

Notes to the Consolidated Financial Statements

of the Volkswagen Group as of December 31, 2019

Basis of presentation

Volkswagen AG is domiciled in Wolfsburg, Germany, and entered in the commercial register at the Braunschweig Local Court under No. HRB 100484. The fiscal year corresponds to the calendar year.

In accordance with Regulation No. 1606/2002 of the European Parliament and of the Council, Volkswagen AG prepared its consolidated financial statements for 2019 in compliance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. We have complied with all the IFRSs adopted by the EU and required to be applied.

The accounting policies applied in the previous year were generally retained. The only changes required resulted from new or amended standards and in relation to the definition of cash-generating units (see disclosure in the “Key Events” section).

In addition, we have complied with all the provisions of German commercial law that we are also required to apply, as well as with the German Corporate Governance Code. For information on notices and disclosures of changes regarding the ownership of voting rights in Volkswagen AG in accordance with the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), please refer to the annual financial statements of Volkswagen AG.

The consolidated financial statements were prepared in euros. Unless otherwise stated, all amounts are given in millions of euros (€ million).

All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

The income statement was prepared using the internationally accepted cost of sales method.

Preparation of the consolidated financial statements in accordance with the above-mentioned standards requires management to make estimates that affect the reported amounts of certain items in the consolidated balance sheet and in the consolidated income statement, as well as the related disclosure of contingent assets and liabilities. The consolidated financial statements present fairly the net assets, financial position and results of operations as well as the cash flows of the Volkswagen Group.

The Board of Management completed preparation of the consolidated financial statements on February 18, 2020. On that date, the period ended in which adjusting events after the reporting period are recognized.

Effects of new and amended IFRSs

Volkswagen AG has applied all accounting pronouncements adopted by the EU and effective for periods beginning in fiscal year 2019.

A number of requirements entered into force on January 1, 2019 as part of the 2017 improvements to the International Financial Reporting Standards (2017 annual improvements project). They include clarifications to IAS 12, IAS 23, IFRS 3 and IFRS 11. Additions were made to IAS 12 (Income Taxes) to clarify that the way any income tax consequences of dividend payments are recognized is based on the way the transactions have been recognized that made the dividend payment possible. Furthermore, guidance was added to IAS 23 (Borrowing Costs) to clarify how the weighted average of the borrowing costs is determined. Moreover, additional guidance in IFRS 3 (Business Combinations) and IFRS 11 (Joint Arrangements) explains that, on obtaining control of equity investments formerly recognized as joint operations, the rules for a business combination achieved in stages must be applied.

The amendments to IAS 28 (Investments in Associates and Joint Ventures) clarify that, with effect from January 1, 2019, long-term financial instruments representing a net investment in an associate or joint venture that are not accounted for using the equity method should be accounted for using the impairment rules of IFRS 9 (Financial Instruments).

In addition, amendments to IFRS 9 (Financial Instruments) have applied since January 1, 2019, which clarify that certain financial instruments that include a prepayment feature with negative compensation can be measured at amortized cost or at fair value directly in equity.

IFRIC 23 (Uncertainty over Income Tax Treatments) also applies: it requires that tax risks must be taken into account if it is probable that the tax authorities will not accept tax treatments in the income tax filing.

Moreover, it was clarified in IAS 19 (Employee Benefits) that the actuarial assumptions must be updated at the time of a plan amendment, curtailment, or settlement.

The Volkswagen Group has opted for early application of the amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (published on September 26, 2019). Application of the amendments would only have been mandatory from January 1, 2020. This affects hedges that existed at the beginning of the reporting period or have subsequently been designated. In application of the associated practical expedient, the Volkswagen Group assumes that the effectiveness of designated hedges will not be negatively impacted by the IBOR reform and that it will consequently not be necessary to terminate any hedges.

The amendments referred to above do not materially affect the Volkswagen Group's net assets, financial position and results of operations.

IFRS 16 – LEASES

IFRS 16 amends the rules for lease accounting and replaces the previous IAS 17 standard and related interpretations.

The main objective of IFRS 16 is to recognize all leases. It establishes that lessees are no longer required to classify their leases as either finance leases or operating leases. In general, they are instead required to recognize a right-of-use asset and a lease liability for the leases in the balance sheet. In the Volkswagen Group the lease liability is measured on the basis of the present value of outstanding lease payments, while the right-of-use asset is generally measured at the amount of the lease liability plus any direct costs. During the lease term, the right-of-use asset must be depreciated and the lease liability adjusted using the effective interest method and taking the lease payments into account. IFRS 16 offers practical expedients for short-term and low-value leases; the Volkswagen Group makes use of this option and therefore does not recognize right-of-use assets or liabilities for these types of leases. In this respect, the lease payments are continued to be recognized in the income statement in the same way as before. At the initial application date, leases whose term ended before January 1, 2020 were reclassified as short-term leases, irrespective of the start date of the lease. In addition, existing leases were not reassessed at the initial application date to determine whether or not they are leases under the criteria of IFRS 16. Instead, contracts classified as leases under IAS 17 or IFRIC 4 are continued to be accounted for as leases. Contracts not classified as leases under IAS 17 or IFRIC 4 are continued not to be accounted for as leases.

Lessor accounting essentially follows the previous guidance of IAS 17. Lessors are required to continue to classify their leases as finance leases or operating leases on the basis of the risks and rewards incidental to ownership of the leased asset.

The Volkswagen Group accounts for leases in accordance with IFRS 16, using the modified retrospective method (within the meaning of IFRS 16.C5(b)), for the first time as of January 1, 2019. Prior-year periods have not been restated. According to this method, the lease liability to be recognized at the transition date is the present value of the outstanding lease payments, which is determined using the incremental borrowing rates as of January 1, 2019. The weighted average interest rate applied in the Volkswagen Group was 3.7%.

Applying the permitted exemption, the right-of-use asset is adjusted for the amounts that were recognized in the balance sheet as provisions for onerous operating leases as of December 31, 2018. The right-of-use assets were not tested for impairment in this context at the initial application date.

The initial recognition of right-of-use assets and lease liabilities had the following effects as of January 1, 2019:

- > Right-of-use assets of €5.5 billion were recognized in the opening balance sheet (including €5.4 billion under property, plant and equipment and €0.1 billion under investment property). Prepayments capitalized, accrued liabilities and provisions for onerous operating leases were offset with the right-of-use assets. The right-of-use assets recognized included an amount of €0.4 billion that had already been recognized under finance leases as of December 31, 2018. In connection with the initial application of IFRS 16 there was an adjustment to the classification of noncurrent assets, resulting in the reclassification of property, plant and equipment of €0.4 billion to lease assets and investment property.
- > Lease liabilities are recognized in the opening balance in an amount of €5.6 billion; they are reported under noncurrent and current financial liabilities. The lease liabilities recognized included an amount of €0.4 billion that had already been recognized under finance leases as of December 31, 2018.
- > Initial application did not have any effect on equity.

The difference between the expected payments for operating leases in an amount of €4.9 billion, discounted using the incremental borrowing rate as of December 31, 2018, and the lease liabilities in an amount of €5.6 billion recognized in the opening balance sheet is mainly the result of taking account of existing finance leases and a new estimate of expected lease payments, attributable to the capitalization of certain variable lease payments, for example. The lease terms taken into account when recognizing lease liabilities were also reassessed in accordance with the rules of IFRS 16. In this process, reasonably certain extension or termination options were taken into account in determining the lease payments to be recognized. Moreover, the opening balance sheet does not include lease payments for low-value or short-term leases.

Unlike the previous procedure, under which all operating lease expenses were reported under operating profit, the only items allocated to operating profit in the Automotive Division under IFRS 16 are depreciation charges on right-of-use assets. Interest expense from adding interest on lease liabilities in the Automotive Division is reported in the financial result. This had a positive impact of €0.2 billion on the operating result in fiscal year 2019.

The change in the way expenses from operating leases are presented in the statement of cash flows resulted in an improvement of €1.0 billion in cash flows from operating activities and net cash flow in fiscal year 2019, of which €0.9 billion is attributable to the Automotive Division. Cash flows from financing activities declined accordingly. The increase in financial liabilities attributable to the change in accounting rules had a negative impact of €5.8 billion on the Volkswagen Group's net liquidity as of December 31, 2019, of which €5.4 billion is attributable to the Automotive Division.

New and amended IFRSs not applied

In its 2019 consolidated financial statements, Volkswagen AG did not apply the following accounting pronouncements that have already been adopted by the IASB, but were not yet required to be applied for the fiscal year.

Standard/Interpretation		Published by the IASB	Application mandatory ¹	Adopted by the EU	Expected impact
IFRS 3	Business Combinations: Definition of a Business	Oct. 22, 2018	Jan. 1, 2020	No	No material impact
IFRS 17	Insurance Contracts	May 18, 2017	Jan. 1, 2021 ²	No	No material impact
	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors:				
IAS 1 and IAS 8	Definition of Material	Oct. 31, 2018	Jan. 1, 2020	Yes	No material impact
IAS 1	Classification of liabilities	Jan. 23, 2020	Jan. 1, 2022	No	No material impact

1 Effective date from Volkswagen AG's perspective.

2 The IASB has proposed to defer the effective date to January 1, 2022.

Key events

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 type 2.0 l diesel engines in the USA. In this context, Volkswagen AG announced that noticeable discrepancies between the figures achieved in testing and in actual road use had been identified in around eleven million vehicles worldwide with type EA 189 diesel engines. 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.

In the months following publication of a study by the International Council on Clean Transportation in May 2014, Volkswagen AG's Powertrain Development department checked the test set-ups on which the study was based for plausibility, confirming the unusually high NO_x emissions from certain US vehicles with type EA 189 2.0 l diesel engines. The California Air Resources Board (CARB) – a part of the environmental authority of California – was informed of this result, and, at the same time, an offer was made to recalibrate the engine control unit software of type EA 189 diesel engines in the USA as part of a service measure that was already planned in the USA. This measure was evaluated and adopted by the Ausschuss für Produktsicherheit (APS – Product Safety Committee), which initiates necessary and appropriate measures to ensure the safety and conformity of Volkswagen AG products that have been placed in the market. There are no findings that an unlawful "defeat device" under US law was disclosed to the APS as the cause of the discrepancies or to the persons responsible for preparing the 2014 annual and consolidated financial statements. Instead, at the time the 2014 annual and consolidated financial statements were being prepared, the persons responsible for preparing the 2014 annual and consolidated financial statements remained under the impression that the issue could be solved with comparatively little effort.

In the course of the summer of 2015, however, it became successively 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, which was later identified as an unlawful "defeat device" as defined by US law. This culminated in the disclosure of a "defeat device" to EPA and CARB on September 3, 2015. According to the assessment at that time of the responsible persons dealing with the matter, the scope of the costs expected by the Volkswagen Group (recall costs, retrofitting costs and financial penalties) was not fundamentally dissimilar to that of previous cases involving other vehicle manufacturers, and, therefore, appeared to be controllable overall with a view to the business activities of the Volkswagen Group. This assessment by the Volkswagen Group was based, among other things, on the advice of a law firm engaged in the

USA for approval issues, according to which similar cases in the past were resolved amicably with the US authorities. The EPA's publication of the "Notice of Violation" on September 18, 2015, which the Board of Management had not expected, especially at that time, then presented the situation in an entirely different light.

In fiscal year 2019, additional special items of €2.3 billion had to be recognized in connection with the diesel issue. Charges of €2.6 billion were recognized under other operating expenses, which arose from the administrative fine order of €0.5 billion issued in May 2019 by the Stuttgart Public Prosecutor, which ended the ongoing regulatory offense proceeding against Dr. Ing. h.c. F. Porsche AG, and higher provisions for legal risks. This was set against the reversal of reserves for technical measures of €0.3 billion, which reduced cost of sales.

Furthermore, based on the information as it exists and has been established, there continue to be no conclusive findings or assessments available to the Board of Management of Volkswagen AG regarding the described facts that would suggest that a different assessment of the associated risks should have been made.

In August 2018, the control and profit and loss transfer agreement with MAN SE was terminated by extraordinary notice as of January 1, 2019. Following the announcement of the termination of the control and profit and loss transfer agreement and the recording thereof in the commercial register, the noncontrolling shareholders of MAN SE had the right to tender their shares to Volkswagen, pursuant to the provisions of the control and profit and loss transfer agreement, within a two-month period. This resulted in cash outflows of €1.1 billion in the first half of this year for the acquisition of shares tendered and compensation payments. There was a corresponding decline in the amount of put options and compensation rights granted to noncontrolling interest shareholders reported in the balance sheet. The put options granted to noncontrolling interest shareholders of MAN SE expired on March 4, 2019. The remaining liability of €0.7 billion was reclassified directly to equity; €0.3 billion of this amount is attributable to noncontrolling interests.

Since June 28, 2019, 51 million shares of TRATON SE have been traded on the regulated markets of the Frankfurt Stock Exchange and of the Nasdaq Stockholm. The offer price was set at €27.00 per share. This led to an increase of €1.4 billion in the Volkswagen Group's equity, of which €1.2 billion is reported as noncontrolling interests.

In the case of internally generated intangible assets with finite useful lives and the associated property, plant and equipment in the Passenger Cars Business Area, the individual product or product group has in the past represented the cash-generating unit. This had to be redefined for the Passenger Cars Business Area in the past fiscal year, because the cash flows generated by the individual products are not largely independent of each other any longer. In particular, the fact that emission regulations are being tightened worldwide means that the cash flows of the individual products influence each other to an increasing extent. As a consequence of the change in circumstances, the brands have, since the fourth quarter of 2019, normally been designated as cash-generating units in the Passenger Cars Business Area, thus forming the basis for impairment tests and profitability assessments when initially recognizing internally generated intangible assets. The changed definition of cash-generating units led to a non-recurring reversal of write-downs, which had an effect of €0.9 billion on other operating income in the fourth quarter of 2019 and will lead to increased depreciation and amortization in subsequent periods. Furthermore, impairment losses of €0.2 billion recognized in the first quarters of the fiscal year had to be reversed. In addition, the financial result benefited in an amount of €75 million from the reversal of impairment losses at the Chinese joint ventures. The revised definition of cash-generating units will in future lead to a slight increase in the capitalization ratio.

Basis of consolidation

In addition to Volkswagen AG, the consolidated financial statements comprise all significant German and non-German subsidiaries, including structured entities that are controlled directly or indirectly by Volkswagen AG. This is the case if Volkswagen AG obtains power over the potential subsidiaries directly or indirectly from voting rights or similar rights, is exposed, or has rights to, positive or negative variable returns from its involvement with the subsidiaries, and is able to influence those returns. In the case of the structured entities consolidated in the Volkswagen Group, Volkswagen is able to direct the material relevant activities remaining after the change in the structure even if it is not invested in the structured entity concerned and is thus able to influence the variable returns from its involvement. The structured entities are used primarily to enter into asset-backed securities transactions to refinance the financial services business and to invest surplus liquidity in special securities funds. Consolidation of subsidiaries begins at the first date on which control exists, and ends when such control no longer exists.

Subsidiaries whose business is dormant or insignificant, both individually and in the aggregate, for the fair presentation of the net assets, financial position and results of operations as well as the cash flows of the Volkswagen Group are not consolidated. They were carried in the consolidated financial statements at cost net of any impairment losses and reversals of impairment losses required to be recognized.

Significant companies where Volkswagen AG is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates), or that are directly or indirectly jointly controlled (joint ventures), are accounted for using the equity method. Joint ventures also include companies in which the Volkswagen Group holds the majority of voting rights, but whose articles of association or partnership agreements stipulate that important decisions may only be resolved unanimously. Insignificant associates and joint ventures are carried at cost net of any impairment losses and reversals of impairment losses required to be recognized.

The composition of the Volkswagen Group is shown in the following table:

Number	2019	2018
Volkswagen AG and consolidated subsidiaries		
Germany	151	152
Abroad	714	712
Subsidiaries carried at cost		
Germany	78	70
Abroad	290	251
Associates, joint ventures and other equity investments		
Germany	76	64
Abroad	107	79
	1,416	1,328

The list of all shareholdings that forms part of the annual financial statements of Volkswagen AG can be downloaded from the electronic companies register at www.unternehmensregister.de and from www.volkswagenag.com/ir.

The following consolidated German subsidiaries with the legal form of a corporation or partnership meet the criteria set out in section 264(3) or section 264b of the Handelsgesetzbuch (HGB – German Commercial Code) due to their inclusion in the consolidated financial statements and have as far as possible exercised the option not to publish annual financial statements:

- > Audi Berlin GmbH, Berlin
- > Audi Electronics Venture GmbH, Gaimersheim
- > Audi Frankfurt GmbH, Frankfurt am Main
- > Audi Hamburg GmbH, Hamburg
- > Audi Hannover GmbH, Hanover
- > Audi Leipzig GmbH, Leipzig
- > Audi Stuttgart GmbH, Stuttgart
- > Autostadt GmbH, Wolfsburg
- > Bugatti Engineering GmbH, Wolfsburg
- > Dr. Ing. h.c. F. Porsche AG, Stuttgart
- > GETAS Verwaltung GmbH & Co. Objekt Augsburg KG, Pullach i. Isartal
- > GETAS Verwaltung GmbH & Co. Objekt Heinrich-von-Buz-Straße KG, Pullach i. Isartal
- > HABAMO Verwaltung GmbH & Co. Objekt Sterkrade KG, Pullach i. Isartal
- > Haberl Beteiligungs-GmbH, Munich
- > Karosseriewerk Porsche GmbH & Co. KG, Stuttgart
- > MAHAG GmbH, Munich
- > MAN Energy Solutions SE, Augsburg
- > MOIA GmbH, Berlin
- > MOIA Operations Germany GmbH, Hamburg
- > Porsche Consulting GmbH, Bietigheim-Bissingen
- > Porsche Deutschland GmbH, Bietigheim-Bissingen
- > Porsche Dienstleistungs GmbH, Stuttgart
- > Porsche Engineering Group GmbH, Weissach
- > Porsche Engineering Services GmbH, Bietigheim-Bissingen
- > Porsche Erste Beteiligungsgesellschaft mbH, Stuttgart
- > Porsche Financial Services GmbH & Co. KG, Bietigheim-Bissingen
- > Porsche Financial Services GmbH, Bietigheim-Bissingen
- > Porsche Holding Stuttgart GmbH, Stuttgart
- > Porsche Leipzig GmbH, Leipzig
- > Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Ludwigsburg
- > Porsche Logistik GmbH, Stuttgart
- > Porsche Niederlassung Berlin GmbH, Berlin
- > Porsche Niederlassung Berlin-Potsdam GmbH, Kleinmachnow
- > Porsche Niederlassung Hamburg GmbH, Hamburg
- > Porsche Niederlassung Leipzig GmbH, Leipzig
- > Porsche Niederlassung Stuttgart GmbH, Stuttgart
- > Porsche Nordamerika Holding GmbH, Ludwigsburg
- > Porsche Siebte Vermögensverwaltung GmbH, Wolfsburg
- > Porsche Smart Mobility GmbH, Stuttgart
- > Porsche Zentrum Hoppegarten GmbH, Stuttgart
- > Raffay Versicherungsdienst GmbH, Hamburg
- > SEAT Deutschland Niederlassung GmbH, Frankfurt am Main
- > SKODA AUTO Deutschland GmbH, Weiterstadt
- > VfL Wolfsburg-Fußball GmbH, Wolfsburg
- > VGRD GmbH, Wolfsburg
- > Volkswagen AirService GmbH, Braunschweig
- > Volkswagen Automobile Berlin GmbH, Berlin
- > Volkswagen Automobile Chemnitz GmbH, Chemnitz
- > Volkswagen Automobile Frankfurt GmbH, Frankfurt am Main
- > Volkswagen Automobile Hamburg GmbH, Hamburg

- > Volkswagen Automobile Hannover GmbH, Hanover
- > VOLKSWAGEN Automobile Leipzig GmbH, Leipzig
- > Volkswagen Automobile Region Hannover GmbH, Hanover
- > Volkswagen Automobile Rhein-Neckar GmbH, Mannheim
- > Volkswagen Automobile Stuttgart GmbH, Stuttgart
- > Volkswagen Beteiligungsverwaltung GmbH, Wolfsburg
- > Volkswagen Dritte Leasingobjekt GmbH, Braunschweig
- > Volkswagen Erste Leasingobjekt GmbH, Braunschweig
- > Volkswagen Fünfte Leasingobjekt GmbH, Braunschweig
- > Volkswagen Gebrauchtfahrzeughandels und Service GmbH, Langenhagen
- > Volkswagen Group IT Services GmbH, Wolfsburg
- > Volkswagen Group Real Estate GmbH & Co. KG, Wolfsburg
- > Volkswagen Group Services GmbH, Wolfsburg
- > Volkswagen Immobilien GmbH, Wolfsburg
- > Volkswagen Konzernlogistik GmbH & Co. OHG, Wolfsburg
- > Volkswagen Original Teile Logistik GmbH & Co. KG, Baunatal
- > Volkswagen Osnabrück GmbH, Osnabrück
- > Volkswagen R GmbH, Wolfsburg
- > Volkswagen Sachsen GmbH, Zwickau
- > Volkswagen Sechste Leasingobjekt GmbH, Braunschweig
- > Volkswagen Siebte Leasingobjekt GmbH, Braunschweig
- > Volkswagen Software Asset Management GmbH, Wolfsburg
- > Volkswagen Vermögensverwaltung GmbH, Wolfsburg
- > Volkswagen Vertriebsbetreuungsgesellschaft mbH, Chemnitz
- > Volkswagen Vierte Leasingobjekt GmbH, Braunschweig
- > Volkswagen Zubehör GmbH, Dreieich
- > Volkswagen Zweite Leasingobjekt GmbH, Braunschweig

CONSOLIDATED SUBSIDIARIES

The fiscal year's changes in the consolidated Group are shown in the following table:

Number	Germany	Abroad
Initially consolidated		
Subsidiaries previously carried at cost	4	13
Newly acquired subsidiaries	0	3
Newly formed subsidiaries	0	5
	4	21
Deconsolidated		
Mergers	1	5
Liquidations	2	6
Sales/Other	2	8
	5	19

The initial consolidation or deconsolidation of these subsidiaries, either individually or collectively, did not have a significant effect on the presentation of the net assets, financial position and results of operations. The unconsolidated structured entities are immaterial from a Group perspective. In particular, they do not give rise to any significant risks to the Group.

INVESTMENTS IN ASSOCIATES

From a Group perspective, the associates Sinotruk (Hong Kong) Ltd., Hongkong, China (Sinotruk), Bertrandt AG, Ehningen (Bertrandt), There Holding B.V., Rijswijk, the Netherlands (There Holding), and Navistar International Corporation, Lisle, Illinois/USA (Navistar), were material at the reporting date.

Sinotruk

Sinotruk is one of the largest truck manufacturers in the Chinese market. There is an agreement in place between Group companies and Sinotruk regarding a long-term strategic partnership, under which the Group participates in the local market. In addition to the partnership with Sinotruk in the volume segment, exports of MAN vehicles to China are also helping to expand access to the small, but fast-growing premium truck market. Sinotruk's principal place of business is in Hongkong, China.

As of December 31, 2019, the quoted market price of the shares in Sinotruk amounted to €1,312 million (previous year: €908 million).

Bertrandt

Bertrandt is an engineering partner to companies in the automotive and aviation industry. Its portfolio of services ranges from developing individual components through complex modules to end-to-end solutions. Bertrandt's principal place of business is in Ehningen.

As of December 31, 2019, the quoted market price of the shares in Bertrandt amounted to €165 million (previous year: €201 million).

There Holding

Together with the BMW Group, Daimler AG and other companies, Volkswagen holds an equity investment in There Holding B.V., Rijswijk (the Netherlands), an investment company. In turn, There Holding B.V. holds around 85 % of the shares of HERE International B.V., Eindhoven (the Netherlands). HERE International B.V. is one of the world's largest producers of digital road maps for navigation systems. Since the interest held does not grant control in accordance with IFRS 10, HERE International B.V. is included in the financial statements of There Holding B.V. as an associate using the equity method.

Capital increases were implemented at There Holding B.V. in 2019, in which Volkswagen participated. As a result, the shares accounted for using the equity method increased by €69 million. The ownership interest in There Holding B.V. amounted to 29.7 % as of December 31, 2019.

In December 2019, it was announced that additional investors would acquire shares in HERE International B.V. Following the signing in December 2019, Mitsubishi Corporation (MC) and Nippon Telegraph and Telephone Corporation of Japan (NTT) are aiming to jointly acquire 30 % of the shares of HERE International B.V. in the first half of 2020, subject to antitrust approval. The interest held by There Holding B.V. in HERE International B.V. is expected to decline to around 60 % as a result.

Navistar

Navistar International Corporation (Navistar) is a US manufacturer of commercial vehicles; it is based in Lisle, Illinois/USA. Navistar and TRATON GROUP companies have entered into master agreements for strategic technology and supply cooperation as well as a procurement joint venture.

Since two members of TRATON SE's Executive Board are represented on the Board of Directors of Navistar and because of the agreed cooperations, the investment in Navistar is reported as an equity-accounted investment in the consolidated financial statements.

As of December 31, 2019, the quoted market price of the shares in Navistar amounted to €429 million (December 31, 2018: €377 million).

SUMMARIZED FINANCIAL INFORMATION ON MATERIAL ASSOCIATES ON A 100% BASIS

€ million	Sinotruk ¹	Bertrandt ²	There Holding	Navistar ³
2019				
Equity interest in %	25	29	30	17
Noncurrent assets	2,351	575	1,131	1,762
Current assets	6,127	468	467	4,441
Noncurrent liabilities	50	313	–	6,336
Current liabilities	4,669	153	0	3,206
Net assets	3,758	578	1,597	–3,339
Sales revenue	8,047	1,058	–	10,004
Earnings after tax from continuing operations	627	16	–390	216
Earnings after tax from discontinued operations	–	–	–	–
Other comprehensive income	0	–1	1	7
Total comprehensive income	627	15	–389	223
Dividends received ⁴	47	6	–	–
2018				
Equity interest in %	25	29	30	17
Noncurrent assets	2,239	586	1,763	1,846
Current assets	6,461	469	2	4,528
Noncurrent liabilities	54	306	–	6,478
Current liabilities	5,250	167	1	3,356
Net assets	3,395	583	1,764	–3,461
Sales revenue	8,047	1,020	–	8,625
Earnings after tax from continuing operations	558	25	–351	310
Earnings after tax from discontinued operations	–	–	–	–
Other comprehensive income	0	0	–7	245
Total comprehensive income	558	25	–358	555
Dividends received ⁴	50	7	–	–

1 Balance sheet amounts refer to the June 30 reporting date and income statement amounts refer to the period from July 1 to June 30.

2 Balance sheet amounts refer to the September 30 reporting date and income statement amounts refer to the period from October 1 to September 30.

3 Balance sheet amounts refer to the October 31 reporting date and income statement amounts refer to the period from November 1 to October 31.

4 Proportionate dividends are shown net of withholding tax.

RECONCILIATION OF THE FINANCIAL INFORMATION TO THE CARRYING AMOUNT OF THE EQUITY-ACCOUNTED INVESTMENTS

€ million	Sinotruk	Bertrandt	There Holding	Navistar
2019				
Net assets at January 1	3,395	583	1,764	-3,461
Profit or loss	627	16	-390	216
Other comprehensive income	0	-1	1	7
Changes in reserves	1	-	222	-21
Foreign exchange differences	-46	-	-	-60
Dividends ¹	-218	-20	-	-20
Net assets at December 31	3,758	578	1,597	-3,339
Proportionate equity	940	167	475	-560
Consolidation/Goodwill/Others	-388	80	-	1,007
Carrying amount of equity-accounted investments	552	247	475	447
2018				
Net assets at January 1	3,060	583	2,209	-3,816
Profit or loss	558	25	-351	310
Other comprehensive income	0	0	-7	245
Changes in reserves	-3	-	-87	13
Foreign exchange differences	13	-	-	-191
Dividends ¹	-232	-25	-	-22
Net assets at December 31	3,395	583	1,764	-3,461
Proportionate equity	849	168	522	-582
Consolidation/Goodwill/Others	-402	163	-	1,012
Carrying amount of equity-accounted investments	447	331	522	430

1 Dividends are shown before withholding tax.

SUMMARIZED FINANCIAL INFORMATION ON INDIVIDUALLY IMMATERIAL ASSOCIATES ON THE BASIS OF THE VOLKSWAGEN GROUP'S PROPORTIONATE INTEREST

€ million	2019	2018
Earnings after tax from continuing operations	27	-20
Earnings after tax from discontinued operations	-	-
Other comprehensive income	12	1
Total comprehensive income	39	-20
Carrying amount of equity-accounted investments	597	332

There were unrecognized losses of €54 million (previous year: €- million) relating to investments in associates. Furthermore, there were no contingent liabilities or financial guarantees relating to associates.

INTERESTS IN JOINT VENTURES

From a Group perspective, the joint ventures FAW-Volkswagen Automotive Company Ltd., Changchun, China, SAIC-Volkswagen Automotive Company Ltd., Shanghai, China, and SAIC-Volkswagen Sales Company Ltd., Shanghai, China, were material at the reporting date due to their size.

FAW-Volkswagen Automotive Company

FAW-Volkswagen Automotive Company develops, produces and sells passenger cars. There is an agreement in place between Group companies and the joint venture partner China FAW Corporation Limited regarding a long-term strategic partnership. The principal place of business is in Changchun, China.

SAIC-Volkswagen Automotive Company

SAIC-Volkswagen Automotive Company develops and produces passenger cars. There is an agreement in place between Group companies and the joint venture partner Shanghai Automotive Industry Corporation regarding a long-term strategic partnership. The principal place of business is in Shanghai, China.

SAIC-Volkswagen Sales Company

SAIC-Volkswagen Sales Company sells passenger cars for SAIC-Volkswagen Automotive Company. There is an agreement in place between Group companies and the joint venture partner Shanghai Automotive Industry Corporation regarding a long-term strategic partnership. The principal place of business is in Shanghai, China.

SUMMARIZED FINANCIAL INFORMATION ON THE MATERIAL JOINT VENTURES ON A 100% BASIS

€ million	FAW-Volkswagen Automotive Company	SAIC-Volkswagen Automotive Company ¹	SAIC-Volkswagen Sales Company
2019			
Equity interest in %	40	50	30
Noncurrent assets	12,069	9,355	896
Current assets	11,876	8,251	4,477
of which cash and cash equivalents	5,423	6,513	210
Noncurrent liabilities	1,221	1,130	160
of which financial liabilities ²	–	–	–
Current liabilities	15,321	11,674	4,665
of which financial liabilities ²	29	1	–
Net assets	7,403	4,802	548
Sales revenue	44,181	26,922	32,115
Depreciation and amortization	1,825	2,190	21
Interest income	125	53	5
Interest expenses	4	2	–
Earnings before tax from continuing operations	4,775	3,594	659
Income tax expense	1,251	845	166
Earnings after tax from continuing operations	3,524	2,749	493
Earnings after tax from discontinued operations	–	–	–
Other comprehensive income	–49	3	–
Total comprehensive income	3,475	2,752	493
Dividends received ³	1,332	1,732	153
2018			
Equity interest in %	40	50	30
Noncurrent assets	10,651	8,580	671
Current assets	10,903	6,689	3,680
of which cash and cash equivalents	3,764	4,412	206
Noncurrent liabilities	1,260	1,205	110
of which financial liabilities ²	–	–	–
Current liabilities	12,936	8,526	3,692
of which financial liabilities ²	–	4	–
Net assets	7,358	5,538	549
Sales revenue	41,607	28,863	33,212
Depreciation and amortization	1,335	1,479	8
Interest income	123	64	5
Interest expenses	–	1	–
Earnings before tax from continuing operations	4,851	4,588	665
Income tax expense	1,186	1,040	167
Earnings after tax from continuing operations	3,665	3,548	498
Earnings after tax from discontinued operations	–	–	–
Other comprehensive income	47	1	–
Total comprehensive income	3,712	3,549	498
Dividends received ³	1,209	1,626	148

1 SAIC-Volkswagen Sales Company sells passenger cars for SAIC-Volkswagen Automotive Company. Therefore, the sales revenue reported for SAIC-Volkswagen Automotive Company was mostly generated from its business with SAIC-Volkswagen Sales Company.

2 Excluding trade liabilities.

3 Proportionate dividends are shown net of withholding tax.

RECONCILIATION OF THE FINANCIAL INFORMATION TO THE CARRYING AMOUNT OF THE EQUITY-ACCOUNTED INVESTMENTS

€ million	FAW-Volkswagen Automotive Company	SAIC-Volkswagen Automotive Company	SAIC-Volkswagen Sales Company
2019			
Net assets at January 1	7,358	5,538	549
Profit or loss	3,524	2,749	493
Other comprehensive income	-49	3	-
Changes in share capital	-	-	-
Changes in reserves	-	-	-
Foreign exchange differences	54	37	16
Dividends ¹	-3,483	-3,524	-509
Net assets at December 31	7,403	4,802	548
Proportionate equity	2,961	2,401	164
Consolidation/Goodwill/Others	-760	-803	-
Carrying amount of equity-accounted investments	2,201	1,599	164
2018			
Net assets at January 1	6,851	5,405	546
Profit or loss	3,665	3,548	498
Other comprehensive income	47	1	-
Changes in share capital	-	-	-
Changes in reserves	-	-	-
Foreign exchange differences	68	-23	-1
Dividends ¹	-3,273	-3,393	-494
Net assets at December 31	7,358	5,538	549
Proportionate equity	2,943	2,769	165
Consolidation/Goodwill/Others	-593	-851	-
Carrying amount of equity-accounted investments	2,350	1,918	165

1 Dividends are shown before withholding tax.

SUMMARIZED FINANCIAL INFORMATION ON INDIVIDUALLY IMMATERIAL JOINT VENTURES ON THE BASIS OF THE VOLKSWAGEN GROUP'S PROPORTIONATE INTEREST

€ million	2019	2018
Earnings after tax from continuing operations	434	319
Earnings after tax from discontinued operations	-	-
Other comprehensive income	3	-2
Total comprehensive income	436	317
Carrying amount of equity-accounted investments	1,887	1,939

There were unrecognized losses of €29 million (previous year: €- million) relating to investments in joint ventures. Contingent liabilities to joint ventures amounted to €224 million (previous year: €183 million), while financial guarantees stood at €134 million (previous year: €146 million). Cash funds of €276 million (previous year: €268 million) are deposited as collateral for asset-backed securities transactions and are therefore not available to the Volkswagen Group.

IFRS 5 – NON-CURRENT ASSETS HELD FOR SALE

On July 12, 2019, Volkswagen announced that, together with Ford Motor Company (Ford), it would be investing in Argo AI, a company that is working on the development of a system for autonomous driving. The investment will firstly include the provision of financial resources totaling USD 1.0 billion, spread over several years, and secondly Volkswagen will contribute its consolidated subsidiary Autonomous Intelligent Driving (AID). Furthermore, Volkswagen will acquire existing Argo AI shares from Ford for a purchase price of USD 500 million, payable in three equal annual installments. The transaction, including the contribution of AID, is expected to be completed in the first half of 2020 – subject to the required regulatory approvals and other conditions precedent.

On January 30, 2020, the Board of Management and Supervisory Board of Volkswagen AG resolved to sell the Volkswagen Group's 76% interest in RENK AG. RENK AG is a global provider of high-quality gear units and propulsion systems for various areas of application. It is part of the Power Engineering segment. The sale is expected to be completed in the second half of 2020 – subject to approval by the regulatory authorities.

In accordance with IFRS 5, the RENK AG subgroup and AID are reported as disposal groups held for sale and measured at their carrying amounts.

The assets and liabilities of the disposal groups are each reported in separate balance sheet accounts. The main categories of the assets and liabilities of the disposal groups are presented below:

€ million	Dec. 31, 2019
Intangible assets	110
Property, plant and equipment	261
Inventories	230
Cash and securities	4
Tax assets	2
Other assets	190
Assets held for sale	795
Financial liabilities	9
Provisions	72
Other liabilities	289
Liabilities associated with assets held for sale	370

Accumulated income and expenses in connection with the disposal groups classified as held for sale and recognized in other comprehensive income amount to €4.6 million.