VOLKSWAGEN
AKTIENGESELLSCHAFT

Half-Yearly Financial Report

JANUARY – JUNE 2021

Key Figures

VOLKSWAGEN GROUP

	Q2 2021	Q2 2020	%	H1 2021	H1 2020	%
Volume Data[1] in thousands						
Deliveries to customers (units)	2,546	1,887	+34.9	4,978	3,893	+27.9
Vehicle sales (units)	2,326	1,799	+29.3	4,660	3,736	+24.7
Production (units)	2,194	1,665	+31.7	4,512	3,662	+23.2
Employees (on June 30, 2021/Dec. 31, 2020)				660.0	662.6	–0.4
Financial Data (IFRSs), € million						
Sales revenue	67,293	41,076	+63.8	129,669	96,131	+34.9
Operating result before special items	6,546	–2,394	x	11,358	–803	x
Operating return on sales before special items (%)	9.7	–5.8		8.8	–0.8	
Special items	–	–	x	–	–687	x
Operating result	6,546	–2,394	x	11,358	–1,490	x
Operating return on sales (%)	9.7	–5.8		8.8	–1.5	
Earnings before tax	6,690	–2,034	x	11,153	–1,352	x
Return on sales before tax (%)	9.9	–5.0		8.6	–1.4	
Earnings after tax	5,040	–1,536	x	8,454	–1,019	x
Automotive Division[2]						
Total research and development costs	3,774	3,132	+20.5	7,735	6,695	+15.5
R&D ratio (%)	6.8	9.7		7.2	8.7	
Cash flows from operating activities	10,197	1,464	x	19,088	3,009	x
Cash flows from investing activities attributable to operating activities[3]	4,711	3,751	+25.6	8,897	7,815	+13.8
of which: capex	1,853	2,042	–9.3	3,777	4,130	–8.5
capex/sales revenue (%)	3.3	6.3		3.5	5.4	
Net cash flow	5,486	–2,288	x	10,191	–4,806	x
Net liquidity at June 30				35,048	18,663	+87.8

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: Q2 €456(–547) million, H1 €7,359 (6,903) million.

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

Key Facts

> Deliveries to Volkswagen Group customers up 27.9% on the pandemic-related weak prior-year figure, reaching 5.0 million vehicles; growth in all regions, with higher demand particularly in Europe and in North and South America; electric vehicle deliveries almost tripled

> Group sales revenue up 34.9% year-on-year at €129.7 billion

> Operating profit increases by €12.8 billion to €11.4 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 €0.7 billion

> Profit before tax improves to €11.2 (–1.4) billion

> Very positive trend in the Automotive Division's net cash flow of €10.2 (–4.8) billion, due mainly to earnings-related factors; capex/sales revenue of 3.5 (5.4)%

> Net liquidity in the Automotive Division at €35.0 billion; dividend payment of €2.4 billion in July

> Exciting products:

- Volkswagen Passenger Cars extends its all-electric ID. family, adding the sporty ID.4 GTX with all-wheel drive, and also presents the redesigned Polo
- Audi continues its electrification campaign with the compact Q4 e-tron
- ŠKODA launches new Fabia based on the MQB
- SEAT introduces updated Ibiza and Arona models
- Bentley impresses with open-top Continental GT Speed Convertible
- Porsche presents new version of the 911 GT3 high-performance sports car
- Lamborghini showcases Huracán STO for the first time in China
- Volkswagen Commercial Vehicles celebrates world premiere of the new Multivan
- Scania R 410 crowned Green Truck 2021

Key Events

COVID-19 PANDEMIC

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

The mostly dynamic increase in the rate of infection continued in many places throughout the first quarter of 2021. This was accompanied by ongoing disruption – such as contact and mobility restrictions or limitations on business activities – in many parts of the world. With the increased availability of testing capacities and vaccines, some countries have permitted the extensive reopening of everyday life and the economy. In China in particular, the measures taken have resulted in a removal of restrictions. In most of the world, infection rates declined in the second quarter of 2021, leading to further easing of the measures taken to contain the pandemic. However, some countries in South and Central America, Asia and Europe recorded a new rise in infections, which was primarily due to new variants of the SARS-CoV-2 virus. Some restrictions returned in response to the situation.

NEW PRODUCTS AND TECHNOLOGIES PRESENTED

The Volkswagen Group and its brands presented new vehicles and technologies once again in the second quarter of 2021. Due to the pandemic, the presentations continued to be largely online.

Auto Shanghai 2021

The Volkswagen Passenger Cars brand presented a host of new vehicles at Auto Shanghai 2021. With the debut of the all-electric ID.6 X and ID.6 CROZZ models, Volkswagen is taking its electrification campaign to a new level. The flagship SUV in the ID family is based on the Modular Electric Drive Toolkit (MEB) and was developed exclusively for the Chinese market. The expressive, aerodynamic and modern exterior features illuminated front and rear logos and makes the ID.6 X and ID.6 CROZZ unmistakable on the road. Intuitively user-friendly, the human-machine interface makes for an easier drive thanks to state-of-the-art technologies, such as the augmented reality head-up display and the Volkswagen ID. Light, a strip of light that visually communicates with the driver, for instance to indicate an upcoming turn. Numerous driver assist systems provide added comfort and safety. The vehicle comes as either a six- or seven-seater and has two battery options. The Teramont and Teramont X SUVs have been refreshed with a new design and the latest technology. The full-size Teramont with seven seats features a new front and rear bumper and new lighting for a more distinctive, powerful effect. The Teramont X sister model is sportier than ever, with special R-Line styling including an updated front end with embedded high-gloss black trim, a lower spoiler and a special rear bumper. Both models feature extensive touch control functions and the latest generation of driver assist systems. They come with the option of an efficient 137 kW (186 PS) or high-power 162 kW (220 PS) 2.0-liter turbocharged engine. With the Talagon, Volkswagen is expanding its SUV campaign in China and opening up a new segment that falls between SUVs and MPVs. The model has a wheelbase of 2,980 mm and is available with six or seven seats. The Talagon is based on the Modular Transverse Toolkit (MQB) and has the latest hardware and software on board for the best possible user-friendly driving experience. The modern exterior stands out with a lighting package featuring illuminated door handles and roof rails and an illuminated rear logo. The Innovision Cockpit in free-floating design makes for a striking interior. The top-of-the range powertrain has a 2.5-liter V6 engine with all-wheel drive and a power output of 218 kW (296 PS). The Volkswagen Passenger Cars exhibit at the motor show was completed with the presentation of a Golf GTI specially adapted for the Chinese market. Until now, the Golf GTI had not been available in China.

The Audi brand presented no fewer than four world premieres at Auto Shanghai 2021: the Audi A6 e-tron concept showcar revealed for the first time what an electric car could look like when based on the Premium Platform Electric (PPE) architecture. The 4.96-meter-long, dynamic sportback model offers a range of more than 700 km thanks to its 100 kWh battery. The 800-volt on-board technology enables extremely fast charging – it takes just ten minutes to recharge enough energy to cover 300 km under ideal conditions. With the new Audi Q5L presented in Shanghai, the brand completed the upgrade of the Q5 range to include a long-wheelbase version. The completely redesigned Audi A7L saloon, manufactured in China and reserved for the Chinese market, combines the sporty DNA of the A7 Sportback with the prestigious elegance of a large saloon. Innovative technologies such as adaptive air suspension, rear-wheel steering and the permanent quattro four-wheel drive are among the Audi A7L's features. Audi also brought a concept vehicle called the Audi concept Shanghai to the motor show, albeit still under wraps. The production version of the 4.87-meter-long, all-electric SUV is to be unveiled in the second half of 2021.

Lamborghini celebrated three premieres at Auto Shanghai 2021 that underscore the Italian super sports car brand's passion and racing DNA. The Essenza SCV12 hypercar, produced in a limited edition of 40 units, celebrated its worldwide debut. It has a V12 naturally aspirated engine and a power output of 611 kW (830 PS). It was joined by the road-legal super sports car Huracán STO, making its Chinese debut. With its naturally aspirated V10 engine generating 471 kW (640 PS), it can accelerate from 0 to 100 km/h in just 3.0 seconds and has a top speed of 310 km/h. In addition, the Huracán EVO Fluo Capsule was presented in the Asia-Pacific region for the first time. The super sports car is highly customizable, coming in a bold yet elegant collection of bright, vibrant exterior color schemes with complementary interior color and trim options.

Other new vehicles

In a digital world premiere in April 2021, the Volkswagen Passenger Cars brand presented its first all-electric high-performance model: the ID.4 GTX. The new GTX product brand is bringing new and intelligent sportiness to the world of electric mobility. The design of the ID.4 GTX underscores its extraordinary character, combining driving fun with a robust look. The familiar light strip of the ID.4 has been combined with powerful, dynamic elements. Honeycomb elements that form the daytime running lights maintain the connection with the Golf GTI. Alongside the newly designed bumpers, the eye-catching elements at the rear include the 3D LED taillight cluster with brake lights that form an X shape. The ID.4 GTX is the first model based on the MEB that has dual-motor all-wheel drive with an electric drive motor on both the front and rear axle. Together, they deliver an electrical output of 220 kW (299 PS). The brand also presented the new generation of the Polo in April. A highlight of the compact bestseller is the digital cockpit landscape now fitted as standard: all information relevant to the driver is arranged in a single line of vision, with the digital instrument panel and infotainment system merging into a single unit that is intuitive to operate. With its standard systematic integration of information, communication and entertainment, the Polo sets a new benchmark in its class. As well as the base model, the Polo is available in the Life, Style and R-Line equipment lines, in the special "Fresh" edition and as a dynamic Polo GTI with 152 kW (207 PS) of power. In May, the Volkswagen Passenger Cars brand celebrated the debut of the new Tiguan Allspace. Along with a refreshed exterior, the long-wheelbase version features technical updates: new control and assist systems ensure even more comfort, and the on-board infotainment system gives the Tiguan Allspace a host of online services and functions. With a luggage compartment capacity of up to 1,920 liters and an optional third row of seating, it offers even more space for passengers and luggage.

The Audi brand continued its electrification campaign in the second quarter of 2021 and celebrated the digital world premieres of the Q4 e-tron and Q4 Sportback e-tron. The all-electric models represent the brand's entry into premium e-mobility in the compact segment. They are defined by Audi's typical design that combines sportiness and progressiveness. The impressively spacious interior offers an optional augmented reality head-up display for an innovative driving experience. The choice of motors comprises three drive variants, including a top-of-the-range quattro model with a maximum power output of 220 kW (299 PS). The Q4 e-tron has a range of up to 520 km. Thanks to a maximum charging capacity of 125 kW, it takes approximately ten minutes to charge enough energy to cover around 130 km under ideal conditions.

ŠKODA presented the fourth generation of the Fabia in the second quarter. The successful small car is the first Fabia to be based on the Volkswagen Group MQB and boasts an emotive design, above-average space for its class, improved comfort, new infotainment functions and numerous new safety and assist systems. The brand's traditional characteristics such as good price-performance ratio, excellent functionality and the many simply clever ideas round off the new Fabia. ŠKODA also presented the redesigned Kodiaq. The emotive design of the highly successful SUV, which includes the option of seven seats, has been further refined and its aerodynamic efficiency enhanced. Innovative LED matrix headlights are also now available on the Kodiaq for the first time. In addition to the visual refinements, the sporty, top-of-the-range Kodiaq RS model has a new, more powerful TSI engine generating 180 kW (245 PS).

The SEAT brand has also refreshed its model range and presented new versions of the Arona and Ibiza in the second quarter. The design update of the Arona SUV brings its off-road character even more to the forefront. The successful Ibiza small car now features Eco LED headlights as standard. Both vehicles impress with a modern, digital interior with a larger infotainment system, improved voice recognition and new connectivity solutions. Additional driver assist systems and a wide range of efficient engines are also available.

In April, Bentley celebrated the debut of the Continental GT Speed Convertible – the most powerful convertible in the Continental GT model range. The technically advanced suspension provides a commanding drive thanks to improved traction and precision. All-wheel steering and an electronic rear differential enhance the vehicle's agility and stability. The new carbon-ceramic brakes provide powerful braking force. The technically updated 6.0-liter W12 engine delivers 485 kW (659 PS), enabling a sprint from 0 to 100 km/h in 3.7 seconds and a top speed of 335 km/h. Bentley also presented the Bentayga S, the sportiest model in its SUV range. The 4.0-liter, twin-turbocharged V8 engine generating 404 kW (550 PS), along with an improved sports suspension calibration, provides greater agility and dynamic ability. Athletic design features, dark tinted headlights, 22-inch wheels and a new split sports exhaust reveal this vehicle's performance potential.

The Porsche brand presented the seventh generation of the 911 GT3 in April. Another successful transfer of technology from motor racing to a road vehicle has further elevated the high-power sports car's performance, without compromising on practicality. A hanging rear wing with a choice of four positions along with a front diffuser which is also adjustable provides improved aerodynamics and stronger downforce. The 4.0-liter naturally aspirated engine puts 375 kW (510 PS) to the wheels. The 911 GT3 is also available in the popular touring package with special exterior touches and extra interior detailing. The fixed rear wing is replaced here by an automatically extendable spoiler. In June, Porsche presented the 911 GTS version of the 911 model range. The six-cylinder boxer engine generates 353 kW (480 PS). A choice of eight-speed Porsche dual-clutch transmission or a seven-speed manual gearbox, combined with a sports chassis specially designed for the GTS with Porsche Active Suspension Management, ensures a superlative powertrain. An even sportier-looking Cayenne Turbo GT, available solely as a four-seater, has joined the Cayenne range. With its 471 kW (640 PS) V8 twin-turbo engine, it sprints from 0 to 100 km/h in 3.3 seconds and has a maximum speed of 300 km/h. The Cayenne Turbo GT comes with all available chassis systems fitted as standard and performance tyres developed specially for this model.

Volkswagen Commercial Vehicles celebrated the world premiere of the new Multivan in June. Specially designed for families and sports enthusiasts, the all-rounder has a newly developed seating and cargo space system that can adapt to countless mobility scenarios. It excels among other things with a lounge-style interior, easily adjustable and removable individual seats, a panoramic roof and a brand-new instrument panel with integrated display landscape. For the first time, the Multivan also comes in a plug-in hybrid drive version. With a power output of 160 kW (218 PS), it combines local emission-free driving with a very large range and low overall fuel consumption. The range of assist systems has also expanded significantly: Front Assist with City Emergency Braking System, Lane Assist, road sign recognition and swerve support with a new oncoming-vehicle-braking-when-turning function now all come as standard. There is also an innovative new Travel Assist function, which enables semi-automated driving at up to 210 km/h. The standard LED headlights can be optionally upgraded to LED matrix headlights with interactive light control. As is customary, the new generation of the Multivan is available in a base model and in an extended-wheelbase version with a larger cargo space.

AWARDS

In mid-April 2021, several Group models received the renowned Red Dot Award for their outstanding product design. The CUPRA brand's Formentor won the coveted prize in the product design category thanks to its everyday practicality paired with passion and emotion. The ŠKODA brand also won over the jury with the all-electric Enyaq iV and its emotive, powerful design language. In addition, the Volkswagen Commercial Vehicles brand's new Multivan, which impresses with its functionality and a modern, innovative design, took the coveted Red Dot Award: Best of the Best prize. The Red Dot Award is one of the world's best-known design competitions and is considered to be a seal of high-quality design. The international expert jury is comprised of independent designers, design professors and trade journalists.

The Volkswagen Passenger Cars brand received the top five-star rating for its all-electric ID.4 in the Euro NCAP test in mid-April 2021. The ŠKODA brand also a achieved a five-star overall rating with the Enyaq iV. CUPRA had a strong start, scoring a five-star rating in the test with its first standalone model, the Formentor.

At the end of April 2021, Volkswagen Passenger Cars won the international World Car of the Year Award with the all-electric ID.4. The compact SUV symbolizes the systemic change to e-mobility and also offers superb practicality. With this model, the ID.3 and the planned future ID models, Volkswagen wants to make electric mobility something for everyone in the volume sector. The World Car Awards are presented annually, with more than 90 international automotive journalists from 24 countries voting for the best new cars on the global market.

In mid-June 2021, Scania won the Green Truck 2021 award for the fifth time in a row with its R 410. With this model, the Scania brand combines factors such as fuel savings, sustainability and cost efficiency. As part of the Volkswagen Group, Scania also recognizes its responsibility to help achieve the goals of the Paris Climate Agreement. The focus is not only on the electrification strategy but also on developing efficient combustion engines. The award is organized by Germany's Trucker and VerkehrsRundschau magazines as part of the Green Truck benchmark test. Environmental performance is measured by comparing fuel consumption and CO_2 emissions. The accolade seeks to find the most fuel-efficient and environmentally friendly commercial vehicle in the class and is awarded annually.

ANNIVERSARIES

In May 2021, Volkswagen Slovakia celebrated its 30th anniversary. With sites in Bratislava, Martin and Stupava, Volkswagen Slovakia is one of the country's largest employers and automakers. The multi-brand plant in Bratislava produces eight models for four Group brands under one roof and was crowned Factory of the Year 2020 by management consulting firm A.T. Kearney together with the publisher Süddeutscher Verlag and the industry magazine Produktion.

Also in May 2021, Volkswagen Group Services GmbH celebrated its 20th anniversary. Volkswagen Group Services GmbH provides comprehensive services across many disciplines along the entire value chain in the Volkswagen Group. To mark its anniversary, the company is planting 20,000 trees in partnership with the Harz National Park. With this initiative, Volkswagen Group Services GmbH is helping the Harz National Park to protect and restore the natural forests. The sustainability initiative is also linked to a competition for employees, which will make planting more trees possible.

PARTNERSHIPS

At the end of May 2021, ŠKODA announced that it would introduce efficient energy storage units for authorized ŠKODA dealerships in partnership with the Czech technology company IBG Česko, enabling a second life cycle for used batteries from the all-electric Enyaq iV and the plug-in hybrid Superb iV and Octavia iV models. The energy storage units for sustainably generated electricity have a capacity of up to 328 kWh, can be scaled up or down individually and are designed so that the batteries can be exchanged in just a few steps. Dealerships can use them to charge electric vehicles or to power lighting and air conditioning in their showrooms and workshops.

In mid-June 2021, Volkswagen and the Swedish battery cell producer Northvolt AB agreed to concentrate production of Volkswagen premium cells in Skellefteå, Sweden. In connection with this, Volkswagen participated in a financing round at Northvolt AB that was proportionate to its shareholding, investing a further USD 650 million in the company. Volkswagen also increased its existing convertible loan by a further €190 million and, at the same time, converted this part of the loan to preferred shares. This has increased Volkswagen's ownership interest in Northvolt AB to 23.6%. Production of premium cells at Northvolt in Skellefteå is to begin in 2023.

At the end of June 2021, Porsche announced the founding of Cellforce Group GmbH, a joint venture with the Fraunhofer Institute spin-off Customcells GmbH. The aim is to develop and produce high-performance battery cells, initially to be used in motorsport from 2024. The planned production plant in the Stuttgart area will have a capacity of up to 100 MWh per year.

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. On July 1, 2021, after presenting all regulatory approvals, TRATON acquired all outstanding ordinary shares in Navistar for a purchase price of USD 3.7 billion. TRATON now holds 100% of the shares in Navistar.

MERGER OF MAN SE WITH TRATON SE

At the end of February 2020, TRATON SE (TRATON) announced its intention to merge MAN SE (MAN) with TRATON. The shares held by noncontrolling interest shareholders of MAN are to be transferred to TRATON against payment of an appropriate cash settlement in the context of this merger (merger squeeze-out). TRATON holds 94.36% of MAN'S share capital and announced its offer of a cash settlement to MAN's noncontrolling interest shareholders in the amount of €70.68 per share on May 8, 2021. The merger of MAN with TRATON was agreed by the Annual General Meeting of MAN SE on June 29, 2021. The merger squeeze-out will take effect upon the entry of the transfer resolution and of the merger itself in the commercial register for the headquarters of TRATON SE and MAN SE.

SETTLEMENT AGREEMENTS 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 Mr. Rupert Stadler, former member of the Board of Management of Volkswagen AG and former Chair of the Board of Management of AUDI AG, for breach of their duty of care under stock corporation law. The resolution was based on identified negligent breaches of duty. The investigation found no breaches of duty by other members of the Volkswagen AG Board of Management. The investigation covered all members of the Board of Management who were in office during the relevant period.

In June 2021, agreements on damage payments were reached in this connection with the goal of achieving speedy, legally certain, and final resolution of the diesel issue as far as the civil liability of members of governing bodies is concerned. To this end, Volkswagen and Audi entered into damage settlements (liability settlements) with Prof. Winterkorn and Mr. Stadler respectively in connection with the diesel issue. Prof. Winterkorn's damage payment amounts to €11.2 million and that of Mr. Stadler to €4.1 million. Volkswagen has furthermore reached agreement with the relevant insurers under its directors and officers liability policies (D&O insurance) on payment of an aggregate sum of €270 million (coverage settlement).

In addition, agreement was reached on damage payments by a former member of Audi's Board of Management and by a former member of Porsche's Board of Management.

ANTITRUST INVESTIGATION

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

ANNUAL GENERAL MEETING

The 61st Annual General Meeting of Volkswagen AG took place on July 22, 2021. Due to the Covid-19 pandemic, it was held as a virtual meeting once again. With around 94% of the voting share capital present, the shareholders approved the proposal of the Board of Management and Supervisory Board to pay a dividend of €4.80 per ordinary share and €4.86 per preferred share for fiscal year 2020, unchanged from the previous year. Furthermore, the Annual General Meeting approved the actions of the members of the Board of Management and Supervisory Board for fiscal year 2020 and approved two amendments to the Articles of Association. The agenda of the Annual General Meeting also included resolutions on settlement agreements for damages in connection with the diesel issue. These resolutions were adopted by the Annual General Meeting. The shareholders also approved the new system presented by the Supervisory Board for remuneration of Board of Management members and confirmed the existing remuneration regulations set out in the Articles of Association for members of the Supervisory Board. In addition, the Annual General Meeting appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as the auditors for the single-entity and consolidated financial statements for fiscal year 2021 and as the auditors to review the condensed consolidated financial statements and interim management report for the period from January 1 to September 30, 2021 and for the first quarter of the 2022 fiscal year. The terms of office of Dr. Louise Kiesling and Mr. Hans Dieter Pötsch as members of the Volkswagen AG Supervisory Board duly ended at the close of the Annual General Meeting. The Annual General Meeting re-elected them both to the Supervisory Board for another full term of office as shareholder representatives.

SUPERVISORY BOARD MATTERS

Effective May 11, 2021, Ms. Daniela Cavallo was elected by the court as a replacement member of the Volkswagen AG Supervisory Board. In addition, the Supervisory Board elected her as a member of the Executive Committee effective May 18, 2021. Ms. Cavallo has chaired the General and Group Works Councils at Volkswagen AG since the end of April 2021 and succeeds Mr. Bernd Osterloh on the Volkswagen AG Supervisory Board and Executive Committee.

The Supervisory Board of Volkswagen AG re-elected Mr. Hans Dieter Pötsch as its chair on July 22, 2021.

Volkswagen Shares

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

On the German stock market, the DAX made a strong start to the fiscal year and hit a new record high in each month of the reporting period. Germany's benchmark index remained largely unmoved by the continuing spread of the SARS-CoV-2 virus, and more than compensated for the previous year's slump, although the pace of increase slowed in the second quarter. The main drivers of this development were the start of vaccinations and the continued economic stimulus by central banks and governments all around the world, as well as the signs of an emerging recovery in the global economy. Support also came from gains in automotive stocks. The concerns of market participants regarding rising inflation had a negative impact, however.

Volkswagen AG's preferred and ordinary shares also recovered from the loss in value caused by the pandemic. Their prices were up by 39% and 63% respectively compared to the end of 2020. At the end of June 2021, they were therefore above the level seen before the Covid-19 pandemic and were above €200 for the first time since 2015. There were two main reasons for the encouraging performance of Volkswagen shares. Firstly, the Group's business performance in 2020 and the first quarter of 2021 was better than had been feared at the outset of the pandemic. Secondly, the plans presented by the Group (that in some cases have already been implemented) for accelerating the expansion of e-mobility along with the necessary battery technology and charging components were well received by investors.

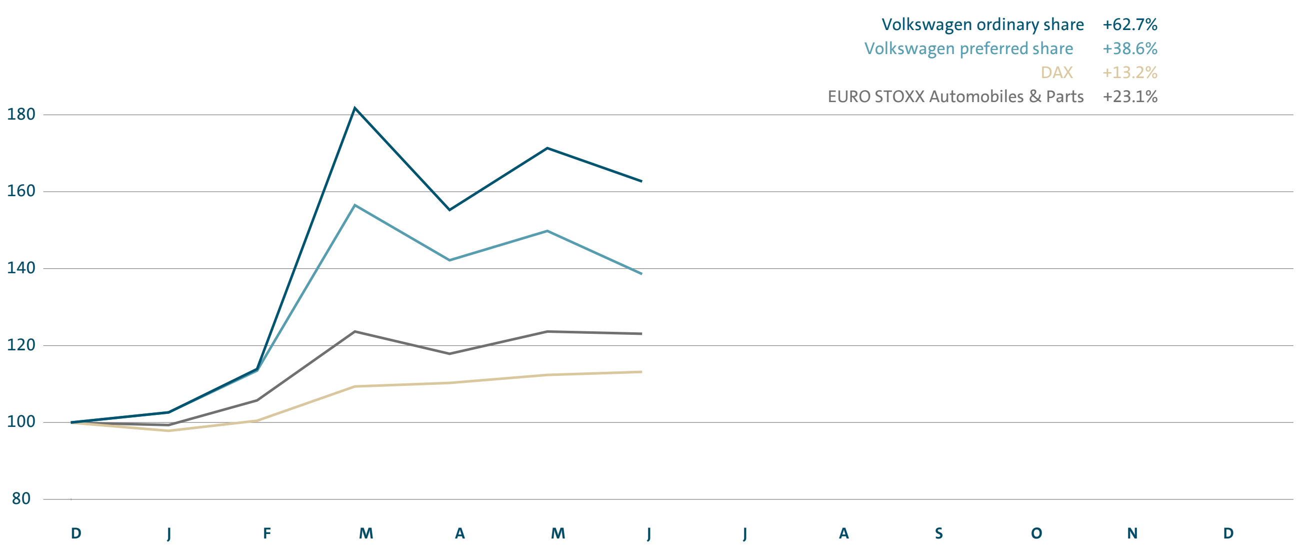
Information and explanations on earnings per share can be found in the notes to the interim consolidated financial statements. Additional Volkswagen share data, plus corporate news, reports and presentations can be downloaded from our website www.volkswagenag.com/en/InvestorRelations.html.

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

		High	Low	Closing
Ordinary share	Price (€)	327.20	165.70	276.80
	Date	Mar. 18	Jan. 12	June 30
Preferred share	Price (€)	246.55	144.80	211.20
	Date	Apr. 6	Jan. 13	June 30
DAX	Price	15,730	13,433	15,531
	Date	June 15	Jan. 29	June 30
ESTX Auto & Parts	Price	662	491	621
	Date	June 7	Jan. 11	June 30

PRICE DEVELOPMENT FROM DECEMBER 2020 TO JUNE 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 first half of 2021 to varying degrees. The progress made by many countries in administering vaccines to their populations had a positive effect, while the emergence of new variants of the virus led to a renewed rise in infections at a national level. Compared with the prior-year period, the global economy recorded positive growth. In both the advanced economies and the emerging markets, the average rate of expansion of gross domestic product (GDP) was far higher than the negative growth seen in the first half of 2020. 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 relatively low. On average, prices for energy and other commodities rose significantly compared with the prior-year period. Global trade in goods increased in the reporting period.

The economies of Western Europe recorded markedly positive growth overall from January to June 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 falling infection rates in many countries during the second quarter, which led to the relaxing of measures to contain the pandemic.

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

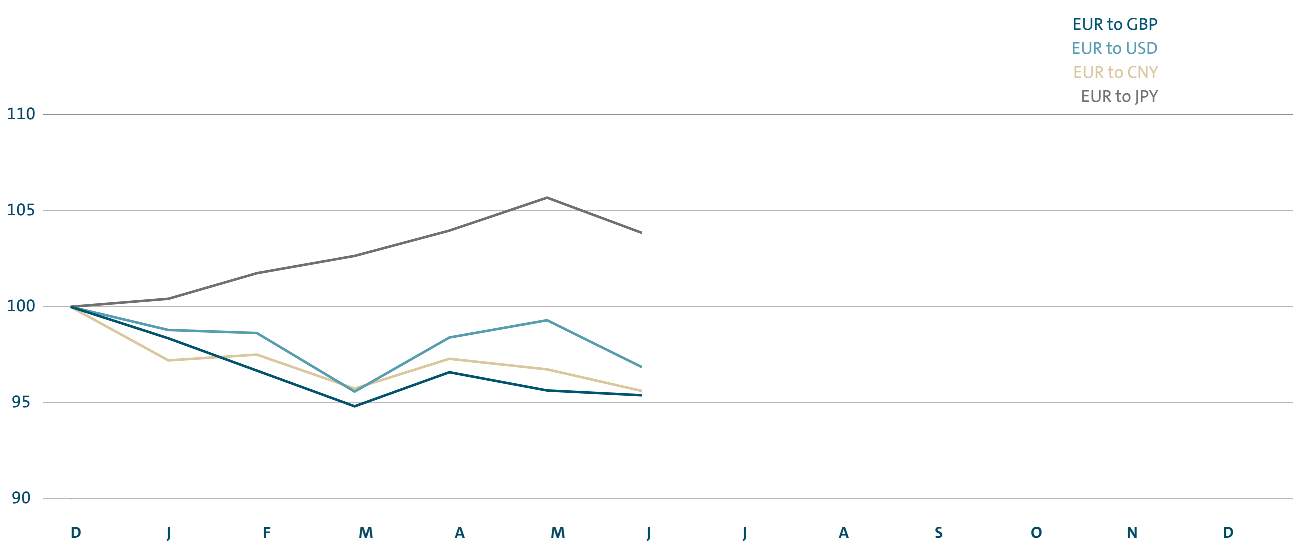
As a whole, the economies in Central and Eastern Europe showed an increase in real absolute GDP in the first six months of the year compared with the first half of 2020. This trend was also observed in Russia, the largest economy in Eastern Europe.

Turkey's economy achieved positive GDP growth in the first half of 2021 amid high inflation and a devaluation of the local currency. South Africa also recorded a positive development in GDP in the reporting period amid persistent structural deficits and political challenges.

The US economy achieved significantly positive growth in the first six months of 2021 as infection rates tapered off. The US government approved a further comprehensive stimulus

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2020 TO JUNE 2021

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



package in the first quarter of this year to strengthen the economy. Both the weekly number of people filing new claims for unemployment benefits and the unemployment rate fell, but remained at a relatively high level. The average inflation rate increased in the reporting period. In Canada and Mexico, economic output was also significantly higher than in the same period of 2020.

Brazil's economy recorded an increase from January to June 2021 despite high infection rates. Argentina registered a recovery in economic output 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 low number of new infections as the year progressed. The country's economic output continued to rise in the reporting period. India registered positive economic growth overall amid a spike in infections. Japan also recorded a positive GDP growth rate compared with the same period of the previous year.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

Between January and June 2021, global demand for passenger cars rose sharply on the whole compared with the weak level recorded in the prior-year period (+29.1%). However, the growth was uneven owing to the effects of the Covid-19 pandemic, which varied strongly from region to region both in the first six months of 2020 and in 2021. The overall markets of the South America and Africa regions recorded above-average growth. The increases in Western Europe, Central and Eastern Europe, North America and Asia-Pacific were roughly in line with the global average.

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

In Western Europe, demand for passenger cars in the reporting period was up sharply on the previous year. The continuing restrictions aimed at containing the Covid-19 pandemic led to a year-on-year decline in deliveries in the first two months of 2021. From March onwards, demand in the individual months exceeded that of the previous year, which had been affected by the pandemic as of the last third of the first quarter and particularly in the second quarter of 2020. The performance of the large individual passenger car markets was positive without exception: from January to June 2021, new registrations of passenger cars in France, the United Kingdom, Italy and Spain recorded above-average double-digit growth rates.

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

Demand for passenger cars in Germany rose significantly between January and June 2021. In addition to 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 registrations in the first few months of the reporting period.

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

In the Central and Eastern Europe region, there was a strong rise in sales of passenger cars in the first six months of 2021 compared with the prior year. The development of demand varied from market to market. In the Central European EU countries as a whole, a lower absolute increase in demand was registered than in Russia, the region's largest single market. This recorded a very sharp rise in demand in the reporting period after falling moderately short of the prior-year level in the first quarter of 2021.

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

In Turkey, the passenger car market volume in the reporting period exceeded the low level of the previous year by more than 50%. 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 June 2021 was up by around a third on the very weak figure recorded the previous year.

Between January and June 2021, demand for light commercial vehicles rose both in Turkey and in South Africa by more than 50% year-on-year.

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

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

In South America, the volume of new registrations for passenger cars and light commercial vehicles in the first six months of 2021 was on the whole much higher than in the weak prior year, which had been drastically affected by the impact of the Covid-19 pandemic. In both Brazil and Argentina, the number of new registrations was approximately one-third higher than in the prior-year period.

In the Asia-Pacific region, the volume of the passenger car market in the reporting period increased sharply compared with the prior-year figure, which had been substantially impacted by the SARS-CoV-2 virus, and nearly reached its pre-pandemic level. The absolute 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, but weakened towards the end of the reporting period. In the Indian passenger car market, sales in the January to June 2021 period virtually doubled compared with the weak prior year. In Japan, the number of new passenger cars registered in the reporting period was up significantly on the prior-year period.

There was a moderate year-on-year improvement in demand for light commercial vehicles in the Asia-Pacific region. Registration volumes in China, the region's dominant market and the largest market worldwide, fell noticeably year-on-year. The number of new vehicle registrations in India rose very sharply, and in Japan the number was markedly higher 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 much higher in the reporting period compared with the prior year. Compared with the previous year, which had been adversely affected by the Covid-19 pandemic, a recovery of the truck markets could be observed worldwide.

Demand in the 27 EU states excluding Malta, but plus the United Kingdom, Norway and Switzerland (EU27+3), was also up sharply on the previous year's level in the first half of 2021. Growth could be observed in almost all truck markets in the region. Poland saw demand virtually double, while the UK recorded growth of more than 40%. France and Germany also saw an appreciable rise in demand. The Russian market grew very sharply. New registrations in Turkey impressively more than doubled year-on-year, albeit from a low prior-year level. On the South African market, demand was up by more than 60%. In Brazil, the largest market in the South America region, demand for trucks in the first half of 2021 was up more than 50% year-on-year.

In the first six months of 2021, there was noticeable growth in demand overall in the bus markets that are relevant for the Volkswagen Group compared with the same period of the prior year. Between January and June 2021, demand for buses in the EU27+3 markets was unchanged on the weak level of the previous year. Demand for buses in Brazil was up very sharply year-on-year, while Mexico registered a significant increase on the previous year. As a consequence of the Covid-19 pandemic, demand for coaches in particular was still virtually non-existent in any of the bus markets that are relevant for the Volkswagen Group.

TRENDS IN THE MARKETS FOR POWER ENGINEERING

The markets for power engineering are subject to varying regional and economic factors. Consequently, their business growth trends are mostly independent of each other.

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

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

The market for turbo machinery recovered in the first half of 2021 from the negative impacts of the Covid-19 pandemic, with a markedly positive year-on-year trend. Prices for raw materials continued to increase significantly, resulting in rising demand for production facilities with turbo compressors in the raw materials and processing industry. In contrast, the oil and gas markets saw significant falls in demand. The growth markets for turbo machinery, for instance the market for electro thermal energy storage (ETES), improved significantly compared with the first half of 2020, driven by greater focus on investment and markedly higher prices for carbon dioxide certificates in European trading. However, demand for steam turbines used for power generation and gas turbines used for decentralized, industrial combined-heat-and-power installations declined and deteriorated once again year-on-year due to the modified focus of investment and overcapacity on the part of electricity producers.

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

The impact of the Covid-19 pandemic was also still clearly felt in the after-sales market for turbo machinery in the first six months of 2021. Due to financial constraints, capital-intensive modifications continued to be postponed or in some cases even canceled.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

Demand for automotive financial services was buoyant in the first half of 2021 due, among other things, to the persistently low key interest rates in the main currency areas. Nevertheless, 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 reporting period. Vehicle deliveries, however, saw a sharp increase on the pandemic-related weak level of the previous year. The demand for financing and lease contracts for new vehicles also exceeded the figure for 2020; however, the proportion of contracts to total sales declined year-on-year. A positive trend was also recorded in the campaign business for the financing of used vehicles, where the current market environment enabled further growth particularly in after-sales products such as servicing, maintenance and spare parts agreements.

In Germany, the pandemic's impact also continued to affect the financial services business. Nevertheless, more lease contracts were signed with both individual and fleet customers in the first half of 2021. The number of new financing contracts for new and used vehicles was down on the previous year's level, though the used vehicle business performed positively especially in the second quarter. The number of new maintenance and insurance products was lower than in the previous year, with a few exceptions.

In South Africa, demand for financing and insurance products for new and used vehicles rose slightly in the first half of 2021, continuing to be bolstered by campaigns, vehicle price inflation and interest rates that remained at historic lows. Financed vehicle acquisitions, however, remained difficult overall in light of the subdued economy and continuing pressure on disposable income.

In the North America region, vehicle deliveries and the demand for lease and financing contracts, were up on the previous year's figures in the first half of 2021 along with after-sales products and automotive-related insurance. In the USA, the proportion of lease and financing contracts in percentage terms was virtually unchanged year-on-year. In Canada, however, it declined due to the previous year's Covid support programs. In Mexico, vehicle deliveries increased year-on-year. In absolute terms, the number of lease and financing contracts here reached the previous year's level, though demand in the fleet business was below the equivalent figure for 2020.

In the South America region, demand for automotive financial services in the first half of 2021 remained roughly level with the previous year in an automotive market that has recovered since 2020. In Brazil, the trend toward the fleet business and long-term leases strengthened. In Argentina, customers purchased their vehicles mostly in cash in a difficult macroeconomic environment and sales increased through car savings plans.

China's passenger car market continued to recover from the Covid-19 pandemic at the beginning of 2021. This recovery weakened, however, in the second quarter, which also meant fewer contracts were signed for automotive-related financial services. The comparative prior-year figures were nearly reached in the reporting period. In the Japanese market, demand for financial services rose slightly compared with the prior-year period.

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

VOLKSWAGEN GROUP DELIVERIES

The Volkswagen Group delivered 4,978,238 vehicles to customers worldwide in the first half of 2021. This was 27.9% or 1,085,192 units more than in the same period of the previous year, when demand was strongly impacted by 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 JUNE 30[1]

	2021	2020	%
Passenger Cars	4,851,786	3,815,308	+27.2
Commercial Vehicles	126,452	77,738	+62.7
Total	**4,978,238**	**3,893,046**	**+27.9**

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

GLOBAL DELIVERIES BY THE PASSENGER CARS BUSINESS AREA

Global demand for Volkswagen Group passenger cars and light commercial vehicles from January to June 2021 rose by 27.2% year-on-year to 4,851,786 units. The uncertainty and the measures taken around the world in connection with the Covid-19 pandemic resulted in market conditions that had a strong impact on the comparative figure for 2020. In terms of the trend in our deliveries to customers, there were some appreciable differences across individual countries and regions in the reporting period, depending on the latest infection rates, the related restrictions and the scale of disruption caused by the pandemic in the prior-year period. Furthermore, sales figures were impacted in some regions as a result of supply bottlenecks for semiconductors. All Volkswagen Group brands exceeded their prior-year figures. We registered increased demand year-on-year in all regions.

The Group's sales figures also responded positively to its e-mobility campaign; in the first half of 2021, we delivered 170,939 fully electric vehicles to customers worldwide. This was 106,477 more units than in the same period of the previous year. Our plug-in hybrid models were also very popular with our customers, with 171,300 units being sold (previous year: 56,303). As a result, electric vehicle deliveries nearly tripled year-on-year, rising to 6.9 (3.1)% of total Group deliveries. The Group's most successful all-electric vehicles included the ID.4, ID.3 and e-up! from the Volkswagen Passenger Cars brand, the Audi e-tron and Audi e-tron Sportback, the ŠKODA Enyaq iV, the SEAT Mii electric and the Porsche Taycan. The most popular plug-in hybrid models included the Golf hatchback, Passat Estate and Tiguan from Volkswagen Passenger Cars, the Audi A3 Sportback and Audi Q5, the ŠKODA Octavia Combi and ŠKODA Superb Combi, the SEAT Leon Sportstourer, the CUPRA Formentor and the Porsche Cayenne.

In an overall global market exhibiting strong growth, we achieved a passenger car market share of 12.6 (12.8)%.

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 1,582,571 vehicles to customers in the first six months of this year in an overall market that was at a much higher level than the prior year. This was 30.5% more than in the same period of the previous year, which had been strained by the pandemic. While the course of the Covid-19 pandemic and the restrictions aimed at containing it continued to act as a drag on demand for Group models in the first quarter of 2021, demand rose particularly at the beginning of the second quarter as compared with the same period of the previous year, the quarter that had been affected most by the pandemic. Demand for the Volkswagen Group's electric vehicles was strongest in Western Europe, where we delivered more than two-thirds of our plug-in hybrids and over two-thirds of our all-electric models to customers in the first half of 2021. In this region, electrified vehicles accounted for over 15% of the Group's total deliveries. The Group models with the highest volume of demand were the Golf, T-Roc, Tiguan and Polo from the Volkswagen Passenger Cars brand. In addition, new or successor models introduced to the market in the previous year proved very popular with customers, including the up!, the T-Roc Cabrio and Arteon Shooting Brake and the first all-electric production models, the ID.3 and ID.4 from the Volkswagen Passenger Cars brand, the A3 saloon, A3 Sportback and e-tron Sportback from Audi, the ŠKODA Octavia, the SEAT Leon and CUPRA Formentor. Other 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, Q3 Sportback, Q5 and Q5 Sportback from Audi, the SEAT Tarraco and the CUPRA Formentor, as well as the all-electric e-tron GT and Q4 e-tron from Audi and the Enyaq iV from ŠKODA. The Volkswagen Group's share of the passenger car market in Western Europe expanded to 24.3 (23.6)%.

In Germany, demand for vehicles from the Volkswagen Group was up 19.5% on the pandemic-related weak prior-year figure in an overall market that grew significantly between January and June 2021. The first quarter saw a lower volume of new registrations as an effect of the Covid-19 pandemic as well as early purchases made in the fourth quarter of 2020 in anticipation of the expiry of the temporary reduction in value-added tax (VAT), but demand recovered as the reporting period went on. The Group models with the highest volume of demand were the Golf and Passat Estate from the Volkswagen Passenger Cars brand. In addition, the new or successor models introduced in the previous year – the up!, T-Roc Cabrio, Tiguan and Arteon Shooting Brake and the first all-electric production models, the ID.3 and ID.4 from Volkswagen Passenger Cars, the A3 Sportback and e-tron Sportback from Audi, the ŠKODA Octavia, the Leon and Ateca from SEAT and the CUPRA Formentor – were very popular with customers. Nine Group models led the Kraftfahrt-Bundesamt (KBA – German Federal Motor Transport Authority) registration statistics in their respective segments: the up!, Golf, T-Roc, Tiguan, Touran, Passat, Audi A6, Porsche 911 and Multivan/Transporter. After the first six months of 2021, the Golf was still the most popular passenger car in Germany in terms of registrations.

In the Central and Eastern Europe region, the number of vehicles handed over to customers in the reporting period was up 32.9% year-on-year. The overall market also recorded strong growth in demand. Demand developed encouragingly for the Polo saloon, T-Cross, T-Roc and Tiguan models from

Volkswagen Passenger Cars, for the ŠKODA Rapid, Kamiq, Karoq and Kodiaq models and for the SEAT Arona. The Volkswagen Group's share of the passenger car market in the Central and Eastern Europe region increased to 22.7 (22.0)%.

In Turkey, the Volkswagen Group continued to benefit from the catch-up effects in the overall market, raising the number of vehicles handed over to customers from January to June of this year by 75.4% compared with the prior-year period. The Passat saloon was the most sought-after Group model. In the South African market, the number of Group models sold increased by 26.7%, a somewhat slower rate than the overall market. The Polo from the Volkswagen Passenger Cars brand remained the most sought-after Group model there.

Deliveries in North America

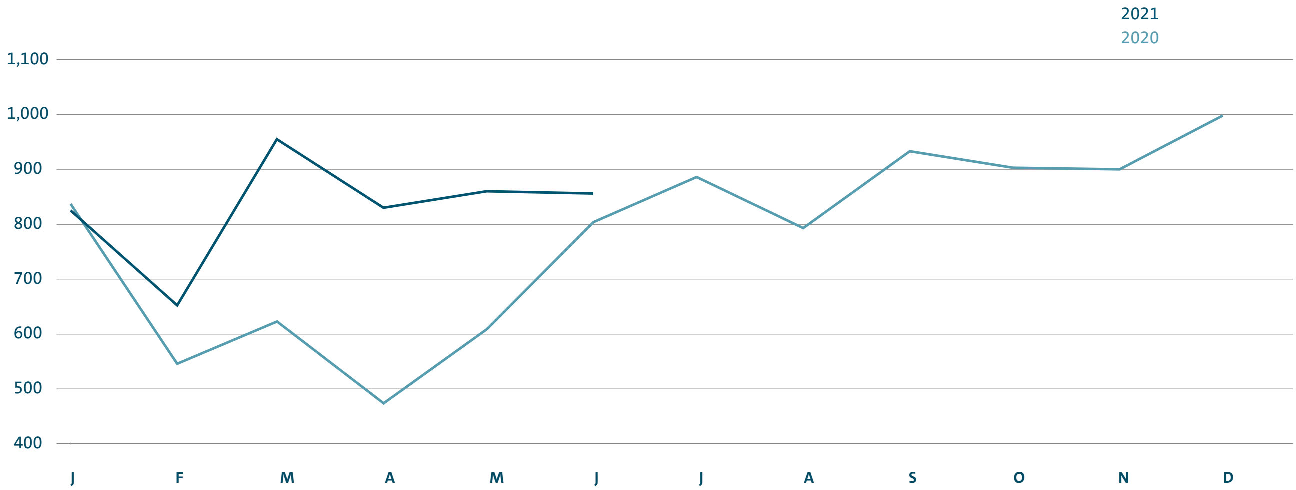
In North America, demand for Volkswagen Group models outperformed the overall market and climbed by 45.1% in the reporting period compared with the previous year, which had been weakened by the pandemic. The Group's share of the market in this region increased to 5.1 (4.5)%. The Tiguan Allspace and Jetta 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 JUNE 30[1]

	DELIVERIES (UNITS)		CHANGE
	2021	2020	(%)
Europe/Other Markets	**2,132,025**	**1,601,802**	**+33.1**
Western Europe	**1,582,571**	**1,212,304**	**+30.5**
of which: Germany	539,234	451,183	+19.5
France	137,999	91,512	+50.8
United Kingdom	243,115	157,557	+54.3
Italy	153,122	101,947	+50.2
Spain	130,230	91,165	+42.9
Central and Eastern Europe	**365,452**	**274,905**	**+32.9**
of which: Czech Republic	65,030	51,832	+25.5
Russia	119,504	83,279	+43.5
Poland	73,581	52,792	+39.4
Other Markets	**184,002**	**114,593**	**+60.6**
of which: Turkey	75,724	43,165	+75.4
South Africa	36,791	29,035	+26.7
North America	**492,210**	**339,245**	**+45.1**
of which: USA	372,982	247,781	+50.5
Canada	50,428	33,989	+48.4
Mexico	68,800	57,475	+19.7
South America	**236,277**	**169,166**	**+39.7**
of which: Brazil	170,053	127,043	+33.9
Argentina	35,037	25,208	+39.0
Asia-Pacific	**1,991,274**	**1,705,095**	**+16.8**
of which: China	1,846,208	1,588,923	+16.2
India	16,006	7,979	x
Japan	34,512	31,499	+9.6
Worldwide	**4,851,786**	**3,815,308**	**+27.2**
Volkswagen Passenger Cars	2,703,243	2,198,898	+22.9
Audi	981,681	707,225	+38.8
ŠKODA	515,277	426,712	+20.8
SEAT	280,736	193,419	+45.1
Bentley	7,199	4,918	+46.4
Lamborghini	4,852	3,548	+36.8
Porsche	153,656	116,964	+31.4
Bugatti	40	33	+21.2
Volkswagen Commercial Vehicles	205,102	163,591	+25.4

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 US market, which is witnessing strong growth, the Volkswagen Group delivered 50.5% more vehicles to customer between January and June 2021 than in the same period of the previous year. The biggest growth among the Group models in absolute terms was registered by the Tiguan Allspace, Atlas and Atlas Cross Sport from Volkswagen Passenger Cars, by the Q3, Q5, Q7 and e-tron from the Audi brand and by the Macan and Taycan from Porsche. The Taos and the ID.4 from Volkswagen Passenger Cars, the Audi Q5 Sportback and Audi e-tron Sportback and the Porsche Panamera were successfully launched on the market during the reporting period as new or successor models.

In Canada, the number of deliveries to Volkswagen Group customers rose by 48.4% year-on-year in the reporting period. The overall market recorded a smaller increase during this period. The Tiguan Allspace and Atlas Cross Sport from Volkswagen Passenger Cars and the Audi Q3 and Audi Q5 were some of the models that registered encouraging growth in demand.

In Mexico, where the overall market is seeing considerable growth, we delivered 19.7% more vehicles to customers in the first half of this year than in the prior-year period. The Group models with the highest volume of demand were the Vento and the new Taos from the Volkswagen Passenger Cars brand.

Deliveries in South America

In the South American market, which is recording very strong growth for passenger cars and light commercial vehicles, the number of Group models delivered to customers between January and June 2021 increased by 39.7% year-on-year. The Gol, T-Cross and the new Nivus from Volkswagen Passenger Cars were the Group models in highest demand. The Group's share of the market in South America amounted to 13.6 (13.7)%.

Compared to the previous year, the Volkswagen Group delivered 33.9% more vehicles to customers in the first six months of 2021 in the Brazilian market, which is growing at roughly the same pace. Along with the Gol and the T-Cross, the new Nivus from Volkswagen Passenger Cars was in especially high demand.

In Argentina, demand for Group models in the reporting period rose along with the very rapidly growing overall market by 39.0% in comparison with the weak previous year. The Group models with the highest volume of demand were the Gol, the T-Cross and the new Nivus from Volkswagen Passenger Cars and the Amarok from Volkswagen Commercial Vehicles.

Deliveries in the Asia-Pacific region

In the first six months of 2021, the Volkswagen Group saw demand in the Asia-Pacific region increase by 16.8% year-on-year in a fast-growing overall market. Supply bottlenecks for semiconductors were most apparent in this region. The Group's share of the passenger-car market in this region amounted to 12.0 (13.2)%.

The Chinese market as a whole continued to recover in the reporting period, albeit at a slower pace. There, the Volkswagen Group increased the number of vehicles delivered to customers by 16.2% year-on-year. New or successor models introduced in the course of the previous year were in particularly high demand: the Tacqua, Tiguan X, Tayron X, Viloran and Phideon models from Volkswagen Passenger Cars, the VS7 from the JETTA brand, the Audi A5 Sportback, Audi Q7 and Audi e-tron and the Porsche Taycan. Demand also developed encouragingly for the Bora, Lavida, Sagitar and Magotan from Volkswagen Passenger Cars, the A4L saloon, the Q5L and A6L saloon from Audi, as well as the Porsche Macan, among others. The ID.4 X, ID.4 CROZZ, CC Shooting Brake and Teramont models from Volkswagen

Passenger Cars, the Audi A3L saloon and the Audi Q5L Sportback and the Porsche Panamera were successfully launched on the market during the reporting period as new or successor models.

In the Indian passenger car market, which expanded by more than 90%, the Volkswagen Group saw demand double in the first six months of this year compared with the weak prior-year period. The Polo from the Volkswagen Passenger Cars brand and the Rapid from ŠKODA were the most sought-after Group models there.

In Japan, the number of Group models delivered to customers between January and June 2021 increased by 9.6% year-on-year in an overall market experiencing significant growth. The Group model to record the highest demand was the T-Cross from Volkswagen Passenger Cars.

COMMERCIAL VEHICLE DELIVERIES

From January to June 2021, the Volkswagen Group delivered 62.7% more commercial vehicles to customers worldwide than in the same period of the previous year, when demand was affected by a slump in core markets that was further intensified by the uncertainty generated by the Covid-19 pandemic. We delivered a total of 126,452 commercial vehicles to customers in the first half of this year. Trucks accounted for 108,667 units (+69.4%) and buses for 6,503 units (–10.3%). A total of 11,282 (+77.5%) 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 were up by 46.3% on the same period of the previous year to a total of 62,100 units, of which 48,996 were trucks and 2,012 were buses. Here, the MAN brand delivered 11,092 light commercial vehicles.

In Russia, sales rose year-on-year to 6,657 (2,761) units, comprising 6,638 trucks and 19 buses.

Between January and June 2021, deliveries in Turkey increased to 3,020 (860) vehicles. Trucks accounted for 2,922 units and buses for 26 units, while 72 vehicles from the MAN TGE van series were sold. In South Africa, deliveries of Volkswagen Group commercial vehicles increased by 47.4% year-on-year to a total of 1,767 units; of this figure 1,620 were trucks and 147 were buses.

Sales in North America rose in the first half of 2021 to 1,115 vehicles (+52.5%), which were delivered almost exclusively to customers in Mexico; this included 744 trucks and 371 buses.

Deliveries in South America increased to a total of 39,701 vehicles (+87.4%), of which 36,827 were trucks and 2,873 were buses. Sales in Brazil increased by 87.4% in the first six months of 2021. Of the units delivered, 31,923 were trucks and 2,272 were buses.

In the Asia-Pacific region, the Volkswagen Group sold 6,423 vehicles to customers in the reporting period; among these, 6,012 were trucks and 404 were buses. Overall, this was 20.8% more than in the previous year.

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

	DELIVERIES (UNITS)		CHANGE
	2021	2020	(%)
Europe/Other Markets	**79,213**	**50,502**	**+56.9**
of which: EU27+3	62,100	42,450	+46.3
of which: Germany	16,384	12,074	+35.7
Russia	6,657	2,761	x
Turkey	3,020	860	x
South Africa	1,767	1,199	+47.4
North America	**1,115**	**731**	**+52.5**
of which: Mexico	1,111	731	+52.0
South America	**39,701**	**21,186**	**+87.4**
of which: Brazil	34,195	18,249	+87.4
Asia-Pacific	**6,423**	**5,319**	**+20.8**
Worldwide	**126,452**	**77,738**	**+62.7**
Scania	49,229	30,437	+61.7
MAN	77,223	47,301	+63.3

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

DELIVERIES IN THE POWER ENGINEERING SEGMENT

Orders in the Power Engineering segment are usually part of major investment projects. Lead times 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 June 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 covers the Volkswagen Group's dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility offerings. The division comprises Volkswagen Financial Services and the financial services activities of Scania and Porsche Holding Salzburg.

The Financial Services Division's products and services were popular in the first six months of 2021. However, demand was affected to varying degrees by the Covid-19 pandemic. The number of new financing, leasing, service and insurance contracts signed worldwide increased by 22.5% to 4.6 million. The ratio of leased and financed vehicles to Group deliveries (penetration rate) in the Financial Services Division's markets amounted to 36.1 (36.3)% in the reporting period. The total number of contracts as of June 30, 2021 stood at 24.5 (24.1) million.

In the Europe/Other Markets region, the financial services business was still impacted by the Covid-19 pandemic in the first six months of this year. However, the number of new contracts signed in the reporting period was higher than the pandemic-related weak prior-year figure, amounting to 3.3 (2.8) million. At 17.9 (17.6) million, the total number of contracts at the end of June 2021 exceeded the figure for December 31, 2020. The customer financing/leasing area recorded 7.6 (7.6) million of these contracts.

In North America, the number of new contracts signed in the reporting period increased year-on-year to 537 (417) thousand. At 3.1 (3.1) million, the number of contracts as of June 30, 2021 was on a level with the figure for year-end 2020. The customer financing/leasing area recorded 1.9 (1.9) million contracts.

In the South America region, 179 (119) thousand new contracts were signed in the period from January to June of this year. At the end of June 2021, the total number of contracts was higher than on December 31, 2020, and amounted to 729 (721) thousand. The contracts mainly related to the customer financing/leasing area.

At 522 thousand, the number of new contracts signed in the Asia-Pacific region in the first six months of 2021 exceeded the previous year's figure by 24.3%. The total number of contracts amounted to 2.7 million at the end of the reporting period, 3.4% more than at year-end 2020. The customer financing/leasing area accounted for 1.9 million contracts (+2.0%).

SALES TO THE DEALER ORGANIZATION

The Volkswagen Group's unit sales to the dealer organization increased by 24.7% year-on-year in the first six months of 2021 to 4,660,309 vehicles (including the Chinese joint ventures). At 4,110,686 vehicles, unit sales outside Germany rose by 25.7% compared with the period from January to June 2020. During the reporting period, demand in markets around the world recovered from the declines in sales in the prior-year period precipitated by the Covid-19 pandemic. China, the United States and the United Kingdom in particular recorded growth. Unit sales in Germany increased by 18.0% year-on-year. Vehicles sold in Germany as a proportion of overall sales decreased to 11.8 (12.5)%.

PRODUCTION

In the reporting period the Volkswagen Group produced 4,512,229 vehicles (including the Chinese joint ventures), 23.2% more than in the same period of the previous year. This had been marked by the impact of national measures to contain the pandemic, which had led to the disruption of supply chains with production subsequently being halted in the Volkswagen Group. Bottlenecks in supply, particularly for semi-conductors, and production restrictions were again registered in the first half of 2021. Between January and June 2021, production outside Germany rose by 21.3% year-on-year, giving a total of 3,616,274 vehicles. The proportion of vehicles produced in Germany rose to 19.9 (18.6)%.

INVENTORIES

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

EMPLOYEES

The Volkswagen Group had 632,825 active employees on June 30, 2021. A further 12,152 employees were in the passive phase of their partial retirement. In addition, there were 15,061 young people completing vocational traineeships. At the end of the first half of 2021, the Volkswagen Group had a total of 660,038 (662,575) employees worldwide. This was roughly on a level with the year-end figure for 2020. A total of 292,986 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 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.

There are plans to sell MAN Truck & Bus Österreich GesmbH, Steyr/Austria (MTBÖ) as part of restructuring measures. As of June 10, 2021, the date on which the sale agreement was signed, the assets and liabilities of MTBÖ are presented as a disposal group in accordance with IFRS 5 in the financial statements of the Volkswagen Group. The shares in MTBÖ are expected to be sold in the third quarter of 2021. The classification of the assets and liabilities as a disposal group led to the recognition of an expense, of which €158 million was attributable to impairment losses on property, plant and equipment and €141 million to a provision recognized in addition to this. The provision was not recognized as part of the disposal group. The total expense is presented in other operating expenses.

In July 2021, the Volkswagen Group and Rimac Automobili d.o.o., Sveta Nedelja/Croatia, agreed to establish a joint venture. Volkswagen will contribute its consolidated subsidiaries Bugatti Automobiles S.A.S, Molsheim/France and Bugatti International S.A., Strassen/Luxembourg to the joint venture. The establishment of the new hypercar manufacturer Bugatti-Rimac, which will have its headquarters in Zagreb/Croatia, is planned for the fourth quarter of 2021. Antitrust approval is required in several countries before the deal can go ahead. The assets of both companies will be classified as held for sale in accordance with IFRS 5 until their final contribution to the joint venture.

MERGER OF MAN SE WITH TRATON SE

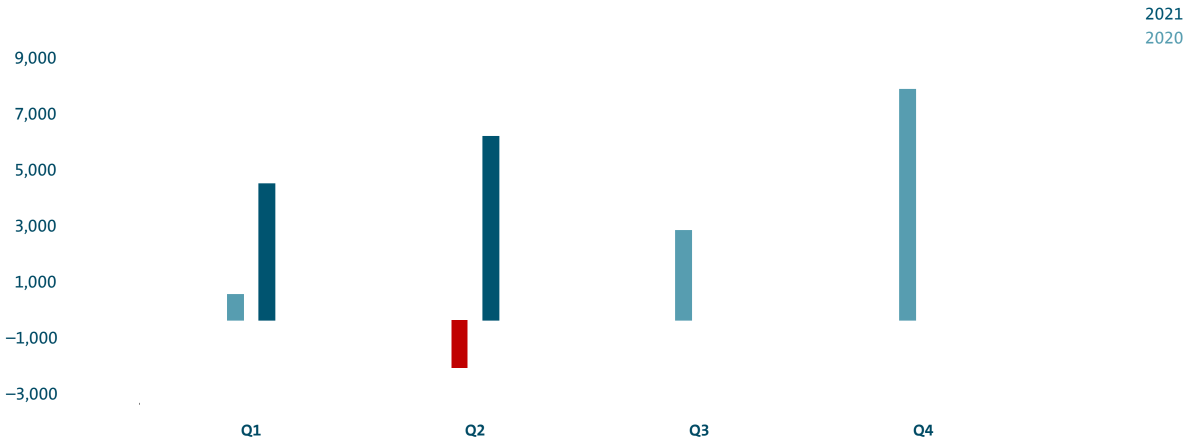
At the end of February 2020, TRATON SE (TRATON) announced its intention to merge MAN SE (MAN) with TRATON. The shares held by noncontrolling interest shareholders of MAN are to be transferred to TRATON against payment of an appropriate cash settlement in the context of this merger (merger squeeze-out). TRATON holds 94.36% of MAN's share capital and announced its offer of a cash settlement to MAN's noncontrolling interest shareholders in the amount of €70.68 per share on May 8, 2021. The merger of MAN with TRATON was agreed by the Annual General Meeting of MAN SE on June 29, 2021. Following this resolution, the present value of the put options granted, amounting to approximately €586 million, had to be recognized as a current liability not affecting net income. The noncontrolling interests in the Volkswagen Group's equity, as well as the retained earnings and other reserves attributable to the shareholders of Volkswagen AG declined accordingly. The merger squeeze-out will take effect upon the entry of the transfer resolution and of the merger itself in the commercial register for the headquarters of TRATON SE and MAN SE.

RESULTS OF OPERATIONS OF THE GROUP

Against the backdrop of a recovery in the global economy despite the continuing adverse effects of the Covid-19 pandemic, the Volkswagen Group generated sales revenue of €129.7 billion in the first half of 2021, 34.9% 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 Volkswagen Group made 82.5 (80.6)% of its sales revenue abroad. Correspondingly, gross profit almost doubled to €24.8 (12.9) billion; the gross margin was 19.2 (13.4)%.

The Volkswagen Group's operating profit amounted to €11.4 billion in the period from January to June 2021; this was a rise of €12.2 billion on the prior-year period, in which special items from the diesel issue had weighed on earnings, causing a reduction of €–0.7 billion. The operating return on sales increased to (8.8) (–1.5)%. The reasons were improvements in the volume, mix and price positioning, and a positive contribution in the amount of €1.2 (–0.7) billion from the measurement of certain derivatives to which hedge accounting is not applied as well as the good business development in the Financial Services Division. In the Commercial Vehicles Business Area, one-off expenses for restructuring measures reduced earnings by €0.7 billion.

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 JUNE 30

€ million	2021	2020
Passenger Cars		
Sales revenue	92,041	65,312
Operating result	8,521	–2,350
Operating return on sales (%)	9.3	–3.6
Commercial Vehicles		
Sales revenue	13,404	9,854
Operating result	334	–295
Operating return on sales (%)	2.5	–3.0
Power Engineering[1]		
Sales revenue	1,581	1,850
Operating result	–14	–93
Operating return on sales (%)	–0.9	–5.0

1 Figures up to October 2020 include Renk.

The financial result decreased by €0.3 billion year-on-year to €–0.2 billion. The other financial result included negative effects of forward purchase agreements for new shares in QuantumScape. Moreover, the share of the result of equity-accounted investments was down on the prior-year period. In the previous year, changes in share and unit prices had weighed on net income from securities and funds as a result of the Covid-19 pandemic.

As a result, the Volkswagen Group's earnings before tax of €11.2 billion was €12.5 billion higher than in the previous year. Earnings after tax increased by €9.5 billion to €8.5 billion.

Results of operations in the Automotive Division

The Automotive Division's sales revenue was €107.0 billion in the first six months of 2021, an increase of 39.0% compared with the prior-year period, which had been affected to a greater extent by the spread of the Covid-19 pandemic and its negative consequences. Improvements in volumes, in the mix and in price positioning had a beneficial impact. Exchange rate movements had an adverse effect. Sales revenue in both the Passenger Cars and the Commercial Vehicles business areas in the period from January to June 2021 was sharply up on the prior-year figures. In the Power Engineering Business Area, sales revenue was considerably lower than in the first half 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 primarily reflected in the Group's sales revenue only through deliveries of vehicles and vehicle parts.

Cost of sales increased, driven mainly by higher volumes and by a rise in research and development costs recognized in profit or loss. The ratio of cost of sales to sales revenue decreased as a result of the very sharp rise in sales revenue; in the previous year, sales revenue was lower on account of the pandemic. Consequently, in the period from January to June 2021, total research and development costs as a percentage of the Automotive Division's sales revenue (research and development ratio or R&D ratio) was down on the previous year at 7.2 (8.7)%.

Administrative expenses decreased while distribution expenses increased, but the ratio to sales revenue declined for both figures. The other operating result amounted to €0.2 (–0.6) billion, benefiting in particular from the effects of the fair value measurement of derivatives to which hedge accounting is not applied (especially commodity hedging derivatives) in the amount of €1.2 (–0.7) billion. One-off expenses from restructuring measures had an offsetting effect. The prior-year figure had included a gain of €0.8 billion from the contribution of the consolidated subsidiary Autonomous Intelligent Driving to Argo AI.

At €8.8 billion, the Automotive Division's operating result in the first half of 2021 exceeded the prior-year figure by €11.6 billion. In addition to the higher volumes, positive factors included the fair value measurement of certain derivatives to which hedge accounting is not applied as well as favorable price positioning and changes in the mix. This was offset by one-off expenses from restructuring measures of €0.7 billion in the Commercial Vehicles Business Area. The operating return on sales increased to 8.3 (–3.6)%. 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

The Financial Services Division's sales revenue amounted to €22.6 billion in the period from January to June 2021, 18.4% more than in the prior-year period. Cost of sales rose by practically the same percentage, increasing by €2.8 billion to €18.5 billion. Both distribution and administrative expenses were up on the prior-year figure, while their respective ratios to sales revenue were virtually on a level with the previous year. Lower risk costs were a major factor leading to the positive other operating result.

Improved business performance and lower risk costs led to a €1.3 billion increase in the Financial Services Division's operating profit in the reporting period, bringing it to €2.5 billion. The operating return on sales amounted to 11.1 (6.5)%.

FINANCIAL POSITION OF THE GROUP

The Volkswagen Group's gross cash flow doubled in the period from January to June 2021, rising by €11.9 billion year-on-year to €24.1 billion, due primarily to earnings-related factors. In comparison with the previous year, which had been impacted by the pandemic, higher liabilities and provisions and a higher increase in receivables resulted in a change in working capital of €–5.6 (–4.9) billion. Cash outflows related to the diesel issue in the first six month of 2021 were lower than in the previous year. As a result, cash flows from operating activities improved by €11.1 billion to €18.5 billion.

Investing activities attributable to operating activities amounted to €9.1 billion; this was €1.1 billion more than the year before, and was driven in particular by a rise in capitalized development costs.

Financing activities accounted for cash outflows of €1.3 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. In the prior-year period, there had been a cash inflow of €21.7 billion to boost gross liquidity by measures such as the temporary full drawdown of Volkswagen AG's syndicated credit line of €10 billion.

At the end of the first six months of 2021, the Volkswagen Group's cash and cash equivalents reported in the cash flow statement amounted to €40.9 (42.9) billion.

On June 30, 2021, the Group's net liquidity stood at €–132.3 billion, compared with €–137.4 billion at the end of 2020.

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

€ million	2021	2020
Passenger Cars		
Gross cash flow	15,712	6,153
Change in working capital	2,099	–3,524
Cash flows from operating activities	17,812	2,630
Cash flows from investing activities attributable to operating activities	–8,250	–7,134
Net cash flow	9,562	–4,505
Commercial Vehicles		
Gross cash flow	1,366	560
Change in working capital	–229	–307
Cash flows from operating activities	1,137	252
Cash flows from investing activities attributable to operating activities	–610	–599
Net cash flow	527	–347
Power Engineering[1]		
Gross cash flow	188	113
Change in working capital	–49	15
Cash flows from operating activities	139	127
Cash flows from investing activities attributable to operating activities	–36	–82
Net cash flow	103	45

1 Figures up to October 2020 include Renk.

Financial position of the Automotive Division

In the first half of 2021, the Automotive Division's gross cash flow was up €10.4 billion compared with the previous year, rising to €17.3 billion, due mainly to improved earnings. The change in working capital amounted to €1.8 (–3.8) billion. The improvement of €5.6 billion compared with the first half of 2020, which had continued to reflect the effects of the

Covid-19 pandemic, was attributable to a rise in liabilities and an increase in other provisions, offset by higher inventories and a rise in receivables. The cash outflows attributable to the diesel issue recorded in the reporting period were down slightly on the previous year. At €19.1 billion, cash flows from operating activities were up €16.1 billion on the comparative figure for 2020.

In the first six months of 2021, the Automotive Division's investing activities attributable to operating activities amounted to €8.9 billion, €1.1 billion more than in the previous year. Investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) decreased by €0.4 billion to €3.8 billion. The ratio of capex to sales revenue declined to 3.5 (5.4)%; the prior-year figure had been impacted by the pandemic-related fall in sales revenue. Capex was invested primarily in our production facilities and in models to be launched this year and next, as well as in the ecological focus of our model range, the electrification and digitalization of our products, and our modular toolkits. Additions to capitalized development costs climbed by €0.8 billion to €3.7 billion in the reporting period. The "Acquisition and disposal of equity investments" item amounted to €1.5 (0.9) billion as a result of strategic investments in a number of companies, in particular the associate Northvolt AB and the joint venture Argo AI.

The Automotive Division's net cash flow of €10.2 billion in the first six months of 2021 was €15.0 billion higher than the comparative figure for 2020.

In the period from January to June 2021, the financing activities of the Automotive Division resulted in a cash outflow of €–3.4 billion. This compares to a cash inflow of €21.1 billion in the previous year to boost gross liquidity by measures such as the temporary full drawdown of Volkswagen AG's syndicated credit line of €10 billion. The redemption of the hybrid note called in the first quarter of 2021 led to a cash outflow of around €–1.2 billion. Financing activities also include the issuance and redemption of bonds and changes in other financial liabilities.

At the end of June 2021, the Automotive Division's net liquidity stood at €35.0 billion, compared with €26.8 billion on December 31, 2020.

Financial position of the Financial Services Division

The Financial Services Division generated gross cash flow of €6.8 billion in the reporting period; up 26.6% on the prior-year figure, mainly as a result of better earnings. The change in working capital amounted to €–7.4 (–1.1) billion; the overall growth in the business volume was responsible for more funds tied up in working capital compared to the prior-year period. As a result, cash flows from operating activities decreased by €4.9 billion to €–0.6 billion.

At €0.2 (0.1) billion, investing activities attributable to operating activities were on a level with the previous year.

The Financial Services Division's financing activities resulted in a cash inflow of €2.1 (0.6) billion in the first half of 2021. This figure relates primarily to the issuance and redemption of bonds and to other financial liabilities

At the end of June 2021, the Financial Services Division's negative net liquidity, which is common in the industry, stood at €–167.3 billion, compared with €–164.2 billion on December 31, 2020.

CONSOLIDATED BALANCE SHEET STRUCTURE

On June 30, 2021, the Volkswagen Group had total assets of €517.1 billion, 4.0% more than on December 31, 2020. The increase was mainly attributable to higher earnings and changes in exchange rates. The Group's equity amounted to €140.0 billion, up €11.2 billion on the figure as of December 31, 2020. The equity ratio was 27.1 (25.9)%.

Automotive Division balance sheet structure

The Automotive Division's intangible assets increased slightly, driven by a rise in capitalized development costs. Property, plant and equipment declined slightly, primarily because of depreciation in excess of additions. Despite dividend resolutions, equity-accounted investments were slightly higher in the first six months of 2021, driven by a rise in capital increases. Total noncurrent assets stood at €155.7 (156.9) billion, slightly lower than the figure recorded on December 31, 2020.

Current assets at the end of the first half of 2021 were 12.9% higher, at €109.8 billion. This was due to a slight rise in the inventories included in this item, with changes in exchange rates also a contributing factor. Current other receivables and financial assets went up, driven mainly by higher trade receivables. The Automotive Division's cash and cash equivalents expanded by €6.7 billion to €30.9 billion.

The "Assets held for sale" item consists of the carrying amounts of the assets of Bugatti, SITECH and MAN Truck & Bus Österreich GesmbH, Steyr/Austria, which are expected to be derecognized. The "Liabilities held for sale" item comprises the carrying amount of the corresponding liabilities expected to be derecognized.

At the end of the first half of 2021, equity in the Automotive Division was higher than on December 31, 2020, at €105.0 (96.7) billion. Good earnings performance, lower actuarial losses from the remeasurement of pension plans and positive currency translation effects pushed equity higher, while the redemption of the hybrid note called in the first quarter of 2021 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.

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

€ million	Jun. 30, 2021	Dec. 31, 2020
Passenger Cars		
Noncurrent assets	128,742	130,237
Current assets	92,315	83,180
Total assets	**221,057**	**213,417**
Equity	89,175	81,423
Noncurrent liabilities	78,831	82,263
Current liabilities	53,051	49,731
Commercial Vehicles		
Noncurrent assets	25,183	24,777
Current assets	14,633	11,256
Total assets	**39,816**	**36,033**
Equity	13,598	13,389
Noncurrent liabilities	13,842	10,592
Current liabilities	12,375	12,052
Power Engineering		
Noncurrent assets	1,766	1,847
Current assets	2,856	2,800
Total assets	**4,622**	**4,647**
Equity	2,209	1,922
Noncurrent liabilities	574	668
Current liabilities	1,839	2,057

At €93.2 (93.5) billion, noncurrent liabilities were on a level with the end of 2020. The noncurrent financial liabilities included in this figure rose, due partly to exchange rate effects. Pension provisions were down, driven primarily by actuarial remeasurement following a change in the discount rate.

Current liabilities were 5.4% higher at the end of the first half of 2021, rising to €67.3 billion. Current financial liabilities increased as a result of reclassifications from noncurrent to current liabilities to reflect shorter remaining maturities. The figures for the Automotive Division also contain the elimination of intragroup transactions between the Automotive and Financial Services divisions. As the current financial liabilities for the primary Automotive Division were lower than the loans granted to the Financial Services Division, a negative amount was disclosed in both periods. Trade payables were up compared with the end of 2020. Current other liabilities exceeded the figure as of December 31, 2020; they include the provisions for restructuring measures in the Commercial Vehicles Business Area recognized in the first half of the year.

At the end of the reporting period, the Automotive Division had total assets of €265.5 billion, 4.5% more than on December 31, 2020.

Financial Services Division balance sheet structure

At the end of June 2021, the Financial Services Division had total assets of €251.6 billion, 3.5% more than on December 31, 2020.

Noncurrent assets grew by 5.9% to €153.8 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 €97.8 (97.7) billion, current assets were on a level with the end of 2020. Current other receivables and financial assets were down, while current financial services receivables were driven higher by exchange rate effects.

At the end of the first half of 2021, the Financial Services Division accounted for around 48.7 (48.9)% of the Volkswagen Group's assets.

The Financial Services Division's equity amounted to €35.0 (32.0) billion at the end of the reporting period, an increase over the figure recorded as of December 31, 2020. The equity ratio was 13.9 (13.2)%.

Noncurrent liabilities climbed by €1.5 billion to €110.9 billion, driven above all by a rise in noncurrent financial liabilities to refinance the business volume.

Current financial liabilities and trade payables were the main items showing an increase under current liabilities. In total, current liabilities were €4.2 billion higher than on December 31, 2020, rising to €105.7 billion.

Deposits from the direct banking business amounted to €26.9 billion, as against €28.9 billion at the end of 2020.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

Due to our business performance in the first half of 2021, we are adjusting large parts of our forecast for the key performance indicators.

The risk of bottlenecks and disruptions in the supply of semiconductor components has intensified across the entire industry. The adverse impact expected as a result is more likely to affect the second half of the year, prompting us to lower our forecast for deliveries to customers.

We are raising the profit forecast for the Group and the Passenger Cars Business Area while keeping the forecast for sales revenue unchanged: in terms of operating result, we expect an operating return on sales in the range of 6.0 to 7.5% for the Group and in the range of 6.0 to 8.0% for the Passenger Cars Business Area in 2021.

In the Commercial Vehicles Business Area, we have adjusted our forecast for sales revenue and the operating result to reflect firstly our positive business performance and secondly the restructuring measures, which must now be recognized.

Moreover, we are raising our forecast for sales revenue and the operating result in the Financial Services Division.

In the Automotive Division, we anticipate that lower cash outflows expected from the diesel issue and a marked rise in effects from mergers and acquisitions will lead to a much stronger increase in net cash flow compared with the prior year, which will in turn cause substantial increase in net liquidity. We expect the return on investment (ROI) to be significantly above our minimum required rate of return.

Our plans continue to be based on the Volkswagen Group's current structures. The forecast for the Volkswagen Group does not include the acquisition of all outstanding shares of Navistar International Corporation and the corresponding effects on the results of operations, financial position and net assets.

The Outlook for fiscal year 2021 can be found on page 24.

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

In the Netherlands, the suspended class action brought by Stichting Car Claim has been resumed. A hearing for oral argument on the merits of the claims took place in May 2021. A declaratory judgment partially granting the relief sought was issued in July 2021. In the opinion of the court, Volkswagen AG and the other defendant Group companies acted unlawfully with respect to the original engine management software. The court moreover held that consumers are entitled to a purchase price reduction from the defendant dealerships. No specific payment obligations result from the declaratory judgment. Volkswagen AG and the other defendant Group companies intend to appeal the decision.

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

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

2. Proceedings in the USA/Canada

In February 2021, Texas sought discretionary review by the Texas Supreme Court of the Texas appellate court decision dismissing Texas's state environmental claims against Volkswagen AG and AUDI AG for lack of personal jurisdiction. In June 2021, the Ohio Supreme Court affirmed an intermediate appellate court decision declining to dismiss certain claims brought by Ohio. Volkswagen AG and AUDI AG intend to seek further review by the U.S. Supreme Court.

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

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

In line with IAS 37.92, no further statements have been made concerning estimates of financial impact or regarding uncertainty as to the amount or maturity of provisions and contingent liabilities in relation to the legal risks. This is so as to not compromise the results of the proceedings or the interests of the Company.

Additional important legal cases

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

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

In April 2019, the European Commission issued an initial statement of objections to Volkswagen AG, AUDI AG and Dr. Ing. h.c. F. Porsche AG in connection with the Commission's antitrust investigation of the automobile industry. These objections stated the European Commission's preliminary evaluation of the matter and afforded the opportunity to comment. Following entry into a formal settlement procedure, the Commission in April 2021 issued a revised statement of objections raising charges that were considerably more narrow. On this basis, a settlement decision was issued on July 8, 2021 concluding the administrative action and assessing a total fine of roughly €502 million against the three brands. The subject matter scope of the decision is limited to the cooperation of German automobile manufacturers on individual technical questions in connection with the development and introduction of SCR (selective catalytic reduction) systems for passenger cars that were sold in the European Economic Area. The manufacturers are not charged with any other misconduct such as price fixing or allocating markets and customers. The decision was served on Volkswagen on July 12, 2021. It can be challenged by filing an action with the European Court by mid-September.

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

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

Outlook

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

We predict that trends in the markets for passenger cars in the individual regions will be mixed in 2021. Overall, the volume of demand worldwide for new vehicles is expected to be noticeably up on the previous year, but will not reach the pre-pandemic level, provided successful containment of the Covid-19 pandemic is achieved. For 2021, we anticipate that the volume of new passenger car registrations in Western Europe will be noticeably above that recorded in the previous year. In the German passenger car market, we expect a moderate increase in demand in 2021. Sales of passenger cars in 2021 are expected to noticeably exceed the prior-year figures in markets in Central and Eastern Europe. The volume of demand in the markets for passenger cars and light commercial vehicles (up to 6.35 tonnes) in North America in 2021 is likely to be significantly higher than the previous year's level. We anticipate 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 substantially positive development in new registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes compared with the previous year in the markets that are relevant for the Volkswagen Group. 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 will prove highly important to global vehicle sales in 2021, particularly in the context of the ongoing challenges posed by the Covid-19 pandemic.

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

We anticipate that deliveries to Volkswagen Group customers will be noticeably above prior 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 revenues 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 in the range of 6.0 to 7.5% for the Group and in the range of 6.0 to 8.0% for the Passenger Cars Business Area in 2021. For the Commercial Vehicles Business Area, we anticipate 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 noticeably higher than the prior-year figure and that the operating result will be sharply up on 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 and an easing of the effects of the Covid-19 pandemic, the Volkswagen Group generated sales revenue of €129.7 (96.1) billion in the first half of 2021. Operating profit improved to €11.4 (–0.8) billion (prior-year figure before special items).

The Volkswagen Passenger Cars brand sold 1.6 (1.1) million vehicles in the reporting period, a higher figure than in the first half of 2020, which was particularly hard hit by the pandemic. There was strong demand for the T-Roc, T-Cross, Atlas and Passat models, and the ID.3 and ID.4 models were also very popular. Sales revenue rose by 42.4% to €40.7 billion. Operating profit improved to €1.8 (–1.5) billion (prior-year figure before special items), due mainly to volume growth as well as margin and mix improvements. Upfront expenditure for new products and technologies increased.

Global unit sales by the Audi brand came to 602 (416) thousand vehicles in the period from January to June 2021. The Chinese joint venture FAW-Volkswagen sold a further 367 (271) thousand Audi vehicles. Nearly all models contributed to the increase in unit sales. Sales revenue rose to €29.2 (20.5) billion. Alongside higher volumes, positive margin effects and the measurement of commodity hedges lifted operating profit to €3.1 (–0.6) billion (prior-year figure before special items). The financial key performance indicators for the Audi brand include the Lamborghini and Ducati brands. Ducati sold 35,028 (22,790) motorcycles in the first six months of this year.

Unit sales by the ŠKODA brand in the reporting period amounted to 463 (372) thousand vehicles, an improvement on the previous year. There was strong demand for the Kamiq and Karoq SUVs, and the new Enyaq iV was also very popular with customers. At €10.2 (7.5) billion, sales revenue was up on the prior-year figure. Operating profit improved to €974 (228) million, due largely to positive volume and exchange rate effects, as well as to the lower excess CO_2 emissions premiums.

SEAT sold 310 thousand vehicles in the first half of 2021, an increase of 57.6% on the previous year. This figure includes the A1 manufactured for Audi. The Arona, Ibiza and Leon were in high demand, and the CUPRA Formentor was also very popular with customers. Sales revenue rose by 50.9% to €5.7 billion. The operating result amounted to €–26 (–271) million, with unfavorable mix effects being offset by higher volumes.

In the period from January to June 2021, the Bentley brand's unit sales were higher than in the previous year, amounting to 7,132 (4,569) vehicles. Sales revenue rose to €1,324 (860) million. Thanks to higher volumes and improved pricing, the operating profit of €178 (–99) million was better than in the previous year, which had also been impacted by one-off expenses for restructuring measures.

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 152 thousand vehicles worldwide in the first six months of the year, an increase of 31.3% on the pandemic-related weak prior-year figure. Demand was high for the 911 and the Taycan, the Macan and Panamera models were also popular with customers. Sales revenue rose to €15.1 (11.2) billion. Operating profit increased to €2.7 (1.1) billion. The higher volumes and positive mix effects significantly outweighed the unfavorable exchange rate trends and a rise in fixed costs attributable to strategy and growth.

Unit sales by Volkswagen Commercial Vehicles were higher than in the previous year, amounting to 188 (157) thousand vehicles in the period from January to June 2021. Encouraging growth was seen above all by the Crafter and the Multivan/Transporter. Sales revenue amounted to €5.3 (4.2) billion. Operating profit improved to €87 (–334) million; particularly volume effects and cost savings had a positive impact. As in the previous year, excess CO_2 emissions premiums were taken into account.

Unit sales at Scania Vehicles and Services rose to 50 (31) thousand vehicles in the first half of 2021. Sales revenue was also higher than in 2020, standing at €7.2 (5.3) billion. The operating profit of Scania Vehicles and Services climbed to €860 (221) million. Adverse exchange rate movements, an increase in costs, and upfront expenditure for new technologies were offset by a better mix and higher volumes.

MAN Commercial Vehicles sold 77 thousand units in the reporting period, 63.3% more than in the previous year. Sales revenue amounted to €6.4 (4.7) billion. The operating result came to €–456 (–423) million, due mainly to expenses for restructuring measures in Europe in the amount of €–672 million. The favorable volume trend, an improved market positioning and a strict cost management had a positive effect.

In the first six months of 2021, Power Engineering generated sales revenue of €1.6 (1.8) billion. Operating profit increased to €82 (21) million due mainly to cost savings in connection with the restructuring program.

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

	VEHICLE SALES		SALES REVENUE		OPERATING RESULT	
Thousand vehicles/€ million	2021	2020	2021	2020	2021	2020
Volkswagen Passenger Cars	1,552	1,134	40,689	28,580	1,773	–1,491
Audi	602	416	29,212	20,476	3,113	–643
ŠKODA	463	372	10,199	7,546	974	228
SEAT	310	197	5,656	3,749	–26	–271
Bentley	7	5	1,324	860	178	–99
Porsche Automotive[1]	152	116	15,107	11,192	2,660	1,143
Volkswagen Commercial Vehicles	188	157	5,298	4,238	87	–334
Scania Vehicles and Services[2]	50	31	7,155	5,269	860	221
MAN Commercial Vehicles	77	47	6,405	4,669	–456	–423
Power Engineering[3]	–	–	1,581	1,850	82	21
VW China[4]	1,522	1,422	–	–	–	–
Other[5]	–263	–160	–14,513	–10,361	–226	–312
Volkswagen Financial Services	–	–	21,556	18,063	2,339	1,155
Volkswagen Group before special items	**–**	**–**	**–**	**–**	**11,358**	**–803**
Special items	–	–	–	–	–	–687
Volkswagen Group	**4,660**	**3,736**	**129,669**	**96,131**	**11,358**	**–1,490**
Automotive Division[6]	4,660	3,736	107,027	77,015	8,841	–2,738
of which: Passenger Cars Business Area	4,533	3,658	92,041	65,312	8,521	–2,350
Commercial Vehicles Business Area	127	78	13,404	9,854	334	–295
Power Engineering Business Area	–	–	1,581	1,850	–14	–93
Financial Services Division	–	–	22,642	19,115	2,517	1,248

1 Porsche (including Financial Services): sales revenue €16,525 (12,421) million, operating profit €2,792 (1,233) million.
2 Scania (including Financial Services): sales revenue €7,377 (5,488) million, operating profit €960 (266) 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 €1,272 (1,404) 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.

In the first half of 2021, 4.2 million new financing, leasing, service and insurance contracts were signed with Volkswagen Financial Services (+22.9%). The penetration rate, expressed as the ratio of leased or financed vehicles to relevant Group delivery volumes, came to 35.8 (36.0)% with credit eligibility criteria remaining unchanged. At 22.2 (21.9) million, the total number of contracts at the end of June 2021 exceeded the figure for December 31, 2020. The number of contracts in the customer financing/leasing area amounted to 11.3 (11.3) million, and in the service/insurance area to 11.0 (10.6) million. At the end of the reporting period, Volkswagen Bank managed 1.4 (1.4) million deposit accounts. Operating profit increased to €2.3 (1.2) billion in the first six months of 2021 due to lower risk costs.

UNIT SALES AND SALES REVENUE BY MARKET

In the first half of 2021, the Volkswagen Group sold 2.2 million vehicles in the Europe/Other Markets region, an increase of 32.3% on the pandemic-related weak prior year. Despite negative exchange rate movements, sales revenue rose to €77.6 (57.7) billion, driven mainly by positive volume and mix effects.

At 447 thousand vehicles, the Volkswagen Group's unit sales in the North American markets increased by 48.8% in the first six months of 2021. Sales revenue rose to €22.0 (15.9) billion. In addition to higher volumes, mix effects had a positive impact, more than compensating for unfavorable exchange rate trends.

In South America, 260 (183) thousand vehicles were sold in the reporting period, an increase of more than 40% on the 2020 comparative figure. Driven by higher volumes, sales revenue climbed to €5.1 (3.7) billion, while exchange rates had a negative effect.

At 1.8 (1.6) million vehicles, the number of units sold by the Volkswagen Group in the Asia-Pacific region – including the Chinese joint ventures – was 10.6% higher in the period from January to June 2021 than a year earlier. Sales revenue rose to €25.0 (19.3) billion as a result of higher volumes. This figure does not include the sales revenue of our equity-accounted Chinese joint ventures.

Hedging transactions relating to the Volkswagen Group's sales revenue in foreign currency made a negative contribution of €–23 (–421) million in the first half of 2021.

KEY FIGURES BY MARKET FROM JANUARY 1 TO JUNE 30

	VEHICLE SALES		SALES REVENUE	
Thousand vehicles/€ million	2021	2020	2021	2020
Europe/Other Markets	2,175	1,644	77,552	57,651
North America	447	300	22,038	15,930
South America	260	183	5,065	3,704
Asia-Pacific[1]	1,779	1,609	25,036	19,267
Hedges on sales revenue	–	–	–23	–421
Volkswagen Group[1]	**4,660**	**3,736**	**129,669**	**96,131**

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 June 30

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2021	2020	2021	2020	2021	2020
Sales revenue	**129,669**	**96,131**	**107,027**	**77,015**	**22,642**	**19,115**
Cost of sales	–104,820	–83,228	–86,310	–67,559	–18,510	–15,669
Gross result	**24,848**	**12,903**	**20,716**	**9,456**	**4,132**	**3,447**
Distribution expenses	–9,065	–8,352	–8,394	–7,767	–670	–585
Administrative expenses	–4,934	–4,860	–3,715	–3,804	–1,218	–1,056
Other operating income/expense	508	–1,180	234	–623	274	–557
Operating result	**11,358**	**–1,490**	**8,841**	**–2,738**	**2,517**	**1,248**
Share of the result of equity-accounted investments	899	1,164	896	1,142	3	22
Interest result and other financial result	–1,104	–1,026	–1,036	–1,004	–67	–22
Financial result	**–205**	**138**	**–140**	**138**	**–65**	**0**
Earnings before tax	**11,153**	**–1,352**	**8,701**	**–2,600**	**2,453**	**1,248**
Income tax expense	–2,699	333	–2,059	693	–640	–361
Earnings after tax	**8,454**	**–1,019**	**6,642**	**–1,907**	**1,813**	**887**
of which attributable to						
Noncontrolling interests	81	–57	36	–93	45	36
Volkswagen AG hybrid capital investors	269	239	269	239	–	–
Volkswagen AG shareholders	8,104	–1,201	6,337	–2,053	1,768	852
Basic/diluted earnings per ordinary share in €[2]	**16.14**	**–2.44**				
Basic/diluted earnings per preferred share in €[2]	**16.20**	**–2.33**				

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 June 30

€ million	2021	2020
Earnings after tax	**8,454**	**–1,019**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	4,800	–107
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	–1,418	59
Pension plan remeasurements recognized in other comprehensive income, net of tax	3,383	–47
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	364	–14
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	–2	6
Items that will not be reclassified to profit or loss	**3,744**	**–55**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	1,493	–1,863
Transferred to profit or loss	–	15
Exchange differences on translating foreign operations, before tax	1,493	–1,848
Deferred taxes relating to exchange differences on translating foreign operations	–1	4
Exchange differences on translating foreign operations, net of tax	1,491	–1,844
Hedging		
Fair value changes recognized in other comprehensive income (OCI I)	–925	1,934
Transferred to profit or loss (OCI I)	–327	–488
Cash flow hedges (OCI I), before tax	–1,252	1,446
Deferred taxes relating to cash flow hedges (OCI I)	418	–450
Cash flow hedges (OCI I), net of tax	–834	995
Fair value changes recognized in other comprehensive income (OCI II)	–323	–664
Transferred to profit or loss (OCI II)	679	659
Cash flow hedges (OCI II), before tax	356	–6
Deferred taxes relating to cash flow hedges (OCI II)	–104	17
Cash flow hedges (OCI II), net of tax	252	12
Fair value valuation of debt instruments that may be reclassified to profit or loss		
Fair value changes recognized in other comprehensive income	–26	22
Transferred to profit or loss	0	0
Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax	–26	22
Deferred taxes relating to fair value valuation of debt instruments recognized in other comprehensive income	8	–7
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	–18	16
Share of other comprehensive income of equity-accounted investments that may be reclassified to profit or loss, net of tax	304	–70
Items that may be reclassified to profit or loss	**1,195**	**–892**
Other comprehensive income, before tax	6,037	–570
Deferred taxes relating to other comprehensive income	–1,097	–376
Other comprehensive income, net of tax	**4,939**	**–947**
Total comprehensive income	**13,394**	**–1,966**
of which attributable to		
Noncontrolling interests	166	–106
Volkswagen AG hybrid capital investors	269	239
Volkswagen AG shareholders	12,959	–2,099

Income Statement for the Period April 1 to June 30

€ million	VOLKSWAGEN GROUP 2021	VOLKSWAGEN GROUP 2020	DIVISIONS AUTOMOTIVE[1] 2021	DIVISIONS AUTOMOTIVE[1] 2020	DIVISIONS FINANCIAL SERVICES 2021	DIVISIONS FINANCIAL SERVICES 2020
Sales revenue	**67,293**	**41,076**	**55,488**	**32,365**	**11,804**	**8,711**
Cost of sales	–54,772	–37,404	–45,152	–30,266	–9,621	–7,138
Gross result	**12,520**	**3,672**	**10,337**	**2,099**	**2,183**	**1,573**
Distribution expenses	–4,704	–3,880	–4,392	–3,619	–312	–262
Administrative expenses	–2,304	–2,415	–1,685	–1,918	–619	–497
Other operating income/expense	1,035	229	773	502	262	–273
Operating result	**6,546**	**–2,394**	**5,032**	**–2,935**	**1,514**	**541**
Share of the result of equity-accounted investments	380	1,035	398	1,031	–18	5
Interest result and other financial result	–236	–675	–181	–661	–55	–14
Financial result	**144**	**360**	**216**	**369**	**–72**	**–9**
Earnings before tax	**6,690**	**–2,034**	**5,248**	**–2,566**	**1,442**	**532**
Income tax expense	–1,650	498	–1,223	637	–427	–140
Earnings after tax	**5,040**	**–1,536**	**4,025**	**–1,929**	**1,015**	**392**
of which attributable to						
Noncontrolling interests	46	–51	25	–69	21	18
Volkswagen AG hybrid capital investors	134	122	134	122	–	–
Volkswagen AG shareholders	4,860	–1,607	3,866	–1,981	994	375
Basic/diluted earnings per ordinary share in €[2]	**9.70**	**–3.23**				
Basic/diluted earnings per preferred share in €[2]	**9.70**	**–3.18**				

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 April 1 to June 30

€ million	2021	2020
Earnings after tax	**5,040**	**–1,536**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	515	–4,994
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	–147	1,502
Pension plan remeasurements recognized in other comprehensive income, net of tax	367	–3,492
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	343	9
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	–1	9
Items that will not be reclassified to profit or loss	**709**	**–3,474**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	216	–72
Transferred to profit or loss	–	15
Exchange differences on translating foreign operations, before tax	216	–57
Deferred taxes relating to exchange differences on translating foreign operations	1	4
Exchange differences on translating foreign operations, net of tax	216	–54
Hedging		
Fair value changes recognized in other comprehensive income (OCI I)	284	908
Transferred to profit or loss (OCI I)	–226	–152
Cash flow hedges (OCI I), before tax	58	756
Deferred taxes relating to cash flow hedges (OCI I)	–18	–210
Cash flow hedges (OCI I), net of tax	40	546
Fair value changes recognized in other comprehensive income (OCI II)	–86	–85
Transferred to profit or loss (OCI II)	363	318
Cash flow hedges (OCI II), before tax	278	232
Deferred taxes relating to cash flow hedges (OCI II)	–86	–71
Cash flow hedges (OCI II), net of tax	192	161
Fair value valuation of debt instruments that may be reclassified to profit or loss		
Fair value changes recognized in other comprehensive income	–8	30
Transferred to profit or loss	0	0
Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax	–8	30
Deferred taxes relating to fair value valuation of debt instruments recognized in other comprehensive income	3	–9
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	–5	21
Share of other comprehensive income of equity-accounted investments that may be reclassified to profit or loss, net of tax	25	–65
Items that may be reclassified to profit or loss	**469**	**610**
Other comprehensive income, before tax	1,425	–4,081
Deferred taxes relating to other comprehensive income	–248	1,216
Other comprehensive income, net of tax	**1,177**	**–2,864**
Total comprehensive income	**6,217**	**–4,401**
of which attributable to		
Noncontrolling interests	105	–48
Volkswagen AG hybrid capital investors	134	122
Volkswagen AG shareholders	5,978	–4,475

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

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2021	2020	2021	2020	2021	2020
Assets						
Noncurrent assets	**309,535**	**302,170**	**155,691**	**156,861**	**153,844**	**145,309**
Intangible assets	69,161	67,968	68,989	67,781	172	187
Property, plant and equipment	62,390	63,884	61,304	62,807	1,086	1,077
Lease assets	56,414	50,686	1,451	1,512	54,963	49,174
Financial services receivables	84,429	82,565	–370	–377	84,799	82,942
Investments, equity-accounted investments and other equity investments, other receivables and financial assets	37,140	37,067	24,316	25,137	12,824	11,930
Current assets	**207,585**	**194,944**	**109,804**	**97,236**	**97,781**	**97,708**
Inventories	44,942	43,823	41,014	39,055	3,929	4,768
Financial services receivables	58,393	58,006	–493	–557	58,886	58,562
Other receivables and financial assets	40,506	38,044	19,733	17,012	20,773	21,033
Marketable securities	22,028	21,162	17,701	17,503	4,327	3,658
Cash, cash equivalents and time deposits	40,812	33,909	30,946	24,222	9,866	9,687
Assets held for sale	903	–	903	–	–	–
Total assets	**517,119**	**497,114**	**265,495**	**254,097**	**251,624**	**243,017**
Equity and liabilities						
Equity	**140,013**	**128,783**	**104,982**	**96,733**	**35,032**	**32,050**
Equity attributable to Volkswagen AG shareholders	123,999	111,336	89,662	79,913	34,337	31,423
Equity attributable to Volkswagen AG hybrid capital investors	14,248	15,713	14,248	15,713	–	–
Equity attributable to Volkswagen AG shareholders and hybrid capital investors	138,247	127,049	103,910	95,626	34,337	31,423
Noncontrolling interests	1,767	1,734	1,072	1,107	694	627
Noncurrent liabilities	**204,098**	**202,921**	**93,248**	**93,523**	**110,851**	**109,398**
Financial liabilities	119,227	114,809	19,439	15,637	99,789	99,173
Provisions for pensions	40,541	45,081	39,754	44,207	787	874
Other liabilities	44,330	43,031	34,055	33,680	10,274	9,352
Current liabilities	**173,008**	**165,410**	**67,265**	**63,840**	**105,742**	**101,569**
Financial liabilities	87,794	88,648	–7,559	–2,806	95,353	91,454
Trade payables	23,825	22,677	20,645	19,539	3,181	3,137
Other liabilities	60,810	54,085	53,602	47,107	7,209	6,978
Liabilities associated with assets held for sale	578	–	578	–	–	–
Total equity and liabilities	**517,119**	**497,114**	**265,495**	**254,097**	**251,624**	**243,017**

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

Statement of Changes in Equity

€ million	Subscribed capital	Capital reserve	Retained earnings	OTHER RESERVES Currency translation reserve
Balance at Jan. 1, 2020	**1,283**	**14,551**	**96,929**	**–2,824**
Earnings after tax	–	–	–1,201	–
Other comprehensive income, net of tax	–	–	–47	–1,799
Total comprehensive income	**–**	**–**	**–1,248**	**–1,799**
Disposal of equity instruments	–	–	–	–
Capital increases/Capital decreases	–	–	–	–
Dividends payment	–	–	–	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes	–	–	6	0
Balance at June 30, 2020	**1,283**	**14,551**	**95,687**	**–4,623**
Balance at Jan. 1, 2021	**1,283**	**14,551**	**100,772**	**–5,659**
Earnings after tax	–	–	8,104	–
Other comprehensive income, net of tax	–	–	3,355	1,467
Total comprehensive income	**–**	**–**	**11,460**	**1,467**
Disposal of equity instruments	–	–	57	–
Capital increases/Capital decreases[1]	–	–	–	–
Dividends payment	–	–	–	–
Capital transactions involving a change in ownership interest[2]	–	–	–268	–34
Other changes	–	–	8	–
Balance at June 30, 2021	**1,283**	**14,551**	**112,029**	**–4,226**

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

HEDGING							
Cash flow hedges (OCI I)	Deferred costs of hedging (OCI II)	Equity and debt instruments	Equity-accounted investments	Equity attributable to Volkswagen AG hybrid capital investors	Equity attributable to Volkswagen AG shareholders and hybrid capital investors	Equity attributable to noncontrolling interests	**Total equity**
95	**–977**	**–235**	**295**	**12,663**	**121,781**	**1,870**	**123,651**
–	–	–	–	239	–962	–57	–1,019
998	12	2	–64	–	–898	–49	–947
998	**12**	**2**	**–64**	**239**	**–1,860**	**–106**	**–1,966**
–	–	–	–	–	–	–	–
–	–	–	–	2,989	2,989	–	2,989
–	–	–	–	–393	–393	–3	–397
–	–	–	–	–	–	–	–
–	–	–	–1	–	5	6	11
1,093	**–965**	**–233**	**230**	**15,498**	**122,521**	**1,766**	**124,288**
1,287	**–708**	**–219**	**30**	**15,713**	**127,049**	**1,734**	**128,783**
–	–	–	–	269	8,374	81	8,454
–835	253	319	295	–	4,854	85	4,939
–835	**253**	**319**	**295**	**269**	**13,228**	**166**	**13,394**
–	–	–57	–	–	–	–	–
–	–	–	–	–1,237	–1,237	170	–1,068
–	–	–	–	–497	–497	–18	–515
–1	0	0	0	–	–304	–283	–586
–	–	–	0	–	7	–2	6
451	**–456**	**42**	**324**	**14,248**	**138,247**	**1,767**	**140,013**

Cash flow statement for the Period January 1 to June 30

€ million	VOLKSWAGEN GROUP 2021	VOLKSWAGEN GROUP 2020	DIVISIONS AUTOMOTIVE[1] 2021	AUTOMOTIVE[1] 2020	FINANCIAL SERVICES 2021	FINANCIAL SERVICES 2020
Cash and cash equivalents at beginning of period	**33,432**	**24,329**	**23,758**	**18,098**	**9,674**	**6,231**
Earnings before tax	11,153	–1,352	8,701	–2,600	2,453	1,248
Income taxes paid	–2,329	–1,504	–1,876	–1,200	–453	–304
Depreciation and amortization expense[2]	13,351	13,104	8,811	8,417	4,540	4,688
Change in pension provisions	376	437	353	430	23	7
Share of the result of equity-accounted investments	1,780	1,652	1,770	1,661	9	–10
Other noncash income/expense and reclassifications[3]	–247	–126	–493	118	246	–244
Gross cash flow	**24,083**	**12,211**	**17,266**	**6,825**	**6,817**	**5,385**
Change in working capital	**–5,618**	**–4,880**	**1,821**	**–3,816**	**–7,439**	**–1,064**
Change in inventories	–684	–392	–1,576	–245	892	–147
Change in receivables	–2,891	–1,517	–2,828	–854	–63	–662
Change in liabilities	5,665	–622	4,932	–707	733	85
Change in other provisions	1,491	–2,147	1,419	–2,124	72	–23
Change in lease assets (excluding depreciation)	–9,339	–4,989	–33	163	–9,306	–5,153
Change in financial services receivables	140	4,787	–92	–49	232	4,837
Cash flows from operating activities	**18,465**	**7,331**	**19,088**	**3,009**	**–622**	**4,322**
Cash flows from investing activities attributable to operating activities	**–9,062**	**–7,930**	**–8,897**	**–7,815**	**–165**	**–114**
of which: Investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property	–3,864	–4,226	–3,777	–4,130	–87	–96
capitalized development costs	–3,711	–2,950	–3,711	–2,950	–	–
acquisition and disposal of equity investments	–1,642	–953	–1,538	–912	–104	–41
Net cash flow[4]	***9,403***	***–599***	***10,191***	***–4,806***	***–788***	***4,207***
Change in investments in securities, loans and time deposits	–1,048	–2,120	85	–1,762	–1,133	–358
Cash flows from investing activities	**–10,110**	**–10,050**	**–8,812**	**–9,577**	**–1,298**	**–473**
Cash flows from financing activities	**–1,336**	**21,666**	**–3,391**	**21,104**	**2,055**	**562**
of which: capital contributions/capital redemptions	–1,071	2,984	–1,600	2,975	530	9
MAN noncontrolling interest shareholders: compensation payments and acquisition of shares tendered	–	2	–	2	–	–
Effect of exchange rate changes on cash and cash equivalents	409	–330	361	–265	48	–65
Change of loss allowance within cash & cash equivalents	0	–3	0	–2	0	0
Net change in cash and cash equivalents	**7,428**	**18,615**	**7,246**	**14,269**	**182**	**4,346**
Cash and cash equivalents at June 30[5]	**40,860**	**42,944**	**31,004**	**32,367**	**9,856**	**10,577**
Securities, loans and time deposits	33,921	30,005	15,938	14,720	17,983	15,285
Gross liquidity	**74,780**	**72,949**	**46,941**	**47,087**	**27,839**	**25,862**
Total third-party borrowings	–207,035	–216,603	–11,893	–28,424	–195,142	–188,180
Net liquidity at June 30[6]	**–132,255**	**–143,654**	**35,048**	**18,663**	**–167,303**	**–162,318**
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 June 30, 2021 were therefore also prepared in accordance with IAS 34 (Interim Financial Reporting) and are condensed in scope compared with the consolidated financial statements.

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

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

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

Accounting policies

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

OTHER ACCOUNTING POLICIES

A discount rate of 1.1% (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 six months of 2021.

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

Antitrust investigation

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

Effects of the Covid-19 Pandemic

The rate of infections leveled off in the course of the first six months of 2021 for reasons that include the increasing vaccination rate. Despite that, and also because of the emergence of several variants of the virus, disruption – such as contact and mobility restrictions or limitations on business activities – continued in many parts of the world.

Accordingly, the effects of the Covid-19 pandemic had to be analyzed during the preparation of the interim consolidated financial statements as of June 30, 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 on the operating profit, particularly in connection with the treatment of derivatives to which hedge accounting is not applied and the measurement of receivables and liabilities denominated in foreign currencies.

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

Material Transactions

On February 28, 2020, TRATON SE (TRATON) announced its intention to merge MAN SE (MAN) with TRATON. The shares held by noncontrolling interest shareholders of MAN are to be transferred to TRATON against payment of an appropriate cash settlement in the context of this merger (merger squeeze-out).

TRATON holds 94.36% of MAN's share capital and announced its offer of a cash settlement to MAN's noncontrolling interest shareholders in the amount of €70.68 on May 8, 2021. The merger of MAN with TRATON was agreed by the Annual General Meeting of MAN SE on June 29, 2021. Following this resolution, the present value of the put options granted, amounting to approximately €586 million, had to be recognized as a current liability not affecting net income. The noncontrolling interests in the Volkswagen Group's equity, as well as the retained earnings and other reserves attributable to the shareholders of Volkswagen AG declined accordingly.

The merger squeeze-out will take effect upon the entry of the transfer resolution and of the merger itself in the commercial register for the headquarters of TRATON SE and MAN SE.

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

IFRS 5 – Noncurrent assets and liabilities held for sale

In July 2021, the Volkswagen Group and Rimac Automobili d.o.o., Sveta Nedelja/Croatia, agreed to establish a joint venture. Volkswagen will contribute its consolidated subsidiaries Bugatti Automobiles S.A.S, Molsheim/France and Bugatti International S.A., Strassen/Luxembourg to the joint venture. The establishment of the new hypercar manufacturer Bugatti-Rimac, which will have its headquarters in Zagreb/Croatia, is planned for the fourth quarter of 2021. Antitrust approval is required in several countries before the deal can go ahead. Rimac will hold 55% of the shares of the joint venture, and Volkswagen will hold a 45% interest through Porsche. In addition, Porsche holds a direct interest of 24% in Rimac.

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

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

There are plans to sell MAN Truck & Bus Österreich GesmbH, Steyr/Austria (MTBÖ) as part of restructuring measures. As from June 10, 2021, the date on which the sale agreement was signed, the assets and liabilities of MTBÖ are presented as a disposal group in the financial statements of the Volkswagen Group. The shares in MTBÖ are expected to be sold in the third quarter of 2021. The classification of the assets and liabilities as a disposal group led to the recognition of an expense, of which €158 million was attributable to impairment losses on property, plant and equipment and €141 million to a provision recognized in addition to this. The provision was not recognized as part of the disposal group. The total expense is presented in other operating expenses.

In this context, assets of €903 million and liabilities of €578 million were classified as held for sale as of June 30, 2021 and presented in a separate line item of the balance sheet in accordance with IFRS 5. The assets and liabilities held for sale have been recognized at the lower of their carrying amount and fair value less expected costs of disposal.

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: H1 2020

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total Segments	Reconciliation	Volkswagen Group
Vehicles	54,383	5,682	–	–	60,065	–5,991	54,074
Genuine parts	5,377	1,592	–	–	6,969	–54	6,915
Used vehicles and third-party products	5,183	624	–	–	5,807	–335	5,472
Engines, powertrains and parts deliveries	5,344	281	–	–	5,625	–7	5,618
Power Engineering	–	–	1,850	–	1,850	–1	1,849
Motorcycles	277	–	–	–	277	–	277
Leasing business	374	851	0	14,634	15,860	–2,045	13,814
Interest and similar income	87	4	–	3,867	3,958	–103	3,855
Hedges sales revenue	–437	–10	–	0	–447	25	–421
Other sales revenue	3,377	829	–	615	4,821	–143	4,678
	73,965	**9,854**	**1,850**	**19,115**	**104,784**	**–8,654**	**96,131**

STRUCTURE OF GROUP SALES REVENUE: H1 2021

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total Segments	Reconciliation	Volkswagen Group
Vehicles	79,274	8,633	–	–	87,907	–7,875	80,032
Genuine parts	6,344	1,816	–	–	8,160	–67	8,093
Used vehicles and third-party products	6,139	810	–	–	6,949	–320	6,629
Engines, powertrains and parts deliveries	5,928	366	–	–	6,294	–28	6,266
Power Engineering	–	–	1,581	–	1,581	0	1,581
Motorcycles	438	–	–	–	438	–	438
Leasing business	411	866	0	17,892	19,168	–2,289	16,878
Interest and similar income	99	3	–	3,910	4,013	–133	3,880
Hedges sales revenue	–26	–22	–	0	–48	25	–23
Other sales revenue	4,426	932	–	839	6,198	–304	5,894
	103,033	**13,404**	**1,581**	**22,642**	**140,660**	**–10,992**	**129,669**

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 €968 million (previous year: €1,232 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 €496 million (previous year: €552 million).

3. Research and development costs

€ million	H1 2021	H1 2020	%
Total research and development costs	7,735	6,695	15.5
of which: capitalized development costs	3,710	2,950	25.8
Capitalization ratio in %	48.0	44.1	
Amortization of capitalized development costs	2,494	2,224	12.1
Research and development costs recognized in profit or loss	**6,520**	**5,969**	**9.2**

4. Earnings per share

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

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

		Q2 2021	Q2 2020	H1 2021	H1 2020
Weighted average number of:					
Ordinary shares – basic/diluted	Shares	295,089,818	295,089,818	295,089,818	295,089,818
Preferred shares – basic/diluted	Shares	206,205,445	206,205,445	206,205,445	206,205,445
Earnings after tax	€ million	5,040	–1,536	8,454	–1,019
Noncontrolling interests	€ million	46	–51	81	–57
Earnings attributable to Volkswagen AG hybrid capital investors	€ million	134	122	269	239
Earnings attributable to Volkswagen AG shareholders	€ million	4,860	–1,607	8,104	–1,201
of which: basic/diluted earnings attributable to ordinary shares	€ million	2,861	–952	4,763	–721
of which: basic/diluted earnings attributable to preferred shares	€ million	1,999	–655	3,341	–481
Earnings per ordinary share – basic/diluted	€	9.70	–3.23	16.14	–2.44
Earnings per preferred share – basic/diluted	€	9.70	–3.18	16.20	–2.33

5. Noncurrent assets

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

€ million	Carrying amount at Jan. 1, 2021	Additions/ Changes in consolidated Group	Disposals/ Other changes	Depreciation and amortization	Carrying amount at June 30, 2021
Intangible assets	67,968	4,125	11	2,920	69,161
Property, plant and equipment	63,884	4,261	–111	5,866	62,390
Lease assets	50,686	15,887	5,297	4,862	56,414

6. Inventories

€ million	June 30, 2021	Dec. 31, 2020
Raw materials, consumables and supplies	8,298	6,966
Work in progress	6,589	4,022
Finished goods and purchased merchandise	23,827	27,204
Current lease assets	5,935	5,337
Prepayments	280	288
Hedges on inventories	13	6
	44,942	**43,823**

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

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

7. Current other receivables and financial assets

€ million	June 30, 2021	Dec. 31, 2020
Trade receivables	17,849	16,243
Miscellaneous other receivables and financial assets	22,657	21,801
	40,506	**38,044**

In the period January 1 to June 30, 2021, impairment losses and reversals of impairment losses on noncurrent and current financial assets reduced operating profit by €166 million (previous year: €653 million).

8. Equity

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

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

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

The merger of MAN SE (MAN) with TRATON SE (TRATON) was resolved by the Annual General Meeting of MAN on June 29, 2021. The shares held by noncontrolling interest shareholders of MAN are also to be transferred to TRATON against payment of an appropriate cash settlement in the context of this merger (merger squeeze-out). As a result, the interest held by TRATON in MAN increases from 94.36% to 100% (see “Key events” section for details).

9. Noncurrent financial liabilities

€ million	June 30, 2021	Dec. 31, 2020
Bonds, commercial paper and notes	91,791	88,097
Liabilities to banks	19,128	17,273
Deposit business	2,358	2,411
Lease liabilities	4,993	5,119
Other financial liabilities	958	1,909
	119,227	**114,809**

10. Current financial liabilities

€ million	June 30, 2021	Dec. 31, 2020
Bonds, commercial paper and notes	46,101	42,055
Liabilities to banks	13,962	18,060
Deposit business	24,697	26,735
Lease liabilities	1,094	1,005
Other financial liabilities	1,940	794
	87,794	**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 JUNE 30, 2021

	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO A MEASUREMENT CATEGORY	BALANCE SHEET ITEM AT JUNE 30, 2021
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	10,234	10,234
Other equity investments	539	–	–	–	1,782	2,321
Financial services receivables	278	49,434	51,604	–	34,717	84,429
Other financial assets	1,902	4,818	4,924	1,540	–	8,260
Tax receivables	–	–	–	–	469	469
Current assets						
Trade receivables	10	17,839	17,839	–	–	17,850
Financial services receivables	25	39,213	39,213	–	19,155	58,393
Other financial assets	1,804	11,185	11,185	462	–	13,452
Tax receivables	–	4	4	–	1,489	1,493
Marketable securities	22,013	15	15	–	–	22,028
Cash, cash equivalents and time deposits	–	40,812	40,812	–	–	40,812
Assets held for sale	–	372	372	–	532	903
Noncurrent liabilities						
Financial liabilities	–	114,234	120,174	–	4,993	119,227
Other financial liabilities	983	2,212	2,206	587	–	3,782
Current liabilities						
Financial liabilities	–	86,700	86,700	–	1,094	87,794
Trade payables	–	23,825	23,825	–	–	23,825
Other financial liabilities	1,010	11,880	11,880	1,155	–	14,044
Tax payables	–	15	15	–	460	474
Liabilities associated with assets held for sale	–	166	166	–	412	578

The carrying amount of lease receivables was €53.9 billion (previous year: €52.9 billion) and their fair value was €55.0 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	June 30, 2021	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	539	413	0	126
Financial services receivables	278	–	–	278
Other financial assets	1,902	–	923	979
Current assets				
Trade receivables	10	–	–	10
Financial services receivables	25	–	–	25
Other financial assets	1,804	–	1,395	410
Marketable securities	22,013	21,922	91	–
Noncurrent liabilities				
Other financial liabilities	983	–	486	496
Current liabilities				
Other financial liabilities	1,010	–	788	221

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	June 30, 2021	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	1,540	–	1,540	–
Current assets				
Other financial assets	462	–	462	–
Noncurrent liabilities				
Other financial liabilities	587	–	587	–
Current liabilities				
Other financial liabilities	1,155	–	1,155	–

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	–6	–12	–
Total comprehensive income	–43	533	–
recognized in profit or loss	–43	533	–
recognized in other comprehensive income	–	–	–
Additions (purchases)	9	–	–
Sales and settlements	–65	–128	–
Transfers into Level 2	–5	–66	–
Balance at June 30, 2020	**806**	**1,092**	**3**
Total gains or losses recognized in profit or loss	**–43**	**–533**	**–**
Net other operating expense/income	–43	–533	–
of which attributable to assets/liabilities held at the reporting date	–46	–469	–
Financial result	–	–	–
of which attributable to assets/liabilities held at the reporting date	–	–	–

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2021	**1,383**	**907**
Foreign exchange differences	20	9
Changes in consolidated Group	–158	–
Total comprehensive income	712	–51
recognized in profit or loss	385	47
recognized in other comprehensive income	326	–99
Additions (purchases)	493	–
Sales and settlements	–104	–137
Transfers into Level 1	–333	–
Transfers into Level 2	–184	–11
Balance at June 30, 2021	**1,828**	**717**
Total gains or losses recognized in profit or loss	**385**	**–47**
Net other operating expense/income	402	–47
of which attributable to assets/liabilities held at the reporting date	207	–30
Financial result	–17	–
of which attributable to assets/liabilities held at the reporting date	–	–

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

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

If commodity prices for commodity futures classified as Level 3 had been 10% higher (lower) as of June 30, 2021, earnings after tax would have been €262 million (previous year: €225 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 June 30, 2021 had been 10% higher, earnings after tax would have been €4 million (previous year: €3 million) higher. If the assumed enterprise values at June 30, 2021 had been 10% lower, earnings after tax would have been €4 million (previous year: €3 million) lower.

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

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

If the prices of the used cars covered by the residual value protection model had been 10% higher as of June 30, 2021, earnings after tax would have been €416 million (previous year: €355 million) higher. If the prices of the used cars covered by the residual value protection model had been 10% lower as of June 30, 2021, earnings after tax would have been €462 million (previous year: €379 million) lower.

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

If the corresponding vehicle price used in the vehicle financing programs had been 10% higher as of June 30, 2021, earnings after tax would have been €2 million (previous year: €2 million) higher. If the corresponding vehicle price used in the vehicle financing programs had been 10% lower as of June 30, 2021, earnings after tax would have been €2 million (previous year: €2 million) lower.

If the result of operations of equity investments measured at fair value had been 10% better as of June 30, 2021, equity would have been €6 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 €6 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	June 30, 2021	June 30, 2020
Cash, cash equivalents and time deposits as reported in the balance sheet	40,812	43,404
Cash and cash equivalents held for sale	326	115
Time deposits	–278	–575
Cash and cash equivalents as reported in the cash flow statement	**40,860**	**42,944**

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

	H1	
€ million	2021	2020
Capital contributions/Capital redemptions	–1,071	2,984
Dividends paid	–501	–397
Proceeds from issuance of bonds	18,539	13,188
Repayments of bonds	–14,898	–8,978
Changes in other financial liabilities	–2,859	15,388
Repayments of lease liabilities	–546	–520
	–1,336	**21,666**

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 six months 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: H1 2020

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	67,220	9,356	1,849	17,469	95,893	237	96,131
Intersegment sales revenue	6,746	498	1	1,646	8,891	–8,891	–
Total sales revenue	73,965	9,854	1,850	19,115	104,784	–8,654	96,131
Segment result (operating result)	–1,582	–295	–93	1,248	–721	–768	–1,490

REPORTING SEGMENTS: H1 2021

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	94,316	12,855	1,581	20,750	129,502	166	129,669
Intersegment sales revenue	8,717	549	0	1,892	11,158	–11,158	–
Total sales revenue	103,033	13,404	1,581	22,642	140,660	–10,992	129,669
Segment result (operating result)	9,303	334	–14	2,517	12,141	–783	11,358

RECONCILIATION

€ million	H1 2021	H1 2020
Segment result (operating result)	**12,141**	**–721**
Unallocated activities	–18	–37
Group financing	22	7
Consolidation/Holding company function	–786	–739
Operating result	**11,358**	**–1,490**
Financial result	**–205**	**138**
Consolidated earnings before tax	**11,153**	**–1,352**

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 H1		SUPPLIES AND SERVICES RECEIVED H1	
€ million	2021	2020	2021	2020
Porsche SE and its majority interests	2	2	0	0
Supervisory Board members	1	3	1	0
Unconsolidated subsidiaries	541	494	678	558
Joint ventures and their majority interests	8,978	7,136	348	196
Associates and their majority interests	174	76	651	522[1]
State of Lower Saxony, its majority interests and joint ventures	1	2	2	3

1 Prior year figures adjusted.

	RECEIVABLES FROM		LIABILITIES (INCLUDING OBLIGATIONS) TO	
€ million	June 30, 2021	Dec. 31, 2020	June 30, 2021	Dec. 31, 2020
Porsche SE and its majority interests	4	4	0	0
Supervisory Board members	0	0	160	167
Unconsolidated subsidiaries	1,137	1,164	1,428	1,477
Joint ventures and their majority interests	13,590	12,207	2,058	2,250
Associates and their majority interests	488	397	703	951
State of Lower Saxony, its majority interests and joint ventures	22	25	2	2

The tables above do not contain the dividend payments (net of withholding tax) of €1,471 million (previous year: €1,503 million) received from joint ventures and associates.

Receivables from joint ventures are primarily attributable to loans granted in an amount of €8,414 million (December 31, 2020: €8,534 million) as well as trade receivables in an amount of €3,705 million (December 31, 2020: €3,349 million). Receivables from non-consolidated subsidiaries also result primarily from loans granted in an amount of €686 million (December 31, 2020: €642 million) as well as trade receivables in an amount of €179 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 €367 million (December 31, 2020: €354 million).

Impairment losses of €21 million (previous year: €166 million) were recognized on the outstanding related party receivables. In the first half of 2021, expenses of €1 million (previous year: €105 million) were incurred in this context.

In the first six months, the Volkswagen Group made capital contributions of €925 million (previous year: €73 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 Italy, the trial court hearing the Altroconsumo class action found in favor of the plaintiffs in July 2021 and entered a judgment holding Volkswagen AG and Volkswagen Group Italia liable in damages to some 63 thousand consumers in an aggregate amount of roughly €185 million plus interest. Volkswagen AG and Volkswagen Group Italia intend to appeal this decision.

In the Netherlands, the suspended class action brought by Stichting Car Claim has been resumed. A hearing for oral argument on the merits of the claims took place in May 2021. A declaratory judgment partially granting the relief sought was issued in July 2021. In the opinion of the court, Volkswagen AG and the other defendant Group companies acted unlawfully with respect to the original engine management software. The court moreover held that consumers are entitled to a purchase price reduction from the defendant dealerships. No specific payment obligations result from the declaratory judgment. Volkswagen AG and the other defendant Group companies intend to appeal the decision.

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

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

2. Proceedings in the USA/Canada

In February 2021, Texas sought discretionary review by the Texas Supreme Court of the Texas appellate court decision dismissing Texas's state environmental claims against Volkswagen AG and AUDI AG for lack of personal jurisdiction. In June 2021, the Ohio Supreme Court affirmed an intermediate appellate court decision declining to dismiss certain claims brought by Ohio. Volkswagen AG and AUDI AG intend to seek further review by the U.S. Supreme Court.

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

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

In line with IAS 37.92, no further statements have been made concerning estimates of financial impact or regarding uncertainty as to the amount or maturity of provisions and contingent liabilities in relation to the legal risks. This is so as to not compromise the results of the proceedings or the interests of the Company.

ADDITIONAL IMPORTANT LEGAL CASES

At the end of March 2021, the Supervisory Board of Volkswagen AG announced the completion of the investigation initiated in October 2015 into the causes of and those responsible for the diesel issue. The Board resolved to claim damages from Prof. Dr. Martin Winterkorn, former Chair of the Board of Management of Volkswagen AG, and from Rupert Stadler, former member of the Board of Management of Volkswagen AG and former Chair of the Board of Management of AUDI AG, for breach of their duty of care under stock corporation law. The resolution was based on identified negligent breaches of duty. The investigation found no breaches of duty by other members of the Volkswagen AG Board of Management. The investigation covered all members of the Board of

Management who were in office during the relevant period. In June 2021, agreements on damage payments were reached in this connection with the goal of achieving speedy, legally certain, and final resolution of the diesel issue as far as the civil liability of members of governing bodies is concerned. To this end, Volkswagen and Audi entered into damage settlements (liability settlements) with Prof. Winterkorn and Mr. Stadler respectively in connection with the diesel issue. Prof. Winterkorn's damage payment amounts to €11.2 million and that of Mr. Stadler to €4.1 million. Volkswagen has furthermore reached agreement with the relevant insurers under its directors and officers liability policies (D&O insurance) on payment of an aggregate sum of €270 million (coverage settlement).

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

In April 2019, the European Commission issued an initial statement of objections to Volkswagen AG, AUDI AG and Dr. Ing. h.c. F. Porsche AG in connection with the Commission's antitrust investigation of the automobile industry. These objections stated the European Commission's preliminary evaluation of the matter and afforded the opportunity to comment. Following entry into a formal settlement procedure, the Commission in April 2021 issued a revised statement of objections raising charges that were considerably more narrow. On this basis, a settlement decision was issued on July 8, 2021 concluding the administrative action and assessing a total fine of roughly €502 million against the three brands. The subject matter scope of the decision is limited to the cooperation of German automobile manufacturers on individual technical questions in connection with the development and introduction of SCR (selective catalytic reduction) systems for passenger cars that were sold in the European Economic Area. The manufacturers are not charged with any other misconduct such as price fixing or allocating markets and customers. The decision was served on Volkswagen on July 12, 2021. It can be challenged by filing an action with the European Court by mid-September.

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

16. Contingent liabilities

Driven in particular by the inclusion of additional tax and legal items and of currency translation effects, contingent liabilities went up to €9.1 billion, an increase of €0.5 billion compared with the 2020 consolidated financial statements.

17. Other financial obligations

Other financial obligations totaled €26.3 billion, an increase of €4.3 billion compared with the 2020 consolidated financial statements. The rise is mainly attributable to obligations relating to development and supply contracts.

Significant events after the balance sheet date

On July 1, 2021, the TRATON GROUP acquired all of the outstanding ordinary shares in Navistar, a US manufacturer of commercial vehicles. The purchase price of approximately €3.1 billion (USD 3.7 billion) was paid in cash.

TRATON now holds 100% of the shares in Navistar International Corporation, which was previously accounted for using the equity method (interest of 16.7%).

Given the short period of time since the acquisition date, it is not possible to provide any further information on the acquisition and the resulting effects on the consolidated financial statements of the Volkswagen Group.

In June 2021, agreements on the payment of damages by former members of the Board of Management were reached with the goal of achieving speedy, legally certain, and final resolution of the diesel issue as far as the civil liability of members of governing bodies is concerned. To this end, Volkswagen and Audi entered into damage settlements (liability settlements) with Prof. Winterkorn and Mr. Stadler respectively in connection with the diesel issue. Prof. Winterkorn's damage payment amounts to €11.2 million and that of Mr. Stadler to €4.1 million. Volkswagen has furthermore reached agreement with the relevant insurers under its directors and officers liability policies (D&O insurance) on payment of an aggregate sum of €270 million (coverage settlement).

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

The Annual General Meeting of Volkswagen AG gave its approval to this agreement on July 22 2021. Following this approval, the damages to be paid will be recognized as other operating income in the third quarter.

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

Wolfsburg, July 28, 2021

Volkswagen Aktiengesellschaft

The Board of Management

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed interim consolidated financial statements prepared in accordance with German accepted accounting principles give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Wolfsburg, July 28, 2021

Volkswagen Aktiengesellschaft

The Board of Management

Review Report

To VOLKSWAGEN AKTIENGESELLSCHAFT

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

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

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

Hanover, 28 July 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

Glossary

Selected terms at a glance

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

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

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

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

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

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

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

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

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

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

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

Ratio of capex to sales revenue
The ratio of capex (investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs) to sales revenue in the Automotive Division reflects both our innovative power and our future competitiveness. It shows our capital expenditure – largely for modernizing and expanding our product range and for environmentally friendly drivetrains, as well as for adjusting the production capacity and improving production processes – in relation to the Automotive Division's sales revenue.

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

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

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FINANCIAL CALENDAR

October 28, 2021 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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