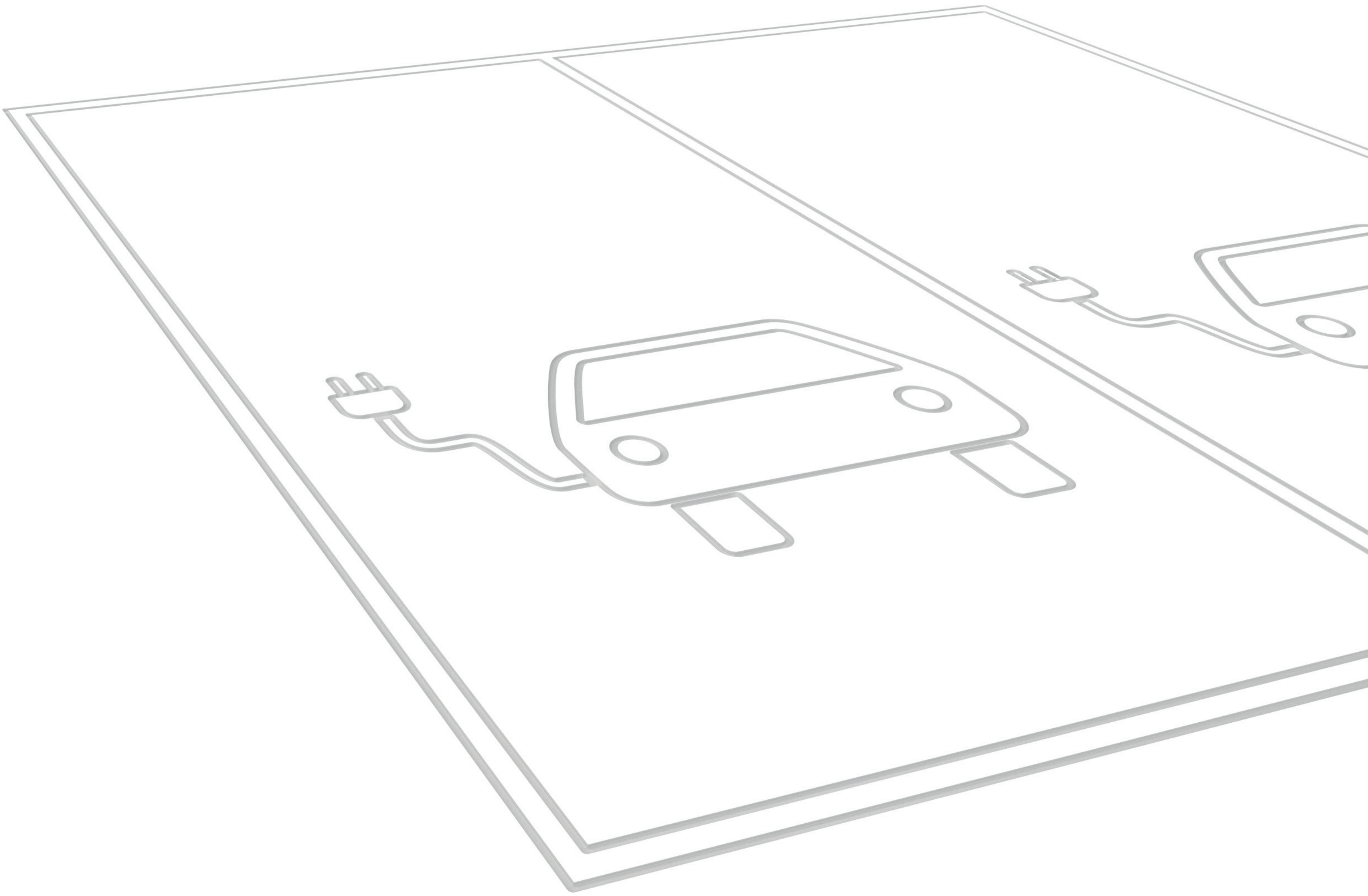
VOLKSWAGEN
AKTIENGESELLSCHAFT



# Interim Report

JANUARY – MARCH 2021

# Key Figures

## VOLKSWAGEN GROUP

| | Q1 | | |
|---|---|---|---|
| | 2021 | 2020 | % |
| **Volume Data[1] in thousands** | | | |
| Deliveries to customers (units) | 2,432 | 2,006 | +21.2 |
| Vehicle sales (units) | 2,334 | 1,937 | +20.5 |
| Production (units) | 2,319 | 1,997 | +16.1 |
| Employees (on March 31, 2021/Dec. 31, 2020) | 662.7 | 662.6 | +0.0 |
| **Financial Data (IFRSs), € million** | | | |
| Sales revenue | 62,376 | 55,054 | +13.3 |
| Operating result | 4,812 | 904 | x |
| Operating return on sales (%) | 7.7 | 1.6 | |
| Earnings before tax | 4,463 | 682 | x |
| Return on sales before tax (%) | 7.2 | 1.2 | |
| Earnings after tax | 3,414 | 517 | x |
| **Automotive Division[2]** | | | |
| Total research and development costs | 3,962 | 3,563 | +11.2 |
| R&D ratio (%) | 7.7 | 8.0 | |
| Cash flows from operating activities | 8,890 | 1,546 | x |
| Cash flows from investing activities attributable to operating activities[3] | 4,186 | 4,064 | +3.0 |
| of which: capex | 1,924 | 2,087 | –7.8 |
| capex/sales revenue (%) | 3.7 | 4.7 | |
| Net cash flow | 4,705 | –2,518 | x |
| Net liquidity at March 31 | 29,650 | 17,787 | +66.7 |

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: Q1 €3,806 (3,553) 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 rise by 21.2% to 2.4 million vehicles; increases particularly in the Asia-Pacific region, higher demand also in North and South America as well as in Central and Eastern Europe; passenger car market share increases; more than double the number of electric vehicle deliveries

> At €62.4 billion, Group sales revenue exceeds the pandemic-hit, low prior-year figure by 13.3%

> Operating profit increases by €3.9 billion to €4.8 billion; volume, mix and price improvements as well as positive effects from the fair-value measurement of commodity hedges; one-off expenses for restructuring measures of €0.4 billion

> Profit before tax improves to €4.5 (0.7) billion

> At €4.7 (–2.5) billion, Automotive Division's net cash flow is higher than a year before, due primarily to earnings-related factors; capex/sales revenue of 3.7 (4.7)%

> Net liquidity in the Automotive Division at €29.6 billion

> Exciting products:

- Volkswagen Group holds a Power Day to present its technology roadmap for batteries and charging
- Volkswagen Passenger Cars gives a further push to its electrification campaign by launching the ID.4 in the global markets
- Audi impresses with the all-electric grand tourer e-tron GT
- ŠKODA unveils its mid-size SUV Kushaq for the Indian market
- CUPRA presents the Born, its first model based on the Modular Electric Drive Toolkit (MEB)
- Bentley launches the new Continental GT Speed, its most powerful model to date
- Porsche expands its Taycan series by adding the versatile Taycan Cross Turismo
- Volkswagen Commercial Vehicles brings the new Caddy Maxi with extended wheelbase to the market

# 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. Over the course of 2020, the number of people infected rose very rapid, varying in terms of time and from region to region. Measures aimed at containing the Covid-19 pandemic were taken or adapted on a national level worldwide and tailored to the severity of the situation, but ultimately failed to bring the spread of the SARS-CoV-2 virus under control. In addition, the European Commission as well as numerous governments from European countries and other regions approved aid packages to support the economy and introduced economic stimulus measures to counteract disruptions arising from the Covid-19 pandemic. 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 also continued in many places throughout the first quarter of 2021. This was accompanied by ongoing disruptions – such as contact and mobility restrictions or limitations on business activities – in many parts of the world. The increasing availability of testing capacities and vaccines has led to individual countries allowing the progressive opening of everyday life and economy activity. The measures taken have led to the easing of restrictions particularly in China.

### NEW PRODUCTS AND TECHNOLOGIES PRESENTED

Due to the spread of the SARS-CoV-2 virus and the associated efforts to contain the pandemic, the Volkswagen Group and its brands again mainly used online presentations to present their new vehicles and technologies in the first quarter of 2021.

In mid-March, the Volkswagen Group held a Power Day to present its technology roadmap for batteries and charging. The roadmap, which runs until 2030, aims to significantly reduce the complexity and cost of the battery in order to make the electric car attractive and affordable to as many people as possible. With this goal in mind, a newly developed standard battery cell is to be introduced from 2023 and installed in up to 80% of the Group's electric vehicles across all brands in 2030. The Group also wants to ensure it can meet its demand for battery cells beyond 2025. In Europe alone, it plans to build six gigafactories with a total capacity of 240 GWh by the end of the decade. The first two sites will be set up in Skellefteå (Sweden) and Salzgitter (Germany). In cooperation with Northvolt, the "Northvolt Ett" gigafactory in Skellefteå aims to concentrate on the production of Volkswagen's premium battery cells and will gradually expand to a capacity of up to 40 GWh per year from 2023. The planned Volkswagen gigafactory in Salzgitter is to produce a standard cell for the volume segment from 2025 and drive innovations in processes, cell design and cell chemistry. Salzgitter is also to be capable of producing up to 40 GWh per year. Moreover, Volkswagen plans to drive the global expansion of the public fast-charging network, for example in Europe in cooperation with the energy companies BP (UK), Iberdrola (Spain) and Enel (Italy). This is to create some 18,000 public fast-charging points in Europe by 2025. Volkswagen is also working with partners to expand the public fast-charging network in the USA and China. Innovations in battery recycling and energy management rounded off the Power Day event.

In the reporting period, the Volkswagen Passenger Cars brand launched the ID.4 in the global markets. The electric SUV is the second model based on the Modular Electric Drive Toolkit (MEB) and represents an important strategic milestone for the brand. Series production has already commenced at the Zwickau plant as well as the Chinese locations in Anting and Foshan and is expected to start in Emden and Chattanooga, United States, in 2022. The ID.4 is intended to give a further push to Volkswagen's electrification campaign and spark worldwide enthusiasm among more people for e-mobility. With the global sales launch of the ID.4, Volkswagen is underscoring its ambitions to become one of the leading companies for e-mobility. In addition, the Volkswagen Passenger Cars brand celebrated the 45th birthday of its iconic Golf GTI in the first quarter of 2021. The exclusive anniversary model GTI "Clubsport 45" has 221 kW (300 PS) of power and impressive special features. The striking black roof and roof-edge spoiler pay homage to the first Golf GTI. The GTI "Clubsport 45" comes with an exclusive "Race package" as standard. This includes 19-inch alloy wheels in a black high-gloss finish and an Akrapovič sports exhaust. The dynamic exterior is underlined by LED matrix headlights, lettering on the side sill panel and a "45" added to the lettering on the tailgate. In addition to the classic GTI insignia the GTI lettering on the backrest of the sports seats and the multi-functional sports steering individualized with a "45", are striking features in the interior of the anniversary model. The

Volkswagen Passenger Cars brand also gave its first design preview of Project Trinity: the electric-powered saloon is to be built at the main Wolfsburg plant from 2026 and set new standards in terms of range, charging speed and digitalization. It is also expected to be capable of Level 4 highly automated driving. Producing the series version is to make the Wolfsburg plant a flagship for innovative and fully networked production processes.

With an energy-charged presentation, Audi continued its electrification campaign with a world premiere, presenting the new e-tron GT quattro. The elegantly dynamic, four-door coupé reinterprets the classic Gran Turismo idea. Its design is expressive and its technology inspiring: two powerful electric motors – one on the front axle, one on the rear – provide superlative electric all-wheel drive with a power output of 350 kW (476 PS). The high-voltage battery enables ranges of up to 488 km. The particularly dynamic RS version of the e-tron GT puts 440 kW (598 PS) to the wheels. The boost feature temporarily even lifts this to 475 kW (646 PS). The 800-volt technology shared by both models enables very rapid recharging of the e-tron GT. The vehicles' other highlights include matrix LED headlights with Audi laser light, which doubles the range of the high-beam lights, the Audi drive select dynamic handling system, and e-tron sport sound for additional exterior and interior sound, configured in Audi drive select. Inside, the impressive features include the 12.3-inch Audi virtual cockpit plus and the 10.1-inch MMI touch display, internet-connected natural voice command, a head-up display, a Wi-Fi hotspot and extensive Audi connect services.

In March 2021, ŠKODA presented the Kushaq, its first production model developed especially for the Group's realignment on the Indian market. The mid-size SUV is based on a version of the Modular Transverse Toolkit (MQB) specially adapted by ŠKODA for the Indian market. It combines traditional ŠKODA qualities with the requirements of Indian customers. Available with powerful yet efficient TSI engines and boasting a striking design, modern infotainment system, high levels of comfort and extensive safety features, this brand-new SUV is ideally equipped for a successful start to the model initiative. A total of four new vehicles from ŠKODA and Volkswagen are planned based on the adapted MQB – an SUV and hatchback from each brand, all in the A0 segment.

CUPRA presented its first all-electric model in the first quarter of 2021. The new Born combines sustainable mobility with a sporty, dynamic character. Based on the Volkswagen Group's MEB platform, the Born is equipped with state-of-the-art technology, including a head-up display with augmented reality function and a comprehensive connectivity and infotainment system with a 12-inch screen. The interior uses recycled materials, paying special attention to sustainability. Sports bucket seats and the new steering wheel with CUPRA mode and driving profile buttons reflect the CUPRA Born's philosophy of high performance. The CUPRA Born aims to fundamentally change the existing market for electric vehicles. It will be offered with special leasing deals in which the monthly rate is based not only on use of the vehicle but on other accompanying services such as a reservation service for restaurants and hotels. This, along with a stronger online presence for the dealer network, is intended to establish an optimized sales model for CUPRA.

Bentley presented the new Continental GT Speed in March 2021. The grand tourer is Bentley's most capable, performance-focused model yet, without compromising on comfort and luxury. Its innovative, highly advanced chassis combines dynamic handling with the excellent ride comfort Bentley owners are accustomed to. All-wheel steering and an electronic rear differential enhance the vehicle's agility and stability. The 6.0-liter W12 TSI engine delivers 485 kW (659 PS) of power, enabling the Continental GT Speed to sprint from 0 to 100 km/h in 3.6 seconds. The vehicle has a top speed of 335 km/h. The interior trim in leather and Alcantara is available in many different colors and combinations. The center console is also available with an optional dark-tinted, polished aluminum finish.

In early March 2021, Porsche presented the Taycan Cross Turismo to the public in a virtual world premiere. With this versatile model version, the sports car manufacturer is expanding the product portfolio for its first fully electric sports car range and is continuing the systematic pursuit of its path toward sustainable mobility. Like the Taycan sports saloon, the Taycan Cross Turismo benefits from an innovative electric drive system with 800-volt architecture. It has a range of up to 456 km. The new high-tech chassis with all-wheel drive and adaptive air suspension also ensures uncompromising dynamics off-road. Thirty-six millimeters of extra headroom for rear-seat passengers and more than 1,200 liters of load capacity, loaded through the large tailgate, make the Cross Turismo a true all-rounder. Four derivatives of the Taycan Cross Turismo are available immediately from the launch. The top-of-the-range Taycan Turbo S Cross Turismo has a power output of 460 kW (625 PS). The overboost function with launch control lifts this to 560 kW (761 PS). The vehicle sprints from 0 to 100 km/h in 2.9 seconds. Moreover, Porsche presented the new 911 GT3. The seventh edition of this high-performance sports car was also developed in close collaboration with Porsche Motorsport. It transfers pure racing technology into a production model even more consistently than ever before: the double-wishbone front axle layout and sophisticated aerodynamics with swan neck rear wing and striking diffuser originate from the successful 911 RSR GT race car. The 375 kW (510 PS) four-liter six-cylinder boxer engine is based on the drivetrain of the 911 GT3 R, tried and tested in endurance racing, and accelerates the new 911 GT3 from 0 to 100 km/h in 3.4 seconds. The vehicle reaches a top speed of 320 km/h.

The new-generation Caddy Maxi with extended wheelbase has been available from Volkswagen Commercial Vehicles since March 2021. The third row of seating, where the two seats can now be individually folded down or removed, makes the seven-seater Caddy Maxi even more flexible for luggage and passengers. What's more, widening the sliding door by 140 mm has substantially improved passenger access to the back seats. The Caddy Cargo version designed for commercial use can fit two Euro pallets. It can be loaded either through the sliding side door or through the rear double doors between the wheel housings over the redesigned back axle. The latter doors even allow pallets to be loaded sideways. Like its smaller sibling, the new Caddy Maxi is also available as a California compact camper van. The new generation of the all-rounder from Volkswagen Commercial Vehicles is based on the MQB and therefore offers a range of new technologies that make it even more practical, efficient and connected, and altogether superior.

### AWARDS

At the end of January 2021, the Volkswagen Passenger Cars brand's e-up! and eco-up! 1.0 achieved the maximum five-star rating in the ADAC Ecotest 2020. SEAT also impressed with the Mii electric. The ADAC Ecotest uses realistic cycles to calculate $CO_2$ emissions and other emission components: carbon monoxide (CO), nitrogen oxides ($NO_x$), hydrocarbons (HC) and particulate matter. In accordance with the current power plant mix in Germany, the $CO_2$ and emissions, which arise during power generation, are attributed to the electric cars. This also includes charging losses.

In February 2021, Bentley's Flying Spur took the Drivers' Choice Award in the Best Dream Machine category as part of MotorWeek 2021. Porsche was recognized in the Best Performance Car category with the 718 and in the Best Dream Machine category with the 911 Turbo. The US automotive magazine TV series MotorWeek presents the Drivers' Choice Awards annually in 17 vehicle categories.

The Volkswagen Group won multiple categories in the Best Cars 2021 awards from auto motor und sport magazine in February 2021. The Volkswagen Passenger Cars brand impressed with three models: the up!, Polo and Tiguan won in the minicars, subcompact cars and compact SUV/off-road categories. Porsche took the top spot in the upper mid-size class with the Taycan. It also won the sports car and convertible categories with the 911. Audi surpassed its competitors in the compact class with the A3. The Multivan from Volkswagen Commercial Vehicles won first place in the vans category. In the import rankings, ŠKODA excelled with its Octavia model in the compact class category and with the battery-powered Enyaq in the SUV/off-road category. ŠKODA also took the "best brand" award in the value-for-money category. Readers chose their favorites from 387 models in 11 vehicle categories.

At the end of February 2021, ŠKODA took three top places in the Auto-Umweltliste 2021 (car and the environment list) by Verkehrs-Club der Schweiz (VCS – Swiss Association for Transport and Environment). Two CNG models – the Octavia G-Tec and Scala G-Tec – prevailed among the combustion-engine vehicles in the mid-size and lower mid-size categories. The Octavia G-Tec was also crowned the 2021 victor across all combustion-engine vehicle categories. Each year, VCS evaluates the lowest-emission, most efficient passenger cars arriving on the market in Switzerland.

In March 2021, the Volkswagen Passenger Cars brand won three accolades in the Cars.co.za Consumer Awards in South Africa. The Polo, Golf GTI TCR and T-Cross models were crowned the winners in the Compact Hatch, Hot Hatch and Compact Family Car categories. The Cars.co.za Consumer Awards select prize winners from a list of the 24 brands represented on the South African market in 13 vehicle categories. The verdicts of an expert jury and opinions of vehicle owners feed into the overall score.

### ANNIVERSARIES

ŠKODA celebrated not one, but two anniversaries at its main plant in Mladá Boleslav in early March 2021: the 15 millionth vehicle to be produced here since automotive manufacturing began at the site in 1905, and the second millionth SUV to roll off the production line. The anniversary models were an Enyaq iV and a Kamiq. The latter was also the 250 thousandth vehicle in its model range.

Audi also produced the 250 thousandth vehicle at its plant in Győr, Hungary in March 2021. The anniversary car was a Q3 Sportback with a plug-in hybrid drive. As well as the Q3 models, Audi Hungaria's production site also produces the TT Coupé and TT Roadster.

### PARTNERSHIPS

CARIAD SE (formerly Volkswagen car.SW Org Wolfsburg AG) and Microsoft announced in February 2021 that they would jointly create an automated driving platform. CARIAD aims to accelerate and further expand the development of automated driving functions. Volkswagen and Microsoft have already been working together in a strategic partnership since 2018 to create the Volkswagen Automotive Cloud, which is to be used to provide and operate digital services and mobility offerings for the Volkswagen Group vehicle fleet in future. The cloud-based Automated Driving Platform jointly created by the two companies will use Microsoft Azure cloud and data services. CARIAD wants to use this platform to more efficiently develop driver assistance systems and automated in-car driving and parking functions for the Group brands. These functions will be tested, supplied and operated for the entire vehicle fleet with the help of the Volkswagen Automotive Cloud.

In February, 2021, the Supervisory Board of Volkswagen AG gave its approval to entering into agreements with Rimac Automobili d.o.o., Zagreb/Croatia for the establishment of a joint venture. The approval was given subject to further negotiations, the completion of the hearing of the works council of Bugatti Automobiles S.A.S., Molsheim/France and the final decision of the Board of Management of Volkswagen AG. A joint product portfolio aimed at developing, producing and distributing electric luxury hyper sports cars is to be the core function of the joint venture. Volkswagen is planning to contribute its consolidated subsidiaries Bugatti Automobiles and Bugatti International S.A., Strassen/Luxembourg to the new joint venture structure. The assets of both companies are classified as held for sale in accordance with IFRS 5. The transaction is not expected to be completed before the third quarter of 2021.

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. The transaction is subject to approval by the antitrust authorities and to further closing conditions. The transaction is expected to be completed by the end of the first quarter of 2022.

#### TAKEOVER OF NAVISTAR

In November 2020, TRATON SE and Navistar International Corporation (Navistar), a leading US truck manufacturer, announced the signing of a binding merger agreement. Under this agreement, TRATON will acquire all outstanding shares in Navistar not already owned by TRATON in return for cash payment at a price of USD 44.50 per share (total: approximately USD 3.7 billion). As of December 31, 2020, TRATON already held a 16.7% interest in Navistar. Navistar shareholders approved the takeover by TRATON at their Annual General Meeting on March 2, 2021. The transaction remains subject to regulatory approval. Completion of the transaction is still planned for mid-2021: upon completion, TRATON will become Navistar's sole owner.

#### SUPERVISORY BOARD ASSERTS CLAIMS FOR DAMAGES

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.

Furthermore, claims for damages are being asserted against individual former members of the Audi and Porsche boards of management. Claims were already asserted against a former member of the Volkswagen Passenger Cars brand Board of Management.

#### BOARD OF MANAGEMENT AND SUPERVISORY BOARD MATTERS

In December 2020, the Supervisory Board of Volkswagen AG decided to split up the responsibility for Components and Procurement from January 1, 2021, replacing it with two new Board positions: Purchasing and Technology. Effective January 1, 2021, the Supervisory Board appointed Murat Aksel, previously Board member for Procurement at the Volkswagen Passenger Cars brand, and Thomas Schmall-von Westerholt, previously Board member for Components at the Volkswagen Passenger Cars brand, as new members of the Board of Management. Mr. Aksel took over the responsibility for Purchasing, while Mr. Schmall-von Westerholt has become the Board member responsible for Technology.

Dr. Arno Antlitz, previously member of the Board of Management of AUDI AG for Finance and Legal Affairs, took over as the Volkswagen AG Board of Management member responsible for Finance and IT effective April 1, 2021. He succeeds Frank Witter, who is due to leave the Company on June 30, 2021. Mr. Witter will continue to assist the Company in an advisory capacity until his departure.

Kai Bliesener, Head of Vehicle Construction and Automotive and Supplier Industry Coordinator at IG Metall, stepped down from the Volkswagen AG Supervisory Board effective March 31, 2021. Mr. Bliesener had been a member of the Supervisory Board since June 20, 2020. The court appointed Matias Carnero Sojo, Chair of the General Works Council of SEAT, to succeed him with effect from April 1, 2021.

# Volkswagen Shares

During fiscal year 2020, the international stock markets began to recover from the price slumps precipitated by the Covid-19 pandemic. The recovery continued in the first quarter of this year, and was largely of a vigorous nature. Despite fears of setbacks in the fight against the pandemic and the related ongoing restrictions on public life that are weighing on the economy, confidence prevailed for the most part.

In the German stock market, the DAX started the new fiscal year on a strong footing, hitting new record highs in each month of the reporting period. Germany's benchmark index remained largely unaffected by the continued spread of the SARS-CoV-2 virus, more than compensating for the fall in share prices recorded in the past year. This development was fueled mainly by the commencement of vaccination programs and the continuation of stimulus packages by central banks and governments throughout the world, resulting in hopes of a prompt recovery of the global economy. Price gains in automotive stocks also bolstered the exchange.

Prices of Volkswagen AG's preferred and ordinary shares also continued to recover from the losses incurred as a consequence of the pandemic and were up 57% and 82% respectively on year-end 2020. This meant that at the end of the first quarter of 2021, the shares were trading at a higher level than before the onset of the Covid-19 pandemic, and were quoted at over €200 again for the first time since 2015. There were two main reasons for the encouraging trend in Volkswagen shares. Firstly, the financial performance indicators in the annual financial statements were better than had been feared at the outbreak of the pandemic. Secondly, the plans unveiled and to some extent already implemented by the Group in connection with the accelerated expansion of e-mobility, as well as the related battery technology and charging components, have been well received by investors.

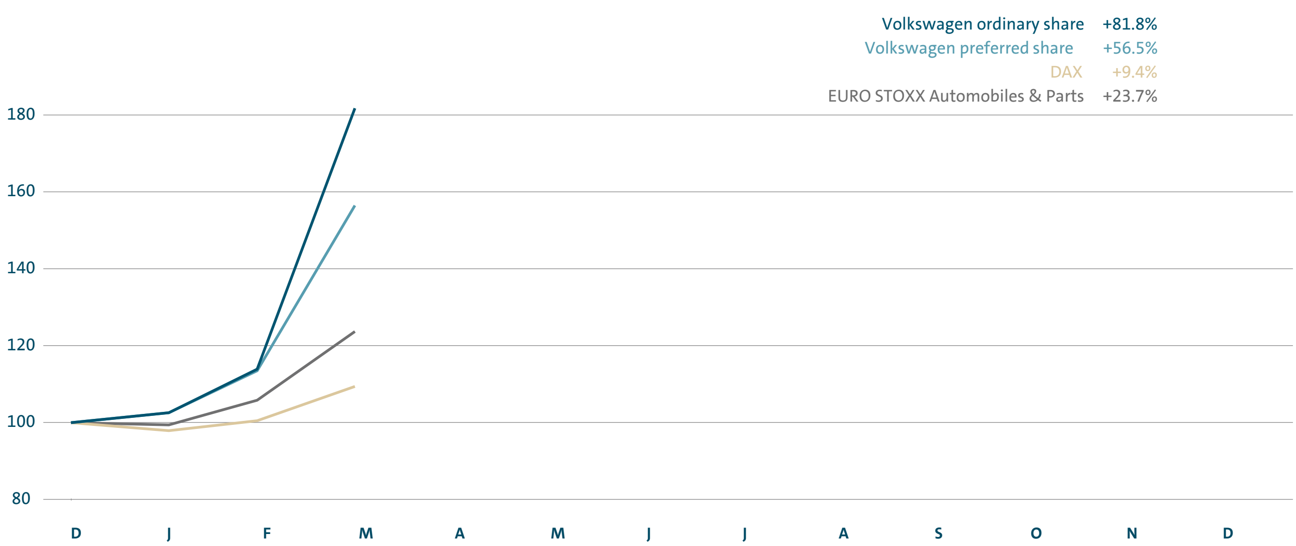
Information and explanations on earnings per share can be found in the notes to the interim consolidated financial statements. Additional Volkswagen share data, plus corporate news, reports and presentations can be downloaded from our website www.volkswagenag.com/en/InvestorRelations.html.

**VOLKSWAGEN SHARE FIGURES AND MARKET INDICES FROM JANUARY 1 TO MARCH 31, 2021**

| | | High | Low | Closing |
|---|---|---|---|---|
| Ordinary share | Price (€) | 327.20 | 165.70 | 309.20 |
| | Date | Mar. 18 | Jan. 12 | Mar. 31 |
| Preferred share | Price (€) | 240.55 | 144.80 | 238.60 |
| | Date | Mar. 30 | Jan. 13 | Mar. 31 |
| DAX | Price | 15,009 | 13,433 | 15,008 |
| | Date | Mar. 30 | Jan. 29 | Mar. 31 |
| ESTX Auto & Parts | Price | 626 | 491 | 623 |
| | Date | Mar. 30 | Jan. 11 | Mar. 31 |

**PRICE DEVELOPMENT FROM DECEMBER 2020 TO MARCH 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 in the reporting period. At the same time, many countries began to administer vaccines to their populations. Compared with the prior-year period, the global economy as a whole recorded positive growth. The average rate of expansion of gross domestic product (GDP) approximately corresponded to the negative level of the first quarter of 2020 in the advanced economies and far exceeded it in the emerging markets. At a national level, performance during the reporting period was in part dependent on the extent to which the negative impacts of the Covid-19 pandemic were already materializing and the degree of intensity applied to the measures 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 comparably low. On average, prices for energy and other commodities rose significantly compared with the prior-year period. In the first three months of 2021, the currencies of major emerging markets were relatively weak year-on-year compared with the euro. Global trade in goods increased in the reporting period.

The economies of Western Europe recorded a negative growth from January to March 2021 compared with the prior-year period. This trend was seen in almost all countries in Northern and Southern Europe due among other things to a renewed rise in infection rates in many countries, which prompted a tightening of measures to contain the pandemic. These continued to severely restrict everyday life in a number of regions and had economic consequences.

Germany recorded a negative growth rate over the reporting period. The unemployment rate rose slightly compared with the same quarter of 2020, while the number of employees affected by Kurzarbeit (short-time working) remained high. Confidence in the industrial sector rose significantly, but in the service sector and with consumers this sentiment was lower than in the same period of the previous year.

As a whole, the economies in Central and Eastern Europe showed a decline in the real absolute GDP in the first three months of 2021 versus the prior-year period. This trend was also observed in Russia, the largest economy in Eastern Europe.

Turkey's economy achieved positive GDP growth in the first quarter amid high inflation and a devaluation of the local currency. South Africa recorded a negative development in GDP in the reporting period amid persistent structural deficits and political challenges.

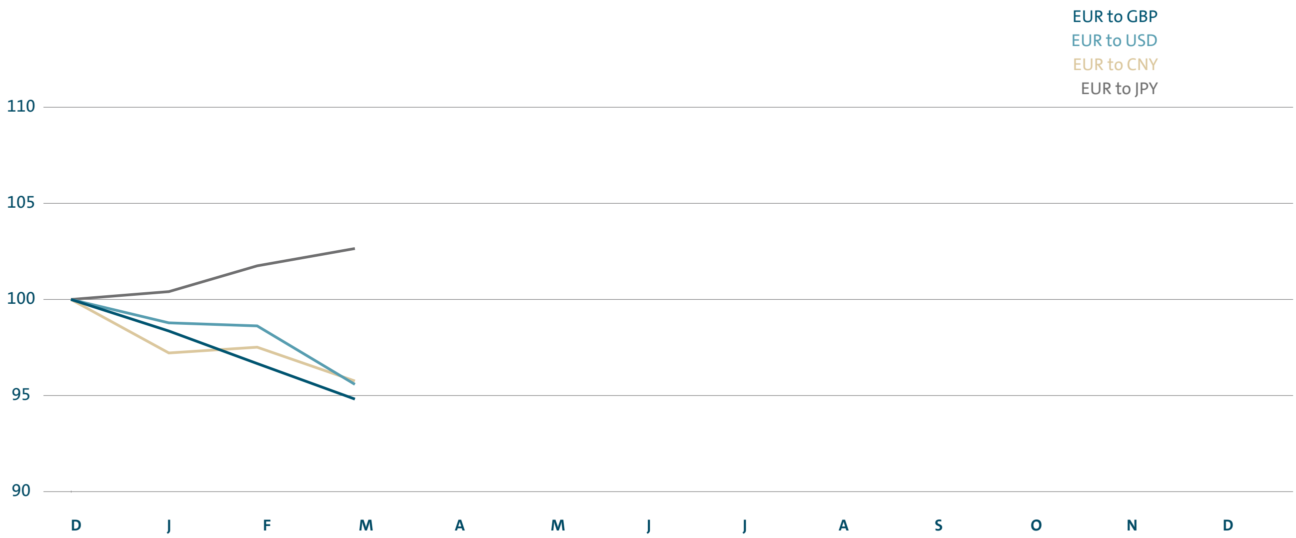
Growth in the US economy stagnated despite infection rates tapering off in the first quarter of 2021. The US government approved a further comprehensive stimulus package to strengthen the economy. Both the weekly number of people filing new claims for unemployment benefits and the unemployment rate remained comparatively high. In Canada, the economic output was slightly higher compared to the same period of 2020, while it was lower in Mexico.

Brazil's economy recorded a marginal increase from January to March 2021 despite a renewed surge in Covid-19 infections. The economic downturn in Argentina continued amid high inflation and continuous currency depreciation.

China had been exposed to the negative effects of the Covid-19 pandemic earlier than other economies and benefited from a relatively small number of new infections as the year progressed. The country's economic output rose by nearly 20% in the reporting period. India registered a slight fall in growth amid the recent spike in infections. Japan also recorded negative GDP growth compared with the same period of the previous year owing to the adverse effects of the Covid-19 pandemic.

**EXCHANGE RATE MOVEMENTS FROM DECEMBER 2020 TO MARCH 2021**

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




### TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

Between January and March 2021, global demand for passenger cars rose significantly on the whole (+19.7%) compared with the weak level recorded in the same quarter of 2020. However, the growth was uneven, owing to the effects of the Covid-19 pandemic which varied strongly from region to region throughout early 2020 as well as 2021. The overall market of the Asia-Pacific region recorded above-average growth. By contrast, the increase in North America, the Middle East and Africa, and particularly in Western Europe and South America, was lower. The overall markets of Central and Eastern Europe recorded losses.

Global demand for light commercial vehicles between January and March 2021 was up significantly on the prior-year level.

In Western Europe, demand for passenger cars in the reporting period was slightly higher than the prior-year level. Deliveries were down on the previous year in the first two months of 2021, due to the continuing restrictions aimed at containing the Covid-19 pandemic. In March, demand exceeded that of the previous year, which was impacted by the pandemic as from the last third of the first quarter of 2020. The effects on the large individual passenger car markets varied: while the United Kingdom and Spain again lost a significant share of their market volume in the first three months of 2021, passenger car demand recovered in Italy and France, recording growth rates of more than 20%.

The volume of new registrations of light commercial vehicles in Western Europe was up sharply on the prior-year figure.

New passenger car registrations in Germany between January and March 2021 fell distinctly short of the weak level seen in the prior-year period. On top of the effects of the Covid-19 pandemic, early purchases in the fourth quarter of 2020 in anticipation of the expiry of the temporary reduction in value-added tax (VAT) led to a lower volume of new passenger car registrations at the start of the reporting period.

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

In the Central and Eastern Europe region, sales of passenger cars in the first three months of 2021 were down moderately on the prior-year level. The development of demand in the reporting period differed from market to market. Since the beginning of the year, several Central European EU countries have registered further declines in new passenger car registrations but also signs of a recovery. In Eastern Europe, between January and March 2021, the Russian passenger car market also fell moderately short of the prior-year level, which was still comparatively stable.

Registration volumes for light commercial vehicles in Central and Eastern Europe rose moderately year-on-year. By contrast, the number of vehicles sold in Russia in the months of January to March 2021 fell distinctly below the prior-year figure.

In Turkey, the passenger car market volume in the reporting period was up by more than 50% on the low prior-year level. The market recovery that had begun in the fourth quarter of 2019 thus continued in 2021. In South Africa, the number of passenger cars sold between January and March 2021 was once again distinctly lower than the already very weak figure in the previous year.

In North America, sales of passenger cars and light commercial vehicles (up to 6.35 tonnes) in the reporting period increased noticeably compared with the prior-year figure, which had been impacted by the initial negative effects of the Covid-19 pandemic.

In this region, the market volume in the USA climbed significantly year-on-year. Particularly, light commercial vehicles such as SUV and pickup models recorded high growth. The Canadian automotive market also saw a significant increase in sales in the reporting period, thereby halting the downtrend that had begun in 2018 and accelerated in the previous year as a consequence of the Covid-19 pandemic. By contrast, the number of vehicles sold in Mexico was down significantly on the same period of 2020.

In the South America region, the volume of new registrations for passenger cars and light commercial vehicles in the first three months of 2021 was on the whole approximately at the weak prior-year level, which was affected by the initial effects of the Covid-19 pandemic. Moreover, the performance of the automotive markets also varied in this region. Whereas in Brazil the number of new registrations was distinctly below the prior-year level, the Argentinian market showed a sharp increase in the reporting period.

In the Asia-Pacific region, the volume of the passenger car market increased by more than 40% compared with the prior-year figure, which had been very strongly impacted by the SARS-CoV-2 virus, and achieved its pre-pandemic level. The rise in demand for passenger cars in the reporting period was attributable in particular to the favorable trend in China. Here, the signs of a recovery that had begun during the second half of 2020 – following the drastic losses in the first three months of the previous year – continued at the beginning of 2021. In the Indian passenger car market, sales in the period from January to March 2021 also rose by more than 40% compared with a year earlier. In Japan, the number of new passenger cars registered in the reporting period was up moderately on the prior-year period.

There was a significant 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, strongly surpassed those of the previous year. The number of new vehicle registrations in India was substantially higher and in Japan moderately lower than the prior-year level.

#### TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

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 was significantly higher in the reporting period than in the prior year.

Demand in the 27 EU states excluding Malta, but plus the United Kingdom, Norway and Switzerland (EU27+3), was up markedly on the previous year's level in the first three months of 2021. Growth could be observed in almost all truck markets in the region, with demand moving back up to the level recorded prior to the spread of the SARS-CoV-2 virus. The Russian market registered slight growth. Turkey once again saw new registrations double, albeit compared with a still low prior-year level. By contrast, the South African market declined moderately. Brazil, the largest market in the South America region, experienced a strong increase in demand for trucks in the first three months of 2021 year-on-year.

Due to the pandemic, a marked decline in demand was still recorded in the bus markets that are relevant for the Volkswagen Group. In the first three months of 2021, demand for buses in the markets of the EU27+3 was also markedly below the prior-year level. Demand for buses in Brazil was down noticeably, while Mexico saw a very strong decline on the previous year. As a consequence of the Covid-19 pandemic, demand for coaches in particular was 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 subject to differing regional and economic factors. Consequently, their business growth trends are mostly independent of each other.

Order activity in the marine market in the first quarter of 2021 was up on the prior-year period despite the global impact of the Covid-19 pandemic and the continued uncertainty, also with regard to future emissions regulations. In merchant shipping, the market for container ships performed encouragingly, buoyed by strong demand in connection with bottlenecks in transport capacity. Demand for cruise ships and passenger ferries remained low owing to the difficult liquidity situation precipitated by the Covid-19 pandemic. The special market for government vessels, which is driven by state investment, recorded a largely stable trajectory. In the offshore sector, the existing overcapacity continued to curb investment in offshore oil production.

The market for power generation increased in the first quarter of 2021 compared with the same period of the previous year. Overall, the beginnings of a market recovery began to take shape. The trend away from oil-fired power plants toward dual-fuel and gas-fired power plants continued. Demand for new energy solutions such as hydrogen, battery or solar technologies remained high, with a strong trend towards greater flexibility and decentralized availability.

In the first quarter of 2021, the market for turbo machinery performed distinctly better than in the prior-year period in spite of the continuing negative effects of the Covid-19 pandemic. The marked increase in the price of raw materials as well as the use and thermal storage of renewable energies pushed up demand for turbo compressors in the raw materials, oil, gas and processing industry, even amid the effects of the Covid-19 pandemic. However, demand for steam turbines for power generation and gas turbines for decentralized industrial combined heat and power installations decreased due to overcapacity on the part of electricity producers and was again lower than in the prior-year period.

Performance of the after-sales business for diesel engines in the first quarter of 2021 was weaker year-on-year in the marine and power plant business because demand continued to be affected by the Covid-19 pandemic.

In the after-sales market for turbo machinery, the Covid-19 pandemic continued to have a marked impact in the first quarter of 2021. Capital-intensive modifications were still delayed or even canceled in some cases due to financial difficulties.

### TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

Demand for automotive financial services was buoyant in the first three months of 2021, due among other things to the persistently low key interest rates in the main currency areas. At the same time, the Covid-19 pandemic put pressure on the demand for financial services in almost all regions.

The European passenger car market continued to be affected by the impact of the Covid-19 pandemic in the first quarter of 2021, and the leasing and financing business for new vehicles remained under pressure. The campaign business for the financing of used vehicles performed well, where particularly the number of after-sales products sold such as servicing, maintenance and spare parts agreements increased further in the prevailing market environment.

In Germany, demand for financial services also continued to be dominated by the challenges of the pandemic in the first quarter of 2021. While the number of new lease contracts in the business with individual and fleet customers was only slightly down on the prior-year level, financing arrangements for new and used vehicles decreased more significantly. The number of new maintenance and insurance products was also lower.

In South Africa, buoyed by campaigns, demand for financing and insurance products in the first three months of 2021 was on a level with the previous year. Rising prices and falling interest rates encouraged customers to make increasing use of financing, with a shift from the new to the used vehicle business being observed. Overall, financed vehicle acquisitions remained difficult due to the persistent pressure on disposable incomes.

In the North America region, vehicle deliveries in the USA and Canada in the first quarter of 2021 were up on the previous year, in which the Covid-19 pandemic had had a stronger negative impact. In the USA, demand for lease and financing contracts as well as for after-sales products and automotive-related insurance was also up on the previous year. In Canada, by contrast, lower demand for financing and lease contracts was observed. In Mexico, vehicle deliveries and demand for financing and lease contracts were down on the prior-year period.

In the South America region, performance was mixed in the period from January to March 2021: in Brazil, demand in the reporting period for automotive financial services was broadly similar to the prior-year period, with the trend toward the fleet business and long-term leases continuing. In Argentina, demand for vehicles increased despite the difficult macroeconomic environment. Customers however purchased their vehicles mostly in cash, meaning that demand for automotive financial services decreased.

China's passenger car market continued to recover from the Covid-19 pandemic and exceeded the prior-year quarter in the first quarter of 2021. This also led to increasing numbers of new contracts being signed for automotive-related financial services, which slightly exceeded even the pre-pandemic level in the first quarter. The Japanese market saw a slight recovery in overall demand for financial services compared with the prior-year period. In India, demand for financial services also improved as lending rates in the new and used vehicle segments stabilized.

In the first quarter of 2021, the commercial vehicle market, which was strongly impacted by the Covid-19 pandemic in the previous year, reported 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 for heavy commercial vehicles in Europe and Brazil.

### VOLKSWAGEN GROUP DELIVERIES

The Volkswagen Group delivered 2,431,875 vehicles to customers worldwide in the period from January to March 2021. This was 21.2% or 425,894 vehicles more than in the same period of the previous year, when demand was substantially impaired due to the Covid-19 pandemic and the measures taken worldwide to contain it. 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 MARCH 31[1]

| | 2021 | 2020 | % |
|---|---|---|---|
| Passenger Cars | 2,371,560 | 1,959,991 | +21.0 |
| Commercial Vehicles | 60,315 | 45,990 | +31.1 |
| **Total** | **2,431,875** | **2,005,981** | **+21.2** |

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 the Volkswagen Group's passenger cars and light commercial vehicles rose by 21.0% year-on-year in the first quarter of 2021 to 2,371,560 units. The uncertainty and measures taken around the world in relation to the Covid-19 pandemic resulted in market conditions that substantially affected 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, initial impacts on sales figures were registered in some regions as a result of supply bottlenecks for semiconductors. With the exception of SEAT, all Volkswagen Group brands exceeded their prior-year figures. We registered higher demand year-on-year in nearly all regions. In Western Europe, the Group also recorded a rise in sales in some individual markets such as France and Italy. Overall, however, demand for Group models here was moderately below the previous year's volume.

The Group's sales figures also responded positively to its e-mobility campaign: we delivered 59,948 fully electric vehicles to customers worldwide in the first quarter of this year. This was 78.4% more than in the same period of the previous year. With 73,374 vehicles (previous year: 26,380) sold, our plug-in hybrid models were also very popular with customers. The Group's most successful all-electric vehicles included the e-up!, ID.3 and ID.4 from the Volkswagen Passenger Cars brand as well as the Audi e-tron, Audi e-tron Sportback and Porsche Taycan. The Golf hatchback and Passat Estate from Volkswagen Passenger Cars, the Audi A3 Sportback and Audi Q5, the ŠKODA Octavia Combi, the SEAT Leon Sportstourer and the Porsche Cayenne were among the most popular plug-in hybrid models.

In an overall global market showing significant growth, our passenger car market share rose to 12.4 (12.2)%.

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 709,341 vehicles to customers in the first quarter of this year amid slight year-on-year growth in the market as a whole. This was 5.2% fewer than in the same period of the previous year, which was impacted by the pandemic. The course of the Covid-19 pandemic, and the ongoing restrictions to contain it, varied from market to market in terms of their impact on the demand for Group models. While we recorded double-digit growth rates in France and Italy, primarily due to the figures for the month of March, there were again double-digit declines in the United Kingdom and Spain. The Group models with the highest volume of demand were the Golf, T-Roc, Tiguan and Polo from the Volkswagen Passenger Cars brand. New or successor models introduced to the market in the previous year proved very popular with customers, the up!, T-Roc Cabriolet and Arteon Shooting Brake, and the first all-electric production models, the ID.3 and ID.4, from the Volkswagen Passenger Cars brand as well as the Audi A3 saloon, A3 Sportback and e-tron Sportback, and the ŠKODA Octavia, SEAT Leon and CUPRA Formentor. New or successor models successfully launched on the market in the reporting period included the plug-in hybrid versions of the Tiguan from Volkswagen Passenger Cars, the Q3 Sportback from Audi and the CUPRA Formentor. The Volkswagen Group's share of the passenger car market in Western Europe was 22.8 (24.4)%.

Amid a distinct decline in the overall market, demand for Volkswagen Group vehicles in Germany from January to March 2021 was down by 10.7% versus a pandemic-hit, weakened prior-year figure. This decline was due to the effects of the Covid-19 pandemic and to consumers bringing purchases forward to the final quarter of 2020 to take advantage of the temporary reduction in VAT before it expired. The Group models with the highest volume of demand were the Golf and Passat Estate from the Volkswagen Passenger Cars brand. The new or successor models introduced in the previous year – the up!, T-Roc Cabriolet, Tiguan and Arteon Shooting Brake, and the first all-electric production models, the ID.3 and ID.4, from the Volkswagen Passenger Cars brand, as well as the Audi A3 Sportback and e-tron Sportback, the ŠKODA Octavia and the SEAT Leon and SEAT Ateca – were also in high demand from 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 three 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 delivered to customers in the reporting period was up by 5.2% on the figure for the same period of the previous year. Demand developed encouragingly for the T-Cross, T-Roc and Golf models from Volkswagen Passenger Cars and for ŠKODA's Rapid, Kamiq and Karoq models. The Volkswagen Group's share of the passenger car market in the Central and Eastern Europe region rose to 23.0 (21.1)%.

In Turkey, the Volkswagen Group continued to benefit from the catch-up effects in the overall market, increasing the number of vehicles handed over to customers between January and March of this year by 52.2% compared with the prior-year period. The Passat saloon was the most sought-after Group model. In the distinctly contracting South African market, the number of Group models sold fell by 11.7%. The Polo from Volkswagen Passenger Cars continued to be the most frequently sold Group model there.

### Deliveries in North America

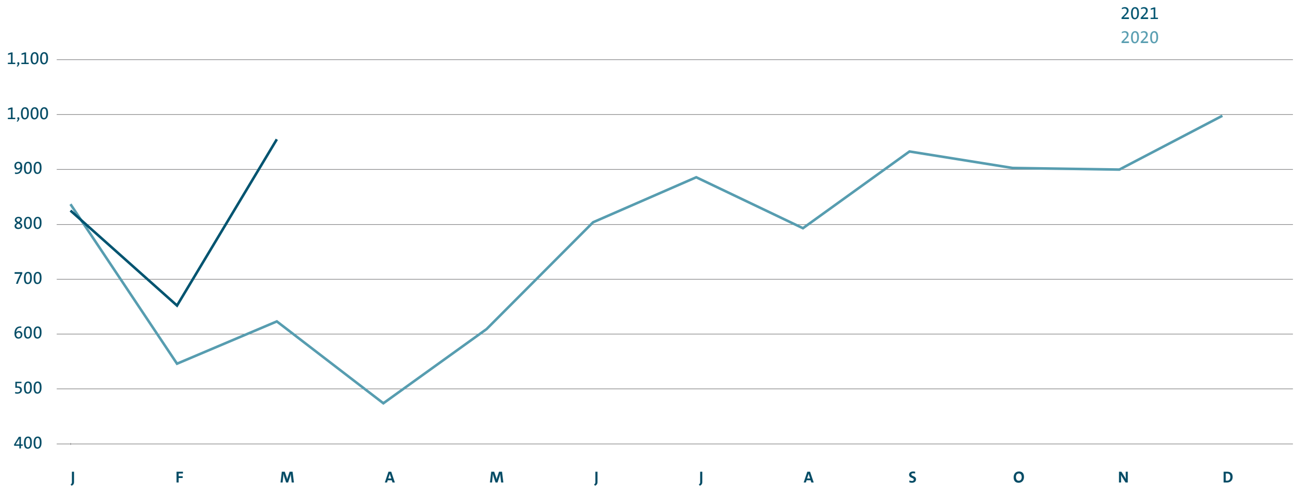
In North America, demand for Volkswagen Group models in the reporting period rose by 16.2% compared with the pandemic-hit, weaker prior-year period and outperformed the market as a whole. The sales figures exceeded the previous year particularly in the month of March. The Group's share of the market in this region expanded to 4.8 (4.5)%. The Tiguan Allspace and Jetta from Volkswagen Passenger Cars were the most sought-after Group models in North America.

#### PASSENGER CAR DELIVERIES TO CUSTOMERS BY MARKET FROM JANUARY 1 TO MARCH 31[1]

| | DELIVERIES (UNITS) | | CHANGE |
|---|---|---|---|
| | 2021 | 2020 | (%) |
| **Europe/Other Markets** | **968,814** | **982,806** | **–1.4** |
| **Western Europe** | **709,341** | **748,217** | **–5.2** |
| of which: Germany | 247,334 | 276,988 | –10.7 |
| France | 59,694 | 45,042 | +32.5 |
| United Kingdom | 105,708 | 118,429 | –10.7 |
| Italy | 73,524 | 61,264 | +20.0 |
| Spain | 46,993 | 60,223 | –22.0 |
| **Central and Eastern Europe** | **166,739** | **158,470** | **+5.2** |
| of which: Czech Republic | 28,773 | 28,018 | +2.7 |
| Russia | 52,114 | 51,733 | +0.7 |
| Poland | 37,188 | 30,360 | +22.5 |
| **Other Markets** | **92,734** | **76,119** | **+21.8** |
| of which: Turkey | 38,314 | 25,177 | +52.2 |
| South Africa | 19,103 | 21,646 | –11.7 |
| **North America** | **218,557** | **188,096** | **+16.2** |
| of which: USA | 164,713 | 129,797 | +26.9 |
| Canada | 19,873 | 17,002 | +16.9 |
| Mexico | 33,971 | 41,297 | –17.7 |
| **South America** | **121,676** | **114,282** | **+6.5** |
| of which: Brazil | 88,376 | 87,746 | +0.7 |
| Argentina | 18,341 | 14,655 | +25.2 |
| **Asia-Pacific** | **1,062,513** | **674,807** | **+57.5** |
| of which: China | 989,590 | 612,737 | +61.5 |
| India | 10,437 | 5,451 | +91.5 |
| Japan | 16,171 | 19,927 | –18.8 |
| **Worldwide** | **2,371,560** | **1,959,991** | **+21.0** |
| Volkswagen Passenger Cars | 1,360,059 | 1,091,444 | +24.6 |
| Audi | 462,828 | 352,993 | +31.1 |
| ŠKODA | 249,553 | 232,885 | +7.2 |
| SEAT | 125,536 | 130,316 | –3.7 |
| Bentley | 3,358 | 2,395 | +40.2 |
| Lamborghini | 2,422 | 1,944 | +24.6 |
| Porsche | 71,986 | 53,125 | +35.5 |
| Bugatti | 21 | 20 | +5.0 |
| Volkswagen Commercial Vehicles | 95,797 | 94,869 | +1.0 |

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*




In the significantly growing US market, the Volkswagen Group delivered 26.9% more vehicles to customers between January and March 2021 than in the same period of the previous year. The Group models to record the greatest absolute increases included the Tiguan Allspace, Atlas and Atlas Cross Sport from Volkswagen Passenger Cars, the Audi Q3, Q5 and e-tron, and the Porsche Macan. The ID.4 from Volkswagen Passenger Cars and the Porsche Panamera were successfully introduced to the market as new or successor models in the reporting period.

In Canada, the number of deliveries to Volkswagen Group customers rose by 16.9% year-on-year in the reporting period. The overall market recorded lower growth during this period. Among other models, the Atlas Cross Sport from the Volkswagen Passenger Cars brand and the Audi Q5 recorded encouraging growth in demand.

In a significantly declining overall market in Mexico, we delivered 17.7% fewer vehicles to customers in the first quarter of this year than in the prior-year period. The Group models with the highest volume of demand were the Vento and Jetta from the Volkswagen Passenger Cars brand.

### Deliveries in South America

While the overall market for passenger cars and light commercial vehicles in South America stagnated, the number of Group models delivered to customers rose by 6.5% from January to March 2021 in comparison with the prior-year period. The Gol and T-Cross from Volkswagen Passenger Cars were the Group models in highest demand. The Group's share of the market in South America expanded to 14.1 (13.3)%.

In a year-on-year comparison, the Volkswagen Group delivered 0.7% more vehicles to customers in a distinctly weaker Brazilian market. 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 rose by 25.2% compared with the weak prior-year period amid strong growth in the market as a whole. The Gol and the new Nivus from Volkswagen Passenger Cars and the Amarok from Volkswagen Commercial Vehicles saw the highest sales volume of all Group models.

### Deliveries in the Asia-Pacific region

Deliveries to customers in the Asia-Pacific region in the first quarter of the prior year were most strongly impacted by the negative effects of the spread of the SARS-CoV-2 virus. In the first three months of 2021, the Volkswagen Group saw higher demand in this region, which exceeded growth of the overall market, and delivered 57.5% more vehicles to customers than in the previous year. The Group's share of the passenger car market in this region expanded to 12.2 (11.0)%.

The Chinese market as a whole continued its recovery in the reporting period. The Volkswagen Group capitalized on this trend and increased the number of vehicles delivered to customers there by 61.5% year-on-year. New or successor models introduced in the previous year were in particularly high demand: the Tacqua, Golf, Tiguan X, Tayron X, Viloran and Phideon from Volkswagen Passenger Cars, the VS7 from the JETTA brand and the Audi A5 Sportback, Audi Q7 and Audi e-tron. There was also an encouraging increase in demand for models including the Bora, Lavida, Sagitar and Magotan from Volkswagen Passenger Cars, the A4 saloon, Q5 and A6 saloon from the Audi brand and the Porsche Macan. The ID.4 X from Volkswagen Passenger Cars and the Porsche Panamera were successfully introduced to the market as new or successor models in the reporting period.

In the Indian passenger car market which grew by more than 40%, the Volkswagen Group saw demand virtually double in the first three months of 2021 versus the weak prior-year period. The Polo from the Volkswagen brand and the Rapid from ŠKODA were the most sought-after Group models there.

In Japan, by contrast, the number of Group vehicles delivered to customers between January and March 2021 decreased by 18.8% year-on-year in a moderately growing overall market. The Group model to record the highest demand was the Volkswagen T-Cross.

### COMMERCIAL VEHICLE DELIVERIES

In the first three months of 2021, the Volkswagen Group handed over 31.1% more commercial vehicles to customers worldwide than in the previous year, during which demand was impacted by a slump in our core markets, which was exacerbated by the uncertainty generated by the Covid-19 pandemic. We delivered a total of 60,315 commercial vehicles to customers in the first quarter of this year. Trucks accounted for 51,318 units (+33.2%) and buses for 3,093 units (–23.3%). A total of 5,904 (+72.2%) vehicles from the MAN TGE van series were delivered.

In the 27 EU states excluding Malta, but plus the United Kingdom, Norway and Switzerland (EU27+3), sales increased by 21.0% compared to the same period of the previous year to a total of 30,736 units, of which 24,169 were trucks and 757 were buses. Here, the MAN brand delivered 5,810 light commercial vehicles.

In Russia, sales rose by 79.5% year-on-year to 2,738 units, comprising 2,725 trucks and 13 buses.

Between January and March 2021, deliveries in Turkey increased to 1,491 (455) vehicles. Trucks accounted for 1,428 units and buses for 26 units, while 37 vehicles from the MAN TGE van series were sold. In South Africa, deliveries of Volkswagen Group commercial vehicles increased by 18.6% year-on-year to a total of 802 units, of which 735 were trucks and 67 were buses.

Sales in North America declined in the first quarter of 2021 to 486 vehicles (–9.5%), which were delivered almost exclusively to customers in Mexico; of this figure 297 units were trucks and 189 were buses.

Deliveries in South America rose to a total of 18,417 vehicles (+45.1%), of which 16,956 were trucks and 1,461 were buses. Sales in Brazil increased by 41.4% in the first three months of 2021. Of the units delivered, 14,489 were trucks and 1,057 were buses.

In the Asia-Pacific region, the Volkswagen Group sold 2,977 vehicles to customers in the reporting period; among these, 2,768 were trucks and 204 were buses. Overall, this was 0.5% less than in the previous year.

### COMMERCIAL VEHICLE DELIVERIES TO CUSTOMERS BY MARKET FROM JANUARY 1 TO MARCH 31[1]

| | DELIVERIES (UNITS) | | CHANGE |
|---|---|---|---|
| | 2021 | 2020 | (%) |
| **Europe/Other Markets** | **38,435** | **29,767** | **+29.1** |
| of which: EU27+3 | 30,736 | 25,401 | +21.0 |
| of which: Germany | 8,465 | 7,398 | +14.4 |
| Russia | 2,738 | 1,525 | +79.5 |
| Turkey | 1,491 | 455 | x |
| South Africa | 802 | 676 | +18.6 |
| **North America** | **486** | **537** | **–9.5** |
| of which: Mexico | 482 | 537 | –10.2 |
| **South America** | **18,417** | **12,694** | **+45.1** |
| of which: Brazil | 15,546 | 10,997 | +41.4 |
| **Asia-Pacific** | **2,977** | **2,992** | **–0.5** |
| **Worldwide** | **60,315** | **45,990** | **+31.1** |
| Scania | 23,033 | 18,184 | +26.7 |
| MAN | 37,282 | 27,806 | +34.1 |

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

#### DELIVERIES IN THE POWER ENGINEERING SEGMENT

Orders in the Power Engineering segment are usually part of major investment projects. Lead times 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 March 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.

#### VOLKSWAGEN GROUP FINANCIAL SERVICES

The Financial Services Division encompasses 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.

The Financial Services Division's products and services were popular in the first quarter of 2021, the Covid-19 pandemic weighed on demand to varying degrees. The number of new financing, leasing, service and insurance contracts signed worldwide increased by 1.9% to 2.1 million. In the reporting period, the ratio of leased or financed vehicles to Group deliveries (penetration rate) in the Financial Services Division's markets decreased to 35.2 (39.9)% because the Group's deliveries increased at a higher rate than the number of contracts signed. The total number of contracts as of March 31, 2021 was 24.1 (24.1) million.

In Europe/Other Markets, the financial services business continued to be impacted by the Covid-19 pandemic in the first three months of this year. The number of new contracts signed in the reporting period fell short of the prior-year level at 1.5 (1.6) million. At 17.6 (17.6) million, the total number of contracts at the end of March 2021 was on a level with the December 31, 2020 figure. The customer financing/leasing area accounted for 7.6 million of these (–1.4%).

In North America, the number of new contracts signed in the reporting period was 231 (221) thousand, which exceeded the figure for the prior-year period. At 3.1 (3.1) million, the number of contracts as of March 31, 2021 matched the figure at year-end 2020. The customer financing/leasing area recorded 1.9 (1.9) million contracts.

In the South America region, 89 (75) thousand new contracts were signed in the first three months of this year. At 723 (721) thousand, the total number of contracts as of the end of March 2021 was somewhat higher than as of December 31, 2020. The contracts mainly related to the customer financing/leasing area.

In the Asia-Pacific region, 272 thousand new contracts were signed in the first quarter of 2021, an increase of 36.5% on the previous year, in which the spread of the SARS-CoV-2 virus had had a negative impact. The total number of contracts at the end of the reporting period stood at 2.6 million, 1.9% more than at the end of 2020. The customer financing/leasing area accounted for 1.9 million contracts (+1.3%).

#### SALES TO THE DEALER ORGANIZATION

The Volkswagen Group's unit sales to the dealer organization increased by 20.5% year-on-year in the first three months of 2021 to 2,333,909 vehicles (including the Chinese joint ventures). At 2,066,176 vehicles, unit sales outside Germany rose by 24.9% as compared with the period from January to March 2020. The growth in demand was primarily attributable to the Chinese market, which in the prior-year period had especially been impacted by declining sales precipitated by the Covid-19 pandemic. By contrast, unit sales in Germany fell by 5.5% year-on-year. Vehicles sold in Germany as a proportion of overall sales decreased to 11.5 (14.6)%.

#### PRODUCTION

In the reporting period the Volkswagen Group produced 2,318,598 vehicles (including the Chinese joint ventures), 16.1% more than in the same period of the previous year which was impacted by national measures to contain the pandemic. These had led to the disruption of supply chains with production subsequently being halted in the Volkswagen Group. Bottlenecks in supply, particularly for semiconductors, and production restrictions were again registered in the first quarter of 2021. Between January and March 2021, production outside Germany rose by 21.0% year-on-year, giving a total of 1,867,850 vehicles. The proportion of vehicles produced in Germany decreased to 19.4 (22.7)%.

#### INVENTORIES

Global inventories at Group companies and in the dealer organization were lower on March 31, 2021 than at year-end 2020, and also below the corresponding prior-year figure.

#### EMPLOYEES

The Volkswagen Group had 634,592 active employees on March 31, 2021. A further 12,012 employees were in the passive phase of their partial retirement. In addition, there were 16,049 young people in vocational traineeships. At the end of the first quarter of 2021, the Volkswagen Group had a total of 662,653 employees worldwide. This was roughly on a level with the year-end figure for 2020. A total of 294,459 people were employed in Germany, which was also virtually on a level with December 31, 2020.

# Results of Operations, Financial Position and Net Assets

### EQUITY INVESTMENTS HELD FOR SALE

In February 2021, the Supervisory Board of Volkswagen AG gave its approval to the conclusion of agreements with Rimac Automobili d.o.o., Zagreb/Croatia for the establishment of a joint venture, subject to certain conditions. Volkswagen plans to contribute its consolidated subsidiaries Bugatti Automobiles and Bugatti International S.A., Strassen/Luxembourg to the new joint venture structure. The assets of both companies are classified as held for sale in accordance with IFRS 5. The transaction is not expected to be completed before the third quarter of 2021.

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, while 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. The transaction is subject to approval by the antitrust authorities and to further closing conditions. The transaction is expected to be completed by the end of the first quarter of 2022.

### 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's sales revenue amounted to €62.4 billion in the first quarter of 2021, 13.3% more than in 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 effect. The Group made 82.2 (80.1)% of its sales revenue abroad. Gross profit increased to €12.3 (9.2) billion; the gross margin stood at 19.8 (16.8)%.

At €4.8 billion, the Volkswagen Group's operating profit for the first three months of 2021 exceeded the prior-year figure by €3.9 billion, while the operating return on sales climbed to 7.7 (1.6)%. This was attributable to improvements in the volume, in the mix and in price positioning, as well as positive effects from the measurement of certain derivatives to which hedge accounting is not applied. The Commercial Vehicles Business Area recognized one-off expenses of €–0.4 billion for restructuring measures.

The financial result was down on the previous year, amounting to €–0.3 (–0.2) billion. The interest expenses included in this item resulting from the measurement of liabilities rose due to changes in discount rates. Moreover, the other financial result included negative effects from the measurement of forward purchase agreements for new shares in QuantumScape. A positive contribution was made by the year-on-year improvement in the share of the result of equity-accounted investments, as the Chinese joint ventures had already felt the effects of the spread of the SARS-CoV-2 virus in the first quarter of 2020. Moreover, changes in share and unit prices had weighed on net income from securities and funds in the previous year as a result of the Covid-19 pandemic.

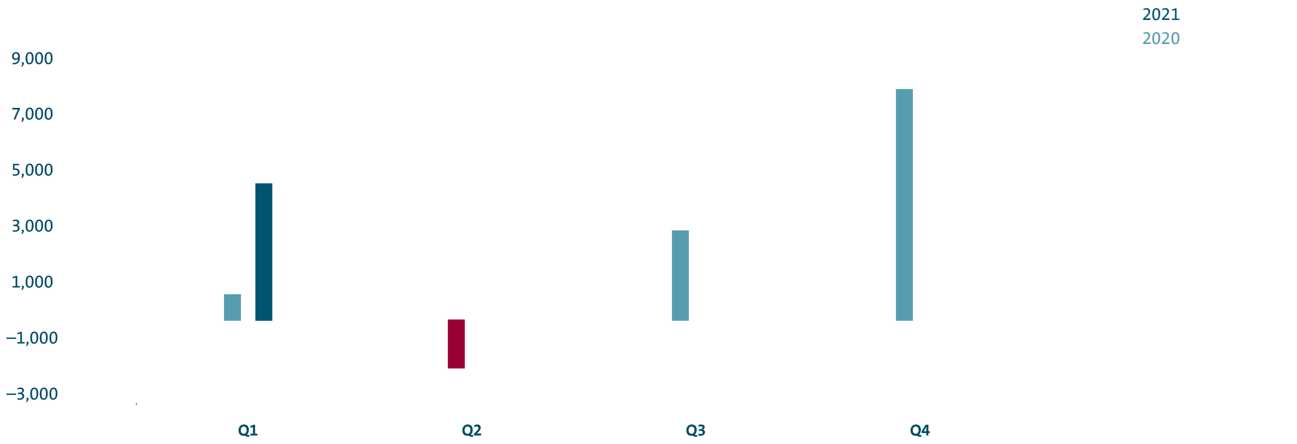
The Volkswagen Group's earnings before tax went up by €3.8 billion year-on-year to €4.5 billion. Profit after tax increased by €2.9 billion to €3.4 billion.

#### Results of operations in the Automotive Division

In the first three months of 2021, the Automotive Division's sales revenue amounted to €51.5 billion, up 15.4% on the previous year, which had been more seriously affected by the spread of the Covid-19 pandemic and its negative consequences. Improvements in the volume, in the mix and in price positioning had a beneficial impact, while changes in exchange rates had an adverse effect. In the period from January to March 2021, sales revenue was up significantly on the prior-year period in both the Passenger Cars and the Commercial Vehicles business areas. In the Power Engineering Business Area, sales revenue was considerably lower than in the first quarter of 2020, which had still included the Renk business. As our Chinese joint ventures are accounted for using the equity method, the Group's business performance in the Chinese passenger car market is reflected in consolidated sales revenue primarily by deliveries of vehicles and vehicle parts.

A rise in volumes and higher research and development costs recognized in profit or loss led to an increase in cost of sales, while its ratio to sales revenue declined. Total research and development costs as a percentage of the Automotive Division's sales revenue (research and development ratio or R&D ratio) decreased to 7.7 (8.0)% compared with the first quarter of 2020.

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




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

| € million | 2021 | 2020 |
|---|---|---|
| **Passenger Cars** | | |
| Sales revenue | 44,344 | 38,165 |
| Operating result | 3,751 | 120 |
| Operating return on sales (%) | 8.5 | 0.3 |
| **Commercial Vehicles** | | |
| Sales revenue | 6,438 | 5,564 |
| Operating result | 93 | 121 |
| Operating return on sales (%) | 1.5 | 2.2 |
| **Power Engineering**[1] | | |
| Sales revenue | 757 | 922 |
| Operating result | –36 | –44 |
| Operating return on sales (%) | –4.8 | –4.7 |

1 Figures up to October 2020 include Renk.

While distribution expenses declined, administrative expenses increased; the ratio of both items to sales revenue was lower. The other operating result, which amounted to €–0.5 (–1.1) billion, benefited primarily from the effects of the fair value measurement of derivatives used in commodity hedges to which hedge accounting is not applied and from the measurement of receivables and liabilities denominated in foreign currencies. One-off expenses from restructuring had an offsetting effect.

The Automotive Division’s operating profit amounted to €3.8 billion in the first quarter of 2021, up €3.6 billion on the prior-year figure. Along with 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. These factors were set against higher research and development expenses charged to profit or loss and one-off expenses of €0.4 billion for restructuring measures in the Commercial Vehicle Business Area. The operating return on sales amounted to 7.4 (0.4)%. Our operating profit largely benefits from the business performance of our Chinese joint ventures only through deliveries of vehicles and vehicle parts and through license income, as the joint ventures are accounted for using the equity method and are therefore included in the financial result.

### Results of operations in the Financial Services Division

In the period from January to March 2021, the Financial Services Division generated sales revenue of €10.8 billion, up 4.2% on the prior-year figure. Cost of sales rose in the same proportion, increasing by €0.4 billion to €8.9 billion. Both distribution and administrative expenses were up on the prior-year figure, as were their respective ratios to sales revenue. Lower risk costs were the main contributor to the slightly positive other operating result.

The operating profit of the Financial Services Division was up 41.9% to €1.0 billion in the reporting period due to its improved business performance. The operating return on sales amounted to 9.3 (6.8)%.

## FINANCIAL POSITION OF THE GROUP

In the period from January to March 2021, the Volkswagen Group's gross cash flow was €10.3 billion, an increase of €2.9 billion compared with the previous year due primarily to earnings-related factors. The change in working capital was €–1.3 (–5.6) billion. The effects of the Covid-19 pandemic were already becoming evident in the prior-year period. The cash outflows attributable to the diesel issue recorded in the first quarter of 2021 were slightly down on the previous year. As a result, cash flows from operating activities were up by €7.2 billion to €9.1 billion.

Investing activities attributable to operating activities came to €4.3 billion, an increase of €0.1 billion on the previous year.

Financing activities accounted for cash outflows of €–2.3 billion. They relate primarily to the redemption of the hybrid note called in the first quarter of 2021, as well as to the issuance and redemption of bonds, and changes in other financial liabilities. There had been a cash inflow of €7.5 billion in the prior-year period.

At the end of the first three months of 2021, the Volkswagen Group's cash and cash equivalents reported in the cash flow statement amounted to €35.9 (26.9) billion.

On March 31, 2021, the Group's net liquidity stood at €–136.5 billion, compared with €–137.4 billion at the end of 2020.

### Financial position of the Automotive Division

The gross cash flow generated by the Automotive Division in the first quarter of 2021 amounted to €7.2 billion, €2.3 billion more than in the prior-year period. The rise was mainly the result of the improved profit. The change in working capital amounted to €1.7 (–3.4) billion. The boost of €5.0 billion compared with the first quarter of 2020, in which the effects of the Covid-19 pandemic were already becoming evident, was the result of a larger rise in liabilities, an increase in other provisions and lower inventories, offset by higher receivables. The cash outflows attributable to the diesel issue recorded in the reporting period were down slightly on the previous year. At €8.9 billion, cash flows from operating activities were up €7.3 billion on the comparative figure for 2020.

The Automotive Division's investing activities attributable to operating activities amounted to €4.2 billion at the end of the first three months of 2021, €0.1 billion higher than in the previous year. Investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex), decreased by €0.2 billion to €1.9 billion. The ratio of capex to sales revenue declined to 3.7 (4.7)%; the prior-year figure had been impacted by the pandemic-related fall in sales revenue. Capex was allocated primarily to our production facilities and to models being launched this year and next, as well as to 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 €0.3 billion to €1.9 billion in the first quarter of 2021. The "Acquisition and disposal of equity investments" item stood at €0.4 (0.5) billion as a result of strategic investments in a number of companies, in particular the joint venture Argo AI.

The Automotive Division's net cash flow of €4.7 billion in the first three months of 2021 was €7.2 billion higher than a year earlier.

The financing activities of the Automotive Division resulted in a cash outflow of €–2.1 billion in the period from January to March 2021; this compares with a cash inflow of €5.7 billion in the prior-year period. The redemption of the hybrid note called in the first quarter of 2021 led to a cash outflow of around €–1.2 billion. Financing activities also include the issuance and redemption of bonds, and changes in other financial liabilities.

At the end of March 2021, the Automotive Division's net liquidity stood at €29.6 billion, compared with €26.8 billion on December 31, 2020.

## FINANCIAL POSITION OF THE PASSENGER CARS, COMMERCIAL VEHICLES AND POWER ENGINEERING BUSINESS AREAS FROM JANUARY 1 TO MARCH 31

| € million | 2021 | 2020 |
|---|---|---|
| **Passenger Cars** | | |
| Gross cash flow | 6,577 | 4,421 |
| Change in working capital | 1,437 | –3,081 |
| Cash flows from operating activities | 8,015 | 1,340 |
| Cash flows from investing activities attributable to operating activities | –3,859 | –3,715 |
| Net cash flow | 4,156 | –2,375 |
| | | |
| **Commercial Vehicles** | | |
| Gross cash flow | 537 | 467 |
| Change in working capital | 172 | –326 |
| Cash flows from operating activities | 709 | 141 |
| Cash flows from investing activities attributable to operating activities | –312 | –309 |
| Net cash flow | 397 | –167 |
| | | |
| **Power Engineering**[1] | | |
| Gross cash flow | 108 | 29 |
| Change in working capital | 59 | 36 |
| Cash flows from operating activities | 167 | 65 |
| Cash flows from investing activities attributable to operating activities | –15 | –41 |
| Net cash flow | 152 | 24 |

1 Figures up to October 2020 include Renk.

### Financial position of the Financial Services Division

In the first quarter of 2021, the Financial Services Division's gross cash flow was €3.1 billion, up 22.6% on the prior-year figure, mainly as a result of its improved profit. The change in working capital amounted to €–2.9 (–2.2) billion; the overall rise in the business volume led to an increase in funds tied up in working capital compared with the previous year. As a result, cash flows from operating activities were down by €0.2 billion to €0.2 billion.

Investing activities attributable to operating activities amounted to €0.1 (0.1) billion.

The Financial Services Division's financing activities resulted in a cash outflow of €–0.2 billion in the reporting period, compared with an inflow of €1.8 billion in the previous year. This relates predominantly to the issuance and redemption of bonds, and changes in other financial liabilities.

The Financial Services Division's negative net liquidity, which is common in the industry, amounted to €–166.2 billion at the end of March 2021, as against €–164.2 billion on December 31, 2020.

### CONSOLIDATED BALANCE SHEET STRUCTURE

On March 31, 2021, the Volkswagen Group had total assets of €511.3 billion, 2.9% higher than at the end of 2020. Changes in exchange rates were among the factors driving the increase. The Group's equity stood at €134.5 billion, €5.7 billion more than on December 31, 2020. The equity ratio was 26.3 (25.9)%.

### Automotive Division balance sheet structure

At the end of March 2021, intangible assets in the Automotive Division were slightly up, mainly as a result of a rise in capitalized development costs. Property, plant and equipment declined slightly, primarily because of depreciation in excess of additions. Equity-accounted investments increased in the first three months of 2021, tracking the positive business performance of the Chinese joint ventures. Total noncurrent assets were on a level with the previous year, at €157.0 (156.9) billion.

Current assets stood at €105.9 (97.2) billion at the end of the first quarter of 2021. The inventories included in this item rose, driven in part by changes in exchange rates. Current other receivables and financial assets increased, due primarily to higher trade receivables. The Automotive Division's cash and cash equivalents rose by €2.6 billion to €26.8 billion.

The "Assets held for sale" item consists of the carrying amounts of the assets of Bugatti and SITECH, which are expected to be derecognized. The "Liabilities held for sale" item comprises the carrying amount of the corresponding liabilities expected to be derecognized.

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

| € million | March 31, 2021 | Dec. 31, 2020 |
|---|---|---|
| **Passenger Cars** | | |
| Noncurrent assets | 130,288 | 130,237 |
| Current assets | 89,362 | 83,180 |
| **Total assets** | **219,650** | **213,417** |
| Equity | 84,880 | 81,423 |
| Noncurrent liabilities | 80,166 | 82,263 |
| Current liabilities | 54,604 | 49,731 |
| **Commercial Vehicles** | | |
| Noncurrent assets | 24,930 | 24,777 |
| Current assets | 13,639 | 11,256 |
| **Total assets** | **38,569** | **36,033** |
| Equity | 13,653 | 13,389 |
| Noncurrent liabilities | 13,619 | 10,592 |
| Current liabilities | 11,297 | 12,052 |
| **Power Engineering** | | |
| Noncurrent assets | 1,809 | 1,847 |
| Current assets | 2,904 | 2,800 |
| **Total assets** | **4,713** | **4,647** |
| Equity | 2,174 | 1,922 |
| Noncurrent liabilities | 612 | 668 |
| Current liabilities | 1,927 | 2,057 |

At the end of the first quarter of 2021, the Automotive Division's equity was up on the figure of December 31, 2020, at €100.7 (96.7) billion. Good earnings performance, lower actuarial losses from the remeasurement of pension plans and positive currency translation effects caused equity to rise, while the redemption of the hybrid note called in the first quarter of 2021 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 €94.4 (93.5) billion, noncurrent assets were on a level with the end of 2020. The noncurrent financial liabilities included in this item were up, driven by exchange rate and other effects. Pension provisions decreased due particularly to the actuarial remeasurement following a change in the discount rate.

Current liabilities rose by 6.2% to €67.8 billion at the end of the first quarter of 2021. The increase in current financial liabilities was attributable to 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 higher than at the end of 2020. Current other liabilities increased from December 31, 2020; they include the provisions for restructuring measures in the Commercial Vehicles Business Area recognized in the first quarter.

On March 31, 2021, the Automotive Division's total assets were €262.9 billion, 3.5% higher than on the reporting date at the end of 2020.

### Financial Services Division balance sheet structure

At the end of March 2021, the Financial Services Division's total assets amounted to €248.4 billion, up 2.2% compared with the figure on December 31, 2020.

In total, noncurrent assets grew by 3.8% to €150.8 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 €97.6 (97.7) billion, current assets were on a level with the end of 2020. Current other receivables and financial assets declined, while current financial services receivables rose due to exchange rate effects.

At the end of the first quarter of 2021, the Financial Services Division accounted for around 48.6 (48.9)% of the Volkswagen Group's assets.

At the end of the reporting period, the Financial Services Division's equity was higher than on December 31, 2020, amounting to €33.8 (32.0) billion. The equity ratio was 13.6 (13.2)%.

Noncurrent liabilities climbed by €3.2 billion to €112.6 billion, due above all to a rise in noncurrent financial liabilities to refinance the business volume.

Current financial liabilities included in the current liabilities declined, while trade payables increased. In total, current liabilities, which amounted to €101.9 (101.6) billion, were virtually unchanged compared with December 31, 2020.

Deposits from the direct banking business stood at €26.6 billion, as against €28.9 billion at the end of 2020.

## REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

Due to the positive business performance in the first quarter of 2021, we are raising our forecast of the Volkswagen Group's and the Passenger Cars Business Area's operating result, as well as of net cash flow and net liquidity.

In the Commercial Vehicles Business Area, we have adjusted our forecast of sales revenue and operating result to reflect firstly our positive business performance and secondly the restructuring measures, which we are now required to recognize.

We have increased the profit forecast for the Group and the Passenger Cars Business Area. In terms of operating result, we expect an operating return on sales of between 5.5% and 7.0% for the Group and of between 5.5% and 7.5% for the Passenger Cars Business Area in 2021.

In the Automotive Division, we expect lower cash outflows resulting from the diesel issue and significantly higher effects from mergers and acquisitions to lead to a strong rise in net cash flow compared with the previous year, which will in turn cause a considerable increase in net liquidity.

As before, our plans are based on the Volkswagen Group's current structures. The forecast for the Volkswagen Group does not include the intended acquisition of all outstanding shares of Navistar International Corporation and the related effects on the results of operations, financial position and net assets.

The Outlook for fiscal year 2021 can be found on page 22.

The risk of bottlenecks and disruptions in the supply of semiconductor components has deteriorated across the entire industry.

### 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 37 thousand following the withdrawal of numerous motions.

In the Netherlands, the suspended class action brought by Stichting Car Claim has been resumed; oral argument on the merits of the claims is scheduled for May 2021.

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 (BGH – Federal Court of Justice) issued a comprehensively reasoned ruling holding that purchasers of vehicles with Type EA 189 diesel engines cannot raise tort-based 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 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.

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.

Furthermore, claims for damages are being asserted against individual former members of the Audi and Porsche boards of management. Claims were already asserted against a former member of the Volkswagen Passenger Cars brand Board of Management.

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 or commodities 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 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 recover to approximately 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 volume of demand worldwide for new vehicles is expected to be noticeably up on the previous year, provided successful containment of the Covid-19 pandemic is achieved; however, it will not recover to its pre-pandemic level. For 2021, we anticipate that the volume of new passenger car registrations in Western Europe will be significantly above that recorded in the previous year. In the German passenger car market, we expect a moderate year-on-year increase in demand in 2021. Sales of passenger cars in 2021 are expected to distinctly 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 as a whole in 2021 is likely to be considerably higher than the previous year's level. We expect to see a substantial 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 noticeably 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 moderate rise in demand for 2021, assuming that containment of the Covid-19 pandemic is successful.

For 2021, we expect a significantly 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. A moderate increase in overall demand for 2021 is likely in the bus markets relevant for the Volkswagen Group.

We anticipate that automotive financial services be of great significance 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 significantly up on the previous year in 2021 – assuming successful containment of the Covid-19 pandemic – amid continued challenging market conditions.

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 revenue of the Volkswagen Group and of the Passenger Cars and Commercial Vehicles business areas in 2021 to be significantly higher than the prior-year figure. In terms of operating profit, we expect an operating return on sales of between 5.5% and 7.0% for the Group and of between 5.5% and 7.5% for the Passenger Cars Business Area in 2021. For the Commercial Vehicles Business Area, we anticipate an operating return on sales of around 3%, including restructuring measures. 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 moderately higher than the prior-year figure and that the operating result will be in line with the previous year.

# Brands and Business Fields

#### SALES REVENUE AND OPERATING PROFIT BY BRAND AND BUSINESS FIELD

Against the backdrop of a recovery in the global economy despite the continuing adverse effects of the Covid-19 pandemic, the Volkswagen Group's sales revenue amounted to €62.4 (55.1) billion in the first quarter of 2021. Operating profit rose to €4.8 (0.9) billion.

The Volkswagen Passenger Cars brand sold 769 (765) thousand vehicles in the reporting period, slightly exceeding the prior-year figure. Demand for the T-Roc, T-Cross and Touareg models increased, and the ID.3 and ID.4 were also very popular. Sales revenue rose by 5.4% to €20.0 billion. Operating profit improved to €900 (481) million. Upfront expenditures for new products and the negative impact of falling volumes in Europe, mainly due to shortages in supplies of semiconductors, were offset by margin and mix improvements. In addition, the ongoing fixed cost program had a beneficial effect.

Global unit sales by the Audi brand rose to 287 (268) thousand vehicles in the first three months of the year. A further 191 (97) thousand Audi vehicles were sold by the Chinese joint venture FAW-Volkswagen. Demand rose at a significant rate, in particular for premium-segment models. At €14.1 (12.5) billion, sales revenue was higher than in the previous year. Operating profit increased to €1.4 (0.0) billion. Alongside higher volumes, there was a positive effect from the measurement of commodity hedges. The financial key performance indicators for the Audi brand include the Lamborghini and Ducati brands. Ducati sold 13,140 (10,171) motorcycles in the first three months of this year.

The ŠKODA brand's unit sales of 234 (237) thousand vehicles in the period from January to March 2021 almost matched the previous year's level. The Octavia and the Kamiq and Karoq SUVs were particularly popular with customers, and the new Enyaq was also in high demand. Sales revenue came to €5.0 (4.8) billion, while operating profit stood at €448 (307) million. Negative effects from the limited availability of semiconductors were more than offset, mainly by positive exchange rate effects as well as the lower cost of materials and excess emissions premiums.

SEAT sold 157 thousand vehicles in the reporting period; this represented an increase of 12.2% compared with the previous year. This figure includes the A1 manufactured for Audi. The Ateca, Leon and Arona were in high demand, and the CUPRA Formentor was also very popular with customers. Sales revenue increased by 11.5% to €2.9 billion. Operating result amounted to €–36 (–48) million. Compared to the prior-year period, which had been adversely affected by $CO_2$-related expenses, negative mix effects in particular were offset by higher volumes.

In the first quarter of 2021, the Bentley brand's unit sales were lower than in the same period of the previous year, amounting to 3,134 (3,302) vehicles. Sales revenue stood at €578 (620) million. Operating profit climbed to €65 (56) million due mainly to lower fixed costs 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 | | | Insurance |
| SEAT | | | Fleet management |
| Bentley | | | Mobility offerings |
| Porsche Automotive | | | |
| Volkswagen Commercial Vehicles | | | |
| Others | | | |

Porsche Automotive recorded unit sales of 73 thousand vehicles worldwide in the reporting period. This was 30.5% more than a year earlier. The 718 and Macan models were in high demand, and the Taycan also proved popular. Sales revenue increased to €7.0 (5.4) billion. This improved operating profit to €1.2 (0.5) billion. Along with higher volumes, mix effects helped to offset the rise in fixed costs due to growth factors.

Unit sales by Volkswagen Commercial Vehicles fell slightly to 96 (99) thousand vehicles worldwide in the period from January to March 2021. Demand for the Crafter and Multivan/Transporter increased year-on-year. Sales revenue was on a level with the previous year at €2.7 (2.7) billion. The operating result improved to €29 (14) million despite a rise in excess emissions premiums. The rise was attributable to favorable changes in the mix, better price positioning, positive exchange rate factors and cost savings.

Scania Vehicles and Services recorded an increase in unit sales to 23 (19) thousand vehicles in the first quarter of 2021. Sales revenue rose to €3.4 (3.0) billion. At €409 (256) million operating profit at Scania Vehicles and Services was up due to mix and volume effects, which offset adverse exchange rate movements, an increase in costs and upfront expenditures for new technologies.

MAN Commercial Vehicles sold 37 thousand units in the reporting period. This was 34.1% more than a year earlier. Sales revenue amounted to €3.1 (2.6) billion. The operating result of €–279 (–83) million, which was down on the previous year, includes expenses for restructuring measures in Europe. Compared with the prior-year period, a favorable volume development, an improved market positioning and a reduction in fixed costs made a positive contribution.

Power Engineering generated sales revenue of €0.8 (0.9) billion in the first three months of 2021. Operating profit increased to €32 (16) million due to cost savings as part of the restructuring program.

## KEY FIGURES BY BRAND AND BUSINESS FIELD FROM JANUARY 1 TO MARCH 31

| | VEHICLE SALES | | SALES REVENUE | | OPERATING RESULT | |
|---|---|---|---|---|---|---|
| Thousand vehicles/€ million | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Volkswagen Passenger Cars | 769 | 765 | 19,984 | 18,965 | 900 | 481 |
| Audi | 287 | 268 | 14,067 | 12,454 | 1,404 | 15 |
| ŠKODA | 234 | 237 | 5,049 | 4,850 | 448 | 307 |
| SEAT | 157 | 140 | 2,851 | 2,558 | –36 | –48 |
| Bentley | 3 | 3 | 578 | 620 | 65 | 56 |
| Porsche Automotive[1] | 73 | 56 | 7,039 | 5,394 | 1,178 | 529 |
| Volkswagen Commercial Vehicles | 96 | 99 | 2,660 | 2,671 | 29 | 14 |
| Scania Vehicles and Services[2] | 23 | 19 | 3,420 | 2,982 | 409 | 256 |
| MAN Commercial Vehicles | 37 | 28 | 3,098 | 2,633 | –279 | –83 |
| Power Engineering[3] | – | – | 757 | 922 | 32 | 16 |
| VW China[4] | 800 | 503 | – | – | – | – |
| Other[5] | –145 | –180 | –7,421 | –8,842 | –245 | –1,293 |
| Volkswagen Financial Services | | | 10,295 | 9,847 | 908 | 654 |
| **Volkswagen Group** | **2,334** | **1,937** | **62,376** | **55,054** | **4,812** | **904** |
| Automotive Division[6] | 2,334 | 1,937 | 51,538 | 44,650 | 3,809 | 197 |
| of which: Passenger Cars Business Area | 2,273 | 1,891 | 44,344 | 38,165 | 3,751 | 120 |
| Commercial Vehicles Business Area | 61 | 46 | 6,438 | 5,564 | 93 | 121 |
| Power Engineering Business Area | – | – | 757 | 922 | –36 | –44 |
| Financial Services Division | – | – | 10,837 | 10,404 | 1,003 | 707 |

1 Porsche (including Financial Services): sales revenue €7,726 (6,016) million, operating profit €1,249 (572) million.
2 Scania (including Financial Services): sales revenue €3,527 (3,098) million, operating profit €460 (282) million.
3 Prior-year figure includes the business of Renk.
4 The sales revenues and operating profits 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 profit of €661 (276) million.
5 In operating profit, 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.
6 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

The number of new financing, leasing, service and insurance contracts with Volkswagen Financial Services signed in the first quarter of 2021 was 2.0 million (+2.0%). The penetration rate, expressed as the ratio of leased or financed vehicles to relevant Group delivery volumes, fell to 35.0 (39.6)% with credit eligibility criteria remaining unchanged. This was because the Group's deliveries grew at a higher rate than the number of contracts signed. At 21.9 (21.9) million, the total number of contracts at the end of the reporting period was on a level with the figure as of December 31, 2020. The number of contracts in the customer financing/leasing area amounted to 11.2 (11.3) million, while it was 10.7 (10.6) million in the service/insurance area. As of March 31, 2021, Volkswagen Bank managed 1.4 (1.4) million deposit accounts. Operating profit increased to €0.9 (0.7) billion in the first three months of 2021 due to lower risk costs.

### UNIT SALES AND SALES REVENUE BY MARKET

In the first quarter of 2021, the Volkswagen Group sold 1.0 million vehicles in the Europe/Other Markets region. This was 1.9% more than in the previous year. Despite negative exchange rate movements, sales revenue rose to €37.0 (34.5) billion, driven mainly by favorable mix effects.

At 227 thousand vehicles, the Volkswagen Group's unit sales in the North American markets increased by 11.5% in the period from January to March 2021. Higher volumes and positive mix effects more than offset unfavorable exchange rate trends. As a result, sales revenue climbed to €10.8 (9.7) billion.

Unit sales in South America increased to 138 (121) thousand vehicles in the reporting period. Exchange rate effects meant that sales revenue could no more than match the previous year's level. It stood at €2.4 (2.4) billion.

At 0.9 (0.6) million vehicles, the number of units sold by the Volkswagen Group in the Asia-Pacific region – including the Chinese joint ventures – was 57.5% higher in the first quarter of 2021 than in the prior-year period. At the beginning of 2020, this region had been the first to be affected by the Covid-19 pandemic. Driven by higher volumes, sales revenue rose to €12.0 (8.6) 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 positive contribution of €0.1 (–0.2) billion in the first quarter of 2021.

### KEY FIGURES BY MARKET FROM JANUARY 1 TO MARCH 31

| | VEHICLE SALES | | SALES REVENUE | |
|---|---|---|---|---|
| Thousand vehicles/€ million | 2021 | 2020 | 2021 | 2020 |
| Europe/Other Markets | 1,044 | 1,024 | 37,046 | 34,509 |
| North America | 227 | 204 | 10,838 | 9,730 |
| South America | 138 | 121 | 2,402 | 2,404 |
| Asia-Pacific[1] | 926 | 588 | 12,036 | 8,645 |
| Hedges on sales revenue | – | – | 53 | –233 |
| **Volkswagen Group[1]** | **2,334** | **1,937** | **62,376** | **55,054** |

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 March 31

| | VOLKSWAGEN GROUP | | DIVISIONS | | | |
|---|---|---|---|---|---|---|
| | | | AUTOMOTIVE[1] | | FINANCIAL SERVICES | |
| € million | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Sales revenue** | **62,376** | **55,054** | **51,538** | **44,650** | **10,837** | **10,404** |
| Cost of sales | –50,048 | –45,824 | –41,159 | –37,293 | –8,889 | –8,531 |
| **Gross result** | **12,328** | **9,231** | **10,380** | **7,357** | **1,948** | **1,874** |
| Distribution expenses | –4,360 | –4,472 | –4,002 | –4,148 | –359 | –324 |
| Administrative expenses | –2,629 | –2,445 | –2,030 | –1,886 | –599 | –559 |
| Other operating income/expense | –526 | –1,409 | –539 | –1,125 | 13 | –284 |
| **Operating result** | **4,812** | **904** | **3,809** | **197** | **1,003** | **707** |
| Share of the result of equity-accounted investments | 519 | 129 | 499 | 111 | 20 | 17 |
| Interest result and other financial result | –868 | –351 | –855 | –343 | –13 | –8 |
| **Financial result** | **–349** | **–222** | **–356** | **–232** | **8** | **9** |
| **Earnings before tax** | **4,463** | **682** | **3,453** | **–34** | **1,011** | **716** |
| Income tax expense | –1,049 | –165 | –836 | 56 | –213 | –221 |
| **Earnings after tax** | **3,414** | **517** | **2,617** | **22** | **797** | **495** |
| of which attributable to | | | | | | |
| Noncontrolling interests | 35 | –6 | 11 | –24 | 24 | 18 |
| Volkswagen AG hybrid capital investors | 136 | 117 | 136 | 117 | – | – |
| Volkswagen AG shareholders | 3,244 | 405 | 2,470 | –71 | 774 | 477 |
| | | | | | | |
| **Basic/diluted earnings per ordinary share in €[2]** | **6.45** | **0.78** | | | | |
| **Basic/diluted earnings per preferred share in €[2]** | **6.51** | **0.84** | | | | |

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 March 31

| € million | 2021 | 2020 |
|---|---|---|
| **Earnings after tax** | **3,414** | **517** |
| Pension plan remeasurements recognized in other comprehensive income | | |
| Pension plan remeasurements recognized in other comprehensive income, before tax | 4,285 | 4,888 |
| Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income | –1,270 | –1,443 |
| Pension plan remeasurements recognized in other comprehensive income, net of tax | 3,015 | 3,445 |
| Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax | 21 | –22 |
| Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax | –1 | –3 |
| **Items that will not be reclassified to profit or loss** | **3,036** | **3,419** |
| Exchange differences on translating foreign operations | | |
| Unrealized currency translation gains/losses | 1,277 | –1,791 |
| Transferred to profit or loss | – | – |
| Exchange differences on translating foreign operations, before tax | 1,277 | –1,791 |
| Deferred taxes relating to exchange differences on translating foreign operations | –2 | 1 |
| Exchange differences on translating foreign operations, net of tax | 1,275 | –1,790 |
| Hedging | | |
| Fair value changes recognized in other comprehensive income (OCI I) | –1,209 | 1,026 |
| Transferred to profit or loss (OCI I) | –100 | –336 |
| Cash flow hedges (OCI I), before tax | –1,310 | 690 |
| Deferred taxes relating to cash flow hedges (OCI I) | 435 | –241 |
| Cash flow hedges (OCI I), net of tax | –874 | 450 |
| Fair value changes recognized in other comprehensive income (OCI II) | –237 | –579 |
| Transferred to profit or loss (OCI II) | 315 | 341 |
| Cash flow hedges (OCI II), before tax | 78 | –238 |
| Deferred taxes relating to cash flow hedges (OCI II) | –18 | 88 |
| Cash flow hedges (OCI II), net of tax | 60 | –150 |
| Fair value valuation of debt instruments that may be reclassified to profit or loss | | |
| Fair value changes recognized in other comprehensive income | –18 | –8 |
| Transferred to profit or loss | 0 | 0 |
| Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax | –18 | –8 |
| Deferred taxes relating to fair value valuation of debt instruments recognized in other comprehensive income | 5 | 2 |
| Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax | –12 | –6 |
| Share of other comprehensive income of equity-accounted investments that may be reclassified to profit or loss, net of tax | 279 | –5 |
| **Items that may be reclassified to profit or loss** | **727** | **–1,502** |
| Other comprehensive income, before tax | 4,612 | 3,511 |
| Deferred taxes relating to other comprehensive income | –850 | –1,593 |
| **Other comprehensive income, net of tax** | **3,762** | **1,918** |
| **Total comprehensive income** | **7,177** | **2,435** |
| of which attributable to | | |
| Noncontrolling interests | 60 | –58 |
| Volkswagen AG hybrid capital investors | 136 | 117 |
| Volkswagen AG shareholders | 6,981 | 2,376 |

# Balance Sheet as of March 31, 2021 and December 31, 2020

| | VOLKSWAGEN GROUP | | DIVISIONS | | | |
|---|---|---|---|---|---|---|
| | | | AUTOMOTIVE[1] | | FINANCIAL SERVICES | |
| € million | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Assets** | | | | | | |
| **Noncurrent assets** | **307,816** | **302,170** | **157,027** | **156,861** | **150,789** | **145,309** |
| Intangible assets | 68,553 | 67,968 | 68,372 | 67,781 | 182 | 187 |
| Property, plant and equipment | 63,238 | 63,884 | 62,157 | 62,807 | 1,081 | 1,077 |
| Lease assets | 53,598 | 50,686 | 1,423 | 1,512 | 52,175 | 49,174 |
| Financial services receivables | 84,230 | 82,565 | –381 | –377 | 84,611 | 82,942 |
| Investments, equity-accounted investments and other equity investments, other receivables and financial assets | 38,197 | 37,067 | 25,456 | 25,137 | 12,740 | 11,930 |
| **Current assets** | **203,489** | **194,944** | **105,904** | **97,236** | **97,585** | **97,708** |
| Inventories | 45,987 | 43,823 | 41,625 | 39,055 | 4,361 | 4,768 |
| Financial services receivables | 58,858 | 58,006 | –507 | –557 | 59,366 | 58,562 |
| Other receivables and financial assets | 40,015 | 38,044 | 19,744 | 17,012 | 20,271 | 21,033 |
| Marketable securities | 21,643 | 21,162 | 17,659 | 17,503 | 3,984 | 3,658 |
| Cash, cash equivalents and time deposits | 36,440 | 33,909 | 26,837 | 24,222 | 9,602 | 9,687 |
| Assets held for sale | 546 | – | 546 | – | – | – |
| **Total assets** | **511,305** | **497,114** | **262,931** | **254,097** | **248,374** | **243,017** |
| | | | | | | |
| **Equity and liabilities** | | | | | | |
| **Equity** | **134,525** | **128,783** | **100,708** | **96,733** | **33,817** | **32,050** |
| Equity attributable to Volkswagen AG shareholders | 118,317 | 111,336 | 85,180 | 79,913 | 33,137 | 31,423 |
| Equity attributable to Volkswagen AG hybrid capital investors | 14,414 | 15,713 | 14,414 | 15,713 | – | – |
| Equity attributable to Volkswagen AG shareholders and hybrid capital investors | 132,731 | 127,049 | 99,594 | 95,626 | 33,137 | 31,423 |
| Noncontrolling interests | 1,794 | 1,734 | 1,114 | 1,107 | 680 | 627 |
| **Noncurrent liabilities** | **207,015** | **202,921** | **94,396** | **93,523** | **112,618** | **109,398** |
| Financial liabilities | 122,497 | 114,809 | 20,562 | 15,637 | 101,934 | 99,173 |
| Provisions for pensions | 40,928 | 45,081 | 40,138 | 44,207 | 790 | 874 |
| Other liabilities | 43,590 | 43,031 | 33,696 | 33,680 | 9,894 | 9,352 |
| **Current liabilities** | **169,766** | **165,410** | **67,827** | **63,840** | **101,939** | **101,569** |
| Financial liabilities | 83,244 | 88,648 | –7,629 | –2,806 | 90,873 | 91,454 |
| Trade payables | 25,216 | 22,677 | 21,226 | 19,539 | 3,990 | 3,137 |
| Other liabilities | 60,922 | 54,085 | 53,846 | 47,107 | 7,076 | 6,978 |
| Liabilities associated with assets held for sale | 384 | – | 384 | – | – | – |
| **Total equity and liabilities** | **511,305** | **497,114** | **262,931** | **254,097** | **248,374** | **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<br>Currency translation reserve |
|---|---|---|---|---|
| **Balance at Jan. 1, 2020** | **1,283** | **14,551** | **96,929** | **–2,824** |
| Earnings after tax | – | – | 405 | – |
| Other comprehensive income, net of tax | – | – | 3,429 | –1,723 |
| **Total comprehensive income** | **–** | **–** | **3,835** | **–1,723** |
| Disposal of equity instruments | – | – | – | – |
| Capital increases/Capital decreases | – | – | – | – |
| Dividends payment | – | – | – | – |
| Capital transactions involving a change in ownership interest | – | – | – | – |
| Other changes | – | – | 2 | – |
| **Balance at Mar. 31, 2020** | **1,283** | **14,551** | **100,765** | **–4,547** |
| | | | | |
| **Balance at Jan. 1, 2021** | **1,283** | **14,551** | **100,772** | **–5,659** |
| Earnings after tax | – | – | 3,244 | – |
| Other comprehensive income, net of tax | – | – | 2,995 | 1,271 |
| **Total comprehensive income** | **–** | **–** | **6,239** | **1,271** |
| Disposal of equity instruments | – | – | – | – |
| Capital increases/Capital decreases[1] | – | – | – | – |
| Dividends payment | – | – | – | – |
| Capital transactions involving a change in ownership interest | – | – | – | – |
| Other changes | – | – | 0 | – |
| **Balance at Mar. 31, 2021** | **1,283** | **14,551** | **107,011** | **–4,388** |

1 Redemption of hybrid note issued in fiscal year 2014.

| | 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 interests | Total equity |
| | **95** | **–977** | **–235** | **295** | **12,663** | **121,781** | **1,870** | **123,651** |
| | – | – | – | – | 117 | 523 | –6 | 517 |
| | 453 | –150 | –28 | –10 | – | 1,970 | –52 | 1,918 |
| | **453** | **–150** | **–28** | **–10** | **117** | **2,493** | **–58** | **2,435** |
| | – | – | – | – | – | – | – | – |
| | – | – | – | – | – | – | – | – |
| | – | – | – | – | –204 | –204 | – | –204 |
| | – | – | – | – | – | – | – | – |
| | – | – | – | – | – | 2 | 3 | 5 |
| | **548** | **–1,127** | **–263** | **285** | **12,576** | **124,071** | **1,815** | **125,886** |
| | | | | | | | | |
| | **1,287** | **–708** | **–219** | **30** | **15,713** | **127,049** | **1,734** | **128,783** |
| | – | – | – | – | 136 | 3,380 | 35 | 3,414 |
| | –873 | 60 | 9 | 274 | – | 3,737 | 26 | 3,762 |
| | **–873** | **60** | **9** | **274** | **136** | **7,116** | **60** | **7,177** |
| | – | – | – | – | – | – | – | – |
| | – | – | – | – | –1,237 | –1,237 | – | –1,237 |
| | – | – | – | – | –197 | –197 | 0 | –197 |
| | – | – | – | – | – | – | – | – |
| | – | – | – | – | – | 0 | 0 | 0 |
| | **415** | **–648** | **–211** | **304** | **14,414** | **132,731** | **1,794** | **134,525** |

# Cash flow statement for the Period January 1 to March 31

| | 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 | 4,463 | 682 | 3,453 | –34 | 1,011 | 716 |
| Income taxes paid | –972 | –875 | –705 | –722 | –266 | –154 |
| Depreciation and amortization expense[2] | 6,529 | 6,438 | 4,301 | 4,188 | 2,228 | 2,250 |
| Change in pension provisions | 179 | 164 | 168 | 162 | 11 | 2 |
| Share of the result of equity-accounted investments | –368 | –124 | –347 | –107 | –20 | –17 |
| Other noncash income/expense and reclassifications[3] | 492 | 1,162 | 352 | 1,429 | 140 | –267 |
| **Gross cash flow** | **10,324** | **7,446** | **7,221** | **4,917** | **3,103** | **2,530** |
| **Change in working capital** | **–1,260** | **–5,553** | **1,669** | **–3,371** | **–2,929** | **–2,182** |
| Change in inventories | –1,825 | –3,314 | –2,269 | –3,270 | 444 | –44 |
| Change in receivables | –3,350 | –96 | –3,013 | –358 | –337 | 262 |
| Change in liabilities | 6,561 | 1,153 | 5,234 | 1,347 | 1,328 | –194 |
| Change in other provisions | 1,831 | –1,153 | 1,772 | –1,208 | 59 | 55 |
| Change in lease assets (excluding depreciation) | –4,099 | –3,325 | 1 | 105 | –4,100 | –3,430 |
| Change in financial services receivables | –377 | 1,182 | –55 | 13 | –322 | 1,169 |
| **Cash flows from operating activities** | **9,065** | **1,894** | **8,890** | **1,546** | **174** | **348** |
| **Cash flows from investing activities attributable to operating activities** | **–4,262** | **–4,129** | **–4,186** | **–4,064** | **–76** | **–65** |
| of which: Investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property | –1,959 | –2,126 | –1,924 | –2,087 | –35 | –39 |
| capitalized development costs | –1,907 | –1,564 | –1,907 | –1,564 | – | – |
| acquisition and disposal of equity investments | –446 | –549 | –380 | –511 | –66 | –38 |
| ***Net cash flow[4]*** | ***4,803*** | ***–2,236*** | ***4,705*** | ***–2,518*** | ***98*** | ***283*** |
| Change in investments in securities, loans and time deposits | –401 | –2,459 | –395 | –2,115 | –7 | –344 |
| **Cash flows from investing activities** | **–4,663** | **–6,588** | **–4,580** | **–6,179** | **–83** | **–409** |
| **Cash flows from financing activities** | **–2,317** | **7,527** | **–2,116** | **5,677** | **–202** | **1,850** |
| of which: capital contributions/capital redemptions | –1,241 | – | –1,693 | – | 453 | – |
| Effect of exchange rate changes on cash and cash equivalents | 354 | –267 | 326 | –204 | 27 | –63 |
| Change of loss allowance within cash & cash equivalents | 0 | –1 | 0 | –1 | 0 | 0 |
| **Net change in cash and cash equivalents** | **2,437** | **2,565** | **2,520** | **840** | **–83** | **1,725** |
| | | | | | | |
| **Cash and cash equivalents at Mar. 31[5]** | **35,869** | **26,894** | **26,278** | **18,938** | **9,591** | **7,956** |
| Securities, loans and time deposits | 33,340 | 30,325 | 16,319 | 14,928 | 17,022 | 15,397 |
| **Gross liquidity** | **69,210** | **57,219** | **42,597** | **33,866** | **26,613** | **23,354** |
| Total third-party borrowings | –205,754 | –206,482 | –12,947 | –16,078 | –192,807 | –190,404 |
| **Net liquidity at Mar. 31[6]** | **–136,544** | **–149,263** | **29,650** | **17,787** | **–166,194** | **–167,050** |
| 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 March 31, 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 1.1% (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.

There was no need to recognize any material special items in connection with the diesel issue in the first three months of 2021.

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

### Effects of the Covid-19 Pandemic

The dynamic increase in the rate of infection continued in many places throughout the first quarter of 2021. This was accompanied by ongoing disruptions – such as contact and mobility restrictions or limitations on business activities – in many parts of the world.

Accordingly, the effects of the Covid-19 pandemic had to be analyzed during the preparation of the consolidated financial statements as of March 31, 2021, in particular in the following areas:

- The impairment tests on lease assets identified no material impact of the Covid-19 pandemic on residual values forecast for the vehicles of the entire Group.
- The impairment tests on financial assets, taking adjusted default expectations into account, did not identify any need for material additional impairment losses.
- The review of the impact of changes in the timings and amounts of hedged items caused by the Covid-19 pandemic on the effectiveness and accounting treatment of hedges did not identify any material factors with an impact on profits.
- The developments in the commodity and capital markets had a positive effect particularly on the treatment of derivatives to which hedge accounting is not applied and on the measurement of receivables and liabilities denominated in foreign currencies, sometimes with offsetting consequences.

For more information on these areas, please also refer to our additional comments in the notes to the 2020 consolidated financial statements.

### IFRS 5 – Noncurrent assets and liabilities held for sale

On February 26, 2021, the Supervisory Board of Volkswagen AG gave its approval to entering into agreements with Rimac Automobili d.o.o., Zagreb/Croatia for the establishment of a joint venture. The approval was given subject to further negotiations, the completion of the hearing of the works council of Bugatti Automobiles S.A.S., Molsheim/France and the final decision of the Board of Management of Volkswagen AG. A joint product portfolio aimed at developing, producing and distributing electric luxury hyper sports cars is to be the core function of the joint venture. Volkswagen is planning to contribute its consolidated subsidiaries Bugatti Automobiles and Bugatti International S.A., Strassen/Luxembourg to the new joint venture structure. The transaction is not expected to be completed before the third quarter of 2021.

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. The transaction is subject to approval by the antitrust authorities and to other closing conditions. The transaction is not expected to be completed before the end of the first quarter of 2022.

In this context, assets of €546 million and liabilities of €384 million were classified as held for sale as of March 31, 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.

## 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 2020

| € million | Passenger Cars and Light Commercial Vehicles | Commercial Vehicles | Power Engineering | Financial Services | Total Segments | Reconciliation | Volkswagen Group |
|---|---|---|---|---|---|---|---|
| Vehicles | 32,758 | 3,290 | – | – | 36,048 | –3,679 | 32,369 |
| Genuine parts | 3,026 | 885 | – | – | 3,911 | –30 | 3,881 |
| Used vehicles and third-party products | 3,009 | 338 | – | – | 3,348 | –175 | 3,173 |
| Engines, powertrains and parts deliveries | 2,373 | 169 | – | – | 2,542 | –3 | 2,539 |
| Power Engineering | – | – | 922 | – | 922 | 0 | 922 |
| Motorcycles | 121 | – | – | – | 121 | – | 121 |
| Leasing business | 218 | 435 | – | 7,994 | 8,648 | –1,076 | 7,572 |
| Interest and similar income | 46 | 2 | – | 2,004 | 2,052 | –57 | 1,995 |
| Hedges sales revenue | –232 | –8 | – | 0 | –240 | 6 | –233 |
| Other sales revenue | 1,980 | 451 | – | 406 | 2,837 | –120 | 2,717 |
| | **43,298** | **5,564** | **922** | **10,404** | **60,188** | **–5,133** | **55,054** |

### STRUCTURE OF GROUP SALES REVENUE: Q1 2021

| € million | Passenger Cars and Light Commercial Vehicles | Commercial Vehicles | Power Engineering | Financial Services | Total Segments | Reconciliation | Volkswagen Group |
|---|---|---|---|---|---|---|---|
| Vehicles | 38,096 | 4,061 | – | – | 42,157 | –3,721 | 38,437 |
| Genuine parts | 3,059 | 916 | – | – | 3,975 | –34 | 3,941 |
| Used vehicles and third-party products | 2,892 | 404 | – | – | 3,296 | –159 | 3,137 |
| Engines, powertrains and parts deliveries | 2,977 | 180 | – | – | 3,157 | –18 | 3,139 |
| Power Engineering | – | – | 757 | – | 757 | 0 | 756 |
| Motorcycles | 166 | – | – | – | 166 | – | 166 |
| Leasing business | 191 | 430 | – | 8,517 | 9,138 | –1,106 | 8,032 |
| Interest and similar income | 48 | 2 | – | 1,941 | 1,990 | –66 | 1,925 |
| Hedges sales revenue | 36 | –10 | – | 0 | 26 | 27 | 53 |
| Other sales revenue | 2,096 | 456 | – | 380 | 2,931 | –142 | 2,789 |
| | **49,562** | **6,438** | **757** | **10,837** | **67,594** | **–5,218** | **62,376** |

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 €489 million (previous year: €635 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 €234 million (previous year: €178 million).

## 3. Research and development costs

| € million | Q1 2021 | Q1 2020 | % |
|---|---|---|---|
| Total research and development costs | 3,962 | 3,563 | 11.2 |
| of which: capitalized development costs | 1,907 | 1,564 | 21.9 |
| Capitalization ratio in % | 48.1 | 43.9 | |
| Amortization of capitalized development costs | 1,207 | 1,103 | 9.4 |
| **Research and development costs recognized in profit or loss** | **3,262** | **3,102** | **5.1** |

## 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.

| | | Q1 2021 | Q1 2020 |
|---|---|---|---|
| Weighted average number of: | | | |
| Ordinary shares – basic/diluted | Shares | 295,089,818 | 295,089,818 |
| Preferred shares – basic/diluted | Shares | 206,205,445 | 206,205,445 |
| | | | |
| Earnings after tax | € million | 3,414 | 517 |
| Noncontrolling interests | € million | 35 | –6 |
| Earnings attributable to Volkswagen AG hybrid capital investors | € million | 136 | 117 |
| Earnings attributable to Volkswagen AG shareholders | € million | 3,244 | 405 |
| of which: basic/diluted earnings attributable to ordinary shares | € million | 1,902 | 231 |
| of which: basic/diluted earnings attributable to preferred shares | € million | 1,342 | 174 |
| | | | |
| Earnings per ordinary share – basic/diluted | € | 6.45 | 0.78 |
| Earnings per preferred share – basic/diluted | € | 6.51 | 0.84 |

## 5. Noncurrent assets

### CHANGES IN SELECTED NONCURRENT ASSETS BETWEEN JANUARY 1 AND MARCH 31, 2021

| € million | Carrying amount at Jan. 1, 2021 | Additions/ Changes in consolidated Group | Disposals/ Other changes | Depreciation and amortization | Carrying amount at Mar. 31, 2021 |
|---|---|---|---|---|---|
| Intangible assets | 67,968 | 2,092 | 104 | 1,403 | 68,553 |
| Property, plant and equipment | 63,884 | 2,186 | 3 | 2,829 | 63,238 |
| Lease assets | 50,686 | 6,962 | 1,619 | 2,431 | 53,598 |

## 6. Inventories

| € million | Mar. 31, 2021 | Dec. 31, 2020 |
|---|---|---|
| Raw materials, consumables and supplies | 7,537 | 6,966 |
| Work in progress | 4,592 | 4,022 |
| Finished goods and purchased merchandise | 28,452 | 27,204 |
| Current lease assets | 5,143 | 5,337 |
| Prepayments | 252 | 288 |
| Hedges on inventories | 11 | 6 |
| | **45,987** | **43,823** |

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

## 7. Current other receivables and financial assets

| € million | Mar. 31, 2021 | Dec. 31, 2020 |
|---|---|---|
| Trade receivables | 18,604 | 16,243 |
| Miscellaneous other receivables and financial assets | 21,411 | 21,801 |
| | **40,015** | **38,044** |

In the period January 1 to March 31, 2021, impairment losses and reversals of impairment losses on noncurrent and current financial assets reduced operating profit by €133 million (previous year: €266 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.

## 9. Noncurrent financial liabilities

| € million | Mar. 31, 2021 | Dec. 31, 2020 |
|---|---|---|
| Bonds, commercial paper and notes | 94,198 | 88,097 |
| Liabilities to banks | 19,333 | 17,273 |
| Deposit business | 2,432 | 2,411 |
| Lease liabilities | 5,220 | 5,119 |
| Other financial liabilities | 1,313 | 1,909 |
| | **122,497** | **114,809** |

## 10. Current financial liabilities

| € million | Mar. 31, 2021 | Dec. 31, 2020 |
|---|---|---|
| Bonds, commercial paper and notes | 40,542 | 42,055 |
| Liabilities to banks | 15,264 | 18,060 |
| Deposit business | 24,352 | 26,735 |
| Lease liabilities | 1,029 | 1,005 |
| Other financial liabilities | 2,056 | 794 |
| | **83,244** | **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 MARCH 31, 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 MAR. 31, 2021 |
|---|---|---|---|---|---|---|
| | Carrying amount | Carrying amount | Fair value | Carrying amount | Carrying amount | |
| **Noncurrent assets** | | | | | | |
| Equity-accounted investments | – | – | – | – | 11,044 | 11,044 |
| Other equity investments | 275 | – | – | – | 2,180 | 2,455 |
| Financial services receivables | 284 | 49,272 | 51,798 | – | 34,674 | 84,230 |
| Other financial assets | 1,694 | 4,859 | 4,977 | 1,652 | – | 8,205 |
| Tax receivables | – | – | – | – | 422 | 422 |
| **Current assets** | | | | | | |
| Trade receivables | 86 | 18,517 | 18,517 | – | – | 18,604 |
| Financial services receivables | 27 | 40,018 | 40,018 | – | 18,814 | 58,858 |
| Other financial assets | 2,158 | 9,372 | 9,372 | 648 | – | 12,178 |
| Tax receivables | – | 5 | 5 | – | 1,312 | 1,317 |
| Marketable securities | 21,628 | 15 | 15 | – | – | 21,643 |
| Cash, cash equivalents and time deposits | – | 36,440 | 36,440 | – | – | 36,440 |
| Assets held for Sale | – | 71 | 71 | – | 475 | 546 |
| **Noncurrent liabilities** | | | | | | |
| Financial liabilities | – | 117,276 | 122,811 | – | 5,220 | 122,497 |
| Other financial liabilities | 1,005 | 2,333 | 2,328 | 860 | – | 4,198 |
| **Current liabilities** | | | | | | |
| Financial liabilities | – | 82,215 | 82,215 | – | 1,029 | 83,244 |
| Trade payables | – | 25,216 | 25,216 | – | – | 25,216 |
| Other financial liabilities | 1,343 | 10,285 | 10,285 | 1,286 | – | 12,913 |
| Tax payables | – | 14 | 14 | – | 395 | 409 |
| Liabilities associated with assets held for sale | – | 112 | 112 | – | 272 | 384 |

The carrying amount of lease receivables was €53.5 billion (previous year: €52.9 billion) and their fair value was €54.6 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 | Mar. 31, 2021 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Noncurrent assets** | | | | |
| Other equity investments | 275 | 61 | 0 | 213 |
| Financial services receivables | 284 | – | – | 284 |
| Other financial assets | 1,694 | – | 941 | 753 |
| **Current assets** | | | | |
| Trade receivables | 86 | – | – | 86 |
| Financial services receivables | 27 | – | – | 27 |
| Other financial assets | 2,158 | – | 1,873 | 285 |
| Marketable securities | 21,628 | 21,534 | 94 | – |
| **Noncurrent liabilities** | | | | |
| Other financial liabilities | 1,005 | – | 504 | 501 |
| **Current liabilities** | | | | |
| Other financial liabilities | 1,343 | – | 1,058 | 284 |

## 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 | Mar. 31, 2021 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Noncurrent assets** | | | | |
| Other financial assets | 1,652 | – | 1,652 | – |
| **Current assets** | | | | |
| Other financial assets | 648 | – | 648 | – |
| **Noncurrent liabilities** | | | | |
| Other financial liabilities | 860 | – | 860 | – |
| **Current liabilities** | | | | |
| Other financial liabilities | 1,286 | – | 1,286 | – |

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 | –22 | –7 | – |
| Total comprehensive income | –81 | 564 | – |
| recognized in profit or loss | –81 | 564 | – |
| recognized in other comprehensive income | – | – | – |
| Additions (purchases) | 4 | – | – |
| Sales and settlements | –14 | –34 | – |
| Transfers into Level 2 | –2 | –26 | – |
| **Balance at Mar. 31, 2020** | **796** | **1,262** | **3** |
| | | | |
| **Total gains or losses recognized in profit or loss** | **–81** | **–564** | **–** |
| Net other operating expense/income | –79 | –564 | – |
| of which attributable to assets/liabilities held at the reporting date | –81 | –539 | – |
| Financial result | –2 | – | – |
| 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 | 32 | 10 |
| Total comprehensive income | 120 | –56 |
| recognized in profit or loss | 80 | 43 |
| recognized in other comprehensive income | 40 | –99 |
| Additions (purchases) | 230 | – |
| Sales and settlements | –31 | –72 |
| Transfers into Level 2 | –86 | –5 |
| **Balance at Mar. 31, 2021** | **1,648** | **785** |
| | | |
| **Total gains or losses recognized in profit or loss** | **80** | **–43** |
| Net other operating expense/income | 97 | –43 |
| of which attributable to assets/liabilities held at the reporting date | 6 | –42 |
| Financial result | –16 | – |
| 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. There were no transfers between other levels of the fair value hierarchy.

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 March 31, 2021, earnings after tax would have been €254 million (previous year: €136 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 March 31, 2021 had been 10% higher, earnings after tax would have been €4 million (previous year: €3 million) higher. If the assumed enterprise values at March 31, 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 March 31, 2021, earnings after tax would have been €395 million (previous year: €347 million) higher. If the prices of the used cars covered by the residual value protection model had been 10% lower as of March 31, 2021, earnings after tax would have been €436 million (previous year: €367 million) lower.

If the risk-adjusted interest rates applied to receivables measured at fair value had been 100 basis points higher as of March 31, 2021, earnings after tax would have been €2 million (previous year: €3 million) lower. If the risk-adjusted interest rates as of March 31, 2021 had been 100 basis points lower, earnings after tax would have been €2 million (previous year: €3 million) higher.

If the corresponding vehicle price used in the vehicle financing programs had been 10% higher as of March 31, 2021, earnings after tax would have been €2 million (previous year: €4 million) higher. If the corresponding vehicle price used in the vehicle financing programs had been 10% lower as of March 31, 2021, earnings after tax would have been €2 million (previous year: €4 million) lower.

If the result of operations of equity investments measured at fair value had been 10% better as of March 31, 2021, equity would have been €10 million (previous year: €0.2 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 €10 million (previous year: €0.2 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 | Mar. 31, 2021 | Mar. 31, 2020 |
|---|---|---|
| Cash, cash equivalents and time deposits as reported in the balance sheet | 36,440 | 28,449 |
| Held for Sale | 2 | 117 |
| Time deposits | –572 | –1,672 |
| **Cash and cash equivalents as reported in the cash flow statement** | **35,869** | **26,894** |

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

| | Q1 | |
|---|---|---|
| € million | 2021 | 2020 |
| Capital contributions/Capital redemptions | –1,241 | – |
| Dividends paid | –197 | –204 |
| Proceeds from issuance of bonds | 9,812 | 6,306 |
| Repayments of bonds | –8,537 | –4,726 |
| Changes in other financial liabilities | –1,901 | 6,469 |
| Repayments of lease liabilities | –253 | –318 |
| | **–2,317** | **7,527** |

## 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 quarter 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 2020

| € million | Passenger Cars and Light Commercial Vehicles | Commercial Vehicles | Power Engineering | Financial Services | Total segments | Reconciliation | Volkswagen Group |
|---|---|---|---|---|---|---|---|
| Sales revenue from external customers | 39,240 | 5,308 | 922 | 9,477 | 54,948 | 106 | 55,054 |
| Intersegment sales revenue | 4,058 | 255 | 0 | 927 | 5,240 | –5,240 | – |
| Total sales revenue | 43,298 | 5,564 | 922 | 10,404 | 60,188 | –5,133 | 55,054 |
| Segment result (operating result) | 1,391 | 121 | –44 | 707 | 2,175 | –1,271 | 904 |

## REPORTING SEGMENTS: Q1 2021

| € million | Passenger Cars and Light Commercial Vehicles | Commercial Vehicles | Power Engineering | Financial Services | Total segments | Reconciliation | Volkswagen Group |
|---|---|---|---|---|---|---|---|
| Sales revenue from external customers | 45,410 | 6,165 | 756 | 9,946 | 62,277 | 99 | 62,376 |
| Intersegment sales revenue | 4,152 | 273 | 0 | 892 | 5,317 | –5,317 | – |
| Total sales revenue | 49,562 | 6,438 | 757 | 10,837 | 67,594 | –5,218 | 62,376 |
| Segment result (operating result) | 4,069 | 93 | –36 | 1,003 | 5,130 | –318 | 4,812 |

## RECONCILIATION

| € million | Q1 2021 | Q1 2020 |
|---|---|---|
| **Segment result (operating result)** | **5,130** | **2,175** |
| Unallocated activities | –9 | –25 |
| Group financing | –11 | 2 |
| Consolidation/Holding company function | –297 | –1,248 |
| **Operating result** | **4,812** | **904** |
| **Financial result** | **–349** | **–222** |
| **Consolidated earnings before tax** | **4,463** | **682** |

## 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.

| | SUPPLIES AND SERVICES RENDERED Q1 | | SUPPLIES AND SERVICES RECEIVED Q1 | |
|---|---|---|---|---|
| € million | 2021 | 2020 | 2021 | 2020 |
| Porsche SE and its majority interests | 1 | 1 | 0 | 0 |
| Supervisory Board members | 0 | 1 | 0 | 0 |
| Unconsolidated subsidiaries | 241 | 352 | 344 | 304 |
| Joint ventures and their majority interests | 4,246 | 3,081 | 145 | 126 |
| Associates and their majority interests | 58 | 35 | 290 | 193 |
| State of Lower Saxony, its majority interests and joint ventures | 0 | 1 | 1 | 2 |

| | RECEIVABLES FROM | | LIABILITIES (INCLUDING OBLIGATIONS) TO | |
|---|---|---|---|---|
| € million | Mar. 31, 2021 | Dec. 31, 2020 | Mar. 31, 2021 | Dec. 31, 2020 |
| Porsche SE and its majority interests | 3 | 4 | 0 | 0 |
| Supervisory Board members | 0 | 0 | 174 | 167 |
| Unconsolidated subsidiaries | 1,295 | 1,164 | 1,517 | 1,477 |
| Joint ventures and their majority interests | 12,880 | 12,207 | 2,605 | 2,250 |
| Associates and their majority interests | 395 | 397 | 972 | 951 |
| State of Lower Saxony, its majority interests and joint ventures | 19 | 25 | 2 | 2 |

The tables above do not contain the dividend payments (net of withholding tax) of €1 million (previous year: €15 million) received from joint ventures and associates.

Receivables from joint ventures are primarily attributable to loans granted in an amount of €8,370 million (December 31, 2020: €8,534 million) as well as trade receivables in an amount of €4,035 million (December 31, 2020: €3,349 million). Receivables from non-consolidated subsidiaries also result primarily from loans granted in an amount of €833 million (December 31, 2020: €642 million) as well as trade receivables in an amount of €197 million (December 31, 2020: €190 million).

Transactions with related parties are 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 €360 million (December 31, 2020: €354 million).

Impairment losses of €23 million (previous year: €118 million) were recognized on the outstanding related party receivables. In the first quarter of the year 2021, expenses of €0 million (previous year: €82 million) were incurred in this context.

In the first three months, the Volkswagen Group made capital contributions of €112 million (previous year: €62 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 37 thousand following the withdrawal of numerous motions.

In the Netherlands, the suspended class action brought by Stichting Car Claim has been resumed; oral argument on the merits of the claims is scheduled for May 2021.

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 (BGH – Federal Court of Justice) issued a comprehensively reasoned ruling holding that purchasers of vehicles with Type EA 189 diesel engines cannot raise tort-based 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 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.

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.

Furthermore, claims for damages are being asserted against individual former members of the Audi and Porsche boards of management. Claims were already asserted against a former member of the Volkswagen Passenger Cars brand Board of Management.

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

Compared with the contingent liabilities described in the 2020 Annual Report, there were no significant changes as of March 31, 2021.

## 17. Other financial obligations

Other financial obligations totaled €26.0 billion, an increase of €4.1 billion compared with the 2020 consolidated financial statements. The rise is mainly attributable to payment obligations relating to development and supply contracts.

## Significant events after the balance sheet date

There were no further events with a significant effect on net assets, financial position and results of operations after the end of the first three months of 2021.

Wolfsburg, May 4, 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 31 March 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.

Without qualifying this conclusion, we refer to the updated information provided and statements made in connection with the diesel issue by the Board of Management in the “Key events” section in the notes to the condensed interim consolidated financial statements and in the “Report on expected developments, risks and opportunities“ section in the interim group management report, where the allegations made and claims asserted against the Volkswagen Group are explained and where the information provided and statements made in the consolidated financial statements as of 31 December 2020 as well as in the group management report in the 2020 annual report are referred to. On the basis of the results of the investigation into the causes of and responsibilities for the diesel issue initiated by the Supervisory Board and presented there and reflected in these condensed interim consolidated financial statements and interim group management report, there is in particular still no confirmation that the members of the Company’s Board of Management were aware of the deliberate manipulation of the engine management software before the summer of 2015. The provisions for legal risks recognized in the condensed interim consolidated financial statements as of 31 March 2021 are based on these results and the information presented. Due to the uncertainties necessarily associated with pending and expected litigation, it cannot be ruled out that the risk estimation presented there could change in the future.

Hanover, 5 May 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.

**Test procedure**
Levels of fuel consumption and exhaust gas emissions for vehicles registered in Europe were previously measured on a chassis dynamometer with the help of the "New European Driving Cycle (NEDC)". Since fall 2017, the existing test procedure for emissions and fuel consumption used in the EU is being gradually replaced by the Worldwide Harmonized Light-Duty Vehicles Test Procedure (WLTP). This has been in place for new vehicle types since fall 2017 and will apply to all new vehicles since fall 2018. The aim of this new test cycle is to state CO2 emissions and fuel consumption in a more practice-oriented manner. A further important European regulation is the Real Driving Emissions (RDE) for passenger cars and light commercial vehicles, which also monitors emissions using portable emission measuring technology in real road traffic.

**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.

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**FINANCIAL CALENDAR**

| |
|---|
| **July 29, 2021**<br>Half-Yearly Financial Report 2021 |
| **October 28, 2021**<br>Interim Report January – September 2021 |

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


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