VOLKSWAGEN

AKTIENGESELLSCHAFT

NEW AUTO

JANUARY - MARCH 2022

INTERIM REPORT

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Key Figures

VOLKSWAGEN GROUP

	Q1		
	2022	2021	%
Volume Data[1] in thousands			
Deliveries to customers (units)	1,898	2,432	–21.9
Vehicle sales (units)	1,995	2,334	–14.5
Production (units)	2,044	2,319	–11.9
Employees (on March 31, 2022/Dec. 31, 2021)	668.3	672.8	–0.7
Financial Data (IFRSs), € million			
Sales revenue	62,742	62,376	+0.6
Operating result before special items	8,453	4,812	+75.7
Operating return on sales before special items (%)	13.5	7.7	
Special items	–130	–	x
Operating result	8,323	4,812	+73.0
Operating return on sales (%)	13.3	7.7	
Earnings before tax	8,895	4,463	+99.3
Return on sales before tax (%)	14.2	7.2	
Earnings after tax	6,724	3,414	+96.9
Automotive Division[2]			
Total research and development costs	4,359	3,962	+10.0
R&D ratio (%)	8.5	7.7	
Cash flows from operating activities	5,800	8,890	–34.8
Cash flows from investing activities attributable to operating activities[3]	4,309	4,186	+2.9
of which: capex	1,703	1,924	–11.5
capex/sales revenue (%)	3.3	3.7	
Net cash flow	1,491	4,705	–68.3
Net liquidity at March 31	31,065	29,650	+4.8

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: Q1 €3,848 (3,806) 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 down substantially year-on-year at 1.9 (2.4) million vehicles due to limited vehicle availability caused by the Covid-19 pandemic and parts supply shortages; decreases across all regions

> Share of all-electric vehicles rises to 5.2 (2.5)% of the Group's total deliveries

> At €62.7 (62.4) billion, Group sales revenue at the prior-year level; includes Navistar with €2 billion (consolidated as of July 2021), financial services business remains robust

> Operating profit before special items up by €3.6 billion to €8.5 billion, including positive effects from derivatives to which hedge accounting is not applied (especially commodity hedges) of €3.5 billion; improvements in the mix and price positioning

> Operating result up €3.5 billion year-on-year to €8.3 billion; negative special items of € –0.1 billion in the reporting period relating to the diesel issue

> Profit before tax improves to €8.9 (4.5) billion

> Automotive Division's net cash flow at €1.5 (4.7) billion; capex/sales revenue at 3.3 (3.7)%

> Net liquidity in the Automotive Division at a robust €31.1 billion; successful placement of hybrid notes strengthens the capital base

> Exciting products:

- Volkswagen celebrates the world premiere of the all-electric ID. Buzz; reworked T-Roc models launched
- ŠKODA excites customers with its dynamic Enyaq Coupe iV
- Audi presents the new version of its flagship A8 and shows off its near-production concept car, the Audi A6 Avant e-tron based on the Premium Platform Electric (PPE)
- Porsche expands the Taycan model range with the Taycan Sport Turismo body style
- Scania unveils its enhanced Interlink city bus

Key Events

COVID-19 PANDEMIC

The global spread of the Omicron variant of coronavirus (SARS-CoV-2) continued to have a substantial impact on social and economic life in the first quarter of 2022 in some regions. Particularly in China, local infection outbreaks led to tight restrictions under the zero-Covid strategy being pursued there, resulting in economic damage and disruption to supply chains.

RUSSIA-UKRAINE CONFLICT

In the first three months of 2022, the Russia-Ukraine conflict led to a humanitarian crisis and global market upheaval. There were substantial price rises particularly on energy and commodity markets. Parts supply shortages, especially for wire harnesses, also intensified in this context. The Russia-Ukraine conflict led to increased uncertainty in respect of developments in the global economy and prompted large sections of the community of Western states to impose sanctions on Russia ranging from extensive trade embargoes to the exclusion of Russia from the global financial system.

NEW PRODUCTS AND TECHNOLOGIES PRESENTED

The Volkswagen Group and its brands presented new vehicles and technologies in the first quarter of 2022.

Volkswagen celebrated the world premiere of the ID. Buzz in the first quarter of 2022, which brings the design of the iconic T1 and seven decades of "Bulli" know-how into the era of software, digitalization and e-mobility. With the first all-electric bus and transporter range and technology based on the Group's Modular Electric Drive Toolkit (MEB), Volkswagen is providing yet another solution for sustainable and carbon-free mobility. The ID. Buzz comes with the latest ID. software and sets new standards in its segment for safety, comfort and charging: state-of-the-art assistance systems such as Travel Assist with the use of swarm data, automated parking, Plug & Charge technology for up to 170 kW of power and a bidirectional charging system that enables integration of the vehicle into the home energy system. In the ID. Cargo transporter version, the customer can choose either two or three seats in the front and there is a fixed partition separating the seats from the 3.9 m^3 cargo space, where the zero-emission transporter can accommodate two loaded euro pallets side-by-side. The reworked T-Roc models also launched in the first quarter of this year include the T-Roc Cabriolet and the top-of-the-range T-Roc R. With fresh exterior design accents, innovations in the controls and connectivity, and the latest generation of assistance systems, the crossover models are to continue the success story of the previous generation. The interior has also been modernized and upgraded: the standard features now also include LED headlights, a digital cockpit, a 6.5-inch infotainment display and a redesigned multifunctional steering wheel. Highlights of the optional assistance systems include IQ.DRIVE Travel Assist and predictive ACC. With an electric soft top and exclusive body-work colors, the T-Roc Cabriolet is a breath of fresh air for the range. The 221 kW (300 PS) T-Roc R impresses with superior dynamics, 4MOTION all-wheel drive as standard, and unique design features.

Following the successful launch of the Enyaq iV, ŠKODA added an elegant coupé to its model range: the ŠKODA Enyaq Coupé iV has an even more exciting design and offers a generous amount of space and a luggage compartment capacity of 570 l, despite its sporty lines. Depending on the equipment package, the vehicle features a range of up to 545 km, making it suitable for travel. The Enyaq Coupé iV is available in two battery sizes, rear- or all-wheel drive and four performance levels ranging from 132 kW (179 PS) to 220 kW (299 PS) for the new sporty Enyaq Coupé RS iV. As with the Enyaq iV, the new interior design selections have replaced the traditional equipment lines. Following the successful market launch of the Kushaq SUV, ŠKODA expanded its range in India with the Slavia notchback saloon. Like the Kushaq, the Slavia also uses a version of the Modular Transverse Toolkit specially adapted for the Indian market. It enables extensive safety equipment, modern infotainment and two powerful and efficient TSI engines with an output of 85 kW (115 PS) or 110 kW (150 PS). The model was developed largely at the technology center in Pune, India, and is also manufactured at the vehicle plant there.

Audi presented the reworked version of its flagship A8 featuring a sharpened design, particularly in the front and rear, and innovative technologies. The confident and progressive character of the luxury saloon has been emphasized even further, giving the model an increased presence and sporty elegance. The technology portfolio comprises around 40 assistance systems, the Audi virtual cockpit, the MMI touch response operating concept and new screens for the rear-seat passengers. The digital matrix LED headlights and OLED rear lights with innovative functions are a technology highlight that combine with the assistance systems. With five engine options, the enhanced A8 offers a wide range of powertrains including the TFSI e plug-in hybrid drive, which combines a

V6 TFSI engine with an electric motor. For the Chinese market, Audi offers the top-of-the-range A8 L Horch version with an additionally extended wheelbase and two-tone paintwork. Following on from the Audi A6 e-tron concept, Audi showed off its near-production concept car, the Audi A6 Avant e-tron concept in March 2022. The all-electric premium-class Avant with its unmistakable e-tron design offers impressive luggage space and 800-volt technology for extremely fast-charging with up to 270 kW of charging capacity: it takes just ten minutes at a fast-charging station to load enough energy for an up to 300 km drive. The maximum range is approximately 700 km. The Audi A6 Avant e-tron thus offers a first specific look at the new Premium Platform Electric (PPE) architecture, on which large numbers of all-electric vehicles in the premium-end segments are to be based in future.

The Taycan Sport Turismo is the latest body variant of the innovative electric sports car from Porsche. Together with the sports saloon and Cross Turismo, the model family now encompasses three body styles. The new derivative is aimed at customers who want to combine the everyday practicality of the Taycan Cross Turismo with the on-road dynamics of the Taycan sports saloon. The practical all-rounder is available in five variants. The powerful Taycan Turbo S Sport Turismo accelerates from 0 to 100 km/h in 2.8 seconds and has a top speed of 260 km/h. The model with the largest range is the Taycan 4S Sport Turismo, which can cover up to 498 km. As a new special feature, the Taycan Sport Turismo offers a panoramic roof with Sunshine Control electric glare protection. The Taycan Sport Turismo is also up to date in terms of convenience, safety and infotainment features. The optional Remote Park Assist system enables the car to park itself and exit parking spaces, all remotely controlled from outside the vehicle via the driver's smartphone.

At the beginning of 2022, Scania introduced the new generation of the Interlink bus, which is mainly used in urban environments and intercity traffic. The contemporary exterior impresses with larger side windows, bi-LED headlights and electric sliding doors, among other features. New materials reduce noise levels in the flexibly configurable and air-conditioned interior. The ergonomics and safety of the driver's cab area have been further improved. Enhanced engine and gearbox characteristics, a new stop-start function and the cruise control enable significant fuel savings.

AWARDS

At the end of January 2022, the SEAT Leon 1.5 TGI achieved the top score in the ADAC Ecotest 2021 and was thus crowned the most environmentally friendly vehicle. The Golf 1.5 TGI from the Volkswagen Passenger Cars brand also scored highly for its eco credentials. Both vehicles, which are powered by natural gas, were awarded five stars. The ADAC Ecotest measures emissions of CO_2 and other pollutants such as carbon monoxide (CO), particulate matter and nitrogen oxides (NOx). The “well-to-wheel” test gives an overall energy consumption score from the fuel source to the wheels, which rates a vehicle's CO_2 emissions in real-life driving. A total of 112 vehicles with all types of powertrains were tested.

Multiple Volkswagen Group models were named the “Best Cars 2022” by *auto motor und sport* magazine in February 2022. The Volkswagen Passenger Cars brand impressed the magazine's readers with two models – the up! and Polo in the city car and compact car categories. The CUPRA Born and ŠKODA Octavia shared first place in the import rankings for the compact class. Porsche secured the top spot in the sports car and convertible categories with the 911. The Bentley Continental GT led the import rankings for the luxury class. In the small SUV/crossover category, Audi's Q2 beat the competition to first place. Audi also led the compact SUV/off-road category with its all-electric Q4 e-tron. In the import rankings for this category, the CUPRA Formentor took first place. The Lamborghini Urus came top among import vehicles in the large SUV/off-road category. Readers chose their favorites from a total of 386 models in 12 vehicle categories.

Also in February, the ŠKODA brand won two BrandEx Awards for the world premiere of the fourth generation of the Fabia in the Best Digital Architecture and Best Execution of an Event categories. The International Festival of Brand Experience is an exclusive communication forum for digitalization, sustainability and knowledge culture.

At the beginning of March 2022, no fewer than three vehicles from the Volkswagen Passenger Cars brand – the ID.5, Taigo and Polo – achieved the top score of five stars in the Euro NCAP safety test. The extensive test procedures look at and evaluate safety aspects of the vehicles: occupant protection for adults, child protection, the safety of vulnerable road users such as cyclists and pedestrians and provision of assistance systems as standard.

ANNIVERSARIES

Porsche Design celebrated its 50th anniversary in early January. The design studio continues to create top-notch consumer goods, household appliances and industrial products for international clients. To mark the occasion, an exclusive anniversary model – the 911 Porsche Design 50th Anniversary Edition – was announced. The special model is based on the 911 Targa 4 GTS and is limited to 750 units. In addition, the Porsche Museum is celebrating the 50th anniversary of Porsche Design with a special exhibition until July 2022.

PARTNERSHIPS

As part of the strategic alliance between Volkswagen and the Ford Motor Company, which encompasses e-mobility, the commercial vehicles business and autonomous driving, a further agreement was reached to expand collaboration on the MEB (Modular Electric Toolkit) electric platform. Under this agreement, Ford is set to double its planned volume to 1.2 million vehicles over a six-year timeframe in order to produce another electric model in Europe in the future based on the MEB. Volkswagen is sharing the MEB and other Group platforms with partner companies so as to boost e-mobility around the world and aims to establish a second area of activity as an e-mobility platform provider alongside its core business.

ESTABLISHMENT OF BROSE SITECH SP. Z O.O.

Following the fulfillment of all closing conditions, Brose Fahrzeugteile SE & Co. Kommanditgesellschaft (Brose) and Volkswagen Finance Luxemburg S.A., a subsidiary of Volkswagen AG, created a jointly operated company in early 2022 for the development and manufacture of complete seat units, seat structures and components, and solutions for vehicle interiors. As part of this arrangement, Brose acquired half of the shares in the previous Volkswagen Group company SITECH Sp. z o.o., Polkowice/Poland. Brose and Volkswagen each hold 50% of the jointly operated company, with Brose taking the industrial lead and controlling the company. Brose Sitech Sp. z o.o. (Brose Sitech) has been operating on the global market as an independent supplier of seat systems since January 1, 2022 with a total of eight sites in Poland, Germany, China and the Czech Republic. Brose Sitech intends to further expand its business with the Volkswagen Group and also supply other automakers with seat systems. In the long term, Brose Sitech's portfolio is to be expanded to include innovative solutions for the entire vehicle interior, since e-mobility and autonomous driving are increasing the importance of the interior and seats as a distinguishing feature.

JOINING THE INITIATIVE FOR RESPONSIBLE MINING ASSURANCE

In March 2022, the Volkswagen Group joined the Initiative for Responsible Mining Assurance (IRMA). IRMA is an alliance of over 50 diverse members, including from the business world and non-profit organizations. The alliance's aim is to establish strict standards – for example in relation to occupational health and safety and environmental protection – for the responsible mining of raw materials. Volkswagen is striving to steadily embed these standards in its own supply chains – especially battery supply chains – to make these more transparent.

POSSIBLE IPO OF DR. ING. H.C. F. PORSCHE AG

The Board of Management of Volkswagen AG announced on February 24, 2022 that, with the consent of the Supervisory Board, it had entered into a heads of agreement with Porsche Automobil Holding SE (Porsche SE), on the basis of which the feasibility of a possible IPO for Dr. Ing. h.c. F. Porsche AG (Porsche AG) is being investigated. The actual feasibility of an IPO will depend on a large number of different parameters and the general market conditions. No final decisions have been made at this stage.

If the IPO is to go ahead, Porsche AG's share capital is to be divided into 50% preferred shares and 50% ordinary shares, and as part of a possible IPO up to 25% of the preferred shares are to be placed on the capital market. As part of the possible IPO, Porsche SE would acquire 25% plus one share of the ordinary shares of Porsche AG from Volkswagen AG at the placement price of the preferred shares plus a premium of 7.5%.

Volkswagen AG would continue to hold a majority interest in Porsche AG and include the company in its consolidated financial statements. The industrial cooperation between Volkswagen AG and Porsche AG would be continued after any IPO.

Volkswagen AG would use the gains from a possible IPO of Porsche AG to accelerate the industrial and technological transformation of the Volkswagen Group. This also includes investments in the transformation of global production capacities for electric vehicles and the financing of additional growth. If there is a successful IPO, Volkswagen AG will also propose to shareholders that a special dividend be distributed in the amount of 49% of the total gross proceeds from the placement of the preferred shares and the sale of the ordinary shares.

DECISION MADE FOR PRODUCTION SITE OF NEW ELECTRIC VEHICLE FROM THE VOLKSWAGEN PASSENGER CARS BRAND

The Board of Management and Supervisory Board of Volkswagen AG decided in March 2022 to build the plant for manufacturing the Volkswagen Passenger Cars brand's forward-looking electric vehicle – Project Trinity – in close proximity to the main Wolfsburg plant. As well as greater efficiency in the medium term, a pivotal factor behind the decision to build a new plant was, in particular, that this would avoid disruption to existing series production or the launch of forthcoming key models in the next few years. The new, process-optimized factory unit is to serve as a model for the gradual modifi-cation of production at the main Wolfsburg plant and all other Volkswagen plants. Construction is due to begin in spring 2023. Meeting high environmental standards will be the top priority during the building work. Net-carbon-neutral production of the model is due to begin in 2026.

The planned model is intended to lead the Volkswagen Passenger Cars brand's all-electric vehicle fleet and is at the heart of the ACCELERATE brand strategy. A range of more than 700 km with significantly reduced charging times is to be achieved based on the new SSP (Scalable Systems Platform). Equipped with the Volkswagen Group's state-of-the-art software, the vehicle is to be capable of Level 4 autonomous driving.

BOARD OF MANAGEMENT MATTERS

The Supervisory Board of Volkswagen AG resolved in December 2021 to increase the number of members on the Group Board of Management and to reorganize the structure and functions of the Board in this context. A new Board division – Volkswagen Passenger Cars – was established as of January 1, 2022, managed by Mr. Ralf Brandstätter with effect from the same date. Moreover, a new Board division – Group Sales – was established as of February 1, 2022, managed by Ms. Hildegard Wortmann with effect from the same date. Ms. Hiltrud Werner's term of office on the Volkswagen AG Board of Management came to an end on January 31, 2022. Responsibility for the Integrity and Legal Affairs division, which she had led, passed to Dr. Manfred Döss with effect from February 1, 2022. Also with effect from February 1, 2022, Ms. Hauke Stars assumed responsibility for the IT Board position, which had been held during the interim by Dr. Arno Antlitz.

Volkswagen Shares

The trend in the international stock markets in the first quarter of the year was initially overshadowed by investors' concerns about possible interest rate hikes in the face of rising inflation rates and about the spread of the Omicron variant of the SARS-CoV-2 virus. Fears of an escalation of the Russia-Ukraine conflict were added in February. Following Russia's advance into Ukraine, the imposing of sanctions against Russia, and the rise in commodity and energy prices that drove up inflation, the international stock markets came under pressure. At the end of the reporting period, prices recovered somewhat from their losses amid hopes of a rapid resolution of the dispute in Ukraine. However, rising Covid-19 cases in China, which are placing further strain on supply chains worldwide, weighed on share price performance.

The German stock market began the year marginally up on its previous record achieved in November 2021. After that, concerns about a tightening of monetary policy in the USA dominated investor sentiment. As a consequence of the Russia-Ukraine conflict, the DAX fell to its lowest level in around a year, due in particular to fears of an energy crisis and its economic fallout, which caused anxiety among market participants and subsequently strained the capital market. Hopes of a strong economic recovery to overcome the Covid-19 pandemic faded, however.

Volkswagen AG's preferred and ordinary shares profited from the Company's robust business performance in 2021 and the plans for a possible Porsche IPO. The Russia-Ukraine conflict had a negative impact, mainly due to the difficulty of procuring production parts. Prices of preferred and ordinary shares were down by 12% and 13% respectively compared with the end of 2021.

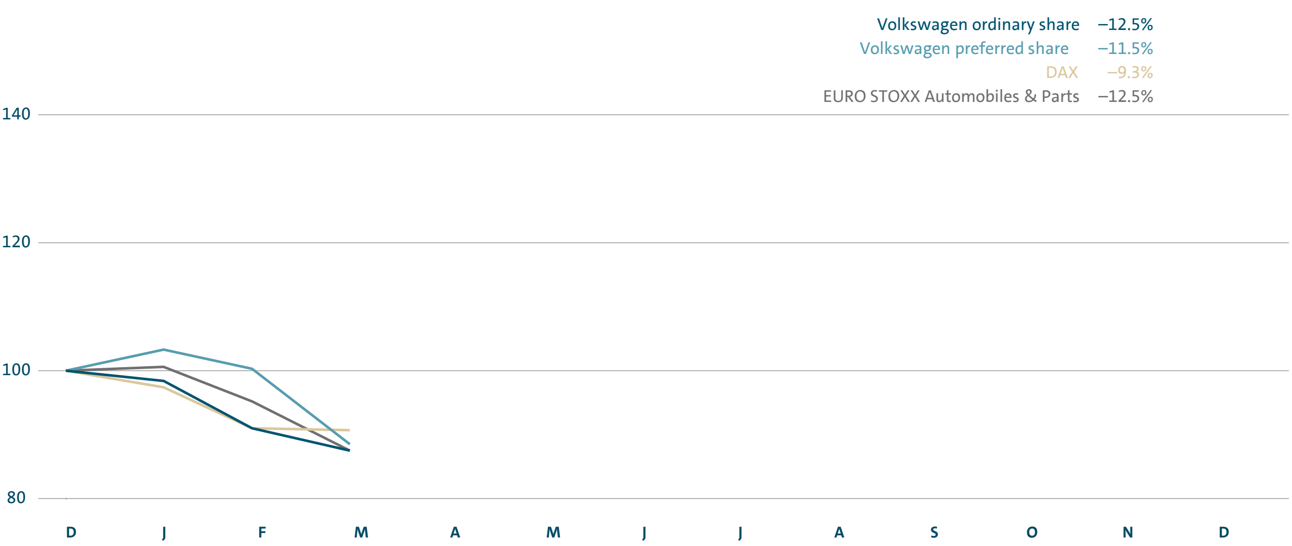
Information and explanations on earnings per share can be found in the notes to the interim consolidated financial statements. Additional Volkswagen share data, plus corporate news, reports and presentations can be downloaded from our website www.volkswagenag.com/en/InvestorRelations.html.

VOLKSWAGEN SHARE KEY FIGURES AND MARKET INDICES FROM JANUARY 1 TO MARCH 31, 2022

		High	Low	Closing
Ordinary share	Price (€)	279.40	185.50	226.20
	Date	Jan. 5	Mar. 7	Mar. 31
Preferred share	Price (€)	193.10	135.84	157.00
	Date	Jan. 14	Mar. 8	Mar. 31
DAX	Price	16,272	12,832	14,415
	Date	Jan. 5	Mar. 8	Mar. 31
ESTX Auto & Parts	Price	684	480	552
	Date	Jan. 5	Mar. 8	Mar. 31

PRICE DEVELOPMENT FROM DECEMBER 2021 TO MARCH 2022

Index based on month-end prices: December 31, 2021 = 100



Business Development

GENERAL ECONOMIC DEVELOPMENT

The Russia-Ukraine conflict led to increased uncertainty in respect of developments in the global economy and prompted large sections of the community of Western states to impose sanctions on Russia ranging from extensive trade embargoes to the exclusion of Russia from the global financial system. The resulting higher commodity prices and supply shortages are reinforcing the threat of persistently high inflation.

In the first quarter of 2022, the restrictive measures put in place to protect the population from the SARS-CoV-2 virus were lifted to a large extent in many countries. The progress made by many countries in administering vaccines to their populations had a positive effect, while the emergence of the new Omicron variant of the virus led to renewed sharp rises in infections on a national scale, mostly causing milder symptoms but increased rates of sick leave.

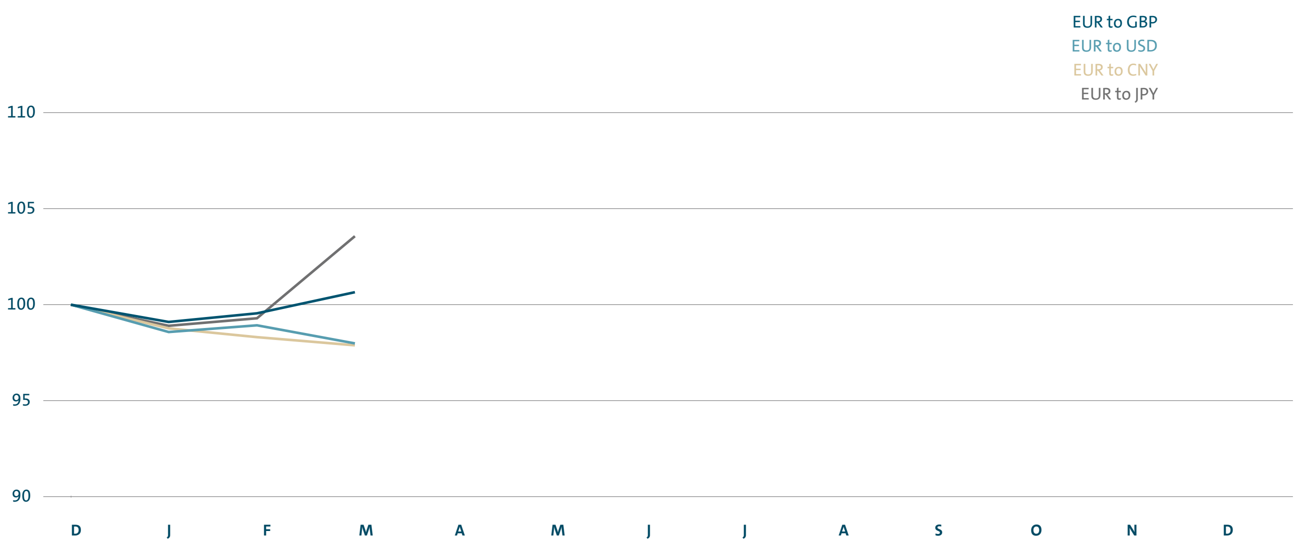
Following the slump in global economic output in 2020 and the incipient recovery due to base and catch-up effects in 2021, economic growth in both the advanced economies and the emerging markets remained on course for recovery on average, albeit with diminishing momentum. At national level, developments in the reporting period depended on the one hand on the scale of the negative impact of the Covid-19 pandemic and the intensity with which measures were taken to contain it, and on the other on the extent to which national economies were affected by the consequences of the Russia-Ukraine conflict. In response to the further rise of inflation rates around the world, many countries abandoned their expansionary monetary policy, which led central banks to increase their key interest rates during the reporting period. On average, prices for energy and other commodities once again rose significantly year-on-year and shortages of intermediates and commodities grew more severe. Global trade in goods increased in the reporting period.

The economies of Western Europe recorded significantly positive growth in the reporting period as compared with the same quarter of the prior year. This trend was seen in almost all countries in Northern and Southern Europe. The reasons for this included increased resilience to high infection rates experienced by the economies in many countries, and the associated easing of the measures taken to contain the pandemic.

Germany recorded growth during the reporting period following a contraction in the prior-year quarter. Compared with the same period of the previous year, unemployment fell on average and the number of employees affected by *Kurzarbeit* (short-time working) decreased further after reaching a high level in 2021.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2021 TO MARCH 2022

Index based on month-end prices: as of December 31, 2021 = 100



Altogether, the economies in Central and Eastern Europe showed an increase in real absolute GDP in the first three months of this year versus the same period in 2021. The sanctions imposed against Russia had a substantial impact in this region beginning in March.

In the reporting period, Turkey's economy achieved similarly high growth in gross domestic product (GDP) compared to the same period of the previous year, amid high inflation and depreciation of the local currency. South Africa also recorded a positive change in GDP amid persistent structural deficits and political challenges.

Growth in the US economy was up on the prior-year quarter in the reporting period although it weakened over the last few quarters. The US Federal Reserve announced a more re-strictive monetary policy to counter rising inflation and bolster the strained labor market, raising its key interest rate in March 2022 for the first time. Unemployment nearly halved in the reporting period as against the high level recorded in the prior-year period. In Canada and Mexico, economic output was also higher than in the same period of 2021.

Brazil's economy stagnated in the reporting period compared with the prior-year period in conjunction with rising consumer prices. Argentina saw a recovery in economic output amid very high inflation and the continued collapse of the currency.

At the beginning of the Covid-19 pandemic, China was exposed to the negative effects earlier than other economies and, due to the zero-Covid strategy pursued there, benefited from a relatively low number of new infections as the pandemic progressed. This strategy resulted in local lockdowns in connection with the spread of the Omicron variant. Economic output rose in the reporting period, though at a substantially weaker rate than in the prior-year period. India registered positive economic growth on the whole. Japan recorded only a slightly 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 March 2022, the volume of the passenger car market worldwide noticeably declined as a whole compared with the same quarter of the previous year (–9.0%), negatively impacted primarily by bottlenecks and disruption in the global supply chains as a consequence of the semiconductor shortage, the coronavirus pandemic and the repercussions of the Russia-Ukraine conflict. Only the overall market of the Africa region posted an increase; all other sales regions were affected by losses. The Western Europe, Central and Eastern Europe, North America and South America regions saw a significant drop in new registrations. Sales volume was slightly weaker in the Middle East region and distinctly weaker in the Asia-Pacific region.

Global volume of new registrations of light commercial vehicles between January and March 2022 was distinctly lower than the prior-year level.

In Western Europe, the number of new registrations of passenger cars in the reporting period fell significantly short of the prior-year level. Parts supply shortages, especially for semiconductors, and the resulting limited vehicle availability led to a decline in new registrations in the first three months of 2022 with uneven rates of change in all major individual markets: the passenger car market in Italy lost around a quarter of its volume, thus recording the highest loss ahead of France and Spain, while the decline in the UK was relatively small.

In the first three months of 2022, the volume of new registrations of light commercial vehicles in Western Europe was markedly lower than the prior-year figure.

New passenger car registrations in Germany between January and March 2022 were moderately down on the figure for the first three months of the previous year. The prior-year figure was already comparatively low owing to the expiry of the – temporary – reduction in value-added tax at the end of 2020. In particular, the deterioration in the supply situation as a result of the lack of intermediates continued to have a dampening effect.

The volume of new registrations of light commercial vehicles in Germany in the reporting period was noticeably lower than in the same period of 2021.

In the Central and Eastern Europe region, the market volume of passenger cars in the reporting period showed a marked drop on the prior-year level. Here, sales differed from market to market. The biggest decrease in absolute terms was registered in the Russian market. This was mainly due to the Russia-Ukraine conflict and associated sanctions, which led to limitations in production and sales of vehicles in Russia.

Registration volumes for light commercial vehicles in Central and Eastern Europe declined moderately year-on-year. By contrast, the number of vehicles sold in Russia in the months from January to March 2022 was noticeably higher than the prior-year figure.

In Turkey, the passenger car market volume in the period from January to March 2022 was down by around a quarter on the prior-year level. The market decline seen since the third quarter of 2021 therefore continued at the beginning of 2022. In South Africa, the number of passenger cars sold in the first three months of 2022 rose substantially on the very weak figure recorded in the same quarter of the previous year.

Between January and March 2022, sales of light commercial vehicles declined noticeably in Turkey but rose slightly in South Africa compared with the prior-year period.

Sales of passenger cars and light commercial vehicles (up to 6.35 tonnes) in the North America region fell significantly in the reporting period compared with the same three months of the previous year. Within the region, the market volume in the USA declined the most both in absolute terms and in relative terms compared with the prior-year level. The drop affected both the passenger car segment and light commercial vehicles. In the Canadian automotive market, sales figures also decreased significantly in the period from January to March 2022. The number of vehicles sold in Mexico was slightly below the comparable prior-year figure.

In South America, the overall volume of new registrations for passenger cars and light commercial vehicles in the first three months of 2022 was significantly lower than the prior-year level. This was due in particular to the substantial drop in new registrations in Brazil year-on-year. In Argentina, the number of vehicles sold fell noticeably short of the figure for the same period of the previous year.

The shortfall in new passenger car registrations in the Asia-Pacific region in the reporting period was smaller than in the other regions due to the below-average decline in sales volumes overall in the Chinese market compared with the same period of the previous year. The development of passenger car sales was hit by limited vehicle availability due to parts supply shortages, especially for semiconductors, and local lockdowns in connection with the spread of the Omicron variant of the SARS-CoV-2 virus. Sales in the Indian passenger car market likewise trended downwards in the period from January to March 2022, but were only slightly lower than in the prior-year quarter. In Japan, new passenger car registrations decreased significantly in the reporting period compared with the figure for the same quarter of the previous year.

There was a moderate year-on-year decline in the volume of new registrations of light commercial vehicles in the Asia-Pacific region. Registration volumes in China, the region's dominant market and the largest market worldwide, tapered off slightly compared with the period one yearearlier. The number of new vehicle registrations in India was down substantially on the prior-year level, while in Japan this figure was noticeably lower year-on-year.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

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

In the markets that are relevant for the Volkswagen Group, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was slightly lower in the reporting period than in the prior year. Worldwide, the truck markets were at the previous year's level.

Demand in the 27 EU states excluding Malta, but plus the United Kingdom, Norway and Switzerland (EU27+3), was down slightly on the previous year's level in the first three months of 2022. This decline is attributable to limited availability of vehicles as a result of parts supply shortages. The Russian market grew significantly up to February. Turkey, on the other hand, recorded a marked drop in new registrations compared with the previous year, while demand in the South African market was also up considerably. The truck market in North America is divided into weight classes 1 to 8. In the segments relevant for Volkswagen – Class 6 to 8 (8.85 tonnes or heavier) – new registrations were noticeably lower than the previous year's figure. In Brazil, the largest market in the South America region, demand for trucks in the first quarter of 2022 was moderately above the level seen in the previous year.

In the first three months of 2022, there was a slight decrease in demand overall in the bus markets that are relevant for the Volkswagen Group compared with the same period of the prior year. Demand for buses in the EU27+3 markets in the reporting period was distinctly higher than the weak level of the previous year, with the picture varying from country to country. The school bus segment in North America recorded a significant decrease year-on-year. Demand for buses in Mexico was distinctly higher than in the previous year, while it was similar to the prior-year figure in Brazil.

TRENDS IN THE MARKETS FOR POWER ENGINEERING

The markets for power engineering are influenced by varying regional and economic factors. Consequently, the business growth trends of the respective markets develop mostly independently of one another.

In the first quarter of 2022, the marine market was unable to sustain the level it had achieved in 2021, particularly in merchant shipping and the related shipyard utilization. The uncertainty regarding future fuel and emissions regulations continued to persist in the market. In merchant shipping, performance in the market for container ships, tankers and bulk cargo carriers declined in comparison with the level of demand seen in 2021. By contrast, demand in the market for cruise ships and passenger ferries trended upwards. The easing of the Covid-19-related restrictions enabled business activity to be resumed. The special market for government vessels, which is supported by state investment, was active due to the current geopolitical situation. In the offshore sector, the existing overcapacity continued to curb investment in offshore oil production despite the sharp rise in oil prices. Demand for offshore special ships for wind turbines developed encouragingly.

The market for power generation showed clear signs of recovery in the first quarter of 2022. The trend away from oil-fired power plants towards dual-fuel and gas-fired power plants continued, underpinned by the resolution at the recent Climate Change Conference and the resulting difficulties in financing oil-fired power plants. There was still strong demand for new energy solutions such as hydrogen and long-term energy storage, with a clear trend towards greater flexibility and decentralized availability. In addition to the risks of a lack of price stability in the markets and bottlenecks in the supply chains, the strong competitive and price pressure also continued unabated.

The turbomachinery market performed slightly better than in the first quarter of 2021. Prices for raw materials continued to see significant increases, slightly lifting demand for production facilities with turbo compressors in the raw materials and processing industry. The oil and gas markets also received a boost, from rising energy prices and followed a stable trend year-on-year. The new business fields for turbomachinery used in the area of decarbonization remained at the prior-year level. Demand for steam turbines used for power generation and gas turbines used for decentralized, industrial combined-heat-and-power installations was slightly higher than in the previous year.

The after-sales business for engines in the marine and power plant business performed more strongly in the first quarter of 2022 than in the previous year even though demand remained affected by the Covid-19 pandemic.

The after-sales business for turbomachinery continued to recover from the effects of the Covid-19 pandemic. The demand in the first quarter of 2022 was at a significantly higher level than in the prior-year period, almost reaching pre-pandemic levels again.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

Demand for automotive financial services was buoyant in the first quarter of 2022 due, among other things, to the persistently low key interest rates in the main currency areas. Nevertheless, the Covid-19 pandemic and the vehicle availability which continued to be limited due to parts supply shortages put pressure on the demand for financial services in almost all regions.

The European passenger car market was affected in the reporting period by parts supply shortages; vehicle deliveries were down on the prior-year period. By contrast, the share of financial services products in the new vehicle business developed positively and exceeded the 2021 prior-year figure, fueled in particular by a higher share of financed and leased vehicles in the fleet business. The positive trend in the financing of used vehicles continued in the first quarter of 2022; here particularly sales of after-sales products such as servicing, maintenance and spare parts agreements were increased. Financial services activities in Russia were negatively affected by the Russia-Ukraine conflict and the impact of the international sanctions.

Parts supply shortages negatively affected new vehicle deliveries and the financial services business in Germany in the first quarter of 2022. This meant that the number of new contracts for new vehicle leases and new vehicle financing were also slightly below the prior-year figures. The situation for used vehicles was different: the decline in new leasing contracts was more than compensated by the favorable trend in new financing contracts. The number of new maintenance and tire service agreements remained at the previous year's level. Credit protection insurance benefited from the increase in the number of financing arrangements.

In South Africa, demand for financing and insurance products for new and used vehicles stagnated in the first quarter of 2022 and continued to be supported by campaigns, vehicle price inflation and interest rates which were still low but had recently been rising. Financed vehicle purchases remained difficult overall in light of the subdued economy, rising energy prices and continuing pressure on disposable income.

In the North America region, vehicle deliveries in the first quarter of 2022 were down on the prior-year level due to parts supply shortages. The US market saw a decline in demand for leasing and financing contracts as well as for automotive-related insurance in both percentage terms and the absolute number of contracts. In Canada, financial services increased year-on-year in proportion to vehicle sales; however, the number of new contracts was lower in absolute terms. This contrasted with the Mexican market, where the percentage of new contracts was on a level with the previous year, but new contracts for after-sales products were up year-on-year.

In the South America region, excess demand for vehicles in a volatile environment – exacerbated in Argentina by restrictions on imports – and the interest rate level kept the number of cash sales high. In Brazil, a trend could be observed towards a stronger commercial business on the one hand and higher demand among private customers for individual mobility solutions on the other.

In the Chinese market, parts supply shortages and local restrictions due to the pandemic resulted in lower sales of passenger cars. This resulted in a reduction in both the proportion of credit-financed vehicle purchases and the growth in new contracts. The comparative prior-year figures were not reached in the reporting period.

In the first quarter of 2022, the financial services business in the market for heavy commercial vehicles was slightly up on the prior-year level, also affecting financing and leasing contracts in Europe and Brazil.

VOLKSWAGEN GROUP DELIVERIES

The Volkswagen Group delivered 1,898,272 vehicles to customers worldwide from January to March 2022. This was 21.9% or 533,612 units less than in the same period of the previous year. While sales figures for the Passenger Cars Business Area fell short of the prior-year figure, sales in the Commercial Vehicles Business Area were higher than in the previous year. It is important to note that Navistar was not included in the figure for the previous year because it was only integrated as of July 1, 2021. The chart in this section shows the trend in deliveries worldwide for the individual months compared with the previous year. In the following, we report separately on deliveries in the Passenger Cars Business Area and the Commercial Vehicles Business Area.

VOLKSWAGEN GROUP DELIVERIES FROM JANUARY 1 TO MARCH 31[1]

	2022	2021	%
Passenger Cars	1,830,517	2,371,569	–22.8
Commercial Vehicles	67,755	60,315	+12.3
Total	**1,898,272**	**2,431,884**	**–21.9**

1 Prior-year deliveries have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures. As of July 1, 2021, the figures include Navistar.

GLOBAL DELIVERIES BY THE PASSENGER CARS BUSINESS AREA

Sales of Volkswagen Group passenger cars and light commercial vehicles worldwide from January to March 2022 declined by 22.8% year-on-year to 1,830,517 units. In addition to the uncertainty and measures taken around the world to deal with the Covid-19 pandemic, persistent shortages of semiconductors and the resulting limited availability of Group models meant that demand could not be adequately met in some regions. From late February 2022 onwards, the Russia-Ukraine conflict also created further parts supply shortages and greater uncertainty in the markets. None of the Volkswagen Group brands except Lamborghini reached their prior-year figures. We registered a year-on-year decline in sales in all regions.

The Group's sales figures responded positively to its e-mobility campaign; in the first quarter of this year, we delivered 99,064 all-electric vehicles to customers worldwide. This was 39,112, or 65.2%, more units than in the same period of the previous year. The share of the Group's total deliveries rose to 5.2 (2.5)%. A total of 50,740 of our plug-in hybrid models were delivered (–31.4%). Total electric vehicle deliveries climbed by 11.8%, with their share of total Group deliveries rising year-on-year to 7.9 (5.5)%. The Group's most successful all-electric vehicles included the ID.3 and ID.4 from the Volkswagen Passenger Cars brand, the Audi e-tron and Audi Q4 e-tron, the ŠKODA Enyaq iV, the CUPRA Born and the Porsche Taycan and Taycan Cross Turismo.

In a noticeably declining overall global market, we achieved a passenger car market share of 10.4 (12.3)%.

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 604,713 vehicles to customers in the first three months of this year in an overall market that was at a significantly lower level than the prior year. This was 14.8% less than in the same period of the previous year, which had been strained by the pandemic. In addition to the uncertainty and measures taken around the world to deal with the Covid-19 pandemic, persistent shortages of semiconductors and the resulting limited availability of Group models meant that demand could not be adequately met in some regions. From late February 2022 onwards, the Russia-Ukraine conflict also created further parts supply shortages and greater uncertainty in the markets. Customer interest in the Volkswagen Group's electrified vehicles was strongest in Western Europe, where we delivered around three-quarters of our plug-in hybrids and more than half of our all-electric models to customers in the first quarter of 2022. In this region, electrified vehicles accounted for 14.9 (12.7)% of the Group's total deliveries; the share of all-electric vehicles stood at 9.0 (5.7)%. The Group vehicles with the highest sales volume were the Golf, T-Roc, Tiguan and Polo from the Volkswagen Passenger Cars brand. Demand was also very high for the ID.4 from Volkswagen Passenger Cars, the CUPRA Formentor and the Audi A4 Avant. In addition, the following new or successor models introduced to the market in the previous year proved very popular with customers: the Taigo and Tiguan Allspace from Volkswagen Passenger Cars, the ŠKODA Fabia and Enyaq iV, the CUPRA Born, the Multivan from Volkswagen Commercial Vehicles, the Audi Q4 e-tron, Q4 Sportback e-tron and Q5 Sportback, as well as the Porsche Macan and Porsche Taycan Cross Turismo. Among others, the T-Roc and T-Roc Cabriolet models from Volkswagen Passenger Cars, the Audi A8 and the all-electric Porsche Taycan Sport Turismo were successfully launched on the market during the reporting period as new or successor models. The Volkswagen Group's share of the passenger car market in Western Europe was 21.8 (22.7)%.

In Germany, the number of Volkswagen Group vehicles handed over to customers in the first quarter of 2022 was down 5.3% on the already weak prior year in an overall market that saw a moderate decline. In addition to the uncertainty and measures taken around the world to deal with the Covid-19 pandemic, persistent shortages of semiconductors and the resulting limited availability of Group models meant that demand could not be adequately met in some regions. From late February 2022 onwards, the Russia-Ukraine conflict also created further parts supply shortages and greater uncertainty in the markets.

The Group models with the highest sales volume were the Golf and Tiguan from the Volkswagen Passenger Cars brand, the CUPRA Formentor and the Audi A4 Avant. Demand for the ID.4 from Volkswagen Passenger Cars was also very high. The new or successor models introduced in the previous year – the Taigo from the Volkswagen Passenger Cars brand, the ŠKODA Fabia and Enyaq iV, the Multivan from Volkswagen Commercial Vehicles, the Audi Q5 Sportback and the Porsche Macan and Taycan Cross Turismo – were also in high demand among customers. Six Group models led the Kraftfahrt-Bundesamt (KBA – German Federal Motor Transport Authority) registration statistics in their respective segments: the Golf, T-Roc, Tiguan, Audi A6, Porsche 911 and Multivan/Transporter. The Golf was again the most popular passenger car in Germany in terms of registrations in the first quarter of 2022.

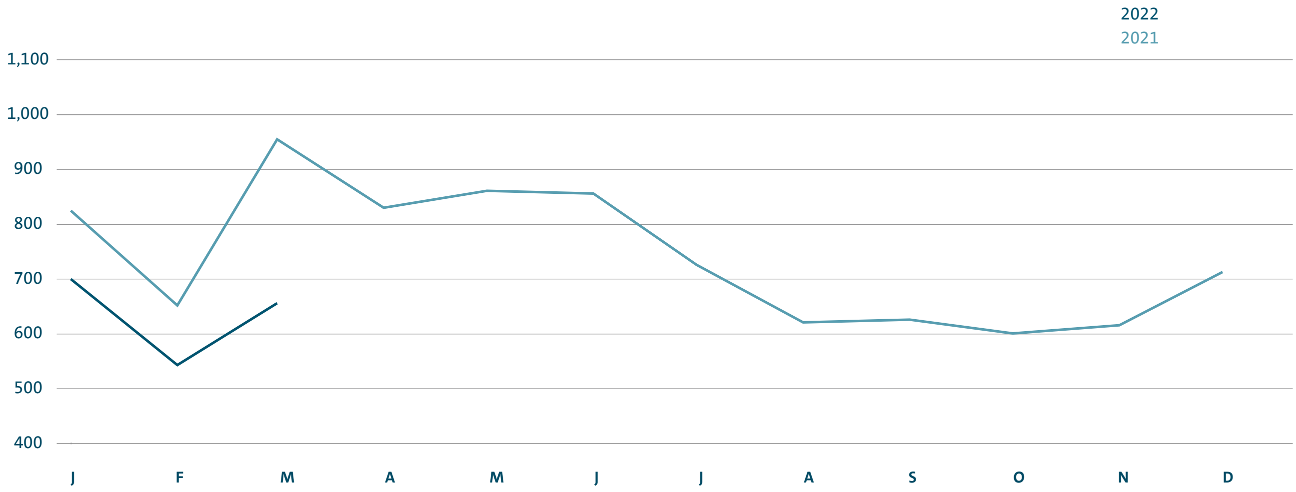
In the Central and Eastern Europe region, the number of vehicles handed over to customers in the reporting period was down by around a third year-on-year. This was due in particular to the slump in sales in the Russian market as a consequence of the sanctions imposed in connection with the Russia-Ukraine conflict.

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

	DELIVERIES (UNITS)		CHANGE
	2022	2021	(%)
Europe/Other Markets	**781,212**	**968,823**	**–19.4**
Western Europe	**604,713**	**709,350**	**–14.8**
of which: Germany	234,163	247,334	–5.3
France	50,476	59,693	–15.4
United Kingdom	84,118	105,708	–20.4
Italy	51,916	73,524	–29.4
Spain	40,012	46,993	–14.9
Central and Eastern Europe	**115,325**	**166,739**	**–30.8**
of which: Czech Republic	25,533	28,773	–11.3
Russia	28,962	52,114	–44.4
Poland	23,814	37,188	–36.0
Other Markets	**61,174**	**92,734**	**–34.0**
of which: Turkey	19,870	38,314	–48.1
South Africa	18,625	19,103	–2.5
North America	**160,271**	**218,557**	**–26.7**
of which: USA	115,056	164,713	–30.1
Canada	18,342	19,873	–7.7
Mexico	26,873	33,971	–20.9
South America	**64,461**	**121,676**	**–47.0**
of which: Brazil	39,043	88,376	–55.8
Argentina	9,493	18,341	–48.2
Asia-Pacific	**824,573**	**1,062,513**	**–22.4**
of which: China	753,587	989,590	–23.8
India	22,810	10,437	x
Japan	14,169	16,171	–12.4
Worldwide	**1,830,517**	**2,371,569**	**–22.8**
Volkswagen Passenger Cars	1,011,829	1,360,067	–25.6
ŠKODA	186,170	249,553	–25.4
SEAT	91,407	125,537	–27.2
Volkswagen Commercial Vehicles	81,859	95,797	–14.5
Audi	385,084	462,828	–16.8
Lamborghini	2,539	2,422	+4.8
Bentley	3,203	3,358	–4.6
Porsche	68,426	71,986	–4.9
Bugatti[2]	–	21	x

1 Prior-year deliveries have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures.
2 Until October 31, 2021.

VOLKSWAGEN GROUP DELIVERIES BY MONTH
Vehicles in thousands



The overall market also recorded a significant decrease in demand. Demand developed encouragingly for the Taos and Taigo models from Volkswagen Passenger Cars and for the CUPRA Formentor. The Volkswagen Group's share of the passenger car market in the Central and Eastern Europe region amounted to 18.1 (22.8)%.

In Turkey, the Volkswagen Group delivered 48.1% fewer vehicles to customers between January and March 2022 than in the prior-year period in an overall market experiencing a substantial downturn. The Polo was the most sought-after Group model. In the South African market, the number of Group models sold decreased by 2.5%, while the overall market recorded substantial growth. The Polo from the Volkswagen Passenger Cars brand remained the most sought-after Group model in this region.

Deliveries in North America

In North America, the number of Volkswagen Group vehicles delivered to customers in the reporting period was down 26.7% year-on-year. The overall market showed a significant decline in this period. The Group's share of the market in this region amounted to 4.1 (4.8)%. The Taos, Tiguan Allspace and Jetta from Volkswagen Passenger Cars were the most sought-after Group models in North America.

In the US market, which is witnessing a significant decline, the Volkswagen Group delivered 30.1% fewer vehicles to customers between January and March 2022 than in the same period of the previous year. Here, too, parts supply shortages acted as a drag on the Group's sales figures. The Group models to record the greatest increases in absolute terms included the Taos and ID.4 from Volkswagen Passenger Cars, the Q5 Sportback and e-tron GT from the Audi brand and the Panamera and Taycan from Porsche. The Jetta from Volkswagen Passenger Cars was successfully launched on the market during the reporting period as successor model.

In Canada, the number of deliveries to Volkswagen Group customers decreased by 7.7% year-on-year in the reporting period. The overall market saw a significant decline during this period. The Taos and ID.4 from Volkswagen Passenger Cars and the Audi A3 and Audi Q5 Sportback were some of the models that registered encouraging growth in demand.

In Mexico, where the overall market is contracting slightly, we delivered 20.9% fewer vehicles to customers in the first quarter of this year than in the prior-year period. Demand developed encouragingly for models such as the Nivus, Saveiro and Tiguan Allspace from Volkswagen Passenger Cars.

Deliveries in South America

In the South American market for passenger cars and light commercial vehicles, which was significantly down on the prior-year level, the number of Group models handed over to customers between January and March 2022 decreased by 47.0% year-on-year. The Gol, T-Cross and Nivus from Volkswagen Passenger Cars were the Group models with the highest sales volume. The Group's share of the market in South America amounted to 8.4 (14.0)%.

Compared with the previous year, the Volkswagen Group delivered 55.8% fewer vehicles to customers in the first three months of 2022 in the substantially weaker Brazilian market. Sales of the new Taos from Volkswagen Passenger Cars developed encouragingly.

In Argentina, the number of Group models sold in the reporting period fell alongside the noticeably declining overall market by 48.2% in comparison with the previous year. The Group models with the highest volume of demand were the new Taos from Volkswagen Passenger Cars and the Amarok from Volkswagen Commercial Vehicles.

Deliveries in the Asia-Pacific region

In the first three months of 2022, the Volkswagen Group saw its sales in the Asia-Pacific region fall by 22.4% year-on-year in a distinctly weaker overall market. Parts supply shortages, especially for semiconductors, affected this region as well, and in addition, local lockdowns in China in connection with the Omicron variant of the SARS-CoV-2 virus resulted in restrictions. The Group's share of the passenger car market in this region amounted to 10.0 (12.2)%.

China's overall market recorded a moderate decline in the reporting period. The Volkswagen Group delivered 23.8% fewer vehicles to customers there than in the preceding year. The ID.3, ID.4 X, ID.4 CROZZ, ID.6, ID.6 CROZZ and Talagon models from Volkswagen Passenger Cars, the Audi A3L saloon, Audi Q5L Sportback and Audi A7L saloon as well as the Porsche Panamera introduced to the market as new or successor models during the previous year also showed a positive trend. The Tharu, Golf and CC from Volkswagen Passenger Cars and the VS5 and VA3 from the JETTA brand were among the models that saw encouraging demand. The Lamando and Viloran models from Volkswagen Passenger Cars and the Audi Q5 e-tron were successfully launched on the market during the reporting period as new or successor models.

In the slightly declining Indian passenger car market, the Volkswagen Group sold more than twice as many vehicles in the first three months of this year as compared with the prior-year period. The new Taigun from the Volkswagen Passenger Cars brand as well as the new Kushaq and the Rapid from ŠKODA were the most sought-after Group models there. The ŠKODA Slavia and Kodiaq as well as the Porsche Taycan were successfully launched on the market during the reporting period as new or successor models.

In Japan, the number of Group models delivered to customers between January and March 2022 fell by 12.4% year-on-year in a significantly weaker overall market. Trends in sales of the Golf from Volkswagen Passenger Cars were encouraging.

COMMERCIAL VEHICLE DELIVERIES

In the first three months of 2022, the Volkswagen Group delivered 12.3% more commercial vehicles to customers worldwide than in the same period of the previous year. We delivered a total of 67,755 commercial vehicles to customers in the first quarter this year. Trucks accounted for 57,569 units (+12.2%) and buses for 5,923 units (+91.5%). A total of 4,263 (–27.8%) vehicles from the MAN TGE van series were delivered. The American commercial vehicle manufacturer Navistar became a TRATON GROUP brand on July 1, 2021. Navistar sold 17,070 heavy commercial vehicles in the first quarter of 2022.

In the 27 EU states excluding Malta, but plus the United Kingdom, Norway and Switzerland (EU27+3), sales from January to March 2022 were down by 14.1% on the same period of the previous year to a total of 26,395 units, of which 21,351 were trucks and 852 were buses. A total of 4,192 vehicles from the MAN TGE van series were delivered.

As a result of the sanctions imposed in connection with the Russia-Ukraine conflict, sales in Russia fell year-on-year to 1,438 (2,738) units, comprising 1,432 trucks and 6 buses.

Between January and March 2022, deliveries in Turkey decreased to 460 (1,491) vehicles. Trucks accounted for 436 units and buses for 5 units. In South Africa, deliveries of Volkswagen Group commercial vehicles increased by 9.6% year-on-year to a total of 879 units; of this figure 824 were trucks and 55 were buses.

Sales in North America rose in the first quarter of 2022 to 17,200 vehicles (486); this included 14,116 trucks and 3,084 buses. This year, the figures also include Navistar's sales, whose vehicles were above all handed over to customers in the United States.

Deliveries in South America declined to a total of 17,417 vehicles (–5.4%) in the reporting period, of which 15,913 were trucks and 1,504 were buses. Sales in Brazil were down by 7.1% in the first three months of 2022, falling to 14,446 units. Of the units delivered, 13,152 were trucks and 1,294 were buses.

In the Asia-Pacific region, the Volkswagen Group sold 2,203 vehicles to customers in the reporting period; among these, 2,033 were trucks and 164 were buses. Overall, this was –26.0% less than in the previous year.

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

	DELIVERIES (UNITS)		CHANGE
	2022	2021	(%)
Europe/Other Markets	**30,935**	**38,435**	**–19.5**
of which: EU27+3	26,395	30,736	–14.1
of which: Germany	7,318	8,465	–13.5
Russia	1,438	2,738	–47.5
Turkey	460	1,491	–69.1
South Africa	879	802	+9.6
North America	**17,200**	**486**	**x**
of which: USA	13,706	–	x
Mexico	2,526	482	x
South America	**17,417**	**18,417**	**–5.4**
of which: Brazil	14,446	15,546	–7.1
Asia-Pacific	**2,203**	**2,977**	**–26.0**
Worldwide	**67,755**	**60,315**	**+12.3**
Scania	16,645	23,033	–27.7
MAN	34,040	37,282	–8.7
Navistar	17,070	–	x

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

DELIVERIES IN THE POWER ENGINEERING SEGMENT

Orders in the Power Engineering segment usually relate to individual elements within larger investment projects. Lead times range from just under one year to several years, and partial deliveries as construction progresses are common. Accordingly, there is a time lag between incoming orders and sales revenue from the new construction business.

In the period from January to March 2022, 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 deals with 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 and also extends to the contracts concluded by our international joint ventures. As of July 1, 2021, it also covers the financial services business of Navistar.

The Financial Services Division's products and services were popular in the first quarter of 2022. However, demand was affected to varying degrees by the Covid-19 pandemic. Limited vehicle availability caused by parts supply shortages, and recently exacerbated by the Russia-Ukraine conflict, also weighed on demand. The number of new financing, leasing, service and insurance contracts signed worldwide fell by 2.5% to 2.1 million. The ratio of leased and financed vehicles to Group deliveries (penetration rate) in the Financial Services Division's markets amounted to 34.2 (35.2)% in the reporting period. At the end of March 2022, the total number of contracts was 24.6 (24.5) million.

In the Europe/Other Markets region, the financial services business was impacted in the period from January to March 2022 by the Covid-19 pandemic and by limited vehicle availability caused by parts supply shortages, as well as by the Russia-Ukraine conflict. At 1.5 million, the number of new contracts signed in the reporting period fell 4.9% short of the prior-year figure. The total number of contracts in this portfolio as of March 31, 2022 was on a level with December 31, 2021 at 18.0 (18.0) million. The customer financing/ leasing area was responsible for 7.4 (7.4) million of these contracts.

In North America, the number of new contracts signed decreased year-on-year to 174 (231) thousand owing to the decline in vehicle deliveries in the reporting period. The total number of contracts amounted to 3.2 million at the end of March, a 2.6% fall on the level reported at year-end. The customer financing/leasing area recorded 1.8 (1.9) million contracts.

In the South America region, 74 (89) thousand new contracts were concluded in the first quarter of this year. Compared with December 31, 2021, the total number of contracts rose to 732 (723) thousand as of March 31, 2022. The contracts mainly related to the customer financing/leasing area.

The number of new contracts signed in the Asia-Pacific region in the reporting period rose to 367 (272) thousand, exceeding the comparative figure for 2021. The total number of contracts came to 2.7 million on March 31, 2022, an increase of 4.9% on the 2021 year-end figure. The customer financing/leasing area recorded 1.8 (1.8) million contracts.

SALES TO THE DEALER ORGANIZATION

In the first quarter of 2022, the Volkswagen Group's unit sales to the dealer organization declined year-on-year by 14.5% to 1,994,932 vehicles (including the equity-accounted companies in China). In the reporting period, limited vehicle availability as a result of the Covid-19 pandemic and bottlenecks in the supply of parts caused by the shortage of semiconductors and the Russia-Ukraine conflict had a negative impact. At 1,753,143 vehicles, unit sales outside Germany declined by 15.2% compared with the period from January to March 2021. Brazil, China and the USA were affected in particular; by contrast, South Africa saw growth. Vehicle exports to Russia were halted. Unit sales in Germany decreased by 9.7% year-on-year. Vehicles sold in Germany as a proportion of overall sales increased to 12.1 (11.5)%.

PRODUCTION

In the reporting period, the Volkswagen Group produced 2,043,665 vehicles (including the equity-accounted companies in China), 11.9% less than in the same period of the previous year. The shortage of semiconductors and the disruption of supply chains caused by the Russia-Ukraine conflict and the Covid-19 pandemic led to production being halted in the Volkswagen Group. Against the backdrop of the Russia-Ukraine conflict and the resulting consequences, Volkswagen decided to cease vehicle production in Russia until further notice. Between January and March 2022, production outside Germany decreased by 10.1% year-on-year, giving a total of 1,679,108 vehicles. Vehicles sold in Germany decreased to 17.8 (19.4) %.

INVENTORIES

Global inventories of new vehicles at Group companies and in the dealer organization were higher on March 31, 2022 than at year-end 2021, but below the corresponding prior-year figure.

EMPLOYEES

The Volkswagen Group had 641,005 active employees on March 31, 2022. A further 12,135 employees were in the passive phase of their partial retirement. In addition, there were 15,154 young people completing vocational traineeships. At the end of the reporting period, the Volkswagen Group had a total of 668,294 (672.789) employees worldwide. This represented a decrease since the end of 2021. The main reason was the deconsolidation of SITECH. A total of 291,616 people were employed in Germany, which was 1.2% lower than at December 31, 2021.

Results of Operations, Financial Position and Net Assets

BROSE SITECH SP. Z O.O. TRANSACTION

Following the fulfillment of all closing conditions, Brose Fahrzeugteile SE & Co. Kommanditgesellschaft (Brose) and Volkswagen Finance Luxemburg S.A., a subsidiary of Volkswagen AG, created a jointly operated company in early 2022 for the development and manufacture of complete seat units, seat structures and components, and solutions for vehicle interiors. As part of this arrangement, Brose acquired half of the shares in the previous Volkswagen Group company SITECH Sp. z o.o., Polkowice/Poland. Brose and Volkswagen each hold 50% of the jointly operated company – Brose Sitech Sp. z o.o. – with Brose taking the industrial lead and controlling the company. Given its significant influence following the transaction, Volkswagen will account for Brose Sitech as an associate using the equity method. The change in the accounting policy did not have any material effect on the Volkswagen Group's profit or loss.

SPECIAL ITEMS

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

The operating result in the Passenger Cars Business Area was affected by negative special items of €–0.1 billion in connection with the diesel issue in the period from January to March 2022. These special items were primarily attributable to additional expenses for legal risks.

RESULTS OF OPERATIONS OF THE GROUP

In the first quarter of 2022, the Volkswagen Group generated sales revenue of €62.7 (62.4) billion, which was in a similar range as in the prior-year period. Positive mix and exchange rate effects, improved price positioning and the good business performance of the Financial Services Division were set against vehicle availability which continued to be limited due to parts supply shortages. Consolidated sales revenue includes an amount of €2.1 billion relating to Navistar; Navistar has been consolidated since July 1, 2021. The Volkswagen Group made 81.6 (82.2)% of its sales revenue abroad. Gross profit was down slightly, at €12.0 (12.3) billion. The gross margin was 19.1 (19.8)%.

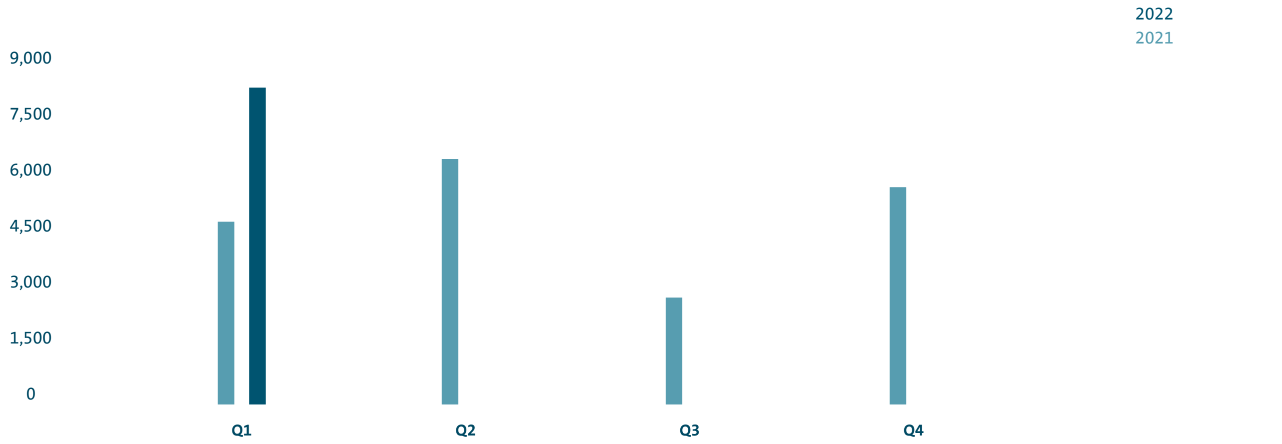
The Volkswagen Group's operating result before special items improved by €3.6 billion to €8.5 billion in the period from January to March 2022. The operating return on sales before special items climbed to 13.5 (7.7)%. Positive contributions arose mainly from the fair value measurement of derivates to which hedge accounting is not applied (especially commodity hedging derivatives for nickel) in an amount of €3.5 (0.5) billion and from the mix and price positioning. The good business performance of the Financial Services Division also made a positive contribution. These factors were offset in the first quarter of 2022 by expenses in the mid-three-digit million euro range relating to loss allowances and risk provisions as a consequence of the direct impact of the Russia-Ukraine conflict. In the prior-year period, one-off expenses for restructuring measures were recognized in the Commercial Vehicles Business Area. Special items in connection with the diesel issue reduced the operating result by €–0.1 billion. The Volkswagen Group's operating profit increased by a total of €3.5 billion to €8.3 billion in the first three months of 2022, while the operating return on sales went up to 13.3 (7.7)%.

The financial result amounted to €0.6 (–0.3) billion. The share of the result of equity-accounted investments was higher than in the previous year. The interest expenses included in the financial result decreased, due mainly to measurement-related factors resulting from a change in discount rates used in the measurement of provisions. In the other financial result, changes in share prices, mainly as a result of the Russia-Ukraine conflict, weighed on net income from securities and funds. The previous year had, moreover, been negatively impacted by measurement effects on forward purchase agreements for new shares in QuantumScape.

The Volkswagen Group's earnings before tax increased by €4.4 billion to €8.9 billion in the first quarter of 2022. Earnings after tax increased by €3.3 billion year-on-year to €6.7 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 MARCH 31

€ million	2022	2021
Passenger Cars		
Sales revenue	42,096	44,344
Operating result	6,402	3,751
Operating return on sales (%)	15.2	8.5
Commercial Vehicles[1]		
Sales revenue	8,353	6,438
Operating result	330	93
Operating return on sales (%)	4.0	1.5
Power Engineering		
Sales revenue	761	757
Operating result	54	–36
Operating return on sales (%)	7.1	–4.8

1 As of July 1, 2021, the figures include Navistar.

Results of operations in the Automotive Division

The Automotive Division recorded sales revenue of €51.2 (51.5) billion in the first three months of 2022, which was on a level with the prior-year period. Improvements, especially in the mix, exchange rate trends and price positioning, were set against adverse factors resulting in particular from lower vehicle sales due to parts supply shortages. Lower volumes meant that sales revenue in the Passenger Cars Business Area was distinctly down on the previous year. In the Commercial Vehicles Business Area, sales revenue in the first quarter of 2022 was up 29.7%, strongly exceeding the comparable 2021 figure, which had not yet included the Navistar business. Sales revenue in the Power Engineering Business Area was in the same range as in the previous year. Since 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 was virtually on a level with the previous year; the research and development costs recognized in profit or loss included in this figure were slightly higher. The ratio of cost of sales to sales revenue increased. As a result of the significant rise in total research and development costs, their percentage of the Automotive Division's sales revenue – the R&D ratio – was higher than in the first quarter of 2021, at 8.5 (7.7)%.

Both distribution expenses and their ratio to sales revenue were on a level with the previous year, while administrative expenses and their ratio to sales revenue increased in the reporting period. The other operating result improved by €3.9 billion to €3.4 billion, benefiting mainly from the effects of the fair value measurement of derivatives to which hedge accounting is not applied (especially commodity hedging derivatives for nickel) in the amount of €3.5 (0.5) billion. An adverse impact was had above all here in the first quarter of 2022 by expenses relating to loss allowances and risk provisions as a consequence of the direct impact of the Russia-Ukraine conflict. Negative special items in connection with the diesel issue in an amount of €–0.1 billion had to be taken into account in the first quarter of 2022. One-off expenses for restructuring measures had weighed on performance in the prior-year period.

The Automotive Division's operating result of €6.8 billion for the period from January to March 2022 was up €3.0 billion on the prior-year figure. The operating return on sales

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

€ million	2022	2021
Passenger Cars		
Gross cash flow	6,320	6,577
Change in working capital	–1,106	1,437
Cash flows from operating activities	5,214	8,015
Cash flows from investing activities attributable to operating activities	–3,872	–3,859
Net cash flow	1,342	4,156
Commercial Vehicles[1]		
Gross cash flow	1,022	537
Change in working capital	–536	172
Cash flows from operating activities	487	709
Cash flows from investing activities attributable to operating activities	–426	–312
Net cash flow	61	397
Power Engineering		
Gross cash flow	92	108
Change in working capital	7	59
Cash flows from operating activities	99	167
Cash flows from investing activities attributable to operating activities	–11	–15
Net cash flow	88	152

1 As of July 1, 2021, the figures include Navistar.

increased to 13.3 (7.4)%. The fair value measurement of derivatives to which hedge accounting is not applied as well as favorable changes in the mix and price positioning had a positive effect – this was set against a decline in sales as a result of parts supply shortages and the recognition of negative special items in the reporting period. The operating result before special items improved to €6.9 (3.8) billion, taking the operating return on sales before special items to 13.5 (7.4)%. Our operating result largely benefits from the business performance of our equity-accounted Chinese joint ventures only through deliveries of vehicles and vehicle parts and through license income, as the joint ventures are included in the financial result.

Results of operations in the Financial Services Division

The Financial Services Division recorded sales revenue of €11.5 billion in the period from January to March 2022, 6.4% more than in the prior-year period. Driven by a rise in sales revenue from the leasing business, cost of sales increased more slowly than sales revenue, up by 2.5% to €9.1 billion.

The Financial Services Division's operating profit grew by €0.5 billion to €1.5 billion thanks to improved business performance, which continued to be driven above all by strong demand for used vehicles, lower risk costs for credit and residual value risks, and exchange rate movements; these factors were offset in the first quarter of 2022 mainly by expenses relating to loss allowances and risk provisions as a consequence of the direct impact of the Russia-Ukraine conflict. The operating return on sales improved to 13.3 (9.3)%.

FINANCIAL POSITION OF THE GROUP

In the first quarter of 2022, the Volkswagen Group's gross cash flow was €11.7 billion, €1.3 billion more than in the prior-year period. Higher earnings were offset by noncash measurement effects from hedging transactions. The change in working capital amounted to €–2.4 (–1.3) billion. A smaller increase in lease assets and receivables and a decrease in financial services receivables were set against a smaller increase in liabilities and a decline in other provisions. The cash outflows attributable to the diesel issue were lower than in the prior-year period. Cash flows from operating activities went up by €0.2 billion to €9.3 billion.

Investing activities attributable to operating activities increased by €0.2 billion to €4.4 billion.

Financing activities led to a cash inflow of €0.4 billion, reflecting mainly the issuance and redemption of bonds and other financial liabilities, the redemption of the hybrid note called in February 2022, and the issuance of the hybrid notes successfully placed in March 2022. Cash outflows of €–2.3 billion had been recorded in the prior-year period.

On March 31, 2022, the Volkswagen Group's cash and cash equivalents reported in the cash flow statement amounted to €43.6 (35.9) billion.

At the end of the reporting period, the Volkswagen Group's net liquidity stood at €–132.7 billion, compared with €–136.6 billion on December 31, 2021.

Financial position of the Automotive Division

In the period from January to March 2022, the Automotive Division's gross cash flow was €7.4 (7.2) billion, slightly up on the level recorded the previous year. Higher earnings were set against noncash measurement effects from hedging transactions. The change in working capital, which amounted to €–1.6 (1.7) billion, was due primarily to a smaller year-on-year increase in liabilities and a decrease in other provisions, offset by a smaller rise in receivables. The cash outflows attributable to the diesel issue were lower in the reporting period than in the previous year. As a result, cash flows from operating activities went down by €3.1 billion to €5.8 billion.

In the first quarter of 2022, the Automotive Division's investing activities attributable to operating activities amounted to €4.3 billion, €0.1 billion more than in the previous year. Within this figure, investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) decreased by €0.2 billion to €1.7 billion. The ratio of capex to sales revenue dropped to 3.3 (3.7)%. A considerable portion of capex was allocated primarily to our production facilities and to models to be launched this year and next, the electrification and digitalization of our products, and our modular toolkits and platforms. Additions to capitalized development costs rose to €2.2 billion in the period from January to March 2022, an increase of €0.3 billion. As a result of strategic investments in a variety of companies, the "Acquisition and disposal of equity investments" item was higher than in the previous year. This was offset by the sale of Sitech Sp. z o.o.

The Automotive Division's net cash flow of €1.5 billion in the first three months of 2022 was €3.2 billion down on the comparative figure for 2021.

Financing activities relate to the issuance and redemption of bonds, as well as to changes in other financial liabilities; in the first quarter of 2022, they resulted in a total cash inflow of €3.9 billion. This figure includes dividends paid by financial services companies. The hybrid notes with a total nominal amount of €2.25 billion, that were successfully issued via Volkswagen International Finance N.V. in March 2022 also led to a cash inflow. They comprise a €1.0 billion note with a coupon of 3.748%, which is noncallable for five years and nine months, and a €1.25 billion note with a coupon of 4.375%, which is noncallable for nine years. Both notes are perpetual and increase net liquidity and equity by the nominal amount less transaction and other costs. The repayment of the hybrid note called in February 2022 resulted in a cash outflow of €1.1 billion in the reporting period. There had been a cash outflow of €2.1 billion from financing activities in the prior-year period; this, too, included the repayment of a hybrid note.

On March 31, 2022, the Automotive Division's net liquidity amounted to €31.1 billion; this compares to €26.7 billion at the end of 2021.

Financial position of the Financial Services Division

In the first three months of 2022, the Financial Services Division recorded gross cash flow of €4.2 billion, 36.5% up on the previous year, due mainly to higher earnings. The change in working capital amounted to €–0.7 (–2.9) billion. A smaller rise in lease assets and a decrease in financial services receivables and inventories was set against a smaller increase in liabilities, leading to a year-on-year decline in funds tied up in working capital. As a result, cash flows from operating activities grew by €3.3 billion to €3.5 billion.

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

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

€ million	March 31, 2022	Dec. 31, 2021
Passenger Cars		
Noncurrent assets	136,590	133,857
Current assets	96,018	86,362
Total assets	**232,608**	**220,218**
Equity	104,727	93,894
Noncurrent liabilities	74,898	80,621
Current liabilities	52,982	45,704
Commercial Vehicles		
Noncurrent assets	34,745	34,730
Current assets	12,892	12,264
Total assets	**47,637**	**46,994**
Equity	13,565	12,807
Noncurrent liabilities	18,467	17,778
Current liabilities	15,605	16,409
Power Engineering		
Noncurrent assets	1,800	1,804
Current assets	2,924	2,914
Total assets	**4,724**	**4,718**
Equity	2,398	2,322
Noncurrent liabilities	514	524
Current liabilities	1,811	1,872

Financing activities in the Financial Services Division accounted for cash outflows of €–3.5 (–0.2) billion in the reporting period. This figure relates primarily to the issuance and redemption of bonds and to other financial liabilities.

At the end of March 2022, the Financial Services Division's negative net liquidity, which is common in the industry, stood at €–163.8 billion compared with €–163.3 billion on December 31, 2021.

CONSOLIDATED BALANCE SHEET STRUCTURE

At the end of March 2022, the Volkswagen Group had total assets of €543.5 billion, 2.8% more than on December 31, 2021. The increase was mainly attributable to higher earnings, changes in exchange rates and the successful placement of the hybrid notes. The Group's equity amounted to €158.9 billion, up €12.8 billion on the figure at the end of 2021. The equity ratio went up to 29.2 (27.6)%.

Automotive Division balance sheet structure

On March 31, 2022, the Automotive Division's intangible assets were higher than at the end of the previous year. The factors driving up their value included a rise in capitalized development costs. Property, plant and equipment declined slightly, due primarily to depreciation in excess of additions. Higher earnings and a rise attributable to capital increases were among the reasons for the growth in equity-accounted investments in the first three months of 2022. Noncurrent other assets and financial assets increased, mainly because of positive effects from the measurement of derivatives. Total noncurrent assets stood at €173.1 (170.4) billion, slightly higher than the figure recorded at the end of 2021.

Current assets amounted to €111.8 (101.5) billion at the end of the first quarter of 2022, a significant increase compared with December 31, 2021. The inventories included in this figure expanded due to exchange rate movements, among other factors. Current other receivables and financial assets rose, driven above all by positive effects from the measurement of derivatives and higher trade receivables. The Automotive Division's cash and cash equivalents grew by €4.9 billion to €30.4 billion.

Equity in the Automotive Division amounted to €120.7 billion at the end of the first quarter of 2022, up €11.7 billion from December 31, 2021. Good earnings performance, lower actuarial losses from the remeasurement of pension plans, the hybrid notes issued in March 2022 and positive currency translation effects pushed equity higher, while the redemption of the hybrid note called in the first quarter of 2022 reduced this item. Noncontrolling interests are primarily held by the noncontrolling interest shareholders of the TRATON GROUP.

Noncurrent liabilities decreased by €5.0 billion to €93.9 (98.9) billion. The pension provisions included in this figure were down, driven primarily by actuarial remeasurement following a change in the discount rate. Noncurrent other liabilities were driven higher by factors such as the effects of derivatives measurement included in other financial liabilities. Current liabilities were significantly higher at the end of the first three months of 2022, rising by 10.0% to €70.4 billion. The figures for the Automotive Division also contain the elimination of intragroup transactions between the Automotive and Financial Services divisions. As the current financial liabilities for the primary Automotive Division were lower than the loans granted to the Financial Services Division, a negative amount was disclosed in both periods. Trade payables were up compared with the end of 2021. Current other liabilities exceeded the figure as of December 31, 2021; the other financial liabilities included in this item increased, due among other things to the effects of the measurement of derivatives.

The Automotive Division had total assets of €285.0 billion on March 31, 2022, 4.8% more than at the end of 2021.

Financial Services Division balance sheet structure

At the end of March 2022, the Financial Services Division's total assets stood at €258.6 (256.7) billion, slightly higher than on December 31, 2021.

Noncurrent assets totaled €158.4 (157.9) billion and were at a level similar to that in the previous year.

Current assets went up slightly to €100.1 (98.8) billion. The current financial services receivables and current other receivables and financial assets included in this item increased.

On March 31, 2022, the Financial Services Division accounted for around 47.6 (48.6)% of the Volkswagen Group's assets.

Equity in the Financial Services Division amounted to €38.2 billion at the end of the reporting period, exceeding the value recorded on December 31, 2021 by €1.1 billion. The equity ratio was 14.8 (14.5)%.

At €118.4 (119.1) billion, noncurrent liabilities were on a level with the end of the previous year.

Under current liabilities, current financial liabilities and trade payables were up, while other current financial liabilities declined. In total, current liabilities were €1.5 billion higher than on December 31, 2021, increasing to €101.9 billion.

Deposits from the direct banking business amounted to €26.3 billion as against €28.9 billion at the end of 2021.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

As a result of the Russia-Ukraine conflict and the spread of the Omicron variant of the coronavirus in China, combined with the restrictions imposed as part of the zero-Covid strategy in place there, our risk exposure has increased. The supply of energy, other raw materials and parts for the production process could heighten the impact. Higher energy and commodity prices plus greater volatility could add to the strain. What is more, inflation rates could reduce purchasing power, adversely affect consumer behavior and put a damper on demand for our products. Moreover, the need could arise to recognize further impairment losses on assets and additional risk provisions.

We are reaffirming our forecast for the 2022 fiscal year, which can be found on page 24.

Diesel issue

Product-related lawsuits worldwide (excluding the USA/ Canada)

In Brazil, the plaintiff in the second pending consumer protection class action has appealed the trial court's October 2021 judgment dismissing the complaint.

In the Netherlands, the court hearing the class action brought by the Diesel Emissions Justice Foundation has rendered an interlocutory judgment in March 2022 holding the new class action regime – which permits damage awards in addition to declaratory judgment on the existence of claims – to be inapplicable to the instant lawsuit. The interlocutory judgment further finds that the Amsterdam court lacks jurisdiction to hear lawsuits brought by consumers outside the Netherlands. The judgment is appealable.

Additional important legal cases

In April 2022, Scania filed an appeal with the European Court of Justice against the February 2022 judgment of the European General Court (Court of First Instance) in connection with the monetary fine imposed by the European Commission for the alleged illegal information exchange between certain truck manufacturers.

In connection with the amended antitrust class action, which was initially dismissed with prejudice by the Northern District of California and which alleged that several automobile manufacturers, including Volkswagen AG and other Group companies, had conspired to unlawfully increase vehicle prices in violation of US antitrust and consumer protection law, the Ninth Circuit Court of Appeals in January 2022 dismissed plaintiffs' motion (filed at the end of 2021) for a new hearing on the decision in which the court had affirmed the judgment of the US District Court. In February 2022, the District Court also denied plaintiffs' motion to set aside its judgment and to be allowed to file a new complaint.

In March 2022, the European Commission and the Competition and Markets Authority (CMA), the English antitrust authorities, searched the premises of various automotive manufacturers and automotive industry organizations and/or served them with formal requests for information. In the Volkswagen Group, the investigation affects Volkswagen Group UK, which was searched by the CMA, and Volkswagen AG, which has received a Group-wide information request from the European Commission. The investigation relates to European, Japanese, and Korean manufacturers as well as national organizations operating in such countries and the European organization European Automobile Manufacturers' Association (ACEA), which are suspected to have agreed on from 2002 until today avoiding paying for the services of recycling companies that dispose of end-of-life vehicles (ELV) (specifically passenger cars and vans up to 3.75 tons). Also alleged is an agreement to refrain from competitive use of ELV issues, that is, not to publicize relevant recycling data (recyclates, recyclability, recovery) for competitive purposes. The violation under investigation is alleged to have taken place in particular in the "ACEA" Working Group Recycling and related sub-groups thereof. Volkswagen AG is currently responding to the European Commission's information request. Volkswagen Group UK is cooperating with the CMA.

In line with IAS 37.92, no further statements have been made concerning estimates of the financial impact or regarding uncertainties 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.

Beyond these events, there were no significant changes in the reporting period compared with the disclosure on the Volkswagen Group's expected development in fiscal year 2022 contained in the combined management report of the 2021 Annual Report in the sections "Report on Expected Developments" and "Report on Risks and Opportunities", including in section "Legal Risks".

Outlook

Our planning is based on the assumption that global economic output will continue to grow in 2022, albeit at a somewhat lower level overall, after the recovery observed in the past fiscal year – provided that the Covid-19 pandemic does not flare up and that shortages of intermediates and commodities become less intense. We continue to believe that risks will arise from protectionist tendencies, turbulence in the financial markets, structural deficits in individual countries and rising inflation rates worldwide. In addition, growth prospects will be negatively impacted by ongoing geopolitical tensions and conflicts, with risks arising especially from the Russia-Ukraine conflict. 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 2022. Overall, the global volume of new vehicle sales is expected to be slightly up on the prior year without reaching the pre-pandemic level. This prediction assumes that the Covid-19 pandemic does not flare up and that shortages of intermediates, especially semiconductors, and commodities become less intense. For 2022, we anticipate that the volume of new passenger car registrations in Western Europe will be moderately above that recorded in the previous year. In the German passenger car market, we expect the volume of new registrations in 2022 to also moderately exceed the prior-year figure. Sales of passenger cars in 2022 are expected to fall substantially short of the prior-year figures in markets in Central and Eastern Europe, due in particular to the slump in the Russian market as a consequence of the sanctions imposed. Sales volume in the markets for passenger cars and light commercial vehicles (up to 6.35 tonnes) in North America in 2022 is forecast to be slightly higher than the previous year's level. We anticipate a moderate increase overall in new registrations in the South American markets in 2022 compared with the previous year. The passenger car markets in the Asia-Pacific region are expected to be slightly up on the prior-year level in 2022.

Trends in the markets for light commercial vehicles in the individual regions will also be mixed; on the whole, we anticipate a sales volume for 2022 in the range of the previous year. This assumes that the Covid-19 pandemic does not flare up and that shortages of intermediates, especially semiconductors, and commodities become less intense.

For 2022, we expect an overall slightly 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, with variations from region to region, in the markets that are relevant for the Volkswagen Group. A distinct increase in overall demand, with regional variations, is expected for 2022 in the bus markets relevant for the Volkswagen Group.

We anticipate that automotive financial services will continue to prove highly important to global vehicle sales in 2022.

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, given the continuing challenging market conditions, deliveries to customers of the Volkswagen Group in 2022 will be 5% to 10% up on the previous year. This assumes that the Covid-19 pandemic will not flare up and that shortages of intermediates and commodities will become less intense. The 2022 fiscal year will continue to be affected by shortfalls in supply due to the structural shortage of semiconductors. We anticipate that the supply of semiconductors will improve in the second half of the year, compared with the first half.

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

We expect the sales revenue of the Volkswagen Group and of the Passenger Cars Business Area in 2022 to be 8% to 13% higher than the prior-year figure. In terms of operating result for the Group before and after special items and for the Passenger Cars Business Area, we forecast an operating return on sales in the range of 7.0% to 8.5% in 2022. For the Commercial Vehicles Business Area, we anticipate an operating return on sales of 5.0% to 7.0% amid a strong year-on-year increase in sales revenue, including Navistar. In the Power Engineering Business Area, we expect sales revenue to be moderately above the prior-year figure and operating result to be in the low triple-digit million euro range. 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 around €4.5 billion.

Brands and Business Fields

SALES REVENUE AND OPERATING RESULT BY BRAND AND BUSINESS FIELD

At the beginning of 2022, we aligned the reporting structure by brand and business field with the Group's current strategy and management structure.

Despite a decline in volumes caused by the Covid-19 pandemic and the still limited vehicle availability due to parts supply shortages, recently exacerbated by the Russia-Ukraine conflict, the Volkswagen Group generated sales revenue of €62.7 (62.4) billion from January to March 2022. The operating result before special items improved to €8.5 (4.8) billion. It included an amount of €3.5 billion from the measurement of derivatives to which hedge accounting is not applied (mainly commodity hedges). The diesel issue gave rise to special items of €–0.1 billion in the first three months of this year.

The Volume brand group sold 0.9 (1.2) million vehicles and achieved sales revenue of €24.4 (27.4) billion in the first quarter of this year. The operating result before special items amounted to €0.9 (1.4) billion.

The Volkswagen Passenger Cars brand sold 0.5 (0.8) million vehicles in the reporting period. The decline resulted primarily from the limited vehicle availability due to parts supply shortages. There was increased demand for the T-Cross and ID.4 models, and the new Taigo was also very popular. At €14.9 billion, sales revenue was down 15.3% on the prior-year figure. The operating result before special items increased to €513 (490) million, principally due to improvements in the mix, improved price positioning and reduced sales incentives. Increased commodity prices adversely affected earnings. The diesel issue gave rise to negative special items.

Unit sales by the ŠKODA brand in the reporting period were on a level with the previous year at 231 (234) thousand vehicles. Growth was recorded particularly by the Enyaq iV. Sales revenue amounted to €5.1 (5.0) billion. The operating result fell to €337 (448) million due to product cost effects. The Russia-Ukraine conflict weighed on the result, while mix and exchange rate effects had a positive impact.

SEAT and CUPRA sold 107 thousand vehicles in the period from January to March of this year, 32.0% fewer than in the previous year. This figure includes the A1 manufactured for Audi. The CUPRA Formentor saw rising demand, and the CUPRA Born was well received by the market. Sales revenue decreased by 15.7% to €2.4 billion. The operating result at SEAT improved to €5 (–36) million. The increase was mainly due to optimization of revenues and fixed costs.

In the reporting period, global sales of the Volkswagen Commercial Vehicles brand were below the level of the previous year with 73 (96) thousand vehicles. Sales revenue decreased to €2.3 (2.7) billion. Operating profit increased, mainly due to mix-related factors, to €46 (29) million.

Sales revenue for Tech. Components amounted to €3.6 (4.8) billion in the first quarter of 2022. Operating result fell to €–33 (363) million due to lower volumes.

Unit sales at Audi (Premium brand group) amounted to 244 (290) thousand vehicles globally in the first quarter of 2022. A further 138 (191) thousand Audi vehicles were sold by the Chinese joint ventures FAW-Volkswagen and SAIC VOLKSWAGEN. The new Audi Q4 e-tron had a very successful market launch. Demand for the Audi A3 was up on the previous year. At €14.3 (14.6) billion, sales revenue was in the

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	TRATON Commercial Vehicles	MAN Energy Solutions	Leasing
ŠKODA			Direct bank
SEAT			Insurance
Volkswagen Commercial Vehicles			Fleet management
Tech. Components			Mobility services
Audi			
Porsche Automotive			
CARIAD			
Others			

same range as the prior-year figure. Despite the lower volume, the operating result before special items more than doubled to €3.5 (1.5) billion, mainly due to the measurement of commodity hedges, mix effects, a strong market performance and lower fixed costs. The diesel issue gave rise to negative special items. The financial key performance indicators for Audi include the Bentley, Lamborghini and Ducati brands. Ducati sold 14,125 (13,140) motorcycles in the first three months of this year.

In the first three months of 2022, Porsche Automotive (Sport & Luxury brand group) sold 66 (73) thousand vehicles worldwide. Demand for the 911, Panamera and Cayenne models was higher than in the previous year. Sales revenue rose to €7.3 (7.0) billion. The operating result increased to €1.4 (1.2) billion, primarily due to higher earnings contributions.

Navistar has counted as a TRATON GROUP brand as of July 1, 2021, which resulted in higher figures than in the previous year in the first quarter of 2022. Unit sales of TRATON Commercial Vehicles went up to 68 (61) thousand vehicles. At €8.4 billion, sales revenue exceeded the comparative figure for 2021 by 29.7%. The operating result of €331 (104) million was more than three times as high as the figure for the prior-year period, which had been strained by the restructuring measures at MAN Commercial Vehicles in Europe. Moreover, mix and exchange rate effects had a positive effect.

MAN Energy Solutions generated sales revenue of €0.8 (0.8) billion in the reporting period. Operating profit improved thanks to mix-related factors to €55 (32) million.

CARIAD pools the Volkswagen Group's software expertise and to this end has also purchased services and acquired rights from the brands. CARIAD increased its sales revenues to €110 (75) million in the period from January to March of this year. Due to upfront expenditures for software platforms, the operating loss increased to €–416 (–194) million.

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

	VEHICLE SALES		SALES REVENUE		OPERATING RESULT	
Thousand vehicles/€ million	2022	2021	2022	2021	2022	2021
Volume brand group	918	1,197	24,361	27,354	877	1,366
Volkswagen Passenger Cars	537	769	14,879	17,571	513	490
ŠKODA	231	234	5,101	5,049	337	448
SEAT	107	157	2,404	2,851	5	–36
Volkswagen Commercial Vehicles	73	96	2,294	2,660	46	29
Tech. Components	–	–	3,614	4,762	–33	363
Consolidation	–29	–59	–3,931	–5,540	9	73
Audi (Premium brand group)[1]	244	290	14,282	14,644	3,535	1,469
Porsche Automotive (Sport & Luxury brand group)[2]	66	73	7,317	7,039	1,359	1,178
TRATON Commercial Vehicles[3]	68	61	8,353	6,438	331	104
Equity-accounted companies in China[4]	765	800	–	–	–	–
MAN Energy Solutions	–	–	761	757	55	32
CARIAD	–	–	110	75	–416	–194
Volkswagen Financial Services	–	–	10,908	10,295	1,495	908
Other[5]	–67	–86	–3,350	–4,225	1,217	–50
Volkswagen Group before special items	**–**	**–**	**–**	**–**	**8,453**	**4,812**
Special items	–	–	–	–	–130	–
Volkswagen Group	**1,995**	**2,334**	**62,742**	**62,376**	**8,323**	**4,812**
Automotive Division[6]	1,995	2,334	51,210	51,538	6,786	3,809
of which: Passenger Cars Business Area	1,927	2,273	42,096	44,344	6,402	3,751
Commercial Vehicles Business Area	68	61	8,353	6,438	330	93
Power Engineering Business Area	–	–	761	757	54	–36
Financial Services Division	–	–	11,532	10,837	1,537	1,003

1 The previous year's figures were calculated by means of a simple addition with the Bentley figures.
2 Porsche (including Financial Services): sales revenue €8,043 (7,726) million, operating result €1,467 (1,249) million.
3 Includes Navistar as of July 1, 2021.
4 The sales revenue and operating result of the equity-accounted companies in China are not included in the consolidated figures; the share of the operating result generated by these companies amounted to €824 (661) million.
5 In the operating result, mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; the figure includes depreciation and amortization of identifiable assets as part of purchase price allocation, as well as companies not allocated to the brands.
6 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

The number of new financing, leasing, service and insurance contracts signed with Volkswagen Financial Services in the first quarter of 2022 stood at 1.9 million (–2.7%). The penetration rate, expressed as the ratio of leased or financed vehicles to relevant Group delivery volumes, came to 34.1 (35.0)% with credit eligibility criteria remaining unchanged. At 22.1 (22.0) million, the total number of contracts on March 31, 2022 was higher than at year-end 2021. The number of contracts in the customer financing/leasing area amounted to 10.8 (10.9) million, and in the service/insurance area to 11.3 (11.1) million. At the end of the reporting period, Volkswagen Bank managed 1.3 (1.4) million deposit accounts. Expenses relating to loss allowances and risk provisions as a consequence of the direct impact of the Russia-Ukraine conflict reduced the operating result. However, this improved to €1.5 (0.9) billion in the reporting period, driven primarily by lower risk costs and strong demand for used vehicles.

UNIT SALES AND SALES REVENUE BY MARKET

The Volkswagen Group sold 0.9 million vehicles in the Europe/Other Markets region in the first three months of 2022. This was 18.5% fewer than in the previous year. Sales revenue fell to €36.4 (37.0) billion due to lower volumes. Mix effects had a positive impact.

The Volkswagen Group's unit sales in the North American markets from January to March 2022 were down 20.8% on the previous year at 180 thousand vehicles. Sales revenue increased to €12.1 (10.8) billion, mainly due to exchange rate effects and the inclusion of Navistar as of July 1, 2021.

In South America, unit sales in the reporting period fell short of the prior-year figure at 74 (138) thousand vehicles. Driven by mix and exchange rate effects, sales revenue rose to €2.7 (2.4) billion.

At 0.9 (0.9) million vehicles, the number of units sold by the Volkswagen Group in the Asia-Pacific region – including the equity-accounted companies in China – was 3.8% lower in the first quarter of 2022 than a year earlier. Sales revenue fell to €11.8 (12.0) billion due to lower volumes; positive exchange rate effects were unable to offset this decline. The sales revenue of our equity-accounted companies in China is not included.

Hedging transactions relating to the Volkswagen Group's sales revenue in foreign currency made a negative contribution of €–315 (53) million in the reporting period.

KEY FIGURES BY MARKET FROM JANUARY 1 TO MARCH 31

	VEHICLE SALES		SALES REVENUE	
Thousand vehicles/€ million	2022	2021	2022	2021
Europe/Other Markets	850	1,044	36,449	37,046
North America	180	227	12,080	10,838
South America	74	138	2,726	2,402
Asia-Pacific[1]	891	926	11,802	12,036
Hedges on sales revenue	–	–	–315	53
Volkswagen Group[1]	**1,995**	**2,334**	**62,742**	**62,376**

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

Interim Consolidated Financial Statements (Condensed)

Income Statement for the Period January 1 to March 31

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2022	2021	2022	2021	2022	2021
Sales revenue	**62,742**	**62,376**	**51,210**	**51,538**	**11,532**	**10,837**
Cost of sales	–50,754	–50,048	–41,643	–41,159	–9,111	–8,889
Gross result	**11,988**	**12,328**	**9,567**	**10,380**	**2,421**	**1,948**
Distribution expenses	–4,315	–4,360	–3,978	–4,002	–337	–359
Administrative expenses	–2,777	–2,629	–2,163	–2,030	–614	–599
Other operating income/expense	3,428	–526	3,361	–539	67	13
Operating result	**8,323**	**4,812**	**6,786**	**3,809**	**1,537**	**1,003**
Share of the result of equity-accounted investments	627	519	604	499	22	20
Interest result and other financial result	–55	–868	–33	–855	–23	–13
Financial result	**572**	**–349**	**572**	**–356**	**0**	**8**
Earnings before tax	**8,895**	**4,463**	**7,358**	**3,453**	**1,537**	**1,011**
Income tax expense	–2,170	–1,049	–1,808	–836	–362	–213
Earnings after tax	**6,724**	**3,414**	**5,550**	**2,617**	**1,174**	**797**
of which attributable to						
Noncontrolling interests	40	35	5	11	34	24
Volkswagen AG hybrid capital investors	129	136	129	136	–	–
Volkswagen AG shareholders	6,555	3,244	5,415	2,470	1,140	774
Basic/diluted earnings per ordinary share in €[2]	**13.05**	**6.45**				
Basic/diluted earnings per preferred share in €[2]	**13.11**	**6.51**				

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

Statement of Comprehensive Income for the Period January 1 to March 31

€ million	2022	2021
Earnings after tax	**6,724**	**3,414**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	5,954	4,285
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	–1,790	–1,270
Pension plan remeasurements recognized in other comprehensive income, net of tax	4,165	3,015
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	–336	21
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	1	–1
Items that will not be reclassified to profit or loss	**3,829**	**3,036**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	1,142	1,277
Transferred to profit or loss	15	–
Exchange differences on translating foreign operations, before tax	1,157	1,277
Deferred taxes relating to exchange differences on translating foreign operations	2	–2
Exchange differences on translating foreign operations, net of tax	1,159	1,275
Hedging		
Fair value changes recognized in other comprehensive income (OCI I)	–124	–1,209
Transferred to profit or loss (OCI I)	18	–100
Cash flow hedges (OCI I), before tax	–106	–1,310
Deferred taxes relating to cash flow hedges (OCI I)	45	435
Cash flow hedges (OCI I), net of tax	–61	–874
Fair value changes recognized in other comprehensive income (OCI II)	–153	–237
Transferred to profit or loss (OCI II)	170	315
Cash flow hedges (OCI II), before tax	17	78
Deferred taxes relating to cash flow hedges (OCI II)	–17	–18
Cash flow hedges (OCI II), net of tax	0	60
Fair value valuation of debt instruments that may be reclassified to profit or loss		
Fair value changes recognized in other comprehensive income	–149	–18
Transferred to profit or loss	0	0
Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax	–149	–18
Deferred taxes relating to fair value valuation of debt instruments recognized in other comprehensive income	39	5
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	–109	–12
Share of other comprehensive income of equity-accounted investments that may be reclassified to profit or loss, net of tax	126	279
Items that may be reclassified to profit or loss	**1,115**	**727**
Other comprehensive income, before tax	6,664	4,612
Deferred taxes relating to other comprehensive income	–1,721	–850
Other comprehensive income, net of tax	**4,944**	**3,762**
Total comprehensive income	**11,668**	**7,177**
of which attributable to		
Noncontrolling interests	82	60
Volkswagen AG hybrid capital investors	129	136
Volkswagen AG shareholders	11,457	6,981

Balance Sheet as of March 31, 2022 and December 31, 2021

€ million	VOLKSWAGEN GROUP 2022	VOLKSWAGEN GROUP 2021	DIVISIONS: AUTOMOTIVE[1] 2022	AUTOMOTIVE[1] 2021	FINANCIAL SERVICES 2022	FINANCIAL SERVICES 2021
Assets						
Noncurrent assets	**331,561**	**328,261**	**173,134**	**170,391**	**158,426**	**157,871**
Intangible assets	79,210	77,689	78,813	77,290	397	399
Property, plant and equipment	62,732	63,695	61,710	62,684	1,022	1,011
Lease assets	59,808	59,699	2,184	2,316	57,624	57,383
Financial services receivables	84,886	84,954	–745	–781	85,631	85,735
Investments, equity-accounted investments and other equity investments, other receivables and financial assets	44,925	42,224	31,172	28,882	13,752	13,342
Current assets	**211,967**	**200,347**	**111,834**	**101,539**	**100,133**	**98,808**
Inventories	46,132	43,725	42,965	40,361	3,167	3,363
Financial services receivables	57,602	56,498	–863	–936	58,465	57,434
Other receivables and financial assets	40,975	37,195	21,552	18,275	19,423	18,921
Marketable securities	22,390	22,532	17,791	17,674	4,600	4,858
Cash, cash equivalents and time deposits	44,847	39,723	30,369	25,491	14,478	14,232
Assets held for sale	21	674	21	674	–	–
Total assets	**543,528**	**528,609**	**284,968**	**271,930**	**258,559**	**256,679**
Equity and liabilities						
Equity	**158,914**	**146,154**	**120,690**	**109,022**	**38,224**	**37,131**
Equity attributable to Volkswagen AG shareholders	141,471	130,009	104,051	93,592	37,420	36,417
Equity attributable to Volkswagen AG hybrid capital investors	15,568	14,439	15,568	14,439	–	–
Equity attributable to Volkswagen AG shareholders and hybrid capital investors	157,039	144,449	119,619	108,031	37,420	36,417
Noncontrolling interests	1,875	1,705	1,071	991	803	714
Noncurrent liabilities	**212,291**	**218,062**	**93,879**	**98,923**	**118,412**	**119,139**
Financial liabilities	129,984	131,618	24,788	24,639	105,196	106,978
Provisions for pensions	35,812	41,550	35,159	40,769	654	781
Other liabilities	46,495	44,894	33,933	33,515	12,562	11,379
Current liabilities	**172,322**	**164,393**	**70,399**	**63,984**	**101,923**	**100,409**
Financial liabilities	81,451	78,584	–9,542	–10,237	90,993	88,821
Trade payables	24,413	23,624	21,407	20,977	3,006	2,647
Other liabilities	66,457	61,948	58,534	53,007	7,923	8,940
Liabilities associated with assets held for sale	–	238	–	238	–	–
Total equity and liabilities	**543,528**	**528,609**	**284,968**	**271,930**	**258,559**	**256,679**

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, 2021	**1,283**	**14,551**	**100,772**	**–5,659**
Earnings after tax	–	–	3,244	–
Other comprehensive income, net of tax	–	–	2,995	1,271
Total comprehensive income	**–**	**–**	**6,239**	**1,271**
Disposal of equity instruments	–	–	–	–
Capital increases/Capital decreases	–	–	–	–
Dividends payment	–	–	–	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes	–	–	0	–
Balance at March 31, 2021	**1,283**	**14,551**	**107,011**	**–4,388**
Balance at Jan. 1, 2022	**1,283**	**14,551**	**117,342**	**–2,351**
Earnings after tax	–	–	6,555	–
Other comprehensive income, net of tax	–	–	4,143	1,111
Total comprehensive income	**–**	**–**	**10,698**	**1,111**
Disposal of equity instruments	–	–	–	–
Capital increases/Capital decreases[1]	–	–	–	–
Dividends payment	–	–	–	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes	–	–	5	–
Balance at March 31, 2022	**1,283**	**14,551**	**128,045**	**–1,240**

1 For details on capital increases/reductions, see the “Equity” section.

HEDGING							
Cash flow hedges (OCI I)	Deferred costs of hedging (OCI II)	Equity and debt instruments	Equity-accounted investments	Equity attributable to Volkswagen AG hybrid capital investors	Equity attributable to Volkswagen AG shareholders and hybrid capital investors	Equity attributable to noncontrolling interest	**Total equity**
1,287	**–708**	**–219**	**30**	**15,713**	**127,049**	**1,734**	**128,783**
–	–	–	–	136	3,380	35	3,414
–873	60	9	274	–	3,737	26	3,762
–873	**60**	**9**	**274**	**136**	**7,116**	**60**	**7,177**
–	–	–	–	–	–	–	–
–	–	–	–	–1,237	–1,237	–	–1,237
–	–	–	–	–197	–197	0	–197
–	–	–	–	–	–	–	–
–	–	–	–	–	0	0	0
415	**–648**	**–211**	**304**	**14,414**	**132,731**	**1,794**	**134,525**
–635	**–367**	**–355**	**541**	**14,439**	**144,449**	**1,705**	**146,154**
–	–	–	–	129	6,684	40	6,724
–62	0	–416	126	–	4,902	42	4,944
–62	**0**	**–416**	**126**	**129**	**11,587**	**82**	**11,668**
–	–	–	–	–	–	–	–
–	–	–	–	1,154	1,154	103	1,257
–	–	–	–	–155	–155	–	–155
–	–	–	–	–	–	–	–
–	–	–	0	–	5	–15	–10
–698	**–366**	**–772**	**667**	**15,568**	**157,039**	**1,875**	**158,914**

Cash flow statement for the Period January 1 to March 31

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2022	2021	2022	2021	2022	2021
Cash and cash equivalents at beginning of period	**39,123**	**33,432**	**24,899**	**23,758**	**14,224**	**9,674**
Earnings before tax	8,895	4,463	7,358	3,453	1,537	1,011
Income taxes paid	–1,000	–972	–747	–705	–253	–266
Depreciation and amortization expense[2]	7,047	6,529	4,614	4,301	2,433	2,228
Change in pension provisions	151	179	143	168	8	11
Share of the result of equity-accounted investments	–638	–368	–616	–347	–22	–20
Other noncash income/expense and reclassifications[3]	–2,786	492	–3,317	352	531	140
Gross cash flow	**11,669**	**10,324**	**7,435**	**7,221**	**4,234**	**3,103**
Change in working capital	**–2,356**	**–1,260**	**–1,635**	**1,669**	**–721**	**–2,929**
Change in inventories	–1,897	–1,825	–2,105	–2,269	208	444
Change in receivables	–2,079	–3,350	–1,684	–3,013	–395	–337
Change in liabilities	3,104	6,561	2,478	5,234	626	1,328
Change in other provisions	–169	1,831	–226	1,772	57	59
Change in lease assets (excluding depreciation)	–2,104	–4,099	14	1	–2,118	–4,100
Change in financial services receivables	790	–377	–111	–55	901	–322
Cash flows from operating activities	**9,313**	**9,065**	**5,800**	**8,890**	**3,513**	**174**
Cash flows from investing activities attributable to operating activities	**–4,425**	**–4,262**	**–4,309**	**–4,186**	**–117**	**–76**
of which: Investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property	–1,746	–1,959	–1,703	–1,924	–43	–35
capitalized development costs	–2,235	–1,907	–2,235	–1,907	–	–
acquisition and disposal of equity investments	–541	–446	–461	–380	–80	–66
Net cash flow[4]	***4,888***	***4,803***	***1,491***	***4,705***	***3,397***	***98***
Change in investments in securities, loans and time deposits	–1,067	–401	–1,391	–395	324	–7
Cash flows from investing activities	**–5,492**	**–4,663**	**–5,699**	**–4,580**	**207**	**–83**
Cash flows from financing activities	**372**	**–2,317**	**3,884**	**–2,116**	**–3,512**	**–202**
of which: capital contributions/capital redemptions	1,262	–1,241	1,262	–1,693	–	453
Effect of exchange rate changes on cash and cash equivalents	250	354	210	326	40	27
Change of loss allowance within cash & cash equivalents	0	0	0	0	0	0
Net change in cash and cash equivalents	**4,443**	**2,437**	**4,194**	**2,520**	**248**	**–83**
Cash and cash equivalents at March 31[5]	**43,565**	**35,869**	**29,093**	**26,278**	**14,472**	**9,591**
Securities, loans and time deposits	35,138	33,340	17,218	16,319	17,921	17,022
Gross liquidity	**78,704**	**69,210**	**46,311**	**42,597**	**32,393**	**26,613**
Total third-party borrowings	–211,435	–205,754	–15,246	–12,947	–196,189	–192,807
Net liquidity at March 31[6]	**–132,731**	**–136,544**	**31,065**	**29,650**	**–163,796**	**–166,194**
For information purposes: at Jan. 1	–136,576	–137,380	26,685	26,796	–163,261	–164,176

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 2021 in compliance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. These interim consolidated financial statements for the period ended March 31, 2022 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, 2022.

OTHER ACCOUNTING POLICIES

A discount rate of 1.9% (December 31, 2021: 1.2%) 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 2021 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 2021 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 2021 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 2021 consolidated financial statements.

Between January and March 2022, special items in connection with the diesel issue amounted to €130 million; they were recognized in the other operating result. These special items were mainly attributable to additional expenses for legal risks.

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

Russia-Ukraine conflict / Covid-19 pandemic / semiconductor shortages

The start of the Russia-Ukraine conflict in February 2022 led not only to a humanitarian crisis but also brought market upheaval around the world. There were substantial price rises particularly on the energy and commodity markets. Parts supply shortages also worsened in this context. In the Volkswagen Group, this has particularly affected the supply of cable harnesses from Ukraine. Volkswagen has already taken measures to clear these supply bottlenecks.

Moreover, different sanctions have been imposed on Russia as a result of the conflict, especially by the EU and the USA. They restrict economic transactions with Russia and have an impact on the Russian companies and plants of the Volkswagen Group and on sales of vehicles to Russia. In addition, the sanctions affect the new financial services business in Russia and could potentially give rise to impairment risks to existing lease assets and financial receivables. Against the backdrop of the Russia-Ukraine conflict and the resulting consequences, Volkswagen has decided to suspend vehicle production in Russia until further notice. Vehicle exports to Russia have also been halted.

Triggered by the direct impact of the Russia-Ukraine conflict, expenses in the mid-three-digit million euro range relating to loss allowances and risk provisions were recognized in the first quarter of 2022, primarily in the other operating result.

In light of the Russia-Ukraine conflict, impairment tests were conducted on material assets, especially goodwill, brand names, capitalized development costs and property, plant and equipment, as of March 31, 2022. In this process, the cash flows used in the previous year’s impairment tests were adjusted to reflect the latest assumptions. These assumptions relate in particular to the effects expected on the 2022 fiscal year from the parts supply shortages with the corresponding expected losses of production volume and from the suspension of vehicle deliveries to Russia and the discontinuation of vehicle production in Russia. As for long-term earnings performance, there is an expectation that the assumptions will generally remain unchanged. In addition, the weighted cost of capital (WACC) used as of March 31, 2022 for the respective cash-generating units has been increased by between 0.1 and 1.4 percentage points. Apart from the impairment losses recognized in response to the direct effects described above, the tests conducted to establish recoverability have not resulted in any further need at present to recognize impairment losses on the material cash-generating units of the Volkswagen Group. In relation to the MAN Truck & Bus cash-generating unit, it was found in this context that a possible further increase in the discount rate by 0.7 percentage points would cause the carrying amount to exceed the recoverable amount.

As a result of the turbulence on the commodity and capital markets, gains totaling €3.5 billion had to be recognized in the other operating result, primarily from the fair value measurement of derivatives to which hedge accounting is not applied (especially commodity hedges).

Apart from the effects of the Russia-Ukraine conflict, the global spread of the Omicron variant of coronavirus SARS-CoV-2 continued to lead to considerable disruption to everyday life and the economy in a number of regions in the first quarter of 2022. Particularly in China, local infection outbreaks led to tight restrictions under the zero-Covid strategy being pursued there, resulting in economic damage and disruption to supply chains.

In addition to the uncertainty and measures being taken around the world to deal with the Covid-19 pandemic, persistent semiconductor supply shortages and the resulting limited availability of Group models meant that demand could not be adequately met in some regions.

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.

INVESTMENTS IN ASSOCIATES

Following the fulfillment of all closing conditions, Brose Fahrzeugteile SE & Co. Kommanditgesellschaft (Brose) and Volkswagen Finance Luxemburg S.A., a subsidiary of Volkswagen AG, created a jointly operated company in early 2022 for the development and manufacture of complete seat units, seat structures and components, and solutions for vehicle interiors. As part of this arrangement, Brose acquired half of the shares in the previous Volkswagen Group company SITECH Sp. z o.o., Polkowice/Poland. Brose and Volkswagen each hold 50% of the jointly operated company – Brose Sitech Sp. z o.o. – with Brose taking the industrial lead and controlling the company. Given its significant influence following the transaction, Volkswagen will account for Brose Sitech as an associate using the equity method. The change in the accounting policy did not have any material effect on the Volkswagen Group’s profit or loss.

Disclosures on the interim consolidated financial statements

1. Sales revenue

STRUCTURE OF GROUP SALES REVENUE: Q1 2022

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total Segments	Reconciliation	Volkswagen Group
Vehicles	34,795	5,053	–	–	39,848	–3,179	36,669
Genuine parts	3,660	1,608	–	–	5,268	–39	5,229
Used vehicles and third-party products	3,080	535	–	5,318	8,932	–1,025	7,907
Engines, powertrains and parts deliveries	2,911	187	–	–	3,099	–17	3,082
Power Engineering	–	–	761	–	761	0	761
Motorcycles	186	–	–	–	186	–	186
Leasing business	158	433	0	4,042	4,633	–321	4,312
Interest and similar income	55	1	–	2,001	2,057	–90	1,967
Hedges sales revenue	–314	–9	–	–	–322	7	–315
Other sales revenue	2,455	544	–	172	3,171	–226	2,944
	46,986	**8,353**	**761**	**11,532**	**67,632**	**–4,890**	**62,742**

STRUCTURE OF GROUP SALES REVENUE: Q1 2021

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total Segments	Reconciliation	Volkswagen Group
Vehicles[1]	37,954	4,061	–	–	42,015	–3,721	38,295
Genuine parts	3,059	916	–	–	3,975	–34	3,941
Used vehicles and third-party products[1]	2,905	433	–	4,997	8,334	–840	7,493
Engines, powertrains and parts deliveries	2,977	180	–	–	3,157	–18	3,139
Power Engineering	–	–	757	–	757	0	756
Motorcycles	166	–	–	–	166	–	166
Leasing business[1]	191	402	–	3,721	4,314	–439	3,875
Interest and similar income	48	2	–	1,941	1,990	–66	1,925
Hedges sales revenue	36	–10	–	0	26	27	53
Other sales revenue[1]	2,225	456	–	179	2,860	–128	2,732
	49,562	**6,438**	**757**	**10,837**	**67,594**	**–5,218**	**62,376**

1 Beginning in the fourth quarter of fiscal year 2021, all sales of used vehicles that were presented in the vehicles, leasing business and other sales revenue line items in the previous year were allocated to the used vehicles and third-party products line item. Previously, for example, the transfer of a leased vehicle from the lessee had been reported in the leasing business line item. Prior-year figures were adjusted accordingly.

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 €567 million (previous year: €489 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 totaled €331 million (previous year: €234 million); they are mostly recognized in other operating expenses and in cost of sales.

3. Research and development costs

€ million	Q1 2022	Q1 2021	%
Total research and development costs	4,359	3,962	10.0
of which: capitalized development costs	2,235	1,907	17.2
Capitalization ratio in %	51.3	48.1	
Amortization of capitalized development costs	1,220	1,207	1.1
Research and development costs recognized in profit or loss	**3,344**	**3,262**	2.5

4. Earnings per share

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

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

		Q1 2022	Q1 2021
Weighted average number of:			
Ordinary shares – basic/diluted	Shares	295,089,818	295,089,818
Preferred shares – basic/diluted	Shares	206,205,445	206,205,445
Earnings after tax	€ million	6,724	3,414
Noncontrolling interests	€ million	40	35
Earnings attributable to Volkswagen AG hybrid capital investors	€ million	129	136
Earnings attributable to Volkswagen AG shareholders	€ million	6,555	3,244
of which: basic/diluted earnings attributable to ordinary shares	€ million	3,851	1,902
of which: basic/diluted earnings attributable to preferred shares	€ million	2,704	1,342
Earnings per ordinary share – basic/diluted	€	13.05	6.45
Earnings per preferred share – basic/diluted	€	13.11	6.51

5. Noncurrent assets

CHANGES IN SELECTED NONCURRENT ASSETS BETWEEN JANUARY 1 AND MARCH 31, 2022

€ million	Carrying amount at Jan. 1, 2022	Additions/ Changes in consolidated Group	Disposals/ Other changes	Depreciation and amortization	Carrying amount at March 31, 2022
Intangible assets	77,689	2,773	–228	1,479	79,210
Property, plant and equipment	63,695	1,813	–264	3,041	62,732
Lease assets	59,699	5,603	2,826	2,667	59,808

6. Inventories

€ million	March 31, 2022	Dec. 31, 2021
Raw materials, consumables and supplies	9,783	9,331
Work in progress	6,306	6,559
Finished goods and purchased merchandise	24,800	22,201
Current lease assets	4,885	5,291
Prepayments	368	344
Hedges on inventories	–10	–2
	46,132	**43,725**

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

The structure of the inventories is still affected by the strained supply situation within the markets. Please see also the information provided in the “Key events” section.

7. Current other receivables and financial assets

€ million	March 31, 2022	Dec. 31, 2021
Trade receivables	17,194	15,521
Miscellaneous other receivables and financial assets	23,781	21,675
	40,975	**37,195**

In the period January 1 to March 31, 2022, impairment losses and reversals of impairment losses on noncurrent and current financial assets reduced operating profit by €336 million (previous year: €133 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 February 2022, Volkswagen AG called a hybrid note (maturity: 7 years) with a principal amount of €1,100 million, which had been placed in 2015 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 the equity and net liquidity of the Volkswagen Group. The hybrid note was redeemed on March 21, 2022.

From the hybrid capital issued on March 28, 2022, Volkswagen AG recorded a cash inflow of €2,250 million less transaction costs of €10 million. In addition, the recognition of deferred taxes led to noncash effects of €3 million. The hybrid capital is to be classified as equity granted.

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

9. Noncurrent financial liabilities

€ million	March 31, 2022	Dec. 31, 2021
Bonds, commercial paper and notes	94,459	97,113
Liabilities to banks	26,924	25,904
Deposit business	2,580	2,588
Lease liabilities	5,145	5,137
Other financial liabilities	875	875
	129,984	**131,618**

10. Current financial liabilities

€ million	March 31, 2022	Dec. 31, 2021
Bonds, commercial paper and notes	40,562	38,503
Liabilities to banks	14,024	12,786
Deposit business	24,456	24,243
Lease liabilities	1,106	1,108
Other financial liabilities	1,303	1,944
	81,451	**78,584**

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 2021 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 MARCH 31, 2022

	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO A MEASUREMENT CATEGORY	BALANCE SHEET ITEM AT MAR. 31, 2022
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	13,931	13,931
Other equity investments	411	–	–	–	2,444	2,856
Financial services receivables	377	50,374	50,726	–	34,135	84,886
Other financial assets	5,612	5,238	5,146	1,526	–	12,376
Tax receivables	–	–	–	–	668	668
Current assets						
Trade receivables	27	17,167	17,167	–	–	17,194
Financial services receivables	27	38,328	38,328	–	19,247	57,602
Other financial assets	3,272	10,153	10,153	755	–	14,180
Tax receivables	–	5	5	–	1,828	1,833
Marketable securities	22,353	37	37	–	–	22,390
Cash, cash equivalents and time deposits	–	44,847	44,847	–	–	44,847
Noncurrent liabilities						
Financial liabilities	–	124,839	123,597	–	5,145	129,984
Other financial liabilities	955	2,455	2,471	2,168	–	5,577
Current liabilities						
Financial liabilities	–	80,345	80,345	–	1,106	81,451
Trade payables	–	24,413	24,413	–	–	24,413
Other financial liabilities	1,326	10,452	10,452	2,554	–	14,332
Tax payables	–	5	5	–	594	599

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 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 DEC. 31 , 2021
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	12,531	12,531
Other equity investments	760	–	–	–	2,240	3,000
Financial services receivables	290	50,146	51,326	–	34,519	84,954
Other financial assets	2,830	4,950	5,031	1,377	–	9,156
Tax receivables	–	–	–	–	635	635
Current assets						
Trade receivables	8	15,513	15,513	–	–	15,521
Financial services receivables	26	37,204	37,204	–	19,268	56,498
Other financial assets	1,996	10,046	10,046	543	–	12,584
Tax receivables	–	9	9	–	1,608	1,618
Marketable securities	22,495	37	37	–	–	22,532
Cash, cash equivalents and time deposits	–	39,723	39,723	–	–	39,723
Assets held for sale	–	142	142	–	532	674
Noncurrent liabilities						
Financial liabilities	–	126,481	131,359	–	5,137	131,618
Other financial liabilities	728	2,419	2,437	1,320	–	4,466
Current liabilities						
Financial liabilities	–	77,476	77,476	–	1,108	78,584
Trade payables	–	23,624	23,624	–	–	23,624
Other financial liabilities	1,009	10,112	10,112	1,880	–	13,002
Tax payables	–	27	27	–	588	614
Liabilities associated with assets held for sale	–	142	142	–	96	238

The category headed “not allocated to a measurement category” is used in particular for shares in equity-accounted investments, shares in non-consolidated affiliated companies as well as for lease receivables.

The carrying amount of lease receivables was €53.4 billion (previous year: €53.8 billion) and their fair value was €53.7 billion (previous year: €54.8 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	March 31, 2022	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	411	196	0	215
Financial services receivables	377	–	–	377
Other financial assets	5,612	–	2,926	2,685
Current assets				
Trade receivables	27	–	–	27
Financial services receivables	27	–	–	27
Other financial assets	3,272	–	2,906	367
Marketable securities	22,353	22,270	83	–
Noncurrent liabilities				
Other financial liabilities	955	–	839	116
Current liabilities				
Other financial liabilities	1,326	–	1,286	40

€ million	Dec. 31, 2021	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	760	579	0	181
Financial services receivables	290	–	–	290
Other financial assets	2,830	–	1,477	1,353
Current assets				
Trade receivables	8	–	–	8
Financial services receivables	26	–	–	26
Other financial assets	1,996	–	1,733	263
Marketable securities	22,495	22,406	89	–
Noncurrent liabilities				
Other financial liabilities	728	–	529	199
Current liabilities				
Other financial liabilities	1,009	–	905	104

DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING BY LEVEL

€ million	March 31, 2022	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	1,526	–	1,526	–
Current assets				
Other financial assets	755	–	755	–
Noncurrent liabilities				
Other financial liabilities	2,168	–	2,168	–
Current liabilities				
Other financial liabilities	2,554	–	2,554	–

€ million	Dec. 31, 2021	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	1,377	–	1,377	–
Current assets				
Other financial assets	543	–	543	–
Noncurrent liabilities				
Other financial liabilities	1,320	–	1,320	–
Current liabilities				
Other financial liabilities	1,880	–	1,880	–

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
Balance at Jan. 1, 2022	**2,119**	**303**
Foreign exchange differences	35	–1
Changes in consolidated Group	–	–
Total comprehensive income	1,587	–112
recognized in profit or loss	1,587	–112
recognized in other comprehensive income	–	–
Additions (purchases)	143	–
Sales and settlements	–25	–29
Transfers into Level 1	–	–
Transfers into Level 2	–170	–5
Balance at March 31, 2022	**3,690**	**156**
Total gains or losses recognized in profit or loss	**1,587**	**112**
Net other operating expense/income	1,587	112
of which attributable to assets/liabilities held at the reporting date	1,379	117
Financial result	0	–
of which attributable to assets/liabilities held at the reporting date	0	–

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2021	**1,383**	**908**
Foreign exchange differences	32	10
Changes in consolidated Group	–	–
Total comprehensive income	120	–56
recognized in profit or loss	80	43
recognized in other comprehensive income	40	–99
Additions (purchases)	230	–
Sales and settlements	–31	–72
Transfers into Level 2	–86	–5
Balance at March 31, 2021	**1,648**	**785**
Total gains or losses recognized in profit or loss	**80**	**–43**
Net other operating expense/income	97	–43
of which attributable to assets/liabilities held at the reporting date	6	–42
Financial result	–16	–
of which attributable to assets/liabilities held at the reporting date	–	–

The transfers between the levels of the fair value hierarchy are reported at the respective reporting dates. The transfers out of Level 3 into Level 2 comprise commodity futures for which observable quoted prices are now available for measurement purposes due to the decline in their remaining maturities; consequently, no further extrapolation is required.

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

If commodity prices for commodity futures classified as Level 3 had been 10% higher (lower) as of March 31, 2022, earnings after tax would have been €336 million (previous year: €254 million) higher (lower). Beyond that, equity would not be affected.

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

If the assumed enterprise values at March 31, 2022 had been 10% higher, earnings after tax would have been €6 million (previous year: €4 million) higher. If the assumed enterprise values as of March 31, 2022 had been 10% lower, earnings after tax would have been €6 million (previous year: €4 million) lower.

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

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

If the prices of the used cars covered by the residual value protection model had been 10% higher as of March 31, 2022, earnings after tax would have been €444 million (previous year: €395 million) higher. If the prices of the used cars covered by the residual value protection model had been 10% lower as of March 31, 2022, earnings after tax would have been €494 million (previous year: €436 million) lower.

If the risk-adjusted interest rates applied to receivables measured at fair value had been 100 basis points higher as of March 31, 2022, earnings after tax would have been €6 million (previous year: €2 million) lower. If the risk-adjusted interest rates as of March 31, 2022 had been 100 basis points lower, earnings after tax would have been €0 million (previous year: €2 million) higher.

If the corresponding vehicle price used in the vehicle financing programs had been 10% higher as of March 31, 2022, earnings after tax would have been €13 million (previous year: €2 million) higher. If the corresponding vehicle prices used in the vehicle financing programs had been 10% lower as of March 31, 2022, earnings after tax would have been €13 million (previous year: €2 million) lower.

If the result of operations of equity investments measured at fair value had been 10% better as of March 31, 2022, equity would have been €7 million (previous year: €10 million) higher, and earnings after tax would have been €9 million (previous year: €4 million) higher. If the result of operations of equity investments measured at fair value had been 10% worse, equity would have been €7 million (previous year: €10 million) lower, and earnings after tax would have been €9 million (previous year: €4 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	March 31, 2022	March 31, 2021
Cash, cash equivalents and time deposits as reported in the balance sheet	44,847	36,440
Cash and cash equivalents held for sale	–	2
Time deposits	–1,281	–572
Cash and cash equivalents as reported in the cash flow statement	**43,565**	**35,869**

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

	Q1	
€ million	2022	2021
Capital contributions/Capital redemptions	1,262	–1,241
Dividends paid	–155	–197
Proceeds from issuance of bonds	6,395	9,812
Repayments of bonds	–5,238	–8,537
Changes in other financial liabilities	–1,622	–1,901
Repayments of lease liabilities	–270	–253
	372	**–2,317**

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. As from the second half of 2021, this segment also includes Navistar.

The Power Engineering segment combines the large-bore diesel engines, turbomachinery and propulsion components businesses.

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

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

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

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

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

REPORTING SEGMENTS: Q1 2022

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	42,990	8,071	761	10,802	62,624	119	62,742
Intersegment sales revenue	3,997	282	0	730	5,009	–5,009	–
Total sales revenue	46,986	8,353	761	11,532	67,632	–4,890	62,742
Segment result (operating result)	5,677	330	54	1,537	7,598	725	8,323

REPORTING SEGMENTS: Q1 2021

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

RECONCILIATION

€ million	Q1 2022	Q1 2021
Segment result (operating result)	**7,598**	**5,130**
Unallocated activities	11	–9
Group financing	–12	–11
Consolidation/Holding company function	726	–297
Operating result	**8,323**	**4,812**
Financial result	**572**	**–349**
Consolidated earnings before tax	**8,895**	**4,463**

14. Related party disclosures

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

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

	SUPPLIES AND SERVICES RENDERED Q1		SUPPLIES AND SERVICES RECEIVED Q1	
€ million	2022	2021	2022	2021
Porsche SE and its majority interests	1	1	0	0
Supervisory Board members	0	0	0	0
Unconsolidated subsidiaries	474	241	421	344
Joint ventures and their majority interests	4,043	4,246	186	145
Associates and their majority interests	70	58	369	290
State of Lower Saxony, its majority interests and joint ventures	3	0	2	1

	RECEIVABLES FROM		LIABILITIES (INCLUDING OBLIGATIONS) TO	
€ million	March 31, 2022	Dec. 31, 2021	March 31, 2022	Dec. 31, 2021
Porsche SE and its majority interests	1	2	0	1
Supervisory Board members	0	0	237	252
Unconsolidated subsidiaries	1,577	1,442	1,930	1,715
Joint ventures and their majority interests	12,736	12,303	2,137	2,029
Associates and their majority interests	575	533	1,115	965
State of Lower Saxony, its majority interests and joint ventures	258	232	9	2

The tables above do not contain the dividend payments (net of withholding tax) of €2 million (previous year: €1 million) received from joint ventures and associates.

Receivables from joint ventures are primarily attributable to loans granted in an amount of €8,796 million (December 31, 2021: €8,756 million) as well as trade receivables in an amount of €3,718 million (December 31, 2021: €3,289 million). Receivables from non-consolidated subsidiaries also result primarily from loans granted in an amount of €897 million (December 31, 2021: €737 million) as well as trade receivables in an amount of €358 million (December 31, 2021: €344 million).

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

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

In addition, the Volkswagen Group has furnished guarantees to external banks on behalf of related parties in the amount of €459 million (December 31, 2021: €391 million).

Impairment losses of €17 million (previous year: €23 million) were recognized on the outstanding related party receivables. This incurred expenses of €0 million (previous year: €0 million) in the first quarter of 2022.

Between January and March 2022, the Volkswagen Group made capital contributions of €384 million (previous year: €112 million) at related parties.

15. Litigation

Diesel issue

Product-related lawsuits worldwide (excluding the USA/Canada)

In Brazil, the plaintiff in the second pending consumer protection class action has appealed the trial court's October 2021 judgment dismissing the complaint.

In the Netherlands, the court hearing the class action brought by the Diesel Emissions Justice Foundation has rendered an interlocutory judgment in March 2022 holding the new class action regime – which permits damage awards in addition to declaratory judgment on the existence of claims – to be inapplicable to the instant lawsuit. The interlocutory judgment further finds that the Amsterdam court lacks jurisdiction to hear lawsuits brought by consumers outside the Netherlands. The judgment is appealable.

Additional important legal cases

In April 2022, Scania filed an appeal with the European Court of Justice against the February 2022 judgment of the European General Court (Court of First Instance) in connection with the monetary fine imposed by the European Commission for the alleged illegal information exchange between certain truck manufacturers.

In connection with the amended antitrust class action, which was initially dismissed with prejudice by the Northern District of California and which alleged that several automobile manufacturers, including Volkswagen AG and other Group companies, had conspired to unlawfully increase vehicle prices in violation of US antitrust and consumer protection law, the Ninth Circuit Court of Appeals in January 2022 dismissed plaintiffs' motion (filed at the end of 2021) for a new hearing on the decision in which the court had affirmed the judgment of the US District Court. In February 2022, the District Court also denied plaintiffs' motion to set aside its judgment and to be allowed to file a new complaint.

In March 2022, the European Commission and the Competition and Markets Authority (CMA), the English antitrust authorities, searched the premises of various automotive manufacturers and automotive industry organizations and/or served them with formal requests for information. In the Volkswagen Group, the investigation affects Volkswagen Group UK, which was searched by the CMA, and Volkswagen AG, which has received a Group-wide information request from the European Commission. The investigation relates to European, Japanese, and Korean manufacturers as well as national organizations operating in such countries and the European organization European Automobile Manufacturers' Association (ACEA), which are suspected to have agreed on from 2002 until today avoiding paying for the services of recycling companies that dispose of end-of-life vehicles (ELV) (specifically passenger cars and vans up to 3.75 tons). Also alleged is an agreement to refrain from competitive use of ELV issues, that is, not to publicize relevant recycling data (recyclates, recyclability, recovery) for competitive purposes. The violation under investigation is alleged to have taken place in particular in the "ACEA" Working Group Recycling and related sub-groups thereof. Volkswagen AG is currently responding to the European Commission's information request. Volkswagen Group UK is cooperating with the CMA.

In line with IAS 37.92, no further statements have been made concerning estimates of the financial impact or regarding uncertainties 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.

Beyond these events, there were no significant changes in the reporting period compared with the disclosure on the Volkswagen Group's expected development in fiscal year 2022 contained in the combined management report of the 2021 Annual Report in the sections "Report on Expected Developments" and "Report on Risks and Opportunities", including in section "Legal Risks".

16. Contingent liabilities

There were no material changes in contingent liabilities as of March 31, 2022 compared with those described for fiscal year 2021.

17. Other financial obligations

Other financial obligations were virtually unchanged compared with the 2021 consolidated financial statements at €34.6 billion.

Significant events after the balance sheet date

On April 8, 2022, Scania appealed against the judgment of the General Court of the European Union from February 2, 2022, to the European Court of Justice. The €880.5 million fine plus interest from the EU antitrust proceedings was paid on April 12, 2022, to avoid additional interest penalties.

Wolfsburg, May 3, 2022

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 2022 to 31 March 2022, which are part of the interim financial report pursuant to Sec. 115 (7) in conjunction with (2) Nos. 1 and 2 and (3) and (4) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The preparation of the condensed interim consolidated financial statements in accordance with IFRSs (International Financial Reporting Standards) on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's executive directors. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim group management report based on our review.

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

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

Hanover, 3 May 2022

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

May 12, 2022 Volkswagen AG Annual General Meeting
July 28, 2022 Half-Yearly Financial Report 2022
October 27, 2022 Interim Report January – September 2022

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

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