

China

Dr. Manfred Döss

Integrity and Legal Affairs

Dr. Gernot Döllner

Progressive brand group

Gunnar Kilian

Human Resources and Trucks brand group

Thomas Schäfer

Core brand group

Thomas Schmall-von Westerholt

Technology

Hauke Stars

IT

Report of the Supervisory Board

(in accordance with section 171(2) of the AktG)

Ladies and gentlemen,

In fiscal year 2023, the work of the Supervisory Board of Volkswagen AG and its committees focused on the Volkswagen Group's strategic alignment, with the spotlight on the China strategy and the transformation. The Supervisory Board regularly deliberated on the Company's position and development in the reporting year. We supervised and supported the Board of Management in its running of the business and advised it on issues relating to the management of the Company, and particularly on sustainability issues, in accordance with our duties under the law, the Articles of Association and the rules of procedure. The Supervisory Board was directly involved in all decisions of fundamental importance to the Group. Additionally, we discussed strategic considerations with the Board of Management at regular intervals.

The Board of Management complied with its disclosure obligations, which are set out in the information policy adopted by the Supervisory Board. The Board of Management provided us with information regularly, promptly and comprehensively both in writing and orally, particularly on all matters of relevance to the Company relating to its strategy, business development and the Company's planning and position. This also included the risk situation and risk management. In this respect, the Board of Management also informed the Supervisory Board of further improvements to the internal control system and the risk and compliance management system. In addition, the Supervisory Board received information about compliance and other topical issues from the Board of Management on an ongoing basis. We received the documents relevant to our decisions in good time for our meetings. At regular intervals, we also received a detailed report from the Board of Management on the current business position and the forecast for the current year. Any deviations in performance from the plans and targets previously drawn up were explained in detail by the Board of Management, either in person or in writing. Together with the Board of Management we analyzed the reasons for the deviations and determined corresponding countermeasures. In addition, the Board of Management continued to report on the situation related to the Russia-Ukraine conflict and discussed corresponding action with the Supervisory Board.

Furthermore, the Chair of the Supervisory Board consulted with the Chair of the Board of Management at regular intervals between meetings to discuss important current issues. These included the Group's strategy and planning, its business development, and the risk situation and risk management, including integrity and compliance issues in the Volkswagen Group. The Chair of the Supervisory Board regularly discussed Supervisory Board-specific topics with investors and, in consultation with the Board of Management, also non-Supervisory Board-specific topics. One of the focuses of debate was corporate governance and ESG issues. The Chair of the Supervisory Board informed the Supervisory Board of such discussions after they had taken place.

The Supervisory Board held a total of eight meetings in fiscal year 2023. Six of the meetings were held face to face and two as video or conference calls. The attendance rate (calculated for all meetings held during the fiscal year and for all Supervisory Board members in office) was 92%. Supervisory Board members who did not attend a meeting for reasons other than a possible conflict of interests were able to engage with the meeting topics using the preparatory documents and could participate in the resolutions by means of a written vote. Particularly urgent matters were decided in writing or using electronic means of communication.

COMMITTEE ACTIVITIES

In order to discharge the duties entrusted to it, the Supervisory Board has established four committees: the Executive Committee, the Nomination Committee, the Mediation Committee established in accordance with section 27(3) of the *Mitbestimmungsgesetz* (MitbestG – German Codetermination Act) and the Audit Committee. The Executive Committee is comprised of four shareholder representatives and four employee representatives. The shareholder representatives on the Executive Committee make up the Nomination Committee. The Mediation Committee is comprised of two shareholder representatives and two employee representatives, while the Audit Committee is comprised of three shareholder representatives and three employee representatives. The members of these committees as of December 31, 2023 are stated in the Group Corporate Governance Declaration.

The Executive Committee met 12 times in the reporting year. Five of the meetings were held face to face and seven as video or conference calls. The Executive Committee meticulously prepared the resolutions of the Supervisory Board, discussed the composition of the Board of Management and took decisions on matters such as contractual issues concerning the Board of Management other than remuneration, and on consent to ancillary activities by members of the Board of Management. The Executive Committee also exercised the function of a Remuneration Committee and prepared the Supervisory Board's decisions on matters relating to Board of Management remuneration.

The Nomination Committee is responsible for proposing suitable candidates for the Supervisory Board to recommend for election to the Annual General Meeting. In doing so, it takes into account the targets set by the Supervisory Board for its composition, and the diversity concept for the composition of the Supervisory Board, and strives to fill the profile of skills and expertise prepared for the full Board. The Nomination Committee also particularly makes sure that there are no gaps in the skills and expertise of the full Board (Skill Gaps Assessment). The Nomination Committee held one meeting face to face in 2023 and, taking the aforementioned requirements into account, proposed candidates for the Supervisory Board to recommend to the Annual General Meeting for election.

The Mediation Committee established in accordance with section 27(3) of the MitbestG did not need to convene in the reporting year.

The Audit Committee held four meetings in fiscal year 2023. Three of the meetings were held face to face and one meeting was held as a video or conference call. The focus was on the annual and consolidated financial statements, the Risk Management System including the appropriateness and effectiveness of the Internal Control System and the Internal Audit System, and the work performed by the Company's Compliance organization. In addition, the Audit Committee concerned itself with the Volkswagen Group's quarterly reports and the half-yearly financial report, as well as with current issues, the supervision of financial reporting and the financial reporting process, and the examination thereof by the auditors. The Audit Committee regularly evaluates the quality of the audit. In consultation with the auditors, it discussed the assessment of audit risk, the audit strategy and audit planning and the results of the audit.

Furthermore, the shareholder and employee representatives generally met for separate preliminary discussions before each of the Supervisory Board meetings.

In connection with their seat on the Supervisory Board, members of the Supervisory Board receive support from the Company upon induction as well as with respect to education and training; the Company particularly supports the organization of seminars and bears the costs thereof. In the reporting year, the Supervisory Board members received training on the raw materials situation and on battery cell production, for instance. What is more, Volkswagen AG gives the members of the Supervisory Board the opportunity to become more familiar with the Group's products and with market developments. Here, Volkswagen AG offers the members of the Supervisory Board in-house product and innovation presentations, for example, and encourages attendance at trade fairs. Supervisory Board members appointed for the first time are also provided with a detailed introduction to topics that apply specifically to the Supervisory Board of Volkswagen AG (onboarding).

Hans Dieter Pötsch

TOPICS DISCUSSED BY THE SUPERVISORY BOARD

The first Supervisory Board meeting in the reporting year took place on February 10, 2023. At this meeting, we discussed matters related to the Board of Management and remuneration and consulted with the Board of Management in particular on the e-mobility strategy in China and the supply situation. We also looked at the current status of the Volkswagen Group's investment and financial planning.

The next meeting of the Supervisory Board took place on March 3, 2023. Following a detailed examination, we approved the consolidated financial statements and the annual financial statements of Volkswagen AG for fiscal year 2022 prepared by the Board of Management. We examined the combined management report, the combined separate nonfinancial report for 2022 and the precautionary Report by the Board of Management on Relationships of Volkswagen AG with Affiliated Companies (dependent company report) in accordance with section 312 of the *Aktiengesetz* (AktG – German Stock Corporation Act). The other items on the agenda included the issue of the audit engagement for the 2023 annual and consolidated financial statements as well as other accounting documents, an amendment of the remuneration system for the members of the Board of Management, the restructuring of sections of the Financial Services Division of the Volkswagen Group, especially for the establishment of TRATON Financial Services AB, the choice of location for a battery cell factory in North America and the production strategy for all-electric models in the United States.

On May 9, 2023, the Supervisory Board held a meeting that, alongside the composition of the Board of Management of Volkswagen AG, focused on the raw materials situation and preparations for the 63th Annual General Meeting of Volkswagen AG. Further topics that we discussed with the Board of Management included business development in the first quarter of 2023, developments in the Chinese market and the repositioning of CARIAD SE.

Along with the concept for the Capital Markets Day, the Supervisory Board meeting on June 13, 2023 concentrated primarily on strategic considerations for the Chinese market. In addition, we discussed with the Board of Management the current status of the Volkswagen Group's investment and financial planning and Volkswagen AG's energy strategy.

The Supervisory Board meeting on June 29, 2023 focused on the composition of the Board of Management of Volkswagen AG. At this meeting, we resolved to appoint Mr. Gernot Döllner as a member of the Board of Management of Volkswagen AG with effect from September 1, 2023 to succeed Mr. Markus Duesmann, who left the Company by mutual agreement, and also agreed that Mr. Döllner would additionally assume the role of Chair of the Board of Management of AUDI AG.

The meeting of the Supervisory Board on July 26, 2023 focused on the e-mobility strategy in China.

On September 29, 2023, the Supervisory Board met to discuss in particular the composition of the Board of Management, the supply of raw materials to Volkswagen AG and the portfolio strategy of the Commercial Vehicles Business Area.

One of the topics we discussed with the Board of Management at the Supervisory Board meeting on November 17, 2023 was the current status of the Volkswagen Group's investment and financial planning and the Commercial Vehicles portfolio strategy. Together with the Board of Management, we issued the annual declaration of conformity with the German Corporate Governance Code (the Code).

In the reporting year, we voted in writing on, among other things, a further amendment of the remuneration system for the members of the Board of Management, the proposal to change the remuneration provisions for the members of the Supervisory Board submitted to the Annual General Meeting, approval of the choice of location for a battery cell factory in North America and the composition of Supervisory Board committees.

The following table shows the number of meetings of the full Board and the committees as well as the individual participation of the members of the Supervisory Board in 2023:

	Meetings of the full Supervisory Board	Meetings of the Committees
Hans Dieter Pötsch	8 out of 8	13 out of 13
Jörg Hofmann	8 out of 8	11 out of 12
Dr. Hessa Sultan Al Jaber	7 out of 8	–
Mansoor Ebrahim Al-Mahmoud	6 out of 8	4 out of 4
Harald Buck	8 out of 8	–
Matías Carnero Sojo	7 out of 8	–
Daniela Cavallo	8 out of 8	15 out of 16
Julia Willie Hamburg	6 out of 8	–
Marianne Heiß	8 out of 8	4 out of 4
Dr. Arno Homburg	7 out of 8	–
Günther J. Horvath (since February 28, 2023)	6 out of 7	–
Simone Mahler (until May 31, 2023)	3 out of 3	–
Peter Mosch	8 out of 8	12 out of 12
Daniela Nowak	8 out of 8	–
Dr. Hans Michel Piëch	7 out of 8	10 out of 13
Dr. Ferdinand Oliver Porsche	8 out of 8	4 out of 4
Dr. Wolfgang Porsche	6 out of 8	12 out of 13
Jens Rothe (until March 3, 2023)	2 out of 2	4 out of 4
Gerardo Scarpino (since April 21, 2023)	6 out of 6	10 out of 10
Karina Schnur (since July 11, 2023)	3 out of 3	–
Conny Schönhardt	8 out of 8	4 out of 4
Stephan Weil	7 out of 8	11 out of 13

CONFLICTS OF INTEREST

No conflicts of interest were reported or were discernible in the reporting year.

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

Among the topics addressed at the Supervisory Board meeting on November 17, 2023 was the implementation of the recommendations and suggestions of the Code in the Volkswagen Group. We discussed the Code's requirements in detail and issued the annual declaration of conformity with the recommendations of the Code in accordance with section 161 of the AktG together with the Board of Management.

The joint declarations of conformity by the Board of Management and the Supervisory Board are permanently available at www.volkswagen-group.com/declaration. Additional information on the implementation of the recommendations and suggestions of the Code can be found in the Group Corporate Governance Declaration.

The Audit Committee agreed on a suitable procedure with the Board of Management for ongoing monitoring of the Volkswagen Group's related-party transactions. In some cases, related-party transactions are subject to a requirement for the Supervisory Board to provide consent and a disclosure obligation. The procedure for ongoing monitoring of related-party transactions and the approach taken by the Supervisory Board are described in detail in the Group Corporate Governance Declaration. In the reporting year, there were no cases in which a requirement to provide consent and a disclosure obligation arose based on the rules for related-party transactions.

COMPOSITION OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Mr. Jens Rothe, Chair of the General Works Council of Volkswagen Sachsen GmbH, resigned from the Supervisory Board of Volkswagen AG with effect from March 3, 2023. Jens Rothe had held a seat on the Supervisory Board as an employee representative since October 22, 2021. Mr. Gerardo Scarpino, Executive Director of the Volkswagen Group Works Council, was appointed by the court as his successor with effect from April 21, 2023.

The terms of office of Ms. Marianne Heiß and Mr. Wolfgang Porsche on the Supervisory Board of Volkswagen AG ended with effect from the close of the Annual General Meeting of Volkswagen AG on May 10, 2023, as did the term of office of Mr. Günther Horvath, which was limited by court appointment. The Annual General Meeting elected Ms. Marianne Heiß, Mr. Wolfgang Porsche and Mr. Günther Horvath for another full term of office.

Ms. Simone Mahler, Chair of the joint Works Council of Volkswagen Financial Services AG and Volkswagen Bank GmbH, resigned from the Supervisory Board of Volkswagen AG with effect from May 31, 2023. Simone Mahler had held a seat on the Supervisory Board as an employee representative since May 12, 2022. Ms. Karina Schnur, Chair of the General and Group Works Councils of MAN Truck & Bus SE, was appointed by the court as her successor with effect from July 11, 2023.

Effective from December 31, 2023, Mr. Peter Mosch, Chair of the General Works Council of AUDI AG, resigned from the Supervisory Board of Volkswagen AG. Mr. Mosch had held a seat on the Supervisory Board as an employee representative since January 18, 2006. Ms. Rita Beck, Deputy Chair of the General Works Council of AUDI AG, was appointed by the court as his successor with effect from January 9, 2024.

Effective from September 1, 2023, the Supervisory Board appointed Mr. Gernot Döllner as a member of the Board of Management of Volkswagen AG. Mr. Döllner took over the Progressive brand group (formerly: Premium) Board function, succeeding Markus Duesmann, who stepped down from the Board of Management by mutual agreement with effect from the close of August 31, 2023.

Our sincere thanks go out to all of the departing members of the Supervisory Board and the Board of Management for their work.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

In line with our proposal, the Annual General Meeting of Volkswagen AG on May 10, 2023 elected *EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft* (EY) as auditors and Group auditors for fiscal year 2023. The auditors confirmed the annual financial statements of Volkswagen AG, the consolidated financial statements of the Volkswagen Group and the combined management report by issuing unqualified audit reports in each case. The Audit Committee had also agreed with the auditor that the auditor would inform the Audit Committee if, while conducting the audit, matters were identified that constituted an inaccuracy in the Declaration on the Code submitted by the Board of Management and Supervisory Board. The auditor did not inform the Audit Committee of any such matters.

The Supervisory Board also commissioned EY to conduct an external audit of the content of the combined separate nonfinancial report for 2023.

In addition, the auditors analyzed the risk early warning and monitoring system that is integrated into the Risk Management System, concluding that the Board of Management had taken the measures required by section 91(2) of the AktG to ensure early detection of any risks endangering the continued existence of the Company. The Report on Relationships of Volkswagen AG with Affiliated Companies as per section 312 of the AktG (dependent company report) submitted by the Board of Management for the period from January 1 to December 31, 2023 was also audited by the auditors, who issued the following opinion: "In our opinion and in accordance with our statutory audit, we certify that the factual disclosures provided in the report are correct and that the Company's consideration concerning legal transactions referred to in the report was not unduly high."

The members of the Audit Committee and the members of the Supervisory Board were provided with the documentation relating to the annual and consolidated financial statements, including the dependent company report, the documentation relating to the combined management report, and also the audit reports prepared by the auditors and the report from EY on the external audit of the content of the combined separate nonfinancial report for 2023 in good time for their meetings on February 29, 2024 and March 1, 2024, respectively. The auditors reported extensively at both meetings on the material findings of their audit and were available to provide additional information. The Chair of the Audit Committee was also in close contact with the auditors, including between the meetings and during the preparation of the Audit Committee meetings, about the progress of the audit, and reported to the Audit Committee on this. The Audit Committee and the auditor also consult regularly without the Board of Management.

Taking into consideration the audit reports and the discussion with the auditors, and based on its own conclusions, the Audit Committee prepared the documents for the Supervisory Board's examination of the consolidated financial statements, the annual financial statements of Volkswagen AG, the combined management report, the dependent company report and the combined separate nonfinancial report for 2023, and reported on these at the Supervisory Board meeting on March 1, 2024. Following this, the Audit Committee recommended that the Supervisory Board approve the annual and consolidated financial statements. We examined the documents in depth in the knowledge and on the basis of the report by the Audit Committee and the audit report, as well as in talks and discussions with the auditors. We came to the conclusion that the documents were drawn up in accordance with generally accepted accounting principles and that the assessment of the position of the Company and the Group presented by the Board of Management in the combined management report corresponds to the assessment by the Supervisory Board.

We therefore concurred with the auditors' findings and approved the annual financial statements and the consolidated financial statements prepared by the Board of Management at our meeting on March 1, 2024, which the auditors also attended for the agenda items relating to the annual and consolidated financial statements, the dependent company report and the combined management report. The annual financial statements are thus adopted. Upon completion of our examination of the dependent company report, there are no objections to be raised to the concluding declaration by the Board of Management in the dependent company report. We reviewed the proposal on the appropriation of net profit submitted by the Board of Management, taking into account in particular the interests of the Company and its shareholders, and endorsed the proposal. EY conducted an external limited assurance review of the content of the combined separate nonfinancial report for 2023 and issued an unqualified report. At our meeting on March 1, 2024, EY also took part in the discussions on the agenda items relating to the combined separate nonfinancial report for 2023. Upon completion of its own independent examination of the combined separate nonfinancial report for 2023, the Supervisory Board did not have any objections. We also resolved that, together with the Board of Management, we would prepare the remuneration report for fiscal year 2023. The Executive Committee prepared the resolution of the Supervisory Board concerning the preparation of the remuneration report. As well as reviewing whether the remuneration report contained all the disclosures required by law, EY went beyond statutory requirements to audit its content and issued an unqualified report.

We would like to offer our warm thanks and particular appreciation to the Board of Management, the Works Council, the management teams and all the employees of Volkswagen AG and its affiliated companies for their work in the reporting year. 2023 was another year full of challenges to overcome, some of which were substantial. With hard work and a high level of personal commitment, they all contributed significantly to making 2023 a positive fiscal year for the Volkswagen Group.

Wolfsburg, March 1, 2024

Hans Dieter Pötsch
Chair of the Supervisory Board

2

Divisions

Brands and Business Fields

In 2023, the Volkswagen Group recorded growth in unit sales and sales revenue year-on-year in a difficult market environment impacted by limited vehicle availability.

GROUP STRUCTURE

The Volkswagen Group consists of two divisions: the Automotive Division and the Financial Services Division. The Automotive Division comprises the Passenger Cars, Commercial Vehicles and Power Engineering business areas. Activities of the Automotive Division comprise in particular the development of vehicles, engines and vehicle software, the production and sale of passenger cars, light commercial vehicles, trucks, buses and motorcycles, as well as businesses for genuine parts, large-bore diesel engines, turbomachinery and propulsion components. Mobility solutions are gradually being added to the range. The Ducati brand is allocated to the Audi brand and thus to the Passenger Cars Business Area. The Financial Services Division's activities comprise dealer and customer financing, leasing, direct banking and insurance activities, fleet management and mobility services.

REPORTING STRUCTURE OF THE VOLKSWAGEN GROUP

Automotive Division			Financial Services Division
Passenger Cars Business Area	**Commercial Vehicles Business Area**	**Power Engineering Business Area**	Dealer and customer financing
Volkswagen Passenger Cars	TRATON Commercial Vehicles	MAN Energy Solutions	Leasing
Škoda			Direct bank
SEAT			Insurance
Volkswagen Commercial Vehicles			Fleet management
Tech. Components			Mobility services
Audi			
Porsche Automotive			
CARIAD			
Battery			
Others			

In this chapter, we present the key volume and financial data relating to the Group brands and to Volkswagen Financial Services. In light of the considerable importance of the development of business in the world's largest single market for the Volkswagen Group, we also report on business developments and the results of our activities in China in this chapter.

The production figures and deliveries to customers are differentiated by vehicle brands and their models that carry the corresponding brand logo. Unit sales figures contain vehicles sold by respective brand companies, including models of other Group brands. In some cases, there are marked differences between delivery figures and unit sales as a result of our business development in China.

KEY FIGURES BY BRAND GROUP AND BUSINESS FIELD

	VEHICLE SALES		SALES REVENUE		OPERATING RESULT	
Thousand vehicles/€ million	2023	2022	2023	2022[1]	2023	2022[1]
Core brand group	4,826	4,069	137,770	113,762	7,273	4,045
Progressive brand group	1,282	1,070	69,865	61,753	6,280	7,622
Sport Luxury brand group[2]	334	314	37,349	34,599	6,938	6,425
CARIAD	–	–	1,078	796	–2,392	–2,068
Battery	–	–	31	0	–417	–121
TRATON Commercial Vehicles	339	306	45,731	39,516	3,715	1,583
MAN Energy Solutions	–	–	4,044	3,565	369	284
Equity-accounted companies in China[3]	3,065	3,122	–	–	–	–
Volkswagen Financial Services	–	–	50,765	43,953	3,253	5,584
Other[4]	–484	–400	–24,350	–18,895	–2,445	–845
Volkswagen Group before special items	**–**	**–**	**–**	**–**	**22,576**	**22,509**
Special items	–	–	–	–	0	–399
Volkswagen Group	**9,362**	**8,481**	**322,284**	**279,050**	**22,576**	**22,109**

1 Prior-year figures adjusted (see disclosures on IFRS 17).
2 Including Porsche Financial Services: sales revenue €40,530 (37,637) million, operating result €7,284 (6,772) million.
3 The sales revenue and operating result of the equity-accounted companies in China are not included in the consolidated figures; the share of the operating result generated by these companies amounted to €2,621 (3,280) million.
4 In the operating result, mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; the figure includes depreciation and amortization of identifiable assets as part of purchase price allocation, as well as companies not allocated to the brands.

KEY FIGURES OF THE CORE BRAND GROUP

	VEHICLE SALES		SALES REVENUE		OPERATING RESULT	
Thousand vehicles/€ million	2023	2022	2023	2022	2023	2022
Volkswagen Passenger Cars	3,016	2,594	86,382	73,773	3,542	2,647
Škoda	1,056	863	26,536	21,026	1,773	628
SEAT	602	468	14,333	10,941	625	33
Volkswagen Commercial Vehicles	423	340	15,325	11,455	873	529
Tech. Components	–	–	21,282	17,966	582	130
Consolidation	–270	–195	–26,088	–21,399	–121	78
Core brand group	**4,826**	**4,069**	**137,770**	**113,762**	**7,273**	**4,045**

KEY FIGURES BY DIVISION

	VEHICLE SALES		SALES REVENUE		OPERATING RESULT	
Thousand vehicles/€ million	2023	2022	2023	2022[1]	2023	2022[1]
Passenger Cars Business Area	9,023	8,175	218,380	189,312	14,704	14,603
Commercial Vehicles Business Area	339	306	45,731	39,516	3,714	1,588
Power Engineering Business Area	–	–	4,044	3,565	366	281
Automotive Division[2]	9,362	8,481	268,156	232,392	18,784	16,471
Financial Services Division	–	–	54,128	46,657	3,792	5,638
Volkswagen Group	**9,362**	**8,481**	**322,284**	**279,050**	**22,576**	**22,109**

1 Prior-year figures adjusted (see disclosures on IFRS 17).
2 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

KEY FIGURES BY MARKET

In fiscal year 2023, the Volkswagen Group was faced with a persistently challenging market environment. The operating result (prior-year figure before special items) amounted to €22.6 (22.5) billion. While the fair value measurement of derivatives to which hedge accounting is not applied had an adverse effect in the reporting year (€–3.2 billion), it had had a positive effect in the previous year (€+1.8 billion). A year earlier, special items resulting from the diesel issue had weighed on operating result in the amount of €–0.4 billion.

The Volkswagen Group's unit sales in the reporting year stood at 9.4 (8.5) million vehicles. Sales revenue increased by 15.5% to €322.3 billion. The higher volume, improved price positioning and mix effects had a positive impact.

In the Europe/Other markets region, unit sales increased by 19.3% year-on-year to 4.2 million vehicles. Together with improved price positioning, this increased sales revenue to €187.9 (154.5) billion.

Unit sales in the North American markets increased by 24.2% to 1.1 million vehicles in the reporting year. Driven mainly by higher volumes, sales revenue rose to €67.9 (59.9) billion.

On markets in the South America region, we sold 513 thousand vehicles in 2023, an increase of 5.3% compared with 2022. Driven mainly by higher volumes, sales revenue increased by 10.7% to €17.1 billion.

In the Asia-Pacific region, the Volkswagen Group's unit sales – including the Chinese joint ventures – came to 3.6 (3.6) million vehicles in 2023. Sales revenue amounted to €50.1 (51.4) billion. This figure does not include the sales revenue of our equity-accounted Chinese joint ventures.

Hedging transactions relating to sales revenue in foreign currency had a negative impact of €–0.8 (–2.3) billion on the sales revenue of the Volkswagen Group in the reporting year.

KEY FIGURES BY MARKET

	VEHICLE SALES		SALES REVENUE	
Thousand vehicles/€ million	2023	2022	2023	2022[1]
Europe/Other Markets	4,169	3,495	187,949	154,514
North America	1,078	868	67,908	59,910
South America	513	487	17,139	15,476
Asia-Pacific[2]	3,603	3,632	50,109	51,443
Hedges on sales revenue	–	–	–821	–2,294
Volkswagen Group[2]	**9,362**	**8,481**	**322,284**	**279,050**

1 Prior-year figures adjusted (see disclosures on IFRS 17).
2 The sales revenue of the joint venture companies in China is not included in the figures for the Group and the Asia-Pacific market.

The Volkswagen Passenger Cars brand celebrated the market debut of the new Tiguan in fiscal year 2023. It also launched the all-electric ID.7 saloon. The operating result improved year-on-year.

BUSINESS DEVELOPMENT

The Volkswagen Passenger Cars brand aims to move people. The centerpiece of the ACCELERATE 2030 strategy is a global initiative through which the brand aspires to transform itself into a technology and software business focused on customer needs.

The high point of the Volkswagen Passenger Cars brand's activities in fiscal year 2023 was the market debut of the completely redeveloped bestselling Tiguan, now in its third generation. The interior, with a clearly structured digital cockpit, an infotainment screen, a head-up display and a driver experience switch, is intuitive and the result of actual customer feedback. The new plug-in hybrid drives permit an all-electric range of up to around 100 kilometers and fast DC charging. The new adaptive chassis control system DCC Pro – a piece of technology from the premium segment – provides maximum comfort and agility. New generations of the popular Passat and Touareg models were also launched in the reporting year.

In April 2023, the Volkswagen Passenger Cars brand celebrated the world premiere of the new ID.7, the brand's first global electric model in the upper mid-sized class. The fully electric saloon combines long ranges, quick charging, a spacious interior and intuitive operation, making it the new benchmark for all-electric premium models at Volkswagen. The innovative panoramic sunroof with "smart glass" can be switched between opaque and transparent electrically by touch control. Impressive new all-electric concept vehicles were also unveiled: the compact ID. 2all and the sporty ID. GTI Concept.

The Volkswagen Passenger Cars brand delivered 4.9 million vehicles globally in fiscal year 2023. This was 6.7% more than in the previous year. Growth was achieved above all in Western Europe (+14.7%), North America (+17.0%) and South America (+15.9%).

The Volkswagen Passenger Cars brand sold 3.0 (2.6) million vehicles in the reporting year. ID. family models, the Tiguan and the T-Roc were increasingly sought-after. The Taigo was also very popular. The difference between deliveries and unit sales is due mainly to the fact that the vehicle-producing joint ventures in China are not attributed to the companies in the Volkswagen Passenger Cars brand.

The Volkswagen Passenger Cars brand produced 4.9 (4.8) million vehicles worldwide in 2023. Volkswagen do Brasil, the largest vehicle manufacturer in Brazil, reached the production milestone of 25 million vehicles in its 70th year of existence.

SALES REVENUE AND EARNINGS

The Volkswagen Passenger Cars brand increased its sales revenue by 17.1% year-on-year to €86.4 billion in 2023. The operating result (prior-year figure before special items) improved to €3.5 (2.6) billion. Higher volume and price effects plus lower fixed costs had a positive impact, while a rise in product costs as well as the deconsolidation of Volkswagen Group Rus weighed on the result. The operating return on sales (prior-year figure before special items) amounted to 4.1 (3.6)%.

PRODUCTION

Units	2023	2022
Tiguan	633,147	604,536
Polo/Virtus/Nivus/Taigo	591,668	448,043
Passat/Magotan	498,369	447,246
Jetta/Sagitar	381,663	292,038
Golf	309,414	300,090
T-Roc	289,426	322,211
Lavida	271,309	377,284
T-Cross/Tacqua/Taigun	261,519	315,036
Tharu/Taos	233,756	216,397
Atlas/Teramont	229,339	217,771
ID.4, ID.5	223,425	207,934
JETTA	170,521	148,666
Bora	149,740	210,896
ID.3	142,216	83,432
Lamando	106,023	99,966
Santana	90,623	111,422
Saveiro	68,334	46,282
Arteon/CC	60,467	69,627
up!	38,420	33,317
Touareg	34,577	31,254
Touran	33,983	27,403
ID.6	15,926	38,846
Sharan/Viloran	15,097	30,888
ID.7	8,592	–
Gol	1,386	122,575
Phideon	31	7,480
	4,858,971	**4,810,640**

VOLKSWAGEN PASSENGER CARS BRAND

	2023	2022	%
Deliveries (thousand units)	4,867	4,563	+6.7
Vehicle sales	3,016	2,594	+16.3
Production	4,859	4,811	+1.0
Sales revenue (€ million)	86,382	73,773	+17.1
Operating result before special items	3,542	2,647	+33.8
Operating return on sales (%)	4.1	3.6	

ID.7

DELIVERIES BY MARKET

in percent

Europe/Other Markets	29.4%
North America	10.3%
South America	8.2%
Asia-Pacific	52.2%

FURTHER INFORMATION www.volkswagen.com

The Škoda brand presented the latest generations of the Superb and the Kodiaq in 2023. Unit sales, sales revenue and the operating result were up year-on-year.

BUSINESS DEVELOPMENT

The Škoda models are synonymous with smart understatement, featuring a superior spacious interior, the highest standards of functionality, excellent value for money and a distinctive design. Added to that are a number of "Simply Clever" innovations and new digital services, all aimed at making customers' lives easier.

In the reporting year, Škoda unveiled the fourth generation of the Superb, which boasts a whole range of new features. The flagship model of the Czech brand in the internal combustion engine segment continues to be available as a saloon and an estate and is even more elegant, evocative and dynamic than its predecessor. The Superb impresses with a streamlined design, a dynamic and sleek silhouette, crisp lines and striking lights. Now longer and higher, it gives passengers more space and offers numerous Simply Clever details that increase both comfort and convenience – and not only behind the wheel. The completely redesigned interior shows a clear commitment to maximum comfort and the best possible user experience. Škoda also presented the second generation of the Kodiaq in 2023. This SUV takes sustainability and efficiency to the next level and comes with a new interior concept, the highlights of which are a 13-inch infotainment display, innovative digital dials with haptic controls and new equipment packages. The five powertrain options range from 110 kW (150 PS) to 150 kW (204 PS). The Kodiaq is now available in a plug-in hybrid variant for the first time, offering an electric range of up to around 100 km. The latest generation of LED matrix headlights and Dynamic Chassis Control are also debuted in the new Kodiaq. The all-electric Enyaq iV was updated in the past fiscal year: new motors increase the vehicle's power to up to 250 kW (340 PS) and its range to up to 573 km. The charging speed was also improved.

The Škoda brand delivered 0.9 (0.7) million vehicles worldwide in the reporting year. Sales in Western Europe increased by 27.4%.

Škoda sold 1.1 (0.9) million vehicles in the past fiscal year. The Octavia and the all-electric Enyaq iV were particularly popular with customers.

The Škoda brand produced 0.9 million vehicles worldwide in fiscal year 2023. This was 16.1% more than in the previous year.

SALES REVENUE AND EARNINGS

The Škoda brand's sales revenue increased by 26.2% to €26.5 billion in fiscal year 2023. The operating result improved to €1.8 (0.6) billion thanks to volume and price effects. Exchange rate effects and product costs, and the deconsolidation of Volkswagen Group Rus had a negative impact. At 6.7 (3.0)%, the operating return on sales more than doubled.

PRODUCTION

Units	2023	2022
Octavia	205,764	141,499
Rapid/Scala	172,661	148,895
Fabia	114,335	118,827
Kodiaq	107,323	100,164
Karoq/Kamiq	102,413	106,811
Enyaq iV	86,732	57,213
Superb	71,062	64,780
Kushaq	27,760	26,648
	888,050	**764,837**

ŠKODA BRAND

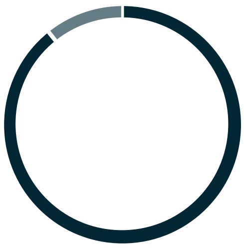
	2023	2022	%
Deliveries (thousand units)	867	731	+18.5
Vehicle sales	1,056	863	+22.4
Production	888	765	+16.1
Sales revenue (€ million)	26,536	21,026	+26.2
Operating result	1,773	628	x
Operating return on sales (%)	6.7	3.0	

Kodiaq

DELIVERIES BY MARKET

in percent

- Europe/Other Markets 89.2%
- North America 0.0%
- South America 0.2%
- Asia-Pacific 10.6%



FURTHER INFORMATION www.skoda-auto.com

SEAT S.A.

SEAT is one company with two complementary brands: SEAT and CUPRA. One of the high points of 2023 was the presentation of the all-electric CUPRA Tavascan. Thanks to the success of CUPRA and SEAT's growth, record earnings were achieved in the reporting year.

BUSINESS DEVELOPMENT

The SEAT brand is a Spanish icon revered by millions of people. Founded over 70 years ago, the company offers vehicles with efficient internal combustion engines in addition to mild hybrids and plug-in hybrids, with which it wins over new customers. In 2023, SEAT launched two special editions of the Ibiza and the Arona featuring the new Marina Pack, which improves the sustainability of both vehicles.

CUPRA is the unconventional challenger brand that brings together electrification and performance to inspire the world from Barcelona. In the reporting year, CUPRA held the world premiere of the Tavascan, its fully electric SUV coupé based on the Volkswagen Group's MEB platform. The exterior design delivers athletic and sporty proportions. From the front, the matrix LED headlights with a triangular eye signature are instantly recognizable. Sports suspension with dynamic running gear technology, progressive steering and performance tires translate into a sporty driving experience. The Tavascan will be available with two power outputs. CUPRA also presented the concept vehicle DarkRebel in 2023. It embodies CUPRA's highly provocative design language and sets new benchmarks in design and performance. The DarkRebel is the first vehicle to be completely designed in the virtual space. An all-electric, two-seater shooting brake sports car that reflects the boundary-pushing passion and mindset of the CUPRA brand.

Deliveries to customers from SEAT and CUPRA surged by 34.6% to 519 thousand vehicles in 2023. This increase was largely attributable to the strong performance of the CUPRA brand (+50.9% to 231 thousand vehicles) and to SEAT's return to growth (+24.0% to 288 thousand vehicles).

The company's unit sales amounted to 602 thousand units in the reporting year. This was 28.5% more than in the previous year. This figure also includes the A1 manufactured for Audi. Both CUPRA and SEAT registered higher demand, their respective best-selling models being the CUPRA Formentor and the SEAT Arona.

SEAT and CUPRA produced 534 thousand vehicles in the reporting year. This was 27.0% more than in the prior year.

SALES REVENUE AND EARNINGS

The company's sales revenue was up 31.0% to €14.3 billion in 2023. The operating result reached a record level for a fiscal year at €625 (33) million; this result was mainly driven by the success of CUPRA, higher volumes and positive effects from efficiency improvements. The operating return on sales improved to 4.4 (0.3)%.

PRODUCTION

Units	2023	2022
SEAT		
Arona	76,594	85,717
Ibiza	74,355	60,385
Ateca	69,486	49,316
Leon	40,862	36,247
Tarraco	25,562	12,453
Alhambra	–	5,341
	286,859	**249,459**
CUPRA		
Formentor	124,670	105,568
Born	45,748	36,153
Leon	62,103	20,070
Ateca	14,228	8,841
	246,749	**170,632**
SEAT and CUPRA	**533,608**	**420,091**

SEAT

	2023	2022	%
Deliveries (thousand units)	519	386	+34.6
Vehicle sales	602	468	+28.5
Production	534	420	+27.0
Sales revenue (€ million)	14,333	10,941	+31.0
Operating result	625	33	x
Operating return on sales (%)	4.4	0.3	

CUPRA Tavascan

DELIVERIES BY MARKET
in percent

Europe/Other Markets	94.5%
North America	4.1%
South America	0.6%
Asia-Pacific	0.8%

FURTHER INFORMATION www.seat.com

Commercial
Vehicles

Volkswagen Commercial Vehicles recorded a successful year in 2023 and is preparing a model initiative with the long-wheelbase version of the ID. Buzz, the California CONCEPT and the new Transporter.

BUSINESS DEVELOPMENT

As a leading manufacturer of light commercial vehicles, Volkswagen Commercial Vehicles is making fundamental and sustainable changes to the way goods and services are distributed in cities in order to improve the quality of life, especially in inner city areas. In this way, the brand keeps the world of tomorrow moving, with all of its requirements regarding clean, intelligent and sustainable mobility. This is what Volkswagen Commercial Vehicles stands for with its brand promise: we transport success, freedom and the future.

Following the successful rollout of the all-electric ID. Buzz in 2022, the Volkswagen Commercial Vehicles brand celebrated the world premiere of the long-wheelbase version of the ID. Buzz in the reporting year at the surfer hotspot Huntington Beach, on the Pacific Coast Highway near Los Angeles. Made in Germany for Europe – and also for Canada and the United States. The VW Bus is making its comeback in North America as the large six- and seven-seater ID. Buzz. The new panoramic roof, which can be darkened at the touch of a button, is reminiscent of the legendary 1950s Samba Bus. The ID. Buzz again won many international prizes for Volkswagen Commercial Vehicles chosen by panels of experts, among them "Car of the Year Award 2023" from What Car? (UK), "Best Cars" from auto, motor und sport magazine and "Company Car of the Year 2023" as best electric van. At the Caravan Salon 2023 in Düsseldorf, Volkswagen Commercial Vehicles celebrated the world premiere of the California CONCEPT that is based on the long-wheelbase version of the Multivan and is almost ready for mass production. This is the first California model to enable electric travel thanks to the plug-in hybrid all-wheel drive. Volkswagen Commercial Vehicles already started pre-sales of the new Transporter at the end of the year. It will be significantly upgraded in all areas and together with the ID. Buzz and the Multivan creates the most innovative "Bulli" range of all time. Like the new California, the new generation of the model series will celebrate its world premiere in 2024.

Deliveries by Volkswagen Commercial Vehicles amounted to 409 thousand units (+24.6%) in the reporting year. Sales in Western Europe (+21.7%), Central and Eastern Europe (+43.8%) and South America (+29.0%) developed particularly encouragingly.

Volkswagen Commercial Vehicles sold 423 thousand vehicles in the reporting year, representing an increase of 24.5% compared with the previous year. Nearly all models contributed to the increase.

In 2023, the Volkswagen Commercial Vehicles brand produced 398 thousand vehicles, 13.4% more than in the previous year. The four millionth vehicle rolled off the production line at the production plant in Poznań, Poland, which celebrated its 30th anniversary in 2023.

SALES REVENUE AND EARNINGS

Volkswagen Commercial Vehicles increased sales revenue by 33.8% to €15.3 billion in fiscal year 2023. The operating result improved to €873 (529) million. In addition to the higher volume, price effects had a particularly positive impact. The operating return on sales rose to 5.7 (4.6)%.

PRODUCTION

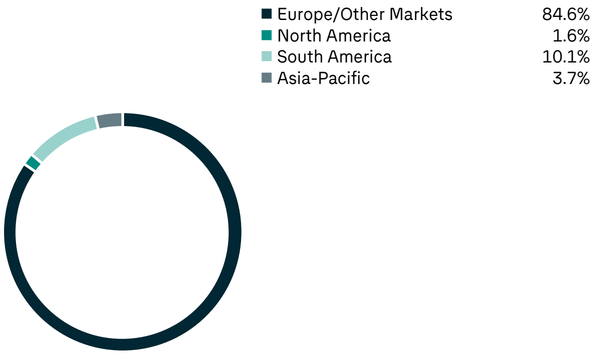
Units	2023	2022
Transporter	81,535	67,508
Caravelle/Multivan, Combi, California	81,509	80,698
Crafter, Grand California	70,218	60,326
Caddy Combi	45,671	46,500
Amarok	43,512	42,806
Caddy, Caddy California	40,629	42,352
ID. Buzz	35,272	11,013
	398,346	**351,203**

VOLKSWAGEN COMMERCIAL VEHICLES BRAND

	2023	2022	%
Deliveries (thousand units)	409	329	+24.6
Vehicle sales	423	340	+24.5
Production	398	351	+13.4
Sales revenue (€ million)	15,325	11,455	+33.8
Operating result	873	529	+64.9
Operating return on sales (%)	5.7	4.6	

Model initiative

DELIVERIES BY MARKET
in percent



FURTHER INFORMATION www.volkswagen-commercial-vehicles.com

Audi

The Progressive brand group posted a robust result for 2023 in a challenging economic climate thanks to stable market performance and strong brands. Audi presented the Q6 e-tron, its first all-electric model based on the brand new Premium Platform Electric (PPE).

BUSINESS DEVELOPMENT

The Progressive brand group combines four strong brands from the progressive premium, luxury and supersport segments: Audi, Bentley, Lamborghini and Ducati. *Vorsprung* is Audi's global brand promise, and one which means the brand with the four rings is consistently focusing on the premium mobility of the future: connected, sustainable, electric, and autonomous. In developing and scaling up innovative technologies, Audi plays a leading role within the Group, not least with the Premium Platform Electric (PPE) for all-electric premium vehicles.

In fiscal year 2023, the Audi brand brought the Q8 e-tron to the market. It is the successor to the Audi e-tron, the brand's electric pioneer. The A6 and A7 family, including the RS derivatives, and the Q8 with its internal combustion engine were upgraded, getting a streamlined design and technology enhancements. The Audi brand also gave a preview of the Q6 e-tron, the first production model based on the PPE platform. Boasting compelling mileage and charging capacity, it also stands out for its systematically enhanced design language for electric vehicles and, with its new electronics architecture, represents the technological spearhead of Audi's portfolio.

Bentley revealed the limited-edition Continental GT Speed Le Mans Collection to mark the 20th anniversary of the Continental GT. Lamborghini unveiled the new Revuelto in 2023, its first series hybrid and the Italian automaker's ticket into an electrified future.

The Progressive brand group delivered a total of 1.9 (1.6) million vehicles to customers in 2023. Disproportionate increases were recorded in Western Europe (+19.0%), Central and Eastern Europe (+25.3%) and North America (+21.7%).

Unit sales at the Progressive brand group amounted to 1.3 (1.1) million vehicles in the reporting year. There was particularly high demand for the Q5, A3 and the all-electric Q4 e-tron. The Chinese joint ventures sold a further 668 (599) thousand locally produced Audi vehicles. Unit sales at the Lamborghini brand amounted to 10.6 thousand vehicles (+19.4%). Bentley sold 13.1 (15.5) thousand vehicles and Ducati 58.4 (65.0) thousand motorcycles.

In 2023, Audi produced 2.0 (1.7) million units worldwide. Bentley produced 12.9 (16.4) thousand vehicles and Lamborghini 9.8 (9.9) thousand. Ducati produced 55.2 (70.4) thousand motorcycles.

SALES REVENUE AND EARNINGS

Sales revenue at the Progressive brand group climbed to €69.9 (61.8) billion in fiscal year 2023. The operating result (prior-year figure before special items) declined to €6.3 (7.6) billion, which was mainly due to adverse effects from commodity hedges to which hedge accounting is not applied. In addition, higher material costs weighed on the operating result. The rise in volume at the Audi brand and the good results of the Bentley, Lamborghini and Ducati brands had beneficial effects. The operating return on sales (prior-year figure before special items) amounted to 9.0 (12.3)%.

AUDI PRODUCTION

Units	2023	2022
Q5	334,480	319,162
A6	257,111	208,729
A3	246,279	210,341
A4	237,830	234,395
Q3	233,472	239,340
Q4 e-tron	125,441	58,764
Q2	94,406	88,372
A5	75,584	66,124
Q7	74,891	52,514
A1	64,859	58,777
Q8 e-tron	54,856	51,545
Q8	47,002	37,330
A7	34,622	17,437
A8	20,442	18,398
e-tron GT	10,045	12,674
TT	9,530	8,126
Q5 e-tron	5,506	3,113
Q6	5,151	2,042
R8	2,127	1,097
Q6 e-tron	7	-
	1,933,641	**1,688,280**

BENTLEY, LAMBORGHINI, DUCATI PRODUCTION

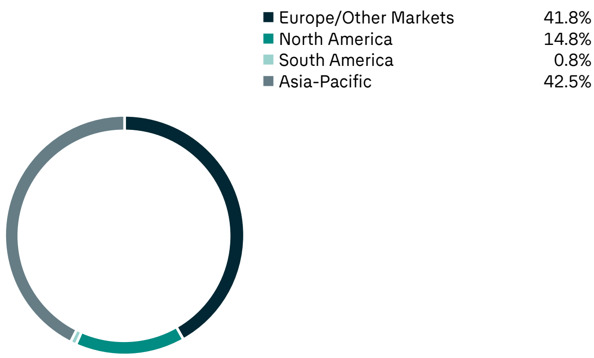
Units	2023	2022
Bentley		
Bentayga	5,595	7,346
Continental GT	4,168	4,793
Flying Spur	3,178	4,226
	12,941	**16,365**
Lamborghini		
Urus	5,895	5,751
Huracán	3,705	3,443
Aventador, Revuelto	166	661
	9,766	**9,855**
Ducati, motorcycles	**55,226**	**70,389**

AUDI (PROGRESSIVE BRAND GROUP)

	2023	2022	%
Deliveries (thousand units)	1,919	1,639	+17.1
Audi	1,895	1,614	+17.4
Bentley	14	15	-10.6
Lamborghini	10	9	+9.5
Vehicle sales	1,282	1,070	+19.8
Production	1,956	1,715	+14.1
Sales revenue (€ million)	69,865	61,753	+13.1
Operating result before special items	6,280	7,622	-17.6
Operating return on sales (%)	9.0	12.3	

Q6 e-tron concept car

DELIVERIES BY MARKET
in percent



FURTHER INFORMATION www.audi.com

INTERNAL

Porsche celebrated two anniversaries in 2023: "75 years of Porsche sports cars" and "60 years of the Porsche 911". Particularly in its anniversary year, the iconic 911 sports car helped to lift unit sales, sales revenue and earnings year-on-year.

BUSINESS DEVELOPMENT

Exclusivity and social acceptance, pioneering spirit and tradition, performance and sustainability, design and functionality – these are the brand values of the sports car manufacturer Porsche.

For the Porsche brand, 2023 was marked by its 75th anniversary. The sports car history began in 1948 when production of the 356 No. 1 Roadster started. In addition to the anniversary show at Porscheplatz in Stuttgart and two special exhibitions at the Porsche Museum and in Berlin, numerous events to mark the anniversary were held at various locations around the world.

On the occasion of its 75th anniversary, Porsche presented the Mission X concept car, a spectacular reinterpretation of a two-seater hypercar with Le Mans-style doors that open upwards to the front and a high-performance, efficient electric powertrain. The Mission X represents the pinnacle of performance and modern sporty luxury. The concept car is a technology beacon for the sports car of the future and provides critical impetus for the evolutionary development of future vehicle concepts.

In the reporting year, Porsche also celebrated the 60th anniversary of the iconic 911 sports car with an exclusive special edition built for maximum driving enjoyment: in a limited run of 1,963 vehicles, the 911 S/T combines consistent lightweight design, characteristic GT agility and performance as well as an unfiltered acoustic experience to recreate the essence of 60 years of the 911. In addition, Porsche debuted the new generation of the Cayenne with a highly digitalized display and control concept, new chassis technology and innovative high-tech features. High-resolution HD Matrix LED headlights provide for road illumination tailored to any driving situation. An air quality system improves the air in the cabin for passengers. For the first time in the Cayenne, the front passenger has their own infotainment display. With its extensively upgraded design and more powerful family of powertrains, the Cayenne emphasizes its ambition to be the most engaging sports car in its segment. The third generation of the Panamera model was also presented. The luxury saloon underscores its sporty character with the new Porsche Active Ride chassis as well as even more powerful engines, including four efficient e-hybrid powertrains that offer more power, greater range and improved efficiency.

Porsche (Sport Luxury brand group) delivered 320 thousand sports cars to customers in the reporting year; this represented an increase of 3.3% compared with the previous year. The Other markets sales region recorded the highest growth with an increase of 15.7%. Growth was also seen in Western Europe (+10.5%) and North America (+8.8%). In China, 79 (93) thousand vehicles were handed over to customers.

In 2023, Porsche (Sport Luxury brand group) increased unit sales by 6.3% to 334 thousand vehicles. Demand for the 911, 718 and Taycan series in particular was up on the previous year.

Despite the still challenging conditions, Porsche (Sport Luxury brand group) produced a total of 335 thousand vehicles (–0.6%) in 2023.

SALES REVENUE AND EARNINGS

Porsche (Sport Luxury brand group) generated sales revenue of €37.3 (+7.9%) billion in the reporting year. The operating result increased to €6.9 billion (+8.0%) thanks primarily to higher volumes with positive effects attributable to the product mix and pricing. In particular, higher expenditure for new products and innovations and an increase in distribution expenses had an offsetting effect. The operating return on sales is unchanged at 18.6 (18.6)%.

PRODUCTION

Units	2023	2022
Cayenne	95,706	104,745
Macan	87,334	99,468
911 Coupé/Cabriolet	55,655	42,390
Taycan	39,397	37,577
Panamera	33,689	35,258
718 Boxster/Cayman	23,605	18,085
	335,386	**337,523**

PORSCHE (SPORT LUXURY BRAND GROUP)[1]

	2023	2022[2]	%
Deliveries (thousand units)	320	310	+3.3
Vehicle sales	334	314	+6.3
Production	335	338	–0.6
Sales revenue (€ million)	37,349	34,599	+7.9
Operating result	6,938	6,425	+8.0
Operating return on sales (%)	18.6	18.6	

1 Including Porsche Financial Services: sales revenue €40,530 (37,637) million, operating result €7,284 (6,772) million.
2 Prior-year figures adjusted (see disclosures on IFRS 17).

911 S/T

DELIVERIES BY MARKET
in percent

Europe/Other Markets	34.5%
North America	27.4%
South America	2.2%
Asia-Pacific	36.0%

FURTHER INFORMATION www.porsche.com

The TRATON GROUP took a major step forward in e-mobility in fiscal year 2023, also continuing to implement its TRATON Way Forward strategy for future success.

BUSINESS DEVELOPMENT

The TRATON Way Forward strategy focuses on three areas: being a responsible company, value creation and TRATON Accelerated!; the company wants to play an active role in shaping the transportation and logistics ecosystem of the future.

TRATON established TRATON Charging Solutions to give drivers of battery-electric commercial vehicles easy access to charging stations and thus facilitate the transition to e-mobility. The services provider offers customers services from contracting, invoicing and route planning, to utilization insights. TRATON's Scania and MAN brands can thus offer their customers access to Europe's most extensive charging network, which currently comprises twelve countries. At the end of 2023, Milence, a joint venture between TRATON, Daimler Truck and the Volvo Group, reached an important milestone in developing the charging infrastructure with the opening of the first charging station in Venlo (Netherlands).

Scania reached key milestones on the road to a sustainable transport system in 2023, being with the opening of a battery assembly plant at its headquarters in Södertälje (Sweden). To simplify the transition to battery-electric trucks for freight forwarders, Scania and digital freight forwarder *sennder* formed the joint venture company JUNA. A unique pay-per-use billing model reduces upfront costs for customers and lessens potential residual value concerns. Access to guaranteed loads via a digital platform also creates commercial predictability. Scania likewise made progress in decarbonizing its supply chains by placing its first order for green steel with the supplier H2 Green Steel.

MAN also reached a significant milestone in the transition to zero-emission technologies. Launched on the market in 2024, the new MAN eTruck is the brand's first battery-electric long-haul truck. The ground-breaking ceremony for large-scale battery production at the Nuremberg site was held in 2023. From 2025, up to 100,000 high-voltage battery systems per year will be manufactured there. Together with other industrial companies and universities, MAN is working on the ATLAS-L4 research and development project to put self-driving trucks on the road. In the ANITA research project, MAN is also working with Deutsche Bahn, the Fresenius University of Applied Sciences and wireless technology specialist Götting KG to test the potential of self-driving trucks for transporting goods between logistics hubs.

As part of an initiative, the North American brand Navistar set itself the goal of cutting its global emissions by half before 2030 and becoming carbon neutral by 2050 in line with the Paris Climate Agreement. In the reporting year, Navistar started production of the International S13 Integrated Powertrain at the company's Huntsville facility in the United States. Customers of Navistar's International and IC Bus brands can now be offered competitive bespoke credit and lease financing through the Group's own financial services provider, Navistar Financial.

Volkswagen Truck & Bus (VWTB) commenced series production of e-Delivery trucks in 2023. It thus follows the TRATON GROUP's strategy of regarding battery-electric drives as the core technology of alternative drive-trains, supplemented by hydrogen drives in niche areas. As part of the internationalization plan, VWTB is further expanding its presence in international markets and will be represented on four continents in the future.

PRODUCTION

Units	2023	2022
Scania	**102,283**	**88,142**
Trucks	97,065	82,827
Buses	5,218	5,315
MAN	**117,026**	**88,952**
Trucks	84,695	62,009
Buses	5,780	4,675
Light Commercial Vehicles	26,551	22,268
Navistar	**86,740**	**82,071**
Trucks	73,317	69,488
Buses	13,423	12,583
Volkswagen Truck & Bus	**32,515**	**58,647**
Trucks	28,161	50,075
Buses	4,354	8,572
TRATON	**338,564**	**317,812**

TRATON

	2023	2022	%
Deliveries (thousand units)	338	305	+10.7
Vehicle sales	339	306	+10.7
Production	339	318	+6.5
Sales revenue (€ million)	45,731	39,516	+15.7
Operating result	3,715	1,583	x
Operating return on sales (%)	8.1	4.0	

SALES REVENUE AND EARNINGS

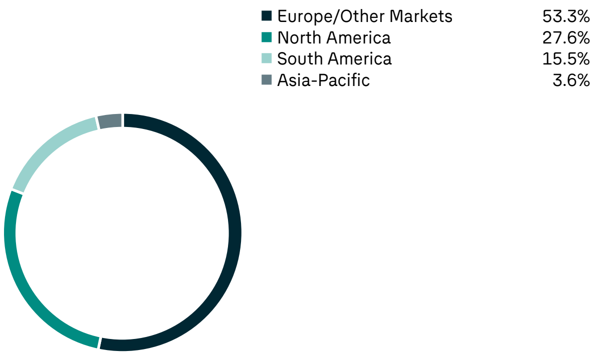
Unit sales of TRATON Commercial Vehicles in fiscal year 2023 rose to 339 (306) thousand vehicles and sales revenue of €45.7 billion was up 15.7% on the comparative figure for 2022. The higher volume of new vehicles and higher capacity utilization due to a significant increase in production figures meant that the operating result more than doubled to €3.7 (1.6) billion. A positive product mix and improved price positioning also had a beneficial effect on profit. The operating return on sales amounted to 8.1 (4.0)%.

Strong brands

TRATON

SCANIA / MAN / NAVISTAR / Truck Bus

DELIVERIES BY MARKET
in percent



FURTHER INFORMATION www.traton.com

Volkswagen Group China

The Volkswagen Group showed its strengths in the fiercely competitive Chinese market during fiscal year 2023. Deliveries were up year-on-year in all segments.

BUSINESS DEVELOPMENT

In 2023, Volkswagen Group China demonstrated the strength of its portfolio in a market environment that was shaped by an intense price war with more than 100 local competitors. Rigorously following a sustainable business model, Volkswagen Group China and its Chinese joint ventures delivered 3.2 million vehicles (including imports) in the Chinese market in the reporting year, 1.6% more than in 2022. The market share stood at 14.5 (15.1)%.

In the premium and sports segment, Audi delivered 728,575 vehicles to customers in China, a significant increase of 13.5% year-on-year.

Volkswagen Group China continues to press ahead with its e-mobility campaign in line with its systematic approach of "In China for China". In the battery-electric vehicle (BEV) segment, deliveries increased by 23% to 190,820 units. The main drivers of this success were the ID.3 and ID.4 models from the Volkswagen Passenger Cars brand and the Audi e-tron models. Not only was the ID.3 one of the best-selling electric cars with around 75,000 units delivered, but it also topped the rankings for the compact car segment in the fourth quarter. The ID.4 was in the top five in the compact SUV class thanks to deliveries of around 60,000. Deliveries of the ID.7 commenced in late 2023. The brand wishes to tap into the mid-sized segment with this model and reach more customer groups in China. Audi's e-tron models witnessed very strong growth in 2023, surging to over 30,000 units in the first full year of sales.

The internal combustion engine (ICE) segment continues to provide a robust foundation for the Volkswagen Group's long-term business development in China. Based on deliveries of 2,997,184 ICE vehicles, the Group expanded its market share to over 20% in 2023. High unit sales and a good cost structure for the ICE models enable Volkswagen Group China to build up its financial position for an accelerated transformation and take the next leap in innovation in connection with its "In China for China" approach.

Volkswagen Group China systematically strengthened its development expertise in China in fiscal year 2023. The newly established Volkswagen China Technology Company (VCTC) is the new center for development, innovation and procurement for intelligent, fully connected electric vehicles (ICV). The aim is to reduce the time to market for vehicles and components by 30% by implementing efficient development processes and using state-of-the-art technologies. Further synergies will be leveraged through close dovetailing of development work with the joint venture companies SAIC Volkswagen, FAW-Volkswagen and Volkswagen Anhui, and also with Gotion (batteries). The partners Horizon Robotics (autonomous driving), ARK (user experience) and Thundersoft (infotainment) will also be incorporated in close cooperation with CARIAD China. Cooperation with local car manufacturers also continued in 2023. The Volkswagen Passenger Cars brand concluded a technological framework agreement with XPeng. Audi and SAIC signed a memorandum to further expand their existing cooperation. Both partnerships provide for the joint development of intelligent, fully connected electric vehicles exclusively for the Chinese market.

Thousand units	2023	2022	%
Deliveries	3,236	3,185	+1.6
Vehicle sales[1]	3,065	3,122	-1.8
Production	3,072	3,160	-2.8

1 Produced locally.

EARNINGS

€ million	2023	2022
Operating result (100%)	7,139	8,827
Operating result (proportionate)	2,621	3,280

Our joint ventures produced a total of 3.1 (3.2) million vehicles in fiscal year 2023. These joint ventures produce a mixture of established Group models and those specially modified for Chinese customers (e.g. with extended wheelbases), as well as vehicles developed exclusively for the Chinese market (such as the Volkswagen Lamando, Teramont, ID.6 X and ID.6 CROZZ).

The proportionate operating result of the joint ventures in the reporting year stood at €2.6 (3.3) billion. The negative impacts of a highly competitive market environment were offset by cost optimization.

The figures of the Chinese joint venture companies are not included in the operating result of the Group as they are accounted for using the equity method. Their profits are included solely in the Group's financial result on a proportionate basis.

ID.3

LOCAL PRODUCTION

Units	2023	2022
Volkswagen Passenger Cars	2,383,703	2,513,613
Audi	670,419	604,439
Škoda	18,365	41,936
Total	**3,072,487**	**3,159,988**

VOLKSWAGEN FINANCIAL SERVICES
THE KEY TO MOBILITY

Volkswagen Financial Services recorded a solid year in 2023 despite multiple macroeconomic uncertainties. The number of new contracts increased thanks to improved vehicle availability.

STRUCTURE OF VOLKSWAGEN FINANCIAL SERVICES

Volkswagen Financial Services comprises dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility services in 47 countries. The key companies are Volkswagen Financial Services AG and its affiliated companies such as Volkswagen Leasing GmbH, as well as Volkswagen Bank GmbH, Porsche Financial Services and the financial services companies in the United States and Canada, the only exceptions being the financial services business of TRATON and of Porsche Holding Salzburg.

BUSINESS DEVELOPMENT

Volkswagen Financial Services AG achieved an excellent score of 12.4 in Sustainalytics' first-ever ranking of its sustainability risks. According to the institute, the score achieved by Volkswagen Financial Services AG puts it in the top 3% of the over 200 companies rated. The analysis was carried out in the categories of Product Governance, Data Privacy and Data Security, Business Ethics, Human Capital and Corporate Governance.

Volkswagen Financial Services and the management and technology consultancy Sopra Steria set up the joint venture MyDigitalCar GmbH in 2023. With the services offered, the joint venture partners will make a significant contribution to optimizing economic efficiency in the area of vehicle management for companies by enabling companies to register their vehicles digitally via a vehicle registration platform.

Volkswagen Financial Services and AMAG Leasing AG extended their collaboration in fleet business operations in Switzerland in 2023. As a result, Volkswagen Financial Services AG acquired a 50% stake in movon AG, a subsidiary of AMAG Leasing AG that focuses on fleet leasing and full-service solutions for business customers. The aims of the joint venture are to expand the range of products and services and to create digital tools for fleet owners and dealers.

Volkswagen Financial Services and Pon Holdings (Pon) intensified their partnership in company bike leasing. Within this framework, Volkswagen Financial Services AG acquired a 49% stake in the Pon bike leasing subsidiary Bike Mobility Services. The aim is to jointly expand in the growing bicycle and e-bike leasing business in Europe and the USA.

As part of the "*AllerVielfalt*" project, the *Alte Aller*, an old branch of the River *Aller* in the District of Verden, was reconnected to the main river in the reporting year. Initiated by the German Nature and Biodiversity Conservation Union (*NABU*), the project is part of the federal government program "Germany's Blue Belt" ("*Blaues Band Deutschland*") and aims to create near-natural structures in a project area of 2,350 hectares (around 30 river kilometers). Volkswagen Financial Services donated €450,000 to cover NABU's share, thereby ensuring the important start-up financing for the project.

The main refinancing sources for Volkswagen Financial Services are money market and capital market instruments, asset-backed securities (ABS) transactions, customer deposits from the direct banking business and bank credit lines. Volkswagen Financial Services AG published its first "Green Finance Framework" in the reporting year. The framework supports the current sustainability strategy of the automotive financial and mobility services provider with regard to its refinancing and thereby enables the company to tap into a new investor base. The "Green Finance Framework" covers all refinancing products of Volkswagen Financial Services AG. The funds generated under the framework will be used exclusively to refinance credit and leasing contracts for battery-electric vehicles.

On the basis of the Green Finance Framework, Volkswagen Leasing GmbH placed three green bonds with a total volume of €2 billion on the capital markets for the first time in September 2023. In December of the fiscal year now ended, Volkswagen Financial Services N.V. also issued bonds amounting to 1.5 billion Swedish kronor and 1 billion Norwegian kroner based on the Green Finance Framework.

Other bond transactions were conducted in currencies such as pounds sterling, Swedish kronor, South Korean won and Japanese yen, among others. Furthermore, bonds were issued in Australia, Poland, Brazil and Türkiye on the basis of local documentation requirements. In addition to this, private placements were issued in various currencies.

Volkswagen Bank issued three unsecured bonds denominated in euro in the reporting year with a total volume of €2.0 billion.

In fiscal year 2023, Volkswagen Leasing GmbH placed three ABS transactions secured by lease receivables with a total volume of €2.75 billion. The issuances met the quality criteria of the STS Securitization Regulation for particularly high-value securitizations and were oversubscribed several times.

Outside Germany, Volkswagen Financial Services issued ABS transactions in Brazil, Japan, the United Kingdom and Australia.

In the US capital market, Volkswagen Group of America Finance, LLC placed bonds with a total volume of USD 5.65 billion in September and November 2023. Notes with a volume of CAD 750 million were issued in the Canadian refinancing market.

Bicycle leasing

In fiscal year 2023, the number of new financing, leasing, service and insurance contracts from Volkswagen Financial Services signed was up on the prior-year figure at 8.7 (7.8) million. At the end of the reporting year, the total number of contracts stood at 22.3 (22.0) million. The number of contracts in the Customer Financing/Leasing area fell by 1.5% to 10.2 million. The Service/Insurance area accounted for 12.1 million contracts, 3.9% more than in the previous year. From January 1, 2024, other types of insurance contracts will be taken into account; in this case, the number of contracts in the Service/Insurance area as of December 31, 2023 would have been 15.6 million and the total contract portfolio would have comprised 25.8 million contracts. With credit eligibility criteria remaining unchanged, the penetration rate, expressed as the ratio of financed or leased vehicles to relevant Group delivery volumes – including the Chinese joint ventures – increased to 32.6 (32.3)%.

On December 31, 2023, Volkswagen Bank managed 1.8 (1.3) million deposit accounts. Volkswagen Financial Services employed 15,439 people worldwide, including 7,311 in Germany, as of year-end 2023.

SALES REVENUE AND EARNINGS

Volkswagen Financial Services generated sales revenue of €50.8 billion in the reporting year, 15.5% more than in the previous year. As expected, the operating result contracted to €3.3 (5.6) billion. In addition to higher interest expenses, the decline was primarily attributable to adverse effects from derivatives, which had had a positive effect in the prior year. Lower risk costs and strong demand for used vehicles had also had a positive impact in the previous year.

VOLKSWAGEN FINANCIAL SERVICES

		2023	2022[1]	%
Number of contracts	thousands	22,275	21,976	+1.4
Customer financing		5,299	5,557	–4.6
Leasing		4,888	4,783	+2.2
Service/Insurance		12,088	11,636	+3.9
Lease assets	€ million	63,884	57,906	+10.3
Receivables from	€ million			
Customer financing		69,292	70,266	–1.4
Dealer financing		26,167	19,868	+31.7
Leasing agreements		53,771	47,446	+13.3
Direct banking deposits	€ million	37,531	25,431	+47.6
Total assets	€ million	267,777	239,400	+11.9
Equity	€ million	39,545	38,238	+3.4
Liabilities[2]	€ million	219,180	190,588	+15.0
Equity ratio	%	14.8	16.0	
Return on equity before tax[3]	%	8.3	15.4	
Leverage[4]		5.5	5.0	
Operating result	€ million	3,253	5,584	–41.7
Earnings before tax	€ million	3,244	5,528	–41.3
Employees at Dec. 31		15,439	14,796	+4.3

1 Prior-year figures adjusted (see disclosures on IFRS 17).
2 Excluding provisions and deferred tax liabilities.
3 Earnings before tax as a percentage of average equity (continuing operations).
4 Liabilities as a percentage of equity.

FURTHER INFORMATION
www.vwfs.com

3

Corporate Governance

Group Corporate Governance Declaration

The following chapter contains the content of the Group Corporate Governance Declaration required by sections 289f and 315d of the HGB and the recommendations and principles of the German Corporate Governance Code.

THE GERMAN CORPORATE GOVERNANCE CODE – A BLUEPRINT FOR SUCCESSFUL CORPORATE GOVERNANCE

Corporate governance provides the regulatory framework for corporate management and supervision. This includes a company's organization and values, and the principles and guidelines for its business policy. The German Corporate Governance Code (the Code) contains principles, recommendations and suggestions for corporate management and supervision. Its principles, recommendations and suggestions were prepared by a dedicated government commission on the basis of the material provisions and nationally and internationally accepted standards of sound, responsible corporate governance. In the interests of best practice, the government commission regularly reviews the Code's relevance in light of current developments and updates it as necessary. The Board of Management and the Supervisory Board of Volkswagen AG base their work on the principles, recommendations and suggestions of the Code. We consider good corporate governance to be a key prerequisite for achieving a lasting increase in the Company's value. It helps strengthen the trust of our shareholders, customers, employees, business partners and investors in our work and enables us to meet the steadily increasing demand for information from national and international interest groups.

DECLARATION OF CONFORMITY

(valid as of the date of the declaration)

The Board of Management and the Supervisory Board of Volkswagen AG issued the annual declaration of conformity with the Code as required by section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act) on November 17, 2023 with the following wording:
"The Board of Management and the Supervisory Board declare the following:
The recommendations of the Government Commission of the German Corporate Governance Code in the version dated 28 April 2022 (the Code) that was published by the German Ministry of Justice in the official section of the Federal Gazette *(Bundesanzeiger)* on 27 June 2022 was complied with in the period from the last Declaration of Conformity dated 11 November 2022 and will continue to be complied with, with the exception of the recommendations listed below for the reasons stated there.

> a) Recommendation B.3 (Duration of first-time appointments to the Management Board)
  As it has done in the past, the Supervisory Board will determine the duration of first-time appointments to the Board of Management as it deems fit for each individual case and for the good of the company.

- b) Recommendation B.5 (Age limit for members of the Board of Management)
  Pursuant to Recommendation B.5, an age limit is to be specified for members of the Board of Management and disclosed in the Corporate Governance Declaration. This has been complied with. In September 2023, the Supervisory Board re-appointed Dr Manfred Döss and in so doing exceeded the stipulated age limit by way of exception. The Supervisory Board considered this exception to be in the interest of the company. The transformation of the VOLKSWAGEN Group affects a large number of topics being addressed by the Integrity and Legal Affairs division for which Dr Döss is responsible, for example with regard to autonomous vehicles and ESG (environmental, social and governance) issues. Dr Döss has already positioned the VOLKSWAGEN Group well in this respect. The renewed appointment of Dr Döss ensures that the Group will continue to tread this path as effectively and efficiently as possible. The Supervisory Board otherwise adheres to the age limit specified for members of the Board of Management. It cannot, however, be ruled out that legal commentators would regard a company as having deviated from Recommendation B.5 even if it had exceeded a specific applicable age limit only once while the age limit as such remained in force. As a precautionary measure, such deviation is therefore being declared.
- c) Recommendation C.5 (Mandate ceiling regarding Board of Management mandate)
  The Chair of the Supervisory Board is on the supervisory boards of three listed companies of the VOLKSWAGEN Group, namely VOLKSWAGEN AG (as Chair), Dr. Ing. h.c. F. Porsche AG and TRATON SE (as Chair), as well as being on the Supervisory Board of Bertelsmann SE & Co. KGaA. He is also Chair of the Board of Management of Porsche Automobil Holding SE. Porsche Automobil Holding SE is not part of the same group as VOLKSWAGEN AG, Dr. Ing. h.c. F. Porsche AG and TRATON SE within the meaning of German stock corporation law. We are, however, confident that the Chair of the Supervisory Board of VOLKSWAGEN AG has sufficient time at his disposal to fulfill the duties related to his mandates.
- d) Recommendation C.13 (Disclosure regarding election proposals)
  Under this recommendation, certain circumstances shall be disclosed when the Supervisory Board makes election proposals to the General Meeting, but the requirements are vague and the definitions unclear. Purely as a precautionary measure, we therefore declare a deviation in this respect. Notwithstanding this, the Supervisory Board will make every effort to satisfy the requirements of the recommendation.
- e) Recommendation G.6 (Predominance of long-term variable remuneration)
  On 20 July 2022, Dr Ing. h.c. F. Porsche AG (Porsche AG) agreed upon a so-called IPO bonus with Dr Oliver Blume in the event of the successful IPO of Porsche AG. Since an IPO of this nature is also in the interest of VOLKSWAGEN AG, we are, as a precaution, treating the IPO bonus agreed upon with Porsche AG as part of Mr Blume's remuneration at VOLKSWAGEN AG (third-party remuneration arrangement). The Supervisory Board of VOLKSWAGEN AG approved the third-party remuneration arrangement for Dr Blume. The IPO bonus was awarded in the form of virtual shares. These virtual shares are converted into monetary sums in three tranches over periods of one, two, and three years depending on the development of the share price of Porsche AG shares during the relevant time period, and these monetary sums are then paid out to Dr Blume. As a precaution, the Supervisory Board assumes that the first one and two-year tranches of the IPO bonus will be allocated to the short-term variable remuneration of Dr Blume, whilst the last, three-year tranche of the IPO bonus will be allocated to the long-term variable remuneration. This means that the total target value of the short-term variable remuneration approved for Dr Blume for fiscal year 2022 exceeded the target value of the long-term variable remuneration. In the current fiscal year 2023, the IPO bonus granted in fiscal year 2022 had still not been fully settled. As a precautionary measure, we are therefore continuing to declare a deviation from Recommendation G.6 in this respect. Nevertheless, the Board of Management remuneration for Dr Blume on the whole continues to be oriented towards the company's sustainable and long-term development. The Supervisory Board deems the payment of the IPO bonus in three tranches over one, two, and three years to be a purposeful and appropriate incentive for Dr Blume, which is not limited solely to work carried out in preparation for the IPO but which also takes into account how sustained the success of the IPO is.
- f) Recommendation G.10 sentence 2 (Four-year commitment period)
  Dr Blume can have access to the third tranche of the IPO bonus previously described under e) as part of the long-term variable remuneration after three years rather than after four.

> g) Recommendation G.13 sentence 1 (Severance cap)
At the end of July 2022, the Supervisory Board of VOLKSWAGEN AG resolved by mutual agreement with Dr Diess to terminate his appointment as member and as Chair of the Board of Management with effect from the close of 31 August 2022. According to the agreement reached with Dr Diess, his contract shall continue to run until the end of its regular term, i.e. until the close of 24 October 2025, even following the premature termination of his appointment, provided that Dr Diess does not resign at an earlier date. Dr Diess shall accordingly not receive a severance payment but shall potentially receive his contractual remuneration for a period of more than two years following his departure from the Board of Management. It is not clear to us whether this recommendation refers only to severance payments or also to payments to a retired member of the Board of Management due to a continuing contract of service. As a precautionary measure, we are therefore continuing to declare a deviation from Recommendation G.13 sentence 1 in this respect."

The current declaration of conformity and previous declarations of conformity are also published on our website shown hereafter.

Our listed indirect subsidiaries Dr. Ing. h.c. F. Porsche AG and TRATON SE also issued a declaration of conformity with the German Corporate Governance Code. These can be accessed at the websites shown below.

The suggestions of the Code are complied with.

DECLARATION OF CONFORMITY OF VOLKSWAGEN AG
www.volkswagen-group.com/declaration

DECLARATION OF CONFORMITY BY DR. ING. H.C. F. PORSCHE AG
https://investorrelations.porsche.com/en/corporate-governance/

DECLARATION OF CONFORMITY OF TRATON SE
https://ir.traton.com/websites/traton/English/5000/corporate-governance.html

BOARD OF MANAGEMENT

The Volkswagen AG Board of Management has sole responsibility for managing the Company in the Company's best interests, in accordance with the Articles of Association and the rules of procedure for the Board of Management issued by the Supervisory Board.

Accordingly, responsibilities in the Board of Management are currently divided among ten Board functions. In addition to the "Chair of the Board of Management" function, the other Board functions have been "Technology", "Finance and Operations" (formerly "Finance"), "Human Resources and Trucks brand group" (formerly "Human Resources and Truck & Bus"), "Integrity and Legal Affairs", "Progressive brand group" (formerly "Premium"), "Sport Luxury brand group" (formerly "Sport & Luxury"), "China", "IT" and "Core brand group" (formerly "Volume"). The Chair of the Board of Management is also responsible for the "Sport Luxury brand group" Board function.

Directly attached to the Board are a number of Group Management functions that act as an extension to the Board functions. These comprise the Group Sales, Group Production, Group Procurement and Group Research and Development functions.

Further information on the composition of the Board of Management can be found in the "Members of the Board of Management" section.

Working procedures of the Board of Management

In accordance with Article 6 of the Articles of Association, Volkswagen AG's Board of Management consists of at least three people, with the precise number determined by the Supervisory Board. As of December 31, 2023, there were nine members of the Board of Management.

The Board of Management generally meets weekly. Its rules of procedure require it to meet at least twice a month. Meetings of the Board of Management are convened by the Chair of the Board of Management. The Chair is required to convene a meeting if requested by any member of the Board of Management. The Chair of the Board of Management chairs the Board of Management meetings. The full Board of Management decides on all matters unless they have been assigned to a single member of the Board of Management by the rules of procedure for the Board of Management or by a resolution of the Board of Management, on matters assigned to the full Board of Management by law or by the Articles of Association, and in accordance with the rules of procedure for the Board of Management on matters of general or fundamental importance. The Board of Management takes decisions after prior debate or – if no other Board of Management member objects – using the written circulation procedure. Resolutions of the Board of Management are adopted by a majority vote. In the event of a tie, the Chair of the Board of Management casts the deciding vote. The Board of Management is quorate if at least half of the members of the Board of Management participate in passing the resolution. Absent members of the Board of Management may participate in passing the resolution orally, in writing or via customary communications media (e.g. by e-mail). Details of the responsibilities of the full Board of Management and of meetings and resolutions of the Board of Management are governed by the rules of procedure for the Board of Management issued by the Supervisory Board and published on Volkswagen AG's website at www.volkswagen-group.com/en/corporate-governance.

Each Board of Management member manages their area of responsibility independently, without prejudice to the collective responsibility of the Board of Management. All Board of Management members must inform each other of events within their remit.

All members of the Board of Management must immediately disclose conflicts of interest to the Chairman of the Supervisory Board and the Chair of the Board of Management and inform the other members of the Board of Management accordingly.

The Volkswagen Group companies are managed solely by their respective managements. The management of each individual company takes into account not only the interest of its own company but also the interests of the Group, the relevant brand group and the individual brands in accordance with the framework laid down by law.

Board of Management committees

Board of Management committees exist at Group level on the following areas: products, technologies, investments, digital transformation, integrity and compliance, risk management, human resources and management issues. Alongside the responsible members of the Board of Management, the relevant central departments and the relevant functions of the divisions are represented on the committees.

Cooperation with the Supervisory Board

The Supervisory Board of Volkswagen AG advises and monitors the Board of Management with regard to the management of the Company. Through the requirement for the Supervisory Board to provide consent, it is directly involved, especially in decisions of fundamental importance to the Company. In addition, the Supervisory Board and the Board of Management regularly discuss factors affecting the strategic orientation of the Volkswagen Group, including the sustainability strategy. The two bodies jointly assess, at regular intervals, the progress made in implementing the corporate strategy. The Board of Management reports to the Supervisory Board regularly, promptly and comprehensively in both written and oral form on all issues of relevance for the Company particularly with regard to strategy, planning, the development of the business, the risk situation, risk management and compliance.

The Chair of the Board of Management is responsible for dealings with the Supervisory Board. The Chair is in regular contact with the Chair of the Supervisory Board and reports to him on all matters of particular significance without delay.

The Supervisory Board has set out the Board of Management's obligations to provide detailed information and reports in a comprehensive information policy; the information policy has been published as Annex II to the rules of procedure for the Board of Management on Volkswagen AG's website at www.volkswagen-group.com/en/corporate-governance. The Board of Management must report conscientiously and faithfully to the Supervisory Board or its committees. With the exception of the immediate reports from the Chair of the Board of Management to the Chair of the Supervisory Board on matters of particular importance, the Board of Management is required to report to the Supervisory Board in writing as a rule.

The documents required for decision-making purposes must be provided to the Supervisory Board members in good time in advance of the meeting. Further statements about the information provided to the Supervisory Board by the Board of Management can be found in the Report of the Supervisory Board.

Related party transactions

The Audit Committee agreed on a suitable procedure with the Board of Management for ongoing monitoring of the Volkswagen Group's related party transactions. As part of this procedure, the Board of Management ensures that related party transactions are generally at arm's length using the best-price principle. In addition, all transactions with the individual related parties are analyzed to determine whether they exceed the threshold of 1.5% of the Volkswagen Group's total fixed and current assets, above which obligations under the rules on related party transactions apply (RPT threshold). In addition, Procurement reports all transactions in which the volume of the contract exceeds the amount of €1 billion; in such cases, it is then checked separately whether the contractual partner is a related party within the meaning of the rules on related party transactions.

The Audit Committee continuously monitors the actions of the Board of Management. To this end, the Audit Committee regularly engages the auditor, most recently for fiscal year 2023, to conduct spot checks of the related parties with whom Volkswagen AG or other Volkswagen Group companies conduct transactions with a total financial value in the fiscal year exceeding the RPT threshold. If and to the extent that the economic value of the related party transactions exceeds the RPT threshold, these transactions are also checked to establish whether they were conducted at arm's length in accordance with proper business practice.

If a transaction between Volkswagen AG and a related party exceeds the RPT threshold, the Supervisory Board's approval is generally required except where exceptional circumstances exist in accordance with section 111a(2) or (3) of the AktG. Insofar as the Supervisory Board's approval is required, the Supervisory Board of Volkswagen AG generally decides as a full Board. There are no plans to form a committee that decides on the approval of related party transactions; however, the Supervisory Board reserves the right to establish such a committee if required in individual cases in accordance with the provisions of the German Stock Corporation Act. Supervisory Board members who are involved in the transaction as related parties or whose relationship with the related party leads to concerns of a conflict of interest do not participate in decisions on the approval of related party transactions.

The rules of procedure for the Board of Management of Volkswagen AG stipulate that transactions between Volkswagen AG and a related party that is also a direct or indirect shareholder of Volkswagen AG and holds at least 5% of the share capital are generally subject to the approval of the Supervisory Board even if the RPT threshold is not exceeded. The Executive Committee decides on such approval.

Diversity concept and succession planning for the Board of Management

The Supervisory Board has laid down the following diversity concept for the composition of the Board of Management (section 289f(2) no. 6 HGB):

The Supervisory Board must also take diversity into account when considering who would be the best persons to appoint to the Board of Management as a body. The Supervisory Board understands diversity, as an assessment criterion, to mean in particular different yet complementary specialist profiles and professional and general experience, also in the international domain, with both genders being appropriately represented. The Supervisory Board will also take the following aspects into account in this regard, in particular:

- Members of the Board of Management should have many years of management experience.
- Members of the Board of Management should, if possible, have experience based on different training and professional backgrounds.
- The Board of Management as a whole should have technical expertise, especially knowledge of and experience in the manufacture and sale of vehicles and engines of any kind as well as other technical products, and experience in the international domain.
- The Board of Management as a whole should have many years of experience in research and development, production, sales, finance and human resources management, as well as law and compliance.

- Efforts are made to achieve a higher proportion of women than the statutory minimum.
- The Board of Management should also have a sufficient mix of ages.

The aim of the diversity concept is for the Board of Management members to embody a range of expertise and perspectives. This diversity promotes a good understanding of Volkswagen AG's organizational and business affairs. Particularly, it enables the members of the Board of Management to be open to new ideas by avoiding groupthink. In this way, it contributes to the successful management of the Company. With regard to the participation of women and men on the Board of Management, a mandatory participation requirement applies to Volkswagen AG.

In deciding who should be appointed to a specific Board of Management position, the Supervisory Board takes into account the interests of the Company and all the circumstances of the specific case. In taking this decision and in long-term succession planning, the Supervisory Board orients itself on the diversity concept. The Supervisory Board is of the view that the diversity concept is essentially reflected by the current composition of the Board of Management. The members of the Board of Management have many years of professional experience, particularly in an international context, and cover a broad spectrum of educational and professional backgrounds. The Board of Management collectively has excellent technical expertise and many years of collective experience in research and development, production, sales, finance and human resources management, as well as law and compliance. In addition, the Board of Management has a sufficient mix of ages that corresponds to the requirements set by the Supervisory Board in the diversity concept. The gender balance meets the legal requirements (see also section "Disclosures required by the *Führungspositionen-Gesetz*" (FüPoG - Act on Equal Participation of Women and Men in Leadership positions)).

Long-term succession planning within the meaning of Recommendation B.2 of the Code is achieved through regular discussions between the Chair of the Board of Management and the Chair of the Supervisory Board as well as regular discussions in the Executive Committee. The contract terms for existing Board of Management members are discussed, along with potential extensions and potential successors. In particular, the discussions look at what knowledge, experience and professional and personal competencies should be represented on the Board of Management with regard to the corporate strategy and current challenges, and to what extent the current composition of the Board of Management already reflects this. Long-term succession planning is based on the corporate strategy and corporate culture and takes into account the diversity concept determined by the Supervisory Board. In the rules of procedure for the Supervisory Board, the Supervisory Board specified the following age limit for members of the Board of Management in accordance with Recommendation B.5 of the Code: as a rule, members of the Board of Management should be appointed for a term of office ending no later than their 65th birthday. Board of Management members may be appointed to serve beyond their 65th birthday until no later than their 68th birthday, provided this is agreed by a two-thirds majority of the Supervisory Board.

SUPERVISORY BOARD

The Volkswagen AG Supervisory Board performs its role through its members working together. It advises and monitors the Board of Management with regard to the management of the Company and, through the requirement for the Supervisory Board to provide consent, is directly involved in certain decisions of fundamental importance to the Company.

Information on the composition of the Supervisory Board and the Supervisory Board committees and their chairs as well as on the terms of office of the individual Supervisory Board members can be found in the "Members of the Supervisory Board and Composition of the Committees" section. Further information on the work of the Supervisory Board can be found in the Report of the Supervisory Board.

Overview

The Supervisory Board of Volkswagen AG consists of 20 members, half of whom are shareholder representatives. In accordance with Article 11(1) of the Articles of Association of Volkswagen AG, the State of Lower Saxony is entitled to appoint two of these shareholder representatives for as long as it directly or indirectly holds at least 15% of the Company's ordinary shares. The remaining shareholder representatives on the Supervisory Board are elected by the Annual General Meeting.

The other half of the Supervisory Board consists of employee representatives who are elected by the employees in accordance with the *Mitbestimmungsgesetz* (MitbestG – German Codetermination Act). A total of seven of these employee representatives are Company employees elected by the workforce; the other three employee representatives are trade union representatives elected by the workforce.

The Chair of the Supervisory Board is generally a shareholder representative, and the Deputy Chair is generally an employee representative. Both are elected by the other members of the Supervisory Board.

The business of the Supervisory Board is managed by a dedicated office of the Supervisory Board Chair. The Chair of the Supervisory Board ensures the independence of the office of the Supervisory Board Chair and its staff and exercises the right to appoint and supervise staff in consultation with the responsible Board of Management members.

The Supervisory Board appoints the Board of Management members and, on the basis of the Executive Committee's recommendations, decides on a clear and comprehensible system of remuneration for the Board of Management members. It presents this system to the Annual General Meeting for approval every time there is a material change, but at least once every four years.

Each member of the Supervisory Board of Volkswagen AG is obliged to act in the Company's best interests. Supervisory Board members are not permitted to delegate their responsibilities to others.

In accordance with the rules of procedure for the Supervisory Board, each Supervisory Board member is obliged to disclose any conflicts of interest to the Chair of the Supervisory Board without delay. In its report to the Annual General Meeting, the Supervisory Board informs the Annual General Meeting of any conflicts of interest that have arisen and how these were dealt with. Material and not merely temporary conflicts of interest on the part of a Supervisory Board member should result in a termination of the member's mandate.

The rules of procedure for the Supervisory Board stipulate that Supervisory Board members should not hold board or advisory positions at major competitors of Volkswagen AG or major competitors of a company dependent on Volkswagen AG and should not be in a personal relationship involving a major competitor.

Members of the Supervisory Board receive appropriate support from the Company upon induction as well as with respect to education and training. Education and training measures are outlined in the "Report of the Supervisory Board".

Working procedures of the Supervisory Board

As a rule, the Supervisory Board adopts its resolutions in meetings of all its members. It must hold at least two meetings in both the first and second halves of the calendar year. The precise number of meetings and the main topics discussed are outlined in the "Report of the Supervisory Board".

The Chair of the Supervisory Board coordinates the work within the Supervisory Board. He represents the interests of the Supervisory Board externally and represents the Company to the Board of Management on behalf of the whole Supervisory Board. Within reason, the Chair of the Supervisory Board discusses Supervisory Board-specific topics with investors and, in consultation with the Board of Management, may also discuss non-Supervisory Board-specific topics. More information on these discussions with investors is provided in the "Report of the Supervisory Board".

To underline the importance of environmental sustainability, social responsibility and good corporate governance, the Supervisory Board has appointed an ESG (environmental, social and governance) officer. This role is currently performed by Mr. Hans Dieter Pötsch.

The Supervisory Board meets regularly also without the Board of Management. Each Supervisory Board meeting generally ends in a debate. Board of Management members are not present during this part of the meeting. The Chair of the Supervisory Board convenes and chairs the Supervisory Board meetings. If the Chair is unable to do so, the Deputy Chair performs these tasks. If the auditor is called to a meeting of the Supervisory Board or one of its committees as an expert, members of the Board of Management do not attend such a meeting if the Supervisory Board or the committee does not deem their attendance necessary.

The Supervisory Board is only quorate if at least ten members participate in passing the resolution. The Chair of the Supervisory Board or of the relevant committee decides the form of the meeting and the voting procedure for the Supervisory Board and its committees. Should the Chair so decide in individual cases, meetings may also be held using telecommunications technology, or members may participate in meetings using this technology. The Chair may also decide that members can participate in the Supervisory Board's or its committees' decision making in writing, by telephone or in another, similar form. Supervisory Board resolutions require a majority of votes cast, unless legislative provisions or the Articles of Association stipulate otherwise. Resolutions on consent to establishing or relocating production sites require a two-thirds majority of the Supervisory Board members. If a vote results in a tie on this item, the vote is repeated. If this vote is also tied, the Chair of the Supervisory Board casts two votes. Minutes must be taken of each meeting of the Supervisory Board and its committees. Minutes of a meeting must record the time and location of the meeting, the participants, the items on the agenda, the material content of the discussions and the resolutions adopted.

In individual cases, the Supervisory Board and its committees may decide to call upon experts and other appropriate individuals to advise on individual matters.

Further details on tasks, meetings, resolutions and working procedures of the Supervisory Board are governed by the rules of procedure for the Supervisory Board issued by the Supervisory Board and published on Volkswagen AG's website at www.volkswagen-group.com/en/corporate-governance.

Supervisory Board committees

In order to discharge the duties entrusted to it, the Supervisory Board has established four committees: the Executive Committee, the Nomination Committee, the Mediation Committee established in accordance with section 27(3) of the *Mitbestimmungsgesetz* (MitbestG – German Codetermination Act) and the Audit Committee. The Executive Committee is currently comprised of four shareholder representatives and four employee representatives. The shareholder representatives on the Executive Committee make up the Nomination Committee. The Mediation Committee is comprised of two shareholder representatives and two employee representatives, and the Audit Committee is comprised of three shareholder representatives and three employee representatives.

Which tasks the Supervisory Board has generally transferred to the respective committees is described below. This does not rule out that the Supervisory Board will not transfer other tasks to committees in individual cases, where legally admissible.

At its meetings, the Executive Committee meticulously prepares the resolutions of the Supervisory Board, discusses the composition of the Board of Management and takes decisions on matters such as contractual issues concerning the Board of Management other than remuneration and consent to ancillary activities by members of the Board of Management. The Executive Committee also exercises the function of a "Remuneration Committee", preparing the Supervisory Board's decisions on questions about Board of Management remuneration. The Executive Committee supports and advises the Chair of the Supervisory Board. It works with the Chair of the Board of Management to ensure long-term succession planning for the Board of Management.

The Nomination Committee proposes suitable candidates for the Supervisory Board to recommend to the Annual General Meeting for election. Before presenting such proposals, it ensures that the candidates can commit the expected time to their role and identifies the personal and business relationships of the candidates to Volkswagen AG and its Group companies, to Volkswagen AG's corporate bodies and to shareholders who directly or indirectly hold more than 10% of the voting shares in Volkswagen AG. In its proposals to the Supervisory Board, the Nomination Committee also takes into account the requirement for the Supervisory Board to adhere, in its proposals to the Annual General Meeting, to the specific targets it has set for the composition of the Supervisory Board and to the profile of skills and expertise it has decided on for the Board as a whole; in so doing, the Nomination Committee also particularly makes sure that there are no gaps in the Board's skills and expertise as a whole (Skill Gaps Assessment). The Nomination Committee furthermore takes into account the diversity concept for the composition of the Supervisory Board.

The Mediation Committee has the task of submitting proposals to the Supervisory Board for an appointment or revocation of appointment of Board of Management members if there is no majority for the relevant measure on the Supervisory Board in the first vote. The majority involves at least two-thirds of all Supervisory Board members.

Among other things, the Audit Committee discusses the auditing of financial reporting, including the annual and consolidated financial statements, the group management report and the separate nonfinancial statement, including the sustainability report. In addition, the Audit Committee concerns itself with supervising the financial reporting process, the audit of the financial statements, in particular the selection and independence of the auditor, the quality of the audit, and any additional services provided by the auditor. Moreover, the Audit Committee concerns itself with compliance, the appropriateness and effectiveness of the risk management system and internal control system, including the compliance management system and the internal audit system; it also concerns itself with internal processes within the meaning of section 111a (2) of the AktG for regularly assessing whether related party transactions were conducted in the ordinary course of business and at arm's length. In addition, the Audit Committee particularly concerns itself with the Volkswagen Group's quarterly financial reports and half-yearly financial report.

Further details on tasks, meetings, resolutions and working procedures of the Supervisory Board committees are governed by the rules of procedure issued by the Supervisory Board for the respective Supervisory Board committees and published on Volkswagen AG's website at www.volkswagen-group.com/en/corporate-governance.

Objectives for the composition of the Supervisory Board, profile of skills and expertise and diversity concept

In view of the Company's specific situation, its purpose, its size and the extent of its international activities, the Supervisory Board of Volkswagen AG strives to achieve a composition that takes the Company's ownership structure and the following aspects into account:

> At least three members of the Supervisory Board should be persons who embody the criterion of internationality to a particularly high degree.
> In addition, at least four of the shareholder representatives should be persons who, in line with the criteria of Recommendations C.7 to C.9 of the Code, are independent within the meaning of Recommendation C.6 of the Code.
> At least three of the seats on the Supervisory Board should be held by people who make a special contribution to the diversity of the Board.
> Proposals for election should not normally include persons who have reached the age of 75 on the date of the election.

The Supervisory Board is of the view that the above criteria have been met. Numerous members of the Supervisory Board embody the criterion of internationality to a particularly high degree; various nationalities are represented on the Supervisory Board and numerous members have international professional experience. Several members of the Supervisory Board contribute to the Board's diversity to a particularly high degree, especially Ms. Hessa Sultan Al Jaber, Ms. Daniela Cavallo, Ms. Julia Willie Hamburg, Ms. Marianne Heiß, Mr. Mansoor Ebrahim Al-Mahmoud and Mr. Matías Carnero Sojo. The Supervisory Board comprises members of various generations. Independent Supervisory Board members within the meaning of Recommendation C.6 of the Code currently comprise at least the following: Ms. Hessa Sultan Al Jaber, Ms. Julia Willie Hamburg, Mr. Mansoor Ebrahim Al-Mahmoud and Mr. Stephan Weil.

With regard to the shareholder representatives' independence from the Company and its Board of Management, the shareholder representatives have come to the following assessment in accordance with C.7, 8 of the Code:

Supervisory Board members Mr. Hans Michel Piëch, Mr. Ferdinand Oliver Porsche and Mr. Wolfgang Porsche have been members of the Supervisory Board for more than 12 years and therefore fulfill one of the indicators set out in C.7 of the Code regarding a lack of independence from the Company and its Board of Management. However, considering all the circumstances of the case in hand, the shareholder representatives are of the opinion that the aforementioned Supervisory Board members are nevertheless independent from the Company and its Board of Management. This opinion is based in particular on the following reasons:

> Mr. Hans Michel Piëch, Mr. Ferdinand Oliver Porsche and Mr. Wolfgang Porsche, together with other family shareholders, are indirectly controlling shareholders of Porsche Automobil Holding SE, which is the largest single shareholder of Volkswagen AG. The management by the Board of Management of Volkswagen AG therefore economically affects the personal assets of Mr. Hans Michel Piëch, Mr. Ferdinand Oliver Porsche and Mr. Wolfgang Porsche.

- The composition of the Board of Management has changed fundamentally several times during the tenure of Mr. Hans Michel Piëch, Mr. Ferdinand Oliver Porsche and Mr. Wolfgang Porsche. The incumbent Board of Management members have been in office for a maximum of just under six years. There are therefore no indications that Mr. Hans Michel Piëch, Mr. Ferdinand Oliver Porsche and Mr. Wolfgang Porsche would stop behaving in an impartial manner towards incumbent members of the Board of Management as a result of a long period of collaboration. There is also no other evidence of "tunnel vision" on the part of Mr. Hans Michel Piëch, Mr. Ferdinand Oliver Porsche and Mr. Wolfgang Porsche.
- Mr. Hans Michel Piëch, Mr. Ferdinand Oliver Porsche and Mr. Wolfgang Porsche are not financially dependent on their remuneration as members of the Supervisory Board.

Aside from their Supervisory Board appointments, Mr. Hans Michel Piëch, Mr. Ferdinand Oliver Porsche and Mr. Wolfgang Porsche have no personal relationship with the Company or the Board of Management that could give rise to a material and not merely temporary conflict of interest. The Supervisory Board work of Mr. Hans Michel Piëch, Mr. Ferdinand Oliver Porsche and Mr. Wolfgang Porsche of previous years has also not given rise to any conflicts of interest.

The Supervisory Board member Mr. Hans Dieter Pötsch moved directly from the Board of Management to the Supervisory Board upon his appointment by the court in autumn 2015. This move was less than two years prior to his election as a Supervisory Board member by the subsequent Annual General Meeting in 2016, meaning that one of the indicators of a lack of independence from the Company and Board of Management, set out in C.7 of the Code, applies to Mr. Pötsch. It also cannot be ruled out that Mr. Pötsch still fulfills this requirement. However, considering all the circumstances of the case in hand, the shareholder representatives are of the opinion that Mr. Pötsch is nevertheless independent from the Company and its Board of Management: it is now more than eight years since Mr. Pötsch's move from the Board of Management to the Supervisory Board. Mr. Pötsch has already been elected as a member of the Supervisory Board for a second time by the Annual General Meeting in July 2021. Since his transfer from the Board of Management to the Supervisory Board in October 2015, the composition of the Board of Management has also completely changed.

In addition, the Supervisory Board adopted the following profile of skills and expertise for the full Board: to properly perform its supervisory and advisory duties, the Supervisory Board as a whole must collectively have the required expertise, i.e. knowledge, skills and professional experience. For this, the members of the Supervisory Board must collectively be familiar with the sector in which the Company operates – i.e. the automotive industry – and be able to assess the business conducted by the Company. In addition, the Supervisory Board members as a whole must collectively have expertise relating to sustainability issues relevant to the Company.

The key skills and expertise that the Supervisory Board must have collectively as a whole are, in particular, knowledge, skills and professional experience

- in the manufacture and sale of all types of vehicles and engines or other technical products (vehicles – manufacture/sale)
- in the automotive industry and its transformation, particularly with regard to the topics of e-mobility and mobility services, the business model and the markets, customer needs and product expertise (automotive industry)
- in the field of research and development, particularly of technologies with relevance for the Company (research/development)
- in the fields of digitalization and digital transformation, software, artificial intelligence, automation, information technology and security (digitalization/IT)
- in management positions and supervisory bodies of companies, including holding companies and start-ups, or large organizations (management/supervision)
- in the fields of law and compliance (law/compliance)
- in the field of sustainability, particularly with regard to environmental, social and governance aspects (ESG), e.g. in resources, supply chains, energy supply, corporate social responsibility, sustainable technologies and corresponding business models (sustainability/ESG)

- in finance, accounting and auditing, above all special knowledge and experience of the application of accounting principles and internal control and risk management systems, sustainability reporting, the audit of financial statements and the audit and assurance of sustainability reporting (financial experts) (finance/accounting/auditing)
- in human resources (particularly the search for and selection of members of the Board of Management and the succession process) and knowledge of incentive and remuneration systems for the Board of Management (human resources)
- in codetermination, employee matters and the working environment in the Company (employee matters).

The Supervisory Board has also specified the following diversity concept for its composition:
- The Supervisory Board must be comprised such that its members collectively have the knowledge, skills, and professional experience needed to properly perform their duties.
- It has therefore set targets for its composition that also take into account the recommendations of the German Corporate Governance Code. The targets set by the Supervisory Board for its composition also describe the concept through which the Supervisory Board as a whole strives to achieve a diverse composition (diversity concept in accordance with section 289f(2) no. 6 of the HGB). Attention should also be generally paid to diversity when seeking qualified individuals to best strengthen the specialist and managerial expertise of the Supervisory Board as a whole in line with these targets. In preparing proposals for appointments to the Supervisory Board, it should be considered in each case how the work of the Supervisory Board will benefit from a diversity of expertise and perspectives among its members, from professional profiles, professional and general experience that complement one another (including in the international domain) and from an appropriate gender balance. A wide range of experience and specialist knowledge should be represented on the Supervisory Board. In addition, the Supervisory Board should collectively have an extensive range of opinions and knowledge in order to develop a good understanding of the status quo and the longer-term opportunities and risks in connection with the Company's business activities.
- In proposing candidates to the Annual General Meeting for the election of shareholder representatives to the Supervisory Board, the Supervisory Board should take its diversity concept into account in such a way that the corresponding election of these candidates by the Annual General Meeting would contribute to the implementation of this concept. However, the Annual General Meeting is not obliged to accept the candidates nominated.
- The aim of the diversity concept is for the Supervisory Board members to embody a range of expertise and perspectives. This diversity promotes a good understanding of Volkswagen AG's organizational and business affairs. It also enables the Supervisory Board members to challenge the Board of Management's decisions constructively and to be open to new ideas by avoiding groupthink. In this way, it contributes to the effective supervision of the management.

The Supervisory Board and Nomination Committee, in particular, are called upon to implement the profile of skills and expertise and the diversity concept within the context of their candidate proposals to the Annual General Meeting. The Supervisory Board also recommends to employee representatives and unions (which have the right to submit proposals in employee representative elections) and the State of Lower Saxony (which has a right to appoint Supervisory Board members) that the diversity concept, composition targets and profile of skills and expertise should be taken into account. The same applies to individuals entitled to make proposals should a court-appointed replacement be necessary.

The current composition of the Supervisory Board implements both the diversity concept and the profile of skills and expertise. The qualification matrix below shows the extent to which the profile of skills and expertise has been implemented, and indicates which Supervisory Board member has which skills and expertise.

QUALIFICATION MATRIX[1]

	Vehicles – manufacture/ sale	Automotive industry	Research/ development	Digitalization/ IT	Management/ supervision	Law/ compliance	Sustainability/ ESG	Finance/ accounting/ auditing	Human resources	Employee matters
Hessa Sultan Al Jaber	x	x	x	x	x	x		x		
Mansoor Ebrahim Al-Mahmoud		x			x		x	x	x	
Rita Beck	x	x			x				x	x
Harald Buck	x	x			x			x	x	x
Matías Carnero Sojo	x	x			x	x			x	x
Daniela Cavallo		x			x	x	x	x	x	x
Julia Willie Hamburg					x		x			
Marianne Heiß	x	x		x	x	x	x	x	x	
Jörg Hofmann		x			x		x		x	x
Arno Homburg	x	x	x		x	x	x		x	x
Günther Horvath		x			x	x			x	
Daniela Nowak	x	x								x
Hans Michel Piëch	x	x			x	x			x	
Hans Dieter Pötsch	x	x			x	x	x	x	x	
Ferdinand Oliver Porsche	x	x			x	x		x	x	
Wolfgang Porsche	x	x			x	x			x	
Gerardo Scarpino	x	x			x			x		x
Karina Schnur	x	x			x		x	x	x	x
Conny Schönhardt	x	x			x	x		x		x
Stephan Weil		x			x	x	x		x	

1 The skills, knowledge and professional experience associated with the respective key words can be found in the profile of skills. A skill can be attributed to a Supervisory Board member even if they have expertise in just one subsection of the skill, i.e. for skill in vehicles, for example, either in the area of manufacture or in sales. The allocation of competencies is based on a self-assessment by the respective Supervisory Board member.

In addition, several Supervisory Board members, including Mr. Mansoor Al-Mahmoud, Ms. Marianne Heiß, Mr. Ferdinand Oliver Porsche and Mr. Hans Dieter Pötsch, have expertise in both financial reporting, including sustainability reporting, and auditing, including the audit and assurance of sustainability reporting.

As the long-standing CEO of the Qatar Investment Authority and its former Head of Risk Management, and from his management roles at a bank and stock exchange, Mr. Al-Mahmoud has gained particular knowledge and experience in the application of accounting principles and internal control and risk management systems as well as in the field of auditing. This knowledge and experience also relate to sustainability reporting and the auditing and assurance thereof: at the Qatar Investment Authority, Mr. Al-Mahmoud has reoriented the investment strategy toward investments with ESG goals and implemented a sustainability agenda, which was also included in the Qatar Investment Authority's sustainability reporting. Mr. Al-Mahmoud therefore also studies companies' sustainability reports in detail with a view to whether they fit the Qatar Investment Authority's sustainability strategy.

Ms. Heiß worked as a CFO for a long time and, prior to that, worked for audit and tax consulting firms for several years; Mr. Ferdinand Oliver Porsche is a long-standing member of audit committees and worked for an audit firm for several years; Mr. Pötsch is a long-standing member and chair of audit committees and worked for many years as CFO of Volkswagen AG and previously as Head of Controlling at BMW AG. As part of their long-standing work in audit committees, Ms. Heiß, Mr. Ferdinand Oliver Porsche and Mr. Pötsch have also been involved in the auditing and assurance of nonfinancial statements, which relate to sustainability in the form of important environmental and social issues. Ms. Heiß was also involved in sustainability reporting and the auditing and assurance thereof as part of her former activities at BBDO Group Germany GmbH, and Mr. Pötsch as part of his activities at Porsche Automobil Holding SE. Ms. Heiß is also an ESG expert on the Supervisory Board of Porsche Automobil Holding SE. Ms. Heiß, Mr. Al-Mahmoud, Mr. Pötsch and Mr. Ferdinand Oliver Porsche track and monitor the latest developments in the area of sustainability reporting and the auditing and assurance thereof and contribute their expertise to Volkswagen AG's Audit Committee.

Further details on the expertise of the Supervisory Board members can be found in their curricula vitae. The curricula vitae of the members of the Supervisory Board, which are updated annually, are available online at www.volkswagen-group.com/executive-bodies.

The Nomination Committee and Supervisory Board also took into account the diversity concept, specific composition targets and profile of skills and expertise (in their latest valid versions) in its proposals to the Annual General Meeting in fiscal year 2023 for the election of three Supervisory Board members. The composition targets, diversity concept and profile of skills and expertise were also taken into account in the court appointment of two new Supervisory Board members as employee representatives in fiscal year 2023.

Self-evaluation of the Supervisory Board

On a regular basis every two years, the Supervisory Board internally evaluates how effectively the Board and its committees are performing their tasks. This initially involves distributing a questionnaire to all Supervisory Board members, in which they are able to give their view of the effectiveness of the work of the Supervisory Board and its committees, the exchange of information with the Board of Management, and the depth and quality of the presentations to and discussions in the Supervisory Board and may suggest possible improvements. In particular, the members of the Supervisory Board are also asked to make comparative observations with comparable boards of other companies on which they also serve and, drawing on these, to make specific suggestions for improvement as required. Following analysis of the questionnaires, the findings and potential improvements are usually discussed at the next regular meeting of the full Board. Measures to improve the work of the Supervisory Board are continuously developed and implemented on the basis of the findings. The Supervisory Board members assess whether the measures have achieved the targeted improvements at the latest in the next self-evaluation. The most recent internal self-evaluation took place from late 2023 to early 2024.

DISCLOSURES REQUIRED BY THE FÜHRUNGSPOSITIONEN-GESETZ

The statutory quota of at least 30% women and at least 30% men has applied to new appointments to the Supervisory Board of Volkswagen AG since January 1, 2016 as required by the *Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst* (*Führungspositionen-Gesetz*, FüPoG – German Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors). Shareholder and employee representatives have resolved that each side will meet this quota separately. The shareholder representatives have met the quota of at least 30% women and at least 30% men since the end of the 56th Annual General Meeting on June 22, 2016. The employee representatives have met the quota since the end of the 57th Annual General Meeting on May 10, 2017. Both the shareholder and the employee representatives also fulfilled the quota on December 31, 2023.

In line with the *Gesetz zur Ergänzung und Änderung der Regelungen für die gleichberechtigte Teilhabe von Frauen an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst* (*Führungspositionen-Gesetz II*, FüPoG II – Second Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector), Volkswagen AG is subject to a mandatory participation requirement under which the Board of Management must have at least one woman and at least one man. The participation requirement has applied to the appointment of one or more members of the Board of Management since August 1, 2022. Volkswagen AG complies with this participation requirement.

For the proportion of women in management in accordance with the *Führungspositionen-Gesetz,* Volkswagen AG has set itself the target of 16.5% women in the first level of management and 23.4% women in the second level of management, each as a proportion of the active workforce, to be achieved by the end of 2025. As of December 31, 2023, the proportion of women in the active workforce at the first level of management was 15.3 (14.2)% and at the second level of management it was 21.5 (19.7)%.

REMUNERATION REPORT

The remuneration systems for the members of the Board of Management and Supervisory Board and the Remuneration Report for fiscal year 2023 are available on the website www.volkswagen-group.com/remuneration. Previous years' remuneration reports can also be found at this address. The remuneration reports contain both extensive explanations and descriptions of the remuneration systems for the members of the Board of Management and Supervisory Board as well as information on and explanations of the individual remuneration of members of the Board of Management and Supervisory Board.

CORPORATE PRACTICES APPLIED IN ADDITION TO STATUTORY REQUIREMENTS

Code of Conduct and Volkswagen Group Essentials

The Volkswagen Group's Code of Conduct is the key instrument for reinforcing employees' awareness of responsible action and decision making. The Group's underlying values and the foundation for its shared corporate culture are defined by the seven Volkswagen Group Essentials: responsibility, honesty, bravery, diversity, pride, solidarity and reliability.

Ethics, compliance and risk management

To foster trust in our Company as well as our products, services and innovations, it is essential that we act honestly and with integrity at all times. In all lines of work and all functions we therefore invariably make decisions that are in line with our corporate values, applicable national and international legislation, regulations and in-house voluntary commitments. This includes the following areas:

> Integrity and compliance
  Adherence to statutory provisions, internal company policies, ethical principles and our own values in order to protect the Company and its brands.

> Whistleblower System
  The whistleblower system is the central point of contact for reporting cases of rule-breaking by Group employees or by direct and indirect suppliers. This includes white collar crimes, acts of corruption, tax offenses, environmental offenses, human rights violations, infringements of antitrust and competition legislation, money laundering and terrorism financing, breaches of product safety and licensing regulations, and serious breaches of data protection.

> Business and human rights
  Volkswagen fully recognizes key international conventions and declarations, particularly the International Bill of Human Rights and the Fundamental Conventions of the International Labour Organization (ILO). We align our business activities with the United Nations Guiding Principles on Business and Human Rights (UN Global Compact), which represent crucial pillars for our actions.

> Anti-Corruption
  The Volkswagen Group has a zero-tolerance policy on active or passive corruption. This is anchored in both the Group's internal Code of Conduct and its Code of Conduct for Business Partners.

> Risk management and internal control system
  A comprehensive risk management and internal control system (RMS/ICS) helps the Volkswagen Group deal with risks in a responsible manner. The organizational design of the Volkswagen Group's RMS/ICS is based on the internationally recognized COSO framework for enterprise risk management (COSO: Committee of Sponsoring Organizations of the Treadway Commission) and can be accessed on the COSO website. Uniform Group principles are used as the basis for managing risks in a transparent and appropriate manner.

Voluntary commitments and principles

The Volkswagen Group has committed itself to sustainable, transparent and responsible corporate governance.

We align our activities with the principles, recommendations and suggestions of the German Corporate Governance Code. We coordinate our sustainability activities across the entire Group and have put in place a forward-looking system of risk management and a clear framework for dealing with environmental issues in a future-oriented manner, for employee responsibility and for social commitment across our brands and in the regions in which we operate.

Voluntary commitments and principles that apply across the Group are the basis and backbone of our sustainability management. These documents are publicly accessible on the Volkswagen Group's website in the section entitled "Sustainability."

MEMBERS OF THE BOARD OF MANAGEMENT

(appointments: as of December 31, 2023 or the date of departure from the Board of Management of Volkswagen AG)

DR. OLIVER BLUME (*1968)
Chair (since September 1, 2022),
Sport Luxury brand group,
Chair of the Executive Board of
Dr. Ing. h.c. F. Porsche AG,
April 13, 2018[1], appointed until 2028
Nationality: German
Appointments:
- ○ CARIAD SE, Wolfsburg (Chair)[3]

DR. ARNO ANTLITZ (*1970)
Finance and Operations,
April 1, 2021[1], appointed until 2027
Nationality: German
Appointments:
- ○ Dr. Ing. h.c. F. Porsche AG, Stuttgart[3, 4]
- ○ PowerCo SE, Salzgitter[3]
- ○ Volkswagen Financial Services AG, Braunschweig (Chair)[3]
- ○ Volkswagen Financial Services Europe AG, Braunschweig (Chair)[3]
- ⊙ Porsche Austria GmbH, Salzburg (Deputy Chair)[3]
- ⊙ Porsche Holding Gesellschaft m.b.H., Salzburg (Deputy Chair)[3]
- ⊙ Porsche Retail GmbH, Salzburg (Deputy Chair)[3]
- ⊙ Volkswagen (China) Investment Co., Ltd., Beijing[3]
- ⊙ Volkswagen Group of America, Inc., Herndon, VA (Chair)[3]

RALF BRANDSTÄTTER (*1968)
China,
Chair of the Board of Management (CEO)
of Volkswagen (China) Investment Co., Ltd.
January 1, 2022[1], appointed until 2026
Nationality: German
Appointments:
- ○ CARIAD SE, Wolfsburg[3]
- ⊙ Audi (China) Enterprise Management Co., Ltd., Beijing[3]
- ⊙ FAW-Volkswagen Automotive Co., Ltd., Changchun (Deputy Chair)[2]
- ⊙ Mobility Asia Smart Technology Co., Ltd., Beijing[3]
- ⊙ SAIC Volkswagen Automotive Co., Ltd., Shanghai (Deputy Chair)[2]
- ⊙ Volkswagen (Anhui) Automotive Co., Ltd., Hefei (Chair)[3]
- ⊙ Volkswagen Group (China) Technology Company, Ltd., Hefei (Chair)[3]

DR. GERNOT DÖLLNER (*1969)
Progressive brand group,
Chair of the Board of Management of AUDI AG
(since September 1, 2023)
September 1, 2023[1], appointed until 2026
Nationality: German
Appointments:
- ○ FC Bayern München AG, Munich (Deputy Chair)[2]
- ⊙ Audi (China) Enterprise Management Co., Ltd., Beijing (Chair)[3]
- ⊙ Automobili Lamborghini S.p.A., Sant´Agata Bolognese (Chair)[3]
- ⊙ Bentley Motors Ltd., Crewe[3]
- ⊙ Ducati Motor Holding S.p.A., Bologna (Chair)[3]
- ⊙ FAW-Volkswagen Automotive Co., Ltd., Changchun[2]
- ⊙ SAIC Volkswagen Automotive Co., Ltd., Shanghai[2]
- ⊙ Volkswagen (China) Investment Co., Ltd., Beijing[3]

DR. JUR. MANFRED DÖSS (*1958)
Integrity and Legal Affairs
February 1, 2022[1], appointed until 2028
Nationality: German
Appointments:
- ○ AUDI AG, Ingolstadt (Chair)[3]
- ○ TRATON SE, Munich[3, 4]
- ⊙ Grizzlys Wolfsburg GmbH, Wolfsburg[2]

○ Membership of statutory supervisory boards in Germany.
⊙ Comparable appointments in Germany and abroad.

1 Beginning or period of membership in the Board of Management.
2 Appointment outside the Group.
3 Appointment within the Group.
4 Listed company.

MARKUS DUESMANN (*1969)

Progressive brand group,
Chair of the Board of Management of AUDI AG
(until August 31, 2023)
April 1, 2020 – August 31, 2023[1]
Nationality: German

Appointments (as of August 31, 2023):

○ FC Bayern München AG, Munich (Deputy Chair)[2]
⊙ Audi (China) Enterprise Management Co., Ltd., Beijing (Chair)[3]
⊙ Automobili Lamborghini S.p.A., Sant´Agata Bolognese (Chair)[3]
⊙ Bentley Motors Ltd., Crewe[3]
⊙ Ducati Motor Holding S.p.A., Bologna (Chair)[3]
⊙ FAW-Volkswagen Automotive Co., Ltd., Changchun[2]
⊙ SAIC Volkswagen Automotive Co., Ltd., Shanghai[2]
⊙ Volkswagen (China) Investment Co., Ltd., Beijing[3]

GUNNAR KILIAN (*1975)

Human Resources and Trucks brand group
April 13, 2018[1], appointed until 2026
Nationality: German

Appointments:

○ AUDI AG, Ingolstadt[3]
○ MAN Energy Solutions SE, Augsburg (Chair)[3]
○ MAN Truck & Bus SE, Munich[3]
○ PowerCo SE, Salzgitter[3]
○ TRATON SE, Munich[3, 4]
○ Volkswagen Group Services GmbH, Wolfsburg (Chair)[3]
○ Wolfsburg AG, Wolfsburg (Deputy Chair)[2]
⊙ Autostadt GmbH, Wolfsburg (Chair)[3]
⊙ FAW-Volkswagen Automotive Co., Ltd., Changchun[2]
⊙ Scania AB, Södertälje[3]
⊙ Scania CV AB, Södertälje[3]
⊙ VfL Wolfsburg-Fußball GmbH, Wolfsburg[3]
⊙ Volkswagen Immobilien GmbH, Wolfsburg (Chair)[3]

THOMAS SCHÄFER (*1970)

Core brand group,
Chair of the Board of Management of the Volkswagen Passenger Cars brand,
July 1, 2022[1], appointed until 2025
Nationality: German

Appointments:

⊙ FAW-Volkswagen Automotive Co., Ltd., Changchun[2]
⊙ SAIC Volkswagen Automotive Co., Ltd., Shanghai[2]
⊙ SEAT, S.A., Martorell (Chair)[3]
⊙ Škoda Auto a.s., Mladá Boleslav (Chair)[3]
⊙ Volkswagen (China) Investment Co., Ltd., Beijing (Chair)[3]

THOMAS SCHMALL-VON WESTERHOLT (*1964)

Technology,
Chair of the Board of Management of Volkswagen Group Components,
January 1, 2021[1], appointed until 2028
Nationality: German, Brazilian

Appointments:

○ PowerCo SE, Salzgitter (Chair)[3]
⊙ Brose Sitech Sp. Z o.o., Polkowice[2]
⊙ Volkswagen Group (China) Technology Company, Ltd., Hefei[3]

HAUKE STARS (*1967)

IT
February 1, 2022[1], appointed until 2025
Nationality: German

Appointments:

○ AUDI AG, Ingolstadt[3]
○ CARIAD SE, Wolfsburg[3]
○ Dr. Ing. h.c. F. Porsche AG, Stuttgart[3, 4]
○ PowerCo SE, Salzgitter[3]
○ RWE AG, Essen[2, 4]
⊙ Kühne + Nagel International AG, Schindellegi[2, 4]

○ Membership of statutory supervisory boards in Germany.
⊙ Comparable appointments in Germany and abroad.

1 Beginning or period of membership in the Board of Management.
2 Appointment outside the Group.
3 Appointment within the Group.
4 Listed company.

MEMBERS OF THE SUPERVISORY BOARD AND COMPOSITION OF THE COMMITTEES

(appointments: as of December 31, 2023 or the date of departure from the Supervisory Board of Volkswagen AG or the start date after December 31, 2023)

HANS DIETER PÖTSCH (*1951)

Chair (since October 7, 2015),
Chair of the Board of Management of
Porsche Automobil Holding SE
October 7, 2015[1], elected until 2026
Nationality: Austrian

Appointments:

- ○ AUDI AG, Ingolstadt[3]
- ○ Bertelsmann Management SE, Gütersloh[2]
- ○ Bertelsmann SE & Co. KGaA, Gütersloh[2]
- ○ Dr. Ing. h.c. F. Porsche AG, Stuttgart[3, 4]
- ○ TRATON SE, Munich (Chair)[3, 4]
- ○ Wolfsburg AG, Wolfsburg[2]
- ⊙ Autostadt GmbH, Wolfsburg[3]
- ⊙ Porsche Austria Gesellschaft m.b.H., Salzburg (Chair)[3]
- ⊙ Porsche Holding Gesellschaft m.b.H., Salzburg (Chair)[3]
- ⊙ Porsche Retail GmbH, Salzburg (Chair)[3]
- ⊙ VfL Wolfsburg-Fußball GmbH, Wolfsburg (Deputy Chair)[3]

JÖRG HOFMANN (*1955)

Deputy Chair (since November 20, 2015),
IG Metall
November 20, 2015[1], appointed until 2027
Nationality: German

DR. HESSA SULTAN AL JABER (*1959)

Former Minister of Information and Communications Technology, Qatar
June 22, 2016[1], elected until 2024
Nationality: Qatari

Appointments:

- ⊙ Malomatia Q.S.C, Doha (Chair)[2]
- ⊙ MEEZA QSTP-LLC (Public), Doha[2, 4]
- ⊙ Qatar Satellite Company (Es'hailSat), Doha (Chair)[2]
- ⊙ Trio Investment, Doha (Chair)[2]

MANSOOR EBRAHIM AL-MAHMOUD (*1974)

Chief Executive Officer of
Qatar Investment Authority
May 12, 2022[1], elected until 2025
Nationality: Qatari

Appointments:

- ⊙ Harrods Ltd., London (Board member)[2]
- ⊙ Harrods Group (Holding) Ltd., London (Chair)[2]
- ⊙ Qatar Airways, Doha (Deputy Chair)[2]
- ⊙ Qatar National Bank, Doha (Board member)[2, 4]
- ⊙ Qatar Stock Exchange, Doha (Deputy Chair)[2]
- ⊙ Qatari Diar Real Estate Investment Company, Doha (Board member)[2]

RITA BECK (*1970)

Deputy Chair of the Works Council
of AUDI AG, Ingolstadt plant
January 9, 2024[1], appointed until 2027
Nationality: German

Appointments (as of January 9, 2024):

- ○ AUDI AG, Ingolstadt[3]
- ○ CARIAD SE, Wolfsburg[3]

HARALD BUCK (*1962)

Chair of the General and Group Works Councils of
Dr. Ing. h.c. F. Porsche AG
October 4, 2022[1], appointed until 2027
Nationality: German

Appointments:

- ○ Dr. Ing. h.c. F. Porsche AG, Stuttgart[3, 4]

MATÍAS CARNERO SOJO (*1968)

Chair of the General Works Council of SEAT, S.A.
April 1, 2021[1], appointed until 2027
Nationality: Spanish

DANIELA CAVALLO (*1975)

Chair of the General and Group Works Councils
of Volkswagen AG
May 11, 2021[1], appointed until 2027
Nationality: Italian, German

Appointments:

- ○ PowerCo SE, Salzgitter (Deputy Chair)[3]
- ○ TRATON SE, Munich[3, 4]
- ○ Volkswagen Financial Services AG, Braunschweig (Deputy Chair)[3]
- ○ Wolfsburg AG, Wolfsburg[2]
- ⊙ Allianz für die Region GmbH, Braunschweig (until May 31, 2023)[2]
- ⊙ Autostadt GmbH, Wolfsburg[3]
- ⊙ Brose Sitech Sp. Z o.o., Polkowice[2]
- ⊙ Porsche Holding Gesellschaft m.b.H., Salzburg[3]
- ⊙ SEAT, S.A., Martorell[3]
- ⊙ Škoda Auto a.s., Mladá Boleslav[3]
- ⊙ VfL Wolfsburg-Fußball GmbH, Wolfsburg[3]
- ⊙ Volkswagen Group Services GmbH[3]

○ Membership of statutory supervisory boards in Germany.
⊙ Comparable appointments in Germany and abroad.

1 Beginning or period of membership in the Supervisory Board.
2 Appointment outside the Group.
3 Appointment within the Group.
4 Listed company.

JULIA WILLIE HAMBURG (*1986)

Minister of Education and Cultural Affairs for the Federal State of Lower Saxony

November 8, 2022[1], delegated until 2027

Nationality: German

MARIANNE HEIß (*1972)

Chief Executive Officer of BBDO Group Germany GmbH (until April 30, 2023)

Member of the Supervisory Board

February 14, 2018[1], elected until 2028

Nationality: Austrian

Appointments:

- ○ AUDI AG, Ingolstadt[3]
- ○ Flix SE, Munich[2]
- ○ Porsche Automobil Holding SE, Stuttgart[2,4]

DR.-ING. ARNO HOMBURG (*1968)

Chair of the Board of Management of Volkswagen Management Association e.V.

May 12, 2022[1], appointed until 2027

Nationality: German

Appointments:

- ⦿ Volkswagen Pension Trust e.V., Wolfsburg[3]

DR. GÜNTHER HORVATH (*1952)

Managing Director of Dr. Günther J. Horvath Rechtsanwalt GmbH and self-employed attorney at Dr. Günther J. Horvath Rechtsanwalt GmbH

February 28, 2023[1], elected until 2028

Nationality: Austrian

Appointments:

- ○ Porsche Automobil Holding SE, Stuttgart[2,4]

SIMONE MAHLER (*1971)

Chair of the Joint Works Council of Volkswagen Financial Services AG and Volkswagen Bank GmbH

May 12, 2022 - May 31, 2023[1]

Nationality: German

Appointments (as of May 31, 2023):

- ○ EURO-Leasing GmbH, Sittensen[3]
- ○ Volkswagen Financial Services AG, Braunschweig[3]
- ⦿ Volkswagen Pension Trust e.V., Wolfsburg[3]

PETER MOSCH (*1972)

Chair of the General Works Council of AUDI AG (until September 30, 2023)

January 18, 2006 - December 31, 2023[1]

Nationality: German

Appointments (as of December 31, 2023):

- ○ AUDI AG, Ingolstadt (Deputy Chair)[3]
- ○ Audi Pensionskasse – Altersversorgung der AUTO UNION GmbH, VVaG, Ingolstadt[3]
- ○ CARIAD SE, Wolfsburg (Deputy Chair)[3]
- ⦿ Audi Stiftung für Umwelt GmbH, Ingolstadt[3]

DANIELA NOWAK (*1970)

Chair of the Works Council of Volkswagen AG, Braunschweig plant

May 12, 2022[1], appointed until 2027

Nationality: German

Appointments:

- ⦿ Volkswagen Pension Trust e.V., Wolfsburg[3]

DR. JUR. HANS MICHEL PIËCH (*1942)

Supervisory Board

August 7, 2009[1], elected until 2024

Nationality: Austrian

Appointments:

- ○ AUDI AG, Ingolstadt[3]
- ○ Dr. Ing. h.c. F. Porsche AG, Stuttgart[3,4]
- ○ Porsche Automobil Holding SE, Stuttgart (Deputy Chair)[2,4]
- ⦿ Porsche Holding Gesellschaft m.b.H., Salzburg[3]
- ⦿ Schmittenhöhebahn AG, Zell am See[2]

DR. JUR. FERDINAND OLIVER PORSCHE (*1961)

Member of the Board of Management of Familie Porsche AG Beteiligungsgesellschaft

Managing Director of Real Estate Holding GmbH,

Managing Director of Neckar GmbH

August 7, 2009[1], elected until 2024

Nationality: Austrian

Appointments:

- ○ AUDI AG, Ingolstadt[3]
- ○ Dr. Ing. h.c. F. Porsche AG, Stuttgart[3,4]
- ○ Porsche Automobil Holding SE, Stuttgart[2,4]
- ⦿ Porsche Holding Gesellschaft m.b.H., Salzburg[3]
- ⦿ Porsche Lifestyle GmbH & Co. KG, Ludwigsburg[3]

○ Membership of statutory supervisory boards in Germany.
⦿ Comparable appointments in Germany and abroad.

1 Beginning or period of membership in the Supervisory Board.
2 Appointment outside the Group.
3 Appointment within the Group.
4 Listed company.

DR. RER. COMM. WOLFGANG PORSCHE (*1943)

Chair of the Supervisory Board of Porsche Automobil Holding SE;
Chair of the Supervisory Board of Dr. Ing. h.c. F. Porsche AG
April 24, 2008[1], elected until 2028
Nationality: Austrian

Appointments:

- ○ AUDI AG, Ingolstadt[3]
- ○ Dr. Ing. h.c. F. Porsche AG, Stuttgart (Chair)[3, 4]
- ○ Porsche Automobil Holding SE, Stuttgart (Chair)[2, 4]
- ⊙ Familie Porsche AG Beteiligungsgesellschaft, Salzburg (Chair)[2]
- ⊙ Porsche Holding Gesellschaft m.b.H., Salzburg[3]
- ⊙ Schmittenhöhebahn AG, Zell am See[2]

JENS ROTHE (*1970)

Chair of the General Works Council of Volkswagen Sachsen GmbH
October 22, 2021 - March 3, 2023[1]
Nationality: German

Appointments (as of March 3, 2023):

- ○ Volkswagen Sachsen GmbH, Zwickau (Deputy Chair)[3]

GERARDO SCARPINO (*1962)

Executive Director of the Volkswagen Group Works Council
April 21, 2023[1], appointed until 2027
Nationality: Italian

Appointments:

- ○ CARIAD SE, Wolfsburg[3]

KARINA SCHNUR (*1977)

Chair of the General and Group Works Councils of MAN Truck & Bus SE and
Chair of the Group Works Council of TRATON SE
July 11, 2023[1], appointed until 2027
Nationality: German

Appointments:

- ○ MAN Truck & Bus SE, Munich[3]
- ○ TRATON SE, Munich[3, 4]
- ⊙ Rheinmetall MAN Military Vehicles GmbH, Munich[2]

CONNY SCHÖNHARDT (*1978)

Union Secretary and Head of the Mobility and Vehicle Construction Unit attached to the IG Metall Board
June 21, 2019[1], appointed until 2027
Nationality: German

Appointments:

- ○ CARIAD SE, Wolfsburg[3]
- ○ PowerCo SE, Salzgitter[3]
- ○ Volkswagen Bank GmbH, Braunschweig[3]

STEPHAN WEIL (*1958)

Minister President of the Federal State of Lower Saxony
February 19, 2013[1], delegated until 2027
Nationality: German

SUPERVISORY BOARD COMMITTEES

Members of the Executive Committee

Hans Dieter Pötsch (Chair)
Jörg Hofmann (Deputy Chair)
Rita Beck (since January 24, 2024)
Daniela Cavallo
Peter Mosch (until December 31, 2023)
Dr. Hans Michel Piëch
Dr. Wolfgang Porsche
Gerardo Scarpino
Stephan Weil

Members of the Mediation Committee established in accordance with section 27(3) of the Mitbestimmungsgesetz (German Codetermination Act)

Hans Dieter Pötsch (Chair)
Jörg Hofmann (Deputy Chair)
Daniela Cavallo
Stephan Weil

Members of the Audit Committee

Mansoor Ebrahim Al-Mahmoud (Chair)
Daniela Cavallo (Deputy Chair)
Marianne Heiß
Dr. Ferdinand Oliver Porsche
Gerardo Scarpino
Conny Schönhardt

Members of the Nomination Committee

Hans Dieter Pötsch (Chair)
Dr. Hans Michel Piëch
Dr. Wolfgang Porsche
Stephan Weil

○ Membership of statutory supervisory boards in Germany.
⊙ Comparable appointments in Germany and abroad.

1 Beginning or period of membership in the Supervisory Board.
2 Appointment outside the Group.
3 Appointment within the Group.
4 Listed company.

Remuneration Report 2023

The Board of Management and Supervisory Board of Volkswagen AG must prepare a clear and understandable remuneration report in accordance with section 162 of the *Aktiengesetz* (AktG – German Stock Corporation Act). In this report, we explain the main features of the remuneration system for the members of the Board of Management and Supervisory Board. The remuneration report also contains an individualized breakdown of the remuneration components provided to current and former members of the Board of Management and Supervisory Board.

A. REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT

In the reporting year, the Volkswagen Group's business was impacted by the challenging global market environment, parts supply shortages and disruptions in the logistics chain. In this environment, the Group delivered 9.2 million units to customers. This was 11.8% more vehicles than in the previous year. While sales revenue rose by 15.5%, the operating result of €22.6 billion was similar to the previous year's.

I. Principles of Board of Management remuneration

The remuneration of the Board of Management is based on the remuneration system developed by the Supervisory Board and adopted for the first time on December 14, 2020 with effect from January 1, 2021. The remuneration system for the members of the Board of Management implements the requirements of the AktG as amended by the *Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie* (ARUG II – German Act on the Implementation of the Second Shareholder Rights Directive) and takes into account the recommendations of the German Corporate Governance Code (the Code).

On March 3, 2023, the Supervisory Board resolved to modify the remuneration system with effect from January 1, 2023, particularly to heed the call by investors to give long-term variable remuneration more weight. This led to the relative share of the fixed remuneration components being reduced and the relative share of the long-term variable remuneration being increased. To reinforce the principle of pay for performance and implement investors' requirements, it is also no longer possible to agree a special bonus with future effect. In addition, the maximum target achievement levels for the annual bonus and the performance share plan as well as their respective maximum payout amounts have been increased so that higher levels of target achievement are appropriately rewarded. In this context, the maximum remuneration and the cap on cash remuneration have also been increased to reflect current market conditions. The Annual General Meeting approved the modified remuneration system on May 10, 2023 with 98.82% of the votes cast.

The modified remuneration system has applied since January 1, 2023 to all Board of Management members with service contracts newly concluded or renewed after the Annual General Meeting's approval of the remuneration system on May 10, 2023. For the Board of Management members already appointed at the time of the Annual General Meeting's approval of the remuneration system on May 10, 2023, the new remuneration system has also applied in principle since January 1, 2023. To implement the remuneration system, Volkswagen AG reached an agreement with the members of the Board of Management on corresponding amendments to their service contracts. For members of the Board of Management already appointed before the Supervisory Board's first resolution on a remuneration system in accordance with section 87a of the AktG on December 14, 2020 and whose service contract has not been renewed since then, the following exceptions will continue to apply until their contract is renewed: the performance share plan of the Board of Management members already appointed before December 14, 2020 whose service contract has not yet been renewed continues to have only a three-year performance period, but otherwise corresponds to the performance share plan described in the remuneration system. Penalty and clawback rules will only apply to Board of Management members already appointed before December 14, 2020 on renewal of their contracts. In fiscal year 2023, these exceptions only applied to Mr. Markus Duesmann; Mr. Duesmann stepped down from the Board of Management in the course of the year.

The level of the Board of Management remuneration should be appropriate and attractive in the context of the Company's national and international peer group. Criteria include the tasks of the individual Board of Management member, their personal performance, the economic situation, and the performance of and outlook for the Volkswagen Group, as well as how customary the remuneration is when measured against the peer group and the remuneration structure that applies to other areas of the Volkswagen Group. In this context, comparative studies on remuneration are conducted on a regular basis.

In the Remuneration Report for fiscal year 2022, the Board of Management and Supervisory Board reported in detail on the remuneration paid to members of the Board of Management in fiscal year 2022. The Annual General Meeting on May 10, 2023 approved the Remuneration Report for fiscal year 2022 with a majority of 98.47% of the votes cast. Comments by investors and investor representatives were taken into account in the preparation of the Remuneration Report for fiscal year 2023, for example by clarifying possible achievement of targets or adding explanations of the procedure in the event of early terminations or a change of control.

In this chapter, we provide an overview of the remuneration system for the Board of Management members in fiscal year 2023 before going into the components of the remuneration in fiscal year 2023.

II. Overview of the remuneration components

The table below provides an overview of the components of the remuneration system applicable for fiscal year 2023 for the members of the Board of Management. The table also outlines the composition of the individual remuneration components and explains their targets, particularly in respect of how the remuneration will promote the Company's long-term performance. A more detailed description of the remuneration system applicable for fiscal year 2023 for the members of the Board of Management is available at www.volkswagen-group.com/remuneration.

REMUNERATION SYSTEM FOR 2023

Component	Composition	Target
Fixed remuneration components		
Base salary	• Twelve equal installments payable at month-end • Chair of the Board of Management: €2,600,000 (scope of activity: 100%)[1]; Board of Management member: €1,500,000 (scope of activity: 100%)	The basic remuneration and fringe benefits are intended to reflect the tasks and responsibility of the Board of Management members, provide a basic income and prevent them from taking inappropriate risks

Fringe benefits	• Fringe benefit allowance (Chair of the Board of Management: €350,000; Board of Management member: €175,000) covers certain benefits at the discretion of the Board of Management member, for example:
	  ○ Company cars
	  ○ Preventive medical check-ups
	  ○ Allowances for health and long-term care insurance
	  ○ Accident insurance
	• Crediting of benefits against the fringe benefit allowance where these are subject to payroll tax
	• Payment of the remaining amount	

Occupational retirement provision	• Defined contribution plan by means of direct commitments to retirement, disability and surviving dependents' benefits • Normally when the members reach the age of 65 (or 63 in the case of Board of Management members who took office before January 1, 2020) • Annual pension contribution of up to 50% of the contractually agreed base salary for the Chair of the Board of Management and up to 40% of the contractually agreed base salary for regular members of the Board of Management	The occupational retirement provision is intended to provide Board of Management members with an adequate pension when they retire
Variable remuneration components		

Annual bonus	• Plan type: Target Bonus
	• Target amount for the Chair of the Board of Management: €3,500,000 (scope of activity: 100%)[1]; target amount for a Board of Management member: €1,500,000 (scope of activity: 100%)
	• Minimum payment: €0
	• Cap: 200% of the target amount
	• Assessment period: fiscal year
	• Performance criteria:
	  ○ Financial subtargets:
	    ▪ Operating result (OR) incl. Chinese joint ventures[2] (proportionate) (50%) and operating return on sales (50%)
	    ▪ The Supervisory Board defines minimum, target and maximum values for the financial subtargets for each fiscal year. The minimum corresponds to subtarget achievement of 0% of the OR including Chinese joint ventures (proportionate) or 50% of the operating return on sales, while the target corresponds to a subtarget achievement of 100% in each case and the maximum to subtarget achievement of 175%; interim values are interpolated on a linear basis
	    ▪ Overall financial target achievement = subtarget achievement "operating result including Chinese joint ventures (proportionate)" x 50% + "subtarget achievement operating return on sales" x 50%
	  ○ ESG factor:
	    ▪ Subtargets of 50% each for the Environment (decarbonization index) and Social (sentiment and diversity index) as well as the Governance factor of between 0.9 and 1.1 (compliance and integrity, standard value of 1.0)
	    ▪ The Supervisory Board defines minimum, target and maximum values for the Environment and Social subtargets for each fiscal year. The minimum, target and maximum values correspond to subtarget achievement of 0.7, 1.0 and 1.3 respectively; interim values are interpolated on a linear basis
	    ▪ The Supervisory Board sets the Governance factor after the end of the fiscal year taking into account the collective performance of the Board of Management as a whole and the performance of each Board of Management member individually
	    ▪ Calculation of the ESG factor: (Environment subtarget achievement x 50% + Social subtarget achievement x 50%) x Governance factor (0.9–1.1)
	• Annual bonus payment amount = individual target amount x financial target achievement x ESG factor
	• Payment: in cash in the month following approval of the consolidated financial statements for the fiscal year in question
		The annual bonus is designed to motivate Board of Management members to pursue ambitious targets
		The financial performance targets support the strategic target of achieving competitive profitability
		Integration of the sustainability targets takes the importance of ESG factors into account.

1 Mr. Blume receives from Volkswagen AG 50% of the remuneration for the Chair of the Board of Management of Volkswagen AG and from Porsche AG 50% of the remuneration for the Chair of the Executive Board of Porsche AG. The target amount for Mr. Blume thus corresponds to half of the target amount for a Chair of the Board of Management who receives the full remuneration of a Chair of the Board of Management of Volkswagen AG.
2 Equity-accounted companies in China.

Component	Composition	Target
Long-term incentive (LTI)	• Plan type: phantom performance share plan • Performance period: measured forward over four years[1] • Target amount for the Chair of the Board of Management: €5,900,000 (scope of activity: 100%)[2]; target amount for a Board of Management member: €2,500,000 (scope of activity: 100%) • Minimum payment: €0 • Cap: 250% of the target amount • The phantom performance shares are a purely mathematical construct and do not confer any ownership or voting rights in Volkswagen AG • Allocation of performance shares: at the start of each fiscal year, the individually agreed target amount is divided by the arithmetic mean of the closing prices of Volkswagen's preferred shares (German Securities Identification Number: 766403) in the Xetra trading system of Deutsche Börse AG on the last 30 trading days prior to January 1 in the respective performance period ("initial reference price") • Target-setting: at the start of the performance period, the Supervisory Board defines minimum, target and maximum values for EPS as presented in the annual report as audited, fully diluted earnings per Volkswagen preferred share from the Company's continuing and discontinued operations; the EPS minimum corresponds to target achievement of 50%, the EPS target corresponds to target achievement of 100% and the EPS maximum corresponds to target achievement of 175% • Determination of one-quarter of the allocated performance shares at the end of each fiscal year depending on EPS target achievement • Calculation of the payment amount: fixed performance shares are multiplied by the arithmetic mean of the closing prices of Volkswagen's preferred shares in the Xetra trading system of Deutsche Börse AG on the last 30 trading days prior to the end of the performance period ("closing reference price") and the dividends paid out per Volkswagen preferred share during the performance period ("dividend equivalent") • Payment: in cash in the month following approval of the consolidated financial statements for the last fiscal year of the respective performance period • If the service contract ends before the end of the performance period due to a bad leaver case (extraordinary termination for cause or a breach of a contractual or postcontractual restraint on competition), all performance shares will be forfeited	The long-term incentive serves to align the remuneration of the Board of Management members with the Company's long-term performance. The EPS (earnings per share) financial performance target in conjunction with share price performance and the dividends paid, measured over four years, ensures the long-term effect of the behavioral incentives and supports the strategic target of achieving competitive profitability.
Other benefits		
Benefits agreed with new Board of Management members for a defined period of time or for the entire term of their service contracts	• Only on the basis of a separate contractual agreement with the new Board of Management member • Payments to compensate for declining variable remuneration or other financial disadvantages • Benefits in connection with a relocation	(Compensation) payments are designed to attract qualified candidates

1 For the Board of Management members already appointed prior to December 14, 2020, a three-year performance period continues to apply until their contracts are renewed. In all other respects, the performance share plan corresponds mutatis mutandis to that described for fiscal year 2023.

2 Mr. Blume receives from Volkswagen AG 50% of the remuneration for the Chair of the Board of Management of Volkswagen AG and from Porsche AG 50% of the remuneration for the Chair of the Executive Board of Porsche AG. The target amount for Mr. Blume thus corresponds to half of the target amount for a Chair of the Board of Management who receives the full remuneration of a Chair of the Board of Management of Volkswagen AG.

Component	Composition	Target
Other remuneration provisions		
Penalty and clawback rules[1]	• The Supervisory Board can reduce or request repayment of the annual bonus and LTI by up to 100% in the event of relevant misconduct during the assessment period • A clawback is not permissible if more than three years have elapsed since the bonus was paid	Penalty and clawback rules are intended to counteract individual misconduct and negligence on the part of the organization
Maximum remuneration	• Relevant components are the base salary paid for the respective fiscal year, fringe benefits granted, the service cost in connection with the occupational retirement provision, the annual bonus granted for the respective fiscal year and paid out in the following year, the performance share plan paid out in the respective fiscal year and for which the performance period ended immediately before the respective fiscal year, any benefits granted to new Board of Management members and any special payment granted by third parties (e.g. other Volkswagen Group companies) for the relevant fiscal year • For the Chair of the Board of Management €15,000,000 (gross) per fiscal year and for Board of Management members €8,500,000 (gross) per fiscal year • If the maximum remuneration is exceeded, the annual bonus will be reduced; if a reduction is not sufficient, the Supervisory Board may, at its discretion, reduce other remuneration components or request repayment of remuneration paid out	The aim of the maximum remuneration is to ensure that the remuneration of Board of Management members is not inappropriately high when measured against the peer group
Cap on cash remuneration	• In addition to maximum remuneration • Cash remuneration includes the base salary paid in the respective fiscal year, the annual bonus granted for the respective fiscal year and paid out in the following year, the performance share plan paid in the respective fiscal year and for which the performance period ended immediately before the respective fiscal year • For the Chair of the Board of Management €12,500,000 (gross) per fiscal year and for Board of Management members €7,000,000 (gross) per fiscal year	The cap on cash remuneration is intended to prevent unacceptably high disbursements in the individual fiscal year

1 For the Board of Management members already appointed prior to December 14, 2020, penalty and clawback rules only apply once their contracts have been renewed.

III. Remuneration of the Board of Management members appointed in fiscal year 2023

1. Board of Management members in fiscal year 2023

The members of the Volkswagen AG Board of Management in fiscal year 2023 were as follows:

> Oliver Blume, member of the Board of Management since April 13, 2018, Chair of the Board of Management since September 1, 2022, also Chair of the Executive Board of Dr. Ing. h.c. F. Porsche AG
> Arno Antlitz, member of the Board of Management since April 1, 2021
> Ralf Brandstätter, member of the Board of Management since January 1, 2022, also CEO of Volkswagen (China) Investment Company Limited
> Gernot Döllner, member of the Board of Management since September 1, 2023, also Chair of the Board of Management of AUDI AG
> Manfred Döss, member of the Board of Management since February 1, 2022
> Markus Duesmann, member of the Board of Management from April 1, 2020, also Chair of the Board of Management of AUDI AG; stepped down from the Board of Management of Volkswagen AG and from the Board of Management of AUDI AG effective August 31, 2023
> Gunnar Kilian, member of the Board of Management since April 13, 2018
> Thomas Schäfer, member of the Board of Management since July 1, 2022
> Thomas Schmall-von Westerholt, member of the Board of Management since January 1, 2021
> Hauke Stars, member of the Board of Management since February 1, 2022

Members generally do not receive additional remuneration for discharging other mandates on management bodies, supervisory boards or similar, especially in other companies of the Volkswagen Group, as part of their Board of Management mandate. If such remuneration is nevertheless granted, it is counted toward the remuneration for their work as a member of the Board of Management of Volkswagen AG.

A different arrangement has been reached with Mr. Blume with regard to the performance of his duties as Chair of the Executive Board of Dr. Ing. h.c. F. Porsche AG (Porsche AG): since January 1, 2023, Volkswagen AG has granted Mr. Blume 50% of the remuneration for the Chair of the Board of Management based on a newly concluded service contract; an exception is made for fringe benefits – in this respect, Mr. Blume receives the full amount of the fringe benefit allowance for the Chair of the Board of Management of Volkswagen AG. However, Porsche AG reimburses Volkswagen AG half of the expenses for fringe benefits. Since January 1, 2023, Porsche AG has granted Mr. Blume 50% of the remuneration for the Chair of the Executive Board of Porsche AG. This remuneration is based on the remuneration system for the members of the Executive Board of Porsche AG. Mr. Blume receives from Porsche AG a base salary, one-year variable remuneration (STI) and multi-year variable remuneration (LTI); Mr. Blume does not receive fringe benefits from Porsche AG. In addition, Porsche AG grants Mr. Blume an occupational retirement provision in the form of a defined contribution plan. In preparation for the IPO completed on September 29, 2022, Porsche AG agreed on an IPO bonus for Mr. Blume. This IPO bonus is structured as a share plan with a one-, two- and three-year term, in each case starting from the time of the IPO. Remuneration granted to Mr. Blume by Porsche AG is counted towards the cap on cash remuneration and Mr. Blume's maximum remuneration at Volkswagen AG. In the overview in the tables of the remuneration granted and owed to Mr. Blume in fiscal year 2023, the remuneration components granted to Mr. Blume by Porsche AG are included and shown separately.

A different arrangement has also been reached with Mr. Brandstätter for his work at Volkswagen (China) Investment Company Limited: Mr. Brandstätter receives a separate remuneration for his work as CEO of Volkswagen (China) Investment Company Limited. Mr. Brandstätter's contractual remuneration under his contract of employment with Volkswagen AG is reduced accordingly for the duration of his work at Volkswagen (China) Investment Company Limited.

2. Remuneration granted and owed in fiscal year 2023

In accordance with section 162(1) sentence 1 of the AktG, the remuneration report must report on the remuneration granted and owed to each individual member of the Board of Management in the last fiscal year. These terms are understood as follows:

The term "granted" (*gewährt*) refers to the actual receipt (*Zufluss*) of the remuneration component.

The term "owed" (*geschuldet*) refers to all legally existing liabilities for remuneration components that are due but have not yet been fulfilled.

2.1. Overview in the tables

The following tables show the remuneration actually received by members of the Board of Management in fiscal year 2023. The time of actual payment is not relevant. The remuneration reported as granted in fiscal year 2023 thus consists of the base salary paid out in fiscal year 2023, the fringe benefits, the annual bonus paid in the month following the approval of the Company's consolidated financial statements for fiscal year 2023 and the LTI for the performance period 2020–2022 paid in fiscal year 2023. The remuneration components granted to Mr. Blume by Porsche AG are presented in the same way.

The relative shares shown in the tables relate to the remuneration components granted and owed in the respective fiscal year in accordance with section 162(1) sentence 1 of the AktG. They thus include all benefits actually received in the respective fiscal year, regardless of the fiscal year for which the Board of Management members received them. The relative shares indicated here are thus not comparable with the respective relative shares of fixed and variable remuneration components as part of total remuneration in the description of the remuneration system according to section 87a(1) sentence 2 no. 3 of the AktG. The shares indicated in the remuneration system relate to the targets agreed for the relevant fiscal year, irrespective of the time at which the respective remuneration component was paid out.

Pension expense is reported as service cost within the meaning of IAS 19. The service cost in accordance with IAS 19 does not constitute remuneration granted or owed within the meaning of section 162(1) sentence 1 of the AktG as it is not actually received by the Board of Management member in the reporting year.

Maximum remuneration corresponds to maximum remuneration within the meaning of section 87a(1) sentence 2 no. 1 of the AktG in accordance with the remuneration system adopted by the Supervisory Board and approved by the Annual General Meeting. As in the past, in addition to maximum remuneration, a limit on cash remuneration, which includes the base salary paid out for the relevant fiscal year, the annual bonus granted for the relevant fiscal year and paid out in the subsequent year, the performance share plan paid out in the relevant fiscal year and for which the performance period ended immediately before the respective fiscal year has been agreed with the members of the Board of Management.

On December 14, 2020, the Supervisory Board adopted a remuneration system for the members of the Board of Management based for the first time on the requirements of ARUG II. Board of Management service contracts newly agreed or renewed since that time also contain the penalty and clawback rules provided for in this remuneration system. Accordingly, only Mr. Duesmann's service contract, which was concluded before December 13, 2020, does not contain a penalty and clawback provision. Mr. Duesmann stepped down from the Board of Management with effect from August 31, 2023. Volkswagen AG did not make use of the existing penalty and clawback rules in fiscal year 2023.

	OLIVER BLUME[1]	
	Chair, Sport Luxury brand group, Chair of the Executive Board of Porsche AG	
	2023	
	€	%
Fixed remuneration components		
Base salary		
Volkswagen AG	1,300,000.00	14.9
Porsche AG	800,000.00	9.2
Fringe benefits		
Volkswagen AG	358,521.00	4.1
Porsche AG	–	–
Total	**2,458,521.00**	**28.2**
Variable remuneration components		
One-year variable remuneration/annual bonus		
Volkswagen AG	2,324,700.00	26.6
Porsche AG	1,388,800.00	15.9
Multi-year variable remuneration/long-term incentive (LTI)[2]		
LTI (performance share plan) 2020–2022	1,914,757.98	21.9
Other remuneration		
Special benefits paid to new Board of Management members	–	–
Porsche AG IPO bonus	636,827.00	7.3
Total remuneration granted and owed	**8,723,605.98**	**100.0**
Pension expenses		
Volkswagen AG	663,530.00	x
Porsche AG	324,342.00	x
Total remuneration including pension expenses	**9,711,477.98**	**x**
Maximum remuneration	15,000,000.00	x
Clawback in accordance with section 162(1) sentence 2 no. 4 of the AktG	–	x

1 Mr. Blume receives from Volkswagen AG 50% of the remuneration for the Chair of the Board of Management of Volkswagen AG and from Porsche AG 50% of the remuneration for the Chair of the Executive Board of Porsche AG. The table shows the remuneration components granted to Mr. Blume separately according to whether they were granted by Volkswagen AG or by Porsche AG.
2 The LTI paid out in fiscal year 2023 was for work performed in fiscal year 2020. Mr. Blume did not receive any long-term variable remuneration from Porsche AG in fiscal year 2020 that would have to be counted towards the remuneration he receives from Volkswagen AG. Instead, Mr. Blume received 100% of the 2020 LTI from Volkswagen AG.

	ARNO ANTLITZ	
	Finance and Operations	
	2023	
	€	%
Fixed remuneration components		
Base salary	1,500,000.00	40.8
Fringe benefits	185,752.00	5.0
Total	**1,685,752.00**	**45.8**
Variable remuneration components		
One-year variable remuneration/annual bonus	1,992,600.00	54.2
Multi-year variable remuneration/long-term incentive (LTI)		
LTI (performance share plan) 2020–2022	–	–
Other remuneration		
Special benefits paid to new Board of Management members	–	–
Total remuneration granted and owed	**3,678,352.00**	**100.0**
Pension expenses	602,272.00	x
Total remuneration including pension expenses	**4,280,624.00**	**x**
Maximum remuneration	8,500,000.00	x
Clawback in accordance with section 162(1) sentence 2 no. 4 of the AktG	-	x

	RALF BRANDSTÄTTER	
	China, Chair of the Board of Management (CEO) of Volkswagen (China) Investment Co. Ltd.	
	2023	
	€	%
Fixed remuneration components		
Base salary		
Volkswagen AG	150,000.00	3.6
VCIC[1]	1,350,000.00	32.0
Fringe benefits		
Volkswagen AG	25,768.00	0.6
VCIC[2]	696,628.00	16.5
Total	**2,222,396.00**	**52.7**
Variable remuneration components		
One-year variable remuneration/annual bonus		
Volkswagen AG	199,260.00	4.7
VCIC	1,793,340.00	42.5
Multi-year variable remuneration/long-term incentive (LTI)		
LTI (performance share plan) 2020–2022	–	–
Other remuneration		
Special benefits paid to new Board of Management members	–	–
Total remuneration granted and owed	**4,214,996.00**	**100.0**
Pension expenses	599,577.00	–
Total remuneration including pension expenses	**4,814,573.00**	**x**
Maximum remuneration	8,500,000.00	x
Clawback in accordance with section 162(1) sentence 2 no. 4 of the AktG	-	x

1 Mr. Brandstätter receives 90% of the remuneration of a regular Board of Management member of Volkswagen AG from Volkswagen (China) Investment Company Limited (VCIC) for his work as CEO of VCIC. VCIC accounts for Mr. Brandstätter as if he received his remuneration from Volkswagen AG in Germany. These amounts are disclosed here. The actual gross expense incurred by VCIC may differ on account of Chinese tax law.

2 The fringe benefits presented by VCIC include, in particular, the benefits paid by VCIC for Mr. Brandstätter's assignment to China (such as housing, flight expenses). Assignment-specific fringe benefits are not counted against the fringe benefit allowance provided by VCIC.

	GERNOT DÖLLNER Progressive brand group, Chair of the Board of Management of AUDI AG (since September 1, 2023) 2023	
	€	%
Fixed remuneration components		
Base salary	500,000.00	39.8
Fringe benefits	90,885.00	7.2
Total	**590,885.00**	**47.1**
Variable remuneration components		
One-year variable remuneration/annual bonus	664,200.00	52.9
Multi-year variable remuneration/long-term incentive (LTI)		
LTI (performance share plan) 2020–2022	–	–
Other remuneration		
Special benefits paid to new Board of Management members	–	–
Total remuneration granted and owed	**1,255,085.00**	**100.0**
Pension expenses	232,883.00	x
Total remuneration including pension expenses	**1,487,968.00**	**x**
Maximum remuneration	2,833,333.33	x
Clawback in accordance with section 162(1) sentence 2 no. 4 of the AktG	-	x

	MANFRED DÖSS[1] Integrity and Legal Affairs 2023	
	€	%
Fixed remuneration components		
Base salary	1,125,000.00	40.8
Fringe benefits	137,139.00	5.0
Total	**1,262,139.00**	**45.8**
Variable remuneration components		
One-year variable remuneration/annual bonus	1,494,450.00	54.2
Multi-year variable remuneration/long-term incentive (LTI)		
LTI (performance share plan) 2020–2022	–	–
Other remuneration		
Special benefits paid to new Board of Management members	–	–
Total remuneration granted and owed	**2,756,589.00**	**100.0**
Pension expenses	445,500.00	x
Total remuneration including pension expenses	**3,202,089.00**	**x**
Maximum remuneration	6,375,000.00	x
Clawback in accordance with section 162(1) sentence 2 no. 4 of the AktG	-	x

1 Mr. Döss receives remuneration in the amount of 75% of the remuneration of a regular member of the Board of Management of Volkswagen AG.

	MARKUS DUESMANN	
	Progressive brand group, Chair of the Board of Management of AUDI AG (until August 31, 2023)	
	2023	
	€	%
Fixed remuneration components		
Base salary	1,000,000.00	29.4
Fringe benefits	120,538.00	3.5
Total	**1,120,538.00**	**32.9**
Variable remuneration components		
One-year variable remuneration/annual bonus	1,328,400.00	39.0
Multi-year variable remuneration/long-term incentive (LTI)		
LTI (performance share plan) 2020–2022	957,403.83	28.1
Other remuneration		
Special benefits paid to new Board of Management members	–	–
Total remuneration granted and owed[1]	**3,406,341.83**	**100.0**
Pension expenses	408,474.67	x
Total remuneration including pension expenses	**3,814,816.49**	**x**
Maximum remuneration	5,666,666.67	x
Clawback in accordance with section 162(1) sentence 2 no. 4 of the AktG	–	x

1 Mr. Duesmann received remuneration of €75,000 from FC Bayern München AG in fiscal year 2023 for his mandate on its Supervisory Board appointment. This remuneration was counted in full toward the reported variable remuneration granted by Volkswagen AG for fiscal year 2023.
Mr. Duesmann also received remuneration of €40,000 for a mandate on the Board of Directors of Bentley Motors Ltd. This remuneration was counted in full toward the reported base salary granted by Volkswagen AG.

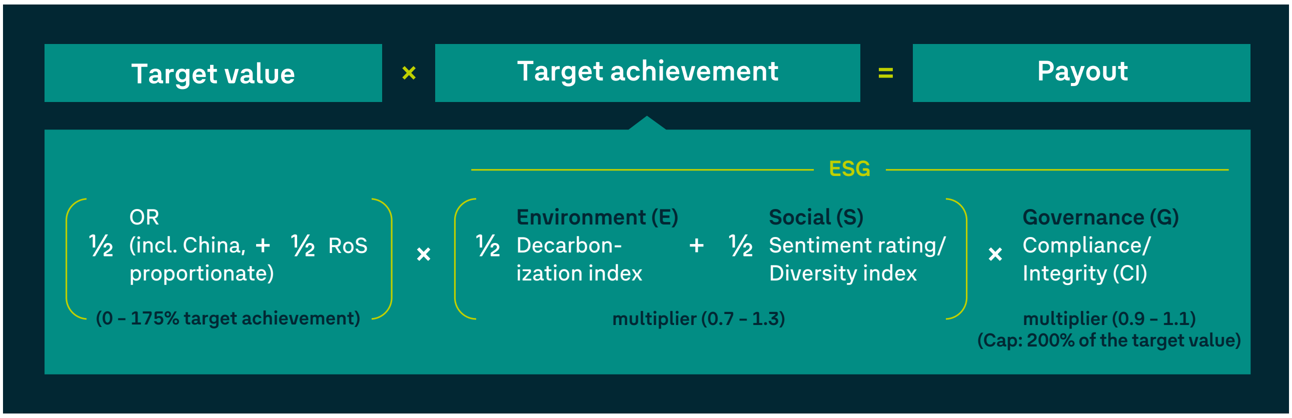
	GUNNAR KILIAN	
	Human Resources and Trucks brand group	
	2023	
	€	%
Fixed remuneration components		
Base salary	1,500,000.00	26.8
Fringe benefits	185,026.00	3.3
Total	**1,685,026.00**	**30.1**
Variable remuneration components		
One-year variable remuneration/annual bonus	1,992,600.00	35.6
Multi-year variable remuneration/long-term incentive (LTI)		
LTI (performance share plan) 2020–2022	1,914,757.98	34.2
Other remuneration		
Special benefits paid to new Board of Management members	–	–
Total remuneration granted and owed	**5,592,383.98**	**100.0**
Pension expenses	601,860.00	x
Total remuneration including pension expenses	**6,194,243.98**	**x**
Maximum remuneration	8,500,000.00	x
Clawback in accordance with section 162(1) sentence 2 no. 4 of the AktG	–	x

	THOMAS SCHÄFER Core brand group, Chair of the Board of Management of the Volkswagen Passenger Cars brand 2023	
	€	%
Fixed remuneration components		
Base salary	1,500,000.00	40.8
Fringe benefits	185,978.00	5.1
Total	**1,685,978.00**	**45.8**
Variable remuneration components		
One-year variable remuneration/annual bonus	1,992,600.00	54.2
Multi-year variable remuneration/long-term incentive (LTI)		
LTI (performance share plan) 2020–2022	–	–
Other remuneration		
Special benefits paid to new Board of Management members	–	–
Total remuneration granted and owed	**3,678,578.00**	**100.0**
Pension expenses	605,432.00	x
Total remuneration including pension expenses	**4,284,010.00**	**x**
Maximum remuneration	8,500,000.00	x
Clawback in accordance with section 162(1) sentence 2 no. 4 of the AktG	–	x

	THOMAS SCHMALL-VON WESTERHOLT Technology, Chair of the Board of Management of Volkswagen Group Components, 2023	
	€	%
Fixed remuneration components		
Base salary	1,500,000.00	40.8
Fringe benefits	186,694.00	5.1
Total	**1,686,694.00**	**45.8**
Variable remuneration components		
One-year variable remuneration/annual bonus	1,992,600.00	54.2
Multi-year variable remuneration/long-term incentive (LTI)		
LTI (performance share plan) 2020–2022	–	–
Other remuneration		
Special benefits paid to new Board of Management members	–	–
Total remuneration granted and owed	**3,679,294.00**	**100.0**
Pension expenses	600,719.00	x
Total remuneration including pension expenses	**4,280,013.00**	**x**
Maximum remuneration	8,500,000.00	x
Clawback in accordance with section 162(1) sentence 2 no. 4 of the AktG	–	x

	HAUKE STARS	
	IT	
	2023	
	€	%
Fixed remuneration components		
Base salary	1,500,000.00	40.8
Fringe benefits	183,558.00	5.0
Total	**1,683,558.00**	**45.8**
Variable remuneration components		
One-year variable remuneration/annual bonus	1,992,600.00	54.2
Multi-year variable remuneration/long-term incentive (LTI)		
LTI (performance share plan) 2020–2022	–	–
Other remuneration		
Special benefits paid to new Board of Management members	–	–
Total remuneration granted and owed	**3,676,158.00**	**100.0**
Pension expenses	622,567.00	x
Total remuneration including pension expenses	**4,298,725.00**	**x**
Maximum remuneration	8,500,000.00	x
Clawback in accordance with section 162(1) sentence 2 no. 4 of the AktG	–	x

ANNUAL BONUS



2.2 Explanation
2.2.1 Performance criteria for the variable remuneration
a) Performance criteria for the annual bonus
aa) Financial subtargets

The following overviews show the threshold values, target values and maximum values set by the Supervisory Board for fiscal year 2023 for the financial subtargets operating result, including Chinese joint ventures (proportionate), and operating return on sales (RoS), along with the actual figures and target achievement levels in percent in fiscal year 2023.

COMPONENT 1: OPERATING RESULT INCLUDING CHINESE JOINT VENTURES (PROPORTIONATE)

€ billion	2023
Maximum value (175%)	32.0
100% target level	20.0
Threshold value (0%)	12.0
Actual	25.2
Target achievement (in %)	132

COMPONENT 2: OPERATING RETURN ON SALES

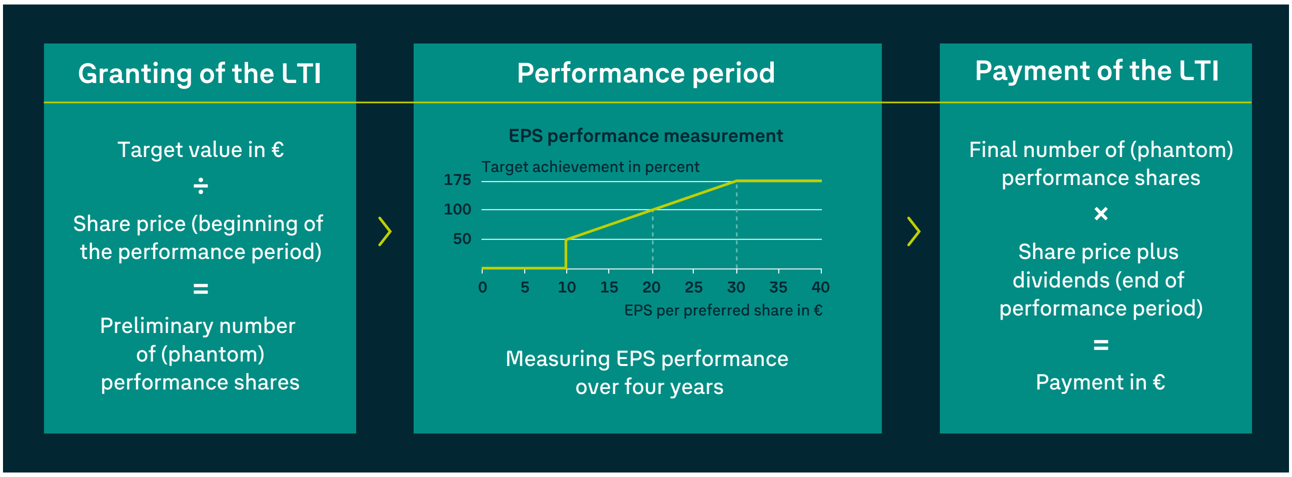
%	2023
Maximum value (175%)	9.5
100% target level	6.5
Threshold value (50%)	4.5
Actual	7.0
Target achievement (in %)	113

bb) ESG factor

The following overview shows the minimum values, target values and maximum values set by the Supervisory Board for fiscal year 2023 for the environmental (decarbonization index) and social (sentiment rating and diversity index) subtargets along with the actual figures and target achievement levels in fiscal year 2023. The decarbonization index measures the emissions of CO_2 and CO_2 equivalents by the passenger car- and light commercial vehicle-producing brands over the entire life cycle and documents the progress in improving our carbon footprint. The sentiment rating is an important parameter of the opinion survey – an employee poll with which the Group regularly gathers information regarding employee satisfaction. The diversity index is used worldwide to determine the development of the proportion of women in management and the internationalization of top management. The indicator provides incentives for an exemplary leadership and corporate culture. The governance factor is a means for the Supervisory Board to express its satisfaction with the expected and actual behavior of the Board of Management with regard to the criteria of integrity and compliance. As a rule, the governance factor should be 1.0 and may only be reduced to 0.9 or raised to 1.1 in exceptional circumstances based on a professional judgment of the Supervisory Board. For fiscal year 2023, the Supervisory Board has set the governance factor at the standard value of 1.0 for all Board of Management members; it takes into account and assesses the collective performance of the Board of Management as a whole and the performance of each Management Board member individually.

	ENVIRONMENTAL		SOCIAL	
	Decarbonization index		Sentiment rating	Diversity index
in tCO_2e/vehicle	2023	Points	2023	2023
Maximum value	42.1	Maximum value	82.5	142.0
100% target level	42.8	100% target level	78.5	137.0
Minimum value	45.0	Minimum value	74.5	132.0
Actual	43.9	Actual	82.5	154.0
Target achievement (factor)	0.9	Target achievement (factor)	1.3	1.3

LONG-TERM INCENTIVE (LTI): (PHANTOM) PERFORMANCE SHARE PLAN (PSP)



The illustration relates to the LTI with the performance period 2023–2025 and 2023–2026. The LTI with the performance period 2020–2022 that was paid out in fiscal year 2023 and reported in this remuneration report as remuneration granted and owed had a maximum value for the EPS performance measurement of 150%.

b) Performance criteria for the long-term incentive (LTI)

The four-year performance share plan has applied since January 1, 2021 to all Board of Management members with service contracts newly concluded or renewed after the Supervisory Board resolution of December 14, 2020. For the Board of Management members already appointed at the time of the Supervisory Board resolution of December 14, 2020, a three-year performance period continues to apply until their contracts are renewed. In fiscal year 2023, this concerned only Mr. Duesmann, who stepped down in the course of the year.

aa) Information on the performance shares

€	PERFORMANCE PERIOD 2020–2022 Number of performance shares allocated at the grant date	PERFORMANCE PERIOD 2021–2023 Number of performance shares allocated at the grant date	PERFORMANCE PERIOD 2021–2024 Number of performance shares allocated at the grant date	PERFORMANCE PERIOD 2022–2024 Number of performance shares allocated at the grant date	PERFORMANCE PERIOD 2022–2025 Number of performance shares allocated at the grant date	PERFORMANCE PERIOD 2023–2025 Number of performance shares allocated at the grant date	PERFORMANCE PERIOD 2023–2026 Number of performance shares allocated at the grant date
Oliver Blume	10,144	12,069	–	6,828	7,264	–	22,393
Arno Antlitz	–	–	9,052	–	10,242	–	18,977
Ralf Brandstätter	–	–	–	–	10,242	–	18,977
Gernot Döllner (since September 1, 2023)	–	–	–	–	–	–	6,326
Manfred Döss	–	–	–	–	7,041	–	14,233
Markus Duesmann (until August 31, 2023)	7,608	12,069	–	10,242	–	18,977	–
Gunnar Kilian	10,144	11,342	727	–	10,242	–	18,977
Thomas Schäfer	–	–	–	–	5,121	–	18,977
Thomas Schmall-von Westerholt	–	–	12,069	–	10,242	–	18,977
Hauke Stars	–	–	–	–	9,388	–	18,977
Total	**27,896**	**35,480**	**21,848**	**17,070**	**69,782**	**18,977**	**156,814**

bb) EPS performance

The following overview shows the minimum value, target value and maximum value set by the Supervisory Board at the beginning of the performance period for the performance share plan 2020–2022, which was paid out in fiscal year 2023, along with the actual figure and target achievement level in percent.

PERFORMANCE PERIOD 2020–2022

€	2020	2021	2022
Maximum value (150%)	30.0	30.0	30.0
100% target level	20.0	20.0	20.0
Minimum value (50%)	10.0	10.0	10.0
Actual	16.66	29.65	29.69
Target achievement (in %)	83	148	148

The following overviews show the minimum values, target values and maximum values set by the Supervisory Board at the beginning of the performance periods 2021–2023 or 2021–2024, 2022–2024 or 2022–2025 and 2023–2025 or 2023–2026 along with the actual figures and target achievement levels attained in percent so far for the individual years of the assessment period up to and including 2023. The performance share plans for the performance periods 2021–2023 or 2021–2024, 2022–2024 or 2022–2025 and 2023–2025 or 2023–2026 were not due in fiscal year 2023 and have not yet been paid out; they therefore do not constitute remuneration granted or owed in fiscal year 2023.

PERFORMANCE PERIOD 2021–2023

€	2021	2022	2023
Maximum value (150%)	30.0	30.0	30.0
100% target level	20.0	20.0	20.0
Minimum value (50%)	10.0	10.0	10.0
Actual	29.65	29.69	31.98
Target achievement (in %)	148	148	150

PERFORMANCE PERIOD 2021–2024

€	2021	2022	2023
Maximum value (150%)	30.0	30.0	30.0
100% target level	20.0	20.0	20.0
Minimum value (50%)	10.0	10.0	10.0
Actual	29.65	29.69	31.98
Target achievement (in %)	148	148	150

PERFORMANCE PERIOD 2022–2024

€	2022	2023
Maximum value (150%)	30.0	30.0
100% target level	20.0	20.0
Minimum value (50%)	10.0	10.0
Actual	29.69	31.98
Target achievement (in %)	148	150

PERFORMANCE PERIOD 2022–2025

€	2022	2023
Maximum value (150%)	30.0	30.0
100% target level	20.0	20.0
Minimum value (50%)	10.0	10.0
Actual	29.69	31.98
Target achievement (in %)	148	150

PERFORMANCE PERIOD 2023–2025

€	2023
Maximum value (175%)	40.5
100% target level	27.0
Minimum value (50%)	18.0
Actual	31.98
Target achievement (in %)	118

PERFORMANCE PERIOD 2023–2026

€	2023
Maximum value (175%)	40.5
100% target level	27.0
Minimum value (50%)	18.0
Actual	31.98
Target achievement (in %)	118

cc) Reference prices/dividend equivalent for the performance periods

The relevant initial reference price, closing reference price and dividend equivalent for the performance period 2020–2022 can be found in the following overview.

	PERFORMANCE PERIOD
	2020–2022
Initial reference price	177.44
Closing reference price	131.74
Dividend equivalent	
2020	4.86
2021	4.86
2022	7.56

The following overview shows the initial reference price, closing reference price and dividend equivalent for the performance share plans not yet due and not yet paid out for the performance periods 2021–2023 or 2021–2024, 2022–2024 or 2022–2025 and 2023–2025 or 2023–2026.

	PERFORMANCE PERIOD					
	2021–2023	2021–2024	2022–2024	2022–2025	2023–2025	2023–2026
Initial reference price	149.14	149.14	175.75	175.75	131.74	131.74
Closing reference price	110.83	–[1]	–[1]	–[1]	–[1]	–[1]
Dividend equivalent						
2021	4.86	4.86	–	–	–	–
2022	7.56	7.56	7.56	7.56	–	–
2023	27.82	27.82	27.82	27.82	27.82	27.82

1 Determined at the end of the performance period.

2.2.2 Conformity with the remuneration system

The remuneration granted and owed to the Board of Management members in fiscal year 2023 meets the requirements of the remuneration system for the members of the Board of Management. There was no deviation from the applicable remuneration system in fiscal year 2023. There was no need to reduce the payments related to the annual bonus and performance share plan based on the maximum values of the individual remuneration components being exceeded, as they did not exceed 200% of the target amount for the annual bonus or 250% of the target amount for the performance share plan. The total remuneration granted and owed to the Board of Management members in fiscal year 2023 did not exceed the maximum remuneration envisaged by the remuneration system. Since January 1, 2023, Volkswagen AG has granted Mr. Blume 50% of the remuneration for the Chair of the Board of Management of Volkswagen AG on the basis of the newly concluded service contract. In derogation of this, Volkswagen AG grants Mr. Blume the full amount of the fringe benefit allowance for the Chair of the Board of Management of Volkswagen AG. Mr. Blume is also Chair of the Executive Board of Porsche AG. Since January 1, 2023, Porsche AG has granted Mr. Blume 50% of the remuneration for a Chair of the Executive Board of Porsche AG. In preparation for the IPO completed on September 29, 2022, Porsche AG agreed on an IPO bonus for Mr. Blume. This IPO bonus is structured as a share plan with a one-, two- and three-year term, in each case starting from the time of the IPO. Mr. Blume was allocated a total of 19,290 phantom preferred shares in Porsche AG in fiscal year 2022, divided into three tranches of 6,430 phantom preferred shares each. Any remuneration granted and owed from this IPO bonus will be reported in the remuneration report for the fiscal year in which the respective tranche is paid out to Mr. Blume. The first tranche was paid out in fiscal year 2023. As a precaution, Volkswagen AG approved the remuneration from Porsche AG as a third-party remuneration arrangement. The remuneration granted to Mr. Blume by Porsche AG is counted towards the maximum remuneration and the cap on cash remuneration of Volkswagen AG.

2.2.3 Benefits and pension commitments in connection with termination of service

a) Benefits and pension commitments to Board of Management members for early termination of service

The remuneration system for the members of the Board of Management and the service contracts of the Board of Management members provide for severance payments in the event that an appointment as member of the Board of Management is revoked. In such cases – except where there is good cause entitling the Company to terminate the service contract prematurely or where the appointment is revoked due to a gross breach of duty – the Board of Management member receives a gross severance payment in the amount of the total remuneration of the past financial year up to the end of the regular term of the appointment, for a maximum of two years, calculated as of the date of the termination of the appointment as member of the Board of Management. Any temporary benefits for new Board of Management members are excluded from the calculation. Should a Board of Management member leave during the course of the first fiscal year of the appointment, the calculation may by way of exception be based on the expected total remuneration for the current fiscal year. The severance payment will be paid as a one-off payment or in a maximum of 24 monthly installments from the time of the termination of the appointment as a member of the Company's Board of Management. Contractual remuneration paid by the Company for the period from the termination of the appointment until the end of the service contract will be offset against the severance payment. Should Board of Management members take up other work after the termination of their appointment, the amount of the severance payment will be reduced by the amount of the income earned from that work. Should a post-contractual non-compete covenant be agreed, the severance payment will be offset against the compensation received for observing the post-contractual non-compete covenant.

The members of the Board of Management are also entitled to a pension and to a surviving dependents' pension as well as the use of company cars for the period in which they receive their pension in the event of early termination of their service on the Board of Management.

Also in the case of early termination, the variable remuneration components will generally be paid at the contractually agreed maturity dates in accordance with the terms of the contract. There will be no early calculation and payout – except where the employment relationship ends due to permanent disability or death. The remuneration system for members of the Board of Management does not include a commitment to grant shares in Volkswagen AG.

PENSIONS OF THE MEMBERS OF THE BOARD OF MANAGEMENT IN 2023 IN ACCORDANCE WITH IAS 19

€	Present value	Pension expenses in fiscal year 2023
Oliver Blume	3,975,429.00	663,530.00
Arno Antlitz	1,855,691.00	602,272.00
Ralf Brandstätter	1,371,141.00	599,577.00
Gernot Döllner (since September 1, 2023)	232,883.00	232,883.00
Manfred Döss	1,182,146.00	445,500.00
Markus Duesmann (until August 31, 2023)	–	408,474.67
Gunnar Kilian	3,873,261.00	601,860.00
Thomas Schäfer	1,055,174.00	605,432.00
Thomas Schmall-von Westerholt	2,060,312.00	600,719.00
Hauke Stars	1,226,121.00	622,567.00
Total	**16,832,158.00**	**5,382,814.67**

In line with the recommendation under G.14 of the 2022 Code, the service contracts do not provide for change of control clauses. Members of the Board of Management are therefore not entitled to payments agreed in the event of a change of control or to other special benefits (for example a commitment to grant shares) from Volkswagen AG.

b) Pension commitments to Board of Management members for regular termination of service

In the event of regular termination of their service on the Board of Management, the members of the Board of Management are entitled to a pension, including a surviving dependents' pension, as well as the use of company cars for the period in which they receive their pension. The agreed benefits are paid or made available when the Board of Management member reaches the age of 65, or in Mr. Blume's and Mr. Kilian's case, when they reach the age of 63.

The Board of Management members received a defined contribution plan, which is based in principle on a works agreement that also applies to the employees of Volkswagen AG covered by collective agreements and includes retirement, invalidity and surviving dependents' benefits. A pension contribution in the amount of 40% of the base salary is paid to Volkswagen Pension Trust e.V. at the end of the calendar year for each year they are appointed to the Board of Management. Since fiscal year 2023, the pension contribution for Mr. Blume has been 50% of his base salary. No other changes were made to the defined contribution plans in fiscal year 2023. The annual pension contributions result in modules of what is, in principle, a lifelong pension in line with the arrangements that also apply to employees covered by collective agreements.

The individual pension modules vest immediately upon payment to Volkswagen Pension Trust e.V. Instead of a lifelong pension, benefits can optionally be paid out as a lump sum or in installments when the beneficiary reaches retirement age.

The overview on the previous page shows the pensions for the individual members of the Board of Management in fiscal year 2023, indicating the present value and the pension expense for the Company during the last fiscal year.

c) Benefits and pension commitments to Board of Management members who left in fiscal year 2023

In fiscal year 2023, Mr. Duesmann stepped down from the Board of Management. Mr. Duesmann was originally appointed as a member of the Volkswagen AG Board of Management until the close of March 31, 2025 and had additionally been appointed as a member of the Board of Management of AUDI AG and as its Chair. Volkswagen AG, AUDI AG and Mr. Duesmann have mutually terminated the appointment as a member of the Board of Management of Volkswagen AG, the appointment as a member of the Board of Management of AUDI AG and the appointment as Chair of the Board of Management of AUDI AG prematurely with effect from the close of August 31, 2023. Due to this termination, Volkswagen AG and AUDI AG concluded a termination agreement with Mr. Duesmann. The subject of this termination agreement included the continuation of the service contract between Mr. Duesmann and Volkswagen AG until its regular termination date, i.e. until March 31, 2025. The service contract between Mr. Duesmann and AUDI AG was terminated with effect from August 31, 2023. Volkswagen AG agreed to continue paying Mr. Duesmann his remuneration until the termination date of his service contract. Variable remuneration components will be paid at the contractually agreed time; there will be no early calculation and payout. The annual bonus will be based in each case on a Governance factor of 1.0. Mr. Duesmann does not receive a severance payment from Volkswagen AG in the form of a one-off payment. The maximum remuneration and the cap on cash remuneration continue to apply to the remuneration to be paid. From April 1, 2025, Mr. Duesmann will be subject to a one-year post-contractual non-compete covenant, for which Volkswagen AG will pay him gross monthly compensation of €187,500.

2.2.4 No clawback claims in fiscal year 2023

Volkswagen AG did not seek to claw back any variable remuneration components from individual Board of Management members in fiscal year 2023. The prerequisites for a clawback claim did not apply.

IV. Remuneration of former Board of Management members

In accordance with section 162(1) sentence 1 of the AktG, the remuneration granted and owed to former members of the Board of Management must also be reported.

1. Remuneration granted and owed in fiscal year 2023 (individualized)

Under section 162(5) sentence 2 of the AktG, the obligation to report individually on the remuneration granted and owed to former Board of Management members also extends to remuneration granted and owed in the ten years after their most recent term of office on the Board of Management or Supervisory Board at Volkswagen AG.

The following tables show the remuneration granted and owed in fiscal year 2023 to the individual former members of the Board of Management who left after fiscal year 2013. As with the current Board of Management members, the annual bonus paid at the beginning of 2024 to former Board of Management members for the 2023 fiscal year is counted as remuneration granted in fiscal year 2023.

2. Total remuneration granted to former Board of Management members

Section 162(5) sentence 2 of the AktG does not require the Company to report individually on the remuneration granted and owed in 2023 to former members of the Board of Management whose most recent term of office on the Board of Management or Supervisory Board at Volkswagen AG came to an end before the beginning of 2014 and who were then granted and owed remuneration for more than ten years after leaving Volkswagen AG. A total of €8.1 million was granted and owed to such former Board of Management members and their surviving dependents in fiscal year 2023. Obligations for pensions for this group of persons measured in accordance with IAS 19 amounted to €91.2 million.

	KARLHEINZ BLESSING	
	2023	
	€	%
Pension payments	189,505.92	9.0
Base salary	–	–
Fringe benefits	6,348.00	0.3
One-year variable remuneration/annual bonus	–	–
Multi-year variable remuneration/long-term incentive (LTI, performance share plan 2020–2022)	1,914,757.98	90.7
Severance payments	–	–
Total remuneration granted and owed	**2,110,611.90**	**100.0**

	HERBERT DIESS	
	2023	
	€	%
Pension payments	–	–
Base salary	2,600,000.00	22.6
Fringe benefits	178,656.00	1.6
One-year variable remuneration/annual bonus	4,649,400.00	40.4
Multi-year variable remuneration/long-term incentive (LTI, performance share plan 2020–2022)	4,074,355.82	35.4
Severance payments	–	–
Total remuneration granted and owed	**11,502,411.82**	**100.0**
Pension expenses	1,309,315.00	x
Total remuneration including pension expenses	**12,811,726.82**	**x**
Maximum remuneration	15,000,000.00	x

	MARKUS DUESMANN[1]	
	2023	
	€	%
Pension payments	–	–
Base salary	500,000.00	29.4
Fringe benefits	60,041.00	3.5
One-year variable remuneration/annual bonus	664,200.00	39.0
Multi-year variable remuneration/long-term incentive (LTI, performance share plan 2020–2022)	478,701.91	28.1
Severance payments	–	–
Total remuneration granted and owed	**1,702,942.91**	**100.0**
Pension expenses	204,237.33	x
Total remuneration including pension expenses	**1,907,180.25**	**x**
Maximum remuneration	4,000,000.00	x

1 Mr. Duesmann was an active Board of Management member until the close of August 31, 2023. The table shows his remuneration after his departure from the Board of Management.

	FRANCISCO JAVIER GARCIA SANZ	
	2023	
	€	%
Pension payments	769,230.12	97.6
Base salary	–	–
Fringe benefits	19,278.00	2.4
One-year variable remuneration/annual bonus	–	–
Multi-year variable remuneration/long-term incentive (LTI, performance share plan 2020–2022)	–	–
Severance payments	–	–
Total remuneration granted and owed	**788,508.12**	**100.0**

	JOCHEM HEIZMANN	
	2023	
	€	%
Pension payments	793,220.40	98.4
Base salary	–	–
Fringe benefits	13,096.15	1.6
One-year variable remuneration/annual bonus	–	–
Multi-year variable remuneration/long-term incentive (LTI, performance share plan 2020–2022)	–	–
Severance payments	–	–
Total remuneration granted and owed	**806,316.55**	**100.0**

	CHRISTINE HOHMANN-DENNHARDT	
	2023	
	€	%
Pension payments	111,847.80	75.4
Base salary	–	–
Fringe benefits	36,564.00	24.6
One-year variable remuneration/annual bonus	–	–
Multi-year variable remuneration/long-term incentive (LTI, performance share plan 2020–2022)	–	–
Severance payments	–	–
Total remuneration granted and owed	**148,411.80**	**100.0**

	MICHAEL MACHT	
	2023	
	€	%
Pension payments	740,869.17	95.8
Base salary	–	–
Fringe benefits	32,349.00	4.2
One-year variable remuneration/annual bonus	–	–
Multi-year variable remuneration/long-term incentive (LTI, performance share plan 2020–2022)	–	–
Severance payments	–	–
Total remuneration granted and owed	**773,218.17**	**100.0**

	MATTHIAS MÜLLER	
	2023	
	€	%
Pension payments	1,266,360.48	64.5
Base salary	–	–
Fringe benefits	18,167.98	0.9
One-year variable remuneration/annual bonus	–	–
Multi-year variable remuneration/long-term incentive (LTI, performance share plan 2020–2022)	679,233.16	34.6
Severance payments	–	–
Total remuneration granted and owed	**1,963,761.62**	**100.0**

	HORST NEUMANN	
	2023	
	€	%
Pension payments	696,855.16	97.3
Base salary	–	–
Fringe benefits	19,240.00	2.7
One-year variable remuneration/annual bonus	–	–
Multi-year variable remuneration/long-term incentive (LTI, performance share plan 2020–2022)	–	–
Severance payments	–	–
Total remuneration granted and owed	**716,095.16**	**100.0**

	LEIF ÖSTLING	
	2023	
	€	%
Pension payments	253,848.12	100.0
Base salary	–	–
Fringe benefits	–	–
One-year variable remuneration/annual bonus	–	–
Multi-year variable remuneration/long-term incentive (LTI, performance share plan 2020–2022)	–	–
Severance payments	–	–
Total remuneration granted and owed	**253,848.12**	**100.0**

	HANS DIETER PÖTSCH	
	2023	
	€	%
Pension payments	859,900.00	96.4
Base salary	–	–
Fringe benefits	31,737.84	3.6
One-year variable remuneration/annual bonus	–	–
Multi-year variable remuneration/long-term incentive (LTI, performance share plan 2020–2022)	–	–
Severance payments	–	–
Total remuneration granted and owed	**891,637.84**	**100.0**

	ANDREAS RENSCHLER	
	2023	
	€	%
Pension payments	370,126.50	25.8
Base salary	–	–
Fringe benefits	26,256.89	1.8
One-year variable remuneration/annual bonus	–	–
Multi-year variable remuneration/long-term incentive (LTI, performance share plan 2020–2022)	1,037,179.20	72.3
Severance payments	–	–
Total remuneration granted and owed	**1,433,562.59**	**100.0**

	ABRAHAM SCHOT	
	2023	
	€	%
Pension payments	–	–
Base salary	–	–
Fringe benefits	–	–
One-year variable remuneration/annual bonus	–	–
Multi-year variable remuneration/long-term incentive (LTI, performance share plan 2020–2022)	1,914,757.98	100.0
Severance payments	–	–
Total remuneration granted and owed	**1,914,757.98**	**100.0**

	RUPERT STADLER	
	2023	
	€	%
Pension payments	–	–
Base salary	–	–
Fringe benefits	23,256.41	100.0
One-year variable remuneration/annual bonus	–	–
Multi-year variable remuneration/long-term incentive (LTI, performance share plan 2020–2022)	–	–
Severance payments	–	–
Total remuneration granted and owed	**23,256.41**	**100.0**

	HILTRUD DOROTHEA WERNER	
	2023	
	€	%
Pension payments	–	–
Base salary	–	–
Fringe benefits	–	–
One-year variable remuneration/annual bonus	–	–
Multi-year variable remuneration/long-term incentive (LTI, performance share plan 2020–2022)	1,914,757.98	100.0
Severance payments	–	–
Total remuneration granted and owed	**1,914,757.98**	**100.0**

	MARTIN WINTERKORN	
	2023	
	€	%
Pension payments	1,321,356.96	97.8
Base salary	–	–
Fringe benefits	29,146.50	2.2
One-year variable remuneration/annual bonus	–	–
Multi-year variable remuneration/long-term incentive (LTI, performance share plan 2020–2022)	–	–
Severance payments	–	–
Total remuneration granted and owed	**1,350,503.46**	**100.0**

	FRANK WITTER	
	2023	
	€	%
Pension payments	463,652.58	19.4
Base salary	–	–
Fringe benefits	14,753.37	0.6
One-year variable remuneration/annual bonus	–	–
Multi-year variable remuneration/long-term incentive (LTI, performance share plan 2020–2022)	1,914,757.98	80.0
Severance payments	–	–
Total remuneration granted and owed	**2,393,163.93**	**100.0**

V. Comparative presentation

The following table shows a comparison of the year-on-year percentage change in the remuneration of current and former Board of Management members with the earnings performance of Volkswagen AG and with the average remuneration of employees on a full-time-equivalent basis. For members of the Board of Management, the remuneration granted and owed in the reporting year is placed in relation to the equivalent figure for the previous year.

Earnings performance is shown on the basis of Volkswagen AG's net income or loss for the year. However, the remuneration of the Board of Management members is based on Group KPIs. In order to demonstrate more transparently how the remuneration of the Board of Management members has changed compared with earnings performance, the earnings after tax, operating result and operating return on sales of the Volkswagen Group, as reported in the consolidated financial statements, are also used in determining earnings performance. This means that Group KPIs are not only applied in calculating the remuneration of the Board of Management members but also in determining earnings performance. The Group KPIs used in determining earnings performance show the overall effect of the business activities for which the Board of Management is responsible.

The comparison with the growth in average employee remuneration is based on the personnel expenses of Volkswagen AG reported in the notes to the annual financial statements of Volkswagen AG, adjusted for the remuneration of the members of the Board of Management. These adjusted personnel expenses are divided by the number of full-time-equivalent employees of Volkswagen AG as of December 31, 2023, excluding the members of the Board of Management.

VI. Peer group

The Supervisory Board regularly reviews and, if necessary, adjusts the level of the remuneration, the total remuneration cap and the individual targets. Among other things, the Supervisory Board performs a vertical comparison with the remuneration and employment terms of the Company's employees and a horizontal comparison with the remuneration and employment terms of other companies' management board members. The Supervisory Board conducts a comparison with what it considers to be a suitable peer group to assess whether the specific total remuneration paid to the members of the Board of Management is customary when measured against that paid in other companies. This peer group is regularly reviewed – most recently at the end of 2023 – and adjusted if necessary. The peer group currently comprises the following companies: BMW, Mercedes-Benz Group, Ford, General Motors, Stellantis, Nissan Motor Corporation, Toyota, BYD, Tesla (excluding CEO), hp, IBM, Uber, SAP, Samsung, General Electric, Siemens, Hitachi and Boeing. The companies in the peer group were chosen to reflect the Volkswagen Group's strategic business fields. The peer group used up to and including 2020 was revised and last adjusted following the adoption of the "TOGETHER 2025" strategy. To take proper account of the evolution of the Group's business model, in the view of the Supervisory Board, technology and services companies, especially in the battery/electronics, IT/software and mobility services segments, have also been included in the peer group along with the global automotive manufacturers. In addition, the peer group includes selected global industrial corporations that, in the view of the Supervisory Board, appear comparable with the Volkswagen Group in terms of their development focus, vertical integration, global orientation and level of complexity. In the view of the Supervisory Board, the composition of this peer group is representative of the Volkswagen Group's specific competitive environment in the sales market and in the recruitment market for top executives.

Annual change in %	2023 compared with 2022[1]	2022 compared with 2021[1]	2021 compared with 2020[1]
Board of Management remuneration[2]			
Oliver Blume	+36.1	+49.1	+74.8
Arno Antlitz	-3.5	+28.8	–
Ralf Brandstätter	+3.8	–	–
Gernot Döllner (since September 1, 2023)	–	–	–
Manfred Döss	+5.3	–	–
Gunnar Kilian	-1.6	+6.6	+128.3
Thomas Schäfer	+92.9	–	–
Thomas Schmall-von Westerholt	-3.5	-3.4	–
Hauke Stars	+5.2	–	–
Karlheinz Blessing	-30.2	+346.3	-83.0
Herbert Diess	+12.5	+19.0	+40.1
Markus Duesmann (until August 31, 2023)[3]	+33.4	-3.5	-56.6
Francisco Javier Garcia Sanz	-59.2	+56.5	-43.8
Jochem Heizmann	-5.7	-31.4	-50.7
Christine Hohmann-Dennhardt	+2.7	+2.0	+2.7
Michael Macht	+1.6	-1.4	+0.6
Matthias Müller	-72.6	+408.4	-71.4
Horst Neumann	+3.0	+0.3	+0.1
Leif Östling	+3.1	+1.0	+1.0
Hans Dieter Pötsch	+3.3	+2.5	-1.5
Andreas Renschler	-74.3	-0.5	-0.2
Abraham Schot	-32.4	–	–
Rupert Stadler	+2,853.9	-99.8	-73.7
Hiltrud Dorothea Werner	-37.6	-46.0	+6.6
Martin Winterkorn	+9.2	+2.3	+0.2
Frank Witter	-27.2	+22.2	-34.5
Earnings performance			
Net income or loss for the year of Volkswagen AG	-50.0	+208.8	-36.2
Earnings after tax of the Volkswagen Group	+13.1	+2.6	+74.8
Operating result of the Volkswagen Group	+2.1	+14.8	+99.2
Operating return on sales of the Volkswagen Group	-8.9	+2.6	+79.1
Employees			
Volkswagen AG employees	-14.6	+26.9	+9.2

1 Under the transitional provision of section 26j(2) sentence 2 of the *Einführungsgesetz zum Aktiengesetz* (EGAktG – Introductory Act to the German Stock Corporation Act), the comparative presentation is to be based on the average remuneration in the period since fiscal year 2020 only, rather than the average remuneration for the last five fiscal years; this provision applies until the end of fiscal year 2025.
2 Remuneration "granted and owed" within the meaning of section 162(1) sentence 1 of the AktG.
3 Remuneration "granted and owed" for the full fiscal year 2023 as an active Board of Management member and after his departure from the Board of Management.

B. REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

I. Principles of Supervisory Board remuneration

Following its regular review of Supervisory Board remuneration, the Supervisory Board proposed an adjustment of the remuneration for the members of the Supervisory Board to the 2023 Annual General Meeting. The proposed adjustment of the Supervisory Board remuneration system was approved by the Annual General Meeting on May 10, 2023 with 99.99% of the votes cast. The remuneration of the members of the Supervisory Board is governed by Article 17 of the Articles of Association of Volkswagen Aktiengesellschaft.

The remuneration of the members of the Supervisory Board of Volkswagen AG and remuneration for supervisory board work at subsidiaries is comprised entirely of non-performance-related remuneration components.

II. Overview of remuneration

The members of the Supervisory Board of Volkswagen AG receive fixed remuneration of €170,000 per fiscal year. The Chair of the Supervisory Board receives fixed remuneration of €510,000; the Deputy Chair receives fixed remuneration of €340,000.

For their work in the Supervisory Board committees, the members of the Supervisory Board also receive additional fixed remuneration of €75,000 per committee and fiscal year provided the committee met at least once that year for the performance of its duties. Membership of the Nomination and Mediation Committees established in accordance with section 27(3) of the *Mitbestimmungsgesetz* (MitbestG – German Codetermination Act) are not taken into account. Committee chairs receive double this amount, while the deputy chairs receive one-and-a-half times the committee remuneration listed previously. Remuneration is paid for work on a maximum of two committees, whereby the two most highly remunerated functions are taken into account if this maximum is exceeded. Supervisory Board members who belonged to the Supervisory Board or one of its committees for only part of the fiscal year receive remuneration on a pro rata temporis basis. Any value-added tax incurred on the remuneration is reimbursed by the Company.

Supervisory Board members receive an attendance fee of €1,000 for attending a meeting of the Supervisory Board or one of its committees; if several meetings take place on the same day, the attendance fee is paid only once.

The remuneration and attendance fees are each payable after the end of the fiscal year.

The remuneration enables suitable, qualified candidates to be recruited to the Supervisory Board. As such, the remuneration of the members of the Supervisory Board contributes to the ability of the Supervisory Board as a whole to properly and competently perform its duties of monitoring and advising the Board of Management. Restricting the payment to fixed remuneration is also appropriate to the duties of the Supervisory Board. The restriction provides the Supervisory Board members with an incentive in their monitoring and advisory duties to properly scrutinize the activities of the Board of Management without being guided primarily by the performance of key operating ratios.

Former members of the Supervisory Board of Volkswagen AG do not receive any remuneration for the period following the termination of office.

III. Other remuneration

Volkswagen AG reimburses Supervisory Board members for the expenses they incur in the course of their work. In accordance with Article 17(7) sentence 2 of the Articles of Association of Volkswagen AG, the members of the Supervisory Board were also covered in the reporting year by the directors and officers (D&O) insurance taken out by the Company in their interest. The Company paid the premiums for the D&O insurance. There was a deductible equal to the gross annual fixed remuneration amount for Supervisory Board members. There is no voluntary commitment by members of the Supervisory Board to buy and hold shares of Volkswagen AG.

IV. Remuneration to Supervisory Board members in fiscal year 2023

1. Supervisory Board members in fiscal year 2023

The members of the Volkswagen AG Supervisory Board in office during the 2023 fiscal year are listed in the table below.

2. Remuneration granted and owed

The following table shows the remuneration individually granted and owed to each of the Supervisory Board members in fiscal year 2023. This is based on the same understanding of the term “granted and owed” as set out in section “2. Remuneration granted and owed in fiscal year 2023” of this remuneration report. The remuneration reported in the table therefore reflects the amounts actually received in fiscal year 2023.

€ (%)	FIXED REMUNERATION 2023	WORK IN COMMITTEES 2023	MEETING ATTENDANCE FEES 2023	TOTAL 2023	REMUNERATION FOR SERVING ON THE BOARDS OF OTHER GROUP COMPANIES[1] 2023
Hans Dieter Pötsch	510,000.00	150,000.00	16,000.00	**676,000.00**	586,000.00
	(75.4)	(22.2)	(2.4)		
Jörg Hofmann[1]	340,000.00	112,500.00	15,000.00	**467,500.00**	–
	(72.7)	(24.1)	(3.2)		
Hessa Sultan Al Jaber	170,000.00	–	7,000.00	**177,000.00**	–
	(96.0)		(4.0)		
Mansoor Ebrahim Al-Mahmoud	170,000.00	150,000.00	9,000.00	**329,000.00**	–
	(51.7)	(45.6)	(2.7)		
Harald Buck[1]	170,000.00	–	8,000.00	**178,000.00**	239,000.00
	(95.5)		(4.5)		
Matías Carnero Sojo[3]	–	–	–	**–**	–
Daniela Cavallo[1]	170,000.00	187,500.00	17,000.00	**374,500.00**	89,658.00
	(45.4)	(50.1)	(4.5)		
Julia Willie Hamburg[2]	170,000.00	–	6,000.00	**176,000.00**	–
	(96.6)		(3.4)		
Marianne Heiß	170,000.00	75,000.00	11,000.00	**256,000.00**	75,000.00
	(66.4)	(29.3)	(4.3)		
Arno Homburg[1]	170,000.00	–	7,000.00	**177,000.00**	–
	(96.0)		(4.0)		
Günther Horvath (since February 28, 2023)	142,520.55	–	7,000.00	**149,520.55**	–
	(95.3)		(4.7)		
Simone Mahler (until May 31, 2023)[1]	70,328.77	–	3,000.00	**73,328.77**	–
	(95.9)		(4.1)		
Peter Mosch (until December 31, 2023)[1]	170,000.00	75,000.00	16,000.00	**261,000.00**	186,250.00
	(65.1)	(28.7)	(6.1)		
Daniela Nowak[1]	170,000.00	–	8,000.00	**178,000.00**	–
	(95.5)		(4.5)		
Hans Michel Piëch	170,000.00	75,000.00	14,000.00	**259,000.00**	241,500.00
	(65.6)	(29.0)	(5.4)		
Ferdinand Oliver Porsche	170,000.00	75,000.00	11,000.00	**256,000.00**	291,500.00
	(66.4)	(29.3)	(4.3)		
Wolfgang Porsche	170,000.00	75,000.00	13,000.00	**258,000.00**	471,500.00
	(65.9)	(29.1)	(5.0)		
Jens Rothe (until March 3, 2023)[1]	28,876.71	25,479.45	4,000.00	**58,356.16**	–
	(49.5)	(43.7)	(6.9)		
Gerardo Scarpino (since April 21, 2023)[1]	118,301.37	99,863.01	12,000.00	**230,164.38**	2,500.00
	(51.4)	(43.4)	(5.2)		
Karina Schnur (since July 11, 2023)[1]	80,575.34	–	3,000.00	**83,575.34**	180,242.00
	(96.4)		(3.6)		
Conny Schönhardt[1]	170,000.00	75,000.00	11,000.00	**256,000.00**	–
	(66.4)	(29.3)	(4.3)		
Stephan Weil[2]	170,000.00	75,000.00	14,000.00	**259,000.00**	–
	(65.6)	(29.0)	(5.4)		
Total	**3,670,602.74**	**1,250,342.46**	**212,000.00**	**5,132,945.20**	**2,363,150.00**

1 These employee representatives have stated that they will transfer their Supervisory Board remuneration to the Hans Böckler Foundation in accordance with the guidelines issued by the *Deutscher Gewerkschaftsbund* (DGB –German Confederation of Trade Unions).
2 Under section 5(3) of the *Niedersächsisches Ministergesetz* (German Act Governing Ministers of the State of Lower Saxony), these members of the Supervisory Board are obliged to transfer their Supervisory Board remuneration to the State of Lower Saxony as soon as and in so far as it exceeds €6,200 per annum. Remuneration is defined for this purpose as Supervisory Board remuneration and attendance fees exceeding the amount of €200.
3 Mr. Carnero Sojo waived his remuneration for fiscal year 2023 in its entirety.

V. Comparative presentation

The following table compares the year-on-year percentage change in the remuneration of the Supervisory Board members with the earnings performance of Volkswagen AG and with the average remuneration of employees on a full-time-equivalent basis.

Earnings performance is shown on the basis of Volkswagen AG's net income or loss for the year. The Volkswagen Group's earnings after tax are also used as a Group KPI.

The comparison with the growth in average employee remuneration is based on the personnel expenses of Volkswagen AG reported in the notes to the annual financial statements of Volkswagen AG, adjusted for the remuneration of the members of the Board of Management. These adjusted personnel expenses are divided by the number of full-time-equivalent employees of Volkswagen AG as of December 31, 2023, excluding the members of the Board of Management.

Annual change in %	2023 compared with 2022[1]	2022 compared with 2021[1]	2021 compared with 2020[1]
Supervisory Board remuneration[2]			
Hans Dieter Pötsch	+35.3	+2.0	+1.5
Jörg Hofmann	+49.8	+7.6	–3.0
Hessa Sultan Al Jaber	+59.5	+4.7	–2.8
Mansoor Ebrahim Al-Mahmoud	+189.2	–	–
Harald Buck	+105.4	–	–
Matías Carnero Sojo	–	–	–
Daniela Cavallo	+23.9	+67.9	–
Julia Willie Hamburg	+965.3	–	–
Marianne Heiß	+35.7	–0.7	+2.6
Arno Homburg	+136.5	–	–
Günther Horvath (since February 28, 2023)	–	–	–
Simone Mahler (until May 31, 2023)	–2.0	–	–
Peter Mosch (until December 31, 2023)	+11.7	+6.4	+2.1
Daniela Nowak	+137.9	–	–
Hans Michel Piëch	+33.1	+5.4	+13.5
Ferdinand Oliver Porsche	+37.6	–6.8	+3.1
Wolfgang Porsche	+55.0	–2.3	+8.9
Jens Rothe (until March 3, 2023)	–67.7	+754.5	–
Gerardo Scarpino (since April 21, 2023)	–	–	–
Karina Schnur (since July 11, 2023)	–	–	–
Conny Schönhardt	+51.5	+4.3	–3.0
Stephan Weil	+40.0	+13.5	–4.1
Earnings performance			
Net income or loss for the year of Volkswagen AG	–50.0	+208.8	–36.2
Earnings after tax of the Volkswagen Group	+13.1	+2.6	+74.8
Employees			
Volkswagen AG employees	–14.6	+26.9	+9.2

1 Under the transitional provision of section 26j(2) sentence 2 of the *Einführungsgesetz zum Aktiengesetz* (EGAktG – Introductory Act to the German Stock Corporation Act), the comparative presentation is to be based on the average remuneration in the period since fiscal year 2020 only, rather than the average remuneration for the last five fiscal years; this provision applies until the end of fiscal year 2025.

2 Remuneration "granted and owed" within the meaning of section 162(1) sentence 1 of the AktG.

4

Group Management Report

(Combined Management Report of the Volkswagen Group and Volkswagen AG)

Goals and Strategies

With the Group strategy "NEW AUTO – Mobility for generations to come", we are preparing ourselves for the global changes in mobility and thus playing a substantial role in driving Volkswagen's transformation into a provider of sustainable mobility.

In the context of the fast-changing environment and the challenges resulting from it, the Group Board of Management adopted the Group strategy "NEW AUTO – Mobility for generations to come" in May 2021 with the approval of the Supervisory Board. The strategy's focus is the world of mobility in 2030.

As technology advances, the automotive industry is rapidly forging ahead with its transformation toward e-mobility and digitalization. We therefore expect the market for electric vehicles to continue to grow in the next few years, meaning that the cost-efficient and sustainable production of battery systems and the expansion of the charging infrastructure will be crucial to success.

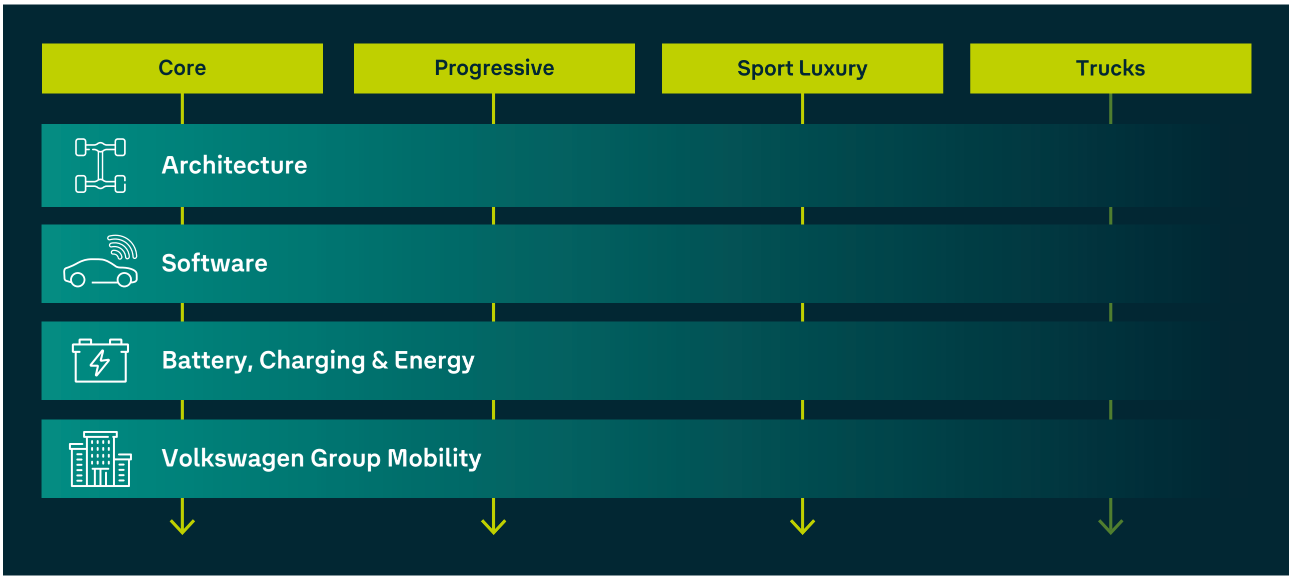
The shift to connected, intelligent and eventually self-driving vehicles will, however, bring more wide-reaching changes for the automotive industry. Autonomous driving will change the customer's mobility experience forever and lay the ground for new business models. Sources of revenue will gradually shift and will expand beyond the core product of the automobile. Increasing software development capabilities in order to excite customers with constantly improving digital functionality is the prerequisite for this.

In equal measure to technological trends, the global economic and geopolitical environment is also posing increased challenges for the automotive industry. These include, for example, the economic influence of the largest mobility market, China, the USA and Europe, and their diverging development.

Sustainability will continue to be a recurring theme in the business world and will gain further pertinence, driven by the increasingly noticeable consequences of climate change, a greater consciousness of sustainable lifestyles on the part of the customer and, not least, underlying factors such as the Paris Climate Agreement. As we transition from automotive manufacturer to mobility group, we have reset our priorities with NEW AUTO and are positioning ourselves for the future. We are keeping our aim of being a world-leading provider of sustainable mobility firmly in our sights and making the Group more focused, efficient, innovative, customer-oriented and sustainable, as well as systematically gearing it toward profitable growth.

To this end, we have established clearly defined Group initiatives across the brand groups, with a focus on our central technology platforms: "Architecture", "Software", "Battery, Charging & Energy", and "Volkswagen Group Mobility". Furthermore, base initiatives form the foundation for the Volkswagen Group's strategic realignment. These are "ESG, Decarbonization & Integrity", "Business Model 2.0", "North America (NAR) Region", "China Region", "Group Steering Model", "People & Transformation" and "Financing the Transformation", which are described below.

NEW AUTO FOCUSING ON THE TECHNOLOGY PLATFORMS



The most important targets for each calendar year are defined and a Top 10 program is developed at Group level so that the strategy can be implemented in operations throughout the year. Priorities in the Group's Top 10 program for 2023 were financial robustness and planning, products, the China and North America regions, software, technologies, battery and charging, mobility solutions, sustainability, and capital markets. This Top 10 program methodology has been adopted by many business units in their functional area strategies and is being used to accelerate implementation of the strategy with a high level of focus.

To make the progress in our focus topics – consisting of the initiatives of the NEW AUTO strategy and the objectives of the Group's Top 10 program applicable to the fiscal year – as transparent as possible for management and employees, the Group Board of Management decided to structure and regularly measure the strategic objectives and milestones using the OKR (Objectives and Key Results) method. Accordingly, strategic objectives and envisaged key results are defined for all focus topics. These are to be realized largely through time-limited projects and work packages, each of which is measured by specific key performance indicators. The degree of achievement is usually presented to the Board of Management three times a year. As such, the relevance of the focus topics, and their objectives, milestones, projects and work packages, are regularly reviewed at Group level. Their focus is continuously monitored and adjusted as necessary or integrated into standard operations.

We report on the main objectives and interim results achieved in the reporting year in the chapters "Internal Management System and Key Performance Indicators", "Structure and Business Activities" and "Sustainable Value Enhancement".

ARCHITECTURE

A future-oriented mechatronics platform will form the backbone for innovations, technology and lasting competitiveness at Volkswagen. With the Scalable Systems Platform (SSP), we are creating the next generation of an all-electric, fully digital and highly scalable mechatronics platform based on a standardized software architecture. With this standardized platform, which can be scaled from the smallest vehicles all the way up to the premium segment, the Volkswagen Group aims to rapidly and efficiently provide its customers with innovative functions and technologies in their vehicles, across all brands. By reducing complexity and the number of versions, the SSP will offer maximum synergies and make fast, regular technology updates possible, while lowering investment costs and ensuring the necessary differentiation between the products of the individual brands in the Group's portfolio.

SOFTWARE

The purpose of the Group's own software and technology company CARIAD is to create the technical basis for data-based business models, new mobility services and automated driving (Level 4), and to leverage cross-brand synergies. Here we are pursuing the following strategy: we intend to develop software for central control points in the vehicle either in-house or together with third parties in strategic partnerships. CARIAD is collaborating with leading technology companies to integrate further innovative solutions.

Together with the Porsche and Audi brands, CARIAD is working to introduce the new E^3 1.2 platform, which optimizes the interaction between the hardware and the vehicle software and is also intended to serve as a key lever for data-driven development and for the introduction of new services even after vehicle production has begun.

In the long term, the standardized E^3 2.0 software architecture is to form the basis of a complete digital ecosystem, offering customers a wide range of software-based services throughout the entire product lifecycle. The software-centric approach of the E^3 2.0 architecture constitutes a paradigm shift in vehicle development. This is to form the basis for the Volkswagen Group's software-defined vehicles. The aim is for every function that is needed or requested, and for every service, to be customized for the customers in the various markets and to be available for download at any time. This will also open up new sources of revenue for us.

Applications at various levels of automated driving (up to Level 4) are to be gradually introduced to the new vehicle models in the Group brands. In this context, CARIAD is responsible for developing software and a technology stack for automated driving.

BATTERY, CHARGING & ENERGY – CELL AND BATTERY STRATEGY

The battery is a key component in an electric vehicle, and an important cost factor. The appeal and market success of e-mobility is determined not only by the price, but also by the vehicle's range and its charging speed. In order to achieve our objective of transforming into a world-leading provider of sustainable mobility, we intend to become a profit-generating expert across the entire battery life cycle. To this end, the Cell and Battery Strategy tech initiative pools expertise across the Group and is driving the transformation process in cooperation with our strategic partners.

The aspects covered include battery development, cell production, vertical integration, large-scale storage systems and recycling. Our primary aim is to develop battery cell technology into a core competence in the Group, and we are also working with partners to achieve this. At the heart of this strategy is the unified cell, which can contain differing chemistries and is to be used in up to 80% of Group models by 2030. The economies of scale this generates are expected to reduce costs by up to 50% and put us in a leading cost position. To cover the high demand for battery cells, Volkswagen plans to build its own gigafactories around the world. The cornerstone for these activities was laid in Salzgitter/Germany. Using the standard factory concept to optimize investment, further factories are to follow swiftly in Valencia/Spain and St. Thomas/Canada. The aim is to meet about half of the rapidly growing need for battery cells ourselves by 2030.

BATTERY, CHARGING & ENERGY – CHARGING AND ENERGY SERVICES

A sustainable, stable charging and energy infrastructure is a key prerequisite for accelerating the transformation to the battery-electric mobility of the future. It is therefore our intention to also become a comprehensive charging and energy service provider in future and we are investing heavily in the worldwide development of an open, fast-charging network. By 2025, we and our partners plan to create around 45,000 high-power charging points in Europe, China and the USA. The product portfolio also includes the full range of charging solutions for private customers and companies. In addition to our own wall box and flexible fast-charging station (Flexpole), the focus is particularly on contract-based charging services and smart green electricity tariffs. The aim is for charging processes to be controlled in such a way that they tap into renewable energy, thus reducing the pressure on the power grids. In a next step, Volkswagen intends to use the electric vehicle as a mobile power bank, and thus help to enable electric vehicles to act as additional storage units and become an active part of the energy system in the future. In this way, Volkswagen wishes to make its customers part of the smart-charging and energy ecosystem for decarbonized mobility. Our goal here is farsighted use of scarce resources in the electric power industry.

VOLKSWAGEN GROUP MOBILITY

In keeping with its mission statement, "Mobility for generations to come", the Volkswagen Group is developing mobility solutions for the future, taking into account global trends and changes in customer needs. The Group plans to bring together all of its brands' mobility services on one mobility platform over the coming years. Autonomous driving combined with new mobility solutions is expected to mark Volkswagen's transformation into a leading provider of sustainable mobility. A vehicle fleet covering all of the many services, from vehicle rental to car subscription and ride pooling, is to ensure high availability, usage and profitability. With these solutions, we plan to gain market shares and generate long-term competitive and attractive margins.

ESG, DECARBONIZATION AND INTEGRITY

ESG (Environmental, Social and Governance) refers to the basic principles of doing business sustainably. The Group's stakeholders (e.g. investors, employees, customers and non-government organizations) have high expectations of the Company's ESG performance, including in areas such as decarbonization, circular economy and integrity, and also of its conduct as an employer and as part of society. The Group's ESG performance therefore directly affects its market capitalization, cost of capital and investing activities. We aim for a top position relative to our competitors in sustainability ratings. We are committed to the Paris Climate Agreement and align our own activities with the 1.5-degree target. We aim to achieve net carbon neutrality by 2050. By 2030, we have also set ourselves the target of reducing CO_2 emissions from passenger cars and light commercial vehicles over the total life cycle by 30% compared with 2018. As part of this effort, we are looking for ways to increase the proportion of renewable energy sources used in the product emergence process and the proportion of recyclable materials in our vehicles. We also wish to be perceived as a benchmark for ethical corporate conduct. Volkswagen sees itself as an equal opportunities employer. The intention is therefore for at least a fifth of Group management positions to be held by women by 2025, and for at least a quarter to be held by international managers.

BUSINESS MODEL 2.0

The Business Model 2.0 base initiative is developing a Group-wide portfolio of services, the purpose of which is to create a seamless and innovative product experience to connect brands, customers, dealerships, our partners and whole markets. The aim is for the key technologies needed for this to be integrated into a majority of the platform-based vehicles by 2030. Using connected vehicles, the Group's brands are to be able in future to remain in contact with their customers throughout the entire vehicle life cycle and thus to offer them services and functions for their individual needs. This will allow us to build a competitive, data-driven service portfolio that also maintains our strong position in the automotive market in future.

NORTH AMERICA (NAR) REGION

For the Volkswagen Group, the North America region, and particularly the USA, has great growth potential, especially where e-mobility is concerned. We intend North America to become our third core region alongside Europe and China by 2030. Our aim there is to achieve a very strong increase in total market share for the Volkswagen Group by then.

We aspire to further expand our presence in the region with strong brands and prepare ourselves for the future with market-specific products.

We also wish to participate to a disproportionately high extent in the growth of the increasingly electrified markets in the USA and Canada. We will therefore substantially expand our range of all-electric models across the Group and develop models specifically for these markets. With our new vehicle brand Scout, we intend to address the core segments of the North American electric vehicle market with tailor-made products. The proportion of battery-electric vehicles in our sales in the USA and Canada is to increase to 55% by 2030.

In addition, we wish to maximize the potential for synergies in the region and build more expertise, industrial capacity and vertical value chains in the North America region.

CHINA REGION

China is of major strategic significance to the Volkswagen Group as its largest single market. All key measures are therefore brought together in this strategic base initiative in order to continue Volkswagen's success story in China. These include localized development activities that are tailored to the market (the in China for China approach), competitive products, the deepening of our existing partnerships and forging of new ones, and a comprehensive program of measures for achieving a permanent reduction of costs to safeguard long-term profitability.

Our aim for 2030 is to take a leading role in China as an international mobility provider and manufacturer of fully connected vehicles. As part of our localization strategy (in China for China), we therefore want to pool and expand our local development capacity to a greater extent in the coming years. In so doing, we want to considerably speed up the development of intelligent connected vehicles (ICVs) and be in a position to offer tailor-made products to our Chinese customers faster. In the market for vehicles with conventional drive systems, we want to further strengthen our share of the market with new vehicles and secure it for the long term, as these vehicles' high unit sales will also make a corresponding contribution to profitability in future.

GROUP STEERING MODEL

To achieve the objectives of the Group strategy and thereby safeguard the Volkswagen Group's long-term success, we are extensively optimizing our Group Steering Model. It is essential that we establish a consistently high level of mechanisms that facilitate swift decision-making, the development and use of platform technologies and the exploitation of synergies, and that we constantly enhance these. The updated Group Steering Model places the brand groups and technology platforms center stage in order to scale up the latter while maximizing synergies across the entire Group product portfolio. A new strategy and product planning process that has been optimized for efficiency is being developed on the basis of this approach. The package of measures for this initiative hones the definition of roles and responsibilities in the Group and improves transparency in this respect both inside and outside the Company. It also promotes the entrepreneurship of the independent units and brands and at the same time strengthens collaboration across the Group.

PEOPLE & TRANSFORMATION

As it becomes a global tech company, the Volkswagen Group will see the biggest transformation of its workforce in its corporate history. To ensure the Group remains competitive in future, we need to attract top talent and support existing employees by providing extensive training where required. Our aim is to retain staff for the long term. It is therefore fundamental that we address the changing needs of our employees and offer them an outstanding employee experience. To achieve our Group's ambitious objectives, we must also create and promote an environment for productive teams, resulting in a strong, sustainable and socially responsible corporate culture that fosters a sense of belonging and loyalty to the Company. A further focus is on aligning the Company with society and the environment.

FINANCING THE TRANSFORMATION

The transformation being driven by digitalization and electrification will require extensive investment. To meet this need for financing, the “Financing the Transformation” base initiative aims to leverage even more Group-wide synergies across all functional areas along the value chain, focusing on costs and efficiency. The Group has therefore set itself the objective of lasting improvements to its fixed-cost structure, plant productivity, procurement costs, distribution expenses and working capital management.

STRATEGIC FINANCIAL PERFORMANCE INDICATORS

	2022	Target 2030
Operating return on sales	8.1%	9 to 11%
Automotive investment ratio	13.6%	~9%
Cash conversion rate in the Automotive Division[1]	29.2%	>60%
Net liquidity in the Automotive Division	€43.0 billion[2] 15.4%	~10% of consolidated sales revenue
Return on investment (ROI) in the Automotive Division	12.0%	>18%

1 Net cash flow as a percentage of the operating result in the Automotive Division
2 Including cash inflows from the IPO of Dr. Ing. h.c. F. Porsche AG.

Internal Management System and Key Performance Indicators

This chapter describes how the Volkswagen Group is managed and the key performance indicators used for this purpose. In addition to financial measures, our management system also contains nonfinancial key performance indicators.

The Volkswagen Group's performance and success are expressed in both financial and nonfinancial key performance indicators.

In the following, we first describe the internal management process and then explain the Volkswagen Group's most significant performance indicators, known as the core performance indicators.

INTERNAL MANAGEMENT PROCESS IN THE VOLKSWAGEN GROUP

Consistent, close integration of the Group and brand strategies with the operational planning process ensures transparency at the Volkswagen Group when it comes to the financial assessment and evaluation of strategic decisions. The operational medium-term planning that is conducted once a year and generally covers a period of five years is incorporated into the strategic planning as a key management element of the Group.

Medium-term planning forms the core of our operational planning and is used to formulate and safeguard the requirements for realizing strategic projects designed to meet Group targets in both technical and economic terms – and particularly in relation to earnings, cash flow and liquidity effects. In addition, this planning also serves as a basis to coordinate all business areas with respect to the strategic action areas concerned, namely functions/processes, products and markets.

When planning the Company's future, the individual planning components are determined on the basis of the timescale involved:

> The long-term unit sales plan, which sets out market and segment growth and then derives the Volkswagen Group's delivery volumes from this
> The product program as the strategic, long-term factor determining corporate policy
> Capacity and utilization planning for the individual sites

The coordinated results of the upstream planning processes are used as the basis for the medium-term financial planning: the Group's financial planning, including the brands and business fields, comprises the income statement, cash flow and balance sheet planning, profitability and liquidity, as well as the upfront investments needed for alternative products and the implementation of strategic options in the future. The first year of the medium-term planning period is fixed and a budget drawn up for the individual months. This is planned in detail down to the level of the operating cost centers.

The budget is reviewed each month to establish the target achievement level. Key internal management instruments comprise target/actual comparisons, prior-year comparisons, variance analyses and, where necessary, action plans to ensure targets are met. For the current fiscal year, detailed revolving monthly forecasts are prepared for the coming three months and the full year, taking into account the current risks and opportunities.

The focus of intrayear internal management is therefore on adapting ongoing activities. The current forecast serves as the starting point for the subsequent medium-term and budget planning.

CORE PERFORMANCE INDICATORS IN THE VOLKSWAGEN GROUP

As part of our new leadership model, we have adjusted the core performance indicators in the Volkswagen Group. These now include:

- Deliveries to customers
- Sales revenue
- Operating result
- Operating return on sales
- Automotive investment ratio
- Net cash flow in the Automotive Division
- Net liquidity in the Automotive Division
- Return on investment (ROI) in the Automotive Division (until 2023)

Deliveries to customers (including the Chinese joint ventures) are defined as handovers of new vehicles to the end customer. This figure reflects the popularity of our products and is the measure we use to determine our competitive position in the various markets. Deliveries are closely related to our goal of transforming the Volkswagen Group into one of the world's leading providers of sustainable mobility. One of the most important prerequisites for the Company's long-term success is a strong brand portfolio that – on the basis of outstanding quality – offers tailor-made mobility solutions in the form of safe, connected, resource-efficient and thus largely emission-free vehicles that meet the diverse needs of customers. Demand for our products and mobility services guarantees not only unit sales and production, but also full utilization of our sites and the jobs of our employees. The goals we are striving for cannot be achieved without a skilled, flexible and dedicated workforce along with a consensus on shared values.

Sales revenue, which does not include the figures for our equity-accounted Chinese joint ventures, reflects our market success in financial terms. Following adjustment for our use of resources, the operating result reflects the Company's actual business activity and documents the economic success of our core business. The operating return on sales is the ratio of the operating result to sales revenue.

The automotive investment ratio indicates the ratio of investment to sales revenue and is calculated by adding the research and development ratio (R&D ratio) and the capex to sales revenue ratio. The research and development ratio in the Automotive Division shows total research and development costs in relation to sales revenue. Research and development costs comprise a range of expenses, from futurology to the development of our marketable products. Particular emphasis is placed on the environmentally friendly orientation and digitalization of our product portfolio, the expansion of our battery expertise, the development of software and new platforms and the creation of new technologies. The R&D ratio reflects the activities we have undertaken to safeguard the Company's future viability. The ratio of capex (investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs) to sales revenue in the Automotive Division reflects both our innovative power and our future competitiveness. It shows our capital expenditure – largely for modernizing, expanding, electrifying and digitalizing our product range and for environmentally friendly drivetrains, as well as for adjusting production capacities and improving production processes – in relation to the Automotive Division's sales revenue.

Net cash flow in the Automotive Division represents the excess funds from operating activities available for dividend payments, for example. It is calculated as cash flows from operating activities less cash flows from investing activities attributable to operating activities.

Net liquidity in the Automotive Division is the total of cash, cash equivalents, securities, time deposits and loans not financed by third-party borrowings. To safeguard our business activities, we have formulated the strategic target that net liquidity in the Automotive Division should amount to approximately 10% of the consolidated sales revenue.

We use the return on investment (ROI) to calculate the return on invested capital for a particular period in the Automotive Division, including the equity-accounted Chinese joint ventures on a proportionate basis, by calculating the ratio of the operating result after tax to average invested capital. If the return on investment (ROI) exceeds the market cost of capital, the value of the Company has increased. This is how we measure the financial success of our brands, locations and vehicle projects.

In our Financing the Transformation base initiative, we stepped up our activities to optimize net cash flow. To achieve the strategic goals, performance programs have also been launched Group-wide in an effort to increase efficiency and boost earnings.

Structure and Business Activities

This chapter describes the legal and organizational structure of the Volkswagen Group and explains the material changes in 2023 with respect to equity investments.

OUTLINE OF THE LEGAL STRUCTURE OF THE GROUP

Volkswagen AG is the parent company of the Volkswagen Group. It develops vehicles and components for the Group brands, but also produces and sells vehicles, in particular passenger cars and light commercial vehicles for the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands. In its capacity as parent company, Volkswagen AG holds direct or indirect interests in AUDI AG, SEAT S.A., Škoda Auto a.s., Dr. Ing. h.c. F. Porsche AG, TRATON SE, Volkswagen Financial Services AG, Volkswagen Bank GmbH and a large number of other companies in Germany and abroad. More detailed disclosures are contained in the list of shareholdings in accordance with sections 285 and 313 of the *Handelsgesetzbuch* (HGB – German Commercial Code), which can be accessed at www.volkswagen-group.com/investor-relations and is part of the annual financial statements.

Volkswagen AG is a vertically integrated energy supply company as defined by section 3 no. 38 of the *Energiewirtschaftsgesetz* (EnWG – German Energy Industry Act) and is therefore subject to the provisions of the EnWG. In the electricity sector, Volkswagen AG generates, sells and distributes electricity as a group together with its subsidiaries.

The Volkswagen AG Board of Management has sole responsibility for managing the Company. The Supervisory Board appoints, monitors and advises the Board of Management; it is consulted directly on decisions that are of fundamental significance for the Company.

ORGANIZATIONAL STRUCTURE OF THE GROUP

The Volkswagen Group is one of the leading multibrand groups in the automotive industry. The Company's business activities comprise the Automotive and Financial Services divisions. Our core brands within the Automotive Division – with the exception of the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands – are independent legal entities.

The Automotive Division comprises the Passenger Cars, Commercial Vehicles and Power Engineering business areas.

The Passenger Cars Business Area primarily consolidates the Volkswagen Group's passenger car brands and the Volkswagen Commercial Vehicles brand. Activities focus on the development of vehicles, engines and vehicle software, the production and sale of passenger cars and light commercial vehicles, and the genuine parts business. The product portfolio ranges from compact cars to luxury vehicles and also includes motorcycles, and is supplemented by mobility solutions.

The Commercial Vehicles Business Area primarily comprises the development, production and sale of trucks and buses, the corresponding genuine parts business and related services. The commercial vehicles portfolio ranges from light vans to heavy trucks and buses. The collaboration between the commercial vehicle brands is coordinated within TRATON SE.

The Power Engineering Business Area combines the large-bore diesel engines, turbomachinery and propulsion components businesses.

The Financial Services Division's activities comprise dealer and customer financing, leasing, direct banking and insurance activities, fleet management and mobility services.

With its brands, the Volkswagen Group is present in all of the markets around the world that are relevant for the Group. The key sales markets currently include Western Europe, China, the USA, Brazil, Türkiye, Mexico, Poland and Czech Republic.

Volkswagen AG and the Volkswagen Group are managed by the Volkswagen AG Board of Management in accordance with the Volkswagen AG Articles of Association and the rules of procedure for Volkswagen AG's Board of Management issued by the Supervisory Board.

Accordingly, responsibilities in the Board of Management are currently divided among ten Board functions. In addition to the "Chair of the Board of Management" function the other Board functions are "Technology", "Finance and Operations" (formerly "Finance"), "Human Resources and Trucks brand group" (formerly "Human Resources and Truck & Bus"), "Integrity and Legal Affairs", "Progressive brand group" (formerly "Premium"), "Sport Luxury brand group" (formerly "Sport & Luxury"), "IT", "China", and "Core brand group" (formerly "Volume"). The Chair of the Board of Management is also responsible for the "Sport Luxury brand group" Board function.

Directly attached to the Board are a number of Group Management functions that act as an extension to the Board functions. These comprise the "Group Sales", "Group Production", "Group Procurement" and "Group Research and Development" functions.

The allocation of responsibilities on the Board of Management is based on the rules of procedure decided by the Supervisory Board. The way this is structured helps the Board of Management to focus on key tasks such as strategy, central decisions on the Company's direction, capital allocation and financial requirements. The task of the extended board-level management functions is to leverage synergies in the Group and to connect the brands and divisions.

Board of Management committees exist at Group level for the following areas: products, technologies, investments, digital transformation, integrity and compliance, risk management, human resources and management issues. In addition to the responsible members of the Board of Management, the relevant central departments and the relevant functions of the divisions are also represented on the committees. We are continually revising and optimizing these and other top management committees in the Group in order to verify that they still align with our corporate strategy and to further increase the efficiency of their decision making. This reduces complexity and reinforces governance within the Group.

As part of the "Group Steering Model" base initiative from the NEW AUTO Group strategy, a new leadership model for the Group was presented at the Capital Markets Day in June 2023 that will sharpen the focus on customer orientation, entrepreneurship and team spirit. It follows the "value over volume" principle, prioritizing sustainable value creation over volume growth. As part of this, the brand groups will receive a new steering model. In addition, the brand positioning and the product range are to be sharpened. The realignment also included a renaming of the brand groups: Volume has become Core, Premium is now called Progressive, Sport & Luxury has been changed to Sport Luxury, and Truck & Bus to Trucks. The Core brand group comprises the Volkswagen Passenger Cars, Škoda, SEAT/CUPRA and Volkswagen Commercial Vehicles brands. The Progressive brand group comprises the Audi, Lamborghini, Bentley and Ducati brands. The Sport Luxury brand group consists of the Porsche brand. The company responsible for this brand, Dr. Ing. h.c. F. Porsche AG (Porsche AG), has been listed on the stock market since the end of September 2022. In the Trucks brand group, TRATON SE acts as the umbrella for the Scania, MAN, Volkswagen Truck & Bus and Navistar commercial vehicles brands. TRATON SE is also a listed company.

In addition to the strengthening of the brand groups, the reorganization and expansion of new units also enabled substantial progress to be made with the "Architecture", "Software", "Battery, Charging & Energy", and "Volkswagen Group Mobility" technology platforms in the reporting year. The structures and product processes at the software subsidiary CARIAD will be optimized further.

We are convinced that our corporate structure, which efficiently connects not only the brand groups but also the technology platforms, will enable us to make better use of existing expertise and economies of scale, leverage synergies more systematically and accelerate decision making. Clear responsibilities and a high degree of business responsibility in the brand groups and technology platforms will enable comprehensive implementation of the Group's NEW AUTO strategy.

Each brand within the Volkswagen Group is managed by a brand board of management, which is responsible for the brand's independent and self-contained development and business operations. To the extent permitted by law, the board adheres to the Group targets and requirements laid down by the Board of Management of Volkswagen AG, as well as with the agreements in the brand groups. This allows Group-wide interests to be pursued, while at the same time safeguarding and reinforcing each brand's specific characteristics. Matters that are of importance to the Group as a whole are submitted to the Volkswagen AG Board of Management to be agreed upon, to the extent permitted by law. The rights and obligations of the statutory bodies of the relevant brand company thereby remain unaffected.

The Volkswagen Group companies are managed solely by their respective managements. The management of each individual company takes into account not only the interest of its own company but also the interests of the Group, the relevant brand group and the individual brands in accordance with the framework laid down by law.

MATERIAL CHANGES IN EQUITY INVESTMENTS

In May 2023, the Volkswagen Group completed the sale of its shares in OOO Volkswagen Group Rus (Volkswagen Group Rus), Kaluga/Russia, and that company's local subsidiaries (OOO Volkswagen Components and Services, Kaluga/Russia, OOO Scania Leasing, Moscow/Russia, OOO Scania Finance, Moscow/Russia, OOO Scania Insurance, Moscow/Russia) to OOO ART-FINANCE, Moscow/Russia, which is supported by the Russian dealer AO Avilon Automotive Group, Moscow/Russia. With the registration of the transaction, also in May 2023, ownership of the shares in Volkswagen Group Rus was transferred from the seller to the buyer. The transaction comprises the production facilities in Kaluga, the importer network of the Group brands Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, Audi, Škoda, Bentley, Lamborghini and Ducati for possible after-sales business and warehouse activities, as well as Scania's financial services activities, including all associated employees.

VOLKSWAGEN AG SHAREHOLDINGS
www.volkswagen-group.com/investor-relations

LEGAL FACTORS INFLUENCING BUSINESS

Like other international companies, the business of Volkswagen companies is affected by numerous laws in Germany and abroad. In particular, there are legal requirements relating to services, development, products, production and distribution, as well as supervisory, data protection, financial, company, commercial, capital market, anti-trust and tax regulations and regulations relating to labor, banking, state aid, energy, environmental and insurance law.

GROUP CORPORATE GOVERNANCE DECLARATION

The Group Corporate Governance Declaration can be found in this annual report and is permanently available on our website at www.volkswagen-group.com/en/corporate-governance.

GROUP CORPORATE GOVERNANCE DECLARATION
www.volkswagen-group.com/en/corporate-governance

Disclosures Required under Takeover Law

This chapter contains the Volkswagen Group's disclosures relating to takeover law required by sections 289a and 315a of the HGB.

CAPITAL STRUCTURE

Volkswagen AG's share capital amounted to €1,283,315,873.28 (€1,283,315,873.28) on December 31, 2023. It was composed of 295,089,818 ordinary shares and 206,205,445 preferred shares. Each share conveys a notional interest of €2.56 in the share capital.

SHAREHOLDER RIGHTS AND OBLIGATIONS

The shares convey pecuniary and administrative rights. The pecuniary rights include in particular the shareholders' right to participate in profits (section 58(4) of the *Aktiengesetz* (AktG – German Stock Corporation Act)), the right to participate in liquidation proceeds (section 271 of the AktG) and preemptive rights to shares in the event of capital increases (section 186 of the AktG), which can be disapplied by the General Meeting with the approval of the Special Meeting of Preferred Shareholders, where appropriate. Administrative rights include the right to attend the General Meeting, to speak there, to ask questions, to propose motions and to exercise voting rights. Following a change in the law (section 118a of the AktG), General Meetings can be held without shareholders or their proxies being present at the venue (virtual General Meeting). The holding of virtual General Meetings must be provided for in the Articles of Association. The Annual General Meeting on May 10, 2023 therefore resolved to amend the Articles of Association (Article 19(3)) and to authorize the Board of Management to provide for the option of holding any General Meetings within five years of the entry in the commercial register of this change in the Articles of Association as a virtual General Meeting. Shareholders can enforce their pecuniary and administrative rights in particular through actions seeking disclosure and actions for avoidance.

Each ordinary share grants the holder one vote at the General Meeting. The General Meeting elects shareholder representatives to the Supervisory Board and elects the auditors; in particular, it resolves on the appropriation of net profit, formally approves the actions of the Board of Management and the Supervisory Board, and resolves on amendments to the Articles of Association of Volkswagen AG, capital measures and authorizations to purchase treasury shares; if required, it also resolves on the performance of a special audit, the removal before the end of their term of office of Supervisory Board members elected by the General Meeting and the winding-up of the Company.

Preferred shareholders generally have no voting rights. However, in the exceptional case that they are granted voting rights by law (for example, when preferred share dividends were not paid in one year and not compensated for in full in the following year), each preferred share also grants the holder one vote at the General

Meeting. Furthermore, preferred shares entitle the holder to a €0.06 higher dividend than ordinary shares (further details on this right to preferred and additional dividends are specified in Article 27(2) of the Articles of Association of Volkswagen AG).

The *Gesetz über die Überführung der Anteilsrechte an der Volkswagenwerk Gesellschaft mit beschränkter Haftung in private Hand* (*VW-Gesetz* – Act on the Privatization of Shares of Volkswagenwerk Gesellschaft mit beschränkter Haftung) of July 21, 1960, as amended on July 30, 2009, includes various provisions in derogation of the German Stock Corporation Act, for example on the exercising of voting rights by proxy (section 3 of the *VW-Gesetz*) and on majority voting requirements at the General Meeting (section 4(3) of the *VW-Gesetz*).

In accordance with the Volkswagen AG Articles of Association (Article 11(1)), the State of Lower Saxony is entitled to appoint two members of the Supervisory Board of Volkswagen AG for as long as it directly or indirectly holds at least 15% of Volkswagen AG's ordinary shares. In addition, resolutions by the General Meeting that are required by law to be adopted by a qualified majority require a majority of more than four-fifths of the share capital of the Company represented when the resolution is adopted (Article 25(2)), regardless of the provisions of the *VW-Gesetz*.

SHAREHOLDINGS EXCEEDING 10% OF VOTING RIGHTS

Shareholdings in Volkswagen AG that exceed 10% of voting rights are shown in the notes to the annual financial statements of Volkswagen AG, which are available online at www.volkswagen-group.com/presentations-and-publications. The current notifications regarding changes in voting rights in accordance with the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) are published at www.volkswagen-group.com/distribution-of-voting-rights.

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board consists of 20 members, half of whom are shareholder representatives. In accordance with Article 11(1) of the Articles of Association of Volkswagen AG, the State of Lower Saxony is entitled to appoint two of these shareholder representatives for as long as it directly or indirectly holds at least 15% of the Company's ordinary shares. The remaining shareholder representatives on the Supervisory Board are elected by the General Meeting.

The other half of the Supervisory Board consists of employee representatives elected by the employees in accordance with the *Mitbestimmungsgesetz* (MitbestG – German Codetermination Act). A total of seven of these employee representatives are Company employees elected by the workforce; the other three employee representatives are trade union representatives elected by the workforce.

The Chairman of the Supervisory Board is generally a shareholder representative elected by the other members of the Supervisory Board. In the event that a Supervisory Board vote is tied, the Chairman of the Supervisory Board has a casting vote in accordance with the MitbestG.

The goals for the composition of the Supervisory Board and information about its composition are described in the Group Corporate Governance Declaration.

STATUTORY REQUIREMENTS AND REQUIREMENTS OF THE ARTICLES OF ASSOCIATION WITH REGARD TO THE APPOINTMENT AND REMOVAL OF BOARD OF MANAGEMENT MEMBERS AND TO AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The appointment and removal of members of the Board of Management are governed by sections 84 and 85 of the AktG, which specify that members of the Board of Management are appointed by the Supervisory Board for a maximum of five years. Board of Management members may be reappointed or have their term of office extended for a maximum of five years in each case. In addition, Article 6 of the Articles of Association of Volkswagen AG states that the number of Board of Management members is stipulated by the Supervisory Board and that the Board of Management must consist of at least three persons. The members of the Volkswagen AG Board of Management must include at least one woman and at least one man.

The General Meeting resolves amendments to the Articles of Association (section 119(1) of the AktG). In accordance with section 4(3) of the *VW-Gesetz* as amended on July 30, 2009 and Article 25(2) of the Articles of

Association of Volkswagen AG, General Meeting resolutions to amend the Articles of Association require a majority of more than four-fifths of the share capital represented.

POWERS OF THE BOARD OF MANAGEMENT, IN PARTICULAR CONCERNING THE ISSUE OF NEW SHARES AND THE REPURCHASE OF TREASURY SHARES

Under German stock corporation law, the General Meeting can authorize the Board of Management to issue new shares for a maximum period of five years. A provision in the Articles of Association is required for this. It can also authorize the Board of Management to issue bonds on the basis of which new shares are to be issued, also for a maximum period of five years. The General Meeting also decides the extent to which shareholders have pre-emptive rights to the new shares or bonds. The maximum amount of authorized share capital or contingent capital available for these purposes is determined by Article 4 of the Articles of Association of Volkswagen AG, as amended.

At the Annual General Meeting on May 10, 2023, a resolution was passed authorizing the Board of Management to increase the Company's share capital, subject to the consent of the Supervisory Board, on one or more occasions by a total of up to €227.5 million (corresponding to around 89 million shares) before May 9, 2028 by issuing new nonvoting preferred shares against cash contributions.

Further details regarding the option of issuing new shares and how these shares may be used can be found in the notes to the consolidated financial statements.

MATERIAL AGREEMENTS OF THE PARENT COMPANY IN THE EVENT OF A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID

At the end of fiscal year 2019, a banking syndicate granted Volkswagen AG a syndicated line of credit amounting to €10.0 billion, which currently runs until December 2026. With the line of credit, the syndicate members were granted the right to call their portion of the syndicated line of credit in the two forms of a change of control described below. Firstly, a call right exists if one individual or several individuals acting jointly, who as of the date of this agreement exercise control over the Company, have legal or economic ownership of shares that together make up more than 90% of the voting rights of the Company. Secondly, a call right also exists if one individual or several individuals acting jointly, who as of the date of this agreement do not exercise control over the Company, obtain control over the Company. Such a call right does not exist, however, if one shareholder or several shareholders of Porsche Automobil Holding SE or one or several legal entities from the Porsche or Piëch family directly or indirectly obtain control over the Company.

Volkswagen AG and the Ford Motor Company entered into a Master Collaboration Agreement in January 2019. This agreement sets out a framework of obligations, which are to apply to the further cooperation agreements entered into between the parties, including those entered into in fiscal year 2021. It also covers the Development Agreement concluded in January 2019 for the development of the next-generation Amarok. The Master Collaboration Agreement provides for a right of termination with immediate effect in the event of a change of control. A change of control has been defined to mean a change affecting more than 50% of the voting capital of one of the companies or a change in the ability to directly or indirectly control the management of a company through its decision-making bodies. The right of termination must be exercised within 90 days of the company becoming aware of a change of control.

Business Development

The world economy recorded positive growth in fiscal year 2023. Global demand for vehicles was noticeably higher than in the previous year. Amid a challenging market environment, the Volkswagen Group delivered 9.2 million vehicles to customers.

DEVELOPMENTS IN THE GLOBAL ECONOMY

The Russia-Ukraine conflict led to increased uncertainty in respect of developments in the global economy and prompted large sections of the community of Western states to impose sanctions on Russia, ranging from extensive trade embargoes to the partial exclusion of Russia from the global financial system. Russia itself, in its role as an energy exporter, restricted gas deliveries to Europe. The resulting shortage of supply led particularly in 2022 to rising prices on energy and commodity markets. While prices dropped in the reporting year as a result of weakening momentum in the global economy, they remain at a relatively high level in some cases. Furthermore, salary trends in the overheated labor markets, among other factors, pose the threat of continued high inflation.

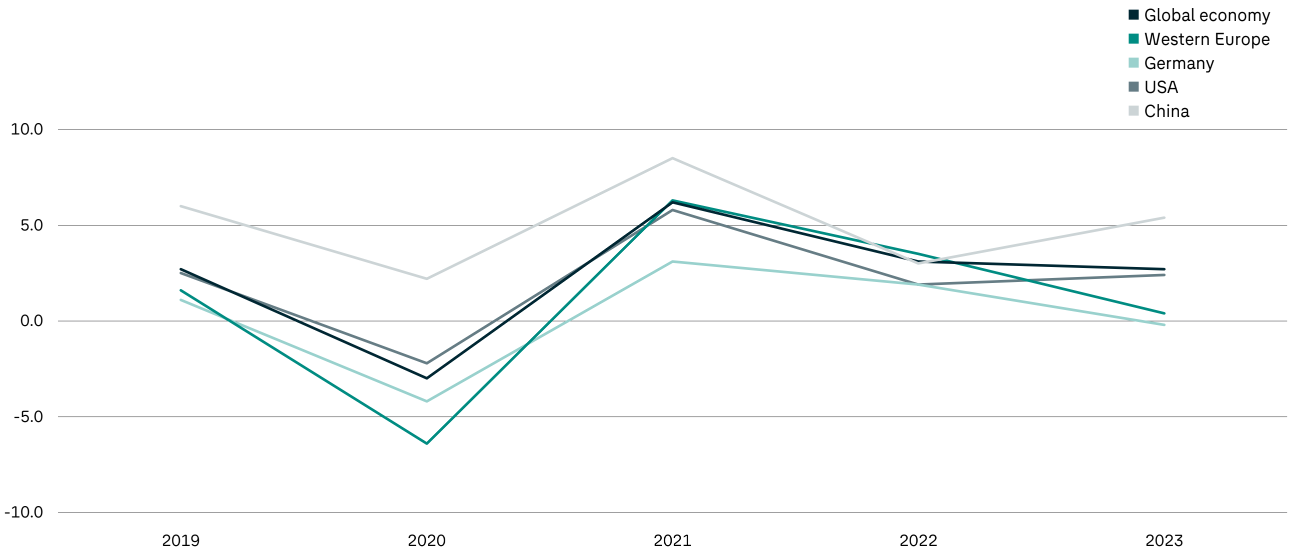
After the slump in global economic output in 2020 and the incipient recovery due to baseline and catch-up effects in 2021, followed by a further normalization of economic activity in 2022 despite the Russia-Ukraine conflict, the global economy recorded positive overall growth of +2.7 (+3.1)% in 2023. The slowdown in economic momentum versus the previous year was mainly due to weaker growth in the advanced economies, whereas the overall rate of change in the emerging markets increased somewhat. At national level, developments depended on the one hand on the intensity with which central banks had to tighten monetary policy to curb the higher inflation – mainly by raising interest rates and reducing bond holdings – which had a negative impact on consumer spending and investment activity. On the other hand, the extent to which national economies were affected by the consequences of the Russia-Ukraine conflict was a decisive factor. Prices for energy and many other raw materials were lower than in the previous year, and shortages of intermediate products and commodities eased somewhat. Global trade in goods expressed in nominal terms decreased in the reporting year.

Europe/Other Markets

The economy in Western Europe recorded positive, yet low overall growth of +0.4 (+3.5)% in 2023. This trend was seen in many countries in Northern and Southern Europe. The main reasons for this were the momentary and in some cases significant increases in energy and commodity prices, which had substantially pushed up inflation rates in the previous year and thus had a negative impact on consumer confidence. Business sentiment also deteriorated on average across all sectors. In addition, the restrictive monetary policy measures taken to rein in inflation impacted both consumer spending and investment.

ECONOMIC GROWTH

Percentage change in GDP



The economies in Central and Eastern Europe recorded real growth in absolute gross domestic product (GDP) of +2.6 (+1.1)% in the reporting year. While economic output in Central Europe saw positive, albeit less dynamic growth of +1.7 (+4.5)%, GDP in the Eastern Europe region rose again in 2023 compared with the prior year for the first time since the outbreak of the Russia-Ukraine conflict, with a growth rate of +3.6 (–2.8)%. Inflation rates across the entire Central and Eastern Europe region declined on average in the reporting year, but remained at a high level.

In Türkiye, economic output for the year 2023 as a whole rose by +3.8 (+5.3)% amid very high inflation and a fall in the value of the local currency. South Africa saw slight GDP growth of +0.6 (+1.9)% in the reporting year, amid persistent structural deficits and political challenges.

Germany

Germany's economic output recorded a negative growth rate of –0.2 (+1.9)% in the reporting year. Compared with the prior year, the seasonally adjusted unemployment figures rose on average. After reaching historically high levels in 2022, monthly inflation rates fell on average over the year, but remained relatively high.

North America

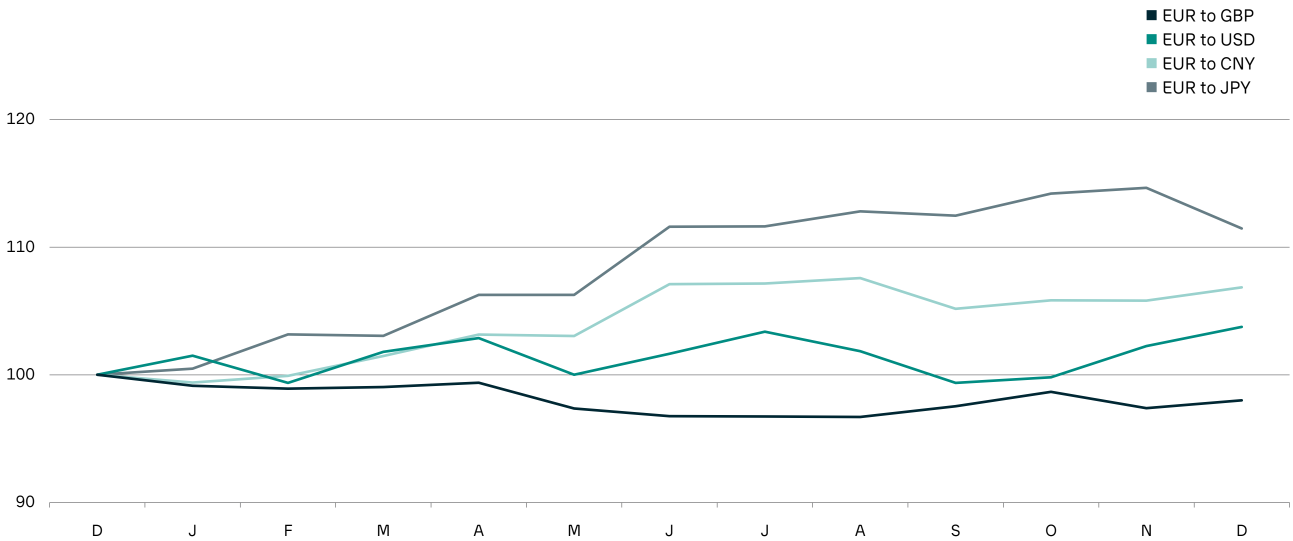
US economic output grew by +2.4 (+1.9)% in the reporting year. In view of high inflation and the tight labor market, the US Federal Reserve maintained its restrictive monetary policy and raised its key interest rate four times over the course of the reporting year. Unemployment remained at a low level in the reporting year. GDP rose by +1.1 (+3.8)% in neighboring Canada and by +3.3 (+3.9)% in Mexico.

South America

Brazil's economy posted GDP growth of +3.0 (+3.1)% in 2023. Argentina registered a negative economic performance with a year-on-year decline in GDP of –1.7 (+5.0)% amid very high inflation and continued depreciation of the local currency.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2022 TO DECEMBER 2023

Index based on month-end prices: as of December 31, 2022 = 100



Asia-Pacific

China's economic output rose faster in the reporting year at +5.4 (+3.0)% compared with the previous year, positively influenced by the revocation of the zero-Covid strategy by the Chinese government. India registered strong growth of +6.9 (+7.3)%. Japan recorded positive growth of +1.9 (+0.9)% year-on-year.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

In fiscal year 2023, the volume of the passenger car market worldwide was noticeably higher than in the prior year at 76.6 million vehicles. Most markets registered growth, which together with weak prior-year figures was attributable to the fact that shortages and disruption in global supply chains eased restricting vehicle availability to a lesser extent. While the supply situation for intermediates improved compared with 2022, the trend in new registrations in individual markets dampened at the end of the previous year, partly as a consequence of the Russia-Ukraine conflict and pull-forward effects generated by state subsidies expiring.

Significant or strong growth was recorded in the overall markets of the Western Europe, Central and Eastern Europe, Middle East and North America regions. The markets of the South America region were slightly higher and the markets of the Asia-Pacific region noticeably higher than the prior-year level. The market in Africa fell slightly short of the prior-year volume.

In the reporting year, the global volume of new registrations for light commercial vehicles was on a level with the previous year (–0.2%).

Sector-specific environment

Along with fiscal policy measures, the sector-specific environment was considerably affected by the economic situation, which contributed to the mixed trends in unit sales in the markets in the fiscal year now ended. While real purchasing power fell in many places and vehicle prices stagnated at a high level, it was possible to reduce the backlog of orders on a large scale due to increased vehicle availability worldwide. The fiscal policy measures included tax cuts or increases, the introduction, expiry and adjustment of incentive programs and sales incentives, as well as import duties. In addition, non-tariff trade barriers to protect the respective domestic automotive industries made the movement of vehicles, parts and components more difficult.

Europe/Other Markets

In Western Europe, the number of new passenger car registrations in the reporting year was significantly higher than the previous year's weak level, increasing by 13.8% to 11.6 million vehicles. The performance of the large individual passenger car markets was consistently positive in fiscal year 2023: France (+16.1%), the United Kingdom (+17.9%), Italy (+18.8%) and Spain (+15.8%) significantly exceeded their respective prior-year levels.

The volume of new registrations for light commercial vehicles in Western Europe was significantly higher than in the previous year, increasing by 16.3%.

The passenger car market volume in the Central and Eastern Europe region increased strongly by 23.6% in fiscal year 2023 to 2.3 million vehicles after a very strong dip in the previous year. The number of sales was also predominantly positive in the individual markets of Central Europe. The Czech Republic and Poland recorded significant growth of 15.3% and 13.0%, respectively.

The market volume of light commercial vehicles in Central and Eastern Europe in the reporting year was noticeably higher than the previous year's figure (+7.3%).

The volume of the passenger car market in Türkiye in the reporting year was up more than 50% on the prior-year level. In South Africa, the growth trend that had persisted since 2021 came to an end, with the number of passenger car sales falling slightly by 3.8%.

The volume of new registrations of light commercial vehicles in Türkiye was very strongly (+38.1%) and in South Africa significantly (+16.5%) higher in the reporting year than the 2022 level.

Germany

At 2.8 million units, the total number of new passenger car registrations in Germany in fiscal year 2023 was noticeably higher than the weak prior-year level (+7.3%). Shortages and disruption in global supply chains eased, improving vehicle availability and allowing the backlog of orders from the previous year to be cleared. The number of passenger cars produced rose by 18.3% to 4.1 million vehicles and exports of passenger cars grew by 17.5% to 3.1 million units.

The number of sales of light commercial vehicles in Germany in the reporting year was significantly up on the 2022 figure (+15.7%).

North America

At 18.6 million vehicles, sales of passenger cars and light commercial vehicles (up to 6.35 tonnes) in the North America region in fiscal year 2023 were significantly higher than in the prior year (+13.1%). Market growth in the USA, which increased by 12.3% to 15.6 million units, was slightly below the average for this region. The Canadian automotive market also registered a significant increase in sales figures to 1.7 million units (+12.5%) in the reporting year, while new registrations of passenger cars and light commercial vehicles in Mexico saw a strong rise of 25.1% year-on-year to 1.4 million vehicles.

South America

In the South America region, the volume of new passenger car and light commercial vehicle registrations in the reporting year was slightly higher than the prior-year level at 3.7 million units, continuing the positive growth trend that had begun in 2021. In Brazil, the number of new vehicle registrations was significantly higher than the prior-year figure at 2.2 million units (+11.0%). In the Argentinian market, demand for passenger cars and light commercial vehicles in the reporting year also rose significantly by 11.7% to 425 thousand units.

Asia-Pacific

In the Asia-Pacific region, the volume of the passenger car market in fiscal year 2023 was noticeably higher than the previous year's figure at 36.2 million units (+6.6%). The increased demand for passenger cars in the region was primarily determined by the trend in the Chinese passenger car market. Here, state subsidies and incentive programs expired at the end of 2022, causing pull-forward effects in vehicle purchases and consequently reducing the number of vehicle registrations at the beginning of 2023. Since then, demand has recovered, partly as a result of discounts and continuing regional incentive programs, while competition has intensified. Overall, the volume of demand in China totaled 22.2 million units (+5.5%), noticeably higher than the previous year's level. In India, passenger car sales also rose noticeably by 9.9% year-on-year to 4.0 million units. New registrations in the Japanese passenger car market in the reporting year were significantly up on the prior-year level at 4.0 million units (+15.4%).

The volume of demand for light commercial vehicles in the Asia-Pacific region in 2023 was noticeably lower than the previous year's level (–7.1%). Registration volumes in China, the region's dominant market and the largest market worldwide, experienced a slight rise of 1.4% compared to the prior year. The number of new vehicle registrations in India was slightly below the prior-year level (–3.8%); in Japan this figure was slightly higher than in the previous year (+4.2%).

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

In the markets that are relevant for the Volkswagen Group, demand for mid-sized and heavy trucks with a gross weight of more than six tonnes experienced noticeable growth in fiscal year 2023 versus the comparison period (+8.5%). Global truck markets grew significantly, due in particular to a recovery of the Chinese market following the end of the country's zero-Covid strategy.

In the 27 EU states excluding Malta, but including the United Kingdom, Norway and Switzerland (EU27+3), the number of new truck registrations was significantly up on the prior-year level, increasing by 15.1% to a total of 387 thousand vehicles. Growth could be observed in many truck markets in the region, albeit to differing degrees. The noticeable market recovery seen in 2022 accelerated during the reporting year to a significant level of growth. New registrations in Germany, the largest market in this region, were up strongly on the previous year (+23.6%). The United Kingdom recorded a significant increase of 13.6%, and demand in France was also significantly higher than in the previous year (+10.7%). Türkiye recorded a strong rise in new registrations of 17.8%. In the South African market, demand rose noticeably (+9.3%). The truck market in North America is divided into weight classes 1 to 8. In the segments relevant for Volkswagen – Class 6 to 8 (8.85 tonnes or heavier) – new registrations were noticeably higher (+9.7%) than the previous year's figure. In Brazil, the largest market in the South America region, demand for trucks in the reporting year was significantly down on the previous year (–16.5%) due to the introduction of a new emissions standard at the beginning of 2023.

Demand in the bus markets relevant for the Volkswagen Group was strongly higher than in the previous year (+23.2%). Total demand for buses in the EU27+3 markets in the reporting year was up significantly on the previous year (+18.7%), with the picture varying from country to country. The school bus segment in the USA and Canada recorded a strong increase (+22.6%) compared with the prior year. Demand for buses in Mexico was even much stronger than in the previous year (+70.3%). In Brazil, demand was significantly higher than the prior-year level (+17.7%).

TRENDS IN THE MARKETS FOR POWER ENGINEERING

The markets for power engineering are influenced by varying regional and economic factors. Consequently, the business growth trends of the respective markets develop mostly independently of one another.

In 2023, the marine market remained at a similar level to the previous year. Demand in merchant shipping was mostly stable despite higher ship prices, and long waiting times due to high shipyard utilization rates. In this segment, in particular the market for tankers recorded a positive trend while the markets for container ships, LNG tankers and bulk cargo carriers saw a year-on-year decline. The market for cruise ships remained at a stable level overall due to positive developments in the last quarter of the reporting year. By contrast, the market for passenger ferries contracted. The special market for government vessels, which is funded by state investment, continued to be active due to the current geopolitical situation. The uncertainty regarding future fuel and emissions regulations persisted in the marine market in 2023, but in general a clear trend towards new fuel technologies was confirmed. Owing to the continued uncertainty about future fuels, demand regarding dual-fuel engines and retrofits increased in particular in the market for two-stroke engines.

There was reticence in the market for energy generation in 2023, particularly in Europe. This was due to the gas supply issues and the continued lack of a finalized framework for the future operation of power plants on the part of policymakers. The current focus on the expansion of renewable energy sources was reflected in corresponding potential in the demand for grid balancing facilities. Such facilities are used to meet power requirements if the share of renewables is not sufficient to ensure security of supply. A very positive trend was observed in the demand for power-to-methane plants. In the engines segment, there is a continuously rising demand for flexible dual-fuel engines. There is also a clear demand on the market for engines that can be converted for use with synthetic fuels such as hydrogen and green ammonia. Demand for new energy solutions such as hydrogen and long-term energy storage continued to be strong, with a clear trend towards greater flexibility and decentralized availability. However, the risks of a continued lack of price stability in the markets and the bottlenecks in supply chains were undiminished in the reporting period, as was the strong competitive and price pressure.

There was more movement in the turbomachinery market than in the previous year. Prices for raw materials continued to be high, leading to solid demand in the raw materials and processing industry for production facilities with turbo compressors. Sales of turbo compressors for oil and gas production were up year-on-year, bolstered by the persistently high demand for security of supply, as well as by an investment backlog. Among the new business fields, in the area of decarbonization sales of turbomachinery were up year-on-year. Demand for steam turbines used for power generation and gas turbines used for decentralized, industrial combined-heat-and-power installations was lower than in the previous year.

In 2023, the after-sales market for engines in the marine and power plant business was at the same high level as in the previous year.

In the after-sales market for turbomachinery, demand in the reporting year was up on the prior-year level.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

Demand for automotive financial services was at a high level in fiscal year 2023; however, higher interest rates put pressure on demand for financial services in almost all regions.

The European passenger car market was still affected by shortages in the reporting year. Vehicle deliveries nevertheless increased and were up on the prior-year period. Demand for financial services products also grew; however, as a percentage of vehicle deliveries, the figure was down on the equivalent figure for 2022. The positive trend in the financing of used vehicles continued. The sale of after-sales products such as servicing, maintenance and spare parts agreements continued to expand.

In Germany, the persistent challenges presented by parts supply in vehicle production and by logistics chains continued to impact vehicle sales and the financial services business. Nevertheless, the increase in deliveries of new vehicles led to a higher volume of contracts in 2023. New vehicle penetration was down on the comparative figure for 2022, however. New contracts for used vehicles were on a level with the previous year. The number of new after-sales contracts increased and in the reporting year was above the level seen in 2022.

The Turkish market experienced considerable volatility. A combination of sharp interest rate hikes, the weak currency, persistently high inflation and a refinancing environment that continued to be challenging kept lending practices restrictive. Used cars continued to command high prices, despite the first signs of a decline.

In South Africa, financed vehicle purchases remained at a comparatively low level due to the subdued economic conditions, higher vehicle prices and increased energy prices. However, inflation eased, and after increasing interest rates ten times in succession from November 2021 onwards, the South African Reserve Bank did not raise interest rates again.

Compared with the previous year, the markets in the North America region developed positively on the whole in 2023, with demand for vehicles rising. Despite higher interest rates, new vehicle penetration in the USA and Canada was also above the previous year's level, particularly in the leasing business. In Mexico, meanwhile, the penetration of leasing and financing contracts declined. The number of new contracts for after-sales products was up year-on-year throughout the entire region.

In the South America region, the positive growth trend in the volume of new vehicle sales continued. The market for financial services benefited from increased deliveries and growth was registered in the number of financing contracts. In Argentina, the level of financing contracts was stable in spite of challenging macroeconomic conditions. In Brazil, the number of new contracts rose thanks to the range of attractive financial services offered. The number of car subscriptions entered into also rose.

The Chinese automotive market witnessed a rise in demand for electrified and used vehicles. This in turn also affected demand for automotive financial services. At the same time, banks with attractive products are gaining a foothold in the market. In Japan, there was a positive trend in demand for automotive financial services thanks to a rise in vehicle availability. Interest rates that were relatively low by international comparison and attractive financial service offerings in many places were key features of this market.

The financial services business in the market for heavy commercial vehicles was slightly up on the prior-year level in fiscal year 2023. The lengthy delivery times for commercial vehicles are gradually beginning to return to normal. The borrowing habits of commercial vehicle customers changed due to the rise in interest rates: the decision on financing is moving closer to the time of vehicle delivery because customers are counting on falling interest rates.

NEW GROUP MODELS IN 2023

The Volkswagen Group offers a broad portfolio of products covering almost all key segments and body types so that its customers can choose the right vehicle for their needs. In fiscal year 2023, we added further attractive vehicles, not only systematically expanding our portfolio of all-electric and hybrid vehicles, but also bringing compelling products with conventional combustion engines onto the market.

The Volkswagen Passenger Cars brand expanded its portfolio of all-electric vehicles in 2023, adding a further product line with the new ID.7 saloon, crowned "German Car of the Year 2024". The second generation of the ID.3 was given an extensive facelift, whilst the Touareg also benefited from a product upgrade. In China, the upgraded Tharu and T-Roc came onto the market amongst the vehicles with conventional drive systems. The newly developed Lavida XR saloon and the all-electric ID.7 VIZZION rounded off the range of new products. In the United States, the Atlas SUV was upgraded. The Track, a particularly attractive entry-level model from the important Polo product line, was launched in Brazil.

At Volkswagen Commercial Vehicles, the all-electric ID. Buzz product line was expanded in 2023 with the addition of the ID. Buzz Pro and ID. Buzz Cargo derivatives for commercial use.

In the reporting year, Audi launched the Q8 e-tron, the successor to its electric pioneer, the Audi e-tron. Of the vehicles with conventional drive systems, the A6 and A7 model ranges and the Q8 also received an upgrade.

Bentley completed its Mulliner line, rolling out the luxury flagship Bentayga EWB Mulliner. The Continental GT, Flying Spur and Bentayga model lines were all updated. A strictly limited number of the new Grand Tourer Bentley Batur was also available.

Lamborghini unveiled the Revuelto, its first hybrid super sports car. The Huracán Sterrato also came on the market.

Porsche expanded its 911 series in 2023 to include the new Carrera T and Dakar models. The third generation of the Cayenne SUV received an extensive product upgrade, thus increasing the number of hybrid vehicles in the product line to three models.

The TRATON Group moved ahead with the electrification and digitalization of its model range in 2023.

Scania rolled out all-electric solutions for regional distribution transport which use battery cells developed in partnership with Northvolt. Smart Dash, a new digital cockpit from Scania, was also launched.

Navistar electrified American school transportation with the CE school bus from IC Bus.

In 2023, Volkswagen Truck & Bus adapted its models in line with Brazil's new emissions legislation and rolled out its first zero-emission vehicle in South America, the eDelivery.

Ducati presented the new Panigale V4 R, the Monster SP and the Multistrada V4 Rally. The Streetfighter and the Diavel are now also available as V4 models. The second generation of the Scrambler family ushered in three new models: the Icon, Full Throttle and Nightshift.

VOLKSWAGEN GROUP DELIVERIES

The Volkswagen Group delivered 9,239,512 vehicles to customers worldwide in fiscal year 2023. This was 11.8% or 976,751 units more than in the previous year, which had suffered in particular from the limited availability of Group models caused by the continued shortage of semiconductors, and from the Russia-Ukraine conflict. Parts supply shortages continued to have an adverse effect in the reporting year. In addition, disruptions in logistics chains had a negative effect; however, this effect diminished in the course of the year. Sales of both passenger cars and commercial vehicles were up year-on-year. In the following, we report separately on deliveries in the Passenger Cars Business Area and the Commercial Vehicles Business Area.

VOLKSWAGEN GROUP DELIVERIES[1]

	2023	2022	%
Passenger Cars	8,901,338	7,957,274	+11.9
Commercial Vehicles	338,174	305,487	+10.7
Total	**9,239,512**	**8,262,761**	**+11.8**

1 The figures include the equity-accounted Chinese joint ventures. Prior-year deliveries have been updated to reflect subsequent statistical trends.

GLOBAL DELIVERIES BY THE PASSENGER CARS BUSINESS AREA

With its passenger car brands, the Volkswagen Group is present in all relevant automotive markets around the world. The key sales markets currently include Western Europe, China, the USA, Brazil, Türkiye, Mexico, Poland and Czech Republic.

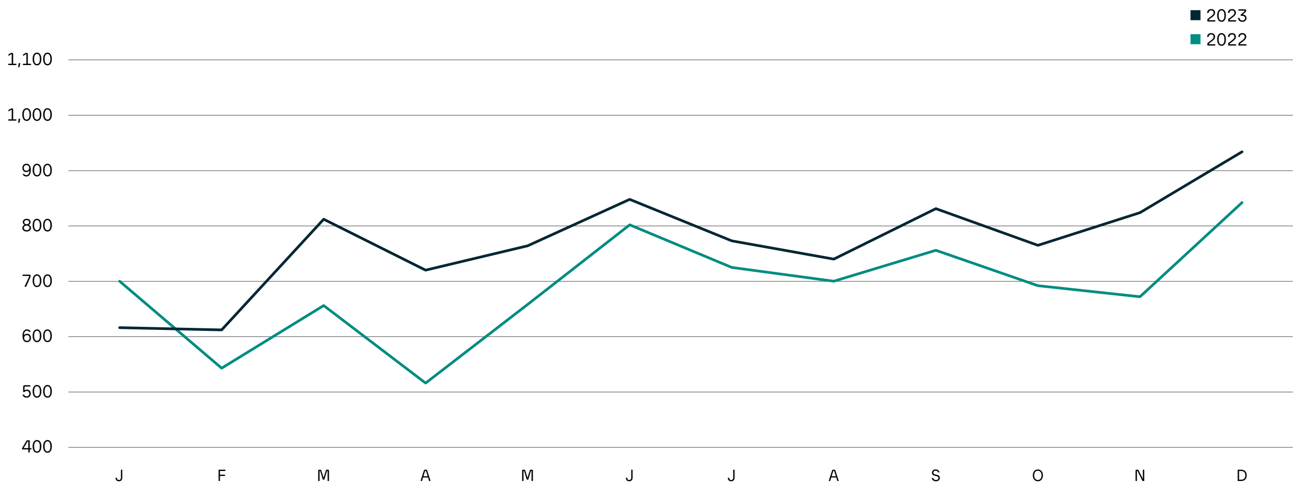
Sales of Volkswagen Group passenger cars and light commercial vehicles worldwide increased to 8,901,338 units in fiscal year 2023. This was 11.9% or 944,064 vehicles more than in the previous year, which had suffered in particular from the limited availability of Group models caused by the continued shortage of semiconductors, and from the Russia-Ukraine conflict. Parts supply shortages continued to have an adverse effect in the reporting year. In addition, disruptions in logistics chains had a negative effect; however, this effect diminished in the course of the year. With the exception of Bentley, all Volkswagen Group brands delivered more vehicles to customers than in the previous year. We recorded an increase in deliveries to customers in all major individual markets as well as in all sales regions around the world.

The Group's e-mobility campaign continued to move ahead successfully; we delivered 771,062 all-electric vehicles to customers worldwide in the reporting year. This was 198,590 or 34.7% more units than in the previous year. Their share of the Group's total deliveries rose to 8.3 (6.9)%. Deliveries to customers of our plug-in hybrid models amounted to 256,449 (+4.4%). Total electric vehicle deliveries went up by 25.6% and their share of total Group deliveries rose year-on-year to 11.1 (9.9)%. The Group's most successful all-electric vehicles included the ID.4 and ID.3 from Volkswagen Passenger Cars, the Škoda Enyaq iV, the CUPRA Born, the ID. Buzz from Volkswagen Commercial Vehicles, the Audi Q4 e-tron and Audi Q8 e-tron, as well as the Porsche Taycan and Taycan Cross Turismo.

In an overall global market that saw noticeable growth, we achieved a passenger car market share of 11.1 (11.0)%.

VOLKSWAGEN GROUP DELIVERIES BY MONTH

Vehicles in thousands



The table at the end of this section gives an overview of passenger car deliveries to customers of the Volkswagen Group in the regions and the key individual markets. The sales figures for Group models in these markets and regions are explained below.

Deliveries in Europe/Other Markets

In Western Europe, the Volkswagen Group delivered 3,141,434 vehicles to customers in 2023 in an overall market experiencing significant growth. This was 20.1% more than in the weak prior-year, which had suffered in particular from the limited availability of Group models caused by the continued shortage of semiconductors, and from the Russia-Ukraine conflict. Parts supply shortages continued to have an adverse effect in the reporting year. In addition, disruptions in logistics chains had a negative effect; however, this effect diminished in the course of the year.

Customer interest in the Volkswagen Group's electrified vehicles was strongest in Western Europe, where we delivered almost three-quarters of our plug-in hybrids and more than half of our all-electric models to customers in fiscal year 2023. In this region, electrified vehicles accounted for 19.8 (19.1)% of the Group's total deliveries; the share of all-electric vehicles stood at 14.0 (12.6)%. The Group models with the highest sales volume were the T-Roc, Polo, Tiguan and Golf from the Volkswagen Passenger Cars brand. Other models that witnessed encouraging demand included the ID.4, Taigo, Passat Estate and ID.3 from Volkswagen Passenger Cars, the Octavia Combi, Enyaq iV and Kamiq from Škoda, the Arona and Ibiza from SEAT, the CUPRA Formentor, CUPRA Born and CUPRA Leon, the ID. Buzz from Volkswagen Commercial Vehicles, the A3 Sportback, A1 Sportback, Q2, Q3 Sportback and Q4 e-tron from Audi, as well as the Porsche Macan and the Porsche 911 coupé. In the reporting year, the ID.3, ID.7 and the Touareg from the Volkswagen Passenger Cars brand, the Audi Q8 e-tron and the Porsche Cayenne were among the models that were successfully introduced to the market as new or successor models. The Volkswagen Group's share of the passenger car market in Western Europe increased to 24.5 (23.3)%.

In the Central and Eastern Europe region, the number of vehicles handed over to customers in 2023 was up 13.3% year-on-year. The market as a whole recorded strong volume growth at the same time. Demand developed encouragingly for a number of models, including the Taigo from Volkswagen Passenger Cars, as well as for the Škoda Octavia and Škoda Kamiq. The Volkswagen Group's share of the passenger car market in the Central and Eastern Europe region declined to 19.4 (21.5)%.

WORLDWIDE DELIVERIES OF THE MOST SUCCESSFUL GROUP MODEL RANGES IN 2023

Vehicles in thousands

In Türkiye, where the overall passenger car market expanded very strongly, the Volkswagen Group delivered 61.6% more vehicles to customers in the past fiscal year than in 2022. The Polo from Volkswagen Passenger Cars was the most sought-after Group model. In the South African market, the number of Group models sold decreased by 3.2%, while the overall market likewise narrowed slightly. The Polo from the Volkswagen Passenger Cars brand was also the most sought-after Group model in this region.

Deliveries in Germany

In Germany, the number of vehicles delivered to Volkswagen Group customers in an overall market registering noticeable growth was up 14.4% in 2023 on the weak prior-year period, which had suffered in particular from the limited availability of Group models attributable to the continued shortage of semiconductors, and from the Russia-Ukraine conflict. Parts supply shortages continued to have an adverse effect in the reporting year. In addition, disruptions in logistics chains had a negative effect; however, this effect diminished in the course of the year.

The Group models with the highest sales volume were the T-Roc, Golf, Passat and Tiguan from the Volkswagen Passenger Cars brand. In addition, models such as the ID.4 and ID.5 from Volkswagen Passenger Cars, Škoda's Octavia Combi and Enyaq iV, SEAT's Arona, the CUPRA Born and CUPRA Leon, the ID. Buzz from Volkswagen Commercial Vehicles, and the A4 Avant, Q2, Q4 e-tron and A1 Sportback from the Audi brand all saw encouraging demand. Seven Group models led the *Kraftfahrt-Bundesamt* (KBA – German Federal Motor Transport Authority) registration statistics in their respective segments: the Golf, T-Roc, Tiguan, Passat, Audi A6, Multivan/Transporter and Porsche 911. The Golf was again the most popular passenger car in Germany in terms of registrations in 2023.

Deliveries in North America

In the reporting year, the number of Volkswagen Group models delivered to customers in North America increased by 18.4% year-on-year in an overall market experiencing significant growth. The share of all-electric vehicles in the Group's total deliveries rose to 8.5 (5.9)% in this region. The Tiguan Allspace and Taos from Volkswagen Passenger Cars were the most sought-after Group models in North America, along with the Audi Q5. The Atlas from Volkswagen Passenger Cars, the Audi Q8 e-tron and the Porsche Cayenne were among the successor models that were successfully launched on the market during the reporting year. The Group's share of the market in this region amounted to 4.8 (4.6)%.

In fiscal year 2023, the Volkswagen Group delivered 13.3% more vehicles to customers in the significantly expanding US market than in the previous year, in which parts supply shortages in particular had likewise had an adverse effect. The Group models to record the greatest increases in absolute terms included the ID.4 from Volkswagen Passenger Cars as well as the Audi Q5 and the Audi Q7. In addition, the Atlas from Volkswagen Passenger Cars, the Audi Q4 e-tron and the Porsche Macan, among others, performed encouragingly. The volume of all-electric vehicles delivered in the United States went up by 60.8% year-on-year to 71,041 units.

In Canada, the number of vehicles delivered to Volkswagen Group customers was up 28.1% in the reporting year compared with 2022. The market as a whole recorded significant growth at the same time. The Group models with the highest volume of demand were the Tiguan Allspace and the Taos from the Volkswagen Passenger Cars brand, along with the Audi Q5.

In Mexico, where the market as a whole saw strong growth, we sold 37.3% more vehicles to customers in the past fiscal year than in 2022. Demand developed encouragingly for, among others, the Taos, Virtus and Jetta from Volkswagen Passenger Cars.

Deliveries in South America

In the South American market for passenger cars and light commercial vehicles, which was slightly higher than in the previous year, the number of Group models handed over to customers in 2023 was up 17.2% on the prior-year figure. The Polo, T-Cross and Nivus from Volkswagen Passenger Cars were the Group models with the highest sales volumes. The new Polo Track was successfully introduced to the market in the reporting year. The Group's share of the market in South America rose to 12.6 (11.1)%.

In the Brazilian market, which performed significantly better than in the previous year, the Volkswagen Group delivered 28.4% more vehicles to customers in the reporting year. The development of the sales of the Polo, Saveiro and Virtus models from Volkswagen Passenger Cars was particularly encouraging.

In Argentina, the number of Volkswagen Group vehicles handed over to customers in 2023 increased by 20.0% year-on-year in an overall market exhibiting significant growth. Group models with the highest sales volume were the Taos from Volkswagen Passenger Cars and the Amarok from Volkswagen Commercial Vehicles.

Deliveries in the Asia-Pacific region

In the past fiscal year, the Volkswagen Group saw deliveries to customers in the Asia-Pacific region rise by 2.3% compared with 2022 in a market that experienced noticeable growth overall. The Group's share of the passenger car market in this region amounted to 9.9 (10.3)%.

In China, the overall market volume likewise recorded noticeable growth compared with the previous year, in which parts supply shortages, in particular of semiconductors, and local lockdowns intended to curb the spread of the SARS-CoV-2 virus had an adverse effect. The Volkswagen Group delivered 1.6% more vehicles to customers there than in 2022. In addition to parts supply shortages, the increasing intensity of competition, especially for electrified vehicles, had a negative impact in the reporting year. The number of all-electric vehicles delivered to customers in China was 23.2% higher year-on-year at 191,781 units. Their share of the Group's total deliveries in China rose to 5.9 (4.9)%. The Group models with the highest sales volume were the Lavida, Sagitar, Passat and Magotan from Volkswagen Passenger Cars and the Audi A6. In addition, the Tiguan Allspace, Tyron, ID.3 and Tavendor from Volkswagen Passenger Cars and the Q4 e-tron, A7 saloon, Q7, Q5 e-tron and Q6 from Audi saw an encouraging increase in demand. The Tharu, T-Roc, Lavida XR and ID.7 VIZZION from Volkswagen Passenger Cars, the Audi Q3 and the Porsche Cayenne, among others, were introduced to the market as new or successor models in the reporting year.

In the Indian passenger car market, which registered noticeable growth, the Volkswagen Group recorded a 4.0% year-on-year increase in demand in fiscal year 2023. The Taigun from the Volkswagen Passenger Cars brand as well as the Kushaq from Škoda were the most sought-after Group models there. In addition, the Virtus from Volkswagen Passenger Cars and the Kodiaq from Škoda, which were introduced to the market as new or successor models during the previous year, saw encouraging development in demand.

In Japan, the number of Group vehicles delivered to customers in 2023 was up 7.4% year-on-year in an overall market that performed significantly better than in the previous year. The Group models with the highest sales volume were the T-Roc, the Golf and the T-Cross from the Volkswagen Passenger Cars brand.

PASSENGER CAR DELIVERIES TO CUSTOMERS BY MARKET[1]

	DELIVERIES (UNITS)		CHANGE
	2023	2022	(%)
Europe/Other Markets	**3,953,397**	**3,297,388**	**+19.9**
Western Europe	**3,141,434**	**2,615,863**	**+20.1**
of which: Germany	1,141,418	998,000	+14.4
France	263,643	211,430	+24.7
United Kingdom	489,088	377,449	+29.6
Italy	269,479	223,864	+20.4
Spain	232,483	192,310	+20.9
Central and Eastern Europe	**474,357**	**418,513**	**+13.3**
of which: Czech Republic	123,471	103,223	+19.6
Russia	3,504	41,864	–91.6
Poland	140,518	112,389	+25.0
Other Markets	**337,606**	**263,012**	**+28.4**
of which: Türkiye	166,001	102,735	+61.6
South Africa	69,150	71,437	–3.2
North America	**899,652**	**759,791**	**+18.4**
of which: USA	639,622	564,705	+13.3
Canada	110,019	85,860	+28.1
Mexico	150,011	109,226	+37.3
South America	**465,842**	**397,539**	**+17.2**
of which: Brazil	356,682	277,806	+28.4
Argentina	57,931	48,263	+20.0
Asia-Pacific	**3,582,447**	**3,502,556**	**+2.3**
of which: China	3,233,933	3,182,428	+1.6
India	101,553	97,610	+4.0
Japan	65,635	61,112	+7.4
Worldwide	**8,901,338**	**7,957,274**	**+11.9**
Volkswagen Passenger Cars	4,866,803	4,563,327	+6.7
Škoda	866,820	731,262	+18.5
SEAT	519,176	385,591	+34.6
Volkswagen Commercial Vehicles	409,406	328,572	+24.6
Audi	1,895,240	1,614,231	+17.4
Lamborghini	10,112	9,233	+9.5
Bentley	13,560	15,174	–10.6
Porsche	320,221	309,884	+3.3

1 The figures include the equity-accounted Chinese joint ventures. Prior-year deliveries have been updated to reflect subsequent statistical trends.

COMMERCIAL VEHICLE DELIVERIES

In fiscal year 2023, the Volkswagen Group delivered +10.7% more commercial vehicles to customers worldwide than in the previous year. We handed over a total of 338,174 commercial vehicles to customers. Trucks accounted for 281,280 units (+10.6%) and buses for 30,267 (+2.2%). Deliveries of the MAN TGE van series saw a strong increase compared with the prior-year period, rising to 26,627 (+23.4%) vehicles. Due to the very high order backlog, a further stabilization of supply chains and higher production volume, the deliveries increased significantly in the reporting year.

In the 27 EU states excluding Malta, but including the United Kingdom, Norway and Switzerland (EU27+3) sales in the reporting year were up by 34.8% on the same period of the previous year and amounted to a total of 155,726 units, of which 123,525 were trucks and 6,308 were buses. Here, the MAN brand delivered 25,893 vehicles from the MAN TGE van series.

In fiscal year 2023, deliveries in Türkiye were much stronger than in the previous year, at 5,737 (4,413) vehicles. Trucks accounted for 5,126 units and buses for 292 units, while 319 vehicles from the MAN TGE van series were sold. In South Africa, deliveries of Volkswagen Group commercial vehicles increased by 32.9% year-on-year to a total of 4,891 units; of this figure 4,407 were trucks and 484 were buses.

Sales in North America rose to 93,430 (82,828) vehicles in the reporting year; this included 78,277 trucks and 15,153 buses.

Deliveries in South America decreased to a total of 52,330 vehicles (–31.3%) in 2023, of which 46,083 were trucks and 6,247 were buses. Due to the introduction of a new emissions standard at the beginning of 2023, sales in Brazil, the biggest market in this region, were down by 30.3% in the reporting year, falling to 41,578 units. Of the units delivered, 36,671 were trucks and 4,907 were buses.

In the Asia-Pacific region, the Volkswagen Group sold 12,057 vehicles in the reporting year, including 11,077 trucks and 937 buses. Overall, this was 5.4% more than in the previous year.

COMMERCIAL VEHICLE DELIVERIES TO CUSTOMERS BY MARKET[1]

	DELIVERIES (UNITS)		CHANGE
	2023	2022	(%)
Europe/Other Markets	**180,357**	**135,063**	**+33.5**
of which: EU27+3	155,726	115,535	+34.8
of which: Germany	43,711	31,642	+38.1
Türkiye	5,737	4,413	+30.0
South Africa	4,891	3,681	+32.9
North America	**93,430**	**82,828**	**+12.8**
of which: USA	73,473	66,403	+10.6
Mexico	14,478	11,131	+30.1
South America	**52,330**	**76,152**	**–31.3**
of which: Brazil	41,578	59,630	–30.3
Asia-Pacific	**12,057**	**11,444**	**+5.4**
Worldwide	**338,174**	**305,487**	**+10.7**
Scania	96,568	85,232	+13.3
MAN	115,653	84,372	+37.1
Navistar	88,880	81,892	+8.5
Volkswagen Truck & Bus	37,073	53,991	–31.3

1 Prior-year deliveries have been updated to reflect subsequent statistical trends.

DELIVERIES IN THE POWER ENGINEERING SEGMENT

Orders in the Power Engineering segment are usually part of major investment projects. Lead times typically range from just under one year to several years, and partial deliveries as construction progresses are common. Accordingly, there is a time lag between incoming orders and sales revenue from the new construction business.

In 2023, sales revenue in the Power Engineering segment was largely driven by Engines & Marine Systems and Turbomachinery, which together generated more than three quarters of overall sales revenue.

ORDERS RECEIVED IN THE PASSENGER CARS SEGMENT IN WESTERN EUROPE

Orders received in Western Europe in the reporting year were down 15.7% on the 2022 level. Demand for models with combustion engine or plug-in hybrid drivetrains performed somewhat better by comparison – in some markets such as the United Kingdom and Spain, orders increased year-on-year. For battery-electric vehicles by contrast, there was a stronger decrease in orders for battery-electric vehicles than in the prior year. The buyer reluctance seen across the industry, partly due to worsening underlying economic conditions and the expiry of state subsidies, contributed to lower demand in key markets.

ORDERS RECEIVED FOR COMMERCIAL VEHICLES

Orders received for mid-sized and heavy trucks, for buses and for commercial vehicles from the MAN TGE van series declined by 21% year-on-year to 264,798 vehicles in 2023. Prevailing uncertainty about economic development and more difficult financing conditions led to a normalization of demand, particularly in Europe. In North America, incoming orders were down sharply on the previous year, due mainly to continuing restrictive order acceptance caused by the very high order backlog. Incoming orders in South America were strongly below the prior-year figure as a result of pull-forward effects in connection with the introduction of a new emissions standard in Brazil at the beginning of 2023. The MAN TGE van series segment likewise recorded a significant downturn.

Order intake in the bus business recorded a noticeable decrease year-on-year. A noticeably higher order intake was recorded in the EU27+3 region. This is attributable, among other things, to the continued slow recovery in the coach market. In contrast, incoming orders in South America were sharply below the previous year’s figures.

ORDERS RECEIVED IN THE POWER ENGINEERING SEGMENT

The long-term performance of the Power Engineering business is determined by the macroeconomic environment. Individual major orders lead to fluctuations in incoming orders during the year that do not correlate with these long-term trends.

Orders received in the Power Engineering segment in 2023 amounted to €5.0 (4.3) billion. Engines & Marine Systems and Turbomachinery generated more than three quarters of the order volume in a persistently difficult market environment.

In the marine business, for example, twelve 32/44CR engines and twenty-four 175D engines were ordered for six ships in 2023. In the power plant business, orders were secured for 81 engines and component sets for 22 completely knocked down engines of different types with an aggregate output of 1,409 MW. For turbomachinery, we received several orders for new applications which were driven by the energy transition and decarbonization such as carbon capture and storage in the Netherlands and a large-scale heat pump for Denmark. A further order was also placed for compression of hydrogen from electrolysis installations for use in industrial processes. We also recorded successes for remote-controlled machinery trains in the North Sea equipped with digital packages and a major order for eleven compressors on a floating oil and gas production facility.

VOLKSWAGEN GROUP FINANCIAL SERVICES

The activities in the Financial Services Division cover the Volkswagen Group's dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility services. The division comprises Volkswagen Financial Services and the financial services activities of Scania, Navistar and Porsche Holding Salzburg and also extends to the contracts concluded by our international joint ventures.

The Financial Services Division's products and services were popular in fiscal year 2023. However, limited vehicle availability caused by parts supply shortages and disruptions in logistics chains weighed on demand. The number of new financing, leasing, service and insurance contracts signed worldwide increased by 11.3% to 9.5 million. The ratio of leased and financed vehicles to Group deliveries (penetration rate) in the Financial Services Division's markets stood at 32.8% in the reporting year, on a level with the previous year. The total number of contracts stood at 24.6 (24.5) million on December 31, 2023.

At 6.9 million, the number of new contracts signed was up 12.0% on the previous year's figure in the Europe/Other Markets region even though the financial services business was impacted by limited vehicle availability in 2023. The total number of contracts at the end of the reporting year was 18.4 (18.1) million, putting it on a level with the figure for December 31, 2022. The customer financing/leasing area was responsible for 7.1 (7.2) million of these contracts.

The number of new contracts signed in North America in 2023 increased to 1.0 (0.8) million. At 2.9 (3.0) million, the number of contracts as of December 31, 2023 was on a level with the end of the previous year. The customer financing/leasing area recorded 1.6 (1.7) million contracts.

In the South America region, 543 (360) thousand new contracts were concluded in the reporting year. Compared with December 31, 2022, the total number of contracts at the end of the reporting year rose to 933 (828) thousand. Existing contracts mainly related to the customer financing/leasing area.

The number of new contracts signed in the Asia-Pacific region in 2023 declined to 1.0 (1.2) million, falling short of the comparative prior-year figure. At the end of December 2023, the total number of contracts stood at 2.4 (2.6) million. The customer financing/leasing area was responsible for 1.5 (1.6) million of these contracts.

SALES TO THE DEALER ORGANIZATION

The Volkswagen Group's unit sales to the dealer organization increased in the reporting year by 10.4% to 9,362,441 units (including the equity-accounted companies in China). The prior-year figure had been impacted in particular by the limited vehicle availability due to bottlenecks in the supply of parts caused by the shortage of semiconductors and the Russia-Ukraine conflict. Persistent parts supply shortages had a negative effect in the reporting year and disruption in the global logistics chains also led to delays, though these eased as the year progressed. Unit sales outside Germany rose by 9.5% to 8,184,399 vehicles. Growth was seen above all in the United States, the United Kingdom and Türkiye, while fewer vehicles were sold in China. Unit sales in Germany increased by 17.2% year-on-year. The proportion of the Group's total unit sales attributable to Germany increased to 12.6 (11.9)%.

The Tiguan, Polo, Passat, Jetta, T-Roc, Golf and T-Cross from the Volkswagen Passenger Cars brand were our biggest sellers last year. The largest increases in unit sales were recorded for the Polo, ID.3, Jetta and Passat models from the Volkswagen Passenger Cars brand, the Q4 e-tron, A6 and Q5 from Audi, the SEAT Leon and the Škoda Octavia. The Porsche 911 and the ID. Buzz also achieved a strong growth rate.

PRODUCTION

The Volkswagen Group produced 9,309,273 vehicles (including the equity-accounted companies in China) in the period from January to December 2023, 6.8% more than in the comparative prior-year period, which had seen production being halted due to the disruption of supply chains caused by the Russia-Ukraine conflict and the Covid-19 pandemic. Parts supply shortages impacted production in fiscal year 2023. Production in Germany increased by 16.2% to 1,914,368 vehicles. The proportion of the Group's total production accounted for by Germany increased to 20.6 (18.9)%.

INVENTORIES

Global inventories of new vehicles at Group companies and in the dealer organization were higher at the end of the reporting year than at year-end 2022. The effect of disruption in the logistics chains continued to have a negative impact in the reporting year which eased as the year progressed.

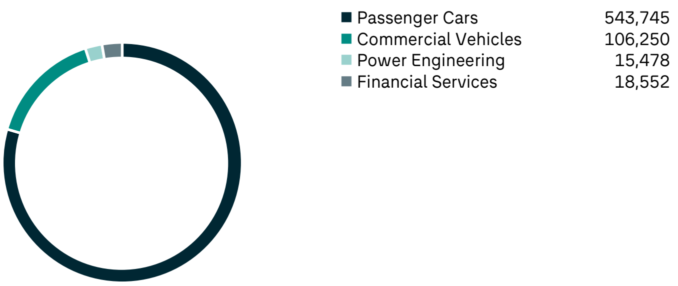
EMPLOYEES

Including the Chinese joint ventures, the Volkswagen Group employed an average of 678,825 people in fiscal year 2023, an increase of 1.4% year-on-year. In Germany, we employed 296,134 people on average; at 43.6 (43.3)%, their share of the total headcount was on a level with the previous year.

The number of active employees in the Volkswagen Group rose by 1.2% to 654,359 as of December 31, 2023. In addition, 12,585 employees were in the passive phase of their partial retirement and 17,081 young people were in vocational traineeships. At the end of the reporting year, the Volkswagen Group had a total of 684,025 employees worldwide. This represented an increase of 1.2% since the end of 2022. The workforce in Germany rose to 298,687 people (+1.6%) and the workforce outside Germany – including the sale of OOO Volkswagen Group Rus, Kaluga/Russia – increased to 385,338 (+0.9%).

EMPLOYEES BY DIVISION/BUSINESS AREA

as of December 31, 2023



Shares and Bonds

The intensifying competition in the automotive sector with increasingly aggressive pricing, particularly in China, put pressure on the price of Volkswagen AG's ordinary and preferred shares in the reporting year.

EQUITY MARKETS AND PERFORMANCE OF THE PRICE OF VOLKSWAGEN'S SHARES

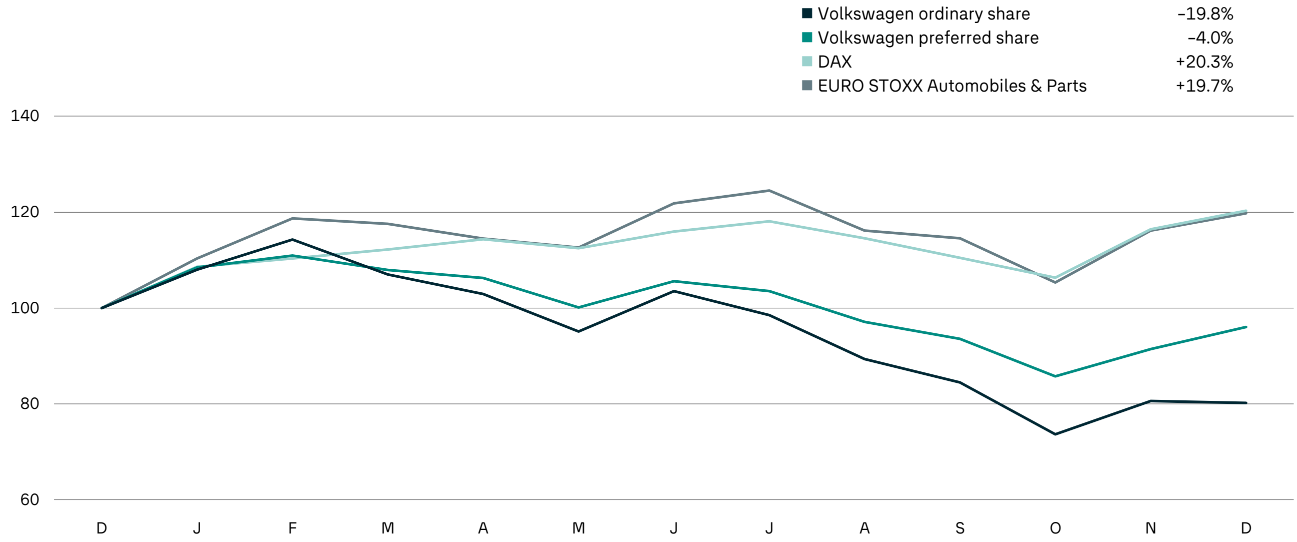
In fiscal year 2023, thanks to positive economic data, the international stock markets initially continued the upward trend that they had begun in October 2022 and recorded significant gains. Over time, however, hopes that national central banks would ease back on the pace of interest rate increases changed to growing concerns about further hikes to rein in persistently high inflation. What is more, the crisis in the international banking sector triggered by the higher interest rates deeply unsettled the financial markets, a situation that was exacerbated among other things by the debt ceiling debates in the United States. Encouraging economic and corporate data initially bolstered the stock markets as the year progressed, before prices came under pressure again. By the end of the reporting year, prices had recovered once more in anticipation of interest rate cuts in the year 2024.

The German stock market index (DAX) got off to a tremendous start in 2023, initially recording significant gains over the 2022 year-end closing price. Sentiment brightened on the back of falling energy prices, expectations of declining inflation rates and improved leading economic indicators. However, in the months that followed, stock prices were hit by continued interest rate hikes on the part of the European Central Bank in light of continued high inflationary pressure. The DAX transitioned into sideways movement. As the year went on, the turbulence at several international banks triggered by rising interest rates and the US debt ceiling dispute had an adverse effect on share prices. This was compounded by economic woes caused among other things by the muted economic data coming from China. Supported by receding inflation and speculation about interest rate cuts, market sentiment improved in the last trading weeks of the reporting year, with the DAX rising to a new record high in mid-December and ending 2023 up 20.3% on the previous year's level.

The prices of Volkswagen AG's preferred and ordinary shares initially developed very positively at the beginning of the reporting year. The sound results for the 2022 fiscal year published at the beginning of March 2023, the dividend proposed for 2022 and a favorable outlook for 2023 caused a temporary rally. The investment plans announced when the annual report was presented were received critically by the capital markets due to the high level of capital required for the transformation of the company. The intensifying competition in the automotive sector likewise acted as a damper on the share price. Price cuts by competitors, especially for electric vehicles, and concerns about increasingly aggressive pricing generated further uncertainty among investors. Declining market shares in China combined with the assessment by market participants regarding the Group's high dependence on developments in this country also weighed on the share price. Expectations of falling margins in the automotive industry and lower demand for electric vehicles, which led to stiffer competition,

PRICE DEVELOPMENT FROM DECEMBER 2022 TO DECEMBER 2023

Index based on month-end prices: December 31, 2022 = 100



initially pushed down prices further. Buoyed by a positive overall market environment, the shares then regained some ground before stabilizing at a low level in the last trading weeks of the year. The 2023 year-end closing price was down 4.0% for the preferred share and 19.8% for the ordinary share compared with the prior-year figure. Assuming that the regular dividend (before deduction of taxes) was reinvested in Volkswagen shares at the time of distribution, the total return on the preferred shares was +3.1% and the total return on the ordinary shares was –15.1%. The return on the preferred shares was therefore lower than that of the benchmark indices, DAX and EURO STOXX Automobiles & Parts.

VOLKSWAGEN SHARE KEY FIGURES AND MARKET INDICES FROM JANUARY 1 TO DECEMBER 31, 2023

		High	Low	Closing
Ordinary share	Price (€)	181.65	106.40	118.45
	Date	Mar. 3	Oct. 27	Dec. 29
Preferred share	Price (€)	142.20	99.14	111.80
	Date	Mar. 3	Oct. 30	Dec. 29
DAX	Price	16,794	14,069	16,752
	Date	Dec. 11	Jan. 2	Dec. 29
EURO STOXX Automobiles & Parts	Price	634	522	606
	Date	Jul. 28	Jan. 2	Dec. 29

CAPITAL MARKETS DAY

At the Capital Markets Day held in June 2023, the Volkswagen Group presented the Group's newly focused strategic alignment to the over 200 international financial analysts, institutional investors and representatives of rating agencies and banks in attendance. Its core element is a new leadership model based on customer orientation, entrepreneurship and team spirit. The "value over volume" principle thereby prioritizes sustainable value creation over volume growth. The shift in focus will give the brand groups a new steering model and sharpen brand positioning and the product range. Responsibility for return targets has been transferred to the brands, which will each implement an earnings improvement program to shore up profitability and cash flows and reduce capital intensity. The Group will reposition the "Architecture", "Software", "Battery, Charging & Energy" and "Volkswagen Group Mobility" technology platforms so that their economies of scale can be leveraged for the strengthened brands. Regionally, the Group is focusing its investments on the world's most attractive profit pools. In this context, the refined strategies for the important growth markets of China and North America were also presented. In addition, Volkswagen has updated its medium-term and strategic financial targets. Along with the presentations and discussions with the members of the Group Board of Management, visitors to the Capital Markets Day had the chance to experience the Group's vehicles and technologies for themselves. The Volkswagen Group also gave the general public the opportunity to follow the event online via a live webcast, with some 16,000 internal and external viewers watching the presentations live.

Capital Markets Day was the start of deeper dialogue with the capital markets. Further events are planned for the coming years at which investors and analysts will be briefed in detail on the strategies for the brand groups, technology areas and regional strategies.

DIVIDEND POLICY

Our dividend policy matches our financial strategy. In the interests of all stakeholders, we aim for continuous dividend growth that allows our shareholders to participate appropriately in our business success. The proposed dividend therefore reflects our financial management objectives – in particular, ensuring a solid financial foundation as part of the implementation of our strategy.

The current dividend proposal can be found in the chapter entitled "Volkswagen AG (condensed, in accordance with the German Commercial Code)" of this annual report. The Board of Management and Supervisory Board of Volkswagen AG are proposing a dividend of €9.00 per ordinary share and €9.06 per preferred share for fiscal year 2023. On this basis, the total dividend amounts to €4.5 (4.4) billion. The payout ratio is based on the Group's earnings after tax attributable to Volkswagen AG shareholders. This amounts to 28.3% for the reporting year and stood at 29.4% for the previous year; the special dividend due to the IPO of Porsche AG is not included in either of these figures. We strive to achieve a payout ratio of at least 30%.

DIVIDEND YIELD

Based on the dividend proposal for the reporting year, the dividend yield on Volkswagen ordinary shares is 7.6 (5.9)%, measured by the closing price on the last trading day in 2023. The dividend yield on preferred shares is 8.1 (7.5)%.

EARNINGS PER SHARE

Basic earnings per ordinary share were €31.92 (29.66) in fiscal year 2023. Basic earnings per preferred share were €31.98 (29.72). In accordance with IAS 33, the calculation is based on the weighted average number of ordinary and preferred shares outstanding in the reporting year. Since the number of basic and diluted shares is identical, basic earnings per share correspond to diluted earnings per share.

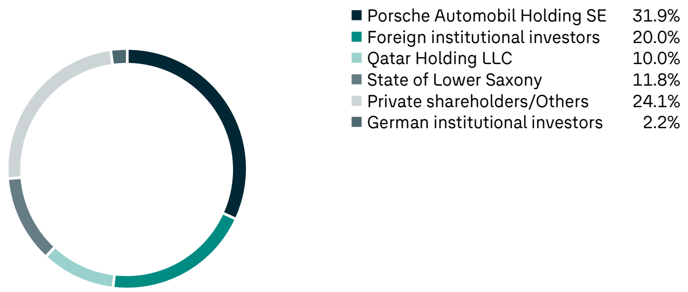
See also "Earnings per share" in the notes to the 2023 consolidated financial statements for the calculation of earnings per share.

SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2023

At the end of the reporting year, Volkswagen AG's subscribed capital amounted to €1,283,315,873.28. The chart below shows the shareholder structure of Volkswagen AG as of December 31, 2023.

SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2023

as a percentage of subscribed capital



The distribution of voting rights for the 295,089,818 ordinary shares was as follows at the reporting date: Porsche Automobil Holding SE, Stuttgart, held 53.3% of the voting rights. The second-largest shareholder was the State of Lower Saxony, which held 20.0% of the voting rights. Qatar Holding LLC was the third-largest shareholder with 17.0%. The remaining 9.7% of ordinary shares were in free float.

Notifications of changes in voting rights in accordance with the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) are published on our website at www.volkswagen-group.com/distribution-of-voting-rights.

VOLKSWAGEN SHARE DATA

	Ordinary share	Preferred share
ISIN	DE0007664005	DE0007664039
WKN	766400	766403
Deutsche Börse/Bloomberg	VOW	VOW3
Reuters	VOWG.DE	VOWG_p.DE
Primary market indices	CDAX, Prime All Share, MSCI Euro, S&P Global 100 Index	DAX, CDAX, EURO STOXX, EURO STOXX 50, EURO STOXX Automobiles & Parts, Prime All Share, MSCI Euro
Exchanges	Berlin, Dusseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart, Xetra	

VOLKSWAGEN SHARE KEY FIGURES

Dividend development		2023	2022	2021	2020	2019
Number of no-par value shares at Dec. 31						
Ordinary shares	thousands	295,090	295,090	295,090	295,090	295,090
Preferred shares	thousands	206,205	206,205	206,205	206,205	206,205
Dividend[1]						
per ordinary share	€	9.00	8.70	7.50	4.80	4.80
per preferred share	€	9.06	8.76	7.56	4.86	4.86
Dividend paid[1]	€ million	4,524	4,374	3,772	2,419	2,419
on ordinary shares	€ million	2,656	2,567	2,213	1,416	1,416
on preferred shares	€ million	1,868	1,806	1,559	1,002	1,002

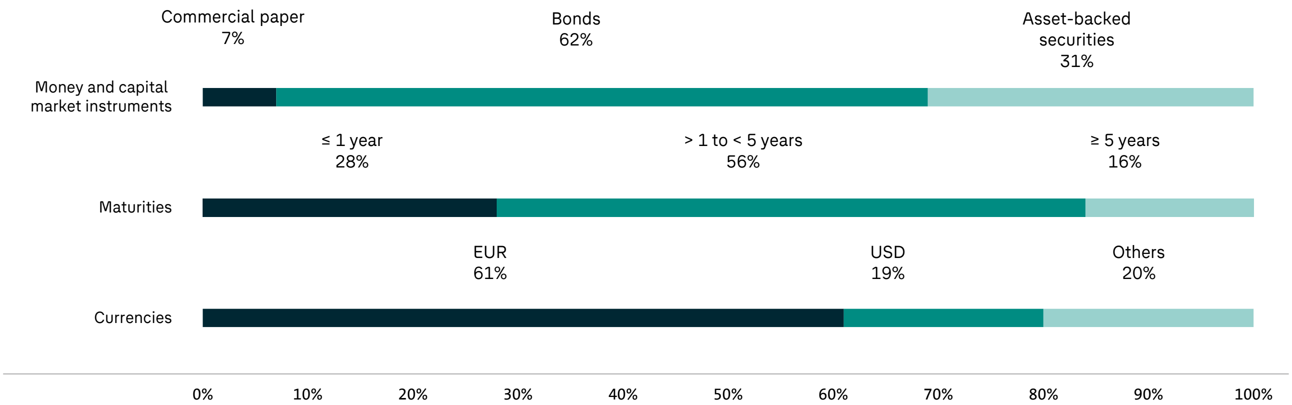
Share price development[2]		2023	2022[3]	2021	2020	2019
Ordinary share						
Closing	€	118.45	147.65	258.40	170.10	173.25
Price performance	%	–19.8	–42.9	+51.9	–1.8	+24.6
Annual high	€	181.65	279.40	327.20	183.10	182.50
Annual low	€	106.40	145.00	165.70	101.50	135.60
Preferred share						
Closing	€	111.80	116.42	177.48	152.42	176.24
Price performance	%	–4.0	–34.4	+16.4	–13.5	+26.9
Annual high	€	142.20	193.10	246.55	185.52	184.24
Annual low	€	99.14	114.88	144.80	87.20	134.76
Beta factor[4]	factor	1.13	1.15	1.16	1.26	1.17
Market capitalization at Dec. 31	€ billion	58.0	67.6	112.8	81.6	87.5
Equity attributable to Volkswagen AG shareholders and hybrid capital investors at Dec. 31	€ billion	175.7	165.4	144.4	127.0	121.8
Ratio of market capitalization to equity	factor	0.33	0.41	0.78	0.64	0.72

Key figures per share		2023	2022[3]	2021	2020	2019
Earnings per ordinary share[5]						
basic	€	31.92	29.66	29.59	16.60	26.60
diluted	€	31.92	29.66	29.59	16.60	26.60
Equity attributable to Volkswagen AG shareholders and hybrid capital investors at Dec. 31	€	350.48	329.90	288.15	253.44	242.93
Price/earnings ratio[6]						
Ordinary share	factor	3.7	5.0	8.7	10.2	6.5
Preferred share	factor	3.5	3.9	6.0	9.1	6.6
Dividend yield[7]						
Ordinary share	%	7.6	5.9	2.9	2.8	2.8
Preferred share	%	8.1	7.5	4.3	3.2	2.8

Stock exchange turnover[8]		2023	2022	2021	2020	2019
Turnover of Volkswagen ordinary shares	€ billion	1.4	2.7	6.1	3.1	3.3
	million shares	10.2	13.5	23.3	21.6	20.9
Turnover of Volkswagen preferred shares	€ billion	31.4	44.9	58.8	49.8	41.0
	million shares	263.2	302.2	300.4	361.2	266.0
Volkswagen share of total DAX turnover	%	4.1	4.7	6.6	4.7	4.6

1 Figures for the years 2019 to 2022 relate to dividends paid in the following year. For 2021, the figures exclude the special dividend due to the IPO of Porsche AG. For 2023, the figures relate to the proposed dividend.
2 Xetra prices.
3 Prior-year figures adjusted (see disclosures on IFRS 17).
4 For the calculation see chapter "Results of Operations, Financial Position and Net Assets" of this annual report, prior-year figures adjusted.
5 For the calculation see "Earnings per share" in the notes to the consolidated financial statements.
6 Ratio of year-end-closing price to earnings per share.
7 Dividend per share based on the year-end-closing price.
8 Order book turnover on the Xetra electronic trading platform (*Deutsche Börse*).

REFINANCING STRUCTURE OF THE VOLKSWAGEN GROUP
as of December 31, 2023



REFINANCING

The Volkswagen Group further diversified its refinancing activities in 2023 and carried out several successful transactions in the international capital markets amid a challenging market environment.

With the growing electrification of the vehicle portfolio, sustainable financial instruments are an increasing focus of the refinancing strategy. In March 2023, Volkswagen International Finance N.V. placed two green bonds with a total volume of €1.75 billion. In August 2023, the company successfully issued its first green hybrid notes with a total principal amount of €1.75 billion after duly calling a hybrid note with a principal amount of €750 million to be redeemed as of September 4, 2023. These green bonds are based on the Volkswagen Group's Green Finance Framework presented in November 2022. This allows the Company to refinance capital expenditures that are aligned with the EU Taxonomy, whereby Volkswagen will limit itself to all-electric vehicles. Volkswagen Financial Services AG also published its first Green Finance Framework in August 2023, which is to be used exclusively for refinancing financial products for all-electric vehicles. In September 2023, Volkswagen Leasing GmbH placed its first green bonds on the capital market with a total volume of €2.0 billion.

In the US capital market, Volkswagen Group of America Finance, LLC placed bonds with a total volume of USD 5.65 billion in September and November 2023. Notes with a volume of CAD 750 million were issued in the Canadian refinancing market.

The Volkswagen Group was active locally on the Chinese capital market for the first time through Volkswagen International Finance N.V. and issued what is known as a Panda bond worth CNY 1.5 billion in September 2023.

In May and November 2023, TRATON Finance Luxembourg S.A., an indirect subsidiary of TRATON SE, issued bonds in three tranches with a total volume of €1.75 billion.

In addition to this, the Volkswagen Group issued private placements in various currencies.

As well as the green bonds, official euro benchmark bonds were issued for a further €2.0 billion for the Financial Services Division. Securities were also issued in various currencies and regions.

Alongside the placement of senior, unsecured bonds, asset-backed securities (ABS) transactions were another element of our refinancing activities. In Europe, public ABS transactions with a total volume of €2.75 billion were placed. Public ABS transactions were also issued in the United Kingdom, Australia, Japan and Brazil.

The Volkswagen Group was also actively involved in the commercial paper market with several issuing companies.

The proportion of fixed-rate instruments in the past year was about 2.5 times as high as the proportion of floating-rate instruments.

In our refinancing arrangements, we generally aim to exclude interest rate and currency risk as far as possible with the simultaneous use of derivatives.

The following table shows which financial instruments were utilized on the money and capital markets as of December 31, 2023 and illustrates the financial flexibility of the Volkswagen Group:

Financial instruments	Authorized volume € billion	Amount utilized on Dec. 31, 2023 € billion
Commercial paper	40.3	10.4
Bonds	192.4	98.6
of which hybrid issues		14.9
Asset-backed securities	104.3	48.2

Volkswagen AG's syndicated credit line of €10.0 billion agreed in December 2019 was unused at the end of 2023.

Of the syndicated credit lines with a total of €15.1 billion at other Group companies, €0.1 billion has been drawn down. The Volkswagen Group continued to have bilateral confirmed credit lines with national and international banks in various countries for a total of €6.2 billion, of which €0.3 billion was drawn down.

RATINGS

In November 2023, rating agency Standard & Poor's confirmed its short-term and long-term ratings for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH at A–2 and BBB+ respectively. The outlook for all companies remains unchanged at "stable". In September 2023, Standard & Poor's also issued a short-term rating of A–2 for TRATON SE. In November 2023, the short- and long-term ratings for TRATON SE were confirmed at A–2 and BBB respectively with a "stable" outlook.

In July and October 2023, Moody's Investors Service confirmed the short-term and long-term ratings for Volkswagen AG and Volkswagen Financial Services AG at P–2 and A3, respectively, and those for Volkswagen Bank GmbH at P–1 and A1. The outlook was left unchanged at "stable". For TRATON SE, the long-term rating of Baa2 with an outlook of "stable" was confirmed in September 2023. TRATON SE was also given a short-term rating of P–2.

	VOLKSWAGEN AG		VOLKSWAGEN FINANCIAL SERVICES AG		VOLKSWAGEN BANK GMBH		TRATON SE	
	2023	2022	2023	2022	2023	2022	2023	2022
Standard & Poor's								
short-term	A–2	A–2	A–2	A–2	A–2	A–2	A–2	–
long-term	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB	BBB
outlook	stable	stable	stable	stable	stable	stable	stable	stable
Moody's Investors Service								
short-term	P–2	P–2	P–2	P–2	P–1	P–1	P–2	–
long-term	A3	A3	A3	A3	A1	A1	Baa2	Baa2
outlook	stable	stable	stable	stable	stable	stable	stable	stable

ESG RATINGS

Analysts and investors are referring increasingly to companies' sustainability profiles as well when making their recommendations and decisions. They draw on ESG ratings, among other things, to evaluate a company's environmental, social and governance performance. At the same time, these ratings are instrumental in determining whether we are meeting our goal in relation to the Group's NEW AUTO strategy, and they are used to establish internal measures.

In fiscal year 2023, our ESG rating from ISS ESG improved from C to C+ compared with the previous year. In the Sustainalytics rating, the Volkswagen Group remained stable with a "medium risk" score. Volkswagen also retained its B rating from MSCI and kept its score of A– in the CDP Climate Rating in 2023. Volkswagen reported key information as part of the Water Disclosure Project (WDP) but did not undergo rating in 2023.

Results of Operations, Financial Position and Net Assets

Against the backdrop of a challenging market environment and intensifying competition in the automotive sector, the Volkswagen Group generated significantly higher sales revenue in the reporting year while maintaining its operating result at the same level as in the previous year.

The Volkswagen Group's segment reporting comprises the four reportable segments of Passenger Cars and Light Commercial Vehicles, Commercial Vehicles, Power Engineering and Financial Services, in compliance with IFRS 8 and in line with the Group's internal financial management and reporting structures.

The reconciliation covers activities and other operations that do not, by definition, constitute segments. These include the unallocated Group financing activities. Consolidation adjustments between the segments (including the holding company functions) are also contained in the reconciliation. The purchase price allocations for Porsche Holding Salzburg and Porsche, Scania, MAN and Navistar are allocated to their corresponding segments.

The Automotive Division comprises the Passenger Cars and Light Commercial Vehicles segment, the Commercial Vehicles segment and the Power Engineering segment, as well as the figures from the reconciliation. The Passenger Cars and Light Commercial Vehicles segment is combined with the reconciliation to form the Passenger Cars Business Area, while the Commercial Vehicles and Power Engineering segments are identical to the business areas of the same name. The Financial Services Division corresponds to the Financial Services segment.

At Volkswagen, segment profit or loss is measured on the basis of the operating result.

KEY FIGURES FOR 2023 BY SEGMENT

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue	245,680	45,731	4,044	54,128	349,584	−27,300	322,284
Segment profit or loss (operating result)	19,474	3,714	366	3,792	27,345	−4,769	22,576
as a percentage of sales revenue	7.9	8.1	9.0	7.0			7.0
Capex, including capitalized development costs	22,636	2,205	134	282	25,257	538	25,795

IFRS 17 – INSURANCE CONTRACTS

IFRS 17 specifies new accounting rules for insurance contracts. First-time application resulted in an insignificant change in equity as of January 1, 2023 and January 1, 2022, respectively. This is due primarily to the changed system for calculating provisions related to the insurance business. In addition, netting cash flows when measuring the provisions also led to a reduction of €0.7 billion each in assets and provisions related to the insurance business as of January 1, 2023. The change in the system for recognizing income and expenses has no material effect on the income statement. Prior-year figures have been adjusted accordingly.

SCOUT MOTORS INC.

Under the Volkswagen Group's North America strategy, Scout Motors Inc., Arlington, Virginia/USA, a wholly owned subsidiary of Volkswagen Finance Luxemburg, Strassen/Luxembourg, was established in fiscal year 2022. A new vehicle brand is to be created under the name of Scout to distribute electrified all-terrain vehicles and pickups in the USA from 2026. In order to finance the creation of the Scout brand, as well as vehicle development and production planning, an amount of around USD 493 million was contributed to the company in fiscal year 2023. The company has been included in the Volkswagen consolidated financial statements since January 1, 2023.

ACQUISITION OF SHARES IN XPENG INC.

On December 6, 2023, Volkswagen acquired 4.99% of the ordinary shares of the electric vehicle company XPeng Inc., Cayman Islands, (XPeng) at a purchase price totaling USD 706 million. The realization of a forward purchase transaction dating from July 26, 2023 resulted in a non-cash gain of €74.2 million in fiscal year 2023, which is recognized in the other financial result. Along with the agreement to acquire the shares, a technological framework agreement was signed with Guangdong Xiaopeng Motors Technology Co. Ltd., Guangzhou/China, a subsidiary of XPeng, for the joint development of electric vehicles in China, among other things. The equity investment in XPeng is measured at fair value through other comprehensive income.

HORIZON ROBOTICS INC.

On December 7, 2023, Volkswagen acquired preferred shares of Horizon Robotics Inc., Cayman Islands (Horizon Robotics), a leading provider of energy-efficient computing platforms for autonomous driving in China, from Horizon Robotics at a purchase price of USD 200 million and issued a convertible loan to Horizon Robotics in an amount of USD 800 million. Both investments are classified as debt instruments in the financial statements and measured at fair value through profit or loss. The measurement resulted in non-cash gains of €0.7 million in fiscal year 2023, which are recognized in the other financial result.

To promote the development of highly automated and autonomous driving in China, Volkswagen has also agreed the establishment of a joint venture with Horizon Robotics. On December 14, 2023, Volkswagen invested an amount of CNY 2 billion to this end in exchange for an interest of 60% in the new company, CARIZON (Beijing) Technology Company Limited, Beijing/China (CARIZON). In addition, Volkswagen has undertaken to make future capital contributions of up to CNY 8.4 billion to the joint venture.

SALE OF OOO VOLKSWAGEN GROUP RUS

On May 18, 2023, the Volkswagen Group completed the sale of its shares in OOO Volkswagen Group Rus (Volkswagen Group Rus), Kaluga/Russia, and that company's local subsidiaries (OOO Volkswagen Components and Services, Kaluga/Russia, OOO Scania Leasing, Moscow/Russia, OOO Scania Finance, Moscow/Russia, OOO Scania Insurance, Moscow/Russia) to OOO ART-FINANCE, Moscow/Russia, which is supported by the Russian dealer

AO Avilon Automotive Group, Moscow/Russia. On registration of the transaction on May 22, 2023, ownership of the shares in Volkswagen Group Rus was transferred from the seller to the buyer. The transaction comprises the production facilities in Kaluga, the importer structure of the Group brands Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, Audi, Škoda, Bentley, Lamborghini and Ducati for potential after-sales business and the warehouse activities, as well as Scania's financial services activities, including all associated employees.

In this context, the Volkswagen Group had already made significant impairments in fiscal year 2022 and recognized appropriate provisions. The selling price amounted to €0.1 billion. The deconsolidation of the affected companies resulted in a loss of €0.4 billion in fiscal year 2023, which is reported in the other operating result. This result is split between the Automotive Division (€–0.4 billion) and the Financial Services Division (€0.1 billion). The loss is mainly attributable to the realization of currency translation effects of €–0.3 billion, which have been reclassified from the currency translation reserve to other operating expenses.

EQUITY INVESTMENTS HELD FOR SALE

The assets and liabilities held for sale of the Russian subsidiaries of Volkswagen Financial Services and Porsche, as well as those of MAN Energy Solutions in connection with the gas turbine business were recognized in accordance with IFRS 5 at the lower of their carrying amount and fair value less expected disposal costs.

SPECIAL ITEMS

Special items consist of certain items in the financial statements whose separate disclosure the Board of Management believes can enable a better assessment of our economic performance.

No material special items in connection with the diesel issue were recognized in fiscal year 2023.

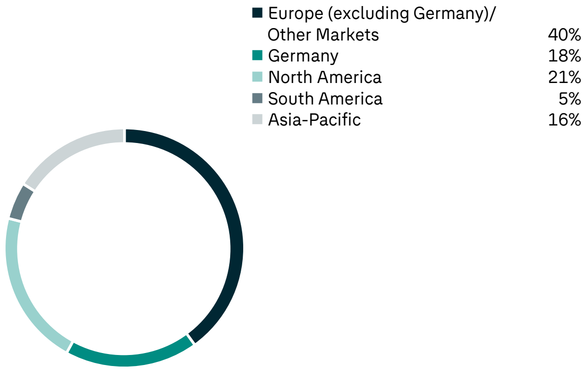
INCOME STATEMENT BY DIVISION

	VOLKSWAGEN GROUP		AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2023	2022[2]	2023	2022[2]	2023	2022[2]
Sales revenue	**322,284**	**279,050**	**268,156**	**232,392**	**54,128**	**46,657**
Cost of sales	-261,262	-226,866	-214,996	-189,572	-46,266	-37,294
Gross profit	**61,022**	**52,184**	**53,160**	**42,820**	**7,862**	**9,363**
Distribution expenses	-21,340	-19,840	-20,308	-18,794	-1,032	-1,046
Administrative expenses	-12,724	-11,655	-10,007	-9,074	-2,717	-2,582
Net other operating result	-4,382	1,421	-4,061	1,518	-321	-97
Operating result	**22,576**	**22,109**	**18,784**	**16,471**	**3,792**	**5,638**
Operating return on sales (%)	**7.0**	**7.9**	**7.0**	**7.1**	**7.0**	**12.1**
Share of profits and losses of equity-accounted investments	2,291	2,403	2,236	2,287	55	116
Interest result and Other financial result	-1,673	-2,442	-1,602	-2,283	-71	-159
Financial result	**618**	**-40**	**635**	**3**	**-17**	**-43**
Earnings before tax	**23,194**	**22,070**	**19,419**	**16,474**	**3,775**	**5,595**
Income tax expense	-5,266	-6,217	-4,182	-4,249	-1,084	-1,969
Earnings after tax	**17,928**	**15,852**	**15,236**	**12,226**	**2,692**	**3,627**
Noncontrolling interests	1,329	395	1,209	270	120	125
Earnings attributable to Volkswagen AG hybrid capital investors	586	576	586	576	0	0
Earnings attributable to Volkswagen AG shareholders	**16,013**	**14,881**	**13,442**	**11,380**	**2,572**	**3,502**

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Prior-year figures adjusted (see disclosures on IFRS 17).

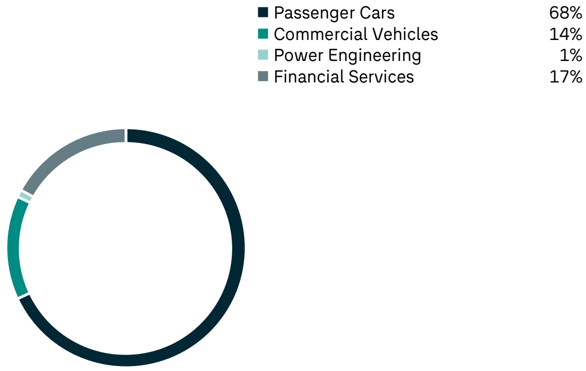
SHARE OF SALES REVENUE BY MARKET 2023

in percent



SHARE OF SALES REVENUE BY DIVISION/ BUSINESS AREA 2023

in percent



RESULTS OF OPERATIONS

Results of operations of the Group

In the period from January to December 2023, the Volkswagen Group's sales revenue amounted to €322.3 billion, up 15.5% on the prior-year figure. This was mainly attributable to a rise in volume and beneficial changes in the price positioning and in the mix. These factors were offset by exchange rate effects. The prior-year period had been impacted to an even greater extent by limited vehicle availability due to parts supply shortages. The Volkswagen Group generated 81.5 (82.6)% of its sales revenue abroad. Gross profit increased by €8.8 billion to €61.0 billion. The gross margin was 18.9 (18.7)%.

In fiscal year 2023, the Volkswagen Group's operating result of €22.6 (22.1) billion was on a level with the previous year. The operating return on sales was 7.0 (7.9)%. In particular, higher vehicle sales and improved price positioning were set against a rise in product costs (in particular for commodities). The fair value measurement of derivatives to which hedge accounting is not applied (especially commodity hedges) had a negative effect of €–3.2 billion on the operating result in the period from January to December 2023; it had boosted the Group's earnings by €1.8 billion in the prior-year period, as had beneficial effects of €0.8 billion from derivatives in the Financial Services Division. The deconsolidation of Volkswagen Group Rus and its subsidiaries led to a loss of €0.4 billion in 2023. In the previous year, the result had been impacted mainly by expenses relating to loss allowances and risk provisions due to the direct impact of the Russia-Ukraine conflict and special items in connection with the diesel issue. The financial result increased by €0.7 billion to €0.6 billion. The share of the result of equity-accounted investments was slightly below that of the prior year. In the interest result, higher interest income was not sufficient to offset the rise in interest expenses resulting primarily from changes in the interest rates used to measure provisions. The other financial result was affected in the reporting year among other things by adverse exchange rate effects, especially as a result of the sharp depreciation of the Argentinian peso. This was set against lower non-cash expenses from adjustments to the carrying amounts of investees because of changes in share prices and impairment tests, and against positive net income from securities and funds. In the prior-year period, the impairment loss recognized on the equity investment in Argo AI and changes in share prices affecting net income from securities and funds, particularly as a result of the Russia-Ukraine conflict, had both had a negative impact.

The Volkswagen Group's earnings before tax were up €1.1 billion to €23.2 billion in fiscal year 2023. The return on sales before tax declined to 7.2 (7.9)%. Income taxes resulted in an expense of €5.3 (6.2) billion, which in turn led to a tax rate of 22.7 (28.2)%. Earnings after tax were noticeably up on the previous year, at €17.9 (15.9) billion.

Results of operations in the Automotive Division

The Automotive Division generated sales revenue of €268.2 (232.4) billion in the reporting year. Higher vehicle sales together with improvements in the price positioning and in the mix offset adverse exchange rate effects. In the prior-year period, the adverse impact had by parts supply shortages had been even stronger. Sales revenue in the Passenger Cars, Commercial Vehicles and Power Engineering Business Areas was significantly up on the respective prior-year values. As our Chinese joint ventures are accounted for using the equity method, the Group's business performance in the Chinese passenger car market is essentially reflected in the Group's sales revenue only through deliveries of vehicles and vehicle parts.

Cost of sales was up, primarily because of higher volumes, a rise in product costs (in particular for commodities), and an increase in research and development costs recognized in profit or loss; these changes were set against lower depreciation charges of around €1.4 billion following the reassessment and extension of the useful lives of certain items of property, plant and equipment. The ratio of cost of sales to sales revenue declined in the reporting year. Since research and development costs and sales revenue increased by similar percentages in the Automotive Division in the reporting year, their ratio to each other – the research and development ratio (R&D ratio) – was on a level with 2022 at 8.1 (8.1)%. The automotive investment ratio, which combines the R&D and capex ratios, amounted to 13.5 (13.6)% in fiscal year 2023.

In the period from January to December 2023, there was a year-on-year increase in distribution expenses due to factors such as higher logistics costs, as well as in administrative expenses; their respective share of sales revenue went down. The other operating result stood at €–4.1 (1.5) billion. Fiscal year 2023 was weighed down by adverse effects from the fair value measurement of derivatives to which hedge accounting is not applied, especially for commodities. These factors had had a positive impact in the prior-year period.

In the period from January to December 2023, the Automotive Division's operating result amounted to €18.8 billion, up €2.3 billion on the previous year. The rise is primarily attributable to a rise in vehicle sales and improvements in the price positioning. Effects from the measurement of derivatives to which hedge accounting is not applied, higher product costs, in particular for commodities, and negative exchange rate trends weighed on the operating result. The prior-year period had been marked by positive effects from the fair value measurement of derivatives to which hedge accounting is not applied and by expenses in connection with the Russia-Ukraine conflict. The operating return on sales stood at 7.0 (7.1)%. Our operating result largely benefits

RESULTS OF OPERATIONS IN THE PASSENGER CARS, COMMERCIAL VEHICLES AND POWER ENGINEERING BUSINESS AREAS FROM JANUARY 1 TO DECEMBER 31

€ million	2023	2022[1]
Passenger Cars		
Sales revenue	218,380	189,312
Operating result	14,704	14,603
Operating return on sales (%)	6.7	7.7
Commercial Vehicles		
Sales revenue	45,731	39,516
Operating result	3,714	1,588
Operating return on sales (%)	8.1	4.0
Power Engineering		
Sales revenue	4,044	3,565
Operating result	366	281
Operating return on sales (%)	9.0	7.9

1 Prior-year figures adjusted (see disclosures on IFRS 17).

from the business performance of our equity-accounted Chinese joint ventures only through deliveries of vehicles and vehicle parts and through license income, as these joint ventures are included in the financial result.

Results of operations in the Financial Services Division

In the period from January to December 2023, the Financial Services Division's sales revenue amounted to €54.1 billion, an increase of 16.0% over the prior-year figure. Compared with the previous year, cost of sales increased faster than sales revenue, driven in particular by a very strong rise in interest expenses and higher depreciation of the residual values of leased vehicles. As a result, gross profit went down by €1.5 billion to €7.9 billion.

The Financial Services Division's operating result of €3.8 (5.6) billion was down on the previous year. The decline was mainly the result of higher interest expenses. In addition, derivatives, which had had a beneficial effect in the previous year, had a negative impact in the reporting year. The prior year had been weighed down especially by expenses relating to loss allowances as a direct impact of the Russia-Ukraine conflict. The operating return on sales decreased to 7.0 (12.1)%. The return on equity before tax was 8.8 (14.1)%.

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, and 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 AG, Porsche Holding Salzburg and TRATON GROUP subgroups and of the Financial Services Division are included in the financial management and, in addition, 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 a liquidity pooling system to optimize the use of existing liquidity between the significant companies. Among other features of this system, the balances, either positive or negative, accumulating in cash pooling accounts are swept daily into 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 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

In the period from January to December 2023, the Volkswagen Group recorded gross cash flow of €48.5 (49.3) billion. The non-cash measurement effects in connection with hedging transactions, which are included in earnings, must be eliminated from the cash flow statement. Cash outflows of around €1.5 billion for tax payments relating to prior assessment periods had an adverse impact. The change in working capital amounted to €–29.1 (–20.8) billion, driven primarily by a higher increase in receivables and lease assets and a smaller rise in liabilities compared to the prior year. A smaller increase in inventories and higher other provisions had an offsetting effect. Cash outflows resulting from the diesel issue were lower than in 2022. Cash flows from operating activities went down by €9.1 billion to €19.4 billion in fiscal year 2023.

The Volkswagen Group's investing activities attributable to operating activities grew by €2.6 billion to €28.0 billion in the reporting year, mainly as a result of higher investments in capex and additions to capitalized development costs. In the previous year, this item had included the full portion of the purchase price payable by Volkswagen for the acquisition of Europcar, which was contributed to Green Mobility Holding and amounted to €1.7 billion.

The Volkswagen Group's financing activities produced a cash inflow of €16.0 (4.2) billion. Financing activities primarily include the issuance and redemption of bonds as well as changes in other financial liabilities. This also included the issuance of green hybrid notes with a total nominal value of €1.75 billion, which were successfully placed in August 2023. The redemption of the hybrid note of €0.75 billion called as of September 2023 reduced cash flows from financing activities accordingly. Financing activities also included cash inflows and outflows in connection with the IPO of Porsche AG completed in 2022 (primarily the payment of a special dividend to the shareholders of Volkswagen AG) and the dividend to the shareholders of Volkswagen AG; together, these amounted to around €11 billion. At the end of December 2023, the Volkswagen Group reported cash and cash equivalents of €43.5 (29.7) billion in its cash flow statement.

At the end of fiscal year 2023, the Volkswagen Group's net liquidity stood at €–147.4 billion, compared with €–125.8 billion on December 31, 2022.

Financial position of the Automotive Division

In the reporting year, the Automotive Division's gross cash flow was €35.8 billion, an earnings-related rise of €2.6 billion compared with the previous year. The non-cash measurement effects in connection with hedging transactions, which are included in earnings, must be eliminated from the cash flow statement. Cash outflows of around €1.5 billion for tax payments relating to prior assessment periods had an adverse impact. The change in working capital amounted to €2.1 (–3.3) billion. The year-on-year change was primarily attributable to a smaller rise in inventories and higher other provisions. These effects were set against a smaller increase in liabilities than in the previous year. As a consequence, cash flows from operating activities in an amount of €37.9 billion were 26.7% higher than in the previous year.

In the period from January to December 2023, investing activities attributable to operating activities amounting to €27.2 (25.1) billion were up on the prior-year figure. Within this figure, investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) increased by €1.6 billion to €14.4 billion. The ratio of capex to sales revenue was 5.4 (5.5)%.

CASH FLOW STATEMENT BY DIVISION

	VOLKSWAGEN GROUP		AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2023	2022[2]	2023	2022[2]	2023	2022[2]
Cash and cash equivalents at beginning of period	**29,738**	**39,123**	**23,042**	**24,899**	**6,695**	**14,224**
Earnings before tax	23,194	22,070	19,419	16,474	3,775	5,595
Income taxes paid	-7,716	-4,416	-6,328	-3,562	-1,389	-854
Depreciation and amortization expense[3]	28,282	30,670	17,729	20,854	10,552	9,816
Change in pension provisions	262	898	251	857	11	41
Share of the result of equity-accounted investments	271	568	244	639	27	-71
Other non-cash income/expense and reclassifications[4]	4,161	-509	4,474	-2,086	-313	1,577
Gross cash flow	**48,453**	**49,280**	**35,789**	**33,177**	**12,665**	**16,104**
Change in working capital	**-29,097**	**-20,784**	**2,062**	**-3,312**	**-31,160**	**-17,472**
Change in inventories	-2,071	-8,385	-651	-8,262	-1,419	-123
Change in receivables	-4,361	-3,065	-1,250	-526	-3,111	-2,539
Change in liabilities	5,272	8,713	3,179	8,179	2,094	535
Change in other provisions	358	-3,042	236	-2,950	123	-92
Change in lease assets (excluding depreciation)	-14,964	-8,711	558	406	-15,522	-9,117
Change in financial services receivables	-13,332	-6,294	-8	-158	-13,324	-6,136
Cash flows from operating activities	**19,356**	**28,496**	**37,851**	**29,865**	**-18,495**	**-1,369**
Cash flows from investing activities attributable to operating activities	**-28,031**	**-25,454**	**-27,153**	**-25,058**	**-878**	**-396**
of which: investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex)	-14,653	-12,948	-14,371	-12,731	-282	-217
capitalized development costs	-11,142	-9,723	-11,142	-9,723	–	–
acquisition and disposal of equity investments	-2,738	-3,219	-2,115	-2,997	-622	-222
Net cash flow[5]	***-8,675***	***3,042***	***10,698***	***4,807***	***-19,373***	***-1,765***
Change in investments in securities and time deposits, as well as in loans	8,219	-16,368	9,512	-15,052	-1,293	-1,316
Cash flows from investing activities	**-19,812**	**-41,822**	**-17,641**	**-40,110**	**-2,171**	**-1,712**
Cash flows from financing activities	**16,008**	**4,225**	**-12,927**	**8,621**	**28,934**	**-4,396**
of which: capital transactions with noncontrolling interests	-8	16,198	-8	16,198	–	–
capital contributions/capital redemptions	1,003	-235	-2,919	-235	3,922	-0
Effect of exchange rate changes on cash and cash equivalents	-1,765	-285	-1,620	-233	-145	-52
Change of loss allowance within cash and cash equivalents	-2	1	-2	1	0	-0
Net change in cash and cash equivalents	**13,785**	**-9,385**	**5,661**	**-1,856**	**8,124**	**-7,529**
Cash and cash equivalents at Dec. 31[6]	**43,522**	**29,738**	**28,704**	**23,042**	**14,819**	**6,695**
Securities and time deposits, as well as loans	41,858	49,771	20,994	30,891	20,864	18,880
Gross liquidity	**85,380**	**79,509**	**49,698**	**53,934**	**35,683**	**25,575**
Total third-party borrowings	-232,813	-205,312	-9,409	-10,919	-223,404	-194,393
Net liquidity at Dec. 31[7]	**-147,433**	**-125,803**	**40,289**	**43,015**	**-187,722**	**-168,818**

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Prior-year figures adjusted (see disclosures on IFRS 17).
3 Net of impairment reversals.
4 These relate mainly to the fair value measurement of financial instruments and the reclassification of gains/losses on disposal of noncurrent assets and equity investments to investing activities.
5 Net cash flow: cash flows from operating activities, net of cash flows from investing activities attributable to operating activities (investing activities excluding change in investments in securities, time deposits and loans).
6 Cash and cash equivalents comprise cash at banks, checks, cash-in-hand and call deposits.
7 The total of cash, cash equivalents, securities and time deposits, as well as loans to affiliates and joint ventures net of third-party borrowings (noncurrent and current financial liabilities).

FINANCIAL POSITION IN THE PASSENGER CARS, COMMERCIAL VEHICLES AND POWER ENGINEERING BUSINESS AREAS FROM JANUARY 1 TO DECEMBER 31

€ million	2023	2022[1]
Passenger Cars		
Gross cash flow	30,102	28,753
Change in working capital	2,833	–457
Cash flows from operating activities	32,935	28,296
Cash flows from investing activities attributable to operating activities	–25,223	–23,060
Net cash flow	7,712	5,236
Commercial Vehicles		
Gross cash flow	5,214	4,079
Change in working capital	–682	–2,877
Cash flows from operating activities	4,532	1,201
Cash flows from investing activities attributable to operating activities	–1,800	–1,953
Net cash flow	2,732	–752
Power Engineering		
Gross cash flow	472	345
Change in working capital	–88	23
Cash flows from operating activities	384	368
Cash flows from investing activities attributable to operating activities	–130	–44
Net cash flow	254	323

1 Prior-year figures adjusted (see disclosures on IFRS 17).

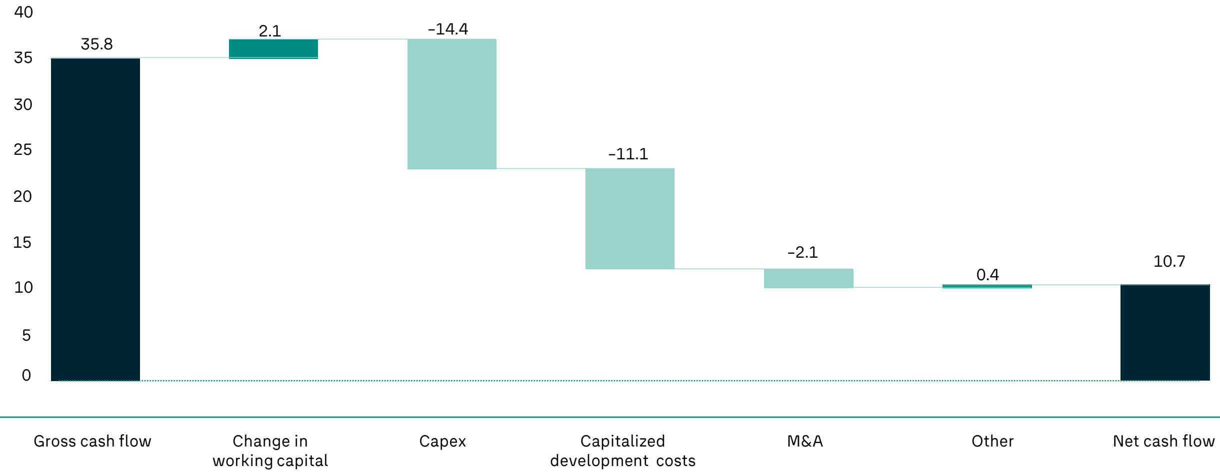
A considerable portion of capex was above all allocated to our production facilities and to models that we launched in 2023 or are planning to launch in 2024. They relate to both new vehicles to expand our model range and product upgrades for established models. Other investment priorities include the electrification and digitalization of our products, technologies of the future and enhancements to the modular and all-electric toolkits and platforms. Additions to capitalized development costs rose by €1.4 billion to €11.1 billion in the reporting year. The "Acquisition and disposal of equity investments" item amounted to €–2.1 (–3.0) billion; it included primarily strategic investments in a variety of companies, in particular XPeng. In the previous year, this had included the full portion of the purchase price payable by Volkswagen for the acquisition of Europcar, which was contributed to Green Mobility Holding and amounted to €1.7 billion.

The Automotive Division's investing activities also include the convertible loan granted to Horizon Robotics.

In the period from January to December 2023, the Automotive Division's net cash flow of €10.7 billion was €5.9 billion up on the prior-year figure. The cash conversion rate, which is the ratio of the Automotive Division's net cash flow to operating result, stood at 57.0 (29.2)% at the end of 2023.

In fiscal year 2023, the Automotive Division's financing activities led to a cash outflow of €12.9 billion, compared with a cash inflow of €8.6 billion in the previous year. These mainly reflect the cash inflows and outflows in connection with the IPO of Porsche AG completed in the previous year (primarily the payment of a special dividend to the shareholders of Volkswagen AG) as well as the dividend distributed to the shareholders of Volkswagen AG from the appropriation of net profit for fiscal year 2022 and the redemption of the hybrid note called as of September 2023. A cash inflow was generated in fiscal year 2023 by the green hybrid notes with a total nominal value of €1.75 billion that were successfully placed via Volkswagen International Finance N.V. in August 2023. These notes comprise a €1.0 billion note with a coupon of 7.5%, which is noncallable for five years,

AUTOMOTIVE DIVISION NET CASH FLOW 2023
€ billion



and a €0.75 billion note with a coupon of 7.875%, which is noncallable for nine years. Both notes are perpetual and increase net liquidity and equity by the nominal amount less transaction and other costs. Financing activities also include the issuance and redemption of bonds and changes in other financial liabilities.

Despite the cash outflows due to the special dividend in connection with Porsche AG's IPO, the Automotive Division's net liquidity was robust, at €40.3 billion, on December 31, 2023, compared with €43.0 billion at the end of 2022. The Automotive Division's net liquidity as a proportion of consolidated sales revenue decreased to 12.5 (15.4)% in the reporting year, mainly because sales revenue rose faster than net liquidity.

Financial position in the Financial Services Division

In fiscal year 2023, the Financial Services Division recorded a gross cash flow of €12.7 billion, down €3.4 billion on the prior-year figure for reasons such as lower earnings. The change in working capital amounted to €–31.2 (–17.5) billion. Higher growth in lease assets and receivables and a rise in inventories led to a higher level of funds tied up in working capital than in the previous year. This was offset by a larger increase in liabilities. Consequently, cash flows from operating activities decreased by €17.1 billion to €–18.5 billion.

Investing activities attributable to operating activities amounted to €0.9 (0.4) billion.

The Financial Services Division's financing activities generated a cash inflow of €28.9 billion in the reporting year. This figure relates primarily to the issuance and redemption of bonds and to other financial liabilities. In the prior-year period, there had been a cash outflow of €4.4 billion.

On December 31, 2023, the Financial Services Division's negative net liquidity, which is common in the industry, was €–187.7 billion as against €–168.8 billion at the end of 2022.

NET ASSETS

Consolidated balance sheet structure

At the end of the reporting year, the Volkswagen Group had total assets of €600.3 billion, 6.4% more than at the end of 2022. Total assets as of the reporting date reflected the implementation of the new guidance on accounting for insurance contracts (IFRS 17), which led to a decrease in total assets and liabilities. A corresponding retrospective adjustment was made to the 2022 year-end figure. Equity was up by €11.6 billion to €189.9 billion, mainly because of the encouraging earnings. The equity ratio of 31.6 (31.6)% was on a level with the figure recorded at the end of the previous year.

On December 31, 2023, the Group had off-balance-sheet commitments in the form of contingent liabilities in the amount of €10.4 (10.6) billion and in the form of financial guarantees in the amount of €0.9 (1.2) billion. In addition, there were other financial obligations of €38.2 (35.4) billion. The contingent liabilities relate primarily to legal risks in connection with the diesel issue, as well as to potential liabilities from tax risks in the Commercial Vehicles Business Area in Brazil. Other financial obligations primarily result from purchase commitments for property, plant and equipment and services, irrevocable credit commitments to customers and from development and supply contracts. In addition to the other financial obligations, there are purchase commitments for inventories with a short turnover period, which arise primarily from the Master Collaboration Agreement with Ford Motor Company for the joint development of vans and mid-sized pickups for the global market. Moreover, there are long-term purchase obligations under battery purchase agreements with Northvolt Group companies.

Automotive Division balance sheet structure

The noticeable increase in the Automotive Division's intangible assets at the end of 2023 as against December 31, 2022 was driven in particular by a rise in capitalized development costs. Property, plant and equipment was up slightly, with investments in property, plant and equipment set against lower depreciation. Equity-accounted investments declined for reasons that included dividend resolutions as well as impairment losses as a result of changes in share prices and in response to impairment tests. The intragroup reclassification of the equity investment in Europcar, which is held via Green Mobility Holding, to the Financial Services Division also contributed to this downturn. Noncurrent other receivables and financial assets decreased, due mainly to a decline in positive effects from the measurement of derivatives compared to year-end 2022. Total noncurrent assets amounted to €186.0 (178.7) billion, driven by higher volumes.

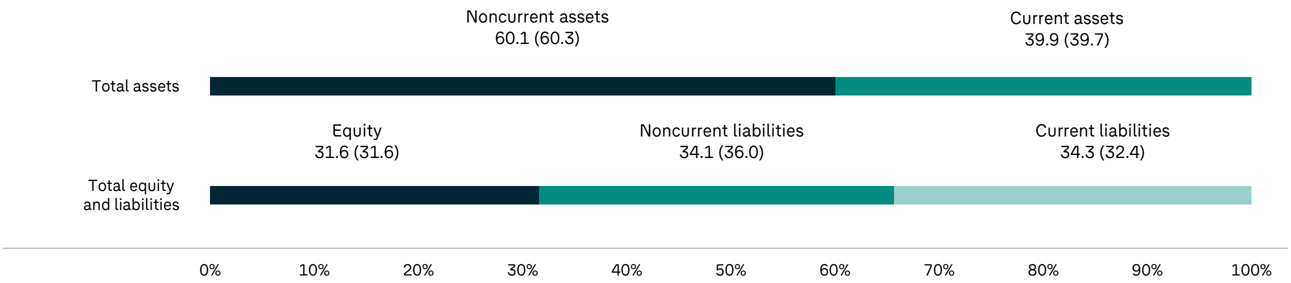
Current assets stood at €120.2 (122.7) billion on December 31, 2023, down from the prior-year figure. Current other receivables and financial assets went up, buoyed primarily by the volume-related rise in trade receivables. Total securities were down €10.7 billion to €22.2 billion, while cash and cash equivalents in the Automotive Division increased by €5.7 billion to €28.7 billion at the end of December 2023. The "Assets held for sale" item comprises the carrying amounts of the assets of subsidiaries of Porsche earmarked for divestment, as well as assets of MAN Energy Solutions. The "Liabilities held for sale" item comprises the carrying amounts of the corresponding liabilities.

CONSOLIDATED BALANCE SHEET BY DIVISION AS OF DECEMBER 31

	VOLKSWAGEN GROUP		AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2023	2022[2]	2023	2022[2]	2023	2022[2]
Assets						
Noncurrent assets	**360,694**	**339,853**	**186,042**	**178,667**	**174,653**	**161,187**
Intangible assets	89,109	83,241	88,504	82,846	605	394
Property, plant and equipment	66,880	63,890	65,918	62,908	962	982
Lease assets	64,094	59,380	377	1,279	63,717	58,100
Financial services receivables	94,474	86,944	–726	–767	95,200	87,711
Investments, equity-accounted investments and other equity investments, other receivables and financial assets	46,137	46,399	31,969	32,400	14,168	13,999
Current assets	**239,644**	**224,159**	**120,204**	**122,730**	**119,439**	**101,430**
Inventories	53,601	52,274	48,692	48,768	4,909	3,506
Financial services receivables	66,381	61,549	–832	–799	67,213	62,348
Other receivables and financial assets	49,250	43,226	21,348	18,764	27,902	24,462
Marketable securities and time deposits	26,772	37,206	22,211	32,867	4,561	4,338
Cash and cash equivalents	43,449	29,172	28,698	23,034	14,751	6,137
Assets held for sale	190	733	88	95	103	638
Total assets	**600,338**	**564,013**	**306,246**	**301,396**	**294,092**	**262,616**
Equity and liabilities						
Equity	**189,912**	**178,328**	**146,305**	**135,954**	**43,607**	**42,375**
Equity attributable to Volkswagen AG shareholders	160,539	151,255	117,489	109,565	43,050	41,690
Equity attributable to Volkswagen AG hybrid capital investors	15,155	14,121	15,155	14,121	0	0
Equity attributable to Volkswagen AG shareholders and hybrid capital investors	175,694	165,376	132,644	123,686	43,050	41,690
Noncontrolling interests	14,218	12,952	13,661	12,267	557	684
Noncurrent liabilities	**204,552**	**202,961**	**86,868**	**88,316**	**117,684**	**114,646**
Financial liabilities	122,323	121,737	18,046	21,871	104,277	99,866
Provisions for pensions	29,672	27,553	29,174	27,104	498	449
Other liabilities	52,557	53,671	39,648	39,341	12,908	14,330
Current liabilities	**205,874**	**182,723**	**73,073**	**77,127**	**132,801**	**105,596**
Financial liabilities	110,476	83,448	–8,637	–10,953	119,113	94,401
Trade payables	30,901	28,738	26,836	26,106	4,064	2,631
Other liabilities	64,467	70,380	54,869	61,961	9,597	8,418
Liabilities associated with assets held for sale	31	158	5	12	26	146
Total equity and liabilities	**600,338**	**564,013**	**306,246**	**301,396**	**294,092**	**262,616**

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions, primarily intragroup loans.
2 Prior-year figures adjusted (see disclosures on IFRS 17).

CONSOLIDATED BALANCE SHEET STRUCTURE 2023
in percent



At €146.3 billion, the Automotive Division's equity on December 31, 2023 was 7.6% higher than at the end of 2022. The main contributing factors were encouraging earnings in the reporting year and the green hybrid notes issued in August 2023. The dividend distributed to the shareholders of Volkswagen AG, adverse currency translation effects, higher actuarial losses from the remeasurement of pension plans because of the change in the discount rate, and the redemption of the hybrid note called as of September 2023 resulted in a reduction in equity. Noncontrolling interests, which increased noticeably, were mostly attributable to the noncontrolling interest shareholders of the Porsche AG Group and of the TRATON Group. The equity ratio climbed to 47.8 (45.1)%.

Noncurrent liabilities were on a level with the previous year, amounting to €86.9 (88.3) billion at the end of the reporting year. The noncurrent financial liabilities included in this item decreased, mainly because of reclassifications from noncurrent to current liabilities reflecting shorter remaining maturities. Pension provisions increased, driven primarily by actuarial remeasurement following a change in the discount rate.

At €73.1 (77.1) billion, current liabilities on December 31, 2023 were also down on the previous year. Current financial liabilities amounted to €–8.6 (–11.0) billion. The figures for the Automotive Division also contain the elimination of intragroup transactions between the Automotive and Financial Services divisions. As the current financial liabilities for the primary Automotive Division were lower than the loans granted to the Financial Services Division, a negative amount was disclosed in both periods. Current other liabilities were down, primarily because of the special dividend, which was resolved in connection with the IPO of Porsche AG in December 2022 and distributed in January 2023. This was offset by the netting of the right to payment from Porsche SE arising from the second tranche of the ordinary shares of Porsche AG.

At the end of fiscal year 2023, the Automotive Division had total assets of €306.2 billion, 1.6% more than at the end of 2022.

Financial Services Division balance sheet structure

On December 31, 2023, the Financial Services Division's total assets were €294.1 billion, 12.0% more than at the end of 2022. The figure as of the reporting date reflects the implementation of the new guidance on accounting for insurance contracts (IFRS 17), which led to a decrease in total assets and liabilities. A corresponding retrospective adjustment was made to the previous year-end figure.

BALANCE SHEET STRUCTURE OF THE PASSENGER CARS, COMMERCIAL VEHICLES AND POWER ENGINEERING BUSINESS AREAS

€ million	Dec. 31, 2023	Dec. 31, 2022[1]
Passenger Cars		
Noncurrent assets	149,881	142,467
Current assets	100,013	105,055
Total assets	**249,894**	**247,522**
Equity	127,684	119,654
Noncurrent liabilities	69,259	71,632
Current liabilities	52,952	56,236
Commercial Vehicles		
Noncurrent assets	34,530	34,620
Current assets	16,237	14,184
Total assets	**50,767**	**48,804**
Equity	15,918	13,804
Noncurrent liabilities	17,077	16,252
Current liabilities	17,772	18,748
Power Engineering		
Noncurrent assets	1,631	1,579
Current assets	3,955	3,491
Total assets	**5,585**	**5,070**
Equity	2,703	2,495
Noncurrent liabilities	532	432
Current liabilities	2,350	2,143

1 Prior-year figures adjusted (see disclosures on IFRS 17).

Noncurrent assets grew to €174.7 (161.2) billion. The equity-accounted investments included in this item were up for reasons that included the intragroup transfer of the equity investment in Europcar, which is held via Green Mobility Holding to the Financial Services Division. Noncurrent financial services receivables were higher than in the prior-year period.

Current assets climbed by 17.8% to €119.4 billion. The current other receivables and financial assets included in this item were higher than at the end of 2022, due among other factors to the rise in trade receivables. At the end of fiscal year 2023, the Financial Services Division held cash and cash equivalents of €14.8 (6.1) billion. The "Assets held for sale" item comprises the carrying amounts of the assets of subsidiaries of Volkswagen Financial Services and Porsche earmarked for divestment. The "Liabilities held for sale" item comprises the carrying amounts of the corresponding liabilities.

On December 31, 2023, the Financial Services Division accounted for 49.0 (46.6)% of the Volkswagen Group's assets.

Equity in the Financial Services Division stood at €43.6 billion at the end of 2023, 2.9% more than at the end of the previous year's reporting date. The equity ratio dropped to 14.8 (16.1)%.

Noncurrent liabilities in the Financial Services Division increased to €117.7 (114.6) billion compared with December 31, 2022. The noncurrent financial liabilities included in this item increased. Current liabilities rose, driven above all by higher current financial liabilities. Other current liabilities and trade payables were likewise up on the previous year.

Deposits from the direct banking business amounted to €38.8 billion on December 31, 2023, compared with €26.7 billion at the end of 2022.

RETURN ON INVESTMENT (ROI) AND VALUE CONTRIBUTION

The central focus of the Volkswagen Group's financial target system is to continuously and sustainably increase the value of the Company. In order to make efficient use of resources in the Automotive Division and to measure the success of this, we have been using a value-based management system for a number of years, with return on investment (ROI) as a relative indicator and value contribution[1], a key performance indicator linked to the cost of capital, as an absolute performance measure.

The return on investment serves as a constant target in strategic and operational management. If the return on investment exceeds the market cost of capital, there is an increase in the value of the invested capital and a positive value contribution. The concept of value-based management makes it possible to assess the success of the Automotive Division and individual business units. It also enables the earning power of our products, product lines and projects – such as new plants – to be measured.

Components of value contribution

Value contribution is calculated on the basis of the operating result after tax and the opportunity cost of invested capital.

The operating result shows the economic performance of the Automotive Division and is initially a pre-tax figure. Based on our companies' income tax rates, which vary from country to country, we assume an overall average tax rate of 30% when calculating the operating result after tax.

The cost of capital is multiplied by the average invested capital to give the opportunity cost of capital. Invested capital is calculated as total operating assets reported in the balance sheet (property, plant and equipment, intangible assets, lease assets, inventories and receivables) less non-interest-bearing liabilities (trade payables and payments on account received). Average invested capital is derived from the balance at the beginning and the end of the reporting year.

As the concept of value-based management only comprises our operating activities, assets relating to investments in subsidiaries and associates and the investment of cash funds are not included when calculating invested capital. Interest charged on these assets is reported in the financial result.

1 The value contribution corresponds to the Economic Value Added (EVA®). EVA® is a registered trademark of the consulting firm Stern Value Management.

Determining the current cost of capital

The cost of capital is the weighted average of the required rates of return on equity and debt.

The cost of equity is determined using the Capital Asset Pricing Model (CAPM). This model uses the yield on long-term risk-free Bunds, increased by the risk premium attaching to investments in the equity market. The risk premium comprises a general market risk and a specific business risk. The general risk premium of 7.5% reflects the general risk of a capital investment in the equity market. The specific business risk – price fluctuations in Volkswagen preferred shares – is modeled in comparison to the MSCI World Index when calculating the beta factor. The MSCI World Index is a global capital market benchmark for investors.

The analysis period for the beta factor calculation spans five years with annual beta figures calculated on a weekly basis followed by the subsequent calculation of the average. A beta factor of 1.13 (1.15) was determined for 2023.

The cost of debt is based on the average yield for long-term corporate bonds. As borrowing costs are tax-deductible, the cost of debt is adjusted to account for the tax rate of 30%.

A weighting on the basis of a fixed ratio for the fair values of equity and debt results in an effective cost of capital for the Automotive Division of 8.5 (8.3) % for 2023.

COST OF CAPITAL AFTER TAX IN THE AUTOMOTIVE DIVISION

%	2023	2022
Risk-free rate	2.7	2.0
Market risk premium	7.5	7.5
Volkswagen-specific risk premium	1.0	1.1
(Volkswagen beta factor)[1]	(1.13)	(1.15)
Cost of equity after tax	**11.2**	**10.7**
Cost of debt	4.3	5.0
Tax	-1.3	-1.5
Cost of debt after tax	**3.0**	**3.5**
Proportion of equity	66.7	66.7
Proportion of debt	33.3	33.3
Cost of capital after tax	**8.5**	**8.3**

1 Prior-year figure adjusted.

Return on investment (ROI) and value contribution in the reporting year

At €15,218 (14,080) million for fiscal year 2023, the operating result after tax for the Automotive Division, including the proportionate operating result of the equity-accounted Chinese joint ventures, was up on the prior-year figure. Higher vehicle sales and improved price positioning were set against a rise in product costs (in particular for commodities). In addition, the fair value measurement of derivatives to which hedge accounting is not applied (especially commodity hedges) had a negative effect on the operating result in the reporting year (€–3.2 billion), in contrast to the prior-year period, when it had boosted earnings by €1.8 billion. The effect of purchase price allocation on earnings and assets is not taken into account as this cannot be influenced by management in the course of business operations.

At €123,887 (117,402) million, invested capital increased noticeably in the reporting year compared with the prior year. The return on investment (ROI) is the return on invested capital for a particular period based on the operating result after tax. Due to the improved operating result, the ROI of 12.3 (12.0)% exceeded both the prior-year figure and our minimum required rate of return on invested capital of 9%.

At €10,491 (9,701) million, the opportunity cost of capital – invested capital multiplied by the cost of capital – was noticeably up on the previous year. Improvements in the operating result after tax, net of the opportunity cost of invested capital, led to a positive value contribution of €4,727 (4,379) million.

More information on value-based management is contained in our publication entitled "Financial Control System of the Volkswagen Group", which can be downloaded from our Investor Relations website: www.volkswagen-group.com/more-publications.

RETURN ON INVESTMENT (ROI) AND VALUE CONTRIBUTION IN THE AUTOMOTIVE DIVISION[1]

€ million	2023	2022[2]
Operating result after tax	**15,218**	**14,080**
Invested capital (average)	123,887	117,402
Return on investment (ROI) in %	**12.3**	**12.0**
Cost of capital in %	8.5	8.3
Cost of invested capital	**10,491**	**9,701**
Value contribution	**4,727**	**4,379**

1 Including proportionate inclusion of the Chinese joint ventures (including the relevant sales and component companies) and allocation of consolidation adjustments between the Automotive and Financial Services Divisions.
2 Prior-year figures adjusted (see disclosures on IFRS 17).

SUMMARY OF BUSINESS DEVELOPMENT AND ECONOMIC POSITION

In view of the political and economic developments in 2023 and the transformation of the industry, the Board of Management of Volkswagen AG considers business development and the economic position challenging, but positive overall.

In the reporting year, the Volkswagen Group's business was impacted by the challenging global market environment, parts supply shortages and disruptions in the logistics chain. In this environment, we delivered 9.2 million vehicles to customers in the past fiscal year, which was within the corridor we last forecast.

Group sales revenue increased by 15.5% and was thus at the upper end of the expected corridor.

At €22.6 billion, the operating result was in the range of our adjusted forecast and thus level with the prior-year figure before special items.

Research and development costs reflect our activities undertaken to safeguard the Company's future viability. The R&D ratio in the Automotive Division was in the range of our adjusted expectations at 8.1%.

The ratio of capex to sales revenue for the Automotive Division was below the forecast corridor at 5.4%.

Net cash flow of €10.7 billion was more than double the prior-year level and thus higher than our adjusted forecast. Above all, a stronger-than-expected reduction in inventories also had a positive effect at the end of the reporting year.

On December 31, 2023, net liquidity had reached a solid level of €40.3 billion, which was at the upper end of our expected range.

The return on investment (ROI) in the Automotive Division was 12.3%, which was within the forecast corridor and, as expected, thus exceeded our minimum required rate of return on invested capital.

FORECAST VERSUS ACTUAL FIGURES

	Actual 2022[1]	Original Forecast for 2023	Adjusted Forecast for 2023	Actual 2023
Deliveries to customers (units)	8.3 million	~9.5 million	9.0–9.5 million	9.2 million
Volkswagen Group				
Sales revenue	€279.0 billion	10–15% increase	10–15% increase	€322.3 billion
Operating return on sales before special items	8.1%	7.5–8.5%	in forecast range	7.0%
Operating return on sales	7.9%	7.5–8.5%	in forecast range	7.0%
Operating result before special items	€22.5 billion	in forecast range	~€22.5 billion	€22.6 billion
Operating result	22.1 billion	in forecast range	~€22.5 billion	€22.6 billion
Passenger Cars Business Area				
Sales revenue	€189.3 billion	7–13% increase	7–13% increase	€218.4 billion
Operating return on sales before special items	7.9%	8.0–9.0%	6.5–7.5%	6.7%
Operating return on sales	7.7%	8.0–9.0%	6.5–7.5%	6.7%
Operating result before special items	€15.0 billion	in forecast range	in forecast range	€14.7 billion
Operating result	€14.6 billion	in forecast range	in forecast range	€14.7 billion
Commercial Vehicles Business Area				
Sales revenue	€39.5 billion	5–15% increase	5–15% increase	€45.7 billion
Operating return on sales	4.0%	6.0–7.0%	7.0–8.0%	8.1%
Operating result	€1.6 billion	in forecast range	in forecast range	€3.7 billion
Power Engineering Business Area				
Sales revenue	€3.6 billion	slight increase	noticeable increase	€4.0 billion
Operating result	€281 million	positive low three-digit-million euro range	positive mid three-digit-million euro range	€366 million
Financial Services Division				
Sales revenue	€46.7 billion	strong increase	significant increase	€54.1 billion
Operating result	€5.6 billion	~€3.5 billion	~€4 billion	€3.8 billion
R&D ratio in the Automotive Division	8.1%	~8.0%	8.0–8.5%	8.1%
Ratio of capex to sales revenue in the Automotive Division	5.5%	~6.5%	6.0–6.5%	5.4%
Net cash flow in the Automotive Division	€4.8 billion	very strong increase	significant to strong increase	€10.7 billion
Net liquidity in the Automotive Division	€43.0 billion	€35–40 billion	€35–40 billion	€40.3 billion
Return on investment (ROI) in the Automotive Division	12.0%	12–15%	12–15%	12.3%

1 Prior-year figures adjusted (see disclosures on IFRS 17).

Volkswagen AG

(CONDENSED, IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE)

Fiscal year 2023 was impacted by the challenging global market environment and the transformation of the industry.

ANNUAL RESULT

No material special items in connection with the diesel issue were recognized in fiscal year 2023.

In the fiscal year under review, the Russia-Ukraine conflict negatively affected Volkswagen AG in an amount of €0.1 billion (previous year: approximately €1 billion). This arose from the loss on the disposal of the shares in OOO Volkswagen Group Rus, Kaluga, which was reported in the financial result.

Sales increased by 16.3% year-on-year to €92.4 billion in 2023, driven particularly by higher sales volumes and a more favorable price-product mix. Sales generated abroad accounted for a share of €53.6 billion or 58.0%. Cost of sales increased by 9.1% to €86.7 billion due to higher vehicle sales in the reporting year, among other reasons.

Gross profit on sales rose accordingly to €5.7 (–0.0) billion.

INCOME STATEMENT OF VOLKSWAGEN AG

€ million	2023	2022
Sales	92,413	79,491
Cost of sales	–86,748	–79,499
Gross profit on sales	**5,665**	**–8**
Distribution, general and administrative expenses	–7,452	–7,292
Net other operating result	64	1,997
Financial result[1]	9,091	16,825
Taxes on income	–1,125	955
Earnings after tax	**6,243**	**12,477**
Net income for the fiscal year	**6,243**	**12,477**
Retained profits brought forward	2	5,774
Release of/appropriation to revenue reserves	–1,720	–6,230
Net retained profits	**4,526**	**12,021**

1 Including write-downs of financial assets.

The net other operating result amounted to €0.1 billion in the reporting year, down €1.9 billion on the previous year. This decline was driven in particular by negative measurement effects and the profit or loss from the settlement of hedging transactions that was less positive than in the prior year.

A reassessment and extension of the useful lives of certain items of property, plant and equipment gave rise to a positive effect on profit or loss of around €0.4 billion in the 2023 reporting year.

The financial result fell by €7.7 billion to €9.1 billion, mainly because of lower income from profit transfers. In the previous year, this item had included income of €13.2 billion from profit transferred by Porsche Holding Stuttgart GmbH, Stuttgart, in connection with the IPO of Porsche AG.

Taxes on income amounted to €-1.1 (1.0) billion. The higher tax expenses in the reporting year were due mainly to foreign withholding tax and to tax expenses for prior years.

Net income for fiscal year 2023 amounted to €6.2 (12.5) billion.

NET ASSETS AND FINANCIAL POSITION

Total assets amounted to €197.8 billion on December 31, 2023, down €27.5 billion on the comparative 2022 figure. Intangible assets and property, plant and equipment were up by €0.6 billion because investments exceeded depreciation and amortization charges. Financial assets rose to €145.5 (138.9) billion as a result of a number of capital increases.

To finance the restructuring of companies of Volkswagen Financial Services under company law, Volkswagen AG paid contributions of €3.8 billion to the capital reserves of Volkswagen Financial Services AG, Braunschweig, in the reporting year. To finance the capital requirements of CARIAD SE, Wolfsburg, Volkswagen AG paid contributions of €1.5 billion to the capital reserves of Porsche Siebte Vermögensverwaltung GmbH, Wolfsburg (Porsche Siebte). In addition, PowerCo SE, Salzgitter, made contributions of €0.6 billion to the capital reserves of Porsche Siebte to finance the set-up of battery cell production. To finance the acquisition of an investment in the electric vehicle company XPeng Inc., Cayman Islands, Volkswagen AG paid contributions of €0.7 billion to the capital reserves of Volkswagen Finance Luxemburg S.A., Strassen (Volkswagen Finance Luxembourg) in the reporting year. Also in the reporting year, Volkswagen AG paid further contributions totaling €0.5 billion to the capital reserves of Volkswagen Finance Luxembourg to finance the establishment of business operations at Scout Motors Inc., Arlington, Virginia. On June 7, 2023, the shareholders' meeting of Volkswagen Vermögensverwaltungs-GmbH, Wolfsburg, resolved to reduce the company's capital reserves by €0.7 billion, which was paid out to Volkswagen AG in the reporting year.

Fixed assets accounted for a share of 78.7 (65.9)% of total assets.

BALANCE SHEET OF VOLKSWAGEN AG AS OF DECEMBER 31

€ million	2023	2022
Fixed assets	155,652	148,516
Inventories	6,786	7,816
Receivables[1]	28,336	59,773
Cash-in-hand and bank balances	6,980	9,122
Total assets	**197,754**	**225,227**
Equity	42,193	40,323
Special tax-allowable reserves	17	17
Long-term debt	29,101	33,717
Medium-term debt	44,101	38,647
Short-term debt	82,342	112,523

1 Including prepaid expenses.

Current assets (including prepaid expenses) amounted to €42.1 (76.7) billion as of December 31, 2023. Inventories were down by €1.0 billion to €6.8 billion. In addition to the decrease in raw materials, consumables and supplies, which is largely attributable to a reduction in precious metals due to volume and price effects, finished goods and purchased merchandise in particular fell as transport capacity returned to normal levels. Receivables and other assets declined to €28.3 (59.8) billion. Their decrease is attributable to lower receivables from loans and receivables from profit transfers from subsidiaries and a decline in time deposits with maturities of more than three months without call right. Cash instruments were down, driven particularly by the decrease in restricted short-term time deposits at the reporting date.

Equity at the end of the reporting year was €42.2 (40.3) billion. The equity ratio was 21.3 (17.9)%.

Other provisions decreased by €0.5 billion to €17.1 (17.7) billion, due mainly to the reduction in provisions for litigation risks and other provisions. Provisions for pensions fell by €0.7 billion to €24.6 billion, particularly as a result of a change in measurement inputs, and provisions for taxes decreased by €0.9 billion to €2.5 billion.

The €27.2 billion decrease in liabilities, including deferred income, to €111.4 billion was mainly the result of lower loan liabilities to affiliated companies and the liabilities for the special dividend in connection with the IPO of Porsche AG, Stuttgart, included in the prior-year figure.

Volkswagen AG's cash funds, comprising cash instruments with a maturity of less than three months, less bank liabilities repayable on demand and cash pooling liabilities, deteriorated year-on-year from €–1.2 billion to €–4.4 billion. The interest-bearing portion of debt amounted to €92.3 (107.7) billion. In our assessment, given the context created by political and economic developments in 2023 and the transformation of the industry, the economic position of Volkswagen AG is challenging, but just as positive overall as that of the Volkswagen Group.

DIVIDEND POLICY

Our dividend policy matches our financial strategy. In the interests of all stakeholders, we aim for continuous dividend growth that allows our shareholders to participate appropriately in our business success. The proposed dividend therefore reflects our financial management objectives – in particular, ensuring a solid financial foundation as part of the implementation of our strategy.

In our Group strategy, we have set ourselves the goal of achieving a payout ratio of at least 30%. The payout ratio is based on the Group's earnings after tax attributable to Volkswagen AG shareholders. This amounts to 28.3% for the reporting year and stood at 29.4% in the previous year.

SPECIAL DIVIDEND FOLLOWING PORSCHE AG IPO

The resolution of the extraordinary General Meeting of Volkswagen AG on December 16, 2022 gave rise to the obligation to pay a special dividend and led to a total obligation to the shareholders of Volkswagen AG amounting to €9.6 billion. The cash outflow was slated for January 9, 2023 and occurred on that day.

DIVIDEND PROPOSAL

In fiscal year 2023, net retained profits amounted to €4.5 billion. The Board of Management and Supervisory Board are proposing to pay a total dividend of €4.5 billion, i.e. €9.00 per ordinary share and €9.06 per preferred share.

PROPOSAL ON THE APPROPRIATION OF NET PROFIT

€	2023
Dividend payout on subscribed capital (€1,283 million)	4,524,029,693.70
of which: ordinary shares	2,655,808,362.00
preferred shares	1,868,221,331.70
Balance (carried forward to new account)	1,492,829.91
Net retained profits	**4,525,522,523.61**

EMPLOYEE PAY AND BENEFITS AT VOLKSWAGEN AG

€ million	2023	%	2022	%
Direct pay including cash benefits	8,595	69.5	8,231	56.7
Social security contributions	1,591	12.9	1,510	10.4
Compensated absence	1,273	10.3	1,208	8.3
Retirement benefits	910	7.4	3,557	24.5
Total expense	**12,369**	**100.0**	**14,506**	**100.0**

VEHICLE SALES

Volkswagen AG sold a total of 2,162,652 (1,882,535) vehicles in fiscal year 2023. The prior year had been impacted in particular by the limited vehicle availability due to parts supply shortages caused by the shortage of semiconductors and the Russia-Ukraine conflict. Persistent parts supply shortages had a negative effect in the reporting year and disruption in the logistics chains also led to delays, though these eased as the year progressed. Vehicles sold abroad accounted for a share of 64.1 (64.1)%.

PRODUCTION

Volkswagen AG manufactured a total of 816,016 vehicles (+22%) in the reporting year at its vehicle production plants in Wolfsburg, Hanover and Emden. Parts supply shortages restricted production in fiscal year 2023.

EMPLOYEES

As of December 31, 2023, a total of 116,063 (116,677) people were employed at the sites of Volkswagen AG, excluding staff employed at subsidiaries; of this figure, 4,374 (4,452) were vocational trainees. 7,724 (7,528) employees were in the passive phase of their partial retirement.

Female employees accounted for 18.6 (18.3)% of the workforce. Volkswagen AG employed 8,110 (7,908) part-time workers. The percentage of foreign employees was 6.4 (6.5)%. In the reporting year, 83.2 (83.3)% of the employees in Volkswagen AG's production area had completed vocational or additional training. The proportion of graduates was 22.8 (21.9)% in the same year. The average age of employees in fiscal year 2023 was 45.1 (45.1) years.

RESEARCH AND DEVELOPMENT

Volkswagen AG's research and development costs as defined in the German Commercial Code amounted to €4.7 (4.6) billion in the reporting year. 15,422 (+2.5%) people were employed in this area at the end of the reporting year.

BUSINESS DEVELOPMENT OF VOLKSWAGEN AG

As the parent of the Volkswagen Group, Volkswagen AG is fundamentally subject to the same expected developments and risks and opportunities. The forecast is explained in the chapter entitled "Report on Expected Developments" and the risks and opportunities in the chapter entitled "Report on Risks and Opportunities" of this annual report.

RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risks for Volkswagen AG arising from the use of financial instruments are generally the same as those to which the Volkswagen Group is exposed. An explanation of these risks can be found in the chapter "Report on Risks and Opportunities" of this annual report.

DEPENDENT COMPANY REPORT

The Board of Management of Volkswagen AG has submitted to the Supervisory Board the report required by section 312 of AktG and issued the following concluding declaration:

"We declare that Volkswagen AG received appropriate consideration in the period from January 1 to December 31, 2023 for all transactions entered into with affiliated companies within the meaning of section 312 of the AktG. This assessment is based on the circumstances known to us at the date of the reportable transactions."

The Annual Financial Statements of Volkswagen AG (in accordance with the German Commercial Code) can be accessed from the electronic company register at www.unternehmensregister.de.

Sustainable Value Enhancement

Our goal is to run our business responsibly along the entire value chain. Everyone should benefit from this – our customers, our employees, the environment and society. Even in our Group strategy "NEW AUTO – Mobility for generations to come", we aim to make mobility sustainable for present and future generations.

The main financial performance indicators for the Volkswagen Group are described in the "Results of Operations, Financial Position and Net Assets" chapter. Nonfinancial key performance indicators also provide information on the efficiency of our Company's value drivers. These include the processes in the areas of research and development, procurement, technology, production, marketing and sales, human resources, information technology and quality assurance. In all of these processes, we are aware of our responsibility towards our customers, our employees, the environment and society. In this chapter we provide examples of how we want to increase the value of our Company in a sustainable way.

SUSTAINABILITY

Sustainability means maintaining intact environmental, social and economic systems with long-term viability at a global, regional and local level. The Volkswagen Group can influence these systems in various ways, and actively takes responsibility to make a contribution to their sustainability. We have thus developed a sustainable style of company management and put in place the necessary management structures.

We have also anchored our goal to sustainably shape mobility for present and future generations in our Group strategy NEW AUTO. Especially the Group's "ESG, Decarbonization and Integrity" base initiative will drive this topic further.

The materiality process is used to identify and evaluate the most important sustainability issues for the Group. Based on the business model of Volkswagen AG and its social impacts, the focus is on key ESG requirements, stakeholder expectations and adherence to legal regulations and internationally established reporting standards.

The Company conducted a materiality analysis in 2022. In reviewing potentially material issues, we considered both external and internal company perspectives. As a result of this process, the focus areas of decarbonization, circular economy, supply chain and human rights, people & transformation, diversity, and integrity were classified as material by the Group Sustainability Steering Committee. The focus topics identified were reviewed in 2023, taking into account the requirements of the *Lieferkettensorgfaltspflichtengesetz* (LkSG – German Supply Chain Due Diligence Act) and changes in the material ESG ratings. As a result of this, the six focus areas were reconfirmed. They cover most of the requirements formulated in the ESG ratings for assessment criteria applied. Wherever this is already possible, each focus area is linked to clear goals and milestones, KPIs and appropriate packages of measures. ESG-related KPIs such as the decarbonization index and the diversity index are already today reflected in the remuneration of members of the Board of Management.

Decarbonization

The decarbonization of the Group and in particular its portfolio of products is a major part of the NEW AUTO Group strategy, where it has been defined as one of the focus areas in the base initiative. We have established the decarbonization index (DKI) as a key performance indicator: the decarbonization index measures the emissions of CO_2 and CO_2 equivalents (jointly referred to as CO_2e) by the brands that produce passenger cars and light commercial vehicles in the regions of Europe (EU27, United Kingdom, Norway and Iceland), China (including the Chinese joint ventures) and the USA over the entire life cycle. In this index, the use phase is calculated over 200,000 km and with reference to region-specific fleet values without statutory flexibilities. The CO_2e intensity of the charging current of the electric vehicles is also calculated based on region-specific electricity mixes. Our vehicle life cycle assessments, which are used as the data basis for calculating supply chain and recycling emissions, have been verified externally and independently in accordance with ISO 14040 and ISO 14044. The DKI gives us an informative measuring tool that makes our progress and interim results public and verifiable.

The DKI calculation methodology is regularly adapted according to internal and external requirements, such as new test cycles for fleet emissions. Published DKI values can therefore also be adjusted to the new methodology and thus changed to facilitate the presentation of a time series that is methodologically consistent. The Greenhouse Gas Protocol requires the recalculation of corporate emissions in the event of material new information or if changes occur. There may be various reasons to remeasure previous years' emissions to enable a fair comparison with current emissions. These may include structural changes in the Company, for example. At the Volkswagen Group, changes to the calculation are decided on annually in a set process. Based on these decisions, we are currently working on recalculating historical emissions for the base years used in the current climate protection targets and on having these audited.

By 2030, the DKI is to be reduced by 30% compared with the base year 2018, and emissions offsetting will not be included in the figure. In the reporting year, the DKI value averaged 47.3 t CO_2e/vehicle. This represents a reduction of 0.5 t CO_2e/vehicle compared with the figure adjusted for 2022 due to a change in the assumption on which the calculation is based, for example the first-time inclusion of region-specific life cycle assessments for Chinese models.

Circular economy

The finite nature of natural resources and the social and environmental consequences of mining raw materials make decoupling economic growth from resource consumption and the development of a circular economy key sustainability topics. Policymakers at both international and national level have addressed these challenges and made it their mission to regulate markets more aggressively in the future in an effort to speed up the transformation towards resource efficiency and a circular economy. Another important driver of the circular economy is the progress in decarbonization at the Volkswagen Group. The growing use of secondary materials and establishment of closed material cycles can help to further reduce our CO_2 emissions. Recognizing the importance of the topic, Volkswagen anchored the topic of circular economy in the NEW AUTO Group strategy through its "ESG, Decarbonization and Integrity" base initiative.

The Volkswagen Group created and implemented concepts for the reconditioning and recycling of vehicle components from an early stage. These concepts are being constantly refined and are also adapted to the requirements of e-mobility. To intensify our efforts for a transition to a loop-oriented and resource-conserving approach to doing business, we have pooled expertise within the Group and are working on projects and measures on a cross-brand basis.

We are stepping up efforts to use recyclable materials in our vehicle projects. These currently include raw materials from production residues as well as renewable raw materials or natural fibers such as flax, cotton, wood and cellulose, provided they comply with all the technical requirements. In the future, the use of raw materials from end-of-life vehicles will be increasingly taken into account.

To preserve recyclable materials from electric vehicles, Volkswagen opened the Group’s first pilot facility for recycling high-voltage vehicle batteries at the Salzgitter site in early 2021. The objective is industrialized recovery of valuable raw materials such as lithium, nickel, manganese and cobalt.

More information on the focus areas can be found in the sections on integrity and compliance, procurement, production and employees, as well as in our Group Sustainability Report for fiscal year 2023.

Management and coordination

The Volkswagen Group has established a Group-wide sustainability management. The related structures, processes and responsibilities are codified in a specific Group policy. We view sustainability management as a continuous improvement process. The core elements include assumption of cross-functional overall responsibility for sustainability by the Chair of the Board of Management of Volkswagen AG as well as specification of the competence of the responsible Board members for specific sustainability management concepts and the newly appointed Chief Sustainability Officer at Group level. Sustainability is part of the Top 10 program at Group level and is managed through the strategic management structure of the NEW AUTO strategy. The content is regularly evaluated and reported to the Board of Management.

UN Global Compact

Volkswagen AG is a participant in the UN Global Compact (UNGC), the world’s largest initiative for sustainable corporate governance, and is involved in national and international initiatives together with other companies from the Group such as AUDI AG, MAN Truck & Bus SE, Porsche AG, Scania AB and TRATON SE. Fund managers in the capital markets view membership of the UNGC as an important factor when deciding to invest in shares and bonds. ESG funds have become very popular in recent years and indispensable for stakeholders. As part of the annual Communication on Progress, the Volkswagen Group and its brands report on their progress in implementing the ten UNGC principles and their activities to support the Sustainable Development Goals (SDGs).

Strategic stakeholder management

Our stakeholders are individuals, groups, or organizations who have an influence on or are influenced by the course or the result of corporate decisions. Our customers and employees are at the center of our stakeholder network. Based on continuous stakeholder analysis, we have also identified eight more stakeholder groups. Some of the Group’s bodies – currently including the Supervisory Board and Works Council – perform an oversight and advisory role and also act as interfaces between internal and external stakeholder groups.

We understand stakeholder management as systematic interaction with key interest and stakeholder groups within society on the key topics and objectives of our NEW AUTO Group strategy. Our goal is an open, constructive and also critical exchange with the stakeholder groups shown in the following chart. We aim to promote implementation of their requirements and expectations and to actively shape central strategic issues.

After restarting our interaction activities in 2022, we began to restructure our stakeholder management in the reporting year with the aim of listening to and integrating the suggestions and recommendations of our stakeholders even more effectively in future. Alongside the traditional forms of interaction, which include surveys and regular dialog with our stakeholders, new formats are to be added to create opportunities for interactive and transparent discussion of important, strategic and socially relevant sustainability topics.

VOLKSWAGEN GROUP STAKEHOLDERS

Sustainability Council

At Group level, the Sustainability Council has a prominent position. This advisory body provides assistance to the Volkswagen Group with important, strategic sustainability issues and is made up of internationally renowned experts from the academic world, politics and society. It establishes its own working methods and areas of focus independently, has far-reaching rights for the purposes of exchanging information, consultation and initiating action, and consults regularly with the Board of Management, top management and the employee representatives. The term of office of the existing members expired at the end of 2022. In the reporting year, we began to reorganize the strategy and composition of the Sustainability Council. Further information is available on the Sustainability Council's website at www.volkswagen-group.com/sustainability-council.

Corporate citizenship

As a globally operating company and good corporate citizen, we aim to be a source of economic impetus for local structural development and equal opportunities. We have always believed in the importance of recognizing our social responsibilities toward our stakeholders. The main focus of our corporate social engagement activities is on supporting future, environmental, educational and community projects at many of our sites across the world.

Environmental Strategy

As one of the largest automobile manufacturers, Volkswagen takes responsibility for the environmental impact of its activities. Based on the NEW AUTO Group strategy, we have put greater focus on our environmental targets. With our environmental mission statement goTOzero, we aspire to reduce environmental impact along the entire life cycle – from raw material extraction until end-of-life – for all our products and mobility solutions in order to keep ecosystems intact. Compliance with environmental regulations, standards and voluntary commitments is a basic prerequisite of our actions.

Our focus is on four prioritized action areas:

- Climate
  We are committed to the Paris Climate Agreement and are aiming for the 1.5-degree target. We consistently focus on the electrification of our products, decarbonization of our entire value chain and expansion of renewable energy generation to supply our sites and customers. We intend to be a net-carbon-neutral company by 2050 at the latest.
- Resources
  We reduce the volumes of primary raw materials needed by using recycled material and renewable raw materials. We maximize our energy and resource efficiency and establish loops for materials and water. Together with our business partners we cut down on the amount of natural resources utilized throughout our supply chain.
- Ecosystems
  We reduce harmful emissions in air, soil and water. We mitigate the impact of our business operations on biodiversity and ecosystems and support projects to conserve these.
- Environmental compliance

Where integrity and compliance are concerned, we aim to be a role model for a modern, transparent, successful enterprise. We use effective environmental compliance management systems to identify and manage environmental risks and opportunities throughout the lifetime of our mobility solutions. We conduct open dialog with our stakeholders and incorporate their expectations into our decisions.

Organization of environmental protection

Volkswagen has created an environmental policy that sets out guidelines for environmental decision-making, for the management of projects and for the Group’s environmental stewardship. Thus, parameters are set for the conduct and working methods of management and staff in five areas: management behavior, compliance, environmental protection, collaboration with stakeholders and continuous improvement.

The Board of Management of Volkswagen AG is the highest internal decision-making body for environmental issues. Both it and the brands’ boards of management take not only business, but also social and environmental criteria into account when making key company decisions. The Group-wide management of environmental protection is the responsibility of the Group Steering Committee for the Environment and Energy. Other bodies take responsibility for steering key individual aspects. They include the Group CO_2 Steering Committee and the Group Steering Committee for Fleet Compliance.

The Volkswagen Group coordinates the activities of the brands, which in turn steer the measures in the regions. The brands and companies are responsible for their own environmental organization. They base their own environmental protection activities on the targets, guidelines and principles that apply throughout the Group.

Achieving compliance with environmental laws and regulations at all of our sites is a top priority for Volkswagen. Furthermore, we are guided by Company standards and targets. We regularly train our employees on environmental protection and environmental compliance. The intention of our environmental compliance management systems is to ensure that environmental aspects and obligations are given appropriate consideration in our business operations. Disregard for environmental obligations, fraud and misconduct are treated as a severe compliance violation and penalized accordingly. Compliance with our Environmental Policy Statement and with other Group environmental requirements is evaluated annually and reported to the Board of Management of Volkswagen AG and the respective brand boards of management.

HOLISTIC INTEGRITY AND COMPLIANCE MANAGEMENT SYSTEM

Integrity and compliance are major priorities in the Volkswagen Group. We firmly believe that, for long-term commercial success, it is important that each and every individual complies with laws, regulations and commitments. Compliant behavior must be a matter of course for all Group employees. This is why integrity and compliance remain key elements of our Group's NEW AUTO strategy and a focus topic in matters of sustainability.

Our objective is to be a role model and deepen the trust of our employees, customers, shareholders and partners in our Company. Our regulations, processes and corporate culture are designed in such a way that all employees are able to act with integrity and comply with the rules at all times. As performance indicators, integrity and compliance must have the same strategic and operational priority in our Company as sales revenue, profit, product quality and employer attractiveness.

With the Together4Integrity (T4I) program, we have built a holistic integrity and compliance management system (ICMS) for all Group and brand companies, which brings together virtually all the Company's integrity and compliance activities under one roof. This system was set up in line with the five internationally recognized ECI (Ethics and Compliance Initiative) principles: strategy, risk management, a culture of integrity, a speak-up environment and resolute accountability. The aim of T4I is not only to strengthen uniform corporate governance throughout the Group in relation to integrity and compliance, but also to advance the culture of integrity. This includes steadfastness in adhering to principles of integrity regardless of economic or social pressures. T4I and the ICMS therefore contribute significantly to increasing sustainability in the Volkswagen Group. Implementation by 2025 was originally planned. However, given that the roll-out had already made more progress than expected at the beginning of the reporting year and that the consistently high approval scores for the question on integrity in the annual *Stimmungsbarometer* employee survey pointed to the program's success, we decided in the reporting year to bring the centralized management and control of the program to an early end during 2023. Responsibility for continuing to implement the measures and embedding them now lies with the Group brands and companies and with the responsible Group departments.

Focus areas

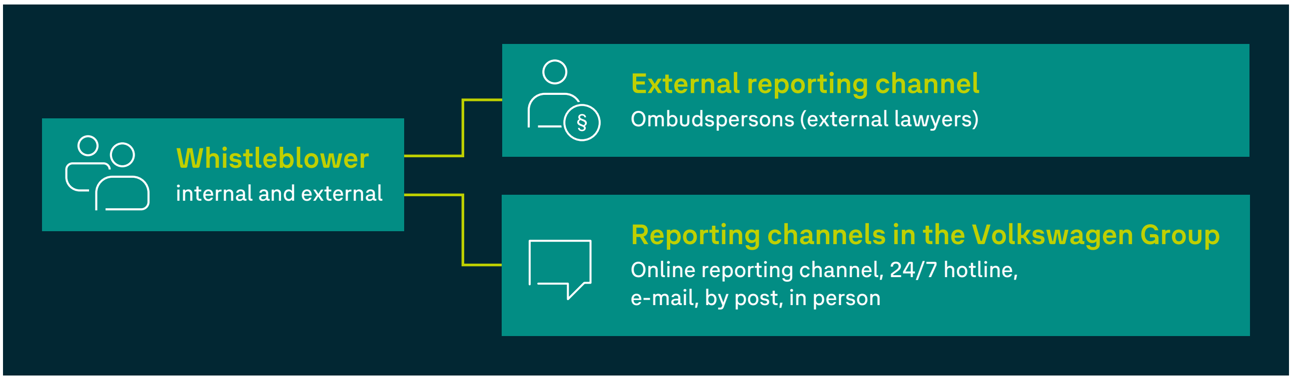
Compliance with the rules must be a matter of course for all employees of the Volkswagen Group. The Group Integrity & Compliance organization provides support with this worldwide in the form of programs, guidelines, processes and practical advice. It helps the Group and brand companies to comply with the rules when carrying out their business activities and to comply with the relevant laws and internal regulations. Among other things, its work concentrates on anti-corruption and preventing embezzlement, fraud and money laundering.

The starting point for this is the Internal Compliance Risk Assessment (ICRA), which identifies compliance risks in the Group. Compliance measures are developed and defined for each controlled company on the basis of the risk profiles derived from the ICRA, which the companies have to implement depending on their risk classification. The ICRA also sets standards relating to the Code of Conduct (CoC), the whistleblower system, compliance training and communication.

HR (Human Resources) Compliance Policies and Procedures

The aim of this key initiative is the integration of integrity and compliance into the standard HR processes such as recruitment, training, promotion and remuneration (bonus payments). Integrity and compliance are also a compulsory topic in annual employee appraisals and are a component of the training measures for employees across all levels of the Company.

REPORTING CHANNELS IN THE WHISTLEBLOWER SYSTEM



Awareness-raising and Communication

The Code of Conduct (CoC) forms the basis for integrity and compliance in the Volkswagen Group. It serves as the main tool for reinforcing awareness of responsible conduct and decision-making and can be used as an aid and as a way of finding the right contact persons. The CoC is binding for all employees and has been part of every employment contract since 2019. We and our employees undergo regular mandatory training on its key contents.

Events in the departments round off the offerings of the Group Integrity & Compliance organization. The communication team regularly examines practical compliance tasks and case studies. Awareness-raising on compliance topics is supported by information and communication activities such as awareness campaigns, film and dialogue formats, newsletters and interactive games.

The Compliance Infopoint has established itself as the central help center. The team there answers compliance-related questions, establishes internal guidelines and directives and gives advice on process standards.

Training Courses and Standards

With the ICMS, the Group Integrity & Compliance organization sets uniform standards for compliance training across the Group. This is to enable brands and companies to provide their employees with a consistent quality of risk-based and target group-specific training that includes predetermined core content. The training courses address two key topics: the Code of Conduct and anti-corruption.

Protection and Prevention: the Whistleblower System

The whistleblower system is the central point of contact for reporting cases of rule-breaking by Group employees or by direct and indirect suppliers. This includes white collar crimes, acts of corruption, tax offenses, environmental offenses, human rights violations, infringements of antitrust and competition legislation, money laundering and terrorism financing, breaches of product safety and licensing regulations, and serious breaches of data privacy. Employees and third parties can report misconduct at any time and in many languages. A wide range of channels is available for this purpose, and the information can be lodged completely anonymously, if preferred. The aim is to use binding principles and a clearly governed process to avert damage to the Company and its employees.

M&A and NCS Compliance

In the event of planned mergers and acquisitions (M&A transactions), we audit the relevant companies for commercial risks such as corruption, breaches of trust or fraud, and for human rights risks. This also applies to joint ventures and to industrialization and cooperation projects with external partners. The analyses provide recommendations for the mitigation of the risks identified. The Group Integrity & Compliance organization also supports compliance management in non-controlled shareholdings (NCS), i.e. companies that are not controlled by a Volkswagen Group company as the majority shareholder. This includes the Chinese joint ventures.

Business Partner Due Diligence
In the business partner due diligence process, the integrity of business partners and suppliers is reviewed, especially with regard to corruption risks and compliance with ethical standards. The aim is to identify these risks at an early stage, to avoid such business partners, and to define measures to minimize risk and implement these with the business partner. If this is not possible, we refrain from entering the business relationship or terminate it as the law allows.

Product Compliance
The product compliance management system (PCMS) helps our products comply with the legal and regulatory requirements of the exporting and importing country, internal and external standards, contractually agreed customer requirements and externally communicated voluntary commitments over their life cycle.

Environmental Compliance
Statutory environmental regulations and voluntary commitments are binding at all locations and in all business fields. The Group's environmental policy and the environmental compliance management system stipulate the relevant requirements and responsibilities. They apply to all strategy, planning and decision-making processes in the Group brands and companies. This includes a system of key indicators to determine progress in meeting environmental targets in the fields of renewable energy, CO_2 emissions and resource efficiency.

Anti-Corruption
The Volkswagen Group has a zero-tolerance policy on active or passive corruption. This is anchored in both our internal Code of Conduct and our Code of Conduct for Business Partners. Our investigation offices look into and process any reported violations of our principles, and sanctions are imposed on the employees concerned. Tackling corruption also includes developing and implementing mandatory training for employees in divisions or companies with a high risk exposure.

For more information on integrity and compliance, as well as the topic of business and human rights, please see our 2023 Group Sustainability Report.

WHISTLEBLOWER SYSTEM
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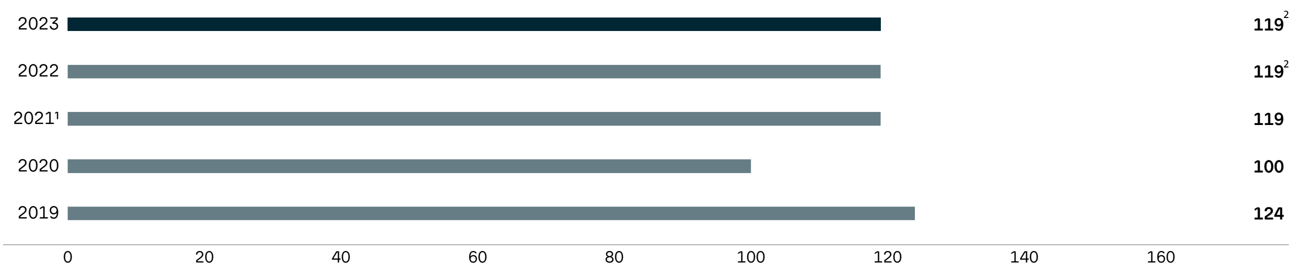
CO_2 EMISSIONS OF THE VOLKSWAGEN GROUP'S EUROPEAN (EU27+2) NEW PASSENGER CAR FLEET

in grams per kilometer (WLTP)



1 The European Commission switched its calculation of CO_2 fleet emissions from NEDC to WLTP in 2021.
2 Subject to confirmation of CO_2 data within the scope of official publication by the European Commission.

RESEARCH AND DEVELOPMENT

Forward-looking mobility solutions with brand-defining products and services would be unthinkable without innovation. This makes our research and development work essential for sustainably increasing the value of the Company.

Together with our Group brands, we have launched measures based on our NEW AUTO strategy to link development activities across the Group. At the heart of this is an efficient, cross-brand development alliance characterized by a close network of our experts, collaboration on an equal footing, an innovative working environment and the pooling of development activities. The aim is to make use of synergies across the Group and act as a role model for the environment, safety and integrity. The development alliance plays a major part in driving the Volkswagen Group's transformation and helping to make it fit for the future.

In view of this strategic focus, we concentrated in the reporting year on continuing to develop forward-looking mobility solutions, establishing technological expertise to strengthen our competitiveness, expanding our range of products and services and improving the functionality, quality, safety and environmental compatibility of our products and services.

CO_2 fleet emissions

We use the strategic indicator of CO_2 fleet emissions in Europe and the United States to evaluate the effectiveness of our measures to reduce CO_2 emissions emitted by our vehicles.

The Volkswagen Group's new passenger car fleet in the 27 EU member states excluding Malta but including Norway and Iceland (EU27+2) emitted an average of 119 g CO_2/km (WLTP – Worldwide Harmonized Light Vehicles Test Procedure)[1] in the reporting year in accordance with the statutory measurement bases. The statutory target is 122 g CO_2/km (WLTP)[1]. The Volkswagen Group thus more than met the EU's CO_2 fleet target. All figures are subject to confirmation of CO_2 data within the scope of official publication by the European Commission. The targets will be tightened as from 2025: the European Commission has thus set a target of a 15% reduction in CO_2 emissions compared with 2021, which corresponds to a CO_2 target of less than 100 g CO_2/km for our new passenger car fleet in the EU. A reduction of 55% has been defined for 2030, equivalent to a CO_2 target of less than 50 g CO_2/km. We assume that our new passenger car fleet in the EU will meet the target for 2025 and more than meet the target for 2030. A CO_2 reduction target of 100% for passenger cars has been set for 2035.

CO_2 EMISSIONS OF VOLKSWAGEN GROUP PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES UNDER GHG STANDARDS IN THE USA

in grams per kilometer for the model year

1 Subject to submission of the final MY report MY23 and subsequent recognition by EPA and CARB (internal data as of September 2023).
2 Subject to recognition by EPA and CARB (final MY report MY22 submitted but not yet confirmed).

The Volkswagen Group's new light commercial vehicles fleet in the EU emitted an average of 187 g CO_2/km (WLTP)[1] in the reporting year according to the statutory measurement bases. The statutory target is 204 g CO_2/km (WLTP)[1]. The Volkswagen Group thus more than met the EU's CO_2 fleet target. All figures are subject to confirmation of CO_2 data within the scope of official publication by the European Commission. The targets will be tightened as from 2025: the European Commission has thus stipulated a 15% reduction of CO_2 emissions compared with 2021, which corresponds to a CO_2 target of less than 180 g CO_2/km for our new light commercial vehicle fleet in the EU. A reduction of 50% has been defined for 2030, equivalent to a CO_2 target of less than 105 g CO_2/km. We assume that our new light commercial vehicles fleet in the EU will meet this target for 2025 and more than meet the target for 2030. A CO_2 reduction target of 100% for light commercial vehicles has been set for 2035. In the United Kingdom and Switzerland/Liechtenstein markets, the Volkswagen Group's new passenger car fleet met the statutory requirements for the reporting year. The Volkswagen Group's new light commercial vehicle fleet met the statutory requirements for the reporting year in the United Kingdom but fell just short of those for Switzerland.

In the United States, the emission pool – comprising the Group brands Volkswagen Passenger Cars, Audi, Lamborghini, Bentley and Porsche – commits to the Greenhouse Gas (GHG) and Corporate Average Fuel Economy (CAFE) regulations. Due to a model year – the accounting period used in the USA – differing in length from the calendar year, internal calculations are used to determine the figures for the current and preceding model year. The average GHG CO_2 value (internal data as of September 2023) for the passenger car and light commercial vehicle fleets in model year 2023 is 133 g CO_2/km (model year 2022: 142 g CO_2/km). The statutory target is 122 g CO_2/km (model year 2022: 136 g CO_2/km). Compliance with the statutory requirements of the GHG and CAFE regulations together with externally acquired credits enabled the Volkswagen Group to comply with the applicable requirements – subject to recognition by the authorities. The figure given for model year 2023 is also subject to recognition by the Environmental Protection Agency (EPA). For 2025, we anticipate a CO_2 target in the USA of approximately 110 g CO_2/km and expect to meet this target. For 2030, we aim to increase the share of electric vehicles in our new vehicle fleet to significantly more than 50%, which would put us within the target range of the current administration.

Fuel and drivetrain strategy

With a view to the legal regulations on emissions, we are currently developing a forward-looking vehicle and drivetrain portfolio: we have set ourselves the objective of increasing drive system efficiency with each new model generation – irrespective of whether it is a combustion engine, a hybrid or a purely electric drive system. The Volkswagen Group closely coordinates technology and product planning with its brands so as to avoid breaches of fleet fuel consumption limits. As part of our electrification campaign, we aim to offer our customers worldwide around 50 completely battery-electric models by 2030. By then, more than half of our new vehicles worldwide are to be fully electric. By 2030, the Volkswagen Group aims to have electrified its entire model portfolio, from high-volume models to premium vehicles. To this end, in addition to the Modular Electric Drive Toolkit (MEB), we have also developed an all-electric platform for our premium and sports brands – the Premium Platform Electric (PPE). Furthermore, we are currently concentrating our energies on designing the Scalable Systems Platform (SSP), the successor platform for our future all-electric vehicles, in the Architecture technology initiative within the Group's NEW AUTO strategy. The strategic goals of this SSP platform are to further reduce variance by consistently enhancing synergies and thus tapping into considerable savings potential.

To offer sustainable, affordable mobility in the future for as many people around the world as possible, we offer a range of drivetrains with a focus on electrification. From today’s perspective, conventional combustion engines will still continue to make up a large share of the drive portfolio in the coming years. In the interest of using resources responsibly, it is therefore essential to further enhance this engine segment and systematically consolidate it for specific markets. Powertrain measures such as significantly more sophisticated exhaust gas purification or mild hybridization of our vehicles, as well as vehicle measures such as optimized aerodynamics or reduced rolling resistance will be necessary to fulfill future emissions standards. We are preparing intensively for this as we develop our product portfolio.

It is more important to us than ever to rigorously pursue the modular approach. We are reducing the number of individual modules so that we can make a large product portfolio economically viable. For example, we are reducing the number of versions of conventional combustion engines in the Group in the long term as part of our transformation towards e-mobility. This will create capacity for the development and production of new electric drives.

Life cycle engineering and recycling

Technological innovation for reducing fuel consumption is not enough on its own to minimize the effect of vehicles on the environment. We consider the environmental impact caused by our products throughout the entire vehicle life cycle and at all stages of the value chain. This includes the manufacturing process with the associated extraction of raw materials, the production of materials, the processes at our suppliers and our own production operations at our sites, the use phase with the resulting vehicle emissions and the necessary supply of fuel and charging current, and ultimately the recycling of the vehicle at the end of its life cycle. Using life cycle engineering, we identify the stages of the life cycle at which improvements will have the greatest effect and develop appropriate solutions. Recycling, for example, is an important means of reducing environmental impact and conserving resources. When developing new vehicles, we therefore pay attention to the recyclability of the required materials and give recommendations that enable good separability of materials. We require the use of secondary materials, if these meet the same quality standards as primary materials. Under the European Directive on end-of-life vehicles, passenger cars and light commercial vehicles must be 85% recyclable and 95% recoverable. Our vehicles registered in Europe comply with these standards. We use the life cycle approach to monitor our climate protection targets as well. For this purpose, we have developed the decarbonization index (DKI) as a parameter, which also recognizes the emissions of an average Group passenger car throughout its life cycle.

Leveraging synergies increases efficiency

When developing vehicles, we cooperate closely with our brands to leverage synergies. The joint strategy of our development alliance involves, for example, making the Group more competitive and viable in the long term by deploying resources more effectively and efficiently in the research and development of new mobility-related technologies, products and services. In our Group-wide development alliance, the brands therefore not only work with each other, but also for each other on key technologies, forming cross-brand networks of expertise to address topics of importance for the future.

The Volkswagen Group further streamlined its innovation portfolio, gearing it towards multibrand technologies of the future in order to provide effective support for the brands' capacity for innovation. In the reporting year, the new leading roles assigned to the brands in Technical Development in 2020 to increase efficiency and leverage synergies in module variance, components, parts and processes were applied to advance development to ensure the consistency of the innovation process.

We coordinate the use of modules centrally to reduce costs, capital expenditure and complexity. We are seeking to reduce expenditure in the modular toolkits, while at the same time facilitating widespread electrification and a focus on autonomous systems. We wish to achieve this through a considerable reduction in complexity using streamlined platforms that synergize but do not overlap. To this end, the individual Group brands draw on the modular toolkits, thus creating synergies between the various models of a product line, as well as across the product lines. By optimizing the toolkits, we are giving ourselves the financial leeway needed for developments in topics of importance for the future.

Connectivity and automated driving

The mobility of people and goods is a prerequisite for economic growth and social development. But natural resources are dwindling and climate change is advancing. Customers call for comprehensive mobility concepts to minimize the environmental impact. Such solutions need to be efficient, sustainable, crisis-proof, customer-oriented and accessible anytime and anywhere.

We are researching and developing such concepts in our Group-wide alliance: when shaping the future of mobility, we are looking not only at the automobile and related services, but at all modes of transport, transport infrastructures and people's mobility habits. Digital connectivity and automated driving allow for completely new approaches to solving problems. They can help us play our part in a comprehensive mobility system for the future and drive forward our industry's transformation.

New software solutions are the basis for this. This is why the Volkswagen Group has declared software development to be one of its target core competencies in its NEW AUTO strategy. Our software subsidiary CARIAD is responsible for this. It is to develop a sustainable, convenient, connected, safe automotive experience for the customers of our Group brands. CARIAD aims to provide answers to the strategic aspects of digitalization and pool the Group's software expertise.

CARIAD's developers work in innovation centers at sites in Germany, Europe, China and the USA. The German parent company CARIAD SE employs around 6,000 specialists who are developing the following solutions in the Group:

- VW.OS, a uniform software platform for all Group vehicles
- Uniform end-to-end electronics architectures
- Connection to a uniform cloud platform
- An infotainment platform with an application store for third-party providers
- Driver assistance systems, automated parking functions and highly automated driving for private mobility
- A data marketplace
- New mobility services and digital business models

In 2023, the focus for CARIAD's developer teams, together with the Audi and Porsche brands, was on delivering the software for the new E³ 1.2 architecture, which optimizes the harmonization of hardware with the vehicle software from CARIAD. This is designed not only to improve the performance of vehicle computers but also to act as a key lever for the introduction of new services – even after vehicle production has begun.

CARIAD already supplies updatable software and updates for current vehicle generations, brands and markets, for example as part of its E³ 1.1 architecture, with the goal of making the software secure and traceable.

In the long term, CARIAD is to pool all of its solutions in an enhanced, scalable software platform that will be made available to the Group brands, from the volume segment up to the premium platform. This is expected to generate economies of scale and to lower the cost of growing software requirements in the vehicle for all brands. In 2023, CARIAD started to realign itself with an extensive transformation program. A new Board of Management team began by implementing a five-point plan. The aim is to accelerate the development and delivery of software for the platforms. The reorganization will also lead to even closer collaboration between CARIAD and the Group brands. In 2023, for example, CARIAD, together with the Volkswagen Group, presented a new approach to the development of its E³ 2.0 architecture. This is to form the basis for software-defined vehicles (SDV). In addition, the development of architecture for two Audi and Volkswagen vehicle projects will be bundled in future in a specially created SDV Hub. Further changes as part of the transformation program are set to materialize in 2024.

E³ 2.0 is also set to pave the way for the autonomous driving functions of the future. The development of autonomous driving is a core element of the NEW AUTO strategy, with CARIAD responsible for developing partially and highly automated driving functions (up to Level 4) for the Volkswagen Group's brands. These applications will be progressively introduced in the new vehicle models at different performance levels. Volkswagen Commercial Vehicles is responsible specifically for the areas of Mobility as a Service and Transportation as a Service (MaaS/TaaS). The strategic technology initiative Volkswagen Group Mobility is promoting autonomous driving in conjunction with new service models, i.e. shared mobility in these areas using robotic shuttles and vans.

CARIAD and Volkswagen Commercial Vehicles will continue to drive the future rollout of automated and autonomous drive technologies together with development partners.

Pooling strengths with strategic alliances

The aim of our NEW AUTO strategy is to transform our core business activities and to expand the mobility solutions business area at the same time. It is decisive to the success of this plan that we place our innovative strength on even broader foundations.

Within the Volkswagen Group, we combine our technological innovation activities in the Volkswagen Group Innovation unit. At seven locations worldwide in the USA, Europe and Asia, employees are working on sustainable solutions for urban and interurban mobility systems in line with our motto "Mobility for generations to come". Technologies and activities that are ready for pre-development are regularly transferred from Volkswagen Group Innovation to our Group brands to ensure that the areas of digitalization, sustainability and e-mobility receive continuous support in innovative projects. In this way, we are creating an agile innovation structure that allows us to initiate new milestone projects with innovative international partners, even at short notice.

Growth in the mobility sector is strongly defined through regional innovation activities. Volkswagen therefore concentrates its strategic venture-capital activities and partnerships in the Group's international innovation ecosystem. This helps us to identify the regional needs of customers more precisely, to adjust our product range accordingly and to establish competitive cost structures. In doing so, we rely to a greater extent than in the past on partnerships, acquisitions and venture-capital investments and manage investment selection centrally so as to generate maximum value for the Group and its brands. It is against this backdrop that we formed an alliance with Ford Motor Company. At the beginning of June 2020, Ford Motor Company and Volkswagen AG signed additional contracts within their existing global alliance for light commercial vehicles and electrification. Among other things, these contracts define the basis for a total of three vehicle projects: a city van (Ford Tourneo Connect based on the Volkswagen Caddy), a mid-size pickup (Volkswagen Amarok based on the Ford Ranger) and a one-tonne cargo van. The Ford Tourneo Connect and the Amarok have been on the market since 2022. The New Transporter will celebrate its world premiere in 2024. In addition, Ford will use the Modular Electric Drive Toolkit (MEB) developed by Volkswagen for two electric volume models. The aim of the cooperation is to place both Volkswagen and Ford in a position that enables them to improve their competitiveness, tailor their products to better meet the needs of customers worldwide and at the same time to leverage synergies related to cost and investment.

To design the framework conditions for the approval and introduction of our own self-driving system, we are actively involved in public projects. The experience we are gathering here benefits the Group brands and thus our customers.

The software subsidiary CARIAD is responsible throughout the Group for developing automated driving functions for our brands' customers. In the Automated Driving Alliance, CARIAD and Bosch are striving to make partially and highly automated driving suitable for the volume segment. The aim is to provide functions for Group vehicles that allow drivers to take their hands off the steering wheel at times if regulations allow this. In the alliance, both companies are jointly developing Level 2 hands-free systems for driving in cities, the countryside and on the highway, and a Level 3 system which will enable drivers to look away from the task of driving on the highway at times and perform certain other tasks.

CARIAD is using a local partnership with Horizon Robotics to further consolidate development expertise in highly automated driving functions in the Chinese market. The companies also plan to develop specially modified high-tech semiconductor chips, so-called systems on a chip (SoCs), as part of a joint venture to implement key functions and features for highly automated driving on a single chip and to integrate these chips into the Group's hardware and software architecture.

CARIAD entered into a new partnership in China with the software provider ThunderSoft in 2023. The focus of the joint venture is a new customer experience when it comes to infotainment and connectivity.

Over and above this, CARIAD is committed to open collaboration in the global developer community. For example, as a strategic member of the Software Defined Vehicle working group run by the Eclipse Foundation open-source community, CARIAD is involved in developing automotive software more efficiently and promoting innovation.

Key R&D figures

In fiscal year 2023, we filed 5,792 (5,305) patent applications worldwide for employee inventions, the majority of them in Germany. The fact that an ever-increasing share of these patents is for important cutting-edge fields underscores our Company's innovative power. These fields include driver assistance systems and automation, digitalization, connectivity and alternative drive systems.

The Automotive Division's total research and development costs in the reporting year amounted to €21.8 (18.9) billion and were 15.2% higher than in the previous year; their share of the Automotive Division's sales revenue – the R&D ratio – was unchanged at 8.1 (8.1)%. In addition to new models, our activities focused above all on the electrification of our vehicle portfolio, digitalization, new technologies and enhancements of our modular and all-electric toolkits and platforms. The capitalization ratio was 51.2 (51.4)%. Research and development expenditure recognized in profit or loss in accordance with the IFRSs increased to €15.8 (14.3) billion.

As of December 31, 2023, our Research and Development departments – including the equity-accounted Chinese joint ventures – employed 59,626 people (+1.2%) Group-wide, corresponding to 8.7% of the total workforce.

RESEARCH AND DEVELOPMENT COSTS IN THE AUTOMOTIVE DIVISION

€ million	2023	2022
Total research and development costs	21,779	18,908
of which capitalized development costs	11,142	9,723
Capitalization ratio in %	51.2	51.4
Amortization of capitalized development costs	5,187	5,144
Research and development costs recognized in profit or loss	15,824	14,329
Sales revenue[1]	268,156	232,392
Total research and development costs	21,779	18,908
R&D ratio	**8.1**	**8.1**

1 Prior-year figure adjusted (see disclosures on IFRS 17).

PROCUREMENT

The main task for Procurement is to help steer the Company's success in the areas of efficiency, sustainability and resilience. 2023 was mainly devoted to safeguarding the supply of vehicle parts and optimizing costs in order to make a contribution to the Group's result. The previous year's rising energy prices again resulted in catch-up effects at our suppliers in the reporting year. Dealing with supplier requirements so as to safeguard the supply of our components was therefore a key task for Group Procurement.

Procurement strategy

The procurement organizations at the Volkswagen Group are an integral part of the NEW AUTO Group strategy. A key task is to strengthen the procurement network and intensify cooperation across brands and regions. Making use of global synergies also creates potential for a long-term reduction in costs for raw materials, components and services.

The frequency, duration and intensity of crises and the supply chain disruption they entail have risen significantly since the beginning of the 2020s. As a consequence, the procurement organizations intend to work together with internal interface partners and suppliers to strengthen supply resilience. By establishing strategies and tools and providing additional capacity for strategic and risk analyses, the aim is to enable forward-looking and comprehensive monitoring of supply chains in line with defined criteria, such as political influencing factors, economic developments, or environmental risks.

The transformation of the automotive industry toward e-mobility means that the procurement organizations must adapt their supplier network. The way in which the Volkswagen Group works with these suppliers will be shaped on an individual basis through strategic partnerships, treating the transformation as a joint undertaking. Expansion of partnerships is generally another area of focus in Procurement, both internally in the form of collaboration across brands and departments and externally with the Volkswagen Group's suppliers. Digitalization and efficient processes are the foundation for all such strategic measures. The roll-out of a new digital supplier platform for interaction and the successful connection of the cross-sectoral data network Catena-X in 2022 were particularly noteworthy in this regard.

E-mobility

As technology advances, the automotive industry is rapidly forging ahead with its transformation toward e-mobility. A key task for Procurement is to safeguard supplies in order to meet the constantly growing requirements brought about by this change in a way that is sustainable and cost-efficient. Sustainable actions, transparent supply streams, and energy- and carbon-optimized supply chains are important elements of our contract awards. We support our partners with active management of the supplier transformation, as the industry moves from combustion-engine to all-electric vehicles, and with a lasting reduction in CO_2 emissions along the entire supply chain. To put our Company in a leading cost position, we award Group contracts that pool global demand from the markets of Europe, North and South America, and Asia-Pacific. To reduce economic and geopolitical risks, we use diversified supply chains in conjunction with a dual-supplier strategy as well as localization of the supplier portfolio for all core components of our all-electric vehicle fleet.

Digitalization of supply

We are working to implement a completely digitalized supply chain. This is intended to help us to safeguard supply and leverage synergies throughout the Group. We are therefore creating a shared database and using innovative technologies to enable efficient, networked collaboration in real time – both within the Group and with our partners. The Procurement division aims to standardize transactions with our suppliers in the future and automate them where possible. This will not only reduce transaction costs but will also accelerate business processes. The integration of Catena-X, the data network for the automotive industry, is one important part of this. It will allow possible supply risks to be identified at an earlier stage and appropriate measures and alternatives to be jointly developed faster. We are following the implementation of Procurement's digitalization strategy with the specific aim of not only eliminating the weaknesses of Procurement's IT system environment but also increasing the organization's effectiveness, efficiency and future viability. The initial systems or modules such as a cloud-based module for automating procurement activities in the vehicle project phase and an acclaimed online negotiation tool have already been implemented and integrated into the existing system environment.

Structure of key purchasing markets

Procurement at the Volkswagen Group is responsible for ensuring cost-efficient, resilient and sustainable supply chains. Procurement is organized at a global level, with a presence in the most important purchasing markets around the world. Alongside local bodies and decision-making structures, Group Procurement manages the brands and regions. This helps us to jointly implement potential cost savings and to control risks. Organized networking of the procurement organization in the brands will enable us to leverage Group-wide synergies and purchase production materials, investments in property, plant and equipment, and services worldwide at the quality required and on the best possible terms. In addition to the brands' procurement units, Procurement operates regional offices in strategic purchasing markets. Working together in the procurement organization, these constantly identify and qualify new local suppliers.

Supply chain management in Procurement

Supply chain management activities at Procurement are focused on safeguarding supplies during start-up phases and for series production. This entails providing support in our suppliers' industrialization processes, monitoring series production and managing supply crises, which may arise, for example, as a result of geopolitical crises such as the Russia-Ukraine conflict or natural disasters such as the flooding in Slovenia. By introducing strategic semiconductor purchasing, the Volkswagen Group is realigning the procurement of these electronic components for the future. The procurement organization therefore intends to assume direct negotiating responsibility for strategically important semiconductor volumes so as to safeguard long-term supply and ensure competitiveness.

Even in the early stages of new projects, we conduct audits to ensure that our suppliers will be able to deliver. Furthermore, we provide support for purchased parts along the individual project milestones up to the start of production. Complex components in particular frequently require onsite support from our supplier management team. Finally, an acceptance test of production capacities is carried out to facilitate the timely start of series production of the vehicles at our plants.

In addition, regular checks are carried out during series production, for example related to the continuous matching of demand and capacity or possible capacity adjustments at suppliers. This also safeguards the capacity at suppliers when using existing components in new projects.

Thanks to our established crisis management structure and global supplier network, we are able to overcome complex challenges along the supply chain and have access to a wide range of locations and technologies. Cross-divisional work among Procurement, Quality Assurance, Development, Production and Logistics largely prevented looming losses due to supply risks and, in cases where a reaction was required, maintained production capability. Nevertheless, the precarious situation in global supply chains resulted in limited vehicle availability for customers, albeit to a lesser degree than in the prior year.

Sustainability in supplier relationships

Successful relationships with our business partners are based on respecting human rights, compliance with occupational health and safety standards, active environmental protection and combating corruption. These sustainability standards are defined in the contractually binding Volkswagen Group Requirements for Sustainability in Relations with Business Partners (Code of Conduct for Business Partners), updated in 2023. The

Code of Conduct for Business Partners also sets out the expectation that business partners will pass on the requirements formulated therein along the supply chain. We review compliance with the requirements, which has been an explicit condition for the award of contracts since 2019, using sustainability ratings (S-rating) for relevant companies and suppliers. The relevance of a business partner for this rating depends, among other things, on the size of the company or the risk exposure arising from the type of service provided.

In our sustainability rating, we determine the sustainability performance of our suppliers by means of self-disclosures and in a risk-based evaluation process involving audits. In the reporting year, we received 10,912 S-ratings for suppliers. The proportion of revenue contributed by suppliers with a positive S-rating amounts to 79% of the total procurement volume. Both the validation of the questionnaire and the performance of the audits are carried out by selected service providers. As a rule, contracts are not awarded to suppliers who fail to meet our requirements concerning compliance with sustainability standards. Tying award decisions to sustainability criteria is one of the strongest levers for enforcing these. We address existing sustainability risks and violations of sustainability principles by systematically defining and implementing measures to correct these; this also includes the upstream supply chain. To enable continuous supplier development, we invite our suppliers to attend sustainability training courses and workshops on specific topics at selected sites or online and also offer web-based training. In the reporting year, over 7,700 suppliers received such training.

With regard to decarbonization, the Volkswagen Group is striving to continuously reduce greenhouse gas emissions or avoid them altogether over the entire life cycle of a vehicle. The Group's transformation into a provider of sustainable mobility solutions and in particular the trend towards e-mobility are shifting the action required from the service life of the vehicle to supply chains and the manufacture of vehicles and components as well as the disposal thereof following the vehicle's use phase. We are aware of our social responsibility and are committed to the Paris Climate Agreement. In the Modular Electric Drive Toolkit (MEB), we have incorporated the use of renewable energy, among other things, into the contracts with cell manufacturers. For new vehicle projects, CO_2 emissions will be a technical feature for relevant components for the Volkswagen Group in the future. This means our suppliers will be given binding CO_2 targets, with which they must be able to demonstrate compliance at any time. One example is the Scalable Systems Platform (SSP), the new mechatronics platform on which the batteries have a CO_2 limit. To be able to achieve these limits, suppliers need to implement measures in their own production processes and upstream chains – for example, the use of renewable electricity. Measures like these are designed to reduce the carbon footprint of many electric vehicle models. For the ID. models, the Volkswagen Passenger Cars brand uses additional sustainable components, including battery cases and wheel rims made of CO_2-reduced aluminum. In this way, the ID. family's carbon footprint is to be improved by around two tonnes per vehicle by 2025.

In our sustainable supply management, we are also involved in protecting groups of people who may be subject to a high risk of potential human rights violations at any point in our supply chain. We implemented a Human Rights Focus System in 2022 to achieve greater impact in this context. Our aim here is to identify and work on issues that can be associated with human rights and environmental risks and that require more in-depth analysis. The aim is to implement suitable prevention and remedial measures that take into account the diverse and often structural causes of human rights violations. We continued to implement our activities as part of the raw materials due diligence management system in 2023 to manage the sometimes extensive risks in the upstream raw material supply chains. The management system currently comprises 18 high-risk raw materials, for which we use risk-based specific measures to identify, measure and, in particular, reduce sustainability risks. For our battery suppliers, transparency requirements constitute an important basis for responsible raw material purchasing. Within the framework of these contractual requirements, we ask, for example, that our battery suppliers disclose their entire upstream supply chain before we award new contracts.

For more information on human rights, please see the section on Supply Chain and Human Rights in our 2023 Group Sustainability Report.

TECHNOLOGY

The “Technology” Board function is divided into four pillars, the so-called tech stacks. These encompass all activities related to the development, manufacture and procurement of battery cells and systems as part of the “Cell and Battery Strategy” tech initiative, all Group-wide topics in the “Charging and Energy Services” tech initiative, the activities of Volkswagen Group Components and the marketing of Volkswagen platforms and components to third parties (Platform Business).

Cross-brand management of technology activities and a value creation strategy coordinated throughout the Group are designed to improve the Group’s future viability and competitiveness. Synergies are to be leveraged across both traditional technologies and future areas to advance the transition to e-mobility.

The Volkswagen Group formalized its objectives for “Battery, Charging & Energy” by 2030 in its technology roadmap. With the battery roadmap, we aim to substantially reduce the complexity and cost of this key technology so as to make electric vehicles attractive and affordable for as many people as possible.

Battery

Our battery activities pillar is divided into two areas: the Center of Excellence and PowerCo. The responsibilities of the Center of Excellence include Group-wide product management, procurement and quality assurance for the battery cell and battery system, and closed-loop recycling. PowerCo will be an important cell supplier for the Group in the future.

In 2022, Volkswagen founded PowerCo SE, its own battery company, which will bundle the Group’s global cell production activities. From the new European battery hub in Salzgitter, this company will manage the development of international factory operations, continuous development of cell technology, vertical integration of the value chain and supplies of machinery and equipment to factories. PowerCo’s approach is based on two key concepts with which it aims to set future industry standards: a unified cell enables flexible use of different battery chemicals and is intended to be used in up to 80% of all Group models in future. The second key concept is the standard factory, which aims to enable the rapid rollout of in-house production with standardized buildings, equipment, IT and infrastructure and will thus be quickly and flexibly adaptable to future innovations.

The Group’s first own cell factory based on this model is being built in Salzgitter and is due to open in 2025. The first machinery for cell production was delivered and installed in 2023. Alongside Salzgitter, a second cell factory is being built in Valencia, Spain. In 2023, PowerCo also took the decision to build another cell factory in St. Thomas, Canada. Each factory is to operate on renewable power and be designed for future closed-loop recycling.

Vertical integration of value creation is a major component of the battery strategy. By building up its own cell production, Volkswagen will progressively take charge of further stages of the value chain so that it can exercise greater influence over the availability, cost and sustainability of key raw materials and other items. The supply of raw materials is being safeguarded using a three-part strategy: long-term supply contracts, investment with partners, and procurement on the commodity spot market, backed up by financial hedging.

Cathode materials have a key role to play in the transformation to e-mobility as a driving cost factor and main component in batteries. PowerCo and the Belgian materials technology group Umicore have formed the joint venture IONWAY, which aims to supply cathode and primary materials to the European cell factories starting in 2025. The partners aim to be producing materials for 160 GWh of cell capacity per year by the end of the decade. The planned cathode factory will be built in Nysa/Poland.

Charging and Energy

Since 2021, the Charging and Energy area has played a key role in the Volkswagen Group's e-mobility strategy with the aim of becoming a leading provider of a smart charging and energy ecosystem.

As part of the strategic alignment, the Group is focusing on two key areas. Firstly, sales of electric vehicles are being underpinned by the development of a global fast-charging infrastructure. In Europe, the Group and its brands are involved in the pan-European joint venture IONITY, the Ewiva joint venture in Italy and other partnerships. By 2025, the number of public fast-charging points in Europe is to increase to 18,000. At the same time, both the North American charging network Electrify America – already one of the largest public charging networks in the USA – is to be expanded to 8,000 fast-charging points and CAMS in China is to be enlarged to 17,000 fast-charging points. Secondly, the Group is opening up new business models involving smart charging and energy solutions. The Group operates as one of the largest vehicle-charging subscription providers in Europe with its charging and energy brand Elli. Its charging network offers access to over 600,000 charging points Europe-wide with approximately 35,000 fast-charging points in 27 countries. In addition, Elli's product portfolio also includes the full range of charging solutions for private customers and companies, from the Company's own wall box to the flexible fast-charging station Flexpole and smart charging solutions. As part of a pilot project involving the smart control of stationary batteries, Elli also began trading electricity in 2023. This makes Volkswagen the first automotive group to trade on the EPEX Spot power exchange.

Volkswagen Group Components

The independent corporate entity Volkswagen Group Components, under the umbrella of Volkswagen AG, forms the third pillar of the "Technology" Board function. Some 70,000 staff with expertise in developing and manufacturing vehicle components work worldwide in more than 60 plants at 45 sites.

The product portfolio is focused on technical components such as chassis, axle systems, steering, transmission, electric drives, thermal management systems in the electric drivetrain and battery systems.

With its entry into e-mobility, Volkswagen Group Components were able to work systematically on optimizing the electric drivetrain thanks to close cooperation between product management and development. In 2023, it debuted the new, highly efficient APP550 electric drive, which features both higher performance and improved efficiency. The new powertrain was developed by Volkswagen Group Components together with Technical Development at Volkswagen Passenger Cars and is being used for the first time in the Volkswagen ID.7. It is produced at Volkswagen's site in Kassel.

Platform Business

The fourth pillar of the "Technology" Board function is Platform Business (third-party business), which pools Group-wide responsibility for the sale of platforms and components to external companies. This organizational unit is responsible for the successful initiation, acquisition (including contract design) and support of customer projects including the related order processing (logistics, billing). In the cooperation project with Ford, the necessary cross-brand structures and processes have been created within the Volkswagen organization so that other external customers can also be efficiently served in the future. Ford plans to produce approximately 1.2 million MEB-based vehicles for the European market by the end of the decade. In 2023, the automaker presented the Ford Explorer, the first model based on the MEB. Volkswagen is also continuing to explore a supply agreement with Indian automaker Mahindra for MEB components such as electric motors and battery cells.

PRODUCTION

Our international cross-brand production network covers all stages in the process from the supplier to the factory and assembly line, and from the factory to dealers and customers. Its enduring efficiency is a prerequisite for our competitiveness. To be able to meet the challenges of the future, we rely on holistic optimizations, forward-looking innovations, robust supply streams and structures, and flexibility in the production network. At 9.31 million vehicles, the Volkswagen Group's global vehicle production in fiscal year 2023, including the Chinese joint ventures, was 6.8% up on the prior-year figure. Productivity, including the Chinese joint ventures, increased by 2.5% compared with the previous year.

Both the parts shortages and the disruption of supply chains, most recently caused by the flooding in Slovenia, restricted production in the Volkswagen Group in 2023. The supply and production situation eased toward the end of the reporting year.

one.PRODUCTION production strategy

Production is supporting the NEW AUTO Group strategy with its one.PRODUCTION functional area strategy. We are sharpening our focus in the transformation of our production and logistics, whereby our aim is to minimize expenditure, streamline processes and strengthen the team.

The overarching aim is to increase productivity and profitability. This will enable us to manufacture high-quality products at our sites that give customers maximum benefit at competitive prices. We are adopting a cross-brand approach for the thematic focus of our activities in order to pool the strengths and potential of our global production and logistics across brands and take advantage of the resulting synergies.

Our strategy process is based on a scenario methodology. As part of this, the strategic orientation of production is checked at regular intervals to verify that it is up to date. This provides the thematic framework for the topics being focused on in the year in question. These range from people-related subjects such as skills forecasts, to efficient and resilient processes, safeguarding the achievement of cost targets, digitalization and the environment, and the production and logistics network.

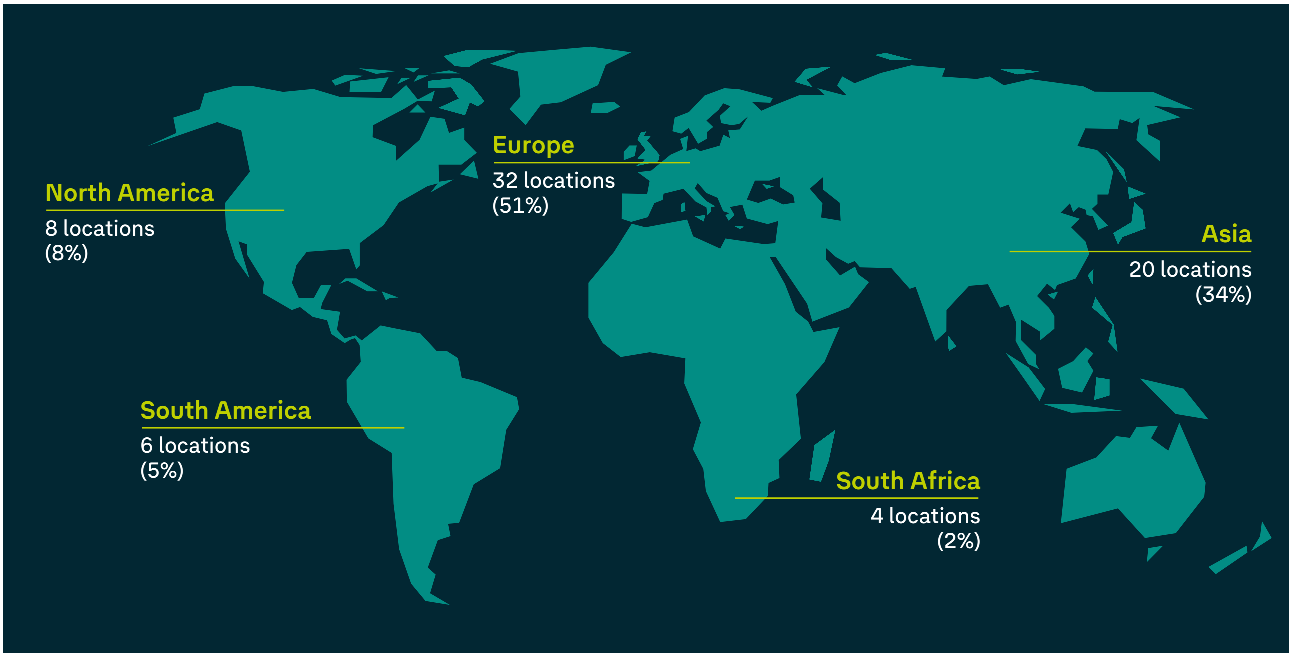
Global production network

The Group's production network encompasses 115 production sites, including our Chinese joint ventures. 70 of these sites are vehicle production plants. Standardizing production with uniform product concepts, plants, operating equipment and production processes within a product family is a key factor in our forward-looking production. We are constantly enhancing our production concepts and aligning them with new technologies to achieve ambitious targets in the individual projects. In a challenging environment, the Volkswagen Group succeeded in starting up 44 vehicle projects in 2023, 16 of which were new products or successor products and 28 were product upgrades and derivatives.

The flexible production capacities provided by our platforms allow us to respond to changing market requirements, make needs-based use of the production network, and leverage synergies across brands through multibrand sites. Of the 45 vehicle production plants for passenger cars and light commercial vehicles, almost half are already multibrand sites. Models for this approach within the Group are the Bratislava and Zwickau sites. In Bratislava, vehicles of the Volkswagen Passenger Cars, Škoda, Audi and Porsche brands are produced on the joint Modular Longitudinal Toolkit (MLB) and Modular Transversal Toolkit (MQB) platforms. At present, we are manufacturing vehicles of the Volkswagen Passenger Cars, Audi and CUPRA brands on the joint Modular Electric Drive Toolkit (MEB) platforms in Zwickau.

VEHICLE PRODUCTION SITES OF THE VOLKSWAGEN GROUP

Share of total production 2023 in percent



With its NEW AUTO Group strategy, the Volkswagen Group is pursuing the goal of becoming one of the world's leading providers of sustainable mobility. The focus here is on mobility solutions that are innovative, efficient, sustainable and customer-oriented, as well as geared towards profitable growth. The introduction of the MEB served as a basis for this, and complements our portfolio with additional battery-electric vehicles. We have been manufacturing battery-electric vehicles based on the MEB in Zwickau, the Volkswagen Group's first fully electrified car factory, since 2019. One example is the ID.3 from the Volkswagen Passenger Cars brand. From 2021, the portfolio of the MEB platform in Zwickau was expanded through the addition of the CUPRA Born, the Audi Q4 e-tron and the ID.5 from Volkswagen Passenger Cars. Since 2023, Volkswagen has also been manufacturing the ID.7 on the MEB platform in Emden. Furthermore, we use the all-electric platform for premium and sports brands – the Premium Platform Electric (PPE) – to leverage synergies in production across the brands. This meant that electric vehicles were manufactured at 18 sites across the global production network as of year-end 2023.

New technologies and digitalization

As part of the one.PRODUCTION strategy, the Group has developed the "Operating System 2030+" approach – a cross-brand vision for the factory of the future. An important dimension of this, and a prerequisite for achieving it, is digitalization towards autonomous factories. The digital transformation is thus shaping the future development of our process landscape and data ecosystem. The corresponding switch to value stream- and product-oriented software development within the Group is bringing greater focus and speed to the implementation of solutions. Overall, more than 69 new applications are already available for use in the production and logistics processes. Examples range from virtual training courses for new vehicle start-ups to the identification and implementation of potential energy savings and the use of artificial intelligence for parts supply by the Scheduling departments. The applications are now being rolled out to over 40 plants via the Digital Production Platform (DPP) jointly developed with our strategic partner Amazon Web Services (AWS).

In 2023, Volkswagen continued its commitment to Catena-X, the first open and collaborative data space for the automotive industry. With Catena-X, Volkswagen is shaping the future of the automotive supply chain in conjunction with other manufacturers and suppliers worldwide. The aim is to build a global data ecosystem for the automotive industry with shared values regarding collaboration, data sovereignty, trust and cooperation. Material traceability along with overarching demand and capacity management and comprehensive bottleneck management are some examples of how we intend to increase the efficiency of our plants and meet future supply chain requirements at the same time. We began using the first applications for partner data management in the supply chain in 2023. Further solutions, for instance for quality cycles and managing shortages of materials, are to follow in 2024.

In the Volkswagen Group, digital and innovative technologies are systematically validated and their use for production and logistics is piloted and rolled out. This is to enable the Group to exploit potential for cost savings in the value chain and realize more flexible implementation options, as well as quality improvements. The goal of the digital transformation in production and logistics is to simplify the entire process chain, make the best possible use of new technologies and establish autonomous processes. Fields of innovation in 2023 included computer vision, augmented reality, process mining, AI robotics and what is known as generative artificial intelligence (GenAI). For example, artificial intelligence is being used on Volkswagen's proprietary computer vision platform to perform tasks such as complex image evaluations within the operational production process, and is continuously transferred to other sites across the brands. Opportunities to use GenAI are also being evaluated and tested across departments and brands.

Zero Impact Factory

We are planning the production of tomorrow with our one.PRODUCTION functional area strategy. The use of resources and emission levels at Volkswagen Group sites require particular attention. In the Zero Impact Factory program, we are developing specific steps towards more sustainable production, guided by the vision of a factory that has no adverse environmental impact. The brands have been using the measurement methods and management tools developed for this since 2022. These enable us to record and reduce the quantitative environmental impact of our production sites, particularly in the areas requiring action of climate protection and energy, emissions, water and waste. We are also focusing on qualitative aspects such as the appearance of our factories, our commitment to biodiversity, protection of the soil, a functioning environmental compliance management system, improvement of our resource efficiency, and environmentally friendly mobility management for employee and goods transport. A further important milestone was reached in 2023. As part of an internal test phase, we are now measuring 22 quantitative environmental indicators – including CO_2 emissions, solvent emissions, freshwater requirements, wastewater loads and different types of waste – at all sites where we produce passenger cars and light commercial vehicles and are converting these into impact points on the basis of their environmental relevance. This makes it possible to compare the environmental impacts with one another and means we can implement reduction measures targeted at precisely those areas in which the greatest positive impact for the environment can be achieved. We use a site checklist to continuously review the status of implementation of a further 143 environmental criteria. Examples of these include projects and measures geared towards maintaining biodiversity, establishing environmentally friendly employee mobility, and promoting the circular economy.

From 2025, the Zero Impact Factory method is to replace the existing KPI system, which measures the reduction of the environmental impact of production (UEP). This represents a shift away from steering based on indicators that are purely performance-based and vehicle-specific to a reduction in the environmental impact of our production in absolute terms. Our goal is to achieve Zero Impact status for all of our manufacturing plants for passenger cars and light commercial vehicles by 2050.

To support programs such as these, a management system developed in-house started being introduced at all production sites worldwide in mid-2019, linking the main compliance issues with key environmental management issues. This environmental compliance management system (ECMS) provides the foundation for compliance with all external and internal rules and regulations relating to the environment.

ECMS implementation was initially concentrated on the major production and development locations, and was extended in a second step to include Group companies whose business activities entail a lower environmental risk. We continued to actively support, monitor and track the rollout and advisory process in the reporting year.

We are encouraging networking and communication between the brands worldwide in order to leverage synergies. Our environmental experts meet regularly in working groups. In addition, we provide our managers and employees with specific training on the topic of environmental protection.

We record and catalog measures in an IT system and make these available for a Group-wide exchange of best practices. In the reporting year, approximately 1,540 implemented measures in the area of environment and energy were tracked and documented via the *Maßnahmen@Web* system. They serve to improve infrastructure and production processes for passenger cars and light commercial vehicles and are incorporated into the decarbonization index (DKI), for example. These activities may have a positive effect on the Group's environmental indicators and are often beneficial from an economic perspective.

Zero Impact Logistics

In the joint Zero Impact Logistics initiative, the Group and brand logistics departments work together to achieve the goals of the goTOzero environmental mission statement. By continuously optimizing the transport network and logistics processes – for example by means of digitalization – we can avoid unnecessary shipments and reduce emissions. In addition, the use of new low-emission technologies for transporting production materials and vehicles is examined, piloted and accelerated.

The measures the Volkswagen Group is taking to achieve carbon-neutral logistics in the future also include, for example, moving shipments from road to rail and almost complete avoidance of CO_2 through the use of green electricity in rail transport in Germany and other countries in collaboration with railway companies. Volkswagen also transports high-voltage batteries for electric vehicles in an environmentally conscious and efficient manner, for example at the Volkswagen component site in Braunschweig. Here, the batteries are loaded fully automatically onto trains that run on renewable power, which then take them to the Volkswagen plant in Zwickau.

Group Logistics uses two roll-on/roll-off charter ships powered by low-pollution liquefied natural gas (LNG) to transport vehicles across the North Atlantic. At the end of 2023, it started the gradual introduction of four more LNG-powered car freighters, and is thus progressively replacing conventionally operated ships. Compared to other LNG-fueled marine engines, Group Logistics' charter ships are more climate-friendly because the high-pressure technology of the two-stroke engines from MAN Energy Solutions allows almost no methane to escape. In principle, the dual-fuel engines will also enable non-fossil fuels – such as biogas (bio-LNG), e-gas (synthetic gas) from renewables and biofuel – to be used in future. This will allow carbon emissions to be reduced even further. In the long term, Group Logistics also sees further potential to reduce the level of CO_2 with other alternative fuels.

Group Logistics permanently operates two charter ships powered by biofuel on European sea routes. This fuel produces less CO_2 than conventional fossil fuels, it is made from used cooking oils and fats. These waste and residual materials that stem, for example, from the catering and food industries, cannot be used for further processing into food or animal feed.

SALES AND MARKETING

We regard ourselves as an innovative and sustainable mobility provider for all commercial and private customers worldwide – with a product portfolio encompassing our successful brands and innovative financial services.

Together with their sales partners and importers, our passenger car brands agreed on a procedure for integrating state-of-the-art products and services into the sales network. The priority thereby is the safe and legally compliant handling of customer data and the way in which this is processed for digital products and services or in connection with the vehicle purchase. The legal requirements for handling customer data have been tightened in many countries. At the same time, the Group is launching a growing number of vehicles that are connected to the internet where available and depending on a vehicle's features. We are increasingly investing in distribution systems and processes with the goal of further digitalizing and improving the individual customer experience in all distribution channels. The Volkswagen Group's financial strength and profitability is attributable to an extensive portfolio of strong brands. We want to continuously sharpen the brand profiles and to distinguish as clearly as possible between the customer segments served by the brands, supplementing them as required with tailored solutions. Our aim is to achieve high market saturation with great efficiency and a low level of brand cannibalization. To this end, we have established automobile-specific customer segmentation to steer and improve the positioning of our brands, which we consistently apply throughout the strategy and product process.

As part of our NEW AUTO strategy, we have introduced strategic base initiatives for China as the largest single market and North America as the market with the greatest growth potential due to their considerable strategic importance for the Volkswagen Group. We have used the Group strategy as the foundation for our new functional area strategy called NEW SALES 2030, which forms the basis for transforming our sales activities in the direction of a mobility provider. The aim of NEW SALES 2030 is to enable us to provide an even more flexible and targeted response to our customers' wishes and leverage additional revenue potential, for example through digital business models.

With regard to its NEW AUTO strategy, Volkswagen hit another milestone as part of the "Volkswagen Group Mobility" tech initiative in July 2022 with the closing of the transaction with Europcar. This successful joint acquisition with two consortium partners is important in helping to drive the growth of the Volkswagen Group in vehicle-on-demand (VoD) services. Europcar is to become a cornerstone of a product portfolio that will cover customers' mobility needs from vehicle sharing for a few hours to subscription for multiple months. Our expectation is that most people will still prefer individual mobility by 2030 but the focus will be more on using and less on owning vehicles. The Volkswagen Group is aiming to participate in the global market for mobility services, which is expected to grow rapidly.

Also in the area of sales and marketing, we are aware of our responsibility towards the climate and the environment. In addition to the broad range of all-electric vehicles and hybrid models, we kicked off the goTOzero retail project that is focused on decarbonizing our entire sales network and increasing its ESG performance, helping our sales partners to move over to a climate-neutral business model. As a result, the carbon footprint of our sales network is to be reduced by at least 30% by 2030 compared with 2020. In order to identify and successfully implement the right measures, we have produced manuals, training courses and marketing materials for our partners. In addition, a certification model has been established for the entire sales network in response to both regulatory requirements and customer expectations.

Customer satisfaction, customer loyalty and customer conquest

The Volkswagen Group aims its sales activities at exciting its customers. This is our top priority, as satisfied customers remain loyal to our brands and recommend our products and services to others. For this we measure customer satisfaction with our brands at different customer contact points and make it a subject of discussion at Board committee meetings. In addition to satisfaction with our products and services, we value our customers' emotional connection to our brands. It is important for us to retain customers and win new ones. To measure our success in this area, we compile and analyze strategic indicators for the passenger car-producing brands: the loyalty rate represents the proportion of customers of our passenger car brands who have bought another Group model. Thanks to their faithful customers, the Volkswagen Passenger Cars and Porsche brands have remained in the upper loyalty rankings of the core European markets in comparison with their competitors for a number of years. Audi and Škoda also have above-average customer loyalty ratings. Compared to other manufacturer groups, the Volkswagen Group continues to hold a top spot in the core European markets in terms of loyalty. The conquest rate shows the share of newly acquired passenger car customers as a proportion of a brand-specific selection of competitors. The Volkswagen Passenger Cars and Audi brands improved their conquest rates in 2023, while the figures for Škoda and Porsche were on a level with the previous year.

In the core European markets, brand image and confidence in the Volkswagen Passenger Cars brand stabilized above the level for the market as a whole in 2023. Audi and Porsche continue to occupy top places in the image ranking.

E-mobility and digitalization in Group Sales

As part of our electrification campaign, we aim to offer our customers worldwide around 50 completely battery-electric vehicles by 2030. This campaign will be complemented by vehicle-related, customer-focused offerings, such as customized charging infrastructure solutions and mobile online services. The Volkswagen Group is thus transforming from an automotive manufacturer into a mobility service provider. This poses new challenges for Sales.

Digitalization provides many opportunities for Sales, including improved customer contact. Our actions are guided by a clearly defined strategy that requires extensive cooperation between the brands and markets to achieve the greatest possible synergies. Our aim here is to create a completely new product experience for the customers of our brands – one which impresses with a seamless communication process, from the initial interest in purchasing a vehicle, to servicing and ultimately to the sale of the used car. In doing so, we are opening up new business models relating to the connected vehicle – in particular with regard to mobility and other services. Vehicles are becoming an integral part of the customer's digital world of experience.

We also align our internal processes and structures to the methods and new forms of working created by digital innovation. This results in project teams operating across different business areas, new forms of cooperation, a more intensive relationship with the international start-up scene, a consolidation of venture capital expertise – as a form of supporting innovative ideas and business models – and new lean systems and cloud-based IT solutions.

Car subscription

Volkswagen Financial Services AG expanded the portfolio of mobility services offered by the Volkswagen Group and its brands in 2023. Progress has been made particularly in the collaboration with the Europcar Mobility Group (EMG). Numerous joint projects worldwide are currently being worked on, from mobility services for fleet customers to cooperation on the marketing of used vehicles.

The Volkswagen Financial Services AG mobility platform is continuously enlarging its portfolio of mobility services for the Group brands. Its solutions offer the use of vehicles for anything from minutes to years. Particularly noteworthy is the expansion of flexible subscription products, which progressed as planned in 2023. In Germany, the portfolio was expanded to include the Škoda brand. September 2023 saw the launch of the Volkswagen Abonnement, a subscription service also offered through EMG for the Volkswagen Passenger Cars brand in France.

Fleet customer business

Business relationships with fleet customers are often long-term partnerships. In a volatile environment, this customer group provides greater stability for sales of well-equipped, profitable vehicle models than the private customer segment.

The Volkswagen Group has an established base of business fleet customers, especially in Germany and the rest of Europe. Our extensive product range enables us to satisfy their individual mobility needs from a single source.

In an overall passenger car market in Germany that grew by 7.3% in the reporting year, business fleet customers accounted for 21.4 (18.8)% of total registrations. The Volkswagen Group's share of this customer segment increased to 47.0 (43.5)%. Outside Germany, the Group's share of registrations by fleet customers in Europe was 27.6 (25.7)%. This shows that fleet customers' confidence in the Group remains at a high level. We were able to consolidate our strong market position in the fleet customer business in Europe.

After Sales and Service

In the after-sales business, we regard ourselves as a complete provider of all products and services relevant to customers. Together with our partners, our mission is to ensure lifelong mobility for our customers and vehicles. We are therefore continuously expanding our portfolio of tailor-made offers and services with the aim of improving customer experience and the satisfaction of our customers. The partner businesses also offer a comprehensive portfolio of services in all vehicle classes.

In After Sales, we are supporting the changing world of mobility and our systematic focus on e-mobility by developing new services and innovative concepts. As the Group transforms from vehicle manufacturer to a leading, global provider of sustainable mobility, our software company CARIAD is working on the development of the future software architecture for our vehicles. With the resulting connectivity services, we will also be able to generate synergies in After Sales across all the Volkswagen Group's brands and take advantage of new opportunities to boost customer loyalty.

In addition to individual service, the timely provision of genuine parts is essential to assure passenger car customer satisfaction in After Sales. The genuine parts supplied by our passenger car brands and the expertise of the service centers stand for the quality, safety and value retention of our customers' vehicles. With our global after sales network including more than 130 of our own warehouses, we are creating the prerequisites to supply almost all our authorized service facilities around the world within 24 hours. Owing to disruptions in supply chains we were unable to fully guarantee in-time delivery of replacement parts in certain cases during the reporting year.

In the Digital After Sales project, we are modernizing processes and IT systems in After Sales. By adopting an approach that focuses product and service development on the individual needs of both dealers and customers, we aim to reduce the time needed for administrative tasks at the dealers through automated, interrelated services and also to stabilize existing IT systems and boost efficiency. In addition, innovative digital after-sales services will improve the customer experience.

Around the world, our commercial vehicles business also prides itself on products of quality and on customer focus. Our range of trucks, buses and engines is complemented by services that aim to guarantee fuel efficiency, reliability and wide vehicle availability. By offering vehicles equipped with an all-electric or hybrid drive system, we take into account both customers' wishes and our responsibility to contribute to emission-free transporttation. Workshop service and service contracts are intended to offer customers a high degree of certainty, in addition to a high level of quality. We are reducing servicing times and costs with a view to the vehicles' total operating costs.

In the Power Engineering segment, we help our customers to secure the availability of machinery with MAN PrimeServ. The global network of more than 100 PrimeServ locations stands for excellent customer focus and offers, among other things, replacement parts of genuine-part quality, qualified technical service and long-term maintenance contracts.

QUALITY

The quality of our products and services plays a key role in maintaining customer satisfaction. Customers are satisfied and loyal particularly when their expectations of a product or service are met or even exceeded. Appeal, reliability and service determine quality as it is perceived by the customer throughout the entire product experience. Our objective is to positively surprise our customers and inspire enthusiasm in all areas, and thus to win them over with our quality.

Digitalization was once again the beating heart of our work in the past fiscal year: we are continuously sharpening our focus on software-based system development, which is a critical factor for success in respect of customer satisfaction. Consistent application of the "Automotive SPICE" process assessment model that we use to improve our processes is particularly important in our activities. It is a key building block for meeting the requirements of our customers, as well as those of the regulatory and legislative bodies.

Volkswagen has been implementing cybersecurity measures across the Company for some time now. For example, we have an independent cybersecurity network in place across all regions and Group brands and monitor potential cyber risks. This enables us to act fast when potential threats arise. Since June 2022, the UNECE (United Nations Economic Commission for Europe) has provided for corresponding certification and homologation to ensure that companies can guarantee that these aspects are dealt with properly so as to protect the users of our vehicles from potential attacks. Our Group pursues the goal of implementing standards in the areas of both accident prevention and security. We are continuously refining the established processes within the framework of an Automotive Cyber Security Management System in keeping with the requirements of the UNECE regulation. In this context, Volkswagen is implementing comprehensive measures across departments throughout the Group.

Strategy of Group Quality

We review our functional area strategy New Quality periodically and coordinate it with the brands. We align our activities with our goal expressed in the new motto: "We strive for outstanding products, services and customer satisfaction." The NEW AUTO Group strategy sets new parameters for transforming the Group into a software-oriented mobility provider. Based on this, our quality strategy focuses primarily on achieving maximum levels of customer satisfaction throughout the entire customer experience – from ordering through to the digital ecosystem and up to the product as well as aftersales and customer service. Group Quality and the brands' quality organizations play an active role at all stages of product emergence and testing, making an important contribution to successful product launches, high customer satisfaction and low warranty and ex gratia repair costs. We have defined "warranty and ex gratia repair payments per vehicle after 12 months in service" as a strategic indicator at the top level of consideration for the major passenger car-producing brands. This shows all warranty and ex gratia repair payments for the vehicles produced worldwide in each production year, expressed in euros per vehicle. All vehicles from the Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, Škoda, SEAT/CUPRA, Audi and Porsche brands are included in this figure. Extraordinary items resulting from initiatives such as recalls to assure product safety or comply with laws are not taken into account. While the figures starting from the 2017 production year remained at a constant low level, they have increased since the 2020 production year due to the growing use of new technologies in the vehicle and rising complexity. Actions were taken to reduce these figures and have proven effective.

Legal and regulatory compliance

The legal and regulatory compliance of our products is paramount in our work. In our processes we employ the principle of multiple-party verification, which involves mutual support and control between the business units. Among other things, software development is accompanied by quality milestones at all brands. This principle applies to all systems, components and parts that directly influence a vehicle's safety, type approval and functioning and therefore require particular vigilance. At the series production stage, we see to it that the conformity checks on our products are carried out and assessed with the participation of all business units involved. This applies particularly to checks related to emissions and fuel consumption.

We are also dedicating attention to our quality management system, reinforcing the interdisciplinary, process-driven approach throughout the Group. The quality management system in the Volkswagen Group is based on the ISO 9001 standard and the official type approval requirements. These standards and requirements must be complied with for us to obtain type approval for the manufacture and sale of our vehicles. We conducted numerous system audits in the reporting year to verify that our sites and brands continue to comply with these requirements. Particular focus was placed on assessing the risk of non-compliance with defined processes. Our quality management consultants pay attention to ensuring that these and other new requirements, as well as official regulations, are implemented and complied with; they are coordinated and supported in this endeavor by a central office in Group Quality.

Observing regional requirements

We use a variety of feedback instruments, such as specific customer surveys, to collect information on region-specific customer requirements. In addition, we monitor relevant internet forums and social media postings worldwide to obtain direct customer feedback and identify sentiment and trends at an early stage.

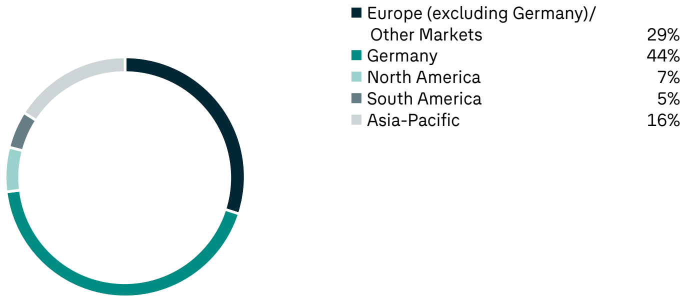
In order to be able to make the perceived quality of our vehicles commensurate with that of our competitors, we take the needs of our regional customers into account in our vehicle audits. Every brand works together with the individual regions to decide how its product is to be positioned there. In this way, we strengthen the brands' responsibility. Consistent quality benchmarks apply across all brands and regions to ensure that we obtain comparable results from the vehicle audit. We are continually adapting these in line with changing requirements. For more than 40 years now, we have been deploying auditors around the world to assess, from the customer's perspective, the vehicles that are ready for delivery and to ensure that these vehicles comply with the benchmarks defined.

EMPLOYEES

The Volkswagen Group is one of the world's largest private employers. On December 31, 2023, we employed a total of 684,025 people, which includes the Chinese joint ventures. This figure represents a 1.2% increase compared with the end of 2022. The ratio of Group employees in Germany to those abroad remained largely stable over the past year; at the end of 2023, 298,687 (293,862) employees worked in Germany.

EMPLOYEES BY MARKET

in percent, as of December 31, 2023



Human resources strategy and principles of the human resources policy

For the Volkswagen Group the transformation of the workforce is defined as a focus topic in the Group's NEW AUTO strategy. We have also embedded the topic in our Group-wide "People & Transformation" initiative. The Group People Strategy Transform to Tech will play a key role in this context for our three brand groups – Core, Progressive and Sport Luxury. This strategy also enables the Volkswagen Group to continue with key, successful approaches in human resources policy. These include the pronounced stakeholder focus in corporate governance, comprehensive participation rights for employees, forward-looking training opportunities, the principle of long-term service through systematic employee retention and remuneration that is fair and transparent.

At the same time, the Group People Strategy is setting innovative trends. Employee experience is to be improved systematically, the teams strengthened as the most important units in the company's organization, and modern forms of working, such as agile methods, are to be developed. Our aim is to become more attractive as an employer and take the performance of our organization to the next level.

In our Group People Strategy we have identified different dimensions with which we aim to address employees' needs and expectations in a holistic manner. Together, these four dimensions make up the work experience, job satisfaction and, ultimately, the success of the work and the Group's integration into society.

1) "Me" (Me@Volkswagen): We strive to systematically improve the employee experience and ensure that all employees have the best possible conditions in which to do their job. Starting with availability of contemporary, task-specific work equipment and tools, this also entails avoidance of red tape and overly complex process steps and includes state-of-the-art workspaces, opportunities for 360-degree feedback, individual health coaching, and training opportunities tailored to the individual.

2) „My team" (Teams@Volkswagen): As our transformation takes shape, the way in which teams in the Volkswagen Group collaborate changes fundamentally. Hybrid, digital and agile forms of collaboration become more important. They require office environments and working methods to adapt and facilitate collaborative, flexible work. The same applies to opportunities for digital collaboration.

3) "All of us at Volkswagen" (All of us@Volkswagen): The seven Volkswagen Group Essentials define the shared underlying values across all of the Group's brands and companies: We take on responsibility for the environment and society, We are honest and speak up when something is wrong, We break new ground, We live diversity, We are proud of the work we do, We not me, We keep our word. Our corporate culture aims to create a sense of belonging for our workforce – an important aspect that is gaining in significance particularly in times of change and in an increasingly diverse environment. We believe in the importance of fair remuneration, which underscores our image of ourselves as an attractive employer. It is designed to motivate and to express our appreciation for the performance of each individual. In addition, we need to empower our leaders to support the transformation in a goal-oriented way and act as role models. Group-wide activities such as team dialogue and the role model program are designed to encourage employees to discuss the Group Essentials and incorporate them into all work processes. In the role model program, managers from all brands strive to improve the corporate culture together with their staff.

4) "Volkswagen in society" (We@Volkswagen and the world around us): We are aware that without long-term social legitimacy at our locations and in our markets, we will not be able to carry forward our business model in times of accelerated changes in values – this applies from an economic, environmental and social perspective. We see our employees as representatives of the Volkswagen Group who communicate our values to society. Together with them, we also assume responsibility above and beyond our core business – such as through foundation work and corporate volunteering (employee engagement). The topics of our social commitment range from education to culture, diversity, a culture of remembrance, climate action and environmental protection, and various local commitments.

The transformation has put us on a long-term path of change and renewal. It is important for us to regularly review whether we are maintaining the course we have set and achieving our objectives. The following strategic key performance indicators help us measure our progress and take remedial action if necessary:

> Internal employer attractiveness: This indicator is determined by asking respondents, as part of the *Stimmungsbarometer* (opinion survey), whether they perceive the respective company as an attractive employer. The opinion survey is conducted for the majority of our Group workforce. The target for 2025 is 89.1 out of a possible total of 100 index points. A score of 86.0 index points was achieved in the reporting year, meaning that the target for 2023 of 88.8 index points was missed. 86.6 points were achieved in the previous year. For Volkswagen AG, the score for 2023 was 84.7 (87.1) index points.

> Diversity index: As part of our Group-wide diversity management system, we report in this strategic indicator on trends in the proportion of women in management and the internationalization of top management as a percentage of the global active workforce (total workforce excluding vocational trainees and employees in the passive phase of their partial retirement), excluding employees in the withdrawal phase of their time asset bonds. In particular, this indicator underpins the objective of the Group People Strategy, which is aimed at contributing to an exemplary leadership and corporate culture. The proportion of women in management, comprised of management, senior management and top management (including Group Board of Management members), amounted to 19.2% in 2023 and was 1.9 percentage points up on the prior-year level. We aim to raise this figure to 20.2% by 2025. Our goal is to increase the level of internationalization in top management, the uppermost of our three management tiers, to 25.0% by 2025; in the past fiscal year this was 25.6 (23.4)%. The figures for the proportion of women in management and the internationalization of top management are placed equally weighted in the diversity index and the figures for the year 2016 set to an index value of 100. For 2023 we had planned to increase this index to 142. This target was exceeded with a score of 154 (140).

> Implementation status of strategic HR planning: Strategic HR planning supplements operational HR planning by adding a qualitative, long-term and strategic planning perspective. It allows business units to identify qualitative and quantitative surpluses and shortfalls at an early stage and develop necessary qualification, training and restructuring requirements designed to help support the transformation. To map progress in strategic HR planning, we measure the percentage of the active workforce considered in the strategic HR planning from 2023. The data collected showed a coverage of 34.3%, which was just under the target of 35%.
> Number of training hours per employee: Due to the transformation in the automotive industry, we are facing the biggest process of expertise and cultural change in the history of the Group. As a result, individual opportunities for change for employees are becoming an increasingly important success factor. Through economies of scale in connection with digitalization and through use of the learning platform Degreed, which is to be gradually rolled out across the Group, Volkswagen is improving the access to training opportunities. The goal is to increase the average number of training hours per employee in the Volkswagen Group – based on the active workforce (excluding employees in the withdrawal phase of their time asset bonds) – by 35% by 2030 to 30 hours per year. The baseline value is 22.3 hours and represents the average for the base years 2015 to 2019. These years were chosen as the baseline due to the outbreak of the Covid-19 pandemic, which temporarily curtailed training activities in 2020 and 2021. The target figure for the reporting year was 24.0 hours. With an average of 22.1 hours per employee, the target has not been met.

Training and professional development

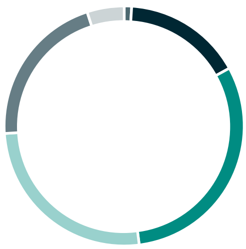
At Volkswagen, our capacity for innovation and our competitive position largely depend on the commitment and knowledge of our employees, particularly during the transformation.

Volkswagen Group employees have access to a wide range of training measures organized according to vocational groups. These comprise all employees whose tasks are based on similar technical skills and who require related expertise in order to perform their jobs. A skills profile lays down the specialist and interdisciplinary skills for each job and serves as a guide for training measures. Formats range from further training in general Company-related topics to specific training or personal development programs. Thanks to these opportunities, Volkswagen employees are able to further develop and steadily deepen their knowledge throughout their working lives. The range of learning opportunities is being expanded continuously.

Degreed, the innovative learning platform that we have implemented, opens up diverse training opportunities for our employees. The platform creates a simple, customized learning experience and is aimed at supporting the results of strategic HR planning with appropriate training programs. Another focus is developing important and specific skills, for example in areas such as data analytics, software development, leadership, machine learning and artificial intelligence. In addition, Volkswagen's Faculty 73 program is providing in-house training for the software developers who are needed for the digital transformation. The graduates from this program largely work in departments at Group IT, brand IT, Technical Development and CARIAD. The fifth year of this innovative transformation program started in November 2023. The program is designed for employees and also external applicants with an affinity for IT and an interest in software development.

Volkswagen AG, CARIAD and Škoda are also supporting the innovative programming schools in Wolfsburg, Berlin and Prague in cooperation with the non-profit École 42. In 2023, an average of 882 students in Berlin, Wolfsburg and Prague were learning from and with each other in this innovative training approach.

AGE STRUCTURE IN YEARS OF EMPLOYEES
as of December 31, 2023; in percent



Vocational training and cooperative education
The core components of training at Volkswagen are vocational training and cooperative education (dual study programs combining university studies with on-the-job training). As of the end of 2023, the Volkswagen Group trained 17,081 young people. We have introduced the principle of dual vocational training at many of the Group's international locations over the past few years and are continuously working on improvements. Once a year, Volkswagen honors its highest-achieving vocational trainees in the Group with the Best Apprentice Award. Even after their vocational training has been completed, young people at the start of their careers are encouraged to continue their professional development in our Company.

Development of university graduates
Volkswagen offers two structured entry and development programs for university graduates and young professsionals. In the StartUp Direct trainee program, graduate trainees gain an overview of the Company while working in their own department and also take part in supplementary training measures. University graduates interested in working internationally can participate in the StartUp Cross program. The aim here is to get to know the Company in all its diversity and to build up a broad network. During their participation in the program, young professionals become familiarized with several locations in Germany and other countries by working in various departments. Both programs also include several weeks' experience working in production.

Increasing attractiveness as an employer and development programs for specific target groups
A human resources policy that promotes a work-life balance is a major component of Volkswagen's attracttiveness as an employer; in particular, it contributes to greater gender equality. We are working continuously to develop family-friendly working time models and to increase the number of women in management positions. For Volkswagen AG, we have also set targets for the proportion of women in management in accordance with German legislation. In line with the *Gesetz zur gleichberechtigten Teilhabe von Frauen und Männern an Führungspositionen* (German Act on the Equal Participation of Women and Men in Leadership Positions) and section 76(4) of the *Aktiengesetz* (AktG – German Stock Corporation Act), Volkswagen AG set targets for the period until the end of 2025 of 16.5% for the proportion of women in the active workforce at the first level of management (senior management, top management and brand Board of Management) and 23.4% for the second level (management). As of December 31, 2023, the proportion of women in the active workforce (excluding employees in the withdrawal phase of their time asset bonds) at the first level of management was 15.3% and at the second level of management it was 21.5%. The Group Board of Management and Supervisory Board are regularly informed of the figures achieved and the current target paths.

PROPORTION OF WOMEN IN THE VOLKSWAGEN GROUP
as of December 31

%	2023	2022
Employees	18.7	18.1
Vocational trainees[1]	20.6	20.3
Total management	18.7	16.8
Management	21.0	18.8
Senior management	14.5	13.5
Top management	11.1	9.8

[1] Excluding Scania and Navistar

In order to encourage women with great potential to advance within the Company, we have set targets relating to the development of the proportion of women in management for every Board of Management business area at Volkswagen AG. This approach is supported by many different measures ranging from cross-brand mentoring programs to agreement on target quotas for the management selection procedure and targets for the share of women among external hires.

The Group also has a large number of collective regulations in place to make it easier for employees to balance the demands and needs of work and home life and allow staff to arrange their own individual working model. In addition to flexible working hours and the use of working time accounts and flextime, these include variable part-time work and shift models, leave of absence enabling employees to care for family members, the possibility to convert salary components into paid leave, childcare services that are associated with the company or are company-owned, and remote working. "*Meine AusZeit*" is a program offered by Volkswagen AG that allows employees to take a self-financed leave of absence with an upfront payment from the Company.

Hybrid working – a combination of remote working and working onsite – gives employees greater flexibility in terms of when and where they work and is increasingly becoming the norm for the Volkswagen Group. To strengthen collaboration between teams in this changed environment, we offer accompanying knowledge transfer and training formats on the topic of virtual and hybrid collaboration.

The use of hybrid collaboration also poses new requirements for the design of office spaces. Against this backdrop, we are currently testing desk-sharing models in various office environments (for example at Volkswagen AG, Audi and Porsche) with the aim of designing more modern workplaces at Volkswagen. At production sites, too, we are investing in contemporary working environments. At our Wolfsburg site, for example, we are gradually modernizing several hundred social spaces, including with financial support from the modernization fund. Plants and departments can apply to the modernization fund, which distributes an average of €25 million each year. The fund has a total volume of €125 million, spread over five years.

The Volkswagen Group attaches particular importance to its employees being able to act with agility and entrepreneurial drive. Together with 30 publicly traded large companies from Germany, Austria and Switzerland, we developed a skills matrix for training and professional development in the area of agile business processes under the umbrella of the DACH30 initiative. As part of these endeavors, the Volkswagen Group Academy set up an agility training portfolio.

Preventive healthcare and occupational safety

In addition to complying with legal requirements, we aim to protect and promote physical and mental health, taking into account psychosocial risks and their effects. We believe in providing employees with health care that is above the standard set by law in the country in question.

Employee participation

Codetermination and employee participation are important pillars of our human resources strategy. Volkswagen aims to promote high levels of expertise and a strong sense of team spirit. This includes employees' opinions, assessments and criticism being heard.

We brief our employees extensively on upcoming changes so as to involve them in strategic decision-making as early as possible. When shaping labor relations to embody cooperation and social peace, we are guided by universal human rights and the standards of the International Labour Organization (ILO). Building on these principles, we have agreed various charters and declarations with the European and Global Group Works Council which set out the principles of labor policy in the Volkswagen Group as well as employee rights.

Employee participation in the Company's success through the issuance of treasury shares in the form of an employee share program is not currently offered.

By means of the opinion survey (*Stimmungsbarometer*), the Company regularly gathers information regarding employee satisfaction and also surveys employees on our corporate culture. Based on the results, follow-up processes are implemented in which measures are developed and executed. The 2023 opinion survey covered 129 companies in 48 countries. Of the 588,072 employees in the companies surveyed, 464,749 participated. This was a participation rate of 79%. The sentiment rating calculated from 22 questions is the main parameter of the opinion survey and is used to help determine Board of Management remuneration, among other things. It is calculated from the total of all the related answers in the survey and, in 2023, stood at 82.5 out of a possible total of 100 index points. The score achieved in 2023 was thus just above the previous year's figure, which amounted to 82.4 points.

In addition, we also encourage employee involvement by means of Idea Management. Employees have the opportunity to put their creativity and knowledge to use by contributing their ideas for making improvements, thus contributing to streamlining workflows, further enhancing ergonomics in the workplace, reducing costs and continuously increasing efficiency. The system also provides monetary incentives by offering set rewards.

INFORMATION TECHNOLOGY (IT)

The Volkswagen Group is continuing to drive its transformation into a provider of sustainable mobility. IT is playing an ever more important role in this – used in our vehicles, across the Company and in opening up new business models.

Digitalized supply chains, automated and AI-optimized production processes, data-driven management of the sustainability targets and a seamless integration of analogue and digital customer experience are elements of this transformation.

Based on an in-depth review of the situation, the "IT" Board function has developed the NEW IT functional area strategy – a vision focused on the following topics:

> Updating, delivering and constantly improving highly automated enterprise processes and systems by means of a high-performance IT infrastructure with a cost-effective cloud-first approach that is resilient to cyber threats and designed to ensure data protection.

> Through agile development, the customer-centric development of IT products and digital services will facilitate continuous improvement and refinement and lead more swiftly to measurable business benefit.

> The systematic use and provision of data across the entire organization to optimize products, processes and corporate governance. Data is set to become a value driver for innovations, new business models, personalized customer contact and better corporate management across all brands and companies, whilst adhering to the relevant and applicable data protection requirements.

With the NEW IT strategy, the IT and data organization have been geared to the requirements of the coming years. Sprints focused on business impact and speed will drive the IT strategy in a consistent direction. The introduction of a new agile product organization will significantly accelerate the development and provision of digital products. IT and the Board functions will work together on new digital products in cross-functional teams, taking an agile and customer-centric approach with short development cycles. Systematically modularizing large IT programs using such sprints will significantly reduce the complexity of these projects. This will not only make the projects more efficient and faster to implement but deliver results and business benefits sooner.

By forging ties between the "IT" Board function and the chief information officers (CIOs) of the Core, Progressive and Sport Luxury brand groups and of Volkswagen Financial Services AG, we aim to ensure a uniform, strategic focus and to help promote the leveraging of synergies and the use of economies of scale. The systematic identification and Group-wide sharing of best practices – projects that have already been successfully implemented at individual brands or companies – provides for effective knowledge transfer within the Company, conserves resources and generates greater speed and efficiency. Creating transparency around IT costs across the brands and therefore throughout the Group is an essential factor in making strategic decisions for the future. A 50% reduction in the IT committee landscape also serves to accelerate this decision-making.

The availability of the IT infrastructure for all brands and companies is a high priority. The provision of state-of-the-art IT applications for digital collaboration and the expansion of options for conducting business on mobile devices are designed to improve productivity in the long term. Building on the rollout of Microsoft 365, even more functions for simple, digital collaboration throughout the Group were implemented in the reporting year. Furthermore, the implementation of a comprehensive Group-wide data strategy enables the generation of overarching benefits through data-based solutions and artificial intelligence. The expansion of strategic IT partnerships and cross-brand partner and resource management also secures external capacity.

Software development

The "IT" Board function is responsible for swiftly developing software and IT solutions for the Group based on the Group's needs. Part of this development work takes place in the Software Development Centers (SDCs) around the world. The strategic goal is to safeguard and successively increase the proportion of in-house services relating to software products for critical business processes.

The optimization of processes and the definition of standards for software development remain at the forefront of our activities. Among other things, this entails international, data-driven management of activities in the SDCs, strategic alignment of the business-critical enterprise systems in accordance with the NEW IT strategy and safeguarding intellectual property in the form of software product source codes.

Use of digitalization and IT solutions

The Board of Management continuously monitors and supports the digital transformation. The Group Board of Management Committee for Digital Transformation addresses the digital transformation of business processes across brands and business units. It manages the IT project portfolio and fosters the digital cultural change as well as innovations and synergies between the Group and the brands.

Volkswagen embraces digitalization in the Company; its in-house Software Innovation Centers (SICs) are just one example of this. They act as centers of innovation and expertise, piloting new technologies with their know-how to fulfill the requirements of the different business areas in the Group, developing applications relevant for the Company and making these available for productive use within the organization. Here, Group IT, research institutes, educational institutions (such as universities), technology partners and policymakers work closely together on future trends in information technology. The SICs also use their network with start-ups to adapt innovative solutions to Volkswagen's needs. This allows the experience and strategic expertise of a large company like Volkswagen to be combined with the pragmatism, the innovative ideas for new areas of business and the speed of young start-ups.

Highly specialized experts at the Data:Lab in Munich and Wolfsburg are involved in machine learning and AI solutions that have great potential, for example in production, logistics and quality assurance. The objective is improved human-machine collaboration to optimize processes, minimize errors and automate possible repetitive tasks, freeing up capacity for more valuable work. In the medium and long term, the aim is to enable cost savings, increased product quality and improved competitiveness.

The focus is on innovation projects such as Smart Quality Analytics (SQA) – an IT system used among other things to digitalize the analysis of field data. For quality assurance purposes, SQA records and analyzes the data from connected customer vehicles. This includes data from control units as well as error messages from workshops. Other projects are working on optimizing the order of individual working steps in vehicle manufacture (for example a painting sequence) to reduce production times and improve the use of resources.

In the field of machine learning, work is being carried out on smart management of energy use to generate sustainable energy savings and CO_2 reductions, for example in compressed air control systems. In addition, the SDCs are used to transfer knowledge throughout the entire Company on topics such as advanced data analytics (process for the systematic analysis of data in electronic form) and block chain (distributed ledger technologies) to make these new technologies available to the Group. Advanced data analytics are helping to optimize the storage of replacement parts in the after-sales business, for example. Likewise, numerous bot projects are being implemented to automate business processes (robotic process automation).

Production processes are also safeguarded by artificial intelligence and camera systems (computer vision). The systems and equipment in the factories are linked together in an integrated overall system. In conjunction with the different departments, Group IT is also contributing its expertise to the field of research and development, one example being EU projects. Digitalized work tools such as the "virtual concept vehicle" make the product development process faster, more efficient and more cost-effective, for example by replacing physical components with virtual components generated on the computer.

IT security

Safeguarding data and information throughout the Volkswagen Group worldwide is one of the main tasks of IT and was continued in fiscal year 2023 with the Group Information Security Program. The objective of the program is to create uniform processes and solutions across the Group to further enhance information security. The findings and solutions are being implemented within the Group successively. The main focus is on topics that could one day pose information security risks for the Group and that need to be specially safeguarded as part of the Group's digital transformation strategy. The program's content and orientation are reviewed annually and updated if necessary.

We are one of the first vehicle manufacturers to require our suppliers to have passed TISAX (Trusted Information Security Assessment Exchange) certification. This sends out a signal regarding the security of cross-company information and data. TISAX certification is an assessment method developed by the German Association of the Automotive Industry and is based on the international industry standard and the requirements of the automotive world. The aim is for sensitive data and information to be dealt with securely by our suppliers.

The task of automotive cybersecurity is to avert cyberattacks on our vehicles throughout the entire product life cycle, as well as on the digital vehicle ecosystem. The Group policies in the Volkswagen Group based on the legal requirements of the UNECE (United Nations Economic Commission for Europe) regulation have been implemented. Brand-specific organizational guidelines are being specified and implemented on this basis, taking the organizational circumstances into account.

To protect our customers against cyberattacks, and to implement our solutions in conformity with national and international legislation, we have established integrated, cross-brand, cross-regional security management systems for information and cybersecurity. The cybersecurity management system required by UNECE Regulation 155 received UNECE CSMS certification in 2021 and undergoes annual monitoring audits (most recently in mid-2023). Safeguarding the complete life cycle of our vehicles and digital mobility services has been part of standard operations since 2022.

Key central information security processes have been audited and certified in line with the international ISO 27001 framework. This is the most important cross-sectoral standard for information security and is our basis for building an appropriate information security management system for handling all sensitive information in the Group. This information security management system is being gradually expanded. It is audited annually and recertified at required intervals.

In recent years, the introduction of the data protection management system and the data protection management organization has thus established the infrastructure for implementing and complying with data protection requirements at Volkswagen AG in the long term. Increasing digitalization and interconnectedness of business processes, new legislative initiatives with data protection relevance, and the sharp rise in the extent of international data protection legislation continue to require a high level of attention to ensure ongoing compliance with data protection requirements. Continuously raising awareness among the workforce and further standardizing and automating processes remain the focus of activities. Compliance requirements are already being integrated into the design of IT solutions and infrastructure decisions.

SEPARATE NONFINANCIAL GROUP REPORT

The combined separate nonfinancial report of Volkswagen AG and the Volkswagen Group in accordance with sections 289b and 315b of the *Handelsgesetzbuch* (HGB – German Commercial Code) for fiscal year 2023 will be available on the website www.volkswagen-group.com/nichtfinanzieller-bericht-2023 in German and at www.volkswagen-group.com/nonfinancial-report-2023 in English by no later than April 30, 2024.

REPORT ON POST BALANCE SHEET DATE EVENTS

There were no significant events after the end of fiscal year 2023.

EU Taxonomy

Doing business in an environmentally sustainable way is one of the central challenges of our time. The EU has defined criteria for determining the degree of a company's environmental sustainability. With our taxonomy-aligned investments in development activities and in property, plant and equipment, we are today already shaping the future in an environmentally sustainable way as envisaged by the EU Taxonomy.

BACKGROUND AND OBJECTIVES

As part of the European Green Deal, the European Union (EU) has placed the topics of climate protection, the environment and sustainability at the heart of its political agenda in order to achieve climate neutrality by the year 2050. The finance sector is expected to make an important contribution to realizing this objective. In this context, the EU published the "Strategy for Financing the Transition to a Sustainable Economy" in 2021. Aimed at supporting the financing of the transition to a sustainable economy, the published strategy contains proposals relating to transition finance, inclusiveness, resilience and contribution of the financial system, and global ambition. It is based on the EU's action plan on Financing Sustainable Growth of 2018. In addition to "Disclosures" and "Tools", another key module is the EU Taxonomy (Regulation (EU) 2020/852 and associated delegated acts).

The EU Taxonomy is a classification system for sustainable economic activities. An economic activity is considered taxonomy-eligible if it is listed in the EU Taxonomy and can therefore potentially contribute to realizing at least one of the following six environmental objectives:

> Climate change mitigation
> Climate change adaptation
> Sustainable use and protection of water and marine resources
> Transition to a circular economy
> Pollution prevention and control
> Protection and restoration of biodiversity and ecosystems.

An activity is only considered environmentally sustainable, i.e. taxonomy-aligned, if it meets all three of the following conditions:

> The activity makes a substantial contribution to one of the environmental objectives by meeting the screening criteria defined for this economic activity, e.g. level of CO_2 emissions for the climate change mitigation environmental objective.
> The activity meets the Do-No-Significant-Harm (DNSH) criteria defined for this economic activity. These are designed to prevent significant harm to one or more of the other environmental objectives, e.g. from the production process or by the product.
> The activity is carried out in compliance with the minimum safeguards, which apply to all economic activities and relate primarily to human rights and social and labor standards.

The Volkswagen Group supports the EU's overarching goal. We are committed to the Paris Climate Agreement and align our own activities with the 1.5 degree goal. We aim to achieve net carbon neutrality by 2050.

REPORTING FOR FISCAL YEAR 2023

The Volkswagen Group is required by the EU Taxonomy to report on all of the environmental objectives for the first time in fiscal year 2023. Following climate change mitigation and climate change adaptation, definitions have now been assigned to the four remaining environmental objectives, these being sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. The figures reported on sales revenue, capital expenditure and operating expenditure relate to the companies consolidated in the Volkswagen Group's financial statements. Volumes and financial data for our Chinese joint ventures are therefore excluded.

The wording and terminology used in the EU Taxonomy are still subject to some uncertainty in interpretation, which could lead to changes in the reporting when it is subsequently clarified by the EU. Ultimately, there is a risk that the key performance indicators presented as taxonomy-aligned would need to be assessed differently. Our interpretation is set out below.

ECONOMIC ACTIVITIES OF THE VOLKSWAGEN GROUP

With the Group strategy "NEW AUTO – Mobility for generations to come", we are preparing ourselves for the global changes in mobility and thus playing a substantial role in driving Volkswagen's transformation into a provider of sustainable mobility. In this context, we pay particular attention to the use of resources and the emissions of our product portfolio, as well as those of our sites.

The Volkswagen Group's activities in its vehicle-related business with passenger cars, light commercial vehicles, trucks, buses and motorcycles cover the development, production and sale of vehicles and extend to our financial services and other vehicle-related products and services. Activities in these areas are suited under the EU Taxonomy to making a substantial contribution to the environmental objective of climate change mitigation by increasing clean or climate-neutral mobility.

The Volkswagen Group's activities in the Power Engineering Business Area comprise the development, design, production, sale and servicing of machinery and equipment. These activities also fall under the environmental objective of climate change mitigation.

An analysis of our economic activities in the context of the EU Taxonomy has not revealed any activities that contribute specifically to one of the other five environmental objectives.

The table below sets out the allocation of our activities in the vehicle-related business and in Power Engineering to the economic activities listed in the EU Taxonomy under the environmental objective of climate change mitigation. Changes may be made to the economic activities in future as the rules around the EU Taxonomy dynamically evolve.

Economic activity in accordance with the EU Taxonomy	Description of economic activity	Allocation in the Volkswagen Group
Environmental objective: climate change mitigation		
3. Manufacturing		
3.2 Manufacture of equipment for the production and use of hydrogen	Manufacture of equipment for the production and use of hydrogen	Power Engineering
3.3 Manufacture of low-carbon technologies for transport	Manufacture, repair, maintenance, retrofitting, repurposing and upgrade of low-carbon vehicles, rolling stock and vessels.	Vehicle-related business
3.6 Manufacture of other low-carbon technologies	Manufacture of technologies aimed at substantial greenhouse gas emission reductions in other sectors of the economy, where those technologies do not fall under other economic activities in the manufacturing sector.	Power Engineering
3.18 Manufacture of automotive and mobility components	Manufacture, repair, maintenance, retrofitting, repurposing and upgrade of automotive and mobility systems and components that are essential for delivering and improving the environmental performance of the vehicle.	Vehicle-related business
9. Professional, scientific and technical activities		
9.1 Close to market research, development and innovation	Research, applied research and experimental development of solutions, processes, technologies, business models and other products dedicated to the reduction, avoidance or removal of greenhouse gas emissions for which the ability to reduce, remove or avoid greenhouse gas emissions in the target economic activities has at least been demonstrated in a relevant environment, corresponding to at least Technology Readiness Level 6.	Power Engineering

Economic activities in vehicle-related business

Economic activity 3.3 Manufacture of low-carbon technologies for transport

We allocate all activities in our vehicle-related business associated with the development, production, sale (including financial services), operation and servicing of vehicles to this economic activity. This includes all passenger cars, light commercial vehicles, trucks, buses and motorcycles manufactured by us, irrespective of their powertrain technology, and also includes genuine parts.

In our vehicle-related business, we have detailed the vehicles manufactured by us by model and powertrain technology and analyzed the CO_2 emissions associated with them in accordance with the current regulations. In this way, we have identified those vehicles among all of our taxonomy-eligible vehicles that meet the screening criteria and with which the substantial contribution to climate change mitigation is measured. These include all of the Volkswagen Group's all-electric vehicles (BEVs). Until December 31, 2025, they also include passenger cars and light commercial vehicles with CO_2 emissions of less than 50 g/km in accordance with the WLTP. This encompasses the majority of our plug-in hybrids. Buses meeting the Euro 6 standard (Stage E) were also included until December 31, 2022.

Economic activity 3.18 Manufacture of automotive and mobility components

This economic activity was added to the EU Taxonomy in the reporting period to enable those components that play a key role in reducing greenhouse gas emissions also to be taken into account. To this activity, we allocate the sale to third parties of motors and powertrains produced by us for all-electric vehicles; this primarily comprises the sale of these components to our Chinese joint ventures.

At this stage, other activities that are directly associated with the primary vehicle-related business and that in our view should also be allocated to these economic activities have not yet been included or have been interpreted as not yet being taxonomy-eligible. This is because, as the rules of the EU Taxonomy currently stand, it is still unclear where to record them in accordance with the EU Taxonomy. These activities particularly include the sale of additional engines and powertrains, as well as parts deliveries, the sale of non-Group products and production under license by third parties. Based on current assumptions, hedging transactions and individual activities that we present primarily under Other sales revenue in the consolidated financial statements cannot be classified as economic activities under the EU Taxonomy, and we have therefore initially classified them as not being taxonomy-eligible.

Economic activities in Power Engineering

In the Power Engineering Business Area, we have analyzed our activities with respect to their classification under the EU Taxonomy and, with the exception of the business of building new heavy fuel oil engines and individual components for the extraction and processing of fossil fuels, have identified them as taxonomy-eligible. To enable us to also demonstrate the substantial contribution made by individual activities to climate change mitigation, we have developed a systematic method of calculating life-cycle greenhouse gas (GHG) emissions that is based on parameters and is suitable for the building of both individual machines and systems. This approach has been verified for some first projects by an independent third party and will be extended to other applications in future.

Economic activity 3.2 Manufacture of equipment for the production and use of hydrogen

Our activities in relation to the manufacture of equipment for the production of hydrogen are taxonomy-eligible: they include the electrolyzers we manufacture and the complete hydrogen systems we build. To meet the substantial contribution criteria, evidence of the life-cycle GHG emissions of the hydrogen later produced by the equipment's user must also be provided. This depends on the source of the energy used for electrolysis.

The manufacture of equipment for the use of hydrogen, which is required for a hydrogen-based supply of energy and raw materials, makes a substantial contribution to climate change mitigation. This equipment includes the compressors we manufacture for the transport, compression, or liquefaction of hydrogen, tanks and equipment for the storage of hydrogen, and reactors and equipment for processing hydrogen into hydrogen-based synthetic fuels.

Economic activity 3.6 Manufacture of other low-carbon technologies

The description of this economic activity means that only those technologies manufactured for the purpose of reducing greenhouse gas emissions substantially in other sectors of the economy are taxonomy-eligible. At Volkswagen, this comprises all new-build activities that enable the use of gas and climate-neutral synthetic fuels (e.g. manufacturing of gas and dual-fuel engines), all industrial solutions for energy storage and sector coupling (e.g. heat pumps) and all carbon capture, utilization and storage (CCUS) technology. These activities are rounded off by the service and after-sales business, comprising the upgrading and modernization of existing equipment. For example, we retrofit existing maritime fleets with technology that makes it possible to reduce CO_2 emissions.

To count as a substantial contribution to economic activity 3.6, we must demonstrate that the use of the product reported here enables substantial life-cycle GHG emission savings compared to the best-performing alternative available on the market. Examining the life-cycle GHG emissions of the product itself does not suffice; the difference from the emissions of the alternative technology must also be calculated and evaluated. For this purpose, we apply the systematic method based on parameters that is used to calculate life-cycle GHG emissions to the CCUS industrial solutions, large-scale heat pumps, energy storage systems and paper industry applications manufactured by us.

Economic activity 9.1 Close to market research, development and innovation

The description of this economic activity includes applied research in technologies for the reduction or avoidance of greenhouse gas emissions. We allocate our licensing business to this economic activity. In the course of such business we provide our development services in the form of production documents, based on which our licensees are authorized to manufacture corresponding gas and/or dual-fuel engines.

DO NO SIGNIFICANT HARM (DNSH)

The DNSH criteria were analyzed in the reporting year for economic activities covered by 3.3 Manufacture of low-carbon technologies for transport, 3.18 Manufacture of automotive and mobility components, 3.2 Manufacture of equipment for the production and use of hydrogen and 3.6 Manufacture of other low-carbon technologies.

In the vehicle-related business, an analysis was performed largely at the level of the production sites where passenger cars, light commercial vehicles, trucks, buses and components are or will be produced that meet the screening criteria for the substantial contribution of economic activities 3.3 Manufacture of low-carbon technologies for transport and 3.18 Manufacture of automotive and mobility components, or that are to meet them in future according to our five-year planning, and based on current regulations. Of the approximately 40 sites included, the majority are located in the EU, with some in the United Kingdom, Türkiye, South Africa, the USA, Mexico, Brazil, Argentina, China and India. We also included the sites that manufacture specific components for electric vehicles.

For the Power Engineering Business Area, an analysis was performed largely at the level of the production sites that produce relevant components for systems or are responsible for supply chains that meet the screening criteria for the substantial contribution of economic activities 3.2 Manufacture of equipment for the production and use of hydrogen and 3.6 Manufacture of other low-carbon technologies, or that are to meet them in future according to our five-year planning. These comprise five sites in Germany, one in Switzerland and one in Sweden.

The wording and terminology used in the EU Taxonomy are subject to some uncertainty in interpretation. To some extent, the Taxonomy goes beyond the regulations to be applied in regular business operations. In addition, the application of the EU Taxonomy to sites outside the EU leads to particular challenges due to the possibility of diverging legislation. Below, we set out our interpretation and describe the main analyses we used to examine whether there was any significant harm to the other environmental objectives. Our assessments confirmed that we met the requirements of the DNSH criteria in the reporting year in the vehicle-related business at the sites producing passenger cars, light commercial vehicles and components, at the sites of the European truck and bus brands, and in the Power Engineering Business Area.

Climate change adaptation

We performed a climate risk and vulnerability assessment to identify which production sites may be affected by physical climate risks. The physical climate risks we identified were assessed on the basis of the lifetime of the relevant fixed asset.

Volkswagen's climate-based DNSH assessment is based on the Representative Concentration Pathway (RCP8.5) and on the Shared Socioeconomic Pathway (SSP5-8.5) scenario to the year 2050 and thus assumes the highest concentration of CO_2 according to the Intergovernmental Panel on Climate Change (IPCC). The relevance of the identified threats was assessed for the local environment and, if appropriate, the measures needed to mitigate the risk were developed.

Sustainable use and protection of water and marine resources

We evaluated our economic activities with respect to the sustainable use and protection of water and marine resources looking at the three following criteria: preserving water quality, avoiding water stress, and an environmental compatibility assessment (EIA or comparable process). Risks identified in an EIA are examined during the approval process and, if relevant, result in measures and regulatory requirements. We based the analysis primarily on ISO 14001 certificates, information from site approvals and other external data sources related to sites with a high risk exposure.

Transition to a circular economy

Environmentally compatible waste management in the manufacturing process, reuse and use of secondary raw materials and a long product lifespan are major aspects of Volkswagen's environmental management system. Volkswagen defines guidelines on the circular economy in its environmental principles, in its overall factory white paper and in its goTOzero strategy.

The product-related requirements for passenger cars and light commercial vehicles are taken into account through implementation of the statutory end-of-life vehicle requirements in conjunction with the type approval of the vehicle models. In addition to this, each brand has targets and measures for the use of recycled materials in new vehicles.

For trucks and buses, a review was conducted at the level of each brand to establish the extent to which local legislation or internal rules and regulations cover the specific requirements.

In the Power Engineering Business Area, a major lever for the circular economy can be found particularly in a long product lifespan, supported among other things by our retrofitting business.

Pollution prevention and control

To be considered environmentally sustainable, an economic activity may not significantly increase air, water or soil pollutant emissions as compared with the situation before the activity started.

Overall, the automotive sector is already tightly regulated, as demonstrated for example by the publicly accessible Global Automotive Declarable Substance List (GADSL). Approval and monitoring processes have been implemented with the aim of ensuring compliance with the legal requirements and internal rules and regulations applicable to regular business operations. In this context, we also already consider the use of alternative substances in our analyses and assessments.

In July 2023, the European Commission revised the DNSH criterion of the EU Taxonomy. There is room for interpretation as to the effect that the changed requirements will have on internal processes related to the assessment of substitution options for substances of very high concern (SVHC) in the 2023 reporting year.

In the vehicle-related business, standards and processes stipulating in principle that SVHCs should be avoided and substituted are already in place. On this basis, our analyses look at the substances contained in the process materials used in production and in the vehicle-related components of our all-electric vehicles, and at the suppliers of these materials and components, in order to assess whether the SVHCs can be substituted, taking into account factors such as technical and economic criteria. We use pilot projects to test the processes and documentation for assessing substitution options in accordance with the amended EU Taxonomy requirements. It has not yet been possible to verify whether the sites of the truck and bus brands that operate only outside the European Economic Area comply with the new regulations due to factors such as the inadequate lead time for implementation.

In the Power Engineering Business Area, the corresponding processes include surveys relating to the substitution assessments and guidelines for performing these assessments.

Protection and restoration of biodiversity and ecosystems.

In order to verify adherence to the requirements on biodiversity and ecosystems, the relevant areas were identified. Where biodiversity-sensitive areas are located close to a production site, we checked whether a nature conservation assessment had been performed and whether nature conservation measures had been defined in the environmental approvals and subsequently implemented. We also checked whether changes had occurred in an area's conservation status.

MINIMUM SAFEGUARDS

The minimum safeguards consist of the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the Fundamental Conventions of the International Labour Organization (ILO) and the International Bill of Human Rights. The assessments confirm that we meet the requirements of the minimum safeguards in the reporting year.

As a business with a global presence, the Volkswagen Group accepts its corporate responsibility for human rights, fully recognizes these conventions and declarations and reaffirms its agreement with the contents and principles stated therein. In 2022, the Volkswagen Group appointed a Human Rights Officer, whose duties relate primarily to monitoring, checking and advising within the meaning of the *Lieferkettensorgfaltspflichtengesetz* (LkSG – German Supply Chain Due Diligence Act).

The LkSG imposes certain due diligence obligations designed to avoid risks associated with human rights and the environment. These obligations include the performance of risk analyses, the integration of preventive measures, remedial measures and the provision of a complaints mechanism. The due diligence obligations apply both to the Volkswagen Group's own business area and to the Group's supply chain. In the reporting year, the departments responsible performed a risk analysis using questionnaire-based surveys of the Group companies of the Volkswagen Group's own business area; this included all sites that were also examined under the DNSH criteria. The companies were given risk-specific measures to counteract the risks identified in the analysis, and were required to implement these. For risks that are already known, we have begun to revise and initiate preventive measures and to supplement these with other measures where appropriate. The status of implementation of the respective measures is continuously monitored by the Group. If infringements of the frameworks are identified, remedial measures must be initiated and checked for their effectiveness.

Relationships with our business partners are based on agreements such as the Code of Conduct for Business Partners. We review compliance by the relevant suppliers with the binding requirements defined in the Code using sustainability ratings. We address existing sustainability risks and violations of sustainability principles by systematically defining and allocating packages of measures to correct the violations; we also apply this approach to the upstream supply chain. In addition, we also conducted training for suppliers and on-site audits at suppliers with a high risk exposure in the reporting period. We implemented a Human-Rights-Focus-System in 2022 to comply with international frameworks and requirements and specifically the LkSG. The system aims to identify particularly high risks in our supply chain in connection with human rights violations and the environment and to manage these appropriately.

KEY PERFORMANCE INDICATORS IN ACCORDANCE WITH THE EU TAXONOMY REGULATION

The EU Taxonomy defines sales revenue, capital expenditure and operating expenditure as the key performance indicators that must be reported on. We explain these below. The tables required by the EU Taxonomy are included at the end of the section.

The financial figures relevant for the Volkswagen Group are taken from the IFRS consolidated financial statements for fiscal year 2023. As we differentiate between economic activities, we have avoided double counting. Where possible, the figures within an economic activity have been allocated directly. In our vehicle-related business, for example, we compiled the financial figures based on the vehicle model and powertrain technology. This applies both to the vehicles themselves and to the corresponding financial services and other services and activities. Only where this was not possible for capital expenditure and operating expenditure were allocation formulas used based on the planned vehicle volumes. In the Power Engineering Business Area, we used allocation formulas based on planned sales revenue. This data and planning form part of the medium-term financial planning for the next five years on which the Board of Management and Supervisory Board have passed a resolution.

Sales revenue

The definition of turnover in the EU Taxonomy corresponds to the sales revenue reported in the IFRS consolidated financial statements. This amounted to €322.3 billion in fiscal year 2023 (see also note on "Sales revenue" in the notes to the consolidated financial statements; the prior-year figures were adjusted – see disclosures on IFRS 17).

Of this total, €294.0 billion, or 91.2% of Group sales, was attributable to economic activity 3.3 Manufacture of low-carbon technologies for transport, and was classified as taxonomy-eligible. This includes sales revenue after sales allowances from the sale of new and used vehicles including motorcycles, from genuine parts, from the rental and lease business, and from interest and similar income, as well as sales revenue directly related to the vehicles, such as workshop and other services.

Economic activity 3.18 Manufacture of automotive and mobility components accounted for taxonomy-eligible sales revenue of €165 million or 0.1% of Group sales. This includes the sale of all-electric vehicle motors and powertrains to third parties.

Of the taxonomy-eligible sales revenue from economic activity 3.3 Manufacture of low-carbon technologies for transport, €36.6 billion met the screening criteria used to measure the substantial contribution to climate change mitigation. This includes all of our all-electric vehicles and a large proportion of our plug-in hybrids. In 2023, there were 799 thousand such vehicles, around one third more than in the previous year. Their share of the relevant sales volume – excluding the vehicles from the Chinese joint ventures – rose to 12.7 (11.1)%. Passenger cars and light commercial vehicles made up the bulk at 797 thousand vehicles; trucks and buses were down compared with the previous year, when buses that met the requirements of the Euro-6 E standard were still counted. Sales of all-electric vehicles (BEV) increased very sharply compared with the prior year. In addition, the taxonomy-eligible sales revenue from economic activity 3.18 Manufacture of automotive and mobility components met the screening criteria used to measure the substantial contribution to climate change mitigation.

Taking into account the DNSH criteria and minimum safeguards, €36.5 (26.1) billion of the sales revenue generated from our vehicle-related business, equating to 11.3 (9.4)% of consolidated sales revenue, was taxonomy-aligned. Of this figure, €165 million related to economic activity 3.18 Manufacture of automotive and mobility components, which is being reported for the first time, while €27.8 billion or 8.6% of consolidated sales revenue was attributable to our BEV models.

In the Power Engineering Business Area, our activities that fall under economic activity 3.2 Manufacture of equipment for the production and use of hydrogen generated completely taxonomy-aligned sales revenue of €28 million (previous year: €18 million). The increase in taxonomy-aligned sales revenue is attributable to the expansion of the business. Most of our taxonomy-eligible sales revenue in the Power Engineering Business Area was attributable to economic activity 3.6 Manufacture of other low-carbon technologies (€3.1 billion), €68 million of which is taxonomy-aligned. In the reporting year, the complex evidential requirements were fulfilled for a portion of the activities for the first time. A further €58 million was contributed to taxonomy-eligible sales revenue by economic activity 9.1 Close to market research, development and innovation.

Of the Volkswagen Group's total sales revenue in fiscal year 2023,

> €297.4 (256.9) billion, or 92.3 (92.0)%, was taxonomy-eligible sales revenue and
> €36.6 (26.1) billion, or 11.4 (9.4)%, was taxonomy-aligned sales revenue.

SALES REVENUE 2023

	SALES REVENUE		SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION		COMPLI-ANCE WITH DNSH CRITERIA	COMPLI-ANCE WITH MINIMUM SAFE-GUARDS	TAXONOMY-ALIGNED SALES REVENUE	
Economic activities	€ million	%[1]	€ million	%[1]	Y/N	Y/N	€ million	%[1]
A. Taxonomy-eligible activities	**297,359**	**92.3**	**36,847**	**11.4**	**Y/N**	**Y**	**36,644**	**11.4**
Vehicle-related business								
3.3 Manufacture of low-carbon technologies for transport	294,049	91.2	36,586	11.4	Y/N	Y	36,383	11.3
of which taxonomy-aligned BEVs							27,759	8.6
3.18 Manufacture of automotive and mobility components	165	0.1	165	0.1	Y	Y	165	0.1
Power Engineering								
3.2 Manufacture of equipment for the production and use of hydrogen	28	0.0	28	0.0	Y	Y	28	0.0
3.6 Manufacture of other low-carbon technologies	3,059	0.9	68	0.0	Y	Y	68	0.0
9.1 Close to market research, development and innovation	58	0.0	-	-	-	-	-	-
B. Taxonomy-non-eligible activities	**24,925**	**7.7**						
Total (A + B)	**322,284**							

1 All percentages relate to the Group's total sales revenue.

Capital expenditure

Capital expenditure for the purposes of the EU Taxonomy refers to the following items in the IFRS consolidated financial statements: additions to intangible assets, additions to property, plant and equipment, and additions to lease assets and investment property. These are reported in the notes to the 2023 consolidated financial statements in the notes on "Intangible assets", "Property, plant and equipment" and "Lease assets and investment property". Additions from business combinations, each of which is reported under "Changes in consolidated Group", are also included. By contrast, additions to goodwill are not included in the calculation.

In fiscal year 2023, additions in the Volkswagen Group as defined above amounted to

- €12.3 billion from intangible assets,
- €14.8 billion from property, plant and equipment and
- €33.0 billion from lease assets (mainly vehicle leasing business) and investment property.

Other additions to be included resulted from changes in the consolidated Group, amounting to €1.4 billion in fiscal year 2023. Total capital expenditure to be included in accordance with the EU Taxonomy therefore came to €61.5 billion.

All capital expenditure attributable to our vehicle-related business is associated with economic activity 3.3 Manufacture of low-carbon technologies for transport. Taxonomy-eligible capital expenditure for the vehicle-related business amounted to €61.1 billion, or 99.4% of the Group's capital expenditure.

To determine the substantial contribution in the vehicle-related business, we compiled the financial figures based on the vehicle model and powertrain technology in the same way as for sales revenue. Where possible, capital expenditure was directly attributed to vehicles. It was included if the vehicles in question make a substantial contribution to the climate change mitigation objective. Any capital expenditure directly attributable to vehicles that do not meet the screening criteria was not included. Capital expenditure that was not clearly attributable to a particular vehicle was taken into account on a proportionate basis using allocation formulas. In our vehicle-related business, we developed allocation formulas based on planned vehicle volumes for the Group companies. In the sales companies, for example, we used allocation formulas related either to individual brands or to all brands, depending on the primary business activity, while site-based allocation formulas were used for production companies. This means that capital expenditure was counted in full via the allocation formulas for sites that according to our medium-term planning will produce only vehicles meeting the screening criteria for the substantial contribution in the next five years. In contrast, capital expenditure on sites that only produce vehicles not meeting the screening criteria was not counted under the allocation formula. Calculated in this way, capital expenditure relating to vehicles that meet the screening criteria for the substantial contribution amounted to €20.1 billion.

Taking into account the DNSH criteria and minimum safeguards, capital expenditure of €20.0 (16.9) billion was taxonomy-aligned. This represented 32.6 (34.5) % of the Group's total capital expenditure. Of this figure, €5.9 billion was attributable to intangible assets, €6.3 billion to property, plant and equipment and €7.9 billion to lease assets and investment property. The figure includes additions to capitalized development costs of €4.9 billion and additions to property, plant and equipment of €6.1 billion for our all-electric vehicles (BEV). The increase in taxonomy-aligned capital expenditure of €3.1 billion is attributable to the growing number of environmentally sustainable vehicle projects under the EU Taxonomy.

In the reporting period, we refinanced taxonomy-aligned capital expenditure from fiscal years 2021 and 2022 based on the Green Finance Framework updated in October 2022 by issuing green bonds in the amount of €3.5 billion. Only capital expenditure in connection with all-electric vehicles was included here.

In 2022, Scania issued a green bond totaling SEK 3.0 billion to finance research and development activities relating to all-electric vehicles. The remaining €91 million was used in the reporting period; of this amount, €46 million was attributable to taxonomy-aligned capital expenditure. Adjusted for this figure, taxonomy-aligned capital expenditure attributable to the vehicle-related business accounted for 32.5 (34.3)% of total capital expenditure in accordance with the EU Taxonomy.

€37 million of the taxonomy-eligible capital expenditure in the Power Engineering Business Area is attributable to economic activity 3.2 Manufacture of equipment for the production and use of hydrogen and €85 million is attributable to economic activity 3.6 Manufacture of other low-carbon technologies. For the latter, capital expenditure was broken down based on planned sales revenue.

Taxonomy-aligned capital expenditure for the manufacture of equipment for the production and use of hydrogen was disclosed in the amount of €37 million, half of which was attributable to intangible assets and half to property, plant and equipment. Capital expenditure amounting to €24 million for the manufacture of other low-carbon technologies was disclosed as taxonomy-aligned, more than 90% of this was attributable to property, plant and equipment.

Of the Volkswagen Group's total capital expenditure in fiscal year 2023,
- €61.3 (48.9) billion, or 99.6 (99.6)%, was taxonomy-eligible capital expenditure and
- €20.1 (16.9) billion, or 32.7 (34.5)%, was taxonomy-aligned capital expenditure.

CAPITAL EXPENDITURE 2023

	CAPITAL EXPENDITURE		SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION		COMPLI-ANCE WITH DNSH CRITERIA	COMPLI-ANCE WITH MINIMUM SAFE-GUARDS	TAXONOMY-ALIGNED CAPITAL EXPENDITURE	
Economic activities	€ million	%[1]	€ million	%[1]	Y/N	Y/N	€ million	%[1]
A. Taxonomy-eligible activities	**61,250**	**99.6**	**20,188**	**32.8**	**Y/N**	**Y**	**20,091**	**32.7**
Vehicle-related business								
3.3 Manufacture of low-carbon technologies for transport	61,129	99.4	20,126	32.7	Y/N	Y	20,029	32.6
of which additions to capitalized development costs for BEVs							4,920	8.0
of which additions to property, plant and equipment for BEVs							6,107	9.9
3.18 Manufacture of automotive and mobility components	-	-	-	-	-	-	-	-
Power Engineering								
3.2 Manufacture of equipment for the production and use of hydrogen	37	0.1	37	0.1	Y	Y	37	0.1
3.6 Manufacture of other low-carbon technologies	85	0.1	24	0.0	Y	Y	24	0.0
9.1 Close to market research, development and innovation	-	-	-	-	-	-	-	-
B. Taxonomy-non-eligible activities	**221**	**0.4**						
Total (A + B)	**61,472**							

1 All percentages relate to the Group's total capital expenditure.

Operating expenditure

The operating expenditure reported by us for the purposes of the EU Taxonomy comprises both non-capitalized research and development costs, which can be taken from the note on "Intangible assets", and the expenditure for short-term leases recognized in our consolidated financial statements, which can be found in the note on "IFRS 16 (Leases)", as well as expenditure for maintenance and repairs.

The allocation of operating expenditure to the economic activities followed the same logic as that described for capital expenditure.

All operating expenditure attributable to the vehicle-related business is associated with economic activity 3.3 Manufacture of low-carbon technologies for transport and has been classified as taxonomy-eligible.

Where possible, non-capitalized research and development costs were directly attributed to vehicles. They were included if the vehicles in question make a substantial contribution to the climate change mitigation objective. We did not include any non-capitalized research and development costs directly attributable to vehicles that do not meet the screening criteria. Non-capitalized research and development costs that were not clearly attributable to a particular vehicle were taken into account on a proportionate basis using allocation formulas. For these and other operating expenses, allocation formulas were used, similarly to capital expenditure. Of the taxonomy-aligned operating expenditure of €5.7 (4.9) billion, around 85% was attributable to non-capitalized research and development costs. The absolute value of the increase in taxonomy-aligned operating expenditure is attributable to the growing number of environmentally sustainable vehicle projects under the EU Taxonomy.

Including the share of the bond issued by Scania attributable to taxonomy-aligned operating expenditure, the share of taxonomy-aligned operating expenditure declined from 43.2 (42.7)% to 42.9 (42.0)% of total operating expenditure in accordance with the EU Taxonomy.

€9 million of the taxonomy-eligible operating expenditure in the Power Engineering Business Area is attributable to economic activity 3.2 Manufacture of equipment for the production and use of hydrogen and €219 million is attributable to economic activity 3.6 Manufacture of other low-carbon technologies. For the latter, operating expenditure that could not be directly allocated was broken down based on planned sales revenue.

Taxonomy-aligned operating expenditure for the manufacture of equipment for the production and use of hydrogen was disclosed in the amount of €9 (4) million and was attributable to non-capitalized research and development costs. €61 million of the operating expenditure was disclosed for the manufacture of other low-carbon technologies, nearly two-thirds of which was attributable to non-capitalized research and development costs. Operating expenditure that could not be directly allocated was broken down on the basis of the planned taxonomy-aligned sales revenue.

OPERATING EXPENDITURE 2023

Economic activities	Operating expenditure € million	Operating expenditure %[1]	Substantial contribution to climate change mitigation € million	Substantial contribution to climate change mitigation %[1]	Compliance with DNSH criteria Y/N	Compliance with minimum safeguards Y/N	Taxonomy-aligned operating expenditure € million	Taxonomy-aligned operating expenditure %[1]
A. Taxonomy-eligible activities	**13,120**	**98.9**	**5,834**	**44.0**	**Y/N**	**Y**	**5,807**	**43.8**
Vehicle-related business								
3.3 Manufacture of low-carbon technologies for transport	12,893	97.2	5,764	43.5	Y/N	Y	5,737	43.2
3.18 Manufacture of automotive and mobility components	-	-	-	-	-	-	-	-
Power Engineering								
3.2 Manufacture of equipment for the production and use of hydrogen	9	0.1	9	0.1	Y	Y	9	0.1
3.6 Manufacture of other low-carbon technologies	219	1.6	61	0.5	Y	Y	61	0.5
9.1 Close to market research, development and innovation	-	-	-	-	-	-	-	-
B. Taxonomy-non-eligible activities	**145**	**1.1**						
Total (A + B)	**13,265**							

1 All percentages relate to the Group's total operating expenditure.

CAPEX PLAN UNDER THE EU TAXONOMY

The EU Taxonomy requires the reporting to state the extent to which taxonomy-aligned capital and operating expenditures a) relate to assets or processes associated with environmentally sustainable economic activities or b) are part of a plan to expand taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned (CapEx plan). A CapEx plan under the EU Taxonomy shows the total capital expense, i.e. the sum of capital and operating expenditures expected to be incurred in the reporting period and during the five-year medium-term planning in order to expand taxonomy-aligned economic activities or allow taxonomy-eligible economic activities to become taxonomy-aligned.

For the vehicle-related business, the CapEx plan drawn up under the EU Taxonomy relates to economic activity 3.3 Manufacture of low-carbon technologies for transport within the climate change mitigation environmental objective.

Additions from lease assets (mainly vehicle leasing business) are based on existing environmentally sustainable activities and have therefore not been included in the CapEx plan. We allocated additions from intangible assets and property, plant and equipment, as well as non-capitalized research and development costs to the CapEx plan if they allow taxonomy-eligible economic activities to become taxonomy-aligned or lead to the expansion of taxonomy-aligned economic activities. For this, we compared the average taxonomy-aligned production volume from the medium-term planning with the taxonomy-aligned vehicles from the reporting period and allocated the taxonomy-aligned capital expenditure according to this ratio, whereby we also took into account the share exceeding the current taxonomy-aligned production volume.

As a result, €8 (9) billion of the taxonomy-aligned capital expenditure and €3 (3) billion of the taxonomy-aligned operating expenditure in the reporting period is attributable to the CapEx plan under the EU Taxonomy. The total capital expense from the CapEx plan under the EU Taxonomy that is expected to be incurred in the reporting period and during the five-year medium-term planning amounts to €90 (100) billion.

In the Power Engineering Business Area, the CapEx plan under the EU Taxonomy relates to economic activity 3.2 Manufacture of equipment for the production and use of hydrogen, and economic activity 3.6 Manufacture of other low-carbon technologies, both of which are listed in the climate change mitigation environmental objecttive.

In respect of the manufacture of equipment for the production and use of hydrogen, we allocated €36 (26) million of the taxonomy-aligned capital expenditure and €8 (4) million of the taxonomy-aligned operating expenditure to the CapEx plan based on the ratio of sales revenue in the reporting period to the average sales revenue envisaged in the medium-term planning. The total capital expense from this CapEx plan under the EU Taxonomy that is expected to be incurred in the reporting period and during the medium-term planning amounts to approximately €455 (300) million.

In respect of the manufacture of other low-carbon technologies, we allocated €23 million of the taxonomy-aligned capital expenditure and €37 million of the taxonomy-aligned operating expenditure to the CapEx plan based on the ratio of sales revenue in the reporting period to the average sales revenue envisaged in the medium-term planning. The total capital expense from this CapEx plan under the EU Taxonomy that is expected to be incurred in the reporting period and during the medium-term planning amounts to approximately €380 million.

TABULAR PRESENTATION IN ACCORDANCE WITH THE EU TAXONOMY

SALES REVENUE 2023

Economic activities	Code	Sales revenue	Proportion of sales revenue 2023	Criteria for a significant contribution: Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	DNSH criteria (Do No Significant Harm): Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Taxonomy-aligned (A.1) or taxonomy-eligible (A.2) proportion of sales revenue 2022	Enabling activities category	Transition activities category
		€ million	%[1]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%[1]	E	T
A. Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
Manufacture of low-carbon technologies for transport	CCM 3.3	36,383	11.3	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	9.4	E	
Manufacture of automotive and mobility components	CCM 3.18	165	0.1	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	-	E	
Manufacture of equipment for the production and use of hydrogen	CCM 3.2	28	0.0	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	0.0	E	
Manufacture of other low-carbon technologies	CCM 3.6	68	0.0	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	-	E	
Sales revenue from environmentally sustainable activities (taxonomy-aligned) (A.1)		**36,644**	**11.4**	**11.4**	**-**	**-**	**-**	**-**	**-**		**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**9.4**		
Of which enabling activities		36,644	11.4	11.4	-	-	-	-	-		Y	Y	Y	Y	Y	Y	9.4	E	
Of which transition activities		-	-	-							-	-	-	-	-	-	-		
A.2 Taxonomy-eligible but not environmentally sustainable activities (activities that are not taxonomy-aligned)				**EL; N/EL[3]**	**EL; N/EL[3]**	**EL; N/EL[3]**	**EL; N/EL[3]**	**EL; N/EL[3]**	**EL; N/EL[3]**										
Manufacture of low-carbon technologies for transport	CCM 3.3	257,666	80.0	EL	N/EL	N/EL	N/EL	N/EL	N/EL								81.8		
Manufacture of other low-carbon technologies	CCM 3.6	2,991	0.9	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.9		
Close to market research, development and innovation	CCM 9.1	58	0.0	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0		
Sales revenue from taxonomy-eligible but not environmentally sustainable activities (activities that are not taxonomy-aligned) (A.2)		**260,715**	**80.9**	**80.9**	**-**	**-**	**-**	**-**	**-**								**82.7**		
Sales revenue from taxonomy-eligible activities (A.1 + A.2)		**297,359**	**92.3**	**92.3**	**-**	**-**	**-**	**-**	**-**								**92.0**		
B. Taxonomy-non-eligible activities																			
Sales revenue from activities that are not taxonomy-eligible (B)		24,925	7.7																
Total (A + B)		**322,284**	**100.0**																

1 All percentages relate to the Group's total sales revenue.
2 Y: Yes, taxonomy-eligible activity and taxonomy-aligned with the relevant environmental objective; N: No, taxonomy-eligible activity but not taxonomy-aligned with the relevant environmental objective; N/EL: 'Not eligible', activity not taxonomy-eligible for the relevant environmental objective.
3 EL: Taxonomy-eligible activity for the relevant objective; N/EL: Activity that is not taxonomy-eligible for the relevant objective.

CAPITAL EXPENDITURE 2023

Economic activities	Code	CapEx	Proportion of CapEx 2023	CRITERIA FOR A SIGNIFICANT CONTRIBUTION: Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	DNSH CRITERIA (DO NO SIGNIFICANT HARM): Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Taxonomy-aligned (A.1) or taxonomy-eligible (A.2) proportion of CapEx 2022	Enabling activities category	Transition activities category
		€ million	%[1]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%[1]	E	T
A. Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
Manufacture of low-carbon technologies for transport	CCM 3.3	20,029	32.6	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	34.5	E	
Manufacture of equipment for the production and use of hydrogen	CCM 3.2	37	0.1	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	0.1	E	
Manufacture of other low-carbon technologies	CCM 3.6	24	0.0	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	-	E	
CapEx from environmentally sustainable activities (taxonomy-aligned) (A.1)		**20,091**	**32.7**	**32.7**	**-**	**-**	**-**	**-**	**-**		**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**34.5**		
Of which enabling activities		20,091	32.7	32.7	-	-	-	-	-		Y	Y	Y	Y	Y	Y	34.5	E	
Of which transition activities		-	-	-							-	-	-	-	-	-	-		
A.2 Taxonomy-eligible but not environmentally sustainable activities (activities that are not taxonomy-aligned)				EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]										
Manufacture of low-carbon technologies for transport	CCM 3.3	41,099	66.9	EL	N/EL	N/EL	N/EL	N/EL	N/EL								64.9		
Manufacture of other low-carbon technologies	CCM 3.6	60	0.1	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1		
CapEx from taxonomy-eligible but not environmentally sustainable activities (activities that are not taxonomy-aligned) (A.2)		**41,160**	**67.0**	**67.0**	**-**	**-**	**-**	**-**	**-**								**65.1**		
CapEx from taxonomy-eligible activities (A.1 + A.2)		**61,250**	**99.6**	**99.6**	**-**	**-**	**-**	**-**	**-**								**99.6**		
B. Taxonomy-non-eligible activities																			
CapEx from activities that are not taxonomy-eligible (B)		221	0.4																
Total (A + B)		**61,472**	**100.0**																

1 All percentages relate to the Group's total capital expenditure.
2 Y: Yes, taxonomy-eligible activity and taxonomy-aligned with the relevant environmental objective; N: No, taxonomy-eligible activity but not taxonomy-aligned with the relevant environmental objective; N/EL: 'Not eligible', activity not taxonomy-eligible for the relevant environmental objective.
3 EL: Taxonomy-eligible activity for the relevant objective; N/EL: Activity that is not taxonomy-eligible for the relevant objective.

OPERATING EXPENDITURE 2023

				CRITERIA FOR A SIGNIFICANT CONTRIBUTION						DNSH CRITERIA (DO NO SIGNIFICANT HARM)									
	Code	OpEx	Proportion of OpEx 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Taxonomy-aligned (A.1) or taxonomy-eligible (A.2) proportion of OpEx 2022	Enabling activities category	Transition activities category
Economic activities		€ million	%[1]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y; N; N/EL[2]	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%[1]	E	T
A. Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
Manufacture of low-carbon technologies for transport	CCM 3.3	5,737	43.2	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	42.7	E	
Manufacture of equipment for the production and use of hydrogen	CCM 3.2	9	0.1	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	0.0	E	
Manufacture of other low-carbon technologies	CCM 3.6	61	0.5	Y	N/EL	N/EL	N/EL	N/EL	N/EL		Y	Y	Y	Y	Y	Y	-	E	
OpEx from environmentally sustainable activities (taxonomy-aligned) (A.1)		**5,807**	**43.8**	**43.8**	**-**	**-**	**-**	**-**	**-**		**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**42.7**		
Of which enabling activities		5,807	43.8	43.8	-	-	-	-	-		Y	Y	Y	Y	Y	Y	42.7	E	
Of which transition activities		-	-	-							-	-	-	-	-	-	-		
A.2 Taxonomy-eligible but not environmentally sustainable activities (activities that are not taxonomy-aligned)				EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]	EL; N/EL[3]										
Manufacture of low-carbon technologies for transport	CCM 3.3	7,156	53.9	EL	N/EL	N/EL	N/EL	N/EL	N/EL								54.4		
Manufacture of other low-carbon technologies	CCM 3.6	158	1.2	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.7		
OpEx from taxonomy-eligible but not environmentally sustainable activities (activities that are not taxonomy-aligned) (A.2)		**7,314**	**55.1**	**55.1**	**-**	**-**	**-**	**-**	**-**								**56.1**		
OpEx from taxonomy-eligible activities (A.1 + A.2)		**13,120**	**98.9**	**98.9**	**-**	**-**	**-**	**-**	**-**								**98.9**		
B. Taxonomy-non-eligible activities																			
OpEx from activities that are not taxonomy-eligible (B)		145	1.1																
Total (A + B)		**13,265**	**100.0**																

1 All percentages relate to the Group's total operating expenditure.
2 Y: Yes, taxonomy-eligible activity and taxonomy-aligned with the relevant environmental objective; N: No, taxonomy-eligible activity but not taxonomy-aligned with the relevant environmental objective; N/EL: 'Not eligible', activity not taxonomy-eligible for the relevant environmental objective.
3 EL: Taxonomy-eligible activity for the relevant objective; N/EL: Activity that is not taxonomy-eligible for the relevant objective.

Report on Expected Developments

The global economy is expected to grow in 2024, albeit at a slower pace. Global demand for passenger cars will probably vary from region to region and increase slightly year-on-year.

In the following, we describe the expected development of the Volkswagen Group and the general framework for its business activities. Risks and opportunities that could represent a departure from the forecast trends are presented in the Report on Risks and Opportunities.

Our assumptions are based on current estimates by third-party institutions. These include economic research institutes, banks, multinational organizations and consulting firms.

DEVELOPMENTS IN THE GLOBAL ECONOMY

Our planning is based on the assumption that global economic output will grow overall in 2024 compared with 2023, albeit at a slower pace. The persistently high inflation in major economic regions and the resulting restrictive monetary policy measures taken by central banks are expected to continue to dampen consumer demand. We continue to believe that risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, continuing geopolitical tensions and conflicts are weighing on growth prospects; risks are associated in particular with the Russia-Ukraine conflict and the confrontations in the Middle East. We assume that both the advanced economies and the emerging markets will show positive momentum on average, but with below-average growth in gross domestic product (GDP).

We also expect the global economy to recover in 2025 and continue a path of stable growth until 2028.

Europe/Other Markets

In Western Europe, we expect a comparatively low rate of economic growth in 2024. The relatively high overall level of inflation, albeit projected to taper off further as the year goes on, poses a major challenge for consumers and companies alike, as do the relatively high interest rates. It is therefore possible that the European Central Bank (ECB) might make the first cuts in key rates of interest as early as 2024 to support the eurozone economy.

We likewise anticipate a higher growth rate compared with the prior year in Central Europe in 2024 with continuing but less dynamic price increases. Meanwhile, economic output in Eastern Europe should recover further following the heavy slump in 2022 as a result of the Russia Ukraine conflict and the relatively strong increase in 2023.

For Türkiye we expect positive, albeit slower GDP growth than in the reporting year given high inflation and a weak local currency. The South African economy will probably be characterized by political uncertainty and social tensions again in 2024 resulting from high unemployment, among other factors. Growth is expected to be higher than in the previous year but remain at a low level.

Germany

We expect only low growth in GDP in Germany in 2024. Meanwhile, averaged over the year, we anticipate that inflation will fall further but remain relatively high. The labor market situation is likely to deteriorate.

North America

We anticipate subdued economic growth in the USA in 2024, accompanied by a worsening labor market situation. Similarly to the ECB, it is possible that the US Federal Reserve might start cutting its key interest rate as early as 2024. Further inflationary trends will play a decisive role in possible adjustments to the key rate, as will developments in the labor market and in the general economic situation. Economic growth in Canada is likely to be at a relatively low level, while economic output in Mexico is expected to expand at a somewhat faster pace by comparison.

South America

In all probability, the Brazilian economy will record a slightly positive rate of growth in 2024. In Argentina, economic output is likely to deteriorate further with very high and rising inflation levels and depreciation of the local currency.

Asia-Pacific

The Chinese economy is expected to grow at a relatively high level in 2024, albeit at a somewhat lower rate than in the reporting year. We likewise expect a relatively high rate of positive GDP growth for the Indian economy in 2024. Japan is expected to post only low growth in economic output.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

The trend in the automotive industry closely follows global economic developments. We assume that competition in the international automotive markets will intensify further. Crisis-related disruption to the global supply chain and the resulting impact on vehicle availability may weigh on the volume of new registrations. Uncertainty may also arise from shortages of intermediates and commodities. These may be further exacerbated by the consequences of the Russia-Ukraine conflict and the confrontations in the Middle East and may, in particular, lead to rising prices for materials and a declining availability of energy.

We predict that trends in the markets for passenger cars in the individual regions will be mixed but predominantly positive in 2024. Overall, the global volume of new car sales is expected to be slightly higher than in the previous year. We are forecasting growing demand for passenger cars worldwide in the period from 2025 to 2028.

Trends in the markets for light commercial vehicles in the individual regions will be mixed; on the whole, we expect the sales volume for 2024 to be slightly above the previous year’s figure. For the years 2025 to 2028, we expect demand for light commercial vehicles to increase globally.

Europe/Other Markets

For 2024, we anticipate that the volume of new passenger car registrations in Western Europe will be slightly higher than that recorded in the reporting year. Limited vehicle availability as a result of the shortages of intermediates and commodities may continue to weigh on the volume of new registrations. For the major individual markets of France, the United Kingdom, Italy and Spain, we expect growth in 2024 to varying degrees between slight and noticeable.

For light commercial vehicles, we expect the volume of new registrations in Western Europe in 2024 to be noticeably up on the previous year's level. Limited vehicle availability as a result of the shortages of intermediates and commodities may continue to weigh on the volume of new registrations. We expect a noticeable to significant increase in France and the United Kingdom. In Italy, we anticipate that registrations will fall slightly, whereas we expect slight growth in Spain.

Sales of passenger cars in 2024 are expected to significantly exceed the prior-year figures overall in markets in Central and Eastern Europe – subject to the further development of the Russia-Ukraine conflict. We expect a mixed development in the major markets of this region.

Subject to the further development of the Russia-Ukraine conflict, registrations of light commercial vehicles in the markets of Central and Eastern Europe are expected to fall slightly short of the prior-year figures in 2024.

The volume of new registrations for passenger cars in Türkiye in 2024 is projected to fall considerably short of the previous year's high level. In South Africa, the market volume is likely to be up noticeably year-on-year.

The volume of new registrations for light commercial vehicles in 2024 is expected to fall very sharply in Türkiye but to be noticeably above the prior-year figure in South Africa.

Germany

In the German passenger car market, we expect the volume of new registrations in 2024 to be slightly up on the prior-year level.

We anticipate that the number of registrations of light commercial vehicles in 2024 will also be slightly up on the previous year's figure.

North America

The sales volume in the markets for passenger cars and light commercial vehicles (up to 6.35 tonnes) in North America overall and in the USA in 2024 is forecast to be slightly higher than the level seen in the previous year. Demand will probably remain highest for models in the SUV and pickup segments. New registrations of all-electric vehicles are also expected to increase strongly. In Canada, too, a slight increase is expected in the number of new registrations compared to the previous year. For Mexico, we also expect a slight increase in new registrations compared with the reporting year.

South America

Owing to their dependence on demand for raw materials worldwide, the South American markets for passenger cars and light commercial vehicles are heavily influenced by developments in the global economy. We anticipate a slight increase overall in new registrations in the South American markets in 2024 compared with the previous year. The market volume in Brazil is expected to increase noticeably compared with 2023. We anticipate that the volume of new registrations in Argentina will be slightly lower year-on-year.

Asia-Pacific

The passenger car markets in the Asia-Pacific region are expected to be slightly up on the prior-year level in 2024. We estimate that the market volume in China will also be slightly higher than the comparative figure for 2023. Plug-in hybrid models with long ranges are likely to be increasingly in demand. A weaker than expected economic recovery or worsening geopolitical tensions may have adverse effects. In particular, the trade dispute between China and the United States is likely to continue to weigh on business and consumer confidence, as long as there is no resolution in sight. We project that the Indian and Japanese markets will remain at the prior-year level.

The volume of new registrations for light commercial vehicles in the Asia-Pacific region in 2024 will probably be slightly higher than the previous year's figure. We are expecting demand in the Chinese market to be slightly lower than the prior-year level. For India, we are forecasting that the volume in 2024 will be on a level with the reporting year. In the Japanese market, we estimate that volumes will be slightly lower year-on-year.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

For 2024, we expect to see a noticeable downward trend in new registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes compared with the previous year in the markets that are relevant for the Volkswagen Group, with variations from region to region.

A noticeable decline in the market is expected in the 27 EU countries excluding Malta, but plus the United Kingdom, Norway and Switzerland (EU27+3). A large part of the pent-up demand for trucks from recent years was already met in the reporting year, meaning that demand will return to normal in 2024. We anticipate that Türkiye will see a significant drop in demand. In South Africa, we expect demand to be on a level with the previous year. The truck market in North America is divided into weight classes 1 to 8. We expect a noticeable decrease in new registrations in the segments relevant for Volkswagen – Class 6 to 8 (8.85 tonnes or heavier). After a weak 2023 impacted by new emissions legislation, we estimate that demand in Brazil will pick up again and be noticeably higher than in the previous year.

On average, we anticipate that the relevant truck markets will remain at a steady level for the years 2025 to 2028.

A noticeable year-on-year increase in demand is anticipated for 2024 in the bus markets relevant for the Volkswagen Group, whereby this will vary depending on the region. In the EU27+3 region, we expect demand on a level with the previous year. We forecast a significant increase in demand for school buses in the USA and Canada. For the bus market in Mexico, we anticipate a significant decline in volumes on account of the very strong trend in the reporting year. New registrations in Brazil will probably be on a level with the prior-year figure.

Overall, we expect demand for buses to be steady on average across the relevant markets for the period from 2025 to 2028.

TRENDS IN THE MARKETS FOR POWER ENGINEERING

For 2024, we generally expect the market environment in the Power Engineering Business Area to remain challenging. The current geopolitical situation and the development of energy and commodity prices will continue to generate uncertainty in virtually all markets.

The market volume in merchant shipping in 2024 is expected to remain at a stable level compared with the reporting year. Rising demand for new bulk carriers and tankers is anticipated, while demand for container ships and LNG tankers is expected to be at a lower level. The areas outside merchant shipping are likely to reach a higher level than in 2023. We expect to see an improvement in the cruise ship business due to the renewed rise in demand for travel activities. The passenger ferry market is also expected to grow. We continue to anticipate a stable high level of demand for government vessels. In the offshore sector, further new order volumes for special applications are expected, such as for special offshore ships for wind turbines. Overall, we predict that the marine market will reach a similar level to that seen in the 2023 reporting year, with sustained competitive and price pressure. The general focus will continue to be on building new highly efficient ships that meet future emissions targets.

The market for power generation will remain in upheaval in 2024. Uncertainty in relation to sustainable and future-proof power generation will be prevalent, particularly in countries that have established clear climate-neutrality targets. In these countries, the framework conditions required to expand the infrastructure for carbon-neutral fuels are often not yet fully developed. This remains a reason for cautious investment behavior. In the core business, we see a need for decentralized, hydrogen-ready power plants, primarily in Europe. Outside Europe, demand for ammonia-capable engines will increase. With an increasing proportion of renewable energy in the distribution networks, a further rise in demand for balancing facilities is expected around the world. These are used to meet power requirements if darkness and lack of wind mean that the share of renewables is not sufficient to ensure security of supply. A positive trend in demand for large electrolyzers as well as for power-to-methane and power-to-methanol plants continues to be expected. We see a very dynamic global competitive environment in these areas with new providers and international partnerships. Alongside the risks posed by a continued lack of price stability in the markets and by bottlenecks in supply chains, we expect strong competition and price pressure – both in the core business and for power-to-X solutions.

In turbomachinery, we expect sustained demand in 2024 for new applications relating to the energy transition and climate protection. Our traditional business will decline somewhat from a high level, primarily in oil and gas production. We nevertheless expect that the production plants will continue to be well utilized, assuming the level of competition seen to date is sustained.

Both in the after-sales market for engines in the marine and power plant business and in the after-sales market for turbomachinery, we anticipate continued robust demand in 2024 albeit below the level of the reporting year, with the fraught geopolitical situation generating uncertainty.

For the period 2025 to 2028, we expect to see growing demand in the power engineering markets. However, the extent and timing of this growth will vary in the individual business fields. It also remains to be seen how long the markets will be adversely affected by the major influential factors of global conflicts and energy sector trends.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

We assume that automotive financial services will prove highly important to global vehicle sales in 2024. The continuing shortages of intermediates and commodities may generate uncertainty, exacerbated by the consequences of the Russia-Ukraine conflict and the confrontations in the Middle East. Furthermore, the increased interest rates could put pressure on the demand for financial services. We expect demand to rise in emerging markets where market penetration has so far been low. Regions with established automotive financial services markets will probably see a continuation of the trend towards achieving mobility at the lowest possible total cost. The shift from financing to lease contracts that has begun in the European financial services business with individual customers will continue. Integrated end-to-end solutions, which include mobility-related service modules such as insurance and innovative packages of services, are likely to become increasingly important. Additionally, we expect that demand will increase for new forms of mobility, such as rental and car subscription services, and for integrated mobility services, for example parking, refueling and charging. We anticipate an increase in the importance of direct business between manufacturers and customers. The seamless integration of financial services into the online vehicle offering will become increasingly important in the promotion of this type of business. We estimate that this trend will also persist in the years 2025 to 2028.

In the mid-sized and heavy commercial vehicles category, we are seeing rising demand for financial services products in the emerging markets. In these countries in particular, financing solutions support vehicle sales and are thus an essential component of the sales process. In the developed markets, we expect to see increased demand for telematics services and services aimed at reducing total cost of ownership in 2024. This trend is also expected to persist in the period 2025 to 2028.

EXCHANGE RATE TRENDS

In 2023, the euro appreciated slightly against the US dollar on an annual average. This followed a prior year in which the euro had been relatively weak due to the high uncertainty surrounding developments in the global economy. The euro also appreciated slightly against sterling on an annual average basis. Changes in the euro against the currencies of the emerging markets were mixed. In particular, the Argentinian peso and Turkish lira lost value against the European single currency due to the persistent, extremely high rates of inflation. Against the Brazilian real, the euro's value was virtually unchanged on an annual average. By contrast, the Mexican peso was on average significantly stronger against the European single currency than in the year 2022. The Chinese renminbi, the currencies of several emerging markets in Asia, and the South African rand depreciated against the euro year-on-year. For 2024, we expect the euro to appreciate slightly against the US dollar and to remain at a similar level against sterling as in the reporting year. We assume that the Chinese renminbi, Brazilian real, Mexican peso, South African rand and Turkish lira will depreciate to varying degrees. Due to the difficult economic situation in Argentina and the uncertainty following the presidential election, the Argentinian peso is expected to depreciate sharply. For 2025 to 2028, we expect that the euro will be stable against the key currencies, while the comparative weakness of the currencies in the aforementioned emerging markets will probably continue. However, there is still a general event risk, defined as the risk arising from unforeseeable market developments.

INTEREST RATE TRENDS

The turnaround in monetary policy, which began in many countries in 2022 due to the persistently high inflation rates – partly as a result of the Russia-Ukraine conflict – continued in the reporting year. Global interest rates rose further in fiscal year 2023. National central banks in nearly all of the major Western industrialized nations made corresponding adjustments to their key interest rates to further moderate the in some cases persistent and comparatively high rates of inflation. Interest rates were also raised in many emerging markets. Whether there will be further changes in key interest rates in 2024 in the respective countries will depend firstly on the development of inflation and secondly on the scale of a possible economic downturn. Overall, we expect a relatively slight increase in interest rates on average in 2024 compared to 2023. For the years 2025 to 2028, we estimate that interest rates will persist at a relatively high level.

COMMODITY PRICE TRENDS

Following a year of relatively high volatility and price increases for many raw and input materials in 2022 due to the Russia-Ukraine conflict, the commodity markets largely eased in fiscal year 2023. Overall, commodity prices were at a lower level compared with 2022. Compared with the previous year as a whole, the average prices for the commodities coking coal, cobalt, lithium, crude oil, nickel, aluminum and natural rubber fell significantly. The average decline in prices for the commodities copper and lead were less pronounced by comparison. Averaged over the year, the prices of the precious metals rhodium and palladium also recorded a significant decline, while the price of platinum remained stable compared with the prior year. For 2024, we expect prices for some commodities to continue to fall due to the technological transformation and as a result of surplus supplies. For the majority of commodities, however, we expect prices to rise given the anticipated recovery in the global economy. We anticipate continued volatility in the commodity markets for the period from 2025 to 2028.

MODEL INNOVATIONS IN 2024

The Volkswagen Passenger Cars brand will bring the all-electric ID.7 Tourer to the market in 2024. The T-Cross and Tiguan models will receive a product upgrade. The ninth generation of the Passat, which is based on the enhanced Modular Transverse Toolkit (MQB Evo), will also launch. An update to the latest generation of the iconic Golf will mark the 50th anniversary of the bestseller.

Škoda will introduce the new Kodiaq and the fourth generation of the Superb in 2024. The Octavia will receive a product upgrade. The brand will also present the all-electric Elroq in the second half of the year.

The CUPRA brand will introduce the sporty Tavascan SUV, its second all-electric model after the Born. CUPRA will also present the electrified Terramar SUV. The Formentor will be available with a new generation of plug-in hybrid drives, offering ranges up to approximately 100 km in electric mode. The Born will receive a product upgrade.

SEAT will upgrade the Leon in both the 5-door and Estate versions. A new generation of plug-in hybrid drives enables longer ranges in electric mode. The Arona product line will gain a limited FR edition.

Audi is presenting a wide range of new models in 2024 – most notably the all-electric Q6 e-tron and A6 e-tron, which are launching on the electric PPE platform. Among combustion-engine vehicles, the updated A5 family and the Q5 will follow in the second half of the year. The A3 model range already received an extensive update at the beginning of the year.

Porsche is planning updated versions of several model lines in 2024 including the Macan and the Panamera, as well as the introduction of other product highlights.

Bentley will expand its portfolio of hybrid vehicles in 2024.

With the California CONCEPT, Volkswagen Commercial Vehicles was already looking ahead to the New California in 2023, which is set to arrive on the market in 2024.

The TRATON GROUP will continue to advance e-mobility and autonomous driving.

MAN will bring its first all-electric long-haul trucks to the market in 2024 – the MAN eTGX for long-distance transport and the MAN eTGS for delivery traffic.

Volkswagen Truck & Bus will introduce its eDelivery model to further markets.

Navistar is implementing the integrated 13-liter powertrain across a broad product portfolio – the second brand in the TRATON GROUP to do so.

Alongside the DesertX Rally, Ducati is introducing the Hypermotard 698 Mono with a powerful new single-cylinder engine in 2024. The Multistrada V4 S Grand Tour and the sporty Multistrada V4 RS will join the popular Multistrada family.

INVESTMENT AND FINANCIAL PLANNING

To meet people's needs for individual, sustainable, fully connected mobility and thus increase the Volkswagen Group's future viability, we will continue to mobilize our strengths in innovation and technology and push Volkswagen's transformation into becoming a provider of sustainable mobility. We aim to use our economies of scale and maximize synergies.

In our current planning for 2024, most of the capex (investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs) will be spent on new products, the ongoing electrification of our sites and model portfolio, and the further development of our platforms. Examples include the all-electric platform for our volume brands – the Modular Electric Drive Toolkit (MEB) – and the Premium Platform Electric (PPE) for our vehicles in the premium and sports segment. With the Scalable Systems Platform (SSP), we are also developing a successor platform that is meant to combine the requirements of the volume, premium and luxury brands and generate high levels of synergy in the future. We are also placing emphasis on the growing digitalization of our vehicles and sites and increasing our capital expenditure on these. There will also be a strong focus on creating battery manufacturing capacity with the aim of establishing a battery supply chain under our own control. This particularly applies to the North American market, where we have significantly expanded our activities by launching the new Scout brand. Attention will also be directed towards a growing presence in the Chinese market, where we will also increase our local activities.

Besides capex, investing activities will also cover additions to capitalized development costs. Like capex, they reflect, among other things, upfront expenditures in connection with updating and electrifying the model range as well as for digitalization and technologies of the future. Also included are the services of CARIAD, which is the company synergistically developing the software architecture of the future for Group brand vehicles.

With the investments in our facilities and models, as well as in the development of electrified drives, platforms and in digitalization, we are laying the foundation for profitable, sustainable growth at Volkswagen. These investments also include commitments arising from decisions taken in previous fiscal years. The Automotive investment ratio is expected to be between 13.5% and 14.5% in 2024.

We aim to finance the investments in our Automotive Division from our own capital resources and expect cash flows from operating activities to exceed the Automotive Division's investment requirements. We expect net cash flow for 2024 to be between €4.5 and €6.5 billion. This will include in particular investments for the future and cash outflows from mergers and acquisitions for the battery business field, which represent a vital pillar of the Volkswagen Group's transformation. Net liquidity in the Automotive Division in 2024 is expected to be between €39 billion and €41 billion.

These plans are based on the Volkswagen Group's current structures.

Our equity-accounted joint ventures in China are not included in the figures above. For 2024, these joint ventures plan to invest in e-mobility, further optimization of the model portfolio, the development of new mobility solutions and digitalization. Their capex will probably exceed the 2023 level and be financed from the companies' own funds.

In the Financial Services Division, we are planning lower investment in 2024 than in the previous year. We expect the development of lease assets and of receivables from leasing, customer and dealer financing to lead to funds tied up in working capital, of which almost half will be financed from the gross cash flow. As is common in the sector, the remaining funding requirements will be met primarily through unsecured bonds on the money and capital markets, the issuing of asset-backed securities, customer deposits from the direct banking business, and through the use of international credit lines.

SUMMARY OF EXPECTED DEVELOPMENTS

Our planning is based on the assumption that global economic output will grow overall in 2024 compared with 2023, albeit at a slower pace. The persistently high inflation in major economic regions and the resulting restrictive monetary policy measures taken by central banks are expected to dampen consumer demand. We continue to believe that risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, continuing geopolitical tensions and conflicts are weighing on growth prospects; risks are associated in particular with the Russia-Ukraine conflict and the confrontations in the Middle East. We assume that both the advanced economies and the emerging markets will show positive momentum on average, but with below-average growth in gross domestic product (GDP).

The trend in the automotive industry closely follows global economic developments. We assume that competition in the international automotive markets will intensify further. Crisis-related disruption to the global supply chain and the resulting impact on vehicle availability may weigh on the volume of new registrations. Uncertainty may also arise from shortages of intermediates and commodities. These may be further exacerbated by the consequences of the Russia-Ukraine conflict and the confrontations in the Middle East and may, in particular, lead to rising prices for materials and a declining availability of energy.

We predict that trends in the markets for passenger cars in the individual regions will be mixed but predominantly positive in 2024. Overall, the global volume of new car sales is expected to be slightly higher than in the previous year. For 2024, we anticipate that the volume of new passenger car registrations in Western Europe will be slightly higher than that recorded in the reporting year. In the German passenger car market, we expect the volume of new registrations in 2024 to also be slightly up on the prior-year level. Sales of passenger cars in 2024 are expected to significantly exceed the prior-year figures overall in markets in Central and Eastern Europe – subject to the further development of the Russia-Ukraine conflict. The volume of sales in the markets for passenger cars and light commercial vehicles (up to 6.35 tonnes) in North America in 2024 is forecast to be slightly higher than the level seen the previous year. We also anticipate a slight increase in new registrations in the South American markets in 2024 compared with the previous year. Likewise, the passenger car markets in the Asia-Pacific region are expected to be slightly up on the prior-year level in 2024.

Trends in the markets for light commercial vehicles in the individual regions will be mixed; on the whole, we expect the sales volume for 2024 to be slightly above the previous year's figure.

For 2024, we expect to see a noticeable downward trend in new registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes compared with the previous year in the markets that are relevant for the Volkswagen Group, with variations from region to region. A noticeable year-on-year increase in demand is anticipated for 2024 in the bus markets relevant for the Volkswagen Group, whereby this will vary depending on the region.

We assume that automotive financial services will prove highly important to global vehicle sales in 2024.

In a challenging market environment, we anticipate that deliveries to customers by the Volkswagen Group in 2024 will increase by up to 3% compared to the previous year.

Challenges will arise in particular from the economic situation, the increasing intensity of competition, volatile commodity, energy and foreign exchange markets, and more stringent emissions-related requirements.

We expect the sales revenue of the Volkswagen Group and the Passenger Cars Business Area to exceed the previous year's figure by up to 5% in 2024. The operating return on sales for the Volkswagen Group and the Passenger Cars Business Area is likely to be between 7.0% and 7.5%. For the Commercial Vehicles Business Area, we anticipate an operating return on sales of 8.5% to 9.5%, also amid a year-on-year increase of up to 5% in sales revenue. In the Power Engineering Business Area, we expect sales revenue to be up to 2% above the prior-year figure and operating profit to be in the low three-digit-million euro range. For the Financial Services Division, we forecast an increase of 3–7% in sales revenue compared with the prior year and an operating result in the range of €4.0 billion.

In the Automotive Division, we are assuming an investment ratio of between 13.5% and 14.5% in 2024. We expect net cash flow in 2024 to be between €4.5 billion and €6.5 billion. This will include in particular investments for the future and cash outflows from mergers and acquisitions for the battery business field, which are a vital pillar of the Volkswagen Group's transformation. Net liquidity in the Automotive Division in 2024 is expected to be between €39 billion and €41 billion. Our goal remains unchanged, namely, to continue with our robust financing and liquidity policy.

Report on Risks and Opportunities

(CONTAINS THE REPORT IN ACCORDANCE WITH SECTION 289(4) OF THE HGB)

Promptly identifying the risks and opportunities arising from our business activities and taking a forward-looking approach to managing them is crucial to our Company's long-term success. A comprehensive risk management system and an internal control system help the Volkswagen Group deal with risks in a responsible manner.

In this section, we first explain the objective and structure of the Volkswagen Group's Risk Management System (RMS) and Internal Control System (ICS) and describe these systems, also with regard to the financial reporting process. We then outline the main risks and opportunities arising in our business activities.

OBJECTIVE OF THE RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

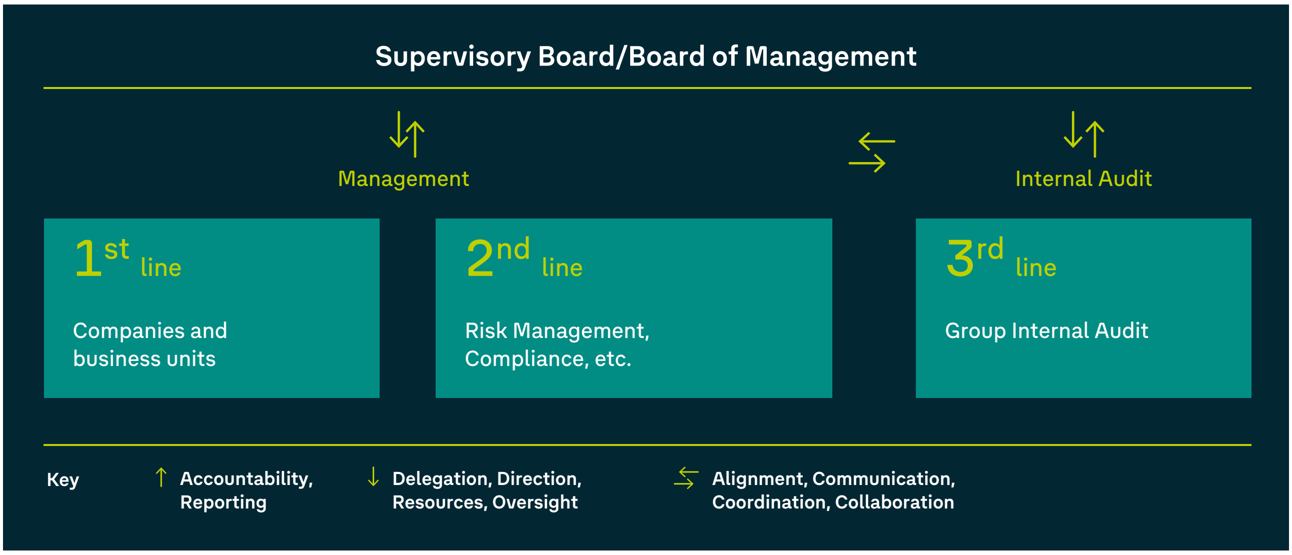
Only by promptly identifying, accurately assessing and effectively and efficiently managing the risks and opportunities arising from our business activities can we ensure the Volkswagen Group's long-term success. The aim of the RMS and the ICS is to identify potential risks at an early stage so that suitable countermeasures can be taken to avert the threat of loss to the Company, and any risks that might jeopardize its continued existence can be ruled out.

Assessing the likelihood of occurrence and extent of future events and developments is, by its nature, subject to uncertainty. We are therefore aware that even the best RMS cannot foresee all potential risks and even the best ICS can never completely prevent irregular acts.

STRUCTURE OF THE RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

The organizational design of the Volkswagen Group's RMS and ICS is based on the internationally recognized COSO framework for enterprise risk management (COSO: Committee of Sponsoring Organizations of the Treadway Commission). The purpose of structuring the RMS/ICS in accordance with the COSO framework for enterprise risk management is so that potential risk areas are covered in full. Uniform Group principles are used as the basis for managing risks in a standardized manner. Opportunities are not recorded in the RMS processes.

THE VOLKSWAGEN THREE LINES MODEL



Another key element of the RMS and ICS at Volkswagen is the Three Lines Model, which is required by, among other bodies, the European Confederation of Institutes of Internal Auditing (ECIIA). In line with this model, the Volkswagen Group's RMS and ICS has three lines designed to protect the Company from significant risks occurring.

The minimum requirements for the RMS and ICS, including the Three Lines Model, are set out in guidelines for the entire Group and are regularly reviewed and refined. In addition, regular training is offered on the RMS and ICS.

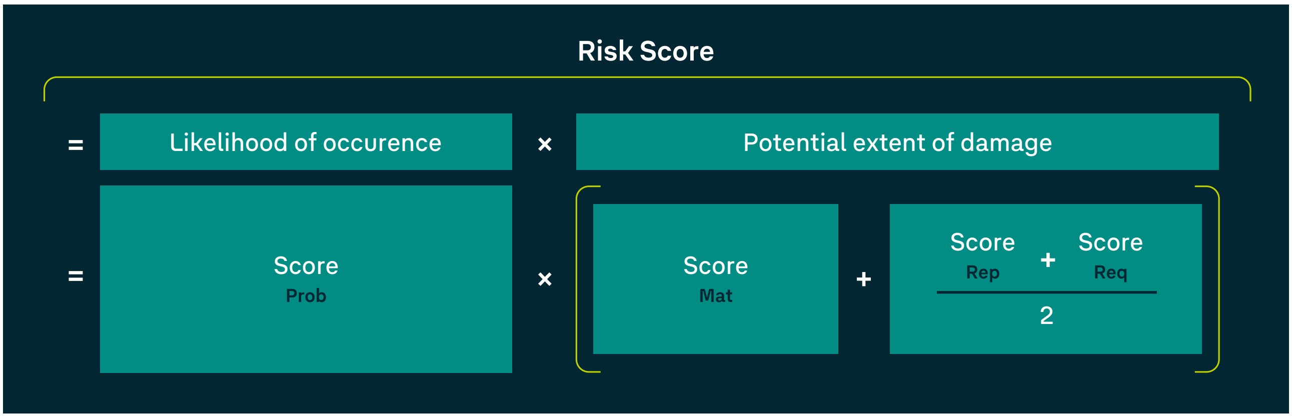
A separate Group Board of Management Committee for Risk Management deals with the key aspects of the RMS and ICS every quarter. Its tasks are as follows:

- to further increase transparency in relation to significant risks to the Group and their management,
- to discuss specific issues where these constitute a significant risk to the Group,
- to make recommendations on the further development of the RMS and ICS,
- to support the open approach to dealing with risks and promote an open risk culture.

First line: Operational risk management and ICS

The first line comprises the operational risk management and internal control systems at the individual Group companies and business units. The RMS and ICS are integral parts of the Volkswagen Group's structure and workflows. Events that may give rise to risk are identified and assessed locally in the divisions and at the Group companies. Countermeasures are introduced, the remaining potential impact is assessed, and, if necessary, the information incorporated into the planning in a timely manner. Material risks are reported to the relevant committees on an ad hoc basis. The results of the operational risk management process are incorporated into planning and financial control on an ongoing basis. The targets agreed in the planning rounds are therefore continually reviewed in revolving planning updates. At the same time, the results of risk mitigation measures are promptly incorporated into the monthly forecasts regarding further business development. This means that the Board of Management also has access to an overall picture of the current risk situation via the documented reporting channels during the year.

CALCULATION OF THE RISK SCORE



Second line: Group Risk Management and ICS

Each quarter, in addition to the ongoing operational risk management, the Group Risk Management department sends standardized surveys regarding the risk situation and the implementation of countermeasures – through the quarterly risk process (QRP) – to all Group brands and significant Group companies. The risks are identified and approved in a multiple-party verification process and then checked for plausibility by Group Risk Management.

A score is calculated for each risk by multiplying the likelihood of occurrence (Prob) by the potential extent of the damage. This enables comparison of the risks. The extent of the damage is calculated from the criteria of financial loss (Mat) and reputational damage (Rep) and the potential threat to adherence to external legal requirements (Req). A score between 0 and 10 is assigned to each of these criteria. The measures taken to manage and control risk are taken into account in the risk assessment (net perspective).

The score for a likelihood of occurrence of more than 50% in the analysis period is classified as high; for a medium classification, the likelihood of occurrence is at least 25%. For the criterion of financial loss, the score rises in line with the loss; the highest score of 10 is reached when the potential loss is upwards of €1 billion. The criterion of reputational damage can have characteristics ranging from local erosion of confidence and loss of trust at local level to loss of reputation at regional or international level. The potential threat to adherence to external legal requirements is classified based on the potential impact on the local company, the brand or the Group.

In addition to strategic, operational and reporting risks, risks arising from potential compliance violations (compliance risks) and from sustainability issues (ESG) are also integrated into this process.

Volkswagen Financial Services AG and Volkswagen Bank GmbH have implemented their own RMS and ICS processes and regularly report to Group Risk Management.

To review the Volkswagen Group's risk-bearing capacity, Group Risk Management uses the risk reports for a regular comparison of the aggregated risk situation and risk-bearing capacity. A simulation is used to check whether individual risks might become a going-concern risk if they are aggregated. There were no indications of insufficient risk-bearing capacity at the Volkswagen Group in the 2023 fiscal year.

Risk reporting to the committees of Volkswagen AG depends on materiality thresholds. Risks with a risk score of 40 or more or potential financial loss of €1 billion or more are presented quarterly to the Board of Management and the Audit Committee of the Supervisory Board of Volkswagen AG. In addition, the reporting includes all risks from the QRP with a risk score of 20.

In addition, significant changes to the risk situation that can arise in the short term, for instance from unexpected external events, are reported to the Board of Management as required. This is necessary if the risk may lead to potential financial loss of €1 billion or more and the likelihood of occurrence is estimated at greater than 50%.

In recent years, a standardized ICS to better protect against process risks has also been developed and put in place in significant companies. It continues to be introduced at further companies each year. The ICS thereby goes significantly beyond the requirements for the accounting-related ICS. In 25 catalogs of controls, the Group companies within its scope are presented with requirements in respect of the process risks and control objectives to be covered in order to protect the value chain in a standardized manner.

In addition to financial reporting issues, for example, they address process risks in development or production, as well as in the areas of compliance and sustainability. The catalogs of controls are checked at regular intervals to verify that they are up to date and are regularly expanded.

Key controls to cover process risks and control objectives are also tested for their effectiveness; any significant weaknesses identified are reported to the responsible bodies at Volkswagen AG and resolved in the departments.

Like the QRP, the standardized ICS is supported by the Risk Radar IT system.

We regularly optimize the RMS and ICS as part of our continuous monitoring and improvement processes. In the process, we give equal consideration to both internal and external requirements. As a component of the RMS, our Compliance Management System (CMS) is also subject to these control and adjustment mechanisms. External experts assist in the continuous enhancement of our RMS, CMS and ICS on a case-by-case basis.

Third line: Review by Group Internal Audit

Group Internal Audit helps the Board of Management to monitor the various divisions and corporate units within the Group. It regularly checks the risk early warning system and the structure and implementation of the RMS, ICS and compliance management system (CMS) as part of its independent audit procedures. The audit plan adopted by the Board of Management includes the first and second lines, i.e. the risk-mitigating functions in addition to the operational units.

RISK EARLY WARNING SYSTEM

The requirements for a risk early warning system are met by means of the RMS and ICS elements described above (first and second line). The Company’s risk situation is ascertained, assessed and documented and therefore also complies with legal requirements. Independently of this, the external auditors check both the processes and procedures implemented in this respect and the adequacy of the documentation on an annual basis. The plausibility and adequacy of the risk reports are examined via spot checks in detailed interviews with the divisions and companies concerned. The auditor examines the risk early warning system integrated in the Risk Management System with respect to its fundamental suitability to being able to identify risks that might jeopardize the Company's continued existence at an early stage and assesses the functionality of the risk early warning and monitoring system in accordance with section 317(4) of the HGB.

In addition, scheduled examinations as part of the audit of the annual financial statements are conducted at companies in the Financial Services Division. As a credit institution, Volkswagen Bank GmbH, including its subsidiaries, is subject to supervision by the European Central Bank, while Volkswagen Leasing GmbH as a financial services institution and Volkswagen Versicherung AG as an insurance company are subject to supervision by the relevant division of the *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin – the German Federal Financial Supervisory Authority). As part of the scheduled supervisory process and unscheduled audits, the competent supervisory authority assesses whether the requirements, strategies, processes and mechanisms ensure solid risk management and solid risk cover. Furthermore, the *Prüfungsverband deutscher Banken* (Auditing Association of German Banks) audits Volkswagen Bank GmbH from time to time.

Volkswagen Financial Services AG operates a risk early warning and management system. Its aim is to ensure that the locally applicable regulatory requirements are adhered to and at the same time to enable appropriate and effective risk management at Group level. Important components of it are regularly reviewed as part of the audit of the annual financial statements.

MONITORING THE EFFECTIVENESS OF THE RISK MANAGEMENT SYSTEM AND THE INTERNAL CONTROL SYSTEM

Reporting to the Board of Management and Supervisory Board of Volkswagen AG includes the results of the continuous monitoring and improvement of the RMS and ICS along with the evaluation of the Company-wide risk situation based on the QRP and the presentation of the results of the internal control process based on the standardized ICS and downstream control systems at individual brands.

On this basis, an overall conclusion is reached once a year on the adequacy and effectiveness of our RMS, CMS and ICS at a Volkswagen AG Board of Management meeting. The Board of Management has received no information to indicate that our RMS or ICS as a whole were inadequate or ineffective in fiscal year 2023.

Nevertheless, there are inherent limits to the effectiveness of any risk management, compliance management and control system. Even a system judged to be adequate and effective cannot, for example, ensure that all actually materializing risks will be identified in advance or that any process disruptions will be ruled out under all circumstances.

THE RISK MANAGEMENT AND INTEGRATED INTERNAL CONTROL SYSTEM IN THE CONTEXT OF THE FINANCIAL REPORTING PROCESS

The accounting-related part of the RMS and ICS that is relevant for the financial statements of Volkswagen AG and the Volkswagen Group as well as its subsidiaries comprises measures intended to ensure that the information required for the preparation of the financial statements of Volkswagen AG, the consolidated financial statements and the combined management report of the Volkswagen Group and Volkswagen AG is complete, accurate and transmitted in a timely manner. These measures are designed to minimize the risk of material misstatement in the accounts and in external reporting.

Main features of the Risk Management and integrated Internal Control System in the context of the financial reporting process

The Volkswagen Group's accounting is essentially organized along decentralized lines. For the most part, accounting duties are performed by the consolidated companies themselves or entrusted to the Group's shared service centers. In principle, the financial statements of Volkswagen AG and its subsidiaries prepared in accordance with the IFRSs and the Volkswagen IFRS Accounting Manual are transmitted to the Group in encrypted form. A standard market product is used for encryption.

The aim of the Volkswagen IFRS Accounting Manual, which has been prepared taking into consideration external expert opinions, is to ensure the application and assessment of uniform accounting policies based on the requirements applicable to the parent. In particular, it includes more detailed guidance on the application of legal requirements and industry-specific issues. Components of the reporting packages that are required to be prepared by the Group companies are also set out in detail there, and requirements have been established for the presentation and settlement of intragroup transactions and the balance reconciliation process that is based on these.

Control activities at Group level include analyzing and, if necessary, adjusting the data reported in the financial statements presented by the subsidiaries, taking into account the reports submitted by the auditors and the outcome of the meetings on the financial statements with representatives of the individual companies. These discussions address both the plausibility of the single-entity financial statements and specific significant issues at the subsidiaries. Alongside plausibility checks, other control mechanisms applied during the preparation of the single-entity and consolidated financial statements of Volkswagen AG include the clear delineation of areas of responsibility and the application of the "four eyes" principle.

The effectiveness of the Internal Control System in the context of the accounting process is systematically assessed in significant companies as part of the standardized ICS. This begins with a risk analysis and definition of controls with the aim of identifying significant risks for the financial reporting process. Regular tests based on samples are performed to evaluate the effectiveness of the controls. These form the basis for a self-evaluation of whether the controls are appropriately designed and effective.

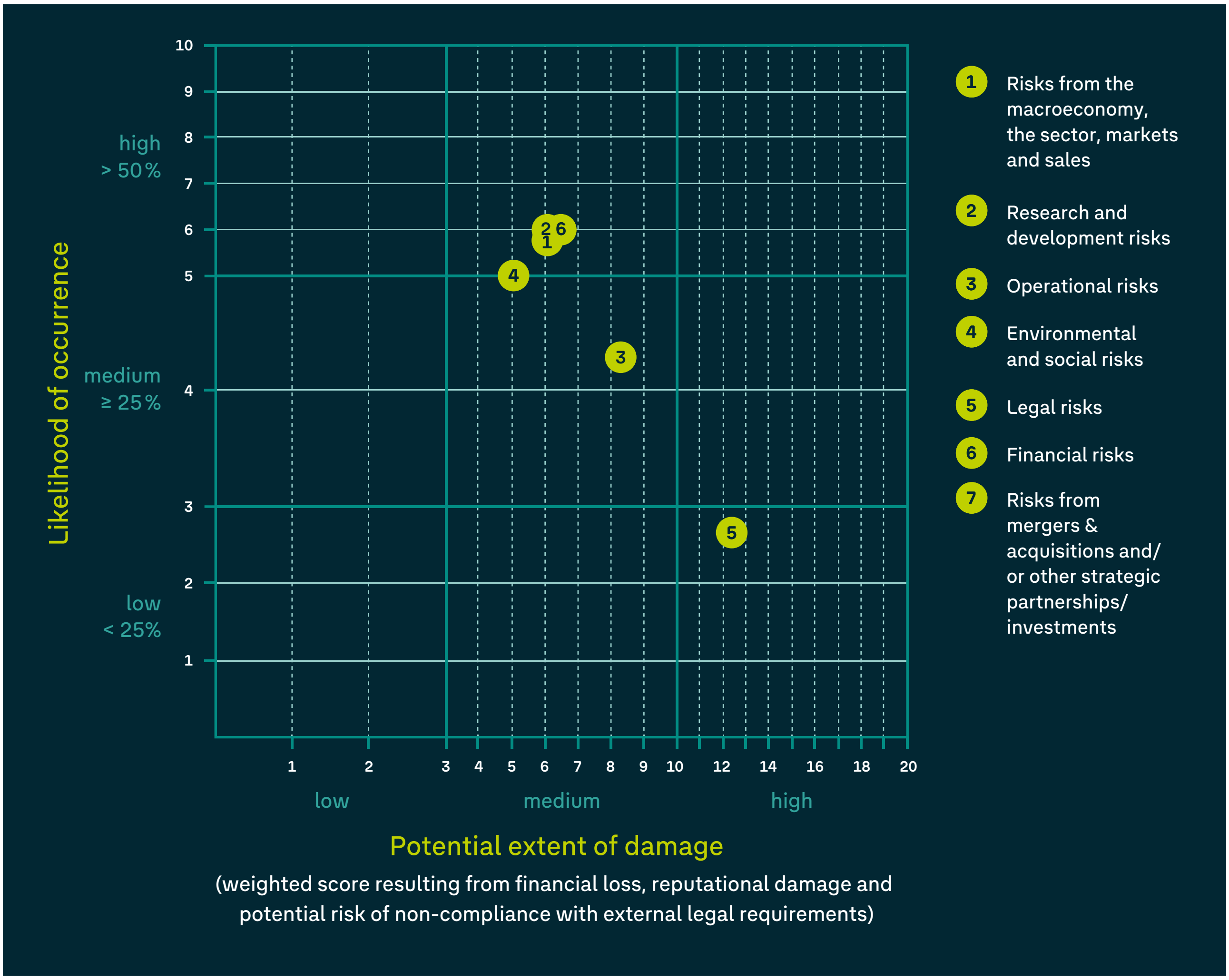
The combined management report of the Volkswagen Group and Volkswagen AG is prepared – in accordance with the applicable requirements and regulations – centrally but with the involvement of and in consultation with the Group units and companies.

In addition, the accounting-related Internal Control System is independently reviewed by Group Internal Audit in Germany and abroad.

Integrated consolidation and planning system

The Volkswagen consolidation and corporate management system (VoKUs) enables the Volkswagen Group to consolidate and analyze both Financial Reporting's backward-looking data and Controlling's forward-looking data. VoKUs offers centralized master data management, uniform reporting, an authorization concept and the required flexibility with regard to changes to the legal environment, providing a technical platform that benefits Group Financial Reporting and Group Controlling in equal measure. To verify data consistency, VoKUs has a multi-level validation system that primarily checks content plausibility between the balance sheet, the income statement and the notes.

AVERAGE SCORES OF THE RISK CATEGORIES



RISKS AND OPPORTUNITIES

In this section, we outline the main risks and opportunities arising in our business activities. In order to provide a better overview, we have grouped the risks and opportunities into categories. At the beginning of each risk category, we state the most significant risks in order of their importance as identified using the risk score from the QRP. We then describe the individual risks in no particular order. Unless explicitly mentioned, there were no material changes to the specific risks and opportunities compared with the previous year even though the weighting of individual risks has changed.

The assessment of the Volkswagen Group's risk categories and the reports to the Board of Management include amongst other items all risks reported to the Group Risk Management department with a risk score of 20 or more for the units included from the QRP. The risk categories are plotted based on the average scores. In the reporting year, no risks with such scores were reported for the "Risks from mergers & acquisitions and/or other strategic partnerships/investments" risk category.

We use analyses of the competition and the competitive environment in addition to market studies to identify not only risks but also opportunities that have a positive impact on the design of our products, the efficiency with which they are produced, their success in the market and our cost structure. Where they can be assessed, risks and opportunities that we expect to occur are already reflected in our medium-term planning and our forecast. The following therefore reports on internal and external developments as risks and opportunities that, based on existing information, may result in a negative or positive deviation from our forecast or targets.

Risks and opportunities from the macroeconomy, the sector, markets and sales

For this risk category, the likelihood of occurrence is classified as high (previous year: high) and the potential extent of damage is classified as medium (previous year: medium).

The most significant risks from the QRP arise from a negative influence on markets and unit sales driven among other factors by restrictions on trade and increasingly protectionist tendencies.

Macroeconomic risks and opportunities

We believe risks that could prevent or slow positive growth in global economic output arise primarily from a further escalation of the Russia-Ukraine conflict, the confrontations in the Middle East, turbulence in the financial, energy and other commodity markets, and supply shortages in connection with imbalances between supply and demand. These risks also arise from increasingly protectionist tendencies and structural deficits which pose a threat to the performance of individual advanced economies and emerging markets. In addition, there are increasing environmental challenges that affect individual countries and regions to varying degrees. The worldwide transition from an expansionary to a more restrictive monetary policy together with persistently high inflation also presents risks for the macroeconomic environment. High private- and public-sector debt in many countries is clouding the outlook for growth and may likewise cause markets to respond negatively. Demographic change may also inhibit growth. A decline in growth in key countries and regions often has an immediate impact on the state of the global economy and therefore poses a central risk.

The economic development of some emerging economies is being hampered primarily by dependence on energy and commodity prices and capital inflows, but also by socio-political tensions. Corruption, ineffective government structures and a lack of legal certainty can also pose risks.

Geopolitical tensions and conflicts, along with signs of fragmentation in the global economy, are a further major risk factor to the performance of individual countries and regions. In light of the existing, strong global interdependence, local developments could also have adverse effects on the world economy. Any escalation of the conflicts in the Middle East or Africa, and particularly of the conflict between Russia and Ukraine since February 2022, for example, could cause upheaval on the global energy and other commodity markets and exacerbate migration trends. An aggravation of the situation in East Asia could also put a strain on the global economy. The same applies to violent conflicts, terrorist activities, cyberattacks and the spread of infectious diseases, which may suddenly result in unexpected market reactions.

Overall, we expect the world economy to grow with a weaker momentum in 2024. However, due to the risk factors mentioned, as well as cyclical and structural aspects, a slump in global economic growth or a period of below-average growth rates is also possible.

The macroeconomic environment may also give rise to opportunities for the Volkswagen Group if actual developments turn out to be more positive than expected.

Sector-specific risks and market opportunities/potential

Western Europe, especially Germany, and China are our main sales markets. A drop in demand in these regions due to the economic climate would have a particularly strong impact on the Company’s earnings including financial services. We counter this risk with a clear, customer-oriented, innovative and synergistic product and pricing policy. To diversify our main sales markets, we are pursuing a long-term growth strategy in the USA.

Outside the current main sales markets, delivery volumes are spread widely across the key regions: Central and Eastern Europe, North America and South America. In addition, we either already have a strong presence in numerous existing and developing markets or are working systematically towards this goal. Particularly in smaller markets with growth potential, we are increasing our presence with the help of strategic partnerships in order to cater to local requirements.

The growth markets of Central and Eastern Europe, South America and Asia are particularly important to the Volkswagen Group. These markets harbor considerable potential; however, the underlying conditions in some countries in these regions make it difficult to increase unit sales figures there. Examples of these are customs regulations regarding the proportion of local production and minimum requirements (homologation, registrations), as well as various trade barriers. At the same time, wherever the economic and regulatory situation permits, there are opportunities above and beyond current projections. These arise from faster growth in the emerging markets where vehicle densities are currently still low.

Price pressure in established automotive markets for new and used vehicles as a result of high market saturation is a further risk for the Volkswagen Group as a supplier of volume and premium models. Competitive pressures are also likely to remain high in the future. Individual manufacturers may respond by offering incentives in order to meet their sales targets, putting the entire sector under additional pressure.

There is a risk that excess capacity in global automotive production may lead to a rise in inventories and therefore an increase in tied-up capital. With a decline in demand for vehicles and genuine parts, automotive manufacturers may adjust their capacities or intensify measures to promote sales. This would lead to additional costs and greater price pressure.

Supply chain disruption may give rise to the risk of underutilization of capacity in global automobile production, meaning that existing demand can in some instances not be met and instead moves on.

The demand that built up in individual established markets in times of crisis could result in a significant recovery if the economic environment eases more quickly than expected.

In Europe, there is a risk that further municipalities and cities will impose a driving ban on vehicles with combustion engines in order to comply with emission limits. China imposed a so-called "new energy vehicle quota" in 2019, which means that battery-electric vehicles, plug-in hybrids and fuel cell vehicles will have to account for a certain proportion of a manufacturer's new passenger car fleet. In the United States, California has for some years imposed a regulation followed by other US states that tightens the legal requirements on manufacturers each year for the sale of zero-emission vehicles. To ensure compliance with emissions standards, we continuously tailor our range of vehicle models and engines to the conditions in the relevant markets. These requirements may lead to higher costs and consequently to price increases and declines in volumes.

Economic performance may vary from region to region. The resulting risks for our trading and sales companies, such as in relation to efficient inventory management and a profitable dealer network, are substantial and are being responded to with appropriate measures on their part. However, financing business activities through bank loans remains difficult. Our financial services companies offer dealers financing on attractive terms with the aim of strengthening their business models and reducing operational risk. We have installed a comprehensive liquidity risk management system so that we can promptly counteract any liquidity bottlenecks at the dealership end that could hinder smooth business operations.

We continue to approve loans for vehicle financing on the basis of the same cautious principles applied in the past, for example by taking into account the regulatory requirements of section 25a(1) of the *Kreditwesengesetz* (KWG – German Banking Act); in particular, this counters the risk of loan defaults.

Volkswagen maintains a selective distribution system. Within the European Union, dealers and service partners are selected – where permissible – using qualitative and quantitative-qualitative criteria in accordance with the provisions of EU Regulations 461/2010 and 720/2022. The previously relevant EU Regulation 330/2010 was revised by the European Commission and replaced by the new, successor EU Regulation 720/2022, which entered into force on June 1, 2022. As things stand at present, this revised EU regulation does not require any changes to be made to the current distribution system of Volkswagen AG.

On April 17, 2023, the European Commission adopted Regulation (EU) 2023/822, which extends the block exemption for the vehicle sector technically expiring on May 31, 2023 (MVBER – Regulation (EU) 461/2010) by five years. However, in view of the aforementioned extension, the European Commission also issued Communication (EU) C/2023/2335 amending the "Supplementary guidelines on vertical restraints in agreements for the sale and repair of motor vehicles and for the distribution of spare parts for motor vehicles" that accompany Regulation (EU) No 461/2010 to allow for the environmental and digital transformation taking place in the vehicle sector. In the updated guidelines, the European Commission no longer focuses solely on "technical information", but refers only in general terms to "input", which in addition to technical information will in future include tools, training and vehicle-generated data. The guidelines also expressly clarify that if vehicle manufacturers unilaterally withhold a particular input, including vehicle-generated data, this may be considered abuse under Article 102 of the TFEU. It is not yet possible to predict whether and to what extent Volkswagen AG will be affected by these types of claims from independent operators and what economic impact these claims may have.

Competition law requirements, including the Block Exemption Regulation 461/2010 and EU Regulations 2018/858 and 2021/1244, aim to ensure and promote effective competition in the motor vehicle aftermarket. Volkswagen AG, too, is exposed to this competitive pressure and associated risks in respect of its servicing and maintenance offering.

In Germany, legislation entered into force on December 2, 2020 to restrict or abolish design protection for repair parts through the introduction of a repair clause. In addition, the European Commission is evaluating the market with regard to existing design protection and has presented a draft to amend the directive on the legal protection of designs and models. A possible restriction or abolition of design protection for visible replacement parts, including at European level, could adversely affect the Volkswagen Group's genuine parts business.

The automotive industry is facing a process of transformation with far-reaching changes. Electric drives, connected vehicles and autonomous driving are associated with both opportunities and risks for our vehicle sales, our after-sales business and our dealerships. In particular, more rapidly evolving customer requirements, swift implementation of legislative initiatives, including in connection with the achievement of climate protection targets, and the market entry of new competitors from outside the industry will require changed products at a faster pace of innovation as well as adjustments to business models and cost structures. There is uncertainty regarding the widespread use of electric vehicles and the availability of the necessary charging infrastructure.

There is also a risk of freight deliveries worldwide being shifted from trucks to other means of transport, and of demand for the Group's commercial vehicles falling as a result.

Below, we outline the regions and markets with the greatest growth potential for the Volkswagen Group.

> China
  Demand for vehicles is expected to increase in the coming years due to the need for individual mobility. This also affects e-mobility, a market that is already dominated by high-volume domestic manufacturers, among others. It is also expected that demand will shift from the coastal metropolises to the country's interior and that competitive pressure from local manufacturers will generally increase. In order to leverage the considerable opportunities offered by this market – especially with regard to e-mobility – and to defend our strong market position in China over the long term, we are continuously expanding our product range to include models that have been specially developed for this market. We are increasingly forging partnerships and further expanding our production capacity in this growing market, for example with the new plants for electric vehicles in Anhui and Changchun.

- India
  The demand for new vehicles is likely to increase over the coming years in this important future market, partly due to demographic change. The Volkswagen Group has consolidated its activities in India and launched a model initiative with new models tailored to customers' needs: the Taigun from the Volkswagen Passenger Cars brand and the Škoda Kushaq and Slavia.
- USA
  In the saturated US market, the proportion of light trucks (particularly SUVs and pickups) is likely to further increase slightly in the coming years. In addition, the electrification of mobility is expected to accelerate due to support measures and legally prescribed fleet emission and fuel consumption targets. The latter factors still depend, however, on which administration is in office. In the USA, Volkswagen Group of America is steadfast in its pursuit to become a full-fledged volume supplier and expand its market share. The expansion of local production capacity – including production for electric vehicles since 2022 – will allow the Group to better serve the market in the North America region. We are also working intensively on offering additional products specifically tailored to the US market. By developing and producing an all-electric pick-up and a robust SUV, the Volkswagen Group plans to tap into the electric vehicle market with the US brand icon Scout.
- Brazil
  Due to the need for individual mobility, demand for vehicles in Brazil is expected to increase in the coming years, particularly in the low-price, small-vehicle segments. Given existing trade barriers, local production is an important factor in ensuring competitiveness. The growing number of automobile manufacturers with local production has resulted in a sharp increase in price pressure and competition. To strengthen our competitive position in Brazil, we offer vehicles tailored specially to this market that are locally produced, such as the Saveiro and the Nivus.
- Middle East
  Political and economic uncertainty in the region are increasingly taking their toll on the passenger car markets. In spite of this volatility, the Middle East region offers short-term and long-term growth potential. We aim to leverage the potential for growth with a range of vehicles that has been specifically tailored to this market, without having our own production facilities there.

Power Engineering

Global economic trends such as digitalization and the increasing interest in emissions-reducing technologies associated with decarbonization will continue. Growing global energy needs call for innovation in the industry and a growing willingness on the part of governments to invest in line with the global climate policy.

The development of the marine market continues to carry risk given the current uncertainty regarding future fuel and emissions regulations. The continuing uncertain geopolitical and macroeconomic situation holds additional risks, but also offers opportunities, for example in the navy and offshore wind energy business.

In turbomachinery, there is the risk that planned projects and orders will be scaled back or postponed due to negative developments in sales markets or individual applications.

These risks are countered by constantly monitoring the markets, focusing on less strongly affected market segments, working closely with all business partners such as customers and licensees, and introducing new and improved technologies.

We are working systematically to leverage market opportunities across the world, for example by positioning ourselves as a solution provider for reduced-CO_2 drive and energy generation technologies such as large-scale heat pumps, storage technologies and hydrogen production or carbon dioxide capture. Moreover, significant potential can be leveraged in the medium term by enhancing our after-sales business through the introduction of new digital products and the expansion of our service network. The requirements for occupational safety, which will continue to increase in the future, the availability of the plants that are already in operation, their efficient operation and the increase in environmental compatibility, together with the large number of engines and plants, will provide the basis for growth. Digital service solutions, for instance for remote plant surveillance, offer further growth potential.

As part of the capital goods industry, the Power Engineering business is affected by fluctuations in the investment climate. Even minor changes in growth rates or growth forecasts, resulting from geopolitical uncertainties or volatile commodities and foreign exchange markets, for example, carry the risk of significant changes in demand or the cancellation of already existing orders.

The measures we use to counter the substantial economic and extraordinary risks include flexible production concepts and cost flexibility by means of temporary external personnel, working time accounts and *Kurzarbeit* (short-time working), and the necessary structural adjustments.

Sales risks

There is a risk that the Volkswagen Group could experience decreases in demand, possibly exacerbated by media reports or insufficient communication. Other potential consequences include lower margins in the new and used car businesses and a temporary increase in funds tied up in working capital.

The Volkswagen Group's multibrand strategy may weaken individual Group brands if there are overlaps in customer segments or the product portfolio. This effect may be reinforced by the Volkswagen Group's common-parts strategy, as this strategy means that, in some cases, the differences in product substance between the brands are small. As a result, there could be a risk of internal cannibalization between the Group brands, higher marketing costs, or repositioning expenses. By sharpening the brand identities, we are working to minimize these risks.

The fleet customer business continues to be characterized by increasing concentration and internationalization, accompanied by the risk that the loss of individual fleet customers may result in relatively high volume losses. Viewed over an extended period, the fleet customer business is more stable than the business with retail customers. The Volkswagen Group is well positioned with its broad portfolio of products and drive systems, as well as its target-group-focused customer care, and counteracts a concentration of default risks at individual fleet customers or markets. The consistently high market share in Europe shows that fleet customers still have confidence in the Group.

Consumer demand is shaped not only by real factors such as disposable income, but also by psychological factors that cannot be planned for. For example, households' worries about the future economic situation may lead to unexpected buyer reluctance. This is particularly the case in saturated automotive markets such as Western Europe, where demand could drop as a result of owners holding on to their existing vehicles for longer. We are countering the risk of buyer reluctance with our attractive range of models and our strict policy of customer orientation.

A combination of buyer reluctance in some markets as a result of the crisis, and increases in some vehicle taxes based on CO_2 emissions – which have already been observed in many European countries – may shift demand towards smaller segments and engines, for example. We counter the risk that such a shift will negatively impact the Volkswagen Group's financial situation by constantly developing new, fuel-efficient vehicles and alternative drive technologies, based on our drivetrain, fuel and mobility strategies.

Automotive markets around the world are exposed to risks from government intervention such as tax increases, which curb private consumption, and from restrictions on trade and protectionist tendencies such as tariffs and sanctions. Furthermore, there are future risks from the sale of electrified vehicles if the minimum requirements for local content under free trade agreements cannot be achieved. Sales incentives may lead to shifts in the timing of demand.

Furthermore, government regulations aimed at protecting human rights are putting increased pressure on companies to create greater transparency in their international supply chains. While companies are implementing extensive measures in this regard, there is still a risk that complete transparency cannot be achieved. This may even lead to restrictions on imports of products suspected of being linked to human rights violations – either the products themselves or constituent parts.

Commercial vehicles are capital goods: even minor changes in growth rates or growth forecasts may significantly affect transport requirements and thus demand. The resulting risk of production fluctuations calls for a high degree of flexibility from the manufacturers. Although production volumes are significantly lower, the complexity of the trucks and buses range does in fact significantly exceed the already very high complexity of the passenger cars range. Key factors for commercial vehicle customers are total cost of ownership, vehicle reliability and the service provided. Furthermore, customers are increasingly interested in additional services such as freight optimization and fleet utilization, which we offer in the commercial vehicle segment through the digital brand RIO, for example.

Power Engineering's two-stroke engines are produced exclusively by licensees, particularly in South Korea, China and Japan. There is a slight uptrend in global demand for merchant ships; however, the volatility in new shipbuilding orders poses the risk of declining license revenues. Due to changes in the competitive environment, especially in China, there is also the risk of losing market share.

Russia-Ukraine conflict and confrontations in the Middle East

The ongoing Russia-Ukraine conflict and the confrontations in the Middle East represent a risk to the performance of the global economy, to growth in the industry and to the business activities of the Volkswagen Group, in particular as a result of rising prices and declining availability of energy.

The Volkswagen Group does not have any material subsidiaries or equity investments in these regions.

In relation to the results of operations, financial position and net assets of the Volkswagen Group, the business activities of the Volkswagen Group in these regions are insignificant.

Other factors

In addition to the risks outlined in the individual risk categories, there are other factors that cannot be predicted and whose repercussions are therefore difficult to control. Should these transpire, they could have an adverse effect on the further development of the Volkswagen Group. In particular, such occurrences include natural disasters, climate-induced extreme weather events, pandemics (such as the spread of the SARS-CoV-2 virus including its variants), violent conflicts (such as the current Russia-Ukraine conflict and the confrontations in the Middle East), terrorist attacks and interruptions to the energy supply.

Research and development risks

For this risk category, the likelihood of occurrence is classified as high (previous year: high) and the potential extent of damage is classified as medium (previous year: medium).

The most significant risks from the QRP result from the inability to develop products in line with demand and requirements, especially with regard to e-mobility and digitalization.

Risks arising from research and development

The automotive industry is undergoing a fundamental transformation process. For multinational corporations like Volkswagen, this means risks in the areas of customer/market, technological advancements and legislation. One risk posed is the implementation of ever more stringent emission and fuel consumption regulations, such as C6 in China or Euro-7 in Europe from 2025. New test procedures and test cycles (e.g. the Worldwide Harmonized Light Vehicles Test Procedure, WLTP), and their progressive tightening, as well as compliance with approval processes (homologation) are becoming increasingly complex and time-consuming. The test specifications and homologation procedures also vary greatly from country to country.

On a national and international level, there are numerous legal requirements regarding the use, handling and storage of substances and mixtures (including restrictions concerning chemicals, heavy metals, biocides, persistent organic pollutants) as well as reporting obligations. There is therefore a risk of non-conformity in the manufacture, procurement and introduction of products such as automobiles or replacement parts.

The economic success and competitiveness of the Volkswagen Group depend on how swiftly we are able to tailor our portfolio of products and services to changing conditions. Given the intensity of competition and speed of technological development, for example in the fields of digitalization and automated driving, there is a risk of failing to identify relevant trends early enough to respond accordingly.

We use the latest findings from the world of physics and other areas of science to plot our course. In addition, we conduct research such as trend analyses and customer surveys and examine the relevance of the results for our customers. We counter the risk that it may not be possible to develop modules, vehicles, or services – especially in relation to e-mobility, digitalization and software – within the specified time frame, to the required quality standards, or in line with cost specifications, by continuously and systematically monitoring the progress of all projects.

To reduce the risk of patent infringements, we conduct thorough analyses of third-party industrial property rights; increasingly also in relation to communication technologies.

We regularly compare the results of all these analyses with the respective project targets; in the event of any discrepancies, we introduce appropriate countermeasures. Our end-to-end project organization fosters cooperation across all of the departments involved in the process, ensuring that specific requirements are incorporated into the development process as early as possible and that their implementation is planned in good time.

Risks and opportunities from the modular toolkit strategy

We are continuously expanding our modular toolkits, focusing on future customer requirements, legal requirements and infrastructural requirements.

However, with higher volumes there is a higher risk that supply chain disruption – for example due to parts supply shortages – or quality problems may affect an increasing number of vehicles.

The Modular Transverse Toolkit (MQB) is an extremely flexible vehicle architecture that was created to allow conceptual dimensions – such as the wheelbase, track width, wheel size and seat position – to be harmonized throughout the Group and utilized flexibly. Other dimensions, for example the distance from the pedals to the middle of the front wheels, are always the same, ensuring a uniform system in the front end of the car. Thanks to the resulting synergies, we are able to reduce both development costs and the necessary one-time expenses, as well as manufacturing times. The toolkits also allow us to produce different models from different brands in varying quantities, using the same equipment in a single plant. This means that our capacities can be used with greater flexibility throughout the entire Group, enabling us to achieve efficiency gains.

We have also transferred this principle of standardization with maximum flexibility to the Modular Electric Drive Toolkit (MEB) and Premium Platform Electric (PPE) concepts developed for all-electric drives. The synergies and efficiency gains offered by the modular toolkit strategy are enabling us to bring e-mobility into mass production worldwide with the MEB- and PPE-based vehicles. In future, we aim to reinforce these synergistic effects by combining the MEB and PPE in the Scalable Systems Platform (SSP).

Operational risks and opportunities

For this risk category, the likelihood of occurrence is classified as medium (previous year: high) and the potential extent of damage is classified as medium (previous year: medium).

The most significant risks from the QRP lie particularly in cybersecurity and new regulatory requirements regarding IT, as well as in volatile procurement markets, here primarily in relation to the supply of parts, and in quality problems.

Risks from extraordinary events in the Volkswagen Group's procurement and production network

Extraordinary events beyond our control including natural disasters, climate-induced extreme weather events, pandemics and other events, for example violent confrontations – such as the Russia-Ukraine conflict or the confrontations in the Middle East – fires, explosions, or the leakage of substances hazardous to health or the environment, may result in supply risks in procurement and heavily impair production. As a consequence, bottlenecks or even outages in production may occur, thus preventing the planned production volumes from being achieved.

Early warning systems help to identify supply risks and prevent assembly line stoppages. We keep global and local risks under constant observation so as to be able to respond quickly to effects throughout the entire supply chain. In addition, measures to counteract further risks include comprehensive safety and emergency response concepts such as fire prevention, property protection, hazardous goods management and task forces, and we take out corresponding insurance coverage where this makes economic sense.

Due to the uncertainty arising from the further development of the Russia-Ukraine conflict and associated sanctions, and the further development of the energy market, there is a risk throughout the entire automotive industry that in spite of preventive measures, looming supply breakdowns may not be recognized early enough and production cannot be maintained in full despite effective countermeasures.

Countermeasures may include finding alternatives where suppliers are unavailable and organizing special processes. Procurement, in collaboration with all Group departments and the supplier network, was able to put these measures to the test in 2023, particularly in securing purchased parts from flooded areas of Slovakia.

Risks and opportunities from Procurement and Technology

Current trends in the automotive industry such as e-mobility and automated driving are resulting in an increased need for financing among suppliers, presenting them with considerable challenges. These are being exacerbated by the current commodity price situation and the limited availability of semiconductors. The supplier risk management department in Procurement at the Volkswagen Group evaluates in particular the financial situation of suppliers, before they are entrusted with the implementation of projects. Procurement takes into account the recommendations of the supplier risk management department.

The risk of supply shortages and disruption to supply continues to exist, particularly given the current global geopolitical and macroeconomic situation. Examples include the continuing constraints in the supply of semiconductor components and the direct and indirect effects of the Russia-Ukraine conflict, including potential temporary interruptions to the energy supply.

Supply risks are identified in Procurement by means of early warning systems and task force and mitigation structures have been created to reduce these risks. In addition, strategic measures are to be taken to avoid future impacts in the long term.

The sharp increase in commodity and energy prices resulting from the global economic trends and crises of recent years plus the significant rise in personnel costs is impacting the financial situation of many suppliers. Furthermore, the rapid rise in financing costs combined with more restrictive lending is placing additional burdens on suppliers and limiting their ability to finance new projects and capacity adjustments. This, too, is giving rise to the risk of bottlenecks and disruptions in supplies.

Procurement employees specialized in restructuring and supply reliability constantly monitor the financial situation of our suppliers throughout the world, taking measures designed to counter the risk of possible supply disruptions.

Demand for resources, possible speculations on the market and current trends in the automotive industry, such as the growing share of electrified vehicles, may affect the availability and prices of certain raw materials. Trends in raw materials and demand are continuously analyzed and assessed on an interdisciplinary basis to enable steps to be taken at an early stage in the event of potential bottlenecks.

The risks in battery cell production relate particularly to the rising demand for battery cells and the resulting reliance on suppliers, from technological change and from the service life of battery cells. Additional risks may arise from long-term ties to cell manufacturers and the direct responsibility of Volkswagen in the supply chain. To counter these risks, the Volkswagen Group maintains multiple strategic supplier relationships while extending the scope of its own activities along the value chain (raw material extraction, cell production) at the same time.

Commodity risks can be partially mitigated through backward integration of the value chain. For example, partnerships and long-term supply agreements with commodity suppliers can be used to ensure the supply of the relevant material while also achieving competitive prices.

Quality problems may necessitate technical intervention involving a substantial financial outlay if the cost cannot be passed on to the supplier or can only be passed on to a limited extent. Assuring quality is of fundamental importance, all the more so in the US, Brazilian, Indian and Chinese markets, for which we develop vehicles specific to the country and where local manufacturers and suppliers are established, particularly as it may be difficult to predict the impact of regulations or official measures. We constantly analyze the conditions specific to each market and adapt our quality requirements to their individual needs. We counter the local risks we identify by continuously developing measures and implementing them locally, thereby preventing quality defects in the supply chain from arising.

It is not possible at present to rule out the possibility of a further increase in recalls of various models produced by a variety of manufacturers in which certain airbags manufactured by Takata were installed. This could also affect Volkswagen Group models.

Specialists in Procurement systematically investigate risks resulting from antitrust violations by suppliers and file claims for any losses that may arise.

Risks in the supply chain may also arise from the non-fulfillment of statutory duty of care in respect of human rights and the environment, which might lead, for example, to supply shortages in production or to sanctions in sales. The requirements are compared with existing processes with the help of gap analyses, and processes are developed and implemented to fill in any gaps. In order to meet our duty of care in respect of human rights, and to identify, counteract and prevent the associated risks in the value chain, we developed and implemented a responsible supply chain system in 2022.

Production risks

Production risks for the Volkswagen Group arise in particular from the overarching framework, from supply risks, from internal, strategic and operational challenges and from sales risks. Countermeasures and precautions are taken in accordance with the principles of risk management so as to mitigate each of the risks identified.

Risks arising from the overarching framework include in particular potential disruption to our own operating ability or to the supply of inputs crucial for operation that is caused by extreme weather events in the form of flooding and drought, severe storms or similar. These may lead to production stoppages with financial ramifications for the Group. The Group manages these risks by systematically analyzing the impacts of climate change on its production sites and using the findings to develop specific countermeasures for the individual locations and risk type.

Other overarching risks may arise as a result of social and political changes as well as from other failure of critical infrastructure – for example in the form of supply risks. Here the Volkswagen Group reduces its risk by taking measures to lower consumption and by making its use of raw materials more flexible, provided this is economically viable. In addition, we prepare compensatory measures between locations that reduce the economic effects of risks for the Group as a whole. Internally, the trend away from conventional vehicles with combustion engines and towards a higher share of electric vehicles is giving rise to production risks. In individual cases, an uneven transition to e-mobility may lead to temporary gaps in capacity utilization. In principle, the international production network enables us to respond flexibly at the sites and adjust capacity utilization between production facilities by means of "turntable concepts". The diversity of our models, the reduced product life cycles and the use of complex processes and technical systems have increased the risk of a delay to the start of production of a vehicle in recent years. We address this risk by drawing on the experience of past production starts and identifying weaknesses at an early stage so as to ensure – to the highest degree possible – that production volumes and quality standards are met during the start of production of our vehicles throughout the Group. At an operational level, machine and system failures pose a risk in production. Our comprehensive preventive maintenance concepts and emergency response concepts can prevent these failures or mitigate their impact.

In unit sales, risks arise from fluctuations in demand as regards volumes and vehicle characteristics. Production risks arising from fluctuations in production volumes affecting vehicle models concern in particular utilization of production capacity. This is planned several years in advance based on long-term sales planning for all vehicle projects. The risk is that market momentum and changes in demand will not be forecast correctly. If forecasts are too optimistic, there is a risk that capacity will not be fully utilized. However, forecasts that are too pessimistic pose a risk of undercapacity, as a result of which it may not be possible to meet customer demand. As a countermeasure, the initial investment can be focused on a certain minimum number of units so that the full planned number of units or a higher number of units can be covered with flexible additional investments. In addition, turntable concepts help us to adjust capacity utilization between production facilities. Flexible working time models allow us to stabilize employee productivity when the number of production units fluctuates. The availability of buildable orders for production poses another risk to unit sales. Legal changes, for instance in the context of the changeover to the WLTP test procedure or new cybersecurity requirements in accordance with the UNECE regulation, may impact production. For one thing, a temporary reduction in the range causes demand to focus on the available variants. For another, gaps in production can occur if model variants have not been approved. In such cases, until official approval is granted, production can be stabilized by producing and temporarily storing vehicles, including customer-specific vehicles. The resulting tied-up capital and the availability of storage areas are limiting factors, however. There is a risk that a backlog will be created due to the slow outflow of built vehicles, which will also limit the number of production units. We counteract this risk by taking specific measures to speed up the process up to the end customer and through early contractual commitment of transport capacity.

Risks arising from long-term production

In the case of large projects within the Power Engineering Business Area, risks may arise that are often only identified over the course of the project. They may result in particular from contract design errors, inaccurate or incomplete information used in costing, post-contract changes in the economic and technical environment, weaknesses in project management, quality defects and unnoticed product malfunctions, product emergence, or poor performance by subcontractors. Most notably, omissions at the start of a project, overshooting of the development budget or timeframe, and legislative changes are usually difficult to correct or compensate for and often entail substantial additional expenses. The current disproportionate increases in commodity prices, energy prices and freight rates, and the limited availability of semiconductor products, may have a detrimental impact on production costs and revenue recognition.

The aim is to identify these risks at an early stage and to take appropriate measures to eliminate or minimize them in advance, particularly during the bidding and planning phase of large upcoming projects. This is done by constantly optimizing the project control process across all project phases and by using a lessons-learned process and regular project reviews.

Quality risks

We strive to identify and rectify quality problems at an early stage during the development of our products to avoid, among other things, delays to the start of production. As we are using an increasing number of modular components as part of our platform strategy, it is particularly important when malfunctions do occur to identify the cause quickly and eliminate the faults. Nonconformity of internally or externally sourced parts, components or functions may necessitate time-consuming and cost-intensive measures, leading to recalls and therefore damage to the Volkswagen Group's image. In addition, the resulting financial impact may exceed provisions. To meet our customers' expectations and minimize warranty and ex gratia repair costs, we are continuously optimizing the processes at our brands with which we can prevent these faults.

If quality management is ineffective, there is a risk of losing ISO 9001 and KBA certification. This would lead directly to a loss of type approval from one or more authorities. We counter this risk by continuously training the Group's system auditors, while our quality management system and process quality undergo internal audits.

We also check the conformity of series products (CoP – conformity of production) in vehicle production plants as part of system audits with a CoP component. Further risks are associated with discrepancies identified in conformity of production measurements and in-service-conformity (ISC) measurements. We have established an effective system for monitoring the conformity of CoP and ISC measurements for manufactured vehicles. To ensure that the results of the emissions CoP and ISC measurements are analyzed systematically, we have implemented an IT system throughout the Group. This is used for status reporting and documenting the results of the series of measurements.

Vehicle registration and operation criteria are defined and monitored by national and, in some cases, international authorities. Furthermore, several countries have special – and in some cases new – rules aimed at protecting customers in their dealings with vehicle manufacturers. We have established quality processes so that the Volkswagen Group brands and their products fulfill all respective applicable requirements and local authorities receive timely notification of all issues requiring reporting. By doing so, we reduce the risk of customer complaints or other negative consequences.

With the increasing technical complexity of vehicles due to their internal and external connectivity, and the platforms and toolkit systems in use across brands, the quality of the parts and software components supplied must be assured. This is lending ever greater importance to cybersecurity. To better monitor and manage the risk of cyberattacks on our vehicles in the future, we continuously optimize the Automotive Cyber Security Management Systems in all Group brands and exchange information about processes and products across the brands. In addition to mastering the complexity resulting from ever-increasing cybersecurity requirements, the focus here is primarily on protecting customers and our products. Harmonized processes across the Group, such as the car security incident process, enable a fast reaction speed across the brands in the event of an attack so that any weaknesses in our products can be promptly eliminated. The Automotive Cyber Security Management System is an integral part of our quality management system, which helps us leverage synergies with already existing structures. This approach serves to fulfil the legal requirements of the UNECE regulation on cybersecurity.

We have established the *Ausschuss Produktsicherheit* (APS – Product Safety Committee) to comprehensively evaluate and efficiently resolve product safety risks for customers as the product users and have set out its responsibilities and processes in Group policies. The Group brands and companies implement these policies in the form of in-house regulations. In the event of safety defects, doubts about compliance with legal requirements, or quality issues relating to the brand image, the APS examines the matter concerned and decides on an appropriate response. In this context, the APS is also responsible for managing related inquiries from authorities. The cross-divisional Car Security Board (CSB) provides support with regard to cybersecurity issues.

We have also created and established central units within the organization, which are responsible for managing incoming information on APS- and CSB-related topics. We have established a universal, transparent management and tracking system to follow up on all such information across the Group without employee involvement, right through to the APS decision. In addition, numerous events and training courses are held to improve awareness of safety risks and products' legal conformity among all employees. These activities aim to avoid risks from delayed, lacking, or incomplete reporting and preliminary analyses. The entire APS process is, moreover, subject to regular review in the form of internal and external audits aimed at ensuring compliance with the requirements and thus also minimizing risks arising from the decision-making process on the part of the APS or CSB.

IT risks

At Volkswagen, a global provider of sustainable mobility, the information technology (IT) used in all business units Group-wide is assuming an ever more important role. IT risks exist in relation to the three protective goals of confidentiality, integrity and availability, and comprise in particular unauthorized access to, modification and extraction of sensitive electronic corporate or customer data as well as limited systems availability as a consequence of downtime, disasters and the volatile geopolitical situation. Proper handling of data is a key factor for data integrity, and for the functionality of error-free systems.

The high standards we set for the quality of our products also apply to the way in which we handle our customers' and employees' data. There is a risk of cyberattacks, particularly on our digital offerings. Legal regulations including the UNECE cybersecurity regulation (R155) define the requirements for our vehicle and software development. These also have a large impact on our IT systems. We therefore work on an interdisciplinary basis to protect our connected vehicles and mobility services. Our guiding principles are data security, transparency, informational self-determination and the safety and security of the customer when using our services.

We counter the risk of unauthorized access to, modification or extraction of corporate and customer data through risk-based use of IT security technologies such as modern security systems for detecting malware and malicious behavior.

We achieve additional protection by restricting the allocation of access rights to systems and central administration, including periodic identity checks. Based on business impact analyses, we counter data destruction or disruption to operation by designing systems with redundancy and implementing backup strategies.

Identified IT-related risks are regularly assessed using the methodology specified by the Group and reported to the Board of Management. Risk mitigation is followed up at top management level. This includes, for example, business-critical IT systems used across the Group or sensitive data such as vehicle or customer data.

An overarching committee with members from Information Security, Data Protection, Group Security, Legal Affairs and other parties involved handles interdisciplinary information security and reports directly to the Group Board of Management. This enables a rapid response and the efficient coordination of measures. This tactical set-up has proven valuable in practice, as demonstrated, among other things, by the rapid management of a major incident that occurred in September 2023. The technical measures are complemented by a wide range of awareness-raising measures and training courses for employees as well as crisis simulations that create and deepen awareness of information security and train on how to act correctly in the event of an emergency.

We use market-leading technologies that are customary on the market and state of the art to protect our IT landscape, adhering to standards applicable throughout the Company. We future-proof our IT through continual standardization and updates. Continuously increasing automation enhances process reliability and the quality of processing.

The further development and Group-wide use of IT governance processes, particularly the further standardization of the risk management process for IT and information security, also help to identify weaknesses at an early stage and to reduce or avoid risks effectively.

Another focus is the continuous advancement of Group-wide security measures to detect, avert and deal with cyberthreats. Artificial intelligence is playing an increasingly important role in this context.

Risks from media impact

The image of the Volkswagen Group and its brands is one of the most important assets and forms the basis for long-term business success. Our policy and strategic orientation on issues such as integrity, ethics, sustainability and climate protection are in the public focus. One of the basic principles of running our business is therefore to continuously check and pay particular attention to compliance with legal requirements and ethical principles. However, we are aware that misconduct or criminal acts by individuals and the resulting reputational damage can never be fully prevented. In addition, media reactions can have a negative effect on the image of the Volkswagen Group and its brands. This impact also depends significantly on the effectiveness of our communication during times of crisis.

Environmental and social risks

For this risk category, the likelihood of occurrence is classified as high (previous year: medium) and the potential extent of damage is classified as medium (previous year: high).

The most significant risks from the QRP arise from non-fulfillment of CO_2-related requirements.

Personnel risks

We use a range of instruments to counter economic risks as well as changes in the market and the competitive situation and shortages of supplier components. These help the Volkswagen Group to remain flexible in terms of staff deployment when faced with a fluctuating order situation – whether orders are in decline, or there is an increase in demand for our products. These instruments include time accounts to which hours are added when overtime is necessary and from which hours are deducted in quiet periods, enabling our factories to adjust their capacity to production volume with measures such as extra shifts, closure days, flexible shift models and legally regulated instruments such as *Kurzarbeit* (short-time working). The use of temporary workers also allows us to be more flexible in our planning. All of these measures help the Volkswagen Group to generally maintain a stable permanent workforce, even when orders fluctuate.

The technical expertise and individual commitment of employees are indispensable prerequisites for the success of the Volkswagen Group. We counter the risk of not being able to develop sufficient expertise in the Company's different vocational groups with our strategically oriented and holistic human resource development, which gives all employees attractive training and development opportunities. By boosting our training programs, particularly at our international locations, we are able to adequately address the challenges of technological change and the structural transformation of the automotive industry.

To counter the potential risk of a shortage of skilled specialists – especially in the areas of digitalization and IT – we continuously expand our recruitment tools. Our systematic talent relationship management, for example, enables us to make contact with talented candidates from strategically relevant target groups at an early stage and to build a long-term relationship between them and the Group. In addition to the standard dual vocational training, programs such as our *Studium im Praxisverbund* integrated degree, Faculty 73 traineeship scheme, and the Volkswagen-sponsored non-profit École 42 in Wolfsburg, Berlin and Prague, ensure a pipeline of highly qualified and motivated employees. By systematically increasing our attractiveness as an employer, we are able to gain talented people in areas that are crucial for the future, such as electrical engineering, chemistry or information technology. With tools such as these, we want to ensure that our demand for qualified new staff is covered, even amid a shortage of skilled labor.

We counter the risks associated with employee fluctuation and loss of knowledge as a result of retirement with intensive, department-specific succession planning and training.

The advancing digitalization of our human resources processes entails risks arising from the processing of personal data, but also system-based improvements so that Volkswagen can ensure compliance with data protection laws when processing personal data. Volkswagen is aware of its responsibility in the processing of this data. To make processing compliant with data protection requirements, we address risks as part of our data protection management system by implementing a wide range of measures.

The basis of successful occupational health and safety is complying with legal requirements, identifying and assessing work-related risks, determining appropriate measures and monitoring their effectiveness. This makes a positive contribution to maintaining the health of our employees as part of society. Ensuring a safe and healthy working environment is an important element of corporate sustainability, particularly during our transformation. It is also a major component of employer attractiveness, as it helps to effectively reduce the associated risks and minimize process disruptions and production stoppages.

Environmental protection regulations

The specific emission targets for all new passenger car and light commercial vehicle fleets for brands and groups in the EU for 2020 and subsequent years are set out in Regulation (EU) No 2019/631. This regulation is a material component of the European climate protection policy and therefore forms the key regulatory framework for product design and marketing by all vehicle manufacturers selling in the European market.

Adopted and published by the EU in 2019, the regulation states that, from 2021 onward, the average emissions of European passenger car fleets must be no higher than 95 g CO_2/km. Up to and including 2020, European fleet legislation was complied with on the basis of the New European Driving Cycle (NEDC). From 2021 onward, the NEDC target value was replaced by a WLTP target value through a process defined by lawmakers; this change has not led to additional tightening of the target value. A similar approach applies to light commercial vehicles, where a target of 147 g CO_2/km has applied to the entire fleet since 2021.

The targets will be tightened as from 2025: for new European passenger car fleets, a reduction of 15% in CO_2 emissions will therefore be required from 2025 and a reduction of 55% from 2030. For new light commercial vehicle fleets, the required reductions will be 15% from 2025 and 50% from 2030. For 2035, a CO_2 reduction target of 100% will then apply to new passenger car and light commercial vehicle fleets. In each case, the starting point is the WLTP fleet value in 2021. These targets can only be achieved through a growing proportion of electric vehicles within the fleet.

If the respective fleet-wide target is not fulfilled, the Commission may impose an excess emissions premium, amounting to €95 per excess gram of CO_2 per newly registered vehicle.

At the same time, regulations governing fleet fuel consumption of new vehicles are also being developed or introduced outside the EU27 (plus Norway and Iceland), for example in Brazil, Canada, China, India, Japan, Mexico, Saudi Arabia, South Korea, Switzerland, Taiwan, the United Kingdom and the USA. Fuel consumption regulations in China are being gradually tightened with a fleet average target of 4.6 l/100 km for 2025. More stringent rules are expected for the period after 2025. In addition to this legislation on fleet consumption, a new energy vehicle quota applies in China. This requires every manufacturer to increase the share of electric vehicles in its total production or import volumes. For 2023, this quota was 18% and had to be fulfilled through battery-electric vehicles, plug-in hybrids, or fuel cell vehicles. The quota will be increased further for 2024 and 2025. There is no indication as to possible targets after 2025.

In the USA, the annual CO_2 and efficiency targets to be fulfilled by the fleet for new passenger cars and light commercial vehicles are defined by the Greenhouse Gas legislation (GHG) and Corporate Average Fuel Economy legislation (CAFE). In December 2021, the current administration published new CO_2 fleet targets for the period from 2022 to 2026. The industry-wide fleet average for passenger cars and light commercial vehicles is to reduce from 137 g CO_2/km in 2022 to 106 g CO_2/km in 2026, reversing the relaxation of the targets by the previous government. The same applies to the CAFE efficiency targets for 2024 to 2026, which were announced in spring 2022. The fleet targets to be achieved will therefore become more stringent each year in the period up to 2026. The current government has set a goal for 50% of new vehicle sales to be electric by 2030. This is expected to be reflected in ambitious targets in future GHG and CAFE regulations. In addition to this, in California and the other user states in the US, the regulations of the Californian zero-emission vehicle mandate must be adhered to, which prescribes annually increasing electrification rates for the new vehicle fleet. The aim is to fully electrify passenger cars and light commercial vehicles by 2035.

The tightening of fleet-based CO_2 emissions and fuel consumption regulations makes it necessary to use the latest mobility technologies in all affected markets. Above all, electrified and also purely electric drivetrains are becoming increasingly common. The Volkswagen Group closely coordinates technology and product planning with its brands so as to avoid breaches of fleet values, for example, which would entail severe payment obligations. Whether the Group meets its fleet targets depends crucially on its technological and financial capabilities, which are reflected in, for example, our drivetrain and fuel strategy.

Alongside technical and portfolio electrification measures, it is also possible to use local statutory mechanisms such as the creation of emission pools in Europe, for example, or the trading of emission credits in the United States and China. Legislation provides further region-specific flexibility to aid target achievement. For example:

> Additional innovative technologies in the vehicle that apply outside the test cycle to reduce consumption (eco-innovations and off-cycle credits) can be taken into consideration
> Particularly efficient vehicles qualify for super-credits
> Special rules are in place for small-series producers and niche manufacturers

The Real Driving Emissions (RDE) Regulation for passenger cars and light commercial vehicles is another of the main European regulations. New, uniform limits for nitrogen oxide and particulate emissions in real road traffic have applied to new vehicle types across the EU since September 2017. This makes the RDE test procedure fundamentally different from the Euro-6 standard still in force, which stipulates that the limits on the chassis dynamometer are authoritative. The RDE regulation is intended primarily to improve air quality in urban areas and areas close to traffic, leading to stricter requirements for exhaust gas aftertreatment in passenger cars and light commercial vehicles. Stricter RDE processes and requirements have resulted in certain challenges, for example relating to test criteria and homologation. The debate on successor emissions legislation (Euro-7) began at European level in late 2022 and ended in late 2023 with a compromise reached during the trilogue negotiations. The final regulation is not expected to be published in the Official Journal until the second quarter of 2024. It is anticipated that this successor regulation will enter into force in the second half of the decade.

The other main EU regulations affecting the automotive industry include:

> the Car Labeling Directive (1999/94/EC), which will be brought into line with Regulation (EU) 2017/1151;
> the Fuel Quality Directive (FQD – 2009/30/EC) updating the fuel quality specifications and introducing energy efficiency specifications for fuel production;

> the Renewable Energy Directive (RED – EU 2023/2413) introducing sustainability criteria, which contains higher quotas for advanced biofuels and e-fuels (RFNBOs);
> the proposal for revision (COM/2021/563) of the Energy Taxation Directive (2003/96/EC) updating the minimum tax rates for all energy products and electricity.

Commercial vehicles are increasingly subject to ever stricter environmental regulations all around the world, particularly to regulations relating to climate change and vehicle emissions. With the revised Regulation (EU) 2019/1242, the European Union set manufacturers of heavy-duty vehicles with a permitted gross weight of over 16 tonnes very ambitious targets for reducing CO_2 emissions in Europe within the next decade. The target set for 2025 of reducing CO_2 emissions of heavy-duty vehicles by 15% has been reaffirmed. The new CO_2 emissions targets proposed for the same vehicle category nevertheless aim for a 45% reduction by 2030 (previously 30%) and a 65% reduction by 2035 based on a reference figure from the period July 2019 to June 2020. Furthermore, the European Commission intends to extend the targets to additional vehicle groups (all medium- and heavy-duty vehicles over 5 tonnes, including buses; work vehicles and special-purpose vehicles have yet to be excluded). The Commission has also proposed that all new city buses in Europe should be emission-free by 2030. If emissions exceed these targets, fines amounting to €4,250 per excess gram of CO_2/tonne-kilometer (tkm) per vehicle could be imposed from 2025 onwards. The European Council and the Parliament have finalized their positions on the Commission's proposal to revise the Regulation setting CO_2 emission performance standards for heavy-duty vehicles. The EU institutions hope to reach a compromise in the upcoming trilogue negotiations.

In the European Green Deal, the Commission defined the goal of achieving climate neutrality by 2050. Targeting an ambitious reduction in EU CO_2 emissions of at least 55% (previously 40%) compared to 1990 levels by 2030, this represents a big challenge for the entire transport sector. The revision of CO_2 emission requirements for heavy-duty vehicles in 2023 and the compromise negotiated at the end of 2023 between representatives of the European Parliament and the EU member states for a new Euro-7 standard on the usual air pollutants could further exacerbate these challenges.

New regulations to reduce air pollutant emissions were introduced for commercial vehicle manufacturers in Brazil at the beginning of 2023. In the United States, emission regulations for CO_2 and nitrogen oxide (NO_x) are also likely to be tightened further for heavy-duty vehicles. CO_2 reductions based on 2016 emission levels have already been defined for 2024 and 2027. The United States has also adopted a new NO_x regulation that is due to enter into force in 2024 and 2027, respectively. In mid-2023, China set new targets for reducing CO_2 emissions for all heavy-duty vehicles.

Adapting commercial vehicles to new emission standards is complex and expensive, especially given the often contradictory regulations applicable to CO_2 and other pollutant emissions from internal combustion engines. To meet the targets for the different markets, it is imperative to reduce CO_2 and exhaust gas emissions through new technologies. This is why we are making substantial investments in climate-friendly alternative drive systems – especially battery-electric commercial vehicles and buses.

The debate around driving bans for diesel vehicles in Germany has lost some of its heat given the strong improvements in air quality measurements. There were only two cities that failed to comply with the air pollutant limits for nitrogen dioxide (NO_2) immissions in 2022. In some cases, these issues have been, and continue to be, the subject of legal proceedings. Individual cities throughout Germany have already imposed zonal traffic bans for older vehicles such as Euro-4/IV diesel. It is argued that only driving bans for diesel vehicles can bring about the necessary short-term reduction in NO_2 immissions. The aforementioned debate could negatively affect sales of diesel vehicles and result in financial liabilities and possible official requirements.

Local bans on the use of diesel vehicles are already also in place in a number of other countries, though these mainly affect older vehicles with lower emissions standards. Regulations in Belgium that successively ban older vehicles from larger cities are one example. In addition to major cities such as Paris and London, countries are also discussing future bans on vehicles with internal combustion engines.

A number of special environmental protection requirements apply to the Power Engineering segment. For example, the International Maritime Organization has issued the International Convention for the Prevention of Pollution from Ships (MARPOL – MARine POLlution), which applies to ship engines. The permitted emissions are being lowered in phases under MARPOL ANNEX VI. A reduction of the sulfur content in marine fuel has been implemented globally in recent years. Particularly stringent environmental regulations apply in emission control areas in Europe and the USA/Canada. Expansion to further regions such as the Mediterranean or Japan is being planned; other regions or territories such as the Black Sea, Alaska, Australia or South Korea are also in discussion. Moreover, emission limits are in force under Regulation (EU) 2016/1628 and in accordance with the regulations of the US Environmental Protection Agency (EPA), for example.

We are pushing for a maritime energy transition in specialist bodies and also promote this to the general public. In a first step, we are supporting the switch to liquefied natural gas (LNG) as a fuel for maritime applications, and offer dual fuel and gas-powered engines for new and retrofitted vessels. For long-term, climate-neutral operation of seagoing vessels, we advocate power-to-X technology, in which excess sustainably generated electricity is converted into carbon-neutral gas or liquid fuel, especially hydrogen, methanol or ammonia.

As regards stationary equipment, there are a number of national rules in place worldwide that limit the emissions permitted in each case. On December 18, 2008, the World Bank Group set limits for gas and diesel engines in its Environmental, Health, and Safety Guidelines for Thermal Power Plants. These guidelines, which are currently being revised, are required to be applied in countries that have adopted no national requirements of their own or have requirements that are less stringent. In addition, the United Nations adopted the Convention on Long-range Transboundary Air Pollution back in 1979, setting upper limits on total emissions as well as nitrogen oxide for the signatory states (including all EU states, other countries in Eastern Europe, the USA and Canada). These are also due for revision. Enhancements to the product portfolio in the Power Engineering segment focus on improving the efficiency and emissions reduction of equipment and systems. While adhering to current and future emissions requirements, we are advancing innovative energy solutions to actively shape the climate transition.

Legal risks

For this risk category, the likelihood of occurrence is classified as low (previous year: medium) and the potential extent of damage is classified as high (previous year: high).

The most significant risks from the QRP are associated with the diesel issue.

Litigation

Volkswagen AG and the companies in which it is directly or indirectly invested are involved in a substantial number of legal disputes and governmental proceedings in Germany and abroad. Such legal disputes and other proceedings occur, among other things, in connection with products and services or in relation to employees, public authorities, dealers, investors, customers, suppliers, or other contracting parties. For the companies in question, these disputes and proceedings may result in payments such as fines or in other obligations or consequences. In particular, substantial compensatory or punitive damages may have to be paid and cost-intensive measures may have to be implemented. In this context, specific estimation of the objectively likely consequences is often possible only to a very limited extent, if at all.

Various legal proceedings are pending worldwide, particularly in the USA, in which customers are asserting purported product-related claims, either individually or in class actions. These claims are as a rule based on alleged vehicle defects, including defects alleged in vehicle parts supplied to the Volkswagen Group.

Compliance with legal or regulatory requirements is another area in which risks may arise. This is particularly true in gray areas where Volkswagen and the relevant public authorities may interpret the law differently.

In connection with their business activities, Volkswagen Group companies engage in constant dialogue with regulatory agencies, including the *Kraftfahrt-Bundesamt* (KBA – German Federal Motor Transport Authority). It is not possible to predict with assurance how government regulators will assess certain issues of fact and law in a particular situation. For this reason, the possibility that certain vehicle characteristics and/or type approval aspects may in particular ultimately be deemed deficient or impermissible cannot be ruled out. This is fundamentally a question of the regulatory agency's specific evaluation in a concrete situation.

A comparable challenge results from the tension between divergent national and international statutory or regulatory requirements regarding obligations to transfer information or documents, on the one hand, and privacy mandates under national and international data protection law on the other. Volkswagen is advised by outside law firms on these issues so as to preclude compliance violations as far as possible despite the sometimes unclear state of the law.

Litigation may furthermore result from demands for more extensive climate protection measures or from allegedly incomplete disclosures regarding the impact of climate change. The response of the Volkswagen Group to this risk includes, among other things, certification of its self-imposed decarbonization targets through independent and internationally respected organizations and systematic alignment of its non-financial reporting with the requirements of the law and the capital markets.

Risks may also result from actions for infringement of intellectual property, including infringement of patents, brands, or other third-party rights, particularly in Germany, before the Unified Patent Court and in the United States. If Volkswagen is alleged or determined to have violated third-party intellectual property rights, it may for instance have to pay damages, modify manufacturing processes, or redesign products, and may be barred from selling certain products; this may result in delivery and production restrictions or interruptions.

Criminal acts by individuals, which even the best compliance management system can never completely prevent, are another potential source of legal risks.

Appropriate insurance has been taken out to cover these risks where they were sufficiently definite and such coverage was economically sensible. Where necessary based on the information currently available, identified and correspondingly measurable risks have been reflected by recognizing provisions in amounts considered appropriate or disclosing contingent liabilities, as the case may be. As some risks cannot be assessed or can only be assessed to a limited extent, the possibility of material loss or damage not covered by the insured amounts or by provisions cannot be ruled out. This is, for instance, the case with regard to the legal risks assessed in connection with the diesel issue.

Unless otherwise explicitly stated, the amounts disclosed for the litigation being reported on refer only to the respective principal claim. Ancillary claims, such as for interest and litigation expense, are generally not considered.

Diesel issue

On September 18, 2015, the US Environmental Protection Agency (EPA) publicly announced in a "Notice of Violation" that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain Volkswagen Group vehicles with 2.0 l diesel engines in the USA. In this context, Volkswagen AG announced that noticeable discrepancies between the figures recorded in testing and those measured in actual road use had been identified in type EA 189 diesel engines and that this engine type had been installed in roughly eleven million vehicles worldwide. On November 2, 2015, the EPA issued a "Notice of Violation" alleging that irregularities had also been discovered in the software installed in US vehicles with type V6 3.0 l diesel engines.

The so-called diesel issue is rooted in a modification of parts of the software of the relevant engine control units – which, according to Volkswagen AG's legal position, is only unlawful under US law – for the type EA 189 diesel engines that Volkswagen AG was developing at that time. This software function was developed and implemented from 2006 on without knowledge at the level of the Board of Management. Members of the Board of Management did not learn of the development and implementation of this software function until the summer of 2015.

There are furthermore no findings that, following the publication in May 2014 of the study by the International Council on Clean Transportation, an unlawful "defeat device" under US law was disclosed to the persons responsible for preparing the 2014 annual and consolidated financial statements as the cause of the high NO_x emissions in certain US vehicles with 2.0 l type EA 189 diesel engines. Rather, at the time the 2014 annual and consolidated financial statements were being prepared, the persons responsible for preparing these financial statements remained under the impression that the issue could be resolved with comparatively little expense. In the course of the summer of 2015, however, it became progressively apparent to individual members of Volkswagen AG's Board of Management that the cause of the discrepancies in the USA was a modification of parts of the software of the engine control unit that was later identified as an unlawful "defeat device" as defined by US law. This culminated in Volkswagen's disclosure of a "defeat device" to the EPA and the California Air Resources Board (CARB), a department of the Environmental Protection Agency of the State of California, on September 3, 2015. According to the assessment at the time by the responsible persons dealing with the matter, the magnitude of the costs expected to result for the Volkswagen Group (recall costs, retrofitting costs, and financial penalties) was not fundamentally dissimilar to that in previous cases involving other vehicle manufacturers. It therefore appeared to be manageable overall considering the business activities of the Volkswagen Group. This assessment by Volkswagen AG was based, among other things, on the advice of a law firm engaged in the USA for regulatory approval issues, according to which similar cases had in the past been amicably resolved with the US authorities. The EPA's publication of the "Notice of Violation" on September 18, 2015, which the Board of Management had not expected, especially at that time, then presented the situation in an entirely different light.

The AUDI AG Board of Management members in office at the time in question have likewise stated that they had no knowledge of the use of "defeat device" software that was prohibited by US law in the type V6 3.0 l TDI engines until the EPA issued its November 2015 "Notice of Violation."

Within the Volkswagen Group, Volkswagen AG has development responsibility for the four-cylinder diesel engines and AUDI AG has development responsibility for the six- and eight-cylinder diesel engines.

As a consequence of the diesel issue, numerous judicial and regulatory proceedings were initiated in various countries. Volkswagen has in the interim succeeded in making substantial progress and ending many of these proceedings. In the USA, Volkswagen AG and certain affiliates reached settlement agreements with various government authorities and private plaintiffs, the latter represented by a Plaintiffs' Steering Committee in a multidistrict litigation in the US state of California. The agreements in question include various partial consent decrees as well as a plea agreement that resolved certain civil claims as well as criminal charges under US federal law and the laws of certain US states in connection with the diesel issue. Although Volkswagen is firmly committed to fulfilling the obligations arising from these agreements, a breach of these obligations cannot be completely ruled out. In the event of a violation, significant penalties could be imposed as stipulated in the agreements, in addition to the possibility of further monetary fines, criminal sanctions and injunctive relief.

In agreement with the respective responsible authorities, the Volkswagen Group is making technical measures available worldwide for virtually all diesel vehicles with type EA 189 engines. For all clusters (groups of vehicles) within its jurisdiction, the KBA determined that implementation of the technical measures would not result in any adverse changes in fuel consumption, CO_2 emissions, engine output, maximum torque, and noise emissions.

Following the studies carried out by AUDI AG to check all relevant diesel concepts for possible irregularities and retrofit potential, measures proposed by AUDI AG have been adopted and mandated by the KBA in various recall orders pertaining to vehicle models with V6 and V8 TDI engines. AUDI AG continues to anticipate that the total cost, including recall expenses, of the ongoing largely software-based retrofit program that began in July 2017 will be manageable and has recognized corresponding balance-sheet risk provisions. AUDI AG has in the meantime developed software updates for many of the affected powertrains and, after approval by the KBA, already installed these updates in the vehicles of a large number of affected customers. KBA approval is still expected for the small number of software updates that are still pending.

In connection with the diesel issue, potential consequences for Volkswagen's results of operations, financial position and net assets could emerge primarily in the following legal areas:

1. Criminal and administrative proceedings worldwide (excluding the USA/Canada)
Criminal investigations, regulatory offense proceedings, and/or administrative proceedings have been commenced in some countries. Criminal investigations into the core factual issues are being conducted by the Offices of the Public Prosecutor in Braunschweig and Munich.

In January 2021, the criminal proceedings regarding alleged market manipulation relating to capital market disclosure obligations in connection with the diesel issue were terminated by the Braunschweig Regional Court provisionally as regards the former Chair of the Board of Management and definitively as regards the corresponding regulatory offense proceeding against Volkswagen AG. Pursuant to a motion filed by the Braunschweig Office of the Public Prosecutor, the Braunschweig Regional Court reopened the proceedings against the former Chair of the Board of Management in December 2023. This case will move forward; the Braunschweig Regional Court has as yet set no date for commencement of the trial.

In September 2020, the Braunschweig Regional Court allowed the indictment of the same former Chair of the Board of Management of Volkswagen AG to proceed on charges that include fraud in connection with the diesel issue involving type EA 189 engines. The proceedings against this former Chair of the Board of Management of Volkswagen AG have since been severed from the other cases. The trial of the other defendants began in September 2021.

The Braunschweig Office of the Public Prosecutor conducted investigations on suspicion of fraud in connection with type EA 288 engines. The proceedings against the accused employees and against Volkswagen AG were terminated in late 2022 and early 2023, definitively against payment of a sum set by the court in the case of three of the accused persons and provisionally as regards four others.

In June 2020, the Munich II Regional Court accepted the substantially unchanged indictment of the Munich II Office of the Public Prosecutor, which also named a former Chair of the Board of Management of AUDI AG, and opened the main trial proceedings on charges of, among other things, fraud in connection with the diesel issue involving 3.0 l and 4.2 l TDI engines. The trial before the Munich II Regional Court concluded in June 2023; the former Chair of the Board of Management of AUDI AG and the other two defendants were sentenced to prison terms, the enforcement of which was in each case suspended subject to probation. The conditions of probation include the payment of sums set by the court. The judgment is not yet final. All three defendants have filed appeals on issues of law. The Office of the Public Prosecutor has likewise appealed the judgment against one of the defendants. In April 2023, the Munich II Regional Court had previously terminated the proceedings against an additional former defendant against payment of a sum set by the court.

In August 2020, the Munich II Office of the Public Prosecutor issued a further indictment charging three former members of the Board of Management of AUDI AG and others with, among other things, fraud in connection with the diesel issue involving 3.0 l and 4.2 l TDI engines. The Munich II Regional Court has not yet decided whether to accept the indictment.

As the type approval authority of proper jurisdiction, the KBA is moreover continuously testing Audi, Volkswagen, and Porsche brand vehicles for problematic functions. If certain functions are deemed impermissible by the KBA, the affected vehicles are recalled pursuant to a recall order or they are brought back into compliance by means of a voluntary service measure.

In judgments rendered in July and November 2022, the European Court of Justice (ECJ) ruled that a so-called thermal window (i.e. a temperature-dependent exhaust gas recirculation) in the range of 15°C and 33°C outside temperature represents a defeat device. In this context, the ECJ developed a new, unwritten criterion according to which a thermal window, even if it serves to prevent sudden and extraordinary damage, is impermissible if it is active "for most of the year under real driving conditions prevalent in the territory of the European Union." The KBA commenced formal administrative proceedings relating to certain first and second generation type EA 896 engines that were installed in certain older vehicle models as well as to individual vehicle models with type EA 189 engines. In July and October 2023, the KBA issued two administrative rulings against AUDI AG in which it ruled that the originally incorporated thermal window version failed to meet the ECJ's new vehicle engineering criterion in some of the affected vehicles. AUDI AG has appealed the rulings, and they are therefore not final. The KBA issued corresponding administrative rulings against Porsche AG in December 2023 and against Volkswagen AG in January 2024. Porsche AG and Volkswagen AG have appealed the rulings. The Volkswagen Group had previously already begun rolling out software updates that modify the thermal window in accordance with the ECJ's new vehicle engineering criterion and will continue to do so.

In a trial level decision rendered in late February 2023, the Schleswig Administrative Court upheld a lawsuit brought by *Deutsche Umwelthilfe* (DUH – Environmental Action Germany) against the KBA and invalidated the notice of approval for a software update for certain older Golf Plus model vehicles to the extent this notice classified the thermal window feature, the altitude correction feature, and the taxi switch feature as permissible deactivation devices (defeat devices). Altitude correction refers to altitude-dependent exhaust gas recirculation. The taxi switch modifies exhaust gas recirculation when a vehicle with a running engine stands motionless for a certain period of time. Volkswagen AG is involved in the litigation as an interested party summoned. In late April 2023, Volkswagen AG and the KBA filed appeals against the judgment of the Schleswig Administrative Court. This decision is thus not legally final. DUH has filed two additional lawsuits with the Schleswig Administrative Court. The first action contests the notices of approval for further Audi and Porsche brand vehicles equipped with type EA 189 engines as well as with selected V-TDI engines; the second action is directed against all Group diesel vehicles with the Euro-5 and Euro-6b/c exhaust emission standard. In the first action, the Schleswig Administrative Court issued a judgment in January 2024 that extended its initial February 2023 decision to additional vehicles with type EA 189 engines and invalidated the KBA's notices of approval for these vehicles. The court granted both leave to appeal (on points of fact and law) and to leap-frog appeal (on points of law). This decision is thus not legally final.

Moreover, additional administrative proceedings relating to the diesel issue are ongoing in other jurisdictions. The companies of the Volkswagen Group are cooperating with the government authorities.

Risks may furthermore result from possible decisions by the European Court of Justice construing EU type approval provisions.

Whether the criminal and administrative proceedings will ultimately result in fines or other consequences for the Company, and if so what amounts these may entail, is currently subject to estimation risks. According to Volkswagen's estimates, the likelihood that a sanction will be imposed is 50% or less in the majority of these proceedings. Contingent liabilities have therefore been disclosed where the amount of such liabilities could be measured and the likelihood of a sanction being imposed was assessed at not less than 10%.

2. Product-related lawsuits worldwide (excluding the USA/Canada)

A general possibility exists that customers in the affected markets will file civil lawsuits or that importers and dealers will assert recourse claims against Volkswagen AG and other Volkswagen Group companies. Besides individual lawsuits, various forms of collective actions (i.e. assertion of individual claims by plaintiffs acting jointly or as representatives of a class) are available in various jurisdictions. Furthermore, in a number of markets it is possible for consumer and/or environmental organizations to bring suit to enforce alleged rights to injunctive relief, declaratory judgment, or damages.

Customer class action lawsuits and actions brought by consumer and/or environmental organizations were pending in the reporting year against Volkswagen AG and other Volkswagen Group companies in a number of countries including Belgium, Brazil, England and Wales, France, Germany, Italy, the Netherlands, Portugal, and South Africa. These actions asserted alleged rights to damages and other relief. The pending actions included in particular the following:

Pending in Belgium is a class action filed by the Belgian consumer organization *Test Aankoop VZW* seeking repayment of the purchase price or damages in the alternative; an opt-out mechanism has been held to apply to this action. Given the opt-out rule, the class action potentially covers all vehicles with type EA 189 engines purchased by consumers on the Belgian market after September 1, 2014, unless the right to opt out is actively exercised. In July 2023, a trial level judgment was rendered in this class action by which Volkswagen AG was ordered to pay 5% of the purchase price, or 5% of the difference between the purchase price and the resale price, if a consumer had purchased a vehicle with a type EA 189 engine between September 1, 2014 and September 22, 2015, had not installed the software update, and was able to produce the relevant evidentiary documentation. The judgment is not yet final.

In Brazil, two consumer protection class actions are pending. In the first class action, which pertains to some 17 thousand Amarok vehicles, the Superior Court of Justice in August 2022 rejected in part the appeal filed by Volkswagen do Brasil against the May 2019 judgment at the first appeals level that had initially reduced the damage liability of Volkswagen do Brasil considerably to around BRL 172 million. Following Volkswagen do Brasil's appeal, the Superior Court of Justice vacated its own prior decision in its entirety. The case was remanded to the lower appellate court for rehearing of certain issues. Volkswagen do Brasil is permitted to introduce new evidence. The judgment is enforceable, but remains non-final. In the second class action, which pertains to roughly 67 thousand later generation Amarok vehicles, the appeal filed by the plaintiff against the October 2021 trial court judgment dismissing its complaint was rejected by the appellate court in June 2023. The plaintiff has appealed this decision to the Superior Court of Justice.

financialright GmbH originally filed consolidated actions before various German courts asserting roughly 45 thousand claims assigned to it by customers in Germany, Slovenia, and Switzerland against Volkswagen Group companies; the *Bundesgerichtshof* (BGH – Federal Court of Justice) has since affirmed the permissibility of *financialright GmbH's* business model. Following the withdrawal of numerous motions for relief, approximately 9 thousand claims are currently still pending. Provisions were recognized to account for the possibility that objectively valuable claims may again be raised in or out of court.

Actions were filed in late 2021 in courts in England and Wales against Volkswagen AG, Volkswagen Financial Services (UK) Limited, and other Volkswagen Group companies in connection with certain diesel vehicles leased or sold in England, Wales, and Northern Ireland since 2009 and various other diesel engine types. These actions are in a very early procedural stage. No Group company has as yet been formally served with a complete statement of the grounds of the complaint, and a number of the plaintiffs' claims have yet to be specified in detail.

In France, a class action is pending that was filed by the French consumer organization *Confédération de la Consommation, du Logement et du Cadre de Vie* (CLCV) against Volkswagen Group Automotive Retail France, Volkswagen Group France, and Volkswagen AG for up to 1 million French owners and lessees of vehicles with type EA 189 engines. This is an opt-in class action in which CLCV is primarily seeking rescission without compensation for use of the vehicle or, in the alternative, damages amounting to 20-30% of the purchase price.

In Italy, a trial level judgment in favor of the plaintiffs was rendered by the Venice Regional Court in July 2021 in the class action brought by the consumer association *Altroconsumo* on behalf of Italian customers; the judgment required Volkswagen AG and Volkswagen Group Italia to pay damages to some 63 thousand consumers in an aggregate amount of roughly €185 million. The judgment was largely overturned pursuant to the appeal filed by Volkswagen AG and Volkswagen Group Italia. Per this decision, the consumers validly registered in the class action will receive merely €300 each.

In the Netherlands, an opt-out class action is pending that was brought by *Stichting Volkswagen Car Claim* seeking declaratory rulings for up to 201 thousand customers. A declaratory judgment partially granting the relief sought was issued in July 2021. In the opinion of the court, Volkswagen AG and the other defendant Group companies acted unlawfully with respect to the original engine management software. The court moreover held that consumers are entitled to a purchase price reduction from the defendant dealerships. No specific payment obligations result from the declaratory judgment. Any individual claims would then have to be established afterwards in separate proceedings. Volkswagen AG and the other defendant Group companies appealed the decision. Furthermore, an opt-out class action lawsuit brought by the Diesel Emissions Justice Foundation (DEJF) seeking monetary damages on behalf of Dutch consumers is also pending; the action involves vehicles with type EA 189 engines, among others. The trial court rendered an interlocutory judgment in March 2022 holding the new class action regime – which permits damage awards in addition to declaratory judgment on the existence of claims – to be inapplicable to the instant lawsuit. The interlocutory judgment further finds that the Amsterdam court lacks jurisdiction to hear lawsuits brought by consumers outside the Netherlands. The DJEF filed what was originally a comprehensive appeal against this judgment, but limited its appeal in the reporting year solely to the issue of the applicability of the new class action regime; hence the court's decision that it lacks jurisdiction to hear lawsuits brought by consumers outside the Netherlands is final and binding. The court suspended further trial level proceedings pending a decision by the appellate court.

In Portugal, a Portuguese consumer organization had filed an opt-out class action potentially affecting up to approximately 70 thousand vehicles with type EA 189 engines. In July 2023, the Supreme Court dismissed the class action as inadmissible because the plaintiff consumer organization lacked standing to sue. The judgment became final in September 2023.

In South Africa, an opt-out class action seeking damages is pending; the action pertains to some 80 thousand vehicles, including vehicles with type EA 189 engines.

Furthermore, individual lawsuits and similar proceedings are pending against Volkswagen AG and other Volkswagen Group companies in various countries; most of these lawsuits are seeking damages or rescission of the purchase contract.

In Germany, roughly 25 thousand individual lawsuits relating to various diesel engine types are currently pending against Volkswagen AG or other Group companies, with the plaintiffs suing for damages or rescission of the contract in most cases.

In 2020, the BGH issued a series of fundamental judgments deciding legal issues of major importance for the litigation still pending with regard to vehicles with type EA 189 engines. The BGH held that buyers who had purchased vehicles prior to public disclosure of the diesel issue could return their vehicles to Volkswagen AG and receive a refund of the purchase price paid, less a deduction for the benefit derived from using the vehicle. However, buyers had no tort-based claim for damages if they purchased their vehicles after the ad hoc announcement of September 22, 2015 or if they raise claims based solely on a temperature-dependent exhaust gas recirculation (so-called thermal window) in the engine. In February 2022, the BGH issued further fundamental judgments concerning vehicles with EA 189 motors affirming that buyers of new vehicles of the Volkswagen brand were entitled to residual damage claims against Volkswagen AG after the knowledge-based limitation period has expired; the BGH had previously held that purchasers of used cars lacked such claims. The BGH held that buyers must return their vehicles in order to claim payment and that such payment was reduced by the benefit derived from using the vehicle and by the dealer profit margin. In an additional fundamental judgment rendered in July 2022 concerning vehicles with EA 189 engines, the BGH held that buyers of new vehicles of other Group brands have no claim for residual damages against Volkswagen AG.

In late June 2023, the BGH handed down judgments in lawsuits against Volkswagen AG and AUDI AG posing the issue as to how the case law of the ECJ on the potential claims of buyers under European type approval law should be implemented in German law. The BGH held that the negligent use of an impermissible defeat device may in principle entitle plaintiffs to differential damages in tort amounting to 5% to 15% of their vehicle's purchase price. Whether this claim is given in a particular instance is for the appeals courts to determine. The BGH stated that, when deciding whether a deactivation device was impermissible, it did not matter whether the limits in the NEDC testing procedure would be complied with even when system functioning was modified. The BGH held that liability does not arise where the manufacturer is not at fault, e.g. because the relevant public authority had approved the deactivation device in its specific configuration and taking account of identified combinations of deactivation devices, or would have done so upon request. Where a claim for differential damages exists in principle, the buyer must furthermore accept an offset for the benefit derived from using the vehicle and for the vehicle's value to the extent these exceed the vehicle's diminished value. An implemented software update may also potentially mitigate damages.

Volkswagen estimates the likelihood that the plaintiffs will prevail to be 50% or less in the great majority of cases: customer class actions, complaints filed by consumer and/or environmental organizations, and individual lawsuits. Contingent liabilities are disclosed for these proceedings where the amount of such liabilities can be measured and the chance that the plaintiff will prevail was assessed as not remote. Given the early stage of the proceedings, it is in some cases not yet possible to quantify the realistic risk exposure. Furthermore, provisions were recognized to the extent necessary based on the current assessment.

At this time, it cannot be estimated how many customers will choose to file lawsuits in the future in addition to those already pending and what prospect of success such lawsuits might have.

3. Lawsuits filed by investors worldwide (excluding the USA/Canada)

Investors from Germany and abroad have filed claims for damages against Volkswagen AG – in some cases along with Porsche Automobil Holding SE (Porsche SE) as joint and several debtors – based on purported losses due to alleged misconduct in capital market communications in connection with the diesel issue.

Almost all investor lawsuits are now pending before the Braunschweig Regional Court or the Braunschweig Higher Regional Court. In August 2016, the Braunschweig Regional Court issued an order referring common questions of law and fact relevant to the investor lawsuits pending in Braunschweig to the Higher Regional Court in Braunschweig for binding declaratory rulings pursuant to the *Kapitalanleger-Musterverfahrensgesetz* (KapMuG – German Capital Investor Model Declaratory Judgment Act). The investor lawsuits pending against Volkswagen AG in Germany are stayed pending resolution of the common issues, unless the cases can be dismissed for reasons independent of the common issues that are to be adjudicated in the model case proceedings. The resolution in the model case proceedings of the common questions of law and fact will be binding for the pending cases that have been stayed as described. The model case plaintiff is Deka Investment GmbH. Oral argument in the model case proceedings before the Braunschweig Higher Regional Court began in September 2018. The Braunschweig Higher Regional Court issued several notification rulings stating its position on certain legal issues of fundamental importance for the litigation. In July 2023, the Braunschweig Higher Regional Court issued an order for the taking of evidence including the examination of numerous persons as well as the production and consultation of documents and records. The mandated taking of evidence focuses initially on whether the Board of Management of Volkswagen AG or individual members thereof and/or individual members of Volkswagen AG's Ad Hoc Disclosure Clearing Office (the persons with ad hoc disclosure responsibility in the court's view) had or, as Volkswagen AG's state of knowledge indicates, lacked knowledge of the installation of deactivation devices prohibited under US law in Volkswagen AG vehicles, as well as on the conceptions of these persons regarding the potential share price impact of the information that each respectively possessed. Volkswagen AG has the burden of proof on some issues. The taking of testimony commenced in September 2023. To date, none of the witnesses examined has testified to having personal knowledge or to knowledge on the part of persons with ad hoc disclosure responsibility. Several witnesses invoked a privilege against giving testimony. In some cases (not as to persons with ad hoc disclosure responsibility), the Braunschweig Higher Regional Court affirmed a comprehensive right to refuse to testify. The implications of the refusal to testify given Volkswagen AG's burden of proof cannot be assessed abstractly. Pursuant to § 286 of the Code of Civil Procedure, the Braunschweig Higher Regional Court must decide at its discretion and conviction, taking account of the entire content of the hearings and the results of the evidence taken.

Further investor lawsuits are pending before the Stuttgart Regional Court against Volkswagen AG, in some cases along with Porsche SE as joint and several debtor. An additional investor action for model declaratory judgment was filed with the Stuttgart Higher Regional Court against Porsche SE; Volkswagen AG is involved in this action as a third party intervening in support of a party to the dispute. The Wolverhampton City Council, Administrating Authority for the West Midlands Metropolitan Authorities Pension Fund, was appointed model case plaintiff. The Stuttgart Higher Regional Court rendered a model declaratory judgment in late March 2023. Based on the determinations made in the model declaratory judgment and the current substantive status of the underlying actions, all of the suspended investor lawsuits against Porsche SE would in effect have to be dismissed. The model declaratory judgment is not yet final. The model case plaintiff, several interested parties summoned, and Porsche SE petitioned the BGH for review on points of law. Volkswagen AG joined the proceedings as a third-party supporting the petition for review of Porsche SE.

Excluding the United States and Canada, claims in connection with the diesel issue totaling roughly €9.2 billion are currently pending worldwide against Volkswagen AG in the form of investor lawsuits, judicial applications for dunning and conciliation procedures, and claims under the KapMuG. To date, claims in the high triple-digit-millions range have been withdrawn or finally and conclusively dismissed. Volkswagen AG remains of the opinion that it duly complied with its capital market obligations. Therefore, no provisions have been recognized for these investor lawsuits. Contingent liabilities have been disclosed where the chance of success was estimated to be not less than 10%.

4. Proceedings in the USA/Canada

In the USA and Canada, the matters described in the EPA's "Notices of Violation" are the subject of various types of lawsuits and requests for information that have been filed against Volkswagen AG and other Volkswagen Group companies, in particular by customers, investors, and various government agencies in the United States and Canada.

In November 2023, Volkswagen reached a settlement agreement resolving the environmental claims brought by the Attorney General of the State of Texas and various Texas municipalities against Volkswagen AG, Volkswagen Group of America, Inc., and certain affiliates. The settlement agreement became final in January 2024 after it was approved by the court. In November 2023, Volkswagen also finalized a settlement agreement resolving the environmental claims brought by two municipalities (Hillsborough County/Florida and Salt Lake County/Utah) against Volkswagen Group of America, Inc. and certain affiliates.

In March 2019, the US Securities and Exchange Commission (SEC) filed a lawsuit against, among others, Volkswagen AG, Volkswagen Group of America Finance, LLC, and VW Credit, Inc., asserting claims under US federal securities law based, among other things, on alleged misstatements and omissions in connection with the offer and sale of certain bonds and asset-backed securities. In August 2020, the US District Court for the Northern District of California dismissed, among other things, all claims against VW Credit, Inc. relating to asset-backed securities. In September 2020, the SEC filed an amended complaint that, among other things, removed the dismissed claims.

In line with IAS 37.92, no statements have been made concerning estimates of financial impact or regarding uncertainty as to the amount or maturity of provisions and contingent liabilities in relation to proceedings in the USA/Canada. This is so as to not compromise the results of the proceedings or the interests of the Company.

5. Special audit

In a November 2017 ruling, the Higher Regional Court of Celle ordered, upon the request of three US funds, the appointment of a special auditor for Volkswagen AG. The special auditor was supposed to examine whether the members of the Board of Management and Supervisory Board of Volkswagen AG breached their duties in connection with the diesel issue from June 22, 2006 onwards and, if so, whether this resulted in damages for

Volkswagen AG. Volkswagen AG had filed a constitutional complaint with the German Federal Constitutional Court against this decision, which was originally unappealable as formal matter. Volkswagen AG also filed a constitutional complaint against the subsequent (and likewise formally unappealable) decision by the Higher Regional Court of Celle to appoint a special auditor other than the one initially appointed. Following November 2022 rulings by the Federal Constitutional Court that upheld both of the constitutional complaints and remanded the cases to the Celle Higher Regional Court, the Higher Regional Court directed that extensive evidence be taken in the case concerning the order for a special audit. Proceedings in the case concerning the replacement of the special auditor were suspended until the completion of the taking of evidence. Volkswagen AG had in addition previously filed an action before the Braunschweig Regional Court seeking to enjoin the special auditor from performing the audit as long as he had not furnished sufficient proof of his independence. The Braunschweig Regional Court dismissed the action for injunctive relief in the summer of 2022; Volkswagen AG then appealed this decision to the Braunschweig Higher Regional Court.

A second motion seeking appointment of a special auditor for Volkswagen AG to examine matters relating to the diesel issue was filed with the Regional Court of Hanover. The proceedings in this matter were resumed after initially being stayed pending the decision of the Federal Constitutional Court in the first special audit case.

6. Risk assessment regarding the diesel issue

An amount of around €0.9 (1.4) billion has been included in the provisions for litigation and legal risks as of December 31, 2023 to account for the currently known legal risks related to the diesel issue based on the presently available information and the current assessments. Where adequately measurable at this stage, contingent liabilities relating to the diesel issue have been disclosed in the notes in an aggregate amount of €4.0 (4.2) billion, whereby roughly €3.8 (3.6) billion of this amount results from lawsuits filed by investors in Germany. The provisions recognized, the contingent liabilities disclosed, and the other latent legal risks in the context of the diesel issue are in part subject to substantial estimation risks given the complexity of the individual relevant factors, the ongoing coordination with the authorities, and the fact that the fact-finding efforts have not yet been concluded. Should these legal or estimation risks materialize, this could result in further substantial financial charges. In particular, adjustment of the provisions recognized in light of knowledge acquired or events occurring in the future cannot be ruled out.

In line with IAS 37.92, no further statements have been made concerning estimates of financial impact or regarding uncertainty as to the amount or maturity of provisions and contingent liabilities in relation to the diesel issue. This is so as to not compromise the results of the proceedings or the interests of the Company.

Additional important legal cases

In 2011, *ARFB Anlegerschutz UG (haftungsbeschränkt)* filed a claim for damages against Volkswagen AG and Porsche SE for allegedly violating disclosure requirements under capital market law in connection with the acquisition of ordinary shares in Volkswagen AG by Porsche SE in 2008. The damages being sought based on allegedly assigned rights currently amount to approximately €2.26 billion. In late September 2022 the 1st Antitrust Chamber of the Higher Regional Court of Celle issued a model case ruling by which all of the plaintiffs' objects of declaratory judgment were either dismissed or declared to be irrelevant. The legal positions of the model case defendants were thus upheld in their entirety. Two appeals alleging error of law in the model case ruling have been received, one of which is also directed against Volkswagen AG.

In Brazil, the Brazilian tax authorities commenced tax proceedings against Volkswagen Truck & Bus (formerly: MAN Latin America); at issue in these proceedings are the tax consequences of the acquisition structure chosen for Volkswagen Truck & Bus in 2009. In December 2017, an adverse administrative appeal ruling was rendered against Volkswagen Truck & Bus. Volkswagen Truck & Bus challenged this ruling before the regular court in 2018.

Estimation of the risk in the event the tax authorities prevail on all points is subject to uncertainty because of differences in the amount of penalties and interest that might then apply under Brazilian law. However, a positive outcome for Volkswagen Truck & Bus remains the expectation. Should this not occur, a risk of about BRL 3.4 billion could result for the contested period from 2009 onwards; this amount has been included in contingent liabilities in the notes.

After Volkswagen do Brasil had successfully brought an action in the Brazilian courts against what was held to constitute unconstitutional double taxation of vehicles on the part of the Brazilian federal government, Volkswagen do Brasil received a refund of the excess amount paid from the state of Brazil. In December 2023, the Brazilian dealership association *Associação Brasileira Dos Distribuidores Volkswagen* (Assobrav) and individual dealers, among others, filed lawsuits against Volkswagen do Brasil alleging that the dealers were at least partially entitled to the refunded amount. Eight such actions are pending. The lawsuit brought by Assobrav with a provisionally estimated amount in dispute of roughly BRL 2.4 billion is by far the largest of these actions. In January 2024, the court dismissed the dealership association's lawsuit in its entirety. Assobrav can appeal the dismissal; the judgment is not yet final.

In 2011, the European Commission conducted searches at European truck manufacturers for suspected unlawful exchange of information during the period from 1997 to 2011; in November 2014, the Commission issued a statement of objections to MAN, Scania, and the other truck manufacturers concerned. In its settlement decision of July 2016, the European Commission assessed fines against five European truck manufacturers. MAN's fine was waived in full as the company had informed the European Commission about the irregularities as a key witness. In September 2017, the European Commission fined Scania €0.88 billion. In a judgment rendered in February 2022, the European General Court (Court of First Instance) rejected in its entirety the appeal filed by Scania in this connection. Scania's April 2022 appeal against this judgment was rejected in full by the European Court of Justice, the court of last resort, in February 2024. Furthermore, antitrust lawsuits seeking damages have been received from customers. As is the case in any antitrust proceedings, this may result in further lawsuits for damages. No provisions have been recognized for a large number of these legal disputes as they are not expected to result in final damage awards at the highest appeals level. For those actions in which, after reassessing the risks, the final outcome at the highest appeals level appears more likely than not to result in the payment of damages by MAN or Scania, provisions have been recognized in an amount of €89 million. Contingent liabilities have not been disclosed as their quantification is not currently possible. This applies in particular to the proceedings that are currently in an early stage – including those as to which the process of expert assessment is still in an early stage.

In July 2021, the European Commission assessed a fine totaling roughly €502 million against Volkswagen AG, AUDI AG, and Dr. Ing. h.c. F. Porsche AG pursuant to a settlement decision. Volkswagen declined to file an appeal, hence the decision became final in 2021. The subject matter scope of the decision is limited to the cooperation of German automobile manufacturers on individual technical questions in connection with the development and introduction of SCR (selective catalytic reduction) systems for passenger cars that were sold in the European Economic Area. The manufacturers are not charged with any other misconduct such as price fixing or allocating markets and customers. Following the European Commission's July 2021 administrative fine decision, several class actions were filed in the United Kingdom beginning in late 2021 against Volkswagen AG, among others. Service of the complaints is expected in the course of 2024. Neither provisions nor contingent liabilities have been stated as a realistic estimate of risk exposure is not possible at the present stage of the proceedings. After analyzing potential violations based on the facts of the EU case, the Korean competition authority KFTC issued its administrative fine decision in April 2023. No fine was imposed on Volkswagen AG, and Porsche AG is not affected by the decision. A fine equaling just under €3 million was assessed against AUDI AG. AUDI AG and Volkswagen AG have appealed the decision to the relevant court in Seoul/Korea. The Turkish competition authorities, who investigated similar matters, issued a final decision in January 2022 in which they determined anticompetitive behavior to allegedly exist, but found that it had no effect on Türkiye, for which reason they refrained from imposing fines on the German automakers. The written grounds of the final decision are not yet available. Volkswagen AG, AUDI AG, and Porsche AG have filed appeals. Based on comparable matters, the Chinese competition authority has instituted proceedings against Volkswagen AG, AUDI AG, and Porsche AG, among others, and issued requests for information.

In March 2022, the European Commission and the Competition and Markets Authority (CMA), the English antitrust authorities, searched the premises of various automotive manufacturers and automotive industry organizations and/or served them with formal requests for information. In the Volkswagen Group, the investigation affects Volkswagen Group UK, which was searched by the CMA, and Volkswagen AG, which has received a Group-wide information request from the European Commission. The investigation relates to European, Japanese, and Korean manufacturers as well as national organizations operating in such countries and the European organization European Automobile Manufacturers' Association (ACEA), which are suspected of having agreed from 2001/2002 to the initiation of the proceedings to avoid paying for the services of recycling companies that dispose of end-of-life vehicles (ELV) (specifically passenger cars and vans up to 3.75 tons). Also alleged is an agreement to refrain from competitive use of ELV issues, that is, not to publicize relevant recycling data (recyclates, recyclability, recovery) for competitive purposes. The violation under investigation is alleged to have taken place in particular in the "ACEA" Working Group Recycling and related sub-groups thereof. Volkswagen AG is responding to the European Commission's information requests. Volkswagen Group UK is cooperating with the CMA. In this matter, CMA furthermore issued requests for information to Volkswagen AG. In July 2022, Volkswagen AG filed an action for judicial review challenging the CMA's requests for information in particular because Volkswagen AG believes that they exceed the CMA's jurisdiction. In February 2023, the court granted the claim. The CMA appealed this judgment in April 2023, and in January 2024 the appellate court ruled in the CMA's favor. Volkswagen AG is considering whether to appeal this decision. Concurrent therewith, Volkswagen AG continues to examine the possibilities for reasonable cooperation with the CMA.

In addition, a few national and international authorities initiated antitrust investigations. Volkswagen is cooperating closely with the responsible authorities in these investigations. An assessment of the underlying situation is not possible at this early stage.

Porsche AG has discovered potential regulatory issues relating to vehicles for various markets worldwide. There are questions as to the permissibility of specific hardware and software components used in type approval measurements. Differences compared with production versions may also have occurred in certain cases. Based on the information presently available, current production is not affected, however. The issues are unrelated to the defeat devices that were at the root of the diesel issue. A large number of the issues have already been completed.

In November 2021, three claimants accompanied by Greenpeace filed a lawsuit against Volkswagen AG before the Braunschweig Regional Court. Among other things, the action sought to compel Volkswagen to initially reduce in stages and by 2029 completely cease its production and placement into the stream of commerce of vehicles with internal combustion engines as well as to reduce greenhouse gas emissions from development, production, and marketing (including third party vehicle use). The lawsuit further sought to compel Volkswagen to exercise influence over Group companies, subsidiaries, and joint ventures so as to cause them to fulfill these demands as well. In February 2023, the Braunschweig Regional Court dismissed the action as unfounded. In addition, another action with similar requests for relief and by and large the same rationale has been filed against Volkswagen AG by an organic farmer with the support of Greenpeace before the Detmold Regional Court. This action was likewise dismissed as unfounded by the Detmold Regional Court in February 2023. The plaintiffs filed appeals against the judgments dismissing their complaints (appeals filed in March 2023 with the Braunschweig Higher Regional Court and in April 2023 with the Hamm Higher Regional Court).

In Russia, Automobile Plant GAZ LLC (GAZ) had initially filed several judicial proceedings against Volkswagen AG and others in the reporting year alleging damage claims totaling around RUB 44 billion. In this connection, GAZ applied for and in some cases initially obtained protective measures relating to the shares in Volkswagen Group Rus OOO (VGR) as well as to the movable and immovable property of VGR; the courts have since either rejected or vacated these measures. GAZ had appealed these decisions rejecting or vacating protective measures relative to the movable and immovable property of VGR; these appeals have since been finally and conclusively rejected. In May 2023, Volkswagen AG completed the sale of its shares in VGR and its local subsidiaries to Art-Finance LLC; thereby transferring title to the shares in VGR and its local subsidiaries to the buyer upon registration of the transaction. VGR was renamed AGR LLC in June 2023. In fulfillment of a court-confirmed settlement, GAZ has since withdrawn its complaint in the first lawsuit, thus terminating these proceedings. Volkswagen AG continues to defend the remaining second lawsuit, in which it is the sole defendant and alleged claims of approximately RUB 28.5 billion are at stake.

Provisions were recognized by Volkswagen Bank GmbH and Volkswagen Leasing GmbH for possible claims in connection with financial services provided to consumers. These relate to actions involving certain features of customer loan and leasing agreements that may toll the running of the statutory cancellation time periods.

In line with IAS 37.92, no further statements have been made concerning estimates of financial impact or regarding uncertainty as to the amount or maturity of provisions and contingent liabilities in relation to additional important legal cases. This is so as to not compromise the results of the proceedings or the interests of the Company.

Tax risks

Volkswagen AG and its subsidiaries have operations worldwide and are audited by local tax authorities on an ongoing basis. Amendments to tax laws and changes in legal precedent and their interpretation by the tax authorities in the respective countries may lead to tax payments that differ from the estimates made in the financial statements. Risks arise particularly from tax assessment of the cross-border supply of intragroup goods and services. Through organizational measures, such as the implementation of an advance pricing agreement, as well as the monitoring of transfer prices, Volkswagen constantly monitors the development of tax risks, as well as the impact thereof on the consolidated financial statements.

Tax provisions were recognized for potential future retrospective tax payments, while other provisions were recognized for ancillary tax payments arising in this connection.

The Volkswagen Group is aware of its social responsibility to comply with tax regulations (tax compliance) and is committed to being a responsible and reliable taxpayer (tax governance).

The organizational principles relating to the Volkswagen Group's tax affairs are set out in the Group's Tax Policy, which is reviewed annually to verify that it is up to date. This policy also contains uniform requirements for the implementation of a Group-wide Tax Compliance Management System, which must be followed by the Group companies and serves to monitor adherence to tax regulations. The organizational principles defined therein are designed to ensure that tax-related financial and regulatory as well as any resulting reputational risks can be identified and evaluated. These risks are communicated, proactively managed and monitored, and are comprehensively incorporated into our risk management processes and systems.

The Board of Management has also published its tax strategy principles, which focus in particular on correct fulfillment of tax obligations. Among other things, these principles require Group companies to conduct transactions with each other at arm's length in order to satisfy relevant OECD guidelines for multinational enterprises. Inappropriate legal arrangements, and particularly an "aggressive" tax strategy muste be avoided.

Financial risks

For this risk category, the likelihood of occurrence is classified as high and the potential extent of damage is classified as medium. No risks with a score of more than 20 were reported for this risk category in the previous year.

The most significant risks from the QRP arise in particular from volatile foreign exchange markets.

Strategies for hedging financial risks

In the course of our business activities, financial risks may arise from changes in interest rates, exchange rates, raw material prices, or share and fund prices – but also from unforeseeable events such as the Russia-Ukraine conflict and the confrontations in the Middle East. Management of these financial risks and of liquidity risks is the central responsibility of the Group Treasury department, which reduces these risks using nonderivative and derivative financial instruments. The Board of Management is informed of the current risk situation at regular intervals.

Interest rate risk refers to potential losses that could arise as a result of changes in market interest rates. It occurs because of interest rate mismatches between asset and liability items in a portfolio or on the balance sheet. We hedge interest rate risk – where appropriate in combination with currency risk – and risks arising from fluctuations in the value of financial instruments by means of interest rate swaps, cross-currency interest rate swaps and other interest rate contracts with generally matching amounts and maturities. The principle of matching amounts and maturities applies to financing arrangements within the Volkswagen Group in the Automotive Division. In the Financial Services Division, the risk of changes in the interest rate is managed on the basis of limits using interest rate derivatives as part of the defined risk strategy.

Foreign currency risk is reduced in particular through natural hedging, i.e. by adapting our production capacity at our locations around the world, establishing new production facilities in the most important currency regions and also procuring a large percentage of components locally. We hedge the residual exchange rate risk using hedging instruments. These mainly comprise currency forwards and currency options. We use these transactions to limit the exchange rate risk associated with forecasted cash flows from operating activities, intragroup financing and liquidity positions in currencies other than the respective functional currency, for example as a result of restrictions on capital movements. The currency forwards and currency options can have a term of up to ten years. We use these to hedge our principal foreign currency risks, mostly against the euro and primarily in Australian dollars, Brazilian real, Canadian dollars, Chinese renminbi, Czech koruna, Hong Kong dollars, Hungarian forints, Indian rupees, Japanese yen, Mexican pesos, Norwegian kroner, Polish zloty, pounds sterling, Singapore dollars, South African rand, South Korean won, Swedish kronor, Swiss francs, Taiwan dollars and US dollars.

At year-end 2023, there were no more hedges for the Russian ruble.

The hedging of commodity prices entails risks relating to the availability of raw materials and price trends. Particularly against the backdrop of the Russia-Ukraine conflict and the confrontations in the Middle East, we continuously analyze potential risks arising from changes in commodity and energy prices in the market so that immediate action can be taken whenever these arise. We limit these risks particularly by entering into forward transactions and swaps. We have used appropriate contracts to hedge some of our requirements for commodities such as aluminum, coal, copper and lead over a period of up to six years. We have also entered into price hedges for cobalt, lithium and coal with maximum terms of less than three years. In the case of nickel, the strategic hedging horizon is up to ten years, although existing hedges focus particularly on the next six years. Appropriate contracts have also been put in place to hedge prices of electricity and gas deliveries.

The precious metals platinum, palladium and rhodium have shorter hedging periods, generally amounting to a maximum of up to three years. For selected commodities, this may also involve increases in physical inventories. We have also entered into transactions for emission allowances to hedge the prices of a portion of the CO_2 emissions generated beyond the free allocations as part of the European Union Emissions Trading System (EU ETS) over the coming years.

Special funds, in which we invest surplus liquidity, entail equity price risks and fund price risks in particular. We reduce these risks through the diversified investment of funds and through minimum values set out in the respective investment guidelines. In addition, exchange rates are hedged when market conditions are appropriate.

In the notes to the consolidated financial statements we explain our hedging policy, the hedging rules and the default and liquidity risks, and quantify the hedging transactions mentioned. We also disclose information on market risk within the meaning of IFRS 7 in the same section.

Risks arising from financial instruments

Channeling excess liquidity into investments and entering into derivatives contracts gives rise to counterparty risk. Partial or complete failure by a counterparty to perform its obligation to pay interest and repay principal, for example, would have a negative impact on the Volkswagen Group's earnings and liquidity. We counter this risk through our counterparty risk management, which we describe in more detail in the section entitled "Principles and Goals of Financial Management" in the "Results of Operations, Financial Position and Net Assets" chapter. The financial instruments held for hedging purposes give rise to both counterparty risks and balance sheet risks, which we limit using hedge accounting.

By diversifying when selecting business partners, we work to limit the impact of a default and keep the Volkswagen Group solvent at all times, even in the event of a default by individual counterparties.

The use of financial instruments may result in losses if the hedging exchange rates are less favorable than the rates achievable on the market at the maturity of the financial instrument.

Risks arising from trade receivables and from financial services are explained in more detail in the notes to the consolidated financial statements.

Liquidity risk

Volkswagen is reliant on its ability to adequately cover its financing needs. There is a potential liquidity risk that we will be unable to cover existing capital requirements by raising funds or unable to finance the Group on reasonable terms, which in turn can have a substantially negative impact on Volkswagen's business position, earnings, financial position and net assets.

In principle, the Automotive Division and Financial Services Division refinance themselves independently of one another. However, they are subject to very similar refinancing risks. In the Automotive Division, the Company's solvency is primarily safeguarded through retained, non-distributed earnings, by drawing down on credit lines and by issuing financial instruments on the money and capital markets. The capital requirements of the financial services business are covered mainly by raising funds in the national and international financial markets, as well as through customer deposits from the direct banking business.

One of the ways in which Volkswagen finances its projects is with loans provided by national development banks such as *Kreditanstalt für Wiederaufbau* (KfW) or *Banco Nacional de Desenvolvimento Econômico e Social* (BNDES), or by supranational development banks.

In addition to fully committed credit lines, uncommitted credit lines from commercial banks supplement our broadly diversified refinancing structure.

Financing opportunities can be hindered by worsening financial and general market conditions – also as a consequence of geopolitical tensions and conflicts such as the Russia-Ukraine conflict or the confrontations in the Middle East – and by a worsening credit profile and outlook or a downgrade or withdrawal of the credit rating. The increasing relevance of ESG ratings to investors is also of growing significance in this context. In such cases, there is a risk of a fall in demand from market participants for securities issued by Volkswagen, which may additionally have a detrimental effect on the interest rates payable and restrict access to the capital market.

Risks and opportunities in the financial services business

While carrying out our financial services activities, we are primarily exposed to residual value risks and credit risks.

A residual value risk arises when the expected fair value for the disposal of the lease or finance asset may be lower than the residual value set at contract conclusion. However, there is also a possibility that disposal of the asset will generate more income than calculated for the residual value.

Referring to the bearer of residual value risk, a distinction is made between direct and indirect residual value risks. A direct residual value risk means that our financial services companies directly bear this risk (as outlined in the contract). An indirect residual value risk occurs when, based on a residual value guarantee, the residual value risk has passed to a third party, such as a dealer. In such cases, there is an initial counterparty default risk associated with this third party (the residual value guarantor). If the guarantor defaults, the residual value risk passes to our financial services companies.

Management of the residual value risk is based on a defined control cycle, which ensures that risks are fully assessed, monitored, responded to and communicated. This process structure enables us to manage residual risks professionally and also to systematically improve and enhance the way we handle residual value risks.

As part of our risk management efforts, the appropriateness of the risk provision is assessed regularly, as is the residual value risk potential. In the process, we compare the contractually agreed residual values with the obtainable fair values. These are determined utilizing data from external service providers and our own marketing data. We do not take possible gains on residual market values into account when recognizing risk provisions. Based on the resulting potential residual value risk, a variety of measures are initiated in order to limit this risk. With regard to new business, the residual value recommendation must take into account current market circumstances and factors that might have an influence in future.

Credit risk describes the risk of losses due to defaults in customer transactions, specifically by the borrower or lessee. Default occurs when the borrower or lessee is unable or unwilling to make the payments due. This includes late or partial payment of interest and principal on the part of the contracting party.

Credit checks on borrowers are the primary basis for lending decisions. Rating and scoring systems are used to provide an objective decision-making basis for granting loans and leases and for recognizing risk provisions.

An opportunity may arise if the losses from the lending and leasing business are lower than the previously calculated expected losses and the risk provision recognized on this basis. Particularly in those countries in which we take a conservative approach to risk due to the uncertain economic situation, the realized losses may be lower than the expected losses if the economy stabilizes and borrowers' credit ratings improve as a result.

Risks are managed and monitored within the framework of corresponding processes relating to economic circumstances and collateral, adherence to limits, contractual obligations, and conditions stipulated both by outside parties and the company itself. As such, commitments are managed according to the degree of risk involved (standard, intensified and problem loan management).

More information on risks in the financial services business can be found in the 2023 annual reports of Volkswagen Financial Services AG and Volkswagen Bank GmbH.

Opportunities and risks from mergers & acquisitions and/or other strategic partnerships/investments

No risks with a score of 20 or more were reported for this risk category in the reporting year.

Opportunities and risks from partnerships

As part of our NEW AUTO strategy, we are stepping up our efforts to forge partnerships, both for the transformation of our core business and for the establishment of the new mobility solutions business.

In the field of battery cells, risks could arise from potential disagreement with our partners, possible delays in battery cell development or delayed battery cell production.

Close interaction with partners in the field of e-mobility in the form of partnerships and joint ventures supports technological change. Examples include the development of a comprehensive charging infrastructure. This cooperation involves risks such as an increased coordination workload, more complex decision-making processes and the loss of expertise. At the same time, opportunities are presented by the pooling of specialist knowledge, by horizontal and vertical integration and by better use of resources. Volkswagen has therefore created various teams in Group Components to closely support all such partnerships.

The marketing of the Modular Electric Drive Toolkit to third parties, for example as part of the strategic alliance with Ford, could result in damage claims in the event of problems with procurement, production and quality.

We are concentrating to a greater extent on partnerships, acquisitions, and venture capital investments. Our intent here is to generate maximum value for the Group and its brands and to enable us to expand our expertise, particularly in new areas of business. Our innovative presence in the markets supports this process. We enter into partnerships at a local level to help us identify regional customer needs more accurately, establish competitive cost structures and thus develop and offer market-driven products. At the same time, partnerships are associated with the risk that the interests of our business partners might differ from our own or that common goals cannot be reached. Furthermore, specific risks and expenses may arise from the provision of data and systems in new development partnerships in a way that meets the requirements of the relevant jurisdictions (e.g. national data protection law) and roles (e.g. the need-to-know principle of the Volkswagen Group). To mitigate the aforementioned risks, development partnerships receive not only technical support but also assistance on legal and IT-related aspects.

Volkswagen owns a large number of patents and other industrial property rights and copyrights. Patent and licensing infringements may also arise in partnerships and thus result in the unauthorized disclosure of company-specific expertise. Volkswagen monitors the sales markets and also protects its expertise with legal action.

Risks arising from the recoverability of goodwill or brand names and from equity investments

For the goodwill recognized in the financial statements and for brand names, as well as for equity investments, there is a risk that the carrying amount of goodwill may be higher than the recoverable amount and that an impairment loss must therefore be recognized. Volkswagen tests at least once a year on the basis of underlying cash-generating units, whether the value of the goodwill or the brand names could have been impaired. We also regularly test the equity investments for impairment. The possible consequences of climate change and future regulatory requirements, especially where associated with the transformation of our business towards e-mobility, and the potential effects of these, are taken into account in our medium-term planning and thus in the calculation of future cash flows, including in impairment tests. If there are objective indications that the recoverable amount of the asset concerned is lower than the carrying amount, Volkswagen recognizes this as a non-cash impairment. An impairment can be caused, for example, by an increase in interest rates or deteriorating business prospects.

Risks from the disposal of equity investments

An unexpected need for funding may lead to a situation in which assets have to be sold for a lower amount not equivalent to their value.

OVERALL ASSESSMENT OF THE RISK AND OPPORTUNITY POSITION

The Volkswagen Group's overall risk and opportunity position results from the specific risks and opportunities shown above. We have established a comprehensive risk management system to ensure that these risks are controlled. The most significant risks to the Volkswagen Group across all risk categories arise from a negative trend in markets and unit sales, with regard to quality and cybersecurity, and from an inability to develop products in line with demand and requirements, especially in view of e-mobility and digitalization. The Volkswagen Group continues to be exposed to risks from the diesel issue. In 2024, an adverse effect may result from the continued limited availability of parts, energy and other raw materials, as well as from geopolitical tensions and conflicts, including from the Russia-Ukraine conflict and the confrontations in the Middle East. Taking into account all the information known to us at present, no risks exist which could pose a threat to the continued existence of significant Group companies or the Volkswagen Group.

Outlook for 2024

Our planning is based on the assumption that global economic output will grow overall in 2024 compared with 2023, albeit at a slower pace. The persistently high inflation in major economic regions and the resulting restrictive monetary policy measures taken by central banks are expected to dampen consumer demand. We continue to believe that risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, continuing geopolitical tensions and conflicts are weighing on growth prospects; risks are associated in particular with the Russia-Ukraine conflict and the confrontations in the Middle East. We assume that both the advanced economies and the emerging markets will show positive momentum on average, but with below-average growth in gross domestic product (GDP).

The trend in the automotive industry closely follows global economic developments. We assume that competition in the international automotive markets will intensify further. Crisis-related disruption to the global supply chain and the resulting impact on vehicle availability may weigh on the volume of new registrations. Uncertainty may also arise from shortages of intermediates and commodities. These may be further exacerbated by the consequences of the Russia-Ukraine conflict and the confrontations in the Middle East and may, in particular, lead to rising prices for materials and a declining availability of energy.

We predict that trends in the markets for passenger cars in the individual regions will be mixed but predominantly positive in 2024. Overall, the global volume of new car sales is expected to be slightly higher than in the previous year. For 2024, we anticipate that the volume of new passenger car registrations in Western Europe will be slightly higher than that recorded in the reporting year. In the German passenger car market, we expect the volume of new registrations in 2024 to also be slightly up on the prior-year level. Sales of passenger cars in 2024 are expected to significantly exceed the prior-year figures overall in markets in Central and Eastern Europe – subject to the further development of the Russia-Ukraine conflict. The volume of sales in the markets for passenger cars and light commercial vehicles (up to 6.35 tonnes) in North America in 2024 is forecast to be slightly higher than the level seen the previous year. We also anticipate a slight increase in new registrations in the South American markets in 2024 compared with the previous year. Likewise, the passenger car markets in the Asia-Pacific region are expected to be slightly up on the prior-year level in 2024.

Trends in the markets for light commercial vehicles in the individual regions will be mixed; on the whole, we expect the sales volume for 2024 to be slightly above the previous year's figure.

For 2024, we expect to see a noticeable downward trend in new registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes compared with the previous year in the markets that are relevant for the Volkswagen Group, with variations from region to region. A noticeable year-on-year increase in demand is anticipated for 2024 in the bus markets relevant for the Volkswagen Group, whereby this will vary depending on the region.

We assume that automotive financial services will prove highly important to global vehicle sales in 2024.

In a challenging market environment, we anticipate that deliveries to customers by the Volkswagen Group in 2024 will increase by up to 3% compared to the previous year.

Challenges will arise in particular from the economic situation, the increasing intensity of competition, volatile commodity, energy and foreign exchange markets, and more stringent emissions-related requirements.

We expect the sales revenue of the Volkswagen Group and the Passenger Cars Business Area to exceed the previous year's figure by up to 5% in 2024. The operating return on sales for the Volkswagen Group and the Passenger Cars Business Area is likely to be between 7.0% and 7.5%. For the Commercial Vehicles Business Area, we anticipate an operating return on sales of 8.5% to 9.5%, also amid a year-on-year increase of up to 5% in sales revenue. In the Power Engineering Business Area, we expect sales revenue to be up to 2% above the prior-year figure and operating profit to be in the low three-digit-million euro range. For the Financial Services Division, we forecast an increase of 3–7% in sales revenue compared with the prior year and an operating result in the range of €4.0 billion.

In the Automotive Division, we are assuming an investment ratio of between 13.5% and 14.5% in 2024. We expect net cash flow in 2024 to be between €4.5 billion and €6.5 billion. This will include in particular investments for the future and cash outflows from mergers and acquisitions for the battery business field, which are a vital pillar of the Volkswagen Group's transformation. Net liquidity in the Automotive Division in 2024 is expected to be between €39 billion and €41 billion. Our goal remains unchanged, namely, to continue with our robust financing and liquidity policy.

Wolfsburg, February 20, 2024
The Board of Management

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Consolidated Financial Statements

Consolidated Financial Statements

Income Statement

of the Volkswagen Group for the period January 1 to December 31, 2023

€ million	Note	2023	2022[1]
Sales revenue	1	**322,284**	**279,050**
Cost of sales	2	–261,262	–226,866
Gross result		**61,022**	**52,184**
Distribution expenses	3	–21,340	–19,840
Administrative expenses	4	–12,724	–11,655
Other operating income	5	15,152	19,234
Other operating expenses	6	–19,534	–17,813
Operating result		**22,576**	**22,109**
Share of the result of equity-accounted investments	7	2,291	2,403
Interest income	8	2,658	1,325
Interest expenses	8	–3,592	–408
Other financial result	9	–739	–3,359
Financial result		**618**	**–40**
Earnings before tax		**23,194**	**22,070**
Income tax income/expense	10	–5,266	–6,217
Current		–6,791	–5,263
Deferred		1,526	–954
Earnings after tax		**17,928**	**15,852**
of which attributable to			
Noncontrolling interests		1,329	395
Volkswagen AG hybrid capital investors		586	576
Volkswagen AG shareholders		16,013	14,881
Basic/diluted earnings per ordinary share in €	11	**31.92**	**29.66**
Basic/diluted earnings per preferred share in €	11	**31.98**	**29.72**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

Statement of Comprehensive Income

Changes in comprehensive income for the period January 1 to December 31, 2023

€ million	Total	Income attributable to Volkswagen AG shareholders	Income attributable to Volkswagen AG hybrid capital investors	Income attributable to noncontrolling interests
Earnings after tax	**17,928**	**16,013**	**586**	**1,329**
Pension plan remeasurements recognized in other comprehensive income				
Pension plan remeasurements recognized in other comprehensive income, before tax	–1,871	–1,763	–	–107
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	642	610	–	32
Pension plan remeasurements recognized in other comprehensive income, net of tax	–1,229	–1,153	–	–76
Fair value valuation of equity instruments that will not be reclassified to profit or loss				
Fair value valuation of equity instruments that will not be reclassified to profit or loss, before tax	–96	–97	–	1
Deferred taxes relating to fair value valuation of equity instruments that will not be reclassified to profit or loss	22	23	–	0
Fair Value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	–73	–74	–	1
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	–7	–7	–	0
Items that will not be reclassified to profit or loss	**–1,309**	**–1,234**	**–**	**–74**
Exchange differences on translating foreign operations				
Gains/losses on currency translation recognized in other comprehensive income	–1,653	–1,556	–	–97
Transferred to profit or loss	395	395	–	–
Exchange differences on translating foreign operations, before tax	–1,258	–1,160	–	–97
Deferred taxes relating to exchange differences on translating foreign operations	–3	–3	–	–
Exchange differences on translating foreign operations, net of tax	–1,260	–1,163	–	–97
Hedging				
Fair value changes recognized in other comprehensive income (OCI I)	747	428	–	320
Transferred to profit or loss or inventories (OCI I)	–748	–674	–	–75
Cash flow hedges (OCI I), before tax	–1	–246	–	245
Deferred taxes relating to cash flow hedges (OCI I)	20	95	–	–75
Cash flow hedges (OCI I), net of tax	19	–151	–	170
Fair value changes recognized in other comprehensive income (OCI II)	–404	–359	–	–45
Transferred to profit or loss or inventories (OCI II)	1,055	915	–	140
Cash flow hedges (OCI II), before tax	651	556	–	95
Deferred taxes relating to cash flow hedges (OCI II)	–184	–155	–	–29
Cash flow hedges (OCI II), net of tax	467	401	–	66
Fair value valuation of debt instruments that may be reclassified to profit or loss				
Fair value changes recognized in other comprehensive income	176	176	–	–
Transferred to profit or loss	–6	–6	–	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax	170	170	–	–
Deferred taxes relating to fair value valuation of debt instruments recognized in other comprehensive income	–44	–44	–	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	126	126	–	–
Share of other comprehensive income of equity-accounted investments that may be reclassified to profit or loss, net of tax	–382	–381	–	–1
Items that may be reclassified to profit or loss	**–1,030**	**–1,168**	**–**	**138**
Other comprehensive income, before tax	–2,792	–2,929	–	136
Deferred taxes relating to other comprehensive income	454	526	–	–73
Other comprehensive income, net of tax	**–2,339**	**–2,402**	**–**	**64**
Total comprehensive income	**15,589**	**13,611**	**586**	**1,393**

Changes in comprehensive income for the period January 1 to December 31, 2022[1]

€ million	Total	Income attributable to Volkswagen AG shareholders	Income attributable to Volkswagen AG hybrid capital investors	Income attributable to noncontrolling interests
Earnings after tax	**15,852**	**14,881**	**576**	**395**
Pension plan remeasurements recognized in other comprehensive income				
Pension plan remeasurements recognized in other comprehensive income, before tax	14,880	14,793	–	87
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	–4,572	–4,550	–	–22
Pension plan remeasurements recognized in other comprehensive income, net of tax	10,308	10,243	–	65
Fair value valuation of equity instruments that will not be reclassified to profit or loss				
Fair value valuation of equity instruments that will not be reclassified to profit or loss, before tax[2]	–475	–422	–	–52
Deferred taxes relating to fair value valuation of equity instruments that will not be reclassified to profit or loss[2]	35	29	–	5
Fair Value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	–440	–393	–	–47
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	11	11	–	0
Items that will not be reclassified to profit or loss	**9,879**	**9,860**	**–**	**19**
Exchange differences on translating foreign operations				
Gains/losses on currency translation recognized in other comprehensive income	100	256	–	–156
Transferred to profit or loss	59	59	–	–
Exchange differences on translating foreign operations, before tax	160	316	–	–156
Deferred taxes relating to exchange differences on translating foreign operations	5	5	–	–
Exchange differences on translating foreign operations, net of tax	164	321	–	–156
Hedging				
Fair value changes recognized in other comprehensive income (OCI I)	2,203	1,675	–	528
Transferred to profit or loss or inventories (OCI I)	1,094	1,045	–	48
Cash flow hedges (OCI I), before tax	3,297	2,720	–	577
Deferred taxes relating to cash flow hedges (OCI I)	–976	–800	–	–176
Cash flow hedges (OCI I), net of tax	2,321	1,920	–	401
Fair value changes recognized in other comprehensive income (OCI II)	–2,058	–2,002	–	–56
Transferred to profit or loss or inventories (OCI II)	753	730	–	22
Cash flow hedges (OCI II), before tax	–1,305	–1,272	–	–34
Deferred taxes relating to cash flow hedges (OCI II)	398	387	–	11
Cash flow hedges (OCI II), net of tax	–908	–885	–	–23
Fair value valuation of debt instruments that may be reclassified to profit or loss				
Fair value changes recognized in other comprehensive income	–430	–430	–	–
Transferred to profit or loss	0	0	–	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax	–430	–430	–	–
Deferred taxes relating to fair value valuation of debt instruments recognized in other comprehensive income	118	118	–	–
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	–312	–312	–	–
Share of other comprehensive income of equity-accounted investments that may be reclassified to profit or loss, net of tax	314	314	–	0
Items that may be reclassified to profit or loss	**1,580**	**1,358**	**–**	**222**
Other comprehensive income, before tax	16,452	16,030	–	422
Deferred taxes relating to other comprehensive income	–4,993	–4,811	–	–182
Other comprehensive income, net of tax	**11,459**	**11,218**	**–**	**241**
Total comprehensive income	**27,312**	**26,100**	**576**	**636**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).
2 As from the first quarter of 2023, deferred taxes are reported separately. The prior-year figures were adjusted accordingly.

Balance Sheet

of the Volkswagen Group as of December 31, 2023

€ million	Note	Dec. 31, 2023	Dec. 31, 2022[1]
Assets			
Noncurrent assets			
Intangible assets	12	89,109	83,241
Property, plant and equipment	13, 33	66,880	63,890
Lease assets	14, 33	64,094	59,380
Investment property	14	632	610
Equity-accounted investments	15	12,239	12,668
Other equity investments	15	4,431	3,489
Financial services receivables	16	94,474	86,944
Other financial assets	17	11,757	13,832
Other receivables	18	2,702	2,477
Tax receivables	19	437	394
Deferred tax assets	19	13,940	12,929
		360,694	**339,853**
Current assets			
Inventories	20	53,601	52,274
Trade receivables	21	21,849	18,534
Financial services receivables	16	66,381	61,549
Other financial assets	17	16,953	15,148
Other receivables	18	8,799	7,813
Tax receivables	19	1,649	1,732
Marketable securities and time deposits	22	26,772	37,206
Cash and cash equivalents	23	43,449	29,172
Assets held for sale		190	733
		239,644	**224,159**
Total assets		**600,338**	**564,013**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

€ million	Note	Dec. 31, 2023	Dec. 31, 2022[1]
Equity and liabilities			
Equity	24		
Subscribed capital		1,283	1,283
Capital reserve		14,551	14,551
Retained earnings		147,830	137,272
Other reserves		–3,125	–1,851
Equity attributable to Volkswagen AG hybrid capital investors		15,155	14,121
Equity attributable to Volkswagen AG shareholders and hybrid capital investors		175,694	165,376
Noncontrolling interests		14,218	12,952
		189,912	**178,328**
Noncurrent liabilities			
Financial liabilities	25	122,323	121,737
Other financial liabilities	26	6,968	8,188
Other liabilities	27	9,885	9,144
Deferred tax liabilities	28	9,781	10,736
Provisions for pensions	29	29,672	27,553
Provisions for taxes	28	4,287	4,320
Other provisions	30	21,636	21,283
		204,552	**202,961**
Current liabilities			
Financial liabilities	25	110,476	83,448
Trade payables	31	30,901	28,738
Tax payables	28	556	726
Other financial liabilities	26	14,022	19,807
Other liabilities	27	24,345	22,665
Provisions for taxes	28	1,663	2,586
Other provisions	30	23,881	24,596
Liabilities associated with assets held for sale		31	158
		205,874	**182,723**
Total equity and liabilities		**600,338**	**564,013**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

Statement of Changes in Equity

of the Volkswagen Group for the period January 1 to December 31, 2023

				OTHER RESERVES								
					HEDGING							
€ million	Subscribed capital	Capital reserve	Retained earnings	Currency translation reserve	Cash flow hedges (OCI I)	Deferred costs of hedging (OCI II)	Equity and debt instruments	Equity-accounted investments	Equity attributable to Volkswagen AG hybrid capital investors	Equity attributable to Volkswagen AG shareholders and hybrid capital investors	Noncontrolling interests	Total equity
Unadjusted balance at Jan. 1, 2022	**1,283**	**14,551**	**117,342**	**-2,351**	**-635**	**-367**	**-355**	**541**	**14,439**	**144,449**	**1,705**	**146,154**
Changes in accounting policy to reflect IFRS 17	–	–	-11	–	–	–	–	1	–	-11	–	-11
Balance at Jan. 1, 2022	**1,283**	**14,551**	**117,331**	**-2,351**	**-635**	**-367**	**-355**	**542**	**14,439**	**144,438**	**1,705**	**146,143**
Earnings after tax	–	–	14,881	–	–	–	–	–	576	15,457	395	15,852
Other comprehensive income, net of tax	–	–	10,243	321	1,920	-885	-705	325	–	11,218	241	11,459
Total comprehensive income	**–**	**–**	**25,124**	**321**	**1,920**	**-885**	**-705**	**325**	**576**	**26,676**	**636**	**27,312**
Disposal of equity instruments	–	–	-58	–	–	–	58	–	–	–	–	–
Capital increases/Capital decreases	–	–	–	–	–	–	–	–	-337	-337	103	-234
Dividends payment	–	–	-13,327	–	–	–	–	–	-557	-13,884	-257	-14,141
Capital transactions involving a change in ownership interest	–	–	8,148	-226	338	174	-3	0	–	8,432	10,796	19,228
Other changes	–	–	54	–	–	–	–	-3	–	51	-30	21
Balance at Dec. 31, 2022[1]	**1,283**	**14,551**	**137,272**	**-2,256**	**1,623**	**-1,077**	**-1,005**	**864**	**14,121**	**165,376**	**12,952**	**178,328**
Unadjusted balance at Jan. 1, 2023	**1,283**	**14,551**	**137,267**	**-2,256**	**1,623**	**-1,077**	**-1,005**	**870**	**14,121**	**165,378**	**12,950**	**178,327**
Changes in accounting policy to reflect IFRS 17	–	–	5	–	–	–	–	-7	–	-1	2	1
Balance at Jan. 1, 2023	**1,283**	**14,551**	**137,272**	**-2,256**	**1,623**	**-1,077**	**-1,005**	**864**	**14,121**	**165,376**	**12,952**	**178,328**
Earnings after tax	–	–	16,013	–	–	–	–	–	586	16,599	1,329	17,928
Other comprehensive income, net of tax	–	–	-1,153	-1,163	-151	401	52	-388	–	-2,402	64	-2,339
Total comprehensive income	**–**	**–**	**14,860**	**-1,163**	**-151**	**401**	**52**	**-388**	**586**	**14,197**	**1,393**	**15,589**
Disposal of equity instruments	–	–	13	–	–	–	-13	–	–	–	–	–
Capital increases/Capital decreases	–	–	–	–	–	–	–	–	1,004	1,004	3	1,008
Dividends payment	–	–	-4,374	–	–	–	–	–	-556	-4,930	-54	-4,984
Capital transactions involving a change in ownership interest	–	–	-42	-11	–	–	–	–	–	-54	-27	-80
Other changes	–	–	100	–	–	–	–	–	–	100	-50	51
Balance at Dec. 31, 2023	**1,283**	**14,551**	**147,830**	**-3,431**	**1,472**	**-676**	**-966**	**476**	**15,155**	**175,694**	**14,218**	**189,912**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

Explanatory notes on equity are presented in the note relating to equity.

Cash flow Statement

of the Volkswagen Group for the period January 1 to December 31, 2023

€ million	2023	2022[2]
Cash and cash equivalents at beginning of period	**29,738**	**39,123**
Earnings before tax	23,194	22,070
Income taxes paid	-7,716	-4,416
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant and equipment, and investment property[1]	11,727	13,364
Amortization of and impairment losses on capitalized development costs[1]	5,184	5,144
Impairment losses on equity investments[1]	717	2,185
Depreciation of and impairment losses on lease assets[1]	10,655	9,977
Gain/loss on disposal of noncurrent assets and equity investments	208	30
Share of the result of equity-accounted investments	271	568
Other non-cash expense/income	3,953	-539
Change in inventories	-2,071	-8,385
Change in receivables (excluding financial services)	-4,361	-3,065
Change in liabilities (excluding financial liabilities)	5,272	8,713
Change in provisions	620	-2,144
Change in lease assets	-14,964	-8,711
Change in financial services receivables	-13,332	-6,294
Cash flows from operating activities	**19,356**	**28,496**
Investments in intangible assets (excluding development costs), property, plant and equipment, and investment property	-14,653	-12,948
Additions to capitalized development costs	-11,142	-9,723
Acquisition of subsidiaries	-675	-1,122
Acquisition of other equity investments	-2,041	-2,504
Disposal of subsidiaries	-63	372
Disposal of other equity investments	41	35
Proceeds from disposal of intangible assets, property, plant and equipment, and investment property	501	437
Change in investments in securities and time deposits	11,273	-14,885
Change in loans	-3,054	-1,483
Cash flows from investing activities	**-19,812**	**-41,822**
Capital contributions/capital redemptions	1,003	-235
Dividends paid	-11,732	-4,362
Capital transactions with noncontrolling interest shareholders	-8	16,198
Proceeds from issuance of bonds	37,740	23,876
Repayments of bonds	-32,582	-25,638
Changes in other financial liabilities	22,776	-4,366
Repayments of lease liabilities	-1,190	-1,248
Cash flows from financing activities	**16,008**	**4,225**
Effect of exchange rate changes on cash and cash equivalents	-1,764	-285
Change of loss allowance within cash and cash equivalents	-2	1
Net change in cash and cash equivalents	**13,785**	**-9,385**
Cash and cash equivalents at end of period	**43,522**	**29,738**
Cash and cash equivalents at end of period	43,522	29,738
Securities and time deposits and loans	41,858	49,771
Gross liquidity	**85,380**	**79,509**
Total third-party borrowings	-232,813	-205,312
Net liquidity	**-147,433**	**-125,803**

1 Net of impairment reversals.
2 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

Explanatory notes on the cash flow statement are presented in the section relating to the cash flow statement.

Notes

to the Consolidated Financial Statements of the Volkswagen Group as of December 31, 2023

Basis of presentation

Volkswagen AG is domiciled in Wolfsburg, Germany, and entered in the commercial register at the Braunschweig Local Court under No. HRB 100484. The fiscal year corresponds to the calendar year.

In accordance with Regulation No. 1606/2002 of the European Parliament and of the Council, Volkswagen AG prepared its consolidated financial statements for 2023 in compliance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. All the IFRSs adopted by the EU and required to be applied have been complied with.

The accounting policies applied in the previous year were generally retained.

The only changes required resulted from new or amended standards.

Moreover, all the provisions of German commercial law that Volkswagen is additionally required to apply, as well as the German Corporate Governance Code, have been complied with in the preparation of the consolidated financial statements.

The consolidated financial statements were prepared in euros. Unless otherwise stated, all amounts are given in millions of euros (€ million).

All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

The income statement was prepared using the internationally accepted cost of sales method.

Preparation of the consolidated financial statements in accordance with the aforementioned standards requires management to make estimates that affect the reported amounts of certain items in the consolidated balance sheet and in the consolidated income statement, as well as the related disclosure of contingent assets and liabilities. The consolidated financial statements provide a true and fair view of the net assets, financial position and results of operations as well as the cash flows of the Volkswagen Group.

The Board of Management completed preparation of the consolidated financial statements on February 20, 2024. On that date, the period ended in which adjusting events after the reporting period are recognized.

Effects of new and amended IFRSs

Volkswagen AG has applied all accounting pronouncements adopted by the EU and effective for periods beginning in fiscal year 2023.

Amendments to IAS 12 have had to be applied since January 1, 2023; they result from an agreement made by around 140 countries to implement global minimum taxation (Pillar Two). A temporary exemption from accounting for deferred taxes was embedded in IAS 12, which applies if the deferred taxes arise from the implementation of Pillar Two by the countries concerned. More information on Pillar Two can be found in the "Income tax income/expense" section.

Also applicable since January 1, 2023 are amendments to IAS 12 that relate to deferred taxes on right-of-use assets and lease liabilities as well as decommissioning and restoration liabilities. They require deferred taxes to be recognized when the relevant assets and liabilities are initially recognized.

In addition to this, amendments were made to IAS 1 that have also been applicable since January 1, 2023. Essentially, these amendments are aimed at making disclosures on accounting policies more company-specific and therefore more useful for decision-making by narrowing the definition of materiality. The Volkswagen Group's disclosures on accounting policies have been revised against this backdrop. In particular, generally worded disclosures derived from the IFRS standards have been reduced to a minimum.

Furthermore, amendments to IAS 8 have been in force since January 1, 2023, which provide greater clarity on the distinction between changes in accounting policies and changes in accounting estimates.

The amendments referred to above do not materially affect the Volkswagen Group's net assets, financial position and results of operations.

IFRS 17 – INSURANCE CONTRACTS

IFRS 17 specifies new accounting rules for insurance contracts. The Volkswagen Group applied IFRS 17 as of January 1, 2023 for the first time. The transition was conducted using the full retrospective approach, unless using that approach was impracticable. This was the case when not all of the required historical information, in particular for multiyear contracts, was available without undue cost and effort. In these instances, the Volkswagen Group generally used the modified retrospective approach.

The Volkswagen Group mainly conducts primary insurance and reinsurance business in the warranty and repair cost insurance class and reinsurance business in the residual debt insurance class. In addition, there are vehicle liability insurance portfolios, although almost all of them are in the process of being wound down.

Liabilities are mainly measured using the general measurement model. The data required for this purpose is determined using common actuarial methods, such as the chain ladder method.

The Volkswagen Group uses the bottom-up approach to calculate the discount rate. For the insurance business, the risk-free yield curve is generally derived from overnight index swaps of the currency in which the underlying insurance contracts have been entered into.

For contracts with the primary purpose of providing services at a fixed price (referred to as fixed-fee service contracts), the Volkswagen Group exercises the option to present these service contracts in accordance with IFRS 15. Similarly, for loan agreements that transfer a significant insurance risk of the borrower, the option to account for them under IFRS 9 has been exercised.

First-time application resulted in an insignificant change in equity as of January 1, 2023 and January 1, 2022, respectively. This is due primarily to the changed methodology for calculating liabilities related to the insurance business. In addition, netting cash flows when measuring the liabilities also led to an equal reduction of €0.7 billion in assets and liabilities related to the insurance business. The change in the methodology for recognizing income and expenses does not have any material effect on the income statement. Prior-year figures have been adjusted accordingly.

New and amended IFRSs not applied

In its 2023 consolidated financial statements, Volkswagen AG did not apply the following accounting pronouncements that have been adopted by the IASB until December 31, 2023, but were not yet required to be applied for the fiscal year.

Standard/Interpretation		Published by the IASB	Application mandatory[1]	Adopted by the EU	Expected impact
IFRS 16	Sale and leaseback transactions	Sept. 22, 2022	Jan. 1, 2024	Yes	No material impact
IAS 1	Classification of liabilities as current or non-current	Jan. 23, 2020	Jan. 1, 2024	Yes	No material impact
IAS 1	Non-current liabilities with Covenants	Oct. 31, 2022	Jan. 1, 2024	Yes	No material impact
IAS 7 / IFRS 7	Reverse factoring agreements	May 25, 2023	Jan. 1, 2024	No	Additional notes disclosure
IAS 21	Currency translation if currency is inconvertible	Aug. 15, 2023	Jan. 1, 2025	No	No material impact

1 Effective date from Volkswagen AG's perspective.

Key events

DIESEL ISSUE

On September 18, 2015, the US Environmental Protection Agency (EPA) publicly announced in a "Notice of Violation" that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain Volkswagen Group vehicles with 2.0 l diesel engines in the USA. In this context, Volkswagen AG announced that noticeable discrepancies between the figures recorded in testing and those measured in actual road use had been identified in type EA 189 diesel engines and that this engine type had been installed in roughly eleven million vehicles worldwide. On November 2, 2015, the EPA issued a "Notice of Violation" alleging that irregularities had also been discovered in the software installed in US vehicles with type V6 3.0 l diesel engines.

The so-called diesel issue is rooted in a modification of parts of the software of the relevant engine control units – which, according to Volkswagen AG's legal position, is only unlawful under US law – for the type EA 189 diesel engines that Volkswagen AG was developing at that time. This software function was developed and implemented from 2006 on without knowledge at the level of the Board of Management. Members of the Board of Management did not learn of the development and implementation of this software function until the summer of 2015.

There are furthermore no findings that, following the publication in May 2014 of the study by the International Council on Clean Transportation, an unlawful "defeat device" under US law was disclosed to the persons responsible for preparing the 2014 annual and consolidated financial statements as the cause of the high NO_x emissions in certain US vehicles with 2.0 l type EA 189 diesel engines. Rather, at the time the 2014 annual and consolidated financial statements were being prepared, the persons responsible for preparing these financial statements remained under the impression that the issue could be resolved with comparatively little expense.

In the course of the summer of 2015, however, it became progressively apparent to individual members of Volkswagen AG's Board of Management that the cause of the discrepancies in the USA was a modification of parts of the software of the engine control unit that was later identified as an unlawful "defeat device" as defined by US law. This culminated in Volkswagen's disclosure of a "defeat device" to the EPA and the California Air Resources Board (CARB), a department of the Environmental Protection Agency of the State of California, on September 3, 2015. According to the assessment at the time by the responsible persons dealing with the matter, the magnitude of the costs expected to result for the Volkswagen Group (recall costs, retrofitting costs, and financial penalties) was not fundamentally dissimilar to that in previous cases involving other vehicle manufacturers. It therefore appeared to be manageable overall considering the business activities of the Volkswagen Group. This assessment by Volkswagen AG was based, among other things, on the advice of a law firm engaged in the USA for regulatory approval issues, according to which similar cases had in the past been amicably resolved with the US authorities. The EPA's publication of the "Notice of Violation" on September 18, 2015, which the Board of Management had not expected, especially at that time, then presented the situation in an entirely different light.

In fiscal year 2023, there were no material special items in connection with the diesel issue.

Further information on the litigation in connection with the diesel issue can be found in the "Litigation" section.

ANTITRUST INVESTIGATIONS

In 2011, the European Commission conducted searches at European truck manufacturers for suspected unlawful exchange of information during the period from 1997 to 2011; in November 2014, the Commission issued a statement of objections to MAN, Scania, and the other truck manufacturers concerned. In its settlement decision of July 2016, the European Commission assessed fines against five European truck manufacturers. MAN's fine was waived in full as the company had informed the European Commission about the irregularities as a key witness. In September 2017, the European Commission fined Scania €0.88 billion. In a judgment rendered in February 2022, the European General Court (Court of First Instance) rejected in its entirety the appeal filed by Scania in this connection. Scania's April 2022 appeal against this judgment was rejected in full by the European Court of Justice, the court of last resort, in February 2024.

Furthermore, antitrust lawsuits seeking damages have been received from customers. As is the case in any antitrust proceedings, this may result in further lawsuits for damages. No provisions have been recognized for a large number of these legal disputes as they are not expected to result in final damage awards at the highest appeals level. For those actions in which, after re-assessing the risks, the final outcome at the highest appeals level appears more likely than not to result in the payment of damages by MAN or Scania, provisions have been recognized in an amount of €89 million. Contingent liabilities have not been disclosed as their quantification is not currently possible. This applies in particular to the proceedings that are currently in an early stage – including those as to which the process of expert assessment is still in an early stage.

In March 2022, the European Commission and the Competition and Markets Authority (CMA), the English antitrust authorities, searched the premises of various automotive manufacturers and automotive industry organizations and/or served them with formal requests for information. In the Volkswagen Group, the investigation affects Volkswagen Group UK, which was searched by the CMA, and Volkswagen AG, which has received a Group-wide information request from the European Commission. The investigation relates to European, Japanese, and Korean manufacturers as well as national organizations operating in such countries and the European organization European Automobile Manufacturers' Association (ACEA), which are suspected of having agreed from 2001/2002 to the initiation of the proceedings to avoid paying for the services of recycling companies that dispose of end-of-life vehicles (ELV) (specifically passenger cars and vans up to 3.75 tons). Also alleged is an agreement to refrain from competitive use of ELV issues, that is, not to publicize relevant recycling data (recyclates, recyclability, recovery) for competitive purposes. The violation under investigation is alleged to have taken place in particular in the "ACEA" Working Group Recycling and related sub-groups thereof. Volkswagen AG is responding to the European Commission's information requests. Volkswagen Group UK is cooperating with the CMA. In this matter, CMA furthermore issued requests for information to Volkswagen AG. In July 2022, Volkswagen AG filed an action for judicial review challenging the CMA's requests for information in particular because Volkswagen AG believes that they exceed the CMA's jurisdiction. In February 2023, the court granted the claim. The CMA appealed this judgment in April 2023, and in January 2024 the appellate court ruled in the CMA's favor. Volkswagen AG is considering whether to appeal this decision. Concurrent therewith, Volkswagen AG continues to examine the possibilities for reasonable cooperation with the CMA.

In addition, a few national and international authorities initiated antitrust investigations. Volkswagen is cooperating closely with the responsible authorities in these investigations. An assessment of the underlying situation is not possible at this early stage.

RUSSIA-UKRAINE CONFLICT

The start of the Russia-Ukraine conflict in February 2022 led not only to a humanitarian crisis but also brought market upheaval around the world. There have been substantial price rises, particularly on the energy and commodity markets, and significant increases in interest and inflation rates have been observed internationally. There were some signs of normalization in the markets during the course of fiscal year 2023.

Against the backdrop of the Russia-Ukraine conflict and the resulting consequences, Volkswagen had decided to suspend vehicle production in Russia for the time being. Vehicle exports to Russia have also been halted. In addition, the respective sanction requirements must also be complied with in relation to parts supplies and the provision of technical information.

There was again no easing of the Russia-Ukraine conflict in fiscal year 2023. For this reason, the discontinuation of business activities in Russia continued to take concrete shape in the Volkswagen Group. In this context, further sales negotiations with a number of investors continued or were concluded.

On May 18, 2023, the Volkswagen Group completed the sale of its shares in OOO Volkswagen Group Rus (Volkswagen Group Rus), Kaluga/Russia, and that company's local subsidiaries (OOO Volkswagen Components and Services, Kaluga/Russia, OOO Scania Leasing, Moscow/Russia, OOO Scania Finance, Moscow/ Russia, OOO Scania Insurance, Moscow/Russia) to OOO ART-FINANCE, Moscow/Russia, which is supported by the Russian dealer AO Avilon Automotive Group, Moscow/Russia. On registration of the transaction on May 22, 2023, ownership of the shares in Volkswagen Group Rus was transferred from the seller to the buyer. The transaction comprises the production facilities in Kaluga, the importer structure of the Group brands Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, Audi, Škoda, Bentley, Lamborghini and Ducati for potential after-sales business and the warehouse activities, as well as Scania's financial services activities, including all associated employees.

In this context, the Volkswagen Group had already made significant impairments in fiscal year 2022 and recognized appropriate provisions. The selling price amounted to €0.1 billion. The deconsolidation of the affected companies resulted in a loss of €0.4 billion in fiscal year 2023, which is reported in the other operating result. This result is split between the Automotive Division (€– 0.4 billion) and the Financial Services Division (€0.1 billion). The loss is mainly attributable to the realization of currency translation effects of €– 0.3 billion, which have been reclassified from the currency translation reserve to other operating expenses.

Apart from winding down Volkswagen Group Rus and its subsidiaries, no additional material expenses were recognized in connection with the Russia-Ukraine conflict in fiscal year 2023.

For information on other subsidiaries of the Volkswagen Group being wound down, please refer to the note entitled "IFRS 5 – Noncurrent Assets Held for Sale".

Please also refer to the comments in the 2023 group management report, specifically in the chapters entitled Business Development, Results of Operations, Financial Position and Net Assets, Report on Expected Developments and Report on Risks and Opportunities.

MATERIAL TRANSACTIONS OF THE CURRENT FISCAL YEAR

SCOUT MOTORS INC.

Under the Volkswagen Group's North America strategy, Scout Motors Inc., Arlington, Virginia/USA, a wholly owned subsidiary of Volkswagen Finance Luxemburg, Strassen/Luxembourg, was established in fiscal year 2022. A new vehicle brand is to be created under the name of Scout to distribute electrified all-terrain vehicles and pickups will be distributed in the USA from 2026. In order to finance the creation of the Scout brand, as well as vehicle development and production planning, an amount of USD 493 million was contributed to the company in fiscal year 2023. The company has been included in the Volkswagen consolidated financial statements since January 1, 2023.

ARGO AI

The process of winding down Argo AI, LLC, Pittsburgh/USA (Argo AI) was initiated in the third quarter of 2022. In this context, Volkswagen contributed USD 60 million to the company in the first half of 2023. The contribution was written down in full. In the previous year, an expense of €1.9 billion had been recognized from the full impairment of the equity investment in Argo AI in the other financial result.

QUANTUMSCAPE CORPORATION

In fiscal years 2020 and 2021, the Volkswagen Group acquired new shares in QuantumScape Corporation, San José/USA (QuantumScape) through forward purchase agreements resulting from a capital increase. Due to QuantumScape's simultaneous listing on the New York Stock Exchange, the forward purchase agreements had to be measured at the respective closing prices. As a consequence, a non-cash gain of €1.4 billion was recognized in the financial result in fiscal year 2020 and a non-cash expense of €0.6 billion in fiscal year 2021. In total, there was a non-cash increase of €0.8 billion.

Due to the share price performance, the Volkswagen Group conducted an impairment test on the shares in QuantumScape. The carrying amount was adjusted on the basis of the impairment test. This adjustment led to a non-cash expense of €0.3 billion in the second quarter of 2023. An additional adjustment of €0.1 billion was identified in the third quarter of 2023. In total, a non-cash expense of €0.4 billion was recognized in fiscal year 2023; it is presented in the other financial result.

XPENG INC.

On December 6, 2023, Volkswagen acquired 4.99% of the ordinary shares of the electric vehicle company XPeng Inc., Cayman Islands (XPeng), at a purchase price totaling USD 706 million. The realization of a forward transaction dating from July 26, 2023 resulted in a non-cash gain of €74.2 million in fiscal year 2023, which was recognized in the other financial result under gains and losses from fair value changes of hedging instruments/derivatives not included in hedge accounting. Along with the agreement to acquire the shares, a technological framework agreement was signed with Guangdong Xiaopeng Motors Technology Co. Ltd., Guangzhou/China, a subsidiary of XPeng, for the joint development of electric vehicles in China, among other things.

The investment in XPeng is measured at fair value through other comprehensive income.

AUDI FAW NEV CO.

On September 27, 2023, the shareholders AUDI AG, Ingolstadt, Volkswagen (China) Investment Co., Ltd., Beijing/China and China FAW Corporation Limited, Changchun/China resolved amendments to the Articles of Association of Audi FAW NEV Co., Ltd., Changchun/China (Audi FAW NEV Co.), effective from October 1, 2023. With equity interests unchanged, the amendments led to a loss of control over the company by the Volkswagen Group and resulted in its deconsolidation. The company has since October 1, 2023 been jointly controlled within the meaning of IFRS 11. The investment in Audi FAW NEV Co. will consequently be included in the consolidated financial statements as a joint venture using the equity method. As a result of the change to the way the investment is accounted for, the cash and cash equivalents previously reported declined by a low three-digit million-Euro amount. Other than that, there were no material effects on the Volkswagen Group's net assets, financial position and results of operations.

HORIZON ROBOTICS INC.

On December 7, 2023, Volkswagen acquired preferred shares of Horizon Robotics Inc., Cayman Islands (Horizon Robotics), a leading provider of energy-efficient computing platforms for autonomous driving in China, from Horizon Robotics at a purchase price of USD 200 million and issued a convertible loan to Horizon Robotics in an amount of USD 800 million. Both investments are classified as debt instruments in the financial statements and measured at fair value through profit or loss. The measurement resulted in non-cash gains of €0.7 million in fiscal year 2023, which are recognized in the other financial result under gains and losses from marketable securities and loans.

To promote the development of highly automated and autonomous driving in China, Volkswagen has also agreed the establishment of a joint venture with Horizon Robotics. On December 14, 2023, Volkswagen invested an amount of CNY 2 billion to this end in exchange for an ownership interest of 60% in the new company, CARIZON (Beijing) Technology Company Limited, Beijing/China (CARIZON). In addition, Volkswagen has committed to contribute capital in the future of up to CNY 8.4 billion to the joint venture.

MATERIAL TRANSACTIONS OF THE PREVIOUS FISCAL YEAR

IPO OF PORSCHE AG

On September 28, 2022, as part of the IPO of Dr. Ing. h.c. F. Porsche AG, Stuttgart (Porsche AG), a total of 25% of the preferred shares of Porsche AG (including additional allocations) in an amount of around €9.4 billion were successfully placed with investors. The non-voting preferred shares of Porsche AG have been traded on the Regulated Market of the Frankfurt Stock Exchange since September 29, 2022. Since the end of the stabilization period on October 11, 2022, the free float of the preferred shares has been 24.2% of the preferred share capital of Porsche AG.

In connection with the IPO, Volkswagen additionally sold an interest of 25% of Porsche AG's ordinary shares plus one ordinary share to Porsche Automobil Holding SE, Stuttgart (Porsche SE) at a purchase price of around €10.1 billion. The purchase of the ordinary shares was completed in two tranches.

The cash inflow for the preferred shares and the first tranche of the ordinary shares occurred at the beginning of the fourth quarter of 2022.

The resolution of the extraordinary General Meeting of Volkswagen AG on December 16, 2022 gave rise to the obligation to pay a special dividend and led to a total obligation to the shareholders of Volkswagen AG amounting to €9.6 billion. The cash outflow was slated for January 9, 2023 and occurred on that day.

Volkswagen AG and Porsche SE agreed to offset the obligation to pay a special dividend to Porsche SE against Volkswagen AG's claim to the payment of the purchase price still outstanding for the second tranche of ordinary shares. In the consolidated financial statements as of December 31, 2022, the purchase price receivable of €3.0 billion for the second tranche and the dividend liability of €3.1 billion were therefore presented on a net basis. Upon payment of the special dividend on January 9, 2023, the netting process was completed.

The employees of Volkswagen AG, Volkswagen Sachsen GmbH and Porsche AG participated in the economic success of the placement of the preferred shares and the sale of ordinary shares in Porsche AG by way of a one-off payment. The total bonus for employees, which was recognized through profit or loss in fiscal year 2022, amounted to €0.5 billion in the Volkswagen Group.

For more detailed information, please refer to the disclosures provided in the consolidated financial statements as of December 31, 2022.

ACQUISITION OF EUROPCAR

In 2021, together with investment firm Attestor Limited and Pon Holdings B.V., Volkswagen made a joint public takeover offer for the shares of Europcar Mobility Group S.A., Paris/France (Europcar) through the consortium company Green Mobility Holding S.A. (GMH) based in Strassen/Luxembourg. The European Commission issued final antitrust approval at the end of May 2022. During the extended offer period, the French Financial Markets Authority gave Europcar shareholders the opportunity to tender their shares to the consortium company. In total, 93.6% of Europcar's shareholders accepted the offer. The consortium jointly assumed control of Europcar in mid-June 2022. Because the acceptance rate was over 90%, a squeeze-out was initiated for the remaining Europcar shares in July 2022, and the company was delisted. Since July 13, 2022, the consortium company has held 100% of the shares in Europcar. The purchase price was 51 cents per Europcar share.

At the end of June 2022, the entire portion of the purchase price attributable to Volkswagen, amounting to €1.7 billion, was contributed to GMH. Since joint control has been contractually agreed, the company, in which Volkswagen holds 66% of the shares, will be accounted for using the equity method in the Volkswagen consolidated financial statements. In addition, Volkswagen is the writer of put options held by the other members of the consortium, and the other members have granted Volkswagen call options on their shares in the consortium company. The long-term extension of the Attestor options was arranged in December 2022. The measurement of the options led to a total non-cash expense of €0.3 billion in the previous year, which was recognized in the financial result.

The completion of the Europcar transaction marks another important milestone for Volkswagen in the Group's Mobility Solutions initiative under the NEW AUTO strategy. With this transaction, the Volkswagen Group intends to secure a significant share of the global market for mobility services. Europcar Mobility Group is to become one of the cornerstones of the mobility platform planned by Volkswagen.

Effects of climate change

Against the backdrop of climate change and the resulting stricter emissions regulations, the transformation of the automotive industry towards e-mobility and further digitalization continues to make progress. In its NEW AUTO strategy, the Volkswagen Group has again stepped up the pace of its transformation towards e-mobility.

In the preparation of the consolidated financial statements, the Board of Management took into account the potential effects of climate changes and future regulatory requirements, and especially the corresponding transformation towards e-mobility. Potential effects, especially on noncurrent assets, provisions for emissions levies and future cash flows were, as far as possible, incorporated as part of the significant estimates and assumptions included in the consolidated financial statements. The Volkswagen Group aims to increase the share of all-electric vehicles as a proportion of total deliveries from 8.3% in 2023 to more than 50% in 2030.

The Group aims to offer its customers worldwide around 50 completely battery-electric models by 2030. The effects of the transformation towards e-mobility and the planned increase in the share of all-electric vehicles planned in this context are taken into account in compiling the medium-term planning and therefore in the calculation of future cash flows for determining recoverable amounts in impairment tests of goodwill and intangible assets with indefinite useful lives, especially when planning future vehicle models, development costs and production facilities. An amount in the low triple-digit billion euro range has been earmarked for this purpose in the medium-term planning. In addition, Volkswagen regularly assesses whether these developments give rise to the need for ad hoc impairment tests or for adjustments to the useful lives of other noncurrent non-financial assets. No material effects on the useful lives of capitalized development costs or property, plant and equipment were identified, given the periods under consideration for the regulatory requirements and due to the parallel production of battery-electric vehicles and vehicles with combustion engines in the coming years. With reference to increasingly stringent emissions regulations, it is ensured that the various international regulations are taken into account and that any obligations are recognized appropriately. This did not result in any material effects on the consolidated financial statements. The increase in development costs in the areas of e-mobility and digitalization have, however, led to a corresponding increase in internally generated intangible assets. For more information, please refer to the "Accounting policies" section.

For a detailed presentation of how sustainability is taken into account within the Group strategy, in the management of the Group and in Group planning, please refer to the sections entitled "Goals and Strategies" and "Sustainable Value Enhancement" in the group management report.

Basis of consolidation

In addition to Volkswagen AG, the consolidated financial statements comprise all significant German and non-German subsidiaries, including structured entities that are controlled directly or indirectly by Volkswagen AG. The structured entities are used primarily to enter into asset-backed securities transactions to refinance the financial services business and to invest surplus liquidity in special securities funds.

Subsidiaries whose business is dormant or insignificant, both individually and in the aggregate, for the fair presentation of the net assets, financial position and results of operations as well as the cash flows of the Volkswagen Group are not consolidated. They are carried in the consolidated financial statements at cost net of any impairment losses and reversals of impairment losses required to be recognized.

Significant companies where Volkswagen AG is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates), or that are directly or indirectly jointly controlled (joint ventures), are accounted for using the equity method. Joint ventures also include companies in which the Volkswagen Group holds the majority of voting rights, but whose articles of association or partnership agreements stipulate that important decisions may only be resolved unanimously. Insignificant associates and joint ventures are carried at cost net of any impairment losses and reversals of impairment losses required to be recognized.

The composition of the Volkswagen Group is shown in the following table:

	2023	2022
Volkswagen AG and consolidated subsidiaries		
Germany	143	149
Abroad	810	797
Subsidiaries carried at cost		
Germany	91	86
Abroad	287	290
At equity accounted associates and joint ventures and at fair value accounted other equity investments		
Germany	50	45
Abroad	111	102
Associates and joint ventures carried at cost		
Germany	52	51
Abroad	56	48
	1,600	**1,568**

The list of all shareholdings that forms part of the annual financial statements of Volkswagen AG can be downloaded from the electronic companies register at www.unternehmensregister.de and from www.volkswagen-group.com/investor-relations.

The following consolidated German subsidiaries with the legal form of a corporation or partnership have met the criteria set out in section 264(3) or section 264b of the Handelsgesetzbuch (HGB – German Commercial Code) and have as far as possible exercised the option not to publish annual financial statements:

> AUDI AG, Ingolstadt
> Audi Berlin GmbH, Berlin
> Audi Frankfurt GmbH, Frankfurt am Main
> Audi Hamburg GmbH, Hamburg
> Audi Hannover GmbH, Hanover
> Audi Leipzig GmbH, Leipzig
> Audi München GmbH, Munich
> Audi Sport GmbH, Neckarsulm
> Audi Stuttgart GmbH, Stuttgart
> Auto & Service PIA GmbH, Munich
> Autostadt GmbH, Wolfsburg
> Bugatti Engineering GmbH, Wolfsburg
> CARIAD SE, Wolfsburg
> dx.one GmbH, Wolfsburg
> Eberhardt Kraftfahrzeug GmbH + Co. KG, Ulm
> GETAS Verwaltung GmbH & Co. Objekt Augsburg KG, Pullach i. Isartal
> GETAS Verwaltung GmbH & Co. Objekt Heinrich-von-Buz-Straße KG, Pullach i. Isartal
> HABAMO Verwaltung GmbH & Co. Objekt Sterkrade KG, Pullach i. Isartal
> Haberl Beteiligungs-GmbH, Munich
> Held & Ströhle GmbH & Co. KG, Ulm
> H-Tec SYSTEMS GmbH, Augsburg
> MAHAG Automobilhandel und Service GmbH & Co. oHG, Munich
> MAHAG GmbH, Munich
> MAHAG Sportwagen Zentrum Albrechtstraße GmbH, Munich
> MAN Energy Solutions SE, Augsburg
> MOIA GmbH, Berlin
> MOIA Operations Germany GmbH, Hanover
> Porsche Holding Stuttgart GmbH, Stuttgart
> Porsche Niederlassung Mannheim GmbH, Mannheim
> Porsche Siebte Vermögensverwaltung GmbH, Wolfsburg
> PowerCo SE, Salzgitter
> PZ Leipzig GmbH, Leipzig
> Schwaba GmbH, Augsburg
> SEAT Deutschland Niederlassung GmbH, Weiterstadt
> SKODA AUTO Deutschland GmbH, Weiterstadt
> SZM Sportwagen Zentrum München GmbH, Munich
> VfL Wolfsburg-Fußball GmbH, Wolfsburg
> VGRB GmbH, Berlin
> VGRD GmbH, Wolfsburg
> VGRDD GmbH, Dresden
> VGRHH GmbH, Hamburg
> Volkswagen ADMT Hannover GmbH, Hanover
> Volkswagen AirService GmbH, Braunschweig
> Volkswagen Automobile Berlin GmbH, Berlin
> Volkswagen Automobile Chemnitz GmbH, Chemnitz
> Volkswagen Automobile Frankfurt GmbH, Frankfurt am Main

- Volkswagen Automobile Hamburg GmbH, Hamburg
- Volkswagen Automobile Hannover GmbH, Hanover
- VOLKSWAGEN Automobile Leipzig GmbH, Leipzig
- Volkswagen Automobile Rhein-Neckar GmbH, Mannheim
- Volkswagen Automobile Stuttgart GmbH, Stuttgart
- Volkswagen Beteiligungsverwaltung GmbH, Wolfsburg
- Volkswagen Deutschland GmbH & Co. KG, Wolfsburg
- Volkswagen Deutschland Verwaltungs GmbH, Wolfsburg
- Volkswagen Gebrauchtfahrzeughandels und Service GmbH, Langenhagen
- Volkswagen Group IT Solutions GmbH, Wolfsburg
- Volkswagen Group Real Estate GmbH & Co. KG, Wolfsburg
- Volkswagen Group Services GmbH, Wolfsburg
- Volkswagen Immobilien GmbH, Wolfsburg
- Volkswagen Konzernlogistik GmbH & Co. OHG, Wolfsburg
- Volkswagen Leasingobjekt GmbH, Braunschweig
- Volkswagen Original Teile Logistik GmbH & Co. KG, Baunatal
- Volkswagen Osnabrück GmbH, Osnabrück
- Volkswagen Sachsen GmbH, Zwickau
- Volkswagen Sechste Leasingobjekt GmbH, Braunschweig
- Volkswagen Software Asset Management GmbH, Wolfsburg
- Volkswagen Vermögensverwaltungs-GmbH, Wolfsburg
- Volkswagen Zubehör GmbH, Dreieich

CONSOLIDATED SUBSIDIARIES

The fiscal year's changes in the consolidated Group are shown in the following table:

Number	Germany	Abroad
Initially consolidated		
Subsidiaries previously carried at cost	2	20
Newly acquired subsidiaries	–	–
Newly formed subsidiaries	–	15
Other	–	1
	2	**36**
Deconsolidated		
Mergers	6	9
Liquidations	–	6
Sales/other	1	9
	7	**24**

The initial consolidation or deconsolidation of these subsidiaries, either individually or collectively, did not have a significant effect on the presentation of the net assets, financial position and results of operations. The unconsolidated structured entities are immaterial from a Group perspective. In particular, they do not give rise to any significant risks to the Group.

INVESTMENTS IN ASSOCIATES

From a Group perspective, the associates QuantumScape, Gotion High-Tech Co., Ltd., Hefei/China (Gotion), Northvolt AB, Stockholm/Sweden (Northvolt AB), and Sinotruk (Hong Kong) Ltd., Hongkong/China (Sinotruk), were material as of the balance sheet date.

QuantumScape

QuantumScape is a US-based start-up for lithium-metal solid state batteries. A strategic partnership has been set up between Group companies and QuantumScape for the future joint production of battery cells. QuantumScape's principal place of business is in San José/USA.

As of December 31, 2023, the quoted market price of the shares in QuantumScape amounted to €541 million (previous year: €453 million).

Gotion

Gotion is a Chinese technology company that engages primarily in research and development, production and sales of lithium-ion batteries and in electric transmission and transformation businesses. Group companies and Gotion have agreed upon a strategic framework for cooperation in the development, manufacture and distribution of battery cells. Gotion's principal place of business is in Hefei/China.

As of December 31, 2023, the quoted market price of the shares in Gotion amounted to €1.2 billion (previous year: €1.8 billion).

Northvolt AB

Northvolt AB develops and produces lithium-ion batteries. Battery purchase agreements are in place between Group companies and Northvolt AB. Northvolt AB's principal place of business is in Stockholm/Sweden.

Sinotruk

Sinotruk is one of the largest truck manufacturers in the Chinese market. Sinotruk's principal place of business is in Hongkong/China.

As of December 31, 2023, the quoted market price of the shares in Sinotruk amounted to €1,222 million (previous year: €903 million).

SUMMARIZED FINANCIAL INFORMATION ON MATERIAL ASSOCIATES ON A 100 % BASIS

€ million	QuantumScape[1]	Gotion[2]	Northvolt AB[3]	Sinotruk[4]
2023				
Equity interest in %	17	25	23	25
Noncurrent assets	404	5,675	3,580	4,072
Current assets	1,072	5,628	3,306	10,165
Noncurrent liabilities	100	2,763	3,362	154
Current liabilities	44	5,202	462	8,414
Net assets	1,332	3,337	3,063	5,669
Sales revenue	–	3,183	102	9,836
Earnings after tax from continuing operations	–413	75	–271	425
Earnings after tax from discontinued operations	–	–	–	–
Other comprehensive income	15	–16	79	–2
Total comprehensive income	–398	59	–192	423
Dividends received[5]	–	–	–	25
2022				
Equity interest in %	20	25	23	25
Noncurrent assets	387	3,823	2,137	4,150
Current assets	1,194	4,936	2,905	10,393
Noncurrent liabilities	113	1,653	1,323	180
Current liabilities	47	3,774	248	8,258
Net assets	1,422	3,332	3,471	6,105
Sales revenue	–	1,985	67	7,863
Earnings after tax from continuing operations	–398	35	–65	309
Earnings after tax from discontinued operations	–	–	–	–
Other comprehensive income	–24	–21	16	5
Total comprehensive income	–422	14	–49	314
Dividends received[5]	–	6	–	54

1 Balance sheet amounts refer to the September 30 reporting date and income statement amounts refer to the period from October 1 to September 30.
2 Balance sheet amounts refer to the September 30 reporting date and income statement amounts refer to the period from October 1 to September 30. Balance sheet amounts of the previous year refer to the September 30 reporting date and income statement amounts of the previous year refer to the period from January 1 to September 30.
3 The financial information presented refers to fiscal year 2022. The prior-year financial information presented refers to fiscal year 2021.
4 Balance sheet amounts refer to the June 30 reporting date and income statement amounts refer to the period from July 1 to June 30.
5 Proportionate dividends are shown net of withholding tax.

RECONCILIATION OF THE FINANCIAL INFORMATION TO THE CARRYING AMOUNT OF THE EQUITY-ACCOUNTED INVESTMENTS

€ million	QuantumScape	Gotion	Northvolt AB[2]	Sinotruk
2023				
Net assets at January 1	1,422	3,332	3,471	6,105
Profit or loss	–413	75	–271	425
Other comprehensive income	15	–16	79	–2
Changes in share capital	0	0	0	–
Changes in reserves	416	110	25	–7
Foreign exchange differences	–108	–165	–241	–735
Dividends[1]	–	–	–	–118
Net assets at December 31	1,332	3,337	3,063	5,669
Proportionate equity	233	782	703	1,417
Consolidation/Goodwill/Others	394	120	–10	–504
Carrying amount of equity-accounted investments	626	902	693	913
2022				
Net assets at January 1	1,432	2,725	1,109	5,539
Profit or loss	–398	35	–65	309
Other comprehensive income	–24	–21	16	5
Changes in share capital	0	16	0	–
Changes in reserves	132	630	2,463	–74
Foreign exchange differences	279	–30	–53	565
Dividends[1]	–	–24	–	–238
Net assets at December 31	1,422	3,332	3,471	6,105
Proportionate equity	281	790	818	1,526
Consolidation/Goodwill/Others	842	231	93	–682
Carrying amount of equity-accounted investments	1,123	1,021	911	845

1 Dividends are shown before withholding tax.
2 The financial information presented refers to fiscal year 2022. The prior-year financial information presented refers to fiscal year 2021.

SUMMARIZED FINANCIAL INFORMATION ON INDIVIDUALLY IMMATERIAL ASSOCIATES ON THE BASIS OF THE VOLKSWAGEN GROUP'S PROPORTIONATE INTEREST

€ million	2023	2022
Earnings after tax from continuing operations	–17	–32
Earnings after tax from discontinued operations	–	–
Other comprehensive income	0	16
Total comprehensive income	–16	–16
Carrying amount of equity-accounted investments	1,965	1,440

There were no unrecognized losses relating to investments in associates in the fiscal year (previous year: €2 million). Financial guarantees have been issued to associates in an amount of €1 million (previous year: €1 million).

INTERESTS IN JOINT VENTURES

From a Group perspective, the joint ventures FAW-Volkswagen Automotive Company Ltd., Changchun/China, SAIC-Volkswagen Automotive Company Ltd., Shanghai/China, and SAIC-Volkswagen Sales Company Ltd., Shanghai/China, were material at the reporting date.

FAW-Volkswagen Automotive Company

FAW-Volkswagen Automotive Company develops, produces and sells passenger cars. There is an agreement in place between Group companies and the joint venture partner China FAW Corporation Limited regarding a long-term strategic partnership. The principal place of business is in Changchun/China.

SAIC-Volkswagen Automotive Company

SAIC-Volkswagen Automotive Company develops and produces passenger cars. There is an agreement in place between Group companies and the joint venture partner Shanghai Automotive Industry Corporation regarding a long-term strategic partnership. The principal place of business is in Shanghai/China.

SAIC-Volkswagen Sales Company

SAIC-Volkswagen Sales Company sells passenger cars for SAIC-Volkswagen Automotive Company. There is an agreement in place between Group companies and the joint venture partner Shanghai Automotive Industry Corporation regarding a long-term strategic partnership. The principal place of business is in Shanghai/China.

SUMMARIZED FINANCIAL INFORMATION ON THE MATERIAL JOINT VENTURES ON A 100% BASIS

€ million	FAW-Volkswagen Automotive Company	SAIC-Volkswagen Automotive Company[1]	SAIC-Volkswagen Sales Company
2023			
Equity interest in %	40	50	30
Noncurrent assets	9,465	6,006	820
Current assets	17,346	7,369	4,229
of which cash and cash equivalents	12,319	2,029	330
Noncurrent liabilities	727	528	103
of which financial liabilities[2]	11	2	21
Current liabilities	17,808	10,759	4,617
of which financial liabilities[2]	12	1,394	21
Net assets	8,276	2,088	329
Sales revenue	46,846	18,728	21,754
Depreciation and amortization	1,857	1,406	34
Interest income	196	28	5
Interest expenses	5	37	2
Earnings before tax from continuing operations	4,918	293	433
Income tax expense	1,294	–64	109
Earnings after tax from continuing operations	3,624	357	324
Earnings after tax from discontinued operations	–	–	–
Other comprehensive income	–152	–13	–
Total comprehensive income	3,472	344	324
Dividends received[3]	1,407	548	105
2022			
Equity interest in %	40	50	30
Noncurrent assets	11,021	7,003	937
Current assets	13,941	6,459	3,656
of which cash and cash equivalents	8,355	1,243	525
Noncurrent liabilities	1,112	593	128
of which financial liabilities[2]	25	2	24
Current liabilities	14,832	9,831	4,091
of which financial liabilities[2]	30	2,135	13
Net assets	9,018	3,039	374
Sales revenue	47,986	22,844	25,112
Depreciation and amortization	2,333	1,899	25
Interest income	316	45	7
Interest expenses	2	24	3
Earnings before tax from continuing operations	5,711	1,391	453
Income tax expense	1,510	80	126
Earnings after tax from continuing operations	4,201	1,311	328
Earnings after tax from discontinued operations	–	–	–
Other comprehensive income	161	26	–
Total comprehensive income	4,361	1,337	328
Dividends received[3]	1,527	683	100

1 SAIC-Volkswagen Sales Company sells passenger cars for SAIC-Volkswagen Automotive Company. Therefore, the sales revenue reported for SAIC-Volkswagen Automotive Company was mostly generated from its business with SAIC-Volkswagen Sales Company.
2 Excluding trade liabilities.
3 Proportionate dividends are shown net of withholding tax.

RECONCILIATION OF THE FINANCIAL INFORMATION TO THE CARRYING AMOUNT OF THE EQUITY-ACCOUNTED INVESTMENTS

€ million	FAW-Volkswagen Automotive Company	SAIC-Volkswagen Automotive Company	SAIC-Volkswagen Sales Company
2023			
Net assets at January 1	9,018	3,039	374
Profit or loss	3,624	357	324
Other comprehensive income	–152	–13	–
Changes in share capital	–	–	–
Changes in reserves	–	–	–
Foreign exchange differences	–534	–149	–17
Dividends[1]	–3,681	–1,145	–351
Net assets at December 31	8,276	2,088	329
Proportionate equity	3,310	1,044	99
Consolidation/Goodwill/Others	–738	–463	–
Carrying amount of equity-accounted investments	2,572	581	99
2022			
Net assets at January 1	8,724	3,202	392
Profit or loss	4,201	1,311	328
Other comprehensive income	161	26	–
Changes in share capital	–	–	–
Changes in reserves	–	–	–
Foreign exchange differences	–67	–73	–12
Dividends[1]	–4,001	–1,427	–334
Net assets at December 31	9,018	3,039	374
Proportionate equity	3,607	1,519	112
Consolidation/Goodwill/Others	–824	–891	–
Carrying amount of equity-accounted investments	2,783	628	112

1 Dividends are shown before withholding tax.

SUMMARIZED FINANCIAL INFORMATION ON INDIVIDUALLY IMMATERIAL JOINT VENTURES ON THE BASIS OF THE VOLKSWAGEN GROUP'S PROPORTIONATE INTEREST

€ million	2023	2022[1]
Earnings after tax from continuing operations	332	197
Earnings after tax from discontinued operations	–	–
Other comprehensive income	–90	346
Total comprehensive income	242	543
Carrying amount of equity-accounted investments	3,887	3,436

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

The carrying amount of equity-accounted investments includes the equity investment in GMH.

There were no unrecognized losses relating to investments in joint ventures in the fiscal year and the previous year. Contingent liabilities to joint ventures amounted to €219 million (previous year: €236 million), while financial guarantees stood at €70 million (previous year: €70 million). Cash funds of joint ventures amounting to €150 million (previous year: €172 million) are deposited as collateral for asset-backed securities transactions and are therefore not freely available.

IFRS 5 – NONCURRENT ASSETS HELD FOR SALE

Assets and disposal groups held for sale of the current fiscal year

The intention resolved at Dr. Ing. h.c. F. Porsche AG, Stuttgart (Porsche AG) in September 2022 to sell two Russian sales companies in the Passenger Cars and Light Commercial Vehicles segment, OOO Porsche Russland, Moscow/Russia, and OOO Porsche Center Moscow, Moscow/Russia, as well as one company assigned to the Financial Services segment, OOO Porsche Financial Services Russland, Moscow/Russia, continues to be in place. In view of the change in external conditions, the disposal project is expected to be completed within fiscal year 2024. An impairment loss of €25 million was recognized for the disposal group as of December 31, 2022. Another minor impairment loss and offsetting currency translation effects were identified as of December 31, 2023; they are recognized in the other operating result.

It was resolved in the fourth quarter of 2022 to sell the following fully consolidated subsidiaries allocated to the Financial Services segment: OOO Volkswagen Bank RUS, Moscow/Russia, OOO Volkswagen Group Finanz, Moscow/Russia, and OOO Volkswagen Financial Services RUS, Moscow/Russia. Once the resolution had been passed by the competent bodies, the implementation of a disposal plan was started and expected to be completed in 2023. However, it could not be finalized as an approval by the Russian authorities was still outstanding as of December 31, 2023. It is expected that the outstanding approval will ultimately be granted and the disposal plan therefore completed in the first half of 2024. Impairment losses of €186 million were recognized in this context in the period up to December 31, 2023. The companies, OOO Volkswagen Group Finanz, Moscow/Russia, and OOO Volkswagen Financial Services RUS, Moscow/Russia, were sold after the end of the fiscal year, on January 18, 2024.

On December 15, 2022, the Supervisory Board of Volkswagen AG resolved to sell the MAN ES gas turbine business of MAN Energy Solutions SE, Augsburg, and MAN Energy Solutions Schweiz AG, Zurich/Switzerland, by way of an asset deal to CSIC Longjiang GH Gas Turbine Co. Ltd., Harbin/China, and its subsidiaries under German and Swiss law. Following approval by the competent authorities, the transaction is expected to be completed within fiscal year 2024.

In accordance with IFRS 5, the assets and liabilities held for sale were recognized at the lower of their carrying amount and fair value less expected costs of disposal.

The main groups of assets and liabilities classified as held for sale in the Volkswagen Group as of December 31, 2023, are shown below.

€ million	Dec. 31, 2023
Intangible assets	53
Property, plant and equipment	27
Lease assets	5
Inventories	0
Trade receivables	2
Cash and securities	73
Other assets	30
Assets held for sale	**190**
Financial liabilities	15
Provisions	4
Other liabilities	12
Liabilities associated with assets held for sale	**31**

The cumulative income and expenses in connection with the disposal groups held for sale are recognized in other comprehensive income; they amount to €– 289 million.

Transactions completed in the current fiscal year

On March 3, 2023, the Supervisory Board of the Volkswagen Group resolved to sell OOO Volkswagen Group Rus, Kaluga/Russia, and its subsidiaries, OOO Scania Finance, Moscow/Russia, OOO Scania Insurance, Moscow/Russia, and OOO Scania Leasing, Moscow/Russia. These companies were consequently classified as a disposal group held for sale as of March 31, 2023. The sale was completed in May 2023. Additional disclosures can be found in the “Key events” section.

EURO-Leasing GmbH, Sittensen, a fully consolidated subsidiary of Volkswagen Financial Services AG, transferred its passenger cars business to a shelf company acquired in the fiscal year. Subsequently, 51% of the shares in the company, which was renamed Euromobil GmbH, Sittensen, was sold to Europcar Mobility Group, Paris/France. The removal of Euromobil GmbH from full consolidation, the sale of the shares and the remeasurement of the remaining 49% interest resulted in a gain of €13 million, which is reported in other operating income. The transaction was finally completed in the fourth quarter of 2023.

Currency translation

As standard, the Volkswagen Group uses the exchange rates of an external market data provider for translation. All exchange rates are based on the respective euro translation rates, from which all non-euro rate combinations are derived.

The rates applied are presented in the following table:

		BALANCE SHEET MIDDLE RATE ON DECEMBER 31		INCOME STATEMENT AVERAGE RATE	
	€1 =	2023	2022	2023	2022
Argentina	ARS	894.99391	188.75869	317.91705	136.67276
Australia	AUD	1.62920	1.57060	1.62859	1.51749
Brazil	BRL	5.37495	5.64440	5.40306	5.44441
Canada	CAD	1.46810	1.44395	1.45957	1.37048
Czech Republic	CZK	24.71800	24.14500	24.00353	24.55830
India	INR	92.11700	88.16400	89.33732	82.73456
Japan	JPY	156.79000	140.66500	151.93821	138.02361
Mexico	MXN	18.76890	20.88790	19.19575	21.21209
People's Republic of China	CNY	7.87000	7.36605	7.65984	7.08135
Poland	PLN	4.34090	4.68600	4.54402	4.68566
Republic of Korea	KRW	1,440.71500	1,338.29500	1,413.50465	1,358.19726
Russia	RUB	99.96610	76.28680	92.29940	73.27417
South Africa	ZAR	20.44415	18.07945	19.95520	17.20322
Sweden	SEK	11.08735	11.07865	11.47160	10.62776
United Kingdom	GBP	0.86910	0.88680	0.87001	0.85256
USA	USD	1.10770	1.06770	1.08170	1.05409

Accounting policies

MEASUREMENT PRINCIPLES

With certain exceptions, such as financial instruments measured at fair value and provisions for pensions and other post-employment benefits, items in the Volkswagen Group are accounted for under the historical cost convention (cost model). The methods used to measure the individual items are explained in more detail below.

INTANGIBLE ASSETS

Intangible assets are accounted for under the cost model.

Purchased intangible assets are recognized at cost and – if they have finite useful lives – amortized over their useful lives using the straight-line method. This relates in particular to software, which is normally amortized over three years, or licenses, which are normally amortized over the term of the license.

Development costs for future series products and other internally generated intangible assets are capitalized, provided the cash-generating unit to which the respective intangible asset is attributable is not impaired and the other criteria for recognition as assets are met.

The costs are amortized using the straight-line method from the start of use (e.g. start of production) over the expected life cycle of the models, powertrains or software developed – generally between three and nine years.

Amortization charges on intangible assets are allocated to the relevant functional areas in the income statement.

Brand names from business combinations usually have an indefinite useful life and are therefore not amortized. An indefinite useful life is usually the result of a brand's further use and maintenance.

Goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet available for use are tested for impairment at least once a year. Assets in use and other intangible assets with finite useful lives are tested for impairment only if there are specific indications that they may be impaired. To determine the recoverable amount of goodwill and intangible assets with indefinite and finite useful lives, the respective brand is normally the cash-generating unit that is used as the testing level. Measurement of value in use is based on management's current medium-term planning (referred to as budget planning round). The planning period generally covers five years. This planning is based on expectations regarding future global economic trends and on assumptions derived from those trends about the markets for passenger cars and commercial vehicles, expected trends in the Volkswagen Group's market shares, the timing and cost of the development of vehicle models and the amount of investments in production facilities, as well as changes in price and cost structures, taking particular account of the transformation to e-mobility and an increase in regulatory requirements. The planning for the Financial Services segment is likewise prepared on the basis of these expectations, and also reflects the relevant market penetration rates of expected vehicle sales with finance or lease agreements and other services, as well as regulatory requirements. The planning for the Power Engineering segment reflects expectations about trends in the various individual markets. The planning includes reasonable assumptions about macroeconomic trends (exchange rate, interest rate and commodity price trends) and historical developments.

The Volkswagen Group's planning is based on the assumption that global economic output will grow overall in 2024 albeit at a slower pace. The persistently high inflation in many regions and the resulting restrictive monetary policy measures taken by central banks are expected to have an increasingly adverse effect on consumer spending. Risks will continue to arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, continuing geopolitical tensions and conflicts are weighing on growth prospects; risks are associated in particular with the Russia-Ukraine conflict and the confrontations in the Middle East. It is, however, assumed that both the advanced economies and the emerging markets will show positive momentum on average, even with below-average growth in gross domestic product. Moreover, the global economy is expected to recover in 2025 and continue a path of stable growth until 2028.

The Volkswagen Group's automotive market and volume planning reflects the above regional differentiation and takes account of the impact of regional conflicts. The Volkswagen Group aims to increase the share of all-electric vehicles as a proportion of total deliveries from 8.3% in 2023 to more than 50% in 2030. The negative impact on earnings expected to arise from 2024 onward from higher material costs and more stringent emission and fuel consumption legislation is to be more than offset by improvements in pricing and the product mix as well as corresponding programs to increase efficiency. In addition, the planning is based on the assumption that the supply situation for intermediates and commodities will improve from fiscal year 2024 onward.

For information on the assumptions in the detailed planning period, please refer to the notes on management estimates and judgment. Further details can be found in the Report on Expected Developments, which is part of the management report. The planning assumptions are adapted to reflect the current state of knowledge.

The estimation of cash flows is generally based on the expected growth trends for the markets concerned. The estimates for the cash flows following the end of the planning period are generally based on a growth rate of up to 1% p.a. (previous year: up to 1% p.a.) in the Passenger Cars segment, and on a growth rate of up to 1% p.a. (previous year: up to 1% p.a.) in the Power Engineering and Commercial Vehicles segments.

Value in use is determined for the purpose of impairment testing of goodwill, indefinite-lived intangible assets and finite-lived intangible assets – mainly capitalized development costs – using the following pretax weighted average cost of capital (WACC) rates, which are adjusted if necessary for country-specific discount factors:

WACC	2023	2022
Passenger Cars segment	10.7%	10.2%
Commercial Vehicles segment	12.1%	13.4%
Power Engineering segment	15.7%	14.2%

The WACC rates are calculated based on the risk-free rate of interest, a market risk premium and the cost of debt. Additionally, specific peer group information on beta factors and leverage is taken into account. The composition of the peer groups used to determine beta factors and leverage is continuously reviewed and adjusted if necessary.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is accounted for under the cost model. Investment grants received are generally deducted from cost. Special operational equipment is reported under other equipment, operating and office equipment. Property, plant and equipment is depreciated using the straight-line method over its estimated useful life.

Depreciation is based mainly on the following useful lives:

	Useful life
Buildings	20 to 50 years
Site improvements	10 to 20 years
Technical equipment and machinery	6 to 12 years
Other equipment, operating and office equipment, including special operational equipment	3 to 15 years

Value in use of property, plant and equipment is determined using the principles described for intangible assets. The cost of capital for product-specific tools and other investments is the same as the cost of capital for intangible assets given above for each segment.

LEASES

The right-of-use assets for leases are reported in the balance sheet under those items in which the assets underlying the lease would have been recognized if the Volkswagen Group had been their beneficial owner. For this reason, the right-of-use assets are presented under noncurrent assets, mostly in property, plant and equipment, as of the balance sheet date.

Practical expedients are allowed for short-term and low-value leases; the Volkswagen Group makes use of this option and therefore does not recognize right-of-use assets or liabilities for these types of leases. In this respect, the lease payments are recognized as expenses in the income statement. Leases are accounted for being as of low value if the value of the leased asset when new is no higher than €5,000. Furthermore, the accounting rules of IFRS 16 are not applied to leases of intangible assets.

A large number of leases contain extension and termination options.

LEASE ASSETS

Vehicles leased out under operating leases are recognized at cost and depreciated to their estimated residual value using the straight-line method over the term of the lease. The forecast residual values are adjusted to include constantly updated internal and external information on residual values, depending on specific local factors and experience in the marketing of used cars. This requires management to make assumptions in particular about vehicle supply and demand in the future, as well as about vehicle price trends. Such assumptions are based either on qualified estimates or on data published by external experts. Qualified estimates are based on external data – if available – that reflects additional information that is available from within the company, such as historical experience and current sales data.

INVESTMENT PROPERTY

Real estate and buildings held in order to obtain rental income (investment property) are accounted for under the cost model; the depreciation method and the useful lives applied to depreciation generally correspond to those of the property, plant and equipment used by the Company itself. The fair value of investment property is disclosed in the notes. Fair value is generally estimated using an investment method based on internal calculations. This involves determining the income value for a specific building on the basis of gross income, taking into account additional factors such as land value, remaining useful life and a multiplier specific to property.

CAPITALIZATION OF BORROWING COSTS

Borrowing costs of qualifying assets are capitalized as part of the cost of these assets. A qualifying asset is an asset that necessarily takes at least a year to get ready for its intended use.

EQUITY-ACCOUNTED INVESTMENTS

The cost of shares in associates and joint ventures is accounted for using the equity method. Testing the net investment for impairment, the recoverable amount is determined using the principles described for indefinite-lived intangible assets.

FINANCIAL INSTRUMENTS

Regular way purchases or sales of financial instruments are accounted for at the settlement date – that is, at the date on which the asset is delivered.

In the Volkswagen Group, financial assets and liabilities are allocated to the "at amortized cost" and "at fair value" categories.

FINANCIAL ASSETS AND LIABILITIES AT AMORTIZED COST

Financial assets measured at amortized cost using the effective interest method relate to

> receivables from financing business;
> trade receivables;
> other receivables and financial assets;
> time deposits;
> cash and cash equivalents.

In contrast, financial liabilities measured at amortized cost using the effective interest method consist of

> trade payables;
> other financial liabilities;
> liabilities to banks;
> commercial paper and notes;
> loans.

For reasons of materiality, discounting or unwinding of discounting is not applied to current receivables and liabilities (due within one year).

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

Financial assets measured at fair value through other comprehensive income relate firstly to non-derivative financial assets with contractual cash flows that relate solely to payments of principal and interest on the principal amount outstanding (debt instruments) that are held with the aim of both collecting contractual cash flows and selling financial assets ("hold and sell" business model). Certain changes in the fair value of these debt instruments (impairment losses, foreign exchange gains and losses, interest calculated using the effective interest method) are recognized immediately in profit or loss.

Secondly, those equity instruments not held for trading ("hold" business model) are measured at fair value through other comprehensive income. Here, Volkswagen exercises the option to recognize changes in fair value always through other comprehensive income.

At Volkswagen, the category of financial assets at fair value through profit or loss primarily comprises

> hedging relationships to which hedge accounting is not applied and
> investment fund units.

All financial liabilities at fair value through profit or loss relate to derivatives not designated as hedging instruments in hedge accounting.

Fair value generally corresponds to the market or quoted market price. If no active market exists, fair value is determined using other observable inputs as far as possible. If no observable inputs are available, fair value is determined using valuation techniques, such as by discounting the future cash flows at the market interest rate, or by using recognized option pricing models, and, as far as possible, verified by confirmations from the banks that handle the transactions.

In the case of current financial receivables and liabilities, amortized cost generally corresponds to the principal or repayment amount.

The fair value option for financial assets and financial liabilities is not used in the Volkswagen Group.

Shares in subsidiaries, associates and joint ventures that are neither consolidated for reasons of materiality nor accounted for using the equity method do not fall within the scope of IFRS 9 and IFRS 7.

DERIVATIVES AND HEDGE ACCOUNTING

Volkswagen Group companies use derivatives to hedge balance sheet items and future cash flows (hedged items). Appropriate derivatives such as swaps, forward transactions and options are used as hedging instruments.

The accounting treatment of changes in the fair value of hedging instruments depends on the nature of the hedging relationship. In the case of hedges against the risk of change in the fair value of balance sheet items (fair value hedges), both the hedging instrument and the hedged risk portion of the hedged item are measured at fair value. If appropriate, several risk portions of the hedged items are combined into one portfolio. In a portfolio fair value hedge, changes in fair values are recognized on the basis of the individual transaction in the same way as in fair value hedging. Gains or losses from the measurement of hedging instruments and hedged items are recognized in profit or loss. In addition to the guidance of IFRS 9, the Volkswagen Group applies the guidance of IAS 39 on portfolio hedging to hedge the interest rate risk in the Financial Services Division.

In the case of hedges of future cash flows (cash flow hedges), the hedging instruments are also measured at fair value. The designated effective portion of the hedging instrument is accounted for through OCI I and the non-designated portion through OCI II. They are only recognized in the income statement or reclassified to inventories when the hedged item is realized. The ineffective portion of cash flow hedges is recognized through profit or loss immediately.

Derivatives used by the Volkswagen Group for financial management purposes to hedge against interest rate, foreign currency, commodity price, equity price, or fund price risks, but that do not meet the strict hedge accounting criteria of IFRS 9, are classified as financial assets or liabilities at fair value through profit or loss (referred to below as derivatives to which hedge accounting is not applied). This also applies to options on shares. External hedging instruments of intragroup hedged items that are subsequently eliminated in the consolidated financial statements are also assigned to this category as a general rule. Assets and liabilities measured at fair value through profit or loss consist of derivatives or components of derivatives that are not included in hedge accounting. These relate for example to the non-designated currency forwards used to hedge sales revenue, interest rate hedges, commodity forwards and swaps and currency forwards relating to commodity forwards and swaps.

IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

Financial assets are exposed to default risk, which is taken into account by recognizing loss allowances or, if losses have already been incurred, by recognizing impairment losses. Default risk on loans and receivables in the financial services segment is accounted for by recognizing specific loss allowances and general loss allowances.

In particular, a loss allowance is recognized on these financial assets in the amount of the expected loss in accordance with Group-wide standards. The actual specific loss allowances for the losses incurred are then charged to this loss allowance. A potential impairment is assumed not only for a number of situations such as delayed payment over a period of more than 90 days, the institution of enforcement measures, the threat of insolvency or overindebtedness, application for or the opening of bankruptcy proceedings, or the failure of reorganization measures, but also for receivables that are not past due.

Insignificant receivables and significant individual receivables for which there is no indication of impairment are grouped into homogeneous portfolios on the basis of comparable credit risk features and allocated by risk class. Average historical default probabilities in combination with forward-looking parameters for the respective portfolio are then used to calculate the amount of the impairment loss.

Credit risks must be considered for all financial assets measured at amortized cost or fair value through other comprehensive income (debt instruments), as well as for contract assets in accordance with IFRS 15 and lease receivables within the scope of IFRS 16. The rules on impairment also apply to risks from irrevocable credit commitments not recognized in the balance sheet and to the measurement of financial guarantees.

As a matter of principle, a simplified process, which takes historical default rates and forward-looking information into account, and specific loss allowances are used to account for impairment losses on receivables outside the Financial Services segment.

DEFERRED TAXES

The tax consequences of dividend payments are generally not taken into account until the resolution on appropriation of earnings available for distribution has been adopted.

Deferred tax assets that are unlikely to be realized within a clearly predictable period are reduced by loss allowances.

Deferred tax assets for tax loss carryforwards are usually measured on the basis of future taxable income over a planning period of five fiscal years.

INVENTORIES

Raw materials, consumables and supplies, merchandise, work in progress and self-produced finished goods reported in inventories are carried at the lower of cost or net realizable value. Borrowing costs are not capitalized. The measurement of same or similar inventories is generally based on the weighted average method.

SHARE-BASED PAYMENT

Share-based payment in the Volkswagen Group comprises cash-settled performance share plans that are recognized in accordance with IFRS 2.

OTHER PROVISIONS

Provisions not resulting in an outflow of resources within one year are recognized at their settlement value discounted to the balance sheet date. Discounting is based on market interest rates. An average discount rate of 2.87% (previous year: 3.16%) was used in the Eurozone. The settlement value also reflects cost increases expected.

OTHER LIABILITIES (NOT WITHIN THE SCOPE OF A SPECIFIC IFRS)

Other noncurrent liabilities outside the scope of a specific IFRS are carried at amortized cost in the balance sheet. Differences between historical cost and the repayment amount are amortized using the effective interest method.

Other current liabilities outside the scope of a specific IFRS are recognized at their repayment or settlement amount.

REVENUE AND EXPENSE RECOGNITION

Sales revenue, interest and commission income from financial services and other operating income are recognized only when the relevant services have been rendered or the goods have been delivered, i.e. when the customer has obtained control of the goods or services. Where new and used vehicles and original parts are sold, the Company's performance generally occurs upon delivery, because that is the point when control is transferred, and the inventory risk and, for deliveries to a dealer, generally also the pricing decision pass to the customer. Revenue is reported net of sales allowances (discounts, customer bonuses, or rebates). The Volkswagen Group measures sales allowances and other variable consideration on the basis of experience and by taking account of current circumstances. Vehicles are normally sold to dealers on payment terms. A trade receivable is recognized for the period between vehicle delivery and receipt of payment. Any financing component included in the transaction is only recognized if the period between the transfer of the goods and the payment of consideration is longer than one year and the amount to be accrued is significant.

Income from financing and finance lease agreements is recognized using the effective interest method. If non-interest-bearing or low-interest vehicle financing arrangements are agreed, sales revenue for the vehicles is reduced by the interest benefits granted. Sales revenue from operate leases is recognized over the term of the contract on a straight line basis.

In contracts under which the goods or services are transferred over a period of time, revenue is recognized, depending on the type of goods or services provided, either according to the stage of completion or, to simplify, on a straight-line basis; the latter is only allowed if revenue recognition on a straight-line basis does not differ materially from recognition according to the stage of completion. As a rule, the stage of completion is determined as the proportion that contract costs incurred by the end of the reporting period bear to the estimated total contract costs (cost-to-cost method). Contract costs incurred generally represent the best way to measure the stage of completion for the performance obligation. If the outcome of a performance obligation satisfied over time is not sufficiently certain, but the Company expects, as a minimum, to recover its costs, revenue is only recognized in the amount of contract costs incurred (zero profit margin method). Since long-term construction contracts invariably give rise to contingent receivables from customers for the period to completion or payment by the customer, contract assets are recognized for the corresponding amounts. A trade receivable is recognized as soon as the Company has transferred the goods or services in full.

If services are sold to the customer at the same time as the vehicle, and the customer pays for them in advance, the Group recognizes a corresponding contract liability until the services have been transferred. Examples of services that customers pay for in advance are servicing, maintenance and certain warranty contracts as well as mobile online services. For extended warranties granted to all customers for a particular model, a provision is normally recognized in the same way as for statutory warranties. If the warranty is optional for the customer or includes an additional service component, the related sales revenue is deferred and recognized over the term of the warranty.

Income from the sale of assets for which a Group company has a buyback obligation is recognized only when the assets have definitively left the Group. If a fixed repurchase price was agreed when the contract was entered into, the difference between the selling price and the present value of the repurchase price is recognized ratably as income over the term of the contract. Prior to that time, the assets are carried as inventories in the case of short contract terms and as lease assets in the case of long contract terms.

Sales revenue is generally determined on the basis of the price stated in the contract. If variable consideration (e.g. volume-based bonus payments) has been agreed in a contract, the large number of contracts involved means that revenue has to be estimated using the expected value method. In exceptional cases, the most probable amount method may also be used. Once the expected sales revenue has been estimated, an additional check is carried out to determine whether there is any uncertainty that necessitates the reversal of the revenue initially recognized so that it can be virtually ruled out that sales revenue subsequently has to be adjusted downward. Provisions for reimbursements arise mainly from dealer bonuses.

In multiple element arrangements, the transaction price is allocated to the different performance obligations of the contract on the basis of relative standalone selling prices. In the Automotive Division, non-vehicle-related services are generally measured at their standalone selling prices for reasons of materiality.

Cost of sales includes the costs incurred to generate the sales revenue and the cost of goods purchased for resale. This item also includes the costs of additions to warranty provisions. Research and development costs not eligible for capitalization in the period and amortization of development costs are likewise carried under cost of sales. Reflecting the presentation of interest and commission income in sales revenue, the interest and commission expenses attributable to the financial services business are presented in cost of sales.

GOVERNMENT GRANTS

Government grants related to assets are deducted when arriving at the carrying amount of the asset and are recognized in profit or loss over the life of the depreciable asset as a reduced depreciation expense.

Government grants related to income, i.e. that compensate the Group for expenses incurred, are generally recognized in profit or loss for the period and allocated to those items in which the expenses to be compensated by the grants are also recognized. Grants in the form of nonmonetary assets (e.g. the use of land free of charge or the transfer of resources free of charge) are disclosed as a memo item.

ESTIMATES AND ASSUMPTIONS BY MANAGEMENT

Preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and income and expenses, as well as the related disclosure of contingent assets and liabilities of the reporting period. The estimates and assumptions relate largely to the following matters:

The impairment testing of nonfinancial assets (especially goodwill, brand names, capitalized development costs and special operational equipment) and equity-accounted investments, or investments accounted at cost, and the measurement of options on shares in companies that are not traded in an active market require assumptions about the future cash flows during the planning period, and possibly beyond it, as well as about the discount rate to be applied. The estimates made in order to separate cash flows mainly relate to future market shares, the trend in the respective markets and the profitability of the Volkswagen Group's products. When determining cash flows for conducting impairment tests on companies or equity investments with new technology operations, it is of particular importance to assess whether these new technologies are technically feasible and have the potential for industrial use. The recoverability of the Group's lease assets depends in particular on the residual value of the leased vehicles after expiration of the lease term, because this represents a significant portion of the expected cash flows. More detailed information on impairment tests and the measurement parameters used for those tests can be found in the explanations above regarding intangible assets.

If there are no observable market inputs, the fair values of assets acquired and liabilities assumed in a business combination are measured using recognized valuation techniques, such as the relief-from-royalty method or the residual method.

Impairment testing of financial assets requires estimates about the extent and probability of occurrence of future events. As far as possible, estimates are derived from experience taking into account current market data as well as rating categories and scoring information. The sections entitled "IFRS 7 (Financial Instruments)" and "Financial risk management and financial instruments" contain further details on how to determine loss allowances.

Accounting for provisions is also based on estimates of the extent and probability of occurrence of future events, as well as estimates of the discount rate. As far as possible, these are also based on experience or external opinions. The assumptions applied in the measurement of pension provisions are described in the "Provisions for pensions and other post-employment benefits" section. Actuarial gains or losses arising from changes in measurement inputs are recognized in other comprehensive income and therefore do not affect profit or loss reported in the income statement. Any change in the estimates of the amount of other provisions is always recognized in profit or loss. The provisions are regularly adjusted to reflect new information obtained. The use of expected values invariably means that unused provisions are reversed or additional amounts have to be recognized for provisions. Similarly to expenses for the recognition of provisions, income from the reversal of provisions is allocated to the respective functions. Warranty claims from sales transactions are calculated on the basis of losses to date, estimated future losses and the policy on ex gratia arrangements. In addition, assumptions must be made about the nature and extent of future warranty and ex gratia claims.

For the provisions recognized in connection with the diesel issue, assumptions were made in particular for working hours, material costs and hourly wage rates, depending on the series, model year and country concerned. In addition, assumptions were made for future resale prices of repurchased vehicles. These assumptions are based on qualified estimates, which are based, in turn, upon external data, and also reflect additional information available internally, such as values derived from past experience. Further information on the legal proceedings and on the legal risks associated with the diesel issue can be found in the "Litigation" section.

Tax provisions were recognized for potential future retrospective tax payments, while other provisions were recognized for ancillary tax payments arising in this connection.

Volkswagen AG and its subsidiaries have operations worldwide and are audited by local tax authorities on an ongoing basis. Amendments to tax laws and changes in legal precedent and their interpretation by the tax authorities in the respective countries may lead to tax payments that differ from the estimates made in the financial statements.

The measurement of the tax provision is based on the most likely exposure resulting from this risk materializing. Volkswagen decides whether to account for multiple tax uncertainties separately or in groups on the merits of each individual case considered, depending on which type of presentation is better suited to predicting the extent to which the tax risk will materialize. The pricing of individual products and services is complex, especially in relation to contracts for the cross-border supply of intragroup goods and services, because it is in many cases not possible to observe market prices for internally generated products, or the use of market prices for similar products is subject to uncertainty because they are not comparable. In these cases, prices – including for tax purposes – are determined on the basis of standardized, generally accepted valuation techniques.

If actual developments differ from the assumptions made for recognizing the provisions, the figures actually recorded may differ compared to the estimates expected originally.

An overview of other provisions can be found in the "Noncurrent and current other provisions" section.

Government grants are recognized based on an assessment as to whether there is reasonable assurance that the Group companies will fulfill the conditions for awarding the grants and that the grants will in fact be awarded. This assessment is based on the nature of the legal entitlement and past experience.

Estimates of the useful life of finite-lived assets are based on experience and are reviewed regularly. Where estimates are modified the residual useful life is adjusted and an impairment loss is recognized, if necessary. As part of this review, the useful lives of certain items of property, plant and equipment were reassessed and extended in January 2023. These adjustments had a positive effect on the operating result in an amount of around €1.4 billion in 2023. A positive effect of around €0.8 billion is expected in 2024.

Estimates of lease terms under IFRS 16 are based on the non-cancelable period of a lease and an assessment of whether existing extension and termination options will be exercised. The determination of the lease term and the discount rates used impacts on the amounts to be recognized for right-of-use assets and lease liabilities.

Measuring deferred tax assets requires assumptions regarding future taxable income and the timing of the realization of deferred tax assets.

The estimates and assumptions are based on underlying assumptions that reflect the current state of available knowledge. Specifically, the expected future development of business was based on the circumstances known at the date of preparation of these consolidated financial statements and a realistic assessment of the future development of the global and sector-specific environment. Estimates and assumptions remain subject to a high degree of uncertainty because future business developments are subject to uncertainties that in part cannot be influenced by the Group. This applies in particular to short- and medium-term cash flow forecasts and to the discount rates used.

Developments in this environment that differ from the assumptions and that cannot be influenced by management could result in amounts that differ from the original estimates. If actual developments differ from the expected developments, the underlying assumptions and, if necessary, the carrying amounts of the assets and liabilities affected are adjusted.

Following the slump in global economic output in 2020 and the incipient recovery due to base and catch-up effects in 2021 and the continuing normalization of economic activity in 2022, despite the Russia-Ukraine conflict, the global economy recorded positive overall growth of 2.7% in fiscal year 2023 (previous year: growth of 3.1%). The slowdown in economic momentum compared with the previous year was mainly due to weaker growth in the advanced economies, whereas the overall rate of change in the emerging markets increased somewhat.

The Volkswagen Group's planning is based on the assumption that global economic output will grow overall in 2024 albeit at a slower pace. The persistently high inflation in many regions and the resulting restrictive monetary policy measures taken by central banks are expected to have an increasingly adverse effect on consumer spending. Risks will continue to arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, continuing geopolitical tensions and conflicts are weighing on growth prospects; risks are associated in particular with the Russia-Ukraine conflict and the confrontations in the Middle East. It is, however, assumed that both the advanced economies and the emerging markets will show positive momentum on average, even with below-average growth in gross domestic product. Moreover, the global economy is expected to recover in 2025 and continue a path of stable growth until 2028.

Estimates and assumptions by management were based in particular on assumptions relating to the development of the general economic environment, the automotive markets and the legal environment. These and further assumptions are explained in detail in the Report on Expected Developments, which is part of the group management report.

Segment reporting

Segments are identified on the basis of the Volkswagen Group's internal management and reporting. In line with the Group's multibrand strategy, each of its brands (operating segments) is managed by its own Board of Management. The Group targets and requirements laid down by the Board of Management of Volkswagen AG must be complied with. Segment reporting comprises four reportable segments: Passenger Cars and Light Commercial Vehicles, Commercial Vehicles, Power Engineering and Financial Services.

The activities of the Passenger Cars and Light Commercial Vehicles segment cover the development of vehicles, engines and vehicle software, the production and sale of passenger cars and light commercial vehicles, and the corresponding genuine parts business. In the Passenger Cars and Light Commercial Vehicles reporting segment, the individual brands are combined into a single reportable segment, in particular as a response to the high degree of technological and economic interlinking in the production network. Furthermore, there is collaboration within key areas such as procurement, research and development or treasury.

The Commercial Vehicles segment primarily comprises the development, production and sale of trucks and buses, the corresponding genuine parts business and related services. As in the case of the passenger car brands, there is collaboration within the areas procurement, development and sales. The aim is to create closer cooperation within the business areas.

The Power Engineering segment combines the large-bore diesel engines, turbomachinery and propulsion components businesses.

The activities of the Financial Services segment comprise dealership and customer financing, leasing, direct banking and insurance activities, fleet management and mobility services. In this segment, activities are combined for reporting purposes taking into particular account the comparability of the type of services and of the regulatory environment.

Purchase price allocation for companies acquired is allocated directly to the corresponding segments.

At Volkswagen, segment profit or loss is measured on the basis of the operating result.

In segment reporting, the share of the result of joint ventures is contained in the result of equity-accounted investments in the corresponding segments.

The reconciliation contains activities and other operations that by definition do not constitute segments. It also includes the unallocated Group financing activities. Consolidation adjustments between the segments are also contained in the reconciliation.

Investments in intangible assets, property, plant and equipment, and investment property are reported net of investments in right-of-use assets from leases.

As a matter of principle, business relationships between the companies within the segments of the Volkswagen Group are transacted at arm's length prices.

REPORTING SEGMENTS 2023

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconcilia-tion	Volkswagen Group
Sales revenue from external customers	223,152	44,725	4,043	49,998	321,918	366	322,284
Intersegment sales revenue	22,528	1,007	1	4,130	27,665	-27,665	–
Total sales revenue	245,680	45,731	4,044	54,128	349,584	-27,300	322,284
Depreciation and amortization	14,555	2,740	134	9,970	27,400	-617	26,783
Impairment losses	298	57	9	879	1,242	479	1,721
Reversal of impairment losses	38	5	–	444	486	0	486
Segment result (operating result)	19,474	3,714	366	3,792	27,345	-4,769	22,576
Share of the result of equity-accounted investments	2,112	124	0	55	2,291	–	2,291
Interest result and other financial result	8,248	-458	23	-71	7,741	-9,414	-1,673
Equity-accounted investments	8,476	1,234	17	2,512	12,239	–	12,239
Investments in intangible assets, property, plant and equipment, and investment property	22,636	2,205	134	282	25,257	538	25,795

REPORTING SEGMENTS 2022[1]

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconcilia-tion	Volkswagen Group
Sales revenue from external customers	193,074	38,346	3,564	43,667	278,651	399	279,050
Intersegment sales revenue	17,304	1,170	1	2,990	21,466	-21,466	–
Total sales revenue	210,378	39,516	3,565	46,657	300,116	-21,067	279,050
Depreciation and amortization	16,004	2,885	148	9,870	28,907	-656	28,251
Impairment losses	2,501	34	2	371	2,908	3	2,911
Reversal of impairment losses	60	4	2	557	623	–	623
Segment result (operating result)	17,156	1,588	281	5,638	24,662	-2,553	22,109
Share of the result of equity-accounted investments	2,186	97	3	116	2,403	–	2,403
Interest result and other financial result	2,277	98	-4	-159	2,213	-4,655	-2,442
Equity-accounted investments	10,731	1,084	18	836	12,668	–	12,668
Investments in intangible assets, property, plant and equipment, and investment property	20,125	1,907	84	217	22,334	338	22,672

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

RECONCILIATION

€ million	2023	2022[1]
Segment sales revenue	**349,584**	**300,116**
Unallocated activities	1,599	1,405
Group financing	24	27
Consolidation/Holding company function	-28,923	-22,498
Group sales revenue	**322,284**	**279,050**
Segment result (operating result)	**27,345**	**24,662**
Unallocated activities	114	-2
Group financing	10	-37
Consolidation/Holding company function	-4,894	-2,514
Operating result	**22,576**	**22,109**
Financial result	**618**	**-40**
Consolidated result before tax	**23,194**	**22,070**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

BY REGION 2023

€ million	Germany	Europe/ Other markets[1]	North America	South America	Asia-Pacific	Hedges sales revenue	Total
Sales revenue from external customers	59,646	128,303	67,908	17,139	50,109	-821	322,284
Intangible assets, property, plant and equipment, lease assets and investment property	126,254	51,605	33,520	4,586	4,750	–	220,715

1 Excluding Germany.

BY REGION 2022[2]

€ million	Germany	Europe/ Other markets[1]	North America	South America	Asia-Pacific	Hedges sales revenue	Total
Sales revenue from external customers	49,042	105,472	59,910	15,476	51,443	-2,294	279,050
Intangible assets, property, plant and equipment, lease assets and investment property	119,386	47,661	32,517	2,709	4,848	–	207,121

1 Excluding Germany.
2 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

Allocation of sales revenue to the regions follows the destination principle.

The allocation of interregional intragroup transactions regarding the segment assets has been presented uniformly according to the economic ownership.

Income statement disclosures

1. Sales revenue

STRUCTURE OF GROUP SALES REVENUE 2023

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total Segments	Reconciliation	Volkswagen Group
Vehicles	191,217	31,224	–	–	222,441	–19,325	203,115
Genuine parts	16,171	6,854	–	–	23,025	–196	22,829
Used vehicles and third-party products	12,977	2,560	–	22,897	38,434	–4,598	33,836
Engines, powertrains and parts deliveries	12,659	1,010	–	–	13,669	–71	13,598
Power Engineering	–	–	4,044	–	4,044	–1	4,043
Motorcycles	890	–	–	–	890	–	890
Leasing business	918	1,575	0	18,124	20,617	–1,387	19,230
Interest and similar income	310	0	–	12,500	12,810	–860	11,950
Hedges sales revenue	–930	26	–	–	–904	83	–821
Other sales revenue	11,469	2,482	–	607	14,558	–945	13,614
	245,680	**45,731**	**4,044**	**54,128**	**349,584**	**–27,300**	**322,284**

STRUCTURE OF GROUP SALES REVENUE 2022[1]

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total Segments	Reconciliation	Volkswagen Group
Vehicles	160,562	25,542	–	0	186,104	–14,657	171,447
Genuine parts	14,970	6,759	–	–	21,729	–160	21,570
Used vehicles and third-party products	11,474	2,334	–	20,485	34,293	–3,650	30,643
Engines, powertrains and parts deliveries	12,313	858	–	–	13,171	–65	13,105
Power Engineering	–	–	3,565	–	3,565	–1	3,564
Motorcycles	915	–	–	–	915	–	915
Leasing business	764	1,693	0	16,669	19,126	–1,231	17,895
Interest and similar income	285	1	–	8,873	9,160	–418	8,742
Hedges sales revenue	–2,220	–20	–	–	–2,241	–53	–2,294
Other sales revenue	11,314	2,349	–	631	14,294	–831	13,463
	210,378	**39,516**	**3,565**	**46,657**	**300,116**	**–21,067**	**279,050**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

For segment reporting purposes, the sales revenue of the Group is presented by segment and market.

Other sales revenue comprises revenue from workshop services and extended warranties, among other things.

Of the sales revenue recognized in the period under review, an amount of €8,936 million (previous year: €8,045 million) was included in contract liabilities as of January 1, 2023.

The sales revenue realized in the period under review comprises performance obligations of €363 million (previous year: €718 million) that had already been met in an earlier period.

In addition to existing performance obligations of €4,794 million (previous year: €3,939 million) in the Power Engineering segment, most of which are expected to be satisfied or for which sales revenue is expected to be recognized by December 31, 2024, the vast majority of the Volkswagen Group's performance obligations that were unsatisfied as of the reporting date relate to vehicle deliveries. Most of these deliveries had already been made at the time this report was prepared, or will be made in the first quarter of 2024. The calculation of the amounts for the Power Engineering Business Area took account of both contracts with a term of up to one year and service contracts under which the Volkswagen Group realizes sales revenue in exactly the same amount as the customer benefits from the services rendered by the Company. In the case of variable consideration, sales revenue is only recognized to the extent that there is reasonable assurance that this sales revenue will not subsequently have to be reversed or adjusted downward.

2. Cost of sales

Cost of sales includes interest expenses of €7,968 million (previous year: €3,323 million) attributable to the financial services business.

This item also includes impairment losses on intangible assets (primarily development costs), property, plant and equipment (primarily other equipment, operating and office equipment), and lease assets in the amount of €1,335 million (previous year: €843 million). The impairment losses totaling €388 million (previous year: €572 million) recognized during the reporting year on intangible assets and items of property, plant and equipment result primarily from lower values in use of various products in the Passenger Cars and Light Commercial Vehicles segment, due to market and exchange rate risks, and in particular from expected declines in volumes. The impairment losses on lease assets in the amount of €947 million (previous year: €270 million) are predominantly attributable to the Financial Services segment. They are based on constantly updated internal and external information that is factored into the forecast residual values of the vehicles. €138 million (previous year: €10 million) of this figure is reported in current lease assets.

Government grants related to income amounted to €292 million in the fiscal year (previous year: €457 million) and were generally allocated to the functional areas.

3. Distribution expenses

Distribution expenses amounting to €21.3 billion (previous year: €19.8 billion) include nonstaff overheads and personnel costs, and depreciation and amortization applicable to the distribution function, as well as the costs of shipping, advertising and sales promotions.

4. Administrative expenses

Administrative expenses of €12.7 billion (previous year: €11.7 billion) mainly include nonstaff overheads and personnel costs, as well as depreciation and amortization charges applicable to the administrative function.

5. Other operating income

€ million	2023	2022[1]
Income from reversal of loss allowances on receivables and other assets	2,164	1,512
Income from reversal of provisions and accruals	922	988
Income from derivatives within hedge accounting	766	892
Income from derivatives not within hedge accounting Financial Services	894	1,999
Income from other hedges	2,245	5,396
Income from foreign exchange gains	3,419	3,640
Income from sale of promotional material	304	339
Income from cost allocations	1,470	1,099
Income from investment property	12	30
Gains on asset disposals and the reversal of impairment losses on noncurrent assets	586	724
Miscellaneous other operating income	2,369	2,615
	15,152	**19,234**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

Foreign exchange gains mainly comprise gains from changes in exchange rates between the dates of recognition and payment of receivables and liabilities denominated in foreign currencies, as well as exchange rate gains resulting from measurement at the closing rate. Foreign exchange losses from these items are included in other operating expenses.

Income from other hedges includes primarily gains from the fair value measurement and realization of derivative financial instruments used to hedge exchange rates and commodity prices in the Automotive Division that are not designated in a hedging relationship. Losses are included in other operating expenses.

6. Other operating expenses

€ million	2023	2022[1]
Loss allowances on trade receivables	558	345
Loss allowances on other receivables and other assets	2,051	2,756
Expenses from derivatives within hedge accounting	754	971
Expenses from derivatives not within hedge accounting Financial Services	1,221	1,309
Expenses from other hedges	4,857	2,417
Foreign exchange losses	3,793	3,762
Expenses from cost allocations	1,113	833
Expenses for termination agreements	62	280
Losses on disposal of noncurrent assets	406	321
Miscellaneous other operating expenses	4,719	4,820
	19,534	**17,813**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

Allowances on other receivables and other assets include allowances on receivables from long-term construction contracts amounting to €2.1 million (previous year: €0.3 million). In the previous year, allowances on other receivables and other assets also included expenses incurred in connection with the Russia-Ukraine conflict (see "Key events" section).

Expenses from other hedges include primarily losses from the fair value measurement and realization of derivative financial instruments used to hedge exchange rates and commodity prices in the Automotive Division that are not designated in a hedging relationship. Gains are included in other operating income.

7. Share of the result of equity-accounted investments

€ million	2023	2022[1]
Share of profits of equity-accounted investments	2,910	2,957
of which from joint ventures	2,713	2,893
of which from associates	196	64
Share of losses of equity-accounted investments	619	554
of which from joint ventures	174	187
of which from associates	445	367
	2,291	**2,403**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

8. Interest result

€ million	2023	2022[1]
Interest income	**2,658**	**1,325**
Other interest and similar income	2,656	1,325
Valuation of fair value hedges	2	–
Interest expenses	**–3,592**	**–408**
Other interest and similar expenses	–2,050	–938
Valuation of fair value hedges	–3	1
Expenses from discounting lease liabilities	–222	–158
Interest result from compounding/discounting other noncurrent liabilities	–304	1,236
Net interest on the net defined benefit liability	–1,014	–549
Interest result	**–934**	**916**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the “Effects of new and amended IFRSs” section).

In the previous year, the positive interest result from compounding/discounting other noncurrent liabilities was mainly the result of adjustments to the discount rates used to measure noncurrent provisions.

9. Other financial result

€ million	2023	2022
Income from profit and loss transfer agreements	28	55
Cost of loss absorption	–63	–52
Other income from equity investments	341	168
Other expenses from equity investments	–837	–2,270
Gains and losses from marketable securities and loans	725	–1,013
Realized income of loan receivables and payables in foreign currency	1,093	1,227
Realized expenses of loan receivables and payables in foreign currency	–1,226	–985
Gains and losses from remeasurement and impairment of financial instruments	–904	166
Gains and losses from fair value changes of hedging instruments/derivatives not included in hedge accounting	111	–662
Gains and losses from fair value changes of hedging instruments/derivatives included in hedge accounting	–6	7
Other financial result	**–739**	**–3,359**

Other expenses from equity investments reported in the previous year related primarily to the impairment loss of €1.9 billion recognized to write down all shares held in Argo AI. See “Key events” section for more information.

Gains and losses from marketable securities and loans are mainly the result of positive net income from funds, which had been negatively affected in the previous year by the turbulence in the capital markets attributable to the Russia-Ukraine conflict.

In fiscal year 2023, gains and losses from remeasurement and impairment of financial instruments are primarily attributable to valuation adjustments on cash and cash equivalents held in Argentina.

Gains and losses from fair value changes of hedging instruments/derivatives not included in hedge accounting include gains on the measurement of the options in connection with the acquisition of Europcar in an amount of €0.1 billion. In the previous year, the measurement of the options had resulted in losses of €0.3 billion (see “Key events” section).

10. Income tax income/expense

COMPONENTS OF TAX INCOME AND EXPENSE

€ million	2023	2022[1]
Current tax expense, Germany	2,880	1,179
Current tax expense, abroad	3,911	4,084
Current income tax expense	**6,791**	**5,263**
of which prior-period income (–)/expense (+)	-62	666
Deferred tax income (–)/expense (+), Germany	-740	3,334
Deferred tax income (–)/expense (+), abroad	-786	-2,380
Deferred tax income (–)/expense (+)	**-1,526**	**954**
Income tax income/expense	**5,266**	**6,217**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

The statutory corporation tax rate in Germany for the 2023 assessment period was 15%. Including trade tax and the solidarity surcharge, this resulted in an aggregate tax rate of 30.0% (previous year: 30.0%).

A tax rate of 30.0% (previous year: 30.0%) was used to measure deferred taxes in the German consolidated tax group.

The local income tax rates applied to companies outside Germany vary between 0% and 46% (previous year: 0% and 46%). In the case of split tax rates, the tax rate applicable to undistributed profits is applied.

The realization of tax benefits from tax loss carryforwards from previous years resulted in a reduction in current income taxes in 2023 of €816 million (previous year: €1,013 million).

The tax loss carryforwards and the expiry of loss carryforwards that could not be used changed as follows:

	PREVIOUSLY UNUSED TAX LOSS CARRYFORWARDS		THEREOF UNUSABLE TAX LOSS CARRYFORWARDS	
€ million	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Non-expiring tax loss carryforwards	14,993	13,178	4,577	4,512
Expiry within 10 years	1,880	3,556	1,152	1,199
Expiry over 10 years	10,511	11,002	381	1,335
Total	**27,385**	**27,736**	**6,111**	**7,045**

The benefit arising from previously unrecognized tax losses or tax credits of a prior period that is used to reduce current tax expense in the current fiscal year amounts to €120 million (previous year: €139 million). Deferred tax expense was reduced by €372 million (previous year: €1,687 million) because of a benefit arising from previously unrecognized tax losses and tax credits of a prior period. Deferred tax expense resulting from the write-down of a deferred tax asset amounts to €44 million (previous year: €70 million). Deferred tax income resulting from the reversal of a write-down of deferred tax assets amounts to €125 million (previous year: €34 million).

Tax credits granted by various countries amounted to €473 million (previous year: €493 million).

No deferred tax assets were recognized for deductible temporary differences of €2,232 million (previous year: €2,262 million) and for tax credits of €128 million (previous year: €159 million) that would expire in the next 20 years.

In accordance with IAS 12.39, deferred tax liabilities of €251 million (previous year: €265 million) for temporary differences and undistributed profits of Volkswagen AG subsidiaries were not recognized because control exists.

Deferred tax income resulting from changes in tax rates amounted to €9 million at Group level (previous year: deferred tax expense of €31 million).

Deferred tax assets of €6,508 million (previous year: €1,731 million) were recognized without being offset by deferred tax liabilities in the same amount. In fiscal year 2023, the existing deferred tax assets of companies within the German tax group, which had been recognized due to positive results in the past, were included in this analysis. The companies concerned are expecting positive tax income in the future, following losses in the reporting period or the previous year.

€2,861 million (previous year adjusted: €2,407 million (see changes in comprehensive income)) of the deferred taxes recognized in the balance sheet was credited to equity and relates to other comprehensive income. €– 66 million (previous year: €– 6 million) of this figure is attributable to noncontrolling interests. In fiscal year 2023, no deferred tax income from the remeasurement of pension plans directly through equity was reclassified within equity (previous year: €2 million). In the previous year, there were effects from capital transactions with noncontrolling interests. The classification of changes in deferred taxes is presented in the statement of comprehensive income.

In fiscal year 2023, tax effects of €3 million resulting from equity transaction costs were credited to equity (previous year: €3 million).

DEFERRED TAXES CLASSIFIED BY BALANCE SHEET ITEM

The following recognized deferred tax assets and liabilities were attributable to recognition and measurement differences in the individual balance sheet items and to tax loss carryforwards:

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
€ million	Dec. 31, 2023	Dec. 31, 2022[1]	Dec. 31, 2023	Dec. 31, 2022[1]
Intangible assets	1,179	1,170	15,095	13,698
Property, plant and equipment, and lease assets	6,076	5,236	8,041	8,190
Noncurrent financial assets	410	55	10	193
Inventories	2,743	2,073	924	979
Receivables and other assets (including Financial Services Division)	2,492	2,144	10,258	10,090
Other current assets	3,117	4,077	35	76
Pension provisions	5,476	4,674	88	92
Liabilities and other provisions	13,807	14,012	5,022	5,707
Loss allowances on deferred tax assets from temporary differences	–194	–236	–	–
Temporary differences, net of loss allowances	35,107	33,205	39,473	39,025
Tax loss carryforwards, net of loss allowances	5,678	5,394	–	–
Tax credits, net of loss allowances	345	330	–	–
Value before consolidation and offset	**41,130**	**38,929**	**39,473**	**39,025**
of which attributable to noncurrent assets and liabilities	27,347	25,438	31,800	31,194
Offset	30,488	29,152	30,488	29,152
Consolidation	3,298	3,151	796	862
Amount recognized	**13,940**	**12,929**	**9,781**	**10,736**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

The tax expense reported for 2023 of €5,266 million (previous year adjusted: €6,217 million (see disclosures on IFRS 17)) was €1,692 million (previous year adjusted: €404 million (see disclosures on IFRS 17)) lower than the expected tax expense of €6,958 million that would have resulted from application of a tax rate for the Group of 30.0% (previous year: 30.0%) to the earnings before tax of the Group.

RECONCILIATION OF EXPECTED TO EFFECTIVE INCOME TAX

€ million	2023	2022[1]
Profit before tax	23,194	22,070
Expected income tax income (–)/expense (+) (tax rate 30.0%; previous year 30.0%)	**6,958**	**6,621**
Reconciliation:		
Effect of different tax rates outside Germany	–1,171	–561
Proportion of taxation relating to:		
tax-exempt income	–1,461	–1,398
expenses not deductible for tax purposes	1,100	1,101
effects of loss carryforwards	52	–1,247
permanent differences	–761	382
Tax credits	–120	–96
Prior-period tax expense	–361	688
Effect of tax rate changes	–9	31
Nondeductible withholding tax	702	369
Other taxation changes	337	327
Effective income tax expense	**5,266**	**6,217**
Effective tax rate in %	22.7	28.2

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

GLOBAL MINIMUM TOP-UP TAX

The Organisation for Economic Co-operation and Development (OECD) has published the model rules for Pillar Two (Pillar 2) based on G20 Inclusive Framework on Tax Avoidance and Profit Shifting, which are intended to address the tax challenges arising from the digitalization of the global economy in order to ensure an effective minimum tax rate of 15%. Volkswagen Group falls within the scope of the OECD model regulations of Pillar Two. The Pillar Two legislation has been enacted or substantially enacted in countries Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Malaysia, Mauritius, Netherlands, Qatar, Romania, Slovakia, Slovenia, South Korea, Sweden, Switzerland, United Arab Emirates, United Kingdom and Vietnam and will enter into force from 1 January 2024 in different combinations of rules and in some cases at a later date. Since the Pillar Two legislation had not yet been finalized at the time of the report, Volkswagen Group is not subject to any tax burden in this regard for the financial year 2023.

The exception introduced in May 2023 with the amendments to IAS 12 means that deferred taxes in connection with income taxes resulting from applicable or announced tax provisions implementing the Pillar Two model rules published by the OECD are neither recognized nor disclosed at Volkswagen Group.

According to legislation, Volkswagen Group will be liable for an additional tax per country at the difference between the GloBE effective tax rate and the minimum tax rate of 15%.

Volkswagen Group is currently in the process of assessing the impact of Pillar Two legislation becoming effective as of in 2024 et seq. Based on the country-by-country reporting (CbCR) for the financial years 2021 and 2022, all Group companies are subject to an effective tax rate per country of more than 15% however with the exception of countries Bermuda, Bosnia and Herzegovina, Bulgaria, Cayman Islands, Estonia, Finland, Ireland, Kosovo, Kuwait, Latvia, Lithuania, Norway, Oman, Pakistan, Panama, Qatar, Saudi Arabia, Tanzania, Thailand, Turkey and the United Arab Emirates. Although the average effective tax rate is less than 15% based on the CbCR data, Volkswagen

Group may not be required to pay Pillar Two income taxes in respect of these countries. This is due to specific adjustments provided for in the Pillar Two legislation, which may result in deviations from the effective tax rates calculated. Overall, it is assumed that the tax burden for Volkswagen Group from Pillar Two based on the 2021 and 2022 CbCR data will amount to a range of between EUR 10 million to 20 EUR million. This would have an effect of 0.04% - 0.08% on the Group tax rate. Hence, there are no material effects on the net assets, financial position and earnings of Volkswagen Group.

Due to the complexity of the application of the legislation, the quantitative effects of the legislation enacted or entered into force can currently only be estimated in ranges. Therefore, even for group companies with an effective tax rate of more than 15%, Pillar Two may have tax implications. Furthermore, on the basis of the CbCR Safe Harbour, this assessment only applies on a transitional basis (currently until the end of the financial year 2026). For the years following the expiry of the CbCR Safe Harbours, further analyses will be carried out on the basis of the general set of rules.

11. Earnings per share

Basic earnings per share are calculated by dividing earnings attributable to Volkswagen AG shareholders by the weighted average number of ordinary and preferred shares outstanding during the reporting period. Since there were no transactions in 2023 and 2022 that had a dilutive effect on the number of shares, diluted earnings per share are equivalent to basic earnings per share.

In accordance with Article 27(2) No. 3 of the Articles of Association of Volkswagen AG, preferred shares are entitled to a €0.06 higher dividend than ordinary shares.

		2023	2022[1]
Weighted average number of:			
Ordinary shares – basic/diluted	Shares	295,089,818	295,089,818
Preferred shares – basic/diluted	Shares	206,205,445	206,205,445
Earnings after tax	€ million	17,928	15,852
Earnings attributable to noncontrolling interests	€ million	1,329	395
Earnings attributable to Volkswagen AG hybrid capital investors	€ million	586	576
Earnings attributable to Volkswagen AG shareholders	€ million	16,013	14,881
of which basic/diluted earnings attributable to ordinary shares	€ million	9,419	8,753
of which basic/diluted earnings attributable to preferred shares	€ million	6,594	6,129
Earnings per ordinary share – basic/diluted	€	31.92	29.66
Earnings per preferred share – basic/diluted	€	31.98	29.72

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

Balance sheet disclosures

12. Intangible assets

CHANGES IN INTANGIBLE ASSETS IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2023

€ million	Brand names	Goodwill	Capitalized development costs for products under development	Capitalized development costs for products currently in use	Other intangible assets	Total
Cost						
Balance at Jan. 1, 2023	**17,633**	**26,211**	**17,595**	**44,949**	**15,464**	**121,853**
Foreign exchange differences	-27	-114	-8	23	-105	-231
Changes in consolidated Group	–	210	-137	–	31	104
Additions	–	–	9,275	1,868	1,302	12,445
Transfers	–	–	-4,763	4,763	219	219
Disposals	10	2	35	966	323	1,336
Balance at Dec. 31, 2023	**17,596**	**26,305**	**21,927**	**50,638**	**16,587**	**133,053**
Amortization and impairment						
Balance at Jan. 1, 2023	**105**	**9**	**93**	**29,021**	**9,385**	**38,612**
Foreign exchange differences	3	0	0	13	-23	-7
Changes in consolidated Group	–	–	–	–	-40	-40
Additions to cumulative amortization	–	–	–	5,120	1,298	6,418
Additions to cumulative impairment losses	–	6	23	45	71	145
Transfers	–	–	–	0	-2	-2
Disposals	10	2	0	954	212	1,179
Reversal of impairment losses	–	–	–	3	–	3
Balance at Dec. 31, 2023	**98**	**13**	**116**	**33,240**	**10,476**	**43,944**
Carrying amount at Dec. 31, 2023	**17,498**	**26,292**	**21,811**	**17,398**	**6,111**	**89,109**

CHANGES IN INTANGIBLE ASSETS IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2022

€ million	Brand names	Goodwill	Capitalized development costs for products under development	Capitalized development costs for products currently in use	Other intangible assets	Total
Cost						
Balance at Jan. 1, 2022	**17,661**	**26,203**	**10,287**	**44,806**	**13,789**	**112,745**
Foreign exchange differences	–22	–17	16	–125	155	7
Changes in consolidated Group	5	75	1	40	110	232
Additions	–	–	9,057	666	1,945	11,668
Transfers	0	–	–1,728	1,738	55	65
Classified as held for sale	0	–	4	65	30	99
Disposals	11	50	33	2,111	560	2,764
Balance at Dec. 31, 2022	**17,633**	**26,211**	**17,595**	**44,949**	**15,464**	**121,853**
Amortization and impairment						
Balance at Jan. 1, 2022	**89**	**29**	**88**	**26,120**	**8,731**	**35,056**
Foreign exchange differences	0	0	0	–118	29	–89
Changes in consolidated Group	–	–	–	7	9	16
Additions to cumulative amortization	2	–	–	5,058	1,111	6,171
Additions to cumulative impairment losses	16	30	21	65	15	147
Transfers	–	–	0	1	–5	–4
Classified as held for sale	–	–	0	18	25	43
Disposals	2	50	15	2,095	481	2,642
Reversal of impairment losses	–	–	–	–	–	–
Balance at Dec. 31, 2022	**105**	**9**	**93**	**29,021**	**9,385**	**38,612**
Carrying amount at Dec. 31, 2022	**17,528**	**26,202**	**17,502**	**15,929**	**6,079**	**83,241**

Other intangible assets comprise in particular concessions, purchased customer lists and dealer relationships, industrial and similar rights, and licenses in such rights and assets.

The allocation of the brand names and goodwill to the operating segments is shown in the following table:

€ million	2023	2022
Brand names by operating segment		
Porsche	13,823	13,823
Scania Vehicles and Services	878	878
MAN Truck & Bus	1,127	1,127
MAN Energy Solutions	415	415
Navistar	784	813
Ducati	404	404
Other	68	68
	17,498	**17,528**
Goodwill by operating segment		
Porsche	18,825	18,825
Scania Vehicles and Services	2,546	2,548
MAN Truck & Bus	587	587
MAN Energy Solutions	263	263
Navistar	2,989	3,101
Ducati	290	290
Škoda	168	168
Porsche Holding Salzburg	125	126
Other	498	294
	26,292	**26,202**

The impairment test for recognized goodwill and brand names is always based on value in use, which has been determined at the level of the respective brand. In this process, the WACC rates, based on the risk-free rate of interest, a market risk premium and the cost of debt, are applied. For more information on the general approach and key assumptions, please refer to the details provided on intangible assets in the "Accounting policies" section. Moreover, the following aspects were of significance for the brands with material recognized brand names and goodwill:

The Porsche cash-generating unit is based on the assumption that Porsche's current position as a profitable manufacturer of exclusive sports cars is to be expanded further. Under the "Road to 20" program, the Porsche AG Group has a long-term profitability target of achieving an operating return on sales of more than 20% for the Group.

For MAN Truck & Bus, the year 2023 marked a turnaround, after the positive effects from the realignment program had not been fully leveraged because of the negative impacts of the war in Ukraine in the previous year. After a period of stabilization in 2024, the transformation towards e-mobility will have an increasing effect on cash from fiscal year 2025 onwards.

Moreover, Navistar Sales & Services is to be taken to new levels of strength. The measures applied to this end range from using the powerful component and technology organization within the TRATON GROUP through expanding the financial services business down to making even more effective use of one of the largest independent dealer and service networks in the North American market which Navistar has already access to.

At Scania Vehicles & Services, a rise in sales volume and the expansion of the vehicle services business are additionally having a positive impact on the planned cash flows.

For all cash-generating units, recoverability is not affected by a variation in the growth forecast of – 0.5 percentage points with respect to the perpetual annuity or of + 0.5 percentage point with respect to the discount rate. Due to market volatility in recent years, the planned cash flows were also tested for their sensitivity to reasonably possible changes and their recoverability was established.

Research and development costs developed as follows:

€ million	2023	2022	%
Total research and development costs	21,779	18,908	15.2
of which: capitalized development costs	11,142	9,723	14.6
Capitalization ratio in %	51.2	51.4	
Amortization of capitalized development costs	5,187	5,144	0.8
Research and development costs recognized in profit or loss	**15,824**	**14,329**	**10.4**

13. Property, plant and equipment

CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2023

€ million	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
Cost **Balance at Jan. 1, 2023**	**50,789**	**53,934**	**91,212**	**9,991**	**205,925**
Foreign exchange differences	-281	-268	-288	-100	-936
Changes in consolidated Group	-298	-464	-434	-418	-1,614
Additions	2,080	1,280	4,326	7,141	14,826
Transfers	1,194	798	3,595	-5,446	142
Disposals	670	1,009	2,874	166	4,720
Balance at Dec. 31, 2023	**52,814**	**54,271**	**95,537**	**11,001**	**213,622**
Amortization and impairment **Balance at Jan. 1, 2023**	**23,083**	**42,377**	**76,565**	**10**	**142,035**
Foreign exchange differences	-113	-216	-239	0	-568
Changes in consolidated Group	-281	-446	-413	-10	-1,150
Additions to cumulative amortization	2,337	3,053	4,712	–	10,102
Additions to cumulative impairment losses	26	185	19	13	244
Transfers	-2	-1,134	1,246	6	116
Disposals	423	962	2,642	0	4,026
Reversal of impairment losses	0	1	6	3	10
Balance at Dec. 31, 2023	**24,627**	**42,857**	**79,243**	**15**	**146,742**
Carrying amount at Dec. 31, 2023	**28,186**	**11,414**	**16,294**	**10,986**	**66,880**

CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2022

€ million	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
Cost					
Balance at Jan. 1, 2022	**48,281**	**52,144**	**88,111**	**7,645**	**196,181**
Foreign exchange differences	158	314	697	70	1,240
Changes in consolidated Group	18	10	27	21	77
Additions	2,065	1,240	2,858	6,698	12,861
Transfers	1,117	1,702	1,489	–4,373	–65
Classified as held for sale	21	39	–14	0	45
Disposals	830	1,439	1,985	71	4,325
Balance at Dec. 31, 2022	**50,789**	**53,934**	**91,212**	**9,991**	**205,925**
Amortization and impairment					
Balance at Jan. 1, 2022	**21,083**	**40,103**	**71,296**	**4**	**132,486**
Foreign exchange differences	83	270	592	0	945
Changes in consolidated Group	–48	34	12	0	–2
Additions to cumulative amortization	2,250	3,175	6,379	–	11,804
Additions to cumulative impairment losses	154	132	132	6	425
Transfers	13	8	–17	0	4
Classified as held for sale	9	9	–2	–	16
Disposals	426	1,336	1,823	–3	3,583
Reversal of impairment losses	16	1	8	3	29
Balance at Dec. 31, 2022	**23,083**	**42,377**	**76,565**	**10**	**142,035**
Carrying amount at Dec. 31, 2022	**27,705**	**11,557**	**14,647**	**9,981**	**63,890**

Government grants of €237 million (previous year adjusted: €66 million) were deducted from the cost of property, plant and equipment.

In connection with land and buildings, real property liens of €1,497 million (previous year: €1,517 million) are pledged as collateral for partial retirement obligations, financial liabilities and other liabilities.

14. Lease assets and investment property

CHANGES IN LEASE ASSETS AND INVESTMENT PROPERTY IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2023

€ million	Lease assets	Investment property	Total
Cost **Balance at Jan. 1, 2023**	**80,919**	**961**	**81,880**
Foreign exchange differences	–779	–13	–792
Changes in consolidated Group	1,098	4	1,101
Additions	32,974	6	32,980
Transfers	–57	93	36
Disposals	28,061	19	28,080
Balance at Dec. 31, 2023	**86,093**	**1,033**	**87,126**
Amortization and impairment **Balance at Jan. 1, 2023**	**21,539**	**351**	**21,890**
Foreign exchange differences	–216	–3	–219
Changes in consolidated Group	92	0	92
Additions to cumulative amortization	10,241	21	10,263
Additions to cumulative impairment losses	809	1	810
Transfers	–19	34	15
Disposals	10,051	4	10,055
Reversal of impairment losses	395	0	396
Balance at Dec. 31, 2023	**21,999**	**401**	**22,400**
Carrying amount at Dec. 31, 2023	**64,094**	**632**	**64,726**

CHANGES IN LEASE ASSETS AND INVESTMENT PROPERTY IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2022

€ million	Lease assets	Investment property	Total
Cost **Balance at Jan. 1, 2022**	**79,146**	**947**	**80,092**
Foreign exchange differences	1,105	17	1,122
Changes in consolidated Group	187	–5	182
Additions	24,105	4	24,110
Transfers	–14	4	–10
Disposals	23,611	6	23,617
Balance at Dec. 31, 2022	**80,919**	**961**	**81,880**
Amortization and impairment **Balance at Jan. 1, 2022**	**19,447**	**332**	**19,779**
Foreign exchange differences	262	3	265
Changes in consolidated Group	73	–1	72
Additions to cumulative amortization	10,255	21	10,276
Additions to cumulative impairment losses	261	1	261
Transfers	–4	1	–3
Disposals	8,216	3	8,220
Reversal of impairment losses	539	1	540
Balance at Dec. 31, 2022	**21,539**	**351**	**21,890**
Carrying amount at Dec. 31, 2022	**59,380**	**610**	**59,990**

Lease assets include assets leased out under the terms of operating leases and assets covered by long-term buy-back agreements.

Investment property includes apartments rented out and leased dealerships with a fair value of €1,456 million (previous year: €1,279 million). Fair value is estimated using an investment method based on internal calculations (Level 3 of the fair value hierarchy). Operating expenses of €85 million (previous year: €69 million) were incurred for the maintenance of investment property in use. Expenses of €0.4 million (previous year: €0.8 million) were incurred for unused investment property.

Rental income from investment property amounted to €81 million in fiscal year 2023 (previous year adjusted: €89 million).

15. Equity-accounted investments and other equity investments

CHANGES IN EQUITY-ACCOUNTED INVESTMENTS AND OTHER EQUITY INVESTMENTS IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2023

€ million	Equity-accounted investments	Other equity investments	Total
Gross carrying amount			
Balance at Jan. 1, 2023	**15,235**	**4,538**	**19,774**
Foreign exchange differences	–217	–48	–265
Changes in consolidated Group	271	–386	–114
Additions	570	2,085	2,655
Transfers	–	–	–
Disposals	–	321	321
Changes recognized in profit or loss	2,243	–13	2,230
Dividends[1]	–2,511	–	–2,511
Other changes recognized in other comprehensive income	–388	–122	–510
Balance at Dec. 31, 2023	**15,204**	**5,734**	**20,937**
Impairment losses			
Balance at Jan. 1, 2023	**2,567**	**1,050**	**3,617**
Foreign exchange differences	–3	–8	–12
Changes in consolidated Group	–19	94	76
Additions	523	304	826
Transfers	–	–	–
Disposals	27	96	124
Reversal of impairment losses	76	40	116
Balance at Dec. 31, 2023	**2,964**	**1,303**	**4,267**
Carrying amount at Dec. 31, 2023	**12,239**	**4,431**	**16,670**

1 Dividends are shown before withholding tax.

CHANGES IN EQUITY-ACCOUNTED INVESTMENTS AND OTHER EQUITY INVESTMENTS IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2022[2]

€ million	Equity-accounted investments	Other equity investments	Total
Gross carrying amount **Balance at Jan. 1, 2022**	**13,102**	**4,033**	**17,135**
Foreign exchange differences	–82	1	–81
Changes in consolidated Group	203	–233	–30
Additions	2,167	1,499	3,666
Transfers	–	–	–
Disposals	–	318	318
Changes recognized in profit or loss	2,399	5	2,404
Dividends[1]	–2,877	–	–2,877
Other changes recognized in other comprehensive income	323	–449	–125
Balance at Dec. 31, 2022	**15,235**	**4,538**	**19,774**
Impairment losses **Balance at Jan. 1, 2022**	**571**	**1,033**	**1,604**
Foreign exchange differences	–2	–4	–6
Changes in consolidated Group	–25	11	–15
Additions	2,077	180	2,258
Transfers	–	–	–
Disposals	–	121	121
Reversal of impairment losses	54	50	104
Balance at Dec. 31, 2022	**2,567**	**1,050**	**3,617**
Carrying amount at Dec. 31, 2022	**12,668**	**3,489**	**16,157**

1 Dividends are shown before withholding tax.
2 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

Equity-accounted investments include joint ventures in the amount of €7,139 million (previous year: €6,959 million) and associates in the amount of €5,100 million (previous year: €5,709 million).

Among the additions to equity-accounted investments in the fiscal year under review, an amount of €0.3 billion is attributable to the capital contribution to the new joint venture CARIZON established with Horizon Robotics. In the previous year, material additions to equity-accounted investments had included a capital increase of €1.7 billion at GMH in connection with the acquisition of Europcar.

Among the additions to other equity investments, the main item was an amount of €0.7 billion for the acquisition of shares of XPeng.

Changes in the consolidated Group affecting equity-accounted investments in the fiscal year relate mainly to the joint venture Audi FAW NEV Co. in an amount of €0.3 billion. In the previous year, the main changes in the consolidated Group affecting equity-accounted investments had related to the associate Brose Sitech Sp. z o.o., Polkowice/Poland in an amount of €0.3 billion.

Additions to impairment losses on equity-accounted investments in an amount of €0.4 billion were mostly attributable to the associate QuantumScape in the fiscal year. In the previous year, additions to impairment losses on equity-accounted investments in an amount of €1.9 billion were mostly attributable to the joint venture Argo AI.

Additional disclosures on the above mentioned equity investments can be found in the "Key events" section.

Of the other changes recognized in other comprehensive income, €– 377 million (previous year adjusted: €366 million (see disclosures on IFRS 17)) is attributable to joint ventures and €– 12 million (previous year: €– 43 million) to associates. They are mainly the result of foreign exchange differences in the amount of €– 288 million (previous year: €157 million), pension plan remeasurements in the amount of €– 3 million (previous year: €9 million) and fair value measurement of cash flow hedges in the amount of €– 128 million (previous year: €143 million).

16. Noncurrent and current financial services receivables

	CARRYING AMOUNT			FAIR VALUE	CARRYING AMOUNT			FAIR VALUE
€ million	Current	Noncurrent	Dec. 31, 2023	Dec. 31, 2023	Current	Noncurrent	Dec. 31, 2022	Dec. 31, 2022
Receivables from financing business								
Customer financing	27,025	49,354	76,379	76,713	27,087	49,065	76,152	75,302
Dealer financing	17,968	3,780	21,748	21,731	14,243	2,653	16,896	16,908
Direct banking	361	22	382	387	338	17	356	359
	45,353	**53,155**	**98,509**	**98,831**	**41,668**	**51,735**	**93,403**	**92,568**
Receivables from operating leases	496	–	496	496	387	–	387	387
Receivables from finance leases	20,532	41,318	61,850	61,720	19,493	35,209	54,702	53,748
	66,381	**94,474**	**160,855**	**161,047**	**61,549**	**86,944**	**148,493**	**146,703**

Finance lease receivables included in financial services receivables of €160.9 billion (previous year: €148.5 billion) increased by €293 million (previous year: decline of €156 million) due to hedged fair value changes of hedged items designated in portfolio hedges.

The receivables from customer and dealer financing are secured by vehicles or real property liens. Of the receivables, €957 million (previous year: €767 million) was furnished as collateral for financial liabilities and contingent liabilities.

The receivables from dealer financing include €30 million (previous year: €15 million) receivable from unconsolidated affiliated companies.

17. Noncurrent and current other financial assets

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Noncurrent	Dec. 31, 2023	Current	Noncurrent	Dec. 31, 2022[1]
Positive fair values of derivative financial instruments	3,289	4,629	7,918	3,916	7,545	11,461
Receivables from loans, bonds, profit participation rights (excluding interest)	8,972	6,201	15,173	6,843	5,253	12,097
Miscellaneous financial assets	4,692	927	5,619	4,389	1,033	5,422
	16,953	**11,757**	**28,710**	**15,148**	**13,832**	**28,980**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

Other financial assets include receivables from related parties of €14.3 billion (previous year: €11.8 billion). Other financial assets amounting to €90 million (previous year: €118 million) were furnished as collateral for financial liabilities and contingent liabilities. There is no original right of disposal or pledge for the furnished collateral on the part of the collateral taker.

In addition, miscellaneous financial assets include receivables from restricted deposits that serve as collateral (mainly under asset-backed securities transactions).

The positive fair values of derivatives relate to the following items:

€ million	Dec. 31, 2023	Dec. 31, 2022
Transactions for hedging		
foreign currency risk from assets using fair value hedges	28	50
foreign currency risk from liabilities using fair value hedges	50	38
interest rate risk using fair value hedges	364	868
interest rate risk using cash flow hedges	170	504
foreign currency and price risk from future cash flows (cash flow hedges)	3,801	3,282
Hedging transactions Total	**4,413**	**4,741**
Assets related to derivatives not included in hedging relationships	3,506	6,720
Total	**7,918**	**11,461**

Positive fair values of €260 million (previous year: €822 million) were recognized from transactions for hedging interest rate risk (fair value hedges) designated in portfolio hedges.

Further details on derivative financial instruments as a whole are given in the section entitled "Financial risk management and financial instruments".

18. Noncurrent and current other receivables

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Noncurrent	Dec. 31, 2023	Current	Noncurrent	Dec. 31, 2022[1]
Other recoverable income taxes	5,431	1,240	6,671	4,852	1,028	5,879
Miscellaneous receivables	3,368	1,462	4,830	2,961	1,449	4,410
	8,799	**2,702**	**11,501**	**7,813**	**2,477**	**10,290**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

Miscellaneous receivables include assets to fund post-employment benefits in the amount of €127 million (previous year: €70 million). This item also includes assets from reinsurance contracts held in an amount of €35 million (previous year adjusted: €38 million (see disclosures on IFRS 17)).

Current other receivables are predominantly non-interest-bearing.

Other receivables include contingent receivables from long-term construction contracts recognized in accordance with project progress. They correspond to the contract assets recognized under contracts with customers and changed as follows:

€ million	2023	2022
Contingent construction contract receivables at Jan. 1	**212**	**306**
Additions and disposals	136	–96
Change in valuation allowances	–1	1
Foreign exchange differences	0	2
Contingent construction contract receivables at Dec. 31	**347**	**212**

The Volkswagen Group capitalizes costs to obtain a contract and amortizes them on a straight-line basis over the life of the contract only if they are material, the underlying contract has a term of at least one year, and these costs would not have been incurred, if the corresponding contract had not been entered into. As of December 31, 2023, no costs to obtain contracts were recognized as assets (previous year: €81 million). In fiscal year 2023, the capitalized costs to obtain contracts were realized in total; in the previous year, amortization charges on capitalized costs to obtain contracts had amounted to €47 million.

19. Tax assets

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Noncurrent	Dec. 31, 2023	Current	Noncurrent	Dec. 31, 2022[1]
Deferred tax assets	–	13,940	13,940	–	12,929	12,929
Tax receivables	1,649	437	2,086	1,732	394	2,125
	1,649	**14,377**	**16,025**	**1,732**	**13,323**	**15,054**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

Deferred tax assets include an amount of €7,867 million (previous year adjusted: €7,016 million (see disclosures on IFRS 17)) arising from recognition and measurement differences between IFRS carrying amounts and the tax base, which will reverse within one year.

20. Inventories

€ million	Dec. 31, 2023	Dec. 31, 2022
Raw materials, consumables and supplies	9,787	10,458
Work in progress	5,005	6,041
Finished goods and purchased merchandise	30,994	29,466
Current lease assets	6,183	5,170
Prepayments	1,649	1,165
Hedges on inventories	–16	–26
	53,601	**52,274**

At the same time as the relevant revenue was recognized, inventories in the amount of €234 billion (previous year: €204 billion) were included in cost of sales. Loss allowances (excluding lease assets) recognized as expenses in the reporting period amounted to €621 million (previous year: €582 million). Vehicles with a value amounting to €236 million (previous year: €257 million) were assigned as collateral for partial retirement obligations.

21. Trade receivables

€ million	Dec. 31, 2023	Dec. 31, 2022[1]
Trade receivables from		
third parties	18,340	14,785
unconsolidated subsidiaries	185	210
joint ventures	3,234	3,451
associates	89	87
other investees and investors	1	1
	21,849	**18,534**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

The fair values of the trade receivables correspond to the carrying amounts.

22. Marketable securities and time deposits

The marketable securities serve to safeguard liquidity. They are mainly short-term fixed-income securities and shares. Most securities are measured at fair value. Current securities amounting to €1,264 million (previous year: €1,406 million) were furnished as collateral for financial liabilities and contingent liabilities. There is no original right of disposal or pledge for the furnished collateral on the part of the collateral taker.

23. Cash and cash equivalents

€ million	Dec. 31, 2023	Dec. 31, 2022
Bank balances	43,158	28,685
Checks, cash-in-hand, bills and call deposits	291	487
	43,449	**29,172**

Bank balances are held at various banks in different currencies and also include time deposits with maturities of less than three months.

24. Equity

The subscribed capital of Volkswagen AG is composed of no-par value bearer shares with a notional value of €2.56. As well as ordinary shares, there are preferred shares that entitle the bearer to a €0.06 higher dividend than ordinary shares, but do not carry voting rights.

The Annual General Meeting on May 10, 2023 resolved to create authorized capital of up to €228 million, expiring on May 9, 2028, to issue new preferred bearer shares.

The subscribed capital is composed of 295,089,818 no-par value ordinary shares (previous year: 295,089,818) and 206,205,445 no-par value preferred shares (previous year: 206,205,445), and amounts to €1,283,315,873 (previous year: €1,283,315,873).

The capital reserves comprise the share premium totaling €14,225 million (previous year: €14,225 million) from capital increases, the share premium of €219 million from the issuance of bonds with warrants and an amount of €107 million appropriated on the basis of the capital reduction implemented in 2006. No amounts were withdrawn from the capital reserves.

DIVIDENDS AND DIVIDEND PROPOSAL

In accordance with section 58(2) of the Aktiengesetz (AktG – German Stock Corporation Act), the dividend payment by Volkswagen AG is based on the net retained profits reported in the annual financial statements of Volkswagen AG prepared in accordance with the German Commercial Code. Based on these annual financial statements of Volkswagen AG, following the transfer of €1,720 million to revenue reserves, net retained profits of €4,526 million are eligible for distribution. The Board of Management and Supervisory Board will propose to the Annual General Meeting that a total dividend of €4,524 million, i.e. €9.00 per ordinary share and €9.06 per preferred share, be paid from the net retained profits. Shareholders are not entitled to a dividend payment until it has been resolved by the Annual General Meeting.

In fiscal year 2023, based on the resolution of the Annual General Meeting of Volkswagen AG of May 10, 2023, a dividend of €8.70 per ordinary share and €8.76 per preferred share was distributed. In addition, the increased dividend of €19.06 per ordinary and preferred share resolved at the extraordinary General Meeting of Volkswagen AG on December 16, 2022, in connection with the IPO of Porsche AG was distributed in January 2023.

HYBRID CAPITAL

Under IAS 32, the hybrid notes of the Volkswagen Group must be classified in their entirety as equity. The capital raised was recognized in equity, less a discount and transaction costs and net of deferred taxes. The interest payments payable to the noteholders will be recognized directly in equity. IAS 32 only allows these hybrid notes to be classified as debt once the respective hybrid note is called. Interest may be accumulated depending on whether a dividend is paid to Volkswagen AG shareholders.

In July 2023, Volkswagen AG called a hybrid note (maturity: 10 years) with a principal amount of €750 million, which had been placed in 2013 via Volkswagen International Finance N.V., Amsterdam/the Netherlands (issuer). Once called, the note was classified as debt in accordance with IAS 32. Equity and net liquidity of the Volkswagen Group were reduced accordingly. The hybrid note was redeemed on September 4, 2023.

From the hybrid capital issued on September 6, 2023, Volkswagen AG recorded a cash inflow of €1,750 million less transaction costs of €9 million. In addition, the recognition of deferred taxes led to non-cash effects of €3 million.

NONCONTROLLING INTERESTS

As of December 31, 2023, noncontrolling interests amounted to €14,218 million (previous year adjusted: €12,952 million (see disclosures on IFRS 17)). Noncontrolling interests are mainly attributable to the Porsche AG Group (see "Key events" section for details) and the TRATON GROUP.

The table below shows summarized financial information of the Porsche AG Group, including amortized goodwill and fair value adjustments, which were determined at the acquisition date:

€ million	2023	2022[2]
Noncontrolling interests in %[1]	24.58	24.58
Noncontrolling interests	12,384	11,030
Noncurrent assets	63,261	60,383
Current assets	20,040	20,154
Noncurrent liabilities	19,420	18,249
Current liabilities	13,567	16,579
Sales revenue	40,530	37,637
Earnings after tax	5,128	4,934
Other comprehensive income, net of tax	-471	1,947
Dividend paid to noncontrolling interest shareholders	225	6
Gross cash flow	8,889	8,283
Change in working capital	-1,866	-1,168
Cash flows from operating activities	7,023	7,114
Cash flows from investing activities	-4,322	-4,104
Net cash flow	2,701	3,011

1 The percentage only includes direct noncontrolling interests.
2 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

The table below shows summarized financial information of the TRATON GROUP, including amortized goodwill and fair value adjustments, which were determined at the acquisition date:

€ million	2023	2022
Noncontrolling interests in %[1]	10.28	10.28
Noncontrolling interests	1,553	1,442
Noncurrent assets	41,769	40,333
Current assets	21,101	19,108
Noncurrent liabilities	23,272	21,682
Current liabilities	22,373	22,636
Sales revenue	46,872	40,335
Earnings after tax	2,448	1,136
Other comprehensive income, net of tax	–25	10
Dividend paid to noncontrolling interest shareholders	36	26
Gross cash flow	5,263	4,042
Change in working capital	–2,680	–4,702
Cash flows from operating activities	2,583	–660
Cash flows from investing activities	–2,385	–1,916
Net cash flow	198	–2,576

1 The percentage only includes direct noncontrolling interests.

25. Noncurrent and current financial liabilities

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Noncurrent	Dec. 31, 2023	Current	Noncurrent	Dec. 31, 2022
Bonds	25,272	73,885	99,157	21,284	71,835	93,119
Commercial paper and notes	21,446	23,281	44,727	17,239	18,034	35,273
Liabilities to banks	25,769	15,288	41,057	18,840	23,266	42,105
Deposits business	35,589	3,238	38,827	24,107	2,642	26,749
Loans and miscellaneous liabilities	1,288	1,250	2,537	876	677	1,554
Lease liabilities	1,112	5,381	6,494	1,102	5,283	6,385
	110,476	**122,323**	**232,799**	**83,448**	**121,737**	**205,185**

26. Noncurrent and current other financial liabilities

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Noncurrent	Dec. 31, 2023	Current[1]	Noncurrent	Dec. 31, 2022[1]
Negative fair values of derivative financial instruments	2,649	4,680	7,329	2,281	5,565	7,846
Interest payable	1,256	281	1,537	837	215	1,052
Miscellaneous financial liabilities	10,117	2,006	12,123	16,689	2,409	19,097
	14,022	**6,968**	**20,990**	**19,807**	**8,188**	**27,995**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the “Effects of new and amended IFRSs” section).

Under miscellaneous current financial liabilities, an amount of €6,750 million was attributable in the previous year to the obligation to pay a special dividend to the shareholders of Volkswagen AG in connection with the IPO of Porsche AG (see “Key events” section).

The negative fair values of derivatives relate to the following items:

€ million	Dec. 31, 2023	Dec. 31, 2022
Transactions for hedging		
foreign currency risk from assets using fair value hedges	30	12
foreign currency risk from liabilities using fair value hedges	81	14
interest rate risk using fair value hedges	1,793	2,596
interest rate risk using cash flow hedges	64	54
foreign currency and price risk from future cash flows (cash flow hedges)	2,443	2,801
Hedging transactions Total	**4,412**	**5,477**
Liabilities related to derivatives not included in hedging relationships	2,918	2,369
Total	**7,329**	**7,846**

Negative fair values of €110 million (previous year: €0 million) were recognized from transactions for hedging interest rate risk (fair value hedges) designated in portfolio hedges.

Further details on derivative financial instruments as a whole are given in the section entitled “Financial risk management and financial instruments”.

27. Noncurrent and current other liabilities

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Noncurrent	Dec. 31, 2023	Current[1]	Noncurrent[1]	Dec. 31, 2022[1]
Payments received on account of orders	10,446	7,001	17,447	9,579	6,301	15,880
Liabilities relating to						
other taxes	3,930	219	4,149	3,544	159	3,703
social security	881	74	955	806	149	955
wages and salaries	6,789	799	7,588	6,503	878	7,381
Miscellaneous liabilities	2,298	1,792	4,091	2,232	1,658	3,890
	24,345	**9,885**	**34,230**	**22,665**	**9,144**	**31,810**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

The liabilities from payments on account received under contracts with customers correspond to the contract liabilities under contracts with customers; they are part of the payments received on account of orders. They changed as follows:

€ million	2023	2022
Liabilities from advance payments received under contracts with customers at Jan. 1	**14,286**	**12,762**
Additions and disposals	1,603	1,467
Changes in consolidated Group	6	–4
Classified as held for sale	0	2
Foreign exchange differences	–143	63
Liabilities from advance payments received under contracts with customers at Dec. 31	**15,752**	**14,286**

28. Tax liabilities

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Noncurrent	Dec. 31, 2023	Current	Noncurrent	Dec. 31, 2022[1]
Deferred tax liabilities	–	9,781	9,781	–	10,736	10,736
Provisions for taxes	1,663	4,287	5,950	2,586	4,320	6,906
Tax payables	556	–	556	726	–	726
	2,219	**14,068**	**16,287**	**3,312**	**15,056**	**18,368**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

Deferred tax liabilities include an amount of €717 million (previous year adjusted: €780 million (see disclosures on IFRS 17)) arising from recognition and measurement differences between IFRS carrying amounts and the tax base, which will reverse within one year.

29. Provisions for pensions and other post-employment benefits

Provisions for pensions are recognized for commitments in the form of retirement, invalidity and dependents' benefits payable under pension plans. The benefits provided by the Group vary according to the legal, tax and economic circumstances of the country concerned, and usually depend on the length of service and remuneration of the employees.

Volkswagen Group companies provide occupational pensions under both defined contribution and defined benefit plans. In the case of defined contribution plans, the Company makes contributions to state or private pension schemes based on legal or contractual requirements, or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the Volkswagen Group. Current contributions are recognized as pension expenses of the period concerned. In fiscal year 2023, they amounted to a total of €3,061 million (previous year: €2,846 million) in the Volkswagen Group. Of this figure, contributions to the compulsory state pension system in Germany amounted to €1,963 million (previous year: €1,854 million).

In the case of defined benefit plans, a distinction is made between pensions funded by provisions and externally funded plans.

The pension provisions for defined benefits are measured by independent actuaries using the internationally accepted projected unit credit method in accordance with IAS 19, under which the future obligations are measured on the basis of the ratable benefit entitlements earned as of the balance sheet date. Measurement reflects actuarial assumptions as to discount rates, salary and pension trends, employee turnover rates, longevity and increases in healthcare costs, which were determined for each Group company depending on the economic environment. Remeasurements arise from differences between what has actually occurred and the prior-year assumptions, from changes in assumptions, as well as from gains or losses on plan assets, excluding amounts included in net interest income or expenses. They are recognized in other comprehensive income, net of deferred taxes, in the period in which they arise.

Multi-employer pension plans exist in the Volkswagen Group in the United Kingdom, Switzerland, Sweden and the Netherlands. These plans are defined benefit plans. A small proportion of them are accounted for as defined contribution plans, as the Volkswagen Group is not authorized to receive the information required in order to account for them as defined benefit plans. Under the terms of the multi-employer plans, the Volkswagen Group is not liable for the obligations of the other employers. In the event of its withdrawal from the plans or their winding-up, the proportionate share of the surplus of assets attributable to the Volkswagen Group will be credited or the proportionate share of the deficit attributable to the Volkswagen Group will have to be funded. In the case of the defined benefit plans accounted for as defined contribution plans, the Volkswagen Group's share of the obligations represents a small proportion of the total obligations. No probable significant risks arising from multi-employer defined benefit pension plans that are accounted for as defined contribution plans have been identified. The expected contributions to those plans will amount to €30 million for fiscal year 2024.

Owing to their benefit character, the obligations of the US Group companies in respect of post-employment medical care in particular are also carried under provisions for pensions. These post-employment benefit provisions take into account the expected long-term change in the cost of healthcare. In fiscal year 2023, €40 million (previous year: €33 million) was recognized as an expense for healthcare costs. The related carrying amount as of December 31, 2023 was €550 million (previous year: €637 million).

The following amounts were recognized in the balance sheet for defined benefit plans:

€ million	Dec. 31, 2023	Dec. 31, 2022
Present value of funded obligations	20,233	18,082
Fair value of plan assets	16,381	14,880
Funded status (net)	3,851	3,201
Present value of unfunded obligations	25,590	24,090
Amount not recognized as an asset because of the ceiling in IAS 19	104	191
Net liability recognized in the balance sheet	**29,546**	**27,483**
of which provisions for pensions	29,672	27,553
of which other assets	127	70

Significant pension arrangements in the Volkswagen Group

For the period after their active working life, the Volkswagen Group offers its employees benefits under attractive, modern occupational pension arrangements. Most of the arrangements in the Volkswagen Group are pension plans for employees in Germany classified as defined benefit plans under IAS 19. The majority of these obligations are funded solely by recognized provisions. These plans are now largely closed to new members. To reduce the risks associated with defined benefit plans, in particular longevity, salary increases and inflation, the Volkswagen Group has introduced new defined benefit plans in recent years whose benefits are funded by appropriate external plan assets. The aforementioned risks have been largely reduced in these pension plans. The proportion of the total defined benefit obligation attributable to pension obligations funded by plan assets will continue to rise in the future. The significant pension plans are described in the following.

GERMAN PENSION PLANS FUNDED SOLELY BY RECOGNIZED PROVISIONS

The pension plans funded solely by recognized provisions comprise both contribution-based plans with guarantees and final salary plans. For contribution-based plans, an annual pension expense dependent on income and status is converted into a lifelong pension entitlement using annuity factors (guaranteed modular pension entitlements). The annuity factors include a guaranteed rate of interest. At retirement, the modular pension entitlements earned annually are added together. For final salary plans, the underlying salary is multiplied at retirement by a percentage that depends on the years of service up until the retirement date.

The present value of the guaranteed obligation rises as interest rates fall and is therefore exposed to interest rate risk.

The pension system provides for lifelong pension payments. The companies bear the longevity risk in this respect. This is accounted for by calculating the annuity factors and the present value of the guaranteed obligation using the latest generational mortality tables – the "Heubeck 2018 G" mortality tables – which already reflect future increases in life expectancy.

To reduce the inflation risk from adjusting the regular pension payments by the rate of inflation, a pension adjustment that is not indexed to inflation was introduced for pension plans where this is permitted by law.

GERMAN PENSION PLANS FUNDED BY EXTERNAL PLAN ASSETS

The pension plans funded by external plan assets are contribution-based plans with guarantees. In this case, an annual pension expense dependent on income and status is either converted into a lifelong pension entitlement using annuity factors (guaranteed modular pension entitlement) or paid out in a single lump sum or in installments. In some cases, employees also have the opportunity to provide for their own retirement through deferred compensation. The annuity factors include a guaranteed rate of interest. At retirement, the modular pension entitlements earned annually are added together. The pension expense is contributed on an ongoing basis to a separate pool of assets that is administered independently of the Company in trust and invested in the capital markets. If the plan assets exceed the present value of the obligations calculated using the guaranteed rate of interest, surpluses are allocated (modular pension bonuses).

Since the assets administered in trust meet the IAS 19 criteria for classification as plan assets, they are deducted from the obligations.

The amount of the pension assets is exposed to general market risk. The investment strategy and its implementation are therefore continuously monitored by the trusts' governing bodies, on which the companies are also represented. For example, investment policies are stipulated in investment guidelines with the aim of limiting market risk and its impact on plan assets. In addition, asset-liability management studies are conducted if required so as to ensure that investments are in line with the obligations that need to be covered. The pension assets are currently invested primarily in fixed-income or equity funds. The main risks are therefore interest rate and equity price risk. To mitigate market risk, the pension system also provides for cash funds to be set aside in an equalization reserve before any surplus is allocated.

The present value of the obligation is the present value of the guaranteed obligation after deducting the plan assets. If the plan assets fall below the present value of the guaranteed obligation, a provision must be recognized in that amount. The present value of the guaranteed obligation rises as interest rates fall and is therefore exposed to interest rate risk.

In the case of lifelong pension payments, the Volkswagen Group bears the longevity risk. This is accounted for by calculating the annuity factors and the present value of the guaranteed obligation using the latest generational mortality tables – the "Heubeck 2018 G" mortality tables – which already reflect future increases in life expectancy. In addition, the independent actuaries carry out annual risk monitoring as part of the review of the assets administered by the trusts.

To reduce the inflation risk from adjusting the regular pension payments by the rate of inflation, a pension adjustment that is not indexed to inflation was introduced for pension plans where this is permitted by law.

Calculation of the pension provisions was based on the following actuarial assumptions:

	GERMANY		ABROAD	
%	2023	2022	2023	2022
Discount rate at December 31	3.29	3.69	4.61	5.00
Payroll trend	3.39	3.23	3.77	4.41
Pension trend	2.19	2.19	2.63	2.96
Employee turnover rate	1.20	1.20	4.46	4.43
Annual increase in healthcare costs	–	–	5.46	5.56

These assumptions are averages that were weighted using the present value of the defined benefit obligation.

With regard to life expectancy, consideration is given to the latest mortality tables in each country. The discount rates are generally defined to reflect the yields on prime-rated corporate bonds with matching maturities and currencies. The iBoxx AA Corporate Bond index was taken as the basis for the obligations of German Group companies. Similar indices were used for foreign pension obligations.

The payroll trends cover expected wage and salary trends, which also include increases attributable to career development.

The pension trends either reflect the contractually guaranteed pension adjustments or are based on the rules on pension adjustments in force in each country.

The employee turnover rates are based on past experience and future expectations.

The following table shows changes in the net defined benefit liability recognized in the balance sheet:

€ million	2023	2022
Net liability recognized in the balance sheet at January 1	**27,483**	**41,376**
Current service cost	1,270	2,086
Net interest expense	1,007	546
Actuarial gains (–)/losses (+) arising from changes in demographic assumptions	5	–13
Actuarial gains (–)/losses (+) arising from changes in financial assumptions	2,637	–19,630
Actuarial gains (–)/losses (+) arising from experience adjustments	–86	1,762
Income (+)/expenses (–) from plan assets not included in interest income	619	–3,017
Change in amount not recognized as an asset because of the ceiling in IAS 19	–93	85
Employer contributions to plan assets	925	902
Employee contributions to plan assets	–22	–15
Pension payments from company assets	1,062	984
Past service cost (including plan curtailments)	8	38
Gains (–) or losses (+) arising from plan settlements	–22	–16
Changes in consolidated Group	0	–3
Classified as held for sale	–	–
Other changes	–50	105
Foreign exchange differences from foreign plans	–27	2
Net liability recognized in the balance sheet at December 31	**29,546**	**27,483**

The change in the amount not recognized as an asset because of the ceiling in IAS 19 contains an interest component, part of which was recognized in the financial result in profit or loss, and part of which was recognized outside profit or loss directly in equity.

The change in the present value of the defined benefit obligation is attributable to the following factors:

€ million	2023	2022
Present value of obligations at January 1	**42,172**	**58,555**
Current service cost	1,270	2,086
Interest cost	1,607	820
Actuarial gains(–)/losses (+) arising from changes in demographic assumptions	5	–13
Actuarial gains(–)/losses (+) arising from changes in financial assumptions	2,637	–19,630
Actuarial gains(–)/losses (+) arising from experience adjustments	–86	1,762
Employee contributions to plan assets	33	25
Pension payments from company assets	1,062	984
Pension payments from plan assets	552	549
Past service cost (including plan curtailments)	8	38
Gains (–) or losses (+) arising from plan settlements	–22	–16
Changes in consolidated Group	0	–3
Classified as held for sale	–	–
Other changes	–164	22
Foreign exchange differences from foreign plans	–22	59
Present value of obligations at December 31	**45,823**	**42,172**

The actuarial losses arising from changes in financial assumptions result primarily from the change in the discount rate in Germany. In the previous year, the rise in the discount rate from 1.2% to 3.7% led to actuarial gains of €19,588 million, while the increase in the pension trend from 1.7% to 2.2% had an offsetting effect, reducing actuarial gains by €2,389 million.

Changes in the relevant actuarial assumptions would have had the following effects on the defined benefit obligation:

		DEC. 31, 2023		DEC. 31, 2022	
Present value of defined benefit obligation if		€ million	Change in percent	€ million	Change in percent
Discount rate	is 0.5 percentage points higher	42,434	–7.40	39,172	–7.11
	is 0.5 percentage points lower	49,704	8.47	45,599	8.13
Pension trend	is 0.5 percentage points higher	47,744	4.19	43,926	4.16
	is 0.5 percentage points lower	44,066	–3.83	40,585	–3.76
Payroll trend	is 0.5 percentage points higher	46,058	0.51	42,398	0.54
	is 0.5 percentage points lower	45,611	–0.46	41,966	–0.49
Longevity	increases by one year	47,175	2.95	43,461	3.05

The sensitivity analysis shown above considers the change in one assumption at a time, leaving the other assumptions unchanged versus the original calculation. I.e. any correlation effects between the individual assumptions are ignored.

To examine the sensitivity of the present value of the defined benefit obligation to a change in assumed longevity, the estimates of mortality were reduced as part of a comparative calculation to the extent that doing so increases life expectancy by approximately one year.

The average duration of the defined benefit obligation weighted by the present value of the defined benefit obligation (Macaulay duration) is 16 years (previous year: 16 years).

The present value of the defined benefit obligation is attributable as follows to the members of the plan:

€ million	2023	2022
Active members with pension entitlements	23,408	21,054
Members with vested entitlements who have left the Company	2,463	2,270
Pensioners	19,951	18,848
	45,823	**42,172**

The maturity profile of payments attributable to the defined benefit obligation is presented in the following table, which classifies the present value of the obligation by the maturity of the underlying payments:

€ million	2023	2022
Payments due within the next fiscal year	1,626	1,638
Payments due between two and five years	6,901	6,655
Payments due in more than five years	37,296	33,879
	45,823	**42,172**

Changes in plan assets are shown in the following table:

€ million	2023	2022
Fair value of plan assets at January 1	**14,880**	**17,285**
Interest income on plan assets determined using the discount rate	600	274
Income (+)/expenses (–) from plan assets not included in interest income	619	–3,017
Employer contributions to plan assets	925	902
Employee contributions to plan assets	10	9
Pension payments from plan assets	552	550
Gains (+) or losses (–) arising from plan settlements	–	–
Changes in consolidated Group	–	0
Classified as held for sale	–	–
Other changes	–113	–81
Foreign exchange differences from foreign plans	11	57
Fair value of plan assets at December 31	**16,381**	**14,880**

The investment of the plan assets to cover future pension obligations resulted in income of €1,219 million (previous year: expenses of €2,742 million).

Employer contributions to plan assets are expected to amount to €973 million (previous year: €901 million) in the next fiscal year.

Plan assets are invested in the following asset classes:

€ million	DEC. 31, 2023			DEC. 31, 2022		
	Quoted prices in active markets	No quoted prices in active markets	Total	Quoted prices in active markets	No quoted prices in active markets	Total
Cash and cash equivalents	424	–	424	591	–	591
Equity instruments	324	–	324	278	–	278
Debt instruments	531	4	536	518	5	523
Direct investments in real estate	–	224	224	0	193	193
Derivatives	420	–5	415	444	29	473
Equity funds	5,217	2	5,219	4,593	1	4,594
Bond funds	6,362	87	6,449	5,522	107	5,628
Real estate funds	512	24	536	617	30	647
Other funds	1,200	216	1,416	1,011	233	1,244
Other instruments	217	621	839	105	604	709

Plan assets include €16 million (previous year: €15 million) invested in Volkswagen Group assets and €4 million (previous year: €5 million) in Volkswagen Group debt instruments.

The following amounts were recognized in the income statement:

€ million	2023	2022
Current service cost	1,270	2,086
Net interest on the net defined benefit liability	1,007	546
Past service cost (including plan curtailments)	8	38
Gains (–) or losses (+) arising from plan settlements	–22	–16
Net income (–) and expenses (+) recognized in profit or loss	**2,263**	**2,654**

The above amounts are generally included in the personnel costs of the functional areas in the income statement. Net interest on the net defined benefit liability is reported in interest expenses.

30. Noncurrent and current other provisions

€ million	Obligations arising from sales	Employee expenses	Litigation and legal risks	Miscellaneous provisions[1]	Total[1]
Balance at Jan. 1, 2022	**26,310**	**6,837**	**5,220**	**10,103**	**48,470**
Foreign exchange differences	208	18	83	127	435
Changes in consolidated Group	-1	12	-3	12	20
Classified as held for sale	6	1	1	2	10
Utilization	9,009	2,633	2,781	3,618	18,042
Additions/New provisions	11,528	2,830	974	6,449	21,780
Unwinding of discount/effect of change in discount rate	-465	-553	-53	-76	-1,146
Reversals	2,518	194	394	2,523	5,629
Balance at Dec. 31, 2022	**26,046**	**6,314**	**3,045**	**10,473**	**45,878**
of which current	12,396	3,073	1,181	7,946	24,596
of which noncurrent	13,650	3,241	1,864	2,527	21,283
Balance at Jan. 1, 2023	**26,046**	**6,314**	**3,045**	**10,473**	**45,878**
Foreign exchange differences	-230	-31	-4	-93	-358
Changes in consolidated Group	-112	-7	1	-234	-352
Classified as held for sale	–	–	–	–	–
Utilization	10,047	2,432	673	5,076	18,229
Additions/New provisions	13,833	2,719	508	5,519	22,578
Reclassifications	196	–	–	-196	–
Unwinding of discount/effect of change in discount rate	134	166	-1	-55	244
Reversals	2,056	251	387	1,552	4,245
Balance at Dec. 31, 2023	**27,764**	**6,477**	**2,489**	**8,786**	**45,517**
of which current	13,549	3,082	1,155	6,095	23,881
of which noncurrent	14,214	3,396	1,335	2,691	21,636

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

The obligations arising from sales contain provisions covering all risks relating to the sale of vehicles, components and genuine parts through to the disposal of end-of-life vehicles. They primarily comprise warranty obligations, calculated on the basis of losses to date and estimated future losses. They also include provisions for discounts, bonuses and similar allowances which are incurred after the balance sheet date, but for which there is a legal or constructive obligation attributable to sales revenue before the balance sheet date.

Provisions for employee expenses are recognized for long-service awards, time credits, partial retirement arrangements, severance payments and similar obligations, among other things.

In addition to residual provisions relating to the diesel issue, the provisions for litigation and legal risks contain amounts related to a large number of legal disputes and official proceedings in which Volkswagen Group companies become involved in Germany and internationally in the course of their operating activities. In particular, such legal disputes and other proceedings may occur in relation to suppliers, dealers, customers, employees, or investors. Please refer to the "Litigation" section for a discussion of the legal risks.

Miscellaneous provisions relate to a wide range of identifiable specific risks, price risks and uncertain obligations, which are measured in the amount of the expected settlement value. Depending the jurisdiction concerned, they also include risk provisions for any non-compliance with legal emissions limits. Their measurement takes into account, among other things, the respective sales volume and the legally defined fee or the cost of acquiring emission rights from other manufacturers. Advantage has been taken of synergies between individual brands of the Volkswagen Group by establishing emission pools where possible.

Miscellaneous provisions additionally include provisions amounting to €944 million (previous year adjusted: €892 million (see disclosures on IFRS 17)) relating to the insurance business.

31. Trade payables

€ million	Dec. 31, 2023	Dec. 31, 2022[1]
Trade payables to		
third parties	30,157	27,966
unconsolidated subsidiaries	210	196
joint ventures	204	227
associates	322	342
other investees and investors	8	7
	30,901	**28,738**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the “Effects of new and amended IFRSs” section).

Trade payables include an amount of €993 million (previous year: €403 million) for which the Volkswagen Group has entered into reverse factoring agreements.

Under these agreements, suppliers can assign their receivables from Volkswagen Group companies at a discount to the commercial banks participating in the program and in this way receive the discounted invoice amount prematurely.

The Volkswagen Group companies settle the invoice amount with the bank as of the due date originally agreed.

Other disclosures

32. IAS 23 (Borrowing costs)

Capitalized borrowing costs amounted to €507 million (previous year: €178 million) and related mainly to capitalized development costs. An average cost of debt of 3.4% (previous year: 2.2%) was used as a basis for capitalization in the Volkswagen Group.

33. IFRS 16 (Leases)

1. Lessee accounting

The Volkswagen Group is a lessee, mainly as a result of leasing office equipment, real estate and other means of production. The leases are negotiated individually and include a large number of contract terms and conditions. The following amounts for right-of-use assets resulting from leases are included in the balance sheet items:

PRESENTATION OF AND CHANGES IN RIGHT-OF-USE ASSETS FROM LEASES FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2023

€ million	Right of use on land, land rights and buildings incl. buildings on third party land	Right of use on technical equipment and machinery	Right of use on other equipment, operational and office equipment	Total
Cost **Balance at Jan. 1, 2023**	**8,758**	**62**	**911**	**9,731**
Foreign exchange differences	-94	-1	-5	-100
Changes in consolidated group	-118	0	-10	-127
Additions	1,285	10	276	1,571
Transfers	-14	–	0	-14
Classified as held for sale	–	–	–	–
Disposals	569	5	180	754
Balance at Dec. 31, 2023	**9,249**	**66**	**992**	**10,308**
Depreciation and impairment **Balance at Jan. 1, 2023**	**2,942**	**34**	**394**	**3,370**
Foreign exchange differences	-34	-1	-3	-38
Changes in consolidated group	-53	0	-4	-57
Additions to cumulative depreciation	1,048	7	196	1,251
Additions to cumulative impairment losses	0	–	–	0
Transfers	-1	–	0	-1
Classified as held for sale	–	–	–	–
Disposals	364	3	173	539
Reversal of impairment losses	–	–	–	–
Balance at Dec. 31, 2023	**3,538**	**37**	**411**	**3,986**
Carrying amount at Dec. 31, 2023	**5,711**	**29**	**581**	**6,322**

PRESENTATION OF AND CHANGES IN RIGHT-OF-USE ASSETS FROM LEASES FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2022

€ million	Right of use on land, land rights and buildings incl. buildings on third party land	Right of use on technical equipment and machinery	Right of use on other equipment, operational and office equipment	Total
Cost **Balance at Jan. 1, 2022**	**7,962**	**63**	**816**	**8,841**
Foreign exchange differences	–8	0	–3	–12
Changes in consolidated group	51	–	1	52
Additions	1,477	7	174	1,657
Transfers	–32	–	–1	–32
Classified as held for sale	7	–	–	7
Disposals	685	7	75	768
Balance at Dec. 31, 2022	**8,758**	**62**	**911**	**9,731**
Depreciation and impairment **Balance at Jan. 1, 2022**	**2,332**	**34**	**289**	**2,656**
Foreign exchange differences	–10	0	–2	–12
Changes in consolidated group	–1	–	0	–1
Additions to cumulative depreciation	1,000	7	179	1,185
Additions to cumulative impairment losses	6	–	0	6
Transfers	–3	–	0	–3
Classified as held for sale	5	–	–	5
Disposals	362	7	72	440
Reversal of impairment losses	15	–	–	15
Balance at Dec. 31, 2022	**2,942**	**34**	**394**	**3,370**
Carrying amount at Dec. 31, 2022	**5,816**	**28**	**517**	**6,361**

Subleases of right-of-use assets generated income of €16 million (previous year: €17 million) in the fiscal year.

The measurement of right-of-use assets from leases and the associated lease liabilities is based on a best estimate regarding the exercise of extension and termination options. If there are material changes in circumstances or in the contract, this estimate is updated.

The tables below show how the lease liabilities are assigned in the balance sheet and give an overview of their contractual maturities:

ASSIGNMENT OF LEASE LIABILITIES TO THE RESPECTIVE BALANCE SHEET ITEMS

€ million	Dec. 31, 2023	Dec. 31, 2022
Financial liabilities – Noncurrent	5,381	5,283
Financial liabilities – Current	1,112	1,102
Lease liabilities – Total	**6,494**	**6,385**

MATURITY ANALYSIS OF UNDISCOUNTED LEASE LIABILITIES

	REMAINING CONTRACTUAL MATURITIES			
€ million	under one year	within one to five years	over five years	Total
Lease liabilities at Dec. 31, 2023	1,339	3,804	2,779	**7,921**
Lease liabilities at Dec. 31, 2022	1,290	3,544	2,813	**7,647**

Interest expenses of €233 million (previous year: €168 million) were incurred for lease liabilities in the fiscal year.

No right-of-use assets are recognized for low-value or short-term leases. Expenses for leasing low-value assets totaled €294 million (previous year: €265 million) in the fiscal year. This figure does not include any expenses for short-term leases, which totaled €262 million (previous year: €234 million) in the fiscal year. Variable lease expenses not included in the measurement of lease liabilities accounted for €21 million (previous year: €19 million) in the fiscal year.

Leases gave rise to cash outflows totaling €1,986 million (previous year: €1,832 million) in the fiscal year.

The table below shows a summary of potential future cash outflows, that have not been included in the measurement of the lease liabilities:

€ million	2023	2022
Future cash outflows to which the lessee is potentially exposed		
Variable lease payments	32	44
Extension options	3,408	3,513
Termination options	23	3
Obligations under leases not yet commenced	323	249
	3,788	**3,809**

No material cash outflows attributable to residual value guarantees are expected.

2. Lessor accounting

The Volkswagen Group is a lessor in both the finance lease business and the operating lease business. The subject of these transactions is primarily motor vehicles and, to a small extent, land and buildings and items of equipment for dealerships.

The Volkswagen Group fully accounts for the default risk on lease receivables by recognizing loss allowances, which are recognized in accordance with the requirements of IFRS 9. As lessor, the Volkswagen Group covers risks arising from the assets underlying the leases by, among other measures, taking account of residual value guarantees received for parts of the lease portfolio and by taking account of forward-looking residual values forecast on the basis of internal and external information as part of residual value management. The forecast residual values are regularly reviewed.

2.1 Operating leases

Assets leased under long-term operating leases amounted to €64,726 million at the end of the fiscal year (previous year: €59,990 million). While €632 million (previous year: €610 million) is attributable to investment property, assets separately reported as lease assets in the balance sheet amount to €64,094 million (previous year: €59,380 million). They relate primarily to vehicles in an amount of €64,059 million (previous year: €59,263 million) as well as land, land rights and buildings, including buildings on third-party land, in an amount of €35 million (previous year: €109 million). The remaining assets relate to technical equipment and machinery as well as other equipment, operating and office equipment. More information on changes in value of investment property and lease assets can be found in the section entitled "Lease assets and investment property".

The following cash inflows from expected outstanding, non-discounted operating lease payments are expected over the coming years:

DISCLOSURE AS OF DECEMBER 31, 2023

€ million	2024	2025	2026	2027	2028	from 2029	Total
Lease payments	9,731	6,622	4,378	1,636	583	239	**23,189**

DISCLOSURE AS OF DECEMBER 31, 2022

€ million	2023	2024	2025	2026	2027	from 2028	Total
Lease payments	8,615	5,851	3,441	1,368	464	262	**20,001**

BREAKDOWN OF INCOME FROM OPERATING LEASES

€ million	2023	2022
Lease income	15,343	14,600
Income from variable lease payments	0	1
Total	**15,343**	**14,600**

2.2 Finance leases

Interest income from the net investment in the leases amounted to €3.3 billion (previous year: €2.6 billion) in the fiscal year. Furthermore, a selling profit from the finance leases in the amount of €1.6 billion (previous year: €1.2 billion) was recognized.

The following table shows the reconciliation of outstanding lease payments under finance leases to the net investment:

€ million	Dec. 31, 2023	Dec. 31, 2022
Non-discounted lease payments	**65,979**	**57,501**
Non-guaranteed residual value	3,499	3,466
Unearned interest income	–6,667	–4,497
Loss allowance on lease receivables	–1,223	–1,611
Net investment	**61,588**	**54,858**

The following cash inflows from expected outstanding, non-discounted finance lease payments are expected over the coming years:

DISCLOSURE AS OF DECEMBER 31, 2023

€ million	2024	2025	2026	2027	2028	from 2029	Total
Lease payments	22,616	17,479	15,111	9,238	921	613	**65,979**

DISCLOSURE AS OF DECEMBER 31, 2022

€ million	2023	2024	2025	2026	2027	from 2028	Total
Lease payments	21,172	15,055	12,381	7,588	848	457	**57,501**

34. IFRS 7 (Financial instruments)

The table below shows the carrying amounts of financial instruments by measurement category:

CARRYING AMOUNT OF FINANCIAL INSTRUMENTS BY IFRS 9 MEASUREMENT CATEGORY

€ million	Dec. 31, 2023	Dec. 31, 2022[1]
Financial assets at fair value through profit or loss	27,325	28,185
Financial assets at fair value through other comprehensive income (debt instruments)	4,406	4,224
Financial assets at fair value through other comprehensive income (equity instruments)	910	277
Financial assets measured at amortized cost	183,469	170,220
of which classified as held for sale	76	570
Financial liabilities at fair value through profit or loss	2,935	2,522
Financial liabilities measured at amortized cost	270,883	247,553
of which classified as held for sale	15	132

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the “Effects of new and amended IFRSs” section).

Classes of financial instruments

Financial instruments are divided into the following classes at the Volkswagen Group:

> financial instruments measured at fair value;
> financial instruments measured at amortized cost;
> derivative financial instruments within hedge accounting;
> not allocated to any measurement category; and
> credit commitments and financial guarantees (off-balance sheet).

Reconcilitation of balance sheet items to classes of financial instruments

The following table shows the reconciliation of the balance sheet items to the relevant classes of financial instruments, broken down by the carrying amount and fair value of the financial instruments.

The fair value of financial instruments measured at amortized cost, such as receivables and liabilities, is calculated by discounting the carrying amount using a market rate of interest for a similar risk and matching maturity. For reasons of materiality, the fair value of current balance sheet items is generally deemed to be their carrying amount.

For reconciliation to the carrying amounts, the “Not allocated to a measurement category” column in the table also includes items other than financial instruments.

The risk variables governing the fair value of the receivables are risk-adjusted interest rates.

“Financial instruments measured at fair value” also include shares in partnerships and corporations.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2023

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO A MEASUREMENT CATEGORY	BALANCE SHEET ITEM AT DEC. 31, 2023
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	12,239	12,239
Other equity investments	1,150	–	–	–	3,281	4,431
Financial services receivables	89	53,066	53,389	–	41,318	94,474
Other financial assets	3,007	5,847	5,923	2,903	–	11,757
Tax receivables	–	–	–	–	437	437
Current assets						
Trade receivables	0	21,849	21,849	–	0	21,849
Financial services receivables	19	45,335	45,335	–	21,028	66,381
Other financial assets	1,927	13,517	13,517	1,509	–	16,953
Tax receivables	–	8	8	–	1,641	1,649
Marketable securities and time deposits	26,450	322	322	–	–	26,772
Cash and cash equivalents	–	43,449	43,449	–	–	43,449
Assets held for sale	–	76	76	–	114	190
Noncurrent liabilities						
Financial liabilities	–	116,941	116,782	–	5,381	122,323
Other financial liabilities	1,641	2,287	2,269	3,040	–	6,968
Current liabilities						
Financial liabilities	–	109,363	109,363	–	1,112	110,476
Trade payables	–	30,901	30,901	–	–	30,901
Other financial liabilities	1,294	11,356	11,356	1,372	–	14,022
Tax payables	–	18	18	–	537	556
Liabilities associated with assets held for sale	–	15	15	–	16	31

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2022[1]

	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO A MEASUREMENT CATEGORY	BALANCE SHEET ITEM AT DEC. 31, 2022
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	12,668	12,668
Other equity investments	342	–	–	–	3,147	3,489
Financial services receivables	178	51,557	50,721	–	35,209	86,944
Other financial assets	4,735	5,626	5,532	3,471	–	13,832
Tax receivables	–	–	–	–	394	394
Current assets						
Trade receivables	1	18,533	18,533	–	0	18,534
Financial services receivables	24	41,644	41,644	–	19,881	61,549
Other financial assets	2,845	11,032	11,032	1,270	–	15,148
Tax receivables	–	10	10	–	1,721	1,732
Marketable securities and time deposits	24,560	12,646	12,646	–	–	37,206
Cash and cash equivalents	–	29,172	29,172	–	–	29,172
Assets held for sale	–	570	570	–	163	733
Noncurrent liabilities						
Financial liabilities	–	116,455	112,101	–	5,283	121,737
Other financial liabilities	1,518	2,623	2,502	4,047	–	8,188
Current liabilities						
Financial liabilities	–	82,346	82,346	–	1,102	83,448
Trade payables	–	28,738	28,738	–	–	28,738
Other financial liabilities	1,004	17,372	17,372	1,430	–	19,807
Tax payables	–	17	17	–	709	726
Liabilities associated with assets held for sale	–	132	132	–	26	158

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

The category headed "not allocated to a measurement category" is used in particular for shares in equity-accounted investments, shares in non-consolidated affiliated companies as well as for lease receivables.

The carrying amount of lease receivables was €62.3 billion (previous year: €55.1 billion) and their fair value was €62.2 billion (previous year: €54.1 billion).

Uniform valuation techniques and inputs are used to measure fair value. The fair value of Level 2 and 3 financial instruments is measured in the individual divisions on the basis of Group-wide specifications. The measurement techniques used are explained in the section entitled “Accounting policies”. The fair value of Level 3 receivables was measured by reference to individual expectations of losses; these are based to a significant extent on the Company’s assumptions about counterparty credit quality. The inputs used are not observable in an active market.

The following tables contain an overview of the financial assets and liabilities measured at fair value by level:

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE BY LEVEL

€ million	Dec. 31, 2023	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	1,150	697	0	452
Financial services receivables	89	–	–	89
Other financial assets	3,007	–	2,161	846
Current assets				
Trade receivables	0	–	–	0
Financial services receivables	19	–	–	19
Other financial assets	1,927	–	1,599	328
Marketable securities and time deposits	26,450	26,367	83	–
Noncurrent liabilities				
Other financial liabilities	1,641	–	1,443	198
Current liabilities				
Other financial liabilities	1,294	–	1,255	39

€ million	Dec. 31, 2022	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	342	91	0	251
Financial services receivables	178	–	–	178
Other financial assets	4,735	–	2,571	2,165
Current assets				
Trade receivables	1	–	–	1
Financial services receivables	24	–	–	24
Other financial assets	2,845	–	2,283	562
Marketable securities and time deposits	24,560	24,487	73	–
Noncurrent liabilities				
Other financial liabilities	1,518	–	1,439	79
Current liabilities				
Other financial liabilities	1,004	–	982	23

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST BY LEVEL

€ million	Dec. 31, 2023	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	98,723	–	–	98,723
Trade receivables	21,849	–	21,849	–
Other financial assets	19,439	1,143	5,897	12,399
Tax receivables	8	–	8	–
Marketable securities and time deposits	322	13	309	–
Cash and cash equivalents	43,449	43,449	–	–
Assets held for sale	76	–	76	–
Fair value of financial assets measured at amortized cost	**183,867**	**44,605**	**28,139**	**111,122**
Fair value of financial liabilities measured at amortized cost				
Trade payables	30,901	–	30,901	–
Financial liabilities	226,146	49,058	175,706	1,382
Other financial liabilities	13,625	748	12,592	284
Tax payables	18	–	18	–
Liabilities associated with assets held for sale	15	–	15	–
Fair value of financial liabilities measured at amortized cost	**270,705**	**49,806**	**219,233**	**1,666**

€ million	Dec. 31, 2022[1]	Level 1[1]	Level 2[1]	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	92,366	–	–	92,366
Trade receivables	18,533	–	18,533	–
Other financial assets	16,564	605	5,379	10,580
Tax receivables	10	–	10	–
Marketable securities and time deposits	12,646	84	12,562	–
Cash and cash equivalents	29,172	29,172	–	–
Assets held for sale	570	557	13	–
Fair value of financial assets measured at amortized cost	**169,861**	**30,418**	**36,498**	**102,945**
Fair value of financial liabilities measured at amortized cost				
Trade payables	28,738	–	28,738	–
Financial liabilities	194,447	47,343	145,444	1,660
Other financial liabilities	19,874	592	18,840	442
Tax payables	17	–	17	–
Liabilities associated with assets held for sale	132	132	–	–
Fair value of financial liabilities measured at amortized cost	**243,208**	**48,067**	**193,039**	**2,102**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the “Effects of new and amended IFRSs” section).

DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING BY LEVEL

€ million	Dec. 31, 2023	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	2,903	–	2,903	–
Current assets				
Other financial assets	1,509	–	1,509	–
Noncurrent liabilities				
Other financial liabilities	3,040	–	3,040	–
Current liabilities				
Other financial liabilities	1,372	–	1,372	–

€ million	Dec. 31, 2022	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	3,471	–	3,471	–
Current assets				
Other financial assets	1,270	–	1,270	–
Noncurrent liabilities				
Other financial liabilities	4,047	–	4,047	–
Current liabilities				
Other financial liabilities	1,430	–	1,430	–

The allocation of fair values to the three levels in the fair value hierarchy is based on the availability of observable market prices. Level 1 is used to report the fair value of financial instruments for which a price is directly available in an active market. Examples include marketable securities and other equity investments measured at fair value that are listed and traded on a public market. Fair values in Level 2, for example of derivatives, are measured on the basis of market inputs using market-based valuation techniques. In particular, the inputs used include exchange rates, yield curves and commodity prices that are observable in the relevant markets and obtained through pricing services. Fair Values in Level 3 are calculated using valuation techniques that incorporate inputs that are not directly observable in active markets. In the Volkswagen Group, long-term commodity swaps are allocated to Level 3 because the prices available on the market must be extrapolated for measurement purposes. This is done on the basis of observable inputs obtained for the different commodities through pricing services. Options on equity instruments, residual value protection models, customer financing receivables and receivables from vehicle financing programs and other equity investments are also reported in Level 3. Equity instruments are measured primarily using the relevant business plans and entity-specific discount rates. The significant inputs used to measure fair value for the residual value protection models include forecasts and estimates of used vehicle residual values for the appropriate models. The measurement of vehicle financing programs requires in particular the use of the corresponding vehicle price.

The table below provides a summary of changes in level 3 balance sheet items measured at fair value:

CHANGES IN BALANCE SHEET ITEMS MEASURED AT FAIR VALUE BASED ON LEVEL 3

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2023	**3,181**	**102**
Foreign exchange differences	–29	2
Changes in consolidated Group	–6	–
Total comprehensive income	–748	141
recognized in profit loss	–752	141
recognized in other comprehensive income	4	–
Additions (purchases)	395	–
Sales and settlements	–775	37
Transfers into Level 1	–	–
Transfers into Level 2	–283	–45
Balance at Dec. 31, 2023	**1,734**	**237**
Total gains or losses recognized in profit or loss	**–752**	**–117**
Net other operating expense/income	–763	–129
of which attributable to assets/liabilities held at the reporting date	–773	–170
Financial result	11	12
of which attributable to assets/liabilities held at the reporting date	0	–12

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2022	**2,119**	**303**
Foreign exchange differences	53	–6
Changes in consolidated Group	0	–
Total comprehensive income	2,027	–127
recognized in profit loss	1,999	–127
recognized in other comprehensive income	28	–
Additions (purchases)	167	–
Sales and settlements	–601	–46
Transfers into Level 1	0	–
Transfers into Level 2	–584	–22
Balance at Dec. 31, 2022	**3,181**	**102**
Total gains or losses recognized in profit or loss	**1,999**	**127**
Other operating result	1,962	127
of which attributable to assets/liabilities held at the reporting date[1]	1,651	24
Financial result	36	–
of which attributable to assets/liabilities held at the reporting date	12	–

1 Prior-year figures adjusted.

The transfers between the levels of the fair value hierarchy are reported at the respective reporting dates. The transfers out of Level 3 into Level 2 comprise commodity swaps for which observable quoted prices are now available for measurement purposes due to the decline in their remaining maturities; consequently, no further extrapolation is required.

Commodity prices are the key risk variable for the fair value of commodity swaps. Sensitivity analyses are used to present the effect of changes in commodity prices on earnings after tax and equity.

If commodity prices for commodity swaps classified as Level 3 had been 10% higher (lower) as of December 31, 2023, earnings after tax would have been €217 million (previous year: €291 million) higher (lower). Beyond that, equity would not be materially affected.

The key risk variable for measuring options on equity instruments held by the Company is the relevant enterprise value. Sensitivity analyses are used to present the effect of changes in risk variables on earnings after tax.

If the assumed enterprise values at December 31, 2023 had been 10% higher, earnings after tax would have been €2 million (previous year: €8 million) higher. If the assumed enterprise values as of December 31, 2023 had been 10% lower, earnings after tax would have been €2 million (previous year: €8 million) lower.

Residual value risks result from hedging agreements with dealerships under which earnings effects caused by market-related fluctuations in residual values that arise from buy-back obligations under leases are borne in part by the Volkswagen Group.

The key risk variable influencing the fair value of the options relating to residual value risks is used car prices. Sensitivity analyses are used to quantify the effects of changes in used car prices on earnings after tax.

If the prices of the used cars covered by the residual value protection model had been 10% higher as of December 31, 2023, earnings after tax would have been €491 million (previous year: €470 million) higher. If the prices of the used cars covered by the residual value protection model had been 10% lower as of December 31, 2023, earnings after tax would have been €522 million (previous year: €504 million) lower.

If the risk-adjusted interest rates applied to receivables measured at fair value had been 100 basis points higher as of December 31, 2023, earnings after tax would have been €1 million (previous year: €7 million) lower. If the risk-adjusted interest rates as of December 31, 2023 had been 100 basis points lower, earnings after tax would have been €3 million (previous year: €4 million) higher.

If the corresponding vehicle price used in the vehicle financing programs had been 10% higher as of December 31, 2023, earnings after tax would have been €10 million (previous year: €6 million) higher. If the corresponding vehicle prices used in the vehicle financing programs had been 10% lower as of December 31, 2023, earnings after tax would have been €10 million (previous year: €6 million) lower.

If the result of operations of equity investments measured at fair value had been 10% better as of December 31, 2023, equity would have been €11 million (previous year: €9 million) higher, and earnings after tax would have been €12 million (previous year: €5 million) higher. If the result of operations of equity investments measured at fair value had been 10% worse, equity would have been €11 million (previous year: €9 million) lower, and earnings after tax would have been €30 million (previous year: €5 million) lower.

Offsetting of financial assets and liabilities

The following tables contain information about the effects of offsetting in the balance sheet and the potential financial effects of offsetting in the case of instruments that are subject to a legally enforceable master netting arrangement or a similar agreement.

€ million	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Amounts that are not set off in the balance sheet: Financial instruments	Amounts that are not set off in the balance sheet: Collateral received	Net amount at Dec. 31, 2023
Derivatives	7,974	-56	7,918	-4,245	–	3,673
Financial services receivables	161,453	-598	160,855	–	-68	160,787
Trade receivables	21,889	-39	21,850	–	–	21,850
Marketable securities and time deposits	26,772	–	26,772	–	–	26,772
Cash and cash equivalents	43,449	–	43,449	–	–	43,449
Other financial assets	21,970	-20	21,951	0	–	21,951

€ million	Gross amounts of recognized financial assets[1]	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet[1]	Amounts that are not set off in the balance sheet: Financial instruments	Amounts that are not set off in the balance sheet: Collateral received	Net amount at Dec. 31, 2022[1]
Derivatives	11,497	-36	11,461	-4,523	-37	6,901
Financial services receivables	149,090	-597	148,493	–	-81	148,412
Trade receivables	18,573	-39	18,534	0	–	18,534
Marketable securities and time deposits	37,206	–	37,206	–	–	37,206
Cash and cash equivalents	29,172	–	29,172	–	–	29,172
Other financial assets	17,998	-127	17,871	0	–	17,871

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the “Effects of new and amended IFRSs” section).

Other financial assets include receivables from tax allocations of €8 million (previous year: €10 million).

€ million	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	AMOUNTS THAT ARE NOT SET OFF IN THE BALANCE SHEET Financial instruments	Collateral pledged	Net amount at Dec. 31, 2023
Derivatives	7,405	–76	7,329	–4,245	–24	3,059
Financial liabilities	232,798	–	232,798	–	–3,320	229,478
Trade payables	30,941	–39	30,901	0	–	30,901
Other financial liabilities	14,276	–598	13,679	–	–	13,679

€ million	Gross amounts of recognized financial liabilities[1]	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet[1]	AMOUNTS THAT ARE NOT SET OFF IN THE BALANCE SHEET Financial instruments	Collateral pledged	Net amount at Dec. 31, 2022[1]
Derivatives	8,009	–163	7,846	–4,523	–	3,323
Financial liabilities	205,185	–	205,185	–	–3,225	201,960
Trade payables	28,777	–39	28,738	0	–	28,738
Other financial liabilities	20,763	–597	20,166	–	–	20,166

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

The "Financial instruments" column shows the amounts that are subject to a master netting arrangement but were not set off because they do not meet the criteria for offsetting in the balance sheet. The "Collateral received" and "Collateral pledged" columns show the amounts of cash collateral and collateral in the form of financial instruments received and pledged for the total assets and liabilities that do not meet the criteria for offsetting in the balance sheet.

Other financial liabilities include liabilities from tax allocations of €18 million (previous year: €17 million).

Asset-backed securities transactions

Asset-backed securities transactions with financial assets amounting to €34.3 billion (previous year: €28.0 billion) entered into to refinance the financial services business are included in bonds, commercial paper and notes, and liabilities from loans. The corresponding carrying amount of the receivables from the customer and dealer financing and the finance lease business amounted to €42.4 billion (previous year: €34.6 billion). Collateral of €66.9 billion (previous year: €53.1 billion) in total was furnished as part of asset-backed securities transactions. The expected payments were assigned to structured entities and the equitable liens in the financed vehicles were transferred. These asset-backed securities transactions did not result in the receivables from financial services business being derecognized, as the Group retains nonpayment and late payment risks. The difference between the assigned receivables and the related liabilities is the result of different terms and conditions and the share of the securitized paper and notes held by the Volkswagen Group itself.

Most of the public and private asset-backed securities transactions of the Volkswagen Group can be repaid in advance (clean-up call) if less than 10% of the original transaction volume is outstanding. The assigned receivables cannot be assigned again or pledged elsewhere as collateral. The claims of the holders of commercial paper and notes are limited to the assigned receivables and the receipts from those receivables are earmarked for the repayment of the corresponding liability.

As of December 31, 2023, the fair value of the assigned receivables still recognized in the balance sheet was €41.3 billion (previous year: €32.8 billion). The fair value of the related liabilities was €34.0 billion (previous year: €27.5 billion) at that reporting date.

The Volkswagen Bank GmbH Group is contractually obliged, under certain conditions, to transfer funds to the structured entities that are included in its financial statements. Since the receivables are transferred to the special purpose entity by way of undisclosed assignment, the situation may occur in which the receivable has already been reduced in a legally binding manner at the originator, for example if the obligor effectively offsets it against receivables owed to it by a company belonging to the Volkswagen Group. In this case, collateral must be furnished for the resulting compensation claims against the special purpose entity, for example if the rating of the Group company concerned declines to a contractually agreed reference value.

Additional income statement disclosures in accordance with IFRS 7 (Financial instruments)

The table below shows net gains and losses on financial assets and financial liabilities by measurement category, followed by a detailed explanation of key aspects:

NET GAINS OR LOSSES FROM FINANCIAL INSTRUMENTS BY IFRS 9 MEASUREMENT CATEGORY

€ million	2023	2022[1]
Financial instruments at fair value through profit or loss	–1,323	3,024
Financial assets measured at amortized cost	6,891	5,771
Financial assets at fair value through other comprehensive income (debt instruments)	30	10
Financial liabilities measured at amortized cost	–9,186	–4,888
	–3,588	**3,917**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

Net gains and losses in the category financial instruments at fair value through profit or loss are mainly composed of the fair value measurement gains and losses on derivatives, including interest and gains and losses on currency translation.

Net gains and losses from financial assets measured at fair value through other comprehensive income (debt instruments) relate to interest income from fixed-income securities.

Net gains and losses from financial assets and liabilities measured at amortized cost mainly comprise interest income and expenses calculated according to the effective interest method pursuant to IFRS 9, currency translation effects, and the recognition of loss allowances. Interest also includes interest income and expenses from the lending business of the Financial Services Division.

The table below presents total interest income and expenses from financial assets and liabilities measured at amortized cost, separately from financial assets measured at fair value through other comprehensive income:

TOTAL INTEREST INCOME AND EXPENSES ATTRIBUTABLE TO FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

€ million	2023	2022
Financial assets and liabilities measured at amortized cost		
Interest income	11,737	8,199
Interest expenses	9,442	4,705
Financial assets (debt instruments) measured at fair value through other comprehensive income		
Interest income	28	12
Interest expenses	3	0

GAINS AND LOSSES ON THE DISPOSAL OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST

€ million	2023	2022
Gains arising from the derecognition of financial assets measured at amortized cost	990	1,189
Losses arising from the derecognition of financial assets measured at amortized cost	-1,390	-1,006
	-400	**182**

In the fiscal year, €3 million (previous year: €2 million) was recognized as an expense and €30 million (previous year: €23 million) as income from fees and commissions for trust activities and from financial assets and liabilities not measured at fair value that are not accounted for using the effective interest method.

35. Cash flow statement

Cash flows are presented in the cash flow statement classified into cash flows from operating activities, investing activities and financing activities, irrespective of the balance sheet classification.

Cash flows from operating activities are derived indirectly from earnings before tax. Earnings before tax are adjusted to eliminate non-cash expenditures (mainly depreciation, amortization and impairment losses) and income. Other non-cash income and expense results mainly from measurement effects in connection with financial instruments and fair value changes relating to hedging transactions. This results in cash flows from operating activities after accounting for changes in working capital, which also include changes in lease assets and in financial services receivables.

Investing activities include additions to property, plant and equipment and equity investments, additions to capitalized development costs, and changes in investments in securities and time deposits as well as loans.

Financing activities include outflows of funds from dividend payments and the redemption of bonds, inflows from capital increases and the issuance of bonds, and changes in other financial liabilities. Please refer to the "Equity" section for information on the in-/outflows from the issuance/repayment of hybrid capital contained in the capital contributions.

The changes in balance sheet items that are presented in the cash flow statement cannot be derived directly from the balance sheet, as the effects of currency translation and changes in the consolidated Group are non-cash transactions and are therefore eliminated.

In the fiscal year, cash flows from operating activities include interest received amounting to €12,567 million (previous year: €8,504 million) and interest paid amounting to €7,011 million (previous year: €3,274 million). Cash flows from operating activities also include dividend payments (net of withholding tax) received from joint ventures and associates of €2,450 million (previous year: €2,781 million).

Dividends amounting to €10,897 million (previous year: €3,772 million) were paid to Volkswagen AG shareholders.

€ million	Dec. 31, 2023	Dec. 31, 2022
Cash and cash equivalents as reported in the balance sheet	43,449	29,172
Cash and cash equivalents held for sale	73	566
Cash and cash equivalents as reported in the cash flow statement	**43,522**	**29,738**

Time deposits with contractual maturities of more than three months are not classified as cash equivalents. The maximum default risk corresponds to its carrying amount.

The following table shows the classification of changes in financial liabilities into cash and non-cash transactions:

€ million	Jan. 1, 2023	Cash-effective changes	NON - CASH CHANGES Foreign exchange differences	Changes in consolidated Group	Classified as held for sale	Other changes	Dec. 31, 2023
Bonds	93,119	5,158	–304	–	–	1,183	99,157
Other total third-party borrowings	105,808	22,812	–855	626	–112	–1,116	127,162
Finance lease liabilities[1]	6,385	–1,190	–61	1	0	1,359	6,494
Total third-party borrowings	**205,312**	**26,780**	**–1,220**	**626**	**–112**	**1,427**	**232,813**
Other financial assets and liabilities	–61	–36	–1	15	–	92	9
Financial assets and liabilities in financing activities	**205,250**	**26,744**	**–1,220**	**641**	**–112**	**1,519**	**232,822**

1 Other changes in lease liabilities largely contain non-cash additions of lease liabilities.

€ million	Jan. 1, 2022	Cash-effective changes	NON - CASH CHANGES Foreign exchange differences	Changes in consolidated Group	Classified as held for sale	Other changes	Dec. 31, 2022
Bonds	98,038	–1,762	–265	–	–	–2,892	93,119
Other total third-party borrowings	105,929	–4,210	174	842	–10	3,082	105,808
Finance lease liabilities[1]	6,245	–1,248	14	50	–2	1,325	6,385
Total third-party borrowings	**210,213**	**–7,220**	**–78**	**892**	**–11**	**1,516**	**205,312**
Other financial assets and liabilities	–21	–156	19	0	–	97	–61
Financial assets and liabilities in financing activities	**210,192**	**–7,376**	**–59**	**892**	**–11**	**1,613**	**205,250**

1 Other changes in lease liabilities largely contain non-cash additions of lease liabilities.

36. Financial risk management and financial instruments

1. Hedging guidelines and financial risk management principles

The principles and responsibilities for managing and controlling the risks that could arise from financial instruments are defined by the Board of Management and monitored by the Supervisory Board. General rules apply to the Group-wide risk policy; these are oriented on the statutory requirements and the "Minimum Requirements for Risk Management by Credit Institutions".

Group Treasury is responsible for operational risk management and the control of risks from financial instruments. The Group Board of Management Committee for Risk Management is regularly informed about current financial risks. In addition, the Group Board of Management and the Supervisory Board are regularly updated on the current risk situation. The MAN Energy Solutions, Porsche AG, Porsche Holding Salzburg and TRATON GROUP subgroups and the Financial Services Division are in part included in Group Treasury's operational risk management and control for risks relating to financial instruments and also have their own risk management structures.

For more information, see the section on financial risks in the Report on Risks and Opportunities of the group management report.

2. Credit and default risk

The credit and default risk arising from financial assets involves the risk of default by counterparties, and therefore comprises at a maximum the amount of the claims under carrying amounts receivable from them and the irrevocable credit commitments. The maximum potential credit and default risk is reduced by collateral held and other credit enhancements. Collateral is held predominantly for financial assets in the "at amortized cost" category. It relates primarily to collateral for financial services receivables and trade receivables. Collateral comprises vehicles and assets transferred as security, as well as guarantees and real property liens. Cash collateral is also used in hedging transactions.

For level 3 and level 4 financial assets with objective indications of impairment as of the reporting date, the collateral provided led to a reduction in risk by €1.3 billion (previous year: €1.1 billion). Collateral of €6 million (previous year adjusted: €34 million) has been accepted for assets measured at fair value through profit or loss.

Significant cash and capital investments, as well as derivatives, are only entered into with national and international banks. Credit and default risk is limited by a limit system based primarily on the equity base of the counterparties concerned and on credit assessments by international rating agencies. Financial guarantees issued also give rise to credit and default risk. The maximum default risk is determined by the guarantee amount. The corresponding amounts are presented in the Liquidity risk section.

There were no material concentrations of risk at individual counterparties or counterparty groups in the fiscal year due to the global allocation of the Group's business activities and the resulting diversification. There was a slight change in the concentration of credit and default risk exposures to the German public banking sector as a whole that has arisen from Group-wide cash and capital investments as well as derivatives: the portion attributable to this sector was 9.3% at the end of 2023 compared with 6.0% at the end of 2022. Any existing concentration of risk is assessed and monitored both at the level of individual counterparties or counterparty groups and with regard to the countries in which these are based, in each case using the share of all credit and default risk exposures accounted for by the risk exposure concerned. This analysis excludes the items of Chinese companies in which Volkswagen holds an interest of 50% or less.

Credit and default risk exposures at the end of 2023 accounted for 18.1% for Germany, compared with 15.2% at the end of 2022, and for 17.5% for China as against 14.0% at the end of 2022. There were no other material concentrations of credit and default risk exposures in individual countries.

Loss allowance

The Volkswagen Group consistently uses the expected credit loss model of IFRS 9 for all financial assets and other risk exposures.

The expected credit loss model under IFRS 9 takes in both loss allowances for financial assets for which there are no objective indications of impairment and loss allowances for financial assets that are already impaired. For the calculation of impairment losses, IFRS 9 distinguishes between the general approach and the simplified approach.

Under the general approach, financial assets are allocated to one of three stages, plus an additional stage for financial assets that are already impaired when acquired (stage 4). Stage 1 comprises financial assets that are recognized for the first time or for which the probability of default has not increased significantly. The expected credit losses for the next twelve months are calculated at this stage. Stage 2 comprises financial assets with a significantly increased probability of default, while financial assets with objective indications of default are allocated to stage 3. The lifetime expected credit losses are calculated at these stages. Stage 4 financial assets, which are already impaired when acquired, are subsequently measured by recognizing a loss allowance on the basis of the accumulated lifetime expected losses. Financial assets classified as impaired on acquisition remain in this category until they are derecognized.

The Volkswagen Group applies the simplified approach to trade receivables and contract assets with a significant financing component in accordance with IFRS 15. The same applies to receivables under operating or finance leases accounted for under IFRS 16. Under the simplified approach, the expected losses are consistently determined for the entire life of the asset.

The tables below show the reconciliation of the loss allowance for various financial assets and financial guarantees and credit commitments:

CHANGES IN GROSS CARRYING AMOUNTS OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	Total
Carrying amount at Jan. 1, 2023	**137,947**	**12,423**	**2,063**	**20,746**	**368**	**173,548**
Foreign exchange differences	-2,068	-41	18	-170	2	-2,258
Changes in consolidated group	-354	–	–	184	–	-170
Changes	14,054	-613	-532	2,941	-19	15,831
Modifications	5	1	0	–	0	6
Transfers to						
Stage 1	3,512	-3,450	-62	–	–	0
Stage 2	-5,756	5,834	-78	–	–	0
Stage 3	-664	-314	978	–	–	0
Classified as held for sale	15	–	–	1	–	16
Carrying amount at Dec. 31, 2023	**146,691**	**13,839**	**2,388**	**23,703**	**351**	**186,972**

CHANGES IN LOSS ALLOWANCE FOR FINANCIAL ASSETS MEASURED AT AMORTIZED COST

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	Total
Carrying amount at Jan. 1, 2023	**904**	**740**	**1,134**	**519**	**26**	**3,323**
Foreign exchange differences	-15	-2	12	-1	2	-5
Changes in consolidated group	0	–	–	22	–	22
Newly extended/purchased financial assets (additions)	688	–	–	242	6	936
Other changes within a stage	-189	-174	153	8	11	-191
Transfers to						
Stage 1	34	-99	-19	–	–	-85
Stage 2	-118	336	-36	–	–	183
Stage 3	-225	-71	607	–	–	311
Financial instruments derecognized during the period (disposals)	-217	-117	-160	-159	-11	-664
Utilization	–	–	-315	-21	-12	-348
Changes to models or risk parameters	28	41	4	18	4	96
Classified as held for sale	–	–	–	0	–	0
Carrying amount at Dec. 31, 2023	**890**	**654**	**1,380**	**628**	**25**	**3,578**

CHANGES IN GROSS CARRYING AMOUNTS OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST[1]

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	Total
Carrying amount at Jan. 1, 2022	**115,232**	**23,918**	**1,978**	**19,589**	**404**	**161,121**
Foreign exchange differences	454	268	49	38	3	811
Changes in consolidated group	203	4	15	206	–	428
Changes	24,875	−13,174	−634	916	−38	11,945
Modifications	2	0	0	0	−1	0
Transfers to						
Stage 1	3,163	−3,116	−47	–	–	0
Stage 2	−4,707	4,794	−87	–	–	0
Stage 3	−532	−264	796	–	–	0
Classified as held for sale	−742	−7	−6	−2	–	−757
Carrying amount at Dec. 31, 2022	**137,947**	**12,423**	**2,063**	**20,746**	**368**	**173,548**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

CHANGES IN LOSS ALLOWANCE FOR FINANCIAL ASSETS MEASURED AT AMORTIZED COST[1]

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	Total
Carrying amount at Jan. 1, 2022	**828**	**675**	**1,212**	**492**	**49**	**3,257**
Foreign exchange differences	10	17	35	8	2	71
Changes in consolidated group	10	–	–	−17	–	−7
Newly extended/purchased financial assets (additions)	557	–	–	225	10	793
Other changes within a stage	53	41	90	6	−27	162
Transfers to						
Stage 1	37	−109	−34	–	–	−106
Stage 2	−89	296	−51	–	–	156
Stage 3	−138	−53	458	–	–	267
Financial instruments derecognized during the period (disposals)	−232	−131	−205	−152	−5	−724
Utilization	–	–	−373	−47	−11	−431
Changes to models or risk parameters	23	11	8	4	9	54
Classified as held for sale	−156	−7	−5	0	–	−168
Carrying amount at Dec. 31, 2022	**904**	**740**	**1,134**	**519**	**26**	**3,323**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

CHANGES IN DEFAULT RISK POSITIONS OF FINANCIAL GUARANTEES AND CREDIT COMMITMENTS

€ million	Stage 1	Stage 2	Stage 3	Stage 4	Total
Carrying amount at Jan. 1, 2023	**9,960**	**3,529**	**318**	**222**	**14,029**
Foreign exchange differences	0	20	0	0	20
Changes in consolidated group	-178	–	–	–	-178
Changes	473	-928	-151	-130	-736
Modifications	–	–	–	–	–
Transfers to					
Stage 1	36	-36	0	–	0
Stage 2	-99	101	-1	–	0
Stage 3	-5	-3	8	–	–
Carrying amount at Dec. 31, 2023	**10,185**	**2,683**	**174**	**92**	**13,134**

CHANGES IN LOSS ALLOWANCE FOR FINANCIAL GUARANTEES AND CREDIT COMMITMENTS

€ million	Stage 1	Stage 2	Stage 3	Stage 4	Total
Carrying amount at Jan. 1, 2023	**34**	**19**	**23**	**32**	**108**
Foreign exchange differences	0	0	0	0	0
Changes in consolidated group	0	–	–	–	0
Newly extended/purchased financial assets (additions)	10	–	–	0	10
Other changes within a stage	-4	-8	18	-21	-15
Transfers to					
Stage 1	1	-1	–	–	0
Stage 2	-1	1	–	–	0
Stage 3	-3	0	6	–	3
Financial instruments derecognized during the period (disposals)	-10	-1	0	-2	-14
Utilization	–	–	-3	–	-3
Changes to models or risk parameters	–	–	0	–	0
Carrying amount at Dec. 31, 2023	**27**	**10**	**44**	**10**	**90**

CHANGES IN DEFAULT RISK POSITIONS OF FINANCIAL GUARANTEES AND CREDIT COMMITMENTS

€ million	Stage 1	Stage 2	Stage 3	Stage 4	Total
Carrying amount at Jan. 1, 2022	**12,032**	**3,858**	**312**	**228**	**16,430**
Foreign exchange differences	-54	-54	0	1	-107
Changes in consolidated group	-108	–	–	–	-108
Changes	-1,862	-314	-3	-7	-2,186
Modifications	–	–	–	–	–
Transfers to					
Stage 1	92	-92	0	–	0
Stage 2	-136	137	-1	–	0
Stage 3	-5	-6	10	–	–
Carrying amount at Dec. 31, 2022	**9,960**	**3,529**	**318**	**222**	**14,029**

CHANGES IN LOSS ALLOWANCE FOR FINANCIAL GUARANTEES AND CREDIT COMMITMENTS

€ million	Stage 1	Stage 2	Stage 3	Stage 4	Total
Carrying amount at Jan. 1, 2022	**43**	**20**	**20**	**7**	**90**
Foreign exchange differences	1	0	0	0	1
Changes in consolidated group	0	–	–	–	0
Newly extended/purchased financial assets (additions)	14	–	–	0	14
Other changes within a stage	2	0	0	26	28
Transfers to					
Stage 1	0	–2	0	–	–1
Stage 2	–1	1	–	–	1
Stage 3	0	0	3	–	3
Financial instruments derecognized during the period (disposals)	–24	–2	–1	0	–27
Utilization	–	–	0	0	0
Changes to models or risk parameters	–1	0	0	–	–1
Carrying amount at Dec. 31, 2022	**34**	**19**	**23**	**32**	**108**

CHANGES IN GROSS CARRYING AMOUNTS OF LEASE RECEIVABLES AND CONTRACT ASSETS

	SIMPLIFIED APPROACH	
€ million	2023	2022
Carrying amount at Jan. 1	**57,015**	**55,515**
Foreign exchange differences	374	–889
Changes in consolidated group	–232	294
Changes	6,869	2,240
Modifications	8	3
Classified as held for sale	–	–149
Carrying amount at Dec. 31	**64,035**	**57,015**

CHANGES IN LOSS ALLOWANCE FOR LEASE RECEIVABLES AND CONTRACT ASSETS

	SIMPLIFIED APPROACH	
€ million	2023	2022
Carrying amount at Jan. 1	**1,713**	**1,297**
Foreign exchange differences	17	–4
Changes in consolidated group	–162	5
Newly extended/purchased financial assets (additions)	510	611
Other changes	–224	307
Financial instruments derecognized during the period (disposals)	–400	–297
Utilization	–82	–71
Changes to models or risk parameters	–32	14
Classified as held for sale	–	–149
Carrying amount at Dec. 31	**1,341**	**1,713**

CHANGES IN GROSS CARRYING AMOUNTS OF ASSETS MEASURED AT FAIR VALUE

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	No loss allowance	Total
Carrying amount at Jan. 1, 2023	**1,470**	**2,768**	**–**	**–**	**–**	**28,456**	**32,694**
Foreign exchange differences	–15	–	–	–	–	–43	–57
Changes in consolidated group	–	–	–	–	–	–	–
Changes	1,230	–971	–	–	–56	–193	10
Modifications	–	–	–	–	–	7	7
Transfers to							
Stage 1	–	–	–	–	–	–	–
Stage 2	–	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
Carrying amount at Dec. 31, 2023	**2,685**	**1,797**	**–**	**–**	**–56**	**28,228**	**32,654**

CHANGES IN GROSS CARRYING AMOUNTS OF ASSETS MEASURED AT FAIR VALUE

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4	No loss allowance	Total
Carrying amount at Jan. 1, 2022	**2,795**	**1,931**	**–**	**–**	**–**	**23,668**	**28,394**
Foreign exchange differences	18	–	–	–	–	73	91
Changes in consolidated group	–	–	–	–	–	0	0
Changes	–438	–68	–	–	–	4,715	4,209
Modifications	–	–	–	–	–	–	–
Transfers to							
Stage 1	–	–	–	–	–	–	–
Stage 2	–905	905	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
Carrying amount at Dec. 31, 2022	**1,470**	**2,768**	**–**	**–**	**–**	**28,456**	**32,694**

The loss allowance on assets measured at fair value in Stage 1 rose by €6 million (previous year: €0 million) in fiscal year 2023 and those in Stage 2 declined by €2 million (previous year: increase of €1 million), resulting in a closing balance of €12 million (previous year: €8 million). Of this amount, €10 million is attributable to Stage 1 (previous year: €4 million) and €3 million to Stage 2 (previous year €4 million).

The amount contractually outstanding for financial assets that have been derecognized in the current fiscal year and are still subject to enforcement proceedings is €270 million (previous year: €304 million).

Modifications

There were contract modifications to financial assets in the reporting period that did not lead to the derecognition of the asset. These were primarily the result of changes in credit ratings and relate to financial assets for which loss allowances were measured in the amount of the expected lifetime credit losses. For trade and lease receivables, the treatment is simplified by considering the credit rating-based modifications where the receivables are more than 30 days past due. Before the modification, amortized cost amount to €315 million (previous year: €548 million). In the reporting period, contract modifications resulted in net income/net expenses of €– 1 million (previous year: €– 2 million).

As of the reporting date, the gross carrying amounts of financial assets that have been modified since initial recognition and were simultaneously reclassified from stage 2 or 3 to stage 1 in the reporting period amounted to €81 million (previous year: €324 million). As a result, the measurement of the loss allowance for these financial assets was changed from lifetime expected credit losses to 12-month expected credit losses.

Maximum credit risk

The table below shows the maximum credit risk to which the Volkswagen Group was exposed as of the reporting date, broken down by class to which the impairment model is applied:

MAXIMUM CREDIT RISK BY CLASS

€ million	Dec. 31, 2023	Dec. 31, 2022[1]
Financial assets measured at fair value	4,413	4,230
Financial assets measured at amortized cost	183,392	170,220
Financial guarantees and credit commitments	13,044	13,921
Not allocated to a measurement category	62,346	55,090
Total	**263,196**	**243,460**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

Rating categories

The Volkswagen Group performs a credit assessment of borrowers in all loan and lease agreements, using scoring systems for the high-volume business and rating systems for corporate customers as well as receivables from dealer financing. Receivables rated as good are contained in risk class 1. Receivables from customers whose credit rating is not good but have not yet defaulted are contained in risk class 2. Risk class 3 comprises all defaulted receivables.

The table below presents the gross carrying amounts of financial assets by rating category:

GROSS CARRYING AMOUNTS OF FINANCIAL ASSETS BY RATING CATEGORY AS OF DECEMBER 31, 2023

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
Credit risk rating grade 1 (receivables with no credit risk – standard loans)	143,891	9,504	–	83,823	28
Credit risk rating grade 2 (receivables with credit risk – intensified loan management)	5,485	6,132	–	2,610	54
Credit risk rating grade 3 (cancelled receivables – non-performing loans)	–	–	2,388	1,304	214
Total	**149,376**	**15,637**	**2,388**	**87,737**	**295**

GROSS CARRYING AMOUNTS OF FINANCIAL ASSETS BY RATING CATEGORY AS OF DECEMBER 31, 2022[1]

€ million	Stage 1	Stage 2	Stage 3	Simplified approach	Stage 4
Credit risk rating grade 1 (receivables with no credit risk – standard loans)	137,035	10,549	–	74,500	103
Credit risk rating grade 2 (receivables with credit risk – intensified loan management)	2,382	4,642	–	2,150	44
Credit risk rating grade 3 (cancelled receivables – non-performing loans)	–	–	2,063	1,112	221
Total	**139,417**	**15,191**	**2,063**	**77,762**	**368**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the “Effects of new and amended IFRSs” section).

Furthermore, the default risk exposure for financial guarantees and credit commitments is presented below:

DEFAULT RISK FOR FINANCIAL GUARANTEES AND CREDIT COMMITMENTS AS OF DECEMBER 31, 2023

€ million	Stage 1	Stage 2	Stage 3	Stage 4
Credit risk rating grade 1 (receivables with no credit risk – standard loans)	10,040	2,579	–	14
Credit risk rating grade 2 (receivables with credit risk – intensified loan management)	145	104	–	3
Credit risk rating grade 3 (cancelled receivables – non-performing loans)	–	–	174	75
Total	**10,185**	**2,683**	**174**	**92**

DEFAULT RISK FOR FINANCIAL GUARANTEES AND CREDIT COMMITMENTS AS OF DECEMBER 31, 2022

€ million	Stage 1	Stage 2	Stage 3	Stage 4
Credit risk rating grade 1 (receivables with no credit risk – standard loans)	9,850	2,856	–	87
Credit risk rating grade 2 (receivables with credit risk – intensified loan management)	110	673	–	9
Credit risk rating grade 3 (cancelled receivables – non-performing loans)	–	–	318	126
Total	**9,960**	**3,529**	**318**	**222**

Collateral that was accepted for financial assets in the current fiscal year was recognized in the balance sheet in the amount of €303 million (previous year: €205 million). This mainly relates to vehicles.

3. Liquidity risk

The solvency and liquidity of the Volkswagen Group are secured by rolling liquidity planning, a liquidity reserve, confirmed credit lines and the issuance of securities on the international money and capital markets. The volume of confirmed bilateral and syndicated credit lines stood at €31.3 billion as of December 31, 2023 (previous year: €27.3 billion), of which €0.4 billion (previous year: €1.0 billion) was drawn down.

Local cash funds in certain countries (e.g. China, Brazil, Argentina, South Africa and India) are only available to the Group for cross-border transactions subject to exchange controls. There are no significant restrictions over and above these. The liquidity risk in Argentina rose considerably as a result of the progressive depreciation of the Argentinian peso, especially in December 2023. It cannot be ruled out that the currency will depreciate further in fiscal year 2024.

The following overview shows the contractual undiscounted cash flows from financial instruments:

MATURITY ANALYSIS OF UNDISCOUNTED CASH FLOWS FROM FINANCIAL INSTRUMENTS

	REMAINING CONTRACTUAL MATURITIES				REMAINING CONTRACTUAL MATURITIES			
€ million	up to one year	within one to five years	more than five years	2023	up to one year[1]	within one to five years	more than five years	2022[1]
Financial liabilities	116,805	111,952	23,572	252,328	86,834	108,078	24,942	219,854
Trade payables	30,890	11	1	30,901	28,721	16	0	28,738
Other financial liabilities	11,374	2,135	107	13,616	17,532	2,479	125	20,136
Derivatives	81,487	88,276	10,295	180,058	79,591	87,649	10,916	178,155
Liabilities associated with assets held for sale	18	0	–	19	114	25	–	139
	240,575	**202,373**	**33,974**	**476,922**	**212,792**	**198,247**	**35,983**	**447,023**

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

The cash outflows on other financial liabilities include outflows on liabilities for tax allocations amounting to €18 million (previous year: €17 million).

Derivatives comprise both cash flows from derivative financial instruments with negative fair values and cash flows from derivatives with positive fair values for which a gross settlement has been agreed. Derivatives entered into through offsetting transactions are also accounted for as cash outflows. The cash outflows from derivatives for which a gross settlement has been agreed are matched in part by cash inflows. These cash inflows are not reported in the maturity analysis. If these cash inflows were also recognized, the cash outflows presented would be substantially lower. This also particularly applies if hedges have been closed with offsetting transactions.

The cash outflows from obligations from loan commitments and irrevocable credit commitments are presented in the section entitled "Other financial obligations", classified by contractual maturities.

As of December 31, 2023, the maximum potential liability under financial guarantees amounted to €910 million (previous year: €1,185 million). Financial guarantees are assumed to be due immediately in all cases.

4. Market risk

4.1 HEDGING POLICY AND FINANCIAL DERIVATIVES

During the course of its general business activities, the Volkswagen Group is exposed to foreign currency, interest rate, commodity price, equity price and fund price risk. Corporate policy is to limit such risk by means of hedging. Generally, all necessary hedging transactions are executed or coordinated centrally; exceptions include, among others, the MAN Energy Solutions, Porsche AG, Porsche Holding Salzburg and TRATON GROUP subgroups and the Financial Services Division, as well as some regions such as South America and China.

Disclosures on gains and losses from fair value hedges

Fair value hedges involve hedging against the risk of changes in the carrying amount of balance sheet items. As of the reporting date, both hedging instruments and hedged items are measured at fair value in relation to the hedged risk, and the resulting opposite changes in value are recognized in the corresponding income statement item.

The following table shows the gains and losses from fair value hedges by risk type:

DISCLOSURES ON GAINS AND LOSSES FROM FAIR VALUE HEDGES

€ million	Dec. 31, 2023	Dec. 31, 2022
Hedging interest rate risk		
Other financial result	–10	15
Other operating result	–48	–18
Hedging currency risk		
Other financial result	–	–
Other operating result	–45	–13
Combined interest rate and currency risk hedging		
Other financial result	–	–
Other operating result	0	0

Disclosures on gains and losses from cash flow hedges

Cash flow hedges are used to hedge against risks of fluctuations in future cash flows. These cash flows may arise from a recognized asset or liability, or from a highly probable forecast transaction. The following table shows the gains and losses from cash flow hedges by risk type:

DISCLOSURES ON GAINS AND LOSSES FROM CASH FLOW HEDGES

€ million	2023	2022
Hedging interest rate risk		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	–278	287
Recognized in profit or loss	–4	–2
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	–	–
Due to realization of the hedged item	4	–8
Hedging currency risk		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	467	–187
Recognized in profit or loss	2	–2
Reclassification from the cash flow hedge reserve to profit or loss or inventories		
Due to early discontinuation of the hedging relationships	–91	–130
Due to realization of the hedged item	362	1,472
Combined interest rate and currency risk hedging		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	72	20
Recognized in profit or loss	–	1
Reclassification from the cash flow hedge reserve to profit or loss		
Due to early discontinuation of the hedging relationships	–	–
Due to realization of the hedged item	–57	–40
Hedging commodities price risk		
Gains or losses from changes in fair value of hedging instruments within hedge accounting		
Recognized in equity	5	–
Recognized in profit or loss	–	–
Reclassification from the cash flow hedge reserve to profit or loss or inventories		
Due to early discontinuation of the hedging relationships	–	–
Due to realization of the hedged item	1	–

The table presents effects taken to equity, reduced by deferred taxes.

The gain or loss from changes in the fair value of hedging instruments used in hedge accounting corresponds to the basis for determining hedge ineffectiveness. The ineffective portion of a cash flow hedge is the income or expense resulting from changes in the fair value of the hedging instrument that exceed the changes in the fair value of the hedged item. This hedge ineffectiveness is attributable to differences in the parameters for the hedging instrument and the hedged item. Such income and expenses are recognized in other operating income/expenses or in the financial result.

The Volkswagen Group uses two different methods to present market risk from nonderivative and derivative financial instruments in accordance with IFRS 7. For quantitative risk measurement, interest rate and foreign currency risk in the Volkswagen Financial Services subgroup is measured using a value-at-risk (VaR) model on the basis of a historical simulation, while market risk in the other Group companies is determined using a sensitivity analysis. The value-at-risk calculation indicates the size of the maximum potential loss on the portfolio as a whole within a time horizon of 60 days, measured at a confidence level of 99%. To provide the basis for this calculation, all cash flows from nonderivative and derivative financial instruments are aggregated into an interest rate gap analysis. The historical market data used in calculating VaR covers a period of four years. The sensitivity analysis calculates the effect on equity and profit or loss by modifying risk variables within the respective market risks.

Disclosures on hedging instruments in hedge accounting

The Volkswagen Group regularly enters into hedging instruments to hedge against changes in the carrying amount of balance sheet items. The summary below shows the notional amounts, fair values and base variables for determining the ineffectiveness of hedging instruments entered into to hedge against the risk of changes in carrying amounts in fair value hedges:

DISCLOSURES ON HEDGING TRANSACTIONS IN FAIR VALUE HEDGES IN 2023

€ million	Notional amount	Other assets	Other liabilities	Fair value changes to determine hedge ineffectiveness
Hedging interest rate risk				
Interest rate swaps	52,663	366	1,773	−1,693
Hedging currency risk				
Currency forwards, currency options, cross-currency swaps	6,749	67	64	−31
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	773	9	67	−55

DISCLOSURES ON HEDGING TRANSACTIONS IN FAIR VALUE HEDGES IN 2022

€ million	Notional amount	Other assets	Other liabilities	Fair value changes to determine hedge ineffectiveness
Hedging interest rate risk				
Interest rate swaps	58,170	868	2,596	−2,305
Hedging currency risk				
Currency forwards, currency options, cross-currency swaps	4,384	87	26	40
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	140	0	–	0

In addition, hedges are used to hedge against risks of fluctuations in future cash flows. The table below shows the notional amounts, fair values and base variables for determining the ineffectiveness of hedging instruments designated in cash flow hedges:

DISCLOSURES ON HEDGING TRANSACTIONS IN CASH FLOW HEDGES IN 2023

€ million	Notional amount	Other assets	Other liabilities	Fair value changes to determine hedge ineffectiveness
Hedging interest rate risk				
Interest rate swaps	17,331	165	62	27
Hedging currency risk				
Currency forwards and cross-currency swaps	113,139	3,534	2,273	2,340
Currency options	14,231	208	152	31
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	1,273	49	15	26
Hedging commodities price risk				
Commodity forwards/swaps	431	15	6	9

DISCLOSURES ON HEDGING TRANSACTIONS IN CASH FLOW HEDGES IN 2022

€ million	Notional amount	Other assets	Other liabilities	Fair value changes to determine hedge ineffectiveness
Hedging interest rate risk				
Interest rate swaps	15,371	509	30	419
Hedging currency risk				
Currency forwards and cross-currency swaps	119,499	3,087	2,540	2,204
Currency options	27,342	166	268	–77
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	1,437	23	17	1
Hedging commodities price risk				
Commodity forwards/swaps	–	–	–	–

The fair value change used to determine ineffectiveness corresponds to the fair value change of the designated component.

Disclosures on hedged items in hedge accounting

In addition to disclosures on hedging instruments, disclosures are also required on the hedged items, broken down by risk category and type of designation for hedge accounting. Below follows a list of hedged items designated in fair value hedges, separately from those designated in cash flow hedges:

DISCLOSURES ON HEDGED ITEMS IN FAIR VALUE HEDGES IN 2023

€ million	Carrying amount	Cumulative hedge adjustments	Hedge adjustments current period/ fiscal year	Cumulative hedge adjustments from discontinued hedging relationships
Hedging interest rate risk				
Financial services receivables	18,196	293	225	–
Other financial assets	–	–	–	–
Financial liabilities	37,503	–1,527	1,065	–
Hedging currency risk				
Financial services receivables	–	–	–	–
Other financial assets	1,169	2	2	–
Financial liabilities	856	–5	2	–
Combined interest rate and currency risk hedging				
Financial services receivables	–	–	–	–
Other financial assets	36	0	0	–
Financial liabilities	976	116	77	–

DISCLOSURES ON HEDGED ITEMS IN FAIR VALUE HEDGES IN 2022

€ million	Carrying amount	Cumulative hedge adjustments	Hedge adjustments current period/ fiscal year	Cumulative hedge adjustments from discontinued hedging relationships
Hedging interest rate risk				
Financial services receivables	14,764	–156	–156	–
Other financial assets	–	–	–	–
Financial liabilities	34,622	–2,890	–3,061	–
Hedging currency risk				
Financial services receivables	–	–	–	–
Other financial assets	795	–5	–1	–
Financial liabilities	1,132	–7	–23	–
Combined interest rate and currency risk hedging				
Financial services receivables	–	–	–	–
Other financial assets	–	–	–	–
Financial liabilities	181	39	39	–

DISCLOSURES ON HEDGED ITEMS IN CASH FLOW HEDGES IN 2023

€ million	Changes in fair value to determine hedge ineffectiveness	RESERVE FOR Active cash flow hedges	Discontinued cash flow hedges
Hedging interest rate risk			
Designated components	25	30	1
Non-designated components	–	–	–
Deferred taxes	–	1	0
Total hedging interest rate risk	25	31	1
Hedging currency risk			
Designated components	2,338	2,320	26
Non-designated components	–	-1,137	-24
Deferred taxes	–	-324	-1
Total hedging currency risk	2,338	859	2
Combined interest rate and currency risk hedging			
Designated components	26	-7	–
Non-designated components	–	–	–
Deferred taxes	–	2	–
Total hedging combined interest rate and currency risk	26	-5	–
Hedging commodity price risk			
Designated components	10	9	–
Non-designated components	–	–	–
Deferred taxes	–	-3	–
Total hedging commodity price risk	10	6	–

DISCLOSURES ON HEDGED ITEMS IN CASH FLOW HEDGES IN 2022

€ million	Changes in fair value to determine hedge ineffectiveness	RESERVE FOR Active cash flow hedges	Discontinued cash flow hedges
Hedging interest rate risk			
Designated components	424	420	0
Non-designated components	–	–	–
Deferred taxes	–	-114	0
Total hedging interest rate risk	424	306	0
Hedging currency risk			
Designated components	2,130	1,998	-8
Non-designated components	–	-1,800	-11
Deferred taxes	–	-61	6
Total hedging currency risk	2,130	137	-13
Combined interest rate and currency risk hedging			
Designated components	1	-29	–
Non-designated components	–	–	–
Deferred taxes	–	9	–
Total hedging combined interest rate and currency risk	1	-20	–
Hedging commodity price risk			
Designated components	–	–	–
Non-designated components	–	–	–
Deferred taxes	–	–	–
Total hedging commodity price risk	–	–	–

Changes in the reserve

When accounting for cash flow hedges, the designated effective portions of a hedge are recognized in OCI I directly in equity. All changes beyond this in the fair value of the designated component are recognized as ineffectiveness in profit or loss.

The tables below show a reconciliation to the reserve:

CHANGES IN THE RESERVE FOR CASH FLOW HEDGES (OCI I)

€ million	Interest rate risk	Currency risk	Interest rate/ currency risk	Commodity price risk	Total
Balance at Jan. 1, 2023	**307**	**1,397**	**–20**	**–**	**1,684**
Gains or losses from effective hedging relationships	–278	733	72	5	533
Reclassifications due to changes in whether the hedged item is expected to occur	–	–137	–	–	–137
Reclassifications due to realization of the hedged item	4	–325	–57	1	–377
Balance at Dec. 31, 2023	**33**	**1,669**	**–5**	**6**	**1,703**

CHANGES IN THE RESERVE FOR CASH FLOW HEDGES (OCI I)

€ million	Interest rate risk	Currency risk	Interest rate/ currency risk	Commodity price risk	Total
Balance at Jan. 1, 2022	**28**	**–665**	**–1**	**–**	**–637**
Gains or losses from effective hedging relationships	287	1,244	20	–	1,551
Reclassifications due to changes in whether the hedged item is expected to occur	–	–133	–	–	–133
Reclassifications due to realization of the hedged item	–8	952	–40	–	904
Balance at Dec. 31, 2022	**307**	**1,397**	**–20**	**–**	**1,684**

If expectations about the occurrence of the hedged item change, the arrangement is reclassified by terminating the hedging relationship prematurely. Changed expectations are primarily caused by a change in projections for hedging sales revenue.

Changes in the fair values of non-designated components of a derivative are likewise generally recognized immediately through profit or loss. An exception from this principle is any change in the fair value attributable to non-designated time values of options, to the extent that they relate to the hedged item. Moreover, the Volkswagen Group initially recognizes in equity (hedging costs) changes in the fair values of non-designated forward components in currency forwards and currency hedges attributed to cash flow hedges. This means that the Volkswagen Group recognizes changes in the fair value of the non-designated component respectively parts thereof immediately through profit or loss only if there is ineffectiveness.

The tables below show a summary of changes in the reserve for hedging costs resulting from the non-designated portions of options and currency hedges:

CHANGES IN THE RESERVE FOR HEDGING COSTS – NON-DESIGNATED TIME VALUES OF OPTIONS

	CURRENCY RISK	
€ million	2023	2022
Balance at Jan. 1	**–87**	**–80**
Gains and losses from non-designated time value of options		
Hedged item is recognized at a point in time	17	82
Reclassifications due to changes in whether the hedged item is expected to occur		
Hedged item is recognized at a point in time	1	1
Reclassification due to realization of the hedged item		
Hedged item is recognized at a point in time	46	–91
Balance at Dec. 31	**–22**	**–87**

CHANGES IN THE RESERVE FOR HEDGING COSTS – NON-DESIGNATED FORWARD COMPONENT AND CROSS CURRENCY BASIS SPREAD (CCBS)

	CURRENCY RISK	
€ million	2023	2022
Balance at Jan. 1	**–1,187**	**–287**
Gains and losses from non-designated forward elements and CCBS		
Hedged item is recognized at a point in time	–283	–1,514
Reclassification due to changes in whether the hedged item is expected to occur		
Hedged item is recognized at a point in time	44	2
Reclassifications due to realization of the hedged item		
Hedged item is recognized at a point in time	641	611
Balance at Dec. 31	**–785**	**–1,187**

4.2 MARKET RISK IN THE VOLKSWAGEN GROUP (EXCLUDING VOLKSWAGEN FINANCIAL SERVICES SUBGROUP)

4.2.1 FOREIGN CURRENCY RISK

Foreign currency risk in the Volkswagen Group (excluding Volkswagen Financial Services subgroup) is attributable to investments, financing measures and operating activities. Currency forwards, currency options, currency swaps and cross-currency interest rate swaps are used to limit foreign currency risk. These transactions relate to the exchange rate hedging of material payments covering general business activities that are not made in the functional currency of the respective Group companies. The principle of matching currencies applies to the Group's financing activities.

Hedging transactions entered into in 2023 as part of foreign currency risk management were amongst others in Australian dollars, Brazilian real, British pound sterling, Chinese renminbi, Hong Kong dollars, Indian rupees, Japanese yen, Canadian dollars, Mexican pesos, Norwegian kroner, Polish zloty, Swedish kronor, Swiss francs, Singapore dollars, South African rand, South Korean won, Taiwan dollars, Czech koruna, Hungarian forints and US dollars.

All nonfunctional currencies in which the Volkswagen Group enters into financial instruments are included as relevant risk variables in the sensitivity analysis in accordance with IFRS 7.

If the functional currencies concerned had appreciated or depreciated by 10% against the other currencies, the exchange rates shown below would have resulted in the following effects on the hedging reserve in equity and on earnings after tax. It is not appropriate to add together the individual figures, since the results of the various functional currencies concerned are based on different scenarios.

The following table shows the sensitivities of the main currencies in the portfolio as of December 31, 2023:

	DEC. 31, 2023		DEC. 31, 2022	
€ million	+10%	-10%	+10%	-10%
Exchange rate				
EUR / USD				
Hedging reserve	408	-393	497	-534
Earnings after tax	-978	978	-731	717
EUR / GBP				
Hedging reserve	1,176	-1,182	1,309	-1,317
Earnings after tax	-93	87	-120	121
EUR / CNY				
Hedging reserve	754	-644	1,299	-1,310
Earnings after tax	-542	542	-342	342
EUR / CHF				
Hedging reserve	883	-909	796	-823
Earnings after tax	10	-10	-1	1
EUR / SEK				
Hedging reserve	191	-190	171	-169
Earnings after tax	-234	234	-67	67
EUR / BRL				
Hedging reserve	54	-54	41	-41
Earnings after tax	-219	219	-66	66
EUR / CAD				
Hedging reserve	205	-205	280	-279
Earnings after tax	-26	26	-20	20
EUR / JPY				
Hedging reserve	190	-188	160	-157
Earnings after tax	-33	33	-36	36
EUR / PLN				
Hedging reserve	187	-187	-72	72
Earnings after tax	-26	26	-37	37
EUR / AUD				
Hedging reserve	169	-169	262	-262
Earnings after tax	-44	44	-31	31
EUR / KRW				
Hedging reserve	184	-179	133	-133
Earnings after tax	-27	27	-46	45
EUR / TWD				
Hedging reserve	155	-155	183	-183
Earnings after tax	-19	19	-10	10
EUR / MXN				
Hedging reserve	122	-122	73	-73
Earnings after tax	-10	10	2	-4
EUR / INR				
Hedging reserve	-96	96	-65	65
Earnings after tax	-7	7	-13	13
CAD / USD				
Hedging reserve	-91	91	-60	60
Earnings after tax	-11	11	-8	7

4.2.2 INTEREST RATE RISK

Interest rate risk in the Volkswagen Group (excluding Volkswagen Financial Services subgroup) results from changes in market interest rates, primarily for medium- and long-term variable interest receivables and liabilities. Interest rate swaps and cross-currency interest rate swaps are used to hedge against this risk, partially as fair value or cash flow hedge, and depending on market conditions. Intragroup financing arrangements are mainly structured to match the maturities of their refinancing. Departures from the Group standard are subject to centrally defined limits and monitored on an ongoing basis.

Interest rate risk within the meaning of IFRS 7 is calculated using sensitivity analyses. The effects of the risk-variable market rates of interest on the financial result and on equity are presented, net of tax.

If market interest rates had been 100 bps higher as of December 31, 2023, equity would have been €21 million (previous year: €20 million) lower. If market interest rates had been 100 bps lower as of December 31, 2023, equity would have been €22 million (previous year: €22 million) higher.

If market interest rates had been 100 bps higher as of December 31, 2023, earnings after tax would have been €362 million (previous year: €143 million) lower. If market interest rates had been 100 bps lower as of December 31, 2023, earnings after tax would have been €382 million (previous year: €149 million) higher.

4.2.3 COMMODITY PRICE RISK

Commodity price risk in the Volkswagen Group (excluding Volkswagen Financial Services subgroup) primarily results from price fluctuations and the availability of ferrous and non-ferrous metals, precious metals, commodities required in connection with the Group's digitalization and electrification strategy, as well as of coal, CO_2 certificates and rubber.

Commodity price risk is limited by entering into forward transactions and swaps.

However, not all commodities are suitable for these types of hedges, e.g. because of low market liquidity or a lack of correlation between hedged item and hedging instrument. Likewise, selected commodities were purchased on the spot market, which led to a corresponding increase in inventories. Commodity price risk within the meaning of IFRS 7 is presented using sensitivity analyses. These show what effect changes in the commodity price risk variable would have on earnings after tax and on equity.

If the commodity prices of the hedged nonferrous metals, coal and rubber had been 10% higher (lower) as of December 31, 2023, earnings after tax would have been €648 million (previous year: €954 million) higher (lower).

If commodity prices in hedging transactions to which hedge accounting is applied had been 10% higher (lower) as of December 31, 2023, equity would have been €27 million higher (lower). As of the end of 2022, there were no hedging relationships that qualified for hedge accounting.

4.2.4 EQUITY AND BOND PRICE RISK

The special funds launched using surplus liquidity and the equity interests measured at fair value are subject in particular to equity price and bond price risk, which can arise from fluctuations in quoted market prices, stock exchange indices and market rates of interest. The changes in bond prices resulting from variations in the market rates of interest are quantified in sections 4.2.1 and 4.2.2, as are the measurement of foreign currency and other interest rate risks arising from the special funds and the equity interests measured at fair value. As a rule, risks arising from the special funds are countered by ensuring a broad diversification of products, issuers and regional markets when investing funds, as stipulated by the Investment Guidelines of the Group. In addition, the Investment Guidelines define fixed minimum values, which are to be met by taking suitable risk management measures. In addition, hedgings are executed when market conditions are appropriate.

As part of the presentation of market risk, IFRS 7 requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. Potential risk variables here are in particular quoted market prices or indices, as well as interest rate changes as bond price parameters.

If share prices had been 10% higher as of December 31, 2023, earnings after tax would have been €290 million (previous year: €107 million) higher and equity would have been €4 million (previous year: €4 million) higher. If share prices had been 10% lower as of December 31, 2023, earnings after tax would have been €270 million (previous year: €65 million) lower and equity would have been €4 million (previous year: €4 million) lower.

4.3 MARKET RISK AT VOLKSWAGEN FINANCIAL SERVICES SUBGROUP

Exchange rate risk in the Volkswagen Financial Services subgroup is mainly attributable to assets that are not denominated in the functional currency and from refinancing within operating activities. Interest rate risk relates to refinancing without matching maturities and the varying interest rate elasticity of individual asset and liability items. The risks are limited by the use of currency and interest rate hedges.

Microhedges are used for interest rate hedging. Fixed-rate assets and liabilities included in the hedging strategy are recognized at fair value, as opposed to their original subsequent measurement at amortized cost. The resulting effects in the income statement are offset by the corresponding gains and losses on the interest rate hedging instruments (swaps). Currency hedges (currency forwards and cross-currency interest rate swaps) are used to mitigate foreign currency risk. All cash flows in foreign currency are hedged.

As of December 31, 2023, the value at risk was €976 million (previous year: €792 million) for interest rate risk and €133 million (previous year: €76 million) for foreign currency risk.

The entire value at risk for interest rate and foreign currency risk at the Volkswagen Financial Services subgroup was €893 million (previous year: €720 million).

5. Methods for monitoring hedge effectiveness

Since the implementation of IFRS 9, the Volkswagen Group determines hedge effectiveness mainly on a prospective basis using the critical terms match method. Retrospective analysis of effectiveness uses a test for ineffectivities in the form of the dollar offset method. Under the dollar offset method, the changes in value of the hedged item expressed in monetary units are compared with the changes in value of the hedging instrument expressed in monetary units.

To this end, the accumulated changes in the fair value of the designated spot component of the hedging instrument and hedged item are compared. If the critical terms do not match, the same procedure is applied to the non-designated component.

Notional amount of derivatives

The summary below presents the remaining maturities profile of the notional amounts of the hedging instruments, which are accounted for under the Volkswagen Group's hedge accounting rules, and of derivatives to which hedge accounting is not applied:

NOTIONAL AMOUNT OF DERIVATIVES IN 2023

€ million	REMAINING TERM up to one year	within one to five years	more than five years	TOTAL NOTIONAL AMOUNT Dec. 31, 2023
Notional amount of hedging instruments within hedge accounting				
Hedging interest rate risk				
Interest rate swap	14,174	50,233	5,587	69,993
Hedging currency risk				
Currency forwards/Cross-currency swaps				
Currency forwards/Cross-currency swaps in CNY	5,708	10,032	62	15,802
Currency forwards/Cross-currency swaps in GBP	12,743	7,067	–	19,810
Currency forwards/Cross-currency swaps in USD	12,383	21,008	1,000	34,391
Currency forwards/Cross-currency swaps in CHF	2,790	8,726	60	11,576
Currency forwards/Cross-currency swaps in other currencies	19,346	18,877	86	38,309
Currency options				
Currency options in USD	1,264	1,174	–	2,437
Currency options in CNY	4,733	1,906	–	6,639
Currency options in CHF	1,274	2,462	–	3,736
Currency options in other currencies	583	836	–	1,419
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	1,174	872	–	2,046
Hedging commodity price risk				
Commodity forwards/swaps aluminium	146	87	–	234
Commodity forwards/swaps copper	43	102	–	145
Commodity forwards/swaps other	44	8	–	52
Notional amount of other derivatives				
Hedging interest rate risk				
Interest rate swap	21,553	37,648	17,178	76,379
Hedging currency risk				
Currency forwards/Cross-currency swaps				
Currency forwards/Cross-currency swaps in USD	10,370	8,605	218	19,193
Currency forwards/Cross-currency swaps in other currencies	16,184	3,095	0	19,279
Currency options				
Currency options in CNY	5,529	–	–	5,529
Currency options in other currencies	4,087	511	–	4,598
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	2,298	12,293	3,406	17,997
Hedging commodity price risk				
Commodity forwards/swaps aluminium	1,263	2,535	–	3,798
Commodity forwards/swaps copper	489	1,257	–	1,746
Commodity forwards/swaps nickel	1,021	2,564	218	3,803
Commodity forwards/swaps other	522	126	–	648

NOTIONAL AMOUNT OF DERIVATIVES IN 2022

	REMAINING TERM			TOTAL NOTIONAL AMOUNT
€ million	up to one year	within one to five years	more than five years	Dec. 31, 2022
Notional amount of hedging instruments within hedge accounting				
Hedging interest rate risk				
Interest rate swap	13,674	52,876	6,991	73,541
Hedging currency risk				
Currency forwards/Cross-currency swaps				
Currency forwards/Cross-currency swaps in CNY	7,654	12,682	120	20,456
Currency forwards/Cross-currency swaps in GBP	12,106	9,679	–	21,785
Currency forwards/Cross-currency swaps in USD	12,210	22,833	2,314	37,357
Currency forwards/Cross-currency swaps in other currencies	18,904	25,381	–	44,284
Currency options				
Currency options in USD	3,484	2,772	–	6,256
Currency options in CNY	7,005	8,689	–	15,694
Currency options in other currencies	1,736	3,656	–	5,392
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	773	804	–	1,577
Notional amount of other derivatives				
Hedging interest rate risk				
Interest rate swap	17,835	36,775	16,380	70,991
Hedging currency risk				
Currency forwards/Cross-currency swaps				
Currency forwards/Cross-currency swaps in USD	9,060	7,431	165	16,656
Currency forwards/Cross-currency swaps in other currencies	16,430	2,511	0	18,941
Currency options				
Currency options in USD	3,549	644	–	4,193
Currency options in other currencies	280	212	–	492
Combined interest rate and currency risk hedging				
Cross-currency interest rate swaps	5,231	8,717	3,945	17,892
Hedging commodity price risk				
Commodity forwards/swaps aluminium	979	2,390	–	3,369
Commodity forwards/swaps copper	416	651	–	1,067
Commodity forwards/swaps nickel	840	2,048	165	3,052
Commodity forwards/swaps other	380	153	–	533

Both derivatives closed with offsetting transactions and the offsetting transactions themselves are included in the respective notional amount. The offsetting transactions cancel out the effects of the original hedging transactions. If the offsetting transactions were not included, the respective notional amount would be lower. In addition to the derivatives used for hedging foreign currency, interest rate and price risk, the Group held options and other derivatives on equity instruments at the reporting date, mainly in connection with fund investments. The notional volume with a remaining maturity of less than one year was €19.9 billion (previous year: €17.9 billion). The notional volume with a remaining maturity of more than one year was €4.2 billion (previous year: €4.2 billion) and relates primarily to options in connection with the acquisition of Europcar.

Also in connection with fund investments, the Group held credit default swaps with a notional amount of €32.2 billion (previous year: €17.5 billion).

Existing cash flow hedges in the notional amount of €5.2 billion (previous year: €2.0 billion) were discontinued because of a reduction in the projections. In addition, hedges were to be terminated due to internal risk regulations.

Items hedged under cash flow hedges are expected to be realized in accordance with the maturity buckets of the hedges reported in the table. For cash flow hedges, the Volkswagen Group achieved an average hedging interest rate of 2.93% for hedging interest rate risk. In addition, currency risk was hedged at the following hedging exchange rates for the major currency pairs: EUR/USD at 1.16; EUR/GBP at 0.88; EUR/CNY at 7.39.

The average hedging prices used in commodity price hedging were USD 2,332.15/tonne for aluminum and USD 8,359.11/tonne for copper.

The fair values of the derivatives are estimated using market data at the balance sheet date as well as by appropriate valuation techniques. The following term structures were used for the calculation:

in %	EUR	AUD	CAD	CHF	CNY	CZK	GBP	JPY	SEK	USD
Interest rate for six months	3.6832	4.3613	4.9060	1.5800	2.3769	6.1629	5.1350	0.0176	4.1596	5.1613
Interest rate for one year	3.2078	4.2061	4.5750	1.3900	2.3105	6.3621	4.7450	0.0713	3.7939	4.7871
Interest rate for five years	2.1805	3.9280	3.1720	1.0675	2.5700	3.5350	3.3822	0.4500	2.3870	3.5555
Interest rate for ten years	2.2735	4.1830	3.1250	1.1700	2.7700	3.4950	3.3000	0.8438	2.3530	3.4831

37. Capital management

The Group's capital management ensures that its goals and strategies can be achieved in the interests of shareholders, employees and other stakeholders. In particular, management focuses on generating the minimum return on invested assets in the Automotive Division that is required by the capital markets, and on increasing the return on equity in the Financial Services Division. In the process, it aims overall to achieve the highest possible growth in the value of the Group and its divisions for the benefit of all the Company's stakeholder groups.

In order to ensure that resources are used as efficiently as possible in the Automotive Division and to measure the success of this, we have for a number of years been using a value-based management system, with value contribution as an absolute performance measure and return on investment (ROI) as a relative indicator.

Value contribution is defined as the difference between operating profit after tax and the opportunity cost of invested capital. The opportunity cost of capital is calculated by multiplying the market cost of capital by average invested capital. Invested capital is calculated by taking the operating assets reported in the balance sheet (property, plant and equipment, intangible assets, lease assets, inventories and receivables) and deducting non-interest-bearing liabilities (trade payables and payments on account received). Average invested capital is derived from the balance at the beginning and the end of the reporting period.

The return on investment is defined as the return on invested capital for a particular period based on the operating result after tax. If the return on investment exceeds the market cost of capital, there is an increase in the value of the invested capital and a positive value contribution. In the Group, a minimum required rate of return on invested capital of 9.0% is defined, which applies to both the business units and the individual products and product lines. The goal of generating a sustained return on investment of over 18.0% is anchored in the company's strategy. The return on investment therefore serves as a consistent target in operational and strategic management and is used to measure target attainment for the Automotive Division, the individual business units, and projects and products. The return on investment achieved for the Automotive Division was 12.3% in the reporting period, which is above the minimum rate of return on invested capital of 9.0%. Given the current cost of capital of 8.5%, this results in a positive value contribution of €4,727 million.

Due to the specific features of the Financial Services Division, its management focuses on return on equity, a special target linked to invested capital. This measure is calculated as the ratio of earnings before tax to average equity. Average equity is calculated from the balance at the beginning and the end of the reporting period. In addition, the goals of the Financial Services Division are to meet the banking supervisory authorities' regulatory capital requirements, to procure equity for the growth planned in the coming fiscal years and to support its external rating by ensuring capital adequacy. To ensure compliance with prudential requirements at all times, a planning procedure integrated into internal reporting has been put in place at the Volkswagen Bank, allowing the required equity to be continuously determined on the basis of actual and expected business performance. In the reporting period, this again ensured that regulatory minimum capital requirements were always met both at Group level and at the level of subordinate companies' individual, specific capital requirements.

The return on investment and value contribution in the Automotive Division as well as the return on equity and the equity ratio in the Financial Services Division are shown in the following table:

€ million	2023	2022[3]
Automotive Division[1]		
Operating result after tax	15,218	14,080
Invested capital (average)	123,887	117,402
Return on investment (ROI) in %	**12.3**	**12.0**
Cost of capital in %	8.5	8.3
Opportunity cost of invested capital	10,491	9,701
Value contribution[2]	**4,727**	**4,379**
Financial Services Division		
Earnings before tax	3,775	5,595
Average equity	42,991	39,773
Return on equity before tax in %	**8.8**	**14.1**
Equity ratio in %	**14.8**	**16.1**

1 Including proportionate inclusion of the Chinese joint ventures and allocation of consolidation adjustments between the Automotive and Financial Services Divisions; excluding effects on earnings and assets from purchase price allocation.
2 The value contribution corresponds to the Economic Value Added (EVA®). EVA® is a registered trademark of the consulting firm Stern Value Management.
3 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

38. Contingent liabilities

€ million	Dec. 31, 2023	Dec. 31, 2022
Liabilities under guarantees	548	521
Liabilities under warranty contracts	65	73
Assets pledged as security for third-party liabilities	8	11
Other contingent liabilities	9,771	10,000
	10,392	**10,604**

In the case of liabilities from guarantees, the Group is required to make specific payments if the debtors fail to meet their obligations.

The other contingent liabilities primarily comprise potential liabilities arising from matters relating to taxes and customs duties, as well as litigation and proceedings relating to suppliers, dealers, customers, employees and investors. The contingent liabilities recognized in connection with the diesel issue totaled €4.0 billion (previous year: €4.2 billion), of which €3.8 billion (previous year: €3.6 billion) was attributable to investor lawsuits in Germany. Also included are certain elements of the class action lawsuits and proceedings/misdemeanor proceedings relating to the diesel issue as far as these can be quantified. As some of these proceedings are still at a very early stage, the plaintiffs have in a number of cases so far not specified the basis of their claims and/or there is insufficient certainty about the number of plaintiffs or the amounts being claimed. Where these lawsuits meet the definition of a contingent liability, no disclosure was normally required because it had not been possible to measure the amount involved.

In addition, other contingent liabilities include an amount of €0.6 billion for potential liabilities resulting from the risk of tax proceedings instituted by the Brazilian tax authorities against Volkswagen Truck & Bus (formerly: MAN Latin America).

Since 2016, the U.S. National Highway Traffic Safety Administration (NHTSA) has announced further extensions of the recalls of various models from a variety of manufacturers containing certain airbags produced by the Takata company. Recalls were also demanded by the local authorities in individual countries. The recalls also included models manufactured by the Volkswagen Group. Appropriate provisions have been recognized. Currently, the possibility of further extensions to the recalls that could also affect Volkswagen Group models cannot be ruled out. It is not possible at the moment to provide further disclosures in accordance with IAS 37.86 in relation to this matter because the technical investigations and consultations with the authorities are still ongoing.

In line with IAS 37.92, no further statements have been made concerning estimates of financial impact or regarding uncertainty as to the amount or maturity of provisions and contingent liabilities in relation to additional important legal cases. This is so as to not compromise the results of the proceedings or the interests of the Company. Further information can be found under the section entitled "Litigation".

39. Litigation

Volkswagen AG and the companies in which it is directly or indirectly invested are involved in a substantial number of legal disputes and governmental proceedings in Germany and abroad. Such legal disputes and other proceedings occur, among other things, in connection with products and services or in relation to employees, public authorities, dealers, investors, customers, suppliers, or other contracting parties. For the companies in question, these disputes and proceedings may result in payments such as fines or in other obligations or consequences. In particular, substantial compensatory or punitive damages may have to be paid and cost-intensive measures may have to be implemented. In this context, specific estimation of the objectively likely consequences is often possible only to a very limited extent, if at all.

Various legal proceedings are pending worldwide, particularly in the USA, in which customers are asserting purported product-related claims, either individually or in class actions. These claims are as a rule based on alleged vehicle defects, including defects alleged in vehicle parts supplied to the Volkswagen Group.

Compliance with legal or regulatory requirements is another area in which risks may arise. This is particularly true in gray areas where Volkswagen and the relevant public authorities may interpret the law differently.

In connection with their business activities, Volkswagen Group companies engage in constant dialogue with regulatory agencies, including the *Kraftfahrt-Bundesamt* (KBA – German Federal Motor Transport Authority). It is not possible to predict with assurance how government regulators will assess certain issues of fact and law in a particular situation. For this reason, the possibility that certain vehicle characteristics and/or type approval aspects may in particular ultimately be deemed deficient or impermissible cannot be ruled out. This is fundamentally a question of the regulatory agency's specific evaluation in a concrete situation.

A comparable challenge results from the tension between divergent national and international statutory or regulatory requirements regarding obligations to transfer information or documents, on the one hand, and privacy mandates under national and international data protection law on the other. Volkswagen is advised by outside law firms on these issues so as to preclude compliance violations as far as possible despite the sometimes unclear state of the law.

Litigation may furthermore result from demands for more extensive climate protection measures or from allegedly incomplete disclosures regarding the impact of climate change. The response of the Volkswagen Group to this risk includes, among other things, certification of its self-imposed decarbonization targets through independent and internationally respected organizations and systematic alignment of its non-financial reporting with the requirements of the law and the capital markets.

Risks may also result from actions for infringement of intellectual property, including infringement of patents, brands, or other third-party rights, particularly in Germany, before the Unified Patent Court and in the United States. If Volkswagen is alleged or determined to have violated third-party intellectual property rights, it may for instance have to pay damages, modify manufacturing processes, or redesign products, and may be barred from selling certain products; this may result in delivery and production restrictions or interruptions.

Criminal acts by individuals, which even the best compliance management system can never completely prevent, are another potential source of legal risks.

Appropriate insurance has been taken out to cover these risks where they were sufficiently definite and such coverage was economically sensible. Where necessary based on the information currently available, identified and correspondingly measurable risks have been reflected by recognizing provisions in amounts considered appropriate or disclosing contingent liabilities, as the case may be. As some risks cannot be assessed or can only be assessed to a limited extent, the possibility of material loss or damage not covered by the insured amounts or by provisions cannot be ruled out. This is, for instance, the case with regard to the legal risks assessed in connection with the diesel issue.

Unless otherwise explicitly stated, the amounts disclosed for the litigation being reported on refer only to the respective principal claim. Ancillary claims, such as for interest and litigation expense, are generally not considered.

DIESEL ISSUE

On September 18, 2015, the US Environmental Protection Agency (EPA) publicly announced in a "Notice of Violation" that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain Volkswagen Group vehicles with 2.0 l diesel engines in the USA. In this context, Volkswagen AG announced that noticeable discrepancies between the figures recorded in testing and those measured in actual road use had been identified in type EA 189 diesel engines and that this engine type had been installed in roughly eleven million vehicles worldwide. On November 2, 2015, the EPA issued a "Notice of Violation" alleging that irregularities had also been discovered in the software installed in US vehicles with type V6 3.0 l diesel engines.

The so-called diesel issue is rooted in a modification of parts of the software of the relevant engine control units – which, according to Volkswagen AG's legal position, is only unlawful under US law – for the type EA 189 diesel engines that Volkswagen AG was developing at that time. This software function was developed and implemented from 2006 on without knowledge at the level of the Board of Management. Members of the Board of Management did not learn of the development and implementation of this software function until the summer of 2015.

There are furthermore no findings that, following the publication in May 2014 of the study by the International Council on Clean Transportation, an unlawful "defeat device" under US law was disclosed to the persons responsible for preparing the 2014 annual and consolidated financial statements as the cause of the high NO_x emissions in certain US vehicles with 2.0 l type EA 189 diesel engines. Rather, at the time the 2014 annual and consolidated financial statements were being prepared, the persons responsible for preparing these financial statements remained under the impression that the issue could be resolved with comparatively little expense. In the course of the summer of 2015, however, it became progressively apparent to individual members of Volkswagen AG's Board of Management that the cause of the discrepancies in the USA was a modification of parts of the software of the engine control unit that was later identified as an unlawful "defeat device" as defined by US law. This culminated in Volkswagen's disclosure of a "defeat device" to the EPA and the California Air Resources Board (CARB), a department of the Environmental Protection Agency of the State of California, on September 3, 2015. According to the assessment at the time by the responsible persons dealing with the matter, the magnitude of the costs expected to result for the Volkswagen Group (recall costs, retrofitting costs, and financial penalties) was not fundamentally dissimilar to that in previous cases involving other vehicle manufacturers. It therefore appeared to be manageable overall considering the business activities of the Volkswagen Group. This assessment by Volkswagen AG was based, among other things, on the advice of a law firm engaged in the USA for regulatory approval issues, according to which similar cases had in the past been amicably resolved with the US authorities. The EPA's publication of the "Notice of Violation" on September 18, 2015, which the Board of Management had not expected, especially at that time, then presented the situation in an entirely different light.

The AUDI AG Board of Management members in office at the time in question have likewise stated that they had no knowledge of the use of "defeat device" software that was prohibited by US law in the type V6 3.0 l TDI engines until the EPA issued its November 2015 "Notice of Violation."

Within the Volkswagen Group, Volkswagen AG has development responsibility for the four-cylinder diesel engines and AUDI AG has development responsibility for the six- and eight-cylinder diesel engines.

As a consequence of the diesel issue, numerous judicial and regulatory proceedings were initiated in various countries. Volkswagen has in the interim succeeded in making substantial progress and ending many of these proceedings. In the USA, Volkswagen AG and certain affiliates reached settlement agreements with various government authorities and private plaintiffs, the latter represented by a Plaintiffs' Steering Committee in a multidistrict litigation in the US state of California. The agreements in question include various partial consent decrees as well as a plea agreement that resolved certain civil claims as well as criminal charges under US federal law and the laws of certain US states in connection with the diesel issue. Although Volkswagen is firmly committed to fulfilling the obligations arising from these agreements, a breach of these obligations cannot be completely ruled out. In the event of a violation, significant penalties could be imposed as stipulated in the agreements, in addition to the possibility of further monetary fines, criminal sanctions and injunctive relief.

In agreement with the respective responsible authorities, the Volkswagen Group is making technical measures available worldwide for virtually all diesel vehicles with type EA 189 engines. For all clusters (groups of vehicles) within its jurisdiction, the KBA determined that implementation of the technical measures would not result in any adverse changes in fuel consumption, CO_2 emissions, engine output, maximum torque, and noise emissions.

Following the studies carried out by AUDI AG to check all relevant diesel concepts for possible irregularities and retrofit potential, measures proposed by AUDI AG have been adopted and mandated by the KBA in various recall orders pertaining to vehicle models with V6 and V8 TDI engines. AUDI AG continues to anticipate that the total cost, including recall expenses, of the ongoing largely software-based retrofit program that began in July 2017 will be manageable and has recognized corresponding balance-sheet risk provisions. AUDI AG has in the meantime developed software updates for many of the affected powertrains and, after approval by the KBA, already installed these updates in the vehicles of a large number of affected customers. KBA approval is still expected for the small number of software updates that are still pending.

In connection with the diesel issue, potential consequences for Volkswagen's results of operations, financial position and net assets could emerge primarily in the following legal areas:

1. Criminal and administrative proceedings worldwide (excluding the USA/Canada)
Criminal investigations, regulatory offense proceedings, and/or administrative proceedings have been commenced in some countries. Criminal investigations into the core factual issues are being conducted by the Offices of the Public Prosecutor in Braunschweig and Munich.

In January 2021, the criminal proceedings regarding alleged market manipulation relating to capital market disclosure obligations in connection with the diesel issue were terminated by the Braunschweig Regional Court provisionally as regards the former Chair of the Board of Management and definitively as regards the corresponding regulatory offense proceeding against Volkswagen AG. Pursuant to a motion filed by the Braunschweig Office of the Public Prosecutor, the Braunschweig Regional Court reopened the proceedings against the former Chair of the Board of Management in December 2023. This case will now move forward; the Braunschweig Regional Court has as yet set no date for commencement of the trial.

In September 2020, the Braunschweig Regional Court allowed the indictment of the same former Chair of the Board of Management of Volkswagen AG to proceed on charges that include fraud in connection with the diesel issue involving type EA 189 engines. The proceedings against this former Chair of the Board of Management of Volkswagen AG have since been severed from the other cases. The trial of the other defendants began in September 2021.

The Braunschweig Office of the Public Prosecutor conducted investigations on suspicion of fraud in connection with type EA 288 engines. The proceedings against the accused employees and against Volkswagen AG were terminated in late 2022 and early 2023, definitively against payment of a sum set by the court in the case of three of the accused persons and provisionally as regards four others.

In June 2020, the Munich II Regional Court accepted the substantially unchanged indictment of the Munich II Office of the Public Prosecutor, which also named a former Chair of the Board of Management of AUDI AG, and opened the main trial proceedings on charges of, among other things, fraud in connection with the diesel issue involving 3.0 l and 4.2 l TDI engines. The trial before the Munich II Regional Court concluded in June 2023; the former Chair of the Board of Management of AUDI AG and the other two defendants were sentenced to prison terms, the enforcement of which was in each case suspended subject to probation. The conditions of probation include the payment of sums set by the court. The judgment is not yet final. All three defendants have filed appeals on issues of law. The Office of the Public Prosecutor has likewise appealed the judgment against one of the defendants. In April 2023, the Munich II Regional Court had previously terminated the proceedings against an additional former defendant against payment of a sum set by the court.

In August 2020, the Munich II Office of the Public Prosecutor issued a further indictment charging three former members of the Board of Management of AUDI AG and others with, among other things, fraud in connection with the diesel issue involving 3.0 l and 4.2 l TDI engines. The Munich II Regional Court has not yet decided whether to accept the indictment.

As the type approval authority of proper jurisdiction, the KBA is moreover continuously testing Audi, Volkswagen, and Porsche brand vehicles for problematic functions. If certain functions are deemed impermissible by the KBA, the affected vehicles are recalled pursuant to a recall order or they are brought back into compliance by means of a voluntary service measure.

In judgments rendered in July and November 2022, the European Court of Justice (ECJ) ruled that a so-called thermal window (i.e. a temperature-dependent exhaust gas recirculation) in the range of 15°C and 33°C outside temperature represents a defeat device. In this context, the ECJ developed a new, unwritten criterion according to which a thermal window, even if it serves to prevent sudden and extraordinary damage, is impermissible if it is active "for most of the year under real driving conditions prevalent in the territory of the European Union." The KBA commenced formal administrative proceedings relating to certain first and second generation type EA 896 engines that were installed in certain older vehicle models as well as to individual vehicle models with type EA 189 engines. In July and October 2023, the KBA issued two administrative rulings against AUDI AG in which it ruled that the originally incorporated thermal window version failed to meet the ECJ's new vehicle engineering criterion in some of the affected vehicles. AUDI AG has appealed the rulings, and they are therefore not final. The KBA issued corresponding administrative rulings against Porsche AG in December 2023 and against Volkswagen AG in January 2024. Porsche AG and Volkswagen AG have appealed the rulings. The Volkswagen Group had previously already begun rolling out software updates that modify the thermal window in accordance with the ECJ's new vehicle engineering criterion and will continue to do so.

In a trial level decision rendered in late February 2023, the Schleswig Administrative Court upheld a lawsuit brought by *Deutsche Umwelthilfe* (DUH – Environmental Action Germany) against the KBA and invalidated the notice of approval for a software update for certain older Golf Plus model vehicles to the extent this notice classified the thermal window feature, the altitude correction feature, and the taxi switch feature as permissible deactivation devices (defeat devices). Altitude correction refers to altitude-dependent exhaust gas recirculation. The taxi switch modifies exhaust gas recirculation when a vehicle with a running engine stands motionless for a certain period of time. Volkswagen AG is involved in the litigation as an interested party summoned. In late April 2023, Volkswagen AG and the KBA filed appeals against the judgment of the Schleswig Administrative Court. This decision is thus not legally final. DUH has filed two additional lawsuits with the Schleswig Administrative Court. The first action contests the notices of approval for further Audi and Porsche brand vehicles equipped with type EA 189 engines as well as with selected V-TDI engines; the second action is directed against all Group diesel vehicles with the Euro-5 and Euro-6b/c exhaust emission standard. In the first action, the Schleswig Administrative Court issued a judgment in January 2024 that extended its initial February 2023 decision to additional vehicles with type EA 189 engines and invalidated the KBA's notices of approval for these vehicles. The court granted both leave to appeal (on points of fact and law) and to leap-frog appeal (on points of law). This decision is thus not legally final.

Moreover, additional administrative proceedings relating to the diesel issue are ongoing in other jurisdictions. The companies of the Volkswagen Group are cooperating with the government authorities.

Risks may furthermore result from possible decisions by the European Court of Justice construing EU type approval provisions.

Whether the criminal and administrative proceedings will ultimately result in fines or other consequences for the Company, and if so what amounts these may entail, is currently subject to estimation risks. According to Volkswagen's estimates, the likelihood that a sanction will be imposed is 50 % or less in the majority of these proceedings. Contingent liabilities have therefore been disclosed where the amount of such liabilities could be measured and the likelihood of a sanction being imposed was assessed at not less than 10 %.

2. Product-related lawsuits worldwide (excluding the USA/Canada)

A general possibility exists that customers in the affected markets will file civil lawsuits or that importers and dealers will assert recourse claims against Volkswagen AG and other Volkswagen Group companies. Besides individual lawsuits, various forms of collective actions (i.e. assertion of individual claims by plaintiffs acting jointly or as representatives of a class) are available in various jurisdictions. Furthermore, in a number of markets it is possible for consumer and/or environmental organizations to bring suit to enforce alleged rights to injunctive relief, declaratory judgment, or damages.

Customer class action lawsuits and actions brought by consumer and/or environmental organizations were pending in the reporting year against Volkswagen AG and other Volkswagen Group companies in a number of countries including Belgium, Brazil, England and Wales, France, Germany, Italy, the Netherlands, Portugal, and South Africa. These actions asserted alleged rights to damages and other relief. The pending actions included in particular the following:

Pending in Belgium is a class action filed by the Belgian consumer organization *Test Aankoop VZW* seeking repayment of the purchase price or damages in the alternative; an opt-out mechanism has been held to apply to this action. Given the opt-out rule, the class action potentially covers all vehicles with type EA 189 engines purchased by consumers on the Belgian market after September 1, 2014, unless the right to opt out is actively exercised. In July 2023, a trial level judgment was rendered in this class action by which Volkswagen AG was ordered to pay 5% of the purchase price, or 5% of the difference between the purchase price and the resale price, if a consumer had purchased a vehicle with a type EA 189 engine between September 1, 2014 and September 22, 2015, had not installed the software update, and was able to produce the relevant evidentiary documentation. The judgment is not yet final.

In Brazil, two consumer protection class actions are pending. In the first class action, which pertains to some 17 thousand Amarok vehicles, the Superior Court of Justice in August 2022 rejected in part the appeal filed by Volkswagen do Brasil against the May 2019 judgment at the first appeals level that had initially reduced the damage liability of Volkswagen do Brasil considerably to around BRL 172 million. Following Volkswagen do Brasil's appeal, the Superior Court of Justice vacated its own prior decision in its entirety. The case was remanded to the lower appellate court for rehearing of certain issues. Volkswagen do Brasil is permitted to introduce new evidence. The judgment is enforceable, but remains non-final. In the second class action, which pertains to roughly 67 thousand later generation Amarok vehicles, the appeal filed by the plaintiff against the October 2021 trial court judgment dismissing its complaint was rejected by the appellate court in June 2023. The plaintiff has appealed this decision to the Superior Court of Justice.

financialright GmbH originally filed consolidated actions before various German courts asserting roughly 45 thousand claims assigned to it by customers in Germany, Slovenia, and Switzerland against Volkswagen Group companies; the *Bundesgerichtshof* (BGH – Federal Court of Justice) has since affirmed the permissibility of *financialright GmbH's* business model. Following the withdrawal of numerous motions for relief, approximately 9 thousand claims are currently still pending. Provisions were recognized to account for the possibility that objectively valuable claims may again be raised in or out of court.

Actions were filed in late 2021 in courts in England and Wales against Volkswagen AG, Volkswagen Financial Services (UK) Limited, and other Volkswagen Group companies in connection with certain diesel vehicles leased or sold in England, Wales, and Northern Ireland since 2009 and various other diesel engine types. These actions are in a very early procedural stage. No Group company has as yet been formally served with a complete statement of the grounds of the complaint, and a number of the plaintiffs' claims have yet to be specified in detail.

In France, a class action is pending that was filed by the French consumer organization *Confédération de la Consommation, du Logement et du Cadre de Vie* (CLCV) against Volkswagen Group Automotive Retail France, Volkswagen Group France, and Volkswagen AG for up to 1 million French owners and lessees of vehicles with type EA 189 engines. This is an opt-in class action in which CLCV is primarily seeking rescission without compensation for use of the vehicle or, in the alternative, damages amounting to 20-30% of the purchase price.

In Italy, a trial level judgment in favor of the plaintiffs was rendered by the Venice Regional Court in July 2021 in the class action brought by the consumer association *Altroconsumo* on behalf of Italian customers; the judgment required Volkswagen AG and Volkswagen Group Italia to pay damages to some 63 thousand consumers in an aggregate amount of roughly € 185 million. The judgment was largely overturned pursuant to the appeal filed by Volkswagen AG and Volkswagen Group Italia. Per this decision, the consumers validly registered in the class action will receive merely €300 each.

In the Netherlands, an opt-out class action is pending that was brought by *Stichting Volkswagen Car Claim* seeking declaratory rulings for up to 201 thousand customers. A declaratory judgment partially granting the relief sought was issued in July 2021. In the opinion of the court, Volkswagen AG and the other defendant Group companies acted unlawfully with respect to the original engine management software. The court moreover held that consumers are entitled to a purchase price reduction from the defendant dealerships. No specific payment obligations result from the declaratory judgment. Any individual claims would then have to be established afterwards in separate proceedings. Volkswagen AG and the other defendant Group companies appealed the decision. Furthermore, an opt-out class action lawsuit brought by the Diesel Emissions Justice Foundation (DEJF) seeking monetary damages on behalf of Dutch consumers is also pending; the action involves vehicles with type EA 189 engines, among others. The trial court rendered an interlocutory judgment in March 2022 holding the new class action regime – which permits damage awards in addition to declaratory judgment on the existence of claims – to be inapplicable to the instant lawsuit. The interlocutory judgment further finds that the Amsterdam court lacks jurisdiction to hear lawsuits brought by consumers outside the Netherlands. The DJEF filed what was originally a comprehensive appeal against this judgment, but limited its appeal in the reporting year solely to the issue of the applicability of the new class action regime; hence the court's decision that it lacks jurisdiction to hear lawsuits brought by consumers outside the Netherlands is final and binding. The court suspended further trial level proceedings pending a decision by the appellate court.

In Portugal, a Portuguese consumer organization had filed an opt-out class action potentially affecting up to approximately 70 thousand vehicles with type EA 189 engines. In July 2023, the Supreme Court dismissed the class action as inadmissible because the plaintiff consumer organization lacked standing to sue. The judgment became final in September 2023.

In South Africa, an opt-out class action seeking damages is pending; the action pertains to some 80 thousand vehicles, including vehicles with type EA 189 engines.

Furthermore, individual lawsuits and similar proceedings are pending against Volkswagen AG and other Volkswagen Group companies in various countries; most of these lawsuits are seeking damages or rescission of the purchase contract.

In Germany, roughly 25 thousand individual lawsuits relating to various diesel engine types are currently pending against Volkswagen AG or other Group companies, with the plaintiffs suing for damages or rescission of the contract in most cases.

In 2020, the BGH issued a series of fundamental judgments deciding legal issues of major importance for the litigation still pending with regard to vehicles with type EA 189 engines. The BGH held that buyers who had purchased vehicles prior to public disclosure of the diesel issue could return their vehicles to Volkswagen AG and receive a refund of the purchase price paid, less a deduction for the benefit derived from using the vehicle. However, buyers had no tort-based claim for damages if they purchased their vehicles after the ad hoc announcement of September 22, 2015 or if they raise claims based solely on a temperature-dependent exhaust gas recirculation (so-called thermal window) in the engine. In February 2022, the BGH issued further fundamental judgments concerning vehicles with EA 189 motors affirming that buyers of new vehicles of the Volkswagen brand were entitled to residual damage claims against Volkswagen AG after the knowledge-based limitation period has expired; the BGH had previously held that purchasers of used cars lacked such claims. The BGH held that buyers must return their vehicles in order to claim payment and that such payment was reduced by the benefit derived from using the vehicle and by the dealer profit margin. In an additional fundamental judgment rendered in July 2022 concerning vehicles with EA 189 engines, the BGH held that buyers of new vehicles of other Group brands have no claim for residual damages against Volkswagen AG.

In late June 2023, the BGH handed down judgments in lawsuits against Volkswagen AG and AUDI AG posing the issue as to how the case law of the ECJ on the potential claims of buyers under European type approval law should be implemented in German law. The BGH held that the negligent use of an impermissible defeat device may in principle entitle plaintiffs to differential damages in tort amounting to 5 % to 15 % of their vehicle's purchase price. Whether this claim is given in a particular instance is for the appeals courts to determine. The BGH stated that, when deciding whether a deactivation device was impermissible, it did not matter whether the limits in the NEDC testing procedure would be complied with even when system functioning was modified. The BGH held that liability does not arise where the manufacturer is not at fault, e.g. because the relevant public authority had approved the deactivation device in its specific configuration and taking account of identified combinations of deactivation devices, or would have done so upon request. Where a claim for differential damages exists in principle, the buyer must furthermore accept an offset for the benefit derived from using the vehicle and for the vehicle's value to the extent these exceed the vehicle's diminished value. An implemented software update may also potentially mitigate damages.

Volkswagen estimates the likelihood that the plaintiffs will prevail to be 50 % or less in the great majority of cases: customer class actions, complaints filed by consumer and/or environmental organizations, and individual lawsuits. Contingent liabilities are disclosed for these proceedings where the amount of such liabilities can be measured and the chance that the plaintiff will prevail was assessed as not remote. Given the early stage of the proceedings, it is in some cases not yet possible to quantify the realistic risk exposure. Furthermore, provisions were recognized to the extent necessary based on the current assessment.

At this time, it cannot be estimated how many customers will choose to file lawsuits in the future in addition to those already pending and what prospect of success such lawsuits might have.

3. Lawsuits filed by investors worldwide (excluding the USA/Canada)
Investors from Germany and abroad have filed claims for damages against Volkswagen AG – in some cases along with Porsche Automobil Holding SE (Porsche SE) as joint and several debtors – based on purported losses due to alleged misconduct in capital market communications in connection with the diesel issue.

Almost all investor lawsuits are now pending before the Braunschweig Regional Court or the Braunschweig Higher Regional Court. In August 2016, the Braunschweig Regional Court issued an order referring common questions of law and fact relevant to the investor lawsuits pending in Braunschweig to the Higher Regional Court in Braunschweig for binding declaratory rulings pursuant to the *Kapitalanleger-Musterverfahrensgesetz* (KapMuG – German Capital Investor Model Declaratory Judgment Act). The investor lawsuits pending against Volkswagen AG in Germany are stayed pending resolution of the common issues, unless the cases can be dismissed for reasons independent of the common issues that are to be adjudicated in the model case proceedings. The resolution in the model case proceedings of the common questions of law and fact will be binding for the pending cases that have been stayed as described. The model case plaintiff is Deka Investment GmbH. Oral argument in the model case proceedings before the Braunschweig Higher Regional Court began in September 2018. The Braunschweig Higher Regional Court issued several notification rulings stating its position on certain legal issues of fundamental importance for the litigation. In July 2023, the Braunschweig Higher Regional Court issued an order for the taking of evidence including the examination of numerous persons as well as the production and consultation of documents and records. The mandated taking of evidence focuses initially on whether the Board of Management of Volkswagen AG or individual members thereof and/or individual members of Volkswagen AG's Ad Hoc Disclosure Clearing Office (the persons with ad hoc disclosure responsibility in the court's view) had or, as Volkswagen AG's state of knowledge indicates, lacked knowledge of the installation of deactivation devices prohibited under US law in Volkswagen AG vehicles, as well as on the conceptions of these persons regarding the potential share price impact of the information that each respectively possessed. Volkswagen AG has the burden of proof on some issues. The taking of testimony commenced in September 2023. To date, none of the witnesses examined has testified to having personal knowledge or to knowledge on the part of persons with ad hoc disclosure responsibility. Several witnesses invoked a privilege against giving testimony. In some cases (not as to persons with ad hoc disclosure responsibility), the Braunschweig Higher Regional Court affirmed a comprehensive right to refuse to testify. The implications of the refusal to testify given Volkswagen AG's burden of proof cannot be assessed abstractly. Pursuant to § 286 of the Code of Civil Procedure, the Braunschweig Higher Regional Court must decide at its discretion and conviction, taking account of the entire content of the hearings and the results of the evidence taken.

Further investor lawsuits are pending before the Stuttgart Regional Court against Volkswagen AG, in some cases along with Porsche SE as joint and several debtor. An additional investor action for model declaratory judgment was filed with the Stuttgart Higher Regional Court against Porsche SE; Volkswagen AG is involved in this action as a third party intervening in support of a party to the dispute. The Wolverhampton City Council, Administrating Authority for the West Midlands Metropolitan Authorities Pension Fund, was appointed model case plaintiff. The Stuttgart Higher Regional Court rendered a model declaratory judgment in late March 2023. Based on the determinations made in the model declaratory judgment and the current substantive status of the underlying actions, all of the suspended investor lawsuits against Porsche SE would in effect have to be dismissed. The model declaratory judgment is not yet final. The model case plaintiff, several interested parties summoned, and Porsche SE petitioned the BGH for review on points of law. Volkswagen AG joined the proceedings as a third-party supporting the petition for review of Porsche SE.

Excluding the United States and Canada, claims in connection with the diesel issue totaling roughly €9.2 billion are currently pending worldwide against Volkswagen AG in the form of investor lawsuits, judicial applications for dunning and conciliation procedures, and claims under the KapMuG. To date, claims in the high triple-digit-millions range have been withdrawn or finally and conclusively dismissed. Volkswagen AG remains of the opinion that it duly complied with its capital market obligations. Therefore, no provisions have been recognized for these investor lawsuits. Contingent liabilities have been disclosed where the chance of success was estimated to be not less than 10 %.

4. Proceedings in the USA/Canada

In the USA and Canada, the matters described in the EPA's "Notices of Violation" are the subject of various types of lawsuits and requests for information that have been filed against Volkswagen AG and other Volkswagen Group companies, in particular by customers, investors, and various government agencies in the United States and Canada.

In November 2023, Volkswagen reached a settlement agreement resolving the environmental claims brought by the Attorney General of the State of Texas and various Texas municipalities against Volkswagen AG, Volkswagen Group of America, Inc., and certain affiliates. The settlement agreement became final in January 2024 after it was approved by the court. In November 2023, Volkswagen also finalized a settlement agreement resolving the environmental claims brought by two municipalities (Hillsborough County/Florida and Salt Lake County/Utah) against Volkswagen Group of America, Inc. and certain affiliates.

In March 2019, the US Securities and Exchange Commission (SEC) filed a lawsuit against, among others, Volkswagen AG, Volkswagen Group of America Finance, LLC, and VW Credit, Inc., asserting claims under US federal securities law based, among other things, on alleged misstatements and omissions in connection with the offer and sale of certain bonds and asset-backed securities. In August 2020, the US District Court for the Northern District of California dismissed, among other things, all claims against VW Credit, Inc. relating to asset-backed securities. In September 2020, the SEC filed an amended complaint that, among other things, removed the dismissed claims.

In line with IAS 37.92, no statements have been made concerning estimates of financial impact or regarding uncertainty as to the amount or maturity of provisions and contingent liabilities in relation to proceedings in the USA/Canada. This is so as to not compromise the results of the proceedings or the interests of the Company.

5. Special audit

In a November 2017 ruling, the Higher Regional Court of Celle ordered, upon the request of three US funds, the appointment of a special auditor for Volkswagen AG. The special auditor was supposed to examine whether the members of the Board of Management and Supervisory Board of Volkswagen AG breached their duties in connection with the diesel issue from June 22, 2006 onwards and, if so, whether this resulted in damages for Volkswagen AG. Volkswagen AG had filed a constitutional complaint with the German Federal Constitutional Court against this decision, which was originally unappealable as formal matter. Volkswagen AG also filed a constitutional complaint against the subsequent (and likewise formally unappealable) decision by the Higher Regional Court of Celle to appoint a special auditor other than the one initially appointed. Following November 2022 rulings by the Federal Constitutional Court that upheld both of the constitutional complaints and remanded the cases to the Celle Higher Regional Court, the Higher Regional Court directed that extensive evidence be taken in the case concerning the order for a special audit. Proceedings in the case concerning the replacement of the special auditor were suspended until the completion of the taking of evidence. Volkswagen AG had in addition previously filed an action before the Braunschweig Regional Court seeking to enjoin the special auditor from performing the audit as long as he had not furnished sufficient proof of his independence. The Braunschweig Regional Court dismissed the action for injunctive relief in the summer of 2022; Volkswagen AG then appealed this decision to the Braunschweig Higher Regional Court.

A second motion seeking appointment of a special auditor for Volkswagen AG to examine matters relating to the diesel issue was filed with the Regional Court of Hanover. The proceedings in this matter were resumed after initially being stayed pending the decision of the Federal Constitutional Court in the first special audit case.

6. Risk assessment regarding the diesel issue

An amount of around €0.9 billion (previous year: €1.4 billion) has been included in the provisions for litigation and legal risks as of December 31, 2023 to account for the currently known legal risks related to the diesel issue based on the presently available information and the current assessments. Where adequately measurable at this stage, contingent liabilities relating to the diesel issue have been disclosed in the notes in an aggregate amount of €4.0 billion (previous year: €4.2 billion), whereby roughly €3.8 billion (previous year: €3.6 billion) of this amount results from lawsuits filed by investors in Germany. The provisions recognized, the contingent liabilities disclosed, and the other latent legal risks in the context of the diesel issue are in part subject to substantial estimation risks given the complexity of the individual relevant factors, the ongoing coordination with the authorities, and the fact that the fact-finding efforts have not yet been concluded. Should these legal or estimation risks materialize, this could result in further substantial financial charges. In particular, adjustment of the provisions recognized in light of knowledge acquired or events occurring in the future cannot be ruled out.

In line with IAS 37.92, no further statements have been made concerning estimates of financial impact or regarding uncertainty as to the amount or maturity of provisions and contingent liabilities in relation to the diesel issue. This is so as to not compromise the results of the proceedings or the interests of the Company.

ADDITIONAL IMPORTANT LEGAL CASES

In 2011, *ARFB Anlegerschutz UG (haftungsbeschränkt)* filed a claim for damages against Volkswagen AG and Porsche SE for allegedly violating disclosure requirements under capital market law in connection with the acquisition of ordinary shares in Volkswagen AG by Porsche SE in 2008. The damages being sought based on allegedly assigned rights currently amount to approximately €2.26 billion. In late September 2022 the 1st Antitrust Chamber of the Higher Regional Court of Celle issued a model case ruling by which all of the plaintiffs' objects of declaratory judgment were either dismissed or declared to be irrelevant. The legal positions of the model case defendants were thus upheld in their entirety. Two appeals alleging error of law in the model case ruling have been received, one of which is also directed against Volkswagen AG.

In Brazil, the Brazilian tax authorities commenced tax proceedings against Volkswagen Truck & Bus (formerly: MAN Latin America); at issue in these proceedings are the tax consequences of the acquisition structure chosen for Volkswagen Truck & Bus in 2009. In December 2017, an adverse administrative appeal ruling was rendered against Volkswagen Truck & Bus. Volkswagen Truck & Bus challenged this ruling before the regular court in 2018. Estimation of the risk in the event the tax authorities prevail on all points is subject to uncertainty because of differences in the amount of penalties and interest that might then apply under Brazilian law. However, a positive outcome for Volkswagen Truck & Bus remains the expectation. Should this not occur, a risk of about BRL 3.4 billion could result for the contested period from 2009 onwards; this amount has been included in contingent liabilities in the notes.

After Volkswagen do Brasil had successfully brought an action in the Brazilian courts against what was held to constitute unconstitutional double taxation of vehicles on the part of the Brazilian federal government, Volkswagen do Brasil received a refund of the excess amount paid from the state of Brazil. In December 2023, the Brazilian dealership association *Associação Brasileira Dos Distribuidores Volkswagen* (Assobrav) and individual dealers, among others, filed lawsuits against Volkswagen do Brasil alleging that the dealers were at least partially entitled to the refunded amount. Eight such actions are pending. The lawsuit brought by Assobrav with a provisionally estimated amount in dispute of roughly BRL 2.4 billion is by far the largest of these actions. In January 2024, the court dismissed the dealership association's lawsuit in its entirety. Assobrav can appeal the dismissal; the judgment is not yet final.

In 2011, the European Commission conducted searches at European truck manufacturers for suspected unlawful exchange of information during the period from 1997 to 2011; in November 2014, the Commission issued a statement of objections to MAN, Scania, and the other truck manufacturers concerned. In its settlement decision of July 2016, the European Commission assessed fines against five European truck manufacturers. MAN's fine was waived in full as the company had informed the European Commission about the irregularities as a key witness. In September 2017, the European Commission fined Scania €0.88 billion. In a judgment rendered in February 2022, the European General Court (Court of First Instance) rejected in its entirety the appeal filed by Scania in this connection. Scania's April 2022 appeal against this judgment was rejected in full by the European Court of Justice, the court of last resort, in February 2024. Furthermore, antitrust lawsuits seeking damages have been received from customers. As is the case in any antitrust proceedings, this may result in further lawsuits for damages. No provisions have been recognized for a large number of these legal disputes as they are not expected to result in final damage awards at the highest appeals level. For those actions in which, after re-assessing the risks, the final outcome at the highest appeals level appears more likely than not to result in the payment of damages by MAN or Scania, provisions have been recognized in an amount of €89 million. Contingent liabilities have not been disclosed as their quantification is not currently possible. This applies in particular to the proceedings that are currently in an early stage – including those as to which the process of expert assessment is still in an early stage.

In July 2021, the European Commission assessed a fine totaling roughly € 502 million against Volkswagen AG, AUDI AG, and Dr. Ing. h.c. F. Porsche AG pursuant to a settlement decision. Volkswagen declined to file an appeal, hence the decision became final in 2021. The subject matter scope of the decision is limited to the cooperation of German automobile manufacturers on individual technical questions in connection with the development and introduction of SCR (selective catalytic reduction) systems for passenger cars that were sold in the European Economic Area. The manufacturers are not charged with any other misconduct such as price fixing or allocating markets and customers. Following the European Commission's July 2021 administrative fine decision, several class actions were filed in the United Kingdom beginning in late 2021 against Volkswagen AG, among others. Service of the complaints is expected in the course of 2024. Neither provisions nor contingent liabilities have been stated as a realistic estimate of risk exposure is not possible at the present stage of the proceedings. After analyzing potential violations based on the facts of the EU case, the Korean competition authority KFTC issued its administrative fine decision in April 2023. No fine was imposed on Volkswagen AG, and Porsche AG is not affected by the decision. A fine equaling just under €3 million was assessed against AUDI AG. AUDI AG and Volkswagen AG have appealed the decision to the relevant court in Seoul/Korea. The Turkish competition authorities, who investigated similar matters, issued a final decision in January 2022 in which they determined anticompetitive behavior to allegedly exist, but found that it had no effect on Türkiye, for which reason they refrained from imposing fines on the German automakers. The written grounds of the final decision are not yet available. Volkswagen AG, AUDI AG, and Porsche AG have filed appeals. Based on comparable matters, the Chinese competition authority has instituted proceedings against Volkswagen AG, AUDI AG, and Porsche AG, among others, and issued requests for information.

In March 2022, the European Commission and the Competition and Markets Authority (CMA), the English antitrust authorities, searched the premises of various automotive manufacturers and automotive industry organizations and/or served them with formal requests for information. In the Volkswagen Group, the investigation affects Volkswagen Group UK, which was searched by the CMA, and Volkswagen AG, which has received a Group-wide information request from the European Commission. The investigation relates to European, Japanese, and Korean manufacturers as well as national organizations operating in such countries and the European organization European Automobile Manufacturers' Association (ACEA), which are suspected of having agreed from 2001/2002 to the initiation of the proceedings to avoid paying for the services of recycling companies that dispose of end-of-life vehicles (ELV) (specifically passenger cars and vans up to 3.75 tons). Also alleged is an agreement to refrain from competitive use of ELV issues, that is, not to publicize relevant recycling data (recyclates, recyclability, recovery) for competitive purposes. The violation under investigation is alleged to have taken place in particular in the "ACEA" Working Group Recycling and related sub-groups thereof. Volkswagen AG is responding to the European Commission's information requests. Volkswagen Group UK is cooperating with the CMA. In this matter, CMA furthermore issued requests for information to Volkswagen AG. In July 2022, Volkswagen AG filed an action for judicial review challenging the CMA's requests for information in particular because Volkswagen AG believes that they exceed the CMA's jurisdiction. In February 2023, the court granted the claim. The CMA appealed this judgment in April 2023, and in January 2024 the appellate court ruled in the CMA's favor. Volkswagen AG is considering whether to appeal this decision. Concurrent therewith, Volkswagen AG continues to examine the possibilities for reasonable cooperation with the CMA.

In addition, a few national and international authorities initiated antitrust investigations. Volkswagen is cooperating closely with the responsible authorities in these investigations. An assessment of the underlying situation is not possible at this early stage.

Porsche AG has discovered potential regulatory issues relating to vehicles for various markets worldwide. There are questions as to the permissibility of specific hardware and software components used in type approval measurements. Differences compared with production versions may also have occurred in certain cases. Based on the information presently available, current production is not affected, however. The issues are unrelated to the defeat devices that were at the root of the diesel issue. A large number of the issues have already been completed.

In November 2021, three claimants accompanied by Greenpeace filed a lawsuit against Volkswagen AG before the Braunschweig Regional Court. Among other things, the action sought to compel Volkswagen to initially reduce in stages and by 2029 completely cease its production and placement into the stream of commerce of vehicles with internal combustion engines as well as to reduce greenhouse gas emissions from development, production, and marketing (including third party vehicle use). The lawsuit further sought to compel Volkswagen to exercise influence over Group companies, subsidiaries, and joint ventures so as to cause them to fulfill these demands as well. In February 2023, the Braunschweig Regional Court dismissed the action as unfounded. In addition, another action with similar requests for relief and by and large the same rationale has been filed against Volkswagen AG by an organic farmer with the support of Greenpeace before the Detmold Regional Court. This action was likewise dismissed as unfounded by the Detmold Regional Court in February 2023. The plaintiffs filed appeals against the judgments dismissing their complaints (appeals filed in March 2023 with the Braunschweig Higher Regional Court and in April 2023 with the Hamm Higher Regional Court).

In Russia, Automobile Plant GAZ LLC (GAZ) had initially filed several judicial proceedings against Volkswagen AG and others in the reporting year alleging damage claims totaling around RUB 44 billion. In this connection, GAZ applied for and in some cases initially obtained protective measures relating to the shares in Volkswagen Group Rus OOO (VGR) as well as to the movable and immovable property of VGR; the courts have since either rejected or vacated these measures. GAZ had appealed these decisions rejecting or vacating protective measures relative to the movable and immovable property of VGR; these appeals have since been finally and conclusively rejected. In May 2023, Volkswagen AG completed the sale of its shares in VGR and its local subsidiaries to Art-Finance LLC; thereby transferring title to the shares in VGR and its local subsidiaries to the buyer upon registration of the transaction. VGR was renamed AGR LLC in June 2023. In fulfillment of a court-confirmed settlement, GAZ has since withdrawn its complaint in the first lawsuit, thus terminating these proceedings. Volkswagen AG continues to defend the remaining second lawsuit, in which it is the sole defendant and alleged claims of approximately RUB 28.5 billion are at stake.

Provisions were recognized by Volkswagen Bank GmbH and Volkswagen Leasing GmbH for possible claims in connection with financial services provided to consumers. These relate to actions involving certain features of customer loan and leasing agreements that may toll the running of the statutory cancellation time periods.

In line with IAS 37.92, no further statements have been made concerning estimates of financial impact or regarding uncertainty as to the amount or maturity of provisions and contingent liabilities in relation to additional important legal cases. This is so as to not compromise the results of the proceedings or the interests of the Company.

40. Other financial obligations

€ million	PAYABLE 2024	PAYABLE 2025 - 2028	PAYABLE from 2029	TOTAL Dec. 31, 2023
Purchase commitments in respect of				
property, plant and equipment	9,932	1,750	4	11,686
intangible assets	1,117	117	1	1,235
investment property	13	–	–	13
Obligations from loan commitments and irrevocable credit commitments	11,267	152	24	11,443
Obligations from leasing and rental contracts	502	295	186	983
Miscellaneous other financial obligations	6,816	4,782	1,282	12,880
	29,648	**7,097**	**1,497**	**38,241**

€ million	PAYABLE 2023	PAYABLE 2024 - 2027	PAYABLE from 2028	TOTAL Dec. 31, 2022
Purchase commitments in respect of				
property, plant and equipment	8,024	2,167	1	10,191
intangible assets	2,405	240	–	2,645
investment property	16	–	–	16
Obligations from loan commitments and irrevocable credit commitments	12,329	98	14	12,441
Obligations from leasing and rental contracts	350	278	135	762
Miscellaneous other financial obligations	4,302	3,407	1,609	9,318
	27,426	**6,190**	**1,758**	**35,375**

In addition to the other financial obligations shown in the table, purchase commitments exist for inventories with a short turnover period, which arise primarily from the Master Collaboration Agreement with Ford Motor Company for the joint development of vans and mid-sized pickups for the global market. Furthermore, there are long-term purchase obligations under battery purchase agreements with Northvolt Group companies.

41. Total fee of the Group auditor

Under the provisions of the Handelsgesetzbuch (HGB – German Commercial Code), Volkswagen AG is obliged to disclose the total fee charged for the fiscal year by the Group auditor, EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft.

€ million	2023	2022
Financial statement audit services	35	26
Other assurance services	2	6
Tax advisory services	–	0
Other services	1	2
	38	**34**

The financial statement audit services mainly related to the audit of the consolidated financial statements of Volkswagen AG and to the annual financial statements of German Group companies, as well as to reviews of the interim consolidated financial statements of Volkswagen AG and of the interim financial statements of German Group companies. Other assurance services mainly related to statutory and non-statutory audits as well as non-statutory assurance services for capital market transactions. Other services provided by the auditors related primarily to advisory services in connection with the implementation of CSRD reporting requirements.

42. Personnel expenses

€ million	2023	2022
Wages and salaries	40,642	37,529
Social security, post-employment and other employee benefit costs	9,113	9,473
	49,755	**47,002**

43. Average number of employees during the year

	2023	2022
Performance-related wage-earners	261,731	263,053
Salaried staff	330,284	318,016
	592,016	**581,069**
of which in the passive phase of partial retirement	12,358	12,144
Vocational trainees	15,803	15,622
	607,818	**596,691**
Employees of Chinese joint ventures	71,007	72,585
	678,825	**669,275**

44. Events after the balance sheet date

There were no events with a significant effect on net assets, financial position and results of operations after December 31, 2023.

45. Remuneration based on performance shares

Performance share plan on the basis of Volkswagen preferred shares

The Supervisory Board resolved on March 3, 2023 to amend the remuneration system, effective January 1, 2023, in particular to accommodate demands by investors to give long-term variable remuneration a higher weighting. To this end, the relative share of the fixed remuneration components was reduced and the relative share of the long-term variable remuneration was increased. Moreover, the option to agree a special bonus with a future effect was removed to reinforce the pay-for-performance principle and implement investor demands. The maximum target achievement values for the annual bonus and the performance share plan and their respective maximum payment amounts were also increased in order to adequately reward higher levels of target achievement. In this process, the maximum remuneration and the cash remuneration cap were likewise raised to accommodate current market conditions. The Annual General Meeting approved the amended remuneration system on May 10, 2023 with 98.82% of the votes cast.

A four-year performance period applies to members of the Board of Management. Penalty and clawback rules apply at the same time: if there is relevant misconduct during the assessment period, payments under the performance share plan can be reduced or demanded back.

Board of Management members appointed before December 14, 2020 and whose service contract has not yet been renewed are still subject to a three-year performance period. In these cases, penalty and clawback rules will likewise only apply on renewal of their contracts.

The group of beneficiaries of the performance share plan was expanded at the end of 2018 by including members of top management and at the end of 2019 by adding all other members of management and selected participants below management level. Performance shares were first granted to members of top management at the beginning of 2019. All other beneficiaries were allocated benefits on the basis of performance shares for the first time at the beginning of 2020. The function of the performance share plan for top management and other beneficiaries is largely identical to the performance share plan that was granted to the members of the Board of Management. The performance period for beneficiaries below Board of Management level is three years. When the performance share plan was launched, members of top management were guaranteed a minimum bonus amount for the first three years on the basis of the remuneration for 2018, while all other beneficiaries were given a guarantee for the first three years on the basis of the remuneration for 2019.

Each performance period of the performance share plan has a term of three or four years. For members of the Board of Management and of top management, the annual target amount under the LTI is converted at the time of granting into performance shares on the basis of the initial reference price of Volkswagen's preferred shares. This annual target amount is allocated to the respective beneficiaries as a pure calculation position. Based on the degree of target achievement for the annual earnings per Volkswagen preferred share, the number of performance shares is definitively determined on the basis of a three- or four-year, forward-looking performance period. After the end of the performance period, a cash settlement is made. The payment amount corresponds to the number of determined performance shares, multiplied by the closing reference price at the end of the period plus a dividend equivalent.

For all other beneficiaries, the payment amount is determined by multiplying the target amount by the degree of target achievement for the annual earnings per Volkswagen preferred share and the ratio of the closing reference price at the end of the period, plus a dividend equivalent, to the initial reference price. Target achievement is determined on the basis of a three-year performance period with a forward-looking horizon of one year. For all beneficiaries, the payment amount under the performance share plan is limited to 200% (Board of Management from 2023: 250%).

BOARD OF MANAGEMENT AND TOP MANAGEMENT

		Dec. 31, 2023	Dec. 31, 2022
Total expense of the reporting period	€ million	144	136
Carrying amount of the obligation	€ million	254	181
Intrinsic value of the obligation	€ million	145	69
Fair value on granting date	€ million	110	101
Granted performance shares	Shares	2,362,443	2,006,851
of which granted during the reporting period	Shares	943,003	684,317

MEMBERS OF MANAGEMENT AND SELECTED PARTICIPANTS BELOW MANAGEMENT LEVEL

In the fiscal year, beneficiary members of management and selected participants below management level were allocated a target amount of €714 million (previous year: €688 million) on which target achievement of 100% is based. As of December 31, 2023, the total carrying amount of the obligation, which corresponded to the intrinsic value of the liabilities, was €986 million (previous year: €841 million). A total expense of €998 million (previous year: €886 million) was recognized for this commitment in the reporting period.

Other performance share plans

Group companies also have their own performance share plans, which are largely based on Volkswagen AG's performance share plan.

The performance share plan of Porsche AG is different in that the level of target achievement is determined on the basis of the annual earnings and share price performance of Porsche preferred shares. For Board of Management members and top management, the performance share plan is applied with a forward-looking four-year horizon. For members of management, the performance share plan is generally applied with a four-year term and a forward-looking horizon of one year.

For the performance share plan of the TRATON Group, the level of target achievement is determined on the basis of the annual earnings and share price performance of Traton shares. For the members of the Board of Management and of the brand boards of management of the TRATON Group who are not members of the Board of Management of TRATON SE as defined under stock corporation law, and for members of management at Navistar, the performance share plan is applied with a forward-looking horizon of three or four years. For members of management and selected beneficiaries below the TRATON Group's management, the performance share plan is generally applied with a four-year term and a forward-looking horizon of one year.

As of December 31, 2023, the total carrying amount of the obligation was €131 million (previous year: €36 million) and the intrinsic value of the liabilities was €92 million (previous year: €24 million). A total expense of €119 million (previous year: €31 million) was recognized in the reporting period.

46. Related party disclosures in accordance with IAS 24

Related parties as defined by IAS 24 are natural persons and entities on which Volkswagen AG can exercise significant influence, or which have the ability to exercise significant influence on Volkswagen AG, or that are influenced by another related party of Volkswagen AG.

All transactions with related parties are regularly conducted on an arm's length basis.

Porsche SE held the majority of the voting rights in Volkswagen AG as of the reporting date. The creation of rights of appointment for the State of Lower Saxony was resolved at the extraordinary General Meeting of Volkswagen AG on December 3, 2009. This means that Porsche SE cannot elect all shareholder representatives to the Supervisory Board of Volkswagen AG for as long as the State of Lower Saxony holds at least 15% of Volkswagen AG's ordinary shares. However, Porsche SE has the power to participate in the operating policy decisions of the Volkswagen Group and is therefore classified as a related party as defined by IAS 24.

According to a notification dated January 8, 2024, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft Niedersachsen mbH, Hanover, held 20.00% of the voting rights of Volkswagen AG on December 31, 2023. As mentioned above, the General Meeting of Volkswagen AG on December 3, 2009 also resolved that the State of Lower Saxony may appoint two members of the Supervisory Board (right of appointment).

Contribution of Porsche SE's holding company operating business

The contribution of Porsche SE's holding company operating business to Volkswagen AG on August 1, 2012 has the following effects on the agreements between Porsche SE, Volkswagen AG and companies of the Porsche Holding Stuttgart GmbH Group that existed prior to the contribution and were entered into on the basis of the Comprehensive Agreement and its related implementation agreements:

> Volkswagen AG continues to indemnify Porsche SE internally against claims by the Einlagensicherungsfonds (German deposit protection fund) after Porsche SE submitted an indemnification agreement required by the Bundesverband Deutscher Banken (Association of German Banks) to the Einlagensicherungsfonds in August 2009. Volkswagen AG has also undertaken to indemnify the Einlagensicherungsfonds against any losses caused by measures taken by the latter in favor of a bank in which Volkswagen AG holds a majority interest.

> Under certain conditions, Porsche SE continues to indemnify Porsche Holding Stuttgart GmbH, Porsche AG and their legal predecessors against tax disadvantages that exceed the obligations recognized in the financial statements of those companies relating to periods up to and including July 31, 2009. In return, Volkswagen AG has undertaken to reimburse Porsche SE for any tax advantages of Porsche Holding Stuttgart GmbH, Porsche AG and their legal predecessors and subsidiaries relating to tax assessment periods up to July 31, 2009. Based on the results of the substantively completed external tax audit for the assessment periods 2006 to 2009, a compensation claim from Volkswagen AG of around €0.2 billion arose for Porsche SE, which was recognized under other operating expenses in the consolidated financial statements in the third quarter of 2023. The claim was settled in the fourth quarter of 2023. The claim has been audited on the basis of the corresponding provisions in the tax clause of the contribution agreement and its merits and amount have been confirmed by external auditors.

Under the terms of the Comprehensive Agreement, Porsche SE and Volkswagen AG had granted each other put and call options with regard to the remaining 50.1% interest in Porsche Holding Stuttgart GmbH held by Porsche SE until the contribution of its holding company operating business to Volkswagen AG. Both Volkswagen AG (if it had exercised its call option) and Porsche SE (if it had exercised its put option) had undertaken to bear the tax burden resulting from the exercise of the options and any subsequent activities in relation to the equity investment in Porsche Holding Stuttgart GmbH (e.g. from recapture taxation on the spin-off in 2007 and/or 2009). If tax benefits had accrued to Volkswagen AG, Porsche Holding Stuttgart GmbH, Porsche AG, or their respective subsidiaries as a result of recapture taxation on the spin-off in 2007 and/or 2009, the purchase price to be paid by Volkswagen AG for the transfer of the outstanding 50.1% equity investment in Porsche Holding Stuttgart GmbH if the put option had been exercised by Porsche SE would have been increased by the present value of the tax benefit. This arrangement was taken over under the terms of the contribution agreement to the effect that Porsche SE has a claim against Volkswagen AG for payment in the amount of the present value of the realizable tax benefits from any recapture taxation of the spin-off in 2007 as a result of the contribution. It was also agreed under the terms of the contribution that Porsche SE will indemnify Volkswagen AG, Porsche Holding Stuttgart GmbH and their subsidiaries against taxes if measures taken by or not taken by Porsche SE result in recapture taxation for 2012 at these companies in the course of or following implementation of the contribution. In this case, too, Porsche SE is entitled to assert a claim for payment against Volkswagen AG in the amount of the present value of the realizable tax benefits that arise at the level of Volkswagen AG or one of its subsidiaries as a result of such a transaction.

Further agreements were entered into and declarations were issued in connection with the contribution of Porsche SE's holding company operating business to Volkswagen AG, in particular:

> Porsche SE indemnifies the subsidiaries it contributed as part of the business contribution as well as Porsche Holding Stuttgart GmbH, Porsche AG and their subsidiaries against certain liabilities to Porsche SE that relate to the period up to and including December 31, 2011 and that exceed the obligations recognized in the financial statements of those companies for that period.
> Moreover, Porsche SE indemnifies Volkswagen AG, Porsche Holding Stuttgart GmbH , Porsche AG and their subsidiaries against half of the taxes (other than taxes on income) arising at those companies in conjunction with the contribution that would not have been incurred in the event of the exercise of the call options on the shares of Porsche Holding Stuttgart GmbH that continued to be held by Porsche SE until the contribution. Volkswagen AG therefore indemnifies Porsche SE against half of such taxes that the company incurs.
> Additionally, Porsche SE and Porsche AG agreed to allocate any subsequent VAT receivables or liabilities from transactions in the period up to December 31, 2009 to the company entitled to the receivable or incurring the liability.
> A range of information, conduct and cooperation obligations were agreed by Porsche SE and the Volkswagen Group in the contribution agreement.

As part of the IPO of Porsche AG and the sale of ordinary shares to Porsche SE in fiscal year 2022, Porsche SE and Volkswagen AG also entered, among other arrangements, into a "procedural and amendment agreement and agreement to amend the Comprehensive Agreement". The latter led to amendments to some provisions, including those on appointments to governing bodies of Porsche AG, contained in the Comprehensive Agreement.

IPO of Porsche AG

On September 28, 2022, Volkswagen placed 25% of the preferred shares (including additional allocations) of its subsidiary Porsche AG with investors. These preferred shares have been traded on the stock exchange since the day after the placement. Since the end of the stabilization period on October 11, 2022, the free float of the preferred shares has been 24.2% of the preferred share capital of Porsche AG. The basis for the IPO was a comprehensive agreement to enter into a number of contracts between Volkswagen and Porsche SE. In this context, the two parties agreed that Porsche SE would acquire 25% of the ordinary shares plus one ordinary share of Porsche AG from Volkswagen. The sale of these ordinary shares in Porsche AG by Porsche SE is subject to restrictions until 2027.

Under the share purchase agreement, Volkswagen AG as warrantor provided several warranties to Porsche SE, which essentially put Porsche SE in the same position as buyers of the preferred shares sold under the IPO. In addition, Volkswagen AG assumes a small number of other standard market guarantees, most of them limited to positive knowledge of Volkswagen AG.

The resolution of the extraordinary General Meeting of Volkswagen AG on December 16, 2022 gave rise to the obligation to pay a special dividend and led to a total obligation to the shareholders of Volkswagen AG amounting to €9.6 billion as of December 31, 2022. Out of the total, an amount of €3.1 billion was attributable to Porsche SE.

Volkswagen AG and Porsche SE agreed to offset the obligation to pay a special dividend to Porsche SE against Volkswagen AG's claim to the payment of the purchase price still outstanding for the second tranche of ordinary shares. In the consolidated financial statements as of December 31, 2022, the purchase price receivable and the dividend liability were therefore presented on a net basis. Upon payment of the special dividend on January 9, 2023, the netting process was completed.

In connection with the IPO of Porsche AG, Volkswagen AG had also assumed obligations for dividend distributions of Porsche AG in 2022. The corresponding dividend of the same amount was resolved at the Annual General Meeting of Porsche AG on June 28, 2023 and paid on July 3, 2023. €114 million of this dividend was attributable to Porsche SE.

Volkswagen AG and Porsche SE have agreed in connection with the IPO and sale of ordinary shares to Porsche SE that representatives of Porsche SE will have a significant presence on the Supervisory Board of Porsche AG. Ultimate decision rights of the shareholder representatives determined by Volkswagen on the Supervisory Board with regard to the ability to direct the relevant activities at Porsche AG within the meaning of IFRS 10 will ensure continued control by Volkswagen AG.

For more detailed information, please refer to the disclosures provided in the consolidated financial statements as of December 31, 2022.

Other related party disclosures in accordance with IAS 24

The following tables present the amounts of supplies and services transacted, as well as outstanding receivables and liabilities, between consolidated companies of the Volkswagen Group and related parties:

€ million	SUPPLIES AND SERVICES RENDERED 2023	SUPPLIES AND SERVICES RENDERED 2022	SUPPLIES AND SERVICES RECEIVED 2023	SUPPLIES AND SERVICES RECEIVED 2022
Porsche SE and its majority interests	4	4	0	0
Supervisory Board members	2	1[1]	4	1
Board of Management members	1	0	0	0
Unconsolidated subsidiaries	1,401	1,123	2,138	1,707
Joint ventures and their majority interests	17,355	16,284	1,573	897
Associates and their majority interests	422	326	3,086	2,582
Pension plans	2	1	3	4
Other related parties	0	0	1	1
State of Lower Saxony, its majority interests and joint ventures	10	15	4	5

1 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

€ million	RECEIVABLES FROM Dec. 31, 2023	RECEIVABLES FROM Dec. 31, 2022	LIABILITIES (INCLUDING OBLIGATIONS) TO Dec. 31, 2023	LIABILITIES (INCLUDING OBLIGATIONS) TO Dec. 31, 2022[2]
Porsche SE and its majority interests	0	1	0	136
Supervisory Board members	0	0	187	276
Board of Management members	0	0	66	54
Unconsolidated subsidiaries	1,780	1,326[1]	2,332	1,865
Joint ventures and their majority interests	15,687	13,965[1]	4,864	2,740
Associates and their majority interests	775	614[1]	8,647	1,096
Pension plans	2	1	0	0
Other related parties	0	0	13	52
State of Lower Saxony, its majority interests and joint ventures	1	255	1	1,127

1 Prior-year figures adjusted.
2 Prior-year figures adjusted (see disclosures on IFRS 17 in the "Effects of new and amended IFRSs" section).

The tables above do not contain the dividend payments (net of withholding tax) of €2,450 million (previous year: €2,781 million) received from joint ventures and associates. The tables likewise do not contain the dividends of €1,529 million paid to Porsche SE (previous year: dividends paid or offset of €4,231 million) or the dividend of €1,638 million (previous year: €443 million) paid to the State of Lower Saxony.

The changes in supplies and services rendered to and received from joint ventures and their majority interests relate primarily to supplies to and from the Chinese joint ventures. The changes in supplies and services received from members of the Supervisory Board relate primarily to higher interest payments on direct bank deposits due to higher interest rates.

Receivables from joint ventures are primarily attributable to loans granted in an amount of €12,068 million (previous year adjusted: €10,310 million) as well as trade receivables in an amount of €3,234 million (previous year adjusted: €3,451 million). Receivables from non-consolidated subsidiaries also result primarily from loans granted in an amount of €1,266 million (previous year adjusted: €713 million) as well as trade receivables in an amount of €199 million (previous year adjusted: €219 million).

In addition to the liabilities to associates and their majority interests, there are long-term purchase obligations under battery purchase agreements with Northvolt Group companies.

In the previous year, liabilities to Porsche SE had included Volkswagen AG's special dividend, after netting against the purchase price receivable for the second tranche of ordinary shares of €22 million, and the obligation arising from Porsche AG's dividend of €114 million. In the previous year, liabilities to the State of Lower Saxony had included Volkswagen AG's special dividend of €1,125 million. As of December 31, 2023, there were no dividend liabilities or obligations to Porsche SE or the State of Lower Saxony.

Outstanding related party receivables include doubtful receivables on which impairment losses of €26 million (previous year: €49 million) were recognized. This incurred expenses of €14 million (previous year: €40 million) in fiscal year 2023. The change is primarily attributable to a loan granted to a joint venture.

In addition, the Volkswagen Group has furnished guarantees to external banks on behalf of related parties in the amount of €150 million (previous year: €296 million).

In the fiscal year, the Volkswagen Group made capital contributions of €1,456 million (previous year: €2,854 million) at related parties.

As in the previous year, obligations to members of the Supervisory Board and other related parties relate primarily to interest-bearing bank balances of Supervisory Board members and related parties that were invested at standard market terms and conditions at Volkswagen Group companies.

Obligations to members of the Board of Management include balances outstanding on the annual bonus, the fair values of performance shares granted to the members of the Board of Management and pension provisions of €59.8 million (previous year: €50.0 million).

In addition to the amounts shown above, the following expenses were recognized for benefits and remuneration granted to members of the Board of Management and Supervisory Board of the Volkswagen Group in the course of their activities as members of these bodies:

€	2023	2022
Short-term benefits	39,794,902	44,535,627
Benefits based on performance shares and virtual shares	19,064,922	16,482,035
Post-employment benefits (service cost only)	5,382,815	9,475,563
Termination benefits	10,408,232	36,802,931
	74,650,871	**107,296,157**

Employee representatives on the Supervisory Board who are employed by the company continue to be entitled to a regular salary under their contract. This applies accordingly to the representative of senior executives on the Supervisory Board.

The post-employment benefits relate to additions to pension provisions for current members of the Board of Management. The termination benefits relate to the commitments made to Mr. Duesmann in connection with his departure from the Board of Management on August 31, 2023 (previous year: departure of Mr. Diess, Ms. Wortmann and Mr. Aksel).

47. Notices and disclosure of changes regarding the ownership of voting rights in Volkswagen AG in accordance with the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act)

Porsche

1) Porsche Automobil Holding SE, Stuttgart, Germany has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in Volkswagen Aktiengesellschaft, Wolfsburg, Germany, exceeded the threshold of 50% on January 5, 2009 and amounted to 50.76% (149,696,680 voting rights) at this date.

2) The following persons notified us in accordance with article 21, section 1 of the WpHG that their share of the voting rights in Volkswagen Aktiengesellschaft in each case exceeded the threshold of 50% on January 5, 2009 and in each case amounted to 50.76% (149,696,680 voting rights) at this date. All of the above-mentioned 149,696,680 voting rights are attributable to each of the persons making the notification in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG. The voting rights attributed to the persons making the notifications are held via subsidiaries within the meaning of article 22, section 3 of the WpHG, whose attributed share of the voting rights amounts to 3% or more and whose names are given in brackets:

Mag. Josef Ahorner, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Mag. Louise Kiesling, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Prof. Ferdinand Alexander Porsche, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Dr. Oliver Porsche, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Kai Alexander Porsche, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Mark Philipp Porsche, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Gerhard Anton Porsche, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Ing. Hans-Peter Porsche, Austria
(Familie Porsche Privatstiftung, Salzburg/Austria; Familie Porsche Holding GmbH, Salzburg/Austria; Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Hans-Peter Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Peter Daniell Porsche, Austria
(Familie Porsche Privatstiftung, Salzburg/Austria; Familie Porsche Holding GmbH, Salzburg/Austria; Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Hans-Peter Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Dr. Wolfgang Porsche, Germany
(Familie Porsche Privatstiftung, Salzburg/Austria; Familie Porsche Holding GmbH, Salzburg/Austria; Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Hans-Peter Porsche GmbH, Grünwald/Germany; Wolfgang Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Ferdinand Porsche Privatstiftung, Salzburg/Austria
(Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Familie Porsche Privatstiftung, Salzburg/Austria
(Familie Porsche Holding GmbH, Salzburg/Austria; Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Hans-Peter Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Ferdinand Porsche Holding GmbH, Salzburg/Austria
(Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Familie Porsche Holding GmbH, Salzburg/Austria
(Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Hans-Peter Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Louise Daxer-Piëch GmbH, Salzburg/Austria
(Louise Daxer-Piech GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany),

Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria
(Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/ Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Gerhard Anton Porsche GmbH, Salzburg/Austria
(Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Louise Daxer-Piech GmbH, Grünwald/Germany
(Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/ Germany),

Ferdinand Alexander Porsche GmbH, Grünwald/Germany
(Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/ Germany),

Gerhard Porsche GmbH, Grünwald/Germany
(Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Ing. Hans-Peter Porsche GmbH, Salzburg/Austria
(Hans-Peter Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Hans-Peter Porsche GmbH, Grünwald/Germany
(Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Wolfgang Porsche GmbH, Grünwald/Germany
(Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany
(Porsche Automobil Holding SE, Stuttgart/Germany),

Familie Porsche Beteiligung GmbH, Grünwald/Germany
(Porsche Automobil Holding SE, Stuttgart/Germany),

Porsche GmbH, Stuttgart/Germany
(Porsche Automobil Holding SE, Stuttgart/Germany),

Dr. Hans Michel Piëch, Austria
(Porsche Automobil Holding SE, Stuttgart/Germany; Hans Michel Piech GmbH, Grünwald/Germany; Dr. Hans Michel Piëch GmbH, Salzburg/Austria),

Dr. Hans Michel Piëch GmbH, Salzburg/Austria
(Porsche Automobil Holding SE, Stuttgart/Germany; Hans Michel Piech GmbH, Grünwald/Germany),

Hans Michel Piech GmbH, Grünwald/Germany
(Porsche Automobil Holding SE, Stuttgart/Germany),

Dipl.-Ing. Dr. h.c. Ferdinand Piëch, Austria
(Porsche Automobil Holding SE, Stuttgart/Germany; Ferdinand Piech GmbH, Grünwald/Germany; Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Salzburg/Austria; Ferdinand Karl Alpha Privatstiftung, Vienna/Austria),

Ferdinand Karl Alpha Privatstiftung, Vienna/Austria
(Porsche Automobil Holding SE, Stuttgart/Germany; Ferdinand Piech GmbH, Grünwald/Germany; Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Salzburg/Austria),

Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Salzburg/Austria
(Porsche Automobil Holding SE, Stuttgart/Germany; Ferdinand Piech GmbH, Grünwald/Germany),

Ferdinand Piech GmbH, Grünwald/Germany
(Porsche Automobil Holding SE, Stuttgart/Germany).

3) Porsche Holding Gesellschaft m.b.H., Salzburg/Austria, and Porsche GmbH, Salzburg/Austria, notified us in accordance with article 21, section 1 of the WpHG that their share of the voting rights in Volkswagen Aktiengesellschaft in each case exceeded the threshold of 50% on January 5, 2009 and in each case amounted to 53.13% (156,702,015 voting rights) at this date.

All the above-mentioned 156,702,015 voting rights are attributable to Porsche Holding Gesellschaft m.b.H. in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG. The companies via which the voting rights are actually held and whose attributed share of the voting rights amounts to 3% or more are:
– Porsche GmbH, Salzburg/Austria;
– Porsche GmbH, Stuttgart/Germany;
– Porsche Automobil Holding SE, Stuttgart/Germany.

Of the above-mentioned 156,702,015 voting rights, 50.76% of the voting rights (149,696,753 voting rights) are attributable to Porsche GmbH, Salzburg/Austria, in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG. The companies via which the voting rights are actually held and whose attributed share of the voting rights amounts to 3% or more are:
– Porsche GmbH, Stuttgart/Germany;
– Porsche Automobil Holding SE, Stuttgart/Germany.

4) Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG, Stuttgart, Germany has notified us in accordance with article 21, section 1 of the WpHG that its (indirect) share of the voting rights in Volkswagen Aktiengesellschaft, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on September 29, 2010 and amounted to 50.74% of the voting rights (149,696,680 voting rights) at this date.

Of this figure, 50.74% of the voting rights (149,696,680 voting rights) are attributable to Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG.

The voting rights attributed to Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG are held via the following enterprises controlled by it, whose share of the voting rights in Volkswagen Aktiengesellschaft amounts to 3% or more in each case: Wolfgang Porsche GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart.

These voting rights were not reached by exercise of purchase rights resulting from financial instruments according to article 25, section 1, sentence 1 of the WpHG.

5) On August 12, 2013, LK Holding GmbH, Salzburg, Austria, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on August 10, 2013 and amounted to 50.73% of the voting rights (149,696,681 voting rights) at this date.

Of this figure, 50.73% of the voting rights (149,696,681 voting rights) are attributable to LK Holding GmbH in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG.

The voting rights attributed to LK Holding GmbH are held via the following enterprises controlled by it, whose share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT amounts to 3% or more in each case: Porsche Automobil Holding SE, Stuttgart; Familien Porsche-Kiesling Beteiligung GmbH, Grünwald; Louise Daxer-Piech GmbH, Grünwald.

6) On September 11, 2013, Ahorner Alpha Beteiligungs GmbH, Grünwald, Germany, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on September 11, 2013 and amounted to 50.73% of the voting rights (149,696,681 voting rights) at this date. Of this figure, 50.73% of the voting rights (149,696,681 voting rights) are attributable to Ahorner Alpha Beteiligungs GmbH in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG.

The voting rights attributed to Ahorner Alpha Beteiligungs GmbH are held via the following enterprises controlled by it, whose share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT amounts to 3% or more in each case: Porsche Automobil Holding SE, Stuttgart.

7) On September 11, 2013, Ahorner Beta Beteiligungs GmbH, Grünwald, Germany, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on September 11, 2013 and amounted to 50.73% of the voting rights (149,696,681 voting rights) at this date. Of this figure, 50.73% of the voting rights (149,696,681 voting rights) are attributable to Ahorner Beta Beteiligungs GmbH in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG.

The voting rights attributed to Ahorner Beta Beteiligungs GmbH are held via the following enterprises controlled by it, whose share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT amounts to 3% or more in each case: Ahorner Alpha Beteiligungs GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart.

8) On September 11, 2013, Louise Daxer-Piech GmbH, Salzburg, Austria, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on September 11, 2013 and amounted to 50.73% of the voting rights (149,696,681 voting rights) at this date. Of this figure, 50.73% of the voting rights (149,696,681 voting rights) are attributable to Louise Daxer-Piech GmbH in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG.

The voting rights attributed to Louise Daxer-Piech GmbH are held via the following enterprises controlled by it, whose share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT amounts to 3% or more in each case: Ahorner Beta Beteiligungs GmbH, Grünwald; Ahorner Alpha Beteiligungs GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart.

9) On September 11, 2013, Ahorner Holding GmbH, Salzburg, Austria, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on September 11, 2013 and amounted to 50.73% of the voting rights (149,696,681 voting rights) at this date. Of this figure, 50.73% of the voting rights (149,696,681 voting rights) are attributable to Ahorner Holding GmbH in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG.

The voting rights attributed to Ahorner Holding GmbH are held via the following enterprises controlled by it, whose share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT amounts to 3% or more in each case: Louise Daxer-Piech GmbH, Salzburg, Austria; Ahorner Beta Beteiligungs GmbH, Grünwald; Ahorner Alpha Beteiligungs GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart.

10) On December 16, 2014, Porsche Wolfgang 1. Beteiligungsverwaltungs GmbH, Stuttgart, Germany, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, fell below the thresholds of 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% of the voting rights on December 15, 2014 and amounted to 0% of the voting rights (0 voting rights) at this date.

11) On December 17, 2014, Dr. Wolfgang Porsche Holding GmbH, Salzburg, Austria, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on December 15, 2014 and amounted to 50.73% of the voting rights (149,696,681 voting rights) at this date. Of this figure, 50.73% of the voting rights (149,696,681 voting rights) are attributable to Dr. Wolfgang Porsche Holding GmbH in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG.

The voting rights attributed to Dr. Wolfgang Porsche Holding GmbH are held via the following enterprises controlled by it, whose share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT amounts to 3% or more in each case: Wolfgang Porsche GmbH, Grünwald; Familie Porsche Beteiligung GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart.

12) On July 15, 2015, the following persons in each case have notified us in accordance with article 21, section 1 of the WpHG that their share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on July 14, 2015 and in each case amounted to 50.73% of the voting rights (149,696,681 voting rights) at this date:

– Dipl.-Design. Stephanie Porsche-Schröder, Austria,
– Dr. Dr. Christian Porsche, Austria,
– Ferdinand Rudolf Wolfgang Porsche, Austria

Of this figure, in each case 50.73% of the voting rights (149,696,681 voting rights) are attributable to each of the above-mentioned notifying persons in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG. The voting rights attributed to the notifying persons in each case are held via the following enterprises controlled by the notifying persons, whose share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT amounts to 3% or more in each case:

Dr. Wolfgang Porsche Holding GmbH, Salzburg; Wolfgang Porsche GmbH, Grünwald; Ferdinand Porsche Familien-Privatstiftung, Salzburg; Familie Porsche Holding GmbH, Salzburg; Ing. Hans-Peter Porsche GmbH, Salzburg; Hans-Peter Porsche GmbH, Grünwald; Ferdinand Porsche Holding GmbH, Salzburg; Prof. Ferdinand Alexander Porsche GmbH, Salzburg; Ferdinand Alexander Porsche GmbH, Grünwald; Gerhard Anton Porsche GmbH, Salzburg; Gerhard Porsche GmbH, Grünwald; LK Holding GmbH, Salzburg; Louise Kiesling GmbH, Grünwald; Familie Porsche Beteiligung GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart.

13) On July 15, 2015, Familie Porsche Privatstiftung, Salzburg, Austria, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, fell below the thresholds of 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% of the voting rights on July 14, 2015 and amounted to 0% of the voting rights (0 voting rights) at this date.

14) On July 15, 2015, Ferdinand Porsche Privatstiftung, Salzburg, Austria, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, fell below the thresholds of 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% of the voting rights on July 14, 2015 and amounted to 0% of the voting rights (0 voting rights) at this date.

15) On July 15, 2015, Ferdinand Porsche Familien-Privatstiftung, Salzburg, Austria, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on July 14, 2015 and amounted to 50.73% of the voting rights (149,696,681 voting rights) at this date. Of this figure, 50.73% of the voting rights (149,696,681 voting rights) are attributable to Ferdinand Porsche Familien-Privatstiftung in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG.

The voting rights attributed to Ferdinand Porsche Familien-Privatstiftung are held via the following enterprises controlled by it, whose share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT amounts to 3% or more in each case:

Familie Porsche Holding GmbH, Salzburg; Ing. Hans-Peter Porsche GmbH, Salzburg; Hans-Peter Porsche GmbH, Grünwald; Ferdinand Porsche Holding GmbH, Salzburg; Prof. Ferdinand Alexander Porsche GmbH, Salzburg; Ferdinand Alexander Porsche GmbH, Grünwald; Gerhard Anton Porsche GmbH, Salzburg; Gerhard Porsche GmbH, Grünwald; LK Holding GmbH, Salzburg; Louise Kiesling GmbH, Grünwald; Familie Porsche Beteiligung GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart.

16) On July 20, 2015, the following persons in each case have notified us in accordance with article 21, section 1 of the WpHG that their share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on July 14, 2015 and in each case amounted to 50.73% of the voting rights (149,696,681 voting rights) at this date:

– Dr. Geraldine Porsche, Austria,
– Diana Porsche, Austria,
– Felix Alexander Porsche, Germany.

Of this figure, in each case 50.73% of the voting rights (149,696,681 voting rights) are attributable to each of the above-mentioned notifying persons in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG. The voting rights attributed to the notifying persons in each case are held via the following enterprises controlled by the notifying persons, whose share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT amounts to 3% or more in each case:

Ferdinand Porsche Familien-Privatstiftung, Salzburg; Familie Porsche Holding GmbH, Salzburg; Ing. Hans-Peter Porsche GmbH, Salzburg; Hans-Peter Porsche GmbH, Grünwald; Ferdinand Porsche Holding GmbH, Salzburg; Prof. Ferdinand Alexander Porsche GmbH, Salzburg; Ferdinand Alexander Porsche GmbH, Grünwald; Gerhard Anton Porsche GmbH, Salzburg; Gerhard Porsche GmbH, Grünwald; LK Holding GmbH, Salzburg; Louise Kiesling GmbH, Grünwald; Familie Porsche Beteiligung GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart.

17) On August 4, 2015, Ferdinand Porsche Familien- Holding GmbH, Salzburg, Austria, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on July 31, 2015 and amounted to 50.73% of the voting rights (149,696,681 voting rights) at this date. Of this figure, 50.73% of the voting rights (149,696,681 voting rights) are attributable to Ferdinand Porsche Familien- Holding GmbH in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG.

The voting rights attributed to Ferdinand Porsche Familien- Holding GmbH are held via the following enterprises controlled by it, whose share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT amounts to 3% or more in each case: Hans-Peter Porsche GmbH, Grünwald; Ferdinand Alexander Porsche GmbH, Grünwald; Gerhard Porsche GmbH, Grünwald; Louise Kiesling GmbH, Grünwald; Familie Porsche Beteiligung GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart.

18) Release according to article 26, section 1 of the WpHG of June 3, 2016

1. Details of issuer
VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Reason for notification
☐ Acquisition/disposal of shares with voting rights
☒ Acquisition/disposal of instruments
☐ Change of breakdown of voting rights
☐ Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Dr. Dr. Christian Porsche, Dipl.- Design. Stephanie Porsche-Schröder, Ferdinand Rudolf Wolfgang Porsche, Felix Alexander Porsche	

4. Names of shareholder(s) holding directly 3% or more voting rights, if different from 3.
Porsche Automobil Holding SE

5. Date on which treshold was crossed or reached
June 1, 2016

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1. + 7.b.2.)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	52.22%	52.22%	52.22%	295089818
Previous notification	50.73%	n/a%	0.00%	

7. Notified details of the resulting situation a. Voting rights attached to shares (articles 21, 22 WpHG)				
ISIN	absolute		in %	
	direct (article 21 WpHG)	indirect (article 22 WpHG)	direct (article 21 WpHG)	indirect (article 22 WpHG)
DE0007664005	0	154093681	0%	52,22%
Total	154093681		**52.22 %**	

b.1. Instruments according to article 25, section 1, no. 1 WpHG				
Type of instru-ment	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		**%**

b.2. Instruments according to article 25, section 1, no. 2 WpHG					
Type of instru-ment	Expira-tion or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
Contribution Agreement	n/a	n/a	physical	154093681	52.22%
			Total	**154093681**	**52.22%**

8. Information in relation to the person subject to the notification obligation

☐ Person subject to the notification obligation (3.) is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).

☒ Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
Dr. Dr. Christian Porsche, Dipl.-Design. Stephanie Porsche-Schröder, Ferdinand Rudolf Wolfgang Porsche, Felix Alexander Porsche	%	%	%
Familie WP Holding GmbH	%	52.22%	52.22%
Dr. Dr. Christian Porsche, Dipl.-Design. Stephanie Porsche-Schröder, Ferdinand Rudolf Wolfgang Porsche, Felix Alexander Porsche	%	%	%
Dr. Wolfgang Porsche Holding GmbH	%	%	%
Ferdinand Alexander Porsche GmbH	%	%	%
Familie Porsche Beteiligung GmbH	%	%	%
Porsche Automobil Holding SE	52.22%	%	52.22%
Dr. Dr. Christian Porsche, Dipl.-Design. Stephanie Porsche-Schröder, Ferdinand Rudolf Wolfgang Porsche, Felix Alexander Porsche	%	%	%
Ferdinand Porsche Familien-Privatstiftung	%	%	%
Ferdinand Porsche Familien- Holding GmbH	%	%	%
Ferdinand Alexander Porsche GmbH	%	%	%
Familie Porsche Beteiligung GmbH	%	%	%
Porsche Automobil Holding SE	52.22%	%	52.22%

9. In case of proxy voting according to article 22, section 3 WpHG
(only possible when attributable according to article 22, section 1, sentence 1 no. 6 of the WpHG) Date of general meeting: Holding position after general meeting: % (equals voting rights)

19) Release according to article 26, section 1 of the WpHG of June 3, 2016

1. Details of issuer
VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Reason for notification
☐ Acquisition/disposal of shares with voting rights
☒ Acquisition/disposal of instruments
☐ Change of breakdown of voting rights
☐ Other reason:

3. Details of person subject to the notification obligation	
Name:	City and country of
Mr. Dr. Wolfgang Porsche	registered office:

4. Names of shareholder(s) holding directly 3% or more voting rights, if different from 3.
Porsche Automobil Holding SE

5. Date on which treshold was crossed or reached
June 1, 2016

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1. + 7.b.2.)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	52.22%	52.22%	52.22%	295089818
Previous notification	50.76%	n/a %	0.00%	

7. Notified details of the resulting situation **a. Voting rights attached to shares (articles 21, 22 WpHG)**				
ISIN	absolute		in %	
	direct (article 21 WpHG)	indirect (article 22 WpHG)	direct (article 21 WpHG)	indirect (article 22 WpHG)
DE0007664005	0	154093681	0%	52.22%
Total	**154093681**			**52.22%**

b.1. Instruments according to article 25, section 1, no. 1 WpHG				
Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		**%**

b.2. Instruments according to article 25, section 1, no. 2 WpHG					
Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
Contribution Agreement	n/a	n/a	physical	154093681	52.22%
			Total	**154093681**	**52.22%**

8. Information in relation to the person subject to the notification obligation

☐ Person subject to the notification obligation (3.) is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).

☒ Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
Dr. Wolfgang Porsche	%	%	%
Familie WP Holding GmbH	%	52.22%	52.22%
Dr. Wolfgang Porsche	%	%	%
Dr. Wolfgang Porsche Holding GmbH	%	%	%
Ferdinand Alexander Porsche GmbH	%	%	%
Familie Porsche Beteiligung GmbH	%	%	%
Porsche Automobil Holding SE	52.22%	%	52.22%
Dr. Wolfgang Porsche	%	%	%
Ferdinand Porsche Familien-Privatstif-tung	%	%	%
Ferdinand Porsche Familien- Holding GmbH	%	%	%
Ferdinand Alexander Porsche GmbH	%	%	%
Familie Porsche Beteiligung GmbH	%	%	%
Porsche Automobil Holding SE	52.22%	%	52.22%

9. In case of proxy voting according to article 22, section 3 WpHG
(only possible when attributable according to article 22, section 1, sentence 1 no. 6 of the WpHG)
Date of general meeting:
Holding position after general meeting: % (equals voting rights)

20) Release according to article 26, section 1 of the WpHG of June 17, 2016

1. Details of issuer
VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Reason for notification
☐ Acquisition/disposal of shares with voting rights
☒ Acquisition/disposal of instruments
☐ Change of breakdown of voting rights
☒ Other reason: Group notification due to intra group restructuring

3. Details of person subject to the notification obligation	
Name:	City and country of registered office:
Dr. Wolfgang Porsche, Dr. Dr. Christian Porsche, Dipl.-Design. Stephanie Porsche-Schröder, Ferdinand Rudolf Wolfgang Porsche, Felix Alexander Porsche	

4. Names of shareholder(s) holding directly 3% or more voting rights, if different from 3.
Porsche Automobil Holding SE

5. Date on which treshold was crossed or reached
June 15, 2016

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1. + 7.b.2.)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	52.22%	0.00%	52.22%	295089818
Previous notifcation	52.22%	52.22%	52.22%	

7. . Notified details of the resulting situation a. Voting rights attached to shares (articles 21, 22 WpHG)				
ISIN	absolute		in %	
	direct (article 21 WpHG)	indirect (article 22 WpHG)	direct (article 21 WpHG)	indirect (article 22 WpHG)
DE0007664005	0	154093681	0%	52.22%
Total		**154093681**		**52.22%**

b.1. Instruments according to article 25, section 1, no. 1 WpHG				
Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		**%**

b.2. Instruments according to article 25, section 1, no. 2 WpHG					
Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		**%**

8. Information in relation to the person subject to the notification obligation

☐ Person subject to the notification obligation (3.) is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).

☒ Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)
Dr. Wolfgang Porsche, Dr. Dr. Christian Porsche, Dipl.-Design. Stephanie Porsche-Schröder, Ferdinand Rudolf Wolfgang Porsche, Felix Alexander Porsche	%	%	%
Familie WP Holding GmbH	%	%	%
Dr. Wolfgang Porsche Holding GmbH	%	%	%
Ferdinand Alexander Porsche GmbH	%	%	%
Familie Porsche Beteiligung GmbH	%	%	%
Porsche Automobil Holding SE	52.22%	%	52.22%
Dr. Wolfgang Porsche, Dr. Dr. Christian Porsche, Dipl.-Design. Stephanie Porsche-Schröder, Ferdinand Rudolf Wolfgang Porsche, Felix Alexander Porsche	%	%	%
Ferdinand Porsche Familien-Privatstiftung	%	%	%
Ferdinand Porsche Familien- Holding-GmbH	%	%	%
Ferdinand Alexander Porsche GmbH	%	%	%
Familie Porsche Beteiligung GmbH	%	%	%
Porsche Automobil Holding SE	52.22%	%	52.22%

9. In case of proxy voting according to article 22, section 3 WpHG
(only possible when attributable according to article 22, section 1, sentence 1 no. 6 of the WpHG)
Date of general meeting:
Holding position after general meeting: % (equals voting rights)

21) Release according to article 26, section 1 of the WpHG of November 10, 2017

1. Details of issuer
VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Reason for notification
☐ Acquisition/disposal of shares with voting rights
☐ Acquisition/disposal of instruments
☐ Change of breakdown of voting rights
☒ Other reason: Disposal of subsidiary

3. Details of person subject to the notification obligation	
Name:	City and country of registered office:
Mr Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand Karl Piëch, Date of birth: April 17, 1937	

4. Names of shareholder(s) holding directly 3% or more voting rights, if different from 3.

5. Date on which treshold was crossed or reached
November 8, 2017

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1. + 7.b.2.)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	0.00%	0.00%	0.00%	295089818
Previous notification	50.76%	n/a%	n/a%	

7. Notified details of the resulting situation a. Voting rights attached to shares (articles 21, 22 WpHG)				
ISIN	absolute		in %	
	direct (article 21 WpHG)	indirect (article 22 WpHG)	direct (article 21 WpHG)	indirect (article 22 WpHG)
	0	0	0.00%	0.00%
Total	**0**		**0.00%**	

b.1. Instruments according to article 25, section 1, no. 1 WpHG				
Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		**%**

b.2. Instruments according to article 25, section 1, no. 2 WpHG					
Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		**%**

8. Information in relation to the person subject to the notification obligation

☒ Person subject to the notification obligation (3.) is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).

☐ Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity

Name	% of voting rights (if at least held 3% or more)	% of voting rights through instruments (if at least held 5% or more)	Total of both (if at least held 5% or more)

9. In case of proxy voting according to article 22, section 3 WpHG
(only possible when attributable according to article 22, section 1, sentence 1 no. 6 of the WpHG)
Date of general meeting:
Holding position after general meeting: % (equals voting rights)

10. Other explanatory remarks:
This voting rights notification is made with releasing effect also for Dipl.Ing. Dr. h.c. Ferdinand K. Piech GmbH, Salzburg, and Ferdinand Karl Alpha Privatstiftung, Salzburg. Due to the sale and transfer of the participation in Auto 2015 Beteiligungs GmbH by Dipl.-Ing. Dr. h.c. Ferdinand K. Piech GmbH, Salzburg, voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT are also no longer attributed to Dipl.-Ing. Dr. h.c. Ferdinand K. Piech GmbH, Salzburg, and Ferdinand Karl Alpha Privatstiftung, Salzburg.

Qatar

We have received the following notification:

(1) Pursuant to article 21, section 1 of the WpHG we hereby notify for and on behalf of the State of Qatar, acting by and through the Qatar Investment Authority, Doha, Qatar, that its indirect voting rights in Volkswagen Aktiengesellschaft

(a) exceeded the threshold of 10% on December 17, 2009 and amounted to 13.71% of the voting rights of Volkswagen Aktiengesellschaft (40,440,274 voting rights) as per this date

(i) 6.93% (20,429,274 voting rights) of which have been obtained by the exercise by Qatar Holding LLC of financial instruments within the meaning of article 25, section 1, sentence 1 of the WpHG on that date granting the right to acquire shares in Volkswagen Aktiengesellschaft, and

(ii) all of which are attributed to the State of Qatar pursuant to article 22, section 1, sentence 1 no. 1 of the WpHG.

(b) exceeded the threshold of 15% on December 18, 2009 and amounted to 17.00% of the voting rights of Volkswagen Aktiengesellschaft (50,149,012 voting rights) as per this date

(i) 3.29% (9,708,738 voting rights) of which have been obtained by the exercise by Qatar Holding LLC of financial instruments within the meaning of article 25, section 1, sentence 1 of the WpHG on that date granting the right to acquire shares in Volkswagen Aktiengesellschaft, and

(ii) all of which are attributed to the State of Qatar pursuant to article 22, section 1, sentence 1 no. 1 of the WpHG.

Voting rights that are attributed to the State of Qatar pursuant to lit. (a) and (b) above are held via the following entities which are controlled by it and whose attributed proportion of voting rights in Volkswagen Aktiengesellschaft amount to 3% each or more:

(aa) Qatar Investment Authority, Doha, Qatar;
(bb) Qatar Holding LLC, Doha, Qatar;
(cc) Qatar Holding Luxembourg II S.à.r.l., Luxembourg, Luxembourg;
(dd) Qatar Holding Netherlands B.V., Amsterdam, The Netherlands.

(2) Pursuant to article 21, section 1 of the WpHG we hereby notify for and on behalf of the Qatar Investment Authority, Doha, Qatar, that its indirect voting rights in Volkswagen Aktiengesellschaft

(a) exceeded the threshold of 10% on December 17, 2009 and amounted to 13.71% of the voting rights of Volkswagen Aktiengesellschaft (40,440,274 voting rights) as per this date

(i) 6.93% (20,429,274 voting rights) of which have been obtained by the exercise by Qatar Holding LLC of financial instruments within the meaning of article 25, section 1, sentence 1 of the WpHG on that date granting the right to acquire shares in Volkswagen Aktiengesellschaft, and

(ii) all of which are attributed to the Qatar Investment Authority pursuant to article 22, section 1, sentence 1 no. 1 of the WpHG.

(b) exceeded the threshold of 15% on December 18, 2009 and amounted to 17.00% of the voting rights of Volkswagen Aktiengesellschaft (50,149,012 voting rights) as per this date

(i) 3.29% (9,708,738 voting rights) of which have been obtained by the exercise by Qatar Holding LLC of financial instruments within the meaning of article 25, section 1, sentence 1 of the WpHG on that date granting the right to acquire shares in Volkswagen Aktiengesellschaft, and

(ii) all of which are attributed to the Qatar Investment Authority pursuant to article 22, section 1, sentence 1 no. 1 of the WpHG.

Voting rights that are attributed to the Qatar Investment Authority pursuant to lit. (a) and (b) above are held via the entities as set forth in (1) (bb) through (dd) which are controlled by it and whose attributed proportion of voting rights in Volkswagen Aktiengesellschaft amount to 3% each or more.

(3) Pursuant to article 21, section 1 of the WpHG we hereby notify for and behalf of Qatar Holding LLC, Doha, Qatar, that its direct and indirect voting rights in Volkswagen Aktiengesellschaft

(a) exceeded the threshold of 10% on December 17, 2009 and amounted to 13.71% of the voting rights of Volkswagen Aktiengesellschaft (40,440,274 voting rights) as per this date

(i) 6.93% (20,429,274 voting rights) of which have been obtained by the exercise of financial instruments within the meaning of article 25, section 1, sentence 1 of the WpHG on that date granting the right to acquire shares in Volkswagen Aktiengesellschaft, and

(ii) 6.78% (20,011,000 voting rights) of which are attributed to Qatar Holding LLC pursuant to article 22, section 1, sentence 1 no. 1 of the WpHG.

(b) exceeded the threshold of 15% on December 18, 2009 and amounted to 17.00% of the voting rights of Volkswagen Aktiengesellschaft (50,149,012 voting rights) as per this date

(i) 3.29% (9,708,738 voting rights) of which have been obtained by the exercise of financial instruments within the meaning of article 25, section 1, sentence 1 of the WpHG on that date granting the right to acquire shares in Volkswagen Aktiengesellschaft, and

(ii) 6.78% (20,011,000 voting rights) of which are attributed to Qatar Holding LLC pursuant to article 22, section 1, sentence 1 no. 1 of the WpHG.

Voting rights that are attributed to Qatar Holding LLC pursuant to lit. (a) and (b) above are held via the entities as set forth in (1) (cc) through (dd) which are controlled by it and whose attributed proportion of voting rights in Volkswagen Aktiengesellschaft amount to 3% each or more.

We have received the following notification:

(1) Pursuant to article 21, section 1 of the WpHG we hereby notify for and on behalf of Qatar Holding Luxembourg II S.à.r.l., Luxembourg, Luxembourg, that its indirect voting rights in Volkswagen Aktiengesellschaft exceeded the thresholds of 10% and 15% on December 18, 2009 and amounted to 17.00% of the voting rights of Volkswagen Aktiengesellschaft (50,149,012 voting rights) as per this date, all of which are attributed to Qatar Holding Luxembourg II S.à.r.l. pursuant to article 22, section 1, sentence 1 no.1 of the WpHG.

Voting rights that are attributed to Qatar Holding Luxembourg II S.à.r.l. are held via the following entities which are controlled by it and whose attributed proportion of voting rights in Volkswagen Aktiengesellschaft amount to 3% each or more:
(a) Qatar Holding Netherlands B.V., Amsterdam, The Netherlands;
(b) Qatar Holding Germany GmbH, Frankfurt am Main, Germany.

(2) Pursuant to article 21, section 1 of the WpHG we hereby notify for and on behalf of Qatar Holding Netherlands B.V., Amsterdam, The Netherlands, that its indirect voting rights in Volkswagen Aktiengesellschaft exceeded the thresholds of 10% and 15% on December 18, 2009 and amounted to 17.00% of the voting rights of Volkswagen Aktiengesellschaft (50,149,012 voting rights) as per this date, all of which are attributed to Qatar Holding Luxembourg II S.à.r.l. pursuant to article 22, section 1, sentence 1 no. 1 of the WpHG

Voting rights that are attributed to Qatar Holding Netherlands B.V. are held via the entity as set forth in (1) (b) which is controlled by it and whose attributed proportion of voting rights in Volkswagen Aktiengesellschaft amounts to 3% or more.

(3) Pursuant to article 21, section 1 of the WpHG we hereby notify for and on behalf of Qatar Holding Germany GmbH, Frankfurt am Main, Germany, that its direct voting rights in Volkswagen Aktiengesellschaft exceeded the thresholds of 3%, 5%, 10% and 15% on December 18, 2009 and amounted to 17.00% of the voting rights of Volkswagen Aktiengesellschaft (50,149,012 voting rights) as per this date.

State of Lower Saxony

The State of Lower Saxony notified us on January 8, 2024 that it held a total of 59,022,390 ordinary shares of Volkswagen AG as of December 31, 2023. It held 520 VW ordinary shares directly and 59,021,870 ordinary shares indirectly via Hannoversche Beteiligungsgesellschaft Niedersachsen mbH (HanBG), which is owned by the State of Lower Saxony.

48. German Corporate Governance Code

The Board of Management and Supervisory Board of Volkswagen AG issued the declaration of conformity with the German Corporate Governance Code in accordance with section 161 of the AktG on November 17, 2023. It has been made permanently available to the shareholders of Volkswagen AG on the Company's website at www.volkswagen-group.com/declaration.

In December 2023, the Executive Board and Supervisory Board of TRATON SE also issued their declaration of conformity with the German Corporate Governance Code and made it permanently available to the shareholders at https://ir.traton.com/websites/traton/English/5000/corporate-governance.html.

The Board of Management and Supervisory Board of Dr. Ing. h.c. F. Porsche AG also issued their declaration of conformity with the German Corporate Governance Code in December 2023. It has been made permanently available to shareholders on the company's website at https://investorrelations.porsche.com/en/corporate-governance/.

49. Remuneration of the Board of Management and the Supervisory Board

Total remuneration granted to the members of the Board of Management amounted to €51.1 million (previous year: €58.5 million).

Under the performance share plan, a total of 169,465 performance shares (previous year: 133,775) were granted to active members of the Bord of Management for fiscal year 2023; their value at the grant date was €18.8 million (previous year: €19.2 million).

No more advances were granted to members of the Board of Management under the performance share plan in fiscal year 2023. Overall, no advances were deducted from payments under the performance share plan (previous year: €1.4 million) in the fiscal year.

Total remuneration granted to the members of the Supervisory Board amounted to €7.5 million (previous year: €5.3 million).

Pension entitlements and benefits to retired members of the board of management

The former members of the Board of Management and their surviving dependents were granted €10.4 million (previous year: €53.5 million). Pension provisions for this group of individuals amounted to €290.3 million (previous year: €273.3 million).

The individual remuneration of the members of the Board of Management and the Supervisory Board is explained in the remuneration report. A comprehensive assessment of the individual remuneration components can also be found there.

Wolfsburg, February 20, 2024

Volkswagen Aktiengesellschaft
The Board of Management

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 20, 2024

Volkswagen Aktiengesellschaft
The Board of Management

Oliver Blume	Arno Antlitz	Ralf Brandstätter
Gernot Döllner	Manfred Döss	Gunnar Kilian
Thomas Schäfer	Thomas Schmall-von Westerholt	Hauke Stars

Independent Auditor's Report

On completion of our audit, we issued an unqualified auditor's report dated March 1, 2024 in German language. The following text is a translation of this auditor's report. The German text is authoritative:

To VOLKSWAGEN AKTIENGESELLSCHAFT

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 2023, and the consolidated balance sheet as at 31 December 2023, consolidated statement of changes in equity and consolidated cash flow statement for the fiscal year from 1 January to 31 December 2023, 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 2023. In accordance with the German legal requirements, we have not audited the content of the parts of the group management report specified in the appendix 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 2023, and of its financial performance for the fiscal year from 1 January to 31 December 2023, 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. We do not express an opinion on the parts of the group management report listed in the appendix.

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 2023. 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 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 2023 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 notes to the consolidated financial statements, the executive directors considered in their assessments in particular the fact that, based on the various measures taken and meanwhile largely concluded to resolve the diesel issue, 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 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 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 and contingent liabilities.

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 obtained an understanding of the procedural controls implemented and examined a sample to determine whether they were based on settlement agreements or court judgments and whether corresponding payments were made.

Our audit procedures did not lead to any reservations 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 "Accounting policies" sections on "Estimates and assessments by management" and "Balance sheet disclosures," note 30, "Noncurrent and current provisions," note 38, "Contingent liabilities" and note 39, "Litigation" of the notes to the consolidated financial statements and in the "Report on Risks and Opportunities" chapter of the group management report, "Legal risks" section, subsection "Diesel issue."

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 ongoing transformation of the core business toward electromobility and digitalization, the transition to autonomous vehicles and growing environmental regulation lead to uncertainties that have to be factored into the estimation of market shares and margins for electric vehicles and the long-term growth rates. These estimates by the executive directors are subject to risk and may be revised in response to changes in environmental regulation and market conditions.

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 Volkswagen 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 as well as the impairment testing process and tested the operating effectiveness of the controls implemented in each process. In this context, we obtained an understanding of the controls implemented to reconcile the planning of the cash-generating units to the group planning. 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. We based plausibility testing of the inputs for the impairment tests among other things on a comparison with general and industry-specific market expectations underlying the expected cash inflows. We also investigated the expectations regarding the development of market shares for battery electric vehicles, the effects on the planned investments and their indirect effects on the long-term cash inflows expected by the executive directors.

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" section on "Estimates and assumptions by management" and note 12, "Intangible assets" in the "Balance sheet disclosures" section of the notes to the consolidated financial statements. In the group management report, refer to the "Report on Risks and Opportunities" chapter, "Risks and opportunities" section, subsection "Risks arising from the recoverability of goodwill or brand names and from equity investments."

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 ongoing transformation of the core business toward electromobility and digitalization, the transition to autonomous vehicles and growing environmental regulation lead to uncertainties that have to be factored into the estimation of market shares and margins for electric vehicles and the long-term growth rates. Growth expectations of the executive directors are subject to risk and may be revised in response to changes in environmental regulation and market conditions.

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 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 in the valuation process, 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 carried out analytical audit procedures such as comparisons of project budgets and capitalization rates, inspected documentation on project feasibility and tested process-related controls in some areas. 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.

We analyzed the planning process established in the Volkswagen Group and tested the operating effectiveness of the controls implemented therein. 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 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. We based plausibility testing of the inputs for the impairment tests among other things on a comparison with general and industry-specific market expectations underlying the expected cash inflows. We also investigated the expectations regarding the development of market shares for battery electric vehicles, the effects on the planned investments and their indirect effects on the long-term cash inflows expected by the executive directors.

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 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" section on "Estimates and assumptions by management" and 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 and 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 growing proportion of 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 some areas.

In light of the uncertainty in relation to the estimated future warranty costs, 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" section on "Estimates and assessments by management" and note 30, "Noncurrent and current other provisions" in the "Balance sheet disclosures" section of the notes to the consolidated financial statements.

5. DETERMINATION OF THE EXPECTED RESIDUAL VALUES OF LEASE ASSETS DURING IMPAIRMENT TESTING

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

The lease assets balance sheet item comprises vehicles under operating leases. The recoverability of the lease assets depends in particular on the expected residual value of the leased vehicles after expiration of the contractual term. The expected residual values are reviewed by the Company on a quarterly basis. The forecast residual values are adjusted to include constantly updated internal and external information on residual values, depending on specific local factors and the experiences gained in the marketing of used cars. This requires management to make, in particular, assumptions about vehicle supply and demand in the future, as well as about vehicle price trends.

Minimal changes in the parameters underlying the valuation can lead to significant variation in values. In this light, the determination of the expected residual values of assets leased under operating leases during impairment testing was a key audit matter.

Auditor's response

During our audit, we analyzed the process implemented by the Company for determining and monitoring 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 determination and monitoring of the expected residual values. To assess the forecasting models used to determine the residual values, we assessed the validation plans on the basis of the respective model designs to determine whether the validation procedures described in the plans allow an assessment of the models' forecast quality. We investigated whether the validation procedures performed according to the validation plans and the backtesting performed led to any indications of model weaknesses or any need to adjust the models. Furthermore, we assessed whether the assumptions underlying the forecasting model and the inputs used for determining the expected residual values were clearly documented. To this end, we obtained evidence for the main inputs and assumptions used for mileage, age and lifecycle phase of the vehicles to determine the residual values and examined them for currentness and transparency. We assessed whether the marketing assumptions used reflect industry-specific and general market expectations as well as, in particular, current marketing results.

Our audit procedures did not lead to any reservations relating to the determination of the expected residual values of the assets leased under operating leases during impairment testing.

Reference to related disclosures

With regard to the recognition and measurement policies applied for lease assets, refer to the disclosure on lease 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" section on "Estimates and assumptions by management" and note 14, "Lease assets and investment property" in the "Balance sheet disclosures" section of the notes to the consolidated financial statements.

Emphasis of matter paragraph – Immanent risk due to uncertainties regarding the legal conformity of the interpretation of the EU Taxonomy Regulation

We draw attention to the executive directors' comments on the EU Taxonomy disclosures in the "EU Taxonomy" section of the group management report, where it is stated that the EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to interpretation uncertainties and for which clarifications have not yet been published in every case. The executive directors describe how they interpreted the EU Taxonomy Regulation and the Delegated Acts adopted thereunder. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties. Our opinion on the group management report is not modified in this respect.

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, and for the remuneration report pursuant to Sec. 162 AktG. 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 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 the risk of not detecting a material misstatement 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 ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH SEC. 317 (3A) HGB

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file VWAG_JFB_Konzern_2023-12-31.zip 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 work extends only 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 within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January to 31 December 2023 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (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 rendering 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 determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for preparing 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 intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, 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 file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering 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) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

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

We were elected as group auditor by the Annual General Meeting on 10 May 2023. We were engaged by the Supervisory Board on 26 July 2023. 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).

Other matter – Use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the *Unternehmensregister* [German Company Register] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

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 parts 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.
- The disclosures extraneous to management reports contained in the "Report on Risks and Opportunities" chapter in the section entitled "Monitoring the effectiveness of the risk management system and the internal control system."

Disclosures extraneous to management reports are such disclosures that are not required pursuant to Secs. 315, 315a HGB or Secs. 315b to 315d HGB or GAS 20.

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:

- The Group Nonfinancial Report

The other information also comprises other parts to be included in the annual report, of which we obtained a copy prior to issuing this auditor's report, in particular the sections:

- Report of the Supervisory Board
- To our Shareholders
- Divisions
- Group Corporate Governance Declaration
- Remuneration Report
- Responsibility Statement; and
- Additional Information

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, 1 March 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Meyer	Matischiok
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Independent Auditor's Report

To VOLKSWAGEN AKTIENGESELLSCHAFT

We have audited the attached remuneration report of VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, prepared to comply with Sec. 162 AktG ["Aktiengesetz": German Stock Corporation Act] for the fiscal year from 1 January to 31 December 2023 and the related disclosures. We have not audited the content of the disclosures on appropriateness and market alignment in section "1. Principles of Board of Management remuneration" of the remuneration report where they go beyond the scope of Sec. 162 AktG.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD

The executive directors and the Supervisory Board of VOLKSWAGEN AKTIENGESELLSCHAFT are responsible for the preparation of the remuneration report and the related disclosures in compliance with the requirements of Sec. 162 AktG. In addition, the executive directors and the Supervisory Board are responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report and the related disclosures that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on this remuneration report and the related disclosures based on our audit. We conducted our audit in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report and the related disclosures are free from material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts in the remuneration report and the related disclosures. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the remuneration report and the related disclosures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report and the related disclosures in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the accounting policies used and the reasonableness of accounting estimates made by the executive directors and the Supervisory Board, as well as evaluating the overall presentation of the remuneration report and the related disclosures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, on the basis of the knowledge obtained in the audit, the remuneration report for the fiscal year from 1 January to 31 December 2023 and the related disclosures comply, in all material respects, with the financial reporting provisions of Sec. 162 AktG. We do not express an opinion on the content of the abovementioned disclosures of the remuneration report that go beyond the scope of Sec. 162 AktG.

OTHER MATTER – FORMAL AUDIT OF THE REMUNERATION REPORT

The audit of the content of the remuneration report described in this auditor's report comprises the formal audit of the remuneration report required by Sec. 162 (3) AktG and the issue of a report on this audit. As we are issuing an unqualified opinion on the audit of the content of the remuneration report, this also includes the opinion that the disclosures pursuant to Sec. 162 (1) and (2) AktG are made in the remuneration report in all material respects.

LIMITATION OF LIABILITY

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" as issued by the IDW on 1 January 2017, are applicable to this engagement and also govern our responsibility and liability to third parties in the context of this engagement (www.de.ey.com/general-engagement-terms).

Hanover, 1 March 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Matischiok Wirtschaftsprüfer [German Public Auditor]	Hantke Wirtschaftsprüfer [German Public Auditor]

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Additional Information

Five-Year Review

	2023	2022[1]	2021	2020	2019
Volume Data (thousands)					
Vehicle sales (units)	**9,362**	**8,481**	**8,576**	**9,157**	**10,956**
Germany	1,178	1,005	973	1,108	1,347
Abroad	8,184	7,476	7,603	8,049	9,609
Production (units)	**9,309**	**8,717**	**8,283**	**8,900**	**10,823**
Germany	1,914	1,648	1,483	1,633	2,112
Abroad	7,395	7,069	6,800	7,267	8,712
Employees (yearly average)	**676**	**669**	**668**	**668**	**668**
Germany	293	289	294	294	295
Abroad	383	380	373	373	373
Financial Data (in € million)					
Income Statement					
Sales revenue	**322,284**	**279,050**	**250,200**	**222,884**	**252,632**
Cost of sales	-261,262	-226,866	-202,959	-183,937	-203,490
Gross profit	**61,022**	**52,184**	**47,241**	**38,947**	**49,142**
Distribution expenses	-21,340	-19,840	-19,228	-18,407	-20,978
Administrative expenses	-12,724	-11,655	-10,420	-9,399	-9,767
Net other operating result	-4,382	1,421	1,682	-1,466	-1,437
Operating result	**22,576**	**22,109**	**19,275**	**9,675**	**16,960**
Financial result	618	-40	851	1,991	1,396
Earnings before tax	**23,194**	**22,070**	**20,126**	**11,667**	**18,356**
Income tax expense	-5,266	-6,217	-4,698	-2,843	-4,326
Earnings after tax	**17,928**	**15,852**	**15,428**	**8,824**	**14,029**
Personnel expenses	**49,755**	**47,002**	**43,677**	**40,516**	**42,913**
Balance Sheet (at December 31)					
Noncurrent assets	360,694	339,853	328,261	302,170	300,608
Current assets	239,644	224,159	200,347	194,944	187,463
Total assets	**600,338**	**564,013**	**528,609**	**497,114**	**488,071**
Equity	189,912	178,328	146,154	128,783	123,651
of which: noncontrolling interests	14,218	12,952	1,705	1,734	1,870
Noncurrent liabilities	204,552	202,961	218,062	202,921	196,497
Current liabilities	205,874	182,723	164,393	165,410	167,924
Total equity and liabilities	**600,338**	**564,013**	**528,609**	**497,114**	**488,071**
Cash flows from operating activities	**19,356**	**28,496**	**38,633**	**24,901**	**17,983**
Cash flows from investing activities attributable to operating activities	**28,031**	**25,454**	**24,181**	**18,372**	**20,076**
Cash flows from financing activities	**16,008**	**4,225**	**-7,754**	**7,637**	**-865**

1 The year 2022 was adjusted due to the new version of IFRS 17.

Financial Key Performance Indicators

%	2023	2022[1]	2021	2020	2019
Volkswagen Group					
Gross margin	18.9	18.7	18.9	17.5	19.5
Personnel expense ratio	15.4	16.8	17.5	18.2	17.0
Operating return on sales	7.0	7.9	7.7	4.3	6.7
Return on sales before tax	7.2	7.9	8.0	5.2	7.3
Return on sales after tax	5.6	5.7	6.2	4.0	5.6
Equity ratio	31.6	31.6	27.6	25.9	25.3
Automotive Division[2]					
Change in unit sales year-on-year[3]	+10.4	–1.1	–6.3	–16.4	+0.5
Change in sales revenue year-on-year	+15.4	+12.7	+13.3	–14.3	+5.7
Operating return on sales	7.0	7.1	6.4	3.7	6.5
EBITDA (in € million)[4]	36,513	37,325	31,609	24,462	29,706
Return on investment (ROI)[5]	12.3	12.0	10.4	6.5	11.2
Cash flows from operating activities as a percentage of sales revenue	14.1	12.9	15.7	13.6	14.5
Cash flows from investing activities attributable to operating activities as a percentage of sales revenue	10.1	10.8	11.5	10.1	9.4
Net liquidity as a percentage of sales revenue	12.5	15.4	10.7	12.0	8.4
Ratio of capex to sales revenue in %	5.4	5.5	5.1	6.1	6.6
Research and development costs as a percentage of sales revenue	8.1	8.1	7.6	7.6	6.7
Investitionsquote im Konzernbereich Automobile	13.5	13.6	12.6	13.7	13.3
Cash Conversion Rate	57.0	29.2	65.1	95.4	78.8
Equity ratio	47.8	45.1	40.1	38.1	37.6
Financial Services Division					
Increase in total assets	12.0	2.6	5.6	0.7	7.9
Return on equity before tax[6]	8.8	14.1	17.3	8.8	10.8
Equity ratio	14.8	16.1	14.5	13.2	12.8

1 The year 2022 was adjusted due to the new version of IFRS 17.
2 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
3 Including the Chinese joint ventures.
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 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.

End-to-end electronics architecture
A scalable platform developed by CARIAD for secure and rapid processing of data in the digitally connected vehicle. This platform improves communication between the vehicle and the cloud, thereby enhancing vehicle performance.

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 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.

Net carbon neutrality
Net carbon neutrality will be achieved if anthropogenic CO_2 (carbon dioxide) emissions are offset globally through avoidance, reduction and compensation over a specified period of time. This encompasses all other relevant greenhouse gases as well. Avoidance and reduction of such gases is a priority for the Volkswagen Group.

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.

Scalable Systems Platform (SSP)
The Scalable Systems Platform (SSP) is a future-oriented and industry-leading mechatronics platform for all-electric and fully digitalized vehicles based on a standardized software architecture. Innovative technologies and scalability enable high synergies from the smallest vehicles all the way up to the premium segment with the necessary differentiation between the brand groups Volume, Premium and Sport & Luxury, while at the same time enabling low investment requirements.

Software Defined Vehicles (SDV)
Vehicles designed and developed with a focus on software. Highly digitalized with high-performance computers and modern, embedded computer systems. Their functions can be centrally controlled and updated and extended over the vehicle's life. Their software docks flexibly with all kinds of hardware – from control units to sensors such as cameras and lidar. SDVs are considered the basis for safe, intelligently communicating vehicle fleets, a new customer experience in infotainment and highly automated driving functions.

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 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 CO_2 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.

Vehicle-Lifetime-Value
The value a vehicle generates for the Volkswagen Group including the dealer organization over its entire life cycle, starting with income from the sale, through income during the operational life, up to the recycling at the end of the vehicle life cycle.

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.

Cash Conversion Rate
The cash conversion rate is the ratio of net cash flow to the operating result in the Automotive Division. It shows the relationship between excess funds and operating profit.

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 2024

→ **March 13**

Volkswagen AG Annual Media Conference and Investor Conference

→ **April 30**

Interim Report January – March 2024

→ **May 29**

Volkswagen AG Annual General Meeting

→ **August 1**

Half-Yearly Financial Report 2024

→ **October 30**

Interim Report January – September 2024

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