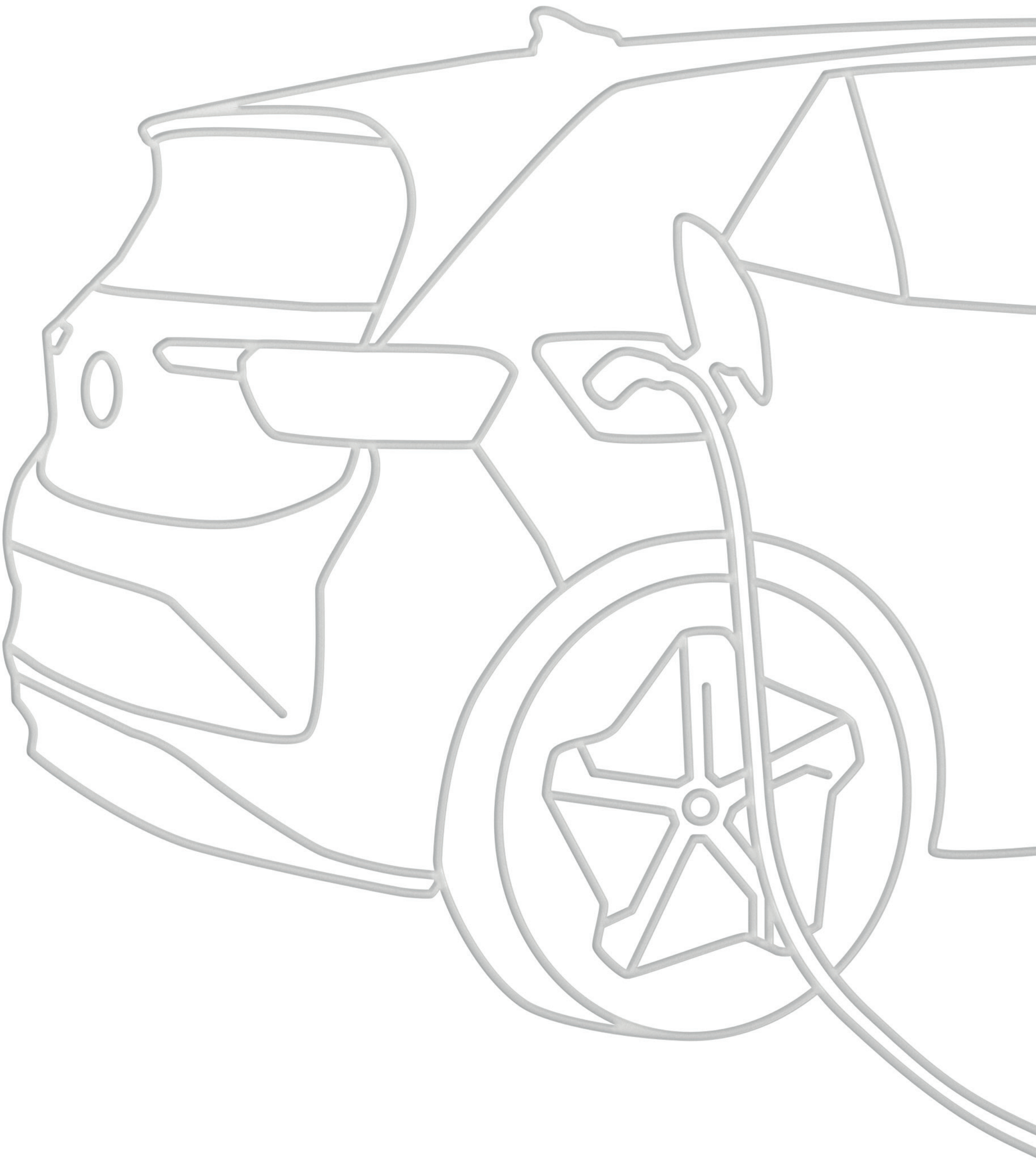
VOLKSWAGEN
AKTIENGESELLSCHAFT



Interim Report

JANUARY – SEPTEMBER 2021

Key Figures

VOLKSWAGEN GROUP

	Q3			Q1 – 3		
	2021	2020	%	2021	2020	%
Volume Data[1] in thousands						
Deliveries to customers (units)	1,973	2,612	–24.4	6,951	6,505	+6.9
Vehicle sales (units)	1,805	2,575	–29.9	6,466	6,311	+2.5
Production (units)	1,586	2,445	–35.1	6,098	6,107	–0.1
Employees (on September 30, 2021/Dec. 31, 2020)				674.8	662.6	+1.9
Financial Data (IFRSs), € million						
Sales revenue	56,931	59,355	–4.1	186,599	155,486	+20.0
Operating result before special items	2,798	3,183	–12.1	14,157	2,380	x
Operating return on sales before special items (%)	4.9	5.4		7.6	1.5	
Special items	–203	–	x	–203	–687	–70.4
Operating result	2,595	3,183	–18.5	13,953	1,693	x
Operating return on sales (%)	4.6	5.4		7.5	1.1	
Earnings before tax	3,079	3,606	–14.6	14,232	2,254	x
Return on sales before tax (%)	5.4	6.1		7.6	1.4	
Earnings after tax	2,903	2,751	+5.6	11,357	1,731	x
Automotive Division[2]						
Total research and development costs	3,665	3,496	+4.8	11,401	10,191	+11.9
R&D ratio (%)	8.0	7.2		7.5	8.1	
Cash flows from operating activities	3,615	10,162	–64.4	22,703	13,171	+72.4
Cash flows from investing activities attributable to operating activities[3]	6,586	3,938	+67.2	15,483	11,754	+31.7
of which: capex	2,114	2,292	–7.8	5,891	6,422	–8.3
capex/sales revenue (%)	4.6	4.7		3.9	5.1	
Net cash flow	–2,971	6,224	x	7,220	1,418	x
Net liquidity at Sept. 30				25,642	24,848	+3.2

1 Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method. Prior-year deliveries have been updated to reflect subsequent statistical trends.
2 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
3 Excluding acquisition and disposal of equity investments: Q3 €3,670 (3,754) million, Q1–Q3 €11,029 (10,657) million.

This version of the Interim Report is a translation of the German original. The German takes precedence. All figures shown in the Report are rounded, so minor discrepancies may arise from addition of these amounts. The figures from the previous fiscal year are shown in parentheses directly after the figures for the current reporting period.
Specified vehicle ranges correspond to results obtained through the Worldwide Harmonized Light vehicles Test Procedure (WLTP) on the chassis dynamometer. WLTP value ranges for series-produced vehicles may vary depending on the equipment. The actual range will deviate in practice depending on various other factors.

Key Facts

> Deliveries to Volkswagen Group customers up 6.9% on the pandemic-related weak prior-year figure, reaching 7.0 million vehicles; semiconductor shortage impacts on sales figures; growth particularly in Europe and in North and South America; electric vehicle deliveries more than doubled

> Group sales revenue rises by 20.0% to €186.6 billion

> Operating result before special items increases by €11.8 billion to €14.2 billion. Improvements in volume, the mix and price positioning, as well as positive effects from the fair value measurement of commodity hedges; one-off expenses for restructuring measures of €0.7 billion

> Operating result up €12.3 billion year-on-year to €14.0 billion; negative special items of €–0.2 (–0.7) billion relating to the diesel issue

> Profit before tax improves to €14.2 (2.3) billion

> Automotive Division's net cash flow up by €5.8 billion to €7.2 billion due primarily to earnings-related factors; ratio of capex to sales revenue of 3.9 (5.1)%

> Net liquidity in the Automotive Division after dividend payment and purchase of shares in Navistar robust at €25.6 billion

> Exciting products:

- Volkswagen Passenger Cars unveils the compact SUV coupé Taigo; all-electric concept car ID. LIFE combines sustainability and digitalization
- Audi's self-driving skysphere and grandsphere concept vehicles turn the car into an interactive space
- CUPRA provides a glimpse of an urban electric vehicle with the UrbanRebel concept
- Bentley showcases the Flying Spur with a plug-in hybrid drive
- Porsche launches the upgraded Macan
- Lamborghini celebrates the 50th anniversary of its cult model with the Countach LPI 800-4
- Volkswagen Commercial Vehicles electrifies its bestseller with the Multivan eHybrid

Key Events

COVID-19 PANDEMIC

At the end of 2019, initial cases of a potentially fatal respiratory disease became known in China. This disease is attributable to a novel virus belonging to the coronavirus family. Infections also appeared outside China from mid-January 2020. The number of people infected rose very rapidly in the course of 2020, albeit with differences in timing and regional spread. Around the world, measures were taken and adapted at national level and with varying levels of intensity based on the situation. However, these ultimately failed to bring the spread of the SARS-CoV-2 virus under control. In addition, aid packages to support the economy were agreed by the European Commission and by numerous governments in Europe and other regions, and economic stimulus measures were introduced to counter the pandemic's impact. Throughout the whole of 2020, the global spread of the SARS-CoV-2 virus brought enormous disruption to all areas of everyday life and the economy.

The mostly dynamic increase in the rate of infection continued in many places throughout the first quarter of 2021. This was accompanied by ongoing disruption – such as contact and mobility restrictions or limitations on business activities – in many parts of the world. With the increased availability of testing capacities and vaccines, some countries have permitted the extensive reopening of everyday life and the economy. In China in particular, the measures taken resulted in a removal of restrictions. In most of the world, infection rates initially declined in the second quarter of 2021, leading to further easing of the measures taken to contain the pandemic. From the middle of the year, however, some countries recorded a renewed increase in infection rates, which was mainly due to new variants of the SARS-CoV-2 virus. Some restrictions returned in response to the situation. Most regions of the world saw a declining rate of new infections in the third quarter of 2021. Against this backdrop, many countries largely lifted their restrictions on everyday life and the economy, depending on the progress of their vaccination campaigns. Temporary increases in case numbers – primarily associated with increased travel – only rarely resulted in the measures being tightened again.

NEW PRODUCTS AND TECHNOLOGIES PRESENTED

The Volkswagen Group and its brands presented new vehicles and technologies once again in the third quarter of 2021.

IAA MOBILITY 2021

The IAA MOBILITY 2021 took place in a new format in Munich in September 2021. The Volkswagen Passenger Cars brand presented the ID. LIFE, its vision of a fully electric small car for the urban environment, which is consistently aimed at the needs of younger target groups. The study combines sustainability and digitalization with an exceptionally flexible utilization concept. In the clear coat for the bodywork, wood chips are used as a natural coloring agent along with a bio-based hardener. The air chamber textile for the roof and the bonnet are made from 100% recycled PET bottles. A retractable projection screen in the dash panel can turn the vehicle into a mini cinema or gaming lounge, for example. The vehicle comes with a video game console and projector. The design of the ID. LIFE is strikingly clear, pared-down and high-quality. The horizontal division between the body, glass surfaces and roof also contributes to the car's purist appearance. The ID. LIFE concept car is based on a version of the Volkswagen Group's Modular Electric Drive Toolkit (MEB) specially developed for the compact segment. It is the first MEB vehicle with front-wheel-drive. With its 172 kW (234 PS) electric motor, the ID. LIFE accelerates from 0 to 100 km/h in 6.9 seconds. The range is around 400 km. A camouflaged near-production concept car was also presented in Munich: the ID.5 GTX is based on the MEB and is the Volkswagen Passenger Cars brand's first all-electric SUV coupé. With its fluid lines, the ID.5 GTX is both elegant and sporty. Short overhangs and big wheels highlight its strong character. In the high front, LED matrix headlights generate an intelligently controlled full beam. The flat sloping A-pillar positioned right near the front gives the roof line an elegant flow that tapers out in an integrated rear spoiler. The LED rear lights with a 3D design complete the premium feel. The abbreviation GTX represents the Volkswagen brand's new athleticism. It continues the tradition of the successful GTI, GTD and GTE models and transfers it to the world of e-mobility. The ID.5 GTX has an electric motor at both the front and rear axle. The powerful dual motor all-wheel drive guarantees strong driving performance, superior traction and sporty handling. The large lithium-ion battery between the axles enables a range of up to 497 km.

The Volkswagen Passenger Cars brand completed its appearance at the IAA MOBILITY with the new compact Taigo. Based on the Modular Transverse Toolkit, the SUV coupé is a real crowd-pleaser with its expressive crossover body style, raised seating position, pioneering connectivity and unrestricted everyday practicality. The rear of the five-seater car slopes backwards in the style of a coupé, without restricting headroom in the back seats. With full LED headlights, a digital cockpit and infotainment system from the Modular Infotainment Toolkit as standard, the Taigo sets high technology standards in its class. Numerous latest-generation assistance systems enhance convenience – these include the area monitoring system Front Assist, which features the city emergency braking system, and the lane keeping system Lane Assist. IQ.DRIVE Travel Assist is available as an optional extra, enabling semi-automated driving up to a top speed of 210 km/h.

Audi presented the Audi grandsphere concept study at the IAA MOBILITY 2021. The 5.35 m long saloon combines the luxury of private travel in the greatest of comfort with a comprehensive onboard experience. Level 4 automated driving enables a new level of freedom: in this mode, the interior turns into a large interactive space without a steering wheel, pedals, or displays. The front seats become a first-class lounge with maximum space, unobstructed views and access to all the functions of the holistic digital ecosystem into which the Audi grandsphere is integrated. In the run-up to the IAA MOBILITY, Audi had already presented the Audi skysphere concept – a spectacular roadster concept vehicle. The skysphere is an electric-powered two-door convertible whose lines lead directly to the Audi design of tomorrow. This vehicle, too, outlines a vision for the progressive luxury segment of the future, in which autonomous driving enables a revolutionary redesign of the interior, turning it into an interactive space.

CUPRA celebrated the world premiere of the UrbanRebel concept in Munich. The race car study gives an idea of the future design language of the urban electric vehicle that CUPRA plans to bring to the market in 2025. The UrbanRebel concept stands for fully electric drive, sustainability and performance. It mixes stunning design with dynamic driving and is based on the Volkswagen Group’s MEB. The front section with its shark nose is emphasized by the triangular signature in the headlamps. The side of the car, with a wedge shape running from the C-pillar to the front door, shows athletic proportions. The rear is designed with horizontal lines and a large spoiler, giving the vehicle a sharp, imposing look. The CUPRA UrbanRebel concept delivers 250 kW (340 PS) of continuous power and up to 320 kW (435 PS) at its peak. It can accelerate from 0 to 100 km/h in just 3.2 seconds.

Porsche provided a spectacular look into the automotive future: the Mission R concept car combines state-of-the-art technologies and sustainable materials with a passion for racing. In addition to a progressive design, the extremely low-slung, all-electric Mission R features the characteristic lines of the sports cars from Stuttgart-Zuffenhausen. The two newly developed electric motors in the Porsche Mission R deliver up to 800 kW (1,088 PS) in “qualifying mode.” The battery capacity of around 80 kWh and an innovative recuperation system make sprint racing possible with no loss of output. The Mission R accelerates from 0 to 100 km/h in less than 2.5 seconds, and the top speed is more than 300 km/h. In addition to the innovative electric drive system, the body of the concept car also focuses on CO_2 reduction and sustainability. It is largely made of natural-fiber-reinforced plastic, the base material of which consists of flax fibers obtained from agriculture. This environmentally friendly material is also used for the front splitter, diffuser and side skirts.

Volkswagen Commercial Vehicles celebrated the motor show premiere of the all-new generation of the Multivan in Munich. Tailor-made for families and the sporty and active, the all-rounder’s newly developed seat and cargo space system makes it suitable for the most varied of uses, from a family and leisure vehicle to a premium shuttle. The plug-in hybrid drive consisting of a 1.4 TSI engine with 110 kW (150 PS) of power and an 85 kW (116 PS) electric motor is a novelty in this series. With a system output of 160 kW (218 PS), the Multivan eHybrid combines local emission-free driving with low total fuel consumption. Thanks to the lithium-ion battery, the range in fully electric mode is designed to cover average daily distances. With the ID. BUZZ AD (Autonomous Driving), Volkswagen Commercial Vehicles presented a fully electric, self-driving prototype at the IAA MOBILITY. The aim is to use the production version for mobility services such as MOIA from 2025. In Munich, the development partner Argo AI is currently testing the vehicle’s Self-Driving-System SDS that will enable autonomous driving. Accurate data for the intelligent software is delivered by a combination of lidar, radar and camera systems. This gives a very precise picture of urban traffic, which will allow the self-driving ID. BUZZ AD to take passengers to their city center destinations in future.

Other new vehicles

Porsche launched its new Macan in the third quarter of 2021 with enhanced performance, modified design and a new control interface. The compact SUV’s visuals have been further sharpened with a series of specific changes. The redesigned nose emphasizes the Macan’s width, making it look even more imposing on the road. The rear is now rounded off toward the road by a striking diffuser in a particularly technical design. The chassis has also been optimized further: the Macan now responds even more sensitively and directly to the driving situation and road conditions. The new Porsche Macan offers a significantly enhanced interior with a modern and elegantly designed center console. Its control interface, which makes use of touch surfaces instead of tactile buttons, brings a clear structure to the cockpit. The Macan also offers many online functions as standard. These can be controlled via the 10.9-inch full HD touch display of the Porsche Communication Management system or by using voice commands. The sporty flagship of the successful SUV series is the Macan GTS. The power output of its V6 biturbo engine has been increased by 44 kW (60 PS) to 324 kW. With the Sport Chrono package, it accelerates from 0 to 100 km/h in 4.3 seconds and has a top speed of 272 km/h.

Bentley took another step on its way to becoming an end-to-end net-carbon-neutral company in the third quarter of 2021, adding the Flying Spur to its range of hybrid models as part of its journey to electrification. The grand tourer's new powertrain delivers the renowned luxury and familiar performance of a Flying Spur. A V6 petrol engine and advanced electric motor combine to generate a system power output of 400 kW (544 PS). The Flying Spur Hybrid can cover more than 40 km in fully electric mode, and the total range is over 700 km. Subtle badges on the bodywork reveal the innovative drive system from outside. The driver receives additional information on the hybrid drive via the head-up display, infotainment screen and instrument cluster.

Lamborghini presented the limited-edition Countach LPI 800-4 in August 2021 to mark the 50th anniversary of its iconic model. The futuristic super sports car pays homage to the Countach of the 1970s and 80s, which revolutionized design and technology. The pure lines immediately recall the Countach's legacy. Its 574 kW (780 PS) V12 naturally aspirated engine paired with hybrid supercapacitor technology and an electric motor provide a combined system output of 599 kW (814 PS). With permanent all-wheel drive, the Countach LPI 800-4 can accelerate from 0 to 100 km/h in just 2.8 seconds and has a top speed of 355 km/h.

AWARDS

Several Volkswagen Group models were awarded the "Company Car of the Year 2021" title in the poll organized by *Firmenauto* magazine in mid-July 2021. The Volkswagen Passenger Cars brand won in the small electric car and city car categories with the ID.3 and up! models. The Caddy from Volkswagen Commercial Vehicles achieved first place in the small vans category. ŠKODA took seven titles in the poll: the Octavia, Superb and Superb iV models were voted best compact, mid-size and plug-in hybrid models in the import rankings, while the Kamiq, Karoq and Kodiaq models won the import rankings in the small, compact and mid-size SUV and crossover categories. The Enyaq iV came first in the mid-size electric car category for import vehicles. SEAT impressed with the Alhambra in the large MPV category for imports. CUPRA's Formentor model won the best newcomer category for import vehicles and was the overall winner in the small and compact plug-in hybrids category. Audi won awards for the e-tron GT and e-tron: the models were the overall winners in the newcomer and premium-class electric vehicle categories as well as the large SUV and crossover categories. Moreover, Audi's A1, A3, A4 and A6 models were the overall winners in the small, compact, mid-size and premium mid-size categories. The Q2, Q3 and Q5 models from Audi rounded off the success as the overall winners in three SUV and crossover categories. A 165-strong jury chose the overall winners and the winners among the import vehicles from 20 different vehicle categories.

At the end of July 2021, MAN Truck & Bus received no fewer than seven awards from the readers of the industry magazines *trans aktuell*, *FERNFAHRER* and *lastauto omnibus*. The MAN TGX prevailed against its competitors in the long-haul category, while the MAN TGS took the top spot in the tipper trucks up to 32 tonnes and heavy delivery vehicles over 18 tonnes categories. The MAN TGM took the title of best truck in the lightweight delivery trucks up to 18 tonnes category. The MAN Lion's Intercity won over the voters in the intercity bus category, while the MAN Lion's Coach took first place in the coach category. Another winner was the MAN eTGE in the electric vans category. This vehicle generates zero local emissions. A total of around 7,600 readers chose the "Best Commercial Vehicles 2021" from 250 product lines in 16 categories.

In early September 2021, the Porsche plant in Leipzig won the Lean & Green Management Award 2021 in the automotive OEM category for its environmentally friendly and sustainable production. A total of 250 plants from more than ten countries and 20 industries took part in the competition.

In September 2021, the readers of *AUTO Straßenverkehr* magazine crowned two ŠKODA models as "Family Car of the Year 2021" in six categories. The ŠKODA Enyaq iV topped the import and overall rankings in the best technology category for vehicles priced up to €25,000 and secured the top spot in the best design category for import vehicles. With the Superb Combi, the ŠKODA brand also took three further titles in the €25,000 to €35,000 price category: the model was named best value for money in the import and overall rankings and also surpassed the competition in the best technology category for import vehicles. A total of 124 vehicles competed, all of which were estate cars, SUVs or MPVs with a luggage compartment capacity of at least 400 liters and a base price not exceeding €45,000.

Also in September 2021, Audi's e-tron GT model impressed voters as a pioneer of the future of mobility in the "BEST OF mobility 2021" readers' choice awards, coming first in the electric cars category. The "BEST OF mobility" readers' choice awards are presented by the publisher HUSS-VERLAG in collaboration with the international consulting firm Deloitte and the German Association of the Automotive Industry (VDA). The accolades for products and services combine the three future-oriented themes of mobility, connectivity and infrastructure.

ANNIVERSARIES

The first Volkswagen to be manufactured in South Africa – a Beetle – left the assembly line in Kariega in August 1951. Volkswagen Group South Africa has celebrated the brand's 70th anniversary in South Africa this year. Since the start of production, more than four million vehicles of different Volkswagen and Audi models have been made there. A long-standing success story, Volkswagen Group South Africa has developed into South Africa's largest private sector employer and takes on social responsibility through numerous projects.

The first generation of the Superb notchback saloon from ŠKODA made its debut 20 years ago. The model name, revived in 2001, was a reference to an earlier vehicle of the same name that entered production in 1935. More than 700 thousand Superbs have been delivered in the last 20 years.

Series production of the Octavia began at ŠKODA's main plant in Mladá Boleslav in September 1996. A total of more than 7 million vehicles have been delivered to customers since then. From the outset, the brand's bestseller offered excellent space, modern technology, a high safety standard and attractive value for money. The current fourth generation offers the largest choice of powertrains in the history of the model range. Alongside efficient petrol and diesel engines, this also includes a wide selection of alternative drive systems, including natural gas (CNG) and plug-in hybrid drive.

In October, the 300 thousandth Tiguan rolled off the assembly line in Kaluga, Russia. The SUV has been a bestseller for the Volkswagen brand in Russia since its market launch in 2009.

PARTNERSHIPS

In early July 2021, the TRATON GROUP together with Daimler Truck and the Volvo Group signed a declaration of intent on the creation and operation of a public high-performance charging network for battery electric heavy-duty long-haul trucks and coaches in Europe. The aim is to build and accelerate publicly accessible charging infrastructure. The agreement lays the foundation for a planned joint venture to be owned in equal shares by the three parties.

In July 2021, Volkswagen announced the establishment of a joint venture with TraceTronic, a solution provider for the testing and integration of vehicle software. Volkswagen and TraceTronic each hold 50% in the joint venture neocx, which aims to set up a continuous integration/continuous testing (CI/CT) factory. This is a platform that brings together powerful tools for the highly automated testing and integration of automotive software and connected services. In future, the CI/CT factory is to harmonize the testing and integration landscape across the Volkswagen Group.

At the end of July 2021, Volkswagen's Supervisory Board approved an agreement with the investment firm Attestor Limited and Pon Europe B.V. for the submission of a joint public takeover offer for the shares of Europcar Mobility Group S.A., Paris/France through a consortium company. If the offer is accepted, the consortium – according to current information – would assume joint control of Europcar. The consortium submitted its takeover offer to the French regulator in September 2021. Following a successful review of the offer documents, the Europcar shareholders will have the opportunity to tender their shares.

SUPERVISORY BOARD MATTERS

Mr. Athanasios Stimoniaris, former Chair of the Group Works Council of TRATON SE, resigned from his post as a member of the Volkswagen AG Supervisory Board with effect from August 31, 2021. Mr. Stimoniaris had been a member of the Supervisory Board since 2015. Jens Rothe, Chair of the General Works Council of Volkswagen Sachsen GmbH, was appointed by the court to replace him with effect from October 22, 2021.

Volkswagen Shares

The recovery on the international stock markets, which began over the course of 2020 after the sharp falls in share prices triggered by the Covid-19 pandemic, continued in a largely vigorous fashion in the first nine months of this year. Optimism was widespread, despite fears of setbacks in tackling the pandemic and of the resulting prolongation of restrictions to public life and the corresponding impact on economic growth.

On the German stock market, the DAX made a strong start to the new fiscal year and cleared three new 1,000-point hurdles during the reporting period. Germany's benchmark index remained largely unperturbed by the continuing spread of the SARS-CoV-2 virus, and more than compensated for the previous year's slump, although the dynamic pace of increase in the second quarter transitioned into sideways movement. The main drivers of this development were the progress made in the vaccination campaigns and the continued economic stimulus by central banks and governments all around the world, as well as the signs of an emerging recovery in the global economy. Support also came from gains in automotive stocks. In contrast, the concerns of market participants regarding rising inflation had a negative impact, as did lack of parts availability due to pandemic-related supply bottlenecks.

Volkswagen AG's preferred and ordinary shares also recovered from the loss in value caused by the pandemic. Their prices were up by 27% and 58% respectively compared to the end of 2020. As a result, their value at the end of September 2021 was higher than before the pandemic. There were two main reasons for the encouraging performance of Volkswagen shares. Firstly, the Group's business performance in 2020 and in the first half of 2021 was better than had been feared at the outset of the pandemic. Secondly, the new Group strategy, including the Group's plans to accelerate the expansion of e-mobility and the associated battery technology, was well received by investors. The continued strained situation relating to the supply of semiconductors had a negative impact.

Information and explanations on earnings per share can be found in the notes to the interim consolidated financial statements. Additional Volkswagen share data, plus corporate news, reports and presentations can be downloaded from our website www.volkswagenag.com/en/InvestorRelations.html.

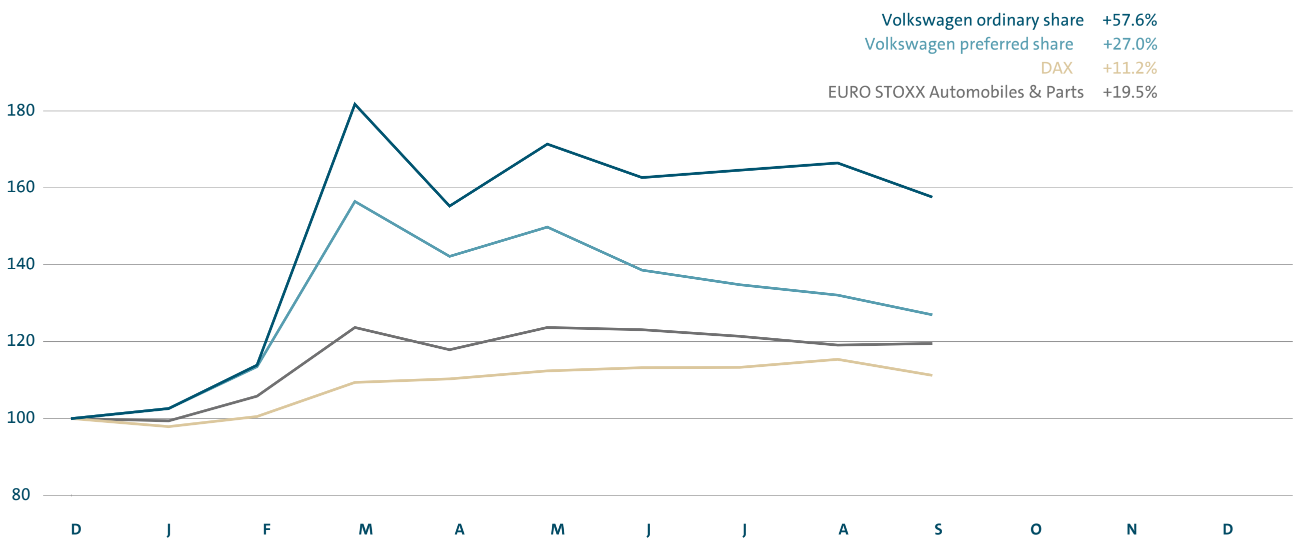
VOLKSWAGEN SHARE FIGURES AND MARKET INDICES FROM JANUARY 1 TO SEPTEMBER 30, 2021

		High	Low	Closing
Ordinary share	Price (€)	327.20	165.70	268.00
	Date	Mar. 18	Jan. 12	Sept. 30
Preferred share	Price (€)	246.55	144.80	193.64
	Date	Apr. 6	Jan. 13	Sept. 30
DAX[1]	Price	15,977	13,433	15,261
	Date	Aug. 13	Jan. 29	Sept. 30
ESTX Auto & Parts	Price	662	491	602
	Date	Jun. 7	Jan. 11	Sept. 30

1 Effective September 20, 2021, the number of companies that make up the DAX rose from 30 to 40.

PRICE DEVELOPMENT FROM DECEMBER 2020 TO SEPTEMBER 2021

Index based on month-end prices: December 31, 2020 = 100



Business Development

GENERAL ECONOMIC DEVELOPMENT

The global spread of the SARS-CoV-2 virus and the associated restrictions continued to varying degrees in the first nine months of 2021. The progress made by many countries in administering vaccines to their populations had a positive effect, while the emergence of new variants of the virus led to a renewed rise in infections at a national level. Compared with the prior-year period, the global economy recorded positive growth. In both the advanced economies and the emerging markets, the average rate at which gross domestic product (GDP) expanded was far higher than the negative growth seen in the same period of 2020. At a national level, performance during the reporting period was dependent among other things on the extent to which the negative impacts of the Covid-19 pandemic were materializing and the intensity with which measures were taken to contain the spread. The governments and central banks of numerous countries around the world continued to maintain their expansive fiscal and monetary policy measures. Interest rates remained relatively low. On average, prices for energy and other commodities rose significantly compared with the prior-year period and shortages of intermediates and commodities grew. Global trade in goods increased in the reporting period.

The economies of Western Europe recorded markedly positive overall growth from January to September 2021 compared with the prior-year period. This trend was seen in almost all countries in Northern and Southern Europe. The reasons for this included the increased resilience to high infection rates experienced by the economies in many countries, and the associated easing of the measures taken to contain the pandemic.

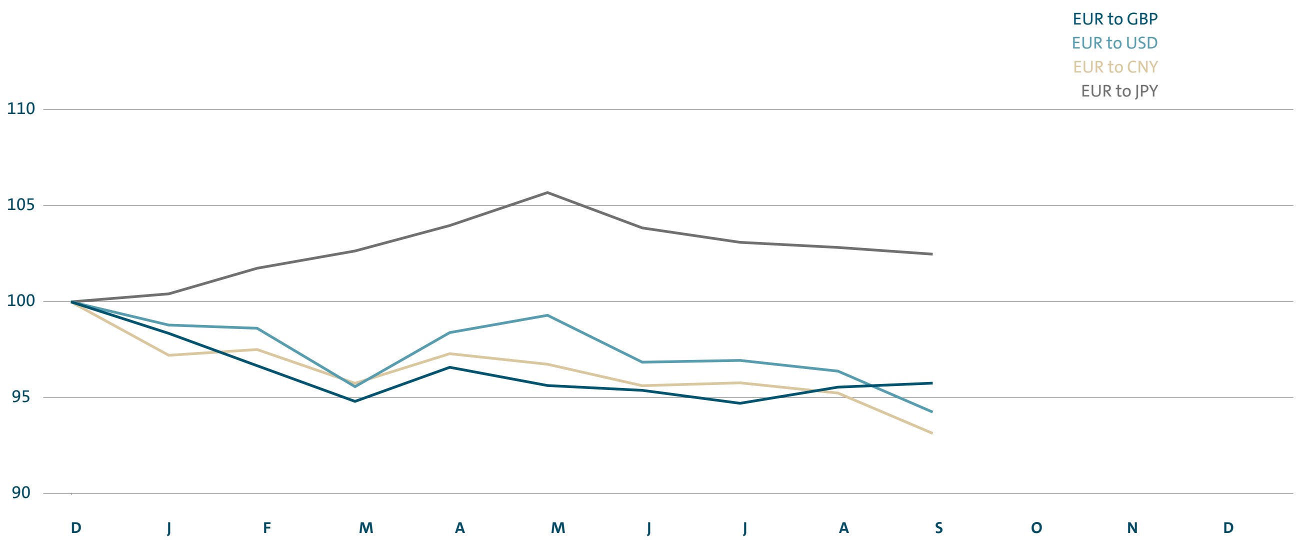
On the whole, Germany reported a positive growth rate over the reporting period. The average unemployment rate was more or less level with the prior-year period, while the number of employees affected by *Kurzarbeit* (short-time working) remained high. Confidence in the industrial and service sectors rose significantly, and consumer confidence was slightly above the level for the same period of the previous year.

Altogether, the economies in Central and Eastern Europe showed an increase in real absolute GDP in the first nine months of the year compared with the same period of 2020. The same trend was observed in Russia, the largest economy in Eastern Europe.

Turkey's economy achieved significant positive GDP growth in the reporting period amid high inflation and a fall in the value of the local currency. South Africa also recorded a positive change in GDP amid persistent structural deficits and political challenges.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2020 TO SEPTEMBER 2021

Index based on month-end prices: as of December 31, 2020 = 100



Growth in the US economy was significantly higher in the first nine months of 2021 despite dynamic infection rates. The US government approved a further comprehensive stimulus package in the first quarter of this year to strengthen the economy. Both the weekly number of people filing new claims for unemployment benefits and the unemployment rate fell, but they remained at a relatively high level. The average inflation rate increased in the reporting period. In Canada and Mexico, economic output was also significantly higher than in the same period of 2020.

Brazil's economy recorded an increase from January to September 2021 despite high infection rates. Argentina registered a recovery in economic output amid high inflation and the continued collapse of the currency.

China was exposed to the negative effects of the Covid-19 pandemic earlier than other economies and benefited from a relatively low number of new infections as the year progressed. The country's economic output continued to rise in the reporting period. India registered positive economic growth overall amid a spike in infections. Japan also recorded a positive GDP growth rate compared with the same period of the previous year.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

Between January and September 2021, global demand for passenger cars rose significantly on the whole compared with the weak level recorded in the prior-year period (+13.1%). However, the growth was uneven owing to the effects of the Covid-19 pandemic, which varied strongly from region to region both in the first nine months of 2020 and in 2021. In addition, the semiconductor shortage and the resulting limited vehicle availability had an increasingly negative impact over the course of the year. The overall markets of the South America, Africa and Middle East regions recorded above-average growth. Increases in Central and Eastern Europe, North America and Asia-Pacific were roughly in line with the global average, while growth in Western Europe was lower.

Global demand for light commercial vehicles between January and September 2021 was distinctly higher than the prior-year level.

In Western Europe, demand for passenger cars weakened over the course of the third quarter, but overall remained distinctly higher than the prior-year level during the reporting period. The continuing restrictions aimed at containing the Covid-19 pandemic led to a year-on-year decline in deliveries in the first two months of 2021. From March to June, demand in each of the individual months exceeded that of the previous year, which had been affected by the pandemic as of the last third of the first quarter and particularly in the second quarter of 2020. Since July 2021, the number of new passenger cars registered declined in some cases substantially month-by-month. This was particularly attributable to the semiconductor shortage and the resulting cutbacks in production in addition to the market recovery in the prior year. Nevertheless, the performance of the large individual passenger car markets was positive on the whole: from January to September 2021, new registrations of passenger cars in the United Kingdom, France, Italy and Spain recorded growth rates that varied in strength.

In the first nine months of 2021, the volume of new registrations of light commercial vehicles in Western Europe was substantially higher than the prior-year figure.

Demand for passenger cars in Germany declined slightly between January and September 2021. In addition to the effects of the Covid-19 pandemic, this was due to both the lower number of new registrations in the first two months of the reporting period – attributable to early purchases made in the fourth quarter of 2020 because of the expiry of the temporary reduction in value-added tax (VAT) – and to the deterioration in the supply situation as a result of the semiconductor shortage.

Demand for light commercial vehicles in Germany in the reporting period was distinctly higher than in the same period of 2020.

In the Central and Eastern Europe region, there was a significant rise in sales of passenger cars in the first nine months of 2021 compared with the prior year. The development of demand varied from market to market. In the Central European EU countries as a whole, the absolute increase in demand registered was lower than in Russia, the region's largest single market. A significant increase in demand was recorded there during the reporting period; however, this was exclusively due to the positive development in the second quarter of 2021.

Registration volumes for light commercial vehicles in Central and Eastern Europe rose substantially year-on-year. The number of vehicles sold in Russia in the months between January to September 2021 was also up substantially on the prior-year figure.

In Turkey, the passenger car market volume in the reporting period significantly exceeded the prior-year level. The market recovery that had begun in the fourth quarter of 2019 thus continued in 2021, although the figure in the third quarter of 2021 did not reach the high prior-year figure. In South Africa, the number of passenger cars sold between January and September 2021 was almost a third higher than the very weak figure recorded the previous year.

Between January and September 2021, demand for light commercial vehicles rose noticeably in Turkey and strongly in South Africa compared with the prior-year period.

In North America, sales of passenger cars and light commercial vehicles (up to 6.35 tonnes) in the reporting period increased markedly on the whole compared with the prior-year figure, which had been impacted by the negative effects of the Covid-19 pandemic. However, this growth weakened during the third quarter of 2021 due mainly to supply bottlenecks for semiconductors.

In this region, the market volume in the USA also rose significantly year-on-year, although the momentum was also weaker. Of the light commercial vehicles, the SUV models in particular benefited from this increase. The Canadian automotive market also saw a significant rise in sales in the reporting period, thereby halting the downtrend that had begun in 2018 and had accelerated in the previous year as a consequence of the Covid-19 pandemic. The number of vehicles sold in Mexico was also significantly higher than the comparable prior-year figure.

In South America, the volume of new registrations for passenger cars and light commercial vehicles in the first nine months of 2021 was on the whole substantially higher than in the weak prior year, which had been very strongly affected by the impact of the Covid-19 pandemic. In Brazil, the number of new registrations was considerably higher than in the prior-year period, while in Argentina it was substantially higher.

In the Asia-Pacific region, the volume of the passenger car market in the reporting period increased significantly compared with the prior-year figure, which had been considerably impacted by the SARS-CoV-2 virus. The absolute rise in demand for passenger cars in the reporting period was attributable largely to the favorable trend in China. Here, the signs of a recovery that had begun during the second half of 2020 – following the significant losses in the first three months of the previous year – continued, but weakened in the last months of the reporting period due to the limited vehicle availability caused by the semiconductor shortage. In the Indian passenger car market, sales in the period from January to September 2021 increased by around 50% compared with the weak prior year. In Japan, the number of new passenger cars registered in the reporting period was up slightly on the prior-year period.

There was a slight year-on-year improvement in demand for light commercial vehicles in the Asia-Pacific region. Registration volumes in China, the region's dominant market and the largest market worldwide, fell moderately year-on-year. The number of new vehicle registrations in India was slightly higher than the prior-year level, and in Japan, this figure was moderately up year-on-year.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

Since July 1, 2021, Navistar has been a TRATON GROUP brand, making it part of the Volkswagen Group's Commercial Vehicles Business Area. This has broadened the relevant markets in the commercial vehicles business, both for trucks and for the school bus segment, which expanded to include North America (consisting of USA, Canada and Mexico).

In the markets that are relevant for the Volkswagen Group, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes experienced strong growth in the reporting period compared with the prior year. In comparison with the previous year, which had been adversely affected by the Covid-19 pandemic, a recovery of the truck markets could be observed worldwide.

Demand in the 27 EU states excluding Malta, but plus the United Kingdom, Norway and Switzerland (EU27+3), was also up substantially on the previous year's level in the first nine months of 2021. Growth could be observed in almost all truck markets in the region. An increase of more than 75% was registered in Poland, while the UK recorded growth of more than 25%. Demand in France and Germany also rose significantly. The Russian market grew sharply and new registrations in Turkey increased by around 80% year-on-year, starting from a low prior-year level. The truck market in North America is divided into weight classes 1 to 8. In the segments relevant for Volkswagen – Class 6 to 8 (8.85 tonnes or heavier) – new registrations were very sharply (+33.0%) up on the previous year's figure. In the South African market, demand was up distinctly. In Brazil, the largest market in the South America region, demand for trucks in the first three quarters of 2021 was up around 50% year-on-year.

In the first nine months of 2021, there was distinct growth in demand overall in the bus markets that are relevant for the Volkswagen Group compared with the same period of the prior year. Between January and September 2021, demand for buses in the EU27+3 markets was slightly higher than the weak level of the previous year, with the picture varying from country to country. The school bus segment in North America recorded a significant increase year-on-year. Demand for buses in Mexico was sharply and in Brazil noticeably higher than the previous year's figure. As a consequence of the Covid-19 pandemic, demand for coaches in particular was still virtually non-existent in any of the bus markets that are relevant for the Volkswagen Group.

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 independently of one another.

Despite the global impact of the Covid-19 pandemic and continuing uncertainty, for instance surrounding future emissions regulations, order activity in the marine market was markedly higher in the first nine months of 2021 than in the same period of the previous year. In merchant shipping, the market for container ships in particular performed encouragingly thanks to high demand combined with bottlenecks in transport capacity. Demand for cruise ships and passenger ferries remained low due to the difficult liquidity situation of shipping companies as a result of the Covid-19 pandemic. The special market for government vessels, which is supported by state investment, was below the prior-year level. In the offshore sector, the existing overcapacity continued to curb investment in offshore oil production.

The market for power generation improved slightly in the first three quarters of 2021 compared with the same period of the previous year. Overall, initial signs of market recovery are evident, however, due to factors such as CO_2 reductions, a great deal of hesitancy remains regarding investment decisions. The trend away from oil-fired power plants toward dual-fuel and gas-fired power plants continued. Demand for new energy solutions remained high with a strong trend towards greater flexibility and decentralized availability with an increased focus on hydrogen technologies.

In the 2021 reporting period, the market for turbo machinery recovered from the negative effects of the Covid-19 pandemic, with a markedly positive year-on-year trend. Prices for raw materials continued to increase significantly, resulting in rising demand for production facilities with turbo compressors in the raw materials and processing industry. The oil and gas markets recovered in the first three quarters of 2021 and demand for turbo compressors grew. The new business fields for turbo machinery used in the area of decarbonization, for instance the market for electro thermal energy storage (ETES), improved compared with the prior-year period, driven by the greater focus on investment and markedly higher prices for carbon dioxide certificates in European trading. However, demand for steam turbines used for power generation and gas turbines used for decentralized, industrial combined-heat-and-power installations declined and once again deteriorated year-on-year due to the shift in the focus of investments and overcapacities at electricity producers.

The after-sales business for diesel engines in the marine and power plant business was weaker in the first nine months of 2021 than in the same period of the previous year, as the Covid-19 pandemic continued to adversely affect demand.

The after-sales business for turbo machinery recovered slightly in the first three quarters of 2021 compared with the prior-year period. However, the Covid-19 pandemic still had a significant impact. Due to financial constraints, capital-intensive modifications continued to be postponed.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

Demand for automotive financial services was buoyant in the first three quarters of 2021 due, among other things, to the persistently low key interest rates in the main currency areas. Nevertheless, the Covid-19 pandemic and the limited vehicle availability due to the semiconductor shortage put pressure on the demand for financial services in almost all regions.

The European passenger car market was increasingly affected in the reporting period by the impact of the semiconductor shortage, though vehicle deliveries were still higher than in the pandemic-hit weak prior-year period. Demand for financial services products in the new vehicle business was up on the prior-year figure; in the private customer business, the proportion of vehicles sales made up by financing and lease contracts was at the prior-year level. A positive trend was also recorded in the financing of used vehicles, where particularly sales of after-sales products such as servicing, maintenance and spare parts agreements were expanded further.

In addition to the impacts of the Covid-19 pandemic, the financial services business in Germany was also increasingly affected by the challenges presented by the semiconductor shortage. The number of new financing and lease contracts in the reporting period was on a level with the previous year, with a positive trend particularly apparent for lease contracts signed with both individual and fleet customers. Financing arrangements with individual customers stagnated due to the limited availability of new vehicles as a result of the semiconductor shortage, though the used vehicle business performed positively in recent months in spite of the limited range of vehicles on offer. Apart from a number of exceptions, take-up of services and insurance products was down.

Demand for financing and insurance products for new and used vehicles in South Africa stagnated, continuing to be bolstered by campaigns, vehicle price inflation and low interest rates. Financed vehicle purchases, however, remain difficult overall in light of the subdued outlook and continuing pressure on disposable income.

In the North America region, vehicle deliveries and the demand for lease and financing contracts were up on the previous year's figures in the first nine months of 2021, along with after-sales products and automotive-related insurance. However, a negative trend could be observed at the end of the reporting period due to the shortage of vehicles. In the United States and Mexico, the proportion of lease and financing contracts in percentage terms was down on the prior-year figures. In Canada, however, the prior-year level was exceeded.

In the South America region, excess demand for new vehicles and a sharp rise in interest rates in Brazil led to a growing number of cash sales. Nevertheless, the number of financing contracts there increased year-on-year. Demand for long-term leases rose, also among private customers. Sales in Argentina increased through car savings plans.

In the Chinese market, both the share of loan-financed vehicle purchases and growth in new contracts tapered off in the third quarter of 2021 owing to the semiconductor shortage and the related drop in passenger car sales. As a result, the comparative prior-year figures were not reached in the reporting period.

In the first three quarters of 2021, the commercial vehicle market, which was heavily affected by the Covid-19 pandemic in the previous year, recorded a recovery compared to the prior-year period, particularly due to growth in the heavy commercial vehicles category. This positive trend was also seen in financing and lease contracts in Europe and Brazil.

VOLKSWAGEN GROUP DELIVERIES

The Volkswagen Group delivered 6,951,489 vehicles to customers worldwide from January to September 2021. This was 6.9% or 446,850 units more than in the same period of the previous year, when the Covid-19 pandemic and the measures taken worldwide to contain it had a material impact on demand. Sales figures for both the Passenger Cars Business Area and the Commercial Vehicles Business Area exceeded the previous year's levels. The chart in this section shows the trend in deliveries worldwide for the individual months compared with the previous year. In the following, we report separately on deliveries in the Passenger Cars Business Area and the Commercial Vehicles Business Area.

VOLKSWAGEN GROUP DELIVERIES FROM JANUARY 1 TO SEPTEMBER 30[1]

	2021	2020	%
Passenger Cars	6,756,065	6,376,975	+5.9
Commercial Vehicles	195,424	127,664	+53.1
Total	**6,951,489**	**6,504,639**	**+6.9**

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

GLOBAL DELIVERIES BY THE PASSENGER CARS BUSINESS AREA

Global demand for Volkswagen Group passenger cars and light commercial vehicles from January to September 2021 rose by 5.9% year-on-year to 6,756,065 units. Market conditions that resulted from the uncertainty and the measures taken around the world in connection with the Covid-19 pandemic had a material impact on the comparative figure for 2020. In terms of the trend in our deliveries to customers, there were some appreciable differences across individual countries and regions in the reporting period, depending on the latest infection rates, the related restrictions and the scale of disruption caused by the pandemic in the prior-year period. Furthermore, particularly from the third quarter of 2021 onwards, supply bottlenecks for semiconductors and the resulting limited availability of Group models meant that demand could not be adequately met in some regions. All Volkswagen Group brands except ŠKODA and Bugatti exceeded their prior-year figures. We registered higher demand year-on-year in nearly all regions.

The Group's sales figures in particular responded positively to its e-mobility campaign; in the first nine months of 2021, we delivered 293,077 fully electric vehicles to customers worldwide. This was 170,040 more units than in the same period of the previous year. Our plug-in hybrid models were also very popular with our customers, with 245,951 units being sold (previous year: 105,577). As a result, electric vehicle deliveries more than doubled year-on-year, rising to 7.8 (3.5)% of total Group deliveries. The Group's most successful all-electric vehicles included the ID.4, ID.3 and e-up! from the Volkswagen Passenger Cars brand, the Audi e-tron and Audi Q4 e-tron, the ŠKODA Enyaq iV, the SEAT Mii electric and the Porsche Taycan. The most popular plug-in hybrid models included the Golf, Passat Estate and Tiguan from Volkswagen Passenger Cars, the Audi A3 Sportback and Audi Q5, the ŠKODA Octavia Combi and ŠKODA Superb Combi, the SEAT Leon Sportstourer, the CUPRA Formentor and the Porsche Cayenne.

In an overall global market exhibiting considerable growth, we achieved a passenger car market share of 12.1 (13.0)%.

The following table in this section provides an overview of passenger car and light commercial vehicle deliveries to customers by market in the reporting period. Sales trends in the individual markets are described in the following sections.

Deliveries in Europe/Other Markets

In Western Europe, the Volkswagen Group delivered 2,198,964 vehicles to customers in the first nine months of this year in an overall market that was at a distinctly higher level than the prior year. This was 8.7% more than in the same period of the previous year, which had been strained by the pandemic. While the course of the Covid-19 pandemic and the restrictions aimed at containing it continued to act as a drag on demand for Group models in the first quarter of 2021, demand rose particularly at the beginning of the second quarter as compared with the same period of the previous year, the quarter that had been affected most by the pandemic. In the third quarter of 2021, supply bottlenecks for semiconductors and the resulting limited availability of Group models increasingly meant that demand could not be adequately met. Customer interest in the Volkswagen Group's electric vehicles was strongest in Western Europe, where we delivered around three-quarters of our plug-in hybrids and over two-thirds of our all-electric models to customers in the first nine months of 2021. In this region, electrified vehicles accounted for approximately 17% of the Group's total deliveries. The Group models with the highest volume of demand were the Golf, Polo, T-Roc and Tiguan from the Volkswagen Passenger Cars brand. In addition, new or successor models introduced to the market in the previous year proved very popular with customers, including the up!, the T-Roc Cabrio and Arteon Shooting Brake and the first all-electric production models, the ID.3 and ID.4 from the Volkswagen Passenger Cars brand, the A3 saloon, A3 Sportback and e-tron Sportback from Audi, the ŠKODA Octavia and the CUPRA Formentor. The Polo from Volkswagen Passenger Cars, the Fabia and Kodiaq from ŠKODA and the Arona and Ibiza from SEAT, the plug-in hybrid variants of the Tiguan from Volkswagen Passenger Cars, the Q3, Q3 Sportback, Q5 and Q5 Sportback from Audi, the SEAT Tarraco and the CUPRA Formentor, as well as the all-electric models e-tron GT, Q4 e-tron and e-tron Sportback from Audi, the Enyaq iV from ŠKODA and the Porsche Taycan Cross Turismo, among others, were successfully launched on the market during the reporting period as new or successor models. The Volkswagen Group's share of the passenger car market in Western Europe expanded to 24.0 (23.4)%.

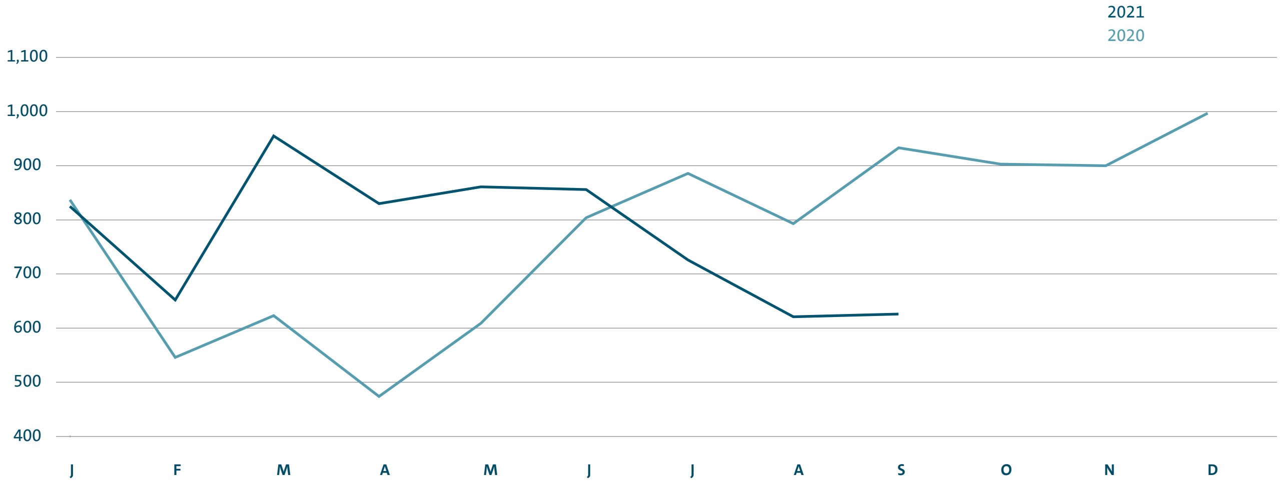
In Germany, demand for vehicles from the Volkswagen Group was up 0.4% on the pandemic-related weak prior-year figure in an overall market that contracted slightly between January and September 2021. The first quarter saw a lower volume of new registrations as an effect of the Covid-19 pandemic as well as early purchases made in the fourth quarter of 2020 in anticipation of the expiry of the temporary reduction in value-added tax (VAT), but demand recovered

PASSENGER CAR DELIVERIES TO CUSTOMERS BY MARKET FROM JANUARY 1 TO SEPTEMBER 30[1]

	DELIVERIES (UNITS)		CHANGE
	2021	2020	(%)
Europe/Other Markets	**2,965,796**	**2,684,659**	**+10.5**
Western Europe	**2,198,964**	**2,023,708**	**+8.7**
of which: Germany	749,144	745,834	+0.4
France	188,072	149,821	+25.5
United Kingdom	345,192	302,336	+14.2
Italy	203,789	169,363	+20.3
Spain	177,337	153,092	+15.8
Central and Eastern Europe	**510,358**	**464,227**	**+9.9**
of which: Czech Republic	91,551	81,266	+12.7
Russia	168,168	154,476	+8.9
Poland	98,053	87,721	+11.8
Other Markets	**256,474**	**196,724**	**+30.4**
of which: Turkey	101,203	82,468	+22.7
South Africa	55,993	44,936	+24.6
North America	**688,035**	**547,834**	**+25.6**
of which: USA	510,066	398,951	+27.9
Canada	78,039	61,958	+26.0
Mexico	99,930	86,925	+15.0
South America	**331,422**	**299,582**	**+10.6**
of which: Brazil	234,417	227,965	+2.8
Argentina	48,092	42,612	+12.9
Asia-Pacific	**2,770,812**	**2,844,900**	**–2.6**
of which: China	2,547,322	2,657,153	–4.1
India	32,248	17,184	+87.7
Japan	52,476	50,064	+4.8
Worldwide	**6,756,065**	**6,376,975**	**+5.9**
Volkswagen Passenger Cars	3,794,770	3,674,278	+3.3
Audi	1,347,637	1,187,190	+13.5
ŠKODA	700,735	721,884	–2.9
SEAT	391,298	316,904	+23.5
Bentley	10,934	7,496	+45.9
Lamborghini	6,902	5,631	+22.6
Porsche	217,198	191,547	+13.4
Bugatti	58	58	+0.0
Volkswagen Commercial Vehicles	286,533	271,987	+5.3

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

VOLKSWAGEN GROUP DELIVERIES BY MONTH
Vehicles in thousands



during the second quarter. The limited vehicle supply resulting from supply bottlenecks for semiconductors impacted on the Group's deliveries in the third quarter of 2021. The Group models with the highest volume of demand were the Golf and Passat Estate from the Volkswagen Passenger Cars brand. In addition, the new or successor models introduced in the previous year – the up!, T-Roc Cabrio, Tiguan and Arteon Shooting Brake and the first all-electric production models, the ID.3 and ID.4 from Volkswagen Passenger Cars, the A3 Sportback and e-tron Sportback from Audi and the CUPRA Formentor – were very popular with customers. Nine Group models led the Kraftfahrt-Bundesamt (KBA – German Federal Motor Transport Authority) registration statistics in their respective segments: the up!, Golf, T-Roc, Tiguan, Touran, Passat, Audi A6, Porsche 911 and Multivan/Transporter. After the first nine months of 2021, the Golf was still the most popular passenger car in Germany in terms of registrations.

In the Central and Eastern Europe region, the number of vehicles handed over to customers in the reporting period was up 9.9% year-on-year. The overall market also recorded significant growth in demand. Demand developed encouragingly for the T-Cross, Golf, T-Roc and Tiguan models from Volkswagen Passenger Cars, for the ŠKODA Rapid, Kamiq, Karoq and Kodiaq models and for the SEAT Arona. The Volkswagen Group's share of the passenger car market in the Central and Eastern Europe region amounted to 21.8 (22.2)%.

In Turkey, the Volkswagen Group continued to benefit from the catch-up effects in the overall market, raising the number of vehicles handed over to customers from January to September of this year by 22.7% compared with the prior-year period. The Passat saloon was the most sought-after Group model. In the South African market, the number of Group models sold increased by 24.6%, a somewhat slower rate than the overall market. The Polo from the Volkswagen Passenger Cars brand remained the most sought-after Group model there.

Deliveries in North America

In North America, demand for Volkswagen Group models outperformed the overall market and climbed by 25.6% in the reporting period compared with the previous year, which had been weakened by the pandemic. The Group's share of the market in this region increased to 5.0 (4.5)%. The Tiguan Allspace and Jetta from Volkswagen Passenger Cars were the most sought-after Group models in North America.

In the US market, which is witnessing significant growth, the Volkswagen Group delivered 27.9% more vehicles to customers between January and September 2021 than in the same period of the previous year. Here, too, supply bottlenecks for semiconductors impacted on the Group's sales figures in the third quarter. The biggest growth among the Group models in absolute terms was registered by the Tiguan Allspace, Atlas and Atlas Cross Sport from Volkswagen Passenger Cars, by the Q3, Q5, Q7, Q8 and e-tron from the Audi brand and by the Macan and Taycan from Porsche, among others. The Taos and the ID.4 from Volkswagen Passenger Cars, the Audi A3 saloon, Audi Q5 Sportback and Audi e-tron Sportback and the Porsche Panamera were successfully launched on the market during the reporting period as new or successor models.

In Canada, the number of deliveries to Volkswagen Group customers rose by 26.0% year-on-year in the reporting period. The overall market recorded a smaller increase during this period. The Tiguan Allspace and Atlas Cross Sport from Volkswagen Passenger Cars and the Audi Q3 and Audi Q5 were some of the models that registered encouraging growth in demand.

In Mexico, where the overall market is seeing significant growth, we delivered 15.0% more vehicles to customers in the first three quarters of this year than in the prior-year period. The Group models with the highest volume of demand were the Vento and the new Taos from the Volkswagen Passenger Cars brand as well as the SEAT Ibiza.

Deliveries in South America

In the South American market, which is recording substantial growth for passenger cars and light commercial vehicles, the number of Group models delivered to customers between January and September 2021 increased by 10.6% year-on-year. The Gol, T-Cross and the new Nivus from Volkswagen Passenger Cars were the Group models with the highest demand. The Group's share of the market in South America amounted to 12.7 (14.4)%.

Compared with the previous year, the Volkswagen Group delivered 2.8% more vehicles to customers in the first nine months of 2021 in the Brazilian market, which is experiencing significant growth. Along with the Gol and the T-Cross, the new Nivus from Volkswagen Passenger Cars was in especially high demand.

In Argentina, demand for Group models in the reporting period rose along with the substantially growing overall market by 12.9% in comparison with the weak previous year. The Group models with the highest volume of demand were the Gol, the T-Cross and the new Nivus from Volkswagen Passenger Cars and the Amarok from Volkswagen Commercial Vehicles.

Deliveries in the Asia-Pacific region

In the first nine months of 2021, the Volkswagen Group saw demand in the Asia-Pacific region drop by 2.6% year-on-year in an overall market witnessing significant growth. The supply bottlenecks for semiconductors were most prevalent in this region and had an increased impact in the third quarter of 2021. The Group's share of the passenger car market in this region amounted to 11.5 (13.4)%.

The Chinese market as a whole continued to recover in the reporting period, albeit at a slower pace. The Volkswagen Group delivered 4.1% fewer vehicles to customers there than in the preceding year. New or successor models introduced in the course of the previous year were in particularly high demand: the Tacqua, Tiguan X, Tayron X, Viloran and Phideon models from Volkswagen Passenger Cars, the VS7 from the JETTA brand, the Audi A5 Sportback, Audi Q7 and Audi e-tron and the Porsche Taycan. Demand also developed encouragingly for the Lavida from Volkswagen Passenger Cars, the Q3 and Q3 Sportback from Audi and the Porsche Macan, among others. The ID.4 X, ID.4 CROZZ, Talagon, CC Shooting Brake, ID.6 X, ID.6 CROZZ and Teramont models from Volkswagen Passenger Cars, the Audi A3L saloon and Q5L Sportback and the Porsche Panamera were successfully launched on the market during the reporting period as new or successor models.

In the Indian passenger car market, which is expanding at a rate of around 50%, the Volkswagen Group saw demand almost double in the first nine months of this year compared with the weak prior-year period. The Polo from the Volkswagen Passenger Cars brand as well as the new Kushaq and the Rapid from ŠKODA were the most sought-after Group models there.

In Japan, the number of Group models delivered to customers between January and September 2021 increased by 4.8% year-on-year in an overall market experiencing minor growth. The Group models to recorded the highest demand were the T-Cross and T-Roc from Volkswagen Passenger Cars.

COMMERCIAL VEHICLE DELIVERIES

From January to September 2021, the Volkswagen Group delivered 53.1% more commercial vehicles to customers worldwide than in the same period of the previous year, when demand was affected by a slump in core markets that was further intensified by the uncertainty generated by the Covid-19 pandemic. We delivered a total of 195,424 commercial vehicles to customers in the first nine months of this year. Trucks accounted for 166,818 units (+59.7%) and buses for 12,586 units (+6.3%). A total of 16,020 (+40.6%) vehicles from the MAN TGE van series were delivered. From July 1, 2021, the figures also include Navistar's sales (14,074).

In the 27 EU states excluding Malta, but plus the United Kingdom, Norway and Switzerland (EU27+3), sales from January to September 2021 were up by 25.4% on the same period of the previous year to a total of 85,972 units, of which 66,812 were trucks and 3,452 were buses. Here, the MAN brand delivered 15,708 light commercial vehicles.

In Russia, sales rose year-on-year to 9,062 (5,368) units, comprising 9,027 trucks and 35 buses.

Between January and September 2021, deliveries in Turkey increased to 3,674 (1,731) vehicles. Trucks accounted for 3,505 units and buses for 27 units, while 142 vehicles from the MAN TGE van series were sold. In South Africa, deliveries of Volkswagen Group commercial vehicles increased by 24.9% year-on-year to a total of 2,781 units; of this figure 2,523 were trucks and 258 were buses.

Sales in North America rose in the first three quarters of 2021 to 15,573 vehicles (1,152); this included 12,204 trucks and 3,369 buses. From July 1, 2021, the figures also include Navistar's sales (13,624) whose vehicles were above all handed over to customers in the United States.

Deliveries in South America increased to a total of 60,597 vehicles (+72.8%) in the reporting period, of which 56,651 were trucks and 3,945 were buses. Sales in Brazil were up by 76.4% in the first nine months of 2021. Of the units delivered, 48,761 were trucks and 2,862 were buses. From July 1, 2021, the figures also include Navistar's sales (450).

In the Asia-Pacific region, the Volkswagen Group sold 9,535 vehicles to customers in the reporting period; among these, 8,955 were trucks and 572 were buses. Overall, this was 20.5% more than in the previous year.

DELIVERIES IN THE POWER ENGINEERING SEGMENT

Orders in the Power Engineering segment are usually part of major investment projects. Lead times 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 the period from January to September 2021, 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.

COMMERCIAL VEHICLE DELIVERIES TO CUSTOMERS BY MARKET FROM JANUARY 1 TO SEPTEMBER 30[1]

	DELIVERIES (UNITS)		CHANGE
	2021	2020	(%)
Europe/Other Markets	**109,719**	**83,521**	**+31.4**
of which: EU27+3	85,972	68,545	+25.4
of which: Germany	23,274	20,348	+14.4
Russia	9,062	5,368	+68.8
Turkey	3,674	1,731	x
South Africa	2,781	2,226	+24.9
North America	**15,573**	**1,152**	**x**
of which: USA	11,412	–	x
Mexico	3,199	1,152	x
South America	**60,597**	**35,077**	**+72.8**
of which: Brazil	51,623	29,258	+76.4
Asia-Pacific	**9,535**	**7,914**	**+20.5**
Worldwide	**195,424**	**127,664**	**+53.1**
Scania	67,235	47,735	+40.9
MAN	114,115	79,929	+42.8
Navistar	14,074	–	x

1 Prior-year deliveries have been updated to reflect subsequent statistical trends. From July 1, 2021, the figures include Navistar.

VOLKSWAGEN GROUP FINANCIAL SERVICES

The Financial Services Division covers the Volkswagen Group's dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility offerings. The division comprises Volkswagen Financial Services and the financial services activities of Scania and Porsche Holding Salzburg. Since July 1, 2021, it has also included the financial services business of Navistar.

The Financial Services Division's products and services were popular in the period from January to September 2021. However, demand was affected to varying degrees by the Covid-19 pandemic. The limited vehicle availability due to the semiconductor shortage also had a negative impact. The number of new financing, leasing, service and insurance contracts signed worldwide increased by 7.0% to 6.7 million. The ratio of leased and financed vehicles to Group deliveries (penetration rate) in the Financial Services Division's markets amounted to 36.1 (36.2)% in the reporting period. The total number of contracts stood at 24.7 (24.1) million at the end of September 2021.

In the Europe/Other Markets region, the financial services business was still impacted by the Covid-19 pandemic in the first nine months of this year. The semiconductor shortage also had a detrimental effect. However, at 4.9 (4.6) million, the number of new contracts signed in the reporting period exceeded the pandemic-related weak prior-year figure. At 18.0 (17.6) million, the total number of contracts as of September 30, 2021 was higher than the figure for December 31, 2020. The customer financing/leasing area recorded 7.5 (7.6) million of these contracts.

In North America, the number of new contracts signed in the reporting period increased year-on-year to 785 (672) thousand. At 3.3 (3.1) million, the number of contracts at the end of September was above the figure for year-end 2020. The rise resulted from the number of contracts acquired from Navistar. The customer financing/leasing area recorded 1.9 (1.9) million contracts.

In the South America region, 260 (207) thousand new contracts were signed in the first three quarters of this year. The total number of contracts rose to 742 (721) thousand at the end of September 2021, an increase over the figure for December 31, 2020. The contracts mainly related to the customer financing/leasing area.

At 726 (724) thousand, the number of new contracts signed in the Asia-Pacific region in the reporting period slightly exceeded the comparative figure for 2020. The total number of contracts as of September 30, 2021 stood at 2.6 million, 1.2% more than at the end of 2020. The customer financing/leasing area accounted for 1.8 million contracts (–3.2%).

SALES TO THE DEALER ORGANIZATION

The Volkswagen Group's unit sales to the dealer organization increased by 2.5% year-on-year in the first nine months of 2021 to 6,465,560 vehicles (including the Chinese joint ventures). Navistar has been included in these figures since July 1, 2021. At 5,724,817 vehicles, unit sales outside Germany rose by 3.1% compared with the period from January to September 2020. During the reporting period, demand in markets around the world recovered from the declines in sales in the prior-year period precipitated by the Covid-19 pandemic. However, the limited vehicle availability due to the semiconductor shortage had a detrimental impact. The United States, the United Kingdom and Brazil in particular recorded growth. Unit sales in Germany decreased by 2.4% year-on-year. Vehicles sold in Germany as a proportion of overall sales decreased to 11.5 (12.0)%.

PRODUCTION

In the reporting period the Volkswagen Group produced 6,098,122 vehicles (including the Chinese joint ventures), 0.1% less than in the same period of the previous year. This had been marked by the impact of national measures to contain the pandemic, which had led to the disruption of supply chains with production subsequently being halted in the Volkswagen Group. Bottlenecks in supply, particularly for semi-conductors, continued to lead to production restrictions in the first nine months of 2021. Navistar has been included in the Group figures since July 1, 2021. Between January and September 2021, production outside Germany decreased by 1.3% year-on-year, giving a total of 4,951,745 vehicles. The proportion of vehicles produced in Germany rose to 18.8 (17.9)%.

INVENTORIES

Global inventories of new vehicles at Group companies and in the dealer organization were lower on September 30, 2021 than at year-end 2020, and also below the corresponding prior-year figure.

EMPLOYEES

The Volkswagen Group had 645,318 active employees on September 30, 2021. A further 12,177 employees were in the passive phase of their partial retirement. In addition, there were 17,354 young people completing vocational traineeships. At the end of the reporting period, the Volkswagen Group had a total of 674,849 (662,575) employees worldwide. This represented an increase since the end of 2020, mainly due to the integration of the Navistar workforce. A total of 295,103 people were employed in Germany, which was on a level with December 31, 2020.

Results of Operations, Financial Position and Net Assets

ACQUISITION OF NAVISTAR

At the beginning of July 2021, the TRATON GROUP acquired all of the outstanding shares in Navistar, a US manufacturer of commercial vehicles. The purchase price of €3,118 million was paid in cash. TRATON now holds 100% of the shares in Navistar International Corporation, which was previously accounted for using the equity method (interest of 16.7%). Initial recognition of the acquisition is not yet complete as no final valuations are available yet due to the recent nature of transaction. This means that the amounts recognized as of September 30, 2021 are provisional.

Total assets increased as a result of the addition of the primary assets and liabilities of Navistar and of their remeasurement, which was required as part of the purchase price allocation. The acquisition resulted in goodwill in the amount of €2,757 million to reflect the synergies arising from the operation with Navistar. These relate particularly to the growth in the share of the market, to procurement, production costs, modularization and the use of shared components, and to the area of research and development. The consolidation of Navistar as of July 1, 2021 led to an increase of €1,675 million in the Volkswagen Group's sales revenue as of September 30, 2021. Moreover, the transition from equity accounting to the consolidation of Navistar as of the contribution date gave rise to a non-cash gain of €182 million, which was presented in the financial result. Earnings after tax including impairment losses on the realization of hidden reserves decreased by €84 million.

EQUITY INVESTMENTS HELD FOR SALE

In March 2021, Brose Fahrzeugteile SE Co. Kommanditgesellschaft (Brose) and VW Finance Luxemburg S.A., a subsidiary of Volkswagen AG, entered into an agreement to establish a jointly operated company for the development and manufacture of complete seat units, seat structures and components, and solutions for the vehicle interior. As part of this arrangement, Brose will acquire half of the shares of the Volkswagen Group company SITECH Sp. z o.o., Polkowice/Poland. Brose and Volkswagen will each hold 50% of the planned jointly operated company, whereby Brose will take the industrial lead. Consequently, Brose will control the jointly operated company and Volkswagen, given its significant influence following the transaction, will account for it as an associate using the equity method. The assets of SITECH are classified as held for sale in accordance with IFRS 5. Approval by the antitrust authorities has been obtained, but the transaction is subject to other closing conditions. It is expected to be completed by the end of the first quarter of 2022.

In July 2021, the Volkswagen Group and Rimac Automobili d.o.o., Sveta Nedelja/Croatia, agreed to establish a joint venture. Volkswagen will contribute its consolidated subsidiaries Bugatti Automobiles S.A.S, Molsheim/France and an initial 51% interest in Bugatti International S.A., Strassen/Luxembourg to the joint venture, which will have its headquarters in Zagreb/Croatia. Closing is planned for the fourth quarter of 2021. The assets of both companies will be classified as held for sale in accordance with IFRS 5 until their final contribution to the joint venture.

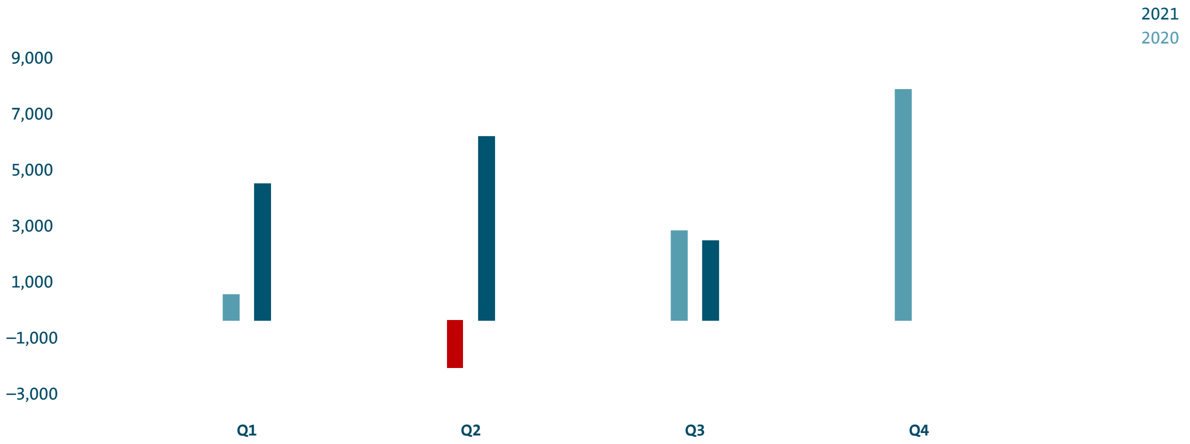
SALE OF MAN TRUCK & BUS ÖSTERREICH GESMBH, STEYR/AUSTRIA (MTBÖ)

The sale of MAN Truck & Bus Österreich GesmbH, Steyr/Austria (MTBÖ) as part of restructuring measures was completed with effect from August 31, 2021. The sale led to the recognition of an expense, of which €160 million was attributable to impairment losses on property, plant and equipment and €144 million to a loss on deconsolidation. The total expense of €304 million related to the disposal is presented in other operating expenses. The sale of the shares in MTBÖ resulted in a net cash outflow of €199 million, which is presented in cash flows from investing activities.

MERGER OF MAN SE WITH TRATON SE

The merger of MAN SE with TRATON SE was adopted by resolution of the Annual General Meeting of MAN SE at the end of June 2021. The merger resolution also triggered the process to transfer the shares held by noncontrolling interest shareholders of MAN SE to TRATON SE against payment of an appropriate cash settlement (merger squeeze-out). In this context, the present value of the put options granted, amounting to approximately €587 million, was recognized as a current liability directly in equity. The noncontrolling interests in the Volkswagen Group's equity, as well as the retained earnings and other reserves attributable to the shareholders of Volkswagen AG declined accordingly. The merger of MAN SE with TRATON SE was entered in the commercial register of MAN SE and TRATON SE on August 31, 2021. The squeeze-out took legal effect on the date of this entry in the commercial register. This was followed on September 3, 2021 by the disbursement of the cash settlement of €70.68 per ordinary and preferred share to the noncontrol-

OPERATING PROFIT BEFORE SPECIAL ITEMS BY QUARTER
Volkswagen Group in € million



ling interest shareholders of MAN SE, thus completing the MAN SE squeeze-out. Judicial award proceedings initiated in October 2021 by a noncontrolling interest shareholder who had received a settlement as a result of the squeeze-out are underway to review whether the cash settlement is appropriate.

SPECIAL ITEMS

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

The operating result in the Passenger Cars Business Area was affected by negative special items of €–0.2 (–0.7) billion in connection with the diesel issue in the period from January to September 2021. Income from agreements regarding the settlement of damages was largely offset by expenses for legal risks.

RESULTS OF OPERATIONS OF THE GROUP

Against the backdrop of a recovery in the global economy despite the continuing adverse effects of the Covid-19 pandemic, the Volkswagen Group generated sales revenue of €186.6 billion in the first nine months of 2021, a rise of 20.0% compared with the previous year. The increase was mainly the result of higher vehicle sales, positive mix effects and improved price positioning. Changes in exchange rates had a negative impact. The Volkswagen Group made 82.7 (80.7)% of its sales revenue abroad. The gross result rose to €33.8 23.3) billion. The gross margin was 18.1 (15.0)%.

In the period from January to September 2021, the Volkswagen Group's operating result before special items amounted to €14.2 billion, €11.8 billion up on the prior-year period. The operating return on sales before special items climbed to 7.6 (1.5)%. This movement was driven by improvements in the volume, mix and price positioning and by a positive contribution in the amount of €1.8 (–0.6) billion from the measurement of certain derivatives to which hedge accounting is not applied, as well as by the good business performance of the Financial Services Division.

In the Commercial Vehicles Business Area, one-off expenses for restructuring measures reduced earnings by €0.7 billion. They primarily include expenses from the sale of the commercial vehicle plant in Steyr, which was completed effective August 31, 2021. Special items in connection with the diesel issue reduced the operating result by €–0.2 (–0.7) billion. Overall, a positive operating result of €14.0 (1.7) million was generated in the reporting period. The operating return on sales was at 7.5 (1.1)%.

The financial result decreased by €0.3 billion year-on-year to €0.3 billion. The other financial result included negative effects of forward purchase agreements for new shares in QuantumScape. Moreover, the share of the result of equity-accounted investments was down on the prior-year period. This is primarily attributable to the lower profit generated by the Chinese joint ventures, which is likewise a reflection of the supply bottleneck for semiconductors and the resulting limited vehicle supply. In the previous year, changes in share and unit prices had weighed on net income from securities and funds as a result of the Covid-19 pandemic.

The Volkswagen Group's earnings before tax increased by €12.0 billion to €14.2 billion in the reporting period. Earnings after tax increased by €9.6 billion year-on-year to €11.4 billion.

RESULTS OF OPERATIONS IN THE PASSENGER CARS, COMMERCIAL VEHICLES AND POWER ENGINEERING BUSINESS AREAS FROM JANUARY 1 TO SEPTEMBER 30

€ million	2021	2020
Passenger Cars		
Sales revenue	129,226	107,132
Operating result	9,534	185
Operating return on sales (%)	7.4	0.2
Commercial Vehicles		
Sales revenue	21,305	15,419
Operating result	453	–180
Operating return on sales (%)	2.1	–1.2
Power Engineering[1]		
Sales revenue	2,338	2,749
Operating result	–1	–101
Operating return on sales (%)	0.0	–3.7

1 Figures up to October 2020 include Renk.

Results of operations in the Automotive Division

The Automotive Division recorded sales revenue of €152.9 billion in the first nine months of 2021; this was an increase of 22.0% on the prior-year period, which had been impacted more severely by the spread of the Covid-19 pandemic and its negative consequences. Improvements in volumes, in the mix and in price positioning had a beneficial impact. Exchange rate movements had an adverse effect. Sales revenue in the Passenger Cars Business Area was up substantially on the prior-year figure in the period from January to September 2021, while it was much higher year-on-year in the Commercial Vehicles Business Area. In the Power Engineering Business Area, sales revenue was considerably lower than in the first nine months of 2020, when the business of Renk was still included. As our Chinese joint ventures are accounted for using the equity method, the Group's business performance in the Chinese passenger car market is primarily reflected in the Group's sales revenue only through deliveries of vehicles and vehicle parts.

Cost of sales increased, driven mainly by higher volumes and by a rise in research and development costs recognized in profit or loss. As a result of the substantial growth in sales revenue, the ratio of cost of sales to sales revenue decreased; in the previous year, sales revenue had been lower on account of the pandemic. Consequently, in the period from January to September 2021, total research and development costs as a percentage of the Automotive Division's sales revenue (research and development ratio or R&D ratio) was down on the previous year at 7.5 (8.1)%.

Both administrative expenses and distribution expenses increased, but the ratio to sales revenue declined for both figures. The other operating result amounted to €1.1 (–0.6) billion, benefiting in particular from the effects of the fair value measurement of derivatives to which hedge accounting is not applied (especially commodity hedging derivatives) in the amount of €1.7 (–0.5) billion. One-off expenses for restructuring measures had an offsetting effect. Negative special items in connection with the diesel issue in an amount of €–0.2 (–0.7) billion also had to be taken into account. The prior-year figure had included a gain of €0.8 billion from the contribution of the consolidated subsidiary Autonomous Intelligent Driving to Argo AI.

At €10.0 billion, the Automotive Division's operating result for the first three quarters of 2021 exceeded the prior-year figure by €10.1 billion. The operating return on sales amounted to 6.5 (–0.1)%. In addition to the higher volumes, positive factors included the fair value measurement of certain derivatives to which hedge accounting is not applied, as well as favorable price positioning and changes in the mix. This was set against a year-on-year decline in negative special items, and one-off expenses of €0.7 billion from restructuring measures in the Commercial Vehicles Business Area. The operating result before special items rose to €10.2 (0.6) billion, taking the operating return on sales before special items to 6.7 (0.5)%. Our operating result largely benefits from the business performance of our Chinese joint ventures only through deliveries of vehicles and vehicle parts and through license income, as the joint ventures are accounted for using the equity method and therefore included in the financial result.

Results of operations in the Financial Services Division

The Financial Services Division's sales revenue amounted to €33.7 billion in the period from January to September 2021, 11.7% more than in the prior-year period. Cost of sales rose by practically the same percentage, increasing by €2.6 billion to €27.4 billion. Both distribution and administrative expenses were up on the prior-year figure, while their respective ratios to sales revenue were virtually on a level with the previous year. Lower risk costs were a major factor leading to the positive other operating result.

The Financial Services Division's operating result increased by €2.2 billion to €4.0 billion thanks to its improved business performance and the lower risk costs. The operating return on sales was at 11.8 (5.9)%.

FINANCIAL POSITION OF THE GROUP

The Volkswagen Group's gross cash flow in the period from January to September 2021 stood at €32.6 billion, a year-on-year increase of €11.5 billion, due primarily to earnings-related factors. In comparison with the previous year, which had been impacted by the pandemic, higher lease assets and provisions, fewer additions to liabilities and a reduction in receivables resulted in a change in working capital of €–3.7 (–2.8) billion. The cash outflows attributable to the diesel issue were lower than in the prior-year period and included

FINANCIAL POSITION IN THE PASSENGER CARS, COMMERCIAL VEHICLES AND POWER ENGINEERING BUSINESS AREAS FROM JANUARY 1 TO SEPTEMBER 30

€ million	2021	2020
Passenger Cars		
Gross cash flow	19,564	11,607
Change in working capital	1,995	675
Cash flows from operating activities	21,559	12,282
Cash flows from investing activities attributable to operating activities	–11,647	–10,819
Net cash flow	9,912	1,463
Commercial Vehicles		
Gross cash flow	2,210	1,203
Change in working capital	–1,271	–535
Cash flows from operating activities	939	669
Cash flows from investing activities attributable to operating activities	–3,780	–816
Net cash flow	–2,842	–148
Power Engineering[1]		
Gross cash flow	270	196
Change in working capital	–65	24
Cash flows from operating activities	205	221
Cash flows from investing activities attributable to operating activities	–56	–119
Net cash flow	150	102

1 Figures up to October 2020 include Renk.

inflows from the agreements regarding the settlement of damages. As a result, cash flows from operating activities improved by €10.6 billion to €28.9 billion.

Investing activities attributable to operating activities increased by €4.1 billion to €15.8 billion, mainly because of the acquisition of Navistar for an amount of €2.6 billion (net of the cash funds acquired) and a rise in capitalized development costs.

Financing activities accounted for cash outflows of €10.0 billion. They relate primarily to the redemption of the hybrid note called in the first quarter of 2021, the dividend paid to the shareholders of Volkswagen AG and the issuance and redemption of bonds, as well as to changes in other financial liabilities. In the prior-year period, there had been a cash inflow of €17.8 billion to boost gross liquidity by measures such as the drawdown of roughly two thirds of Volkswagen AG's limited-term syndicated credit line of €10 billion.

At the end of September 2021, the Volkswagen Group's cash and cash equivalents reported in the cash flow statement amounted to €36.0 (45.1) billion.

On September 30, 2021, the Group's net liquidity stood at €–135.8 billion, compared with €–137.4 billion at the end of 2020.

Financial position of the Automotive Division

In the period from January to September 2021, the Automotive Division generated gross cash flow of €22.0 (13.0) billion. The increase was mainly attributable to better earnings. The change in working capital amounted to €0.7 (0.2) billion. The improvement of €0.5 billion compared to the first nine months of 2020, on which the Covid-19 pandemic had an ongoing impact, was attributable to a smaller rise in liabilities, an increase in other provisions, and lower inventories, offset by a smaller rise in receivables. In the reporting period, cash outflows attributable to the diesel issue were lower than in the previous year. This still applies if the inflows from the agreements regarding the settlement of damages are not taken into account. At €22.7 billion, cash flows from operating activities were up €9.5 billion on the comparative figure for 2020.

In the first nine months of 2021, the Automotive Division's investing activities attributable to operating activities amounted to €15.5 billion, €3.7 billion more than in the previous year. Investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) decreased by €0.5 billion to €5.9 billion. The ratio of capex to sales revenue was 3.9 (5.1)%, and therefore down on the previous year, in which sales revenue had been lower because of the pandemic. Capex was invested primarily in our production facilities and in models to be launched this year and next, as well as in the ecological focus of our model range, the electrification and digitalization of our products, and our modular toolkits. Additions to capitalized development costs climbed by €0.9 billion to €5.4 billion in the reporting period. The "Acquisition and disposal of equity investments" item amounted to €4.5 (1.1) billion as a result of strategic investments in a number of companies, in particular Navistar, our associate Northvolt AB and the joint venture Argo AI.

Despite the investment in Navistar (€–2.6 billion), the Automotive Division's net cash flow of €7.2 billion in the first nine months of 2021 was €5.8 billion higher than the comparative figure for 2020.

In the period from January to September 2021, the financing activities of the Automotive Division resulted in a cash outflow of €–8.7 billion; in the prior-year period, there had been a cash inflow of 14.2 billion to boost gross liquidity by measures such as the drawdown of roughly two thirds of Volkswagen AG's limited-term syndicated credit line of €10 billion. The redemption of the hybrid note called in the first quarter of 2021 led to a cash outflow of around €–1.2 billion. A dividend totaling €2.4 billion was paid to the shareholders of Volkswagen AG in July 2021. Financing activities also include the issuance and redemption of bonds and changes in other financial liabilities.

At the end of September 2021, the Automotive Division's net liquidity stood at €25.6 billion, compared with €26.8 billion on December 31, 2020.

Financial position of the Financial Services Division

The Financial Services Division generated gross cash flow of €10.5 billion in the reporting period, up 30.1% on the prior-year figure, mainly as a result of better earnings. The change in working capital amounted to €–4.3 (–3.0) billion; the overall growth in the business volume meant that more funds were tied up in working capital than in the prior-year period. As a result, cash flows from operating activities increased by €1.1 billion to €6.2 billion.

At €0.4 (0.0) billion, investing activities attributable to operating activities were above the level seen the previous year.

The Financial Services Division's financing activities resulted in a cash outflow of €–1.3 (3.7) billion in the first three quarters of 2021. This figure relates primarily to the issuance and redemption of bonds and to other financial liabilities.

At the end of September 2021, the Financial Services Division's negative net liquidity, which is common in the industry, stood at €–161.5 billion, compared with €–164.2 billion on December 31, 2020.

CONSOLIDATED BALANCE SHEET STRUCTURE

On September 30, 2021, the Volkswagen Group had total assets of €516.7 billion, 3.9% more than on December 31, 2020. The increase was mainly attributable to higher earnings, the initial consolidation of Navistar and changes in exchange rates. The Group's equity amounted to €141.7 billion, up €12.9 billion on the figure as of December 31, 2020. The equity ratio was 27.4 (25.9)%.

Automotive Division balance sheet structure

At the end of September 2021, intangible assets in the Automotive Division were higher, especially due to the goodwill recognized as a result of the acquisition of Navistar; another factor driving up their value was a rise in capitalized development costs. Property, plant and equipment declined slightly, primarily because of depreciation in excess of additions. Despite dividend resolutions, equity-accounted investments were slightly higher in the first nine months of 2021, driven by a rise in capital increases. Total noncurrent assets stood at €164.3 (156.9) billion, moderately higher than the figure recorded on December 31, 2020.

Current assets rose by 3.0% to €100.1 billion at the end of the first nine months of 2021. This was due to a slight increase in the inventories included in this item, and to changes in exchange rates. Current other receivables and financial assets went up, driven mainly by higher trade receivables.

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

€ million	Sept. 30, 2021	Dec. 31, 2020
Passenger Cars		
Noncurrent assets	128,433	130,237
Current assets	84,486	83,180
Total assets	**212,919**	**213,417**
Equity	89,681	81,423
Noncurrent liabilities	77,158	82,263
Current liabilities	46,080	49,731
Commercial Vehicles		
Noncurrent assets	34,111	24,777
Current assets	12,728	11,256
Total assets	**46,838**	**36,033**
Equity	13,014	13,389
Noncurrent liabilities	16,609	10,592
Current liabilities	17,216	12,052
Power Engineering		
Noncurrent assets	1,732	1,847
Current assets	2,928	2,800
Total assets	**4,660**	**4,647**
Equity	2,241	1,922
Noncurrent liabilities	518	668
Current liabilities	1,901	2,057

The Automotive Division's cash and cash equivalents were down by €1.3 billion to €22.9 billion.

The "Assets held for sale" item consists of the carrying amounts of the assets of Bugatti and SITECH, which we expected to derecognize. The "Liabilities held for sale" item comprises the carrying amount of the corresponding liabilities that we expect to derecognize.

At the end of the first nine months of 2021, equity in the Automotive Division was higher than on December 31, 2020, at €104.9 (96.7) billion. Good earnings performance, lower actuarial losses from the remeasurement of pension plans and positive currency translation effects pushed equity higher, while the redemption of the hybrid note called in the first quarter of 2021, the dividend paid to the shareholders of Volkswagen AG, and negative effects from the measurement of derivatives recognized directly in equity weighed on this item. Noncontrolling interests are primarily held by the noncontrolling interest shareholders of the TRATON GROUP.

At €94.3 (93.5) billion, noncurrent liabilities were on a level with the end of 2020. The noncurrent financial liabilities included in this figure rose, due partly to exchange rate effects. Pension provisions were down, driven primarily by actuarial remeasurement following a change in the discount rate.

Current liabilities were 2.1% higher at the end of the first three quarters of 2021, rising to €65.2 billion. Current financial liabilities increased as a result of reclassifications from noncurrent to current liabilities to reflect shorter remaining maturities. 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. Trade payables were down slightly compared with the end of 2020. Current other liabilities exceeded the figure as of December 31, 2020; they include the provisions for restructuring measures in the Commercial Vehicles Business Area recognized in the first nine months of the year.

The Automotive Division had total assets of €264.4 billion at the end of the reporting period, 4.1% more than on December 31, 2020.

Financial Services Division balance sheet structure

At the end of September 2021, the Financial Services Division's total assets stood at €252.3 billion, an increase of 3.8% compared with December 31, 2020.

Noncurrent assets grew by 7.9% to €156.7 billion. The property, plant and equipment included in this item was virtually unchanged. Lease assets and noncurrent financial services receivables were up, driven by business growth and changes in exchange rates.

At €95.6 (97.7) billion, current assets were lower than at the end of 2020. Current other receivables and financial assets were down, as were current financial services receivables.

At the end of the first nine months of 2021, the Financial Services Division accounted for around 48.8 (48.9)% of the Volkswagen Group's assets.

The Financial Services Division's equity amounted to €36.7 (32.0) billion at the end of the reporting period, an increase over the figure recorded as of December 31, 2020. The equity ratio was 14.6 (13.2)%.

Noncurrent liabilities climbed by €5.3 billion to €114.7 billion, driven above all by a rise in noncurrent financial liabilities to refinance the business volume.

The main movements in current liabilities included a slight decline in current financial liabilities and a distinct fall in trade payables. In total, current liabilities were €0.7 billion lower than on December 31, 2020, decreasing to €100.9 billion.

Deposits from the direct banking business amounted to €26.3 billion as against €28.9 billion at the end of 2020.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

Due to our business performance in the first nine months of 2021 and the acquisition of Navistar, we are adjusting large parts of our forecast for the key performance indicators.

The risk of bottlenecks and disruptions in the supply of semiconductor components has intensified across the entire industry. Their adverse impact has been seen especially since the second half of the year, prompting us to lower our forecast for deliveries to customers.

We have reduced the sales revenue forecast for the Group and the Passenger Cars Business Area. In terms of the operating result, however, we continue to anticipate an operating return on sales in the range of 6.0% to 7.5% for the Group and in the range of 6.0% to 8.0% for the Passenger Cars Business Area in 2021, in line with the forecast that was raised at the half-year mark. This applies to the operating result both before and including special items.

In the Commercial Vehicles Business Area, which has included Navistar since July 1, 2021, we are adjusting the forecast for sales revenue and the operating result to reflect firstly our positive business performance and secondly the restructuring measures for the reorganization of MAN Truck & Bus as well as the effects of the purchase price allocation resulting from the acquisition of Navistar.

Moreover, in view of the noticeable rise in sales revenue, we are raising our forecast for the operating result in the Financial Services Division.

In the Automotive Division, we expect the R&D ratio to come in at around 7% and the ratio of capex to sales revenue at around 5% in 2021. We anticipate that lower cash outflows expected from the diesel issue and a marked rise in effects from mergers and acquisitions, including the acquisition of Navistar, will lead to a noticeable increase in net cash flow compared with the prior year. Net liquidity is anticipated to be at a robust level, distinctly down on the previous year. The return on investment (ROI) is expected to be moderately above our minimum required rate of return.

The Outlook for fiscal year 2021 can be found on page 25.

Diesel issue

1. Product-related lawsuits worldwide

The number of claims asserted by financialright GmbH based on rights assigned to it has decreased to roughly 36 thousand following the withdrawal of numerous motions.

In Italy, the trial court hearing the Altroconsumo class action found in favor of the plaintiffs in July 2021 and entered a judgment holding Volkswagen AG and Volkswagen Group Italia liable in damages to some 63 thousand consumers in an aggregate amount of roughly €185 million plus interest. Volkswagen AG and Volkswagen Group Italia intend to appeal this decision.

In the Netherlands, the suspended class action brought by Stichting Car Claim has been resumed. A hearing for oral argument on the merits of the claims took place in May 2021. 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. Volkswagen AG and the other defendant Group companies have appealed the decision.

In Germany more than 60 thousand individual lawsuits relating to various diesel engine types are currently pending against Volkswagen AG or other Group companies, with the plaintiffs suing for damages or rescission of the contract in most cases.

In March 2021, the Bundesgerichtshof (Federal Court of Justice) issued a comprehensively reasoned ruling holding that purchasers of vehicles with Type EA 189 diesel engines cannot raise tort-based damage claims against Volkswagen AG merely because the engines had a temperature-dependent emissions control feature (so-called thermal window).

2. Proceedings in the USA/Canada

In February 2021, Texas sought discretionary review by the Texas Supreme Court of the Texas appellate court decision dismissing Texas's state environmental claims against Volkswagen AG and AUDI AG for lack of personal jurisdiction. In June 2021, the Ohio Supreme Court affirmed an intermediate appellate court decision declining to dismiss certain claims brought by Ohio. In August 2021, Volkswagen AG and AUDI AG sought discretionary review by the US Supreme Court of that decision. In September 2021, Volkswagen AG and AUDI AG reached agreements to settle the environmental claims brought by Montana and New Hampshire.

3. Lawsuits filed by investors worldwide (excluding the USA/Canada)

In the Netherlands, a shareholder association filed an unquantified lawsuit seeking a determination that Volkswagen AG supposedly misled the capital markets. The lawsuit was withdrawn in early July 2021. Volkswagen AG consented to the withdrawal of the action, thereby terminating the litigation.

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 legal risks. This is so as to not compromise the results of the proceedings or the interests of the Company.

Additional important legal cases

At the end of March 2021, the Supervisory Board of Volkswagen AG announced the completion of the investigation initiated in October 2015 into the causes of and those responsible for the diesel issue. The Board resolved to claim damages from Prof. Dr. Martin Winterkorn, former Chair of the Board of Management of Volkswagen AG, and from Rupert Stadler, former member of the Board of Management of Volkswagen AG and former Chair of the Board of Management of AUDI AG, for breach of their duty of care under stock corporation law. The resolution was based on identified negligent breaches of duty. The investigation found no breaches of duty by other members of the Volkswagen AG Board of Management. The investigation covered all members of the Board of Management who were in office during the relevant period. In June 2021, agreements on damage payments were reached in this connection with the goal of achieving speedy, legally certain, and final resolution of the diesel issue as far as the civil liability of members of governing bodies is concerned. To this end, Volkswagen and Audi entered into damage settlements (liability settlements) with Prof. Dr Winterkorn and Mr. Stadler respectively in connection with the diesel issue. Prof. Dr. Winterkorn's damage payment amounts to €11.2 million and that of Mr. Stadler to €4.1 million. Volkswagen has furthermore reached agreement with the relevant insurers under its directors and officers liability policies (D&O insurance) on payment of an aggregate sum of €270 million (coverage settlement).

In addition, agreement was reached on damage payments by a former member of Audi's Board of Management and by a former member of Porsche's Board of Management. One former member of Audi's Board of Management was unwilling to reach a settlement; legal action is being prepared against him. Claims were already asserted against a former member of the Volkswagen Passenger Cars brand Board of Management.

In April 2019, the European Commission issued an initial statement of objections to Volkswagen AG, AUDI AG, and Dr. Ing. h.c. F. Porsche AG in connection with the Commission's antitrust investigation of the automobile industry. These objections stated the European Commission's preliminary evaluation of the matter and afforded the opportunity to comment. Following entry into a formal settlement procedure, the Commission in April 2021 issued a revised statement of objections raising charges that were considerably more narrow. On this basis, a settlement decision was issued on July 8, 2021 concluding the administrative action and assessing a total fine of roughly €502 million against the three brands. The subject matter scope of the decision is limited to the cooperation of German automobile manufacturers on individual technical questions in connection with the development and introduction of SCR (selective catalytic reduction) systems for passenger cars that were sold in the European Economic Area. The manufacturers are not charged with any other misconduct such as price fixing or allocating markets and customers. Volkswagen accepted the decision, which was served on July 12, 2021, and filed no appeal, thus allowing the decision to become final.

In October 2020, the US District Court for the Northern District of California dismissed two antitrust class action complaints. The plaintiffs in these actions alleged that several automobile manufacturers including Volkswagen AG and other Group companies had conspired to unlawfully increase vehicle prices in violation of US antitrust and consumer protection law. The court held that the plaintiffs have not stated a claim for relief because the allegations in the complaints do not plausibly support that the alleged agreements unreasonably restrained competition in violation of US law. The plaintiffs have appealed this ruling. In August 2021, the plaintiffs in one of the two class actions dismissed their appeal.

The lawsuit filed by GT Gettaxi Ltd. and served in February 2020 against Volkswagen AG and another defendant alleging in particular large damage claims was dismissed by the Cypriot first instance court in August 2021 due to lack of jurisdiction of the Cypriot courts. However, GT Gettaxi Ltd. has appealed this decision to the Supreme Court (which is the court of final appeal in Cyprus).

Beyond this, there were no significant changes in the reporting period compared with the disclosures on the Volkswagen Group’s expected development in fiscal year 2021 contained in the combined management report in the 2020 Annual Report, specifically in the chapters “Report on Expected Developments” and “Report on Risks and Opportunities,” including the section “Legal risks.”

This report contains forward-looking statements on the business development of the Volkswagen Group. These statements are based on assumptions relating to the development of the economic, political and legal environment in individual countries, economic regions and markets, and in particular for the automotive industry, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. The estimates given entail a degree of risk, and actual developments may differ from those forecast. Any changes in significant parameters relating to our key sales markets, or any significant shifts in exchange rates, commodities or the supply with parts relevant to the Volkswagen Group or deviations in the actual effects of the Covid-19 pandemic from the scenario presented in this report will have a corresponding effect on the development of our business. In addition, there may also be departures from our expected business development if the assessments of the factors influencing sustainable value enhancement and of risks and opportunities presented in the 2020 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.

Outlook

Our planning is based on the assumption that global economic output will recover overall in 2021, provided lasting containment of the Covid-19 pandemic is achieved. This growth will most likely be sufficient for the economy to exceed its pre-pandemic level. We continue to believe that risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, growth prospects will be negatively impacted by ongoing geopolitical tensions and conflicts. We anticipate that both the advanced economies and the emerging markets will experience positive momentum.

We predict that trends in the markets for passenger cars in the individual regions will be mixed in 2021. Overall, the global volume of new vehicle sales is expected to be moderately up on the previous year without reaching the pre-pandemic level. This prediction assumes successful containment of the Covid-19 pandemic and takes into account the deterioration in the supply situation as a result of the semiconductor shortage. For 2021, we anticipate that the volume of new passenger car registrations in Western Europe will be slightly above that recorded in the previous year. In the German passenger car market, we expect a moderate decrease in demand in 2021. Sales of passenger cars in 2021 are expected to moderately exceed the prior-year figures in markets in Central and Eastern Europe. The volume of demand in the markets for passenger cars and light commercial vehicles (up to 6.35 tonnes) in North America in 2021 is also likely to be moderately higher than the previous year's level. We anticipate a considerable increase overall in new registrations in the South American markets in 2021 compared with the previous year. The passenger car markets in the Asia-Pacific region are expected to be moderately up on the prior-year level in 2021.

Trends in the markets for light commercial vehicles in the individual regions will also be mixed in 2021; on the whole, we anticipate a slight increase in the volume of new registrations for 2021. This assumes successful containment of the Covid-19 pandemic and takes into account the deterioration in the supply situation as a result of the semiconductor shortage.

For 2021, we expect a substantially positive development in new registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes compared with the previous year in the markets that are relevant for the Volkswagen Group. We predict a slight decrease in overall demand for 2021 in the bus markets relevant for the Volkswagen Group.

We anticipate that automotive financial services will prove highly important to global vehicle sales in 2021, particularly in the context of the ongoing challenges posed by the Covid-19 pandemic.

We believe we are well prepared overall for the future challenges pertaining to automotive business activities and for the mixed development of the regional automotive markets. Our brand diversity, our presence in all major world markets, our broad and selectively expanded product range, and our technologies and services put us in a good competitive position worldwide. As part of the transformation of our core business, we are positioning our Group brands with an even stronger focus on their individual characteristics, and are optimizing our vehicle and drive portfolio. The focus is primarily on our vehicle fleet's carbon footprint and on the most attractive and fastest-growing market segments. In addition, we are working to leverage the advantages of our multibrand Group even more effectively with the ongoing development of new technologies and the enhancement of our toolkits.

We anticipate that deliveries to Volkswagen Group customers will be in line with the previous year in 2021 amid market conditions that continue to be challenging. This prediction assumes successful containment of the Covid-19 pandemic and takes into account the deterioration in the supply situation as a result of the semiconductor shortage.

Challenges will arise particularly from the economic situation, the increasing intensity of competition, volatile commodity and foreign exchange markets, securing supply chains and more stringent emissions-related requirements.

We expect the sales revenues of the Volkswagen Group and of the Passenger Cars Business Area in 2021 to be considerably higher than the prior-year figure. In terms of operating profit before and after special items, we expect an operating return on sales in the range of 6.0 to 7.5% for the Group and in the range of 6.0 to 8.0% for the Passenger Cars Business Area in 2021. For the Commercial Vehicles Business Area, we anticipate a very sharp rise in sales revenue – including the restructuring measures for the reorganization of MAN Truck & Bus as well as the effects of the purchase price allocation resulting from the acquisition of Navistar – to result in an operating return on sale of around 1.5%. We expect the Power Engineering Business Area to reach the break-even point amid a noticeable decline in sales revenue compared with the previous year. For the Financial Services Division, we forecast that sales revenue will be noticeably higher than the prior-year figure and that the operating result will be very sharply up on the previous year.

Brands and Business Fields

SALES REVENUE AND OPERATING RESULT BY BRAND AND BUSINESS FIELD

In the period from January to September 2021, the Volkswagen Group generated sales revenue of €186.6 (155.5) billion in an environment in which the global economy was recovering and the negative impact of the Covid-19 pandemic was diminishing, but in which vehicle availability was limited due to the semiconductor shortage. The operating result before special items increased to €14.2 (2.4) billion. The diesel issue gave rise to special items of €–0.2 (–0.7) billion in the first nine months of this year.

The Volkswagen Passenger Cars brand sold 2.1 (1.9) million vehicles in the reporting period, more than in the prior-year period, which had been hit particularly hard by the pandemic. There was strong demand for the T-Roc, T-Cross, Atlas and Touareg models, and the ID.3 and ID.4 models were also very popular. At €55.5 billion, sales revenue was up 17.5% on the prior-year figure. Volume growth as well as margin and mix improvements lifted the operating result before special items to €1.6 (–1.0) billion. Upfront expenditure for new products and technologies increased. The diesel issue gave rise to special items of €–0.2 (–0.6) billion.

Sales by the Audi brand amounted to 796 (682) thousand vehicles worldwide in the first three quarters of 2021. The Chinese joint venture FAW-Volkswagen sold a further 486 (475) thousand Audi vehicles. Nearly all models contributed to the increase in unit sales. Sales revenue rose to €40.4 (33.3) billion. The operating result before special items increased to €3.9 (0.2) billion; this was attributable to higher volumes, positive margin and exchange rate effects, and the measurement of commodity hedges. The diesel issue gave rise to low negative special items; in the previous year, these had amounted to €–0.1 billion. The financial key performance indicators for the Audi brand include the Lamborghini and Ducati brands. Ducati sold 47,393 (34,160) motorcycles in the first nine months of this year.

In the reporting period, sales of the ŠKODA brand were on a level with the previous year at 596 (596) thousand. There was strong demand for the Kamiq and Karoq SUVs, and the new Enyaq iV was also very popular with customers. Sales revenue was up on the prior-year period at €13.3 (12.0) billion. In particular, positive exchange rate and margin effects as well as lower excess CO_2 emissions premiums raised the operating result to €900 (469) million.

In the period from January to September of this year, 384 thousand SEAT and CUPRA vehicles were sold, an increase of 20.5% compared with the previous year. This figure also includes the A1 manufactured for Audi. The Arona, the models of the Leon family and the CUPRA Formentor were in high demand. Sales revenue rose by 20.1% to €7.3 billion. The SEAT brand's operating result amounted to €–159 (–290) million, with higher volumes offsetting unfavorable mix effects.

At 10,335 (7,610) units, sales by the Bentley brand were higher in the first nine months of 2021 than in 2020. Sales revenue rose to €1,949 (1,397) million. The operating result improved to €275 (–52) million. The increase compared with the prior-year figure, which had been impacted by one-off expenses for restructuring measures, was largely attributable to higher volumes and improved pricing.

VOLKSWAGEN GROUP REPORTING STRUCTURE

AUTOMOTIVE DIVISION			FINANCIAL SERVICES DIVISION
Passenger Cars Business Area	**Commercial Vehicles Business Area**	**Power Engineering Business Area**	Dealer and customer financing
Volkswagen Passenger Cars	Scania Vehicles and Services	Power Engineering	Leasing
Audi	MAN Commercial Vehicles		Direct bank
ŠKODA	Navistar		Insurance
SEAT			Fleet management
Bentley			Mobility offerings
Porsche Automotive			
Volkswagen Commercial Vehicles			
Others			

Porsche Automotive sold 209 thousand vehicles worldwide in the first nine months of 2021, an increase of 15.6% on the pandemic-related weaker prior-year figure. Demand was high for the 911 and the Taycan; the Macan and Panamera models were also popular with customers. Sales revenue rose to €21.0 (17.5) billion. At €3.4 (1.9) billion, the operating result before special items was clearly better than in the previous year (+78.2%). Positive volume and mix effects more than offset the unfavorable exchange rate trends and a rise in fixed costs attributable to strategy and growth. The diesel issue gave rise to low positive special items in the reporting period.

Unit sales by Volkswagen Commercial Vehicles were down on the prior-year level, amounting to 246 (250) thousand vehicles worldwide in the period from January to September 2021. However, encouraging growth was seen above all by the Crafter and the Multivan/Transporter. Sales revenue rose to €7.3 (6.7) billion. The operating result improved to €55 (–362) million, with mix effects in particular, as well as better price positioning and lower development costs, having a positive impact. Lower excess CO_2 emissions premiums were taken into account compared with the previous year.

Scania Vehicles and Services lifted its unit sales to 68 (49) thousand vehicles in the first three quarters of 2021. Sales revenue was also higher than in the same period of 2020, standing at €10.3 (8.1) billion. The operating result of Scania Vehicles and Services improved to €1,099 (419) million, with higher volumes and a better mix compensating for adverse exchange rate movements, an increase in costs and upfront expenditures for new technologies.

MAN Commercial Vehicles sold 114 thousand vehicles in the reporting period; this represented an increase of 42.8% compared with the previous year. Sales revenue amounted to €9.6 (7.5) billion. The operating result came to €–339 (–461) million due primarily to expenses for restructuring measures in Europe, including the sale of Steyr, in the amount of €–681 million. In contrast, the favorable volume trend, and an improved market positioning in particular had a positive effect.

Power Engineering generated sales revenue of €2.3 (2.7) billion in the first nine months of 2021. The operating result climbed to €123 (66) million due mainly to cost savings in connection with the restructuring program.

KEY FIGURES BY BRAND AND BUSINESS FIELD FROM JANUARY 1 TO SEPTEMBER 30

	VEHICLE SALES		SALES REVENUE		OPERATING RESULT	
Thousand vehicles/€ million	2021	2020	2021	2020	2021	2020
Volkswagen Passenger Cars	2,088	1,896	55,458	47,184	1,589	–969
Audi	796	682	40,375	33,264	3,894	221
ŠKODA	596	596	13,329	12,038	900	469
SEAT	384	319	7,259	6,043	–159	–290
Bentley	10	8	1,949	1,397	275	–52
Porsche Automotive[1]	209	181	20,979	17,482	3,356	1,884
Volkswagen Commercial Vehicles	246	250	7,276	6,674	55	–362
Scania Vehicles and Services[2]	68	49	10,251	8,094	1,099	419
MAN Commercial Vehicles	114	80	9,607	7,461	–339	–461
Power Engineering[3]	–	–	2,338	2,749	123	66
VW China[4]	2,156	2,462	–	–	–	–
Other[5]	–202	–211	–14,266	–15,494	–324	–176
Volkswagen Financial Services	–	–	32,044	28,595	3,688	1,632
Volkswagen Group before special items	**–**	**–**	**–**	**–**	**14,157**	**2,380**
Special items	–	–	–	–	–203	–687
Volkswagen Group	**6,466**	**6,311**	**186,599**	**155,486**	**13,953**	**1,693**
Automotive Division[6]	6,466	6,311	152,869	125,301	9,986	–95
of which: Passenger Cars Business Area	6,269	6,182	129,226	107,132	9,534	185
Commercial Vehicles Business Area	196	129	21,305	15,419	453	–180
Power Engineering Business Area	–	–	2,338	2,749	–1	–101
Financial Services Division	–	–	33,730	30,185	3,967	1,789

1 Porsche (including Financial Services): sales revenue €23,115 (19,406) million, operating result before special items €3,559 (2,011) million.
2 Scania (including Financial Services): sales revenue €10,595 (8,416) million, operating result €1,262 (501) million.
3 Prior-year figure includes the business of Renk.
4 The sales revenues and operating results of the joint venture companies in China are not included in the figures for the Group. These Chinese companies are accounted for using the equity method and recorded a proportionate operating result of €1,962 (2,632) million.
5 In operating result, mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; the figure includes depreciation and amortization of identifiable assets as part of purchase price allocation, as well as companies not allocated to the brands. From July 1, 2021, the figure include Navistar.
6 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

The number of new financing, leasing, service and insurance contracts signed with Volkswagen Financial Services in the period from January to September 2021 was 6.1 million (+6.6%). The penetration rate, expressed as the ratio of leased or financed vehicles to relevant Group delivery volumes, came to 35.7 (35.9)% with credit eligibility criteria remaining unchanged. At 22.2 (21.9) million, the total number of contracts as of September 30, 2021 was higher than the 2020 year-end figure. The number of contracts in the customer financing/leasing area amounted to 11.1 (11.3) million, and in the service/insurance area also to 11.1 (10.6) million. At the end of the reporting period, Volkswagen Bank managed 1.4 (1.4) million deposit accounts. The operating result increased to €3.7 (1.6) billion in the reporting period due to lower risk costs.

UNIT SALES AND SALES REVENUE BY MARKET

In the first three quarters of 2021, the Volkswagen Group sold 2.9 million vehicles in the Europe/Other Markets region. This was 7.0% more than in the previous year, which had been weakened by the pandemic. Positive volume and mix effects helped to lift sales revenue to €109.4 (93.8) billion. Exchange rate movements had a negative effect.

At 619 thousand vehicles, the Volkswagen Group's unit sales in the North American markets were up 22.5% year-on-year in the first nine months of 2021. Due in particular to higher volumes and mix effects, as well as the consolidation of Navistar as from July 1, 2021, sales revenue rose to €33.1 (25.8) billion, more than compensating for the unfavorable exchange rate trends.

In South America, unit sales in the reporting period exceeded the prior-year figure at 380 (322) thousand vehicles. As a result, sales revenue climbed to €7.8 (5.9) billion. Exchange rate movements had a negative effect.

At 2.5 (2.8) million vehicles, the number of units sold by the Volkswagen Group in the Asia-Pacific region – including the Chinese joint ventures – was 7.5% lower in the period from January to September 2021 than a year earlier. Driven by mix and exchange rate effects, sales revenue rose to €36.4 (30.4) billion. This figure does not include the sales revenue of our equity-accounted Chinese joint ventures.

Hedging transactions relating to the Volkswagen Group's sales revenue in foreign currency made a negative contribution of €–0.1 (–0.5) billion in the reporting period.

KEY FIGURES BY MARKET FROM JANUARY 1 TO SEPTEMBER 30

	VEHICLE SALES		SALES REVENUE	
Thousand vehicles/€ million	2021	2020	2021	2020
Europe/Other Markets	2,917	2,726	109,354	93,838
North America	619	505	33,117	25,845
South America	380	322	7,838	5,879
Asia-Pacific[1]	2,550	2,757	36,438	30,380
Hedges on sales revenue	–	–	–148	–456
Volkswagen Group[1]	**6,466**	**6,311**	**186,599**	**155,486**

1 The sales revenue of the joint venture companies in China is not included in the figures for the Group and the Asia-Pacific market.

Interim Consolidated Financial Statements (Condensed)

Income Statement for the Period January 1 to September 30

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2021	2020	2021	2020	2021	2020
Sales revenue	**186,599**	**155,486**	**152,869**	**125,301**	**33,730**	**30,185**
Cost of sales	–152,830	–132,156	–125,471	–107,356	–27,358	–24,800
Gross result	**33,770**	**23,330**	**27,398**	**17,945**	**6,372**	**5,385**
Distribution expenses	–13,839	–12,860	–12,856	–11,961	–983	–899
Administrative expenses	–7,456	–7,214	–5,626	–5,505	–1,830	–1,709
Other operating income/expense	1,478	–1,563	1,071	–574	408	–989
Operating result	**13,953**	**1,693**	**9,986**	**–95**	**3,967**	**1,789**
Share of the result of equity-accounted investments	1,797	2,019	1,755	1,963	42	55
Interest result and other financial result	–1,518	–1,458	–1,444	–1,427	–74	–31
Financial result	**279**	**561**	**311**	**536**	**–32**	**24**
Earnings before tax	**14,232**	**2,254**	**10,297**	**441**	**3,935**	**1,813**
Income tax expense	–2,875	–523	–1,545	–46	–1,330	–477
Earnings after tax	**11,357**	**1,731**	**8,753**	**396**	**2,605**	**1,336**
of which attributable to						
Noncontrolling interests	88	–37	22	–81	66	45
Volkswagen AG hybrid capital investors	404	386	404	386	–	–
Volkswagen AG shareholders	10,865	1,382	8,327	91	2,539	1,291
Basic/diluted earnings per ordinary share in €[2]	**21.65**	**2.73**				
Basic/diluted earnings per preferred share in €[2]	**21.71**	**2.79**				

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Explanatory information on earnings per share is presented in the “Earnings per share” section.

Statement of Comprehensive Income for the Period January 1 to September 30

€ million	2021	2020
Earnings after tax	**11,357**	**1,731**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	5,749	–2,111
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	–1,641	666
Pension plan remeasurements recognized in other comprehensive income, net of tax	4,109	–1,444
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	–1	–15
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	–3	20
Items that will not be reclassified to profit or loss	**4,105**	**–1,438**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	2,101	–2,909
Transferred to profit or loss	0	15
Exchange differences on translating foreign operations, before tax	2,102	–2,894
Deferred taxes relating to exchange differences on translating foreign operations	–1	4
Exchange differences on translating foreign operations, net of tax	2,100	–2,890
Hedging		
Fair value changes recognized in other comprehensive income (OCI I)	–1,038	2,985
Transferred to profit or loss (OCI I)	–341	–858
Cash flow hedges (OCI I), before tax	–1,379	2,127
Deferred taxes relating to cash flow hedges (OCI I)	457	–644
Cash flow hedges (OCI I), net of tax	–922	1,483
Fair value changes recognized in other comprehensive income (OCI II)	–430	–708
Transferred to profit or loss (OCI II)	923	966
Cash flow hedges (OCI II), before tax	493	258
Deferred taxes relating to cash flow hedges (OCI II)	–144	–73
Cash flow hedges (OCI II), net of tax	350	185
Fair value valuation of debt instruments that may be reclassified to profit or loss		
Fair value changes recognized in other comprehensive income	–29	34
Transferred to profit or loss	0	1
Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax	–29	35
Deferred taxes relating to fair value valuation of debt instruments recognized in other comprehensive income	9	–10
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	–21	25
Share of other comprehensive income of equity-accounted investments that may be reclassified to profit or loss, net of tax	465	–203
Items that may be reclassified to profit or loss	**1,972**	**–1,400**
Other comprehensive income, before tax	7,398	–2,781
Deferred taxes relating to other comprehensive income	–1,320	–57
Other comprehensive income, net of tax	**6,077**	**–2,838**
Total comprehensive income	**17,435**	**–1,107**
of which attributable to		
Noncontrolling interests	153	–108
Volkswagen AG hybrid capital investors	404	386
Volkswagen AG shareholders	16,878	–1,386

Income Statement for the Period July 1 to September 30

€ million	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
	2021	2020	2021	2020	2021	2020
Sales revenue	**56,931**	**59,355**	**45,842**	**48,285**	**11,089**	**11,070**
Cost of sales	–48,009	–48,928	–39,161	–39,797	–8,848	–9,132
Gross result	**8,922**	**10,427**	**6,682**	**8,489**	**2,240**	**1,939**
Distribution expenses	–4,774	–4,508	–4,462	–4,194	–312	–314
Administrative expenses	–2,522	–2,354	–1,911	–1,701	–612	–652
Other operating income/expense	970	–382	837	49	133	–431
Operating result	**2,595**	**3,183**	**1,146**	**2,642**	**1,450**	**541**
Share of the result of equity-accounted investments	899	855	859	822	39	33
Interest result and other financial result	–415	–432	–408	–423	–7	–10
Financial result	**484**	**423**	**451**	**399**	**33**	**24**
Earnings before tax	**3,079**	**3,606**	**1,597**	**3,041**	**1,482**	**565**
Income tax expense	–176	–856	515	–739	–690	–117
Earnings after tax	**2,903**	**2,751**	**2,111**	**2,302**	**792**	**448**
of which attributable to						
Noncontrolling interests	7	21	–14	12	21	9
Volkswagen AG hybrid capital investors	135	147	135	147	–	–
Volkswagen AG shareholders	2,761	2,583	1,990	2,144	771	439
Basic/diluted earnings per ordinary share in €[2]	**5.51**	**5.17**				
Basic/diluted earnings per preferred share in €[2]	**5.51**	**5.12**				

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Explanatory information on earnings per share is presented in the “Earnings per share” section.

Statement of Comprehensive Income for the Period July 1 to September 30

€ million	2021	2020
Earnings after tax	**2,903**	**2,751**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	949	–2,004
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	–223	607
Pension plan remeasurements recognized in other comprehensive income, net of tax	726	–1,397
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	–365	–1
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	0	14
Items that will not be reclassified to profit or loss	**361**	**–1,384**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	609	–1,046
Transferred to profit or loss	0	0
Exchange differences on translating foreign operations, before tax	609	–1,046
Deferred taxes relating to exchange differences on translating foreign operations	0	0
Exchange differences on translating foreign operations, net of tax	609	–1,046
Hedging		
Fair value changes recognized in other comprehensive income (OCI I)	–113	1,051
Transferred to profit or loss (OCI I)	–15	–370
Cash flow hedges (OCI I), before tax	–128	682
Deferred taxes relating to cash flow hedges (OCI I)	39	–194
Cash flow hedges (OCI I), net of tax	–88	488
Fair value changes recognized in other comprehensive income (OCI II)	–107	–44
Transferred to profit or loss (OCI II)	245	307
Cash flow hedges (OCI II), before tax	137	263
Deferred taxes relating to cash flow hedges (OCI II)	–40	–90
Cash flow hedges (OCI II), net of tax	97	173
Fair value valuation of debt instruments that may be reclassified to profit or loss		
Fair value changes recognized in other comprehensive income	–3	12
Transferred to profit or loss	–1	0
Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax	–4	13
Deferred taxes relating to fair value valuation of debt instruments recognized in other comprehensive income	1	–4
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	–3	9
Share of other comprehensive income of equity-accounted investments that may be reclassified to profit or loss, net of tax	161	–132
Items that may be reclassified to profit or loss	**777**	**–508**
Other comprehensive income, before tax	1,361	–2,211
Deferred taxes relating to other comprehensive income	–223	320
Other comprehensive income, net of tax	**1,138**	**–1,892**
Total comprehensive income	**4,041**	**859**
of which attributable to		
Noncontrolling interests	–13	–2
Volkswagen AG hybrid capital investors	135	147
Volkswagen AG shareholders	3,919	714

Balance Sheet as of September 30, 2021 and December 31, 2020

€ million	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
	2021	2020	2021	2020	2021	2020
Assets						
Noncurrent assets	**321,024**	**302,170**	**164,275**	**156,861**	**156,749**	**145,309**
Intangible assets	75,818	67,968	75,428	67,781	390	187
Property, plant and equipment	62,642	63,884	61,566	62,807	1,076	1,077
Lease assets	58,276	50,686	1,352	1,512	56,923	49,174
Financial services receivables	84,863	82,565	−378	−377	85,241	82,942
Investments, equity-accounted investments and other equity investments, other receivables and financial assets	39,425	37,067	26,306	25,137	13,119	11,930
Current assets	**195,720**	**194,944**	**100,142**	**97,236**	**95,578**	**97,708**
Inventories	43,779	43,823	40,509	39,055	3,269	4,768
Financial services receivables	55,122	58,006	−366	−557	55,488	58,562
Other receivables and financial assets	37,584	38,044	18,788	17,012	18,796	21,033
Marketable securities	22,076	21,162	17,730	17,503	4,345	3,658
Cash, cash equivalents and time deposits	36,608	33,909	22,929	24,222	13,679	9,687
Assets held for sale	552	–	552	–	–	–
Total assets	**516,744**	**497,114**	**264,417**	**254,097**	**252,327**	**243,017**
Equity and liabilities						
Equity	**141,658**	**128,783**	**104,937**	**96,733**	**36,721**	**32,050**
Equity attributable to Volkswagen AG shareholders	125,590	111,336	89,603	79,913	35,987	31,423
Equity attributable to Volkswagen AG hybrid capital investors	14,345	15,713	14,345	15,713	–	–
Equity attributable to Volkswagen AG shareholders and hybrid capital investors	139,935	127,049	103,948	95,626	35,987	31,423
Noncontrolling interests	1,723	1,734	989	1,107	734	627
Noncurrent liabilities	**208,980**	**202,921**	**94,284**	**93,523**	**114,695**	**109,398**
Financial liabilities	122,869	114,809	19,824	15,637	103,044	99,173
Provisions for pensions	40,985	45,081	40,209	44,207	776	874
Other liabilities	45,126	43,031	34,251	33,680	10,875	9,352
Current liabilities	**166,107**	**165,410**	**65,196**	**63,840**	**100,911**	**101,569**
Financial liabilities	82,993	88,648	−7,020	−2,806	90,013	91,454
Trade payables	22,210	22,677	19,299	19,539	2,911	3,137
Other liabilities	60,590	54,085	52,603	47,107	7,986	6,978
Liabilities associated with assets held for sale	314	–	314	–	–	–
Total equity and liabilities	**516,744**	**497,114**	**264,417**	**254,097**	**252,327**	**243,017**

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions, primarily intragroup loans.

Statement of Changes in Equity

€ million	Subscribed capital	Capital reserve	Retained earnings	OTHER RESERVES Currency translation reserve
Balance at Jan. 1, 2020	**1,283**	**14,551**	**96,929**	**–2,824**
Earnings after tax	–	–	1,382	–
Other comprehensive income, net of tax	–	–	–1,440	–2,827
Total comprehensive income	**–**	**–**	**–58**	**–2,827**
Disposal of equity instruments	–	–	–	–
Capital increases/Capital decreases	–	–	–	–
Dividends payment	–	–	–2,419	–
Capital transactions involving a change in ownership interest	–	–	–166	–
Other changes	–	–	10	0
Balance at Sept. 30, 2020	**1,283**	**14,551**	**94,297**	**–5,651**
Balance at Jan. 1, 2021	**1,283**	**14,551**	**100,772**	**–5,659**
Earnings after tax	–	–	10,865	–
Other comprehensive income, net of tax	–	–	4,075	2,071
Total comprehensive income	**–**	**–**	**14,940**	**2,071**
Disposal of equity instruments	–	–	57	–
Capital increases/Capital decreases[1]	–	–	–	–
Dividends payment	–	–	–2,419	–
Capital transactions involving a change in ownership interest[2]	–	–	–270	–32
Other changes	–	–	209	–
Balance at Sept. 30, 2021	**1,283**	**14,551**	**113,290**	**–3,620**

1 Redemption of hybrid note issued in fiscal year 2014.
2 For the change in capital transactions involving a change in ownership interest see the “Key events” section.

HEDGING							
Cash flow hedges (OCI I)	Deferred costs of hedging (OCI II)	Equity and debt instruments	Equity-accounted investments	Equity attributable to Volkswagen AG hybrid capital investors	Equity attributable to Volkswagen AG shareholders and hybrid capital investors	Equity attributable to noncontrolling interest	Total equity
95	**–977**	**–235**	**295**	**12,663**	**121,781**	**1,870**	**123,651**
–	–	–	–	386	1,768	–37	1,731
1,486	185	10	–181	–	–2,767	–71	–2,838
1,486	**185**	**10**	**–181**	**386**	**–1,000**	**–108**	**–1,107**
–	–	–	–	–	–	–	–
–	–	–	–	2,989	2,989	–	2,989
–	–	–	–	–432	–2,850	–58	–2,909
–	–	–	–	–	–166	–71	–237
–	–	–	–1	–	9	6	15
1,580	**–792**	**–225**	**113**	**15,607**	**120,763**	**1,638**	**122,402**
1,287	**–708**	**–219**	**30**	**15,713**	**127,049**	**1,734**	**128,783**
–	–	–	–	404	11,270	88	11,357
–924	350	–10	450	–	6,012	65	6,077
–924	**350**	**–10**	**450**	**404**	**17,282**	**153**	**17,435**
–	–	–57	–	–	–	–	–
–	–	–	–	–1,237	–1,237	170	–1,068
–	–	–	–	–535	–2,954	–23	–2,977
–1	0	0	–1	–	–304	–283	–587
–	–	–	–110	–	99	–27	71
363	**–358**	**–287**	**368**	**14,345**	**139,935**	**1,723**	**141,658**

Cash flow statement for the Period January 1 to September 30

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2021	2020	2021	2020	2021	2020
Cash and cash equivalents at beginning of period	**33,432**	**24,329**	**23,758**	**18,098**	**9,674**	**6,231**
Earnings before tax	14,232	2,254	10,297	441	3,935	1,813
Income taxes paid	–3,295	–1,862	–2,659	–1,408	–636	–454
Depreciation and amortization expense[2]	20,291	19,747	13,265	12,779	7,026	6,968
Change in pension provisions	687	649	653	636	35	13
Share of the result of equity-accounted investments	1,270	828	1,300	872	–30	–43
Other noncash income/expense and reclassifications[3]	–600	–505	–813	–313	212	–193
Gross cash flow	**32,586**	**21,111**	**22,044**	**13,007**	**10,542**	**8,104**
Change in working capital	**–3,683**	**–2,812**	**659**	**164**	**–4,342**	**–2,977**
Change in inventories	1,680	1,570	115	1,134	1,565	435
Change in receivables	723	–2,032	–1,247	–1,784	1,970	–248
Change in liabilities	2,168	3,470	1,639	2,200	529	1,270
Change in other provisions	432	–1,300	269	–1,409	163	109
Change in lease assets (excluding depreciation)	–12,980	–8,770	98	187	–13,078	–8,957
Change in financial services receivables	4,295	4,249	–215	–164	4,510	4,414
Cash flows from operating activities	**28,904**	**18,298**	**22,703**	**13,171**	**6,201**	**5,127**
Cash flows from investing activities attributable to operating activities	**–15,837**	**–11,784**	**–15,483**	**–11,754**	**–354**	**–30**
of which: Investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property	–6,023	–6,551	–5,891	–6,422	–132	–129
capitalized development costs	–5,396	–4,481	–5,396	–4,481	–	–
acquisition and disposal of equity investments	–4,709	–1,024	–4,453	–1,096	–256	72
Net cash flow[4]	***13,067***	***6,514***	***7,220***	***1,418***	***5,846***	***5,097***
Change in investments in securities, loans and time deposits	–1,110	–2,913	–494	–2,890	–616	–22
Cash flows from investing activities	**–16,947**	**–14,697**	**–15,977**	**–14,644**	**–970**	**–53**
Cash flows from financing activities	**–9,998**	**17,835**	**–8,698**	**14,178**	**–1,299**	**3,657**
of which: capital transactions with noncontrolling interests	–587	–	–587	–	–	–
capital contributions/capital redemptions	–1,071	2,984	–1,567	2,975	497	9
MAN noncontrolling interest shareholders: compensation payments and acquisition of shares tendered	–	2	–	2	–	–
Effect of exchange rate changes on cash and cash equivalents	587	–658	524	–546	63	–112
Change of loss allowance within cash & cash equivalents	0	–2	0	–2	0	0
Net change in cash and cash equivalents	**2,546**	**20,777**	**–1,447**	**12,158**	**3,994**	**8,619**
Cash and cash equivalents at September 30[5]	**35,978**	**45,107**	**22,311**	**30,256**	**13,668**	**14,850**
Securities, loans and time deposits	34,047	31,217	16,148	15,901	17,899	15,316
Gross liquidity	**70,025**	**76,324**	**38,458**	**46,157**	**31,567**	**30,166**
Total third-party borrowings	–205,873	–210,801	–12,816	–21,310	–193,057	–189,491
Net liquidity at September 30[6]	**–135,848**	**–134,477**	**25,642**	**24,848**	**–161,491**	**–159,325**
For information purposes: at Jan. 1	–137,380	–148,040	26,796	21,276	–164,176	–169,316

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

Explanatory notes on the cash flow statement are presented in the section relating to the cash flow statement.

Notes to the Consolidated Financial Statements

Accounting in accordance with International Financial Reporting Standards (IFRSs)

In accordance with Regulation No. 1606/2002 of the European Parliament and of the Council, Volkswagen AG prepared its consolidated financial statements for 2020 in compliance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. These interim consolidated financial statements for the period ended September 30, 2021 were therefore also prepared in accordance with IAS 34 (Interim Financial Reporting) and are condensed in scope compared with the consolidated financial statements.

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

In addition to the reportable segments, the Automotive and Financial Services divisions are presented in the condensed interim group financial report for explanatory purposes alongside the income statement, balance sheet and cash flow statement for the Volkswagen Group. This supplemental presentation is not required by IFRSs. Eliminations of intragroup transactions between the Automotive and Financial Services divisions are allocated to the Automotive Division.

The accompanying interim consolidated financial statements were reviewed by auditors in accordance with section 115 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act).

Accounting policies

Volkswagen AG has applied all accounting pronouncements adopted by the EU and effective for periods beginning on or after January 1, 2021.

OTHER ACCOUNTING POLICIES

A discount rate of 1.2% (December 31, 2020: 0.7%) was applied to German pension provisions in the accompanying interim consolidated financial statements.

The income tax expense for the interim consolidated financial statements was calculated on the basis of the average annual tax rate that is expected for the entire fiscal year, in accordance with IAS 34 (Interim Financial Reporting).

In other respects, the same accounting policies and consolidation methods that were used for the 2020 consolidated financial statements are generally applied to the preparation of the interim consolidated financial statements and the measurement of the prior-year comparatives. A detailed description of the policies and methods applied is published in the “Accounting policies” section of the notes to the 2020 consolidated financial statements.

In addition, details of the effects of new standards can be found in the “New and amended IFRSs not applied” section. The 2020 consolidated financial statements can also be accessed on the internet at www.volkswagenag.com/en/InvestorRelations.html.

Key events

Diesel issue

On September 18, 2015, the US Environmental Protection Agency (EPA) publicly announced in a "Notice of Violation" that irregularities in relation to nitrogen oxide (NO_X) emissions had been discovered in emissions tests on certain Volkswagen Group vehicles with type 2.0 l diesel engines in the USA. This was followed by further reports on the scope of the diesel issue. Detailed information can be found in the "Key events" section of the 2020 consolidated financial statements.

Between January and September 2021, special items in connection with the diesel issue amounted to €203.0 million; they were mainly recognized in the other operating result.

These special items were attributable to additional expenses of €422.3 million primarily for legal risks, offset by income from damage settlements of €219.3 million. The settlements were brought about by agreements on the payment of damages by former members of the Board of Management entered into in June 2021 with the goal of achieving speedy, legally certain, and final resolution of the diesel issue as far as the civil liability of members of governing bodies was concerned. To this end, Volkswagen and Audi entered into damage settlements (liability settlements) with Prof. Dr. Winterkorn and Mr. Stadler respectively in connection with the diesel issue. Prof. Dr. Winterkorn's damage payment amounts to €11.2 million and that of Mr. Stadler to €4.1 million. In addition, provisions of €3.1 million were reversed in this context. Volkswagen has furthermore reached agreement with the relevant insurers under its directors and officers liability policies (D&O insurance) on payment of an aggregate sum of €270 million (coverage settlement), of which €198.4 million was recognized in profit or loss. In addition, agreement was reached on damage payments by a former member of Audi's Board of Management and by a former member of Porsche's Board of Management. One former member of Audi's Board of Management was unwilling to reach a settlement; legal action is being prepared against him. Claims were already asserted against a former member of the Volkswagen Passenger Cars brand Board of Management. The Annual General Meeting of Volkswagen AG gave its approval to these agreements on July 22, 2021.

Further information on the litigation in connection with the diesel issue can be found in the "Litigation" section.

Antitrust investigations

In April 2019, the European Commission issued an initial statement of objections to Volkswagen AG, AUDI AG, and Dr. Ing. h.c. F. Porsche AG in connection with the Commission's antitrust investigation of the automobile industry. These objections stated the European Commission's preliminary evaluation of the matter and afforded the opportunity to comment. Following entry into a formal settlement procedure, the Commission in April 2021 issued a revised statement of objections raising charges that were considerably more narrow. On this basis, a settlement decision was issued on July 8, 2021 concluding the administrative action and assessing a total fine of roughly €502 million against the three brands. This amount has been recognized under other operating expenses. The subject matter scope of the decision is limited to the cooperation of German automobile manufacturers on individual technical questions in connection with the development and introduction of SCR (selective catalytic reduction) systems for passenger cars that were sold in the European Economic Area. The manufacturers are not charged with any other misconduct such as price fixing or allocating markets and customers.

Volkswagen accepted the decision, which was served on July 12, 2021, and filed no appeal, thus allowing the decision to become final.

Effects of the Covid-19 Pandemic/ shortage of semiconductors

The rate of infections leveled off in the course of the first nine months of 2021 for reasons that include the increasing vaccination rate. Against this backdrop, many countries largely lifted their restrictions on everyday life and the economy, depending on the progress of their vaccination campaigns. In the interim consolidated financial statements as of September 30, 2021, no material impairment losses attributable to the Covid-19 pandemic had to be recognized.

The semiconductor shortage and the resulting supply bottlenecks had an increasingly negative impact across the entire industry. This also impacted on production at the Volkswagen Group. As a result, the Volkswagen Group recorded a reduction in inventories of finished goods and a simultaneous increase in raw materials and work in progress (see also the information provided in the notes on inventories).

Material Transactions

The merger of MAN SE with TRATON SE was adopted by resolution of the Annual General Meeting of MAN SE on June 29, 2021. The merger resolution also triggered the process to transfer the shares held by noncontrolling interest shareholders of MAN SE to TRATON SE against payment of an appropriate cash settlement (merger squeeze-out). In this context, the present value of the put options granted, amounting to approximately €587 million, was recognized as a current liability directly in equity. The noncontrolling interests in the Volkswagen Group's equity, as well as the retained earnings and other reserves attributable to the shareholders of Volkswagen AG declined accordingly.

The merger of MAN SE with TRATON SE was entered in the commercial register for MAN SE and TRATON SE on August 31, 2021. The squeeze-out took legal effect on the date of this entry in the commercial register. This was followed on September 3, 2021 by the disbursement of the cash settlement of €70.68 per ordinary and preferred share to the noncontrolling interest shareholders of MAN SE, thus completing the MAN SE squeeze-out. Judicial award proceedings initiated in October 2021 by a noncontrolling interest shareholder who had received a settlement as a result of the squeeze-out are underway to review whether the cash settlement is appropriate.

In mid-June 2021, Volkswagen and the Swedish battery cell producer Northvolt AB agreed to concentrate production of Volkswagen premium cells in Skellefteå, Sweden. In connection with this, Volkswagen participated in a financing round at Northvolt AB that was proportionate to its shareholding, investing a further USD 650 million in the company. Volkswagen also increased its existing convertible loan by a further €190 million and, at the same time, converted this part of the loan to preferred shares. This has increased Volkswagen's ownership interest in Northvolt AB to 23.6%. Due to favorable terms and conditions on conversion, the measurement of the converted loan resulted in non-cash income of €62 million. As a result, the carrying amount of the equity investment in Northvolt AB rose by €794 million. A convertible loan of €240 million remains on issue.

The sale of MAN Truck & Bus Österreich GesmbH, Steyr/Austria (MTBÖ) as part of restructuring measures was completed with effect from August 31, 2021. The assets and liabilities of MTBÖ were presented as a disposal group in the financial statements of the Volkswagen Group until the date of sale. The sale led to the recognition of an expense, of which €160 million was attributable to impairment losses on property, plant and equipment and €144 million to a loss on deconsolidation. The total expense of €304 million is presented in other operating expenses. The sale of the shares in MTBÖ resulted in a net cash outflow of €199 million, which is presented in cash flows from investing activities.

At the end of July 2021, Volkswagen's Supervisory Board approved an agreement with investment firm Attestor Limited and with Pon Europe B.V. for the submission through a consortium company of a joint public takeover offer for the shares of Europcar Mobility Group S.A., Paris/France. As matters stand, the consortium would assume joint control of Europcar if the offer is accepted.

The consortium submitted the takeover offer to the French regulatory authority in September 2021. Once the offer documents have been examined successfully, the period will commence during which the Europcar shareholders can tender their shares. Together with two partners, Volkswagen is offering a price of €0.50 per Europcar share; if more than 90% of the shares are tendered, they will pay an additional one cent per share.

Volkswagen is the writer of put options held by the other members of the consortium, and the other members have granted Volkswagen call options on their shares in the consortium company. The measurement of the options led to a non-cash expense of €95 million in the third quarter, which was recognized in the financial result.

IFRS 5 – Noncurrent assets and liabilities held for sale

In July 2021, the Volkswagen Group and Rimac Automobili d.o.o., Sveta Nedelja/Croatia, agreed to establish a joint venture. Volkswagen will contribute its consolidated subsidiaries Bugatti Automobiles S.A.S, Molsheim/France and initially 51% of Bugatti International S.A., Strassen/Luxembourg to the joint venture, which will have its headquarters in Zagreb/Croatia. Closing is planned for the fourth quarter of 2021. Rimac will hold 55% of the shares of the joint venture, and Volkswagen will hold a 45% interest through Porsche. In addition, Porsche holds a direct interest of 24% in Rimac.

Initially, the new company will produce two hypercar models, the Bugatti Chiron and the Rimac Nevera. Jointly developed Bugatti models are planned further into the future.

On March 26, 2021, Brose Fahrzeugteile SE Co. Kommanditgesellschaft (Brose) and VW Finance Luxemburg S.A., a subsidiary of Volkswagen AG, entered into an agreement to establish a jointly operated company for the development and manufacture of complete seat units, seat structures and components, and solutions for the vehicle interior. As part of this arrangement, Brose will acquire half of the shares of the Volkswagen Group company SITECH Sp. z o.o., Polkowice/Poland. Brose and Volkswagen will each hold 50% of the planned jointly operated company, whereby Brose will take the industrial lead. Consequently, Brose will control the jointly operated company and Volkswagen, given its significant influence following the transaction, will account for it as an associate using the equity method. Approval by the antitrust authorities has been obtained. The transaction is subject to other closing conditions and is expected to be completed by the end of the first quarter of 2022.

In connection with the planned disposals, assets of €552 million and liabilities of €314 million were classified as held for sale as of September 30, 2021 and presented in a separate line item of the balance sheet in accordance with IFRS 5. The assets and liabilities held for sale have been recognized at the lower of their carrying amount and fair value less expected costs of disposal.

Acquisition of Navistar

On July 1, 2021, the TRATON GROUP acquired all of the outstanding shares in Navistar, a US manufacturer of commercial vehicles. The purchase price of €3,118 million (USD 3,700 million) was paid in cash. TRATON now holds 100% of the shares in Navistar International Corporation, which was previously accounted for using the equity method (interest of 16.7%). Trading in Navistar shares on the New York Stock exchange has been discontinued.

Initital recognition of the acquisition is not yet complete as no final valuations are available yet due to the recent nature of transaction. This means that the amounts recognized as of September 30, 2021 are provisional.

The acquisition resulted in goodwill in the amount of €2,757 million to reflect the synergies arising from the operation with Navistar. These relate particularly to the growth in the share of the market, to procurement, production costs, modularization and the use of shared components, and to the area of research and development.

The fair value of the equity interest in Navistar that TRATON had held immediately prior to the acquisition date was determined on the basis of the share price of USD 44.50/share at the acquisition date; it amounts to €624 million. The remeasurement of this equity interest resulted in a gain of €219 million. Moreover, the derecognition of the share of equity during the initial consolidation of Navistar resulted in income and expenses previously recognized directly in equity being reclassified to the income statement, which led to an expense of €38 million. This in turn resulted in a gain of €182 million, which is presented in the share of the result of equity-accounted investments.

The preliminary allocation of the purchase price to the assets acquired and liabilities assumed is as follows:

€ million	Preliminary fair values as of July 1, 2021
Consideration transferred	
Cash	3,118
Unwinding of pre-existing relationships	114
Exchange of share-based payment awards	22
Total	**3,254**

€ million	Preliminary fair values as of July 1, 2021
Net assets acquired	
Intangible assets	3,545
of which Customer relationships	2,153
of which Brand names	741
Property, plant and equipment	992
Lease assets	307
Other equity investments	622
Noncurrent receivables and financial assets	368
Inventories	1,045
Current receivables and financial assets	1,732
Cash funds	565
Deferred tax assets	551
Total assets	**9,727**
Noncurrent financial liabilities	509
Provisions for pensions and similar obligations	1,060
Deferred tax liabilities	104
Other noncurrent liabilities and provisions	685
Current financial liabilities	3,322
Other current liabilities and provisions	2,923
Total liabilities	**8,604**
Balance of net assets acquired	**1,124**

€ million	Preliminary goodwill calculation
Consideration transferred	3,254
Noncontrolling interests	3
Fair value of equity interests held previously	624
less	
Net assets acquired	1,124
Goodwill	**2,757**

The provisional amount of €114 million for winding down pre-existing relationships included in the consideration transferred corresponds to the carrying amount of the Volkswagen Group’s receivables from and liabilities to Navistar.

Receivables and financial assets include the following groups of receivables for which the gross amounts differ from the fair values:

€ million	Gross amount	Amount expected to be uncollectible
Financing business receivables	924	15
Lease receivables	184	19
Trade receivables	496	15
Other receivables	526	1

The transaction costs of €32 million incurred up to September 30, 2021 for implementing the business combination were recognized in administrative expenses.

As a result of the consolidation of Navistar as of July 1, 2021, the Volkswagen Group's sales revenue increased by €1,675 million as of September 30, 2021, while earnings after tax, including impairment losses on realized hidden reserves, decreased by €84 million.

Basis of consolidation

In addition to Volkswagen AG, which is domiciled in Wolfsburg and entered in the commercial register at the Braunschweig Local Court under No. HRB 100484, 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.

Disclosures on the interim consolidated financial statements

1. Sales revenue

STRUCTURE OF GROUP SALES REVENUE: Q1 – Q3 2020

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total Segments	Reconciliation	Volkswagen Group
Vehicles	88,586	9,014	–	–	97,600	–9,543	88,057
Genuine parts	8,572	2,397	–	–	10,969	–82	10,887
Used vehicles and third-party products	8,834	1,041	–	–	9,876	–568	9,307
Engines, powertrains and parts deliveries	8,959	454	–	–	9,413	–24	9,389
Power Engineering	–	–	2,749	–	2,749	–1	2,748
Motorcycles	422	–	–	–	422	–	422
Leasing business	570	1,269	0	23,364	25,203	–3,152	22,051
Interest and similar income	138	6	–	5,743	5,887	–189	5,698
Hedges sales revenue	–457	–12	–	0	–469	12	–456
Other sales revenue	5,332	1,251	–	1,079	7,661	–280	7,381
	120,959	**15,419**	**2,749**	**30,185**	**169,313**	**–13,827**	**155,486**

STRUCTURE OF GROUP SALES REVENUE: Q1 – Q3 2021

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total Segments	Reconciliation	Volkswagen Group
Vehicles	109,145	13,447	–	–	122,592	–11,103	111,490
Genuine parts	9,787	3,301	–	–	13,089	–99	12,989
Used vehicles and third-party products	9,119	1,268	–	–	10,387	–467	9,920
Engines, powertrains and parts deliveries	8,967	529	–	–	9,496	–42	9,454
Power Engineering	–	–	2,338	–	2,338	–1	2,337
Motorcycles	608	–	–	–	608	–	608
Leasing business	638	1,316	0	26,661	28,614	–3,283	25,331
Interest and similar income	154	6	–	5,873	6,032	–194	5,838
Hedges sales revenue	–151	–31	–	0	–182	34	–148
Other sales revenue	6,552	1,469	–	1,196	9,217	–438	8,779
	144,819	**21,305**	**2,338**	**33,730**	**202,192**	**–15,592**	**186,599**

Other sales revenue comprises revenue from workshop services and license revenue, among other things.

2. Cost of sales

Cost of sales includes interest expenses of €1,464 million (previous year: €1,763 million) attributable to the financial services business.

In addition to depreciation and amortization expenses, cost of sales also includes impairment losses on capitalized development costs, property, plant and equipment, and lease assets. The impairment losses amount to a total of €603 million (previous year: €704 million).

3. Research and development costs

€ million	Q1 – 3 2021	Q1 – 3 2020	%
Total research and development costs	11,401	10,191	11.9
of which: capitalized development costs	5,392	4,481	20.3
Capitalization ratio in %	47.3	44.0	
Amortization of capitalized development costs	3,808	3,363	13.2
Research and development costs recognized in profit or loss	**9,817**	**9,073**	**8.2**

4. Earnings per share

Basic earnings per share are calculated by dividing earnings attributable to Volkswagen AG shareholders by the weighted average number of ordinary and preferred shares outstanding during the reporting period. Since there were no transactions in the reporting period that had a dilutive effect on the number of shares, diluted earnings per share are equivalent to basic earnings per share.

In accordance with Article 27(2) No. 3 of the Articles of Association of Volkswagen AG, preferred shares are entitled to a €0.06 higher dividend than ordinary shares.

		Q3 2021	Q3 2020	Q1 – 3 2021	Q1 – 3 2020
Weighted average number of:					
Ordinary shares – basic/diluted	Shares	295,089,818	295,089,818	295,089,818	295,089,818
Preferred shares – basic/diluted	Shares	206,205,445	206,205,445	206,205,445	206,205,445
Earnings after tax	€ million	2,903	2,751	11,357	1,731
Noncontrolling interests	€ million	7	21	88	–37
Earnings attributable to Volkswagen AG hybrid capital investors	€ million	135	147	404	386
Earnings attributable to Volkswagen AG shareholders	€ million	2,761	2,583	10,865	1,382
of which: basic/diluted earnings attributable to ordinary shares	€ million	1,625	1,527	6,389	806
of which: basic/diluted earnings attributable to preferred shares	€ million	1,136	1,056	4,477	576
Earnings per ordinary share – basic/diluted	€	5.51	5.17	21.65	2.73
Earnings per preferred share – basic/diluted	€	5.51	5.12	21.71	2.79

5. Noncurrent assets

CHANGES IN SELECTED NONCURRENT ASSETS BETWEEN JANUARY 1 AND SEPTEMBER 30, 2021

€ million	Carrying amount at Jan. 1, 2021	Additions/ Changes in consolidated Group	Disposals/ Other changes	Depreciation and amortization	Carrying amount at Sept. 30, 2021
Intangible assets	67,968	12,323	–37	4,509	75,818
Property, plant and equipment	63,884	7,551	15	8,779	62,642
Lease assets	50,686	22,895	7,932	7,373	58,276

6. Inventories

€ million	Sept. 30, 2021	Dec. 31, 2020
Raw materials, consumables and supplies	9,947	6,966
Work in progress	7,851	4,022
Finished goods and purchased merchandise	20,170	27,204
Current lease assets	5,572	5,337
Prepayments	228	288
Hedges on inventories	12	6
	43,779	**43,823**

It was not necessary to recognize or reverse significant impairment losses on inventories in the reporting period.

The entire industry is currently experiencing supply shortages of semiconductor components. This fact had an effect on the structure of inventories as of September 30, 2021, causing a reduction in finished goods compared with December 31, 2020, set against an increase in inventories of work in progress and raw materials.

7. Current other receivables and financial assets

€ million	Sept. 30, 2021	Dec. 31, 2020
Trade receivables	15,082	16,243
Miscellaneous other receivables and financial assets	22,502	21,801
	37,584	**38,044**

In the period January 1 to September 30, 2021, impairment losses and reversals of impairment losses on noncurrent and current financial assets reduced operating profit by €62 million (previous year: €929 million).

8. Equity

The subscribed capital is composed of 295,089,818 no-par value ordinary shares and 206,205,445 no-par value preferred shares, and amounts to €1,283 million (previous year: €1,283 million).

In January 2021, Volkswagen AG called a hybrid note (maturity: 7 years) with a principal amount of €1.25 billion, which had been placed in 2014 via Volkswagen International Finance N.V., Amsterdam, the Netherlands (issuer). Once called, the note has to be classified as debt in accordance with IAS 32, thus reducing equity and the liquidity of the Volkswagen Group. The hybrid note was redeemed in March 2021.

Most of the noncontrolling interests in equity are attributable to the TRATON GROUP.

The merger of MAN SE with TRATON SE was adopted by resolution of the Annual General Meeting of MAN SE on June 29, 2021. The shares held by noncontrolling interest shareholders of MAN SE were also transferred to TRATON SE against payment of an appropriate cash settlement in the context of this merger (merger squeeze-out). The squeeze-out took legal effect upon entry in the commercial register for TRATON SE and MAN SE on August 31, 2021. As a result, the interest held by TRATON in MAN increased from 94.36% to 100% (see "Key events" section for details).

9. Noncurrent financial liabilities

€ million	Sept. 30, 2021	Dec. 31, 2020
Bonds, commercial paper and notes	94,229	88,097
Liabilities to banks	20,136	17,273
Deposit business	2,541	2,411
Lease liabilities	5,007	5,119
Other financial liabilities	955	1,909
	122,869	**114,809**

10. Current financial liabilities

€ million	Sept. 30, 2021	Dec. 31, 2020
Bonds, commercial paper and notes	43,084	42,055
Liabilities to banks	12,975	18,060
Deposit business	23,939	26,735
Lease liabilities	1,048	1,005
Other financial liabilities	1,946	794
	82,993	**88,648**

11. Fair value disclosures

Generally, the principles and techniques used for fair value measurement remained unchanged year-on-year. Detailed explanations of the measurement principles and techniques can be found in the "Accounting policies" section of the 2020 consolidated financial statements.

Fair value generally corresponds to the market or quoted market price. If no active market exists, fair value is determined using valuation techniques, such as by discounting the future cash flows at the market interest rate, or by using recognized option pricing models.

Financial assets and liabilities measured at fair value through profit or loss consist of derivative financial instruments to which hedge accounting is not applied. They include primarily commodity futures, currency forwards relating to commodity futures, call options on equity instruments as well as, in certain cases, interest rate swaps, currency swaps and cross-currency interest rate swaps. Moreover, other equity investments (shares representing an ownership interest of less than 20% as a rule) in partnerships (debt instruments), customer financing receivables whose returns contain more than just interest and principal repayments, and financial assets held in special funds controlled by the Volkswagen Group are measured at fair value through profit or loss. Derivative financial instruments to which hedge accounting is applied are measured at fair value either directly in equity or through profit or loss, depending on the underlying hedged item.

Financial assets measured at fair value through other comprehensive income include equity investments (shares representing an ownership interest of less than 20% as a rule) in corporations (equity instruments) and shares for which the Volkswagen Group normally exercises the option of fair value measurement through other comprehensive income, as well as securities (debt instruments) whose cash flows comprise solely payments of interest and principal and that are held under a business model aimed at both collecting contractual cash flows and selling financial assets. For instruments measured through other comprehensive income, changes in fair value are recognized directly in equity, taking deferred taxes into account. Impairment losses on securities (debt instruments) are recognized through profit or loss.

Uniform valuation techniques and inputs are used to measure fair value. The fair value of Level 2 and Level 3 financial instruments is measured in the individual divisions on the basis of Group-wide specifications.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS

The following table shows the reconciliation of the balance sheet items to the relevant classes of financial instruments, broken down by the carrying amount and fair value of the financial instruments.

The fair value of financial instruments measured at amortized cost, such as receivables and liabilities, is calculated by discounting the carrying amount using a market rate of interest for a similar risk and matching maturity. For reasons of materiality, the fair value of current balance sheet items is generally deemed to be their carrying amount.

The risk variables governing the fair value of the receivables are risk-adjusted interest rates.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2020

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO A MEASUREMENT CATEGORY	BALANCE SHEET ITEM AT DEC. 31 , 2020
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	10,080	10,080
Other equity investments	177	–	–	–	1,688	1,865
Financial services receivables	279	47,879	50,231	–	34,408	82,565
Other financial assets	1,512	4,105	4,220	2,217	–	7,834
Tax receivables	–	–	–	–	376	376
Current assets						
Trade receivables	52	16,191	16,191	–	–	16,243
Financial services receivables	26	39,474	39,474	–	18,506	58,006
Other financial assets	2,402	9,915	9,915	917	–	13,234
Tax receivables	–	9	9	–	1,177	1,186
Marketable securities	21,146	15	15	–	–	21,162
Cash, cash equivalents and time deposits	–	33,909	33,909	–	–	33,909
Noncurrent liabilities						
Financial liabilities	–	109,690	115,282	–	5,119	114,809
Other financial liabilities	1,188	2,322	2,317	748	–	4,257
Current liabilities						
Financial liabilities	–	87,643	87,643	–	1,005	88,648
Trade payables	–	22,677	22,677	–	–	22,677
Other financial liabilities	1,215	8,545	8,545	831	–	10,590
Tax payables	–	38	38	–	301	340

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF SEPTEMBER 30, 2021

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO A MEASUREMENT CATEGORY	BALANCE SHEET ITEM AT SEPT. 30, 2021
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	10,483	10,483
Other equity investments	743	–	–	–	2,059	2,802
Financial services receivables	269	49,843	51,439	–	34,751	84,863
Other financial assets	2,105	5,047	5,146	1,548	–	8,700
Tax receivables	–	0	0	–	549	549
Current assets						
Trade receivables	5	15,078	15,078	–	–	15,083
Financial services receivables	24	36,657	36,657	–	18,440	55,122
Other financial assets	1,885	10,728	10,728	528	–	13,141
Tax receivables	–	0	0	–	1,716	1,716
Marketable securities	22,047	28	28	–	–	22,076
Cash, cash equivalents and time deposits	–	36,608	36,608	–	–	36,608
Assets held for sale	–	35	35	–	513	548
Noncurrent liabilities						
Financial liabilities	–	117,861	123,427	–	5,007	122,869
Other financial liabilities	820	2,290	2,286	545	–	3,655
Current liabilities						
Financial liabilities	–	81,945	81,945	–	1,048	82,993
Trade payables	–	22,210	22,210	–	–	22,210
Other financial liabilities	976	11,646	11,646	1,044	–	13,667
Tax payables	–	12	12	–	496	507
Liabilities associated with assets held for sale	–	92	92	–	248	340

The carrying amount of lease receivables was €53.2 billion (previous year: €52.9 billion) and their fair value was €54.3 billion (previous year: €55.0 billion).

The following tables contain an overview of the financial assets and liabilities measured at fair value:

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE BY LEVEL

€ million	Dec. 31, 2020	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	177	40	0	137
Financial services receivables	279	–	–	279
Other financial assets	1,512	–	784	729
Current assets				
Trade receivables	52	–	–	52
Financial services receivables	26	–	–	26
Other financial assets	2,402	–	2,242	160
Marketable securities	21,146	21,060	86	–
Noncurrent liabilities				
Other financial liabilities	1,188	–	644	543
Current liabilities				
Other financial liabilities	1,215	–	851	364

€ million	Sept. 30, 2021	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	743	598	0	145
Financial services receivables	269	–	–	269
Other financial assets	2,105	–	1,189	916
Current assets				
Trade receivables	5	–	–	5
Financial services receivables	24	–	–	24
Other financial assets	1,885	–	1,488	397
Marketable securities	22,047	21,955	92	–
Noncurrent liabilities				
Other financial liabilities	820	–	509	311
Current liabilities				
Other financial liabilities	976	–	800	176

DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING BY LEVEL

€ million	Dec. 31, 2020	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	2,217	–	2,217	–
Current assets				
Other financial assets	917	–	917	–
Noncurrent liabilities				
Other financial liabilities	748	–	748	–
Current liabilities				
Other financial liabilities	831	–	728	102

€ million	Sept. 30, 2021	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	1,548	–	1,548	–
Current assets				
Other financial assets	528	–	528	–
Noncurrent liabilities				
Other financial liabilities	545	–	545	–
Current liabilities				
Other financial liabilities	1,044	–	1,044	–

The allocation of fair values to the three levels in the fair value hierarchy is based on the availability of observable market prices. Level 1 is used to report the fair value of financial instruments for which a price is directly available in an active market. Examples include marketable securities and other equity investments measured at fair value. Fair values in Level 2, for example of derivatives, are measured on the basis of market inputs using market-based valuation techniques. In particular, the inputs used include exchange rates, yield curves, commodity prices and stock exchange prices of listed shares that are observable in the relevant markets and obtained through pricing services. Fair Values in Level 3 are calculated using valuation techniques that incorporate inputs that are not directly observable in active markets. In the Volkswagen Group, long-term commodity futures are allocated to Level 3 because the prices available on the market must be extrapolated for measurement purposes. This is done on the basis of observable inputs obtained for the different commodities through pricing services. Options on equity instruments, residual value protection models, customer financing receivables and receivables from vehicle financing programs are also reported in Level 3. Equity instruments are measured primarily using the relevant business plans and entity-specific discount rates. The significant inputs used to measure fair value for the residual value protection models include forecasts and estimates of used vehicle residual values for the appropriate models. The measurement of vehicle financing programs requires in particular the use of the corresponding vehicle price.

The table below provides a summary of changes in level 3 balance sheet items measured at fair value:

CHANGES IN BALANCE SHEET ITEMS MEASURED AT FAIR VALUE BASED ON LEVEL 3

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value	Assets held for sale
Balance at Jan. 1, 2020	**913**	**765**	**3**
Foreign exchange differences	–29	–12	–
Changes in consolidated Group	106	–	–
Total comprehensive income	96	457	–
recognized in profit or loss	96	457	–
recognized in other comprehensive income	–	–	–
Additions (purchases)	113	–	–
Sales and settlements	–91	–214	–
Transfers into Level 2	–43	–74	–
Balance at Sept. 30, 2020	**1,065**	**923**	**3**
Total gains or losses recognized in profit or loss	**96**	**–457**	**–**
Net other operating expense/income	96	–457	–
of which attributable to assets/liabilities held at the reporting date	55	–385	–
Financial result	–	–	–
of which attributable to assets/liabilities held at the reporting date	–	–	–

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2021	**1,383**	**908**
Foreign exchange differences	30	9
Changes in consolidated Group	–300	–
Total comprehensive income	730	–220
recognized in profit or loss	403	–121
recognized in other comprehensive income	327	–99
Additions (purchases)	507	–
Sales and settlements	–121	–193
Transfers into Level 1	–333	–
Transfers into Level 2	–139	–17
Balance at Sept. 30, 2021	**1,756**	**487**
Total gains or losses recognized in profit or loss	**403**	**121**
Net other operating expense/income	420	121
of which attributable to assets/liabilities held at the reporting date	109	144
Financial result	–17	–
of which attributable to assets/liabilities held at the reporting date	–	–

The transfers between the levels of the fair value hierarchy are reported at the respective reporting dates. The transfers out of Level 3 into Level 2 comprise commodity futures for which observable quoted prices are now available for measurement purposes due to the decline in their remaining maturities; consequently, no further extrapolation is required. The transfer out of Level 3 into Level 1 relates to the equity investment in TuSimple Holdings Inc., San Diego, California/USA, for which quoted prices are now available following its IPO. In addition, the "financial liabilities" item contains liabilities from notes measured at amortized cost in an amount of €1,915 million, which were transferred out of Level 2 into Level 1 because the market can be considered active due to increased liquidity.

Commodity prices are the key risk variable for the fair value of commodity futures. Sensitivity analyses are used to present the effect of changes in commodity prices on earnings after tax and equity.

If commodity prices for commodity futures classified as Level 3 had been 10% higher (lower) as of September 30, 2021, earnings after tax would have been €225 million (previous year: €242 million) higher (lower). Beyond that, equity would not be affected.

The key risk variable for measuring options on equity instruments held by the Company is the relevant enterprise value. Sensitivity analyses are used to present the effect of changes in risk variables on earnings after tax.

If the assumed enterprise values at September 30, 2021 had been 10% higher, earnings after tax would have been €4 million (previous year: €3 million) higher. If the assumed enterprise values as of September 30, 2021 had been 10% lower, earnings after tax would have been €4 million (previous year: €3 million) lower.

Residual value risks result from hedging agreements with dealerships under which earnings effects caused by market-related fluctuations in residual values that arise from buy-back obligations under leases are borne in part by the Volkswagen Group.

The key risk variable influencing the fair value of the options relating to residual value risks is used car prices. Sensitivity analyses are used to quantify the effects of changes in used car prices on earnings after tax.

If the prices of the used cars covered by the residual value protection model had been 10% higher as of September 30, 2021, earnings after tax would have been €403 million (previous year: €383 million) higher. If the prices of the used cars covered by the residual value protection model had been 10% lower as of September 30, 2021, earnings after tax would have been €453 million (previous year: €400 million) lower.

If the risk-adjusted interest rates applied to receivables measured at fair value had been 100 basis points higher as of September 30, 2021, earnings after tax would have been €2 million (previous year: €2 million) lower. If the risk-adjusted interest rates as of September 30, 2021 had been 100 basis points lower, earnings after tax would have been €2 million (previous year: €2 million) higher.

If the corresponding vehicle price used in the vehicle financing programs had been 10% higher as of September 30, 2021, earnings after tax would have been €4 million (previous year: €0.3 million) higher. If the corresponding vehicle prices used in the vehicle financing programs had been 10% lower as of September 30, 2021, earnings after tax would have been €4 million (previous year: €0.3 million) lower.

If the result of operations of equity investments measured at fair value had been 10% better as of September 30, 2021, equity would have been €6 million (previous year: €4 million) higher, and earnings after tax would have been €4 million (previous year: €– million) higher. If the result of operations of equity investments measured at fair value had been 10% worse, equity would have been €6 million (previous year: €4 million) lower, and earnings after tax would have been €4 million (previous year: €– million) lower.

12. Cash flow statement

The cash flow statement presents the cash inflows and outflows in the Volkswagen Group and in the Automotive and Financial Services divisions. Cash and cash equivalents comprise cash at banks, checks, cash-in-hand and call deposits.

€ million	Sept. 30, 2021	Sept. 30, 2020
Cash, cash equivalents and time deposits as reported in the balance sheet	36,608	45,548
Cash and cash equivalents held for sale	4	122
Time deposits	–633	–564
Cash and cash equivalents as reported in the cash flow statement	**35,978**	**45,107**

Cash inflows and outflows from financing activities are presented in the following table:

	Q1 – 3	
€ million	2021	2020
Capital contributions/Capital redemptions	–1,071	2,984
Dividends paid	–2,977	–490
Capital transactions with noncontrolling interest shareholders	–587	–
Proceeds from issuance of bonds	24,992	18,584
Repayments of bonds	–23,803	–12,560
Changes in other financial liabilities	–5,651	10,135
Repayments of lease liabilities	–901	–819
	–9,998	**17,835**

13. Segment reporting

Segments are identified on the basis of the Volkswagen Group's internal management and reporting. In line with the Group's multibrand strategy, each of its brands (operating segments) is managed by its own board of management. The Group targets and requirements laid down by the Board of Management of Volkswagen AG must be complied with. Segment reporting comprises four reportable segments: Passenger Cars and Light Commercial Vehicles, Commercial Vehicles, Power Engineering and Financial Services.

The activities of the Passenger Cars and Light Commercial Vehicles segment cover the development of vehicles, engines and vehicle software, the production and sale of passenger cars and light commercial vehicles, and the corresponding genuine parts business. In the Passenger Cars and Light Commercial Vehicles reporting segment, the individual brands are combined into a single reportable segment, in particular as a response to the high degree of technological and economic interlinking in the production network. Furthermore, there is collaboration within key areas such as procurement, research and development or treasury.

The Commercial Vehicles segment primarily comprises the development, production and sale of trucks and buses, the corresponding genuine parts business and related services. As in the case of the passenger car brands, there is collaboration within the areas procurement, development and sales. The aim is to create closer cooperation within the business areas.

The Power Engineering segment combines the large-bore diesel engines, turbomachinery, special gear units, and propulsion components businesses. In the first three quarters of 2020, it still also included the business of Renk.

The activities of the Financial Services segment comprise dealership and customer financing, leasing, banking and insurance activities, fleet management and mobility services. In this segment, activities are combined for reporting purposes taking into particular account the comparability of the type of services and of the regulatory environment.

Purchase price allocation for companies acquired is allocated directly to the corresponding segments.

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

The reconciliation contains activities and other operations that by definition do not constitute segments. It also includes the unallocated Group financing activities. Consolidation adjustments between the segments are also contained in the reconciliation.

As a matter of principle, business relationships between the companies within the segments of the Volkswagen Group are transacted at arm's length prices.

REPORTING SEGMENTS: Q1 – Q3 2020

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	110,323	14,657	2,748	27,627	155,355	131	155,486
Intersegment sales revenue	10,635	762	1	2,559	13,957	–13,957	–
Total sales revenue	120,959	15,419	2,749	30,185	169,313	–13,827	155,486
Segment result (operating result)	1,630	–180	–101	1,789	3,138	–1,445	1,693

REPORTING SEGMENTS: Q1 – Q3 2021

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	132,454	20,509	2,337	31,034	186,333	266	186,599
Intersegment sales revenue	12,365	796	1	2,697	15,858	–15,858	–
Total sales revenue	144,819	21,305	2,338	33,730	202,192	–15,592	186,599
Segment result (operating result)	11,069	453	–1	3,967	15,489	–1,535	13,953

RECONCILIATION

€ million	Q1 – 3 2021	Q1 – 3 2020
Segment result (operating result)	**15,489**	**3,138**
Unallocated activities	–5	–38
Group financing	–5	–7
Consolidation/Holding company function	–1,525	–1,400
Operating result	**13,953**	**1,693**
Financial result	**279**	**561**
Consolidated earnings before tax	**14,232**	**2,254**

14. Related party disclosures

Porsche SE holds the majority of the voting rights in Volkswagen AG.

The creation of rights of appointment for the State of Lower Saxony was resolved at the Extraordinary General Meeting of Volkswagen AG on December 3, 2009. This means that, even though it holds the majority of voting rights of Volkswagen AG, Porsche SE cannot appoint the majority of the members of Volkswagen AG's Supervisory Board for as long as the State of Lower Saxony holds at least 15% of Volkswagen AG's ordinary shares. However, Porsche SE is therefore classified as a related party as defined by IAS 24.

€ million	SUPPLIES AND SERVICES RENDERED Q1 – 3		SUPPLIES AND SERVICES RECEIVED Q1 – 3	
	2021	2020	2021	2020
Porsche SE and its majority interests	4	3	0	0
Supervisory Board members	2	3	1	1
Unconsolidated subsidiaries	732	705	980	771
Joint ventures and their majority interests	13,126	11,660	478	315
Associates and their majority interests	160	138	993	764
State of Lower Saxony, its majority interests and joint ventures	9	3	3	4

€ million	RECEIVABLES FROM		LIABILITIES (INCLUDING OBLIGATIONS) TO	
	Sept. 30, 2021	Dec. 31, 2020	Sept. 30, 2021	Dec. 31, 2020
Porsche SE and its majority interests	4	4	0	0
Supervisory Board members	0	0	255	167
Unconsolidated subsidiaries	1,305	1,164	1,578	1,477
Joint ventures and their majority interests	13,117	12,207	2,365	2,250
Associates and their majority interests	355	397	695	951
State of Lower Saxony, its majority interests and joint ventures	23	25	2	2

The tables above do not contain the dividend payments (net of withholding tax) of €2,071 million (previous year: €2,056 million) received from joint ventures and associates.

Receivables from joint ventures are primarily attributable to loans granted in an amount of €8,288 million (December 31, 2020: €8,534 million) as well as trade receivables in an amount of €3,549 million (December 31, 2020: €3,349 million). Receivables from non-consolidated subsidiaries also result primarily from loans granted in an amount of €695 million (December 31, 2020: €642 million) as well as trade receivables in an amount of €323 million (December 31, 2020: €190 million).

Transactions with related parties are regularly conducted on an arm's length basis. Some of these transactions also include reservation of title clauses.

Obligations to members of the Supervisory Board relate primarily to interest-bearing bank balances of Supervisory Board members that were invested at standard market terms and conditions at Volkswagen Group companies.

In addition, the Volkswagen Group has furnished guarantees to external banks on behalf of related parties in the amount of €390 million (December 31, 2020: €354 million).

Impairment losses of €22 million (previous year: €46 million) were recognized on the outstanding related party receivables. This incurred expenses of €1 million (previous year: €36 million) in the first three quarters of 2021.

Between January and September 2021, the Volkswagen Group made capital contributions of €985 million (previous year: €192 million) at related parties.

15. Litigation

Diesel issue

1. Product-related lawsuits worldwide

The number of claims asserted by financialright GmbH based on rights assigned to it has decreased to roughly 36 thousand following the withdrawal of numerous motions.

In Italy, the trial court hearing the Altroconsumo class action found in favor of the plaintiffs in July 2021 and entered a judgment holding Volkswagen AG and Volkswagen Group Italia liable in damages to some 63 thousand consumers in an aggregate amount of roughly €185 million plus interest. Volkswagen AG and Volkswagen Group Italia intend to appeal this decision.

In the Netherlands, the suspended class action brought by Stichting Car Claim has been resumed. A hearing for oral argument on the merits of the claims took place in May 2021. 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. Volkswagen AG and the other defendant Group companies have appealed the decision.

In Germany more than 60 thousand individual lawsuits relating to various diesel engine types are currently pending against Volkswagen AG or other Group companies, with the plaintiffs suing for damages or rescission of the contract in most cases.

In March 2021, the Bundesgerichtshof (Federal Court of Justice) issued a comprehensively reasoned ruling holding that purchasers of vehicles with Type EA 189 diesel engines cannot raise tort-based damage claims against Volkswagen AG merely because the engines had a temperature-dependent emissions control feature (so-called thermal window).

2. Proceedings in the USA/Canada

In February 2021, Texas sought discretionary review by the Texas Supreme Court of the Texas appellate court decision dismissing Texas's state environmental claims against Volkswagen AG and AUDI AG for lack of personal jurisdiction. In June 2021, the Ohio Supreme Court affirmed an intermediate appellate court decision declining to dismiss certain claims brought by Ohio. In August 2021, Volkswagen AG and AUDI AG sought discretionary review by the US Supreme Court of that decision. In September 2021, Volkswagen AG and AUDI AG reached agreements to settle the environmental claims brought by Montana and New Hampshire.

3. Lawsuits filed by investors worldwide (excluding the USA/Canada)

In the Netherlands, a shareholder association filed an unquantified lawsuit seeking a determination that Volkswagen AG supposedly misled the capital markets. The lawsuit was withdrawn in early July 2021. Volkswagen AG consented to the withdrawal of the action, thereby terminating the litigation.

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 legal risks. This is so as to not compromise the results of the proceedings or the interests of the Company.

Additional important legal cases

At the end of March 2021, the Supervisory Board of Volkswagen AG announced the completion of the investigation initiated in October 2015 into the causes of and those responsible for the diesel issue. The Board resolved to claim damages from Prof. Dr. Martin Winterkorn, former Chair of the Board of Management of Volkswagen AG, and from Rupert Stadler, former member of the Board of Management of Volkswagen AG and former Chair of the Board of Management of AUDI AG, for breach of their duty of care under stock corporation law. The resolution was based on identified negligent breaches of duty. The investigation found no breaches of duty by other members of the Volkswagen AG Board of Management. The investigation covered all members of the Board of Management who were in office during the relevant period. In June 2021, agreements on damage payments were reached in this connection with the goal of achieving speedy, legally certain, and final resolution of the diesel issue as far as the civil liability of members of governing bodies is concerned. To this end, Volkswagen and Audi entered into damage settlements (liability settlements) with Prof. Dr. Winterkorn and Mr. Stadler respectively in connection with the diesel issue. Prof. Dr. Winterkorn's damage payment amounts to €11.2 million and that of Mr. Stadler to €4.1 million. Volkswagen has furthermore reached agreement with the relevant insurers under its directors and officers liability policies (D&O insurance) on payment of an aggregate sum of €270 million (coverage settlement).

In addition, agreement was reached on damage payments by a former member of Audi's Board of Management and by a former member of Porsche's Board of Management. One former member of Audi's Board of Management was unwilling to reach a settlement; legal action is being prepared against him. Claims were already asserted against a former member of the Volkswagen Passenger Cars brand Board of Management.

In April 2019, the European Commission issued an initial statement of objections to Volkswagen AG, AUDI AG, and Dr. Ing. h.c. F. Porsche AG in connection with the Commission's antitrust investigation of the automobile industry. These objections stated the European Commission's preliminary evaluation of the matter and afforded the opportunity to comment. Following entry into a formal settlement procedure, the Commission in April 2021 issued a revised statement of objections raising charges that were considerably more narrow. On this basis, a settlement decision was issued on July 8, 2021 concluding the administrative action and assessing a total fine of roughly €502 million against the three brands. The subject matter scope of the decision is limited to the cooperation of German automobile manufacturers on individual technical questions in connection with the development and introduction of SCR (selective catalytic reduction) systems for passenger cars that were sold in the European Economic Area. The manufacturers are not charged with any other misconduct such as price fixing or allocating markets and customers. Volkswagen accepted the decision, which was served on July 12, 2021, and filed no appeal, thus allowing the decision to become final.

In October 2020, the US District Court for the Northern District of California dismissed two antitrust class action complaints. The plaintiffs in these actions alleged that several automobile manufacturers including Volkswagen AG and other Group companies had conspired to unlawfully increase vehicle prices in violation of US antitrust and consumer protection law. The court held that the plaintiffs have not stated a claim for relief because the allegations in the complaints do not plausibly support that the alleged agreements unreasonably restrained competition in violation of US law. The plaintiffs have appealed this ruling. In August 2021, the plaintiffs in one of the two class actions dismissed their appeal.

The lawsuit filed by GT Gettaxi Ltd. and served in February 2020 against Volkswagen AG and another defendant alleging in particular large damage claims was dismissed by the Cypriot first instance court in August 2021 due to lack of jurisdiction of the Cypriot courts. However, GT Gettaxi Ltd. has appealed this decision to the Supreme Court (which is the court of final appeal in Cyprus).

Beyond this, there were no significant changes in the reporting period compared with the disclosures on the Volkswagen Group’s expected development in fiscal year 2021 contained in the combined management report in the 2020 Annual Report, specifically in the chapters “Report on Expected Developments” and “Report on Risks and Opportunities,” including the section “Legal risks.”

16. Contingent liabilities

Driven in particular by the inclusion of additional tax, legal and product-related items, contingent liabilities went up to €9.5 billion, an increase of €0.9 billion compared with the 2020 consolidated financial statements.

17. Other financial obligations

Other financial obligations totaled €24.8 billion, an increase of €2.8 billion compared with the 2020 consolidated financial statements. The rise is mainly attributable to obligations relating to development and supply contracts.

Significant events after the balance sheet date

There were no events with a significant effect on net assets, financial position and results of operations after September 30, 2021.

Wolfsburg, October 27, 2021

Volkswagen Aktiengesellschaft

The Board of Management

Review Report

To VOLKSWAGEN AKTIENGESELLSCHAFT

We have reviewed the condensed interim consolidated financial statements of VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, – comprising the condensed income statement, condensed statement of comprehensive income, condensed balance sheet, condensed statement of changes in equity, condensed cash flow statement as well as selected explanatory notes – and the interim group management report for the period from 1 January 2021 to 30 September 2021, which are part of the interim financial report pursuant to Sec. 115 (7) in conjunction with (2) Nos. 1 and 2 and (3) and (4) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The preparation of the condensed interim consolidated financial statements in accordance with IFRSs (International Financial Reporting Standards) on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's executive directors. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and of the interim group management report in compliance with German Generally Accepted Standards for the Review of Financial Statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and thus cannot issue an auditor's report.

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Hanover, 27 October 2021
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Meyer	Matischiok
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Glossary

Selected terms at a glance

Hybrid notes
Hybrid notes issued by Volkswagen are classified in their entirety as equity. The issuer has call options at defined dates during their perpetual maturities. They pay a fixed coupon until the first possible call date, followed by a variable rate depending on their terms and conditions.

Modular Electric Drive Toolkit (MEB)
The modular system is for the manufacturing of electric vehicles. The MEB establishes parameters for axles, drive systems, high-voltage batteries, wheelbases and weight ratios to ensure a vehicle optimally fulfills the requirements of e-mobility. The production of the first vehicles based on the MEB started into series production in 2020.

Plug-in hybrid
Performance levels of hybrid vehicles. Plug-in hybrid electric vehicles (PHEVs) have a larger battery with a correspondingly higher capacity that can be charged via the combustion engine, the brake system, or an electrical outlet. This increases the range of the vehicle.

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

Capitalization ratio
The capitalization ratio is defined as the ratio of capitalized development costs to total research and development costs in the Automotive Division. It shows the proportion of primary research and development costs subject to capitalization.

Equity ratio
The equity ratio measures the percentage of total assets attributable to shareholders' equity as of a reporting date. This ratio indicates the stability and financial strength of the company and shows the degree of financial independence.

Gross margin
Gross margin is the percentage of sales revenue attributable to gross profit in a period. Gross margin provides information on profitability net of cost of sales.

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

Operating result
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.

Operating return on sales
The operating return on sales is the ratio of the operating result to sales revenue.

Ratio of capex to sales revenue
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 and expanding our product range and for environmentally friendly drivetrains, as well as for adjusting the production capacity and improving production processes – in relation to the Automotive Division's sales revenue.

Research and development ratio
The research and development ratio (R&D ratio) in the Automotive Division shows total research and development costs in relation to sales revenue. Research and development costs comprise a range of expenses, from futurology through to the development of marketable products. Particular emphasis is placed on the environmentally friendly orientation of our product portfolio. The R&D ratio underscores the efforts made to ensure the Company's future viability: the goal of competitive profitability geared to sustainable growth.

Return on sales before tax
The return on sales is the ratio of profit before tax to sales revenue in a period, expressed as a percentage. It shows the level of profit generated for each unit of sales revenue. The return on sales provides information on the profitability of all business activities before deducting income tax expense.

Contact Information

PUBLISHED BY
Volkswagen AG
Group Financial Publications
Letterbox 1848
38436 Wolfsburg
Germany
Phone +49 (0) 5361 9 0
Fax +49 (0) 5361 9 28282

INVESTOR RELATIONS
Volkswagen AG
Investor Relations
Letterbox 1849
38436 Wolfsburg
Germany
E-Mail investor.relations@volkswagen.de
Internet www.volkswagenag.com/en/InvestorRelations.html

FINANCIAL CALENDAR

March 15, 2022	Volkswagen AG Annual Media Conference and Investor Conference
May 4, 2022	Interim Report January – March 2022
May 12, 2022	Volkswagen AG Annual General Meeting
July 28, 2022	Half-Yearly Financial Report 2022
October 27, 2022	Interim Report January – September 2022

This Interim Report is also available on the Internet, in German and English, at: www.volkswagenag.com/en/InvestorRelations.html

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