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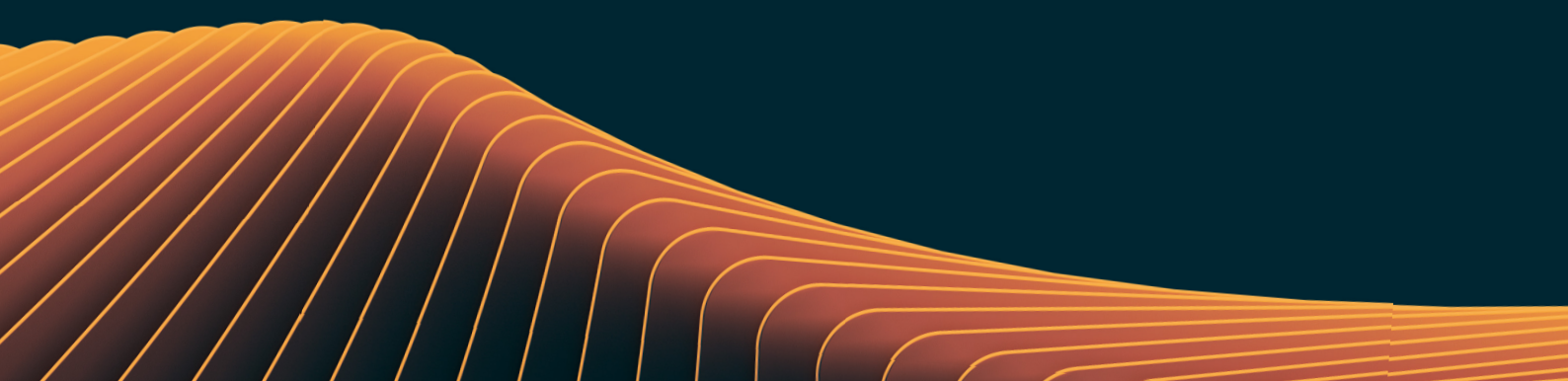
Group Management Report

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



Goals and Strategies

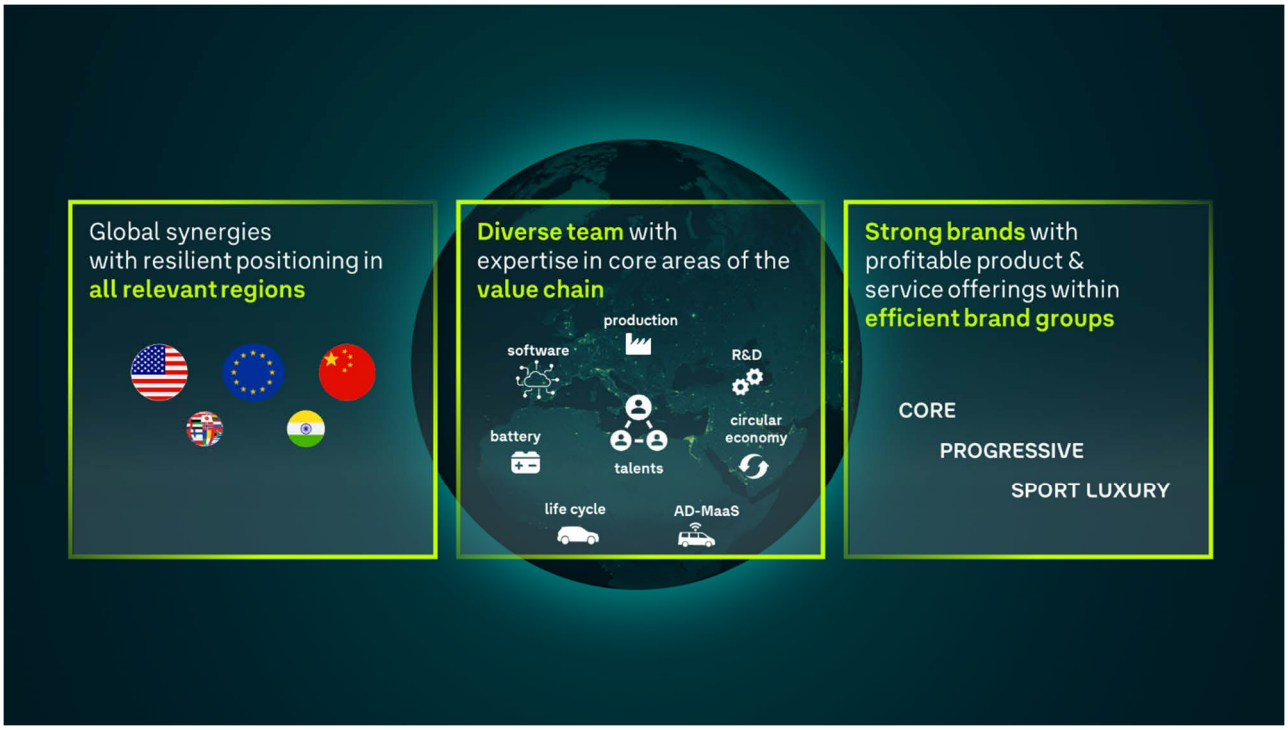
With "The Group Strategy – Mobility for generations", which was rolled out in 2024, we are tackling the challenges facing the automotive industry worldwide. Our vision is to be The Global Automotive Tech Driver.

Fast-moving global megatrends, rapid technological advances, changes in customer requirements and, last but not least, the macroeconomic and political climate and regulatory framework are presenting the automotive industry with historic challenges. Artificial intelligence is creating opportunities that were not even conceivable until recently and bringing about change in nearly all industries and walks of life. Society and its values are also in a state of flux. Awareness of our planet and how our way of life is impacting on it is becoming increasingly important.

Against this backdrop, we scrutinized our own direction in fiscal year 2024 and developed "The Group Strategy – Mobility for generations". This new Group strategy addresses important topics from previous strategies and takes these to the next level.

The first step entailed formulating the main requirements and overarching targets for the strategy. They include resilience, so that we position our global business robustly in times of geopolitical tensions; adaptivity, so that we have the capacity to respond quickly to changes in the course of the transformation of the mobility industry; and financial robustness, so that we can finance the necessary investments in product innovations.

REQUIREMENTS AND OVERARCHING TARGETS OF THE STRATEGY



From these we derive our strategic vision of being The Global Automotive Tech Driver. This aggregates the material areas for action for the Volkswagen Group in three fields:

- Resilient positioning in all relevant regions in order to leverage global synergies;
- Refocusing areas of expertise within the value chain, also increasingly in conjunction with partners
- Strong brands with profitable product and service offerings, to be managed by the Group in efficient brand groups

CORE TOPICS AND IMPERATIVES OF THE GROUP STRATEGY

To realize our vision of becoming The Global Automotive Tech Driver, we defined clearly delineated corporate goals in the form of nine imperatives as part of the Group strategy assigned to three core topics:

- Excite customers globally:
  We aim to excite customers globally by offering a strong product portfolio, an attractive range of services throughout the entire customer and product life cycle and competitive technologies.
- Unleash our full potential:
  We intend to unleash our full business potential by consciously deciding between synergies and implementation speed, making our Company more attractive to talented individuals and unlocking the opportunities provided by artificial intelligence.
- Focus on fundamentals:
  We are focusing on creating a robust company base with reduced cost structures and resilient structures, and we see sustainability as a basic maxim for our actions.

We continue to use the OKR (Objectives and Key Results) method to implement our strategic objectives. Accordingly, strategic objectives and envisaged key results are defined for the individual imperatives. These are to be realized largely through time-limited projects and work packages, each of which can be measured by specific key performance indicators. The degree of achievement is continuously reviewed and the overall picture is presented to the Board of Management twice per year. As such, the relevance of the imperatives, and their objectives, milestones, projects and work packages are regularly reviewed at Group level. Their focus is continuously monitored and adjusted as necessary.

In the following, we describe the individual imperatives and the basic focus of each one.

Focus on iconic and profitable portfolio

Efficient portfolio management and the exploitation of synergies within the Group are a cornerstone of the Group strategy. Direct regional control of our customer-centric and distinctive vehicle portfolio is paramount here, with particular emphasis being placed on the positioning of the vehicles in the individual markets, true to the spirit of the brand. This also entails concentrating on a successful, profitable portfolio for Europe, sharpening our focus on attractive segments in North America, and further localizing and strengthening our activities under our "in China for China" strategy.

Drive life-cycle customer excitement

Customer centricity is an important pillar of our Group strategy. Here, our aim is to put customers front and center of our activities and excite them with our products and services throughout the vehicle's entire life cycle, not just when they are deciding which vehicle to buy. As mobility needs change, we expect to see demand for use-based vehicle and mobility services (for example subscription models and self-driving robotaxis/shuttle services) soar up to 2035. To maximize the potential of the use-phase business, we are striving to create a synergetic and holistic ecosystem that incorporates all of our Group products and services. This will enable us to make our product offering user-centered and to support and gain the loyalty of our customers throughout the entire life cycle.

Boost technology leadership

Software, batteries and mechatronic platforms are the automotive technology areas that will be important in the future and will largely determine the pace of innovation and cost per vehicle.

The "boost technology leadership" imperative prioritizes consistent, coordinated planning of these automotive technology areas for this reason. Our technology strategy envisages a progressive reorganization of the Group over the next ten years, turning it into an efficient, leading global automotive technology player. Here we will concentrate on vehicle software, batteries and our platforms.

More than ever before, the car of the future and the associated customer experience will be shaped by software. That is why the Volkswagen Group is pursuing the vision of a software-defined vehicle (SDV). Whereas in the past the starting point for vehicle development was the hardware, future vehicle development will center more on the software and the related electrical/electronic high-performance architecture. Consequently, our development process should start with the software. We are therefore designing the vehicle with the mobile, digital, smart world of our customers in mind. Our collaboration with Rivian and XPeng will provide us with valuable potential for reaching series production rapidly, thus enabling us to raise the bar in the automotive market of the future.

As the technological and economic centerpiece of electric vehicles, the battery is a decisive factor not only in terms of price, but also in terms of range and charging speed, making it a determining factor for the appeal and market success of e-mobility. The Volkswagen Group bundles business activities along the battery life cycle in the Group's own technology company PowerCo with the aim of developing into a profitable provider of sustainable, competitive battery technology for electric vehicles. Going forward, PowerCo will rely on an integrated value chain and aims to cover the relevant areas – from the procurement and processing of raw materials to cell production and recycling – both independently and in collaboration with partners.

Platform development is a significant area of expertise of the Volkswagen Group. With the Scalable Systems Platform (SSP), we are creating the next generation of an all-electric, fully digital mechatronics platform based on a standardized software architecture. The Volkswagen Group's aim with this scalable platform is to rapidly and efficiently provide its customers with innovative functions and technologies, across all brands. Through the reduction of complexity and the number of variants, the SSP will provide potential to leverage extensive synergies and enable fast, regular technology updates, while ensuring the necessary differentiation between the products of the individual brands in the Group's portfolio.

Balance speed and scale

Implementing the strategic goals by 2035 requires a clear allocation of responsibilities and transparent decision-making structures within the Group. The "balance speed and scale" imperative therefore aims to achieve an optimal balance between Group synergies and decision-making speed in order to achieve cost efficiency while meeting the necessary reaction rates in the global automotive market.

The imperative seeks to optimize the interplay between corporate functions, brand groups and business areas, which in turn will allow major synergies to be leveraged in relation to software, batteries and the use phase in the Group. In addition, this imperative will focus on management of the China and North America regions so as to enable a rapid response to geopolitical changes in these regions. Since the Group has an extensive portfolio of financial investments in addition to its core automotive business, we also continually strive to future-proof and optimize this portfolio.

Empower talent across organization

In order to meet the demanding requirements arising from growing complexity, rapid changes in customer expectations and the unpredictable challenges that lie ahead, we need to ratchet up our performance, becoming more efficient, more agile and more adaptable. As we see it, a key factor here is boosting the efficacy and entrepreneurial spirit of our employees so that we can unleash the full potential that lies within our organization.

This transformation will be holistically aligned and supported: our employees' skills profiles will be tailored to the requirements of their jobs in a forward-looking manner. Here, emphasis is also placed on being able to react flexibly to changes and hone the necessary skills in specific areas, for example in the use of artificial intelligence. To maximize the effectiveness of individual strengths, we seek to create a framework in which teams can work together effectively, take responsibility for joint results, and develop agile ways of thinking and working to increase our flexibility. Our aim here is not only to contribute to the satisfaction of the employees within our organization, but also to ensure that we remain attractive to skilled workers whose expertise can help us to remain competitive.

Spearhead AI transformation

The breakneck development of artificial intelligence (AI) is opening up huge potential for optimizing processes and products throughout the entire value chain. The Volkswagen Group is committed to fully exploiting this potential and plans to extensively ramp up AI applications throughout the Group in the coming years. To this end, we are working to create the necessary conditions, which includes developing a state-of-the-art IT infrastructure and ensuring data transparency and availability – even beyond the Group's borders. At the same time, we are using this imperative to adapt our business processes so that they are optimally aligned with the use of AI and can make full use of its potential. Our employees are one of the main drivers of this transformation. We focus on providing selective training and skills development in dealing with AI, ensuring synergetic implementation in the Group so that the advantages of AI transformation can be comprehensively realized in all areas of the Company.

Drive cost disruption

The latest technology developments such as increased automation using artificial intelligence, reduction of product complexity through e-mobility and rising global cost competition are likely to bring about significant changes to automakers' cost structures in the near future. The "drive cost disruption" imperative addresses these challenges by developing possible measures to reduce costs and quantify them using the key components of product manufacturing costs. These measures are then transferred into an overarching cost ambition for 2035.

Increase global resilience

The Volkswagen Group believes it will face, among others, a variety of geopolitical challenges in the coming years and decades. These include a global shift in the political and economic balance of power, systemic rivalry, growing geopolitical conflicts and the ineffectiveness of global governance, which could create more instability and lead to a new world order. In the age of "slowbalization", we expect to see a continued slowdown in the pace of globalization, as measured by world trade flows. We will see an increase in protectionist measures, disruptions to supply chains and divergent regulations in the future, which is likely to cause market fragmentation. In this imperative, in anticipation of continued global decoupling, we assess the risks for the Volkswagen Group, develop solutions for the different regions and provide Group-wide strategic guidelines for orientation.

Elevate sustainability

Sustainability is deeply rooted in the Volkswagen Group and an integral part of our Group strategy. We are providing important and goal-oriented new impetus with our regenerate+ Group sustainability strategy presented in fiscal year 2024. Society needs engagement that generates positive added value in order to help our planet to regenerate and shape a future worth living in for current and future generations. We want to contribute to this and take a broad and comprehensive approach to sustainability – environmentally, socially and economically. Our vision is to become a mobility provider with positive added value for nature and society. To this end, we will seek to work in partnership with all our stakeholders in order to learn and further improve. Together, we follow a vision for the Volkswagen Group and drive sustainable value creation. The regenerate+ Group sustainability strategy features clear measures in four dimensions: nature, our people, society, and business.

THE TOP 10 PROGRAM

The Group Strategy – Mobility for generations sets out our long-term direction with nine initiatives. We continue to develop an annual Top 10 program at the Group level so that the long-term goals of our Group strategy can be implemented swiftly in operations throughout the year. This program defines the action areas with top priority for the Group in the current fiscal year, thus contributing to the long-term target achievement of the strategy.

The action areas of the Group's Top 10 program for fiscal year 2024 covered the areas of performance, products, regions, digitalization, software, platforms, battery, mobility solutions, sustainability as well as teams and organization. We report on the main goals achieved in the fiscal year under the Group's Top 10 program in particular in the chapter "Sustainable Value Enhancement".

Beyond the Group program, the Top 10 program methodology has also been adopted by many business units in their functional area strategies and is being used to accelerate implementation of strategies with a high level of focus.

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 metrics, our management system also contains non-financial key performance indicators.

The Volkswagen Group's performance and success are expressed in both financial and non-financial 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. Target/actual and prior-year comparisons, regularly prepared variance analyses and, where necessary, action plans to ensure that targets are met are key internal management instruments in this respect. For the current fiscal year, detailed forecasts are prepared four times per year for the coming quarters and for the full year, taking into account the current risks and

opportunities. Adjustments are also made whenever major events occur. The focus of internal management in the course of the year 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

In line with our management process, we have defined core performance indicators in the Volkswagen Group for which we provide an estimate for the coming year in the Report on Expected Developments:

- 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

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. 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 not only forms the basis for unit sales and production, but also ensures full utilization of our sites and safeguards jobs.

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 R&D ratio in the Automotive Division shows total research and development costs as a share of 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.

STRATEGIC FINANCIAL PERFORMANCE INDICATORS

We use strategic financial performance indicators to ensure our Group's long-term success beyond our medium-term planning horizon. Aligned with the Volkswagen Group's strategic objectives, the aim of these indicators is to enable us to maintain our position as a financially robust Group and to remain competitive both now and in the future. The strategic financial performance indicators that are currently being applied are presented in the table below:

STRATEGIC FINANCIAL PERFORMANCE INDICATORS

	2024	2030 target
Operating return on sales	5.9%	9 to 11%
Automotive investment ratio	14.3%	~9%
Cash conversion rate in the Automotive Division[1]	31.4%	>60%
Net liquidity in the Automotive Division	11.1%	~10% of consolidated sales revenue
Return on investment (ROI) in the Automotive Division	9.7%	>18%

1 Net cash flow as a percentage of the operating result in the Automotive Division

Structure and Business Activities

This chapter describes the legal and organizational structure of the Volkswagen Group and explains the material changes in 2024 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, and 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 Financial Services Overseas AG 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.

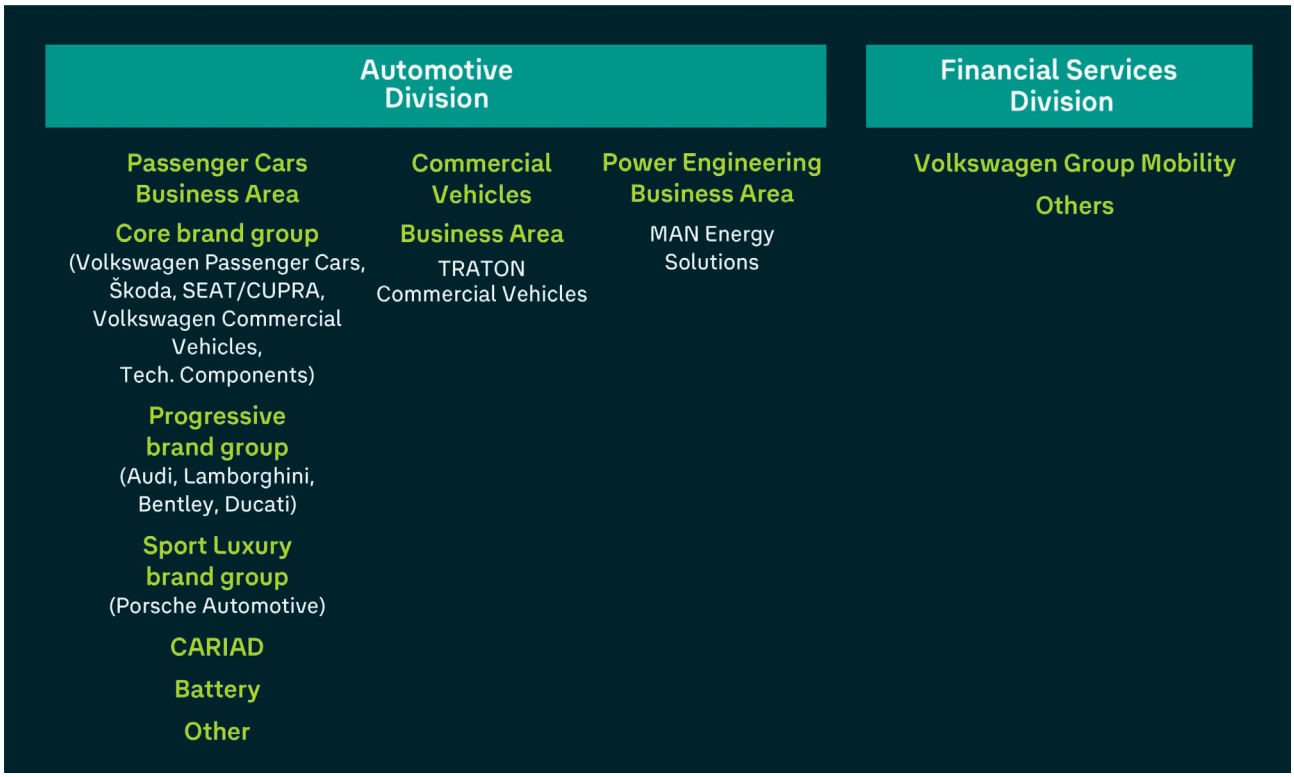
ORGANIZATIONAL STRUCTURE OF THE GROUP

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, motors, vehicle software and batteries, 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.

REPORTING STRUCTURE OF THE VOLKSWAGEN GROUP



The Commercial Vehicles Business Area primarily comprises the development of vehicles, engines, motors, the production and sale of trucks and buses, the 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 activities of the Financial Services Division comprise dealership and customer financing, leasing, direct banking and insurance activities, fleet management and mobility services.

With its brands, the Volkswagen Group mainly serves individual, corporate and fleet customers in all markets around the world that are relevant for the Group, including Europe and other markets, North America, South America and Asia-Pacific.

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", "Human Resources and Trucks brand group", "Integrity and Legal Affairs", "Progressive brand group", "Sport Luxury brand group", "China", "IT" and "Core brand group". 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 is intended to help 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 and management issues. In addition to the responsible Board of Management members, the committees include representatives of the departments relevant to the subject, and of the brands, brand groups and companies involved. 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 Group strategy and to further increase the efficiency of their decision-making. This reduces complexity and reinforces governance within the Group.

The Volkswagen Group's new leadership model introduced in 2023 is based on a strong customer orientation, entrepreneurship and team spirit and follows the "value over volume" principle, prioritizing sustainable value creation. In this context, the Group's brand groups also received a new steering model. 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), is listed on the stock market. In the Trucks brand group, TRATON SE acts as the umbrella for the Scania, MAN, Volkswagen Truck & Bus and International (formerly Navistar) commercial vehicles brands. TRATON SE is also a listed company.

We are convinced that our corporate structure, which 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. In our view, clear responsibilities and a high degree of business responsibility in the brand groups and technology platforms form the basis for our sustainable success.

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 to 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 enable synergetic implementation, to the extent permitted by law. Group policies decided by the Group Board of Management are an important instrument in this regard. Volkswagen AG employs Group policies as steering instruments to communicate its requirements, such as uniform standards and frameworks for action, to the Group companies. 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 interests 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.

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

MATERIAL CHANGES IN EQUITY INVESTMENTS

Volkswagen Group (Volkswagen) and US electric vehicle manufacturer Rivian Automotive, Inc., Irvine/USA (Rivian), announced their intention to establish a joint venture in June 2024. After reaching technical milestones and obtaining the necessary official approvals, Rivian and VW Group Technology, LLC, Palo Alto/USA (Rivian and Volkswagen Group Technologies) commenced activities on November 13, 2024. The two partners hold equal shares in the joint venture, which functions as an independent company.

The aim of the partnership is to develop the next generation of software-defined vehicle (SDV) architectures to be used in future vehicles of both companies. The joint venture builds on Rivian's software and electrical architecture to facilitate the joint development of best-in-class architectures and software for SDVs of both partners.

Volkswagen is planning to invest up to USD 5.8 billion in Rivian and the Rivian and Volkswagen Group Technologies joint venture by no later than January 2028. An initial investment in Rivian was made in June 2024, taking the form of an unsecured convertible note of USD 1 billion, which was converted into 95,377,269 ordinary shares of Rivian on December 3, 2024. Volkswagen therefore holds around 8.6% of the outstanding class A shares of Rivian, representing a share of around 8% of the voting rights. When the operations of Rivian and Volkswagen Group Technologies commenced, Volkswagen invested an additional approximately USD 1.3 billion, in particular for the acquisition of the licenses in Rivian's existing architecture technology and for the 50-percent share of the joint venture. When certain financial and technical milestones are reached in 2025, 2026 and 2027, Volkswagen expects to make further investments of up to USD 3.5 billion in the form of equity and debt, of which up to USD 2.5 billion will be for ordinary shares of Rivian.

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, antitrust 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, 2024. 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. In 2023, the general meeting adopted a resolution to amend Article 19(3) of the Articles of Association of Volkswagen AG, thus authorizing the Board of Management to decide flexibly and in the interests of the Company and its shareholders on the appropriate format for the general meeting for a period of five years.

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 Chair 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 Chair 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 in this annual report.

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 preemptive 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 non-voting 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 current generation of the 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 2024. Global demand for vehicles was slightly higher than in the previous year. Amid a challenging market environment, the Volkswagen Group delivered 9.0 million vehicles to customers.

DEVELOPMENTS IN THE GLOBAL ECONOMY

The global economy remained on a growth path in 2024 with somewhat slower momentum than in the previous year. This trend was seen in both the advanced economies and the emerging markets. Declining but in some cases still relatively high inflation rates in many countries, combined with restrictive monetary policies introduced by some central banks, continued to put a damper on economic growth in many places. Since around the middle of the reporting year, a number of these central banks have started to gradually bring down key rates from their comparatively high level.

Europe/Other Markets

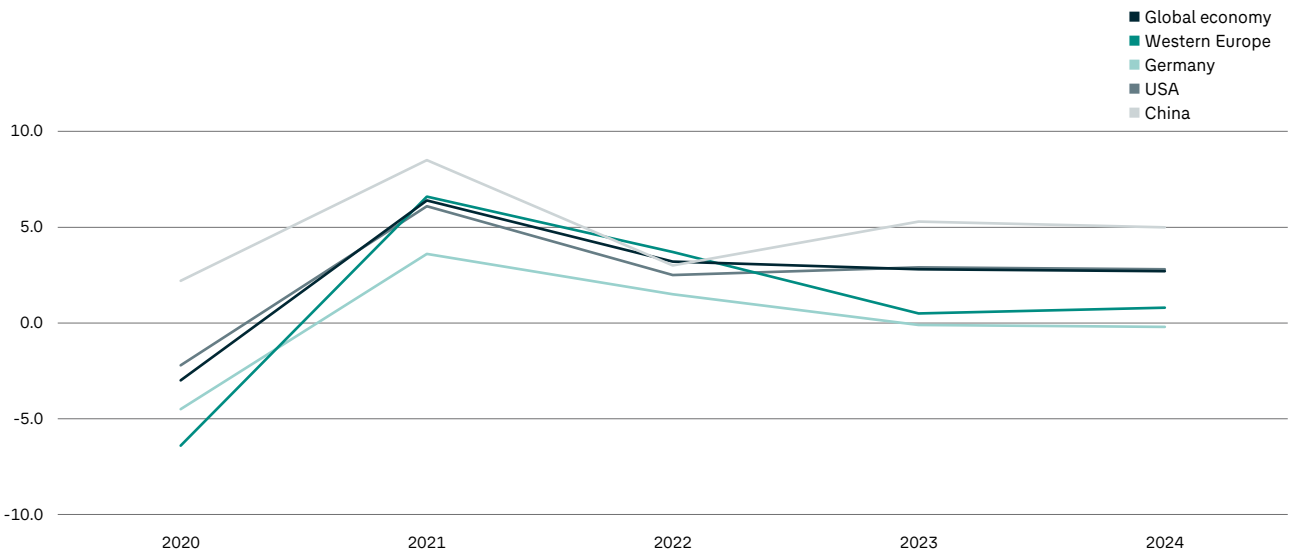
In the reporting year, the economy in Western Europe exhibited positive growth overall, somewhat higher than the prior-year level. Development in the individual countries in Northern and Southern Europe was mixed. In response to declining inflation rates, the European Central Bank lowered its key interest rates in four steps, starting in June 2024. The economies in Central and Eastern Europe recorded overall growth in 2024 that was somewhat higher than in the prior-year period.

Germany

German gross domestic product decreased somewhat in 2024, showing a similar trend to the previous year. Compared with 2023, the seasonally adjusted unemployment figures rose slightly on average over the year. After reaching historically high levels in late 2022, monthly inflation rates have since fallen broadly in step with the Eurozone average.

ECONOMIC GROWTH

Percentage change in GDP



North America

In the USA, gross domestic product in the reporting year grew at a somewhat slower pace than in the previous year. On account of relatively high inflation and a tight labor market, the US Federal Reserve initially maintained its restrictive monetary policy. After the first key rate cut in September, interest rates were reduced twice more before the end of the reporting year. Canada's economic growth was just under the prior-year figure, but in Mexico the slowdown was more pronounced.

South America

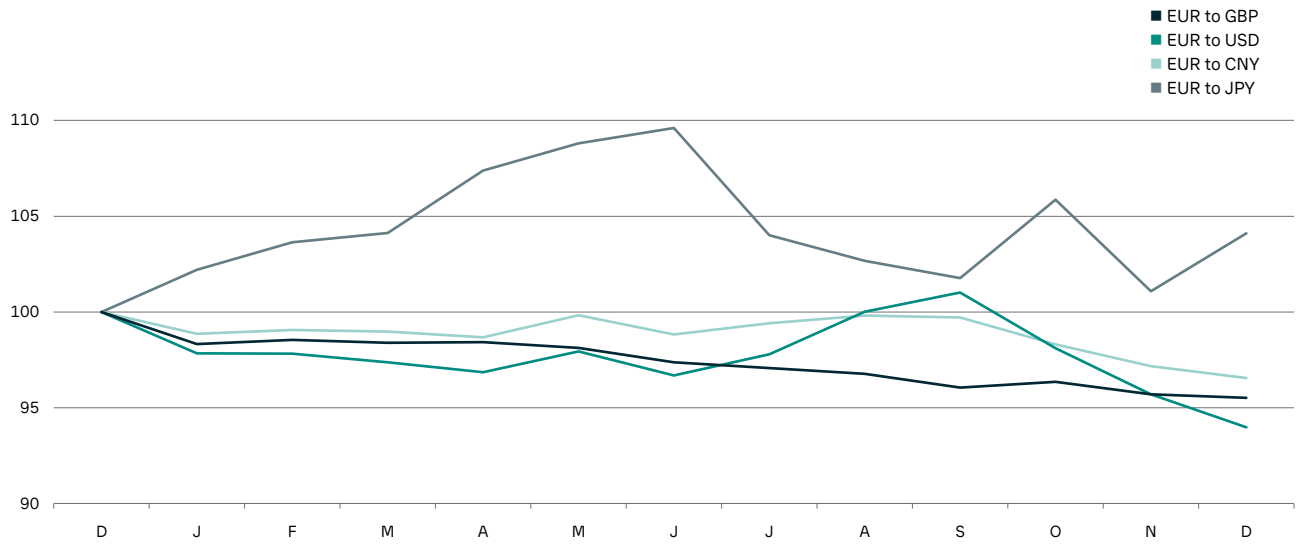
In Brazil, economic output grew at an unchanged pace, while there was a stronger decrease in the pace of growth in Argentina compared with the previous year.

Asia-Pacific

In the reporting year, China's economy expanded at a high level compared with other parts of the world, but fell somewhat short of the prior year. There was relatively sharp growth in India's economy, though also at a slower pace than in 2023, while Japan's economic output decreased somewhat.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2023 TO DECEMBER 2024

Index based on month-end prices: as of December 31, 2023 = 100



EXCHANGE RATE TRENDS

In 2024, the euro remained almost unchanged against the US dollar on an annual average. This followed a prior year in which the euro had already been relatively weak due to the high uncertainty surrounding developments in the global economy. The euro depreciated slightly against sterling on average over the year, but appreciated in most cases against the currencies of the emerging markets. In particular, the Argentinian peso and Turkish lira lost value against the European single currency due to the persistent, extremely high rates of inflation. Compared with 2023, the Brazilian real and the Mexican peso were also weaker than the euro on average. Against the South African rand, the euro's value was virtually unchanged on an annual average. The Chinese renminbi and the currencies of several emerging markets in Asia depreciated slightly against the euro year-on-year.

INTEREST RATE TRENDS

The ongoing trend of falling inflation rates allowed central banks in several countries to cut their key interest rates in the reporting year. On average worldwide, however, key interest rates remained elevated. National central banks in nearly all of the major Western industrialized nations made corresponding adjustments to their key interest rates to prop up the domestic economy. Key interest rate cuts were also recorded in many emerging markets.

COMMODITY PRICE TRENDS

After the commodity markets had largely eased in fiscal year 2023, prices of some industrial metals were at a similar or slightly higher level in the reporting year. Lower prices were commanded for battery materials and precious metals in 2024 than in the previous year, in some cases, considerably lower. Compared with the previous year as a whole, the average prices for the commodities lithium, cobalt, nickel and coking coal fell significantly. The average decline in prices for the commodities iron ore and lead were less pronounced by comparison. By contrast, prices for natural rubber, copper and aluminum rose. The price of crude oil remained virtually unchanged. Averaged over the year, the prices of the precious metals rhodium and palladium also recorded a significant decline, while the price of platinum remained almost unchanged compared with the prior year.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

In 2024, the volume of the passenger car market worldwide was slightly up on the prior-year figure, with most regions developing favorably. Western Europe was on a level with the previous year, while the Middle East region came in slightly lower. The supply situation continued to return to normal levels and the affordability of vehicles improved in some regions of the world.

The global volume of new registrations of light commercial vehicles in fiscal year 2024 was similar to the previous year.

Sector-specific environment

Along with fiscal policy measures, the sector-specific environment was affected by the economic situation, which contributed to the mixed trends in unit sales in the markets in the fiscal year now ended. 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 2024 was on a level with the previous year. The performance of the large individual passenger car markets in this region was mixed. The United Kingdom registered slight growth and Spain noticeable growth, while Germany and Italy were at the prior-year level and the market volume in France decreased slightly.

In the reporting year, the volume of new registrations for light commercial vehicles in Western Europe was noticeably up year-on-year.

In the Central and Eastern Europe region, there was a significant increase in the volume of the passenger car market in the reporting year. Positive movement was recorded in the number of vehicles sold in the major markets of both Central and Eastern Europe.

In fiscal year 2024, the market volume of light commercial vehicles in Central and Eastern Europe was significantly higher than in the previous year.

Germany

The number of new passenger car registrations in Germany from January to December 2024 was on a level with the previous year. The change in electric vehicle subsidies at the end of 2023 weighed on new registrations of all-electric vehicles, and demand for vehicles with conventional and hybrid drivetrains was unable to offset this effect overall. Production in Germany stagnated at 4.1 million vehicles (–0.0%) in 2024, while passenger car exports rose to 3.2 million units (+2.0%).

The number of light commercial vehicles sold in Germany in the reporting year was noticeably higher than the 2023 figure.

North America

Sales of passenger cars and light commercial vehicles (up to 6.35 tonnes) were up slightly in the North America region in fiscal year 2024. With the availability and affordability of new vehicles improving on average, the volume of the US market was slightly higher than in the previous year. Canada and Mexico both recorded a noticeable improvement year-on-year.

South America

In the South America region, the volume of new vehicle registrations for passenger cars and light commercial vehicles was noticeably higher in the reporting year than for 2023. The number of new registrations in Brazil increased significantly compared with the previous year, while the Argentinian market recorded a noticeable contraction.

Asia-Pacific

In the Asia-Pacific region, the volume of the passenger car market from January to December 2024 was similar to the previous year. The number of new registrations in the Chinese passenger car market was slightly higher than the 2023 figure due to measures including extensive government sales incentives and lower prices. The Indian passenger car market also saw slight growth. In Japan, by contrast, the market declined noticeably and had a dampening effect on growth in the region.

In 2024, the volume of demand for light commercial vehicles in the Asia-Pacific region was slightly below the level for the previous year. Registration volumes in China, the region's dominant market and the largest market worldwide, tapered off noticeably compared with the period one year earlier.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES FROM JANUARY 1 TO DECEMBER 31

	MARKET VOLUME		CHANGE
Thousand units	2024	2023	(%)
Markets for passenger cars			
Western Europe	**11,645,943**	**11,647,426**	**–0.0**
of which: Germany	2,817,331	2,844,609	–1.0
France	1,715,314	1,771,491	–3.2
United Kingdom	1,952,495	1,903,054	+2.6
Italy	1,567,055	1,574,107	–0.4
Spain	1,068,196	982,913	+8.7
Central and Eastern Europe	**2,648,637**	**2,254,182**	**+17.5**
of which: Czech Republic	231,600	221,422	+4.6
Poland	553,070	476,462	+16.1
Other Markets	**4,432,655**	**4,368,052**	**+1.5**
of which: Türkiye	980,341	967,341	+2.8
South Africa	344,473	348,929	–1.3
North America	**19,394,230**	**18,681,069**	**+3.8**
of which: USA	16,041,352	15,619,226	+2.7
Canada	1,856,151	1,698,124	+9.3
Mexico	1,496,727	1,363,719	+9.8
South America	**3,926,038**	**3,703,531**	**+6.0**
of which: Brazil	2,487,536	2,180,225	+14.1
Argentina	389,885	424,815	–8.2
Asia-Pacific	**37,134,002**	**36,390,087**	**+2.0**
of which: China	23,411,007	22,340,281	+4.8
India	4,206,814	4,013,741	+4.8
Japan	3,712,473	3,990,092	–7.0
Worldwide	**79,181,505**	**77,044,347**	**+2.8**
Markets for light commercial vehicles			
Western Europe	**1,795,712**	**1,700,426**	**+5.6**
of which: Germany	284,448	266,304	+6.8
Central and Eastern Europe	**321,997**	**285,673**	**+12.7**
Asia-Pacific	**4,952,167**	**5,145,800**	**–3.8**
of which: China	2,300,000	2,470,178	–6.9
Worldwide	**7,908,989**	**7,993,713**	**–1.1**

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 slightly weaker growth in fiscal year 2024 versus the comparison period. Global truck markets were likewise slightly below the prior-year level.

In the 27 EU states, excluding Malta but including the United Kingdom, Norway and Switzerland (EU27+3), the number of new truck registrations was noticeably down, albeit to differing degrees in the various markets. The significant market recovery seen in 2023 did not continue in the reporting year. New registrations in Germany, the largest market in this region, fell noticeably short of the prior-year level. The United Kingdom saw a slight decline while France remained on a level with the prior-year. Türkiye recorded a significant drop in new registrations. There was a noticeable fall in demand in the South African market. 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) – the level of new registrations was slightly lower than in the previous year. In contrast, in Brazil, the largest market in the South America region, demand for trucks in the reporting year was significantly up year-on-year.

Demand in the bus markets relevant for the Volkswagen Group was on a level with 2023. Demand for buses in the EU27+3 markets was up slightly, with the picture varying from country to country. The school bus segment in the USA and Canada saw a noticeable decline compared with the prior year, while new registrations of buses in Mexico were significantly higher than in the previous year. Brazil reported a noticeable year-on-year growth in demand for buses.

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 2024, the marine market increased to a slightly higher level than in the previous year. There was a slight uptrend in demand for merchant ships. In this segment, the markets for LNG tankers, container ships and conventional tankers recorded a positive year-on-year trend, whereas the market for bulk cargo carriers declined. Activity increased in the market for passenger ferries and cruise ships. The special market for government vessels, which is funded by state investments, continued to be active due to the current geopolitical situation. The uncertainty regarding future fuel and emissions regulations persisted in the marine market; however, the trend toward new fuel technologies continued unabated.

There was still reticence in the market for energy generation in fiscal year 2024, particularly in Europe. This was due to the fact that policymakers have not yet completely finalized the strategy and regulations regarding future investments in this area. 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 additional power requirements if the share of renewables is not sufficient to ensure security of supply. It remains unclear when decarbonized fuels will be available in sufficient volume and at marketable prices. A positive trend was observed in the demand for power-to-hydrogen plants. The engines segment is seeing continuous demand for gas and dual-fuel engines. There is also a clear demand on the market for engines that can be converted for use with future fuels such as hydrogen and green ammonia. Due to the debate surrounding the origin of CO_2 for green e-fuels, restraint can currently be seen with regard to the development of projects for e-methane and e-methanol. Demand for emergency power units (emergency gensets) continued at a stable level in 2024.

There was slightly less movement in the turbomachinery market than in the previous year. Continued high capacity utilization of production plants and good prices for products from the materials and processing industry kept demand for turbo compressors steady again in the reporting year, with unit sales slightly below the prior-year level. Particularly in oil and gas production, demand for turbo compressors was down year-on-year due to the easing of global energy prices. An exception were turbo compressors for gas transport, which saw higher

demand than in the previous year. By contrast, in the decarbonization-driven areas of business, the market expanded considerably due to public funding and the trend towards the electrification of heating. Demand for steam turbines used for power generation for decentralized energy generation plants experienced a significant decline worldwide compared with the prior-year period.

In 2024, 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

There were high levels of demand for automotive financial services in 2024.

In the year under review, the European passenger car market remained at the same level as in the prior year. However, sales of financial services products increased, as a result of which their share in vehicle deliveries exceeded the equivalent figure for 2023 as a percentage. The positive trend in the financing of used vehicles continued once again in 2024. The sale of after sales products such as servicing, maintenance and spare parts agreements likewise continued to expand.

In Germany, the deliveries of new vehicles in the 2024 fiscal year were on a par with the figure for the previous year. However, the number of new contracts in the financial services business increased noticeably, particularly leasing contracts with individual customers. This meant that the penetration level for new vehicles was above expectations and significantly above the prior-year figure. The used car segment remained stable, with a marginally higher number of new contracts than in 2023. The number of new contracts signed for services and insurance also increased, which was a result of the sale of maintenance and servicing products, as well as passenger car and warranty insurance.

In Türkiye, inflation continued to fall on the strength of the government's continuous fiscal tightening. The trend towards longer maturities in refinancing continued, giving a boost to the credit-based financing business with private and commercial customers. This development also had a positive effect on the insurance business to some degree. By contrast, the leasing-based fleet business remained under pressure.

Vehicle sales in South Africa declined year-on-year in the reporting year. As a result, the number of financed purchases also decreased. The decline was due to domestic political uncertainty, the continuing subdued economic conditions and high energy prices. The economic challenges also led to tightening of lending requirements – a disadvantage for people with lower incomes.

On the whole, the markets for financial services in the North America region developed favorably in 2024 compared with the previous year. In the USA, Canada and Mexico, deliveries, the number of leasing and financing contracts, new vehicle penetration and new contracts for insurance and after-sales products were all up on the prior-year figures.

In the South America region, the market for financial services remained strong. In Brazil, the number of new contracts rose thanks to the range of financial services targeted at specific customer groups, as well as increased deliveries. The number of car subscriptions and fleet management programs entered into also rose. In Argentina, the level of financial services contracts was stable in spite of challenging, though slowly improving macroeconomic conditions.

The Chinese automotive market witnessed a further rise in demand for electrified and used vehicles in the reporting year. In addition, banks were increasingly gaining a foothold in the market with their own products. This, in turn, also affected demand for automotive financial services. In Japan, the financial and insurance market remained relatively stable in the reporting year despite waning vehicle demand and rising interest rates; innovations in the insurance sector provided a source of positive impetus.

The financial services business for heavy commercial vehicles was slightly up on the prior-year level in fiscal year 2024. The long delivery times for commercial vehicles normalized over the course of the year thanks to improvements in supply chains.

NEW GROUP MODELS IN 2024

With a total of ten brands, the Volkswagen Group offers its customers a broad selection of vehicles – from vehicles with classic combustion engines to hybrid and all-electric models – that are tailored to their customers' requirements and serve different mobility needs. We expanded this portfolio by adding further models in the fiscal year now ended.

The Golf's 50th anniversary was the highlight of 2024 at Volkswagen Passenger Cars. All equipment packages and derivatives of the brand's bestselling model were updated. In addition to the T-Cross, upgraded versions of the Tiguan and Passat, which are based on the enhanced Modular Transverse Toolkit, were also launched onto the market, including new variants with plug-in hybrid drives. Volkswagen Passenger Cars expanded its SUV portfolio by adding the Tayron, an all-rounder with up to seven seats. The all-electric ID. family gained a new member, the sporty ID.3 GTX. The ID.7 was launched as a Tourer, and GTX variants are now also available for the saloon and the estate car.

Škoda brought out the new Superb and the new Kodiaq in 2024, and the top-of-the-line sporty Kodiaq RS also celebrated its premiere. Its bestselling model, the Octavia, likewise received an extensive update, as did the Scala and Kamiq compact series. Škoda expanded its portfolio in the segment of all-electric compact SUVs with the Elroq and presented its first production model with the new Modern Solid design language.

CUPRA kicked off 2024 with a large-scale product campaign, launching the electrified SUV Terramar and the Tavascan, the brand's first all-electric SUV. Two further additions to the market were the new CUPRA Formentor and the new CUPRA Leon with improved plug-in hybrid drives. The all-electric CUPRA Born is now available in a more powerful version, the CUPRA Born VZ.

SEAT upgraded the Leon in both the 5-door and Sportstourer versions. The new generation of plug-in hybrid drives now offers customers a greater electric range. The SEAT Ibiza celebrated its 40th anniversary with a limited anniversary edition, while the SEAT Arona gained a limited FR edition.

In 2024, Volkswagen Commercial Vehicles celebrated the world premieres of the new California, the new Transporter and the new Caravelle. The ID. Buzz now also comes as a powerful GTX variant and as a long-wheelbase version. The Multivan, Crafter and Caddy in particular received significant updates, with the Multivan and the Caddy now also available as plug-in hybrids.

Audi brought out many new models in the reporting year, starting with the all-electric Q6 e-tron based on the electric PPE platform. This was followed by combustion-engine-vehicle updates of the A5 family as well as the Q5 in the second half of the year. Other highlights from the brand with the four rings included the upgraded A3 model series and the electric spearhead e-tron GT, which received a comprehensive update.

Bentley also celebrated the launch of significant models in 2024: the fourth-generation Continental GT and the new Flying Spur are both powered by Bentley's Ultra Performance Hybrid powertrain.

In the reporting year, the Porsche brand completely revamped four out of its six model series – the Macan, 911, Panamera and Taycan – incorporating numerous technological innovations.

In 2024, the TRATON GROUP pressed ahead with e-mobility, digitalization of its range of models and group-wide coverage with the 13-liter powertrain.

Scania launched new battery-electric trucks for mining and forestry and introduced variants of the Scania Touring that can run on both natural gas and biogas.

MAN presented the MAN eTGL – an electrically powered 12-tonne truck that rounds off the brand's e-truck portfolio for light distribution transport – as well as the hTGX truck powered by a hydrogen combustion engine.

International (formerly Navistar) debuted its redesigned HV Series with an integrated 13-liter powertrain, specifically designed for road construction. The first vehicles from the LT Series were also handed over to fleet customers.

Volkswagen Truck & Bus introduced its eDelivery model and the Meteor truck family in additional markets.

In 2024, Ducati unveiled the 698 Mono, its first single-cylinder Hypermotard. The DesertX family was expanded to include the premium special model Rally. Other highlights were the premium models Multistrada V4 RS and Diavel for Bentley.

VOLKSWAGEN GROUP DELIVERIES

The Volkswagen Group delivered 9,027,424 vehicles to customers worldwide in the fiscal year. This was 2.3% or 212,110 units less than in the previous year. Sales of both passenger cars and commercial vehicles were down year-on-year.

VOLKSWAGEN GROUP DELIVERIES[1]

	2024	2023	%
Passenger Cars	8,693,208	8,901,350	–2.3
Commercial Vehicles	334,216	338,184	–1.2
Total	**9,027,424**	**9,239,534**	**–2.3**

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

Deliveries of electrified Volkswagen Group vehicles were slightly lower than the prior-year figure due in particular to industry-wide buyer reluctance: we handed over 744,794 all-electric vehicles (including heavy commercial vehicles) to customers worldwide in the reporting year. This was 26,280 fewer units or 3.4% less than in the previous year. Their share of the Group's total deliveries remained stable at 8.3 (8.3)%. Deliveries to customers of our plug-in hybrid models rose to 269,622 (+5.0%) units. Although total electrified vehicle deliveries fell by 1.3%; their share of total Group deliveries remained steady year-on-year at 11.2 (11.1)%. The Group brands' highest-volume all-electric vehicles included the ID.4 and ID.3 from Volkswagen Passenger Cars, the Škoda Enyaq, the CUPRA Born, the ID. Buzz from Volkswagen Commercial Vehicles, the Audi Q4 e-tron as well as the Porsche Taycan.

In the following, we report separately on deliveries in the Passenger Cars Business Area and the Commercial Vehicles Business Area.

GLOBAL DELIVERIES BY THE PASSENGER CARS BUSINESS AREA

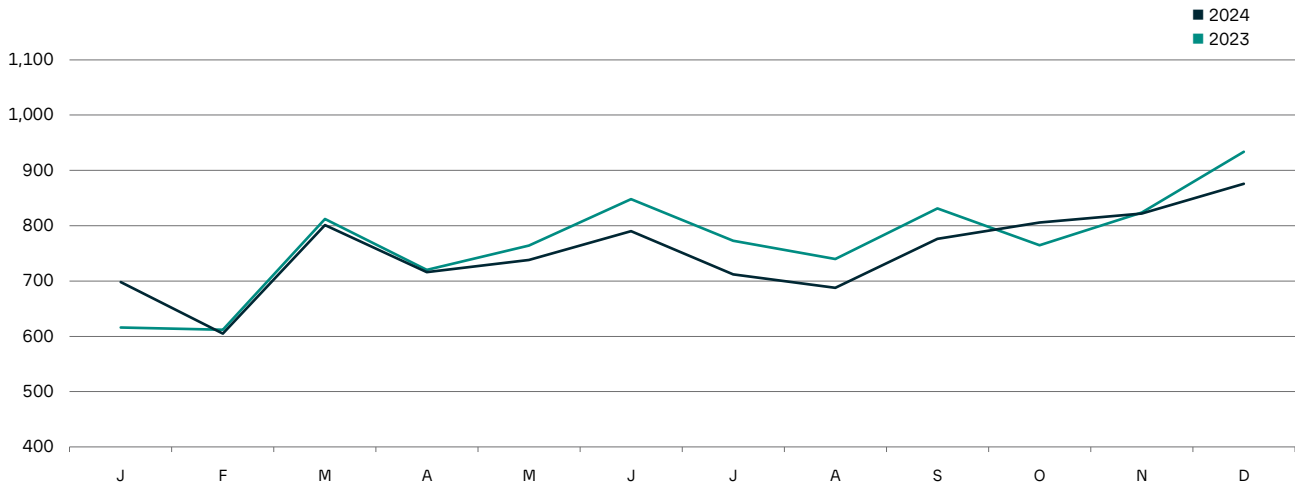
With its passenger car brands, the Volkswagen Group is represented in all relevant automotive markets around the world, including Europe and other markets, North and South America and Asia-Pacific.

Sales of Volkswagen Group passenger cars and light commercial vehicles worldwide amounted to 8,693,208 units in fiscal year 2024 amid challenging market conditions. This was 2.3% or 208,142 vehicles less than in the previous year. The overall market grew slightly. While Škoda, SEAT/CUPRA and Lamborghini increased vehicle deliveries and Volkswagen Commercial Vehicles maintained its prior-year level, Volkswagen Passenger Cars, Audi, Bentley and Porsche did not achieve their respective prior-year figures. At a regional level, we saw demand rise for passenger cars and light commercial vehicles from the Volkswagen Group in Central and Eastern Europe, North America, South America, Africa and the Middle East. Deliveries to customers in Western Europe were on a level with the previous year, while they fell short of the prior-year figures in Asia-Pacific.

In an overall global market that saw noticeable growth, we achieved a passenger car market share of 10.5 (11.1)%.

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 3,144,705 passenger cars and light commercial vehicles to customers in the reporting year, 0.1% more than in the previous year. In the same period, the overall market was on a level with the previous year. Customer interest in the Volkswagen Group's electrified vehicles was strongest in Western Europe, where we delivered more than 50% of our all-electric models or 437,337 units (including heavy commercial vehicles) to customers in the reporting year. The number of all-electric models handed over to customers was down 4.2% year-on-year. Their share of Group deliveries in this region fell to 13.4 (14.0)%. However, incoming orders for Volkswagen Group all-electric models developed encouragingly in Western Europe, increasing by more than 80% year-on-year. The Group vehicles that achieved the highest sales volumes were the T-Roc, Tiguan and Golf hatchback models from the Volkswagen Passenger Cars brand. Other models that recorded encouraging demand included the ID.7 Tourer, ID.7 saloon and Golf Estate from Volkswagen Passenger Cars, the Fabia hatchback and Octavia Combi from Škoda, the SEAT Ibiza and SEAT Leon, the CUPRA Leon and CUPRA Ateca, the Caddy and Multivan from Volkswagen Commercial Vehicles, the Audi Q6 e-tron, as well as the Porsche Cayenne. The T-Cross, Golf, Tiguan, Passat and ID.7 Tourer models from the Volkswagen Passenger Cars brand, the Škoda Scala, Kamiq, Kodiaq, Octavia and Superb, the SEAT Leon, the CUPRA Leon, CUPRA Formentor, CUPRA Tavascan and CUPRA Terramar, the A3, A5, Q6 e-tron and Q7 from Audi and the 911, Taycan, Macan and Panamera from Porsche were among the new or successor models launched on the market during the reporting year. The Volkswagen Group's share of the passenger car market in Western Europe amounted to 24.4 (24.5)%.

In the Central and Eastern Europe region, the number of vehicles handed over to customers in 2024 was up 2.4% year-on-year. The market as a whole recorded significant volume growth at the same time. Demand developed encouragingly for a number of models, including the Tiguan from Volkswagen Passenger Cars, as well as for Škoda's Superb Combi, Octavia saloon and Kodiaq. The Volkswagen Group's share of the passenger car market in the Central and Eastern Europe region declined to 17.0 (19.6)%.

WORLDWIDE DELIVERIES OF THE MOST SUCCESSFUL GROUP MODEL RANGES IN 2024

Vehicles in thousands

In Türkiye, where the overall passenger car market expanded slightly, the Volkswagen Group delivered 7.7% more vehicles to customers in the past fiscal year than in 2023. 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 1.8%, while the overall market was similar to the prior-year level. The Polo Vivo from the Volkswagen Passenger Cars brand was also the most sought-after Group model in this region.

Deliveries in Germany

In Germany, in an overall passenger car market in 2024 that was similar to the previous year, the Volkswagen Group delivered 1,122,422 units to customers, a decrease of 1.7% on the prior-year figure. The volume of all-electric vehicles delivered declined by 11.9% year-on-year to 136,642 units. The Group models that recorded the highest sales volume were the T-Roc, Golf hatchback and Tiguan from the Volkswagen Passenger Cars brand and the Škoda Octavia Combi. In addition, the Golf Estate, ID.7 Tourer and ID.7 saloon from Volkswagen Passenger Cars, the Škoda Karoq and Škoda Fabia hatchback, the SEAT Ibiza, the CUPRA Leon, the Multivan from Volkswagen Commercial Vehicles, the Audi Q6 e-tron and the Porsche Cayenne, among others, 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, Touran, Multivan/Transporter and Porsche 911. The Golf was again the most popular passenger car in Germany in terms of registrations in 2024.

Deliveries in North America

In the reporting year, the number of Volkswagen Group models delivered to customers in North America increased by 6.9% year-on-year to 961,916 units in an overall market experiencing slight growth. The volume of all-electric models delivered in North America (including heavy commercial vehicles) declined by 23.4% to 64,707 units compared with the previous year. Their share of total Group deliveries in this region fell to 6.1 (8.5)%. The Tiguan Allspace, Taos and Jetta from the Volkswagen Passenger Cars brand were the most sought-after Group models in North America. The Jetta from the Volkswagen Passenger Cars brand, the A3, Q6 e-tron, Q7 and Q8 from Audi and the Taycan, Macan and Panamera from Porsche were among the new or successor models launched on the market during the reporting year. The Group's share of the market in this region increased to 5.0 (4.8)%.

In the US market, which recorded slight growth, the Volkswagen Group delivered 2.9% more vehicles to customers in fiscal year 2024 than in the previous year. The volume of all-electric vehicles delivered in the United States went down by 30.5% year-on-year to 49,403 units. The Group models to record the greatest increases in absolute terms included the Jetta, Tiguan Allspace and Atlas from Volkswagen Passenger Cars and the Audi Q3.

In Canada, the number of vehicles delivered to Volkswagen Group customers was up 14.7% in the reporting year compared with 2023. The market as a whole recorded noticeable growth at the same time. The Group models with the highest volume of demand were the Taos and Tiguan Allspace from the Volkswagen Passenger Cars brand.

In Mexico, where the market as a whole saw noticeable growth, we sold 18.3% more vehicles to customers in the past fiscal year than in 2023. Demand developed encouragingly for, among others, the Virtus and Taigun from Volkswagen Passenger Cars.

Deliveries in South America

In the South American market for passenger cars and light commercial vehicles, which recorded noticeable growth, the number of Group models handed over to customers in 2024 was up 12.5% on the prior-year figure, at 524,108 units. The Polo, T-Cross and Nivus from Volkswagen Passenger Cars were the Group models with the highest sales volumes. The T-Cross, Nivus and Jetta from Volkswagen Passenger Cars and the Audi A3 and Audi Q6 e-tron, among others, were introduced to the market as new or successor models in the reporting year. The Group's share of the market in South America rose to 13.3 (12.6)%.

In the Brazilian market, which performed significantly better than in the previous year, the Volkswagen Group delivered 15.6% more vehicles to customers in the reporting year. The Polo, T-Cross and Saveiro from Volkswagen Passenger Cars were the Group models with the highest sales volumes.

In Argentina, the number of Volkswagen Group vehicles handed over to customers in 2024 increased by 13.4% year-on-year in a noticeably declining overall market. The Group models with the highest sales volume were the Polo and 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 fall by 10.3% to 3,213,816 vehicles compared with 2023, while the total passenger car market volume was on a similar level to the previous year. The volume of all-electric vehicles (including heavy commercial vehicles) delivered in this region rose by 8.2% year-on-year to 224,264 units. Their share of the Group's total deliveries rose to 7.0 (5.8)%. The Group models with the highest sales volume were the Passat, Sagitar and Lavida from the Volkswagen Passenger Cars brand. The Volkswagen Group's share of the passenger car market in the Asia-Pacific region declined to 8.6 (9.8)%.

In China, the overall passenger car market expanded slightly compared with the prior year. The Volkswagen Group's deliveries to customers in this country declined by 9.5% compared with 2023 to 2,926,763 units. The high intensity of competition continued to have a negative impact in the reporting year. At 207,377 units, the number of all-electric vehicles (including heavy commercial vehicles) handed over to customers in China was 8.1% higher than the prior-year figure. Their share of the Group's total deliveries rose to 7.1 (5.9)%. The Group models with the highest sales volume were the Passat, Sagitar and Lavida from Volkswagen Passenger Cars and the Audi A6 saloon. In addition, the Lavida XR, Tayron, T-Cross and ID.3 from Volkswagen Passenger Cars and the Q5 and A7 saloon from Audi were among the models that saw an encouraging increase in demand. The T-Cross, Golf, ID. UNYX, Tiguan Allspace, Passat, Magotan and Touareg models from Volkswagen Passenger Cars, the Audi A3L, Audi Q7 and Audi Q8 and the Porsche Taycan, Porsche Macan and Porsche Panamera were among the new or successor models launched on the market in the reporting year.

In the Indian passenger car market, which registered slight growth, the Volkswagen Group saw demand fall by 15.9% year-on-year in fiscal year 2024. The Virtus and Taigun from the Volkswagen Passenger Cars brand and the Kushaq from Škoda were the most sought-after Group models there.

In Japan, the number of Group vehicles delivered to customers in 2024 was down 16.7% year-on-year in an overall market that experienced a noticeable decline compared with the prior year. The Group vehicles with the highest sales volume were the T-Cross and T-Roc models from the Volkswagen Passenger Cars brand.

PASSENGER CAR DELIVERIES TO CUSTOMERS BY MARKET[1]

	DELIVERIES (UNITS)		CHANGE
	2024	2023	(%)
Europe/Other Markets	**3,993,368**	**3,953,397**	**+1.0**
Western Europe	**3,144,705**	**3,141,434**	**+0.1**
of which: Germany	1,122,422	1,141,418	–1.7
France	277,097	263,643	+5.1
United Kingdom	493,758	489,088	+1.0
Italy	271,868	269,479	+0.9
Spain	252,619	232,483	+8.7
Central and Eastern Europe	**485,615**	**474,357**	**+2.4**
of which: Czech Republic	112,923	123,471	–8.5
Russia	–	3,504	x
Poland	156,867	140,518	+11.6
Other Markets	**363,048**	**337,606**	**+7.5**
of which: Türkiye	178,713	166,001	+7.7
South Africa	67,878	69,150	–1.8
North America	**961,916**	**899,652**	**+6.9**
of which: USA	658,314	639,622	+2.9
Canada	126,207	110,019	+14.7
Mexico	177,395	150,011	+18.3
South America	**524,108**	**465,854**	**+12.5**
of which: Brazil	412,334	356,694	+15.6
Argentina	65,719	57,931	+13.4
Asia-Pacific	**3,213,816**	**3,582,447**	**–10.3**
of which: China	2,926,763	3,233,933	–9.5
India	85,395	101,553	–15.9
Japan	54,667	65,635	–16.7
Worldwide	**8,693,208**	**8,901,350**	**–2.3**
Volkswagen Passenger Cars	4,796,931	4,866,803	–1.4
Škoda	926,567	866,820	+6.9
SEAT/CUPRA	558,159	519,176	+7.5
Volkswagen Commercial Vehicles	408,285	409,418	–0.3
Audi	1,671,218	1,895,240	–11.8
Lamborghini	10,687	10,112	+5.7
Bentley	10,643	13,560	–21.5
Porsche	310,718	320,221	–3.0

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 2024, the Volkswagen Group delivered 1.2% fewer commercial vehicles to customers worldwide than in the previous year. We handed over a total of 334,216 commercial vehicles to customers. Trucks accounted for 278,605 units (–1.0%) and buses for 27,939 units (–7.7%). Deliveries to customers of the MAN TGE van series saw a slight increase compared with the prior year, to 27,672 (+3.9%) vehicles. Overall, the downward trend in the first six months of 2024 was mitigated by a positive trend in the second half of the year.

In the 27 EU states excluding Malta, but including the United Kingdom, Norway and Switzerland (EU27+3) sales in the reporting year were down by 12.2% on the same period of the previous year to a total of 136,700 units, of which 104,533 were trucks and 4,924 were buses. The decrease in truck sales is attributable to continued buyer reluctance in the EU27+3 region. In addition, tighter regulatory requirements for vehicle software systems caused delays in bus sales in this region in the second half of 2024. Here, the MAN brand delivered 27,243 vehicles from the MAN TGE van series to customers.

In fiscal year 2024, deliveries to customers in Türkiye fell significantly year-on-year to 5,133 (5,737) vehicles. Trucks accounted for 4,712 units and buses for 142 units, while 279 vehicles from the MAN TGE van series were sold. In South Africa, the number of Volkswagen Group commercial vehicles delivered to customers fell noticeably year-on-year by 9.5% to a total of 4,425 units. Of the units sold, 3,779 were trucks and 646 were buses.

Sales in North America rose to 95,073 (93,440) vehicles in the reporting year; this included 82,211 trucks and 12,862 buses. Unit sales in the United States registered a noticeable decrease as a result of declining transport activities. Truck sales developed very encouragingly in Mexico and were much stronger than in the same period of the previous year.

Deliveries to customers in South America increased to a total of 70,156 units (+34.1%) in 2024; 62,719 of these were trucks and 7,437 were buses. In Brazil, the biggest market in this region, deliveries to customers increased very strongly in the reporting year mainly due to an economic upswing, rising by 40.8% to 58,546 units. Of the units delivered, 52,762 were trucks and 5,784 were buses.

In the Asia-Pacific region, the Volkswagen Group sold 9,458 vehicles in the reporting year, including 8,545 trucks and 913 buses. Overall, this was 21.6% less than in the previous year.

COMMERCIAL VEHICLE DELIVERIES TO CUSTOMERS BY MARKET[1]

	DELIVERIES (UNITS)		CHANGE
	2024	2023	(%)
Europe/Other Markets	**159,529**	**180,357**	**–11.5**
of which: EU27+3	136,700	155,726	–12.2
of which: Germany	36,168	43,711	–17.3
Türkiye	5,133	5,737	–10.5
South Africa	4,425	4,891	–9.5
North America	**95,073**	**93,440**	**+1.7**
of which: USA	68,805	73,483	–6.4
Mexico	19,007	14,478	+31.3
South America	**70,156**	**52,330**	**+34.1**
of which: Brazil	58,546	41,578	+40.8
Asia-Pacific	**9,458**	**12,057**	**–21.6**
Worldwide	**334,216**	**338,184**	**–1.2**
Scania	102,120	96,568	+5.7
MAN	95,705	115,653	–17.2
International (formerly Navistar)	90,562	88,890	+1.9
Volkswagen Truck & Bus	45,829	37,073	+23.6

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 2024, 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 up 16.1% on 2023, with nearly all major markets recording an improvement year-on-year. While Italy and the United Kingdom saw single-digit growth, Germany, France and Spain each achieved growth of over 10% compared with the previous year. Orders received for battery-electric vehicles rose by around 88% versus the prior year. This upward trend was underpinned by the successful launch of new models.

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 were down slightly year-on-year, at 263,601 units in 2024, mainly as a result of a decline in the truck business. The biggest drop in truck orders was observed in the EU27+3 region, primarily due to the weak economic situation. Incoming orders for trucks in North America were up slightly year-on-year, with weak demand for heavy trucks more than offset by higher demand for mid-sized trucks and special vehicles. By contrast, in South America order intake increased sharply. Particularly in Brazil, the favorable economic development stimulated orders, whereby the prior-year performance of the Brazilian market had been weighed down significantly by the new emissions regulations that had come into force. MAN TGE recorded a decline in incoming orders.

Order intake in the bus business rose significantly, however. This was mainly thanks to growth in the coach segment in the EU27+3 region and orders placed for school buses in South America. Orders received for buses in North America were up significantly year-on-year despite restrictive acceptance of orders due to the order backlog, which continued to be high.

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 2024 amounted to €5.3 (5.0) 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, the first delivery of two 14V49/60 methanol-ready engines and the first delivery of three 10L49/60DF engines were ordered for one ship each in 2024. In the power plant business, orders were acquired for 64 engines and component sets for 29 completely knocked down engines of different types with an aggregate output of 1,356 MW. In the area of turbomachinery for new applications, projects for decarbonization and for advancing the energy transition led to an increase in order intakes. These include several carbon capture and storage projects and orders for large-scale heat pumps in Europe, North America and Asia. An order was also recorded for the delivery of compressors and turbines for an energy storage system in England. Noteworthy orders in the traditional business included compressors for nitric acid production and an order for the largest integrally geared centrifugal compressor for the air separation industry.

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 the financial services activities of Volkswagen Group Mobility (formerly Volkswagen Financial Services), Scania, International (formerly Navistar) and Porsche Holding Salzburg and also extends to the contracts concluded by our international joint ventures.

There was high demand for the products and services of the Financial Services Division in the 2024 fiscal year. The number of new financing, leasing, service and insurance contracts signed worldwide amounted to 11.1 million contracts. Since January 1, 2024, other types of insurance contracts have been taken into account; the number of contracts as of December 31, 2023 has been adjusted. The ratio of leased and financed vehicles to Group deliveries (penetration rate) increased to 34.1 (32.8)% in the Financial Services Division's markets in the reporting year. The total number of contracts stood at 28.5 (28.1) million on December 31, 2024.

In Europe/Other Markets, 7.9 million new contracts were signed. The total number of contracts at the end of the reporting year was 20.4 (20.1) million, putting it above the figure for December 31, 2023. The customer financing/leasing area was responsible for 7.3 (7.1) million of these contracts.

The number of new contracts signed in North America amounted to 1.5 million in fiscal year 2024. At 4.3 (4.1) million, the number of contracts as of December 31, 2024 was higher than at the end of the previous year. The customer financing/leasing area recorded 1.7 (1.6) million contracts.

In the South America region, 0.9 million new contracts were concluded in the reporting year. Compared with December 31, 2023, the total number of contracts at the end of the reporting year rose to 1.7 (1.4) million, of which 0.7 (0.6) million were related to the customer financing/leasing area.

The number of new contracts signed in the Asia-Pacific region in 2024 amounted to 0.8 million. At the end of December 2024, the total number of contracts stood at 2.2 (2.5) million. The customer financing/leasing area was responsible for 1.2 (1.5) million of these contracts.

SALES TO THE DEALER ORGANIZATION

The Volkswagen Group's unit sales to the dealer organization decreased in the reporting year by 3.5% to 9,036,653 units (including the equity-accounted Chinese joint ventures) in a challenging market environment. Unit sales outside Germany declined by 4.2% to 7,841,792 vehicles. Fewer vehicles were sold primarily in China and in other countries in the Asia-Pacific region. The Volkswagen Group's unit sales to the dealer organization excluding the equity-accounted companies in China amounted to 6,294,998 (6,297,420) vehicles and was on a level with the previous year. Brazil, France and Mexico in particular reported growth. Unit sales in Germany increased by 1.4% year-on-year. The proportion of the Group's total unit sales attributable to Germany increased to 13.2 (12.6)%.

PRODUCTION

The Volkswagen Group produced 8,953,693 vehicles (including the equity-accounted Chinese joint ventures) in the period from January to December 2024, a decrease of 3.8% compared with the prior-year period. Production in Germany declined by 11.9% to 1,686,358 vehicles. The proportion of the Group's total production accounted for by Germany decreased to 18.8 (20.6)%. The Volkswagen Group's production excluding the equity-accounted companies in China totaled 6,213,442 (6,236,786) units and remained at similar levels to the previous year.

INVENTORIES

Global inventories of new vehicles at Group companies and in the dealer organization were lower at the end of the reporting year than at year-end 2023.

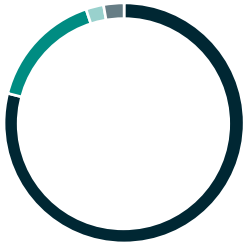
TOTAL WORKFORCE

Including the Chinese joint ventures, the Volkswagen Group employed an average of 682,724 people in fiscal year 2024 (+0.6%). In Germany, we employed 295,178 people on average; at 43.2 (43.6)%, their share of the total workforce was on a level with the previous year.

The number of active employees in the Volkswagen Group receded by 1.2% to 646,501 as of December 31, 2024. In addition, 15,770 employees were in the passive phase of their partial retirement and 17,201 young people were in vocational traineeships. At the end of the reporting year, the Volkswagen Group's total workforce including the equity-accounted companies in China amounted to 679,472 employees worldwide, 0.7% less than on December 31, 2023. There were 293,338 (–1.8%) employees in Germany, while 386,134 employees worked outside Germany (+0.2%). At the end of 2024, the Volkswagen Group's total workforce excluding the equity-accounted companies in China had a total of 614,082 employees and was 0.2% more than the level at the end of 2023.

EMPLOYEES BY DIVISION/BUSINESS AREA

as of December 31, 2024



Passenger Cars[1]	536,585
Commercial Vehicles	107,907
Power Engineering	16,216
Financial Services	18,764

1 Including the equity-accounted companies in China.

VOLUME DATA OF THE VOLKSWAGEN GROUP FROM JANUARY 1 TO DECEMBER 31[1]

in thousands	2024	2023	%
Vehicle sales (units)	9,037	9,362	–3.5
Production (units)	8,954	9,309	–3.8
Total workforce (as of December 31)	679.5	684.0	–0.7

1 Including the equity-accounted Chinese joint ventures.

Shares and Bonds

The further intensifying competition in the automotive sector with continued 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

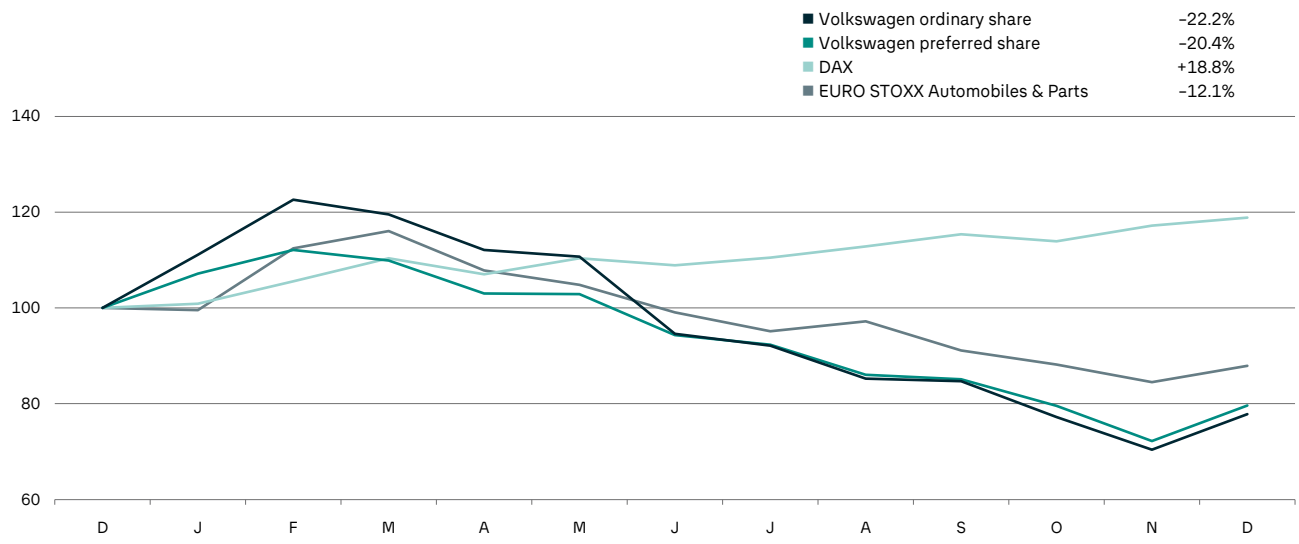
The international stock markets turned in an overall solid performance in the reporting year. Driven in particular by the hope that key interest rates would be lowered, they continued the upward trend that had started in October 2023 and soared to new record levels. Economic growth, in particular, also had a positive effect. Furthermore, central banks in the United States and Europe initiated a shift in monetary policy during the year with the first rate cuts, sending share prices even higher. The generally upbeat mood on the markets was not noticeably dented by the uncertain geopolitical environment and the prevailing confrontations in the Middle East.

After a favorable year on the stock markets in 2023, which saw the German stock index (DAX) rise by 20%, the new year started with sideways movement. An upward trend in the DAX then began at the end of January 2024, during which it hit new all-time highs. The German stock market barometer benefited particularly from positive corporate data in the reporting season and market participants' expectations of an imminent turnaround in interest rates. In the second quarter of 2024, momentum weakened due to rising geopolitical tensions and political uncertainty. The DAX began the third quarter on a weaker note before share prices started moving upwards again, fueled by the turnaround in interest rates in Europe and the United States. The monetary and fiscal policy measures taken in China to stimulate the local economy also had a positive knock-on effect. The German equity market experienced a rally towards the end of the reporting year, with new records in anticipation of further interest rate cuts, although this was driven by a smaller number of single stocks. As a result, at year-end 2024 the DAX – a performance index calculated as if all dividend payments were reinvested – exceeded the prior year-end level by 18.8%. By contrast, the EURO STOXX Automobiles & Parts, which is purely a price index, posted losses of 12.1% in the period under review due to the difficult situation in the automotive industry.

The prices of Volkswagen AG's preferred and ordinary shares initially showed a positive trend in the first three months of the reporting year. As the year progressed, the capital market took a critical view of the fact that investment requirements continued to be high, extending among other things to the construction of battery cell factories, vehicle development as part of the Company's transformation, and provisions for acquisitions. The further intensification of competition in the automotive sector, expectations of falling margins and subdued demand, particularly for electric vehicles, as well as the possible costs for closing an impending gap in relation to European CO_2 fleet targets for 2025 also put a damper on the share price. The same was true of the decline in profits expected by the Company for the joint ventures in its largest single market, China, where competition is intense. On top of this came the European Union's (EU) announcement of punitive tariffs on Chinese electric

PRICE DEVELOPMENT FROM DECEMBER 2023 TO DECEMBER 2024

Index based on month-end prices: December 31, 2023 = 100



vehicles, coupled with the threat of retaliation by China in the form of import tariffs on European vehicles, among other things. The situation in the industry worsened progressively in the course of the year. As a consequence, and due to unplanned restructuring expenses in the Group, the Company repeatedly adjusted its full-year earnings guidance. The news was marked by increasing tension, primarily in light of the threat of trade barriers in the aftermath of the US election, uncertainty as to the outcome of the trade dispute and the cost-cutting measures planned by the Company. Increasing uncertainties with respect to the amount of the dividend for fiscal year 2024 also caused pressure, particularly given the additional potential impact on earnings from provisions for the planned restructuring measures. This continued to put pressure on the share prices, though these recovered slightly towards the end of the reporting year. At the end of December 2024, preferred shares were trading down 20.4% and ordinary shares down 22.2% compared with the end of 2023. Assuming that the dividend (before deduction of taxes) was reinvested in Volkswagen shares at the time of distribution, the total return on the preferred shares was –14.1% and the total return on the ordinary shares was –16.9%.

KEY FIGURES FOR VOLKSWAGEN SHARES AND MARKET INDICES FROM JANUARY 1 TO DECEMBER 31, 2024

		High	Low	Closing
Ordinary share	Price (€)	151.50	82.40	92.15
	Date	Apr. 4	Nov. 27	Dec. 31
Preferred share	Price (€)	128.50	80.32	89.04
	Date	Apr. 4	Nov. 27	Dec. 31
DAX	Price	20,426	16,432	19,909
	Date	Dec. 12	Jan. 17	Dec. 31
ESTX Auto & Parts	Price	708	505	533
	Date	Apr. 8	Nov. 21	Dec. 31

CAPITAL MARKETS DAY CHINA

The Volkswagen Group presented the Group's newly focused strategic alignment for the Chinese market at the Capital Markets Day held in China in April 2024. The objective is to improve technological expertise and the product portfolio, cut costs, and thus consolidate our market position as a leading international manufacturer. The new China strategy with the slogan "In China for China" focuses on considerably higher local value creation and partnerships with leading technology companies, and is aimed at increased local market and customer centricity.

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 also 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 €6.30 per ordinary share and €6.36 per preferred share for fiscal year 2024. On this basis, the total dividend amounts to €3.2 (4.5) billion. The payout ratio is based on the Group's earnings after tax attributable to Volkswagen AG shareholders. This amounts to 29.6% for the reporting year and to 28.4% for the adjusted previous year figure; the special dividend due to the IPO of Porsche AG is not included in the prior-year figure. 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 6.8 (7.6)%, measured by the closing price on the last trading day in 2024. The dividend yield on preferred shares is 7.1 (8.1)%.

EARNINGS PER SHARE

Basic earnings per ordinary share amounted to €21.36 for fiscal year 2024. This represents a reduction of 32.8% compared with the figure adjusted for 2023. Basic earnings per preferred share declined by 33.0% to €21.42 compared with the adjusted prior-year figure. 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.

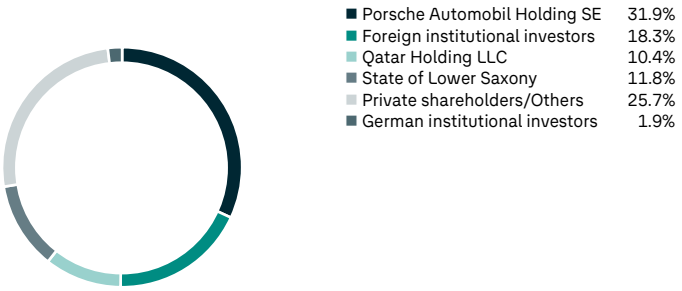
See also "Earnings per share" in the notes to the 2024 consolidated financial statements for the calculation of earnings per share.

SHAREHOLDER STRUCTURE

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, 2024.

SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2024

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		2024	2023	2022	2021	2020
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	€	6.30	9.00	8.70	7.50	4.80
per preferred share	€	6.36	9.06	8.76	7.56	4.86
Dividend paid[1]	€ million	3,171	4,524	4,374	3,772	2,419
on ordinary shares	€ million	1,859	2,656	2,567	2,213	1,416
on preferred shares	€ million	1,311	1,868	1,806	1,559	1,002

Share price development[2]		2024	2023[3]	2022[4]	2021	2020
Ordinary share						
Closing	€	92.15	118.45	147.65	258.40	170.10
Price performance	%	–22.2	–19.8	–42.9	+51.9	–1.8
Annual high	€	151.50	181.65	279.40	327.20	183.10
Annual low	€	82.40	106.40	145.00	165.70	101.50
Preferred share						
Closing	€	89.04	111.80	116.42	177.48	152.42
Price performance	%	–20.4	–4.0	–34.4	+16.4	–13.5
Annual high	€	128.50	142.20	193.10	246.55	185.52
Annual low	€	80.32	99.14	114.88	144.80	87.20
Market capitalization at Dec. 31	€ billion	45.6	58.0	67.6	112.8	81.6
Equity attributable to Volkswagen AG shareholders and hybrid capital investors at Dec. 31	€ billion	182.3	175.0	165.4	144.4	127.0
Ratio of market capitalization to equity	factor	0.25	0.33	0.41	0.78	0.64

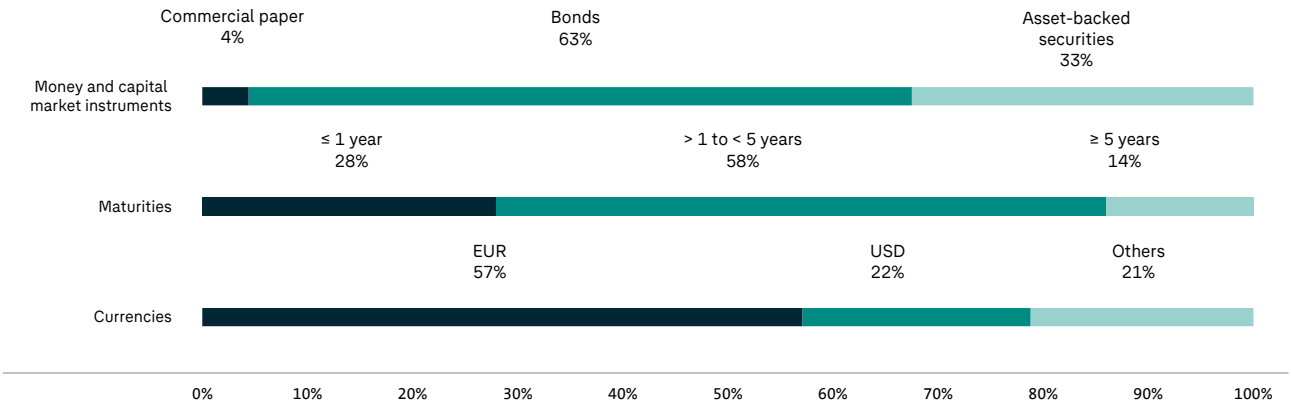
Key figures per share		2024	2023[3]	2022[4]	2021	2020
Earnings per ordinary share[5]						
basic	€	21.36	31.79	29.66	29.59	16.60
diluted	€	21.36	31.79	29.66	29.59	16.60
Equity attributable to Volkswagen AG shareholders and hybrid capital investors at Dec. 31	€	363.65	349.03	329.90	288.15	253.44
Price/earnings ratio[6]						
Ordinary share	factor	4.3	3.7	5.0	8.7	10.2
Preferred share	factor	4.2	3.5	3.9	6.0	9.1
Dividend yield[7]						
Ordinary share	%	6.8	7.6	5.9	2.9	2.8
Preferred share	%	7.1	8.1	7.5	4.3	3.2

Stock exchange turnover[8]		2024	2023	2022	2021	2020
Turnover of Volkswagen ordinary shares	€ billion	2.0	1.4	2.7	6.1	3.1
	million shares	18.3	10.2	13.5	23.3	21.6
Turnover of Volkswagen preferred shares	€ billion	27.7	31.4	44.9	58.8	49.8
	million shares	263.7	263.2	302.2	300.4	361.2
Volkswagen share of total DAX turnover	%	3.5	4.1	4.7	6.6	4.7

1 Figures for the years 2020 to 2023 relate to dividends paid in the following year. For 2021, the figures exclude the special dividend due to the IPO of Porsche AG. For 2024, the figures relate to the proposed dividend.
2 Xetra prices.
3 The year 2023 was adjusted.
4 The year 2022 was 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, 2024



REFINANCING

The Volkswagen Group was able to successfully refinance on the international capital markets in what was a challenging market environment in 2024 by issuing both secured and unsecured bonds in various currencies and with varying terms.

It placed bonds on the US capital market via Volkswagen Group of America Finance, LLC with a total volume of USD 6 billion in March and August 2024. Two notes, each with a volume of CAD 750 million, were issued in the Canadian refinancing market.

After Volkswagen International Finance N.V. became active locally on the Chinese capital market for the first time in 2023, it also issued what is known as a Panda bond worth CNY 1.5 billion in September 2024.

In the reporting year, Volkswagen International Finance N.V. issued bonds with a total volume of €1.0 billion based on a Green Finance Framework.

Volkswagen International Finance N.V. also duly called a hybrid note issued in June 2018 with a principal amount of €1.25 billion to be redeemed as of June 27, 2024.

In March 2024, TRATON Finance Luxembourg S.A., an indirect subsidiary of TRATON SE, issued bonds in two tranches with a total volume of €1.25 billion.

Public euro benchmark bonds structured as green bonds were issued for €7.75 billion for the Financial Services Division.

In addition to this, securities were issued in various currencies and regions via various issuing companies in the respective divisions of the Volkswagen Group.

Alongside the issuance 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 China.

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

The proportion of fixed-rate refinancing instruments in the past year was about twice 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, 2024 and illustrates the financial flexibility of the Volkswagen Group:

Financial instruments	Authorized volume € billion	Amount utilized on Dec. 31, 2024 € billion
Unsecured commercial paper and bonds	295.5	111.4
of which: commercial paper		7.3
bonds		104.1
of which: hybrid issues		13.7
Asset-backed securities	105.3	53.6

Volkswagen AG's syndicated credit line of €10.0 billion agreed in December 2019 was unused at the end of 2024.

Of the confirmed syndicated credit lines with a total of €17.0 billion at other Group companies, €1.0 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 €5.3 billion, of which €1.0 billion was drawn down.

RATINGS

In February 2024, rating agency Standard & Poor's confirmed its short-term and long-term ratings for Volkswagen AG of A-2 and BBB+ respectively. The outlook was left unchanged at "stable". Moody's Investors Service maintained the short-term and long-term ratings of P-2 and A3, respectively, in July 2024, and revised the outlook from "stable" to "negative" in October 2024. A third agency, Fitch Ratings, was appointed at the beginning of the reporting year to assess the creditworthiness of Volkswagen AG, including its issuing companies and the financial instruments issued. It provided a long-term rating of A- and a short-term rating of F1, both with a "stable" outlook. This was affirmed in August 2024.

The reorientation of the subgroups of the former Volkswagen Financial Services AG and Volkswagen Bank GmbH (VW Bank) resulted in the establishment of the new European financial holding company, Volkswagen Financial Services AG (VW FS AG), to manage the European financial services companies. VW Bank became part of this holding company. Moreover, the former Volkswagen Financial Services AG was renamed Volkswagen Financial Services Overseas AG (VW FS Overseas AG), and tasked with management of the non-European financial services subsidiaries. The restructuring meant that a rating was provided for the newly formed companies for the first time. Standard & Poor's assigned the newly established VW FS AG, VW Bank, and VW FS Overseas AG as the legal successor of the former Volkswagen Financial Services AG, a long-term rating of BBB+ and a short-term rating of A-2, with a "stable" outlook in July 2024. Moody's Investors Service assigned VW FS AG and VW FS Overseas AG a long-term rating of A3 and a short-term rating of P-2 in July 2024. VW Bank was assigned a long-term rating of A1 and a short-term rating of P-1. The outlook for each was revised from "stable" to "negative" in October in 2024. Fitch Ratings assigned a short-term rating of F1 and a long-term rating of A- to VW FS AG, VW Bank and VW FS Overseas AG in July 2024. The outlook for each was "stable".

Standard & Poor's affirmed the short- and long-term ratings for TRATON SE at A-2 and BBB respectively with a "stable" outlook in October 2024. Moody's Investors Service maintained the long-term rating of Baa2 in March 2024 and revised the outlook from "stable" to "positive". It also assigned a short-term rating of P-2.

	VOLKSWAGEN AG		VOLKSWAGEN FINANCIAL SERVICES AG[1]	VOLKSWAGEN BANK GMBH[1]	VOLKSWAGEN FINANCIAL SERVICES OVERSEAS AG[1]	TRATON SE	
	2024	2023	2024	2024	2024	2024	2023
Standard & Poor's							
short-term	A-2	A-2	A-2	A-2	A-2	A-2	–
long-term	BBB+	BBB+	BBB+	BBB+	BBB+	BBB	BBB
outlook	stable	stable	stable	stable	stable	stable	stable
Moody's Investors Service							
short-term	P-2	P-2	P-2	P-1	P-2	P-2	–
long-term	A3	A3	A3	A1	A3	Baa2	Baa2
outlook	negative	stable	negative	negative	negative	positive	stable
Fitch Ratings							
short-term	F1	–	F1	F1	F1	–	–
long-term	A-	–	A-	A-	A-	–	–
outlook	stable	–	stable	stable	stable	–	–

1 No prior-year comparison possible due to restructuring.

ESG RATINGS

Analysts and investors are referring 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 strategy, and they are used to establish internal measures.

Volkswagen's ESG rating from ISS ESG was unchanged at C+ in fiscal year 2024. In the Sustainalytics rating, the Volkswagen Group remained stable with a "medium risk" score. Volkswagen also retained its B rating from MSCI.

Results of Operations, Financial Position and Net Assets

Fiscal year 2024 was dominated by increasingly intense competition in the automotive industry. In this challenging market environment, the Volkswagen Group generated sales revenue on a level with the prior year. A decline in the operating result was due primarily to restructuring measures.

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 International (formerly Navistar) are made 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 2024 BY SEGMENT

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue	241,526	46,183	4,333	58,769	350,811	–26,155	324,656
Segment profit or loss (operating result)	13,656	4,218	335	3,119	21,328	–2,268	19,060
as a percentage of sales revenue	5.7	9.1	7.7	5.3			5.9
Capex, including capitalized development costs	24,097	2,731	193	253	27,275	172	27,447

PRIOR-YEAR CORRECTIONS IN ACCORDANCE WITH IAS 8

It was found during the reporting year that obligations related to the granting of fringe benefits had not been included in full when calculating the provision for time assets. The error was corrected in accordance with IAS 8 by adjusting the affected items accordingly in the consolidated financial statements for the prior years.

The retrospective correction resulted in a change in equity as of December 31, 2023/January 1, 2024 and January 1, 2023, respectively. This is attributable to the increase in other provisions and the recognition of deferred tax assets. The recognition of the additional fringe benefits did not have a material impact on the income statement, the statement of comprehensive income, or the cash flow statement. The prior-year figures have been adjusted accordingly.

RESTRUCTURING MEASURES IN THE VOLKSWAGEN GROUP

In fiscal year 2024, the Volkswagen Group recognized restructuring costs of €3.0 billion, mostly in other operating result. They are primarily attributable to Volkswagen AG and the Audi Group.

To bring about a long-term reduction in personnel costs in the administrative areas of Volkswagen AG, the Board of Management resolved in April 2024 to support the downsizing activities by offering selective severance agreements. Expenses of €0.9 billion were recognized for this.

Against the backdrop of trends in demand for the Audi Q8 e-tron model family, which is manufactured in Brussels, the Board of Management of Audi Brussels S.A./N.V., Brussels/Belgium (Audi Brussels), conducted an information and consultation process with the competent social partners under Belgian law for the restructuring of the site from July to December 2024. The process plans to discontinue the operations as of February 28, 2025. A social plan was approved in January 2025. Expenses totaling €1.6 billion were recognized in fiscal year 2024 in connection with this restructuring. They include, among other items, anticipated amortization and depreciation charges on inventories and non-current assets, expenses from a change in the production process, legal and consulting costs, as well as employee-related expenses for the social plan.

Furthermore, restructuring programs were also introduced in other Group companies.

EFFECTS OF THE COLLECTIVE BARGAINING AGREEMENT

On the basis of the collective bargaining agreement entered into between Volkswagen AG and the employee representatives in December 2024, it was necessary to adjust the calculation of various personnel-related provisions. This resulted in income of around €1 billion, which is largely presented in cost of sales. In addition, various assumptions about expected developments had to be adjusted when measuring pension obligations. This resulted in an actuarial gain of €0.2 billion, which was recognized in equity.

COOPERATION WITH RIVIAN

Volkswagen Group (Volkswagen) and US electric vehicle manufacturer Rivian Automotive, Inc., Irvine/USA (Rivian), announced their intention to establish a joint venture in June 2024. After reaching technical milestones and obtaining the necessary official approvals, Rivian and VW Group Technology, LLC, Palo Alto/USA (Rivian and Volkswagen Group Technologies) commenced activities on November 13, 2024. The two partners hold equal shares in the joint venture, which functions as an independent company. It is included in the consolidated financial statements as a joint venture using the equity method.

The aim of the partnership is to develop next generation software-defined vehicle (SDV) architectures to be used in future vehicles of both companies. The joint venture builds on Rivian's software and electronic architecture to facilitate the joint development of best-in-class architectures and software for the SDVs of both partners.

Volkswagen is planning to invest up to USD 5.8 billion in Rivian and the Rivian and Volkswagen Group Technologies joint venture by no later than January 2028. An initial investment in Rivian was made in June 2024, taking the form of an unsecured convertible note of USD 1 billion, which was converted into 95,377,269 ordinary shares of Rivian on December 3, 2024. Volkswagen thus holds around 8.6% of the outstanding class A shares of Rivian, representing a share of around 8% of the voting rights. The investment in Rivian is measured at fair value through other comprehensive income in the consolidated financial statements. When Rivian and Volkswagen Group Technologies commenced operations, Volkswagen invested a further USD 1.3 billion, in particular for the acquisition of the licenses in Rivian's existing architecture technology and for the 50% share of the joint venture. When certain financial and technical milestones are reached in 2025, 2026 and 2027, Volkswagen expects to make further investments of up to USD 3.5 billion in the form of equity and debt, of which up to USD 2.5 billion will be for ordinary shares of Rivian; these investments are expected to be made in two tranches of USD 1 billion each in 2025 and 2026 and a third tranche of USD 0.5 billion in 2027 or, at the latest, at the beginning of January 2028. The price of the shares is to be determined ahead of each purchase date on the basis of a defined average market price for the ordinary shares of Rivian plus a premium. In 2026, an additional amount of USD 1 billion can be drawn as a loan by Rivian and Volkswagen Group Technologies and passed on to Rivian.

In fiscal year 2024, the conditional commitment to purchase additional ordinary shares of Rivian resulted in an expense from the measurement of a derivative of €409 million. This was set against a gain of €126 million on the measurement of the convertible note due to the positive performance of the Rivian share price. These non-cash amounts were recognized in the other financial result.

MGT GAS TURBINE BUSINESS OF MAN ENERGY SOLUTIONS

In its ruling of July 3, 2024, the German Federal Ministry for Economic Affairs and Climate Action prohibited the sale of the MGT gas turbine business to CSIC Longjiang GH Gas Turbine Co. Ltd., Harbin/China. The Federal Cabinet approved the prohibition ruling.

Following the prohibition, MAN Energy Solutions SE, Augsburg discontinued the development, manufacture and sales of MGT gas turbines. It will continue its service activities for MGT gas turbines. The prohibition of the planned sale and the discontinuation of the new-build business means that these activities are no longer presented in line with IFRS 5, and led to the recognition of an impairment loss on the capitalized development costs and inventories for MGT gas turbines as of June 30, 2024. This resulted in an expense of €86 million, which is presented in cost of sales and the other operating result. There are three further types of gas turbines (THM, FT8 and S class) in addition to the MGT gas turbines. Business with these is not affected by this development.

NORTHVOLT AB

The Swedish company Northvolt AB, Stockholm/Sweden (Northvolt), in which the Volkswagen Group holds an equity investment, filed for bankruptcy protection under US law in November 2024. This had been preceded by reports regarding financial difficulties at the company. When the bankruptcy protection proceedings opened, the remaining net carrying amounts of the equity investment and the loan receivables from Northvolt were written down in full. Exempted are loan receivables from funds granted to Northvolt only after the opening of bankruptcy protection proceedings and backed by separate collateral. The write-down resulted in a non-cash expense totaling €661 million in fiscal year 2024; it is presented in the other financial result.

RESULTS OF OPERATIONS

Results of operations of the Group

In the period from January to December 2024, the Volkswagen Group generated sales revenue of €324.7 (322.3) billion and therefore reached the prior-year level, mainly driven by the positive sales revenue performance of the Financial Services Division. 80.9 (81.5)% of the Volkswagen Group's sales revenue came from outside Germany. Gross profit decreased by €1.5 billion to €59.5 billion. As a consequence, the gross margin declined to 18.3 (18.9)%.

In fiscal year 2024, the Volkswagen Group's operating result amounted to €19.1 (22.5) billion. The operating return on sales was 5.9 (7.0)%. The lower result was mainly due to a slightly negative effect from mix and pricing trends, as well as to higher depreciation and upfront expenditures for new products. In the reporting year, the Passenger Cars Business Area also incurred restructuring expenses, which were set against the reversal of personnel-related provisions of around €1 billion as a result of the outcome of the collective bargaining at Volkswagen AG. The Power Engineering Business Area incurred expenses in connection with the planned closure of the MGT gas turbine business of MAN Energy Solutions. In the period from January to December 2024, a rise in interest expenses, higher risk costs and foreign exchange losses in connection with the deconsolidation of Volkswagen Bank Rus had an additional adverse impact on the Financial Services Division's operating result. In the previous year, the fair value measurement of derivatives to which hedge accounting is not applied had reduced the Volkswagen Group's operating result by €3.2 billion.

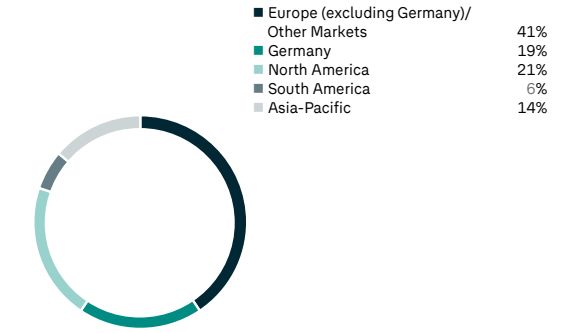
The financial result was down on the previous year, at €–2.3 (0.6) billion. The share of the result of equity-accounted investments was lower than in the prior-year period due to the decline in the result of the Chinese joint ventures, amongst other factors. The final winding-down of Argo AI resulted in a gain in the third quarter of 2024. The other financial result was down on the previous year, mainly because of the impairment losses recognized in connection with Northvolt.

INCOME STATEMENT BY DIVISION

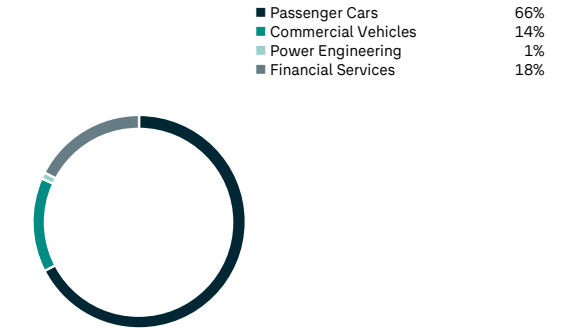
	VOLKSWAGEN GROUP		AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2024	2023[2]	2024	2023[2]	2024	2023[2]
Sales revenue	**324,656**	**322,284**	**265,887**	**268,156**	**58,769**	**54,128**
Cost of sales	–265,184	–261,299	–214,470	–215,033	–50,714	–46,266
Gross profit	**59,472**	**60,985**	**51,417**	**53,123**	**8,055**	**7,862**
Distribution expenses	–22,320	–21,345	–21,124	–20,310	–1,196	–1,035
Administrative expenses	–12,754	–12,729	–10,225	–10,009	–2,529	–2,720
Net other operating result	–5,338	–4,382	–4,127	–4,061	–1,211	–321
Operating result	**19,060**	**22,528**	**15,941**	**18,742**	**3,119**	**3,786**
Operating return on sales (%)	**5.9**	**7.0**	**6.0**	**7.0**	**5.3**	**7.0**
Share of profits and losses of equity-accounted investments	375	2,291	526	2,236	–151	55
Interest result and Other financial result	–2,629	–1,720	–2,655	–1,644	26	–76
Financial result	–2,255	570	–2,130	592	–125	–22
Earnings before tax	16,806	23,099	13,811	19,335	2,994	3,764
Income tax expense	–4,411	–5,237	–3,137	–4,156	–1,274	–1,081
Earnings after tax	**12,394**	**17,861**	**10,674**	**15,178**	**1,720**	**2,683**

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Prior-year figure adjusted (see disclosures on IAS 8).

SHARE OF SALES REVENUE BY MARKET 2024
in percent



SHARE OF SALES REVENUE BY DIVISION/ BUSINESS AREA 2024
in percent



In fiscal year 2024, Volkswagen Group's earnings before tax decreased by €6.3 billion to €16.8 billion. The return on sales before tax declined to 5.2 (7.2)%. Income taxes resulted in an expense of €4.4 (5.2) billion, which in turn led to a tax rate of 26.3 (22.7)%. At €12.4 billion, earnings after tax declined by €5.5 billion on the previous year.

Results of operations in the Automotive Division

In the period from January to December 2024, the Automotive Division's sales revenue of €265.9 (268.2) billion was on a level with the prior-year figure. Sales revenue in the Passenger Cars Business Area was similar to the previous year; in the Commercial Vehicles Business Area it was on a level with the previous year, while it went up noticeably in the Power Engineering Business Area. 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 unchanged from the previous year. There was a rise in the research and development costs recognized in profit or loss included in this item, particularly due to higher amortization of capitalized development costs. A decline in the cost of materials driven by lower volumes and the reversal of personnel-related provisions as a result of the outcome of the collective bargaining achieved at Volkswagen AG had a beneficial effect. The research and development ratio (R&D ratio), which is defined as total research and development costs as a share of the Automotive Division's sales revenue, amounted to 7.9 (8.1)% in the period from January to December 2024, which was down on the prior-year period. The automotive investment ratio, which combines the R&D and capex ratios, amounted to 14.3 (13.5)%. This includes the acquisition of licenses from Rivian, which accounted for 0.5 percentage points.

In fiscal year 2024, there was a slight year-on-year increase in both distribution expenses – driven, among other factors, by higher marketing costs – and administrative expenses; their respective share of sales revenue also went up. The other operating result stood at €–4.1 (–4.1) billion. The Passenger Cars Business Area recognized expenses for restructuring measures in the reporting year. In the previous year, the fair value measurement of derivatives to which hedge accounting is not applied had had an adverse impact.

In the period from January to December 2024, the Automotive Division's operating result amounted to €15.9 billion, down €2.8 billion on the previous year. A slightly negative effect from mix and pricing trends, higher depreciation and higher upfront expenditures for new products, and expenses for restructuring measures all had an adverse impact, offset by the reversal of personnel-related provisions as a result of the outcome of the collective bargaining achieved at Volkswagen AG in the reporting year. Expenses were incurred in the Power Engineering Business Area in connection with the discontinuation of the new-build business with MGT gas turbines of MAN Energy Solutions. In the previous year, the fair value measurement of derivatives to which hedge accounting is not applied had also reduced the operating result. The operating return on sales decreased to 6.0 (7.0)%. With regard to our equity-accounted Chinese joint ventures, our operating result essentially only considers income from deliveries of vehicles and vehicle parts, as well as 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 2024, the Financial Services Division's sales revenue amounted to €58.8 billion, up 8.6% on the prior-year figure because of higher volumes. Cost of sales increased, mainly because of very strong growth in interest expenses and a volume-driven rise in depreciation of the residual values of leased vehicles. The resulting gross profit amounted to €8.1 (7.9) billion.

The Financial Services Division's operating result of €3.1 (3.8) billion was down on the previous year. The decline was mainly the result of higher risk costs and foreign exchange losses realized in connection with the deconsolidation of Volkswagen Bank Rus. The operating return on sales decreased to 5.3 (7.0)%. The return on equity before tax was 6.8 (8.8)%.

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

€ million	2024	2023[1]
Passenger Cars		
Sales revenue	215,371	218,380
Operating result	11,389	14,663
Operating return on sales (%)	5.3	6.7
Commercial Vehicles		
Sales revenue	46,183	45,731
Operating result	4,218	3,714
Operating return on sales (%)	9.1	8.1
Power Engineering		
Sales revenue	4,333	4,044
Operating result	335	366
Operating return on sales (%)	7.7	9.0

1 Prior-year figure adjusted (see disclosures on IAS 8).

FINANCIAL POSITION

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 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 of the Group

In the period from January to December 2024, the Volkswagen Group's gross cash flow decreased by €2.3 billion to €46.0 billion year-on-year, driven among other things by earnings-related factors. The negative non-cash measurement effects in connection with hedging transactions, which in particular affected prior-year earnings, must be eliminated from the cash flow statement. The change in working capital amounted to €–28.9 (–29.0) billion; in the reporting year, this was primarily attributable to an increase in lease assets, receivables and inventories, offset by a rise in other provisions.

Cash flows from operating activities went down by €2.2 billion to €17.2 billion in fiscal year 2024.

The Volkswagen Group's investing activities attributable to operating activities increased by €0.8 billion to €28.9 billion in the reporting year. Investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) were up, while both capitalized development costs and expenses for mergers and acquisitions decreased.

The Volkswagen Group's financing activities generated a total cash inflow of €11.1 (16.0) billion. Financing activities mainly include the issuance and redemption of bonds and unlisted notes, changes in other financial liabilities, the dividend of €4.5 billion paid to the shareholders of Volkswagen AG, and the redemption of the hybrid note of €1.25 billion called in May 2024. At the end of the reporting year, the Volkswagen Group reported cash and cash equivalents of €40.3 billion in its cash flow statement. As of the end of December 2023 this figure stood at €43.5 billion.

On December 31, 2024, the Volkswagen Group's net liquidity stood at €–169.1 billion; it had amounted to €–147.4 billion at the end of 2023.

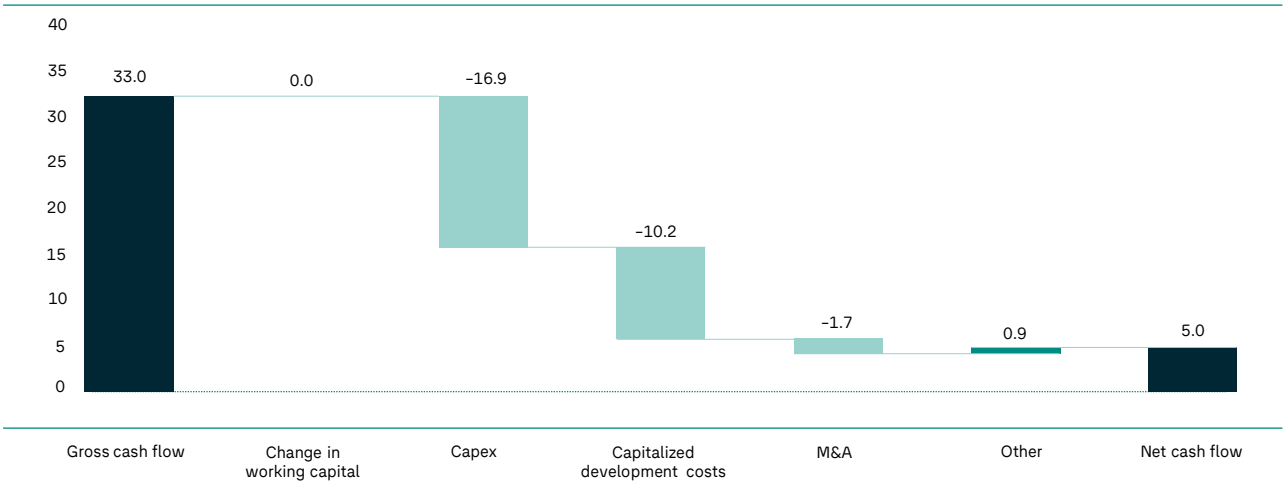
CASH FLOW STATEMENT BY DIVISION

	VOLKSWAGEN GROUP		AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2024	2023[2]	2024	2023[2]	2024	2023[2]
Cash and cash equivalents at beginning of period	**43,522**	**29,738**	**28,704**	**23,042**	**14,819**	**6,695**
Earnings before tax	16,806	23,099	13,811	19,332	2,994	3,767
Income taxes paid	–6,187	–7,716	–4,959	–6,328	–1,228	–1,389
Depreciation and amortization expense[3]	32,056	28,282	20,854	17,729	11,201	10,552
Change in pension provisions	–19	262	–25	251	6	11
Share of the result of equity-accounted investments	2,362	271	2,135	244	227	27
Other non-cash income/expense and reclassifications[4]	1,013	4,161	1,138	4,474	–125	–313
Gross cash flow	**46,030**	**48,358**	**32,956**	**35,702**	**13,074**	**12,656**
Change in working capital	**–28,879**	**–29,002**	**28**	**2,150**	**–28,907**	**–31,152**
Change in inventories	–2,695	–2,071	–1,460	–651	–1,235	–1,419
Change in receivables	–2,083	–4,361	–1,665	–1,250	–418	–3,111
Change in liabilities	52	5,272	–770	3,179	823	2,094
Change in other provisions	4,266	453	4,168	323	98	131
Change in lease assets (excluding depreciation)	–19,358	–14,964	–68	558	–19,291	–15,522
Change in financial services receivables	–9,061	–13,332	–177	–8	–8,883	–13,324
Cash flows from operating activities	**17,151**	**19,356**	**32,983**	**37,851**	**–15,832**	**–18,495**
Cash flows from investing activities attributable to operating activities	**–28,853**	**–28,031**	**–27,971**	**–27,153**	**–883**	**–878**
of which: investments in property, plant and equipment,investment property and intangible assets, excluding capitalized development costs (capex)	–17,202	–14,653	–16,949	–14,371	–253	–282
capitalized development costs	–10,244	–11,142	–10,244	–11,142	–	–
acquisition and disposal of equity investments	–2,354	–2,738	–1,682	–2,115	–672	–622
Net cash flow[5]	***–11,702***	***–8,675***	***5,013***	***10,698***	***–16,715***	***–19,373***
Change in investments in securities and time deposits, as well as in loans	–2,720	8,219	–4,406	9,512	1,686	–1,293
Cash flows from investing activities	**–31,573**	**–19,812**	**–32,376**	**–17,641**	**804**	**–2,171**
Cash flows from financing activities	**11,140**	**16,008**	**–5,340**	**–12,927**	**16,479**	**28,934**
of which: capital transactions with non-controlling interests	–	–8	–	–8	–	–
capital contributions/capital redemptions	–1,144	1,003	–1,844	–2,919	699	3,922
Effect of exchange rate changes on cash and cash equivalents	55	–1,765	127	–1,620	–73	–145
Change of loss allowance within cash and cash equivalents	1	–2	2	–2	–1	0
Net change in cash and cash equivalents	**–3,226**	**13,785**	**–4,603**	**5,661**	**1,377**	**8,124**
Cash and cash equivalents at Dec. 31[6]	**40,296**	**43,522**	**24,100**	**28,704**	**16,196**	**14,819**
Securities and time deposits, as well as loans	44,662	41,858	25,175	20,994	19,487	20,864
Gross liquidity	**84,959**	**85,380**	**49,276**	**49,698**	**35,683**	**35,683**
Total third-party borrowings	–254,081	–232,813	–13,210	–9,409	–240,871	–223,404
Net liquidity at Dec. 31[7]	**–169,122**	**–147,433**	**36,066**	**40,289**	**–205,188**	**–187,722**

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Prior-year figures adjusted (see disclosures on IAS 8).
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 non-current 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 (non-current and current financial liabilities).

AUTOMOTIVE DIVISION NET CASH FLOW 2024

€ billion



Financial position of the Automotive Division

In the 2024 fiscal year, the Automotive Division recorded gross cash flow of €33.0 (35.7) billion. The decline was attributable among other factors to lower earnings; it was set against a decrease in income tax payments. The non-cash measurement effects in connection with hedging transactions, which mainly affected prior-year earnings, must be eliminated from the cash flow statement. The change in working capital amounted to €0.0 (2.1) billion. Growth in receivables and inventories and a decrease in liabilities were offset by a rise in other provisions. Cash flows from operating activities went down by €4.9 billion to €33.0 billion.

In the period from January to December 2024, investing activities attributable to operating activities increased to €28.0 (27.2) billion. Within this figure, capex increased by €2.6 billion to €16.9 billion, including the acquisition of licenses from Rivian. The capex ratio was 6.4 (5.4)%. Here, significant portions of capex were allocated to the production of electric vehicles, the associated battery technologies, and electric toolkits and platforms as key components of the Company's transformation to sustainable mobility. Other focus areas are the digitalization of our products, measures to cut CO_2 emissions, the promotion of sustainable production processes, and the expansion of our presence in markets such as North America and China. Additions to capitalized development costs were down noticeably at €10.2 (11.1) billion. The "Acquisition and disposal of equity investments" item decreased year-on-year to €–1.7 (–2.1) billion; it related primarily to strategic investments in a variety of companies, in particular Rivian.

The Automotive Division's net cash flow decreased by €5.7 billion to €5.0 billion. The cash conversion rate, which is the ratio of the Automotive Division's net cash flow to operating result, stood at 31.4 (57.1)% at the end of 2024.

The Automotive Division's financing activities led to a cash outflow of €–5.3 (–12.9) billion in the reporting year. This related mainly to the issuance and redemption of bonds and unlisted notes, changes in other financial liabilities, the dividend paid to the shareholders of Volkswagen AG, and the redemption of the hybrid note called in May 2024. The prior-year period had also included the payment of a special dividend to the shareholders of Volkswagen AG in connection with the IPO of Dr. Ing. h.c. F. Porsche AG (Porsche AG).

At the end of fiscal year 2024, the Automotive Division reported sound net liquidity of €36.1 billion, compared with €40.3 billion at the end of December 2023. The Automotive Division's net liquidity as a proportion of consolidated sales revenue decreased to 11.1 (12.5)% in the reporting year.

Financial position of the Financial Services Division

The Financial Services Division generated gross cash flow of €13.1 (12.7) billion in the 2024 fiscal year. The change in working capital amounted to €–28.9 (–31.2) billion. Higher lease assets and receivables were the main drivers of funds tied up in working capital in the reporting year. As a result, cash flows from operating activities stood at €–15.8 (–18.5) billion.

Investing activities attributable to operating activities were on a level with the previous year at €0.9 (0.9) billion.

The Financial Services Division's financing activities generated a cash inflow of €16.5 (28.9) billion in the period from January to December 2024. This figure relates primarily to the issuance and redemption of bonds and to other financial liabilities.

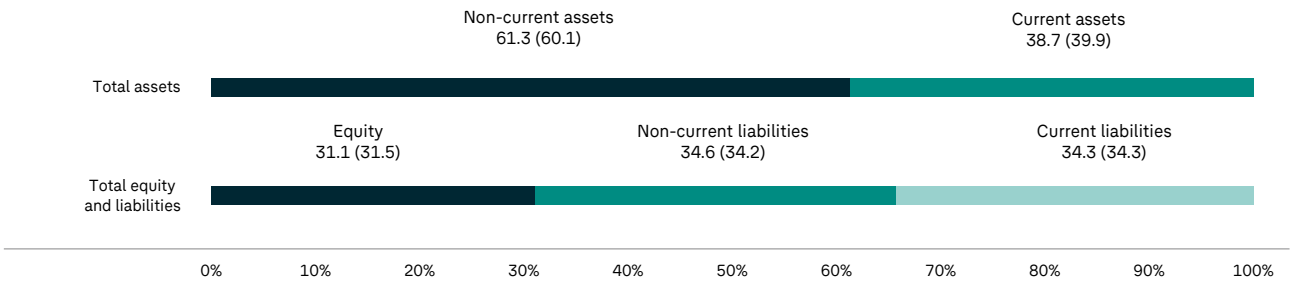
At the end of December 2024, the Financial Services Division's negative net liquidity, which is common in the industry, was €–205.2 billion as against €–187.7 billion on December 31, 2023.

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

€ million	2024	2023[1]
Passenger Cars		
Gross cash flow	26,969	30,015
Change in working capital	68	2,920
Cash flows from operating activities	27,037	32,935
Cash flows from investing activities attributable to operating activities	–24,852	–25,223
Net cash flow	2,185	7,712
Commercial Vehicles		
Gross cash flow	5,504	5,214
Change in working capital	–59	–682
Cash flows from operating activities	5,445	4,532
Cash flows from investing activities attributable to operating activities	–2,945	–1,800
Net cash flow	2,500	2,732
Power Engineering		
Gross cash flow	483	472
Change in working capital	19	–88
Cash flows from operating activities	501	384
Cash flows from investing activities attributable to operating activities	–173	–130
Net cash flow	328	254

1 Prior-year figures adjusted (see disclosures on IAS 8).

CONSOLIDATED BALANCE SHEET STRUCTURE 2024[1]
in percent



1 Prior-year figures adjusted (see disclosures on IFRS 8).

NET ASSETS

Consolidated balance sheet structure

At the end of the reporting year, the Volkswagen Group had total assets of €632.9 billion, 5.4% more than at the end of 2023. At €196.7 (189.2) billion, the Group's equity was slightly higher than at the end of 2023. The equity ratio was 31.1 (31.5)%.

On December 31, 2024, the Group had off-balance-sheet commitments in the form of contingent liabilities in the amount of €10.3 (10.4) billion and in the form of financial guarantees in the amount of €0.8 (0.9) 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. Compared with the previous year, other financial obligations increased by €6.5 billion to €44.7 billion as of December 31, 2024. The rise was due largely to the equity investment in Rivian, an increase in the obligation from irrevocable credit commitments in the Financial Services Division and higher purchase commitments for property, plant, equipment and services. 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. Long-term purchase obligations under battery purchase agreements also exist.

CONSOLIDATED BALANCE SHEET BY DIVISION AS OF DECEMBER 31

	VOLKSWAGEN GROUP		AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2024	2023[2]	2024	2023[2]	2024	2023[2]
Assets						
Non-current assets	**387,674**	**361,005**	**196,508**	**186,337**	**191,166**	**174,668**
Intangible assets	93,333	89,109	92,804	88,504	529	605
Property, plant and equipment	71,452	66,880	70,502	65,918	949	962
Lease assets	73,193	64,094	108	377	73,086	63,717
Financial services receivables	101,087	94,474	–708	–726	101,795	95,200
Investments, equity-accounted investments and other equity investments, other receivables and financial assets	48,610	46,448	33,802	32,264	14,808	14,184
Current assets	**245,231**	**239,644**	**123,557**	**120,204**	**121,674**	**119,439**
Inventories	56,720	53,601	50,576	48,692	6,144	4,909
Financial services receivables	68,855	66,381	–655	–832	69,510	67,213
Other receivables and financial assets	52,033	49,250	26,436	21,348	25,597	27,902
Marketable securities and time deposits	27,326	26,772	23,099	22,211	4,227	4,561
Cash and cash equivalents	40,296	43,449	24,100	28,698	16,196	14,751
Assets held for sale	0	190	0	88	0	103
Total assets	**632,905**	**600,649**	**320,065**	**306,541**	**312,840**	**294,107**
Equity and liabilities						
Equity	**196,731**	**189,186**	**151,687**	**145,616**	**45,044**	**43,570**
Equity attributable to Volkswagen AG shareholders	168,404	159,813	123,712	116,800	44,693	43,013
Equity attributable to Volkswagen AG hybrid capital investors	13,890	15,155	13,890	15,155	0	0
Equity attributable to Volkswagen AG shareholders and hybrid capital investors	182,294	174,968	137,601	131,955	44,693	43,013
Non-controlling interests	14,437	14,218	14,085	13,661	352	557
Non-current liabilities	**219,134**	**205,427**	**94,569**	**87,698**	**124,565**	**117,729**
Financial liabilities	137,061	122,323	25,174	18,046	111,887	104,277
Provisions for pensions	27,602	29,672	27,148	29,174	453	498
Other liabilities	54,472	53,432	42,247	40,479	12,225	12,953
Current liabilities	**217,039**	**206,036**	**73,809**	**73,227**	**143,230**	**132,809**
Financial liabilities	117,020	110,476	–11,964	–8,637	128,984	119,113
Trade payables	29,772	30,901	26,220	26,836	3,552	4,064
Other liabilities	70,247	64,628	59,554	55,023	10,694	9,605
Liabilities associated with assets held for sale	0	31	0	5	0	26
Total equity and liabilities	**632,905**	**600,649**	**320,065**	**306,541**	**312,840**	**294,107**

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions, primarily intragroup loans.
2 Prior-year figures adjusted (see disclosures on IAS 8).

Automotive Division balance sheet structure

At the end of the year, the Automotive Division's intangible assets were up slightly compared to December 31, 2023, mainly because of additions to capitalized development costs, which exceeded amortization. Property, plant and equipment were noticeably higher compared with the prior year, as additions to property, plant and equipment exceeded depreciation. Equity-accounted investments decreased, due primarily to the Chinese joint ventures' dividend resolutions, which exceeded the result of equity-accounted investments, and to impairment losses as a result of changes in share prices and in response to impairment tests (especially Northvolt). Total non-current assets stood at €196.5 (186.3) billion, up noticeably on the figure recorded at the end of the previous year.

Current assets amounted to €123.6 (120.2) billion on December 31, 2024, an increase compared to the end of 2023. Inventories expanded slightly. Current other receivables and financial assets went up. Cash and cash equivalents were down by €4.6 billion to €24.1 billion.

At the end of the reporting year, the Automotive Division reported equity of €151.7 (145.6) billion, slightly up on the prior-year figure. Earnings performance and lower actuarial losses from the remeasurement of pension plans following the change in the discount rate, and beneficial currency translation effects were set against the dividend paid to the shareholders of Volkswagen AG, the redemption of the hybrid note called in May 2024 and adverse effects arising from the measurement of derivatives, which are recognized directly in equity. Non-controlling interests, which increased slightly, included mostly the non-controlling interest shareholders of the Porsche AG Group and of the TRATON Group. The equity ratio was 47.4 (47.5)%.

Non-current liabilities were noticeably higher than at the end of the previous year, amounting to €94.6 (87.7) billion at the end of fiscal year 2024. Non-current financial liabilities grew very strongly, while pension provisions decreased noticeably, driven primarily by actuarial remeasurement following a change in the discount rate.

On December 31, 2024, current liabilities of €73.8 (73.2) billion were virtually unchanged compared with the end of 2023. Current financial liabilities amounted to €–12.0 (–8.6) 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 provisions included in current other liabilities rose significantly for reasons such as the planned restructuring measures in the Passenger Cars Business Area: the reversal of personnel-related provisions as a consequence of the outcome of collective bargaining achieved at Volkswagen AG in the reporting year had an offsetting effect.

On December 31, 2024, the Automotive Division had total assets of €320.1 billion, 4.4% more than at the end of 2023.

Financial Services Division balance sheet structure

At the end of December 2024, the Financial Services Division had total assets of €312.8 billion, 6.4% more than at the end of 2023.

At €191.2 (174.7) billion, total non-current assets were up compared to December 31, 2023. The property, plant and equipment included in this item was unchanged. Lease assets and non-current financial services receivables increased, driven mainly by higher volumes.

Current assets climbed by 1.9% to €121.7 billion. The inventories, financial services receivables and cash and cash equivalents of the Financial Services Division included in this item went up, while other receivables and financial assets declined.

At the end of the 2024 fiscal year, the Financial Services Division accounted for around 49.4(49.0)% of the Volkswagen Group's assets.

Equity in the Financial Services Division stood at €45.0 billion at the end of December 2024, 3.4% more than at the end of the previous year. The equity ratio was 14.4 (14.8)%.

Non-current liabilities in the Financial Services Division rose to €124.6 (117.7) billion, mainly due to a noticeable increase in non-current financial liabilities. Current liabilities were also up compared to December 31, 2023, at €143.2 (132.8) million. The current financial liabilities included in this item increased noticeably, driven in particular by higher deposits, while trade payables were significantly lower.

Deposits from the direct banking business amounted to €57.5 billion on December 31, 2024, compared with €38.8 billion at the end of 2023.

BALANCE SHEET STRUCTURE OF THE PASSENGER CARS, COMMERCIAL VEHICLES AND POWER ENGINEERING BUSINESS AREAS

€ million	Dec. 31, 2024	Dec. 31, 2023[1]
Passenger Cars		
Non-current assets	153,380	150,177
Current assets	98,749	100,013
Total assets	**252,129**	**250,189**
Equity	131,556	126,995
Non-current liabilities	70,708	70,089
Current liabilities	49,865	53,105
Commercial Vehicles		
Non-current assets	41,300	34,530
Current assets	20,604	16,237
Total assets	**61,904**	**50,767**
Equity	17,406	15,918
Non-current liabilities	23,330	17,077
Current liabilities	21,168	17,772
Power Engineering		
Non-current assets	1,828	1,631
Current assets	4,203	3,955
Total assets	**6,031**	**5,585**
Equity	2,725	2,703
Non-current liabilities	530	532
Current liabilities	2,776	2,350

1 Prior-year figures adjusted (see disclosures on IAS 8).

RETURN ON INVESTMENT (ROI)

We use return on investment (ROI) to efficiently manage the use of resources in the Automotive Division and to measure the success of our endeavors. ROI is defined as the return on invested capital for a particular period, and enables us to measure the earning power of our products, product lines and projects.

ROI is calculated as the ratio of operating result after tax (including the proportionate operating result of the equity-accounted Chinese joint ventures) to average invested capital. 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. 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) and a proportionate share of the corresponding items in the accounts of the equity-accounted Chinese joint ventures. Average invested capital is derived from the balance at the beginning and the end of the reporting year.

In fiscal year 2024, ROI decreased to 9.7 (12.3)% year-on-year due to the lower operating result and was thus above our minimum required rate of return of 9%.

RETURN ON INVESTMENT (ROI) IN THE AUTOMOTIVE DIVISION[1]

€ million	2024	2023[2]
Operating result after tax	**12,591**	**15,218**
Invested capital (average)	129,618	123,887
Return on investment (ROI) in %	**9.7**	**12.3**

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 IAS 8).

SUMMARY OF BUSINESS DEVELOPMENT AND ECONOMIC POSITION

In view of the political and economic developments in 2024, as well as intensifying competition in the automotive industry, the Board of Management of Volkswagen AG considers business development and the economic position to be challenging, but solid overall.

In this environment, 9.0 million vehicles were delivered to customers in the past fiscal year; the figure was thus on a level with the last forecast we published.

At €324.7 billion, the Group's sales revenue matched the most recent expectations, while the performance of sales revenue in the Financial Services Division was positive.

The operating result amounted to €19.1 billion, a slight increase on the guidance provided in our adjusted forecast, due mainly to positive volume and mix effects in the fourth quarter.

The investment ratio reflects our activities to safeguard the Company's future viability; at 14.3%, it was within the forecast range and also includes our investment in licenses from Rivian.

At €5.0 billion, net cash flow was within the range originally anticipated. A positive impact was had above all by a stronger than expected reduction in inventories at the end of the reporting year.

On December 31, 2024, net liquidity of €36.1 billion was within the range most recently forecast.

FORECAST VERSUS ACTUAL FIGURES

	Actual 2023[1]	Original forecast for 2024	Adjusted forecast for 2024	Actual 2024
Deliveries to customers (units)	9.2 million	up to 3% increase	~ 9 million	9.0 million
Volkswagen Group				
Sales revenue	€322.3 billion	up to 5% increase	~ €320 billion	€324.7 billion
Operating return on sales	7.0%	7.0 – 7.5%	in forecast range	5.9%
Operating result	€22.5 billion	in forecast range	~ €18 billion	€19.1 billion
Passenger Cars Business Area				
Sales revenue	€218.4 billion	up to 5% increase	~ €210 billion	€215.4 billion
Operating return on sales	6.7%	7.0 – 7.5%	in forecast range	5.3%
Operating result	€14.7 billion	in forecast range	~ €10 billion	€11.4 billion
Commercial Vehicles Business Area				
Sales revenue	€45.7 billion	up to 5% increase	up to 5% increase	€46.2 billion
Operating return on sales	8.1%	8.5 – 9.5%	8.5 – 9.5%	9.1%
Operating result	€3.7 billion	in forecast range	in forecast range	€4.2 billion
Power Engineering Business Area				
Sales revenue	€4.0 billion	up to 2% increase	up to 6% increase	€4.3 billion
Operating result	€366 million	positive low three-digit-million euro range	positive low three-digit-million euro range	€335 million
Financial Services Division				
Sales revenue	€54.1 billion	3 – 7% increase	3 – 7% increase	€58.8 billion
Operating result	€3.8 billion	~ €4 billion	~ €3.2 billion	€3.1 billion
Automotive investment ratio	13.5%	13.5 – 14.5%	13.5 – 14.5%	14.3%
Net cash flow in the Automotive Division	€10.7 billion	€4.5 – 6.5 billion	~ €2.0 billion	€5.0 billion
Net liquidity in the Automotive Division	€40.3 billion	€39 – 41 billion	€36 – 37 billion	€36.1 billion

1 Prior-year figures adjusted.

Volkswagen AG

(CONDENSED, IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE)

2024 was dominated by increasingly fierce competition in the automotive sector, and by the implementation of our performance program.

ANNUAL RESULT

No material special items in connection with the diesel issue were recognized in fiscal year 2024.

In the reporting year, expenses of €0.9 billion were recognized in the other operating result in connection with the Board of Management's resolution in April 2024 to support the reduction in administrative staff by offering targeted severance agreements.

In December 2024, after intense negotiations, Volkswagen AG reached consensus with the IG Metall trade union and the works council on a joint *Zukunft Volkswagen* agreement. It is planned to realign production capacities at German Volkswagen sites. At the level of collective bargaining, this wage settlement under the company wage agreement until 2030 creates the conditions for financial labor cost savings of €1.5 billion a year. The short-term labor cost savings as well as the structural measures agreed and savings on development costs should lead to cost effects of more than €4 billion a year in the medium term. In addition, there are plans to reduce technical capacity by 734,000 units in the German plants. To this end, the company and co-determination partners agreed not only on structural production measures but also on a socially responsible reduction in the workforce by more than 35,000 employees along the demographic curve at Volkswagen sites in Germany by 2030, thus creating the basis for making important investments in future products until 2030. The calculation of various personnel-related provisions had to be adjusted on the basis of this collective bargaining agreement entered into between Volkswagen AG and the employee representatives in December 2024. This resulted in income of around €1 billion, which is presented in other operating income. In addition, in the context of measuring pension obligations, various assumptions about expected developments had to be adjusted.

Sales increased by 1.8% year-on-year to €94.1 billion in 2024, driven particularly by a more favorable price-product mix. Sales generated abroad accounted for €55.1 billion or 58.6%. Cost of sales fell by 0.9% to €85.9 billion due to lower material costs in the reporting year, among other reasons.

Gross profit on sales rose accordingly to €8.2 (5.7) billion.

INCOME STATEMENT OF VOLKSWAGEN AG

€ million	2024	2023
Sales	94,078	92,413
Cost of sales	–85,924	–86,748
Gross profit on sales	**8,154**	**5,665**
Distribution, general and administrative expenses	–8,023	–7,452
Net other operating result	415	64
Financial result[1]	4,809	9,091
Taxes on income	–221	–1,125
Earnings after tax	**5,133**	**6,243**
Net income for the fiscal year	**5,133**	**6,243**
Retained profits brought forward	1	2
Release of/appropriation to revenue reserves	–1,960	–1,720
Net retained profits	**3,175**	**4,526**

1 Including write-downs of financial assets.

The other operating result amounted to €0.4 billion in the reporting year, up €0.4 billion on the previous year. The increase in other operating expenses, which was mainly due to restructuring expenses, was also offset by a rise in other operating income, largely on account of €0.9 billion in income from the reversal of personnel-related provisions.

The financial result fell by €4.3 billion to €4.8 billion, mainly because of lower income from profit transfers and higher loss absorption. In the previous year this mainly included a dividend payment of €5.6 billion received from Volkswagen Group of America, Inc., Herndon.

Taxes on income amounted to €-0.2 (-1.1) billion. The decline in tax expense in the reporting year was largely due to decreasing foreign withholding tax income for prior years.

Net income for fiscal year 2024 amounted to €5.1 (6.2) billion.

NET ASSETS AND FINANCIAL POSITION

Total assets amounted to €210.1 billion on December 31, 2024, up €12.3 billion on the comparative 2023 figure. Intangible assets and property, plant and equipment were up by €1.0 billion because investments exceeded depreciation and amortization charges. Financial assets rose to €154.0 (145.5) billion as a result of a number of capital increases.

Under a "pay-out-and-reinvest" transaction, Volkswagen Finance Luxemburg S.A., Strassen, (Volkswagen Finance Luxemburg) distributed dividends of €3.9 billion to Volkswagen AG, which Volkswagen AG simultaneously reinvested in Volkswagen Finance Luxemburg in the form of a capital increase. The Volkswagen Group and the US electric vehicle manufacturer Rivian Automotive, Inc., Irvine/USA (Rivian), announced their intention to establish a joint venture in June 2024. After reaching technical milestones and obtaining the necessary official approvals, Rivian and VW Group Technology, LLC, Palo Alto/USA (Rivian and Volkswagen Group Technologies) commenced activities on November 13, 2024. In this context, Volkswagen AG made a contribution of €1.0 billion to the capital reserves of Volkswagen International America Inc., Wilmington/USA, in the reporting year. In fiscal year 2024, Volkswagen AG acquired the shares of Scout Motors Inc., Tysons/USA, from Volkswagen Finance Luxemburg for €0.6 billion. To finance the restructuring under company law of the Volkswagen financial services companies, Volkswagen AG made a contribution of €250 million to the share capital and a contribution of €277 million to the to other capital reserves of Volkswagen Financial Services AG, Braunschweig, in the reporting year.

BALANCE SHEET OF VOLKSWAGEN AG AS OF DECEMBER 31

€ million	2024	2023
Fixed assets	165,130	155,652
Inventories	6,842	6,786
Receivables[1]	30,776	28,336
Cash-in-hand and bank balances	7,326	6,980
Total assets	**210,073**	**197,754**
Equity	42,803	42,193
Special tax-allowable reserves	17	17
Long-term debt	29,169	29,101
Medium-term debt	60,580	44,101
Short-term debt	77,504	82,342

1 Including prepaid expenses.

Fixed assets accounted for a share of 78.6 (78.7)% of total assets.

Current assets (including prepaid expenses) amounted to €44.9 (42.1) billion as of December 31, 2024. Inventories were up by €0.1 billion to €6.8 billion. The decrease in raw materials, consumables and supplies is attributable to lower precious metal inventories, the recognition of valuation allowances on barrier material and the decline in inventories of battery modules. Finished goods and merchandise rose by €0.3 billion compared with December 31, 2023, mainly because of the start of production of the New Transporter. Receivables and other assets rose to €30.8 (28.3) billion. This was attributable to the increase in trade receivables from affiliated companies, receivables from loans and dividend receivables. Cash instruments were up, driven particularly by the decrease in restricted short-term time deposits at the reporting date.

Equity at the end of the reporting year was €42.8 (42.2) billion. The equity ratio was 20.4 (21.3)%.

Other provisions rose by €1.0 billion to €18.1 (17.1) billion, largely due to higher provisions for procurement and personnel matters. Provisions for pensions fell by €1.6 billion to €23.0 billion, particularly as a result of a change in measurement inputs, and provisions for taxes decreased by €0.4 billion to €2.1 billion. It was found during the reporting year that obligations for granting fringe benefits had not been included in full when determining a provision for time asset credits. Provisions of €1.0 billion were recognized for this purpose, including €1.0 billion for rights acquired in previous years.

The €12.7 billion increase in liabilities, including deferred income, to €124.1 billion was mainly due to higher loan liabilities to affiliated companies and higher liabilities to affiliated companies from loss absorption.

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, improved year-on-year from €–4.4 billion to €–2.7 billion. The interest-bearing portion of debt amounted to €102.0 (92.3) billion. In our assessment, against the backdrop of political and economic developments in 2024 as well as intensifying competition in the automotive industry, the economic position of Volkswagen AG is challenging, but just as solid 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 29.6% for the reporting year and to 28.4% for the adjusted previous year figure.

DIVIDEND PROPOSAL

In fiscal year 2024, net retained profits amounted to €3,2 billion. The Board of Management and Supervisory Board are proposing to pay a total dividend of €3.2 billion, i.e. €6.30 per ordinary share and €6.36 per preferred share.

PROPOSAL ON THE APPROPRIATION OF NET PROFIT

€	2024
Dividend payout on subscribed capital (€1,283 million)	3,170,532,483.60
of which: ordinary shares	1,859,065,853.40
preferred shares	1,311,466,630.20
Balance (carried forward to new account)	4,117,761.47
Net retained profits	3,174,650,245.07

EMPLOYEE PAY AND BENEFITS AT VOLKSWAGEN AG

€ million	2024	%	2023	%
Direct pay including cash benefits	7,819	63.8	8,595	69.5
Social security contributions	1,600	13.1	1,591	12.9
Compensated absence	1,371	11.2	1,273	10.3
Retirement benefits	1,459	11.9	910	7.4
Total expense	**12,249**	**100.0**	**12,369**	**100.0**

VEHICLE SALES

Volkswagen AG sold a total of 2,106,670 (2,162,652) vehicles in fiscal year 2024. Vehicles sold abroad accounted for a share of 64.2 (64.1)%.

PRODUCTION

Volkswagen AG manufactured a total of 772,524 vehicles (–5.3%) in the reporting year at its vehicle production plants in Wolfsburg, Hanover and Emden. Production was temporarily restricted due to natural disasters in fiscal year 2024.

TOTAL WORKFORCE

As of December 31, 2024, a total of 112,091 (116,063) people were employed at the sites of Volkswagen AG, excluding staff employed at subsidiaries; of this figure, 4,057 (4,374) were vocational trainees. 7,180 (7,724) employees were in the passive phase of their partial retirement.

Female employees accounted for 18.9 (18.6)% of the workforce. Volkswagen AG employed 7,913 (8,110) part-time workers. The percentage of foreign employees was 6.5 (6.4)%. In the reporting year, 83.2 (83.2)% of the employees in Volkswagen AG's production area had completed vocational or additional training. The proportion of graduates was 23.5 (22.8)% in the same year. In fiscal year 2024, the average age of the total workforce was 45.3 (45.1) years.

RESEARCH AND DEVELOPMENT

Volkswagen AG's research and development costs as defined in the German Commercial Code amounted to €4.3 (4.7) billion in the reporting year. 15,419 (15,422) 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, 2024 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. We are also providing new, important and goal-oriented impetus with the regenerate+ Group sustainability strategy presented in 2024.

The main financial performance indicators for the Volkswagen Group are described in the "Results of Operations, Financial Position and Net Assets" chapter. Non-financial 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. This chapter also includes descriptions of the key intangible resources.

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.

In "The Group Strategy – Mobility for Generations", new in 2024, we have defined clear Group objectives in the form of nine imperatives assigned to three core topics: excite, unleash and focus. We are focusing on creating a robust company foundation with a reduced cost base and resilient structures, and we see sustainability as a basic maxim for our actions.

Sustainability is deeply rooted in the Volkswagen Group and an integral part of our Group strategy. We are providing new, important and goal-oriented impetus with our regenerate+ Group sustainability strategy presented in fiscal year 2024. Society needs engagement that generates positive added value in order to help our planet to regenerate and shape a future worth living in for current and future generations. We want to contribute to this and take a broad and comprehensive approach to sustainability – environmentally, socially and economically. Our vision is to become a mobility provider with positive added value for nature and society. To this end, we will seek to work in partnership with our stakeholders in order to learn and further improve.

The regenerate+ sustainability strategy applies to the entire Volkswagen Group – i.e. to the Group departments and to all brands and subsidiaries. In so doing, we comprehensively address all of our products, services and stakeholders, who at brand level also include our customers. We want to use regenerate+ to differentiate ourselves as the Volkswagen Group and, at the same time, enable our brands to position themselves in their specific market

environment. Together, we follow a vision for the Volkswagen Group and drive sustainable value creation. Transformation is a process, and we are constantly in motion: we regularly review our ambitious targets and continuously adapt them. In systematically implementing our new regenerate+ Group sustainability strategy, we are continuing along this path. The strategy features clear measures in four dimensions:

- Nature, with the focus areas of climate change mitigation, resources and ecosystem
- Our people, with the focus areas of culture, workforce, occupational safety and preventive health care
- Society, with the focus areas of supply chain, customers & stakeholders and social engagement
- Business, with the focus areas of sustainability-related business areas and financing

Wherever this has already been decided, 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 reflected in the remuneration of members of the Board of Management.

Aspects of the nature dimension will be presented in more detail below. As a mobility provider, the Volkswagen Group has an impact on nature and the environment throughout its entire value chain. A core objective of the Group sustainability strategy is therefore to achieve more than simply cutting emissions. Our vision is to have a positive impact on people and the environment, and to contribute to restoration and improvement of ecosystems and living conditions through regenerative practices.

Decarbonization

The decarbonization of the Company and in particular its portfolio of products is a major part of the regenerate+ sustainability strategy, where it has been defined as one of the focus areas in the nature dimension.

In the decarbonization index (DKI), we have a meaningful measuring instrument that makes our progress and interim results in the area of decarbonization transparent and verifiable. 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 based on 200,000 km per vehicle and with reference to region-specific fleet values without statutory flexibilities. The intensity of the CO_2e emissions from the electricity used to charge electric vehicles is also calculated on the basis of region-specific energy mixes. Vehicle maintenance is not accounted for in this. Our vehicle life cycle assessments, which are used as the data basis for calculating supply chain and recycling emissions, have been certified externally and independently in accordance with ISO 14040 and ISO 14044.

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 (GHG), a series of standards for corporate carbon accounting and reporting coordinated by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), likewise requires the recalculation of corporate emissions in the event of material new information or if changes occur. These may include structural changes in the Company, for example. At the Volkswagen Group, changes to the calculation are examined and decided on annually in a set process. Historical emissions needed to be recalculated for the first time in the reporting year because generic emission factors for fossil fuels had been updated, for example.

In the reporting year, the DKI value for the Volkswagen Group averaged 48.0 t CO_2e per vehicle. This represents a reduction of 0.9 tons of CO_2e per vehicle compared with the previous year's recalculated figure.

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, specification of the competence of the responsible Board members for specific sustainability management concepts; and the position of Chief Sustainability Officer for the sustainability strategy as a whole at Group level. Sustainability is enshrined in the Group strategy as a strategic imperative in its own right and forms part of the Top 10 program at the Group level. The content is regularly evaluated and reported to the Board of Management.

UN Global Compact

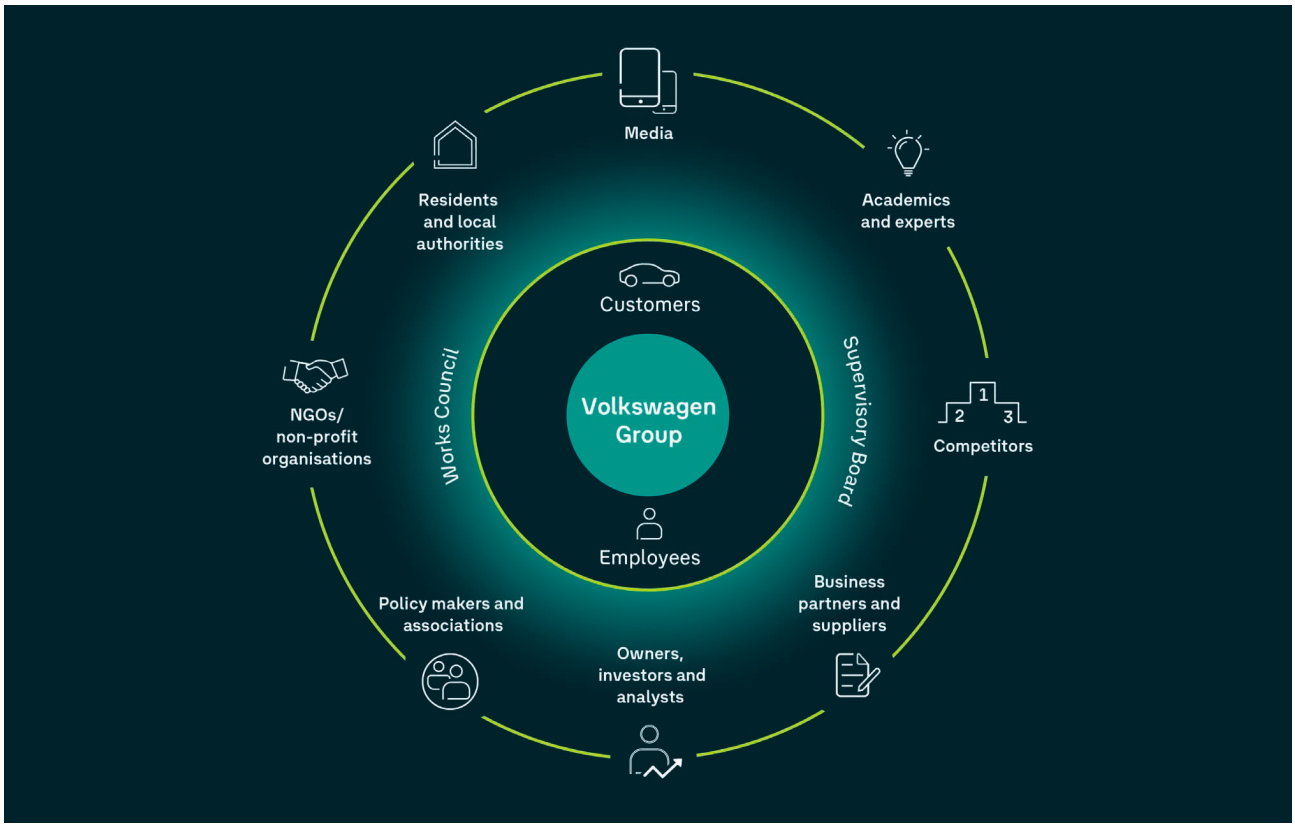
Volkswagen AG is a participant in the UN Global Compact (UNGC), the world's largest initiative for sustainable corporate governance, and is involved in national and international initiatives together with other companies from the Group such as AUDI AG, MAN Truck & Bus SE, Porsche AG, Scania AB and TRATON SE. The capital markets view an issuer's membership of the UNGC as an important factor when deciding to invest in its shares and bonds. ESG funds have become very popular in recent years and have gained in importance as 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). AUDI AG took part in the SDG Innovation Accelerator, and MAN Energy Solutions in the Target Gender Accelerator in the reporting year.

Strategic stakeholder engagement

As an international business, our business activities impact the lives of a large number of different people. Appropriately aligned stakeholder engagement is therefore essential so as to determine the Group sustainability strategy's material areas for action and become aware of stakeholders' rising and changing expectations at an early stage. The Volkswagen Group understands stakeholder engagement as the obligation to engage in systematic and continuous interaction with the Company's interest and stakeholder groups, actively listen to them and consider their input when refining our strategies. The goal is an open, constructive and also critical exchange with the stakeholder groups shown in the chart. We endeavor to understand their requirements and expectations of us, to discuss key topics from the regenerate+ Group sustainability strategy with them and to explain how these tie in with the Group strategy and its implementation.

Stakeholders are individuals, groups, or organizations who have an influence on or are influenced by the course or the result of corporate decisions. The Volkswagen Group has identified ten groups as its most important stakeholder groups. Employees and customers are at the center of the stakeholder network. Based on continuous stakeholder analysis, we have also identified eight more groups. Continuous communication between internal and external stakeholder groups is important to the Volkswagen Group. In this context, the Supervisory Board and the Works Council act not only as supervisory and advisory bodies but also as interfaces between internal and external stakeholders. As a supervisory body, the Supervisory Board of the Volkswagen Group is informed about the views and interests of affected stakeholders with regard to sustainability-related impacts within the scope of statutory reporting requirements as well as reporting requirements laid down by the Supervisory Board. Through the requirement for the Supervisory Board to provide consent, it is directly involved, especially in decisions of fundamental importance to the Company. It has equal numbers of shareholder and employee representatives. Interests, views and rights of the Group's own workforce are thus represented at the highest level in the Group.

VOLKSWAGEN GROUP STAKEHOLDERS



Sustainability Council

As an independent advisory committee, the Sustainability Council supported the Volkswagen Group with important strategic sustainability topics from 2016 to 2022. It functioned as a source of impetus and support, but also as a critic, in order to present various viewpoints to the Company.

The format was realigned in terms of strategy and structure during the reporting year. The new concept now aims to challenge and jointly further develop the relevant topics in the Group sustainability strategy that were identified in the materiality assessment. The new Sustainability Council is comprised of a group of experts for each dimension of regenerate+. In Sustainability Practice Groups three selected independent external experts work together with three internal experts from the Group on further developing strategic topics. This new format helps ensure that feedback and impetus regarding the strategy and initiatives of the Volkswagen Group are incorporated into the continuous further development of this strategy and these initiatives. The new Sustainability Council also has the opportunity to present the results of its work and impetus to the Group Board of Management at regular intervals in discussions and exchange formats.

Further information is available on the Sustainability Council's website at www.volkswagen-group.com/sustainability-council.

Environmental Strategy

As one of the largest automobile manufacturers, Volkswagen takes responsibility for the environmental impact of its activities. Our goTOzero environmental mission statement serves as the framework for all the Volkswagen Group's environmental activities. With this mission statement, we aspire to reduce the environmental impact throughout the entire life cycle – from raw material extraction until end-of-life – for all our products and mobility solutions. Compliance with environmental regulations, standards and voluntary commitments is a basic

prerequisite of our actions. The mission statement forms the basis for linking our targets, key performance indicators, programs and actions. It places the focus of our activity on four central action areas and their underlying objectives.

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. This policy sets parameters for the conduct and working methods of management and employees 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 and companies, 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.

In addition to complying with statutory environmental and energy requirements, we endeavor to adhere to additional voluntary commitments and have tailored our processes and corporate culture to these. We provide the resources necessary to achieve our environmental and energy targets. The intention of our environmental compliance management system is to ensure that environmental aspects and obligations are recognized and given appropriate consideration in decision-making. Environmental misconduct and intentional disregard or fraud are treated as serious rule breaches in accordance with our organizational principles. Compliance with the requirements of our environmental and energy policy is evaluated annually and reported to the Board of Management of Volkswagen AG.

INTEGRITY AND COMPLIANCE MANAGEMENT SYSTEM (ICMS)

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 is a matter of course for all Group employees, which is why integrity and compliance are elements of our Group strategy and are anchored in our regenerate+ sustainability strategy.

Our objective is to be a role model and deepen the trust of our employees, customers, investors and partners in our Company. Our regulations, processes and corporate culture provide guidance for all employees on acting with integrity and complying 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.

The Group Integrity & Compliance organization provides the Group-wide framework for a comprehensive integrity and compliance management system with corresponding programs, guidelines, processes and practical advice on integrity and compliance. The overarching goal here is to ensure uniform standards in the Group and brand companies, supporting the companies worldwide in conducting their respective business activities in an independently responsible and compliant manner and complying with the relevant laws and internal regulations.

Focus areas

Focus areas in relation to the ICMS include tackling corruption and preventing embezzlement, fraud, bribery and money laundering.

The starting point for this is the Internal Compliance Risk Assessment (ICRA). It determines the compliance risks in the Group. Compliance measures are defined for each controlled company on the basis of the risk profiles derived from the ICRA, which are implemented by the companies. The ICRA also makes reference to Group-wide minimum standards for the Code of Conduct (CoC), the whistleblower system, integrity and compliance training; and communication.

HR (Human Resources) Compliance Policies and Procedures

Integrity and compliance are incorporated into the standard HR processes such as recruitment, training and people development. In terms of remuneration, misconduct can adversely affect the size of an employee's bonus. Integrity and compliance are part of annual employee appraisals and a component of the training measures for employees across all levels of the Company.

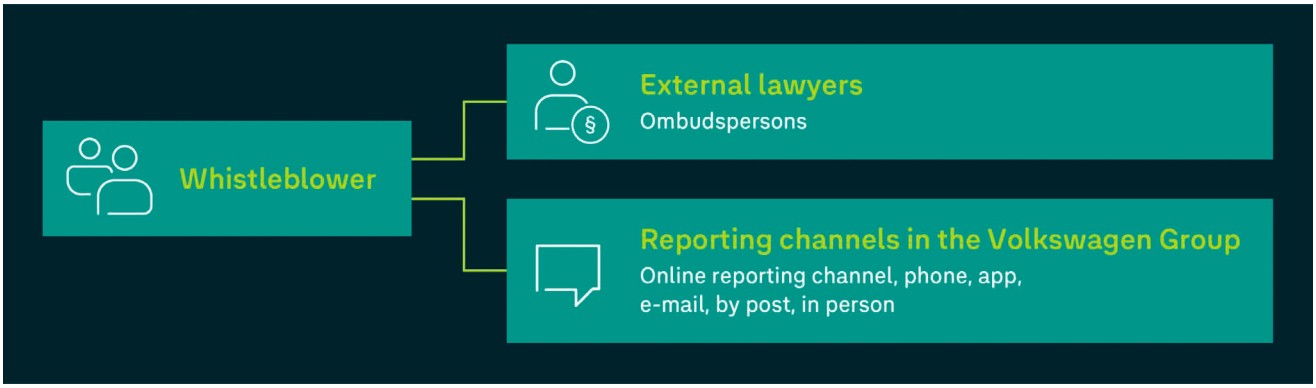
Awareness Raising and Communication

The Code of Conduct (CoC) sets out the shared underlying values for integrity and compliance in the Volkswagen Group for all brands and companies. 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 the obligation to comply with the CoC as amended is written into their employment contract. We and our employees undergo regular mandatory training on the contents of the CoC.

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 integrity and compliance topics is supported by information and communication activities such as awareness campaigns, film and dialogue formats, newsletters and interactive games.

The Integrity & Compliance information point has established itself as a central advisory office. The team there answers compliance-related questions and gives advice on internal company guidelines and policies.

REPORTING CHANNELS IN THE WHISTLEBLOWER SYSTEM



Training Courses and Standards

With the ICMS, the Group Integrity & Compliance organization sets uniform standards for integrity and 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 the key topics: the CoC, anti-corruption, money laundering and the whistleblower system.

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. Tackling corruption includes developing and implementing mandatory training for employees in companies with a high compliance risk exposure.

Whistleblower System

The whistleblower system is the central point of contact for reporting cases of rule-breaking by employees of the Volkswagen Group or by suppliers. Employees, business partners and other 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. An investigation is only initiated after a thorough review and in the event of concrete indications of rule-breaking. Appropriate sanctions are applied where misconduct is proven. The overarching aim is to use binding principles and a clearly governed process to avert harm 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, as needed. These companies also include the Chinese joint ventures.

Business Partner Due Diligence

In the Business Partner Due Diligence (BPDD) process, our business partners are reviewed with regard to their integrity, possible corruption risks and compliance with ethical standards. The BPDD reviews must be carried out in accordance with a policy for certain business partners using a risk-based approach. The aim is to identify possible business partner risks at an early stage, to avoid any dishonest business partners, to define measures to minimize risk and to implement these measures with the business partner. If this is not possible, the business relationship is not entered into or is terminated as the law allows.

Product Compliance

The product compliance management system 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.

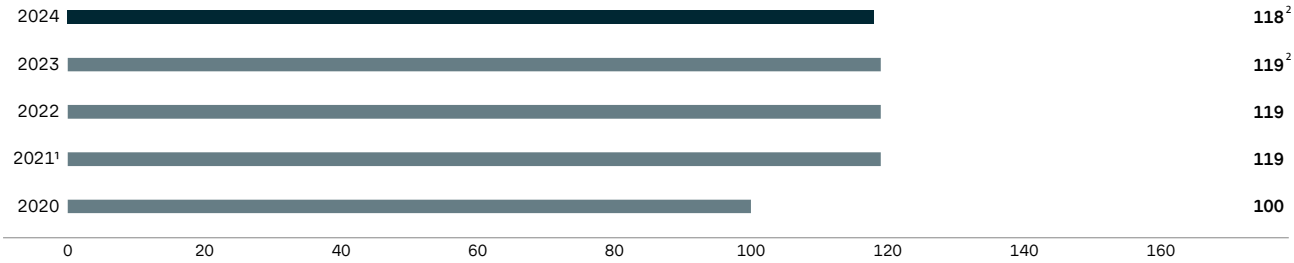
Environmental Compliance

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.

WHISTLEBLOWER SYSTEM
www.volkswagen-group.com/whistleblower-system
Phone: +49 5361 9 46300
E-mail: io@volkswagen.de

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 Group's 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 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

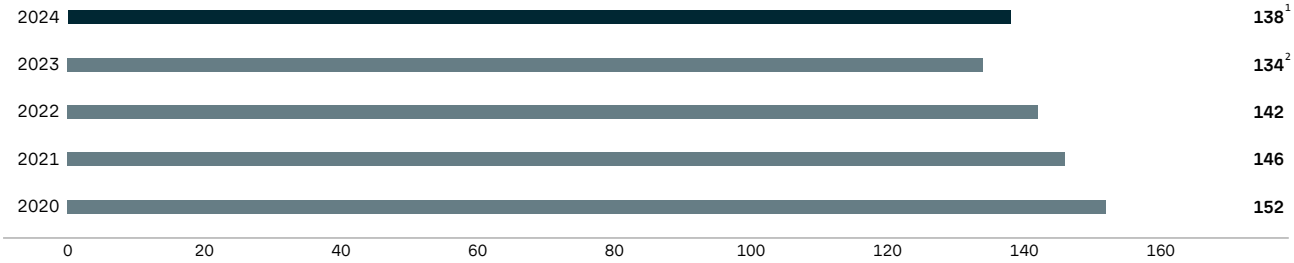
We use the strategic indicator of CO_2 fleet emissions in Europe and the United States to evaluate the effectiveness of our measures to reduce CO_2 emissions emitted by our vehicles.

The Volkswagen Group's new passenger car fleet in the 27 EU member states including Norway and Iceland (EU27+2) emitted an average of 118 g CO_2/km (according to 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 the 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. A CO_2 reduction target of 100% for passenger cars has been set for 2035. Given the changes in the general framework for the sale of electric vehicles (including the general market trend and state subsidies), achieving the CO_2 target for the new passenger car fleet in the EU in 2025 is a major challenge. We continue to aim to achieve the 2030 target.

The Volkswagen Group's new light commercial vehicles fleet in the EU emitted an average of 190 g CO_2/km (WLTP)[1] in the reporting year according to the statutory measurement bases. The statutory target is 195 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 confir-

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 (internal data as of September 2023).
2 Subject to recognition by EPA (final MY report MY22 submitted but not yet confirmed).

mation of CO_2 data within the scope of the 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. A CO_2 reduction target of 100% for light commercial vehicles has been set for 2035. Given the changes in the general framework for the sale of electric vehicles (including the general market trend and state subsidies), achieving the CO_2 target for the new light commercial vehicles fleet in the EU in 2025 is a major challenge. We aim to achieve the 2030 target. The Volkswagen Group's new passenger car fleet met the statutory requirements for the reporting year in the United Kingdom taking into account the statutory flexibilities. In Switzerland, the Volkswagen Group's new passenger car fleet narrowly missed the statutory requirements for the reporting year, according to the preliminary data from the Swiss Federal Office of Energy. The Volkswagen Group's new light commercial vehicle fleet fell short of the statutory requirements for the reporting year in Switzerland. The new light commercial vehicle fleets in the United Kingdom have been assessed separately since 2024. Volkswagen Commercial Vehicles met the statutory requirements for 2024 taking into account the statutory flexibilities.

In the United States, the emission pool – comprising the Group brands Volkswagen Passenger Cars, Audi, Bentley, Lamborghini and Porsche, plus the Bugatti Rimac brand, which is not part of the Group – 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 2024) for the passenger car and light commercial vehicle fleets in model year 2024 is 138 g CO_2/km (model year 2023: 134 g CO_2/km). The statutory target is 117 g CO_2/km (model year 2023: 123 g CO_2/km). Taking into account the statutory flexibilities for the GHG and CAFE regulations, the Volkswagen Group endeavors to comply with applicable requirements – subject to confirmation by the authorities. The figure given for model year 2024 is also subject to confirmation by the US Environmental Protection Agency (EPA). Achieving the CO_2 target of approximately 111 g CO_2/km for 2025 represents a major challenge. For 2030 we aim to increase the electrification of our new vehicle fleet.

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 want to offer our customers worldwide an increasing range of battery-electric models, 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. 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, such as via the new Premium Platform Combustion (PPC). Powertrain measures such as significantly more sophisticated exhaust gas purification or increased use of hybridization of drivetrains, 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 specify 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 Technical Development, the brands play a leading role within the Group in increasing efficiency and leveraging synergies in pre-development, module variance, components, parts and processes, with the aim of improving 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 intend to achieve this 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.

Software forms the basis. This is why the Volkswagen Group has declared software development to be one of its target core competencies in its strategy. The aim is to develop a sustainable, convenient, connected, safe automotive experience for the customers of our Group brands, with the support of synergetic Group software entity, CARIAD.

The Volkswagen Group systematically enhanced its software governance in 2024. CARIAD takes the lead on the cross-cutting technologies of automated driving, infotainment, and the field of data, backend and the cloud as part of software governance across all the Group's architectures and software technologies. The aim is to make development and delivery of software faster and more efficient for the Group's brands and to establish an even closer cooperation model between CARIAD and the Group brands in which the Volkswagen Passenger Cars brand takes charge of the E³ 1.1 electronic architecture and Audi of the E³ 1.2 electronic architecture.

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 drive the development of the following solutions in the Group:

- Integration of software for the global electronic architectures E³ 1.1 for volume vehicles, E³ 1.2 for premium and luxury vehicles, and the China Electronic Architecture (CEA) in collaboration with XPeng for vehicles developed in China
- Connection to scalable cloud platforms
- Infotainment platforms
- Driver assistance systems, automated parking functions and highly automated driving for private mobility
- Preparation of data as the basis for new mobility services and digital business models

Thanks to the transformation of CARIAD, we achieved supply capability in 2024, enabling the Audi and Porsche brands to launch their first models based on the new E³ 1.2 electronic architecture on the market. CARIAD's software is used and is scalable in the all-electric vehicles from the PPE platform and the combustion-engine vehicles from the PPC platform.

CARIAD also delivered regular software releases and online updates for vehicles based on the E³ 1.1 and other existing architectures from the Volkswagen Passenger Cars, Škoda, SEAT/CUPRA and Audi brands in all major international markets in 2024.

Another key focus for CARIAD in 2024 was development of the Group's own SDV Hub, in which CARIAD, Audi and Volkswagen jointly designed the basis for the next generation of software-defined vehicles (SDV). The uniform E³ 2.0 future architecture was reoriented and transposed to an SDV zone architecture. Responsibility for the development of SDV and the zone architecture for CARIAD was transferred to the joint venture Rivian and Volkswagen Group Technologies upon its formation.

The next generation of vehicle software is also designed to pave the way for the autonomous driving functions of the future. The development of autonomous driving is a core element of our Group strategy, with CARIAD responsible for developing partially and highly automated driving functions for the Volkswagen Group's brands. These applications are to 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). Autonomous driving will be linked with new service models, i.e. shared mobility in these areas using robotic shuttles and vans.

Automated and autonomous drive technologies are being developed with development partners.

Pooling strengths with strategic alliances

The aim of our 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. 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. Under this aspect, we have an alliance for light commercial vehicles and electrification with the Ford Motor Company involving a total of three vehicle projects: a

city van (Ford Transit 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 Transit Connect and the Amarok have been on the market since 2022. The New Transporter (based on the Ford Transit Custom) had its world premiere in 2024, with the first vehicles delivered at the end of the year. In addition, Ford will use the MEB developed by Volkswagen for two electric volume models. The aim of the cooperation is to place both Volkswagen and Ford in a position to improve their competitiveness, tailor their products to better meet the needs of customers worldwide and at the same time 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 Robert Bosch GmbH are working to make partially and highly automated driving suitable for the volume segment. The functions to be developed will provide car drivers – within the regulatory requirements and limits – with comprehensive assistance when driving, such as providing both an active lane change assist system and a hands-free function when driving on the highway. While drivers will remain responsible for driving the vehicle, they will be able to take their hands off the steering wheel on the highway with the hands-free function, for example, when driving in their own lane.

CARIAD uses local partnerships in the Chinese market to further consolidate development expertise. The Volkswagen Group announced its partnership with XPeng in 2024: CARIAD China, Volkswagen Group (China) Technology Company and XPeng are working together to develop the new zonal electronic architecture, China Electrical Architecture (CEA), for the Chinese market.

Other key technology partnerships were promoted in the region in 2024: CARIAD is using a local partnership with Horizon Robotics to further consolidate development expertise in highly automated driving functions in the Chinese market in the joint venture Carizon.

CARIAD entered into a partnership in China with the software provider ThunderSoft in 2023. The focus of the CARThunder joint venture is a new customer experience when it comes to infotainment and connectivity.

CARIAD is also committed to open collaboration in the global developer community. In 2024, CARIAD published its Open Source Manifesto, was the first platinum member from the automotive sector to join the Zephyr Project, and joined the Linux Foundation. In addition, 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.

Volkswagen and US electric vehicle manufacturer Rivian announced their intention to establish a joint venture in June 2024. After reaching technical milestones and obtaining the necessary official approvals, Rivian and Volkswagen Group Technologies commenced activities in the reporting year. The two partners hold equal shares in the joint venture, which operates as an independent company. The aim of the partnership is to develop the next generation of software-defined vehicle (SDV) architectures to be used in future vehicles of both companies. The joint venture builds on Rivian's software and electrical architecture to facilitate the joint development of best-in-class architectures and software for SDV of both partners.

Key R&D figures

In fiscal year 2024, we filed 6,740 (5,792) patent applications worldwide for employee inventions, the majority of them in Germany. The trend that an ever-increasing share of these patents is for important cutting-edge fields continued in 2024. These fields include driver assistance systems and automation, digitalization, e-mobility (including battery technology) and artificial intelligence.

The Automotive Division's total research and development costs in the reporting year amounted to €21.0 (21.8) billion and were 3.6% lower than in the previous year; their share of the Automotive Division's sales revenue – the R&D ratio – was at 7.9 (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 48.8 (51.2)%. Research and development expenditure recognized in profit or loss in accordance with the IFRSs increased to €18.0 (15.8) billion.

As of December 31, 2024, our Research and Development departments – including the equity-accounted Chinese joint ventures – employed 62,780 people (+5.3%) Group-wide, corresponding to 9.2% of the total workforce.

RESEARCH AND DEVELOPMENT COSTS IN THE AUTOMOTIVE DIVISION

€ million	2024	2023
Total research and development costs	20,999	21,779
of which capitalized development costs	10,244	11,142
Capitalization ratio in %	48.8	51.2
Amortization of capitalized development costs	7,209	5,187
Research and development costs recognized in profit or loss	17,963	15,824
Sales revenue	265,887	268,156
Total research and development costs	20,999	21,779
R&D ratio	**7.9**	**8.1**

PROCUREMENT

The main task for Procurement is to help steer the Company's success in the areas of efficiency, sustainability and resilience. 2024 was mainly devoted to safeguarding the supply of vehicle parts and optimizing costs in order to make a contribution to the Group's result.

Procurement Strategy

The procurement organizations at the Volkswagen Group make an essential contribution to the 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 associated supply chain disruptions 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. Collaboration with these suppliers will be designed 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. In particular, the use of a new digital supplier platform and the future main data ecosystem, Catena-X, is a prerequisite for data-driven value chains. It is also a core element within this area of action.

E-mobility

Technology is evolving exceedingly rapidly. A key task for Procurement is to meet the changing requirements 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 internal combustion engines 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 support us in safeguarding supply, leveraging Group-wide synergies, and creating transparency. 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. An important element of these efforts is the integration of Catena-X, the data network for the automotive industry. It will allow possible supply risks to be identified at an earlier stage and appropriate measures and alternatives to be jointly developed faster. With Procurement's digitalization strategy we are not only

eliminating the weaknesses of Procurement's IT system environment but also increasing the organization's effectiveness, efficiency and future viability. The new IT landscape for procuring production and general materials is being rolled out throughout the Group and has already been implemented at some brands.

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. 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 involves providing support in our suppliers' industrialization processes, monitoring series production and managing supply crises, which could occur, for instance, as a result of geopolitical crises or natural disasters. The Volkswagen Group has realigned itself by introducing the strategic semiconductor management system. In doing so, the Volkswagen Group maintains direct business relationships with strategically relevant semiconductor manufacturers and directly influences the selection of components for the electronic architecture. This aims to keep the Group's product portfolio competitive in the long term and to safeguard supplies of core components at the semiconductor level.

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 on-site support from our supplier management team. Finally, an acceptance test of production capacities is carried out to facilitate the timely commencement of series production of the vehicles at our plants.

In addition, regular checks are carried out during series production, for example, checks relating 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 tackle complex challenges along the supply chain and utilize 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.

Sustainability in Supplier Relationships

Successful relationships with our suppliers in the upstream and downstream value chain are based on respecting human rights, compliance with occupational health and safety standards and active environmental protection. These sustainability standards are defined in the Volkswagen Group Requirements for Sustainability in Relations with Business Partners (Code of Conduct for Business Partners), which business partners are required to acknowledge in a binding confirmation when the contract is entered into. In order to extend the requirements of the Code of Conduct for Business Partners further down in the supply chain, we require our suppliers to extend our requirements to their direct business partners. The sustainability rating (S-Rating) is a Group-wide tool to measure

and assess the degree of compliance with the Volkswagen Group sustainability requirements by direct suppliers with a high sustainability risk relating to the environment, social aspects and integrity. The S-Rating is based on the sustainability requirements of the Code of Conduct for Business Partners and has been a condition for the award of contracts since 2019. The relevance of a supplier 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 the S-Rating process, we determine the degree of compliance with the Volkswagen Group's sustainability requirements by means of the standardized Self-Assessment Questionnaire and a risk-based evaluation process involving audits. By the end of the reporting year, 14,709 S-Ratings for suppliers were received. The proportion of revenue contributed by direct suppliers with a positive S-Rating amounts to 83% of the total procurement volume. Both the validation of the questionnaire and the performance of the audits are carried out by selected service providers. If a supplier does not meet our requirements for compliance with sustainability standards, it is in principle not eligible for the award of contracts. Linking award decisions to sustainability criteria is one of the strongest levers for enforcing these criteria. We address existing sustainability risks and violations of sustainability principles by systematically defining and implementing measures to mitigate or eliminate these, including within the deeper 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 offer web-based training. In the reporting year, 9,818 suppliers received such training.

With regard to decarbonization, the Volkswagen Group strives to continuously avoid or reduce greenhouse gas emissions over the entire vehicle life cycle. In particular the transition towards e-mobility is shifting the action required from the service life of the vehicle to supply chains and the manufacture of vehicles and components. We are aware of our social responsibility and are committed to the Paris Climate Agreement. In the 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 new SSP on which the batteries are assigned a CO_2 limit. To be able to adhere to 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.

As part of our sustainable supply management, the Volkswagen Group is also dedicated to protecting groups of people who may be adversely affected along the upstream and downstream supply chain. In order to achieve more impact here, we introduced the Human Rights Focus System (HRFS). With the HFRS we identify and work on issues that can be associated with human rights and environmental risks and that require more in-depth analysis. The objective 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 2024 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 require, for example, that our battery suppliers disclose their entire upstream supply chain before we award new contracts.

TECHNOLOGY

The "Technology" Board function is divided into four pillars, which are known as tech stacks. These encompass all activities relating to the battery, which are also in the "battery" action area of the Top 10 program, all Group-wide topics relating to charging and energy, the activities of Volkswagen Group Components and the marketing of Volkswagen platforms and components to third parties (Platform Business).

Cross-brand management of all technology activities and the 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.

Battery

With our battery activities, 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. The activities are divided into two areas: the Center of Excellence (CoE) Battery and PowerCo. The CoE is a Group business unit that combines all activities relevant to the battery system, which includes everything from product management, development, quality assurance, and procurement, to end-of-life recycling. The CoE is also responsible for the Group-wide battery portfolio, including the PHEV batteries for the MQB platform and BEV batteries for the MEB platform. The latest generation represents the battery system for plug-in hybrid vehicles that entered series production with the new Tiguan in 2024. More battery systems based on the new unified cell are planned in the next few years in China, Europe, and the USA.

In 2022, Volkswagen founded PowerCo SE, Salzgitter/Germany, its own battery company, which will bundle the Group's global cell production activities. From the 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: The unified cell enables flexible use of a wide variety of battery chemistries and is intended to be used in up to 80% of all Group models in the 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. Construction of production facilities and machinery continued in 2024 and preparations were made for pre-series production. In addition to Salzgitter, further cell factories are being built in Valencia/Spain and St. Thomas/Canada. The ramp-up of the factories is based on the expected volume of all-electric vehicles from the Volkswagen Group. Each of these factories 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 is progressively taking charge of further stages of the value chain so that it can exercise greater influence over the availability, cost and sustainability of key raw and processed materials. The supply of raw materials is safeguarded through long-term supply contracts and investments with partners.

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.

The Group's focus is 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 exploring 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 850,000 charging points Europe-wide with approximately 70,000 fast-charging points in 27 countries. Elli expanded its product range in fiscal year 2024 with the release of the Elli Charger 2, providing smart and cost-effective charging to private customers. Elli started electricity trading on the EPEX Spot power exchange in 2023 on its journey to becoming a holistic energy provider. It continued this journey in 2024 with a strategic partnership in photovoltaics with Otovo, Europe's leading solar energy system platform provider. Elli plans to enter a new business field in the future to develop, build, and operate stationary mass storage systems with partners along the value chain. Elli's industrial energy storage systems can be used in the future to supply customers and for arbitrage transactions on the energy trading market. The aim is to help to stabilize the power networks and increase their efficiency.

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. More than 60,000 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 drivetrains, electric drivetrain thermal management systems and battery systems.

The entry into e-mobility places the focus firmly on optimizing the electrical powertrain for the Group as well as the transformation of plants for internal combustion engine components to plants for e-mobility components.

Platform Business

The fourth pillar of the "Technology" Board function is Platform Business (third-party business), which pools Group-wide responsibility for the external sale of platforms and components. This organizational unit is responsible for the 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. The automaker presented the Ford Explorer, the first model based on the MEB, in 2023, and series production commenced in June 2024. The first supply contract for Volkswagen MEB platform components and unified cells was signed with Indian automotive manufacturer Mahindra in early 2024.

PRODUCTION

Our international production network covers a large number of process steps from the supplier to the factory, to the assembly line and then to the dealer and customers. The long-term efficiency of this network is key to our competitiveness. In order to meet the challenges of the future, we rely on comprehensive optimizations, pioneering innovations, stable supply chains and flexible structures. The Volkswagen Group, including the Chinese joint ventures, produced 9.0 million vehicles worldwide in fiscal year 2024. This was a year-on-year decline of 3.8%. Productivity, including in the Chinese joint ventures, remained steady compared with the prior year. Excluding the Chinese joint ventures, the Volkswagen Group produced 6.2 million vehicles worldwide, a decline of 0.4% compared with the prior year. Productivity saw a decline of 0.8% and was on a level with the prior year.

Natural disasters resulted in production limitations at the Volkswagen Group in 2024. Supply chains were temporarily interrupted in particular by high water levels and flooding in Central and Eastern Europe. Thanks to the rapid action taken by all the departments involved, it was possible to maintain production activities.

Production Strategy

We are sharpening our focus in the transformation of our production and logistics, whereby our aim is to make production sustainable, minimize expenditure, streamline processes and strengthen the team.

The overarching aim is to increase productivity and profitability. This enables 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 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.

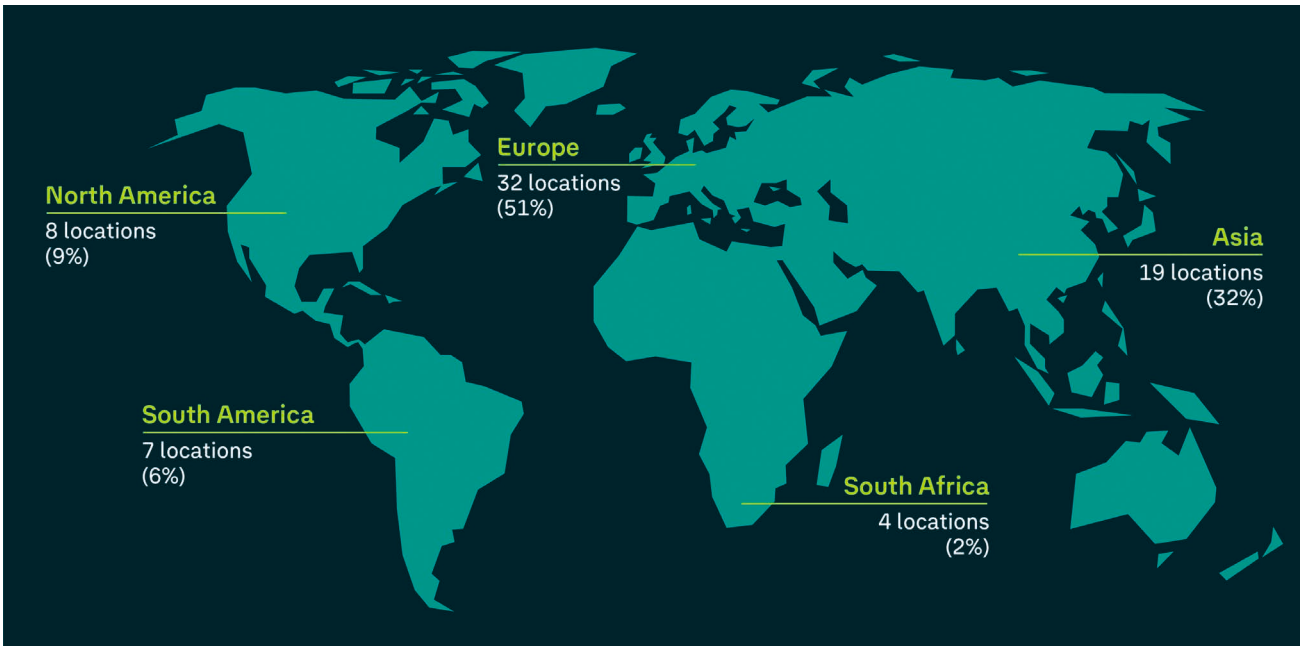
Global Production Network

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 82 vehicle projects in 2024, 22 of which were new products or successor products and 60 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 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 MQB platforms. At present, we are manufacturing vehicles of the Volkswagen Passenger Cars, Audi and CUPRA brands on the joint MEB platforms in Zwickau.

VEHICLE PRODUCTION SITES OF THE VOLKSWAGEN GROUP

Share of total production in 2024 in percent



The focus in the transformation of the Volkswagen Group 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, followed by the all-electric PPE platform for the premium and sports brands, to leverage synergies in production across the brands. This meant that electric vehicles were manufactured at 18 sites across the global production network for passenger cars and light commercial vehicles as of year-end 2024.

New Technologies and Digitalization

A focus was placed on speed and added value of IT products and on the use of artificial intelligence as part of the Group's Top 10 program, which formed the strategic basis for new technologies and the digitalization of production in fiscal year 2024. The digital transformation is shaping the future development of our process landscape. The reorganization this involves includes a switch to value-stream- and product-oriented software development within the Group. Overall, more than 100 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. 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 the Volkswagen Group, our objective is to systematically validate digital and innovative technologies and to pilot and roll out their usage for production and logistics, with the aim of saving costs in the value chain and achieving 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. In 2024, Volkswagen continued the expansion of the ONE Log project, a logistics system based on SAP S/4 HANA. Using ONE Log, the Volkswagen Passenger Cars brand aims to shape the future of digital logistics worldwide, along with other brands including Audi and Škoda, and Volkswagen Group Components. The goal with this is uniform information processing and the standardization of logistical processes, to make optimizations scalable and drive innovative technologies centrally. The project

includes the various processes such as scheduling, shipping and materials management, from goods receipt right through to the production line. The targeted digitalization campaign is intended to make our plants more robust. Innovation activities in 2024 focused on artificial intelligence, such as for image processing (computer vision), robotics applications and in generative artificial intelligence. Volkswagen developed prioritized fields of application in 2024 and is using the first cross-brand applications to improve the efficiency of knowledge management in planning and maintenance. Other applications are being used in change and requirements management. The use of generative artificial intelligence aims to boost efficiency in the context of information processing and generation, and in production.

Zero Impact Factory

In the strategic vision of our Zero Impact Factory initiative, we are developing ideas for more sustainable production. The vision driving these efforts is a factory with the lowest possible impact on the environment. Two independent methods were developed for this purpose. The site checklist analyzes qualitative aspects of a site in 11 action areas, while the impact points method quantitatively assesses the absolute environmental impacts of a site. These methods enable us to record and reduce the quantitative environmental impact of our production sites, particularly in the action areas: climate action 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.

As of 2025, the Zero Impact Factory impact points method is to replace the existing system of KPIs, which measures the reduction of the environmental impact of production (UEP). This will lead to a shift away from vehicle-specific indicators to a reduction in the environmental impact of our production in absolute terms.

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 1,700 implemented measures in the area of environment and energy were tracked and documented. They serve to improve the infrastructure and production processes for passenger cars and light commercial vehicles, could have a positive effect on the Group's environmental indicators, and may be beneficial from an economic perspective.

Zero Impact Logistics

The actions the Volkswagen Group is taking to achieve net carbon neutral logistics in the future include, for example, the ongoing shift of shipments from road to rail and almost complete avoidance of CO_2 emissions through the use of green electricity generated from renewable energy sources on the electrified lines in rail transport in Germany and other countries in collaboration with railway companies. This is an important contribution to reducing greenhouse gas emissions in the value chain. However, a prerequisite for this is, among other things, railway network infrastructure with sufficient available capacity, especially in Germany.

There is also a focus on preparing for the use of completely battery-electric trucks and biogenic fuels in the truck network. The Volkswagen Group also transports high-voltage batteries for electric vehicles in an environmentally conscious and efficient manner, for example at the component site in Braunschweig. Here, the batteries are loaded fully automatically onto trains that run on renewable power, which then take them to the plant in Zwickau.

Group Logistics uses thirteen roll-on/roll-off charter ships to transport vehicles across the North Atlantic, two of which are powered by low-pollution liquefied natural gas (LNG). By the end of 2024, four more LNG-powered car freighters had been gradually introduced, replacing six conventionally powered ships. Group Logistics' charter ships are more climate-friendly than other LNG-fueled marine engines because the high-pressure technology of the two-stroke engines from MAN Energy Solutions means that virtually no methane escapes. 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.

Since 2021, Group Logistics has been continuously operating two charter ships on European sea routes using biofuel, which produces less CO_2 than conventional fossil fuels. The raw material for this biofuel is made up of 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.

As part of our Group strategy, we have placed a particular focus on 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. Visions for the transformation of sales have been derived from the Group strategy. They form the basis for developing our sales activities into those of a mobility provider with the aim of enabling us to provide an even more flexible and targeted response to our customers' wishes and leverage additional revenue potential, such as through digital business models.

Following the acquisition of Europcar Mobility Group with two consortium partners, Europcar is to become a cornerstone of a vehicle-on-demand (VoD) 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 until 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 on a net basis 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 an 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 suitable 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, Škoda, Audi 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. 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. Volkswagen Passenger Cars continues to have an industry-leading conquest rate. The Audi, Škoda, SEAT, and CUPRA brands improved their conquest rates in 2024, while the figures for 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 2024. 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 gradually expand our offer of completely battery-electric vehicles. 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

In the Volkswagen Group Mobility business division, Volkswagen Financial Services AG expanded the portfolio of mobility services offered by the Volkswagen Group and its brands in 2024. Progress has been made particularly in the collaboration with 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.

Through its equity investment in Euromobil GmbH, a joint venture with EMG, Volkswagen Financial Services AG offers its customers a flexible alternative leasing or borrowing without long-term commitments, under the product

name VW FS | Auto Abo. Volkswagen Financial Services AG is responsible for the car subscription offerings of the Volkswagen, Škoda and Audi brands in the German market, using these to also promote the Group's electric vehicle campaign. In addition, a car subscription service is offered for Volkswagen 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 shrank by 1.0% in the reporting year, business fleet customers accounted for 19.9 (21.4)% of total registrations. The Volkswagen Group's share of this customer segment increased to 48.0 (47.0)%. Outside Germany, the Group's share of registrations by fleet customers in Europe was 27.9 (27.6)%. 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 increasing 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. We are working towards the transformation with a range of partners specialized in the respective markets. With the resulting connectivity services, we will also be able to generate synergies in After Sales across 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 warehouses, we are creating the prerequisites to supply almost all our authorized service facilities around the world within 24 hours.

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 are intended to 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 drivetrain, we take into account both customers' wishes and our responsibility to contribute to emission-free transportation. Workshop service and service contracts are intended to offer customers a high degree of quality as well as 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 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 pursuant to UN-R 155 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. These measures were confirmed again in the reporting year in a successful audit of our cyber security management system performed by TÜV Nord, and a three-year extension to our UN-R 155 certificate was recommended.

Group Quality Strategy

We review our New Quality functional area strategy periodically and coordinate it with the brands. We align our activities with our goal expressed in the motto: "We strive for outstanding products, services and customer satisfaction." Derived from the Group strategy, 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.

The Group's Top 10 Quality program derived from the Group's Top 10 program represented one of our additional strategic targets in the reporting year. This program from Group Quality places a constant focus on internal and external customers, defines clear responsibilities for quality throughout the Group and coordinates an expeditious cooperation model between the Group, brand groups and brands. Six of the quality-specific action areas contributing to the Group's Top 10 program were completed during fiscal year 2024 (including Customer Excitement SCORE and quality-approved concept decision) and six new ones launched (including charging infrastructure and Data@Quality).

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 monitoring 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 in particular 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 the implementation of and compliance with these and other new requirements, as well as official regulations; 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.

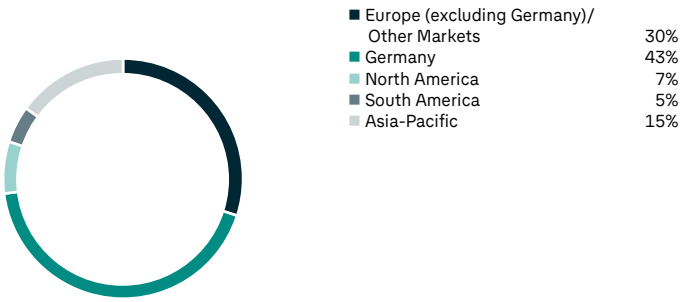
In order to be able to make the perceived quality of our vehicles commensurate with that of our competitors, we take the needs of our regional customers into account in our vehicle audits. Every brand works together with the individual regions to decide how its product is to be positioned there. In this 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.

PEOPLE

The Volkswagen Group is one of the world's largest private employers and seeks to fulfill the responsibility this entails with its human resources policy. As of December 31, 2024, the Volkswagen Group including the Chinese joint ventures employed a total of 679,472 people (614,082 employees excluding the Chinese joint ventures). This represents a year-on-year decrease of 0.7%. The ratio of our total workforce in Germany to those abroad remained largely stable over the past year, with 293,338 (298,687) employees working in Germany at the end of 2024.

EMPLOYEES BY MARKET

in percent, as of December 31, 2024



Group People Strategy and principles of the human resources policy

For the Volkswagen Group, the transformation of the employees is one of the focus topics defined in the Group strategy. The Group People Strategy plays a key role in this context for our three brand groups Core, Progressive and Sport Luxury. This strategy also moves forward with key approaches of the human resources policy that are critical for success.

In our Group People Strategy we have identified a variety of elements with the aim of comprehensively addressing our employees' and the Company's needs and expectations, thereby enabling the best possible performance in terms of the Company's success.

1) "Me" (Me@Volkswagen): We wish to systematically improve the employee experience and ensure that all employees have the best possible conditions in which to do their job.

2) "My team" (Teams@Volkswagen): As our transformation takes shape, the way in which teams in the Volkswagen Group collaborate is fundamentally changing. Hybrid, digital and agile forms of collaboration become more important.

3) "All of us at Volkswagen" (All of us@Volkswagen): The seven Volkswagen Group Essentials set out in the Code of Conduct 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.

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 continue 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.

Digitalization and the transformation towards e-mobility means that we are on a long-term path of change and renewal. It is important to us to keep checking whether we are keeping to the course we have set out on and are achieving our goals. The following strategic key performance indicators help us measure our progress and take remedial action if necessary:

- Internal employer attractiveness: Until reporting year 2023, the benchmark was derived by asking employees whether they considered their company an attractive employer. This information was gathered for the majority of our Group companies within the scope of the *Stimmungsbarometer* (opinion survey). In 2024, the opinion survey was suspended in the Group to allow it to be revised. After its revision, it should continue to be provided to all the companies as a tool.
- Diversity index: We have defined targets for the percentage of women in management and the international composition of our top management in order to promote diversity and equal opportunities. Since 2017, these two figures have been combined in the diversity index. Data for the diversity index is collected for the employees of the entire Volkswagen Group, excluding employees in the withdrawal phase of their time asset bonds (time asset bond: time credit from deferred compensation) and excluding vocational trainees and employees in the passive phase of their partial retirement. The proportion of women in management, comprised of management, senior management and top management (including members of the Group Board of Management and brand boards of management), amounted to 19.9% in 2024 and was 0.7 percentage points up on the prior year (19.2%). The intermediate target of 19% for 2024 was thus achieved. The Volkswagen Group wants to increase the proportion of women in management to 20.2% by 2025. This represents an increase of 8.1 percentage points compared with our baseline of 12.1% from 2016. The target of at least 25.0% by 2025 has been defined for the international composition of top management, the uppermost of the three management tiers. Achievement of the target would represent an increase of 8.0 percentage points compared with the baseline of 17.0%, also from 2016. This stood at 29.1 (25.6) % in the fiscal year now ended. The intermediate target of 24.1% for the reporting year was thus achieved. The figures for the proportion of women in management and the internationalization of top management are incorporated with equal weighting in the diversity index and the figures for the year 2016 set to an index value of 100. For 2024 it was planned to increase this index to 149. This target value was exceeded with a score of 168 (154).
- Status of implementation of strategic HR planning: Strategic HR planning supplements operational HR planning by adding a qualitative, long-term and strategic planning perspective. It allows us to identify qualitative and quantitative surpluses and shortfalls in parts of the Company at an early stage and derives necessary qualification, vocational 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 (corresponding to the workforce excluding vocational trainees and employees in the passive phase of their partial retirement) included in the strategic HR planning from 2023. The targets are being adjusted as part of the Group strategy revision, and reporting of the strategic KPI has been suspended for 2024 due to the ongoing efficiency programs.
- Number of training hours per employee: The goal is to increase the average number of training hours per employee in the active workforce (here excluding employees in the withdrawal phase of their time asset bonds) in the Volkswagen Group by 35 % to 30 hours per year by 2030. 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 Covid-19 pandemic, which temporarily curtailed training activities in 2020 and 2021. The target for this strategic KPI for the reporting year was 26.0 hours. With an average of 20.8 (22.1) hours per employee, the target has not been met. The decrease in the number of training hours is due to the prioritized implementation of efficiency programs in the Group, with the result that the departments did not focus on measures to increase the number of training hours.

In addition to the long-term management of our strategic targets in the Group People Strategy, we also have an annual Top 10 program for Human Resources to support achievement of current targets, to which our Group companies contribute. Human Resources was also represented in the Group's Top 10 program in the reporting year with the top target "Team & Organization". The HR board department systematically addressed the current challenges faced by the Company in its Top 10 program for 2024, including the changed competitive environment, the transformation of the industry, increasing regulatory density and the skilled labor shortage. The Volkswagen Group has established efficiency programs in the brands in order to provide the necessary resources to meet these

challenges and continue making investments for the future. Defined performance targets at brand level are a core component and have been realized through brand-specific targets and actions. For example, a new collective agreement was entered into at Volkswagen AG in December 2024, which is accompanied by works agreements.

After intense negotiations, Volkswagen AG reached consensus with the IG Metall trade union and the works council on a joint *Zukunft Volkswagen* agreement. There are plans to realign production capacities at German Volkswagen sites. At the level of collective bargaining, this wage settlement under the company wage agreement until 2030 creates the conditions for financial labor cost savings of €1.5 billion per year. The short-term labor cost savings as well as the structural measures agreed and savings on development costs are expected to lead to cost effects of more than €4 billion per year in the medium term. In addition, there are plans to reduce technical capacity by 734,000 units in the German plants. To this end, the company and codetermination partners agreed not only on structural production measures but also on a socially responsible reduction in the workforce by more than 35,000 employees along the demographic curve at Volkswagen sites in Germany by 2030. For the resulting personnel measures, Human Resources has developed corresponding HR tools such as the "opportunities workshop", to devise new employee-specific career opportunities for employees affected by the transformation. As of the end of 2024, no further specification of other tools such as retirement or severance programs had taken place.

The collective agreements set out, among other things, that the agreed wage increase for the years 2025 and 2026 will not be paid to employees until the end of 2030, but will instead be used for the socially responsible headcount reduction from 2027 to 2030. Furthermore, the new collective bargaining agreement replaces the previous collective agreements. Starting July 1, 2025, the working week will be standardized at 35 hours in the collective agreement, with a compensation payment to be made in 2025. A new remuneration and grading system will be introduced from January 1, 2027. Employee profit-sharing has been suspended for the 2025 to 2026 fiscal years and will then be staggered over the 2027 to 2029 fiscal years. The "Tarif Plus" bonus system for employees under the collective bargaining agreement has been restructured. From 2025, the anniversary bonus has been converted to a fixed amount and linked to the terms of the collective wage agreements. In addition, the number of training places offered at Volkswagen AG's plants in Germany has been reduced from 1,400 to 600. The *Zukunft Volkswagen* agreement created the basis for making important investments in future products until 2030.

Training and Professional Development

Due to the transformation in the automotive industry, we are facing the greatest process of change in both expertise and culture in the history of our Company. We are committed to securing the employability of our entire workforce in the long term. We invest extensively in training, which helps to ensure job security at Volkswagen for our employees even when requirements change. In 2024, the focus was on creating and expanding a program of digital training. We continue to implement and integrate the Success Factors HR system and the learning platform Degreed as a learning ecosystem for digital learning and self-directed training. This creates a common framework for the qualification of all employees in the Volkswagen Group based on and controlled by the Volkswagen Group Academy.

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 2024, the Volkswagen Group trained 17,201 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. Even after their vocational training has been completed, young people at the start of their careers are encouraged to continue their professional development with our Company.

Volkswagen offers two structured entry and development programs for university graduates and young professionals. 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.

Employee Participation

Codetermination and involvement of our employees is deeply rooted in the Volkswagen Group. This includes enabling the most comprehensive representation of employee interests possible in our Group. Volkswagen respects the perspectives and interests of its own employees, and addresses them on an ongoing basis. To this end, the Volkswagen Group maintains a continuous dialogue with employee representatives regarding material positive and negative impacts, both actual and potential, that the Group could have on its employees. We follow the principle of long-term service through systematic employee retention and the right to fair and transparent remuneration, and have concluded collective agreements to this end, for example.

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 our Company's European and Global Group Works Council which set out the principles of labor policy in the Volkswagen Group as well as employee rights. Volkswagen places particular emphasis on protecting its employees and creating a safe and healthy working environment. This means that occupational health and safety are of paramount importance to the Volkswagen Group. It is also important to us that we promote diversity in our workforce and commit to creating an inclusive working environment. We offer equal opportunities for everyone and reject all forms of discrimination.

INFORMATION TECHNOLOGY (IT)

IT Strategy

The Volkswagen Group pursues the vision of being „The Global Automotive Tech Driver". 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 processes in all of the Company's business areas, data-driven management of the sustainability targets and a seamless integration of analogue and digital customer experience are elements of this transformation.

The "IT" Board function applied its strategy to the development of the "Global IT" vision for the Company. It ensures the clear and synchronous orientation, global networking, sharing of knowledge, and mutual adaptability of the IT strategies of all brands and regions. The objective is standardized cross-brand and cross-regional provision of IT infrastructures, IT services, and IT solutions in appropriate bundles. This serves to reduce costs, utilize efficiencies, and leverage further potential for synergies. Distinctions are made and individual solutions provided only if specifically necessary or required under regulatory provisions.

The target dimensions are: a value contribution for the departments, an active contribution to the systematic digitalization of the Company, high speed and adaptability in implementation; and cost efficiency. Long-term IT imperatives were defined to aid target achievement. These address issues such as the transformation into a data and AI-driven company, implementation of consistent infrastructure platforms across all brands and regions, realization of a global, digital product landscape through a cross-brand, cross-regional cooperation model based on complementary skills; and operational excellence in implementation. Implementation of the targeted measures is ensured through the annual Global IT Top 10 program with agile trimester sprints focused on business impact and speed. The optimized data availability of the Global IT Top 10 program creates the basis for modern AI applications and therefore the potential for Company-wide efficiencies. Systematic modularization of large IT

programs helps to provide future-proof IT solutions, thereby driving the digitalization of all business areas locally and globally, for instance through the IT China strategy. The systematic introduction of the agile product organization is intended to accelerate the development and provision of digital products. In this context, IT and the Board functions work together in cross-functional teams with short development cycles to produce new digital products. The aim of the Group-wide, cross-brand IT performance program reported as part of the Global IT Top 10 program is to additionally improve performance by 30% at all levels by 2030.

We aim to ensure a uniform, strategic focus by forging technical 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. This interface between technical and organizational aspects also facilitates the realization of synergies and further economies of scale. The systematic identification and Group-wide sharing of best practices – projects that have been successfully implemented at individual brands and companies – is intended to enable effective knowledge transfer within the Company and generate greater speed and synergies, thus also reducing the need for resources.

The focus in IT infrastructure is on further expansion and optimization of the cooperation between the Group and its brands. This has already resulted in a significant reduction in costs and in quality optimization in some areas, and will be systematically continued. To this end, the Group has a globally uniform structure on five operating platforms/domains (cloud, mainframe, high performance computing, on premise, digital workplace) used across all brands and regions. This also involves combining our shared resources in the brands and regions, as well as the international companies of Global IT, such as in India.

Software Development

The "IT" Board function is responsible for swiftly developing and introducing 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 (SDC) 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 (such as technical development). This involves in particular systematic expansion of the international subsidiaries and new cooperation models with selected partners. This addresses the increasing need for software development at the Volkswagen Group. The gradual increase in in-house services will reinforce governance and ensure the efficient management and cost control of suppliers.

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 SDC, strategic alignment of the business-critical enterprise systems 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. This makes it the highest decision-making body and key navigator in the Group's digital transformation.

The large-scale introduction of applications and artificial intelligence (AI) into multiple business processes was a focal point of fiscal year 2024. The scope of application of AI within the Volkswagen Group is broad. The goals are specific monetary savings (e.g., reduction in the consumption of electricity and materials in manufacturing processes), specific improvements in product quality and the associated indirect cost savings (e.g. improved quality processes and thus also a reduction in ex gratia and warranty costs, elimination of contracting such as

translation and law firm costs), specific improvements in product quality and ergonomic benefits for employees, including faster and more transparent collaboration and support in use of systems. The focus is always on balancing the expenditure and costs for the use of AI applications with their added value for the departments and the Company as a whole. The Volkswagen Group therefore views AI first and foremost as an instrument and a tool, not as an end in itself.

The applications already integrated include Smart Quality Analytics (SQA), an IT system used for example 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 electricity savings and CO_2 reductions, for example in compressed air control systems. 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 AI 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. 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.

The Group Data & AI Strategy is key in the implementation of AI. The aim of the strategy is to utilize the potential of AI. To track this throughout the Group, all strategic and AI-related resolutions and work initiatives are combined in a hub-hub-spoke model. This refers to a central entity, or hub, in the Group and other hubs in the brands and companies each supported by a specialist, or spoke, in the domains and business areas. This serves to improve the coordination of the different areas of the Group in implementing AI applications, and increase their scalability and efficiency. Resources can be used as needed and as efficiently as possible for the prioritized AI solutions. This structure also enables the AI solutions to be implemented and scaled efficiently, and training materials, guidelines, and experiences to be shared effectively.

IT Security

Safeguarding data and information throughout the Volkswagen Group worldwide is one of the main tasks of IT. Strategic measures continued to be implemented in fiscal year 2024 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. 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.

The Volkswagen Group requires its 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 processed securely among 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. We have implemented Group policies based on the legal requirements of the UNECE (United Nations Economic Commission for Europe) regulation. Brand-specific organizational guidelines are being specified and implemented on this basis, taking the organizational circumstances into account.

To protect our customers' data 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 its first UNECE CSMS certification from the German Federal Motor Transport Authority in 2021 and undergoes annual monitoring audits. It was successfully recertified for the first time in May 2024. 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 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.

REPORT ON POST BALANCE SHEET DATE EVENTS

There were no significant events after the end of fiscal year 2024.

Report on Expected Developments

In 2025, the global economy is expected to grow at a slightly slower pace than in the reporting year. 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 2025 at a slightly slower pace than in 2024. Declining inflation in major economic regions and the resulting easing of monetary policy are expected to boost consumer demand. We continue to believe that risks will arise from increasing fragmentation of the global economy and 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, and the increasing uncertainties regarding the political orientation of the USA. We assume that both the advanced economies and the emerging markets will record somewhat weaker momentum on average than that of the reporting year.

We also expect the global economy to continue on a path of stable growth until 2029.

Europe/Other Markets

In Western Europe, we expect the economy to grow at a similar rate in 2025 to in the reporting year, with a further decline in the average inflation rate. The associated key interest rate cuts by the European Central Bank (ECB) will likely support the eurozone economy.

For Central Europe, we estimate a somewhat higher growth rate for 2025 than in the previous year, with persistently high though less dynamic price increases. Economic output in Eastern Europe should continue to recover following the heavy slump in 2022 as a result of the Russia-Ukraine conflict.

Germany

We expect gross domestic product (GDP) to develop positively in Germany in 2025, albeit with less momentum. The German inflation rate is likely to decline somewhat on average for the year. The labor market situation is likely to deteriorate somewhat.

North America

We anticipate continued stable economic growth in the USA in 2025, albeit with slower momentum, accompanied by a corresponding deterioration of the labor market situation. The US Federal Reserve is likely to implement further key interest rate cuts in the course of 2025 even though a slight increase in inflation is expected. Compared with the reporting year, economic growth is likely to be somewhat higher in Canada, while in Mexico it is expected to remain roughly the same.

South America

In all probability, the Brazilian economy will record a positive rate of growth in 2025, although it will be lower than that of the reporting year. Following two years of decline, Argentina is expected to show positive growth in 2025.

Asia-Pacific

Chinese GDP is expected to grow at a relatively high level in 2025, albeit at a lower rate than in 2024. India's economic growth will likely see momentum on a par with the reporting year, while Japan's economic output is expected to grow again compared with 2024.

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. Moreover, a sudden outbreak of geopolitical tension and conflicts or the intensification of existing ones could lead to rising prices for materials and 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 2025. 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 2026 to 2029.

Trends in the markets for light commercial vehicles in the individual regions will be mixed; on the whole, we expect the sales volume for 2025 to be similar to the previous year's figure. For the years 2026 to 2029, we expect demand for light commercial vehicles to increase globally.

Europe/Other Markets

For 2025, we anticipate that the volume of new passenger car registrations in Western Europe will be noticeably higher than that recorded in the reporting year. For the major individual markets of France, the United Kingdom and Spain, we expect growth in 2025 to varying degrees between slightly and noticeably above the prior-year level. We estimate that the Italian market will be on a par with the previous year.

For light commercial vehicles, we expect the volume of new registrations in Western Europe in 2025 to be on a level with the previous year. Mixed development is anticipated in the major individual markets of France, the United Kingdom, Italy and Spain.

Sales of passenger cars in 2025 are expected to sharply 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.

Depending on how the Russia-Ukraine conflict evolves, registrations of light commercial vehicles in the markets of Central and Eastern Europe in 2025 will probably noticeably exceed the prior-year figures.

Germany

In the German passenger car market, we expect the volume of new registrations in 2025 to be slightly up on the prior-year level.

We anticipate that the number of registrations of light commercial vehicles in 2025 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 United States in 2025 is forecast to be similar to the level seen in the previous year. Demand will probably remain highest predominantly for models in the SUV and pickup segments. New registrations of all-electric vehicles are also expected to increase very strongly. In Canada, the number of new registrations is likely to remain on a level with the previous year. We expect the volume of new registrations in Mexico to be slightly up year-on-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 noticeable increase overall in new registrations in the South American markets in 2025 compared with the previous year. The market volume in Brazil is expected to increase slightly compared with 2024, while a strong increase is projected for Argentina.

Asia-Pacific

The passenger car markets in the Asia-Pacific region in 2025 are expected to be similar to the previous year. We estimate that the market volume in China will be on a level with the comparative figure for 2024. Plug-in hybrid models with long ranges are likely to be increasingly in demand. A weaker-than-expected economic recovery or intensifying 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 expect the Indian passenger car market to be slightly higher than in the previous year, with a noticeable increase in demand in Japan.

The volume of new registrations for light commercial vehicles in the Asia-Pacific region in 2025 will probably be in the range of the previous year's figure. We are expecting demand in the Chinese market to be close to the prior-year level. For India, we project that the volume in 2025 will be slightly higher than in the reporting year. In the Japanese market, we estimate that volumes will also be slightly higher year-on-year.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

For 2025, we expect that new registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes will be down noticeably on the previous year in the markets that are relevant for the Volkswagen Group, with variations from region to region.

A noticeable year-on-year decline in market development is expected in the 27 EU countries excluding Malta, but including the United Kingdom, Norway and Switzerland (EU27+3). We anticipate that new registrations in Türkiye will remain steady. In South Africa, we expect a slight decline in demand compared with the previous year. 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) – we expect new registrations to be slightly lower than in the previous year. After a very positive development in the reporting year, we anticipate steady demand in Brazil for 2025.

On average, we anticipate that demand in the relevant truck markets will remain at a steady level for the years 2026 to 2029.

A noticeable year-on-year increase in demand is anticipated for 2025 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 to be slightly above that of the previous year. We forecast a strong increase in demand for school buses in the USA and Canada. For the bus market in Mexico, we anticipate a sharp decline in volumes on account of the significantly positive trend in the reporting year. New registrations in Brazil will probably be noticeably lower than the prior-year figure in 2025.

Overall, we expect demand for buses to be steady on average across the relevant markets for the period from 2026 to 2029.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

We assume that automotive financial services will prove highly important to global vehicle sales in 2025 in synergy with the development of the vehicle markets. We expect demand to rise in emerging markets where market penetration has so far been low. Regions with already 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 even more 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 refueling and charging. Dealers will remain important strategic partners. The seamless integration of financial services into the online vehicle offering will become increasingly important. We estimate that this trend will also persist in the years 2026 to 2029.

In the mid-sized and heavy commercial vehicles category, we are seeing robust 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 2025. This trend is also expected to persist in the period 2026 to 2029.

EXCHANGE RATE TRENDS

For 2025, we expect the euro to appreciate slightly against the US dollar and the pound sterling. We expect the Chinese renminbi to remain at a similar level against the euro as in the reporting year. The Brazilian real, the Mexican peso, the South African rand and the Turkish lira are expected to depreciate against the European single currency to varying degrees; the Argentinian peso is expected to depreciate strongly due to the ongoing critical economic situation in Argentina.

We assume that on average the euro will remain flat against the US dollar between 2026 and 2029. We project that the European single currency will be largely stable against the pound sterling, the Chinese renminbi, Brazilian real, and Turkish lira, while the comparative weakness of the Mexican peso and the Argentinian peso will probably continue. However, there is still a general event risk, defined as the risk arising from unforeseeable market developments.

INTEREST RATE TRENDS

Although almost all major western industrialized countries and many emerging markets made their first key interest rate cuts in 2024, further changes in key interest rates in 2025 in the respective countries will depend firstly on further inflation developments and secondly on the scale of a possible economic downturn. Overall, we expect a somewhat lower interest rate level on average in 2025 compared to 2024.

We estimate that, on the whole, interest rates will persist at this level between 2026 and 2029.

COMMODITY PRICE TRENDS

We anticipate prices for almost all raw materials to rise in 2025 given the expected growth of the global economy and the associated demand.

We anticipate continued volatility in the commodity markets at slightly higher prices in some cases for the period from 2026 to 2029.

MODEL INNOVATIONS IN 2025

The Volkswagen Passenger Cars brand will be updating the T-Roc in 2025 with a refreshed interior and exterior design and new technology.

Škoda, which is celebrating its 130th anniversary this year, will launch its new Modern Solid model of the battery-electric Enyaq. Sporty RS models will complement the battery-electric Enyaq and Elroq SUV series. In the Indian market, the Kylaq will round off the range of vehicles developed and produced locally.

CUPRA will be updating and improving its product range, such as by adding new product features, new drivetrains, and limited editions.

SEAT will be refreshing the Ibiza and the Arona with new design elements and technological updates.

The new transporter from the Volkswagen Commercial Vehicles brand will be launched in 2025 with additional derivatives and drive systems, also including an electric drive system for the first time.

Audi will be expanding its electric model portfolio in 2025 with the market launch of the A6 e-tron and the sporty Q6 Sportback e-tron. Updated versions of several model lines are also scheduled for 2025, including the new A6 family and the third generation of the Q3.

Porsche will expand its product range in the course of 2025 by adding further exclusive, highly emotive derivatives including the 911 Carrera and Taycan GTS.

Bentley will be launching new versions of its Continental GT and Flying Spur models, which have already been overhauled.

Lamborghini completed the hybridization of its product range in 2024, presenting the Urus SE and the new Temerario. Both vehicles will hit dealerships in 2025; all Lamborghini models available on the market will then be fitted with a hybrid drive.

The TRATON GROUP will continue to advance e-mobility and autonomous driving.

Scania will deploy its first self-driving trucks in a mine in Australia at the end of 2025.

In addition to battery-electric vehicles, MAN will bring out efficient products equipped with the group-wide 13-liter powertrain in 2025.

International (formerly Navistar) will also push the use of the 13-liter powertrain throughout a broad product portfolio.

Volkswagen Truck & Bus will bring its e-Delivery model to additional markets and deliver the first *e-Volksbus* vehicles to customers.

Ducati will be launching the new Panigale V4, Multistrada V2 and Multistrada V4. The new 890cc V2 engine will be making its debut in the Streetfighter V2 and Panigale V2.

FUTURE ORGANIZATIONAL STRUCTURE OF THE GROUP

In line with the objective of making the Volkswagen Group more efficient and agile, we are streamlining the structure of our internal financial management and reporting, which is also described in our segment reporting pursuant to IFRS 8. Accordingly, as of January 1, 2025, the three reportable segments are: Passenger Cars and Light Commercial Vehicles, Commercial Vehicles, and Financial Services. Information on other business activities and segments which are not subject to reporting requirement will be summarized under "Other Operating Companies" in the segment reporting from January 1, 2025. This primarily includes the large-bore diesel engines, turbomachinery and propulsion components business of MAN Energy Solutions, which was previously reported as the Power Engineering segment. Due to the sale and relinquishment of the business activities which was completed in the meantime, the segment is no longer reported separately for reasons of materiality. The reconciliation of segment reporting includes the consolidation adjustments between the segments, unallocated Group financing activities, and the holding company function. It no longer includes other operating companies, which by definition do not constitute segments. These companies are reported under "Other Operating Companies".

In line with this logic, the Volkswagen Group's financial reporting will be divided into the Automotive and Financial Services divisions as well as consolidation adjustments between the divisions from January 1, 2025. The Automotive division will no longer be broken down into the Passenger Cars, Commercial Vehicles and Power Engineering business areas, but will be presented as in the segment reporting going forward. It primarily comprises the Passenger Cars and Light Commercial Vehicles, and Commercial Vehicles segments, but no longer includes the consolidation adjustments between divisions. The Financial Services Division corresponds to the Financial Services segment.

The following table shows the forecast-relevant key figures after the financial reporting structure adjustment.

CORE PERFORMANCE INDICATORS ACCORDING TO OUR NEW REPORTING STRUCTURE

	Actual 2024
Deliveries to customers (units)	9.0 million
Volkswagen Group	
Sales revenue	€324.7 billion
Operating return on sales	5.9%
Operating result	€19.1 billion
Passenger Cars and Light Commercial Vehicles segment	
Sales revenue	€241.5 billion
Operating return on sales	5.7%
Operating result	€13.7 billion
Commercial Vehicles segment	
Sales revenue	€46.2 billion
Operating return on sales	9.1%
Operating result	€4.2 billion
Financial Services Division	
Sales revenue	€58.8 billion
Operating result	€3.1 billion
Automotive investment ratio[1]	13.0%
Net cash flow in the Automotive Division[1]	€5.2 billion
Net liquidity in the Automotive Division[1]	€34.4 billion

1 Automotive division without consolidation adjustments between the Group divisions according to reporting from January 1, 2025.

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 continue to mobilize our strengths in innovation and technology and push Volkswagen's transformation towards becoming a global automotive tech driver. We intend to unleash our full business potential through efficient portfolio management and by leveraging synergies within the Group.

In our current planning for 2025, most of the capex (investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs) will be spent on the production of electric vehicles as well as on associated battery technologies, and electric toolkits and platforms as key components of the transformation within the mobility industry. 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. Furthermore, we are currently concentrating our energies on designing the Scalable Systems Platform (SSP), the successor platform for our future all-electric vehicles. The strategic goals of this SSP platform are to further reduce variance by consistently enhancing synergies and thus tapping into considerable savings potential. Other focus areas of our capex are the digitalization of our products and sites, measures to cut carbon emissions, the promotion of sustainable production processes, and the expansion of our presence in markets such as North America (with the Scout brand) and China, where we will likewise step up our activities at local level.

Besides capex, investing activities 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. Additionally included are expenditures for the software architectures of the future, with a synergistic approach for use within the Group.

Through these 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 with a view to safeguarding our future viability. These investments also include commitments arising from decisions taken in previous fiscal years. In the Automotive Division, we are expecting an investment ratio of between 12% and 13% in 2025.

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 2025 to be between €2 and €5 billion. This includes cash outflows for investments for the future as well as for restructuring measures. Net liquidity in the Automotive Division in 2025 is expected to be between €34 billion and €37 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 2025, these joint ventures plan to invest in e-mobility, further optimization of the model portfolio, the development of new mobility solutions and digitalization (especially in software). Their capex will probably exceed the 2024 level and be financed from the companies' own funds.

In the Financial Services Division, we are planning lower investment in 2025 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 around 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 2025 at a slightly slower pace than in 2024. Declining inflation in major economic regions and the resulting easing of monetary policy are expected to boost consumer demand. We continue to believe that risks will arise from increasing fragmentation of the global economy and 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, the confrontations in the Middle East, and deepening uncertainties regarding the political orientation of the USA. We assume that both the advanced economies and the emerging markets will record somewhat weaker momentum on average than that of the reporting year.

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. Moreover, sudden new or intensified geopolitical tension and conflicts could lead to rising prices for materials and 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 2025. Overall, the global volume of new car sales is expected to be slightly higher than the prior-year level. For 2025, we anticipate that the volume of new passenger car registrations in Western Europe will be noticeably higher than that recorded in the reporting year. In the German passenger car market, we expect the volume of new registrations in 2025 to be slightly up on the prior-year level. Sales of passenger cars in 2025 are expected to strongly exceed the prior-year figures overall in markets in Central and Eastern Europe – subject to the further development of the Russia-Ukraine conflict. 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 United States in 2025 is forecast to be similar to the level seen in the previous year. We anticipate a noticeable increase overall in new registrations in the South American markets in 2025 compared with the previous year. The passenger car markets in the Asia-Pacific region in 2025 are expected to be similar to the previous year.

Trends in the markets for light commercial vehicles in the individual regions will be mixed; on the whole, we expect the sales volume for 2025 to be similar to the previous year's figure.

For 2025, we expect that new registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes will be down noticeably on 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 2025 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 2025 in synergy with the development of the vehicle markets.

In a challenging market environment, we anticipate that the number of deliveries to customers of the Volkswagen Group will be similar to the previous year.

Challenges will arise in particular from an environment of political uncertainty, expanding trade restrictions and geopolitical tensions, 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 and Light Commercial Vehicles segment to exceed the previous year's figure by up to 5% in 2025. The operating return on sales is projected to be between 5.5% and 6.5% for the Group and between 6% and 7% for the Passenger Cars and Light Commercial Vehicles segment. For the Commercial Vehicles segment, we anticipate an operating return on sales of 7.5% to 8.5% amid sales revenue on a level with the previous year. For the Financial Services Division, we forecast an increase of up to 5% 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 12% and 13% in 2025. We expect net cash flow for 2025 to be between €2 billion and €5 billion. This includes cash outflows for investments for the future as well as for restructuring measures. Net liquidity in the Automotive Division in 2025 is expected to be between €34 billion and €37 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 the standardized 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

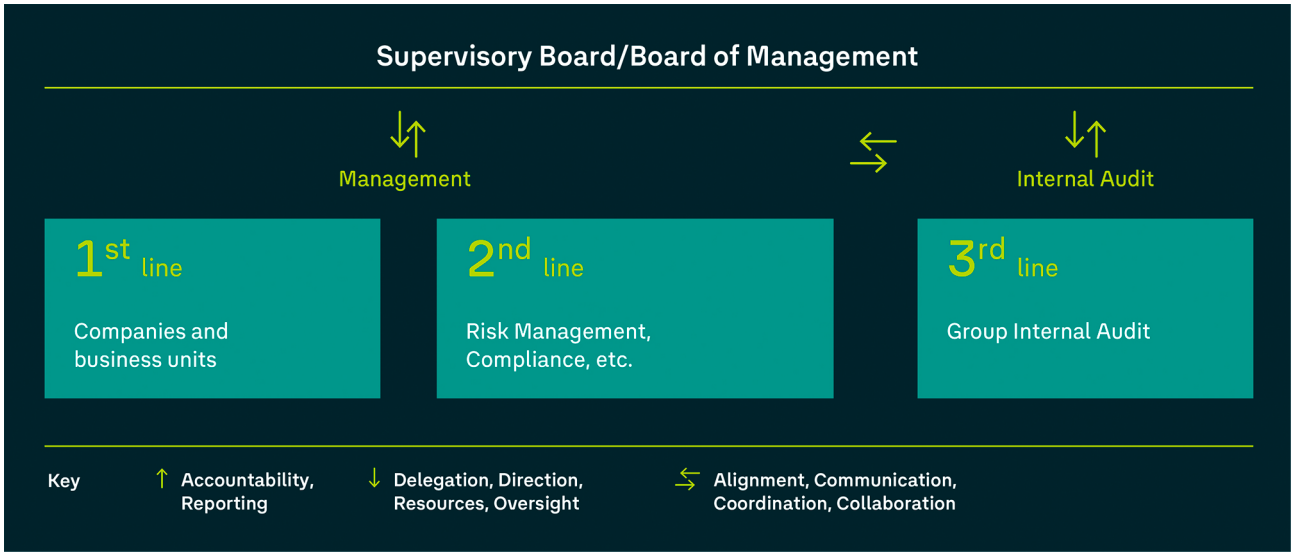
Only by promptly identifying, accurately assessing and effectively and efficiently managing the risks and opportunities arising from our business activities can we ensure the Volkswagen Group's long-term success. The aim of the standardized RMS and the ICS is to identify potential risks at an early stage 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 have 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.

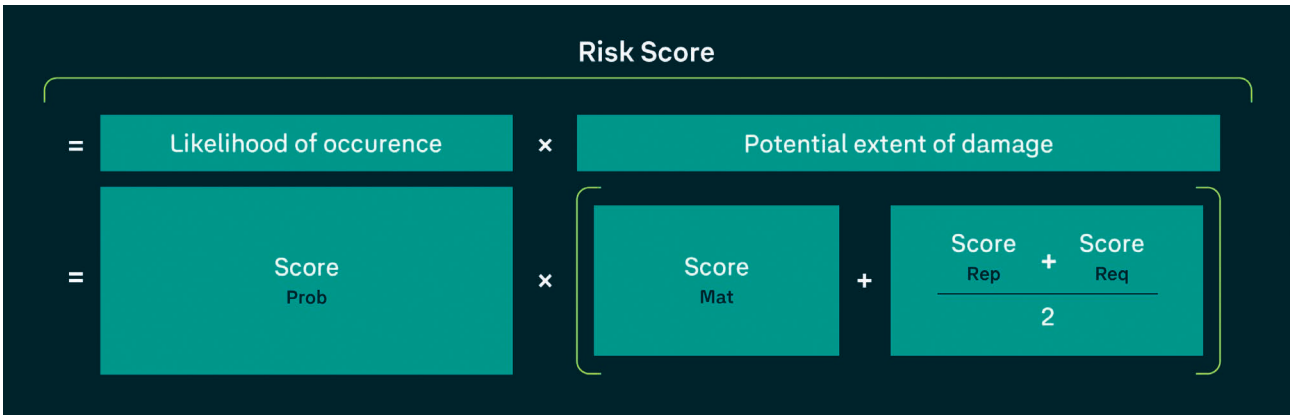
A separate Group Board of Management Committee for Risk Management deals with the key aspects of the RMS and ICS every quarter. Its tasks are as follows:

- 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 regular 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 potential 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 Financial Services Overseas AG 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 2024 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 or more.

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 the next 24 months.

In recent years, a standardized ICS to better protect against process risks has also been developed and put in place in significant companies. A risk-driven review of the companies to be included in the standardized ICS is performed annually. The ICS thereby goes significantly beyond the requirements for the accounting-related ICS. In 26 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, they address matters such as 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 RiskRadar 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. In addition to the RMS and the ICS, our Compliance Management System (CMS) is also subject to these control and adjustment mechanisms. External experts assist in the continuous enhancement of our RMS, ICS and CMS 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 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. Volkswagen Financial Services AG as a financial holding company is subject to supervision by the European Central Bank, while Volkswagen Versicherung AG as an insurance undertaking is subject to supervision by 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 – as part of Volkswagen Financial Services AG – from time to time.

Volkswagen Financial Services Overseas 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 the Volkswagen Group's RMS 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 2024. Furthermore, the Board of Management of Volkswagen AG receives regular status updates on the CMS and the topics within the remit of the Group Integrity & Compliance organization – prevention of corruption, money laundering, embezzlement and breach of trust. Here, too, the Board of Management has received no information to indicate that our CMS as a whole was inadequate or ineffective.

Nevertheless, there are inherent limits to the effectiveness of any risk management, compliance management and internal 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 Group companies' reporting packages that are necessary to prepare the consolidated financial statements 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 separate financial statements and specific significant issues at the

subsidiaries. Alongside plausibility checks, other control mechanisms applied during the preparation of the separate 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.

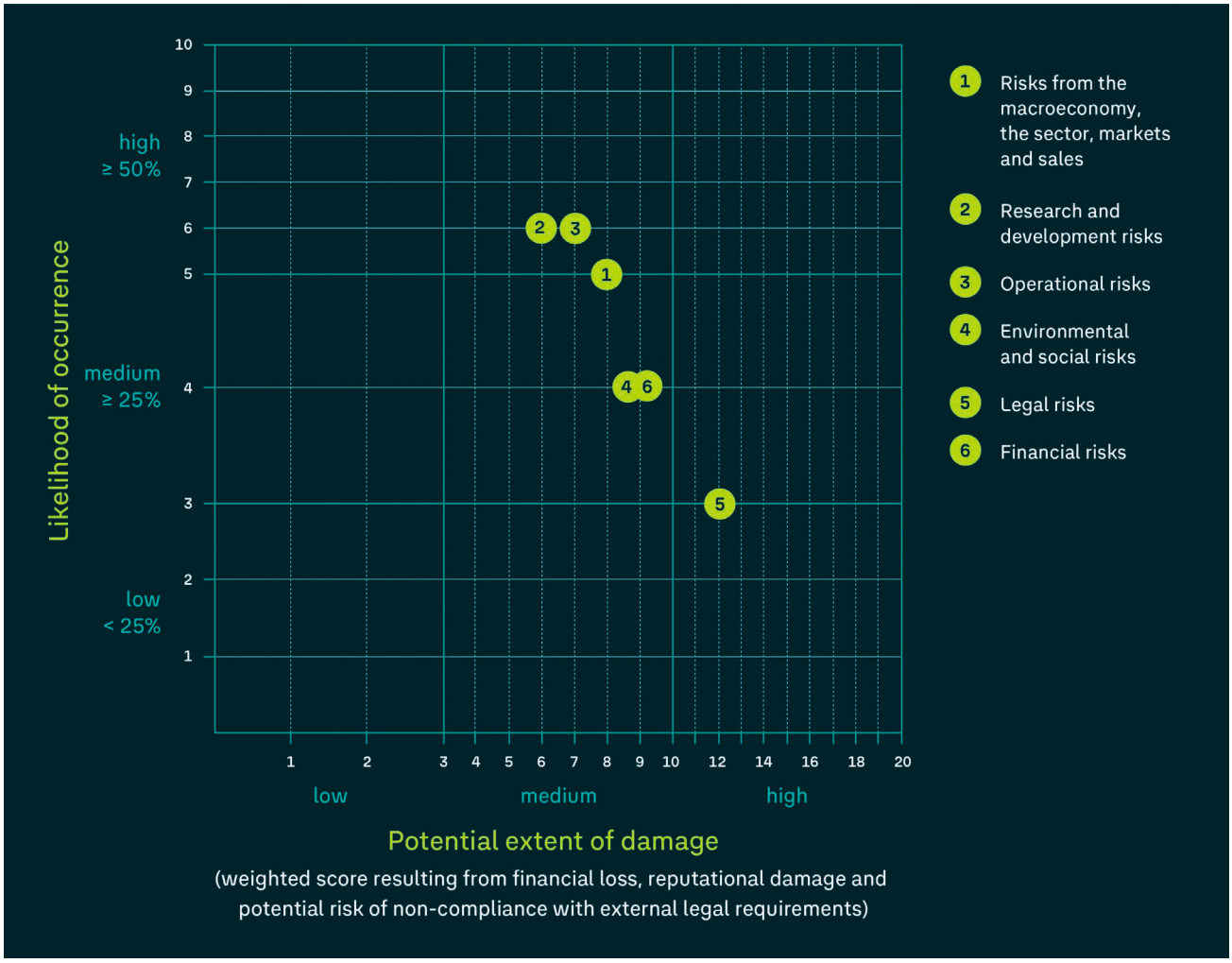
The combined management report of the Volkswagen Group and Volkswagen AG is prepared – in accordance with the applicable requirements and regulations – centrally but with the involvement of and in consultation with the Group units and companies. Specific systems are used for data collection in the Group departments.

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 Financial Accounting Controlling Tax System (FACTS) rolled out in the reporting year enables the Volkswagen Group to consolidate and analyze both Financial Reporting's backward-looking data and Controlling's forward-looking data. FACTS 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, FACTS 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. These individual risks, which are listed over and above the QRP, are generally inherent in nature and do not reach the materiality thresholds previously described. 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 incorporate all risks with a risk score of 20 or more reported to the Group Risk Management department by the units included in the QRP. The risk categories are plotted based on the average scores. 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.

Below, we therefore report 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 trade restrictions, increasing protectionist tendencies and intensifying competition.

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 slowing globalization and growing fragmentation of the global economy, as well as from increasing geopolitical and geoeconomic tensions and conflicts. Political uncertainty (due among other things to shifts in the direction of political agendas), protectionist measures (for example resulting from trade tensions between the US and China and other trade partners such as the EU and Mexico) and structural deficits are other major risk factors that pose a threat to the performance of individual advanced economies, emerging markets and other regions. In addition, there are increasing environmental challenges that affect individual countries and regions to varying degrees. The change in the direction of monetary policy measures that can be seen around the world, the associated expectations of declining inflation and the continued relatively high interest rate level in many western economies also harbor risks for the macroeconomic environment. High levels of debt in the private and public sector in individual economies are 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 a direct 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 reliance on energy and commodity prices and by capital inflows, but also by socio-political tensions. In addition, risks can arise from corruption, ineffective government structures and a lack of legal certainty.

In light of the existing, strong global interdependencies, local developments could also have adverse effects on the world economy. Further escalation of the conflicts in the Middle East, in Africa, and particularly of the conflict between Russia and Ukraine, for example, could cause upheaval in 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 global economy to grow in 2025 at a slightly slower pace than 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, Germany in particular, 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 as well as a strong dealer network. 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 markets of Central and Eastern Europe, the Americas 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 for homologation and vehicle registrations, import restrictions in the form of potential bans on the use of specific foreign components and software solutions as well as various other trade barriers such as those looming in the United States. At the same time, wherever the economic and regulatory situation allows, 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 disruptions could give rise to the risk of underutilization of capacity in global automobile production, meaning that existing demand might not be met in some instances and drift away.

Pent-up demand from times of crisis in individual established markets could result in a significant recovery if the economic environment recovers more quickly than expected.

In Europe, there is a risk that, in addition to fleet emissions and fuel consumption targets, more and more municipalities and cities will impose a driving ban on vehicles with combustion engines in order to ensure compliance with emission limits. China imposed a so-called "new energy vehicle quota" in 2019, according to which battery-electric vehicles, plug-in hybrids, or fuel cell vehicles must account for a certain proportion of a manufacturer's new passenger car fleet. In the United States, California has been imposing a regulation for several years now, which other US states are following. This regulation subjects manufacturers to increasingly strict legal requirements for the sale of zero-emission vehicles from year to year. To ensure compliance with emissions standards, we continuously tailor our range of vehicle model and engine variants to the conditions in the relevant markets. These requirements may lead to higher costs and consequently to price increases and declines in demand and 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 with attractive terms with the aim of strengthening their business models and reducing operational risk. We have implemented a comprehensive liquidity risk management system to enable us to promptly counteract any dealership liquidity bottlenecks 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 counteracts the risk of loan defaults.

Volkswagen maintains a selective distribution system. Within the European Union, dealers and service partners are selected – where permissible – by 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. However, Volkswagen AG is still required to observe the market situation and, if its market share ends up exceeding 40%, to review the quantitative-qualitative distribution system and adjust it as required.

On April 17, 2023, with its Regulation (EU) 2023/822, the European Commission extended the block exemption for the vehicle sector (MVBER – Regulation (EU) 461/2010) by another five years. The block exemption would have technically expired on May 31, 2023. 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 in general terms only 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. Parallel to its obligation to provide data, Volkswagen AG is required to fulfill its obligation to comply with cybersecurity requirements. 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 with regard to 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. The European Commission's legislative procedure to reform EU design law with regard to repair parts has been adopted. A restriction or abolition of design protection for replacement parts, including at European and national level in the EU, 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, the swift introduction of legislative initiatives, including in connection with the achievement of climate change mitigation 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 necessary availability of the required charging infrastructure.

There is also a risk of global freight deliveries being shifted from trucks to other means of transport, and the resulting drop in demand for Group commercial vehicles.

Below, we present the regions and markets with the greatest growth potential for the Volkswagen Group.

- China

  Demand for vehicles is expected to further increase in the coming years due to the need for individual mobility. This also applies to the fast-growing e-mobility market, which is already dominated by high-volume domestic manufacturers, among others. Furthermore, it is expected that demand will shift from the coastal metropolises to the country's interior and that competitive pressure from local manufacturers will generally increase further. In order to leverage the opportunities offered by this market – especially with regard to e-mobility – and to defend our 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 entering into partnerships in this growing market to be able to meet the requirements of regional customers as effectively as possible.
- 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 offers a range of models tailored to customers' needs: the Virtus and Taigun from the Volkswagen Passenger Cars brand and the Škoda Kushaq, Slavia and Kylaq.
- USA

  In the saturated US market, we expect the proportion of light trucks (particularly SUVs and pickups) to further increase slightly in the coming years. In addition, we assume that the electrification of mobility will probably accelerate due to support measures and legally prescribed fleet emission and fuel consumption targets. These factors 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 a full-size 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 slightly 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 Nivus and the new Polo Track.
- Middle East

  Political and economic uncertainty in the region is increasingly taking its 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 operating 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, also 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. 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. Other potential consequences include lower margins in the new and used car businesses and a temporary increase in funds tied up in working capital. We are strategically countering the risk of buyer reluctance with our attractive range of models and our strict customer orientation.

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 common-parts strategy. 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 also taking a strategic approach 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.

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 measures in particular – such as those looming in the United States 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 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. Global demand for merchant ships is stable; 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.

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, violent conflicts, terrorist attacks and disruptions in 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, in particular with regard to e-mobility, software 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. Test procedures and test cycles (e.g. the Worldwide Harmonized Light Vehicles Test Procedure, WLTP), the continual stringency and expansion thereof to include production vehicles (for example as regards fleet consumption or the monitoring device for fuel/power consumption required by law), 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. Statutory documentation requirements (for example regarding data protection or the use of artificial intelligence) are also increasingly weighing on our workflows.

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 the 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 of 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 greater 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 high (previous year: medium) 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 tight procurement markets and in underutilization of sites.

Risks and opportunities from Procurement and Technology

The transformation of the automotive industry towards e-mobility is resulting in an increased need for financing among suppliers, presenting them with considerable challenges. These are being exacerbated by the current commodity price situation. 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 in view of the prevailing global geopolitical and macroeconomic situation, natural disasters and the increased frequency of climate-induced extreme weather events. Fires, explosions, or the leakage of substances hazardous to health or the environment may likewise 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.

Supplies of semiconductors stabilized in the reporting year. However, due to rising demand for semiconductors in the automotive industry, fueled for example by autonomous driving and electrification, the renewed occurrence of a further allocation cycle cannot be ruled out completely. For this reason, Volkswagen is monitoring the chip supply situation very closely and has proactively taken measures to mitigate further interruptions to semiconductor supplies.

Supply risks are identified in Procurement at all times 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. Moreover, 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.

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, the resulting reliance on suppliers, technological change and battery recycling requirements. 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, particularly 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, especially 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.

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 financial sanctions, 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. The aim of the system is to avoid and minimize human-rights, social or environmental risks along the Volkswagen Group's supply chain based on a risk analysis. The responsible supply chain system includes elements that build on each other. In addition to the risk analysis there are both standard and deep-dive actions. Standard actions include preventive and reactive measures. Deep-dive actions encompass the human rights focus system, the raw materials due diligence management system and collaboration with external partners to further develop the concept of sustainability in the supply chain.

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 transformation from conventional vehicles with combustion engines to 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. In the event of a further unforeseen and prolonged decline in demand and subsequent excess capacity, there is a risk that restructuring measures or even site closures may become necessary. 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 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, faults during 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. Although the supply situation has now returned to normal levels, there is still high volatility due to geopolitical variability and the increased frequency of natural disasters. There is a greater likelihood of events suddenly occurring that could 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. 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 part 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. In this way, we reduce the risk of customer complaints or other negative consequences.

In view of the increasing technical complexity of vehicles due to their internal and external connectivity, and the platforms and toolkit systems in use across brands, it is important to ensure the quality of the parts and software components supplied. 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 reports on APS- and CSB-related topics. We have established a universal, transparent management and tracking system to follow up on all such reports 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 the legal conformity of our products 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 mobility provider, 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. These risks include, in particular, the 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 in preserving data integrity and flawless system performance.

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 great 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, IT autonomy and the safety and security of our customers 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, and also by updating these technologies when the need arises or an incident occurs. One example from the reporting year was our immediate response to a misconfiguration becoming publicly known; we promptly updated our security technologies to address the issue.

We achieve additional protection by restricting the allocation of access rights to systems and central administration, including recurring 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 are 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. 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 arising 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 the focus of public interest. One of the basic principles of our business activities 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 committed by individuals and the resulting reputational damage can never be fully prevented. Media reactions can have a negative effect on the image of the Volkswagen Group and its brands. Our transparent communication and also our crisis response help to soften the impact of negative media responses.

Environmental and social risks

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 arise from non-fulfillment of CO_2-related requirements and transformation-related programs for the future.

Personnel risks

We use a range of instruments to counter economic risks and changes in the market, 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 maintain a permanent workforce that is generally stable, even when orders fluctuate. Moreover, there is a risk that the terms of new or existing collective agreements will not deliver the necessary cost savings for the efficiency programs adopted. Ways in which we counter this risk include consistently monitoring the targets agreed by the collective bargaining parties and internationally coordinated management of collective bargaining across the Volkswagen Group worldwide.

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 are continuously expanding 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 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 and information technology. With tools such as these, we want to ensure that our need for qualified new staff is covered, even amid a shortage of skilled labor.

We also counter the risks associated with employee turnover and loss of expertise – for example as a result of retirement – with intensive, department-specific succession planning and training.

The advancing digitalization of our personnel processes involves 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. The Volkswagen Group is aware of its responsibility in the processing of this data. To ensure that this processing is carried out in a manner that is compliant with data protection requirements, we address risks as part of our data protection management system by implementing a wide range of measures.

Compliance with legal requirements, the identification and assessment of work-related risks, the derivation of appropriate measures and monitoring of their effectiveness form the basis of successful occupational health and safety measures and contribute to maintaining the health of our employees as members 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 CO_2 emission targets for all new passenger car and light commercial vehicle fleets for manufacturers are set out in Regulation (EU) No 2019/631 in the EU for 2020 and subsequent years. 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.

For new passenger car fleets in the 27 EU member states, including Norway and Iceland (EU27+2), a reduction of 15% in CO_2 emissions will 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 apply to new passenger car and light commercial vehicle fleets. In each case, the starting point for the calculation is the WLTP fleet value in 2021. These more stringent targets can essentially only be achieved through a growing proportion of electric vehicles within the fleet. The European Commission plans to revisit these targets as part of the Carbon Review for 2026.

If the respective fleet target is not fulfilled, the Commission may impose an excess emissions premium in the amount of €95 per excess gram of CO_2 per newly registered vehicle.

Regulations governing fleet fuel consumption of new vehicles are also being developed or introduced outside the EU, for example in Brazil, China, the United Kingdom, India, Japan, Canada, Mexico, Saudi Arabia, Switzerland, South Korea, Taiwan, New Zealand, Australia 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 2024, this quota was 28% and had to be fulfilled through battery-electric vehicles, plug-in hybrids, or fuel cell vehicles. The quota will be raised to 38% for 2025. There is no indication as to possible targets after 2025 yet.

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 (GHG) legislation and Corporate Average Fuel Economy (CAFE) legislation. The fact that performance is accounted for over several years as well as the option to purchase credits provide flexibility in target achievement. If targets are missed, payments to the authority may be due and/or vehicle registrations may be prohibited, depending on the regulation. In December 2021, the previous 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 be reduced from 137 g CO_2/km in 2022 to 106 g CO_2/km in 2026. The CAFE efficiency targets for 2024 to 2026 were announced in spring 2022. The previous administration set a target for 50% of all new vehicle sales to be electric by 2030. The GHG and CAFE fleet targets for the period from 2027 to 2032 were accordingly published in 2024. An industry-wide fleet average for passenger cars and light commercial vehicles of 53 g CO_2/km or an efficiency value of 51.4 miles per gallon is to be achieved by 2032. Over and above this, California and the other US states applying the California Zero-Emission Vehicle Regulation are required to meet electrification rates for the new vehicle fleet that rise each year. The goal is to achieve the complete electrification of all passenger cars and light commercial vehicles by 2035. It is expected that the existing fleet specifications will be subject to review under the current administration.

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, for example, failure to meet fleet value targets, which would entail severe payment obligations. Whether the Group meets its fleet targets largely depends 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 reduce fuel consumption outside of the test cycle are eligible for credits (eco-innovations and off-cycle credits)
- 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. Successor emissions legislation (Euro-7) was completed in late 2023. The final regulation was published in the Official Journal in April 2024. This successor legislation is mandatory from November 2026 for new vehicle types and from November 2027 for all new vehicles.

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.

The debate around driving bans for diesel vehicles in Germany has lost some of its heat given the strong improvements in air quality measurements. In 2024, all air quality limits were met for the first time. 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 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.

Around the world, commercial vehicles are subject to increasingly stringent environmental and other regulations. The goal of achieving climate neutrality by 2050 defined for the 27 EU member states in the European Green Deal plus the related ambitious carbon reduction targets by 2030 (general reduction of CO_2 emissions in the EU by at least 55% by 2030 and by 90% by 2040 compared to 1990 levels) pose a major challenge for TRATON and the entire heavy commercial vehicle sector.

In mid-2024, the EU set new ambitious targets for manufacturers of heavy commercial vehicles in the new Regulation (EU) 2024/1610 (CO_2 Regulation) in order to reduce CO_2 emissions in Europe over the course of this decade and the next. This reaffirmed the existing objective for 2025 of cutting the CO_2 emissions of heavy trucks of more than 16 tonnes by 15%. However, the EU raised the reduction target from 30% to 45% by 2030 and set it for these vehicles at 65% by 2035 and at 90% by 2040, based on a benchmark from the period from July 2019 to June 2020. These targets will also be extended to subgroups of commercial vehicles over five tonnes, including intercity buses and coaches. Some special vehicles are still exempt. To speed up the rollout of zero-emission city buses, the EU also decided that all new city buses must be zero-emission from 2035, with an interim target of 90% in 2030. If these emissions targets are not achieved, penalties of €4,250 will be imposed per gram of CO_2/tonne-kilometer (tkm) of excess emissions, starting from 2025.

The new Euro-7 emission standard for limiting harmful emissions such as nitrogen oxides (NO_x) or particulate matter from vehicle exhaust gases was adopted in the EU and the corresponding legislation was published in the EU Official Journal in May 2024. Implementation of this standard poses a challenge both in terms of the limit values and testing methods. Many technical details still need to be defined in secondary legislation.

TRATON is also impacted by the new NO_x regulation and possible further tightening of carbon emission regulations in the USA. The US Environmental Protection Agency (EPA) has already imposed stricter CO_2 limits for heavy commercial vehicles. The new regulations stipulate that a significant proportion of heavy commercial vehicles must be zero-emission by 2032 in order to achieve the climate targets set. In early 2023, the California Air Resources Board (CARB) approved the Advanced Clean Fleet (ACF) regulation, which requires fleet owners to transition to zero-emission vehicles. Some fleet requirements took effect in 2024, but vary by industry. The ACF also sets out that by 2036 all trucks sold in California must be zero-emission vehicles. As a result, TRATON may be subject to different regulatory standards in the USA as a whole and in individual states, which means that emissions regulations may come into force at different times and with varying degrees of stringency.

China has already brought in the China 6 (CN 6) emissions standard for heavy commercial vehicles in 2023 in an effort to reduce pollutant emissions. New Stage IV fuel consumption limits will also enter into force there in July 2025, as will the New Energy Vehicle Credit Policy Plan, which is slated to be implemented from 2026 to reduce carbon emissions for all commercial vehicles. New regulations are being developed and existing ones are being revised apace, particularly with regard to advanced driver assistance systems, intelligent and connected vehicles, and new energy vehicles.

Adapting commercial vehicles to new emission standards is technologically complex and expensive, especially given the often contradictory regulations applicable to CO_2 and other pollutant emissions from internal combustion engines. Using new technologies to reduce carbon and other exhaust gas emissions is indispensable for meeting the targets set for the EU, North America and China. This is why TRATON is investing heavily in climate-friendly alternative drive systems – especially battery-electric commercial vehicles.

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. In 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 medium (previous year: low) 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 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 affected powertrains and, after approval by the KBA, already installed these updates in the vehicles of a large number of affected customers.

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 September 2021, the Braunschweig Regional Court began hearing the indictment of several current or former employees of Volkswagen AG on charges that include fraud in connection with the diesel issue involving type EA 189 engines. How long the trial will take is currently unclear. Proceedings against a former Chair of the Board of Management of Volkswagen AG were severed from the above case and then joined for joint trial by the Braunschweig Regional Court with separate proceedings, that were initially terminated on a provisional basis, against the same former Chair of the Board of Management on charges of market manipulation relating to capital market disclosure obligations. Shortly after beginning in the third quarter of 2024, the main trial proceedings were again suspended. It is not possible to predict when the main trial proceedings will be resumed again. The

Braunschweig Office of the Public Prosecutor is no longer conducting any investigations against Volkswagen AG in connection with the aforementioned proceedings.

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 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, which must decide whether to accept the indictment, has since definitively terminated the proceedings against one of the three defendant former members of the Board of Management of AUDI AG subject to payment of a sum set by the court. The Munich II Regional Court has not yet decided whether to accept the indictment against the other two former members of the Board of Management of AUDI AG.

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 ECJ 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, and South Africa. These actions asserted alleged rights to damages and other relief. The pending actions included in particular the following:

In Belgium, a settlement agreement completely resolving all claims in the class action brought by the Belgian consumer organization *Test Aankoop VZW* was entered into in December 2024. In the settlement, *Test Aankoop VZW* and Volkswagen AG agreed to refrain from appealing the July 2023 trial level judgment and to implement the terms thereof. This judgment ordered Volkswagen AG 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.

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 Superior Court of Justice rejected the appeal filed by the plaintiff against the June 2023 appellate court decision in April 2024. Subsequently, the plaintiff filed an interlocutory appeal against this decision with the Superior Court of Justice at the end of April 2024.

financialright GmbH had originally filed approximately 45 thousand consolidated actions before various German courts asserting claims assigned to it by customers in Germany, Slovenia, and Switzerland against Volkswagen Group companies. The proceedings have since been fully resolved following the withdrawal of numerous requests for relief and complaints as well as various settlement agreements. Objectively valuable claims that were

withdrawn and then raised again have likewise already been resolved for the most part; otherwise, provisions have been recognized.

Actions have been filed in courts in England, Wales, and Scotland against Volkswagen AG, Volkswagen Group United Kingdom Limited, Volkswagen Financial Services (UK) Limited, and other Volkswagen Group companies in connection with various other diesel vehicles. So-called "outline generic particulars of claim," which provide a rough overview of the grounds of the complaint, were served in England and Wales in September 2024. In Scotland, motions for commencement of a class action and appointment of a representative were formally served, starting in October 2024, on Volkswagen Group United Kingdom Limited, Volkswagen Financial Services (UK) Limited, Volkswagen AG, SEAT S.A., and Škoda Auto a.s. The details of the respective complaints remain uncertain.

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, the parties to the class action brought by the consumer organization *Altroconsumo* signed a settlement agreement in May 2024 completely resolving all claims for roughly 60 thousand customers validly registered in the class action who had purchased VW, Audi, Škoda, or SEAT vehicles from 2009 to 2015 with type EA 189 engines that were affected by the diesel issue. Both sides refrained from appealing last year's judgment at the first appellate level by the Venice appeals court, thus terminating the proceedings. Provisions totaling roughly €50 million were recognized for the settlement and its implementation.

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. On appeal by DEJF, the appellate court in August 2024 modified the interlocutory judgment and held that the new class action regime is applicable to vehicles in the Euro 6 emissions category. However, the court held the new class action regime to be inapplicable to vehicles in lower emissions categories (such as Euro 5). The decision is not yet final.

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 10 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. Fundamental judgments handed down by the BGH in previous years resolve legal issues of major importance for the litigation still pending. Details on these decisions can be found in the chapter

entitled "Litigation" in the Annual Report of the Volkswagen Group for the fiscal year in which the respective fundamental judgment was issued.

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 and will also continue in 2025. 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. In other cases, the decision was deferred in light of ongoing criminal investigations against the individuals in question. A large number of witnesses have testified since mid-September 2023. To date, none of the witnesses heard has testified that members of the Board of Management or persons with ad hoc disclosure responsibility at Volkswagen AG had knowledge prior to September 18, 2015 of any information relating to the diesel issue that Volkswagen AG considered to have share price relevance. 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, the amount of the claims being asserted worldwide against Volkswagen AG in connection with the diesel issue in the form of investor lawsuits, judicial applications for dunning and conciliation procedures, and claims registered under the KapMuG declined to approximately €8.7 billion in the reporting year due to the withdrawal and legally final dismissal of lawsuits. Since the beginning of the proceedings, investor lawsuits in excess of €1 billion have thus 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" remain 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 March 2019, the US Securities and Exchange Commission (SEC) filed a lawsuit against, among others, Volkswagen AG, Volkswagen Group of America Finance, LLC (VWGoAF), 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 March 2024, VWGoAF submitted to the SEC an executed consent to enter into a final judgment, without admitting or denying the allegations of the SEC's amended complaint filed in September 2020, which requires, among other things, payment in the amount of about USD 49 million. Subsequently, the SEC and VWGoAF filed a motion for entry of final judgment as to VWGoAF requesting the U.S. District Court for the Northern District of California to enter final judgment that would fully resolve the SEC's claims against VWGoAF. In April 2024, the court granted the motion and entered final judgment as to VWGoAF, and issued an order dismissing with prejudice all claims against Volkswagen AG and a former Chair of the Board of Management of Volkswagen AG. Accordingly, the SEC's claims against all defendants in this lawsuit have been fully resolved.

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 con-

nection 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 a 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, this court dismissed the motion for appointment of a special auditor as well as the petitioners' motion in the action for replacement of the special auditor by rulings of November 2024 and December 2024 respectively. The petitioners have filed appeals on points of law with the BGH against both decisions. 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 €0.6 (0.9) billion has been included in the provisions for litigation and legal risks as of December 31, 2024 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 (4.0) billion, whereby roughly €3.8 (3.8) 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. In 2024, new legislation led to significant reductions in the penalties. 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 3.1 billion could result for the contested period from 2009 onwards; this amount has been included in contingent liabilities in the notes.

The Indian customs authorities have initiated investigations into the question of the application of local customs duties at ŠKODA AUTO Volkswagen India Private Limited and have issued a "Show Cause Notice". A final decision by the Indian authorities has not yet been made. However, due to the early stage of the investigations and the resulting uncertainty surrounding information currently available, risks in this regard cannot be conclusively quantified.

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 subsequently appealed 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 ECJ, 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 €162 million.

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 was 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 were 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. Neither provisions nor contingent liabilities have been reported 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. On the basis of comparable matters, the Brazilian competition authority Conselho Administrativo de Defesa Econômica (CADE) likewise opened proceedings in July 2024 against Volkswagen AG, AUDI AG, Porsche AG, and others.

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 light utility vehicles). 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. In June 2024, the Chinese competition authorities also served Volkswagen AG with a request for information in this matter. The Korean competition authority KFTC also carried out a search of Volkswagen Group Korea in the same context. 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 judical 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 has appealed this decision to the Supreme Court. Concurrent therewith, Volkswagen AG continues to examine the possibilities for reasonable cooperation with the CMA.

In October 2024, the Brazilian competition authority CADE opened proceedings against numerous companies on charges of improper anti-competitive exchange of human resources information. Within the Volkswagen Group, Volkswagen do Brasil is party to the proceedings.

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.

In the lawsuit that Greenpeace is supporting in Braunschweig, the Braunschweig Higher Regional Court rejected the plaintiffs' appeal in June 2024 and upheld the Braunschweig Regional Court's February 2023 dismissal of the complaint. In their complaint filed in November 2021, the plaintiffs in the action had sought, among other

things, to compel Volkswagen AG 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. The appellate court's June 2024 decision is final and terminates the Braunschweig lawsuit. 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, again 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. In April 2023, the plaintiffs appealed this decision to the Hamm Higher Regional Court.

In Russia, Automobile Plant GAZ LLC (GAZ) had initially filed actions against Volkswagen AG and others in 2023 alleging damage claims totaling around RUB 44 billion. In fulfillment of a court-confirmed settlement, GAZ withdrew one of its lawsuits, thus terminating these proceedings. In July 2024, the trial court in the remaining lawsuit alleging claims of roughly RUB 28.5 billion ordered Volkswagen AG to pay damages in an amount of roughly RUB 16.9 billion. In December 2024, the appellate court hearing the appeal of Volkswagen AG affirmed the trial court's judgment. Volkswagen AG has appealed this decision and will continue to mount a comprehensive defense.

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 and tariff risks

Volkswagen AG and its subsidiaries have operations worldwide and are audited by local tax and customs authorities on an ongoing basis. Amendments to tax laws, customs regulations, changes in legal precedent and their interpretation by the authorities in the respective countries may lead to payments of taxes and tariffs 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 advance pricing agreements, as well as the monitoring of transfer prices or monitoring of compliance with customs regulations, Volkswagen constantly tracks the development of corresponding risks, as well as the impact thereof on the consolidated financial statements.

Appropriate provisions were recognized for potential future retrospective payments of taxes or tariffs or for ancillary tax payments arising in this connection.

The Volkswagen Group is aware of its social responsibility to comply with tax and customs regulations (compliance) and is committed to being a responsible and reliable payer of taxes and tariffs (tax governance).

The organizational principles relating to the Volkswagen Group's tax and customs affairs are set out in the relevant Group policies, which are reviewed annually to verify that they are up to date. The organizational principles defined therein are designed to ensure that tax- and tariff-related financial and regulatory risks 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. In particular, uniform requirements are defined for the implementation of a Group-wide tax compliance management system; these requirements must be met by the Group companies and serve to monitor adherence to tax regulations.

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 must be avoided.

Financial risks

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 arise mainly from the deterioration offinancing opportunities.

Strategies for hedging financial risks and the resulting risks arising from financial instruments

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 a sudden outbreak of geopolitical tensions and conflicts or the intensification of existing ones. We continuously monitor these financial and liquidity risks and mitigate them using non-derivative and derivative financial instruments. These give rise to counterparty risks, which we limit using our counterparty risk management.

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. However, variable interest rate positions exist as a result of the issuance of a floating rate bond in the Automotive Division in 2024 which was not matched with a derivative to eliminate the interest rate risk. 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.

The hedging of commodity prices entails risks relating to the availability of raw materials and price trends. 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, copper and lead over a period of up to six years. We have also entered into price hedges for

cobalt and lithium 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.

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 counterparty risks, and also to 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.

In addition, financial instruments used in risk hedging strategies 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.

Our hedging policy, the hedging rules, the default and liquidity risks, and the quantification of the hedging transactions mentioned, risks that arise in connection with trade receivables, and risks arising from financial services are explained in the notes to the consolidated financial statements. We also disclose information on market risk within the meaning of IFRS 7 in the notes.

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, among other things through securitizations of receivables and the issuance of unsecured bonds, as well as through customer deposits from the direct banking business.

One of the ways in which Volkswagen finances its investments 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 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 resulting from a sudden outbreak of geopolitical tensions and conflicts or an intensification of existing ones) 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 credit risks and residual value risks along with our dependence on the Group's vehicle business.

Credit risk is defined as the danger of a financial loss resultingfrom defaults incustomer transactions. These are caused by the default of the borrower or lessee. The default is caused by the borrower's or lessee's insolvency or unwillingness to pay. In other words, the counterparty does not make the agreed interest payments or repayments of principal on time or does not pay the full amounts.

The aim of a systematic credit risk monitoring system is to identify potential borrower or lessee insolvencies at an early stage, anticipate possible losses by recognizing appropriate allowances and, if possible, initiate corrective action in respect of a potential default. If, for example, an economic downturn leads to a higher number of insolvencies or greater unwillingness of borrowers or lessees to make payments, higher loss allowances and amortization expenses must be recognized.

Credit checks on borrowers are the primary basis for lending decisions. Rating or scoring systems are used that provide the relevant departments with an objective basis for reaching a decision on a loan or a lease.

An opportunity from credit risks may arise if the losses from the lending and leasing business are lower than the previously expected losses and the corresponding risk provision recognized on this basis. Particularly in countries where higher risk provision is needed 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.

Credit risks are monitored and managed on the basis of defined guidelines and processes. All lending is monitored in relation to the financial circumstances of the borrower or lessee, contractual obligations, conditions stipulated by both outside parties and the company itself and defined in the credit approval process, available collateral and adherence to any limits granted. As such, commitments are managed according to the degree of risk involved (standard, intensified and problem loan management). Credit risk is also managed by means of approval or reporting limits and defining loan approval authority. Such limits and authority are specified separately for each individual branch and subsidiary.

Residual value risk arises from the fact that the predicted market value for an asset leased or financed could turn out to be lower on remarketing at the end of the contract than the residual value calculated when the contract was concluded, or that the sales revenue realized could be less than the carrying amount of the vehicle in the event that the contract is ended prematurely as a result of legal contract termination options being exercised. On the other hand, there is a possibility that remarketing could generate proceeds greater than the calculated residual value or carrying amount.

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. An indirect residual value risk arises if the residual value risk has been transferred to a third party (such as a dealer) on the basis of a contractual agreement. In such cases, there is a counterparty default risk in respect of the bearer of the residual value risk. If the bearer of the residual value risk defaults, the indirect residual value risk passes back to

our financial services company and becomes a direct residual value risk. In other words, our financial services company re-assumes responsibility for remarketing the vehicles.

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 risk management procedures, the adequacy of the provision for risk and the potential residual value risk are regularly reviewed in respect of direct residual value risk. The preparation of the risk management report includes a review of adequacy in which the level of existing direct residual value risk is compared against the level of the provisions recognized for risks. Based on the resulting potential residual value risk, various measures are initiated as part of an active risk management approach 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.

You can find more information on risks in the financial services business in the 2024 annual reports of Volkswagen Financial Services AG and Volkswagen Bank GmbH as well as Volkswagen Financial Services Overseas AG.

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.

Opportunities and risks from partnerships

As part of our Group strategy, we are stepping up our efforts to forge partnerships, both for the transformation of our core business and for the establishment of new areas of business.

We are increasingly concentrating on partnerships, acquisitions and venture capital investments. Our intent here is to generate maximum value for the Group and its brands and obtain the opportunity 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 achieved, for example due to insufficient financial performance. 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.

Close interaction with partners in the field of e-mobility in the form of partnerships and joint ventures supports technological change. Examples include battery development, software development, mobility solutions and 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 cross-departmental teams 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.

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. At least once a year, Volkswagen tests whether the value of the goodwill or the brand names might have been impaired. It bases these tests on the underlying cash-generating units. We also regularly test the equity investments for impairment. The determination of a possible impairment of goodwill and the acquired brand names as a result of the impairment testing depends to a large extent on how the legal representatives estimate the future cash flows and calculate the discount rates to be applied in each case. Against the backdrop of the ongoing transformation of the core business towards e-mobility and digitalization, the shift to self-driving vehicles and stricter environmental requirements, there are uncertainties to be considered in the estimate of the Volkswagen Group's future share of the battery-electric vehicle market as well as the achievable margins and long-term growth rates. Uncertainties relating to a possible delay in the enforcement of e-mobility and the stiff competition from China also need to be taken into account. The estimates are subject to risk and may be revised if environmental regulations or market conditions change. Potential effects 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.

SUMMARY OF THE RISK AND OPPORTUNITY SITUATION

The overall risk and opportunity situation of the Volkswagen Group is derived from the individual risks and opportunities presented above. To ensure that these risks are controlled, we have established a comprehensive risk management system. The most significant risks across all risk categories for the Volkswagen Group arise from a negative trend in markets and unit sales – driven by increasing trade restrictions, protectionist tendencies and intensifying competition –, failure to meet CO_2-related requirements, the development of products that are not in line with demand and requirements, in particular with regard to e-mobility and software and in relation to cybersecurity, and the underutilization of sites. For 2025, there may be negative impacts from limited availability of parts, energy and other raw materials as well as from geopolitical tensions and conflicts – such as the Russia-Ukraine conflict, confrontations in the Middle East, and increasing uncertainties regarding the political orientation of the USA. Furthermore, there are residual risks for the Volkswagen Group from the diesel issue. Based on the information available to us today, there are no risks that could endanger the continued existence of material Group companies or the Volkswagen Group.

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. Risks are associated with the estimates given, 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, prices for 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. We do not update forward-looking statements and do not assume any obligation beyond that required by law to update the forward-looking statements made in this annual report.

Outlook for 2025

Our planning is based on the assumption that global economic output will grow overall in 2025 at a slightly slower pace than in 2024. Declining inflation in major economic regions and the resulting easing of monetary policy are expected to boost consumer demand. We continue to believe that risks will arise from increasing fragmentation of the global economy and 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, the confrontations in the Middle East, and deepening uncertainties regarding the political orientation of the USA. We assume that both the advanced economies and the emerging markets will record somewhat weaker momentum on average than that of the reporting year.

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. Moreover, sudden new or intensified geopolitical tension and conflicts could lead to rising prices for materials and 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 2025. Overall, the global volume of new car sales is expected to be slightly higher than the prior-year level. For 2025, we anticipate that the volume of new passenger car registrations in Western Europe will be noticeably higher than that recorded in the reporting year. In the German passenger car market, we expect the volume of new registrations in 2025 to be slightly up on the prior-year level. Sales of passenger cars in 2025 are expected to strongly exceed the prior-year figures overall in markets in Central and Eastern Europe – subject to the further development of the Russia-Ukraine conflict. 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 United States in 2025 is forecast to be similar to the level seen in the previous year. We anticipate a noticeable increase overall in new registrations in the South American markets in 2025 compared with the previous year. The passenger car markets in the Asia-Pacific region in 2025 are expected to be similar to the previous year.

Trends in the markets for light commercial vehicles in the individual regions will be mixed; on the whole, we expect the sales volume for 2025 to be similar to the previous year's figure.

For 2025, we expect that new registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes will be down noticeably on 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 2025 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 2025 in synergy with the development of the vehicle markets.

In a challenging market environment, we anticipate that the number of deliveries to customers of the Volkswagen Group will be similar to the previous year.

Challenges will arise in particular from an environment of political uncertainty, expanding trade restrictions and geopolitical tensions, 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 and Light Commercial Vehicles segment to exceed the previous year's figure by up to 5% in 2025. The operating return on sales is projected to be between 5.5% and 6.5% for the Group and between 6% and 7% for the Passenger Cars and Light Commercial Vehicles segment. For the Commercial Vehicles segment, we anticipate an operating return on sales of 7.5% to 8.5% amid sales revenue on a level with the previous year. For the Financial Services Division, we forecast an increase of up to 5% 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 12% and 13% in 2025. We expect net cash flow for 2025 to be between €2 billion and €5 billion. This includes cash outflows for investments for the future as well as for restructuring measures. Net liquidity in the Automotive Division in 2025 is expected to be between €34 billion and €37 billion. Our goal remains unchanged, namely, to continue with our robust financing and liquidity policy.

Wolfsburg, February 25, 2025
The Board of Management