

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) EXCEPT TO PERSONS WHO ARE QUALIFIED INSTITUTIONAL BUYERS PURSUANT TO RULE 144A UNDER THE SECURITIES ACT. NOT FOR DISTRIBUTION ELSEWHERE OR OTHERWISE THAN TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering memorandum. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached offering memorandum. In accessing the attached offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access.

CONFIRMATION OF YOUR REPRESENTATION: By accessing the attached offering memorandum, you shall be deemed to have represented that (a) you consent to delivery of the attached offering memorandum and any amendments or supplements thereto by electronic transmission and (b) either (i) you are a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act), or (ii) (A) you are outside the United States and are not a U.S. person (as defined in Regulation S under the Securities Act), nor acting on behalf of a U.S. person and, to the extent you purchase the Securities (as defined herein) described in the attached offering memorandum, you will be doing so pursuant to Regulation S under the Securities Act, and (B) the electronic mail address to which the attached offering memorandum has been delivered is not located in the United States.

The attached offering memorandum has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither Volkswagen AG nor Volkswagen Group of America Finance, LLC nor any of Morgan Stanley & Co. LLC ("**Morgan Stanley**"), Credit Agricole Securities (USA) Inc. ("**Credit Agricole CIB**"), Mizuho Securities USA LLC ("**Mizuho Securities**"), SG Americas Securities, LLC ("**SOCIETE GENERALE**") and Wells Fargo Securities, LLC ("**Wells Fargo Securities**"), and collectively, the "**Initial Subscribers**") or any of their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling them accepts any liability or responsibility whatsoever in respect of any discrepancies between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Subscribers.

Restrictions: The attached offering memorandum is being furnished in connection with an offering exempt from registration under the Securities Act. Nothing in this electronic transmission constitutes an offer of securities for sale in the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act).

THE ATTACHED OFFERING MEMORANDUM IS BEING PROVIDED TO YOU ON A CONFIDENTIAL BASIS FOR INFORMATIONAL USE SOLELY IN CONNECTION WITH YOUR CONSIDERATION OF THE PURCHASE OF THE SECURITIES REFERRED TO THEREIN. YOU ARE NOT AUTHORIZED TO, AND YOU MAY NOT, FORWARD OR DELIVER THE ATTACHED OFFERING MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED OFFERING MEMORANDUM, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE NOTES TO BE ISSUED AND THE GUARANTEE OF THE NOTES (THE "**SECURITIES**") HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS REGISTERED UNDER THE SECURITIES ACT OR PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION.

The distribution of the attached offering memorandum and the offer, sale or solicitation of an offer to buy the Securities is restricted by law in certain jurisdictions. The attached offering memorandum may not be used for, or in connection with, and does not constitute, any offer to sell or solicitation of an offer to buy the Securities by anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorized or is unlawful. Persons into whose possession the attached offering memorandum may come are required to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers, sales and deliveries of the Securities and the distribution of the attached offering memorandum and other offering material relating to the Securities is set out under "*Plan of Distribution*" in the attached offering memorandum. No action has been or will be taken in any jurisdiction that would, or is intended to, permit a public offering of the Securities, or possession or distribution of the offering memorandum (in preliminary, proof or final form) or any other offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Initial Subscribers or any affiliate of the Initial Subscribers is a licensed broker or dealer in that jurisdiction, the offering will be deemed to be made by the Initial Subscribers or such affiliate on behalf of the issuer, Volkswagen Group of America Finance, LLC, in such jurisdiction.

You are reminded that the attached offering memorandum has been delivered to you on the basis that you are a person into whose possession the attached offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed, and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

None of the Initial Subscribers, any of their respective affiliates, or any of their respective directors, officers, employees or agents accepts any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by it, or on its behalf, in connection with the issuer or the offer. The Initial Subscribers and any of their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Initial Subscribers or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in this document.

The Initial Subscribers are acting exclusively for Volkswagen Group of America Finance, LLC and Volkswagen AG and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the offer and will not be responsible to anyone other than Volkswagen Group of America Finance, LLC and Volkswagen AG for providing the protections afforded to their clients nor for giving advice in relation to the offer or any transaction or arrangement referred to herein.

The information in this preliminary Offering Memorandum is not complete and may be changed. This preliminary Offering Memorandum is not an offer to sell any securities and we are not soliciting offers to buy any securities in any jurisdiction where the offer, solicitation or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 31, 2022

OFFERING MEMORANDUM

CONFIDENTIAL

VOLKSWAGEN

Volkswagen Group of America Finance, LLC

U.S.\$

consisting of

U.S.\$	% Guaranteed Notes due 20	,
U.S.\$	% Guaranteed Notes due 20	,
U.S.\$	% Guaranteed Notes due 20	and
U.S.\$	Floating Rate Guaranteed Notes due 20	

Each with an unconditional and irrevocable guarantee as to payment of principal and interest from

VOLKSWAGEN AKTIENGESELLSCHAFT

The Notes will be issued by Volkswagen Group of America Finance, LLC (the "Issuer") and will be unconditionally and irrevocably guaranteed by VOLKSWAGEN AKTIENGESELLSCHAFT (the "Company" or "Guarantor") (the "Offering"). See "Form of Guarantee of the Notes". The Issuer is offering U.S.\$ _____ Guaranteed Notes due 20 _____ (the "A Notes") that will bear interest at a rate of _____ % per annum, U.S.\$ _____ Guaranteed Notes due 20 _____ (the "B Notes") that will bear interest at a rate of _____ % per annum, U.S.\$ _____ Guaranteed Notes due 20 _____ (the "C Notes") that will bear interest at a rate of _____ % per annum, and U.S.\$ _____ Floating Rate Guaranteed Notes due 20 _____ (the "D Notes" and, together with the A Notes, the B Notes and the C Notes, the "Notes"). Interest on the A Notes will be payable semi-annually in arrear on June _____ and December _____ of each year, commencing on December _____, 2022. Interest on the B Notes will be payable semi-annually in arrear on June _____ and December _____ of each year, commencing on December _____, 2022. Interest on the C Notes will be payable semi-annually in arrear on June _____ and December _____ of each year, commencing on December _____, 2022. Interest on the D Notes will be payable quarterly in arrear on March _____, June _____, September _____ and December _____ of each year, commencing on September _____, 2022, as described in this offering memorandum (the "Offering Memorandum"). The A Notes will mature on _____, 20 _____, the B Notes will mature on _____, 20 _____, the C Notes will mature on _____, 20 _____, and the D Notes will mature on _____, 20 _____. The Notes of each series will be issued only in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Prior to _____, 20 _____ with respect to the A Notes, and prior to the applicable par call date (the "Par Call Date") with respect to the B Notes and the C Notes, the Issuer may, at its option, further redeem the A Notes, the B Notes and/or the C Notes in whole or in part, on a *pro rata* basis across such series, at any time as further provided in "Terms and Conditions of the Notes — Redemption, Purchase and Cancellation — Make-whole Redemption of A Notes, the B Notes, the C Notes and/or the D Notes at the Option of the Issuer". "Par Call Date" means the B Notes par call date (the date that is one month prior to the scheduled maturity date of the B Notes) with respect to the B Notes, and the C Notes par call date (the date that is two months prior to the scheduled maturity date of the C Notes) with respect to the C Notes. The A Notes will not be subject to any par call period. The Issuer may also redeem the A Notes, the B Notes, the C Notes, and/or the D Notes or all the Notes at the Issuer's option, in whole but not in part, at 100% of their principal amount then outstanding plus accrued interest if certain tax events occur as described in this Offering Memorandum.

The Notes will be unsecured senior obligations of the Issuer and will (i) rank *pari passu* in right of payment with all of the Issuer's existing and future unsecured senior indebtedness, and senior in right of payment to all of the Issuer's existing and future subordinated indebtedness, and (ii) be effectively subordinated in right of payment to all of the Issuer's secured indebtedness, to the extent of the value of the assets securing such indebtedness, and to all existing and future indebtedness of each of the Issuer's subsidiaries. The Notes will be unconditionally and irrevocably guaranteed by the Guarantor. The Guarantor's guarantee of the Notes (the "Guarantee" and, together with the Notes, the "Securities") will be senior unsecured debt obligations of the Guarantor and will rank *pari passu* in right of payment with all of its other senior and unsecured debt obligations. The Guarantee, which includes a negative pledge by the Guarantor, will be governed by, and construed in accordance with, the laws of the Federal Republic of Germany. The Issuer does not intend to apply to list the Notes on any securities exchange.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 17.

Issue Price:

% of the principal amount of the A Notes,
% of the principal amount of the B Notes,
% of the principal amount of the C Notes,
% of the principal amount of the D Notes

plus, in each case, accrued interest, if any, from June _____, 20 _____

The Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. Accordingly, the Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or other securities laws. The Securities may be offered and sold in the United States only to qualified institutional buyers ("QIBs") in reliance on Rule 144A under the Securities Act ("Rule 144A") and in transactions outside the United States to non-U.S. persons in reliance on Regulation S. Prospective purchasers in the United States are hereby notified that the seller of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser and transferee of the Notes, in making its purchase, will be subject to certain restrictions and must be able to make and will be deemed to have made certain acknowledgements, representations and agreements, for itself and for each account for which it is purchasing, as set forth under "Purchase and Transfer Restrictions". The Securities are not transferable except in accordance with the restrictions described under "Purchase and Transfer Restrictions".

The Securities will initially be represented by beneficial interests in one or more global notes in registered form without interest coupons (the "Global Notes"), which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC"). Beneficial interests in a Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See "Book-Entry, Delivery and Form".

The Initial Subscribers (as defined below in the section entitled "Plan of Distribution") expect to deliver the Notes in book-entry form only against payment in immediately available funds on or about June _____, 2022.

Joint Book-Running Managers

Morgan Stanley

Credit Agricole CIB

Mizuho Securities

SOCIETE
GENERALE

Wells Fargo
Securities

The date of this Offering Memorandum is May _____, 2022

, 2022

IMPORTANT NOTICE

You should only rely on the information contained in this Offering Memorandum when making a decision whether to invest in the Notes. None of the Issuer, the Guarantor or any Initial Subscriber has authorized any other person to provide you with different or additional information. If anyone provides you with such information, you should not rely on it. You should assume that the information contained in this Offering Memorandum is only accurate as of the date on the front cover of this Offering Memorandum. The Issuer's and the Guarantor's business, financial condition, results of operations and prospects may have changed since such date.

This Offering Memorandum is confidential. You are authorized to use this Offering Memorandum solely for the purpose of considering the purchase of the Notes described in this Offering Memorandum. You may not reproduce or distribute this Offering Memorandum, in whole or in part, and you may not disclose any of the contents of this Offering Memorandum or use any information herein for any purpose other than considering a purchase of the Notes. You agree to the foregoing by accepting delivery of this Offering Memorandum.

The distribution of this Offering Memorandum and the offering contemplated in this Offering Memorandum may, in certain jurisdictions, be restricted by law and this Offering Memorandum may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. This Offering Memorandum does not constitute an offer of, or an invitation to purchase, any Securities in any jurisdiction in which such offer or invitation would be unlawful. The Guarantor, the Issuer and the Initial Subscribers require persons into whose possession this Offering Memorandum comes to inform themselves of and observe all such restrictions. None of the Guarantor, the Issuer or any Initial Subscriber accepts any legal responsibility for any violation by any person, whether or not a prospective subscriber to or purchaser of Notes, of any such restrictions. For a more detailed description of certain restrictions in connection with the offering, see "*Plan of Distribution — Selling Restrictions*" and "*Purchase and Transfer Restrictions*".

The Issuer and the Guarantor have furnished the information in this Offering Memorandum. The Initial Subscribers make no representation or warranty, expressed or implied, as to the accuracy or completeness of such information, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Subscribers. None of the Issuer, the Guarantor or the Initial Subscribers, or any of their respective representatives, makes any representation to any offeree or purchaser of the Notes offered hereby regarding the legality of an investment by such offeree or purchaser under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

Investors also acknowledge that: (i) they have not relied on the Initial Subscribers or any person affiliated with the Initial Subscribers in connection with any investigation of the accuracy of any information contained in this Offering Memorandum or their investment decision; and (ii) they have relied only on the information contained in this document, and that no person has been authorized to give any information or to make any representation concerning the Issuer, the Guarantor or its subsidiaries or the Securities (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Guarantor or the Initial Subscribers.

The Initial Subscribers are acting exclusively for the Issuer and the Guarantor and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Issuer and the Guarantor for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

IN CONNECTION WITH THE OFFERING, THE INITIAL SUBSCRIBERS MAY PURCHASE AND SELL NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY INCLUDE OVER-ALLOTMENT, SYNDICATE COVERING AND STABILIZING TRANSACTIONS. OVER-ALLOTMENT TRANSACTIONS INVOLVE SALES OF NOTES IN EXCESS OF THE PRINCIPAL AMOUNT OF THE NOTES TO BE PURCHASED IN THE OFFERING, WHICH CREATES A SHORT POSITION. SYNDICATE COVERING TRANSACTIONS INVOLVE PURCHASES OF NOTES IN THE OPEN MARKET AFTER THE DISTRIBUTION HAS BEEN COMPLETED IN ORDER TO COVER SHORT POSITIONS CREATED. STABILIZING TRANSACTIONS CONSIST OF CERTAIN BIDS OR PURCHASES OF NOTES MADE FOR THE PURPOSE OF PEGGING, FIXING OR MAINTAINING THE PRICE OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE INITIAL SUBSCRIBERS (OR PERSON(S) ACTING ON THEIR BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. ANY OF THESE

ACTIVITIES MAY PREVENT A DECLINE IN THE MARKET PRICES OF THE NOTES, AND MAY ALSO CAUSE THE PRICES OF THE NOTES TO BE HIGHER THAN THEY WOULD OTHERWISE BE IN THE ABSENCE OF THESE TRANSACTIONS. THE INITIAL SUBSCRIBERS MAY CONDUCT THESE TRANSACTIONS IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. IF THE INITIAL SUBSCRIBERS COMMENCE ANY OF THESE TRANSACTIONS, THEY MAY DISCONTINUE THEM AT ANY TIME.

In connection with the issue and offering of the Notes, each Initial Subscriber and any of their respective affiliates each acting as an investor for its own account may take up Notes and, in that capacity, may retain, purchase or sell Notes for their own account and any other securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with the issue and offering of the Notes. Accordingly, references in this document to the Notes being offered or placed and the Offering should be read as including any offering or placement of securities and Offering to each Initial Subscriber and any of its respective affiliates acting in such capacity. In addition, certain of the Initial Subscribers or their respective affiliates may enter into financing arrangements with investors. The Initial Subscribers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Each investor in the Notes will be deemed to make certain representations, warranties and agreements regarding the manner of purchase and subsequent transfers of the Notes. These representations, warranties and agreements are described in “Purchase and Transfer Restrictions”.

THE SECURITIES MAY NOT BE OFFERED TO THE PUBLIC WITHIN ANY JURISDICTION. BY ACCEPTING DELIVERY OF THIS OFFERING CIRCULAR, YOU AGREE NOT TO OFFER, SELL, RESELL, TRANSFER OR DELIVER, DIRECTLY OR INDIRECTLY, ANY SECURITIES TO THE PUBLIC.

Notice to Prospective Investors in the United States

The Securities have not been and will not be registered under the Securities Act and the Notes are being offered and sold in the United States only to QIBs in reliance on Rule 144A under the Securities Act and in transactions outside the United States to, or for the account or benefit of, persons who are not U.S. persons (as defined in Regulation S) in reliance on Regulation S. Prospective purchasers in the United States are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Securities are not transferable except in accordance with the restrictions described under “Purchase and Transfer Restrictions”.

The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Securities or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

Notice to Prospective Investors in the United Kingdom

This Offering Memorandum has not been approved by a regulator in the United Kingdom. This Offering Memorandum is only being distributed to and is only directed at persons (i) who are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “**Financial Promotion Order**”) or (ii) falling within Article 49(2)(a) to (d) of the Financial Promotion Order (high net worth companies, unincorporated associations, etc.) or (iii) other persons to whom it may be lawfully communicated in accordance with the Financial Promotion Order or (iv) are outside of the United Kingdom (all such persons falling within (i) – (iv) together being referred to as “**Relevant Persons**”). This Offering Memorandum is directed only at Relevant Persons and this document or any of its contents must not be acted on or relied on by persons who are not Relevant Persons. The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with Relevant Persons.

PRIIPs REGULATION / PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For

these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notice to Prospective Investors in Canada

This Offering Memorandum constitutes an "exempt offering document" as defined in and for the purposes of applicable Canadian securities laws. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the Notes. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this Offering Memorandum or on the merits of the Notes and any representation to the contrary is an offence.

The Notes are subject to a "hold period" or "restricted period" under applicable Canadian securities laws and purchasers will not be able to resell the Notes until expiration of the applicable "hold period" or "restricted period" except in accordance with limited exemptions under applicable Canadian securities laws and compliance with certain other requirements of applicable law. In particular, purchasers are hereby notified that in Canada, unless permitted under applicable Canadian securities legislation, the holder of the Notes must not trade the Notes before the later of (i) the date that is four months and a day after the Notes are issued or (ii) the date that the Issuer becomes a "reporting issuer" in any province or territory of Canada. Each purchaser in Canada acknowledges that the certificate representing the Notes, if any, or the related confirmation or other ownership statement may contain a legend reflecting the above-described resale restrictions.

Purchasers of the Notes are advised to seek appropriate Canadian legal advice prior to any resale of the Notes as such resales may only be undertaken in accordance with applicable law.

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GENERAL INFORMATION

Unless otherwise specified, in this Offering Memorandum, references to the “**Issuer**” are to Volkswagen Group of America Finance, LLC, references to the “**Company**”, the “**Guarantor**” or “**Volkswagen AG**” are to VOLKSWAGEN AKTIENGESELLSCHAFT, and references to “**Volkswagen**”, the “**Volkswagen Group**”, the “**Group**”, “**we**”, “**us**” and “**our**” are to VOLKSWAGEN AKTIENGESELLSCHAFT together with its consolidated subsidiaries, including the Issuer.

As used in this Offering Memorandum, “**euro**”, “**EUR**” or “**€**” means the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Union, as amended from time to time; “**U.S. dollar**”, “**U.S. \$**”, “**USD**” or “**\$**” means the lawful currency of the United States; “**Can\$**” or “**CAD**” means the lawful currency of Canada; “**Germany**” means the Federal Republic of Germany; and “**United States**”, “**U.S.**” or “**USA**” means the United States of America.

The Guarantor is not registered with the U.S. Securities and Exchange Commission (the “**SEC**”) and, as such, does not make filings typically required of SEC registrants.

The Guarantor, the Issuer and the Initial Subscribers reserve the right in their absolute discretion to reject any subscription for the Notes or offer to purchase Notes.

Presentation of Financial Data

The audited consolidated financial statements of Volkswagen AG as of and for the years ended December 31, 2021 and December 31, 2020 (respectively, the “**2021 Annual Financial Statements**” and the “**2020 Annual Financial Statements**,” and together, the “**Annual Financial Statements**”) were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (“**IFRS**”) and the additional requirements of German commercial law pursuant to section 315e (1) of the German Commercial Code (*Handelsgesetzbuch, HGB*). The unaudited condensed interim consolidated financial statements of Volkswagen AG as of and for the three-month period ended March 31, 2022 (the “**Interim Financial Statements**” and, together with the Annual Financial Statements, the “**Financial Statements**”) were prepared in accordance with IFRS on interim financial reporting (IAS 34). Unless otherwise specified, the financial information analysis included or incorporated by reference in this Offering Memorandum is based on the Financial Statements. Where financial information in the tables of this Offering Memorandum is labeled “audited”, it has been taken from the Annual Financial Statements. The label “unaudited” is used to indicate that financial information in the tables of this Offering Memorandum has not been taken from the Annual Financial Statements but has been derived from the Annual Financial Statements or has been taken from the Interim Financial Statements or the Company’s accounting records or management reporting or is based on calculations of figures from the aforementioned sources. Unless otherwise indicated, the 2021 and the 2020 financial information included in this Offering Memorandum has been taken or derived from the 2021 Annual Financial Statements. The 2019 financial information has been taken or derived from the 2020 Annual Financial Statements. As a result, not all financial information may be comparable.

The financial information and related discussion and analysis included or incorporated by reference in this Offering Memorandum are presented in euro except as otherwise specified. For certain information regarding rates of exchange between the euro and the U.S. dollar, see “*Exchange Rates*”.

Gross cash flow, change in working capital, cash flow from investing activities attributable to operating activities, net cash flow, gross liquidity, net liquidity, ratio of capex to sales revenue, ratio of research and development costs to sales revenue, capex and operating return on sales for the Volkswagen Group are not recognized financial measures under IFRS (“**Non-GAAP financial measures**”) and should, for this reason, not be considered as an alternative to the applicable IFRS financial measures. These Non-GAAP financial measures may not be comparable to similarly titled financial measures as presented by other companies due to differences in the way of calculation.

The English translation of the German language independent auditor’s reports (*Bestätigungsvermerke des unabhängigen Abschlussprüfers*) on the Annual Financial Statements each refer to the Annual Financial Statements and the respective group management reports (*Konzernlageberichte*), which are combined with Volkswagen AG’s management report (combined management report of Volkswagen Group and Volkswagen AG), as a whole and not solely to the Annual Financial Statements incorporated by reference in this Offering Memorandum. The group management reports as a whole are not included or incorporated by

reference in this Offering Memorandum. Additionally, the English translation of the German language review report (*Bescheinigung nach prüferischer Durchsicht*) on the Interim Financial Statements also refers to the Interim Financial Statements and the respective interim group management report (*Konzern-Zwischenlagebericht*), as a whole, which is incorporated by reference in excerpts as described under “— *Incorporation of Certain Information by Reference*” in this Offering Memorandum. The group management reports (*Konzernlageberichte*) and the interim group management report (*Konzern-Zwischenlagebericht*) were prepared in accordance with German generally accepted accounting principles and in accordance with the provisions of the German Securities Trading Act (WpHG — *Wertpapierhandelsgesetz*) applicable to interim group management reports.

Except for those parts incorporated by reference as described under “— *Incorporation of Certain Information by Reference*” in this Offering Memorandum, the information contained in such group management reports and the independent auditor’s reports upon such group management reports should not be relied upon by U.S. investors.

IFRS differs in various material respects from generally accepted accounting principles in the United States of America (“**U.S. GAAP**”).

No financial statements or financial information included or incorporated by reference herein have been prepared or presented in accordance with U.S. GAAP or the accounting rules and regulations adopted by the SEC (“**SEC Rules and Regulations**”). As a result, such financial information may differ substantially from financial information prepared in accordance with U.S. GAAP and those rules and regulations. It is not practicable for Volkswagen AG to prepare its financial statements in accordance with U.S. GAAP and the SEC Rules and Regulations or to prepare any reconciliation of Volkswagen AG’s consolidated financial statements. In making an investment decision, investors must rely upon their own examination of the Volkswagen Group’s financial position, operation and cash flows, the terms of the Offering and the financial information presented herein. Volkswagen urges potential investors to consult their own professional advisers for an understanding of the differences between IFRS and U.S. GAAP, and of how those differences might affect the financial information presented herein.

Industry Information

Certain market data used in this Offering Memorandum, including statistics in respect of product sales volumes and market shares, in particular those under the captions “*Summary*” and “*Business of the Volkswagen Group*”, have been obtained from internal surveys of the Volkswagen Group, market research, consultant surveys, publicly available information, reports of governmental agencies, industry publications and surveys, and other sources the Volkswagen Group believes to be reliable. Industry surveys, publications and consultant surveys generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Neither the Issuer nor Volkswagen has independently verified any of the data from third-party sources, or ascertained the economic assumptions relied upon therein. Similarly, internal surveys of the Volkswagen Group and market research, which the Issuer and Volkswagen believe to be reliable, based upon Volkswagen’s management’s knowledge of the industry, have not been independently verified. Volkswagen does not make any representation as to the accuracy of information described in this paragraph. Statements as to Volkswagen’s market position are based on currently available data. While the Issuer and Volkswagen are not aware of any misstatements regarding the industry data presented in this Offering Memorandum, estimates involve risks and uncertainties and are subject to change based on various factors, including those described under the captions “*Risk Factors*” and “— *Cautionary Note Regarding Forward-Looking Statements*”.

Unit sales, delivery and production information provided by Volkswagen

This Offering Memorandum contains definitions used by Volkswagen in respect of “deliveries” and “unit sales”. According to these definitions, a vehicle is delivered once it has been handed over to the customer and the term “unit sales” describes those vehicles that have been sold to external wholesalers or to independent authorized dealers. Operational data such as unit sales, delivery and production information appearing in this Offering Memorandum are unaudited.

Rounding

Certain figures included in this Offering Memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as subtotals or totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Other Information

All references in this Offering Memorandum to:

- “**EU**” are to the European Union;
- “**Notes**” are to the Notes issued in this Offering;
- “**Holder**” or “**Noteholder**” are to each holder of Notes; and
- “**you**” are to investors or potential investors in the Notes.

Additional Information and Reporting

Volkswagen AG currently furnishes, and intends to continue to furnish, to holders of its shares an annual report, which includes its audited consolidated financial statements prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to section 315e (1) of the German Commercial Code (*Handelsgesetzbuch, HGB*). The consolidated financial statements included in the annual reports will be audited and reported upon, with an auditor’s report by the Volkswagen Group’s independent auditors. As a listed company in Germany, Volkswagen AG publishes quarterly reports to its shareholders, which include unaudited condensed interim consolidated financial statements prepared in accordance with IFRS on interim financial reporting (IAS 34).

Volkswagen AG is not subject to the periodic reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). Volkswagen AG is currently claiming an exemption from the reporting requirements of the Exchange Act pursuant to Rule 12g3-2(b) under the Exchange Act and publishes, in English, on its internet website www.volkswagenag.com certain information required under such Rule. If, at any time, Volkswagen AG is neither subject to Section 13 or 15(d) of the Exchange Act, as amended, nor exempt from the reporting requirements of the Exchange Act under Rule 12g3-2(b) thereunder, it will provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act for as long as the Notes are outstanding.

In addition, this reporting contains inactive textual references to internet websites operated by the Volkswagen Group and third parties. Reference to such websites is made for informational purposes only, and information found at such websites is not incorporated herein by reference.

Volkswagen AG’s registered office is located at Berliner Ring 2, 38440 Wolfsburg, Germany.

Incorporation of Certain Information by Reference

This Offering Memorandum incorporates by reference, and should be read and construed in conjunction with, the following information:

- the English translation of the German language audited consolidated financial statements of Volkswagen AG as of and for the year ended December 31, 2021, as included on pages 219 to 372 of the Annual Report 2021 of Volkswagen AG, and the English translation of the German language independent auditor’s report, as included on pages 374 to 387 of the Annual Report 2021 of Volkswagen AG;
- the English translation of the German language audited consolidated financial statements of Volkswagen AG as of and for the year ended December 31, 2020, as included on pages 207 to 350 of the Annual Report 2020 of Volkswagen AG, and the English translation of the German language independent auditor’s report, as included on pages 352 to 363 of the Annual Report 2020 of Volkswagen AG;
- the Responsibility Statements, as included on page 373 of the Annual Report 2021 of Volkswagen AG and page 351 of the Annual Report 2020 of Volkswagen AG;

- the English translation of the German language unaudited condensed interim consolidated financial statements of Volkswagen AG as of and for the three-month period ended March 31, 2022, as included on pages 29-54 of the Interim Report of Volkswagen AG January-March 2022 and the English translation of the German language review report, as included on page 55 of the Interim Report of Volkswagen AG January-March 2022; and
- the following sections of the English translation of the German language Interim Report of Volkswagen AG January-March 2022 (the “**2022 Q1 Report Excerpts**”):

English translation of the German language Interim Group Management Report	Page
Business Development	7-17
Results of Operations, Financial Position and Net Assets (but excluding the “Report on Expected Developments, Risks and Opportunities” subsection on page 22)	18-23
Brands and Business Fields	26-28

The information contained in each document incorporated by reference herein is given as of the date of such document. Such information shall be deemed to be incorporated in, and form part of, this Offering Memorandum, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained or incorporated herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

You may obtain a copy of the Annual Financial Statements, the Interim Financial Statements and the 2022 Q1 Report Excerpts by visiting Volkswagen’s website at:

- https://www.volkswagenag.com/ir/Y_2021_e.pdf;
- https://www.volkswagenag.com/ir/Y_2020_e.pdf; and
- https://www.volkswagenag.com/ir/Q1_2022_e.pdf.

Other than the information specified above and specifically incorporated by reference in this Offering Memorandum, such documents do not form part of this Offering Memorandum and the contents of the Company’s internet website do not form part of this Offering Memorandum and, in each case, should not be relied upon for the purposes of forming an investment decision with respect to the Notes.

Enforceability of Liabilities and Service of Process

The Company is a stock corporation (*Aktiengesellschaft*) established under German law with its registered office in Wolfsburg, Germany. The majority of the Company’s executive officers and directors reside in Germany or other jurisdictions outside the United States, and all or a substantial portion of the assets of such persons and of the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process in the United States upon the Company, or upon the Company’s executive officers and directors, or to enforce against the Company, or the Company’s executive officers and directors, judgments obtained in U.S. courts predicated upon civil liability provisions of the federal securities law or other laws of the United States. In general, the enforcement of a final judgment of a United States court requires a declaration of enforceability by a German court in a special proceeding.

Under German law, a stock corporation may indemnify its officers, and, under certain circumstances, German labor law requires a stock corporation to do so. However, a stock corporation may not, as a general matter, indemnify members of the Supervisory Board (*Aufsichtsrat*) and Board of Management (*Vorstand*). Certain limited exceptions may apply if the indemnification is in the legitimate interest of the stock corporation. Volkswagen AG’s articles of incorporation do not contain provisions regarding the indemnification of its directors and officers. A German stock corporation may purchase directors’ and officers’ insurance. Volkswagen AG has obtained liability insurance for members of its Supervisory Board and its Board of Management and certain of its officers.

Cautionary Note Regarding Forward-Looking Statements

This Offering Memorandum contains various forward-looking statements, as such term is defined in Section 21E of the Exchange Act. Forward-looking statements relate to future, not past, events and often contain words such as “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “intend”,

“may”, “plan”, “potential”, “predict”, “project”, “should”, “seek”, “will” or “would” or, in each case, their negative, or similar expressions. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places in this Offering Memorandum, including the sections entitled “*Risk Factors*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Business of the Volkswagen Group*” as well as in the 2021 Q1 Report Excerpts incorporated herein by reference and include, among other things, statements relating to:

- the Volkswagen Group’s strategy, outlook and growth prospects;
- the Volkswagen Group’s operational and financial targets and its dividend policy;
- the Volkswagen Group’s planned investments;
- general economic trends and trends in the Volkswagen Group’s industry;
- the Volkswagen Group’s expectations regarding the potential outcomes of legal and regulatory proceedings, including those in relation to the diesel issue; and
- the competitive environment in which the Volkswagen Group operates.

Although Volkswagen believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that they will materialize or prove to be correct. Because these statements involve risks and uncertainties, the actual result or outcome could differ materially from those set out in the forward-looking statements as a result of, among other things:

- the impact of the SARS-CoV-2 pandemic and government measures to contain it;
- the impact of the Russia-Ukraine conflict and related sanctions measures and any resulting economic or supply chain effects;
- the impact of the semiconductor shortage;
- the Volkswagen Group’s ability to successfully develop, introduce and expand its products;
- competition in the Volkswagen Group’s market segments;
- the Volkswagen Group’s ability to manage its operations and integrate its recent and future acquisitions;
- changes in international and local economic, business and industry conditions;
- significant changes in economic, political and market conditions in China, including the effect of competition from new market entrants, on Volkswagen Group’s vehicle sales and market position in China;
- consolidation in certain of the Volkswagen Group’s customers’ industries;
- the Volkswagen Group’s ability to retain key personnel or skilled employees;
- the Volkswagen Group’s ability to manage the legal and regulatory proceedings faced by it, including those in relation to the diesel issue;
- the Volkswagen Group’s ability to manage the legal and regulatory aspects of its operations, including protecting its intellectual property rights and environmental compliance;
- the Volkswagen Group’s ability to reduce its costs; and
- the Volkswagen Group’s credit risk management.

Additional factors that could cause the Volkswagen Group’s actual results, performance or achievements to differ materially include those discussed under “*Risk Factors*”.

These forward-looking statements speak only as of the date of this Offering Memorandum. Volkswagen undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law or regulation. Accordingly, prospective investors are cautioned not to place undue reliance on any of the forward-looking statements herein.

1. SUMMARY

1.1 Overview

The Volkswagen Group is one of the world's leading multibrand companies in the automotive industry in terms of sales volume (i.e., the number of vehicles to dealers). In 2021, Volkswagen Group achieved sales revenue of €250,200 million, operating result of €19,275 million and earnings after tax of €15,428 million. In the first three months of 2022, Volkswagen Group achieved sales revenue of €62,742 million, operating result of €8,323 million and earnings after tax of €6,724 million. Volkswagen Group delivered 8.9 million vehicles to its customers worldwide in 2021 and 1.9 million vehicles in the first three months of 2022.

Volkswagen Group comprises the following brands: Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, ŠKODA, SEAT/CUPRA, Audi, Lamborghini, Bentley, Ducati, Porsche, MAN, Scania, Navistar and others. For more information on each brand see "*Business of the Volkswagen Group — Volkswagen's Divisions and their Products and Services — Automotive Division*".

Volkswagen's product portfolio ranges from compact cars to luxury vehicles, also includes motorcycles, and is supplemented by mobility solutions. In the commercial vehicle sector, the product portfolio ranges from light vans to heavy trucks and buses. Volkswagen is also active in the power engineering business field, manufacturing large-bore diesel engines, turbomachinery and propulsion components.

In addition, the Volkswagen Group offers a wide range of financial services, including dealer and customer financing, vehicle leasing, direct banking and insurance activities, fleet management and mobility offerings.

The Volkswagen Group's business activities comprise two divisions: the Automotive Division and the Financial Services Division. The Automotive Division is composed of three business areas: Passenger Cars, Commercial Vehicles and Power Engineering. The Passenger Cars business area essentially consolidates the Volkswagen Group's passenger car brands and the Volkswagen Commercial Vehicles brand. Activities focus on the development of vehicles, engines and vehicle software, the production and sale of passenger cars and light commercial vehicles, and the genuine parts business. The Commercial Vehicles business area primarily comprises the development, production and sale of trucks and buses from TRATON (comprising Scania, MAN and Navistar), the corresponding genuine parts business, and related services. The Power Engineering business area combines the large-bore diesel engines, turbomachinery and propulsion components business.

The Financial Services Division combines dealer and customer financing, vehicle leasing, direct banking and insurance activities as well as fleet management and mobility offerings.

The following table provides an overview for the periods indicated of the deliveries to customers (including the joint venture companies in China), sales revenue and operating result of the Volkswagen Group and Volkswagen's divisions:

	For the year ended December 31, (unaudited, unless otherwise indicated)								
	Deliveries to Customers			Sales revenue			Operating result		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
	(Thousand vehicles)			(€ million)			(€ million)		
Volkswagen Group ⁽¹⁾	8,882	9,305	10,975	250,200 ⁽²⁾	222,884 ⁽²⁾	252,632 ⁽²⁾	19,275 ⁽²⁾	9,675 ⁽²⁾	16,960 ⁽²⁾
of which:									
Automotive Division ⁽³⁾	8,882	9,305	10,975	206,237	182,106	212,473	13,230	6,664	13,748
Financial Services Division ⁽⁴⁾	-	-	-	43,963 ⁽²⁾	40,778 ⁽²⁾	40,160 ⁽²⁾	6,045 ⁽²⁾	3,012 ⁽²⁾	3,212 ⁽²⁾

⁽¹⁾ The sales revenue and operating result of the joint venture companies in China are not included in Volkswagen's figures. The Chinese companies are accounted for using the equity method and recorded a proportionate operating result of €3,026 million, €3,602 million and €4,425 million for the years ended December 31, 2021, 2020 and 2019, respectively.

⁽²⁾ Audited.

⁽³⁾ Sales revenue and operating result include allocation of consolidation adjustments between the Automotive and Financial Services Divisions.

⁽⁴⁾ Financial Services Division corresponds to the Financial Services segment.

For the three months ended March 31, (unaudited)

	Deliveries to Customers		Sales revenue		Operating result	
	2022	2021	2022	2021	2022	2021
	(Thousand vehicles)		(€ million)		(€ million)	
Volkswagen Group ⁽¹⁾	1,898	2,432	62,742	62,376	8,323	4,812
of which:						
Automotive Division ⁽²⁾	1,898	2,432	51,210	51,538	6,786	3,809
Financial Services Division ⁽³⁾	–	–	11,532	10,837	1,537	1,003

⁽¹⁾ The sales revenue and operating result of the joint venture companies in China are not included in Volkswagen's figures. The Chinese companies are accounted for using the equity method and recorded a proportionate operating result of €824 million and €661 million for the three-month periods ended March 31, 2022 and 2021, respectively.

⁽²⁾ Sales revenue and operating result include allocation of consolidation adjustments between the Automotive and Financial Services Divisions.

⁽³⁾ Financial Services Division corresponds to the Financial Services segment.

Volkswagen Group's financial reporting comprises four reportable segments: the Passenger Cars and Light Commercial Vehicles segment, Commercial Vehicles segment, Power Engineering segment and Financial Services segment.

The Automotive Division's three business areas described above conform to Volkswagen's financial reporting segments as follows: The Passenger Cars business area corresponds to the Passenger Cars and Light Commercial Vehicles reporting segment together with the reconciliation, to account for intra-group activities. The Commercial Vehicles business area and Power Engineering business area correspond to the reporting segments of the same name. The Financial Services Division corresponds to the Financial Services segment.

The following tables present an overview of Volkswagen's key figures by reporting segment for the periods indicated:

**For the year ended December 31, 2021
(audited, unless otherwise indicated)**

	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles⁽²⁾	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
	(€ million)						
Total sales revenue	192,767	30,092	3,278	43,963	270,099	-19,899	250,200
Segment result (operating result)	14,614	134	45	6,045	20,838	-1,563	19,275
as a % of total sales revenue ⁽¹⁾	7.6	0.4	1.4	13.8	–	–	7.7
Capex, including capitalized development costs ⁽³⁾	16,329	1,596	68	159	18,152	346	18,498

⁽¹⁾ Unaudited.

⁽²⁾ From July 1, 2021, figures include Navistar.

⁽³⁾ In the 2021 Annual Financial Statements, shown as investments in intangible assets, property, plant and equipment, and investment property.

For the three months ended March 31, 2022 (unaudited)

	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
	(€ million)						
Total sales revenue	46,986	8,353	761	11,532	67,632	-4,890	62,742
Segment profit or loss (operating result)	5,677	330	54	1,537	7,598	725	8,323
as a % of total sales revenue	12.1	4.0	7.1	13.3	–	–	13.3

Within Volkswagen Group, responsibilities were divided among ten board-level management functions until December 31, 2021. In addition to the Chair of the Board of Management, a function which also includes the Volume brand group, the other Board functions were previously Purchasing, Technology, Finance, Human Resources and Truck & Bus, Integrity and Legal Affairs, Premium, Sport & Luxury, IT and China. As of December 31, 2021, the Chair of the Board of Management was also responsible for China and the board member for Finance was also responsible for IT. In December 2021, the Supervisory Board decided to increase the number of members of the Board of Management and reorganize its structure and functions in the process. A new board-level management function for Volkswagen Passenger Cars was created effective January 1, 2022. A new board-level management function was also created for Group Sales effective February 1, 2022. As of February 1, 2022, a board member is responsible for IT alone and, from August 2022, the board-level function for China will again be assigned to a specific member of the Board of Management.

The "Volume" brand group comprises the Volkswagen Passenger Cars, ŠKODA, SEAT/CUPRA and Volkswagen Commercial Vehicles brands. The "Premium" brand group includes the Audi, Bentley, Lamborghini and Ducati brands. Bentley was re-allocated from the "Sport & Luxury" brand group to the "Premium" brand group on March 1, 2021. The "Sport and Luxury" brand group therefore comprises the Porsche brand. TRATON acts as the umbrella for the Scania, MAN brands including the Rio and Volkswagen Caminhões e Ônibus (recently renamed to Volkswagen Truck & Bus) and Navistar commercial vehicles brands. Alongside the brand groups, Volkswagen continued to build its software subsidiary CARIAD SE in 2021. This company is pooling and expanding the software expertise within the Volkswagen Group and is working toward providing a standardized operating system for Group brand vehicles.

Volkswagen sells vehicles in about 150 countries. Volkswagen's key sale markets for its automobiles as of December 31, 2021 include China, Western Europe, the United States of America, Brazil, Russia, Mexico, Turkey and Poland. Volkswagen Group's business in Russia regarding results of operations, financial position and net assets is not material to the Group, but the Russia-Ukraine conflict may adversely affect the Group's growth strategy in the region.

The following table presents the regional markets for Volkswagen's products and services and the percentages of sales revenue from external customers by region (in each case excluding the Chinese joint ventures, which are accounted for using the equity method):

	Sales revenue from external customers by region (unaudited)				
	For the three months ended March 31		For the year ended December 31		
	2022⁽¹⁾	2021⁽¹⁾	2021⁽¹⁾	2020⁽¹⁾	2019⁽¹⁾
			(%)		
Germany	18.4	17.8	17.7	19.2	19.4
Europe/Other Markets ⁽²⁾ (excluding Germany)	39.4	41.6	40.4	40.6	41.6
North America	19.2	17.4	18.1	16.5	17.2
South America	4.3	3.9	4.4	3.9	4.5
Asia-Pacific ⁽³⁾	18.7	19.3	19.4	19.8	17.4

⁽¹⁾ Effects of hedging transactions relating to sales revenue in foreign currency are not allocated to regions.

⁽²⁾ Other Markets mainly comprises Turkey and South Africa.

⁽³⁾ The sales revenue of the equity accounted companies in China is not included in the figures for the Volkswagen Group and the Asia-Pacific market.

Volkswagen had an average of 667,647 employees worldwide (including the Chinese joint ventures) in 2021. As of March 31, 2022, Volkswagen employed a total of 668,294 employees worldwide.

1.2 The Offering

The summary below describes the principal terms of the Notes and the Guarantee. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Terms and Conditions of the Notes" and "Form of Guarantee of the Notes" sections of this Offering Memorandum contain more detailed descriptions of the terms and conditions of the Notes and the Guarantee.

Issuer	Volkswagen Group of America Finance, LLC
Guarantor	Volkswagen Aktiengesellschaft
Offered Securities	U.S.\$ aggregate principal amount of % Guaranteed Notes due 20 (the " A Notes "), U.S.\$ aggregate principal amount of % Guaranteed Notes due 20 (the " B Notes "), U.S.\$ aggregate principal amount of % Guaranteed Notes due 20 (the " C Notes "), and U.S.\$ aggregate principal amount of floating rate Guaranteed Notes due 20 (the " D Notes " and, together with the A Notes, the B Notes and the C Notes, the " Notes ").
Guarantee	The Guarantor will unconditionally and irrevocably guarantee the payment of principal, premium, if any, interest and Additional Amounts, if any, payable in respect of the Notes.
Issue Date	June , 2022
Maturity Date	The A Notes will mature on June , 20 , the B Notes will mature on June , 20 , the C Notes will mature on June , 20 and the D Notes will mature on June , 20 .
Ranking	The Notes will be unsecured senior obligations of the Issuer and will: <ul style="list-style-type: none"> • rank <i>pari passu</i> in right of payment with all of the Issuer's existing and future unsecured senior indebtedness; • rank senior in right of payment to all of the Issuer's existing and future subordinated indebtedness; • be effectively subordinated in right of payment to all of the Issuer's secured indebtedness, to the extent of the value of the assets securing such indebtedness; and • be effectively subordinated in right of payment to all existing and future indebtedness and other liabilities of each of the Issuer's subsidiaries. <p>The Guarantee will be senior unsecured debt obligations of the Guarantor and will rank <i>pari passu</i> in right of payment with all of its other senior and unsecured debt obligations.</p>
Interest Payment Dates	Interest on the A Notes will be payable semi-annually in arrear on June and December of each year, commencing on December , 2022. Interest on the B Notes will be payable semi-annually in arrear on June and December of each year, commencing on December , 2022. Interest on the C Notes will be payable semi-annually in arrear on June and December of each year, commencing on December , 2022. Interest on the D Notes will be payable quarterly in arrear on March , June , September and December of each year, commencing on September , 2022.

Compounded SOFR	A compounded average of daily SOFR (as defined herein) determined for each quarterly Interest Period in accordance with the specific formula described under " <i>Terms and Conditions of the Notes – Interest</i> " based on the relevant Observation Period.
Interest Period	Each quarterly period from, and including, an Interest Payment Date (or, in the case of the initial Interest Period, the original issue date) to, but excluding, the immediately succeeding Interest Payment Date (or in the case of the final Interest Period, the Maturity Date).
Interest Payment Determination Date	The date that is two U.S. Government Securities Business Days before each Interest Payment Date.
Observation Period	In respect of each Interest Period, the period from, and including, the date that is two U.S. Government Securities Business Days preceding the first date in such Interest Period to, but excluding, the Interest Payment Determination Date for such Interest Period. In respect of the payment of any interest in connection with any redemption of the Notes, the period from, and including, the date that is two U.S. Government Securities Business Days preceding the first date in the Interest Period in which such redemption occurs to, but excluding, the date that is two U.S. Government Securities Business Days before such redemption.
U.S. Government Securities Business Day	Any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.
Regular Record Dates for Interest ..	The close of business on the business day prior to the Interest Payment Date.
Business Day	Any day which is a day on which (a) the Trans-European Automated Real-time Gross Settlement Express Transfer system (TARGET2) is open for business and (b) commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City.
Day Count Fraction	30/360 in respect of the A Notes, the B Notes and the C Notes, and Actual/360 in respect of the D Notes.
Day Count Convention	Following unadjusted in respect of the A Notes, the B Notes and the C Notes, and adjusted modified following business day in respect of the D Notes.
Optional Redemption	Prior to the applicable Maturity Date with respect to the A Notes and prior to the applicable Par Call Date (as defined in Condition 6(c)) with respect to the B Notes and C Notes, the A Notes, the B Notes or the C Notes may be redeemed, in whole or in part, at any time or from time to time, at the Issuer's option, at the redemption price described in " <i>Terms and Conditions of the Notes—Redemption, Purchase and Cancellation—Make-whole Redemption of A Notes, the B Notes, the C Notes or the D Notes at the Option of the Issuer</i> " in this Offering Memorandum plus in each case accrued and unpaid interest to the date of redemption.

Tax Redemption The A Notes, the B Notes, the C Notes or the D Notes or all of the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), if: (i) the Issuer or the Guarantor has or will become obliged to pay Additional Amounts (as defined in Condition 8) as a result of any change in, or amendment to, the laws or regulations of any Tax Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the Offering Memorandum (or, in the case of a successor to the Issuer or the Guarantor that is organized in or a resident for tax purposes of a jurisdiction other than the United States or Germany, the date of such succession), and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Amounts were a payment in respect of the Notes to be redeemed (or the Guarantee, as the case may be) then due. The Notes will be redeemed at a price equal to 100% of the principal amount of the Notes to be redeemed then outstanding plus accrued and unpaid interest on the principal amount being redeemed (and all Additional Amounts, if any) to (but excluding) the date of redemption.

Payment of Additional Amounts . . . Subject to certain exceptions, if the Issuer or the Guarantor is required to withhold or deduct certain taxes imposed by the jurisdiction in which it is incorporated or resident for tax purposes or through which it makes payments, from payments made on the Notes or under the Guarantee, the Issuer or the Guarantor, as the case may be, will pay Additional Amounts on those payments so that the amount received by the Holders will equal the amount that would have been received if no such taxes had been applicable.

Certain Covenants The Notes will contain covenants:

- limiting the Issuer's and the Guarantor's ability to incur liens; and
- restricting the Issuer's and the Guarantor's ability to pledge its assets, secure certain borrowings and create or incur liens on its property.

These covenants will be subject to a number of important qualifications and limitations.

Cross Default None

Use of Proceeds The net proceeds from the Notes, less commissions but before expenses payable by the Volkswagen Group in connection with the Notes, will be approximately U.S.\$ _____ and will be used by the Volkswagen Group for general corporate purposes, including working capital requirements.

Ratings The Guarantor's long-term credit ratings are A3 (stable) (Moody's Investors Service Ltd.) and BBB+ (stable) (Standard & Poor's Ratings Services).

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning credit rating agency. Neither the credit rating agency nor the Issuer and the Guarantor are obligated to provide a holder of Notes with any notice of any suspension, change or withdrawal of any rating.

Transfer Restrictions The Securities have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction. Unless they are registered, the Notes may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or other securities laws and may only be transferred in accordance with the restrictions set forth in "*Purchase and Transfer Restrictions*".

No Prior Market The Notes are new issues of securities for which there currently is no market. The Initial Subscribers have advised Volkswagen that they intend to make a market in the Notes. The Initial Subscribers are not obligated, however, to make a market in the Notes, and any such market-making may be discontinued by the Initial Subscribers in their discretion at any time without notice. Accordingly, Volkswagen cannot assure you that a liquid market for the Notes will develop or be maintained.

Listing The Notes will not be listed on any securities exchange.

Further Issuances The Issuer may from time to time without the consent of the Noteholders create and issue further notes having in each such case the same terms and conditions as either the A Notes, the B Notes, the C Notes or the D Notes other than the issue price and, if applicable, the first interest payment date (so that, for the avoidance of doubt, references in the conditions of such Notes to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with the A Notes, the B Notes, the C Notes or the D Notes, as the case may be, and references in these Conditions to the "A Notes", the "B Notes", the "C Notes" or the "D Notes", as the case may be, shall be construed accordingly, provided however, that in the event any further notes are not fungible with the Notes issued in this Offering for U.S. federal income tax purposes such non-fungible further notes will be issued with a separate CUSIP, ISIN or other identifying number so that they are distinguishable from the Notes.

Denominations The Notes will be issued only in book-entry form, in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Fiscal and Paying Agent Citibank, N.A., London Branch
Agency & Trust
Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB
United Kingdom

Registrar	Citibank Europe plc Agency & Trust Department 1 North Wall Quay Dublin 1 Ireland		
Governing Law	The Terms and Conditions of the Notes, the Fiscal and Paying Agency Agreement and the Deed of Covenant will be governed by, and construed in accordance with, the laws of England. The Guarantee will be governed by, and construed in accordance with, the laws of Germany.		
Risk Factors	Potential investors should carefully consider the information set forth in the section entitled " <i>Risk Factors</i> " and the other information included in this Offering Memorandum in deciding whether to purchase the Notes. See " <i>Risk Factors</i> ".		
Notes due 20	(A Notes) ..	Rule 144A	Regulation S
		CUSIP	CUSIP
		ISIN	ISIN
		Common Code ..	Common Code ..
Notes due 20	(B Notes) ..	Rule 144A	Regulation S
		CUSIP	CUSIP
		ISIN	ISIN
		Common Code ..	Common Code ..
Notes due 20	(C Notes) ..	Rule 144A	Regulation S
		CUSIP	CUSIP
		ISIN	ISIN
		Common Code ..	Common Code ..
Notes due 20	(D Notes) ..	Rule 144A	Regulation S
		CUSIP	CUSIP
		ISIN	ISIN
		Common Code ..	Common Code ..

1.3 Overview of Consolidated Financial Information of the Volkswagen Group

The consolidated financial information of the Volkswagen Group set forth below as of and for the years ended December 31, 2021, 2020 and 2019 and the consolidated financial information of the Volkswagen Group as of March 31, 2022 and for the three-month periods ended March 31, 2022 and 2021 have been derived from and should be read in conjunction with the Financial Statements prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to section 315e (1) of the German Commercial Code (*Handelsgesetzbuch, HGB*) and with IFRS on interim financial reporting (IAS 34) respectively.

Unless otherwise indicated, the 2021 and the 2020 financial information included in this Offering Memorandum has been taken or derived from the 2021 Annual Financial Statements. The 2019 financial information has been taken or derived from the 2020 Annual Financial Statements. The financial information as of March 31, 2022 and for the three-month periods ended March 31, 2022, and March 31, 2021 has been taken or derived from the Interim Financial Statements. As a result, not all financial information may be comparable.

Where financial information in the tables below is labeled "audited", it has been taken from the Annual Financial Statements. The label "unaudited" is used to indicate that financial information in the tables below has not been taken from the Annual Financial Statements but has been derived from the Annual Financial Statements or has been taken from the Interim Financial Statements or the Company's accounting records or management reporting or is based on calculations of figures from the aforementioned sources.

Prospective investors should read the selected financial and other information in conjunction with the information contained in the sections "General Information—Presentation of Financial Data", "Risk Factors", "Capitalization", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Business of the Volkswagen Group" as well as in the 2022 Q1 Report Excerpts and the Financial Statements, including the notes thereto, and other financial data and related discussion and analysis included or incorporated by reference in this Offering Memorandum.

Income Statement Information

	For the three months ended March 31		For the year ended December 31		
	2022	2021	2021	2020	2019
	(unaudited)		(in € million) (audited, unless otherwise indicated)		
Sales revenue	62,742	62,376	250,200	222,884	252,632
Cost of sales	-50,754	-50,048	-202,959	-183,937	-203,490
Gross result	11,988	12,328	47,241	38,947	49,142
Distribution expenses	-4,315	-4,360	-19,228	-18,407	-20,978
Administrative expenses	-2,777	-2,629	-10,420	-9,399	-9,767
Other operating income/expense ⁽¹⁾	3,428	-526	1,682	-1,466	-1,437
Operating result	8,323	4,812	19,275	9,675	16,960
Share of the result of equity-accounted investments	627	519	2,321	2,756	3,349
Interest result and other financial result ⁽²⁾	-55	-868	-1,471	-765	-1,953
Financial result	572	-349	851	1,991	1,396
Earnings before tax	8,895	4,463	20,126	11,667	18,356
Income tax expense	-2,170	-1,049	-4,698	-2,843	-4,326
Earnings after tax	6,724	3,414	15,428	8,824	14,029
of which attributable to					
Noncontrolling interests	40	35	46	-43	143
Volkswagen AG hybrid capital investors	129	136	539	533	540
Volkswagen AG shareholders	6,555	3,244	14,843	8,334	13,346

⁽¹⁾ Total of: other operating income and other operating expenses; unaudited.

⁽²⁾ Total of: interest income, interest expenses and other financial result; unaudited.

Balance Sheet Information

	As of March 31	As of December 31		
	2022	2021	2020	2019
	(in € million)			
	(unaudited)	(audited, unless otherwise indicated)		
Assets				
Noncurrent assets	331,561	328,261	302,170	300,608
Intangible assets	79,210	77,689	67,968	66,214
Property, plant and equipment	62,732	63,695	63,884	66,152
Lease assets	59,808	59,699	50,686	48,938
Financial services receivables	84,886	84,954	82,565	86,973
Investment property, equity-accounted investments, other equity investments, other receivables and financial assets ⁽¹⁾	44,925	42,224	37,067	32,331
Current assets	211,967	200,347	194,944	187,463
Inventories	46,132	43,725	43,823	46,742
Financial services receivables	57,602	56,498	58,006	58,615
Other receivables and financial assets ⁽²⁾	40,975	37,195	38,044	38,620
Marketable securities	22,390	22,532	21,162	16,769
Cash, cash equivalents and time deposits	44,847	39,723	33,909	25,923
Assets held for sale	21	674	–	795
Total assets	543,528	528,609	497,114	488,071
Equity and Liabilities				
Equity	158,914	146,154	128,783	123,651
Equity attributable to Volkswagen AG shareholders ⁽³⁾	141,471	130,009	111,336	109,117
Equity attributable to Volkswagen AG hybrid capital investors	15,568	14,439	15,713	12,663
Equity attributable to Volkswagen AG shareholders and hybrid capital investors	157,039	144,449	127,049	121,781
Noncontrolling interests	1,875	1,705	1,734	1,870
Noncurrent liabilities	212,291	218,062	202,921	196,497
Financial liabilities	129,984	131,618	114,809	113,556
Provisions for pensions	35,812	41,550	45,081	41,389
Other noncurrent liabilities ⁽⁴⁾	46,495	44,894	43,031	41,551
Current liabilities	172,322	164,393	165,410	167,924
Financial liabilities	81,451	78,584	88,648	87,912
Trade payables	24,413	23,624	22,677	22,745
Other current liabilities ⁽⁵⁾	66,457	61,948	54,085	56,896
Liabilities associated with assets held for sale	–	238	–	370
Total equity and liabilities	543,528	528,609	497,114	488,071

(1) Including noncurrent tax receivables, noncurrent deferred tax assets; unaudited.

(2) Total of: trade receivables, current other financial assets, current other receivables, current tax receivables; unaudited.

(3) Total of: subscribed capital, capital reserve, retained earnings, other reserves; unaudited.

(4) Total of: noncurrent other liabilities, deferred tax liabilities, noncurrent provisions for taxes, noncurrent other provisions, noncurrent other financial liabilities; unaudited.

(5) Total of: current tax payables, current other liabilities, current provisions for taxes, current other provisions, current other financial liabilities; unaudited.

Cash Flow Statement Information

	For the three months ended March 31		For the year ended December 31		
	2022	2021	2021	2020	2019
	(in € million)				
	(unaudited)		(audited)		
Cash and cash equivalents at beginning of period	39,123	33,432	33,432	24,329	28,113
Cash flows from operating activities	9,313	9,065	38,633	24,901	17,983
Cash flows from investing activities	-5,492	-4,262	-26,128	-22,690	-21,146
Cash flows from financing activities	372	-2,317	-7,754	7,637	-865
Effect of exchange rate changes on cash and cash equivalents	250	354	942	-745	243
Change of loss allowance within cash and cash equivalents	0	0	-1	0	1
Net change in cash and cash equivalents ...	4,443	2,437	5,691	9,103	-3,784
Cash and cash equivalents at end of period⁽¹⁾	43,565	35,869	39,123	33,432	24,329
Securities, loans and time deposits	35,138	33,340	34,515	32,645	29,099

⁽¹⁾ Cash and cash equivalents comprise cash at banks, checks, cash-in-hand and call deposits.

2. RISK FACTORS

Each of the Issuer and the Company believes that the following factors may affect its ability to fulfill its obligations under the Notes and the Guarantee, as applicable. Some of these factors are contingencies which may or may not occur and neither the Issuer nor the Company is in a position to express a view on the likelihood of any such contingency occurring or not occurring.

If any of the risks described below actually materializes, the Volkswagen Group's business, prospects, financial condition, cash flows or results of operations may be materially adversely affected. If that were to happen, the trading price of the Notes may decline, or the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes and the Guarantor may be unable to honor the Guarantee and investors may lose all or part of their investment.

Each of the Issuer and the Company believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Company to pay interest, principal or other amounts on or in connection with any Notes, or otherwise perform their respective obligations under the Notes and the Guarantee, may occur for other reasons which the Issuer and the Company may not consider to be significant risks based on information currently available to them or for reasons which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Memorandum and reach their own views prior to making any investment decision.

The order in which the risk factors are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Volkswagen Group's business, prospects, financial condition, cash flows or results of operations.

Risk Factors regarding Volkswagen Aktiengesellschaft and Volkswagen Group

2.1 Coronavirus impact

2.1.1 *The SARS-CoV-2 pandemic has had a material adverse effect on Volkswagen's business, affecting sales, production and supply chains, and employees. Further, the SARS-CoV-2 pandemic has caused, and may continue to cause, severe disruptions in the European and global economy and financial markets and could potentially create widespread business continuity issues.*

The global impact of the coronavirus ("**SARS-CoV-2**") pandemic continues to evolve and many countries, including China, the member states of the European Union and the United States, have reacted by instituting quarantines and restrictions on travel. The scale and duration of the SARS-CoV-2 pandemic has severely impacted global financial and energy and commodity markets and regional and global economies, pushing most into recession, including Volkswagen's primary markets and the locations of its principal operations, Germany and Europe as a whole, North and South America and China and Asia as a whole. Although advanced economies and certain emerging markets have experienced or are experiencing economic recoveries, there is no assurance that such recoveries will be sustained.

Measures taken by governments to control the spread of the pandemic have caused and may continue to cause a material deterioration of the global economy and the financial markets, with serious negative consequences for both advanced economies and emerging markets, including all of Volkswagen's core markets, disrupting global supply chains and affecting production output as a result of lockdowns, severely decreasing consumer demand and spending, and adversely impacting a number of industries, including the automobile industry. The resurgence of the virus in a number of countries worldwide, an extension in the duration of the SARS-CoV-2 pandemic, novel mutations thereof, delays in global or national vaccination efforts or another pandemic could further negatively impact financial and energy and commodity markets and regional and global economies.

The effects of the SARS-CoV-2 pandemic have had and may continue to have a material adverse effect on demand for Volkswagen's products and services, its business and its results of operations. The duration and intensity of the pandemic, national responses thereto, the resulting economic consequences, and the shape of the economic recovery could individually or together adversely impact Volkswagen's ability to successfully operate in the future. For example, the impact of the SARS-CoV-2 pandemic on global demand, supply chains and raw material markets as well as the resulting slowdowns or suspensions in production due to lockdowns have affected Volkswagen's business and results of operations in 2020 and 2021, with vehicle production, sales revenue and operating result for 2020 decreasing significantly compared to 2019

levels, and such negative effects may continue or intensify in the future. While production, sales revenue and operating result have partially recovered in 2021, the impacts of the SARS-CoV-2 pandemic on Volkswagen's business, financial position and results of operations continue. In particular, China's ongoing "no-covid" strategy and continuing lockdowns is raising and may continue to raise severe impediments for the global economic recovery.

As a result of the SARS-CoV-2 pandemic and an ensuing decline in vehicle sales in the automotive industry, leading semiconductor manufacturers reassigned their production capacities to other customer sectors which maintained or saw increases in demand, such as consumer electronics. See also *"If Volkswagen is unable to obtain automotive parts and components from suppliers at a reasonable price or at all, for example, due to a supply bottleneck, particularly within a limited supplier environment, Volkswagen's procurement, production, transport and service chains could be interrupted or impaired."*

Future epidemics or pandemics could potentially cause further significant damage to the global economy and to Volkswagen's business. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of SARS-CoV-2. Nevertheless, SARS-CoV-2 presents material uncertainty and risk and has had and could continue to have material adverse effects on Volkswagen's sales revenue, net assets, cash flows, financial condition and results of operations.

2.2 Macroeconomic, sector specific, markets and sales risks

2.2.1 *Demand for Volkswagen's products and services depends upon the overall economic situation; restrictions on trade and increasingly protectionist tendencies can result in a negative trend in markets and impact Volkswagen's unit sales.*

The sales volume of Volkswagen's products and services depends upon the general global economic situation. Economic growth and developments in advanced economies and emerging markets have been adversely affected by volatility in the financial and commodity markets, restrictions on trade, increasingly protectionist tendencies and structural deficits, which pose a threat to the performance of both individual advanced economies and emerging markets. In addition, there are increasing environmental challenges that affect individual countries and regions to varying degrees. Furthermore, the worldwide transition from an expansionary monetary policy to a more restrictive one also presents risks for the macroeconomic environment. In particular, inflation rates in many economies worldwide have risen significantly since 2021. Further increases in inflation rates and actions taken by central banks and other state actors to combat rising inflation rates, including raising interest rates, could hamper economic growth, lead to regional or global economic recessions, trigger declines in consumer spending and confidence and increase borrowing costs. In addition, high levels of public and private debt, movements in major currencies, volatile energy and commodity prices as well as political and economic uncertainty have in the past and may in the future have a negative impact on consumption, damaging the macroeconomic environment, and could materially adversely impact Volkswagen's sales revenue, net assets, cash flows, financial condition and results of operations.

Particular risks to the economic environment, international trade and demand for Volkswagen's products and services may arise from increasing protectionist sentiment in Volkswagen's key markets and the introduction of further tariff and non-tariff barriers or similar measures due to increasing protectionist tendencies or because of other political reasons. For example, trade tensions between the United States and China, or a reorientation of United States economic policy could have such an impact. Any introduction of additional regional or international trade barriers, including customs duties, minimum local content requirements, changes in taxation which have similar effects, or withdrawal from or renegotiation of multi-lateral trade agreements, could adversely impact Volkswagen's business and results of operations. Any retaliatory measures by regional or global trading partners could further adversely affect global economic growth and have an adverse impact on Volkswagen's business activities, net assets, financial position and results of operations.

Furthermore, geopolitical tensions and conflicts, along with signs of fragmentation in the global economy, are a further major risk factor to the performance of individual countries and regions. In light of the existing, strong global interdependence of major markets, local developments could have adverse effects on the world economy. Any escalation of the conflicts in Eastern Europe, the Middle East, South and East Asia or Africa and especially the current conflict between Russia and Ukraine, for example, could cause upheaval on the global energy and commodity markets, supply chains and trade and exacerbate migration trends. The same applies to violent conflicts, terrorist activities, cyber-attacks and the spread of infectious diseases,

such as SARS-CoV-2, which have resulted and may continue to result in unexpected, short-term market reactions and declines in demand for Volkswagen's products and services.

As of the date of this Offering Memorandum, there is a risk that the latest developments in the Russia-Ukraine conflict will have a negative impact on the Volkswagen Group's business. The conflict resulted in increased uncertainty in respect of developments in the global economy and prompted large sections of the community of Western states to impose sanctions on a wide range of Russian state and corporate entities and individuals, ranging from extensive trade embargoes to asset freezes to the exclusion of certain Russian banks from the global financial system; on the other hand, Russia has cut exports of (energy) goods to certain countries. This has caused and may continue to cause bottlenecks in the Volkswagen Group's supply chains and parts shortages, volatility in commodity and energy prices and fluctuation in exchange rates. As of the date of this Offering Memorandum, it is not possible to conclusively assess the specific effects that this conflict will have on Volkswagen's business. Nor is it possible to predict with sufficient certainty to what extent further escalation of the Russia-Ukraine conflict could impact the global economy and the growth of the automotive industry in 2022. While the Volkswagen Group does not have any material subsidiaries or equity investments in Ukraine, its operations may be affected by disruptions to counterparties and third-party suppliers located in the region. Furthermore, in Russia, the Volkswagen Group has a production company at the Kaluga site, as well as sales units and financing companies. They could above all be adversely affected by the sanctions already imposed, but also by new sanctions, general developments in Russia and countermeasures introduced by Russia. In relation to the net assets, financial position and results of operations of the Volkswagen Group, the business activities of the Volkswagen Group in these two countries are insignificant; however, there is a risk that a further escalation of the conflict could have a material adverse effect on the results of operations, financial position and net assets of the Group. See also *"Macroeconomic, sector specific, markets and sales risks — The implications of the Russian-Ukraine conflict and the sanctions imposed by numerous countries and multinational entities in response on the global economy, energy supplies, and energy-intensive sectors are uncertain but may negatively impact Volkswagen's operations."*

A deteriorating macroeconomic environment may also disproportionately reduce demand for premium, sport and luxury vehicles, which have typically been the most profitable products for Volkswagen Group. Stagnating economic growth or declines or economic disruptions in countries and regions that are major economic centers or are relevant to the global supply chain, in particular the United States and China, have an immediate effect on the global economy and thus pose a key risk for Volkswagen's businesses. The economic development of some emerging economies is being hampered primarily by dependence on energy and commodity prices and capital inflows, but also by sociopolitical tensions. See also *"Legal Risks – Volkswagen is exposed to political, economic, tax and legal risks in numerous countries."*

2.2.2 *The implications of the Russian-Ukraine conflict and the sanctions imposed by numerous countries and multinational entities in response on the global economy, energy supplies, and energy-intensive sectors are uncertain but may negatively impact Volkswagen's operations.*

The full scope of the short and long-term implications of the Russia-Ukraine conflict and the related sanctions are difficult to predict at this time. However, in addition to the adverse effects on the global economy, rise in interest rates and inflation as well as general worsening of the macroeconomic environment in Europe, Asia and the USA (including the risk of recession), the conflict has resulted and may further result in direct severe adverse impacts on large consumers of industrial gas and energy-intensive sectors specifically (e.g., heavy industry such as steel and aluminum metallurgy, automotive, and chemical manufacturers). Germany and other European countries rely to a significant extent on oil and gas sourced from Russia and plans to reduce this exposure will require an extended period of time to take effect. In addition, Russia has cut off gas shipments to Poland, Bulgaria and Finland and, as of the date of this Offering Memorandum, has threatened to cease gas supply to the Netherlands. On May 30, 2022, the EU reached an agreement to ban most Russian oil imports (including oil and petroleum products, but with a temporary exemption for Russian oil delivered via pipeline). As of the date of this Offering Memorandum, Volkswagen is not able to fully quantify the impact of this ban, however this development is likely to cause further significant increases in energy prices throughout Europe, potentially further negatively impacting European economies. If the EU and/or Germany imposes an embargo on Russian gas, or if Russia unilaterally ceases to or materially limits the supply of gas to further European countries, including to Germany, this will likely cause electricity and gas prices to increase further. These measures as well as potential measures may further trigger supply chain issues and energy-shortages, and production stoppages in the short term, and in the long-term may lead to rising unemployment and economic recession. In the event of

gas supply stoppages, a significant impact would be on industrial corporations which use gas for energy production and are unable to meet their energy needs from other sources at acceptable prices, or at all. Affected industrial corporations could include Volkswagen and its suppliers. Volkswagen's customers could also be adversely affected by gas shortages or increased gas prices and may choose to delay or forgo purchasing its products as a result. In such case, Volkswagen's business, financial condition and results of operations would be materially and adversely affected.

Contemplated or implemented emergency plans on the part of certain governments may lead to oil and gas rationing if Russia disrupts or halts supplies, and disrupted trade flows may lead to limited oil and gas supplies in the EU, within the short-term and/or the long-term future, and may also require fuel rationing by certain EU governments. Volkswagen may also experience a rise in commodity prices for various raw materials (e.g., steel, aluminum and battery raw materials) as well as increased dealer and/or supplier claims and disputes due to a lower amount of delivered vehicles or a decrease in the purchase of supplier parts. Furthermore, if any of the above risks materialize, Volkswagen may not be able to adjust its production capacity in a sufficient and timely manner if demand fluctuates beyond the limits of Volkswagen's organizational and technical flexibility. Volkswagen may not be able to sufficiently reduce its fixed and variable operational costs, defer its own external liabilities, potentially materially adversely affecting Volkswagen's financial position.

To the extent the Russia-Ukraine conflict and related sanctions may adversely affect Volkswagen's business as discussed above, they may also have the effect of heightening many of the other risks described in this section such as those relating to cyber-security, supply chain, inflationary and other volatility in prices of goods and materials, and the condition of the markets including as related to Volkswagen's ability to access additional capital, any of which could negatively affect Volkswagen's business. Because of the highly uncertain and dynamic nature of these events, it is not currently possible to estimate the total impact of the Russia-Ukraine conflict on Volkswagen's business, financial condition, results of operations and cash flows in a long-term perspective.

2.2.3 *The larger share of Western Europe, particularly Germany, and of China in Volkswagen's sales exposes Volkswagen to these regions' overall economic development and competitive pressures. The material deterioration of economic conditions and financial markets in these regions caused by the SARS-CoV-2 pandemic have resulted and may continue to result in a marked decline in consumer demand and investment activity and has significantly adversely affected and may continue to affect Volkswagen's business.*

In 2021, Volkswagen delivered 32.1% of its passenger cars and light commercial vehicles to customers in Western Europe. In particular, in 2021, 11.1% of total Volkswagen's passenger cars and light commercial vehicles deliveries were to customers in Germany. In the same year, Volkswagen delivered 38.3% of its passenger cars and light commercial vehicles to customers in China. A sustained decrease in demand for Volkswagen's products and services in Western Europe, especially in Germany, or in China would have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations. This also applies to the commercial vehicle market, in which demand is particularly dependent on economic developments.

The effects of the SARS-CoV-2 pandemic caused a significant worldwide economic downturn, affecting among others, Europe, Germany and China. This resulted in risks for Volkswagen's trading and sales companies, such as in relation to efficient inventory management and ability to maintain a profitable dealer network. The pandemic also caused a severe decline in demand for automobiles and other goods and investment activity and depending on the length and severity of the pandemic, could lead to significant prolonged long-term economic weakness or recession and declines in automobile demand and investment activity in Volkswagen's key markets. This has had and could continue to have material adverse effects on Volkswagen's sales revenue, net assets, cash flows, financial condition and results of operations.

2.2.4 *Volkswagen faces strong competition in all markets, which may lead to a significant decline in unit sales or price deterioration.*

The markets in which Volkswagen conducts business are marked by intense competition, and Volkswagen expects competition in the international automotive market to intensify further in the coming years. In previous years, this led to considerable price reductions and an increase in incentives offered by individual automobile manufacturers.

Volkswagen expects that the automotive industry will experience significant and continued transformation over the coming years. This will require Volkswagen to be responsive not only to its traditional competitors but also to new industry entrants and evolving trends in mobility. New participants are seeking to disrupt the industry's historic business model through the introduction of new technologies, products or services, new business models or new modes of transportation and car ownership. Competitive pressure will therefore encompass a wider range of competitors, products and services, including those that may be outside Volkswagen's current main business, such as autonomous vehicles, car sharing concepts and transportation as a service. If Volkswagen does not accurately assess, prepare for and respond to these challenges, its competitive position could erode, and its business could be harmed.

Competitive pressure, particularly in the automotive markets in Western Europe, the United States, China, Brazil, India and Russia may further intensify due to cooperation between existing manufacturers or the market entry of new manufacturers, particularly from the United States, China or India, or an expansion of production by existing manufacturers or due to governmental regulations. In addition, Volkswagen's competitors may increasingly attempt to serve the Western European market with their spare production capacity or new product offers oriented towards European consumers. Alongside this, China's automotive industry is intensely competitive, with many domestic and foreign manufacturers attempting to maintain or grow their market share, for example, through marketing incentives. A further increase in competitive pressures in Western European or Chinese markets could result in falling prices and decreased demand for Volkswagen's vehicles, which could adversely affect sales and operating margins and cause a loss of market share. Intensified competition could reduce the number of Volkswagen's marketable products and services, as well as the prices and margins Volkswagen can obtain, which would negatively affect Volkswagen's market position and could materially adversely affect Volkswagen's general business activities, net assets, financial position and results of operations.

2.2.5 *A decline in retail customers' purchasing power or in corporate customers' financial situation and willingness to invest as well as increased price pressure could significantly adversely affect Volkswagen's business.*

Demand for vehicles for personal use generally depends on consumers' net purchasing power and their confidence in future economic developments, while demand for vehicles for commercial use by corporate customers (including fleet customers) primarily depends on the customers' financial condition, their willingness to invest (which is affected by expected future business prospects), available financing, satisfaction with current products, and changes in mobility demand. A decrease in potential customers' disposable income or their financial condition will generally have a negative impact on vehicle sales.

A weak macroeconomic environment, combined with restrictive lending and a low level of consumer sentiment, reduces consumers' willingness to buy. Government intervention, such as tax increases, can have a similar effect. This tends to lead to existing and potential customers refraining from new vehicle purchases or, if the purchases are made, to potentially choose cheaper and less well-equipped vehicles.

Special sales incentives and increased price pressures in the new car business also influence price levels in the used car market, with a negative effect on vehicle resale values. This may have a negative impact on the profitability of the used car business in Volkswagen's dealer organization.

2.2.6 *Demand for Volkswagen products, in particular hybrid and electric vehicles, is driven to a certain extent by government support schemes, tax breaks and other third-party incentives*

Volkswagen believes that demand for certain vehicles in the Volkswagen Group's product range is partly driven by third-party incentives such as rebates, tax-breaks and other environmental government schemes. This applies in particular to hybrid and electric vehicles.

Government sales supporting schemes, such as temporary tax breaks, could for a given period encourage customers to make vehicle purchases earlier than originally planned, generating the risk that future revenues will be reduced accordingly. Alternatively, government sales support schemes may focus on market segments which are not beneficial for Volkswagen. Furthermore, such supporting schemes may terminate or be scaled back and/or new schemes may provide less incentives for customers to purchase Volkswagen products, which is a particular risk for hybrid and electric vehicles, as such schemes have improved demand in the past. This may have a negative impact on the demand for Volkswagen vehicles and adversely affect Volkswagen's general business activities, net assets, financial position and results of operations.

2.2.7 Volkswagen's commercial success depends on its own and its competitors' efforts in Asia, North America, South America and Central and Eastern Europe.

Volkswagen believes that its future growth will, to a considerable extent, depend on demand for products and services of the Volkswagen Group from China, and more generally in growth markets in Central and Eastern Europe, South America, Asia and North America. Accordingly, Volkswagen has increased its investments in these regions and intends to make further investments there in the future. This also applies to Volkswagen's Financial Services Division.

However, a number of growth markets have high customs barriers or minimum local content requirements for production, for example, presenting challenges to Volkswagen's plans. Furthermore, several Volkswagen competitors, in particular major Asian manufacturers, have also considerably expanded their production capacity or are in the process of doing so in these relevant regions. These facilities primarily serve the respective local markets, where demand for automobiles strongly depends on local economic growth.

If local economic growth and demand for Volkswagen's products weaken, Volkswagen may sell fewer products in these markets or obtain lower prices than expected. A decline in, or lack of, economic growth in such local markets could also lead to significantly intensified price competition, rising inventories and excess production capacity, such as was the case during the SARS-CoV-2 pandemic. This could significantly decrease Volkswagen's revenue and income. Furthermore, due to a lack of economic growth and resulting price competition, Volkswagen may not realize a return on investments in these markets at all or realize it later than planned, which may have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

Volkswagen's future growth plans significantly depend on the market development in China. Volkswagen operates in the Chinese market mainly through a number of joint ventures. An economic slowdown or new, unfavorable government policies (including ceasing subsidies) — such as regulations setting quotas for new energy vehicles (or "NEV") (e.g., battery electric vehicles and plug-in hybrid electric vehicles) — may affect the demand for automobiles. In addition, restrictions on vehicle registrations in metropolitan areas — such as those in effect, for example, in Beijing, Shanghai and Guangzhou — may be extended to other major cities in China. This could have a material adverse effect on Volkswagen's sales in China.

2.2.8 Changing consumer preferences and governmental regulations with respect to modes of transportation could limit Volkswagen's ability to sell Volkswagen's traditional product lines at current volume levels.

Many consumers today are more focused on acquiring smaller, more fuel efficient and environmentally friendly vehicles, including hybrid and electric models. The size, performance and accessories features of the passenger cars and light commercial vehicles that Volkswagen sells have an impact on Volkswagen's profitability. Generally, larger vehicles in higher vehicle categories with higher engine power contribute more to Volkswagen's operating result than smaller vehicles in lower vehicle categories with lower engine power. It is technically demanding and cost intensive for Volkswagen to develop engines that are smaller and more efficient, but which maintain the same performance. On the other hand, growing customer interest in sports utility vehicles (SUV) could impact the carbon dioxide ("CO₂") balance of Volkswagen's fleet and Volkswagen could incur higher costs in meeting the applicable CO₂ targets. Volkswagen also faces growing pressure for enhanced digitalization and automated driving features in addition to increasing regulatory requirements. Implementing such changes involves, among other things, technical challenges, the burden of meeting changing customers' preferences, as well as increased costs. For competitive reasons Volkswagen may only be able to pass these costs on to customers to a limited extent, if at all, which could affect Volkswagen's profitability.

In the past, Volkswagen observed that private and commercial users were increasingly open to alternative modes of transportation to the detriment of self-owned vehicles, especially in connection with growing urbanization. While this trend has reversed partly as a result of the SARS-CoV-2 pandemic, it is unclear whether the reversal will continue long-term.

A change in consumer preferences or governmental regulations away from transport by automobile, as well as a trend towards smaller vehicles or vehicles equipped with smaller engines, alternative drivetrains or other technical enhancements could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

2.2.9 Volkswagen's multiple brand strategy may result in overlap in the sales approach, which could lead to weakening of the brands.

In the Automotive Division, Volkswagen has several brands, some of which serve similar customer segments. Additionally, the trend of increasing number of body styles (for example, cross-over body styles) based on customer expectations and competitive actions increases the risk of an overlap in the marketing approach, which can have a negative effect on the overall position and market share of the individual brands. This risk can be intensified by Volkswagen's modular strategy, which provides the same platforms and components for certain segments.

A shift in demand in the volume market in which Volkswagen simultaneously offers many brands and models, for example, in the compact vehicle class, would necessitate additional marketing activities to broaden brand perception and create higher differentiation among brands.

These risks may lead to internal cannibalization, loss of sales or additional expenses associated with higher investment to reposition affected models or brands, which could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

2.2.10 Volkswagen is dependent on the sale of vehicles to corporate customers (including fleet customers) and is therefore dependent on their economic situation and preferences.

Corporate customers, including fleet customers, generate more stable incoming orders than retail customers. Fleet customers need vehicles to travel, distribute their goods and services and visit their customers. They rely on cars, light commercial vehicles, trucks and buses for their daily work and in most cases, they provide a specific budget for the acquisition of the vehicles, generating stable incoming orders. Fleet registrations of Volkswagen Group passenger vehicles as a share of total registrations in Europe amounted to 39% in 2021 for the overall market.

Although Volkswagen does not depend on any individual corporate customer, corporate customers, in aggregate, represent an important customer group. Therefore, Volkswagen is dependent on this customer segment's economic situation and any worsening of such situation or worsening of the wider macro-economic environment may deter corporate customers from investing in or from the leasing of vehicles for commercial use leading to a postponement of fleet renewal contracts. For example, the sensitivity of this customer group to the material deterioration of the global economy and the financial markets resulting from the SARS-CoV-2 pandemic (and the resulting shift from business travel to online meetings) has caused and may continue to cause Volkswagen to sell significantly fewer vehicles to such corporate customers. Sales in Volkswagen's truck business are particularly sensitive to economic developments due to the transportation sector's strong cyclicity. The resulting production fluctuations require significant flexibility on the part of truck producers, given the even higher complexity of the product offering with respect to trucks as compared to passenger vehicles. In addition, if Volkswagen sells fewer vehicles to corporate customers, the Financial Services Division may conclude fewer leasing or financing agreements.

Furthermore, due to the higher number of vehicles purchased by corporate customers compared to individual customers, large corporate customers are generally granted larger discounts. There is a risk that Volkswagen may only be able to partially offset discounts to corporate customers, if at all.

Corporate customers tend to include CO₂ restrictions in relation to exhaust emissions into their company policies. There is a risk that large corporate customers will reduce or eliminate purchases of Volkswagen products if the Volkswagen Group is not able to offer products with sufficiently low exhaust emissions values. Additionally, corporate customers are increasingly interested in new forms of mobility as well as mobile online services. There is a risk that Volkswagen could lose sales if the Volkswagen Group's shift to new mobility concepts does not proceed in a timely manner.

A decline in sales to corporate customers could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

2.2.11 Issues in relation to exhaust emissions have negatively affected and may continue to affect brand image or brand confidence.

The reputation of the Volkswagen Group and its brands is one of its most important assets and forms the basis for the Volkswagen Group's long-term business success. Volkswagen's attitude and strategic orientation with regard to issues such as integrity, ethics and sustainability are the focus of public attention. However, misconduct or criminal acts by individuals and the resulting damage to Volkswagen's reputation can never be completely prevented. In addition, media reactions can have a negative impact on the image of Volkswagen Group and its brands. This effect could be exacerbated by inadequate crisis communication.

Reputational issues may adversely impact Volkswagen's business, revenues, net assets, cash flows, financial condition and results of operations. See also *"Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities."*

2.3 Research and development risks

2.3.1 *The automotive industry faces a process of transformation with far-reaching changes and Volkswagen's future business success depends on its ability to develop new, attractive and energy-efficient products; failure to develop products in line with demand and regulations, especially in view of e-mobility and digitalization trends could materially impact Volkswagen's operations.*

Customers are increasingly focusing on lower fuel consumption and exhaust emissions when they make a purchasing decision. Alternative drive technologies (for example electric or hybrid powertrains) are becoming more important both due to growing customer demand for local zero emissions mobility and for compliance with legal requirements. Recently, many car companies, including Volkswagen, are developing autonomous driving technologies and introducing electric and/or hybrid automobiles and automotive digitalization products and services.

A significant factor for Volkswagen's future success is its ability to recognize such trends early enough to react accordingly and thus strengthen Volkswagen's position in the existing product and service range and the market segments it already serves, as well as enabling it to expand into new market segments. Volkswagen encounters research and development challenges as its products become more complex and as it introduces new, more environmentally friendly technologies. Primarily due to increasingly stringent emission and consumption regulations, Volkswagen may have difficulties in achieving stated efficiency targets (including its own internal targets) and fulfilling fleet average targets without loss of quality or decline in profitability. See also: *"Volkswagen is subject to a range of different environmental regulatory and legal requirements worldwide that are constantly changing; and not meeting CO2-related regulations could lead to substantial fees, penalties, damages and other materially adverse effects."*

Volkswagen is pursuing developments in electric mobility and planning further extensive investments – including in battery technology and digitalization – to expand its electric car model range. This plan entails considerable risk, including: uncertainties regarding future regulations and the extent of governmental support; uncertainties regarding the widespread adoption by consumers of electric vehicles and their performance: availability of the necessary charging infrastructure; Volkswagen's ability to react to cyber-attacks and cyber-crime in an appropriate time and manner; Volkswagen's technological and organizational capabilities to shift from a traditional car manufacturer into a provider of sustainable mobility, availability of supply of required materials (such as lithium or cobalt) and components (in particular safe and reliable batteries); and Volkswagen's ability to sufficiently increase its capacity to serve the new market with comprehensive products and mobility services. In particular, Volkswagen has invested and will continue to invest heavily in its software subsidiary CARIAD SE as part of the development of a unified Volkswagen technology and software platform, and Volkswagen may not recoup or benefit from these investments should there be failures or delays in developing the platform, issues with its roll-out or customer acceptance difficulties, among other potential issues. Volkswagen has entered into a variety of cooperative arrangements to research and develop new technologies, particularly for alternative drive and energy source technologies, such as high-performance lithium-ion batteries for electric cars. Nevertheless, Volkswagen may not achieve its objectives for electrification of its product range and other future technological advances or may not achieve an acceptable return on investment or profitability at the historical levels in the new market segments.

Volkswagen's competitors or their joint ventures may develop better solutions and be able to manufacture the resulting products more rapidly, in larger quantities, with a higher quality or at a lower cost. This could lead to increased demand for competitors' products and result in a loss of Volkswagen's market share. Furthermore, if Volkswagen's financial condition deteriorates, for example as a result of the SARS-CoV-2 pandemic, the capital required for making future investments in research and development may not be readily available.

As a result of the intensity of automotive competition and the pace of technological developments, Volkswagen faces continual pressure to develop new products and improve existing products in shorter time. If Volkswagen miscalculates, delays recognition of, or fails to adapt its products and services to trends, legal and customer requirements in individual markets or other changes in demand, Volkswagen's unit sales could drop. Volkswagen cannot eliminate this risk, even with extensive market research. If Volkswagen makes fundamental or repeated miscalculations over the long term, it could lose customers and the reputation of its affected brands could suffer. Such miscalculations could also lead to unprofitable investments and associated costs.

Recent progress in the development of electric vehicles and new software driven technologies like autonomous driving, will lead to a major shift of revenue and profit pools and therefore to a fundamental change in the automotive business. As part of its mid- and long-term strategic initiatives, such as the "NEW AUTO" initiative introduced in 2021, Volkswagen is targeting a re-alignment from a vehicle manufacturer to a global software-driven mobility provider, requiring in addition to mechatronics systems the development of a unified battery cell, the expansion of charging infrastructure and new energy services, as well as the development of mobility solutions for owned and shared vehicles.

If Volkswagen is unable to successfully execute its strategic initiatives, encounters delays in bringing new vehicle models to market or if customers do not accept Volkswagen's new models, or if the other risks mentioned above occur, this could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

2.3.2 Volkswagen faces challenges in connection with stricter processes/requirements for vehicle approval (homologation) and new test procedures.

The vehicle approval process (homologation) and the implementation of increasingly stringent emission and fuel consumption regulations are becoming more and more complex and time-consuming and vary by country, such as the transition from emission targets using the New European Driving Cycle ("NEDC") methods to targets under the Worldwide Harmonized Light Vehicles Test Procedure ("WLTP"). Furthermore, increasingly stringent emission and fuel consumption regulations being introduced from 2025, such as the Euro 7 standard in Europe, US California ZEVIII/LEIV and the C7 standard in China, pose increased implementation challenges and risks. The costs of compliance with regulatory requirements are considerable, and such costs are likely to increase further in the future, given the expected increased scrutiny, periodic regulatory changes, the need to develop new harmonized internal standards to comply with regulations, and stricter enforcement by regulators globally. In the past, Volkswagen was required and may in the future be required to devote significant resources to develop and maintain the required internal processes.

A violation of applicable regulations could lead to the imposition of penalties, fines, damages, recalls, restrictions on or revocations of Volkswagen's permits and licenses (including vehicle certifications or other authorizations that must be in place before a particular vehicle may be sold in the authorizing jurisdiction), restrictions on or prohibitions of business operations, reputational harm and other adverse consequences. This, in turn, could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

2.3.3 Volkswagen faces regulatory risks and greater competition in vehicle aftermarkets resulting from the adoption of the new EU Vertical Block Exemptions Regulation changes.

Volkswagen maintains a European-wide distribution network with selected dealers and workshops based on standardized contracts that are adapted to European and local laws. For the distribution of new motor vehicles, Volkswagen uses quantitative and qualitative selection criteria in accordance with the Vertical Block Exemption Regulation No. 330/2010 ("VBER"). Generally, Volkswagen is entitled to limit the number of dealers to those who fulfil qualitative criteria. However, Volkswagen may be required to self-assess its situation and potentially change its distribution contracts to admit further dealers into its network in markets where Volkswagen's market share exceeds 40%. The European Commission adopted and published a new VBER and accompanying guidelines on May 12, 2022. This new VBER comes into force on June 1, 2022 and final legal assessment is still in progress. As of the date of this Offering Memorandum, there is no indication that Volkswagen AG's current distribution system may be negatively affected by the amendments.

Additionally, Volkswagen is obliged to grant access to technical information for independent market participants in accordance with the Euro 5/Euro 6 legislation (Regulation (EU) No 566/2011, Regulation (EC) No 715/2007 and Regulation (EC) No 692/2008). Due to the amendment of the Euro 5/Euro 6 legislation in the form of Regulation (EC) No. 2018/858 effective September 1, 2020, Volkswagen must grant independent

operators access to technical information that goes beyond the previous requirements, in particular to technical information on Volkswagen's genuine parts. The expansion of independent market participants' access to such information causes additional expenses in connection with the review of existing arrangements and other costs that Volkswagen must incur in order to adapt to the new regulation. The regulations described above could also expose Volkswagen to greater competition in the aftermarkets.

For example, Germany initiated a change in the national design law which came into force in December 2020, restricting or abolishing design protection for spare parts for repair purposes parts by introducing a "repair clause". Furthermore, the European Commission plans to end design protection for visible vehicle parts. If this plan is implemented, it could adversely affect Volkswagen's genuine parts business. The developments in Germany or possible further restriction or abolitions of design protection for replacement parts could have a negative impact on the Volkswagen Group's genuine parts business.

2.4 Operational risks

2.4.1 *If Volkswagen is unable to obtain automotive parts and components from suppliers at a reasonable price or at all, for example, due to a supply bottleneck, particularly within a limited supplier environment, Volkswagen's procurement, production, transport and service chains could be interrupted or impaired.*

Volkswagen's business depends, among other things, on the timely availability of automotive parts and components. In addition, the smooth flow of Volkswagen's production depends on the quality of the parts, components, commodities and other materials, as well as reliable and timely delivery by suppliers. Recently, the increasing technical complexity and Volkswagen's expanding use of the modular toolkit system has resulted in an increased need for high-grade supplier components and software of impeccable quality.

Volkswagen generally sources automotive parts and components from several suppliers, however, in some cases, Volkswagen relies on one or a few suppliers for the delivery of certain parts, components and other materials and it faces risks should the suppliers be unable or unwilling to fulfil delivery obligations. This could have a material financial impact on the Volkswagen Group. Supply risks arise particularly in the area of battery cell production due to the increasing demand for battery cells, semiconductors and the dependence of automotive manufacturers on a limited pool of suppliers, technological developments and the service life of battery cells. There is a risk that looming supply breakdowns may not be recognized early enough and that countermeasures may not be initiated in time to maintain adequate production levels.

For example, in 2021 and the first part of 2022, the international semiconductor shortage has had, and will continue to have, a material effect on Volkswagen's ability to obtain semiconductors and other automotive parts and components from suppliers. This has affected production at Volkswagen plants and caused shortfalls in deliveries of Volkswagen cars to consumers. Due to the limited market capacity and a long production lead time, there is an ongoing supply risk for semiconductors, which has caused and could continue to cause production issues for Volkswagen until supply recovers. This has affected and may continue to affect Volkswagen's competitive position, in particular regarding hybrid and electric vehicles.

Furthermore, the latest developments in the Russia-Ukraine conflict has had and will continue to have a negative impact on supply chains and lead to parts supply shortages (e.g., a shortage in wire harnesses produced in Ukraine), which have caused and may continue to cause production issues at European Volkswagen plants.

In addition, quality problems may necessitate technical measures involving a considerable financial outlay where costs cannot be passed on to the supplier or can only be passed on to a limited extent. Although Volkswagen has implemented a thorough evaluation process for suppliers of critical parts (i.e., parts required at high volumes across different brands), risks that suppliers may be unable or unwilling to fulfil delivery obligations persist. This effect may be exacerbated by Volkswagen's increasingly local production, in particular in countries such as Brazil, Russia, India and China, where Volkswagen uses regionally-based suppliers whose ability to deliver may be adversely affected by regional conditions and events. Concentrating on only a few financially strong suppliers gives rise to the risk of insufficient competition. Examples include consolidation of the local supply base in different regions as well as exchange rate fluctuations. The availability of parts from local suppliers in these markets may be at risk and resorting to sources outside these regions could have an adverse impact on production cost due to unfavorable exchange rates, local content requirements and import duties.

Weakening growth in the global economy, ongoing trade disputes and shifts in customer demand – especially the technological shift toward e-mobility – along with the resulting changes in order volume from suppliers are posing challenges for Volkswagen’s suppliers, resulting in an increased need for financing. The SARS-CoV-2 pandemic, in particular, has had, and may continue to have, a material effect on Volkswagen’s ability to obtain automotive parts and components from suppliers. Some of Volkswagen’s suppliers have experienced and could continue to experience financial distress or file for insolvency as a result. Financial distress in the supply chain has resulted and may continue to result in delivery bottlenecks, a loss of quality and price increases. Additionally, if vehicle sales decline significantly across the automotive market, competition in the automotive industry will increase, which could have a significant adverse effect on the financial position of some of Volkswagen’s suppliers. Moreover, as demand for automotive vehicles along with other electronic goods reliant on semiconductors recovered in 2021, automotive manufacturers, including the Volkswagen Group, experienced and continue to experience semiconductor shortages, alongside other supply chain disruptions, negatively affecting Volkswagen’s production since 2021.

Furthermore, Volkswagen is also facing different environmental and social risks in its complex globally fragmented supply chains. New legislation and stakeholders such as fleet customers, investors or non-governmental organizations are calling for a contribution from Volkswagen to address sustainability issues upstream in its supply chains and establish a thorough human rights and environmental due diligence scheme. New technologies such as electro mobility will change the composition of materials required for the vehicle fleet. Metals used for high voltage batteries necessary for electric vehicles are partly produced in countries with low sustainability performance and weak enforcement of national labor and environmental laws, which increases the risk of violations of Volkswagen’s sustainability requirements. Future legislation can also increase financial risks due to fines, import restrictions or exclusion from public procurement tenders. Social or environmental problems could result in reputational damage to Volkswagen or instability of material supply.

2.4.2 *Volkswagen is exposed to risks arising from procurement of raw materials, potentially impacting its procurement, production, transport and service chains.*

Prices of certain raw materials, such as steel, aluminum, copper, lead, coking coal, crude oil, magnesium, precious metals and rare earth elements have remained highly volatile. Rises in demand for raw materials could create a shortage of the raw materials that are important for Volkswagen’s production and further price increases. In addition, the accelerated use of new technologies, such as electrified powertrains, could increase Volkswagen’s procurement risks. An industry-wide shift to electro mobility could lead to bottlenecks in supplies and price increases of certain critical materials, such as lithium, rhodium or cobalt, which could limit Volkswagen’s ability to scale the new technologies profitably. Furthermore, the technological transformation will require significant changes to Volkswagen’s supply chain, as it increasingly sources parts and supplies designed for new technologies. Such planned changes may not always be successful. These risks could lead to higher manufacturing costs for end products, parts and components.

A shortage of raw materials and energy sources could arise from decreases in extraction and production due to natural disasters, political instability or unrest, or other events such as violent confrontations – such as the current conflict between Russia and Ukraine, epidemics or pandemics such as the SARS-CoV-2 pandemic or production limits imposed in extracting and producing countries, which have caused and may continue to cause higher commodity and raw material prices. In addition, China, which is currently the predominant producer of rare earth elements, has limited the export of such elements in the past and is increasingly using other mechanisms, such as an export licensing system or the imposition of higher raw material duties, which could limit access to such elements. Similarly, geopolitical risks exist with respect to supplies of cobalt, a key metal for battery production.

If the prices for these or other raw materials, including energy, increase and if Volkswagen is not able to pass such increases on to customers, or if Volkswagen is unable to ensure its supply of scarce raw materials, Volkswagen may face higher component and production costs that could in turn negatively affect future profitability and cash flows.

2.4.3 *Any unauthorized control or manipulation of Volkswagen’s in-vehicle systems could impact the safety of Volkswagen customers and reduce confidence in Volkswagen’s products.*

Volkswagen’s vehicles contain increasingly complex IT systems. These systems control various vehicle functions including engine, transmission, safety, steering, navigation, acceleration, braking, and window and

door lock functions. Hackers have reportedly attempted, and may attempt in the future, to gain unauthorized access to modify, alter and use such systems to gain control of, or to change, vehicles' functionality, user interface and performance characteristics, or to gain access to data stored in or generated by the vehicle.

Any unauthorized access to or control of Volkswagen's vehicles or their systems or any loss of data, or undiscovered software flaws or other malfunctions, could impact the safety of Volkswagen's customers or security of their private data, reduce confidence in Volkswagen's products, or result in legal claims or proceedings, liability or regulatory penalties. In addition, regardless of their veracity, reports of unauthorized access to vehicles, their systems or data could negatively affect Volkswagen's brand and reputation, and harm its business, results of operations, financial condition and prospects.

2.4.4 *Volkswagen's future business success depends on its ability to maintain high quality and Volkswagen may incur substantial costs as a result of having to comply with government-prescribed standards for vehicles and components.*

In order to maintain high quality standards for its products and to comply with government-prescribed standards, such as safety, security, emissions or environmental standards, Volkswagen incurs substantial costs for monitoring and quality assurance. In particular, there are numerous legal requirements regarding the use, handling and storage of substances and mixtures (including restrictions concerning chemicals, heavy metals, biocides and persistent organic pollutants), of increasing relevance as a result of the automotive industry's transition to e-mobility solutions. Since Volkswagen applies a modular component concept in vehicle production, Volkswagen's risk is increased because individual components are used in several different models and brands. Nevertheless, Volkswagen's vehicles and components, but also components sourced from suppliers as well components or designs Volkswagen itself supplies to third parties may breach applicable standards and require Volkswagen to take remedial measures (see for example the Takata recalls under "*Volkswagen is exposed to risks in connection with product-related guarantees and warranties as well as the provision of voluntary services, in particular in relation to recall campaigns.*")

In the past, Volkswagen was required and may in the future be required to implement service measures or recall vehicles if there are defects irregularities or critical security vulnerabilities in parts or components that Volkswagen sources externally or manufactures in-house. Volkswagen may need to develop new technical solutions that require governmental authorization. These measures could be costly and time-consuming, which may lead to warranty-related provisions and expenses that exceed existing provisions.

In addition, product recalls or cyber-attacks can harm Volkswagen's reputation and cause it to lose customers, particularly if the recalls cause consumers to question the quality, safety, security or reliability of Volkswagen's products. Competent authorities have begun assessing potential actions as a result of a finding of excessive lead content in vehicle components supplied to automotive manufacturers, including Volkswagen, by their suppliers. These components have been used in vehicles sold by Volkswagen and other automotive manufacturers. There is a risk that competent authorities may impose, among other things, waste disposal orders and/or fines against Volkswagen.

Product safety, product security and other defects can subject Volkswagen to investigations, fines for non-compliance, customer complaints and litigation with substantial financial consequences. Volkswagen continues to face investigations in connection with the diesel issue, as described under "*Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities.*" In the future, it cannot be ruled out that Volkswagen may experience further quality issues in relation to emissions or otherwise.

Product quality significantly influences consumers' decision to purchase vehicles. Customers increasingly demand that Volkswagen assumes the costs of repairs even after the guarantee period has expired.

A decline in Volkswagen's product quality or customer perception of such decline could harm the image of Volkswagen's selected brands or Volkswagen's image as a prime manufacturer, which in turn could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

2.4.5 Volkswagen operates complex IT systems and is exposed to risks in the areas of cyber security and new regulatory requirements for IT.

Volkswagen operates comprehensive and complex IT systems, for some of which it relies on third-party technology suppliers. IT risks exist in relation to confidentiality, data integrity and availability, and can arise in the form of unauthorized access to, modification of and extraction of sensitive electronic corporate or customer data as well as limited systems availability as a consequence of downtime and disasters.

Volkswagen collects and stores sensitive data, including intellectual property, proprietary business information, proprietary business information of Volkswagen's dealers and suppliers, as well as personally identifiable information of customers and employees, in data centers (both internal and cloud-based) and on IT networks. The secure operation of these systems and products, and the processing and maintenance of the information processed by these systems and products, is critical to Volkswagen's business operations and strategy. The importance and complexity of electronically processed data continues to increase, and applicable data protection laws place onerous obligations on Volkswagen's IT systems. The Volkswagen Group, as a globally active enterprise, is subject to the growing stringent national and international data protection requirements, including the EU General Data Protection Regulation (GDPR), Chinese laws such as the Cyber Security Law (CCSL) or Personal Information Protection Law (PIPL) or California Customer Privacy Act (CCPA). New vehicle and software development requirements are also the focus of increasing cyber security guidelines and standards in the EU, United States and China. In addition, Volkswagen Group is providing more services (business services as well as car and customer-oriented services through private and public clouds), thus increasing the Group's dependencies on third parties such as cloud vendors. Development and provisioning of cloud software and services is characterized by rapid iterations and roll-outs. As a result, there is an increased risk that existing IT compliance and testing procedures will not adequately mitigate IT and information security risks.

Systems and products may be vulnerable to threats like damage, disruptions or shutdowns caused by attacks by hackers, computer viruses, or breaches due to errors or malfeasance by employees, contractors and others who have access to these systems and products or otherwise be subject to IT downtime or other interruptions. Some of these threats may increase in times of political instability, including military conflicts. Further, software and hardware of some of Volkswagen's established IT systems are no longer supported by their vendors, which increases the difficulty of ensuring that they continue to operate properly and securely. The occurrence of any of these events could compromise the operational integrity of these systems and products and could result in the compromise or loss of the information processed by these systems and products. Such events could result in, among other things, the loss of proprietary data, interruptions or delays in Volkswagen's business operations, reputational damage or damage to Volkswagen's financial performance and to its relationships with customers and suppliers, legal claims or proceedings, or other liability or regulatory penalties. Volkswagen has experienced such events in the past and, although past events were immaterial, future events may occur and lead to material adverse effects.

Where economically reasonable, Volkswagen Group intends to harmonize various IT systems. There are risks inherent in non-uniform IT systems, such as compatibility issues for both hardware and software or the necessity to train personnel for different systems. Additionally, numerous essential functional processes in the development, production and sales of vehicles and components depend on computer-controlled applications and cannot be carried out without properly functioning IT systems and IT infrastructure. Volkswagen expects further integration and implementation of the Internet of Things (IoT) infrastructure that may increase the dependency between Volkswagen's infrastructure and that of its partners. Malfunctions or errors in internal or external IT systems and networks could have adverse effects on Volkswagen's operations, harm Volkswagen's reputation and expose it to regulatory actions or litigation.

Volkswagen's efforts to mitigate these risks may turn out to be inadequate. The costs (including any insurance) of protecting against IT risks are high and could further increase in the future.

2.4.6 Volkswagen may not be able to adjust its production capacity sufficiently and timely.

Production capacity for each vehicle project is planned several years in advance on the basis of expected sales developments. Future sales are subject to a wide range of factors, including market dynamics and cannot be estimated with certainty. In particular, the ongoing transformation in the automotive industry makes it more difficult to forecast future sales of electric, hybrid and traditional vehicles, which increases the risk of Volkswagen's production planning. If Volkswagen's sales forecasts prove to be too optimistic, there is a risk that available capacity is underutilized, while pessimistic forecasts could lead to capacity being insufficient to meet demand.

Various factors can cause overall demand for vehicles or demand for particular vehicle models to fluctuate. This requires Volkswagen to continuously adjust production capacity at its many facilities worldwide. As the range of Volkswagen's models grows, while at the same time product lifecycles become shorter, the number of new vehicle start-ups and the risks related to production planning at Volkswagen's sites increase. The processes, quality and technical systems used for this are complex and there is thus a risk that vehicle deliveries could be delayed, negatively affecting demand and consumer satisfaction.

Volkswagen utilizes certain measures such as flexible work hours and production network configuration to calibrate production capacity. However, Volkswagen or its important suppliers may not be able to adjust production capacity sufficiently and timely if demand fluctuates beyond the limits of their organizational and technical flexibility. For example, the SARS-CoV-2 pandemic had a material impact on Volkswagen's production capacity, leading to the slowdown or temporary closure of Volkswagen facilities worldwide at the start of the pandemic. This presented financial challenges for Volkswagen, as its fixed operating costs could not be fully reduced in line with the decrease in sales revenue at the height of the pandemic. Further spread of the SARS-CoV-2 pandemic, or other events such as violent confrontations — such as the current conflict between Russia and Ukraine, may cause these measures to be re-imposed or further measures to be necessary in the future.

In addition, Volkswagen may not be able to adjust production capacity as planned for political, regulatory or legal reasons. Any restructuring measures could lead to significant one-time costs. If Volkswagen's competitors can react more effectively, they could gain market share, which could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

2.4.7 *Unforeseen business interruptions to production facilities may lead to production bottlenecks or downtime, and deviations from planning in connection with large projects may hinder their realization.*

Volkswagen has numerous production facilities worldwide. The production facilities may be disrupted or interrupted. These disruptions or interruptions can occur for reasons beyond Volkswagen's control (such as airplane crashes, terrorism, political or military conflicts, epidemics — such as the recent SARS-CoV-2 pandemic — or natural catastrophes) or for other reasons (such as fire, explosion, release of substances harmful to the environment or health, or strikes). Operational disruptions and interruptions may lead to significant production downtimes. The SARS-CoV-2 pandemic led to regional, national and international restrictions on the business activities of Volkswagen and its suppliers and the unavailability of critical workforce, contributing to the decision to slow down or suspend production at Volkswagen's facilities worldwide at certain times, affecting Volkswagen's business, financial position and results of operation.

Volkswagen believes that it maintains a suitable level of insurance with respect to these risks based on a cost benefit analysis. However, insurance may not fully cover the aforementioned scenarios. Special risks may arise during large projects. In particular, risks may arise from contracting deficiencies, mistakes in costing, post-contracting changes in economic and technical conditions, deviations in product launches (e.g., launch costs, start of production date), weaknesses in project management and poor performance on the part of subcontractors.

Any production downtime or stoppage, or deviation from planning in connection with a large project, can have a material adverse effect on Volkswagen's reputation and general business operations. In the case of insufficient insurance coverage, any of these can also have a material adverse effect on Volkswagen's net assets, financial position and results of operations.

2.5 Environmental and Social risks

2.5.1 *Volkswagen is subject to a range of different environmental regulatory and legal requirements worldwide that are constantly changing; and not meeting CO₂-related regulations could lead to substantial fees, penalties, damages and other materially adverse effects.*

Volkswagen's business operations worldwide are subject to comprehensive and constantly changing government regulations. This includes automobile design, manufacture, marketing and after-sales services or measures undertaken to encourage customer loyalty to the vehicle and brand following sale, including vehicle recycling, vehicle registration and operation regulations, and activities in the financial services sector. Further, Volkswagen is subject to numerous regulatory requirements on the national and international level regarding the use, handling and storage of various substances (including restrictions or prohibitions on the use of chemicals, heavy metals, biocidal products and persistent organic pollutants) in the manufactur-

ing process and their use in Volkswagen's products, including the use of parts provided by suppliers, as well as in car-related infrastructure designed or built by Volkswagen (i.e., e-charging stations).

Volkswagen must comply with various regulatory requirements that are not always homogeneous, and which are subject to increasing governmental scrutiny and enforcement. This applies in particular to regulatory requirements for the protection of the environment, health and safety. Vehicles are particularly affected by regulatory requirements concerning fuel economy, CO₂ and other emission limits (such as NO_x), as well as tax regulations in relation to CO₂ or fuel consumption-based motor vehicle tax models. Due to different limits in various countries, Volkswagen is often unable to market a vehicle with the same specifications worldwide. In addition, the operation of older vehicles (including Volkswagen's own products) has in the past been restricted in major Volkswagen markets (such as Germany, United States, France and China) by a tightening of regulatory limits (e.g., driving bans in cities for older diesel vehicles) after the vehicle's sale in response to, among other things, local air quality and may be further restricted in particular cities or regions.

For example, the European Commission has imposed increasingly strict regulations regarding CO₂ emissions of all passenger cars (calculated on a fleet average) offered for sale in the European Union. Since 2012, Volkswagen's new passenger car fleet (calculated on yearly registrations) has had to meet a target of 130g CO₂/km (subject to a gradual phase-in process). From 2020 onward, the average industry emissions from all European passenger car fleet have to meet 95g CO₂/km (subject to a gradual phase-in process). For light commercial vehicles, the EU's CO₂ regulation sets a fleet-wide industry target of 147g CO₂/km. Since 2021, the CO₂ targets are set and verified according to WLTP. In order to set the new WLTP-based CO₂ targets, the old NEDC-based CO₂ targets are being converted into WLTP-based targets.

The EU targets for both passenger cars and commercial vehicles are to be further tightened from 2025. For new European passenger car fleets, a reduction of 15% compared to 2021 emission target levels will be required from 2025 and, from 2030 onwards, a reduction of 37.5% will be required. For new light commercial vehicle fleets, from 2025, the required reductions will be 15% compared to 2021 emission target levels and 31% from 2030 onwards. Volkswagen anticipates that targets can only be achieved through a high proportion of electric vehicles within its fleet. Non-fulfilment of the fleet-wide targets incurs an excess emission premium of €95 per exceeded gram of CO₂/km per vehicle sold.

At the same time, regulations governing fleet fuel consumption are in place or are being developed and introduced outside the European Union, for example in Brazil, Canada, China, India, Japan, Mexico, Saudi Arabia, South Korea, Switzerland, Taiwan and the United States. The fuel consumption regulations in China for the period 2021 to 2025 set phase in targets with a target of 4.6 liters/100 km (WLTP) in 2025. In addition to this legislation on fleet consumption, a so-called "new energy vehicle quota" applies in China, requiring every manufacturer to increase the share of electric vehicles in its total production and imported volume. The NEV credit quota for 2021 is 14%, to be fulfilled through battery-electric vehicles, plug-in hybrids, or fuel cell vehicles with further increased targets after 2021 by two percentage points annually until 2023. Finally, in the United States, federal fleet consumption regulation and greenhouse gas emissions rules are the subject of ongoing litigation and may be further revised. Further, California is in the process of revising its regulations regarding pollutants.

Commercial vehicles are also increasingly subject to ever stricter environmental regulations all around the world, particularly to regulations relating to climate change and vehicle emissions. The EU has set very ambitious targets for reducing CO₂ emissions within the next decade for new heavy trucks with a permitted gross weight of over 16 tonnes. The CO₂ emissions from such vehicles must be reduced by 15% by 2025 and 30% by 2030 compared to a reference value for a monitoring period from July 2019 to June 2020. Starting in 2025, vehicle manufacturers will be liable to substantial penalties for excess emissions if they fail to meet their CO₂ targets. Such excess emission premiums amount to €4,250 per excess gram of CO₂/ton-kilometer (tkm) per vehicle for the period from 2025 to 2029 and €6,800 per excess gram of CO₂/tkm per vehicle for the period from 2030 onward.

As part of the European Green Deal, the European Commission presented its 2030 Climate Target Plan, which sets out revised CO₂ emissions reduction targets in the EU of at least 55% by 2030 compared to 1990 levels (previously 40%). Various regulations and directives are currently being revised to support the achievement of climate targets. This may lead to even more stringent requirements for CO₂ emissions (fleet limits) for the automotive industry as well as further impacts from measures targeting a shift to more circular economy and cleaner environment.

Future legislative measures at the level of the European Union, its Member States or other countries (including their political subdivisions such as individual States in the United States) may also pose risks for Volkswagen, such as risks from the obligation to take back end-of-life vehicles and batteries or risks arising from an integrated energy and climate protection program that could require alterations in permitted or favored fuel sources to be used in vehicles or could result in significant changes to requirements governing permissible emissions from vehicles. In order to comply with fuel economy and emission control requirements, Volkswagen may be required to offer a significant volume of hybrid or electric vehicles, as well as implement new technologies for conventional internal combustion engines, all at increased cost levels. There is no assurance that Volkswagen will be able to produce and sell vehicles that use such technologies profitably or that customers will purchase such vehicles in the sufficient quantities for Volkswagen to comply with applicable regulations.

Moreover, Volkswagen has been the target of and may in the future be the target of claims or litigation brought by individuals, environmental groups, other NGOs (non-governmental organizations), or governmental agencies on alleged emissions, climate change, pollution or other environmental or social grounds, seeking damages or injunctive relief against Volkswagen's business or operations, in order to change the Group's business model or products. For example, in November 2021, Greenpeace filed a lawsuit against Volkswagen AG in Germany seeking changes in the Group's business due to environmental concerns.

The costs of compliance with regulatory requirements are considerable, and such costs are likely to increase further in the future, given the expected increased scrutiny, regulatory changes that result in increased stringency or novel interpretations of current regulations and stricter enforcement by regulators globally. Failure to comply with applicable regulations could lead to the imposition of penalties, fees, damages, recalls, restrictions on or revocations of Volkswagen's permits and licenses (including vehicle certifications or other authorizations that must be in place before a particular vehicle may be sold in the authorizing jurisdiction), restrictions on or prohibitions of business operations, reputational harm and other adverse consequences.

2.5.2 *Volkswagen is exposed to environmental and security-related liability risks.*

Volkswagen operates complex industrial plants that manufacture, use, store, manage, generate, emit and dispose of various substances that may constitute a hazard to human life and health as well as to the environment and natural resources. In the past, environmentally hazardous substances from those operations may have entered and in the future, may enter the air, watercourses, especially groundwater, or surface or subsurface soils at Volkswagen facilities or third-party locations, and the environment, natural resources, human health, life and safety of persons and property may have been or may be affected or endangered otherwise because of those environmentally hazardous substances. Volkswagen may be jointly or severally liable, possibly regardless of fault and without any caps on liability, to remove or clean up such harm and to pay damages, including any resulting natural resource damages, arising from those environmentally hazardous substances. These risks could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

2.5.3 *Volkswagen's future success depends on its ability to attract, retain and provide further training to qualified employees and managers.*

Volkswagen's success depends substantially on the quality of its employees and senior managers as well as employees in key functions. If Volkswagen loses important employees due to turnover, targeted recruiting by competitors or others, or age-related departures, this may lead to a significant drain on Volkswagen's know-how. Competition for qualified personnel is increasing, particularly in the area of automotive and electrical engineering, chemistry, IT, research and development, and is especially intense in areas requiring advanced technological skills. In addition, if Volkswagen's employees do not possess the skills and qualifications necessary to advance Volkswagen's strategic goals, there is a risk that these objectives (e.g., technological change and digitalization) will not be met. If Volkswagen fails to retain qualified personnel to the necessary extent, or if it fails to recruit qualified personnel or to continue to train existing personnel, Volkswagen may not reach its strategic and economic objectives.

2.5.4 *Volkswagen is dependent on good relationships with its employees and their unions.*

Personnel expenses are a major cost factor for Volkswagen. Employees at Volkswagen's German locations and at a number of foreign subsidiaries have traditionally been heavily unionized. When the current collective

agreements and collective wage agreements expire, Volkswagen may not be able to conclude new agreements on terms and conditions that Volkswagen considers to be reasonable. Furthermore, Volkswagen may be able to conclude such agreements only after industrial actions such as strikes or similar measures. If Volkswagen's production or other areas of business are affected by industrial actions for an extended period, this may have material adverse effects on Volkswagen's business, net assets, financial position and results of operations. In addition, Volkswagen's competitors may obtain competitive advantages if they succeed in negotiating collective wage agreements on better terms and conditions than Volkswagen. Foreign competitors, in particular, may also obtain competitive advantages due to more flexible legal environments.

In particular, Volkswagen faces risks from the collective wage agreement for long-term plant and job security (*Zukunftstarifvertrag*) entered into with the German Metalworkers Union (*Industriegewerkschaft Metall*) and the German Christian Metalworkers Union (*Christliche Gewerkschaft Metall*) applicable to Volkswagen's German locations. Volkswagen employed approximately 295,000 workers as of December 31, 2021 in Germany, or approximately 43.9% of its worldwide employees. This agreement and the pact for the future workforce transformation measures agreed between Volkswagen and its employees (*Zukunftspakt*) may limit Volkswagen's ability to react in a timely manner to a change in economic conditions, rules out compulsory redundancies and sets certain limitations on changes to the number of employees at German locations, subject to agreed measures on the rebalancing of personnel in accordance with Volkswagen's business needs. In addition to the *Zukunftspakt*, the Board of Management and Volkswagen's General Works Council agreed on a digital transformation roadmap, with a focus on, among other things, personnel development, that ensures employees are prepared for the new challenges of digitization. There can be no assurance that any benefits Volkswagen expects from agreements with its employees will be achieved.

2.5.5 Volkswagen faces risks arising from pension obligations.

Volkswagen provides retirement benefits to its employees. To determine its pension obligations, Volkswagen makes certain assumptions. If these assumptions prove to be inaccurate, Volkswagen's balance sheet or actual pension obligations could increase substantially, and Volkswagen would have to raise its pension provisions. Existing pension obligations are not fully covered by plan assets.

Furthermore, if the market value of plan assets falls, Volkswagen may have to substantially increase its pension provisions. In particular factors such as currency, interest rate and fluctuations in securities prices may adversely affect the value of the plan assets. In such event, the value of the plan assets would fall short of the aggregate pension claims and Volkswagen would have to cover the short fall, which could materially adversely affect Volkswagen's net assets, financial position and results of operations.

2.6 Legal risks

2.6.1 Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities.

On September 18, 2015, the U.S. Environmental Protection Agency ("EPA") publicly announced in a "Notice of Violation" that irregularities in relation to nitrogen oxide ("NOx") emissions had been discovered in emissions tests on certain vehicles of Volkswagen Group with type 2.0 l diesel engines in the US. In this context, Volkswagen AG announced on September 22, 2015 that noticeable discrepancies between the figures achieved in testing and in actual road use had been identified in type EA189 diesel engines and that around eleven million vehicles with such engines were sold worldwide. On November 2, 2015, the EPA issued a second "Notice of Violation" alleging that irregularities had also been discovered in the software installed in U.S. vehicles with certain 3.0 l diesel engines.

Numerous governmental proceedings seeking damages, recalls and/or technical fixes for affected diesel vehicles, criminal and administrative proceedings, consumer claims and investor lawsuits were subsequently initiated in the US, Canada, Germany and the rest of the world. In October 2015, Volkswagen AG initiated its own internal inquiries and an external investigation. At the end of March 2021, the Supervisory Board of Volkswagen AG announced the completion of the investigation initiated into the causes of and those responsible for the diesel issue. The Board resolved to claim damages from Prof. Dr. Martin Winter-

korn, former Chair of the Board of Management of Volkswagen AG, and from Rupert Stadler, former member of the Board of Management of Volkswagen AG and former Chair of the Board of Management of AUDI AG, for breach of their duty of care under stock corporation law. The investigation found no breaches of duty by other members of the Volkswagen AG Board of Management. The resolution was based on a review of liability claims conducted by a law firm on behalf of the Supervisory Board and the negligent breaches of duty identified in the resulting report. The investigation covered all members of the Board of Management who were in office during the relevant period. Furthermore, claims for damages were asserted against individual former members of the Audi and Porsche boards of management. Claims were already asserted against a former member of the Volkswagen Passenger Cars brand Board of Management. In June 2021, Volkswagen and Audi entered into damage settlements (liability settlements) with Prof. Winterkorn and Mr. Stadler respectively in connection with the diesel issue. Prof. Winterkorn's total damage compensation amounts to €11.2 million and that of Mr. Stadler to €4.1 million. Volkswagen has furthermore reached agreement with the relevant insurers under its directors and officers liability policies (D&O insurance) on payment of an aggregate sum of €270 million (coverage settlement).

From 2015 to 2021, Volkswagen recognized over €30 billion in expenses directly related to the diesel issue, adversely affecting its operating profit, financial position and results of operations. Work in respect of the legal proceedings that are still pending in the US and the rest of the world is ongoing, will require considerable efforts and coordination from Volkswagen, may demand significant management resources, and is expected to continue for some time. Ongoing and potential further legal proceedings related to the diesel issue could result in considerable further financial charges.

In coordination with the respective responsible authorities, Volkswagen Group is making technical measures available to rectify the diesel issue in affected diesel vehicles worldwide. In this context, within the Volkswagen Group, Volkswagen AG has development responsibility for the four-cylinder diesel engines such as the type EA 189, and AUDI AG has development responsibility for the six- and eight-cylinder diesel engines such as the type V6 3.0 l and V8 diesel engines. These measures have resulted in, and may continue to result in, significant expenses for the Volkswagen Group.

In the USA Volkswagen AG and certain affiliates reached settlement agreements with various government authorities and private plaintiffs, the latter represented by a Plaintiffs' Steering Committee in a multidistrict litigation in the US state of California. These agreements resolved certain civil claims as well as criminal charges under US federal law and the laws of certain US states in connection with the diesel issue. As part of the agreements entered into with the US Department of Justice ("**DOJ**") and the State of California (Plea Agreement and Third Partial Consent Decrees), an independent compliance monitor and an independent compliance auditor were appointed for Volkswagen in 2017 for a term of three years. The term of the Independent Compliance Auditor under the Third Partial Consent Decree and the Third California Partial Consent Decree ended in June 2020. Furthermore, on September 14, 2020, the term of the Plea Agreement and the term of the Independent Compliance Monitor retained pursuant to the Plea Agreement expired as well. Although Volkswagen AG and its subsidiaries and affiliates are firmly committed to fulfilling the obligations arising from these agreements, a breach of these obligations cannot be completely ruled out. In the event of a violation, significant penalties could be imposed as stipulated in the agreements, in addition to the possibility of further monetary fines, criminal sanctions and injunctive relief.

Several thousand consumers initially opted out of the settlement agreements, and many of these consumers filed civil lawsuits seeking monetary damages for fraud and violations of state consumer protection acts. Various subsequent resolutions have eliminated nearly all claims against Volkswagen by consumers who opted out of the settlements. The first opt-out trial was held in late February and early March 2020 in the federal multidistrict litigation. In the aggregate, the ten opt-out plaintiffs were awarded a total of \$28,735 in compensatory and punitive damages combined. Plaintiffs have appealed this decision to the U.S. Court of Appeals for the Ninth Circuit (the "**Ninth Circuit**"); briefing on the appeal was completed in November 2021, and oral argument occurred on December 10, 2021.

In Canada, which has the same NOx emissions limits as the US, Volkswagen has reached settlements with consumers relating to 2.0 l and 3.0 l diesel vehicles, which, *inter alia*, provided for cash payments for completing free vehicle emissions modifications, buy-backs/trade-ins and early lease terminations, as applicable. In connection with these consumer settlements, Volkswagen Group Canada and the Canadian Competition Bureau reached civil resolutions related to consumer protection issues in relation to the 2.0 l and 3.0 l diesel engines.

Outside the US and Canada, Volkswagen has also reached agreements with regard to the implementation of technical measures with numerous authorities.

In agreement with the respective responsible authorities, the Volkswagen Group made technical measures available worldwide for virtually all diesel vehicles with type EA 189 engines. In the European Union (EU 27), the German Federal Motor Transport Authority ("**KBA**" – *Kraftfahrt-Bundesamt*) ascertained for all clusters (groups of vehicles) that implementation of the technical measures would not bring about any adverse changes in fuel consumption figures, CO₂ emission figures, engine output, maximum torque, and noise emissions. Nevertheless, the proposed technical measures are currently under varying stages of implementation and under consideration by the KBA.

Following the studies carried out by AUDI AG to check all relevant diesel concepts for possible irregularities and retrofit potentials, measures proposed by AUDI AG have been adopted and mandated by the KBA in various recall orders pertaining to vehicle models with V6 and V8 TDI engines. Currently, AUDI AG assumes that the total cost, including the amount based on recalls, of the ongoing largely software based retrofit program that began in July 2017 will be manageable and has recognized corresponding balance-sheet risk provisions. However, if AUDI AG's assumptions are incorrect and costs exceed expectations and balance-sheet provisions, AUDI AG and Volkswagen's results of operations and cash flows may be adversely affected. AUDI AG has in the meantime developed software updates for many of the affected powertrains and, after approval by the KBA, already installed these updates in the vehicles of a large number of affected customers. The few software updates already submitted to the KBA are expected for approval early in the second quarter of 2022.

Worldwide, responsible authorities are continuing their review and assessment of the diesel concepts and of the technical solutions. Volkswagen may be required to repurchase vehicles sold in the US, Germany, Canada and elsewhere. This could lead to further significant costs. In 2018, the Korean Ministry of Environment ("**KME**") ordered a recall after it categorized (i) certain emissions strategies in the engine control software of various AUDI, Volkswagen and Porsche brand diesel vehicles with a V6 or V8 engine, and (ii) the Dynamic Shift Program (DSP) in the gearbox control in some AUDI vehicle models, as prohibited defeat devices. On August 21, 2019, the KME further announced that it has categorized an injection strategy of urea solution as an illegal emission defeat device and (i) revoked the certifications of eight AUDI, Volkswagen and Porsche brand diesel vehicles with V6 engines, (ii) issued a recall order and administrative fines, and (iii) referred the manufacturers to the prosecutors' office in criminal proceedings. In addition, AUDI AG is responding to requests from the U.S. authorities for information regarding automatic gearboxes in certain vehicles. Furthermore, if the technical solutions implemented by Volkswagen in order to rectify the diesel issue are not implemented in a timely or effective manner or have an undisclosed negative effect on the performance, fuel consumption or resale value of the affected vehicles, regulatory proceedings and/or customer claims for damages could be brought in the future. Further field measures with financial consequences cannot be ruled out completely at this time.

Alongside coordination with authorities on technical measures, there are ongoing criminal and administrative proceedings in relation to the diesel issue in the US, Germany and other countries worldwide.

In the US, Volkswagen has entered into agreements to resolve federal criminal liability relating to the diesel issue and to resolve civil penalties and injunctive relief under the U.S. Clean Air Act and other civil claims relating to the diesel issue. As part of its plea agreement, Volkswagen AG has pleaded guilty to three felony counts under US law – including conspiracy to commit fraud, obstruction of justice and using false statements to import cars into the US – and has been sentenced to three years' probation. DOJ investigations into the conduct of various individuals who may be responsible for criminal violations relating to the diesel issue remain ongoing. Volkswagen is required to cooperate with these investigations. In the event of non-compliance with the terms of the plea agreement, Volkswagen could face further penalties and prosecution. Volkswagen has also reached separate settlement agreements with the attorneys general of every U.S. state to resolve existing or potential consumer protection and unfair trade practices claims. Volkswagen has also settled the environmental claims of certain states. However, one state and certain municipalities still have pending state or local environmental law claims against Volkswagen. Furthermore, there is a risk that other states or jurisdictions may pursue similar claims, following decisions of the Ninth Circuit on June 1, 2020 and the Ohio Supreme Court on June 29, 2021 that permitted certain environmental claims to proceed. On November 15, 2021, the U.S. Supreme Court declined to review those decisions.

Investigations by various U.S. regulatory and other government authorities, including in areas relating to securities, tax and financing, are ongoing. In March 2019, the SEC filed a complaint in the U.S. District Court for the Northern District of California against Volkswagen AG, Volkswagen Group of America Finance LLC, VW Credit Inc., asserting claims under US federal securities law based, among other things, on alleged misstatements and omissions in connection with the offer and sale of certain bonds and asset-

backed securities. The SEC complaint seeks permanent injunctions, disgorgement of allegedly ill-gotten gains with prejudgment interest, and civil penalties. In August 2020, the court granted in part and denied in part Volkswagen's motion to dismiss. The claims dismissed by the court included all claims against VW Credit, Inc. related to asset-backed securities. In September 2020, the SEC filed an amended complaint that, among other things, removed the dismissed claims. In addition, in May 2018, U.S. federal prosecutors unsealed charges in Detroit against, among others, former Volkswagen CEO, Martin Winterkorn, which had been filed under seal in March 2018. Prof. Winterkorn is charged with a conspiracy to defraud the US, to commit wire fraud, and to violate the Clean Air Act from at least May 2006 through at least November 2015, as well as three counts of wire fraud. Should these proceedings result in adverse court decisions against the individuals involved, this could have a negative impact on the outcome of other proceedings against Volkswagen and/or could have other material adverse financial consequences.

In Canada, in December 2019, the Canadian federal environmental regulator filed charges against Volkswagen AG in respect of 2.0 I and 3.0 I Volkswagen and Audi vehicles at the conclusion of its criminal enforcement-related investigation into the diesel issue. Volkswagen AG cooperated with the investigation and agreed to a plea resolution addressing all of the charges. In January 2020, Volkswagen AG pleaded guilty to the charges and agreed to pay a penalty of CAD 196.5 million, which was approved by the court. Following this approval, the Ontario provincial environmental regulator withdrew its action against Volkswagen AG charging a quasi-criminal enforcement-related offense with respect to certain Volkswagen and Audi 2.0 I diesel vehicles. As to pending matters in Canada, an environmental class action has been authorized on behalf of residents in Quebec. This environmental class action was authorized by the court on the sole issue of whether punitive damages could be recovered and on the basis that unresolved questions about the viability of plaintiffs' damages theory were determined to be a matter for trial. The case has been settled for a lump sum payment of CAD 6.7 million and the settlement is now before the court awaiting approval. Other class action and joinder lawsuits have also been filed against Volkswagen in Canada, including alleged consumer protection and securities claims, asserting damages among other things. While a class action filed in Quebec provincial court was authorized as to claims relating to Volkswagen AG's shares, ADRs and debt securities, the case was dismissed by the Quebec court on April 16, 2020 for lack of jurisdiction. That decision was upheld by the Quebec Court of Appeal. A similar class action pertaining to shares and ADRs was also filed in the Province of Ontario. On August 15, 2018, the Ontario proceeding was dismissed by the Ontario court. While an appeal from this Ontario court ruling was noticed on September 14, 2018, the appeal was resolved before a hearing and dismissed.

In addition to the U.S. and Canadian proceedings, criminal investigations/misdemeanor proceedings have been opened in Germany by, among others, the public prosecutor's offices in Braunschweig, Stuttgart and Munich and by the Federal Financial Supervisory Authority ("**BaFin**" – *Bundesanstalt für Finanzdienstleistungsaufsicht*). Some of these regulatory offense proceedings against Volkswagen AG were terminated in 2018 and 2019, with the authorities issuing administrative notices imposing fines on Volkswagen Group companies. The related BaFin proceedings have been finally terminated.

Proceedings are ongoing in relation to current and former employees of Volkswagen. In September 2019, the public prosecutor's office in Braunschweig has issued indictments against one current and two former Volkswagen AG Board of Management members regarding their possible involvement in potential market manipulation in connection with the diesel issue. In July 2018, the public prosecutor's office in Braunschweig formally opened a misdemeanor proceeding in this regard against Volkswagen AG. In April 2019, the Braunschweig public prosecutors brought criminal charges, among others, against former Volkswagen CEO, Martin Winterkorn, in relation to alleged crimes tied to the diesel issue. The September 2019 proceedings have been finally dismissed with regard to one current and one former board member and with regard to Volkswagen AG, while the September 2019 proceedings with regard to the former CEO of Volkswagen AG, Martin Winterkorn, have been provisionally terminated. The Stuttgart public prosecutor's office also confirmed that it was investigating, among others, the former CEO of Volkswagen AG, Martin Winterkorn, in his capacity as member of the management board of Porsche Automobil Holding SE ("**Porsche SE**"), regarding his possible involvement in potential market manipulation in connection with this same issue. Meanwhile, the Stuttgart proceedings with regard to Martin Winterkorn have been provisionally terminated while the investigation against other persons in this context have been finally terminated. Moreover, the Stuttgart public prosecutor's office commenced a criminal investigation into the diesel issue against one board member (which has been dismissed) and several employees of Dr. Ing. h.c. F. Porsche AG ("**Porsche AG**"), on suspicion of fraud and illegal advertising. Furthermore, the public prosecutor's office at the Munich II Regional Court is investigating certain current and former employees in connection with the alleged anomalies in the NOx emissions of certain Audi vehicles with diesel engines in the US and Europe.

In July 2019, the Munich II public prosecutor brought criminal charges against, among others, former Audi CEO, Rupert Stadler, in relation to alleged crimes tied to the diesel issue. In June 2020, the Munich II Regional Court allowed the prosecution's charges in respect to four suspects, including the former Audi CEO, and opened the main proceedings. The trial began in September 2020. Should any of these ongoing proceedings, especially those headed against (former) board members, result in final criminal court decisions against these individuals, it could result in substantial additional costs and have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, and could have an impact on the consolidated financial statements and on the group management report for 2019 and prior years.

There are additional regulatory, criminal and/or civil proceedings in several jurisdictions worldwide. Volkswagen continues to cooperate with government authorities. However, there is a risk the criminal administrative proceedings discussed above, or any other further claims that may arise, could ultimately result in further fines for Volkswagen.

Customers, consumer associations and/or environmental associations in the affected markets have filed civil lawsuits against Volkswagen AG, other Volkswagen Group companies and non-Volkswagen Group importers and dealers involved in the sales process. In addition, it is possible that importers and dealers could assert claims against Volkswagen, for example through recourse claims. Further lawsuits are possible.

Product related class action, collective or mass proceedings against Volkswagen AG and other Volkswagen Group companies are pending in various countries such as Belgium, Brazil, England and Wales, France, Germany, Italy, the Netherlands, Portugal, South Africa and the US. These proceedings are lawsuits aimed among other things at asserting damages, rescission of the purchase contracts or seeking declaratory judgments that customers are entitled to damages. Many of these proceedings are in an early procedural stage and it is difficult to assess their prospects of success or to quantify the exposure. In some proceedings it is even impossible to define the claimants' precise causes of action or allegations. However, should these actions be resolved in favor of the claimants, they could result in significant civil damages, fines, the imposition of penalties, sanctions, injunctions and other consequences for Volkswagen.

Individual product-related lawsuits and similar proceedings are pending against Volkswagen AG and other Volkswagen Group companies in multiple countries relating to various diesel engine types, most of these lawsuits are seeking damages or rescission of purchase contracts. In Germany, there are around 55 thousand such individual lawsuits.

Furthermore, private and institutional investors from Germany and other jurisdictions (including the U.S. and Canada) have filed claims seeking significant damages against Volkswagen AG, in some cases along with Porsche SE, as joint and several debtors, based on purported losses due to alleged misconduct in capital market communications in connection with the diesel issue. The claims relate to Volkswagen AG's shares and other securities, including bonds, issued by Volkswagen Group companies, as well as third-party securities. The vast majority of these investor lawsuits are currently pending at the Braunschweig Regional Court, with further investor lawsuits filed at the Stuttgart Regional Court. Further investor claims could be brought.

In August 2016, the Braunschweig Regional Court ordered that common issues of law and fact relevant to the lawsuits pending at the Braunschweig Regional Court be referred to the Higher Regional Court (*Oberlandesgericht*) in Braunschweig for binding declaratory rulings pursuant to the German Act on Model Case Proceedings in Disputes under Capital Markets Law (Capital Markets Model Case Act – *KapMuG (Kapitalanleger-Musterverfahrensgesetz)*). The lawsuits filed with the Braunschweig Regional Court are stayed pending resolution of the common issues, unless the cases can be dismissed for reasons independent of the common issues that are to be adjudicated in the model case proceedings. The resolution in the model case proceedings of the common issues of law and fact will be binding for the pending cases that have been stayed in the described manner. The model case plaintiff is Deka Investment GmbH. Oral argument in the model case proceeding before the Braunschweig Higher Regional Court began in September 2018 and is being continued at subsequent hearings. The latest indication from the court was that it may hear witness testimony on certain points.

At the Stuttgart Regional Court, further investor lawsuits have been filed against Volkswagen AG, in some cases along with Porsche SE as joint and several debtor. A further investor action for binding declaratory ruling pursuant to the KapMuG is pending before the Stuttgart Higher Regional Court against Porsche SE; Volkswagen AG is involved in this action as a third party intervening in support of a party to the dispute. The

Wolverhampton City Council, Administrating Authority for the West Midlands Metropolitan Authorities Pension Fund, has been appointed model case plaintiff. Oral argument in this case began in July 2021 and is to be continued.

In the Netherlands, a shareholder association filed an unquantified lawsuit seeking a determination that Volkswagen AG supposedly misled the capital markets. The lawsuit was withdrawn in early July 2021 after the European Court of Justice had denied international jurisdiction of the Netherlands' courts in a similar case. Volkswagen AG consented to the withdrawal of the action, thereby terminating the litigation, but not precluding subsequent litigation.

The investor lawsuits, judicial applications for dunning procedures and conciliation proceedings, and claims under the KapMuG that are currently pending against Volkswagen AG in connection with the diesel issue outside the US and Canada amount to an aggregated exposure of approximately €9.5 billion (plus accessory claims).

In the U.S., a putative class action has also been filed on behalf of purchasers of certain USD-denominated Volkswagen bonds, alleging that these bonds were trading at artificially inflated prices due to Volkswagen's alleged misstatements and omissions to disclose material facts, and that the value of these bonds declined after the EPA issued its "Notices of Violation". This lawsuit has also been consolidated in the federal multi-district litigation proceeding in the State of California described above. On June 25, 2021, the Ninth Circuit granted Volkswagen's interlocutory appeal, reversing the district court's denial of Volkswagen's motion for summary judgment. In July 2021, plaintiff petitioned the Ninth Circuit for rehearing either before the original panel or en banc. On September 23, 2021, the Ninth Circuit denied the petition for rehearing or rehearing en banc. On October 12, 2021, the Ninth Circuit issued the mandate formally entering its judgment of reversal and remanding to the district court for determination as to whether summary judgment should be granted. No provisions have been recognized. In addition, contingent liabilities have not been disclosed as they currently cannot be measured.

Overall, from 2015 to 2021, Volkswagen recognized over €30 billion in expenses directly related to the diesel issue, adversely affecting its operating profit, financial position and results of operations.

In addition, as of December 31, 2021, contingent liabilities were disclosed in relation to the diesel issue in the aggregate amount of €4.3 billion (December 31, 2020: €4.2 billion), of which lawsuits filed by investors account for €3.6 billion (December 31, 2020: €3.5 billion). Also included are certain elements of the class action lawsuits relating to the diesel issue as well as criminal proceedings/misdemeanor proceedings as far as these can be quantified. As some of these proceedings are still at a very early stage, the plaintiffs have in a number of cases so far not specified the basis of their claims and/or there is insufficient certainty about the number of plaintiffs, or the amounts being claimed. As of March 31, 2022, there were no significant changes to contingent liabilities compared to December 31, 2021.

Evaluating known information and making reliable estimates for provisions is a continuous process. The provisions recognized, and the contingent liabilities disclosed as well as the other latent legal risks in the context of the diesel issue are in part subject to substantial estimation risks given the complexity of the individual relevant factors and the ongoing coordination with the authorities, and that the fact-finding efforts – excluding the investigations by the Supervisory Board – have not yet been concluded. As a result, Volkswagen could be subject to further considerable financial charges that exceed its current estimates. Furthermore, new information not known to Volkswagen's Board of Management at present may surface, requiring further revaluation of the amounts estimated. Considerable financial charges may be incurred, and further substantial provisions may be necessary as the issues and legal risks, fines and penalties crystallize.

In addition to ongoing, extensive investigations by governmental authorities in various jurisdictions worldwide, further investigations (including in relation to areas carved out of the plea agreement with the U.S. authorities, such as tax) could be launched in the future and existing investigations could be expanded. Furthermore, there could be pending or threatened claims against the Volkswagen Group of which Volkswagen's management is not yet aware. Ongoing and future investigations may result in further legal actions being taken against Volkswagen or some of its employees. These actions could include the following: additional assessments of substantial criminal and civil fines as well as forfeiture of gains; the imposition of penalties, sanctions and injunctions against future conduct; the loss of vehicle type certifications; and sales stops and business restrictions. The timing of the release of new information on the investigations and the maximum amount of penalties that may be imposed cannot be reliably determined at present. New information may arise at any time, including after the offer, sale and delivery of the Notes.

Any of the above-described negative developments could result in substantial additional costs and have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as on the prices of its securities and its capability to make payments under its securities, including the Notes.

Moreover, the issues described above have caused or could cause the following effects:

- damage to Volkswagen's reputation or brand image and impairment of Volkswagen's relationship with customers, dealers, suppliers, other important business partners, employees and investors, which could be exacerbated by negative publicity and perception that Volkswagen is insufficiently communicating these developments;
- lower sales, sales prices and margins and higher marketing and sales expenses for new and used Volkswagen Group vehicles, including the cost of Volkswagen having to perform inspections of vehicles free of charge which could have an adverse impact on Volkswagen's ability to compete, as a result of which Volkswagen could lose significant sales revenue;
- higher product inventories, which could increase working capital requirements;
- an adverse impact on Volkswagen's ability to pursue its strategic goals;
- an impairment of Volkswagen's ability to obtain financing required to maintain its operations, rendering Volkswagen's funding sources less efficient and more costly. Volkswagen's credit ratings have been downgraded in the wake of these findings and could be subject to further downgrades, see "*Financial risks — Volkswagen may not succeed in refinancing its capital requirements in due time and to the extent necessary, or at all. There is also a risk that Volkswagen may refinance on unfavorable terms and conditions.*";
- an early redemption of asset-backed securities with respect to which Volkswagen Group vehicles with diesel engines serve as collateral;
- Volkswagen having to dispose of certain assets, brands, subsidiaries or investments at prices below their fair market value in order to cover emissions-related financial liabilities, especially if the timing of any emissions-related payments leads to constraints on Volkswagen's cash flows; and
- an erosion of Volkswagen's competitive position due to reduced investments.

The majority of the investigations, proceedings and litigation are ongoing at this time. These proceedings could take an extended period of time to resolve, and Volkswagen cannot predict when they will be completed or what their outcomes will be, including the potential effect that their results or the reactions of third parties thereto may have on Volkswagen's business.

Future developments in these investigations, proceedings and litigation, the need to respond to the requests of governmental authorities and private plaintiffs, and the need to cooperate in these proceedings, especially if Volkswagen is not able to resolve these matters in a timely manner, could divert management's attention and resources from other issues facing Volkswagen's business.

The results of these and any future investigations, proceedings and litigation may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as on the prices of its securities and its ability to make payments under its securities and may result in a negative net cash flow. If Volkswagen's efforts to address, manage and remediate the issues described above are not successful, Volkswagen's business, reputation and competitive position could suffer substantial and irreparable harm. Additionally, the emissions issue could affect or exacerbate the impact of the other risks Volkswagen faces as described in this Offering Memorandum.

2.6.2 *The diesel issue led to a review and ongoing reforms of Volkswagen's internal controls, compliance function and company culture. If these reforms are not implemented or maintained and future material compliance failures occur, Volkswagen could be exposed to significant adverse consequences.*

In the wake of the diesel issue and in accordance with the settlement agreements between Volkswagen and the U.S. government, Volkswagen initiated programs and projects to enhance its internal controls, procedures and compliance systems to strengthen its culture of integrity and accountability. Behaving with integrity is a prerequisite for Volkswagen's future commercial success.

Among other things, Volkswagen's efforts include improvements of internal controls for its product development process and the testing of vehicles, reforms of its whistleblower system, revisions to its code of conduct, increased employee training, improvements to its risk assessment systems, and creation of a centralized integrity management function by setting up a new Board of Management position for Integrity and Legal Affairs. The so-called Golden Rules (internal procedures developed to optimize Volkswagen's operational internal control system) set forth certain minimum requirements for engine control unit software development, emission certification and escalation management.

In addition, pursuant to the settlement agreements with the U.S. authorities, Volkswagen was required to retain for a three-year period an external Independent Compliance Monitor ("**Monitor**") and Compliance Auditor ("**Auditor**") to review and audit Volkswagen's compliance with its obligations under the Plea Agreement and Third Partial Consent Decrees, respectively. Larry D. Thompson was appointed as the Monitor and Auditor in April 2017. Mr. Thompson subsequently prepared and submitted a number of review reports pursuant to the Plea Agreement throughout his appointment. On August 14, 2020, Volkswagen's CEO and CFO certified to the DOJ that Volkswagen had met its disclosure obligations pursuant to the Plea Agreement. On September 1, 2020, the Monitor certified to DOJ that Volkswagen's compliance program, including its policies and procedures, is reasonably designed and implemented to prevent and detect violations of anti-fraud and environmental laws, pursuant to the Plea Agreement and, on September 14, 2020, the term of the Monitor and term of the Plea Agreement expired.

Additionally, on August 17, 2018 and August 16, 2019, Mr. Thompson submitted his first and second annual reports under the Third Partial Consent Decrees. On June 16, 2020, Mr. Thompson submitted his third and final annual report under the Third Partial Consent Decrees. The term of the Auditor under the Third Partial Consent Decree and the Third California Partial Consent Decree ended in June 2020.

On August 13, 2019, Volkswagen and the US Environmental Protection Agency entered into an administrative agreement with a three-year term, seeking to resolve all administrative matters that relate to suspension and debarment arising from the Plea Agreement. Pursuant to the administrative agreement, Volkswagen has also retained an Independent EPA Auditor for the duration of this agreement.

The goal of these measures is to reinforce Volkswagen's governance and compliance to help deter and prevent future misconduct. Nevertheless, there remains a risk that Volkswagen fails to effectively implement or maintain the revised rules and procedures and that employees do not comply with them or otherwise fail to act in a lawful manner at all times. Furthermore, Volkswagen may face conflicts between requests for information in the context of various US agreements entered into in connection with the diesel issue on the one hand and both German and international data protection requirements on the other. Any of the above factors could lead to penalties, liabilities, reputational damage and materially adverse business consequences. In addition, violations of Volkswagen's obligations under the settlement agreements cannot be ruled out. In this case, significant penalties could be imposed as stipulated in the agreements, in addition to the possibility of further monetary fines, criminal sanctions and injunctive relief.

2.6.3 *Volkswagen's compliance and risk management systems may prove to be inadequate to prevent and discover breaches of laws and regulations and to identify, measure and take appropriate countermeasures against all relevant risks.*

In connection with its worldwide business operations, Volkswagen must comply with a range of legislative requirements in a number of countries. Volkswagen maintains a compliance management system that supports Volkswagen's operational business processes, helps to ensure compliance with legislative provisions and, where necessary, initiates appropriate countermeasures.

Members of Volkswagen's governing bodies, employees, authorized representatives or agents may violate applicable laws, and internal standards and procedures. Volkswagen may not be able to identify such violations, evaluate them correctly or take appropriate countermeasures. Furthermore, Volkswagen's compliance and risk management systems may not be appropriate to the company's size, complexity and geographical diversification and may fail for various reasons. In addition, on the basis of experience, Volkswagen cannot rule out that, for example in contract negotiations connected with business initiation, members of Volkswagen's governing bodies, employees, authorized representatives or agents have accepted, granted or promised advantages for themselves, Volkswagen or third parties, have applied comparable unfair business practices, or continue to do so. Volkswagen's compliance system may not be sufficient to prevent such actions. See also "*Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relat-*

ing to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities." and "The diesel issue led to a review and ongoing reforms of Volkswagen's internal controls, compliance function and company culture. If these reforms are not implemented or maintained and future material compliance failures occur, Volkswagen could be exposed to significant adverse consequences."

The occurrence of these risks may result in a reputational loss and various adverse legal consequences, such as the imposition of fines and penalties on Volkswagen or members of its governing bodies or employees, or the assertion of damages claims. Volkswagen is particularly exposed to these risks with respect to its minority interests and joint ventures, as well as its listed subsidiaries, where it is difficult and, in some cases, possible only to a limited extent to integrate these entities fully into Volkswagen's compliance and risk management systems.

2.6.4 *Volkswagen may fail to adequately protect its intellectual property and know-how or may be liable for infringement of third-party intellectual property.*

Volkswagen owns a large number of patents and other intellectual property rights, a number of which are of essential importance to Volkswagen's business success. Despite ownership of these rights, Volkswagen may fail to enforce claims against third parties to the extent required or desired. Volkswagen's intellectual property rights may be challenged, and Volkswagen may not be able to secure such rights in the future. In particular, there is a heightened risk that Volkswagen may not be in a position to secure all necessary intellectual property rights with respect to the development of new technologies, as part of Volkswagen's collaborative partnerships or otherwise.

Furthermore, third parties (including joint venture partners or partners in collaborative projects) may violate Volkswagen's patents and other intellectual property rights and Volkswagen may not be able to prevent such violations for legal or practical reasons. This applies to product piracy where Volkswagen's vehicles and components are copied, possibly with poor quality, resulting in additional reputational and warranty risks. Trade secrets and know-how that cannot be safeguarded through intellectual property rights are also important for Volkswagen's business success. Volkswagen may be unable to prevent disclosure of trade secrets.

Volkswagen may also infringe patents, trademarks or other third-party rights or may not have validly acquired service inventions. Furthermore, Volkswagen may not obtain the licenses necessary for its business success on reasonable terms in the future. If Volkswagen is alleged or determined to have violated third-party intellectual property rights, it may have to pay damages, modify manufacturing processes, redesign products or may be barred from marketing certain products. Volkswagen could also face costly litigation. These risks could lead to delivery and production restrictions or interruptions and materially adversely affect Volkswagen's general business activities, net assets, financial position and results of operations.

2.6.5 *Volkswagen is exposed to risks in connection with product-related guarantees and warranties as well as the provision of voluntary services, in particular in relation to recall campaigns.*

As a result of contractual and legal provisions, Volkswagen is obliged to provide extensive warranties to its dealers, importers and national distributors (quality defect liability) as well as, in certain countries, to customers. Volkswagen may face additional liability depending on the applicable laws and contractual obligations.

As a rule, Volkswagen forms provisions for these obligations on an ongoing basis. Nevertheless, relative to the guarantees and warranties that it grants, Volkswagen may have set the calculated product prices and the provisions for guarantee and warranty risks too low or may do so in the future. Volkswagen's suppliers have also provided guarantees and warranties, however, when claims are made against them, these suppliers may not be able to fulfill their obligations. Furthermore, costs associated with electric vehicles could be significantly higher in the future than originally thought (for example, recalls may be more expensive than for internal combustion vehicles; claims for damages after serious accidents may be higher and raw material prices relevant to electric mobility may increase).

Supervisory authorities may request that Volkswagen performs recall campaigns and could compel a recall and modification of Volkswagen's products or components included in Volkswagen's products. Frequently, such recalls concern a small number of vehicles. However, substantial numbers of vehicles could also be affected. The risk of a recall of a substantial number of vehicles could be exacerbated due to Volkswagen's application of modular vehicle components that are used for the production of vehicles across brands and classes.

Due to the diesel issue, Volkswagen was ordered to initiate a comprehensive recall in various jurisdictions to retrofit certain of its vehicles to bring their emissions systems into compliance with pollution regulations. For more information, see *"Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities."* The related costs incurred to date are considerable and there could be additional substantial costs. There could be future recalls affecting additional jurisdictions and vehicles. The recalls could pose significant challenges to Volkswagen's dealers. Depending on the required repairs, in particular in the United States and Canada, dealers may lack sufficient technical capacities to implement the works on time. In addition, dealers may experience liquidity issues. To the extent Volkswagen is required to provide support to its dealer network in connection with any recalls, in particular in the United States, it may incur significant costs. Moreover, Volkswagen could be required to compensate dealers for any litigation claims they might face vis-a-vis their customers.

On May 5, 2016, the U.S. National Highway Traffic Safety Administration (NHTSA) announced, jointly with the Takata company, a further extension of the recall for various models from different manufacturers containing certain airbags produced by the Takata company. Recalls were also requested by the local authorities in individual countries. The recalls also included models manufactured by the Volkswagen Group. Appropriate provisions have been recognized. Furthermore, in May 2020, Volkswagen agreed with NHTSA on future recalls of models with a certain type of Takata airbag inflators in the USA. Based on findings from Volkswagen's analysis program, further models were voluntarily recalled in certain countries with specific climate conditions. Currently, the possibility of further extensions to the recalls, in the U.S. or other countries worldwide, that could also affect Volkswagen Group models cannot be ruled out and could, therefore, have an adverse financial impact.

Volkswagen may not have claims against third parties (for example suppliers) for expenses and costs associated with recalls or part exchanges. Volkswagen may have designed products with product defects or may manufacture faulty products. Moreover, Volkswagen may provide services as a courtesy or for reputational reasons although Volkswagen is not legally obligated to do so.

2.6.6 Volkswagen's existing insurance coverage may not be sufficient and insurance premiums may increase.

Volkswagen has obtained insurance coverage in relation to a number of risks associated with its business activities that are subject to standard exclusions, such as willful misconduct. However, Volkswagen may suffer losses or claimants may bring claims that exceed the type and scope of Volkswagen's existing insurance coverage. Significant losses could lead to higher insurance premium payments. In addition, there are risks left intentionally uninsured based on Volkswagen's cost benefit analysis (such as, but not limited to, business interruption, interruptions following marine cargo damage, supplier insolvency, industrial disputes, specific natural hazards or comprehensive car cover), and Volkswagen therefore has no insurance against these events.

Where the risks arising from legal disputes and investigations can be assessed and insurance coverage is economically sensible, Volkswagen has purchased customary insurance coverage or recognized provisions or contingent liabilities in relation to these risks. However, as certain risks cannot be estimated or can be estimated only with difficulty, Volkswagen may incur losses that are not covered by insurance or provisions. In particular, this is the case concerning estimations of legal risks arising out of the diesel issue. As a result, legal risks could have a material adverse effect on Volkswagen's reputation, business, net assets, financial position and results of operations.

If Volkswagen sustains damages for which there is no or insufficient insurance coverage, or if it has to pay higher insurance premiums or encounters restrictions on insurance coverage, this may materially adversely affect Volkswagen's general business activities, net assets, financial position and results of operations.

2.6.7 Volkswagen is exposed to tax risks, which could arise in particular as a result of tax audits or as a result of past measures.

Volkswagen AG and its subsidiaries have operations worldwide and are audited by local tax authorities on an ongoing basis. Amendments to tax laws and changes in legal precedent and their interpretation by the tax authorities in the respective countries may lead to tax payments that differ from the estimates made in the financial statements.

Risks arise particularly from tax assessment of the cross-border supply of intragroup goods and services. Through organizational measures, such as the implementation of an advance pricing agreement as well as the monitoring of transfer prices, Volkswagen is constantly monitoring the development of tax risks as well as the impact thereof on its consolidated financial statements. Furthermore, German tax authorities may not accept all costs, expenses, fines or similar liabilities incurred by Volkswagen and its subsidiaries in Germany as a result of the diesel issue as tax deductible business expense.

Tax provisions were recognized for potential future tax payments for former years, while other provisions were recognized for ancillary tax payments arising in this connection.

Volkswagen's provisions for tax risks may be insufficient to cover any actual settlement amount. Risks may also arise due to changes in tax laws or accounting principles. The occurrence of these risks could have a material adverse effect on Volkswagen's net assets, financial position and results of operations.

2.6.8 In Germany, investors have brought conciliation and legal proceedings against Volkswagen AG in connection with Porsche SE's acquisition of Volkswagen AG shares, claiming significant damages for alleged breaches of capital market laws.

In 2011, ARFB Anlegerschutz UG (*haftungsbeschränkt*) brought an action against Volkswagen AG and Porsche SE claiming damages for allegedly violating disclosure requirements under capital market law in connection with the acquisition of ordinary shares in Volkswagen AG by Porsche SE in 2008. The damages currently being sought are based on allegedly assigned rights and amount to approximately €2.26 billion plus interest. In April 2016, the District Court in Hanover had formulated numerous objects of declaratory judgement that the Cartel Senate of the Higher Regional Court (*Oberlandesgericht*) in Celle will decide on in model case proceedings under the German Capital Markets Model Case Act (*KapMuG — Kapitalanleger-Musterverfahrensgesetz*). In the first hearing on October 12, 2017, the Senate indicated that it currently does not see claims against Volkswagen AG as justified, both in view of a lack of substantiated submissions and for legal reasons. The Senate also held that some of the desired objects of declaratory judgment on the litigants' side may be inadmissible.

The Higher Regional Court currently reviews the submissions of the parties and has yet to render a decision as many hearings have been cancelled, among other things due to motions for recusal filed by the plaintiff side (so far in all cases without success) and, more recently, as a result of the SARS-CoV-2 pandemic.

Volkswagen AG continues to consider the alleged claims to be without merit. However, in the event of a settlement or an unfavorable decision in the legal proceedings, Volkswagen AG could sustain considerable losses.

2.6.9 Volkswagen is subject to antitrust investigations in multiple jurisdictions worldwide. In particular, the European Commission's antitrust proceedings involving Scania AB and MAN SE have resulted in the imposition of fines and further damages are being sought.

In 2011, the European Commission conducted searches at the premises of several European truck manufacturers on suspicion of violations of EU antitrust rules in the European truck sector and issued a statement of objections to MAN, Scania and the other truck manufacturers concerned in November 2014. With its settlement decision in July 2016, the European Commission fined five European truck manufacturers holding that collusive arrangements on pricing and gross price increases for medium- and heavy-duty trucks in the European Economic Area and the timing and the passing on of costs for the introduction of emission technologies for medium- and heavy-duty trucks required by EURO III to EURO VI standards had lasted from January 17, 1997 to January 18, 2011 (for MAN: until September 20, 2010). MAN's fine was waived in full as the company had informed the European Commission about the irregularities as a key witness.

In September 2017, the European Commission fined Scania €0.88 billion. Scania had appealed to the European Court in Luxembourg that rendered its decision in February 2022. Scania's appeal was fully rejected, and the fining decision of the European Commission confirmed. As a result, Scania increased the provisions in connection with the proceedings (€0.9 billion as of December 31, 2021). In April 2022, Scania filed an appeal with the European Court of Justice against the February 2022 judgment, and at the same time paid the €0.9 billion fine, to avoid additional interest penalties.

Furthermore, a significant number of (direct or indirect) truck customers in various jurisdictions have initiated or joined lawsuits for damages against MAN and/or Scania. As is the case in any antitrust proceedings, further lawsuits for damages cannot be excluded. Neither provisions nor contingent liabilities were stated because the early stage of proceedings makes an assessment currently impossible.

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

The Korean competition authority ("**KFTC**") is analyzing potential violations based on the facts of the EU case. The final report of the KFTC's appointed case handler was issued in November 2021. Volkswagen AG, AUDI AG, and Porsche AG have replied to this report. Proceedings in this matter have also been finalized in Turkey. There, these three Group brands have received a decision from the competition authority that did not impose any fines on the three Group brands. Based on comparable matters, the Chinese competition authority has instituted proceedings against Volkswagen, Audi, and Porsche, among others, and issued requests for information.

In March 2020, the US District Court for the Northern District of California dismissed two amended putative class action complaints brought by purchasers of German luxury vehicles alleging that, since the 1990s, several automobile manufacturers, including Volkswagen AG and other Group companies conspired to unlawfully increase the prices of German luxury vehicles in violation of US antitrust and consumer protection law. The court held that the plaintiffs have not stated a claim for relief because the allegations in the complaints do not plausibly support that the alleged agreements unreasonably restrained competition in violation of U.S. law. The court granted plaintiffs leave to file amended complaints with respect to a limited subset of plaintiffs' original claims. Plaintiffs filed a second set of amended complaints in June 2020, which defendants moved to dismiss in August 2020. In October 2020, the court granted defendants' motion and dismissed with prejudice the amended complaints in their entirety. The plaintiffs appealed this ruling. In August 2021, the plaintiffs in one of the two class actions withdrew their appeal. In October 2021, the Ninth Circuit affirmed the dismissal of the other class action by the US District Court for the Northern District of California. After receiving an extension until December 27, 2021, the plaintiffs in the latter class action filed a motion for rehearing, which the Ninth Circuit denied on January 25, 2022. Those plaintiffs also filed on December 28, 2021 a motion seeking to set aside the District Court's October 2020 judgment and to be allowed to file a new amended complaint, which the District Court denied on February 22, 2022.

Plaintiffs in Canada filed claims with similar allegations on behalf of putative classes of purchasers of German luxury vehicles against several automobile manufacturers, including Volkswagen Group Canada Inc., Audi Canada Inc., and other Group companies. Neither provisions nor contingent liabilities were stated because the early stage of proceedings makes an assessment currently impossible.

In addition, a few national and international authorities have initiated antitrust investigations. Volkswagen is cooperating closely with the responsible authorities in these investigations. For example, Volkswagen AG has received a request for information from the European Commission relating to end-of-life vehicles. In the same matter Volkswagen Group UK has been subject to a dawn raid by the UK Competition and Market Authority. The above proceedings are currently pending, and it is too early to assess the potential consequences of the investigation on Volkswagen.

2.6.10 Volkswagen is subject to risks arising from legal disputes and government investigations.

In connection with its general business activities, Volkswagen, as well as entities in which Volkswagen holds a direct or indirect interest, are currently the subject of legal disputes and government investigations in Germany as well as abroad and may continue to be so in the future. Such disputes and investigations may, in particular, arise from Volkswagen's relationships with authorities, suppliers, dealers, customers, employees or investors. Volkswagen may be required to pay fines or take or refrain from taking certain actions. To the extent customers, particularly in the United States, assert claims for existing or alleged vehicle defects individually or in a class-action lawsuit, Volkswagen may have to undertake costly defense measures, reimburse plaintiffs' legal fees and pay significant damages, including punitive damages. Complaints brought by suppliers, dealers, investors or other third parties (such as governmental authorities or patent exploitation companies) in the United States and elsewhere may also result in significant costs, risks or damages. This particularly relates to current and future class-action lawsuits, actions relating to patent rights and antitrust disputes among others. On November 1, 2018, the German Act on Model Declaratory Action came into effect, allowing certain entities to file an action for declaratory judgment on behalf of consumers. This law has already led to a significant increase in consumer litigation in Germany, including with respect to diesel-related litigation against Volkswagen and it may lead to further increases in litigation the future.

Furthermore, there may be investigations by governmental authorities in connection with Volkswagen's compliance with regulatory requirements, in particular where Volkswagen's and the regulators' interpretation of the applicable requirements differ. Uncertainties or differing assessments of risk surrounding enforcement or regulatory interpretations could result in substantial costs, including civil and criminal penalties. Investigations could relate to circumstances of which Volkswagen currently is not aware, or which have already arisen or will arise in the future, including supervisory and environmental law, competition law, state aid or criminal proceedings.

For example, Porsche AG has discovered potential regulatory issues relating to vehicles for various markets worldwide. There are questions as to the permissibility of specific hardware and software components used in certain type approval measurements for gasoline vehicles. Differences compared with series production versions may have occurred in certain cases. Based on the information presently available, current production is not affected. The issues are unrelated to the defeat devices that were at the root of the diesel issue. Porsche AG is cooperating with the relevant authorities including the Stuttgart Office of the Public Prosecutor, which is investigating the matter in Germany. The Stuttgart Office of Public Prosecutor has dismissed the case against all (former) Porsche employees/members of the Board of Management initially investigated. No formal criminal investigation has been opened against Porsche AG. Porsche's own internal investigations have also been completed in this regard. In January 2021, a consolidated complaint was filed with the US District Court for the Northern District of California alleging that the affected vehicles used certain software and/or hardware that resulted in increased emissions and/or overstated fuel economy estimates as compared to the results of certification testing. The defendants (Volkswagen AG, Porsche AG, and Porsche Cars North America, Inc.) have moved for dismissal of the action.

Risks may also emerge in connection with the adherence to regulatory requirements. This particularly applies in the case of regulatory grey areas where Volkswagen and the authorities responsible for the respective regulations may interpret the regulations differently. In addition, legal risks can arise from criminal activities of individual persons, which even the best compliance management system can never completely prevent.

See also "Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities."

2.6.11 Volkswagen is exposed to political, economic, tax and legal risks in numerous countries.

Volkswagen manufactures products in various countries, such as Germany, Sweden, Spain, the Czech Republic and the United States, in countries at the threshold of becoming industrialized nations, as well as those that only recently crossed such threshold, such as China, Brazil, Russia, India and Mexico. Volkswagen offers its products and services globally. In certain countries in which Volkswagen manufactures and

sells products and services, the underlying conditions differ significantly from those in Western Europe, and there is less economic, political and legal stability. In a number of countries, there is a history of recurring political or economic crises and changes. This presents Volkswagen with risks over which it has no control, and which could have material adverse effects on its business activities and growth opportunities in these countries.

Demand for vehicles and production conditions in certain countries may be influenced by regulatory, foreign trade policy and other government market interventions. For example, restrictions on the granting or retention of approvals for vehicles or production facilities, international trade disputes, revocation of existing tax privileges, demand for the repayment of subsidies and the maintenance or introduction of new customs duties or other trade barriers such as import restrictions, may negatively affect Volkswagen's sales, procurement activities, production costs and expansion plans in the affected regions.

The expansion of bilateral and multilateral free-trade agreements between countries could also negatively affect Volkswagen's market position. This is particularly the case in Southeast Asia, where increasing numbers of Japanese companies are obtaining preferential market access based on free-trade agreements. Volkswagen's inability to gain access to markets or ability to do so only on restrictive terms could have a material adverse effect on Volkswagen's general business activities, net assets, financial position and results of operations.

2.7 Financial risks

2.7.1 *Volkswagen is exposed to risks from volatile foreign exchange markets; changes in exchange rates, interest rates and commodity prices as well as respective hedging transactions may have a negative impact on Volkswagen operating result.*

Volkswagen operates across numerous jurisdictions around the world, conducting business in multiple currencies and as a result, is exposed to financial risks that may arise from changes in interest rates, exchange rates, raw material prices, or share and fund prices. These market risks may have substantial adverse effects on Volkswagen's operating results and cash flows. Volkswagen enters into hedging transactions to lower currency, interest rate and commodity price risks. Management of these financial and liquidity risks is centrally operated by the Group's treasury department, using non-derivative and derivative financial instruments. However, these risks are not fully hedged and losses arising from hedging activities, together with the expenses of hedging transactions, may result in significant costs.

Volkswagen is exposed to the effects of changes in the exchange rates – especially against the euro – of several currencies that play a significant role in the group's worldwide operations. Such currencies include but are not limited to, the: Australian dollar, Brazilian real, British pound sterling, Canadian dollar, Chinese renminbi, Czech koruna, Hong Kong dollar, Hungarian forint, Indian rupee, Japanese yen, Mexican peso, Norwegian krone, Polish zloty, Russian ruble, Singapore dollar, South African rand, South Korean won, Swedish krona, Swiss franc, Taiwan dollar and U.S. dollar. When business and economic conditions are favorable, Volkswagen is normally able to obtain the equivalent of euro-denominated prices for its products and services. However, this is usually not possible during weak economic periods, with the result that a strong euro may have an intensified negative impact. This could affect results from hedging activities and adversely affect Volkswagen's operating results and cash flows. As a result of the Russia-Ukraine conflict, Volkswagen expects additional pressure on the Russian ruble and this pressure has resulted and may further result in Volkswagen experiencing exchange rate effects in relation to its operations in the region.

Moreover, in order to manage the liquidity and cash needs of its day-to-day operations, Volkswagen holds a variety of interest rate sensitive assets and liabilities, exposing the group to interest rate risk. This also applies to the leasing and financing operations. Volkswagen hedges interest rate risk – where appropriate in combination with currency risk – and risks arising from fluctuations in the value of financial instruments by means of interest rate swaps, cross-currency interest rate swaps and other interest rate contracts with generally matching amounts and maturities. However, if interest rates develop in an adverse manner and/or if Volkswagen's hedge positions are inadequate, this could result in losses, affect results from hedging activities, create liquidity issues, and adversely affect Volkswagen's operating results and cash flows.

Finally, the hedging of commodity prices entails risks relating to the availability of raw materials and price trends. See also: *"Volkswagen is exposed to risks arising from procurement of raw materials, potentially impacting its procurement, production, transport and service chains."* Volkswagen limits these risks mainly by entering into forward transactions and swaps. Volkswagen has entered into similar transactions in order to supplement and improve allocations of CO₂ emission certificates. Changes in prices due to high market

demand for such commodities as well as changes in market values of hedges for such commodities might impact Volkswagen's ability to maintain appropriate hedge positions for affected commodities and could in turn adversely affect Volkswagen's operating results.

In addition to the above, the effects of the SARS-CoV-2 pandemic or of violent conflicts – such as the current conflict between Russia and Ukraine, on the global economy have created significant volatility in exchange rates and commodity prices, caused interest rates to drop and severely disrupted financial markets. There is a risk that exchange rate and commodity prices disruptions will be further exacerbated as a result of the Russia-Ukraine conflict. These developments have affected and could continue to affect Volkswagen's results, including results from hedging activities, and may exacerbate the financial risks to which Volkswagen is exposed and have a material adverse effect on Volkswagen's operating results and cash flows.

2.7.2 Volkswagen may not succeed in financing or refinancing its capital requirements in due time and to the extent necessary, or at all. There is also a risk that Volkswagen may refinance on unfavorable terms and conditions.

Volkswagen depends on its ability to cover its financing requirements adequately. As of March 31, 2022, Volkswagen's noncurrent and current financial liabilities amounted to €211,435 million.

Volkswagen's Automotive Division and Financial Services Division carry out refinancing separately, but in principle are subject to the same financing risks. The Automotive Division finances itself primarily through retained, undistributed earnings as well as through borrowings in the form of bonds and other instruments. The Financial Services Division satisfies its funding requirements through the issuance of long and short-term debt securities out of money market and capital market programs, bank loans, operating cash flows, retail and wholesale deposits, central bank facilities and the securitization of lease and loan receivables. The Financial Services Division regularly funds itself via the Automotive Division.

Volkswagen's financing opportunities may be adversely affected by a deterioration in financial and general market conditions, a weakening of its credit profile and outlook as well as by a rating downgrade or withdrawal. In these cases, the demand from capital market participants for securities issued by Volkswagen may decrease, which could adversely impact the rates of interest Volkswagen has to pay and may result in lower capacity to access the capital markets.

The SARS-CoV-2 pandemic has resulted in a material deterioration of global economic conditions and financial markets, which may make it difficult for Volkswagen to obtain sufficient financing to meet its needs or may prevent Volkswagen from being able to finance on reasonable terms or at all. This, alongside any similar effects resulting from other events such as violent confrontations – such as the current conflict between Russia and Ukraine – may have a material adverse effect on Volkswagen's business, net assets, financial position and results of operations.

Volkswagen AG's credit ratings were downgraded in the wake of the diesel issue and Volkswagen has in the past and may in the future experience limited access to refinancing opportunities. See also *"Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities."*

If financial and general market conditions deteriorate or credit spreads and/or the general level of interest rates increase, this would result in higher interest expenses for Volkswagen. If Volkswagen does not limit its exposure to changes in interest rates accordingly, it could incur materially higher financing costs which in turn would lead to lower profitability.

2.7.3 Volkswagen is exposed to the risk that a contract party will default or that the credit quality of its customers or other contractual counterparties will deteriorate.

Credit risk

Volkswagen is exposed to the risk that the credit quality of its retail customers and business partners (such as dealers and other corporate customers) may deteriorate and in the worst case that they may default (risk

of counterparty default). This includes the risk of default on lease payments as well as on repayments of and interest payments on financing contracts (credit risk). Credit risk is influenced by, among other factors, customers' financial strength, collateral quality, overall demand for vehicles and general macroeconomic conditions. If, for example, an economic downturn leads to increased inability or unwillingness of borrowers or lessees to repay their debts, increased write-downs and higher provisions would be required, which in turn could adversely affect Volkswagen's results of operations. In addition, restrictions in the use of vehicles such as potential driving bans in cities for older diesel vehicles, could decrease market prices and in turn collateral values of vehicles could decrease. Lower collateral values could negatively impact the asset situation of Volkswagen Group.

Volkswagen has implemented detailed procedures in order to contact delinquent customers for payment, arrange for the repossession of unpaid vehicles and sell repossessed vehicles. However, there is still the risk that Volkswagen's assessment procedures, monitoring of credit risk, maintenance of customer account records and repossession policies might not be sufficient to prevent negative effects for Volkswagen.

Volkswagen's dealers could encounter financial difficulties as a result of the diesel issue and regulatory or political decisions. Due to lower sales in new and used car business, or sales carried out with low or (in extreme cases) no margin due to a buying restraint of customers caused by the uncertainties surrounding the diesel issue or other factors, dealers may not be able to generate sufficient cash flows to meet their financial liabilities.

The current worldwide shortage of components (e.g., semiconductors, cable harness), the stressed supply chains, rising raw material, energy prices and logistic costs since pandemic and Ukraine war have had a material impact on the global automotive industry and the production of vehicles. The decrease in vehicles produced has already weakened the dealer business of the Volkswagen Financial Services Division. With fewer vehicles to sell to end customers, dealers' revenues have and will continue to decline, which may negatively impact the financial condition of the dealers. In addition, the increasing shortage of components and intermediate products could increase car prices, which could negatively affect customer demand. Furthermore, the extended delivery times of new cars could cause an increase of the cancellations by the customers. The shortage of components and wide variety of impediments have already had a negative impact on the volume of the business due to the decreased number of new vehicles and could continue to have a material negative impact on the assets, operating result and financial positions of Volkswagen Financial Services Division and Volkswagen Group.

Counterparty risk / Issuer risk

Volkswagen is exposed to the risk of deterioration of the credit quality of its contractual counterparties in the money markets and the capital markets. In both its Automotive and Financial Services Divisions, Volkswagen maintains extensive business relationships with banks and financial institutions, in particular, to control liquidity through call money and fixed term deposits and to hedge against such risks as currency exchange rate, interest rate and commodity price risks using derivatives. Volkswagen incurs default risks with respect to the repayment of and interest on the deposits and the fulfillment of obligations under such derivatives. Volkswagen invests surplus liquidity in bonds and similar financial instruments, among others. If the credit quality of an issuer of these financial instruments deteriorates, or if such an issuer becomes insolvent, this may result in losses if Volkswagen sells the financial instrument before or at its maturity. This can even result in the issuer's default on the receivable.

If the macroeconomic environment were to deteriorate in the future, the risks described above could rise and Volkswagen may have to increase its risk provisioning. The foregoing risks could have a material adverse effect on Volkswagen's business, net assets, financial position and results of operations.

2.7.4 The Volkswagen Financial Services Division is dependent on Volkswagen Group sales, and any risk that negatively influences the vehicle delivery of the Volkswagen Group may have adverse effects on the business of the Financial Services Division.

The Volkswagen Financial Services Division, as a captive finance company, has a limited business model, namely the sales support of products of the Automotive Division. Thus, the financial success of the Financial Services Division depends largely on the success of the Automotive Division. The development of vehicle deliveries to customers of the Volkswagen Group is crucial and material to the generation of new contracts for the Financial Services Division. As a result, fewer vehicle deliveries would also result in reduced business for the Financial Services Division.

The reasons for fewer vehicle sales can be diverse, including but not limited to the following: If economic growth does not materialize to the extent expected or if economic conditions weaken in a particular market, the Volkswagen Group may sell fewer products in these markets or obtain lower-than-expected prices. Additionally, a lack of economic growth could lead to a decrease of deliveries to customers caused by intensified price competition among automotive manufacturers. Furthermore, a weakening economy is accompanied by lower disposable income from both existing and potential new customers. A decrease in customers' disposable income or their financial condition will generally have a negative impact on vehicle sales.

Moreover, further legal investigations might be launched in the future and existing investigations could be expanded. This may result in further legal actions being taken against the Volkswagen Group and could have a negative influence on customer behavior and the business of Financial Services Division. Finally, if regulatory/political decisions (e.g., sales stops, driving bans, WLTP) or technological developments (e.g., e-mobility) influence customer demand, the sales of Volkswagen Group could be negatively affected, resulting in less business opportunities for the Financial Services Division.

Although the Financial Services Division operates different brands in numerous countries, a simultaneous and strong reduction of vehicle deliveries in several core markets might result in negative volume and financial performance for the Financial Services Division. These risks could have a material adverse effect on Volkswagen's business activities, net assets, financial position and results of operations.

2.7.5 *A decrease in the residual values or the sales proceeds of leased vehicles or vehicles financed with a product with balloon rate and return option could have a material adverse effect on the business, financial condition and results of operations of Volkswagen.*

As a lessor under leasing contracts, including contracts with a balloon rate and return option for the customer, the Financial Services Division generally bears the risk that the market value of vehicles sold at the end of the term may be lower than the contracted residual value at the time the contract was entered into (so-called residual value risk). The Financial Services Division takes such differences into account in establishing provisions for the existing portfolio and in its determination of the contracted residual values for new business.

Volkswagen distinguishes between direct and indirect residual value risks. If the Financial Services Division carries the residual value risk, it is referred to as a direct residual value risk. Residual value risk is indirect when that risk has been transferred to a third party (such as a dealer) based on a residual value guarantee. The Financial Services Division frequently enters into agreements that require dealers to repurchase vehicles, so dealers, as residual value guarantors, would bear the residual value risk. When dealers act as the residual value guarantors, the Financial Services Division is exposed to counterparty credit risk. If the residual value guarantor defaults, the leased asset and also the residual value risk pass to the Volkswagen Group.

The residual value risk could be influenced by many different external factors. A decline in the residual value of used cars could be caused by initiatives to promote sales of new vehicles, which was evident during the global financial and economic crisis when incentive programs were offered by governments (for example, scrapping premiums) and automobile manufacturers. Among other things, Volkswagen was required to increase existing loss provisioning for residual value risks in the past. It cannot be ruled out that a similar scenario due to renewed deterioration of the macroeconomic environment could occur in the future.

Moreover, an adverse change in consumer confidence and consumer preferences could lead to higher residual value risks for Volkswagen. Customers determine the demand for and therefore the prices of used cars. If customers refrain from purchasing Volkswagen Group vehicles, for example due to such vehicles' perceived poor image or unappealing design, this could have a negative impact on residual values.

Furthermore, changes in economic conditions, including as a result of the SARS-CoV-2 pandemic, government policies, exchange rates, marketing programs, the actual or perceived quality, safety or reliability of vehicles or fuel and energy prices could also influence the residual value risk. For instance, public discussions on potential political activities in relation to driving bans for diesel vehicles might influence the residual value risk of the relevant Financial Services Division portfolio. Due to the fact that customers might change their consumption behavior and refrain from buying diesel vehicles, these bans could have a negative impact on the corresponding market prices of these vehicles. Furthermore, shortage of components, rising raw material costs, energy prices, logistic costs and further challenges in procurement and delivery

have caused and may cause in the future decreased new vehicle production, which might also influence used car values. As a result of any of the above factors, the residual value risk might increase and could materially adversely affect Volkswagen's net assets, financial position and results of operations.

The development of residual value risks could be influenced by the topic of e-mobility. On the one hand, rapid technical progress in the field of battery technology in favor of vehicle ranges could lead to increasing residual value risks in existing electric vehicle portfolios, as customer demand for outdated technologies declines, especially in the first few years. On the other hand, due to substitution effects, sales of electric cars as a result of changing customer behavior could have a negative impact on the residual values of conventional combustion-based vehicles, as a result of decreasing customer demand. Finally, e-mobility developments and the impact on residual value risks are difficult to predict and could therefore materially adversely affect Volkswagen Financial Services Division's net assets, financial position and results of operations.

Uncertainties may also exist with respect to the internal methods for calculating residual values, for example due to assumptions that later prove to be incorrect. Although Volkswagen continuously monitors used car price trends and makes adjustments to its risk valuation, assessing residual value risk in advance of actual market indicators remains subject to the risk of assumptions that may prove to be incorrect.

Estimates of provisions for residual value risks may be less than the amounts actually required to be paid due to miscalculations of initial residual value forecasts or changes in market or regulatory conditions. Such a potential shortfall may have a material adverse effect on Volkswagen's business activities, net assets, financial position and results of operations.

Due to the remaining uncertainties, the demand for Volkswagen Group vehicles could decline, which in turn could result in falling new and used car prices. Falling prices would affect Volkswagen at various stages. It could lead to pressure on margins in leasing products and products with balloon rate and return options. In addition, the residual value risk from vehicle returns could increase since the residual values calculated may not correspond with the current residual value assumptions for the end of the contract. As a result, Volkswagen would have to maintain higher value adjustments or record direct partial write-offs against income on its residual value risk portfolio, which would adversely affect Volkswagen's net assets, financial position and results of operations.

Volkswagen could face an increasing residual value risk. Due to the drop in consumer demand, new vehicles may have to be sold at a significant discount, which could have a material impact on the residual value of used vehicles. In addition, consumer demand for used vehicles may also decline, which could further impact the residual values of used vehicles. Decreasing residual values and resulting residual value risks could influence both Volkswagen Group (direct residual value risk) and the dealers, which are financed by the Financial Services Division (indirect residual value risk). Consequently, Volkswagen Group may have to post direct write-offs on its portfolio or build higher loss allowances, which would have a material adverse effect on operating result.

2.7.6 Volkswagen AG and Porsche SE are liable to the Bundesverband deutscher Banken e.V. (Association of German Banks) if the latter incurs losses as a result of having provided assistance to Volkswagen Bank.

Volkswagen Bank GmbH, Braunschweig, Germany ("**Volkswagen Bank**") is a member of the Deposit Protection Fund of the Association of German Banks. The Deposit Protection Fund in principle protects all deposits of private individuals and foundations and certain deposits of commercial enterprises, institutional investors and public-sector entities. Under the by-laws of the Association's Deposit Protection Fund, Volkswagen AG and Porsche SE have each provided a declaration of indemnity for Volkswagen Bank. Under these declarations, they have agreed to hold the Association of German Banks harmless from any losses it incurs resulting from assistance provided to Volkswagen Bank. Volkswagen AG, in turn, has provided a declaration of indemnity to Porsche SE in respect of the indemnity provided by Porsche SE to the Association of German Banks. These circumstances may have a material adverse effect on Volkswagen's business, net assets, financial position and results of operations. Moreover, any rescue measures taken by the Deposit Protection Fund may result in a reputational damage.

2.7.7 *The value of goodwill, brand names or capitalized development costs reported in Volkswagen's consolidated financial statements may need to be partially or fully impaired as a result of revaluations.*

As of March 31, 2022, goodwill reported in Volkswagen's balance sheet amounted to €26,246 million, the reported values of brand names amounted to €17,576 million of capitalized development costs for products under development amounted to €11,877 million and of capitalized development costs for products currently in use amounted to €18,120 million.

At least once a year, Volkswagen reviews whether the value of goodwill, brand names or capitalized development costs may be impaired based on the underlying cash-generating units. If there is objective evidence that the recoverable amount is lower than the carrying amount for the asset concerned, Volkswagen incurs an impairment loss. In light of the Russia-Ukraine conflict, impairment tests were conducted as of March 31, 2022, reflecting in particular assumptions on the expected effects from the parts supply shortage and the corresponding loss in production as well as from the suspension of vehicle deliveries to Russia and the discontinuation of vehicle production in Russia. The impairment losses totaled €331 million in the three months ended March 31, 2022 (three months ended March 31, 2021: €234 million); they are mostly recognized in other operating expenses and in cost of sales. Should Volkswagen need to record an impairment loss in the future, this may have a material adverse effect to its balance sheet and result of operations.

2.8 Risks from mergers & acquisitions, strategic partnerships and/or investments

2.8.1 *Cooperation with joint venture partners or other partners may entail risks that could endanger Volkswagen's market position and cause financial losses.*

At times Volkswagen enters into joint ventures with strategic partners for research and development, market launches and large projects. In addition to Volkswagen's joint ventures in China, important relationships relate to strategic areas, such as e-mobility, battery development, digitalization, autonomous driving, mobility concepts and infrastructure. With respect to its strategic development, Volkswagen expects to rely to a greater extent on partnerships, and cooperations, the success of which will impact the Group's future profitability.

If Volkswagen fails to fulfill its obligations stipulated in the related agreements, it may be subject to claims for damages and contractual penalties, or the joint venture agreement may be terminated. In addition, a breach of contract by Volkswagen's partners or unforeseen events may impair the successful implementation of a project. Moreover, the success of Volkswagen's joint ventures requires that the partners constructively pursue the same goals, which may not always be the case. If Volkswagen decides to divest its shareholdings or withdraw from the joint venture, it may not be able to find a buyer for its shares, or it may not be able to sell the shares for other reasons, or Volkswagen's joint venture partner may claim damages. Disputes with joint venture partners can be costly and divert management's attention from the operation of the business. Additionally, it is possible that Volkswagen's partners may use, outside of the scope of the joint venture project, technologies or intellectual property acquired in the course of the joint venture. The diesel issue could affect Volkswagen's ability to attract future potential cooperation partners, for example, in the area of research and development.

Volkswagen is particularly exposed to these risks in relation to its joint ventures in China, due to their strategic importance in terms of Volkswagen's growth strategy in Asia. Any impairment of the business activities of these joint ventures, irrespective of any associated claims for damages arising from them, may have a material adverse effect on the functioning of these joint ventures. This could result from a number of factors within the respective partnership or due to the partners' differing strategic goals.

If any of these factors were to occur, Volkswagen may lose orders and customers and endanger its strategic market position in the relevant markets, which may result in a time-consuming and costly search for alternative partners and the loss of costs already incurred.

2.8.2 *Volkswagen may be exposed to risks in relation to corporate acquisitions and equity interests in companies as well as with regard to disposals and the rights of minority shareholders.*

Volkswagen has made significant acquisitions in the past and may continue to acquire companies and equity interests in companies in the future. Corporate acquisitions are typically associated with significant investments and risks. For instance, Volkswagen may not be granted full access or be provided with all

relevant information to completely review the target company before the acquisition or investment or can do so only after incurring disproportionately high costs. Therefore, Volkswagen may not recognize all risks related to such a transaction in advance and may not adequately protect itself against such risks. Target companies may also be located in countries in which the underlying legal, economic, political and cultural conditions do not correspond to those customary in the European Union, or have other national peculiarities with which Volkswagen is not familiar. In addition, acquisitions and integration of companies generally tie up significant management resources. There is also a danger that acquired or licensed technologies or other assets may not be legally valid or intrinsically valuable. Furthermore, Volkswagen may not succeed in retaining, maintaining and integrating the employees, business relationships and operations of the acquired companies.

Volkswagen may not realize the targets for growth, economies of scale, cost savings, development, production and distribution targets, or other strategic goals that Volkswagen seeks from the acquisition. Moreover, anticipated synergies may not materialize, the purchase price may prove to have been too high or unforeseen restructuring expenses may become necessary. Thus, Volkswagen's corporate acquisitions or purchases of equity interests in companies may not be successful. Moreover, in many countries and regions, planned acquisitions are subject to a review by the competition and other regulatory authorities, which may impede a planned transaction. It is also possible that the flow of information to Volkswagen may be restricted for legal reasons in the case of equity interests in companies with minority shareholders.

Furthermore, Volkswagen may not be able to recover guarantees and indemnities provided to it by third parties in the context of acquisitions or investments. There is also a possibility that the acquired entities' contractual partners may be entitled to cancel contracts or make other claims which are disadvantageous to Volkswagen.

In relation to asset disposals, Volkswagen is also exposed to risks typically associated with such transactions, including potential liabilities resulting from contractual warranties and indemnities, as well as regulatory risks of not being able to obtain required approvals.

If any of these risks occurs, or if Volkswagen incorrectly assesses the risks or if there are other failures in relation to Volkswagen's acquisitions, investments or disposals, it may lead to an impairment of the acquisition, reputational damage and compliance risks, and may have a material adverse effect on Volkswagen's business activities, net assets, financial position and results of operations.

Risk related to the Notes

2.9 The Notes do not contain any financial covenants.

Neither Volkswagen nor any of its subsidiaries (including the Issuer) will be restricted from incurring additional unsecured debt or other liabilities, including senior debt under the terms of the Notes or the Fiscal and Paying Agency Agreement. If Volkswagen incurs additional debt or liabilities, the Issuer and/or Volkswagen's ability to pay its obligations on the Notes could be adversely affected. In addition, under the Notes or the Fiscal and Paying Agency Agreement, neither the Issuer nor Volkswagen Aktiengesellschaft will be restricted from paying dividends or issuing or repurchasing their other securities.

Noteholders will not be protected under the terms of the Notes or the Fiscal and Paying Agency Agreement in the event of a highly leveraged transaction, a reorganization or a restructuring, merger or similar transaction that may adversely affect Noteholders.

2.10 The Notes and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively, and are subordinated to secured obligations on insolvency.

Holders of secured obligations of the Issuer and the Guarantor will have claims that are prior to the claims of holders of the Notes to the extent of the value of the assets securing those other obligations. The Notes are effectively subordinated to secured indebtedness to the extent of the value of the assets securing those other obligations. In the event of any distribution of assets or payment in any foreclosure, dissolution, winding up, liquidation, reorganization, or other bankruptcy proceeding, the assets securing the claims of secured creditors will be available to satisfy the claims of those creditors, if any, before they are available to unsecured creditors, including the holders of the Notes. In any of the foregoing events, there is no assurance to holders of the Notes that there will be sufficient assets to pay amounts due on the Notes.

2.11 The Volkswagen Group may incur substantially more debt in the future.

The Volkswagen Group may incur substantial additional indebtedness in the future, some of which may be secured by some or all of its assets. The terms of the Notes will not limit the amount of indebtedness Volkswagen may incur. Any such incurrence of additional indebtedness could exacerbate the related risks described in this Offering Memorandum or pose new risks not described in this Offering Memorandum.

2.12 Disruptions in credit and capital markets could affect the liquidity and pricing of the Notes.

Concerns regarding high sovereign debt burdens, contagious effects of rating downgrades, possible sovereign defaults and the future of the euro could affect economic growth rates, interest rates and inflation. As a result of risk aversion by investors, demand for, and values of, some securities have decreased and may decrease further in the future. Continued volatility or intensified turmoil in global credit markets may adversely affect the liquidity and pricing of the Notes.

2.13 Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

The Notes have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction. Purchasers may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws, or pursuant to an effective registration statement. The Notes and the Fiscal and Paying Agency Agreement under which the Notes are issued will contain provisions that will restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A or other exceptions under the Securities Act. It is the Noteholder's obligation to ensure that any offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "*Purchase and Transfer Restrictions*".

2.14 An active trading market may not develop for the Notes, in which case the Noteholder's ability to transfer the Notes will be more limited.

The Notes are new securities for which there currently is no market. The Notes will not be listed on any stock exchange and the Issuer cannot assure you as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell them or the price at which holders of the Notes may be able to sell them. The liquidity of any market for the Notes will depend on a number of factors, including general economic conditions and the Volkswagen Group's own financial condition, performance and prospects, as well as recommendations of securities analysts. The Issuer cannot assure prospective purchasers that an active trading market for the Notes will develop or, if one does develop, that it will be maintained.

The liquidity of, and trading market for, the Notes may also be hurt by general declines in the market for similar securities. Such a decline may adversely affect any liquidity and trading of the Notes independent of the Volkswagen Group's financial performance and prospects.

2.15 The Notes will initially be held in book-entry form and therefore holders of the Notes must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until notes in definitive registered form, or definitive registered notes, are issued in exchange for book-entry interests, owners of book-entry interests will not be considered owners or holders of notes. DTC, or its nominee, will be the registered holder of the Global Notes for the benefit of their respective participants. After payment to the registered holder, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if a holder owns a book-entry interest, such holder must rely on the procedures of DTC, and if such holder is not a participant in DTC, on the procedures of the participant through which the holder owns its interest, to exercise any rights and obligations of a holder under the Fiscal and Paying Agency Agreement. See "*Book-Entry, Delivery and Form*".

Unlike the holders of the Notes themselves, owners of book-entry interests will not have any direct rights to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if a holder owns a book-entry interest, such holder will be permitted to act only to the extent such holders has received appropriate proxies to do so from DTC, or if applicable, from a participant.

There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable a holder to vote on any matters on a timely basis.

Similarly, upon the occurrence of an event of default under the Fiscal and Paying Agency Agreement, unless and until definitive registered notes are issued in respect of all book-entry interests, if a holder owns a book-entry interest, such holder will be restricted to acting through DTC. There can be no assurance that the procedures to be implemented through DTC will be adequate to ensure the timely exercise of rights under the Notes. See "*Book-Entry, Delivery and Form*".

2.16 Holders of Notes with a fixed interest rate are exposed to interest rate risk.

Holders of Notes with a fixed interest rate are particularly exposed to the risk that the price of such fixed rate note may fall as a result of changes in the market interest rate. This may materialize if the holder sells the fixed rate note prior to its final maturity. While the nominal interest rate of a fixed rate note is fixed during the life of such note, the current interest rate on the capital market (market interest rate) typically changes on a daily basis. As the market interest rate changes, the price of a fixed rate note also changes, but in the opposite direction. If the market interest rate increases, the price of the fixed rate note typically falls, until the yield of such note is approximately equal to the market interest rate. If the market interest rate falls, the price of a fixed rate note typically increases, until the yield of such note is approximately equal to the market interest rate. If the holder of a fixed rate note holds it until maturity, changes in the market interest rate are without relevance to such holder as the note will be redeemed at a specified redemption amount, usually the principal amount of such note. Fixed rate notes may also bear an interest rate of zero per cent., in which case no interest will be paid. If a holder of a fixed rate note purchases such note at a price (which term shall include any possible issue surcharge or any provisions, commissions or transactional costs in connection with such purchase) higher than the redemption amount of such note, the yield of the note so purchased may be negative and the holder of fixed rate notes may suffer a loss.

2.17 Holders of Notes with a floating interest rate are exposed to fluctuating interest rate levels and uncertain interest income.

Fluctuating interest rate levels make it impossible to determine the profitability of floating rate Notes ("**Floating Rate Notes**") in advance. The holder of a Floating Rate Note is also exposed to the risk that the price of such Floating Rate Note may fall as a result of changes in the market interest rate. This may materialize if the holder of a Floating Rate Note sells such Floating Rate Note prior to its final maturity. Neither the current nor the historical value of the relevant floating rate should be taken as an indication of the future development of such floating rate during the term of the Floating Rate Notes.

2.18 The composition and characteristics of SOFR are not the same as those of U.S. dollar LIBOR, and SOFR is not expected to be comparable to U.S. dollar LIBOR.

In June 2017, the Federal Reserve Bank of New York's Alternative Reference Rates Committee (the "**ARRC**") identified the Secured Overnight Financing Rate (or "**SOFR**") as the rate that, in the consensus view of the ARRC, represented best practice for use in certain new U.S. dollar derivatives and other financial contracts. However, the composition and characteristics of SOFR are not the same as those of U.S. dollar London Interbank Offered Rate (or "**LIBOR**"). SOFR is a broad Treasury repurchase financing rate that represents overnight secured funding transactions and is not the economic equivalent of U.S. dollar LIBOR. While SOFR is a secured rate, U.S. dollar LIBOR is an unsecured rate. And, while SOFR is currently only an overnight rate, U.S. dollar LIBOR is a forward-looking rate that represents interbank funding for a specified term.

As a result, there can be no assurance that SOFR will perform in the same way as U.S. dollar LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, bank credit risk, market volatility or global or regional economic, financial, political, regulatory, judicial or other events.

2.19 The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes; any failure of SOFR to gain market acceptance could adversely affect the Floating Rate Notes.

SOFR may fail to gain market acceptance. Any failure of SOFR to gain market acceptance could result in reduced liquidity or increased volatility or could otherwise affect the return on and the market price of Float-

ing Rate Notes. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared with the application and adoption of SOFR based rates in other markets, such as the derivatives and loan markets. Prospective investors should carefully consider how any mismatch between the adoption of SOFR across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of the Floating Rate Notes.

The level of Compounded SOFR applicable to a particular interest period and, therefore, the amount of interest payable with respect to such interest period will be determined on the relevant interest determination date for the Floating Rate Notes for such interest period. Because each such date is near the end of such interest period, holders of Floating Rate Notes will not know the amount of interest payable on the Floating Rate Notes with respect to a particular interest period until shortly prior to the related interest payment date and it may be difficult for holders of Notes to reliably estimate the amount of interest that will be payable on each such interest payment date.

Investors should be aware that the market may not continue to develop in relation to SOFR. The trading price of the Floating Rate Notes may be lower than those of securities that are linked to rates or methods of determining interest that are more or become more widely used. Similarly, market terms for floating-rate debt securities linked to SOFR, such as the spread over the base rate reflected in interest rate provisions or the manner of compounding the base rate, may evolve over time, and trading prices of the Floating Rate Notes may be lower than those of later-issued SOFR-based debt securities as a result. Investors in the Floating Rate Notes may not be able to sell the Floating Rate Notes at all or may not be able to sell the Floating Rate Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market and may consequently suffer from increased pricing volatility and market risk.

The New York Federal Reserve (or a successor), as administrator of SOFR, may make methodological or other changes that could change the value of SOFR, including changes related to the method by which SOFR is calculated, eligibility criteria applicable to the transactions used to calculate SOFR, or timing related to the publication of SOFR. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on the Floating Rate Notes, which may adversely affect the trading prices of the Floating Rate Notes. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SOFR in which case a fallback method of determining the interest rate on the Floating Rate Notes will apply (described in detail in the Terms and Conditions). The administrator has no obligation to consider the interests of holders of Notes when calculating, adjusting, converting, revising or discontinuing SOFR.

If SOFR were to be discontinued or otherwise unavailable, the applicable rate to be used to calculate the interest rate on the Notes will be determined using the alternative methods (described in detail in the Terms and Conditions). Any of these alternative methods may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Notes if SOFR had been provided in its current form. In addition, the use of the alternative methods may also result in a fixed rate of interest being applied to the Notes.

Investors should consider these matters when making their investment decision with respect to any such Notes.

2.20 The secondary trading market for securities linked to SOFR may be limited.

If SOFR does not prove to be widely used as a benchmark in securities that are similar or comparable to the Floating Rate Notes, the trading price of the Floating Rate Notes may be lower than those of securities that are linked to rates that are more widely used. Similarly, market terms for securities that are linked to SOFR, including, but not limited to, the spread over the reference rate reflected in the interest rate provisions, may evolve over time, and as a result, trading prices of the Floating Rate Notes may be lower than those of later-issued securities that are based on SOFR. Investors in the Floating Rate Notes may not be able to sell the Floating Rate Notes at all or may not be able to sell the Floating Rate Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market and may consequently suffer from increased pricing volatility and market risk.

2.21 If SOFR is discontinued, the Floating Rate Notes will bear interest by reference to a different base rate, which could adversely affect the value of the Floating Rate Notes; there is no guarantee that any replacement base rate will be a comparable substitute for SOFR.

Under certain circumstances, the Rate of Interest on the Floating Rate Notes will no longer be determined by reference to SOFR, but instead will be determined by reference to a different rate, which will be a different benchmark than SOFR plus a spread adjustment, which is referred to as a Benchmark Replacement (as defined under "*Terms and Conditions of the Notes — Interest*") and a Benchmark Replacement Adjustment, (as defined under "*Terms and Conditions of the Notes — Interest*") respectively.

If a particular Benchmark Replacement or Benchmark Replacement Adjustment cannot be determined, then the next-available Benchmark Replacement or Benchmark Replacement Adjustment will apply. These replacement rates and adjustments may be selected, recommended or formulated by (i) the Relevant Governmental Body (such as the ARRC), (ii) the International Swaps and Derivatives Association, Inc. ("**ISDA**") or (iii) in certain circumstances, the Calculation Agent (as defined under "*Terms and Conditions of the Notes — Agents*") in consultation with the Issuer. In addition, the terms of the Floating Rate Notes expressly authorize the Calculation Agent in consultation with the Issuer to make Benchmark Replacement Conforming Changes (as defined under "*Terms and Conditions of the Notes — Interest*") with respect to, among other things, the definition of "Interest Period", timing and frequency of determining rates and making payments of interest and other administrative matters. The determination of a Benchmark Replacement, the calculation of the interest rate on the Floating Rate Notes by reference to a Benchmark Replacement (including the application of a Benchmark Replacement Adjustment), any implementation of Benchmark Replacement Conforming Changes and any other determinations, decisions or elections that may be made under the terms of the Floating Rate Notes in connection with a Benchmark Transition Event (as defined in "*Terms and Conditions of the Notes — Interest*") could adversely affect the value of the Floating Rate Notes, the return on the Floating Rate Notes and the price at which a holder of Floating Rate Notes can sell the Floating Rate Notes.

In addition, (i) the composition and characteristics of the Benchmark Replacement will not be the same as those of SOFR, the Benchmark Replacement will not be the economic equivalent of SOFR, there can be no assurance that the Benchmark Replacement will perform in the same way as SOFR would have at any time and there is no guarantee that the Benchmark Replacement will be a comparable substitute for SOFR (each of which means that a Benchmark Transition Event could adversely affect the value of the Floating Rate Notes, the return on the Floating Rate Notes and the price at which holders of Floating Rate Notes can sell such Floating Rate Notes), (ii) any failure of the Benchmark Replacement to gain market acceptance could adversely affect the Floating Rate Notes, (iii) the Benchmark Replacement may have a more limited history and the future performance of the Benchmark Replacement cannot be predicted based on historical performance, (iv) the secondary trading market for the notes linked to the Benchmark Replacement may be limited and (v) the administrator of the Benchmark Replacement may make changes that could change the value of the Benchmark Replacement or discontinue the Benchmark Replacement and has no obligation to consider any holder's interests in doing so.

2.22 The Calculation Agent will make determinations with respect to the Floating Rate Notes.

The Calculation Agent will make certain determinations with respect to the Floating Rate Notes as further described under "*Terms and Conditions of the Notes — Interest*". In addition, if a Benchmark Transition Event and its related benchmark replacement date have occurred, the Calculation Agent will make certain determinations with respect to the Floating Rate Notes in the Calculation Agent's reasonable discretion as further described under "*Terms and Conditions of the Notes — Interest*". Any decision by the Calculation Agent will be made in its reasonable discretion after consultation with the Issuer.

Any of these determinations may adversely affect the value of the Floating Rate Notes, the return on the Floating Rate Notes and the price at which holders of Floating Rate Notes can sell such Floating Rate Notes. Moreover, certain determinations may require the exercise of discretion and the making of subjective judgments, such as with respect to Compounded SOFR or the occurrence or non-occurrence of a Benchmark Transition Event and any benchmark replacement conforming changes. These potentially subjective determinations may adversely affect the value of the Floating Rate Notes, the return on the Floating Rate Notes and the price at which holders of Floating Rate Notes can sell such Floating Rate Notes.

2.23 Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market and additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

3. USE OF PROCEEDS

The net proceeds from the Notes, less commissions but before expenses payable by the Volkswagen Group in connection with the Notes, will be approximately U.S.\$ _____ and will be used by the Volkswagen Group for general corporate purposes, including working capital requirements.

4. CAPITALIZATION

The following table sets forth the Volkswagen Group's cash, cash equivalents and time deposits and capitalization (a) as of March 31, 2022 as derived from the Interim Financial Statements and (b) as adjusted to give effect to the issuance of the Notes and the application of proceeds therefrom as discussed under "Use of Proceeds" as if this Offering had been completed as of March 31, 2022. This table should be read in conjunction with the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations", the 2022 Q1 Report Excerpts and the Financial Statements, in particular the balance sheet, and the notes thereto and related discussion and analysis included or incorporated by reference in this Offering Memorandum.

	As of March 31, 2022	
	Actual⁽¹⁾	As adjusted
	(in € million)	
	(unaudited)	
Cash, cash equivalents and time deposits	44,847	(2)
Financial liabilities		
Noncurrent financial liabilities	129,984	(2)
Bonds, commercial paper and notes	94,459	(2)
Liabilities to banks	26,924	26,924
Deposit business	2,580	2,580
Lease liabilities	5,145	5,145
Other financial liabilities	875	875
Current financial liabilities	81,451	81,451
Bonds, commercial paper and notes	40,562	40,562
Liabilities to banks	14,024	14,024
Deposit business	24,456	24,456
Lease liabilities	1,106	1,106
Other financial liabilities	1,303	1,303
Total financial liabilities	211,435	(2)
Total equity	158,914	158,914
Total capitalization⁽³⁾	370,349	(2)

⁽¹⁾Financial information of the Company has been derived from the Interim Financial Statements.

⁽²⁾Figure includes the gross proceeds from the Notes less commissions but before other expenses payable by the Volkswagen Group in connection with the Notes, amounting to U.S.\$ 3.984 million. The euro equivalent of Notes offered hereby is based on a euro/U.S. dollar exchange rate of U.S.\$ 1.10930 = €1.00, which was the middle rate as of March 31, 2022 used to record foreign currency monetary items in the balance sheet. The proceeds from this Offering are intended to be used for general corporate purposes, including working capital requirements, as described under "Use of Proceeds."

⁽³⁾Total capitalization is calculated as the sum of total financial liabilities and total equity.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the Volkswagen Group's results of operations and financial condition. Historical results may not indicate future performance. The forward-looking statements contained in this discussion are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such statements. Factors that may cause such a difference include, but are not limited to, those discussed in "General Information – Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

This discussion and analysis is based on and should be read in conjunction with the Interim Financial Statements, the Annual Financial Statements and the other information included elsewhere or incorporated by reference in this Offering Memorandum. Unless otherwise indicated, all of the financial data and discussions thereof are based upon the Financial Statements prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to section 315e (1) of the German Commercial Code (Handelsgesetzbuch, HGB) and with IFRS on interim financial reporting (IAS 34), respectively. Additional information on the trends and significant changes in the Volkswagen Group's results of operations and financial condition as of and for the three-month period ended March 31, 2022 can be found in the 2022 Q1 Report Excerpts incorporated herein by reference.

Unless otherwise indicated, the 2021 and the 2020 financial information included in this discussion and analysis has been taken or derived from the 2021 Annual Financial Statements. The 2019 financial information has been taken or derived from the 2020 Annual Financial Statements. The financial information as of March 31, 2022 and for the three-month periods ended March 31, 2022, and March 31, 2021 has been taken or derived from the Interim Financial Statements. As a result, not all financial information may be comparable.

Where financial information in the tables in this discussion and analysis is labeled "audited", it has been taken from the Annual Financial Statements. The label "unaudited" is used to indicate that financial information in the tables in this discussion and analysis has not been taken from the Annual Financial Statements but has been derived from the Annual Financial Statements or has been taken from the Interim Financial Statements or the Company's accounting records or management reporting or is based on calculations of figures from the aforementioned sources.

5.1 Business Overview

The Volkswagen Group is one of the world's leading multibrand companies in the automotive industry in terms of sales volume (i.e., the number of vehicles to dealers). In 2021, Volkswagen Group achieved sales revenue of €250,200 million, operating result of €19,275 million and earnings after tax of €15,428 million. Volkswagen Group delivered 8.9 million vehicles to its customers worldwide in 2021.

Volkswagen Group comprises the following brands: Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, ŠKODA, SEAT, CUPRA, Audi, Lamborghini, Bentley, Ducati, Porsche, MAN, Scania and Navistar and others. For more information on each brand see "*Business of the Volkswagen Group — Volkswagen's Divisions and their Products and Services — Automotive Division*".

Volkswagen's product portfolio ranges from compact cars to luxury vehicles and also includes motorcycles, and is supplemented by mobility solutions. In the commercial vehicle sector, the product portfolio ranges from light vans to heavy trucks and buses. Volkswagen is also active in the power engineering business field, manufacturing large-bore diesel engines, turbomachinery and propulsion components.

In addition, the Volkswagen Group offers a wide range of financial services, including dealer and customer financing, vehicle leasing, direct banking and insurance activities, fleet management and mobility offerings.

The Volkswagen Group business activities comprise two divisions: the Automotive Division and the Financial Services Division. The Automotive Division is composed of three business areas: Passenger Cars, Commercial Vehicles and Power Engineering:

- The Passenger Cars business area essentially consolidates the Volkswagen Group's passenger car brands and the Volkswagen Commercial Vehicles brand. Activities focus on the development of vehicles, engines and vehicle software, the production and sale of passenger cars and light commercial vehicles, and the genuine parts business.

- The Commercial Vehicles business area primarily comprises the development, production and sale of trucks and buses from TRATON (comprising Scania, MAN and Navistar), the corresponding genuine parts business, and related services.
- The Power Engineering business area combines the large-bore diesel engines, turbomachinery and propulsion components business.

The Financial Services Division combines dealer and customer financing, vehicle leasing, direct banking and insurance activities as well as fleet management and mobility offerings.

The following table provides an overview of the deliveries to customers (including the joint venture companies in China), sales revenue and operating result for the Volkswagen Group and Volkswagen's Divisions in the years ended December 31, 2021, 2020 and 2019:

For the year ended December 31, (unaudited, unless otherwise indicated)									
	Deliveries to Customers			Sales revenue			Operating result		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
	(Thousand vehicles)			(€ million)			(€ million)		
Volkswagen Group ⁽¹⁾	8,882	9,305	10,975	250,200 ⁽²⁾	222,884 ⁽²⁾	252,632 ⁽²⁾	19,275 ⁽²⁾	9,675 ⁽²⁾	16,960 ⁽²⁾
of which:									
Automotive Division ⁽³⁾	8,882	9,305	10,975	206,237	182,106	212,473	13,230	6,664	13,748
Financial Services Division ⁽⁴⁾	–	–	–	43,963 ⁽²⁾	40,778 ⁽²⁾	40,160 ⁽²⁾	6,045 ⁽²⁾	3,012 ⁽²⁾	3,212 ⁽²⁾

⁽¹⁾ The sales revenue and operating result of the joint venture companies in China are not included in Volkswagen's figures. The Chinese companies are accounted for using the equity method and recorded a proportionate operating result of €3,026 million, €3,602 million and €4,425 million for the years ended December 31, 2021, 2020 and 2019, respectively.

⁽²⁾ Audited.

⁽³⁾ Sales revenue and operating result include allocation of consolidation adjustments between the Automotive and Financial Services Divisions.

⁽⁴⁾ Financial Services Division corresponds to the Financial Services segment.

Volkswagen Group's financial reporting comprises four reportable segments: the Passenger Cars and Light Commercial Vehicles segment, Commercial Vehicles segment, Power Engineering segment and Financial Services segment. The Automotive Division's three business areas described above conform to Volkswagen's financial reporting segments as follows: The Passenger Cars business area corresponds to the Passenger Cars and Light Commercial Vehicles reporting segment together with the reconciliation, to account for intra-group activities. The Commercial Vehicles business area and Power Engineering business area correspond to the reporting segments of the same name. The Financial Services Division corresponds to the Financial Services segment.

The following table presents an overview of Volkswagen's key figures by reporting segments for the year ended December 31, 2021:

	For the year ended December 31, 2021 (audited, unless otherwise indicated)						
	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles⁽²⁾	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
	(€ million)						
Total sales revenue	192,767	30,092	3,278	43,963	270,099	-19,899	250,200
Segment result (operating result)	14,614	134	45	6,045	20,838	-1,563	19,275
as a % of total sales revenue ⁽¹⁾	7.6	0.4	1.4	13.8	-	-	7.7
Capex, including capitalized development costs ⁽³⁾	16,329	1,596	68	159	18,152	346	18,498

⁽¹⁾ Unaudited.

⁽²⁾ From July 1, 2021, figures include Navistar.

⁽³⁾ In the 2021 Annual Financial Statements, shown as investments in intangible assets, property, plant and equipment, and investment property.

Within Volkswagen Group, responsibilities were divided among ten board-level management functions until December 31, 2021. In addition to the Chair of the Board of Management, a function which also includes the Volume brand group, the other Board functions are Purchasing, Technology, Finance, Human Resources and Truck & Bus, Integrity and Legal Affairs, Premium, Sport & Luxury, IT and China. As of December 31, 2021, the Chair of the Board of Management has also been responsible for China and the board member for Finance has also been responsible for IT. In December 2021, the Supervisory Board decided to increase the number of members of the Board of Management and reorganize its structure and functions in the process. A new board-level management function for Volkswagen Passenger Cars was created effective January 1, 2022. A new board-level management function was also created for Group Sales effective February 1, 2022. As of February 1, 2022, a board member is responsible for IT alone and, from August 2022, the board-level function for China will again be assigned to a specific member of the Board of Management.

The "Volume" brand group comprises the Volkswagen Passenger Cars, ŠKODA, SEAT/CUPRA and Volkswagen Commercial Vehicles brands. The "Premium" brand group includes the Audi, Bentley, Lamborghini and Ducati brands. Bentley was allocated from the "Sport & Luxury" brand group to the "Premium" brand group on March 1, 2021. The "Sport and Luxury" brand group therefore comprises the Porsche brand. TRATON acts as the umbrella for the Scania, MAN brands including Rio and Volkswagen Caminhões e Ônibus (recently renamed to Volkswagen Truck & Bus) and Navistar commercial vehicles brands. Alongside the brand groups, Volkswagen continued to build its software subsidiary CARIAD SE in 2021. This company is pooling and expanding the software expertise within the Volkswagen Group and is working toward providing a standardized operating system for Group brand vehicles.

Volkswagen sells vehicles in about 150 countries. Volkswagen's key sale markets for its automobiles include China, Western Europe, the United States of America, Brazil, Russia, Mexico, Turkey and Poland. Volkswagen Group's business in Russia regarding results of operations, financial position and net assets is not material.

The following table presents the regional markets for Volkswagen's products and services and the percentages of sales revenue from external customers by region during the years ended December 31, 2021, 2020 and 2019 (in each case excluding the Chinese joint ventures which are accounted for using the equity method):

Sales revenue from external customers by region For the year ended December 31, (unaudited)			
	2021⁽¹⁾	2020⁽¹⁾	2019⁽¹⁾
		(%)	
Germany	17.7	19.2	19.4
Europe/Other Markets ⁽²⁾ (excluding Germany)	40.4	40.6	41.6
North America	18.1	16.5	17.2
South America	4.4	3.9	4.5
Asia-Pacific ⁽³⁾	19.4	19.8	17.4

⁽¹⁾ Effects of hedging transactions relating to sales revenue in foreign currency are not allocated to regions.

⁽²⁾ Other Markets mainly comprises Turkey and South Africa.

⁽³⁾ The sales revenue of the joint venture companies in China is not included in the figures for the Asia-Pacific market.

Volkswagen had an average of 667,647 employees worldwide (including the Chinese joint ventures) in 2021.

5.2 Basis of Presentation

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

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

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

5.3 Material Changes in Investments

5.3.1 Acquisition of Navistar

On July 1, 2021, TRATON SE (together with its consolidated subsidiaries "TRATON") indirectly acquired all of the outstanding shares in Navistar International Corporation ("Navistar"), a US manufacturer of commercial vehicles based in Lisle, Illinois/USA. The purchase price of €3.1 billion (USD 3.7 billion) was paid in cash. TRATON SE now indirectly holds 100% of the shares in Navistar International Corporation. Prior to the acquisition, TRATON's 16.7% interest in Navistar was accounted for using the equity method. Trading in Navistar shares on the New York Stock exchange has been discontinued. Due to the size of the transaction, initial recognition of the acquisition has not yet been finalized as the internal reviews of the

information underlying the purchase price allocation have not yet been completed. This means that the amounts recognized as of December 31, 2021 are provisional. The acquisition resulted in goodwill in the amount of €2,783 million, at first-time consolidation date, to reflect the synergies arising from the operation with Navistar. These relate particularly to the growth in the share of the market, to procurement, production costs, modularization and the use of shared components, and to the area of research and development.

The fair value of the equity interest in Navistar that TRATON had held immediately prior to the acquisition date was determined on the basis of the share price of USD 44.50/share at the acquisition date and amounted to €624 million. The remeasurement of this equity interest resulted in a gain of €219 million. Moreover, the derecognition of the equity accounted investment during the initial consolidation of Navistar resulted in income and expenses previously recognized directly in equity being reclassified to the income statement, which led to an expense of €37 million. This in turn resulted in a gain of €182 million, which is presented in the share of the result of equity-accounted investments.

5.3.2 Northvolt

In mid-June 2021, Volkswagen and the Swedish battery cell producer Northvolt AB agreed to concentrate production of Volkswagen premium cells in Skellefteå, Sweden. In connection with this, Volkswagen participated in a financing round at Northvolt AB that was proportionate to its shareholding, investing a further USD 650 million in the company. Volkswagen also increased its existing convertible loan by a further €190 million and, at the same time, converted this part of the loan to preferred shares. This increased Volkswagen's ownership interest in Northvolt AB to 23.6%. Due to favorable terms and conditions on conversion, the measurement of the converted loan resulted in non-cash income of €62 million. As a result, the carrying amount of the equity investment in Northvolt AB rose by €796 million. A further €240 million convertible loan remains outstanding.

5.3.3 QuantumScape Corporation Capital Increase

In fiscal year 2020, the Volkswagen Group took part in a capital increase in QuantumScape Corporation, a US-based company that develops solid-state batteries, entering into forward purchase agreements for new shares. The capital contribution comprised two tranches of USD 100 million each. The first tranche was paid in December 2020 and the second tranche was paid in April 2021. Measurement and realization of forward purchase agreements for new shares in QuantumScape Corporation led to non-cash losses in an amount of €0.6 billion recognized in other financial results in the fiscal year 2021 (2020: gains of €1.4 billion).

5.3.4 AUDI AG Squeeze-Out

On November 16, 2020, the squeeze-out of AUDI AG, approved at the Annual General Meeting of AUDI AG on July 31, 2020, and the transfer of all outstanding Audi shares to Volkswagen AG took effect. The resulting cash outflow of €0.2 billion was presented in the "capital transactions with noncontrolling interests" item in the 2020 Annual Financial Statements.

5.3.5 Renk AG Sale

On October 6, 2020, the Volkswagen Group completed the sale of its 76% interest in Renk AG. The sale price was €0.5 billion and generated operating income of €0.1 billion in 2020, which was reported as other operating income. The sale also resulted in an increase in net liquidity of €0.4 billion in 2020.

5.3.6 Argo AI

On July 12, 2019, Volkswagen announced that, together with Ford Motor Company ("Ford"), it would be investing in Argo AI, a company that is working on the development of a system for autonomous driving. The investment involves the provision of financial resources totaling USD 1.0 billion, spread over several years, and the contribution by Volkswagen of its consolidated subsidiary Autonomous Intelligent Driving (AID). Furthermore, Volkswagen acquired existing Argo AI shares from Ford for a purchase price of USD 500 million, payable in three equal annual installments. The transaction, including the contribution of AID, was executed as of June 1, 2020. After proportional profit elimination, the contribution of AID to Argo AI at fair value resulted in a non-cash gain of €0.8 billion in 2020, which was recognized in the other operating result.

5.3.7 **TRATON IPO**

Beginning on June 28, 2019, shares of TRATON SE have been traded on the regulated markets of the Frankfurt Stock Exchange and the NASDAQ Stockholm Exchange. This led to an increase of €1.4 billion in the Volkswagen Group's equity, of which €1.2 billion is reported as noncontrolling interests. Volkswagen Group recorded the cash inflow together with additional minor effects resulting from the exercise of the underwriters' greenshoe notice at the beginning of the third quarter of 2019.

The Volkswagen Group remains the majority shareholder and as of March 31, 2022 held 89.72% of the share capital in TRATON SE. The control and profit and loss transfer agreement between Volkswagen AG and TRATON SE ended in accordance with section 307 of the German Stock Corporation Act (*AktG — Aktiengesetz*) on December 31, 2019.

5.3.8 **MAN**

In 2011, Volkswagen acquired a majority stake in MAN SE ("**MAN**") under the terms of a mandatory public offer. In July 2013, the control and profit and loss transfer agreement in accordance with section 291 of the German Stock Corporation Act (*AktG — Aktiengesetz*) between MAN, as the controlled company, and TRATON SE (formerly Truck & Bus GmbH, Volkswagen Truck & Bus GmbH, Volkswagen Truck & Bus AG and TRATON AG), a publicly listed and majority owned subsidiary of Volkswagen AG, as the controlling company, entered into force. As a result, MAN's profit or loss was attributed in full to the shareholders of TRATON.

On August 22, 2018, TRATON terminated the control and profit and loss transfer agreement with MAN SE according to section 304 para 4 of the German Stock Corporation Act (*AktG — Aktiengesetz*) with effect as of January 1, 2019, 0:00 a.m. Following the publication of the registration of the termination of the control and profit transfer agreement in MAN's commercial register on January 3, 2019, in accordance with the provisions of the control and profit transfer agreement, MAN's noncontrolling interest shareholders were entitled to tender their shares to TRATON in exchange for cash consideration of €90.29 per share over the course of a two-month period. Following the share tendering process, the Volkswagen Group held 94.36% of the shares in MAN SE as of December 31, 2019.

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

5.3.9 **Rimac**

In 2021, the Volkswagen Group and Rimac Automobili d.o.o., Sveta Nedelja/Croatia ("**Rimac**"), established Bugatti Rimac d.o.o., which has its headquarters in Sveta Nedelja, Croatia. Volkswagen has contributed its consolidated subsidiaries Bugatti Automobiles S.A.S, Molsheim/France and an initial 51% of Bugatti International S.A., Strassen/Luxembourg. After proportional profit elimination, the contribution resulted in a non-cash gain of €124 million in 2021, which was recognized in the other operating result. Rimac holds 55% of the shares in the company and Volkswagen holds 45% through Porsche AG. In addition, Porsche AG holds a direct interest of 22% in Rimac. In the consolidated financial statements of Volkswagen AG, both equity investments are reported under equity-accounted investments.

Initially, Bugatti Rimac d.o.o. plans to produce two hypercar models, the Bugatti Chiron and the Rimac Nevera. It is envisaged that further in the future the activities of Bugatti Rimac d.o.o. will focus on a joint product portfolio under the Bugatti brand name with the aim of developing, producing and selling electric-powered, luxury hyper sports cars.

5.3.10 Gotion

To expand its battery expertise, Volkswagen in 2021 acquired an interest in Gotion High-Tech Co., Ltd., Hefei/China ("**Gotion**") through Volkswagen (China) Investment Co. Ltd., and is now the largest shareholder of the Chinese battery supplier with an interest of 26%. The Group spent a total of €1.2 billion on this transaction in fiscal year 2021. The investment is accounted for using the equity method.

5.4 Material Factors Affecting Results of Operations and Financial Position

Volkswagen believes that the factors described below have had a material effect on its business, financial position and results of operations and that these factors may continue to have such an effect in the future.

5.4.1 Supply chain disruptions and continued effects of the SARS-CoV-2 pandemic on Volkswagen's deliveries

At the end of 2019, initial cases of a potentially fatal respiratory disease became known in China. This disease is attributable to a novel virus belonging to the coronavirus family. The number of people infected rose very rapidly in the course of 2020, albeit with differences in timing and regional spread. Throughout the whole of 2020, the global spread of the SARS-CoV-2 virus brought enormous disruption to all areas of everyday life and the economy. The mostly dynamic increase in the rate of infection continued in many places also throughout the first quarter of 2021. In most of the world, the rate of new infections initially declined in the second quarter of 2021, leading to further easing of the measures taken to contain the pandemic. From the middle of 2021, however, some countries recorded a renewed increase in infection rates, which was mainly due to new variants of the SARS-CoV-2 virus. Some restrictions returned in response to the situation. Most regions of the world saw a declining rate of new infections in the third quarter of 2021 and many countries largely lifted their restrictions on everyday life and the economy, depending on the progress of their vaccination campaigns. However, mainly due to new variants of the SARS-CoV-2 virus, numerous countries around the world again recorded some very dynamic increases in infection rates in the course of the fourth quarter 2021, which, depending particularly on the country's vaccination progress, resulted in renewed restrictions.

Despite the SARS-CoV-2 pandemic, the global economy generally recovered in 2021 due to the temporary relaxation of many restrictions and recorded growth of 5.6%, compared to -3.4% in 2020. The average rate of expansion of gross domestic product (GDP) in 2021 was far above the previous year's level in both the advanced economies and the emerging markets. The progress made by many countries in administering vaccines to their populations had a positive effect, while the emergence of new variants of the virus led to renewed national rises in infections. At a national level, performance was dependent on the extent to which the negative impacts of the SARS-CoV-2 pandemic were materializing and the intensity with which measures were taken to contain the spread. In 2021, some countries and economies recovered from the impact of the SARS-CoV-2 pandemic however not at the same level as the pre-SARS-CoV-2 growth. Other countries and economies in 2021 have fully recovered from the impacts of the SARS-CoV-2 pandemic. For example, the economy in Western Europe recorded positive overall growth of 5.4% in 2021, compared to an overall decrease of -6.5% in 2020. Germany's economic output recorded a positive growth rate of 2.7% in 2021 (2020: -4.9%) and US economic output increased by 5.7% in 2021 compared to the prior-year (2020: -3.4%) despite increasing infection rates at times.

In 2020, the Volkswagen Group's global production declined by 17.8% compared to 2019 to a total of 8,900,154 vehicles due to the measure taken to contain the spread of the SARS-CoV-2 virus. The impact of national measures to contain the pandemic led to a disruption of supply chains and consequently to production stoppages within the Volkswagen Group. In 2021, the Volkswagen Group produced 8,282,954 vehicles (including the Chinese joint ventures), 6.9% less than in 2020. Furthermore, in 2021 supply shortages, especially for semiconductors, further weighed negatively on production capacity, causing cutbacks in production volumes. In Germany, Volkswagen's production contracted by 9.2% to a total of 1,483,281 vehicles in 2021. The percentage of the Group's total production accounted for by Germany fell to 17.9% in 2021 compared to 18.4% in 2020.

In 2020, Volkswagen's decreasing production capacity impacted its sales revenue (-11.8% compared to 2019) and operating result (-43.0% compared to 2019). In 2021 however, despite a further decline in production and unit sales, product mix effects, better price positioning, and the good business performance of the Financial Services Division and the Commercial Vehicles Business Area particularly had a positive impact on Volkswagen's sales revenue (+12.3% compared to 2020) and operating result (+99.2% compared to 2020), offsetting the above decrease in production.

5.4.2 General economic conditions

The development of the general economic situation and the global markets for automobiles, especially for passenger cars and light commercial vehicles, is a material factor that affects Volkswagen's sales revenue and results, as well as its net assets, financial position and results of operations, in particular in Germany and Western Europe, with the region accounting for 32.1% of Volkswagen's total passenger car deliveries to customers in 2021 (2020: 31.3%; 2019: 33.8%). The vehicles that are produced by Volkswagen and distributed worldwide, and the financial services offered in this context, are predominantly purchased and used by private individuals, transportation and logistics companies, and business entities. In turn, their willingness to invest in Volkswagen products depends on the foreseeable state of the economy. The relevant factors include disposable private household income and consumer confidence, the financial situation of business customers and their willingness to invest, the availability and terms of vehicle financing, the price of oil and fuel, and government support programs. In addition, Volkswagen's operations in terms of deliveries and production output can be negatively impacted by ongoing geopolitical tensions and conflicts, especially the Russia-Ukraine conflict. See also discussion in the 2022 Q1 Report Excerpts incorporated herein by reference and "5.14 Recent Events."

In 2021, the global market volume of passenger cars rose moderately by 4.2% to 70.9 million units (2020: 68.1 million units; 2019: 79.9 million units), however growth was uneven due to the varying effects of the SARS-CoV-2 pandemic from region to region. Prior to the outbreak of the SARS-CoV-2 pandemic in January 2020, the economic developments in Volkswagen's key markets had been mixed. Vehicle markets were at low levels of growth in Europe given the continued uncertainty among consumers, which was exacerbated by the uncertain outcome of the exit negotiations between the European Union and the United Kingdom. Major emerging markets such as Central and Eastern Europe and Brazil have grown slightly since 2020, but conditions remain uncertain in an environment marked by low economic output, political crises, protectionist tendencies and heavy dependency on global demand for raw materials. Following moderate decreases caused by pandemic-related lockdowns in 2020, Chinese passenger car demand slightly recovered over the course of 2021 compared to the previous year's level, however still hampered by semiconductor supply restrictions. North American vehicle sales have also declined. (Source: Volkswagen Group data).

The global market for trucks and buses, in which Volkswagen is active through TRATON (comprising Scania, MAN and Navistar), increased slightly in sales volume in 2019. This trend was interrupted by a sharp fall in the fiscal year 2020. In 2021, a recovery of the truck markets could be observed globally and the bus markets relevant for the Volkswagen Group experienced moderate growth. Generally, positive economic development is essential, as an increased demand for products generates an increased demand for transportation by truck.

Until the outbreak of the SARS-CoV-2 pandemic in January 2020, macroeconomic conditions in relevant markets for the Volkswagen Group's trucks and buses had been in recovery since 2017 (total volumes for heavy trucks weighing in excess of 16 tonnes grew by 2.8% in 2019). A key driver for this development was the EU27+3 region (EU27 countries excluding Malta, but including the United Kingdom, Norway and Switzerland). Brazil also contributed significantly to the growth. However in 2020, 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 down substantially year-on-year due to the spread of the SARS-CoV-2 virus, with new vehicle registrations decreasing by 20.1% compared to 2019. In 2021, in the markets that are relevant for the Volkswagen Group (which expanded to include USA, Canada and Mexico with the acquisition of Navistar), global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes experienced pronounced growth, increasing by 19.5% versus the comparison period in 2020.

5.4.3 Trends in the markets for automobiles

The economic success of the Volkswagen Group is dependent on the trends in the automotive markets. Overall, the automotive industry is undergoing a radical transformation process with far-reaching changes. Automotive manufacturers like Volkswagen are facing major challenges in the area of technological advances. Electric drives, connected vehicles, autonomous driving and demand for alternative modes of mobility, such as ride hailing, ride pooling and car sharing, are associated with both opportunities and risks for Volkswagen's business and demand for its products and require Volkswagen to make additional investments in specific product solutions and business models to defend its overall market position (for example e-mobility and automotive software integration). Furthermore, more rapidly evolving customer trends, swift implementation of legislative initiatives and the market entry of new competitors require changed products (e.g., development of new, fuel-efficient vehicles and alternative drive technologies), a faster pace of

innovation and adjustments to business models. Key aspects of legislative developments are the implementation of increasingly stringent emission and consumption regulations, taking new test procedures and test cycles (e.g., the Worldwide Harmonized Light-Duty Vehicle Test Procedure) into account, regulations regarding the use, handling and storage of certain substances (which apply to both the manufacturing of automobiles and the automobile itself), as well as compliance with approval processes (homologation), which are becoming increasingly more complex and time-consuming and may vary by country. In Europe, further municipalities and cities might impose driving bans on diesel vehicles in order to comply with emissions limits which could also affect demand for Volkswagen's products.

Finally, the effect of the SARS-CoV-2 pandemic on the foregoing trends, due to the medium- and long-term economic impact of the outbreak, including on consumer demand, as well as other pandemic-driven factors such as possible changes in commuting patterns, levels of reliance on public transportation, trains and aircraft versus privately-owned automobiles, and the ongoing possibility of further outbreaks, is highly uncertain but could be significant.

5.4.4 Price competition and sales promotion measures

Volkswagen is exposed to intense competition that has increased in recent years because of the globalization and concentration of the automotive industry, as well as greater market transparency. Additionally, the automotive industry has been suffering from surplus capacity for a number of years, a situation that has increased because of the entry into the market of new automobile manufacturers, in particular from China and India. Competitive pressures are likely to intensify in the future.

The vehicles produced by Volkswagen also compete with other means of transportation, such as trains, aircraft and ships, and it cannot be ruled out that private and business travelers will increasingly use means of transportation other than automobiles in the future. The reasons for this may include rising costs for automotive passenger and freight transportation, the growing density of traffic in urban areas and environmental protection considerations.

At the same time, it can be observed that declining unit sales of certain automobile manufacturers have led to growing price competition with, in some cases, aggressive sales promotion measures, causing prices of both new and, consequently, used vehicles to fall and thus putting pressure on the margins of the automobile manufacturers for new vehicles and the residual values of leased and other used vehicles.

The price pressure could partially be further reinforced, especially if customer expectations of lower prices for new vehicles have become firmly established. As a result, automobile manufacturers could be prompted to engage in aggressive sales promotion by means of continued discounts, which would expose Volkswagen to increased competition and affect it to a significant extent because it offers volume models in the compact and midsize classes.

Although Volkswagen does not intend to participate in aggressive price competition, sales promotion measures, such as discounts, special models, cheaper or no cost accessories packages, and lower cost financing and leasing terms, are becoming increasingly important. Such measures would put pressure on the price of new vehicles produced by Volkswagen and increase the pressure on Volkswagen to offer sales promotion measures to a larger extent. This would adversely affect the margins in the Automotive Division. The residual values of leased and other used vehicles would also be impaired, which would be reflected in increased residual value risk and associated increased impairment losses and risk provisions in the Financial Services Division. In the case of lower cost financing and leasing terms, the costs of these measures would also affect the margins obtainable by the Automotive Division and by dealers, because the dealers assume the cost of lower interest rates charged by the Financial Services Division.

5.4.5 Product and market mix

The prices for identical vehicle models may differ from market to market for a number of reasons, such as the local competitive situation, the taxation of the vehicles in the markets concerned, or Volkswagen's strategic considerations. The same applies to the material and production costs incurred to produce a certain vehicle model in various markets. As a result, different margins and earnings contributions are generated for the same vehicle model in different geographic markets. The product mix also differs from geographic market to market. As a result, shifts in the product and market mix, including the geographic distribution of the vehicles sold have a considerable impact on Volkswagen's results of operations. Another material factor is the development of exchange rates, which considerably affect the profitability of the cars sold in the different markets especially in markets where Volkswagen Group does not produce locally. The results are

further influenced by the scope and value of the level of accessories demanded by customers. Here, too, demand varies by geographic market and vehicle type. In total, Volkswagen expects an uneven development, which will likely be marked by increasing awareness of CO₂ emissions, country-specific tax and legal developments, rising protectionist tendencies, as well as generally rising prices for energy.

In 2021, product and market mix effects had a significant positive impact on Volkswagen's sales revenue and results of operations, outweighing the negative impact of decreasing production and vehicles sales resulting from continued effects of the SARS-CoV-2 pandemic, semiconductor shortages and other supply chain disruptions.

5.4.6 Share of the result of equity-accounted investments

As of December 31, 2021, Volkswagen held interests in the following significant companies that are accounted for as equity-accounted investments and contribute to the share of the result of equity-accounted investments:

- 40% in FAW-Volkswagen Automotive Company, Ltd., Changchun, China;
- 50% in SAIC-Volkswagen Automotive Company Ltd., Shanghai, China;
- 30% in SAIC-Volkswagen Sales Company, Shanghai, China;
- 25% in Sinotruk (Hong Kong) Limited, Hong Kong, China;
- 29% in Bertrandt AG, Ehningen, Germany; and
- 30% in There Holding B.V., Rijswijk, the Netherlands, in its capacity as shareholder of HERE International B.V. ("**HERE**").

See also "*Business of the Volkswagen Group — Volkswagen's Divisions and their Products and Services — Automotive Division – Significant equity interests.*"

The share of the result of equity-accounted investments amounted to €2,321 million in 2021, a decline of €435 million compared to €2,756 million in 2020.

In the equity method of accounting, the income and expenses, as well as the assets and liabilities, of the relevant equity-accounted investments are not fully included in the consolidated income statement and the consolidated balance sheet. Rather, the carrying amount of the investment is mainly increased or decreased by the share of the equity-accounted investment's income or expense attributable to the Volkswagen Group. The share of the result of equity-accounted investments determined in this way is not included in the Volkswagen Group's operating result, but is allocated to the financial result. For this reason, the business development of the Chinese joint ventures, for example, is only reflected in Volkswagen's operating result by deliveries of vehicles and vehicle parts in sales revenue as well as license revenue.

The cost of equity-accounted investments is adjusted to reflect the share attributable to the Volkswagen Group of increases or reductions in equity of associates and joint ventures after their acquisition, as well as any effects from purchase price allocation. Additionally, the investment is tested for impairment, and if there are indications of impairment, it is then written down to the lower recoverable amount if necessary. The recoverable amount is determined using the principles described for indefinite-lived intangible assets. If the reason for impairment ceases to apply at a later date, the impairment loss is reversed to the carrying amount that would have been determined in the case that no impairment loss had been recognized.

5.4.7 Procurement costs

The cost of materials, raw materials and energy, as well as of vehicle parts and components, accounts for a large portion of the cost of sales. Materials purchased for production amounted to approximately 50% of Volkswagen Group's sales revenue for each of the 2021, 2020 and 2019 fiscal years.

The main raw materials required for vehicle production (in terms of quantity and costs) are steel, synthetic material, aluminum, copper, lead, nickel, platinum, palladium and rhodium lithium. In addition, Volkswagen needs energy, primarily in the form of electricity, some of which Volkswagen produces itself by burning coal. Commodity and energy prices are subject to fluctuations, which can be considerable (and also sudden), and were exposed to frequent and at times significant changes in the recent past. For example, the prices of certain raw materials that are used by Volkswagen and Volkswagen's suppliers to manufacture their products or components, such as steel, aluminum, copper, lead, and various precious metals as well

as battery components are volatile. For further information on changes in global market prices of the main raw materials required by Volkswagen and its suppliers, see *“Business of the Volkswagen Group — Volkswagen’s Divisions and their Products and Services — Automotive Division — Procurement — Procurement of production materials”*.

In addition, Volkswagen could face an increased price and procurement risk due to a shortage in scarce raw materials that are needed in vehicle production, particularly in the production of vehicle’s electronic components. This includes for example the so-called rare earths, which to a large extent occur in China and which are currently quarried almost exclusively in China. In the past China has restricted export of rare earths but is increasingly using other mechanisms, such as an export licensing system or the imposition of higher raw material duties. If Volkswagen or its suppliers are not able to ensure a sufficient supply of rare earths, this could have a negative impact on vehicle production and on Volkswagen’s results of operations before taxes. Such a similar experience has arisen with the material magnesium (applied as alloy material for Alu-Rims and steering wheels), whose worldwide production of about 90% takes place in China: during the third quarter of 2021 most magnesium producers decided to either shut down or reduce their production output in order to cut emissions and to meet country-oriented energy consumption targets. As a consequence, a considerable quantity of the production dedicated to the export market was shortened, generating delivery delays and shortcut risks by the suppliers in the end of the supply chain.

The SARS-CoV-2 pandemic has caused significant volatility in the prices and supply of raw materials and may continue to impact the prices and supply of raw materials, as worldwide supply chains are affected by production shortages, while on the other hand, many companies are facing a decline in demand, impacting prices.

Because Volkswagen is dependent on the raw materials listed above, as well as on energy, whose prices and availability in turn affect the prices of vehicle parts and components, changes in raw materials and energy prices materially affect Volkswagen’s overall cost of materials. Due to the intense competition in the automotive market, Volkswagen generally cannot pass on price increases for raw materials, energy, parts and components to its customers in full. To reduce these price and purchasing risks on the procurement side, Volkswagen relies in particular on globally coordinated purchasing activities, long-term supply contracts, continuous optimization of its supplier portfolio and the materials, and technical research for alternative materials. Among other things, the business model that is employed by Volkswagen to reflect the demand situation in specific regions encompasses, among other things, alliances with local suppliers and local purchasing agreements, which are designed to ensure the lowest possible cost rate per vehicle through localized production and procurement. Additionally, Volkswagen tries to limit certain availability and pricing risks arising from the purchase of raw materials by entering into forward and swap transactions. Volkswagen has, through the use of appropriate contracts, hedged some of its requirements for raw materials over a period of up to six years. Similar transactions have been entered into for the purpose of supplementing and optimizing allocations of CO₂ emission certificates, in particular for burning coal to generate electricity.

The first half of 2021 was marked by significantly higher demand for Volkswagen Group vehicles. However, capacity had been drastically reduced in 2020 due to the pandemic and could not be built up quickly enough in many areas. As a result, a large number of raw materials and components saw growing shortages of market capacity in 2021; one example being semiconductors, also due in part to the parallel increase in demand in the consumer, IT and telecommunications sectors, which led to supply bottlenecks and price increases. The semiconductor shortage and the resulting supply bottlenecks had a negative impact on the production of the Volkswagen Group. As a result, the Volkswagen Group recorded a reduction in inventories of finished goods and a simultaneous increase in raw materials and work in progress in 2021. The potential long-term consequences of the semiconductor shortage on Volkswagen’s future raw materials are not yet foreseeable.

5.4.8 Research and development costs

Volkswagen’s economic success and competitiveness depend on its ability to adapt its existing product and service range to technology progress, legal requirements and changing customer requirements in a timely manner, and to set new technical and customer trends.

Especially in developed markets, the global automotive market has been marked in recent years by growing demand for socially responsible and more environmentally friendly technologies. This is linked in particular to the public debate about global warming and climate protection, as well as at times very high, and very

volatile, oil and fuel prices. In addition to continuing the development of the current generation of combustion engines, Volkswagen is therefore focusing on the research, development and production of alternative drive technologies such as hybrid and electric drives.

In addition, Volkswagen plans to systematically reduce the complexity of the individual products and the costs incurred to develop and manufacture them by further developing the cross-brand modular strategy and by introducing and expanding the modular component and modular platform concepts. The development and deployment of modular platforms will be systematically extended in order to exploit potential for sustained efficiency gains by reducing development times and unit costs per vehicle. In addition, the modular component concept allows faster model changes and new products that are tailored to meet local customer preferences to be launched in the relevant markets. In addition to conventional petrol and diesel engines, the modular component concept affords Volkswagen the opportunity to integrate alternative powertrains, such as hybrid or electric drives.

The table below shows the research and development costs reported in Volkswagen's income statement, their share of capitalized development costs and the amortization of capitalized development costs in 2021, 2020 and 2019; these figures are only related to the Automotive Division:

	For the year ended December 31,			Change 2021/2020	Change 2019/2018
	2021	2020	2019		
	(in € million) (unaudited)			Change (%) (unaudited)	
Total research and development costs	15,583	13,885	14,306	+12.2	-2.9
of which capitalized development costs	7,843	6,473	5,171	+21.2	+25.2
Capitalization ratio (%)	50.3	46.6	36.1		
Amortization of capitalized development costs	5,050	4,644	4,064	+8.7	+14.3
Research and development costs recognized in profit or loss	12,790	12,056	13,199	+6.1	-8.7
Total research and development costs as % of sales revenue of the Automotive Division	7.6	7.6	6.7	—	—

The capitalization ratio of development costs depends on the production cycle that the brands' individual model series pass through in different periods. The main focus of Volkswagen's research and development costs is on the electrification of its vehicle portfolio, a more efficient range of engines, lightweight construction, digitalization and the development of alternative drives and modular toolkits.

5.4.9 Exchange rate movements

Volkswagen is active in a large number of countries worldwide and generates a significant portion of its sales revenue in currencies other than the euro, particularly in Argentine peso, Australian dollar, Brazilian real, British pound sterling, Canadian dollar, Chinese renminbi, Czech koruna, Hong Kong dollar, Hungarian forint, Indian rupee, Japanese yen, Mexican peso, Norwegian krone, Polish zloty, Singapore dollar, South African rand, South Korean won, Swedish krona, Swiss franc, Taiwan dollar and U.S. dollar. Similarly, a major proportion of Volkswagen's expenses are incurred in a variety of currencies, in particular those listed above.

Because income and expenses in the relevant currencies rarely match in any given period, an adverse development in the exchange rates for these currencies may result in a difference between the value of the service provided calculated in euros and the value of the consideration received ("transaction effects").

Gains and losses from exchange rate movements are reported in Volkswagen's consolidated financial statements mainly under "sales revenues" or "other operating income" and "other operating expenses". These items mainly comprise gains or losses from changes in exchange rates between the dates of initial recognition and payment of receivables and liabilities denominated in foreign currencies, as well as exchange rate gains or losses resulting from measurement at the closing rate. Operating income from foreign exchange gains in 2021 amounted to €2,610 million, while foreign exchange losses in the operating result amounted to €1,909 million (2020: €2,588 million and €3,123 million; 2019: €2,346 million and €2,013 million).

Significant exchange rate movements, as compared to the euro, especially of the Argentine peso, Australian dollar, Brazilian real, British pound sterling, Canadian dollar, Chinese renminbi, Czech koruna, Hong Kong

dollar, Hungarian forint, Indian rupee, Japanese yen, Mexican peso, Norwegian krone, Polish zloty, Russian ruble, Singapore dollar, South African rand, South Korean won, Swedish krona, Swiss franc, Taiwan dollar and U.S. dollar, were observable in the past three years and thus had a corresponding effect on Volkswagen's results of operations. Losses arising from hedging strategies, together with the expenses of hedging transactions, may result in significant costs.

In accordance with a sensitivity analysis by Volkswagen, for example, a weakening of the following currencies against the euro by 10% in 2021 would have resulted in a deterioration in the earnings after tax of approximately the following amounts:

	Effect on earnings after tax by +10% exchange rate against euro For the year ended December 31, 2021
	(in € million)
Currency	
British pound sterling	-78
U.S. dollar	-672
Chinese renminbi	-157
Swiss franc	17
Swedish krona	-82
Japanese yen	-27
Australian dollar	-13
South Korean Won	-18
Canadian dollar	-24
Taiwan dollar	-6
Czech koruna	-39
Brazilian real	-96

During the course of its general business activities, Volkswagen reduces its foreign currency risk primarily through "natural hedging", i.e. by flexibly adapting its production capacity at its locations around the world and by establishing new production facilities in the most important currency areas, as well as by purchasing materials in the same currency areas in which the sales are generated. The residual foreign currency risk is hedged primarily for a period of up to six years (maximum tenor of 10 years) using financial hedging instruments. These include predominantly currency forwards, currency options, currency swaps and cross-currency swaps. In the case of cash flow hedges, the hedging instruments are also measured at fair value. The designated effective portion of the hedging instrument is accounted for through other comprehensive income I ("OCI I") and the non-designated portion through other comprehensive income II ("OCI II"). They are recognized in the income statement when the hedged item is recognized in profit or loss. The ineffective portion of cash flow hedges is recognized through profit or loss immediately.

In 2021, €70 million was transferred from OCI I to operating result, increasing earnings, and €1,114 million was transferred from OCI II to operating result, decreasing earnings. In 2020, €1,122 million was transferred from OCI I to operating result, increasing earnings, and €1,178 million was transferred from OCI II to operating result, decreasing earnings. In 2019, €782 million was transferred from OCI I to operating result, increasing earnings, and €997 million was transferred from OCI II to operating result, decreasing earnings.

Finally, various subsidiaries and equity investments of the Volkswagen Group prepare their financial statements in currencies other than the euro. These financial statements must be translated into Euros to enable preparation of the Volkswagen Group's consolidated financial statements. This translation may result in corresponding effects in the Volkswagen Group's consolidated financial statements ("translation effects").

The SARS-CoV-2 pandemic has had and may continue to have significant effects on the exchange rates of many foreign currencies, in particular but not limited to a deterioration in the value of several emerging market currencies as compared to the Euro. Furthermore, the Russia-Ukraine conflict may lead to increased inflation which may negatively impact exchange rates. Due to significant changes in forecasted inflows and outflows of several of the previously mentioned foreign currencies, hedging positions had to be modified as part of the reaction to the coronavirus pandemic. At this time, Volkswagen cannot fully assess the impact of the pandemic on the group's foreign exchange rate exposure. See also "6.14 Recent Events."

5.4.10 Financial services

Volkswagen has bundled together its financial services activities in its Financial Services Division, offering services worldwide. The vehicle related activities are essentially classified into the following areas: financing (customer and dealer financing), vehicle leasing, insurance activities, fleet management and mobility offerings. Volkswagen is also active in the direct banking business, which through the deposit business represents an important pillar of the Financial Services Division's refinancing strategy. The objective of Volkswagen's financial services activities is to support the sale of vehicles produced by Volkswagen and to strengthen customer loyalty to the Group's brands. In addition, the financing activities are designed to optimize the Automotive Division's liquidity position.

The Financial Services Division's income from financing, leasing and insurance activities is positively correlated with vehicle sales, the selling price that can be obtained for the vehicles, the term of financing and leasing products, the amount of prepayments and the penetration rate, i.e. the number of vehicles delivered by Volkswagen that are financed by the Financial Services Division.

In the case of financing and leasing products, the Financial Services Division's margin is determined by the interest rate underlying the contract (less refinancing costs) and a surcharge for administrative expenses and risk provisions. If refinancing costs rise, for example because of higher interest rates on the money and capital markets, or for deposits in the direct banking business, the Financial Services Division's margin is reduced correspondingly if such an increase cannot be offset in the short term by modifying the interest rate underlying a contract or being passed on to new customers. If low interest rates or more attractive terms are offered as part of special financing deals to the Automotive Division's customers to promote sales, the Automotive Division assumes the difference between the standard market rate of interest and the lower interest rate, in part together with the dealer organization.

In addition, the result from the financing and leasing business is affected by the default rates. If the default rates rise, this results in additional impairment losses and expenses for risk provisions, which adversely affect the Volkswagen Group's results of operations.

Other factors that affect the results of the Financial Services Division are linked to the development of innovative new products as well as increasing costs of regulatory compliance.

5.4.11 Financing and refinancing costs

The Automotive Division obtains most of its financing from retained earnings and debt in the form of commercial paper, bonds and bank loans. The Financial Services Division mainly uses established money and capital market programs, the securitization of loan and lease receivables (asset-backed securitization programs), Volkswagen Bank's direct banking deposits and bank loans for refinancing purposes.

The terms at which Volkswagen is able to raise debt finance depend not only on the general market conditions, especially interest rate developments in the financial markets, but also on the assessment of Volkswagen's credit quality by market participants and rating agencies. As a result of the diesel issue, Volkswagen's ability to access individual refinancing instruments in the money and capital markets in 2015 and 2016 was restricted. Since 2017, Volkswagen was able to improve the ability to access individual refinancing instruments in the money and capital markets. However, as a result of the SARS-CoV-2 pandemic and the resulting global economic downturn in 2020, and rising interest rates in 2021, financing has become more expensive and this may continue in the future.

5.4.12 Amount of income taxes

Volkswagen Group's profit is also affected by the amount of effective income taxes. The income tax rate (the ratio of reported income tax expense to earnings before tax) was 23.3% in 2021 (2020: 24.4%; 2019: 23.6%). The amount of effective income taxes is mainly affected by tax-exempt income from dividends and the effects of different tax rates outside Germany on the one hand (decreasing effect) and by non-deductible withholding taxes and non-deductible expenses on the other hand (increasing effect).

5.5 Certain Income Statement Items

5.5.1 Sales Revenue

Sales revenue includes revenue from the sale of vehicles and genuine parts (mainly spare parts), used vehicles and third-party products, engines, powertrains and parts deliveries, Power Engineering, motor-

cycles, income from the leasing business, interest and similar income from the financial services business, hedges sales revenue and other sales revenue (comprises revenue from workshop services and license revenue, among other things). Sales revenue, interest and commission income from financial services and other operating income is recognized only when the relevant service has been rendered or the goods have been delivered, i.e. when the customer has obtained control of the goods or services.

Sales revenue in the Automotive Division primarily relates to sales revenue from the sale of vehicles, genuine parts, used vehicles and third-party products, engines, powertrains and part deliveries, and Power Engineering.

Sales revenue in the Financial Services Division primarily relates to the sale of used vehicles, leasing business and interest and similar income.

5.5.2 Cost of Sales

Cost of sales includes the costs incurred to generate the sales revenue and the cost of goods purchased for resale. This item also includes the costs of additions to warranty provisions. Research and development costs not eligible for capitalization in the period and amortization of development costs are likewise carried under cost of sales. Reflecting the presentation of interest and commission income in sales revenue, the interest and commission expenses attributable to the financial services business are presented in cost of sales. Furthermore, cost of sales includes impairment losses on intangible assets, property, plant and equipment, and lease assets.

5.5.3 Distribution and Administrative Expenses

Distribution expenses include non-staff overheads and personnel costs, and depreciation and amortization attributable to the distribution function, as well as the costs of shipping, advertising and sales promotion. Administrative expenses mainly include non-staff overheads and personnel costs as well as depreciation and amortization attributable to the administrative function.

5.5.4 Other Operating Income

Other operating income primarily comprised income from the reversal of valuation allowances on receivables and other assets as well as income from the reversal of provisions and accruals, income from foreign currency hedging derivatives within hedge accounting, income from other hedges, and income from foreign exchange gains as well as income from cost allocations and gains on asset disposals, the reversal of impairment losses on noncurrent assets and miscellaneous other operating income.

Foreign exchange gains mainly comprise gains from changes in exchange rates between the dates of recognition and payment of receivables and liabilities denominated in foreign currencies, as well as exchange rate gains resulting from measurement at the closing rate. Foreign exchange losses from these items are included in other operating expenses.

Accounting for provisions is also based on estimates of the extent and probability of occurrence of future events, as well as estimates of the discount rate. As far as possible, these are also based on experience or external opinions. Any change in the estimates of the amount of other provisions is always recognized in profit or loss. The provisions are regularly adjusted to reflect new information.

Income from other hedges includes primarily foreign exchange gains from the fair value measurement of financial instruments used to hedge exchange rates and commodity prices and are not designated in a hedging relationship. Foreign exchange losses are included in other operating expenses.

Income from cost allocations comprises costs passed through to other parties such as warranty costs, service costs, or other overhead costs.

5.5.5 Other Operating Expenses

Other operating expenses primarily comprise valuation allowances on trade receivables and on other receivables and other assets, losses from foreign currency hedging derivatives within hedge accounting and from foreign exchange, expenses from other hedges, expenses from cost allocations, as well as miscellaneous other operating expenses. Allowances on other receivables and other assets include allowances on receivables from long-term construction contracts.

Foreign exchange losses mainly comprise losses from changes in exchange rates between the dates of recognition and payment of receivables and liabilities denominated in foreign currencies, as well as losses resulting from the fair value measurement at the closing rate. Foreign exchange gains from these items are included in other operating income.

Expenses from other hedges include primarily foreign exchange losses from the fair value measurement of financial instruments used to hedge exchange rates and commodity prices and that are not designated in a hedging relationship. Miscellaneous other operating expenses consist, among other items, of expenses in connection with the diesel issue.

5.5.6 *Interest result*

Interest result includes all interest income and expenses of the Volkswagen Group including other interest and similar income or expenses, income and expenses from valuation of interest derivatives, interest expenses included in the lease payments, except for interest income and expenses of the Financial Services Division, which are reported in sales revenue and cost of sales.

5.5.7 *Other Financial Result*

Other financial result primarily comprises realized income and expenses of loan receivables and payables in foreign currency, gains and losses from the fair value changes of hedging instruments or of derivatives both not included and included in hedge accounting as well as other income and expenses from equity investments.

5.6 *Results of Operations*

The following discussion compares Volkswagen's results of operations for the years ended December 31, 2021, 2020 and 2019. It also includes a discussion of the sales revenue and operating result of the divisions and a presentation by operating segment and geographic market (segment discussion). The Company has chosen to apply the internationally accepted cost of sales (function of expense) method to the income statement. In the cost of sales method, expenses are classified by function (production (included in cost of sales), distribution and administrative expenses).

The following table presents the main items in Volkswagen's income statements for the years ended December 31, 2021, 2020 and 2019.

	For the year ended December 31,		
	2021	2020	2019
	(in € million) (audited)		
Sales revenue	250,200	222,884	252,632
Cost of sales	-202,959	-183,937	-203,490
Gross result	47,241	38,947	49,142
Distribution expenses	-19,228	-18,407	-20,978
Administrative expenses	-10,420	-9,399	-9,767
Other operating income	14,731	12,438	11,453
Other operating expenses	-13,049	-13,904	-12,890
Operating result	19,275	9,675	16,960
Share of the result of equity-accounted investments	2,321	2,756	3,349
Interest income	810	793	910
Interest expenses	-1,818	-2,291	-2,524
Other financial result	-463	733	-339
Financial result	851	1,991	1,396
Earnings before tax	20,126	11,667	18,356
Income tax expense	-4,698	-2,843	-4,326
Earnings after tax	15,428	8,824	14,029
of which attributable to			
Noncontrolling interests	46	-43	143
Volkswagen AG hybrid capital investors	539	533	540
Volkswagen AG shareholders	14,843	8,334	13,346

5.6.1 Results of Operations – 2021 compared with 2020

5.6.1.1 Sales revenue

The Volkswagen Group generated sales revenue of €250.2 billion in 2021, 12.3% higher than in 2020, despite the decline in unit sales. Strong demand coupled with constrained supply led to a favorable pricing environment and mix effects; and the good business performance of the Financial Services Division and the Commercial Vehicles Business Area particularly had a positive impact. Bottlenecks in the supply of semi-conductors and the resulting limited availability of vehicles led to a reduction in vehicle sales. Changes in exchange rates also had a negative effect. The major share of sales revenue (excluding sales revenue from hedges) was generated outside Germany (82.3% in 2021 compared with 80.8% in 2020).

Volkswagen's sales revenue by source is as follows:

	For the year ended December 31,		Change 2021/2020 (%) (unaudited)
	2021	2020	
	(in € million) (audited)		
Vehicles ⁽¹⁾	148,067	129,164	+14.6
Genuine parts	18,015	14,886	+21.0
Used vehicles and third-party products ⁽¹⁾	30,864	27,348	+12.9
Engines, powertrains and parts deliveries	12,853	13,253	-3.0
Power Engineering	3,276	3,638	-9.9
Motorcycles	732	567	+29.1
Leasing business ⁽¹⁾	16,474	15,295	+7.7
Interest and similar income	7,721	7,646	+1.0
Hedges sales revenue	-386	-345	-11.9
Other sales revenue ⁽¹⁾	12,583	11,433	+10.1
	<u>250,200</u>	<u>222,884</u>	+12.3

⁽¹⁾ Beginning in 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 in the 2021 Annual Financial Statements. Previously, for example, the transfer of a leased vehicle from the lessee had been reported in the leasing business line item. The prior-year comparative figures for the fiscal year 2020 in the 2021 Annual Financial Statements were adjusted accordingly.

There was an increase in sales revenue from the sale of vehicles by €18.9 billion, or 14.6%, in 2021 compared to 2020, primarily as a result of better price positioning, product mix effects, and the good business performance of the Financial Services Division and the Commercial Vehicles Business Area, which offset the negative effects of supply chain bottlenecks for semiconductors and the resulting limited vehicle availability, and the negative effects from changes in exchange rates. Sales revenue from the sale of genuine parts grew by €3.1 billion or 21.0%, and the sale of used vehicles and third-party products grew by €3.5 billion or 12.9% in 2021 compared to 2020, respectively. The total sales revenue of engines, powertrains and parts deliveries decreased in 2021 compared to 2020 by €400 million, or 3.0%. Power Engineering reported a decrease in sales revenue of €362 million, or 9.9% in 2021 compared to 2020.

Sales revenue from the Financial Services Division primarily relates to operating lease payments and the sale of used vehicles. Interest and similar income is generated by the financial services business and primarily consists of interest income from customer and dealer financing, and from finance leases. Similar income primarily relates to commission income from insurance brokerage services. Compared with 2020, sales revenue from the leasing business increased in 2021 by €1.2 billion, or 7.7%. Sales revenue from interest and similar income increased in 2021 compared to 2020 by €75 million, or 1.0%.

Other sales revenue comprises revenue from workshop services and license revenue, among other things. Other sales revenue increased by €1.2 billion, or 10.1%, in 2021 compared with 2020.

Of the sales revenue recognized in 2021, an amount of €6,877 million was included in contract liabilities as of January 1, 2021. €575 million of the sales revenue recognized in 2021 is attributable to performance obligations satisfied in a prior period as compared to €345 million in 2020.

Volkswagen's sales revenue by division is as follows:

	For the year ended December 31,		Change 2021/2020 (%) (unaudited)
	2021	2020	
	(in € million) (unaudited, unless otherwise indicated)		
Automotive Division ⁽¹⁾	206,237	182,106	+13.3
Financial Services Division	43,963	40,778	+7.8
Volkswagen Group	<u>250,200⁽²⁾</u>	<u>222,884⁽²⁾</u>	+12.3

⁽¹⁾ Including allocation of consolidation adjustments between the Automotive and Financial Services Divisions.

⁽²⁾ Audited.

The Automotive Division's sales revenue increased by 13.3% to €206.2 billion in 2021, from €182.1 billion in 2020, which had been more severely impacted by the spread of the SARS-CoV-2 pandemic and its negative consequences. The improvement resulted primarily from improvements in the product mix and price positioning. Limited vehicle availability due to the semiconductor shortage and changes in exchange rates has an adverse impact. As the Chinese joint ventures are accounted for using the equity method, the Volkswagen Group's performance in the Chinese passenger car market is reflected in the Group's sales revenue almost exclusively through deliveries of vehicles and vehicle parts.

In 2021, sales revenue in the Passenger Cars Business Area was 10.6% higher than 2020, at €172.9 billion (2020: €156.3 billion), mainly because of positive mix and price positioning. Exchange rates had a negative effect. Sales revenue in the Commercial Vehicles Business Area amounted to €30.1 billion in 2021, a 35.8% increase compared to €22.2 billion in 2020. This increase was also driven mainly by better price positioning and a positive mix. The Power Engineering Business Area recorded sales revenue of €3.3 billion in 2021, a decrease of 9.9% compared to sales revenue of €3.6 billion in 2020, primarily resulting from the effects of the sale of the Renk business, which was only included until October 2020.

The Financial Services Division generated sales revenue of €44.0 billion in 2021. The 7.8% rise in 2021 over the 2020 figure was mainly attributable to the high demand for used vehicles

The breakdown of Volkswagen's sales revenue from external customers by region is as follows:

	For the year ended December 31,		Change 2021/2020 (%) (unaudited)
	2021⁽¹⁾ (in € million) (audited)	2020⁽¹⁾	
Germany	44,452	42,847	3.7%
Europe and Other Markets ⁽²⁾ (excluding Germany)	101,118	90,652	11.5%
North America	45,305	36,810	23.1%
South America	11,039	8,632	27.9%
Asia-Pacific ⁽³⁾	48,672	44,288	9.9%
Hedges sales revenue	-386	-345	11.9%
Total	<u>250,200</u>	<u>222,884</u>	12.3%

⁽¹⁾ Effects of hedging transactions relating to sales revenue in foreign currency are not allocated to regions.

⁽²⁾ Other Markets comprises mainly Turkey and South Africa.

⁽³⁾ The sales revenue of the joint venture companies in China is not included in the figures for the Asia-Pacific market.

In Germany, combined with Europe and Other Markets, sales revenue increased by 9.0% to €145.6 billion in 2021 compared to 2020 due to positive product mix and pricing. Sales revenue in North America rose 23.1% to €45.3 billion in 2021 compared to 2020, primarily due to the higher volumes and product mix effects, as well as the consolidation of Navistar from July 1, 2021; compensating for the negative impact of unfavorable exchange rate trends. In South America, increased unit sales contributed to an 27.9% increase in sales revenue to €11.0 billion in 2021 compared to 2020, while exchange rate trends had a negative impact. Sales revenue in the Asia-Pacific region amounted to €48.7 billion in 2021, with the 9.9% increase over 2020 attributable to an improved mix and positive exchange rate effects. These figures do not include the sales revenue generated by Volkswagen's Chinese joint ventures, since these are accounted for using the equity method.

5.6.1.2 Cost of sales

Volkswagen's cost of sales and the ratio of cost of sales to sales revenue are as follows:

	For the year ended December 31,		Change 2021/2020
	2021	2020	
	(in € million)		(%)
	(audited, unless otherwise indicated)		(unaudited)
Cost of sales	202,959	183,937	+10.3
as % of sales revenue (<i>unaudited</i>)	81.1	82.5	—

Cost of sales grew by €19.0 billion, or 10.3%, in 2021 compared to 2020, mainly as a result of a rise in research and development costs recognized in profit or loss. As a result of the marked growth in sales revenue, the ratio of cost of sales to sales revenue decreased. Total research and development costs as a percentage of the Automotive Division's sales revenue (research and development ratio or R&D ratio) amounted to 7.6% in 2021 and was unchanged from 7.6% in 2020. In addition to new models, the R&D activities focused above all on the electrification of the vehicle portfolio, digitalization, new technologies and modular toolkits and platforms.

Cost of sales includes interest expenses of €1,984 million in 2021 (compared with €2,303 million in 2020) attributable to the financial services business. This item also includes impairment losses on intangible assets (primarily development costs), property, plant and equipment (primarily other equipment, operating and office equipment), and lease assets in the amount of €805 million in 2021 (compared with €1,180 million in 2020). The impairment losses of €344 million in 2021 (compared with €356 million in 2020) on intangible assets and items of property, plant and equipment resulted in particular from lower values in use of various products in the Passenger Cars segment, from market and exchange rate risks, and in particular from expected declines in volumes. The impairment losses on lease assets in the amount of €461 million in 2021 (compared with €824 million in 2020) were predominantly attributable to the Financial Services segment. They are based on constantly updated internal and external information that is factored into the forecast residual values of the vehicles. Thereof, €27 million in 2021 (compared with €60 million in 2020) were reported in current lease assets.

5.6.1.3 Distribution and administrative expenses

Distribution expenses in 2021 were €19.2 billion, with the previous year 2020 at €18.4 billion. The ratio of distribution expenses to sales revenue was down. At €10.4 billion, administrative expenses rose by 10.9% between 2020 and 2021, and the ratio of administrative expenses to sales revenue was virtually unchanged as against 2020.

Volkswagen's distribution and administrative expenses and the ratio of these expenses to sales revenue are as follows:

	For the year ended December 31,		Change 2021/2020
	2021	2020	
	(in € million)		(%)
	(audited, unless otherwise indicated)		(unaudited)
Distribution expenses	19,228	18,407	+4.5
as % of sales revenue (<i>unaudited</i>)	7.7	8.3	—
Administrative expenses	10,420	9,399	+10.9
as % of sales revenue (<i>unaudited</i>)	4.2	4.2	—
	<u>29,648⁽¹⁾</u>	<u>27,806⁽¹⁾</u>	+6.6

⁽¹⁾ Unaudited.

In the Automotive Division, there was a year-on-year rise in both distribution and administrative expenses in 2021 as compared with 2020. The ratio of distribution expenses to sales revenue went down, while the ratio of administrative expenses was virtually unchanged.

In the Financial Services Division, distribution expenses as well as administrative expenses increased in 2021 as compared with 2020. The rise in expenses was attributable to higher business volumes. Overall, the ratio of costs to sales revenue was down slightly.

5.6.1.4 Other operating income

The composition of Volkswagen's other operating income and the ratio of this income to sales revenue are as follows:

	For the year ended December 31,		Change 2021/2020 (%) (unaudited)
	2021	2020	
	(in € million) (audited, unless otherwise indicated)		
Income from reversal of loss allowances on receivables and other assets	1,754	1,334	+31.5
Income from reversal of provisions and accruals	1,236	1,086	+13.8
Income from foreign currency hedging derivatives within hedge accounting	910	1,185	-23.2
Income from other hedges	3,547	1,709	>+100
Income from foreign exchange gains	2,610	2,588	+0.9
Income from sale of promotional material	398	312	+27.6
Income from cost allocations	1,040	1,039	+0.1
Income from investment property	10	10	0.0
Gains on asset disposals and the reversal of impairment losses . . .	771	299	>+100
Miscellaneous other operating income	2,455	2,876	-14.6
	14,731	12,438	+18.4
as % of sales revenue (unaudited)	5.9	5.6	—

Other operating income rose by €2.3 billion, or 18.4%, in 2021 compared with 2020, primarily as a result of an increase in income from other hedges and income from reversal of allowances on receivables and other assets.

The fair value of an amount receivable by MAN Truck & Bus SE from Navistar arising from the termination of a development project exceeded the previously recognized carrying amount by €12.0 million. The difference was recognized through profit or loss in other operating income in fiscal year 2021. Furthermore, in 2020, the contribution of AID to Argo AI at fair value resulted, after proportional profit elimination, in a non-cash gain of €0.8 billion, which was recognized in the other operating result.

5.6.1.5 Other operating expenses

The composition of Volkswagen's other operating expenses and the ratio of these expenses to sales revenue are as follows:

	For the year ended December 31,		Change 2021/2020
	2021	2020	
	(in € million)		(%)
	(audited, unless otherwise indicated)		(unaudited)
Loss allowances on trade receivables	294	316	-7.0
Loss allowances on other receivables and other assets	1,632	2,302	-29.1
Losses from foreign currency hedging derivatives within hedge accounting	1,273	1,034	+23.1
Expenses from other hedges	1,091	1,806	-39.6
Foreign exchange losses	1,909	3,123	-38.9
Expenses from cost allocations	653	743	-12.1
Expenses for termination agreements	333	391	-14.8
Losses on disposal of noncurrent assets	253	212	+19.3
Miscellaneous other operating expenses	5,611	3,979	+41.0
	<u>13,049</u>	<u>13,904</u>	-6.1
as % of sales revenue (<i>unaudited</i>)	5.2	6.2	—

Other operating expenses fell by €855 million, or 6.1% in 2021 compared to 2020, primarily due to a decrease in foreign exchange losses. Expenses from other hedges included primarily foreign exchange losses from the fair value measurement of financial instruments used to hedge exchange rates and commodity prices and that are not designated in a hedging relationship. In relation to an administrative action, in connection with an initial statement of objections issued by the European Commission in April 2019 against Volkswagen AG, AUDI AG, and Dr. Ing. h.c. F. Porsche AG, a settlement decision was eventually issued on July 8, 2021, concluding the administrative action and assessing a total fine of approximately €0.5 billion against the three brands. This amount was recognized under other operating expenses. Furthermore, the sale of MAN Truck & Bus Österreich GesmbH, Steyr/Austria (MTBÖ) as part of restructuring measures was completed with effect from August 31, 2021. The sale led to the recognition of a total expense of €304 million which is presented in other operating expenses.

5.6.1.6 Operating result

In 2021, the Volkswagen Group generated an operating result of €19.3 billion, which was €9.6 billion higher than in 2020 (€9.7 billion). The increase was mainly attributable to positive mix effects, improved price positioning and positive effects of €2.5 billion (2020: €-0.1 billion) from the measurement of derivatives to which hedge accounting is not applied (especially commodity hedging derivatives). The good business performance of the Financial Services Division also made a positive contribution.

One-off expenses of €0.7 billion for restructuring measures were recognized in the Commercial Vehicles Business Area in 2021. These primarily included expenses from the sale of the commercial vehicle plant in Steyr, Austria, which became effective on August 31, 2021. In addition, incurred expenses of €0.5 billion in 2021 in connection with the EU antitrust proceedings against Scania had a negative effect. Special items in connection with the diesel issue weighed on the operating result, reducing this item by €-0.8 billion in 2021 (2020: €-0.9 billion). The operating return on sales rose to 7.7% in 2021 (2020: 4.3%).

Volkswagen's operating result by division is as follows:

	For the year ended December 31,		Change 2021/2020
	2021	2020	
	(in € million) (unaudited, unless otherwise indicated)		(% (unaudited)
Automotive ⁽¹⁾	13,230	6,664	+98.5
as % of sales revenue of the Automotive Division ⁽²⁾	6.4	3.7	—
Financial Services	6,045	3,012	>+100
as % of sales revenue of the Financial Services Division ⁽²⁾	13.8	7.4	—
Volkswagen Group	19,275⁽³⁾	9,675⁽³⁾	+99.2
as % of Group sales revenue ⁽²⁾	7.7	4.3	—

⁽¹⁾ Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

⁽²⁾ Operating return on sales.

⁽³⁾ Audited.

The Automotive Division's operating result rose to €13.2 billion in 2021, a 98.5% jump from 2020. The division recorded an operating return on sales of 6.4% in 2021 compared with 3.7% in 2020. The main contributors to the Automotive Division's operating result in 2021 were favorable price positioning, the fair value measurement of derivatives to which hedge accounting is not applied and changes in the mix. These factors were offset by limited vehicle availability as a result of the semiconductor shortage, an increase in provisions in connection with the EU antitrust proceedings against Scania in 2021 and one-off expenses for restructuring measures in the Commercial Vehicles Business Area.

The Passenger Cars Business Area – which for purposes of financial statement segment reporting includes the segment Passenger Cars and Light Commercial Vehicles – generated an operating result of €13.1 billion in 2021, an increase of €5.8 billion compared with 2020. The operating return on sales was 7.5% in 2021 compared with 4.6% in 2020.

In the Commercial Vehicles Business Area, operating result rose to €134 million in 2021 compared with €–79 million in 2020, while the operating return on sales amounted to 0.4% in 2021 (2020: –0.4%). The increase in 2021 was mainly due to a sales increase, while an increase in provisions in connection with the EU antitrust proceedings against Scania in the reporting period and one-off expenses for restructuring measures weighed on the result.

Operating result in the Power Engineering Business Area rose to €45 million in 2021 compared with €–482 million in 2020, while the operating return on sales amounted to 1.4% in 2021 (2020: –13.2%).

Operating result in the Financial Services Division rose from €3.0 billion in 2020 to €6.0 billion in 2021. The increase was primarily due to improved business performance, which was driven above all by strong demand for used vehicles, and lower risk costs for credit and residual value risks. The operating return on sales amounted to 13.8% in 2021 (2020: 7.4%).

5.6.1.7 Share of the result of equity-accounted investments

The composition of Volkswagen's share of the result of equity-accounted investments is as follows:

	For the year ended December 31,		Change 2021/2020 (%) (unaudited)
	2021 (in € million) (audited)	2020	
Share of profits of equity-accounted investments	2,669	3,159	-15.5
<i>of which</i>			
from joint ventures	2,364	2,916	-18.9
from associates	306	243	+25.9
Share of losses of equity-accounted investments	349	403	-13.4
<i>of which</i>			
from joint ventures	236	269	-12.3
from associates	113	134	-15.7
	2,321	2,756	-15.8

The share of the result of equity-accounted investments amounted to €2,321 million in 2021, a decrease of 15.8% or €435 million compared to 2020. This is primarily attributable to the lower profit generated by the Chinese joint ventures, which was again a reflection of the bottlenecks in the supply of semiconductors and the resulting limited availability of vehicles.

The sales revenue and operating result of the joint venture companies in China are not included in the figures for the Volkswagen Group. The Chinese companies are accounted for using the equity method and recorded a proportionate operating result of €3,026 million in 2021, a 16.0% decrease from €3,602 million in 2020.

5.6.1.8 Interest result

The composition of Volkswagen's interest result is as follows:

	For the year ended December 31,		Change 2021/2020 (%) (unaudited)
	2021 (in € million) (audited)	2020	
Interest income	810	793	+2.1
Other interest and similar income	810	788	+2.8
Income from valuation of interest derivatives	0	5	-100.0
Interest expenses	-1,818	-2,291	+20.6
Other interest and similar expenses	-1,449	-1,499	+3.3
Expenses from valuation of interest derivatives	-27	-23	-17.4
Interest expenses included in lease payments	-168	-206	+18.4
Interest result from discounting other noncurrent liabilities	180	-104	>+100.0
Net interest on the net defined benefit liability	-354	-459	+22.9
Interest result	-1,007	-1,498	+32.8

In 2021, interest result amounted to €-1.0 billion compared to €-1.5 billion in 2020. The increase in interest result arose from a positive discounting effect on other noncurrent liabilities.

5.6.1.9 Other financial result

The composition of Volkswagen's other financial result is as follows:

	For the year ended December 31,		Change 2021/2020 (%) (unaudited)
	2021 (in € million) (audited)	2020	
Income from profit and loss transfer agreements	43	23	+87.0
Cost of loss absorption	-81	-103	+21.4
Other income from equity investments	315	91	>+100.0
Other expenses from equity investments	-210	-433	+51.5
Income from marketable securities and loans	164	-230	>+100.0
Realized income of loan receivables and payables in foreign currency	753	1,097	-31.4
Realized expenses of loan receivables and payables in foreign currency	-928	-1,620	+42.7
Gains and losses from remeasurement and impairment of financial instruments	94	-61	>+100.0
Gains and losses from fair value changes of hedging instruments/ derivatives not included in hedge accounting	-648	1,950	>-100.0
Gains and losses from fair value changes of hedging instruments/ derivatives included in hedge accounting	36	20	+80.0
Other financial result	-463	733	>-100.0

The other financial result declined to €-0.5 billion in 2021 compared with €0.7 billion in 2020. This item included losses from forward purchase agreements for new shares in QuantumScape (€0.6 billion) in 2021. In 2020, the measurement and realization of these forward agreements had led to a non-cash gain of €1.4 billion.

5.6.1.10 Financial result

Volkswagen's financial result decreased by €1.1 billion to €0.9 billion in 2021 compared to 2020. The interest expenses included in this item increased, due mainly to the interest cost on provisions. In 2020, changes in share prices had weighed on net income from securities and funds as a result of the SARS-CoV-2 pandemic.

In 2021, the Automotive Division's financial result amounted to €915 million compared to €2.2 billion in 2020. The financial result of the Financial Services Division climbed from €-236 million in 2020 to €-64 million in 2021.

5.6.1.11 Income tax income/expense

The composition of Volkswagen's income tax expense is as follows:

	For the year ended December 31,		Change 2021/2020 (%) (unaudited)
	2021 (in € million) (audited)	2020	
Current tax expense, Germany	1,230	940	+30.9
Current tax expense, abroad	3,382	2,210	+53.0
Current income tax expense	4,612	3,150	+46.4
of which prior-period income (-)/expense (+)	310	299	+3.7
Deferred tax income (-)/expense (+), Germany	1,072	-1,026	>+100.0
Deferred tax income (-)/expense (+), abroad	-986	719	>-100.0
Deferred tax income (-)/expense (+)	86	-307	>+100.0
Income tax income/expense	4,698	2,843	+65.2

Income tax expense increased by €1.9 billion to €4.7 billion in 2021 compared with 2020. The tax expense reported for 2021 of €4,698 million was €1,340 million lower than the expected tax expense of €6,038 million that would have resulted from application of a tax rate for the Group of 30.0% to the earnings before tax of the Volkswagen Group. This resulted primarily from tax-exempt income. A tax rate of 30.0% (2020: 30.0%) was used to measure deferred taxes in the German consolidated tax group in 2021.

5.6.2 Results of Operations – 2020 compared with 2019

5.6.2.1 Sales revenue

The Volkswagen Group generated sales revenue of €222.9 billion in 2020, 11.8% lower than in 2019. This year-on-year decrease was mainly attributable to falling volumes as a result of the SARS-CoV-2 pandemic, as well as the negative effects of changes in exchange rates. Improvements in product mix and in price positioning had a positive impact. The major share of sales revenue (excluding sales revenue from hedges) was recorded outside Germany (80.8% in 2020 compared with 80.6% in 2019).

Volkswagen's sales revenue by source is as follows:

	For the year ended December 31,		Change 2020/2019 (%) (unaudited)
	2020	2019	
	(in € million) (audited)		
Vehicles ⁽¹⁾	129,595	157,212	-17.6
Genuine parts	14,886	16,676	-10.7
Used vehicles and third-party products ⁽¹⁾	12,535	13,449	-6.8
Engines, powertrains and parts deliveries	13,253	12,116	+9.4
Power Engineering	3,638	3,994	-8.9
Motorcycles	567	603	-6.0
Leasing business ⁽¹⁾	29,739	29,147	+2.0
Interest and similar income	7,646	8,066	-5.2
Hedges sales revenue	-345	11	>-100.0
Other sales revenue ⁽¹⁾	11,370	11,359	+0.1
	<u>222,884</u>	<u>252,632</u>	-11.8

⁽¹⁾ Beginning in 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 in the 2021 Annual Financial Statements. Previously, for example, the transfer of a leased vehicle from the lessee had been reported in the leasing business line item. The prior-year comparative figures for the fiscal year 2020 in the 2021 Annual Financial Statements were adjusted accordingly. The relevant figures displayed for the fiscal year 2020 have been adjusted but no such comparable adjustments were made for the corresponding figures for the fiscal year 2019. Thus for the foot-noted line items, please see the comparisons of the unadjusted 2020 figures from the 2020 Annual Financial Statements as against the relevant unadjusted 2019 figures.

There was a decrease in sales revenue from the sale of vehicles by €27.6 billion, or 17.6%, in 2020 compared to 2019, as a result of lower unit sales and exchange rate effects. Sales revenue from the sale of genuine parts decreased year-on-year by €1.8 billion or 10.7%, and the sale of used vehicles and third-party products decreased by €914 million or 6.8% in 2020 compared to 2019, respectively. The total sales revenue of engines, powertrains and parts deliveries increased in 2020 compared to 2019 by €1,137 million, or 9.4%. Power Engineering reported a decrease in sales revenue of €356 million, or 8.9% in 2020 compared to 2019. Sales revenue from the Financial Services Division primarily relates to the sale of used vehicles, leasing business and interest and similar income. Compared with 2019, sales revenue from the leasing business increased in 2020 by €592 million, or 2.0%. Revenue from interest and similar income decreased in 2020 compared to 2019 by €420 million, or 5.2%.

Other sales revenue comprises revenue from workshop services and license revenue, among other things. Other sales revenue increased by €11 million, or 0.1%, in 2020 compared with 2019.

Of the sales revenue recognized in 2020, an amount of €6,815 million was included in contract liabilities as of January 1, 2020. €345 million of the sales revenue recognized in 2020 was attributable to performance obligations satisfied in a prior period as compared to €359 million in 2019.

Volkswagen's sales revenue by division is as follows:

	For the year ended December 31,		Change 2020/2019
	2020	2019	
	(in € million) (unaudited, unless otherwise indicated)		(%) (unaudited)
Automotive Division ⁽¹⁾	182,106	212,473	-14.3
Financial Services Division	40,778	40,160	+1.5
Volkswagen Group	222,884⁽²⁾	252,632⁽²⁾	-11.8

⁽¹⁾ Including allocation of consolidation adjustments between the Automotive and Financial Services Divisions.

⁽²⁾ Audited.

The Automotive Division's sales revenue fell from €212.5 billion in 2019 to €182.1 billion in 2020, a 14.3% decrease. The decline was mainly attributable to falling volumes as a result of the SARS-CoV-2 pandemic, as well as the negative effects of changes in exchange rates. As the Chinese joint ventures are accounted for using the equity method, the Volkswagen Group's performance in the Chinese passenger car market is reflected in the Group's sales revenue almost exclusively through deliveries of vehicles and vehicle parts.

In 2020, sales revenue in the Passenger Cars Business Area was 14.1% lower than in 2019, at €156.3 billion (2019: €182.0 billion), mainly because of falling volumes as a result of the SARS-CoV-2 pandemic. Exchange rates also had a negative effect while the contribution of mix effects and better price positioning had positive effects.

Sales revenue in the Commercial Vehicles Business Area amounted to €22.2 billion in 2020, a 16.2% decrease compared to €26.4 billion in 2019. This decrease was also driven mainly by falling volumes as a result of the SARS-CoV-2 pandemic.

The Power Engineering Business Area recorded sales revenue of €3.6 billion in 2020, a decrease of 10.0% compared to sales revenue of €4.0 billion in 2019 due to falling volumes and in particular one-off expenses for restructuring measures of €0.4 billion. Cost reductions and improvements in the mix had a positive effect.

The Financial Services Division generated sales revenue of €40.8 billion in 2020. The 1.5% rise in 2020 over the 2019 figure was mainly attributable to the growth in business volumes.

The breakdown of Volkswagen's sales revenue from external customers by region is as follows:

	For the year ended December 31,		Change 2020/2019
	2020⁽¹⁾	2019⁽¹⁾	
	(in € million) (audited)		(%) (unaudited)
Germany	42,847	48,991	-12.5
Europe and Other Markets ⁽²⁾ (excluding Germany)	90,652	105,009	-13.7
North America	36,810	43,351	-15.1
South America	8,632	11,297	-23.6
Asia-Pacific ⁽³⁾	44,288	43,974	0.7
Hedges sales revenue	-345	11	>-100.0
Total	222,884	252,632	-11.8

⁽¹⁾ Effects of hedging transactions relating to sales revenue in foreign currency are not allocated to regions.

⁽²⁾ Other Markets comprises mainly Turkey and South Africa.

⁽³⁾ The sales revenue of the joint venture companies in China is not included in the figures for the Asia-Pacific market.

In Germany, combined with Europe and Other Markets, sales revenue decreased by 13.3% to €133.5 billion in 2020 compared to 2019 due to volume effects. Sales revenue in North America fell 15.1% to €36.8 billion in 2020 compared with 2019, primarily due to decreased volumes caused by the SARS-CoV-2 pandemic. In South America, declining volumes and an unfavorable exchange rate contributed

to a 23.6% decrease in sales revenue to €8.6 billion in 2020 compared with 2019. Sales revenue in the Asia-Pacific region amounted to €44.3 billion in 2020, with the 0.7% increase over 2019. These figures do not include the sales revenue generated by Volkswagen's Chinese joint ventures, since these are accounted for using the equity method.

5.6.2.2 Cost of sales

Volkswagen's cost of sales and the ratio of cost of sales to sales revenue are as follows:

	For the year ended December 31,		Change
	2020	2019	2020/2019
	(in € million)		(%)
	(audited, unless otherwise indicated)		(unaudited)
Cost of sales	183,937	203,490	-9.6
as % of sales revenue (<i>unaudited</i>)	82.5	80.5	—

Cost of sales shrank by €19.6 billion, or 9.6%, in 2020 compared with 2019, mainly as a result of lower volumes. Higher depreciation and amortization charges due to the large capital expenditure volume were set against lower total research and development costs recognized in profit or loss in the Automotive Division. Total research and development costs as a percentage of the Automotive Division's sales revenue (research and development ratio or R&D ratio) amounted to 7.6% in 2020 and were higher against 6.7% in 2019. In addition to new models, the R&D activities focused above all on the electrification of the vehicle portfolio, a more efficient range of engines, digitalization and new technologies.

Cost of sales includes interest expenses of €2,303 million in 2020 (compared with €2,705 million in 2019) attributable to the financial services business. This item also includes impairment losses on intangible assets (primarily development costs), property, plant and equipment (primarily other equipment, operating and office equipment), and lease assets in the amount of €1,180 million in 2020 (compared with €830 million in 2019). The impairment losses of €356 million in 2020 (compared with €295 million in 2019) on intangible assets and items of property, plant and equipment resulted primarily from lower values in use of various products in the Passenger Cars segment, from market and exchange rate risks, and in particular from expected declines in volumes. The impairment losses on lease assets in the amount of €824 million in 2020 (compared with €535 million in 2019) were predominantly attributable to the Financial Services segment. They are based on constantly updated internal and external information that is factored into the forecast residual values of the vehicles. Thereof, €60 million in 2020 (compared with €25 million in 2019) were reported in current lease assets.

5.6.2.3 Distribution and administrative expenses

Distribution expenses in 2020 were €18.4 billion, with 2019 at €21.0 billion. The ratio of distribution expenses to sales revenue remained virtually unchanged. At €9.4 billion, administrative expenses fell by 3.8% between 2019 and 2020, and the ratio of administrative expenses to sales revenue increased.

Volkswagen's distribution and administrative expenses and the ratio of these expenses to sales revenue are as follows:

	For the year ended December 31,		Change
	2020	2019	2020/2019
	(in € million)		(%)
	(audited, unless otherwise indicated)		(unaudited)
Distribution expenses	18,407	20,978	-12.3
as % of sales revenue (<i>unaudited</i>)	8.3	8.3	—
Administrative expenses	9,399	9,767	-3.8
as % of sales revenue (<i>unaudited</i>)	4.2	3.9	—
	27,806⁽¹⁾	30,745⁽¹⁾	-9.6%

⁽¹⁾ Unaudited.

In the Automotive Division, distribution expenses decreased in 2020 to €17.3 billion, as compared to €19.7 billion in 2019. The ratio of distribution expenses to sales revenue increased slightly. Administrative expenses in the Automotive Division decreased by 5.0% to €7.1 billion in 2020 as compared with 2019, and the ratio of administrative expenses to sales revenue increased slightly.

In the Financial Services Division, distribution expenses declined, while administrative expenses rose slightly in 2020 as compared with 2019. The rise in expenses was attributable to a higher business volume. Overall, the ratio of costs to sales revenue was down slightly.

5.6.2.4 Other operating income

The composition of Volkswagen's other operating income and the ratio of this income to sales revenue are as follows:

	For the year ended December 31,		Change 2020/2019
	2020	2019	
	(in € million)		(%)
	(audited, unless otherwise indicated)		(unaudited)
Income from reversal of loss allowances on receivables and other assets	1,334	1,482	-10.0
Income from reversal of provisions and accruals	1,086	969	+12.1
Income from foreign currency hedging derivatives within hedge accounting	1,185	686	+72.7
Income from other hedges	1,709	1,177	+45.2
Income from foreign exchange gains	2,588	2,346	+10.3
Income from sale of promotional material	312	498	-37.3
Income from cost allocations	1,039	985	+5.5
Income from investment property	10	12	-16.7
Gains on asset disposals and the reversal of impairment losses on noncurrent assets	299	1,182	-74.7
Miscellaneous other operating income	<u>2,876</u>	<u>2,116</u>	+35.9
	<u>12,438</u>	<u>11,453</u>	+8.6
as % of sales revenue (<i>unaudited</i>)	5.6	4.5	—

Other operating income rose by €985 million, or 8.6%, in 2020 compared to 2019, due to higher income from other hedges and income from foreign exchange gains.

5.6.2.5 Other operating expenses

The composition of Volkswagen's other operating expenses and the ratio of these expenses to sales revenue are as follows:

	For the year ended December 31,		Change 2020/2019 (%) (unaudited)
	2020 (in € million) (audited, unless otherwise indicated)	2019	
Loss allowances on trade receivables including construction contracts	316	317	-0.3
Loss allowances on other receivables and other assets	2,302	1,783	+29.1
Losses from foreign currency hedging derivatives within hedge accounting	1,034	997	+3.7
Expenses from other hedges	1,806	1,332	+35.6
Foreign exchange losses	3,123	2,013	+55.1
Expenses from cost allocations	743	563	+32.0
Expenses for termination agreements	391	54	>+100.0
Losses on disposal of noncurrent assets	212	119	+78.2
Miscellaneous other operating expenses	3,979	5,712	-30.3
	13,904	12,890	+7.9
as % of sales revenue (unaudited)	6.2	5.1	—

Other operating expenses rose by €1.0 billion, or 7.9% in 2020 compared to 2019, primarily due to an increase in foreign exchange losses, loss allowances on other receivables and other assets and expenses from hedging. Expenses from other hedges included primarily foreign exchange losses from the fair value measurement of financial instruments used to hedge exchange rates and commodity prices and that are not designated in a hedging relationship. Allowances on other receivables and other assets include allowances on receivables from long-term construction contracts.

5.6.2.6 Operating result

In 2020, the Volkswagen Group generated an operating result of €9.7 billion, which was €7.3 billion lower than in 2019 (€17.0 billion). The decrease was mainly attributable to falling volumes as a result of the SARS-CoV-2 pandemic. Expenses in connection with the diesel issue reduced operating result by €0.9 billion in 2020 as compared to a reduction of €2.3 billion in 2019. The operating return on sales fell to 4.3% in 2020 (2019: 6.7%).

Volkswagen's operating result by division is as follows:

	For the year ended December 31,		Change 2020/2019 (%) (unaudited)
	2020 (in € million) (unaudited, unless otherwise indicated)	2019	
Automotive ⁽¹⁾	6,664	13,748	-51.5
as % of sales revenue of the Automotive Division ⁽²⁾	3.7	6.5	—
Financial Services	3,012	3,212	-6.2
as % of sales revenue of the Financial Services Division ⁽²⁾	7.4	8.0	—
Volkswagen Group	9,675⁽³⁾	16,960⁽³⁾	-43.0
as % of Group sales revenue ⁽²⁾	4.3	6.7	—

⁽¹⁾ Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

⁽²⁾ Operating return on sales.

⁽³⁾ Audited.

The Automotive Division's operating result amounted to €6.7 billion in 2020, a 51.5% decrease from 2019. The division recorded an operating return on sales of 3.7% in 2020 compared with 6.5% in 2019. The main contributors to the Automotive Division's operating result in 2020 were lower unit sales caused by the SARS-CoV-2 pandemic and the measurement of receivables and liabilities denominated in foreign currencies. One-off expenses for restructuring measures of €0.5 billion in 2020 also contributed to the reduction in profit. Expenses directly related to the diesel issue contained in the Automotive Division's operating result amounted to €1.0 billion in 2020 (2019: €2.6 billion). In 2020 and 2019, these expenses were exclusively attributable to the diesel issue.

The Passenger Cars Business Area generated an operating result of €7.2 billion in 2020, a decrease of €5.0 billion compared with 2019. The operating return on sales was 4.6% in 2020 compared with 6.7% in 2019.

In the Commercial Vehicles Business Area, operating result amounted to a loss of €79 million in 2020 compared with a profit of €1.7 billion in 2019, while the operating return on sales amounted to – 0.4% in 2020 (2019: 6.3%). The decrease in 2020 was mainly the result of falling volumes as a result of the SARS-CoV-2 pandemic, as well as exchange rate related factors.

Operating result in the Power Engineering Business Area in 2020 amounted to a loss of €0.5 billion, compared with a loss of €0.1 billion in 2019. The loss in 2020 was mainly attributable to falling volumes and in particular one-off expenses for restructuring measures of €0.4 billion. Cost reductions and improvements in the mix had a positive effect. The operating return on sales dropped to –13.2% in 2020 from –2.3% in 2019.

Operating result in the Financial Services Division decreased by 6.2% from €3.2 billion in 2019 to €3.0 billion in 2020. The decrease resulted, above all, primarily from pandemic reasons. The operating return on sales decreased from 8.0% in 2019 to 7.4% in 2020.

5.6.2.7 Share of the result of equity-accounted investments

The composition of Volkswagen's share of the result of equity-accounted investments is as follows:

	For the year ended December 31,		Change 2020/2019 (%) (unaudited)
	2020 (in € million) (audited)	2019	
Share of profits of equity-accounted investments	3,159	3,501	–9.8
<i>of which</i>			
from joint ventures	2,916	3,257	–10.5
from associates	243	244	–0.4
Share of losses of equity-accounted investments	403	152	>+100.0
<i>of which</i>			
from joint ventures	269	10	>+100.0
from associates	134	142	–5.6
	<u>2,756</u>	<u>3,349</u>	–17.7

The share of the result of equity-accounted investments amounted to €2,756 million in 2020, a decrease of 17.7% or €593 million compared to 2019.

The sales revenue and operating result of the joint venture companies in China are not included in the figures for the Volkswagen Group. The Chinese companies are accounted for using the equity method and recorded a proportionate operating result of €3,602 million in 2020, an 18.6% decrease from €4,425 million in 2019. In 2020, the negative impacts of pandemic-related lower unit sales and more intense market competition were offset by improvements in the mix and product cost optimization.

5.6.2.8 Interest result

The composition of Volkswagen's interest result is as follows:

	For the year ended December 31,		Change 2020/2019 (%) (unaudited)
	2020 (in € million) (audited)	2019 (in € million) (audited)	
Interest income	793	910	-12.9
Other interest and similar income	788	904	-12.8
Income from valuation of interest derivatives	5	6	-16.7
Interest expenses	-2,291	-2,524	+9.2
Other interest and similar expenses	-1,499	-1,401	-7.0
Expenses from valuation of interest derivatives	-23	-6	>-100.0
Interest expenses included in lease payments	-206	-217	+5.1
Interest result on other liabilities	-104	-238	+56.3
Net interest on the net defined benefit liability	-459	-662	+30.7
Interest result	-1,498	-1,614	+7.2

In 2020, interest result amounted to €-1.5 billion compared to €-1.6 billion in 2019. The increase in interest result reflected primarily decreased interest expenses.

5.6.2.9 Other financial result

The composition of Volkswagen's other financial result is as follows:

	For the year ended December 31,		Change 2020/2019 (%) (unaudited)
	2020 (in € million) (audited)	2019 (in € million) (audited)	
Income from profit and loss transfer agreements	23	19	+21.1
Cost of loss absorption	-103	-72	-43.1
Other income from equity investments	91	178	-48.9
Other expenses from equity investments	-433	-374	-15.8
Income from marketable securities and loans	-230	27	>-100.0
Realized income of loan receivables and payables in foreign currency	1,097	877	+25.1
Realized expenses of loan receivables and payables in foreign currency	-1,620	-980	-65.3
Gains and losses from remeasurement and impairment of financial instruments	-61	228	>-100.0
Gains and losses from fair value changes of hedging instruments/ derivatives not included in hedge accounting	1,950	-240	>+100.0
Gains and losses from fair value changes of hedging instruments/ derivatives included in hedge accounting	20	0	>+100.0
Other financial result	733	-339	>+100.0

The other financial result increased by €1.1 billion to €0.7 billion in 2020 compared with €-0.3 billion in 2019, mainly due to gains from fair value changes of hedging instruments/derivatives not included in hedge accounting, realized income of loan receivables and payables in foreign currency, and fair value changes of hedging instruments/derivatives included in hedge accounting.

5.6.2.10 Financial result

Volkswagen's financial result increased by €0.6 billion to €2.0 billion in 2020 compared with 2019. The interest expenses included in the financial result were down, mainly for measurement-related reasons caused

by a change in the discount rates applied in the measurement of liabilities, while changes in share prices, also as a response to the SARS-CoV-2 pandemic, weighed on net incomes from securities and funds.

In 2020, the Automotive Division's financial result amounted to €2.2 billion compared to €1.4 billion in 2019. The financial result of the Financial Services Division dropped from €7 million in 2019 to €-236 million in 2020.

5.6.2.11 *Income tax income/expense*

The composition of Volkswagen's income tax expense is as follows:

	For the year ended December 31,		Change 2020/2019
	2020	2019	
	(in € million)		(%)
	(audited)		(unaudited)
Current tax expense, Germany	940	1,473	-36.2
Current tax expense, abroad	2,210	2,673	-17.3
Current income tax expense	3,150	4,147	-24.0
of which prior-period income (-)/expense (+)	299	32	>+100.0
Deferred tax income (-)/expense (+), Germany	-1,026	115	>-100.0
Deferred tax income (-)/expense (+), abroad	719	65	>+100.0
Deferred tax income (-)/expense (+)	-307	180	>-100.0
Income tax income/expense	2,843	4,326	-34.3

Income tax expense decreased by €1.5 billion to €2.8 billion in 2020 compared with 2019. The tax expense of €2,843 million reported for 2020 was €657 million lower than the expected tax expense of €3,500 million that would have resulted from application of a tax rate applicable to undistributed profits of 30.0% to the profit before tax of the Volkswagen Group. This resulted primarily from tax-exempt income. A tax rate of 30.0% was used to measure deferred taxes in the German consolidated tax group in 2020 (2019: 29.8%).

5.7 **Pension Obligations**

As of December 31, 2021, Volkswagen recognized €41.6 billion (December 31, 2020: €45.1 billion) in provisions for pensions and other post-employment benefits. Please refer to note 29 to each of the Annual Financial Statements for detailed information concerning pension obligations.

5.8 **Liquidity and Capital Resources**

5.8.1 **Sources of liquidity**

Volkswagen primarily uses retained earnings and the capital and money markets as sources of refinancing by issuing bonds, commercial paper and notes, asset-backed securities ("**ABS**") and deposits from the direct banking business.

In the capital markets, Volkswagen placed undated subordinated, or hybrid, notes in September 2013, March 2014, March 2015, June 2017, June 2018, June 2020, September 2020 and March 2022.

The following table sets forth information regarding the issuance of undated subordinated, or hybrid, notes.

Undated Subordinated Notes

Date of issuance	First Call Date ⁽¹⁾	Relevant Swap Rate	Coupon	Amount
September 4, 2013	September 4, 2023	10 year	5.125%	€ 750,000,000
March 24, 2014	March 24, 2026	12 year	4.625%	€1,750,000,000
March 20, 2015	March 20, 2030	15 year	3.50%	€1,400,000,000
June 14, 2017	December 14, 2022	5.5 year	2.70%	€1,500,000,000
June 14, 2017	June 14, 2027	10 year	3.875%	€2,000,000,000
June 27, 2018	June 27, 2024	6 year	3.375%	€1,250,000,000
June 27, 2018	June 27, 2028	10 year	4.625%	€1,500,000,000
June 17, 2020	June 17, 2025	5 year	3.500%	€1,500,000,000
June 17, 2020	June 17, 2029	9 year	3.875%	€1,500,000,000
March 28, 2022	December 28, 2027	5 year	3.748%	€1,000,000,000
March 28, 2022	March 28, 2031	9 year	4.375%	€1,250,000,000

⁽¹⁾ Beginning on the First Call Date for each issuance, the coupon will be calculated based upon the relevant swap rate plus a margin.

In the credit market, Volkswagen was able to secure reserves through confirmed credit lines. At the end of fiscal year 2019, a banking syndicate granted Volkswagen AG a syndicated line of credit amounting to €10.0 billion that runs until December 2026. Other Volkswagen Group companies have obtained syndicated credit lines totaling €12.6 billion, of which €12.0 billion had not been drawn down as of March 31, 2022. In addition, Volkswagen Group companies have arranged bilateral, confirmed credit lines with national and international banks in various other countries in the amount of €5.2 billion of which €4.4 billion had not been drawn down as of March 31, 2022. Furthermore, a Sustainability Linked Loan was closed in November 2021 on behalf of Volkswagen AG in the amount of €1.8 billion.

Certain projects are financed by, among other things, loans provided by development banks such as the European Investment Bank (EIB), or by national development banks such as Kreditanstalt für Wiederaufbau (KfW) or Banco Nacional de Desenvolvimento Econômico e Social (BNDES).

As part of its refinancing strategy, Volkswagen pursues a comprehensive capital market and hedging strategy, as well as a consistent rating strategy. Volkswagen's refinancing policy is to source funds with matching maturities that are as diversified as possible across currency areas, using a range of financing instruments and a broad investor base, and that exclude currency risks to a large extent. The solvency and liquidity of the Volkswagen Group are supported at all times by rolling liquidity planning, a liquidity reserve in the form of cash, cash equivalents, securities, loans and time deposits, confirmed credit lines and globally available debt issuance programs. This extensive range of options means that the liquidity risk to the Volkswagen Group is extremely low.

5.8.2 Cash flows

The following table presents the main items in Volkswagen's cash flow statements for the years ended December 31, 2021, 2020 and 2019.

	For the year ended December 31,		
	2021	2020	2019
	(in € million)		
	(audited, unless otherwise indicated)		
Cash and cash equivalents at beginning of period	33,432	24,329	28,113
Earnings before tax	20,126	11,667	18,356
Income taxes paid	-4,216	-2,646	-2,914
Depreciation and amortization expense ^{(1) (2)}	27,473	27,069	24,439
Change in pension provisions ⁽²⁾	992	806	342
Share of the result of equity-accounted investments	787	536	460
Other noncash income/expense and reclassifications ^{(3) (2)}	-1,473	-2,461	-734
Gross cash flow⁽²⁾	43,690	34,971	39,950

	For the year ended December 31,		
	2021	2020	2019
	(in € million)		
	(audited, unless otherwise indicated)		
Change in working capital⁽²⁾	-5,056	-10,070	-21,966
Change in inventories	2,110	1,334	-674
Change in receivables (excluding financial services)	1,888	712	-893
Change in liabilities (excluding financial liabilities)	1,856	540	2,297
Change in other provisions ⁽²⁾	951	-2	1,304
Change in lease assets (excluding depreciation)	-16,205	-12,914	-13,204
Change in financial services receivables	4,345	260	-10,796
Cash flows from operating activities	38,633	24,901	17,983
Cash flows from investing activities attributable to operating activities⁽²⁾	-24,181	-18,372	-20,076
of which:			
Investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs	-10,655	-11,273	-14,230
Capitalized development costs	-7,843	-6,473	-5,171
Acquisition and disposal of equity investments ^{(4) (2)}	-6,151	-1,037	-913
Net cash flow⁽⁵⁾⁽²⁾	14,453	6,529	-2,093
Change in investments in securities, loans and time deposits ^{(6) (2)}	-1,948	-4,319	-1,069
Cash flows from investing activities	-26,128	-22,690	-21,146
Cash flows from financing activities	-7,754	7,637	-865
of which:			
Capital transactions with noncontrolling interests	-590	-238	1,368
Capital contributions/capital redemptions	-1,071	2,984	-
Effect of exchange rate changes on cash and cash equivalents	942	-745	243
Change of loss allowance within cash and cash equivalents	-1	-0	1
Net change in cash and cash equivalents	5,691	9,103	-3,784
Cash and cash equivalents at Dec. 31⁽⁷⁾	39,123	33,432	24,329
Securities, loans and time deposits	34,515	32,645	29,099
Gross liquidity⁽⁸⁾	73,637	66,078	53,428
Total third-party borrowings	-210,213	-203,457	-201,468
Net liquidity⁽⁹⁾	-136,576	-137,380	-148,040

⁽¹⁾ Total of: Depreciation and amortization of, and impairment losses on, intangible assets, property, plant and equipment, and investment property, Amortization of and impairment losses on capitalized development costs, Impairment losses on equity investments and Depreciation of and impairment losses on lease assets, each net of impairment reversals.

⁽²⁾ Unaudited.

⁽³⁾ Total of: Gain/loss on disposal of noncurrent assets and equity investments, Other noncash expense/income.

⁽⁴⁾ Total of: Acquisition of subsidiaries, Acquisition of other equity investments, Disposal of subsidiaries and Disposal of other equity investments.

⁽⁵⁾ 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).

⁽⁶⁾ Total of: Change in investments in securities and Change in loans and time deposits.

⁽⁷⁾ Cash and cash equivalents comprise cash at banks, checks, cash-in-hand and call deposits.

⁽⁸⁾ Total of: Cash and cash equivalents as well as securities, loans and time deposits.

⁽⁹⁾ The total of cash, cash equivalents, securities, loan receivables from related parties and time deposits net of third-party borrowings (noncurrent and current financial liabilities).

5.8.2.1 Cash flows from operating activities

Cash flows from operating activities are derived indirectly from earnings before tax. Earnings before tax are adjusted to eliminate noncash expenses (mainly depreciation, amortization and impairment losses) and income. Other noncash income and expenses result mainly from measurement effects in connection with financial instruments and to fair value changes relating to hedging transactions. This results in cash flows

from operating activities after accounting for changes in working capital, which also include changes in lease assets and in financial services receivables.

The Volkswagen Group generated gross cash flow of €43.7 billion in 2021, 24.9 % greater than the 2020 level. The increase compared to 2020 was largely attributable to the improvement in profit. The change in working capital amounted to €-5.1 billion in 2021 compared to €-10.1 billion in 2020. In the Financial Services Division, a reduction of receivables and inventories were set against a rise in lease assets and led to a decrease in funds tied up in working capital in 2021 compared with 2020. In the Automotive Division a rise of €2.3 billion in working capital in 2021 compared to 2020 was due to increases in liabilities and in other provisions, offset by a smaller decline in inventories. In the Automotive Division, markedly lower cash outflows attributable to the diesel issue also had a positive effect (this applies even if the inflows from the agreements regarding the settlement of damages are not taken into account). Cash flows from operating activities increased by €13.7 billion to €38.6 billion in 2021 from €24.9 billion in 2020. The Automotive Division's gross cash flow amounted to €29.0 billion in 2021, an increase of €5.4 billion compared with €23.6 billion in 2020. Cash flows from operating activities in the Automotive Division increased by €7.7 billion to €32.4 billion in 2021. The Financial Services Division's gross cash flow increased by €3.3 billion from 2020 to €14.6 billion in 2021. Cash flows from operating activities of the Financial Services Division amounted to €6.2 billion in 2021, an increase of €6.1 billion compared to €0.2 billion in 2020. Funds allocated to working capital for the Financial Services Division increased by €2.7 billion to €-8.4 billion in 2021 (2020: €-11.1 billion).

The Volkswagen Group generated gross cash flow of €35.0 billion in 2020, 12.3% less than the 2019 level. The change was driven primarily by a pandemic-related decline in profit. The change in working capital amounted to €-10.1 billion in 2020 compared to €-22.0 billion in 2019. The effects of the SARS-CoV-2 pandemic included a reduction in receivables, including in the financial services business, lower inventories because of downscaled production, a decline in other provisions and a smaller rise in liabilities. Cash outflows attributable to the diesel issue were higher in 2020 than in 2019. Cash flows from operating activities increased by €6.9 billion to €24.9 billion in 2020 from €18.0 billion in 2019. The Automotive Division's gross cash flow amounted to €23.6 billion in 2020, a decrease of €5.5 billion compared with €29.1 billion in 2019. Cash flows from operating activities in the Automotive Division decreased by €6.0 billion to €24.7 billion in 2020. The Financial Services Division's gross cash flow increased by €0.4 billion from 2019 to €11.3 billion in 2020. Cash flows from operating activities of the Financial Services Division amounted to €0.2 billion in 2020, an increase of €12.9 billion compared to €-12.7 billion in 2019. Funds allocated to working capital for the Financial Services Division increased by €12.5 billion to €-11.1 billion in 2020 (2019: €-23.6 billion).

5.8.2.2 Cash flows from investing activities

Investing activities include investing activities attributable to operating activities (additions to property, plant and equipment and equity investments, additions to capitalized development costs) and investments in securities, loans and time deposits.

At €24.2 billion, the Volkswagen Group's investing activities attributable to operating activities in 2021 which was up 31.6% above the 2020 level of €18.4 billion. Investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) decreased by €0.6 billion to €10.7 billion in 2021 compared to 2020, while capitalized development costs increased by €1.3 billion to €7.8 billion in 2021. In the Automotive Division, investing activities attributable to operating activities increased to €23.8 billion in 2021 compared with €18.4 billion in 2020. At €10.5 billion (2020: €11.1 billion) within the Automotive Division, capex in 2021 was 5.1% lower than in 2020. The ratio of capex to sales revenue within the Automotive Division amounted to 5.1% in 2021 as compared to 6.1% in 2020. A considerable portion of capex was allocated to the production facilities and to models launched in 2021 or planned to launch in 2022, or for which production is set to start. Other investment priorities included the electrification and digitalization of Group products and modular toolkits and platforms. Capitalized development costs increased by €1.4 billion to €7.8 billion in 2021 compared to 2020 (2020: €6.5 billion). Within the "Acquisition and disposal of equity investments" item (M&A), investments in a number of companies (in particular Navistar, the associates Gotion and Northvolt, and the joint venture Argo AI) led to a €4.7 billion increase from 2020 to €5.9 billion in 2021 within the Automotive Division. In 2020, the "Acquisition and disposal of equity investments" item (M&A) had included the sale of the shares in Renk AG. In the Financial Services Division, investing activities attributable to operating activities expanded to €0.4 billion in 2021 (2020: €0.0 billion). In the Financial Services Division, the "Acquisition and disposal of equity investments" item went up in 2021 as a result of strategic investments in a number of companies.

At €18.4 billion, the Volkswagen Group's investing activities attributable to operating activities in 2020 were 8.5% below the 2019 level of €20.1 billion. Investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) of €11.1 billion in 2020 was 20.7 % lower than in 2019. Capitalized development costs amounted to €6.5 billion in 2020, 25.0% higher than the €5.2 billion in 2019. In the Automotive Division, investing activities attributable to operating activities decreased by €18.4 billion from €19.9 billion in 2019 to €1.5 billion in 2020. At €11.1 billion (2019: €14.0 billion), capex in 2020 was 21.0% lower than in 2019. The ratio of capex to sales revenue within the Automotive Division was 6.1% in 2020 as compared to 6.6% in 2019. Volkswagen invested mainly in its production facilities and in models that it launched in 2020 and planned to launch in 2021, primarily those in the ID. family. Other investment priorities were the ecological focus of the model range, product electrification and digitalization and the modular toolkits. Capitalized development costs increased by €1.3 billion to €6.5 billion in 2020 (2019: €5.2 billion). Within the "Acquisition and disposal of equity investments" item, investments in a number of companies (such as Argo AI joint venture) led to a €0.5 billion increase from 2019 to €1.2 billion in 2020, which was offset by the cash provided by the sale of Renk AG. In 2019, the "Acquisition and disposal of equity investments" item mainly included investments in a number of companies (such as Wireless Car AB and Northvolt AB). In the Financial Services Division, investing activities attributable to operating activities were down on the previous year at €0.0 billion in 2020 compared to €0.2 billion in 2019.

5.8.2.3 Cash flows from financing activities

Financing activities include outflows of funds from dividend payments and redemption of bonds, inflows from the capital increase and issuance of bonds, and changes in other financial liabilities.

Volkswagen Group's cash inflows from financing activities changed significantly from €7.6 billion in 2020 to cash outflows of €7.8 billion in 2021. This change is primarily attributable to the redemption of the hybrid note called in the first quarter of 2021, the dividend paid to the shareholders of Volkswagen AG and the issuance and redemption of bonds, as well as to changes in other financial liabilities. In 2020, there had been cash inflows of €7.6 billion to boost gross liquidity by placing hybrid bonds and issuing the green bond.

In the Automotive Division, cash inflows from financing activities of €2.9 billion in 2020 changed to cash outflows of €7.4 billion in 2021. In 2020, the cash inflows boosted gross liquidity through measures such as the placement of hybrid notes and the issuance of the green bond. The redemption of the hybrid note called in the first quarter of 2021 led to cash outflows of around €1.2 billion. A dividend totaling €2.4 billion was paid to the shareholders of Volkswagen AG in July 2021. Financing activities also include the issuance and redemption of bonds and changes in other financial liabilities. The "Transactions with noncontrolling interests" item includes the present value of the cash settlement for MAN noncontrolling interest shareholders in connection with the merger of MAN and TRATON; the settlement was paid at the beginning of September 2021. In 2020, the transfer of all outstanding Audi shares to Volkswagen AG had been reported in this item.

Cash flows from financing activities changed significantly from cash outflows of €0.9 billion in 2019 to cash inflows of €7.6 billion in 2020. This change was attributable primarily to a boost in gross liquidity. Financing activities primarily include the issuance and redemption of bonds and changes in other financial liabilities. The dividend payment to shareholders of Volkswagen AG led to a cash outflow in October 2020 in the same amount as in 2019. The figure for fiscal year 2019 had included the acquisition of MAN shares tendered as a result of the termination of the control and profit and loss transfer agreement offset by the cash inflow resulting from the IPO of TRATON.

In the Automotive Division, cash outflows from financing activities of €11.3 billion in 2019 changed to cash inflows of €2.9 billion in 2020. This change was primarily attributable to the change in other financial liabilities and the issuance and redemption of bonds. This helped boost gross liquidity and resulted in higher liabilities to banks. In October 2020, reducing cash flows, a dividend totaling €2.4 billion was distributed to the shareholders of Volkswagen AG, equal to the dividend paid in May 2019.

5.8.2.4 Cash and cash equivalents

Cash and cash equivalents were €39.1 billion as of December 31, 2021, compared with €33.4 billion as of December 31, 2020 and €24.3 billion as of December 31, 2019.

5.8.2.5 Noncurrent and current financial services receivables

The following table shows noncurrent and current financial services receivables as of December 31, 2021, 2020 and 2019:

	As of December 31,			Change 2021/2020 (%) (unaudited)	Change 2020/2019 (%) (unaudited)
	2021	2020	2019		
	(in € million) (audited)				
Noncurrent receivables from financing					
business	50,435	48,157	51,692	+4.7	-6.8
of which:					
customer financing	48,639	46,157	49,175	+5.4	-6.1
dealer financing	1,785	1,994	2,512	-10.5	-20.6
direct banking	12	7	5	+71.4	+40.0
Current receivables from financing					
business	37,230	39,500	39,958	-5.7	-1.1
of which:					
customer financing	27,272	26,758	22,873	+1.9	+17.0
dealer financing	9,647	12,435	16,781	-22.4	-25.9
direct banking	311	307	305	+1.3	+0.7
	87,665	87,658	91,650	0.0	-4.4
Noncurrent receivables from leases					
Receivables from operating leases	-	-	-	n.a.	n.a.
Receivables from finance leases	34,519	34,408	35,281	+0.3	-2.5
Current receivables from leases					
Receivables from operating leases	325	379	285	-14.2	+33.0
Receivables from finance leases	18,943	18,127	18,371	+4.5	-1.3
Total noncurrent and current financial services receivables	141,452	140,571	145,588	+0.6	-3.4

For further information regarding the direct banking activities, refer to "Business of the Volkswagen Group — Volkswagen's Divisions and their Products and Services — Financial Services Division — Products and services of the Financial Services Division — Direct banking business".

The following table shows receivables from customer financing, receivables from dealer financing, receivables from direct banking, receivables from operating leases and receivables from finance leases as of December 31, 2021, 2020 and 2019:

	As of December 31,			Change 2021/2020	Change 2020/2019
	2021	2020	2019		
	(in € million) (audited)			(%) (unaudited)	
Receivables from customer financing	75,911	72,916	72,048	+4.1	+1.2
of which:					
Noncurrent receivables	48,639	46,157	49,175	+5.4	-6.1
Current receivables	27,272	26,758	22,873	+1.9	+17.0
Receivables from dealer financing	11,432	14,428	19,293	-20.8	-25.2
of which:					
Noncurrent receivables	1,785	1,994	2,512	-10.5	-20.6
Current receivables	9,647	12,435	16,781	-22.4	-25.9
Receivables from direct banking	322	314	310	+2.5	+1.3
of which:					
Noncurrent receivables	12	7	5	+71.4	+40.0
Current receivables	311	307	305	+1.3	+0.7
Receivables from operating leases	325	379	285	-14.2	+33.0
of which:					
Noncurrent receivables	-	-	-	-	-
Current receivables	325	379	285	-14.2	+33.0
Receivables from finance leases	53,462	52,534	53,652	+1.8	-2.1
of which:					
Noncurrent receivables	34,519	34,408	35,281	+0.3	-2.5
Current receivables	18,943	18,127	18,371	+4.5	-1.3

In 2021, receivables from dealer financing decreased primarily as a result supply chain bottlenecks on semi-conductors. Receivables from customer financing and finance leases declined mainly resulting from exchange rate effects.

5.9 Sources of Refinancing and Other Sources of Liquidity

The following table presents Volkswagen's total noncurrent and current liabilities as of December 31, 2021, 2020 and 2019:

	As of December 31,		
	2021	2020	2019
	(in € million)		
	(audited, unless otherwise indicated)		
Total noncurrent and current liabilities (unaudited)	382,455	368,331	364,421
Of which non-current	218,062	202,921	196,497
Of which current	164,393	165,410	167,924

The following table presents an overview of Volkswagen's noncurrent and current financial liabilities as of December 31, 2021, 2020 and 2019:

	As of December 31,					
	2021		2020		2019	
	current	noncurrent	current	noncurrent	current	noncurrent
	(in € million) (audited)					
Bonds	21,722	76,317	25,909	66,717	19,789	68,839
Commercial paper and notes	16,781	20,796	16,146	21,380	18,103	20,147
Liabilities to banks	12,786	25,904	18,060	17,273	17,337	15,337
Deposit business	24,243	2,588	26,735	2,411	30,252	2,395
Loans and miscellaneous liabilities	1,944	875	794	1,909	1,429	1,629
Lease liabilities	1,108	5,137	1,005	5,119	1,002	5,208
	78,584	131,618	88,648	114,809	87,912	113,556

Financial liabilities with a remaining maturity of more than one year are classified as noncurrent, and financial liabilities with a remaining maturity of up to one year are classified as current.

The deposits from banking business contained in the Volkswagen Group's financial liabilities of €26,831 million as of December 31, 2021 decreased from €29,145 million as of December 31, 2020 and €32,647 million as of December 31, 2019.

Structured entities are used to enter into ABS transactions to refinance the financial services business and to invest surplus liquidity in special securities funds. Receivables from the customer financing and the leasing business serve as collateral.

ABS transactions amounting to €33.0 billion were entered into in 2021 (compared with €30.6 billion in 2020) to refinance the financial services business; these are included in bonds, commercial paper and notes, and liabilities from loans. The corresponding carrying amount of the receivables from the customer and dealer financing and the finance lease business amounted to €38.2 billion in 2021 (compared with €34.5 billion in 2020). Collateral furnished in ABS transactions amounted to €55.8 billion in total in 2021 (compared with €48.9 billion in 2020). The expected payments were assigned to structured entities and the equitable liens in the financed vehicles were transferred. These ABS transactions did not result in the receivables from financial services business being derecognized, as the Group retains nonpayment and late payment risks. The difference between the assigned receivables and the related liabilities is the result of different terms and conditions and the share of the securitized paper and notes held by the Volkswagen Group itself.

Most of the public and private ABS transactions of the Volkswagen Group can be repaid in advance (clean-up call) if less than 10% of the original transaction volume is outstanding. The assigned receivables cannot be assigned again or pledged elsewhere as collateral. The claims of the holders of commercial paper and notes are limited to the assigned receivables and the receipts from those receivables are earmarked for the repayment of the corresponding liability. As of December 31, 2021, the fair value of the assigned receivables still recognized in the balance sheet was €38.5 billion compared with €35.4 billion as of December 31, 2020. The fair value of the related liabilities was €32.6 billion as of December 31, 2021 (December 31, 2020: €30.6 billion).

In 2021, the nominal annual interest rate for newly signed savings plans, savings certificates and fixed-term deposits for direct banking customers was between 0.05% and 1.40% (2020: 0.00% and 1.40%; 2019: between 0.0% and 1.40%). The average interest rate for overnight deposit accounts was 0.01% as of December 31, 2021 (December 31, 2020: 0.04%; December 31, 2019: 0.08%). Interest rate figures include private and commercial customers accounts.

In addition to financial liabilities, provisions for pensions and other provisions reported as noncurrent liabilities, and other liabilities and other provisions reported as current liabilities, are the largest liability items.

5.10 Contingent Liabilities and Other Financial Obligations

5.10.1 Contingent Liabilities

The following table shows Volkswagen's contingent liabilities as of December 31, 2021, 2020 and 2019:

	As of December 31,		
	2021	2020	2019
	(in € million)		
	(audited)		
Liabilities under guarantees	504	525	574
Liabilities under warranty contracts	71	165	192
Assets pledged as security for third-party liabilities	15	19	19
Other contingent liabilities	9,111	7,912	7,708
	9,700	8,621	8,494

In the case of liabilities from guarantees, the Group is required to make specific payments if the debtors fail to meet their financial obligations.

The other contingent liabilities primarily comprise potential liabilities arising from matters relating to taxes and customs duties, as well as litigation and proceedings relating to suppliers, dealers, customers, employees and investors. The contingent liabilities recognized in connection with the diesel issue totaled €4.3 billion as of December 31, 2021 (December 31, 2020: €4.2 billion), of which €3.6 billion (December 31, 2020: €3.5 billion) was attributable to investor lawsuits. Also included are certain elements of the class action lawsuits and proceedings/misdemeanor proceedings relating to the diesel issue as far as these can be quantified. As some of the proceedings are still at very early stage, the plaintiffs have in a number of cases so far not specified the basis of their claims and/or there is insufficient certainty about the number of plaintiffs or the amounts being claimed. These lawsuits meet the definition of a contingent liability but cannot, as a rule, be disclosed because it is impossible to measure the amount involved. For additional information regarding these proceedings, see "*Business of the Volkswagen Group — Legal and Arbitration Proceedings — Proceedings related to Diesel Issue*".

In addition, as of December 31, 2021, other contingent liabilities include €0.5 billion for potential liabilities resulting from the risk of tax proceedings instituted by the Brazilian tax authorities against MAN Latin America. See also "*Business of the Volkswagen Group — Legal and Arbitration Proceedings — MAN Latin America Tax Proceedings*".

Since 2016, the U.S. National Highway Traffic Safety Administration (NHTSA) has announced further extensions of the recalls for various models from different manufacturers containing certain airbags produced by the Takata company." Recalls were also ordered by the local authorities in individual countries. The recalls also included models manufactured by the Volkswagen Group. Appropriate provisions have been recognized. Currently, the possibility of further extensions to the recalls that could also affect Volkswagen Group models cannot be ruled out. The technical investigations and consultations with the authorities are still being carried out.

5.10.2 Other Financial Obligations

The following table shows Volkswagen's other financial obligations as of December 31, 2021, 2020 and 2019:

	As of December 31,		
	2021	2020	2019
	(in € million)		
	(audited)		
Purchase commitments in respect of			
property, plant and equipment	7,368	7,438	8,836
intangible assets	2,324	1,332	1,189
investment property	15	6	24
Obligations from			
loan commitments and irrevocable credit commitments	14,734	11,739	3,300
leasing and rental contracts	774	746	652
Miscellaneous other financial obligations	9,485	9,026	5,966

Other financial obligations primarily result from purchase commitments for property, plant and equipment and irrevocable credit commitments to customers. In addition, as of December 31, 2021, they include €0.7 billion for investments to which the Volkswagen Group has committed itself, in the infrastructure for zero-emission vehicles and in initiatives to promote access to and awareness of these technologies. These commitments were made as part of the settlement agreements in the USA in connection with the diesel issue.

As of December 31, 2020, this item reflected the payment of the purchase price for the acquisition of all of Navistar's outstanding shares totaling around USD 3.7 billion.

The rise in the remaining other financial obligations is mainly attributable to obligations under development and supply contracts. In addition to the other financial obligations shown in the table, purchase commitments exist for inventories with a short turnover period, which arise primarily from the Master Collaboration Agreement with Ford Motor Company for the joint development of vans and mid-sized pickups for the global market.

5.11 Critical Accounting Estimates

Preparation of Volkswagen's consolidated financial statements requires management to make certain estimates and assumptions. The recognition and measurement of assets and liabilities, as well as of the income and expenses recognized in the income statement, are affected by these estimates and assumptions. The estimates and assumptions used are based on underlying assumptions that reflect the current state of available knowledge. Estimates and assumptions are subject to a high degree of uncertainty. Actual carrying amounts may differ from the amounts estimated by management.

For additional information on Volkswagen's accounting policies, refer to "*Accounting policies*" in the Annual Financial Statements.

5.11.1 Impairment Tests

Goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet available for use are tested for impairment at least once a year. Assets in use and other intangible assets with finite useful lives are tested for impairment only if there are specific indications that they may be impaired.

The Volkswagen Group's intangible assets amounted to €77,689 million as of December 31, 2021 (December 31, 2020: €67,968 million; December 31, 2019: €66,214 million). Of this total as of December 31, 2021, €17,572 million was attributable to brand names (December 31, 2020: €16,828 million; December 31, 2019: €16,793 million), €26,174 million to goodwill (December 31, 2020: €23,318 million; December 31, 2019: €23,247 million), €10,199 million to capitalized development costs for products under development (December 31, 2020: €6,351 million; December 31, 2019: €6,143 million) and €18,685 million to capitalized development costs for products in use (December 31, 2020: €19,183 million; December 31, 2019: €17,842 million). The reported intangible assets attributed to brand names mainly relate to Porsche (December 31, 2021: €13,823 million), Scania Vehicles and Services (December 31, 2021: €949 million), MAN Truck & Bus (December 31, 2021: €1,127 million), MAN Energy Solutions (December 31, 2021: €415 million), Navistar (December 31, 2021: €771 million) and Ducati (December 31, 2021: €404 million).

€18,825 million of the goodwill reported as of December 31, 2021 related to Porsche (December 31, 2020: €18,825 million; December 31, 2019: €18,825 million), €2,749 million to Scania Vehicles and Services (December 31, 2020: €2,808 million; December 31, 2019: €2,699 million), €587 million to MAN Truck & Bus (December 31, 2020: €587 million; December 31, 2019: €587 million), €264 million to MAN Energy Solutions (December 31, 2020: €263 million; December 31, 2019: €265 million), €2,917 million to Navistar; €290 million to Ducati (December 31, 2020: €290 million; December 31, 2019: €290 million), €163 million to ŠKODA (December 31, 2020: €155 million; December 31, 2019: €160 million) and €127 million to Porsche Holding Salzburg (December 31, 2020: €130 million; December 31, 2019: €151 million). The recoverability of reported goodwill was regularly tested for impairment in the course of preparing the Annual Financial Statements. There was no need to recognize significant impairment losses.

Goodwill from consolidation is not amortized. The recoverable amount of goodwill and of the individual affiliated companies and other equity investments is tested for impairment once a year or if there are indications that a triggering event has occurred. The impairment test for recognized goodwill and brand

names is based on value in use, which has been determined at the level of the respective brand. The following aspects were of significance for the brands with material recognized brand names and goodwill:

- The planning of the Porsche cash-generating unit is based on the future product strategy and other core elements of the 2030 strategy, which covers in particular increasing electrification of the model range, faster decarbonization and expanded digitalization.
- For the Commercial Vehicles reporting segment, the planning reflects an expansion of e-mobility in all segments. At MAN Truck & Bus, the plan reflects positive effects in the planning period from the realignment program initiated in 2021. Moreover, Navistar is to be taken to new levels of strength. The measures applied to this end range from using the powerful component and technology organization within TRATON through expanding the financial services business down to making even more effective use of the largest dealer and service network in the North American market that Navistar has already established.

In the impairment test process, the weighted average cost of capital (WACC) rates, based on the risk-free rate of interest, a market risk premium and the cost of debt, are applied. To do this, value in use is determined by an enterprise valuation using the discounted cash flow method. The cash flow projections used for this are based on management's current planning or on publicly available capital market expectations. For the perpetual annuity phase (2028 and thereafter), a growth discount of up to 1.0% is applied to the cost of capital in individual cases. Country-specific and business-specific discount factors before tax of at least 6.2% (2020: 6.8%; 2019: 5.7%) for the passenger cars segment, 8.3% (2020: 8.7%; 2019: 7.7%) for the commercial vehicles segment and 9.2% (2020: 9.3%; 2019: 7.9%) for the power engineering segment are applied when determining value in use for the purpose of impairment testing of goodwill and of other intangible assets with indefinite useful lives in the Automotive Division.

Volkswagen Group generally applies the higher of value in use and fair value less costs to sell of the relevant cash-generating unit (brands or products) to determine the recoverable amount of goodwill and intangible assets with indefinite and finite useful lives. Measurement of value in use is based on management's current medium-term planning. The planning period generally covers five years. This planning is based on expectations regarding future global economic trends and on assumptions derived from those trends about the markets for passenger cars and commercial vehicles, expected trends in the Volkswagen Group's market shares, the volume, timing and cost of the development of vehicle models and investments in production facilities, as well as changes in price and cost structures, taking particular account of the transformation to e-mobility and an increase in regulatory requirements. The planning for the Financial Services segment is likewise prepared on the basis of these expectations, and also reflects the relevant market penetration rates of expected vehicle sales with finance or lease agreements and other services, as well as regulatory requirements. The planning for the Power Engineering segment reflects expectations about trends in the various individual markets. The planning includes reasonable assumptions about macro-economic trends (exchange rate, interest rate and commodity price trends) and historical developments. The 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 2021 – provided that the SARS-CoV-2 pandemic does not flare up again and that shortages of intermediates, including semiconductors, and commodities become less intense. Volkswagen believes that risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, growth prospects will be negatively impacted by ongoing geo-political tensions and conflicts, with risks arising especially from the Russia-Ukraine conflict. Volkswagen anticipates that both advanced economies and emerging markets will experience positive momentum and that the global economy will continue to grow in the period from 2023 to 2026. The Volkswagen Group's automotive market and volume planning reflects regional differentiations and takes into account the impact of the SARS-CoV-2 pandemic and of shortages of intermediates, including semiconductors, and commodities on the initial years of the planning period. The negative impact on earnings expected to arise from 2022 onward from more stringent emission and fuel consumption legislation and the sustained effects of the SARS-CoV-2 pandemic is to be offset by corresponding programs to increase efficiency. In addition, the planning is based on the assumption that the supply situation for intermediates, including semiconductors, and commodities will improve from fiscal year 2023 onward. The change in the operating return on sales assumed for fiscal year 2022 for the purpose of the impairment test is within Volkswagen's range forecast. Cash flow estimates are generally based on the expected growth trends for the markets concerned.

The brands have, since the fourth quarter of 2019, normally been designated as cash generating units in the Passenger Cars Business Area, thus forming the basis for impairment tests and profitability assessments

when initially recognizing internally generated intangible assets. The changed definition of cash-generating units led to a non-recurring reversal of write-downs, which had an effect of €0.9 billion on other operating income in the fourth quarter of 2019 and led to increased depreciation and amortization in subsequent periods. Furthermore, impairment losses of €0.2 billion recognized in the first quarter of 2019 had to be reversed. In addition, the financial result of 2019 benefited in an amount of €75 million from the reversal of impairment losses at the Chinese joint ventures in 2019. The revised definition of cash-generating units will in future lead to a slight increase in the capitalization ratio. The impairment losses totaling €344 million (2020: €356 million) recognized in 2021 on intangible assets and items of property, plant and equipment result primarily from lower values in use of various products in the Passenger Cars and Light Commercial Vehicles segment, due to market and exchange rate risks, and in particular from expected declines in volumes.

5.11.2 Provisions for Legal Risks and Warranty Claims and the Management of Residual Value Risk

In accordance with IAS 37, provisions are recognized where a present obligation exists to third parties as a result of a past event, where a future outflow of resources with economic benefits is probable and where a reliable estimate of that outflow can be made. Refer to note 30 to each of the Annual Financial Statements for additional information on other provisions.

Accounting for provisions is based on estimates of the extent and probability of occurrence of future events, as well as estimates of the discount rate. As far as possible, these are based on past experience or external opinions. Any change in the estimates of the amount of the provisions is recognized in profit and loss. The provisions are regularly adjusted to reflect new information obtained. The use of expected values means that additional amounts must frequently be recognized for provisions, or that unused provisions are reversed. Similarly to expenses for the recognition of provisions, income from the reversal of provisions is allocated to the respective functions.

Warranty claims from sales transactions are calculated on the basis of losses to date, estimated future losses and the policy on ex gratia arrangements. Assumptions were made in respect of the provisions recognized in connection with the diesel issues. These depend on the series, model year and country concerned and relate in particular to the working hours, effort, material costs and hourly wage rates involved. In addition, assumptions are made about future resale prices of repurchased vehicles. These assumptions are based on qualified estimates, which are based in turn on external data, and also reflect additional information available internally, such as values derived from experience.

With regard to the risk assessment of the diesel issue, the provisions recognized, the contingent liabilities disclosed and the other latent legal risks are partially subject to substantial estimation risks given the complexity of the individual factors, the ongoing approval process with the authorities and the fact that the independent and comprehensive investigations have not yet been completed.

To protect against the currently known legal risks related to the diesel issue, provisions of €2.1 billion existed as of December 31, 2021 (2020: €1.9 billion) on the basis of existing information and current assessments at the time. Beyond this, appropriate provisions have been recognized for defense and legal advice expenses. Insofar as these can be adequately measured at this stage, total contingent liabilities in relation to the diesel issue as of December 31, 2021 in an aggregate amount of €4.3 billion (2020: €4.2 billion), of which lawsuits filed by investors accounted for €3.6 billion (2020: €3.5 billion), were disclosed in the notes to the Annual Financial Statements.

In the financial services business, Volkswagen agrees to buy back selected vehicles at a residual value that is fixed at inception of the contract. Residual values are set at a realistic amount so that Volkswagen is able to leverage market opportunities. The underlying lease contracts are evaluated at regular intervals and necessary provisions are recognized to the extent any potential risks are identified. Management of the residual value risk or allowances is based on a defined feedback loop, seeking to ensure the full assessment, monitoring, management and communication of risks. This process design helps ensure not only professional management of residual risks but also that the handling of residual value risks can be systematically improved and enhanced. As part of its risk management, Volkswagen uses residual value forecasts to regularly assess the appropriateness of the provisions for risks and the potential for residual value risk – also with a view to the emissions issue and the current debate on the possible introduction of driving bans for diesel vehicles in major European cities. In the process, Volkswagen compares the contractually agreed residual values with the fair values obtainable. These are determined utilizing data from

external service providers and Volkswagen’s own marketing data. The upside in residual market values is not taken into account when making provisions for risks. The impairment losses on current lease assets at Volkswagen Financial Services decreased to €27 million in 2021, from €60 million in 2020.

5.12 Related Party Transactions

Volkswagen’s related party transactions are described under “Related party disclosures in accordance with IAS 24”, note 46 to the 2021 Annual Financial Statements and the 2020 Annual Financial Statements.

5.13 Recent Accounting Pronouncements

Volkswagen AG has applied all accounting pronouncements adopted by the EU and effective for periods beginning in fiscal year 2021.

The Volkswagen Group is exposed to the interest rate benchmark reform regarding its variable IBOR-related transactions. To avoid any material risk arising from the transition to alternative benchmark rates (interest rate basis risk, liquidity risk, litigation risk, operational risk) risk management strategies and procedures have been implemented. The Volkswagen Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the IBOR regulators.

Regarding financial instruments that reference discontinued benchmark rates, the Volkswagen Group aims to complete its transition process prior to their official cessation dates, i.e. any existing derivatives transactions (“legacy trades”) have been or will be manually transitioned to alternative benchmark rates (active approach) rather than relying on incorporation of a contractual fallback language made available by the International Swaps and Derivatives Association (ISDA) via ISDA 2020 IBOR Fallbacks Protocol or respective bilateral agreements with the Group’s counterparties (passive approach). For new derivatives transactions that reference discontinued rates (if any), respective fallback mechanisms have been incorporated into the relevant framework agreements with the Group’s counterparties via ISDA 2020 IBOR Fallbacks Supplement to the 2006 ISDA Definitions, the 2021 ISDA Interest Rate Derivatives Definitions and/or the 2018 ISDA Benchmark Supplement.

The exposures of financial instruments that are still affected by the interest rate benchmark reform at the reporting date arise on derivative and non-derivative financial assets and liabilities. They are exposed to the following significant benchmark rates. In Volkswagen’s view EURIBOR is not affected by a replacement so the relevant transactions are outside the scope of this disclosure.

Disclosures on exposures impacted by interest rate benchmark reform as of December 31, 2021:

€ million	<u>Non-derivative financial assets Carrying amount</u>	<u>Non-derivative financial liabilities Carrying amount</u>	<u>Derivatives Nominal Amount</u>
USD LIBOR	965	10,622	13,212
STIBOR	0	2,406	3,121
€LIBOR	389	0	0
Total	1,354	13,028	16,333

Refer to the notes to the Annual Financial Statements and the Interim Financial Statements for additional information relating to the accounting pronouncements adopted by the Company.

5.14 Recent Events

5.14.1 Porsche IPO

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 key issues agreement with Porsche Automobil Holding SE, on the basis of which the feasibility of a possible IPO for Porsche AG would be 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 offered to investors. In connection with the possible IPO, Porsche Automobil Holding SE would acquire 25% plus one share of the ordinary shares of Porsche AG from Volkswagen AG at the placement price plus a premium of 7.5%. Volkswagen AG would continue to hold a majority interest

in Porsche AG and fully consolidate 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 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 the distribution of a special dividend in the amount of 49% of the total gross proceeds from the placement of the preferred shares and the sale of the ordinary shares.

5.14.2 Russia-Ukraine conflict

As of the date of this Offering Memorandum, there is a risk that the latest developments in the Russia-Ukraine conflict will have a negative impact on the Volkswagen Group's business. The conflict has resulted in 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. This has caused and may continue to cause bottlenecks in the Group's supply chains and parts shortages, volatility in commodity and energy prices and fluctuation in exchange rates. As of the date of this Offering Memorandum, it is not possible to conclusively assess the specific effects that this conflict will have on Volkswagen's business. Nor is it possible to predict with sufficient certainty to what extent further escalation of the Russia-Ukraine conflict could impact the global economy and the growth of the automotive industry in 2022. See also discussion in the 2022 Q1 Report Excerpts incorporated herein by reference.

The Volkswagen Group does not have any material subsidiaries or equity investments in Ukraine. In Russia, the Volkswagen Group has in particular the production company at the Kaluga site, as well as sales units and financing companies. They could be adversely affected by the sanctions already imposed, but also by new sanctions and general developments in Russia. In relation to the net assets, financial position and results of operations of the Volkswagen Group, the business activities of the Volkswagen Group in these two countries are insignificant. There is a risk that a further escalation of the conflict could have a material adverse effect on the results of operations, financial position and net assets of the Volkswagen Group.

5.14.3 Europcar tender offer

On May 25, 2022, Green Mobility Holding S.A., a bidder consortium consisting of Volkswagen Group, Attestor Limited and Pon Holdings B.V., has received antitrust clearance by the European Commission (EC) for its takeover offer for the shares of Europcar Mobility Group S.A. ("**Europcar Mobility Group**"). Following this decision, the last condition precedent of the takeover offer is fulfilled and the French financial market regulator, Autorité des marchés financiers ("**AMF**") has set the end of the initial acceptance period for the takeover offer to June 10, 2022. The tender offer price amounts to €0.50 per share, and will be increased to €0.51 per share if more than 90% of the shares and voting rights of Europcar Mobility Group are tendered. The offer will be re-opened within 10 trading days following the publication of the final result of the offer if it is successful and the 90% threshold is not reached.

In the event that all of the shares covered by the tender offer are tendered (including the reopened offer, if applicable), the total amount of the cash consideration to be paid by Green Mobility Holding S.A. (excluding commission and related expenses) to the shareholders who have tendered their shares would amount to approximately €2.5 billion. In such case, Volkswagen Group, who would indirectly hold 66% of Green Mobility Holding S.A., will be required to contribute an amount proportional to its share capital holding (i.e. approx. €1.7 billion) to finance the acquisition.

6. THE ISSUER

The Issuer is a wholly-owned subsidiary of Volkswagen Group of America, Inc., which is a wholly-owned subsidiary of the Company. The Issuer is a Delaware limited liability company, having its registered office at 251 Little Falls Drive, Suite 400, Wilmington, Delaware 19808, USA. The Issuer's principal place of business is at 2200 Woodland Pointe Avenue, Herndon, Virginia 20171, USA.

The Issuer was formed in the State of Delaware on February 14, 2014 and has unlimited duration. The principal activity of the Issuer is acting as an issuing company within the debt markets to support the funding requirements of the Volkswagen Group. The Issuer's Board of Directors consists of four members: Bjoern Baetge, Thorsten Brand, Dr. Elmar Licharz, and Lawrence Tolep.

The following table sets forth information regarding the outstanding notes previously issued by Volkswagen Group of America Finance, LLC pursuant to Rule 144A under the Securities Act.

Rule 144A Notes			
Date of issuance	Maturity	Coupon	Amount
November 13, 2018	November 13, 2023	4.250%	USD 1,250,000,000
November 13, 2018	November 13, 2025	4.625%	USD 750,000,000
November 13, 2018	November 13, 2028	4.750%	USD 1,250,000,000
September 26, 2019	September 26, 2022	2.700%	USD 1,000,000,000
September 26, 2019	September 26, 2024	2.850%	USD 500,000,000
September 26, 2019	September 26, 2026	3.200%	USD 500,000,000
May 13, 2020	May 12, 2023	3.125%	USD 1,000,000,000
May 13, 2020	May 13, 2025	3.350%	USD 1,000,000,000
May 13, 2020	May 13, 2030	3.750%	USD 500,000,000
November 24, 2020	November 23, 2022	0.750%	USD 1,000,000,000
November 24, 2020	November 22, 2023	0.875%	USD 1,250,000,000
November 24, 2020	November 24, 2025	1.250%	USD 1,250,000,000
November 24, 2020	November 24, 2027	1.625%	USD 500,000,000

7. BUSINESS OF THE VOLKSWAGEN GROUP

7.1 Overview

The Volkswagen Group is one of the world's leading multibrand companies in the automotive industry in terms of sales volume (i.e., the number of vehicles to dealers). In 2021, Volkswagen Group achieved sales revenue of €250,200 million, operating result of €19,275 million and earnings after tax of €15,428 million. Volkswagen Group delivered 8.9 million vehicles to its customers worldwide in 2021.

Volkswagen Group comprises the following brands: Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, ŠKODA, SEAT, CUPRA, Audi, Lamborghini, Bentley, Ducati, Porsche, MAN, Scania and Navistar and others. For more information on each brand see "*Business of the Volkswagen Group — Volkswagen's Divisions and their Products and Services — Automotive Division*".

Volkswagen's product portfolio ranges from compact cars to luxury vehicles and also includes motorcycles, and is supplemented by mobility solutions. In the commercial vehicle sector, the product portfolio ranges from light vans to heavy trucks and buses. Volkswagen is also active in the power engineering business field, manufacturing large-bore diesel engines, turbomachinery and propulsion components.

In addition, the Volkswagen Group offers a wide range of financial services, including dealer and customer financing, vehicle leasing, direct banking and insurance activities, fleet management and mobility offerings.

The Volkswagen Group business activities comprise two divisions: the Automotive Division and the Financial Services Division. The Automotive Division is composed of three business areas: Passenger Cars, Commercial Vehicles and Power Engineering:

- The Passenger Cars business area essentially consolidates the Volkswagen Group's passenger car brands and the Volkswagen Commercial Vehicles brand. Activities focus on the development of vehicles, engines and vehicle software, the production and sale of passenger cars and light commercial vehicles, and the genuine parts business.
- The Commercial Vehicles business area primarily comprises the development, production and sale of trucks and buses from TRATON (comprising Scania, MAN and Navistar), the corresponding genuine parts business, and related services.
- The Power Engineering business area combines the large-bore diesel engines, turbomachinery and propulsion components business.

The Financial Services Division combines dealer and customer financing, vehicle leasing, direct banking and insurance activities as well as fleet management and mobility offerings.

The following table provides an overview of deliveries to customers (including the joint venture companies in China), sales revenue and operating result for the Volkswagen Group and Volkswagen's Divisions in the years ended December 31, 2021, 2020 and 2019:

	For the year ended December 31, (unaudited, unless otherwise indicated)								
	Deliveries to Customers			Sales revenue			Operating result		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
	(Thousand vehicles)			(€ million)			(€ million)		
Volkswagen Group ⁽¹⁾ . . .	8,882	9,305	10,975	250,200 ⁽²⁾	222,884 ⁽²⁾	252,632 ⁽²⁾	19,275 ⁽²⁾	9,675 ⁽²⁾	16,960 ⁽²⁾
of which:									
Automotive Division ⁽³⁾	8,882	9,305	10,975	206,237	182,106	212,473	13,230	6,664	13,748
Financial Services Division ⁽⁴⁾	—	—	—	43,963 ⁽²⁾	40,778 ⁽²⁾	40,160 ⁽²⁾	6,045 ⁽²⁾	3,012 ⁽²⁾	3,212 ⁽²⁾

⁽¹⁾ The sales revenue and operating result of the joint venture companies in China are not included in Volkswagen's figures. The Chinese companies are accounted for using the equity method and recorded a proportionate operating result of €3,026 million, €3,602 million and €4,425 million for the years ended December 31, 2021, 2020 and 2019, respectively.

⁽²⁾ Audited.

⁽³⁾ Sales revenue and operating result include allocation of consolidation adjustments between the Automotive and Financial Services Divisions.

⁽⁴⁾ Financial Services Division corresponds to the Financial Services segment.

7.2 Volkswagen Group Reporting Structure

Volkswagen Group's financial reporting comprises four reportable segments: the Passenger Cars and Light Commercial Vehicles segment, Commercial Vehicles segment, Power Engineering segment and Financial Services segment.

The following table shows Volkswagen Group's reporting structure as of December 31, 2021:

Automotive Division			Financial Services Division
Passenger Cars Business Area	Commercial Vehicles Business Area	Power Engineering Business Area	
Volkswagen Passenger Cars ŠKODA SEAT	Scania Vehicles and Services MAN Commercial Vehicles Navistar	Power Engineering	Dealer and customer financing Leasing Direct bank Insurance Fleet management Mobility services
Volkswagen Commercial Vehicles Audi Bentley Porsche Automotive Others			

The Automotive Division's three business areas described above conform to Volkswagen's financial reporting segments as follows. The Passenger Cars business area corresponds to the Passenger Cars and Light Commercial Vehicles reporting segment. The Commercial Vehicles business area and Power Engineering business area correspond to the reporting segments of the same name. The Financial Services Division corresponds to the Financial Services segment.

The following table presents an overview of Volkswagen's key figures by reporting segments for the year ended December 31, 2021:

For the year ended December 31, 2021 (audited, unless otherwise indicated)								
	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles ⁽²⁾	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group	
	(€ million)							
Total sales revenue	192,767	30,092	3,278	43,963	270,099	-19,899	250,200	
Segment result (operating result)	14,614	134	45	6,045	20,838	-1,563	19,275	
as a % of total sales revenue ⁽¹⁾	7.6	0.4	1.4	13.8	-	-	7.7	
Capex, including capitalized development costs ⁽³⁾	16,329	1,596	68	159	18,152	346	18,498	

⁽¹⁾ Unaudited.

⁽²⁾ From July 1, 2021, figures include Navistar.

⁽³⁾ In the 2021 Annual Financial Statements, shown as investments in intangible assets, property, plant and equipment, and investment property.

Within Volkswagen Group, responsibilities were divided among ten board-level management functions until December 31, 2021. In addition to the Chair of the Board of Management, a function which also includes the Volume brand group, the other Board functions are Purchasing, Technology, Finance, Human Resources and Truck & Bus, Integrity and Legal Affairs, Premium, Sport & Luxury, IT and China. As of December 31, 2021, the Chair of the Board of Management has also been responsible for China and the board member for Finance has also been responsible for IT. With effect from February 1, 2022, a board member is responsible for IT alone and, from August 2022, the board-level function for China will again be assigned to a specific member of the Board of Management. In December 2021, the Supervisory Board decided to increase the number of members of the Board of Management and reorganize its structure and functions in the process. A new board-level management function for Volkswagen Passenger Cars effective January 1, 2022 was created. A new board-level management function was also created for Group Sales effective February 1, 2022.

The “Volume” brand group comprises the Volkswagen Passenger Cars, ŠKODA, SEAT/CUPRA and Volkswagen Commercial Vehicles brands. The “Premium” brand group includes the Audi, Bentley, Lamborghini and Ducati brands. Bentley was allocated from the “Sport & Luxury” brand group to the “Premium” brand group on March 1, 2021. The “Sport and Luxury” brand group therefore comprises the Porsche brand. TRATON acts as the umbrella for the Scania, MAN brands including Rio and Volkswagen Caminhões e Ônibus and Navistar commercial vehicles brands. Alongside the brand groups, Volkswagen continued to build its software subsidiary CARIAD SE in 2021. This company is pooling and expanding the software expertise within the Volkswagen Group and is working toward providing a standardized operating system for Group brand vehicles.

Volkswagen sells vehicles in about 150 countries. Volkswagen’s key sale markets for its automobiles are China, Western Europe, the United States of America, Brazil, Russia, Mexico, Turkey and Poland.

The following table presents the regional markets for Volkswagen’s products and services and the percentages of sales revenue from external customers by region in the years ended December 31, 2021, 2020 and 2019 (in each case excluding the Chinese joint ventures, which are accounted for using the equity method):

	2021⁽¹⁾	2020⁽¹⁾	2019⁽¹⁾
		(%)	
Germany	17.7	19.2	19.4
Europe/Other Markets ⁽²⁾ (excluding Germany)	40.4	40.6	41.6
North America	18.1	16.5	17.2
South America	4.4	3.9	4.5
Asia-Pacific ⁽³⁾	19.4	19.8	17.4

⁽¹⁾ Effects of hedging transactions relating to sales revenue in foreign currency are not allocated to regions.

⁽²⁾ Other Markets mainly comprises Turkey and South Africa.

⁽³⁾ The sales revenue of the joint venture companies in China is not included in the figures for the Asia-Pacific market.

The Company was formed on May 28, 1937 as a limited liability company under the laws of Germany as “Gesellschaft zur Vorbereitung des Deutschen Volkswagens mbH”. During the years that followed the Company’s formation, its name was changed several times. In 1960, the legal form of the Company was changed from a limited liability company to a corporation (Aktiengesellschaft) organized under the laws of Germany. In 1985, the Company changed its name to “VOLKSWAGEN AKTIENGESELLSCHAFT”, which is its current name.

The Company is the parent company of Volkswagen Group. On the one hand, it develops cars and car components for the Volkswagen Group, and on the other hand it produces and sells, in particular, passenger cars and light commercial vehicles under the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands. In its capacity as parent company, Volkswagen AG holds direct or indirect interests in AUDI AG, SEAT S.A., ŠKODA AUTO a.s., Dr. Ing. h.c. F. Porsche AG, TRATON, Volkswagen Financial Services AG, Volkswagen Bank GmbH and a large number of other companies in Germany and abroad.

Volkswagen had an average of 667,647 employees worldwide (including the Chinese joint ventures) in 2021.

7.3 The Global Automotive Market

The global automotive market is highly competitive and volatile. The demand for automobiles is affected by a number of factors, including: social, political and economic conditions; introduction of new vehicles and technologies; costs incurred by customers to purchase and own a vehicle; and consumer confidence. These factors can cause consumer demand to vary substantially from year to year in different geographic markets and in individual segments of automobiles.

In 2020, the performance of the automotive industry was significantly negatively impacted as a result of the SARS-CoV-2 pandemic. Global passenger car and light commercial vehicle sales decreased by 14.2% from 88.8 million vehicles in 2019 to 76.2 million vehicles in 2020; global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes in the markets that are relevant for the Volkswagen Group

decreased in 2020 compared to 2019 levels, with 460 thousand new vehicle registrations (a decrease of -20.1%). In 2021, the global passenger car and light commercial vehicle market increased moderately by 3.9% to 79.1 million units from a weak level in the prior year 2020. Global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes in the markets that are relevant for the Volkswagen Group (which included USA, Canada and Mexico as a result of the Navistar acquisition) rebounded, increasing by 19.5% compared to the low 2020 levels. However, the market rebounds were uneven owing to the effects of the SARS-CoV-2 pandemic, which varied strongly from region to region both in 2020 and in 2021. The semiconductor shortage and the resulting supply bottlenecks also had a negative impact in the second half of 2021. (Source: Volkswagen Group data)

For information concerning worldwide and regional new vehicle sales, see “— Volkswagen’s Divisions and their Products and Services – Automotive Division – Markets and competition” and the sections “Business Development – General Economic Development” and “Business Development – Trends in the Markets for Passenger Cars and Light Commercial Vehicles” from the 2022 Q1 Report Excerpts, incorporated by reference to this Offering Memorandum.

The global automotive industry is heavily affected by government regulations on environmental protection and vehicle safety as well as fuel economy standards. Many governments also mandate local procurement of automotive parts and components, impose tariffs and other trade barriers, and exercise price or exchange controls. Compliance with regulations and government-imposed restrictions has increased and will increase the cost of manufacturing vehicles. For example, the CO₂ targets that governments in the EU, the U.S. and China have imposed on the auto industry could be extended to other parts of the globe, increasing the pressure for new product development and investment in new technologies. Moreover, regulations and government-imposed restrictions may limit operations of automakers and in some cases, make it difficult to repatriate profits to an automaker’s home country or, alternatively, require such repatriation. To reduce exposure to fluctuations in foreign exchange rates and avoid trade restrictions and tariffs, manufacturers increasingly seek to localize the design and manufacture of automobiles, as well as parts and components in the markets where automobiles are to be sold.

The global automotive industry has been undergoing a phase of consolidation as a result of excess global production capacity, demand for higher cost efficiency, and companies’ desire to expand their global presence into particular segments or geographic markets.

Provided that the effects of the SARS-CoV-2 pandemic and supply chain disruptions, in particular in concerning semiconductors, could be overcome in the medium to long term, Volkswagen believes that the global automotive market will mainly be affected by (i) a shift of purchasing power to new growth markets, such as Asia’s emerging economies and to a lesser degree, Central and Eastern Europe, South America and Asia, (ii) increasing awareness of and requirements for environmental protection and sustainable vehicles, leading to greater demand for electric or hybrid drive vehicles and small-sized vehicles, (iii) growing urbanization leading to greater demand for vehicles such as buses to bolster local public transportation, as well as smaller vehicles designed for city driving, and (iv) flexible mobility alternatives (for example car-sharing) which could result in changes in vehicle demand.

Before the outbreak of the Russia-Ukraine conflict and based on external market forecasts, Volkswagen expected sales of passenger cars and light commercial vehicles in the coming years to be in line with figures seen in prior reporting periods; expecting this trend to center on expected growth in emerging markets and the recovery path in Eastern Europe and South America. As of the date of this Offering Memorandum, it is not possible to conclusively assess the specific effects of the Russia-Ukraine conflict, nor is it possible to predict with sufficient certainty to what extent further escalation of the conflict will impact the global economy and growth in the automotive industry in 2022. As the conflict continues, including any escalation of hostilities or effects of sanctions already imposed, as well as new sanctions and general developments in Russia, any projection for the short term is purely speculative. See also “Material Factors Affecting Results of Operations and Financial Position — Recent Events — Russia-Ukraine conflict.”

7.4 Volkswagen’s Divisions and their Products and Services

7.4.1 Automotive Division

The Automotive Division is composed of three business areas: Passenger Cars, Commercial Vehicles and Power Engineering and comprises the following brands: Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, ŠKODA, SEAT, CUPRA, Audi, Lamborghini, Bentley, Ducati, Porsche, MAN, Scania and Navistar, which have their own characteristics and operate independently in the market. Except for the

Volkswagen Passenger Cars and Commercial Vehicles brands, each of Volkswagen's brands is owned by an independent legal entity. The brands are allocated in the business areas as follows:

- Passenger Cars business area: Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, ŠKODA, SEAT, CUPRA, Audi, Lamborghini, Bentley, Ducati, and Porsche;
- Commercial Vehicles business area: MAN, Scania and Navistar (since July 2021); and
- Power Engineering business area: comprises of large-bore diesel engines, turbomachinery, and propulsion components businesses. Until October, 6 2020, it also included the business of Renk.

The following table provides an overview of the sales volume, sales revenue and operating result for Volkswagen's brand's companies in the years ended December 31, 2021, 2020 and 2019. Operating result shows the operating result of the individual brands and, with respect to those brands indicated in the footnotes in the table below, are before expenses directly related to the diesel issue for the years 2021, 2020 and 2019. The figures below may not relate exclusively to the sales volume, sales revenue and operating result of the particular brand. This is because the unit sales figures refer to models sold by each brand company, including vehicles of other Volkswagen Group brands. For example, the figures for the Audi brand may also include the sales volume, sales revenue and operating result from sales of vehicles of Volkswagen Passenger Cars, SEAT or other brands.

	For the year ended December 31,								
	Vehicle sales ⁽¹⁾⁽²⁾			Sales revenue ⁽¹⁾⁽²⁾			Operating result ⁽¹⁾⁽²⁾		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
	(Thousand vehicles)			(€ million)			(€ million)		
Volkswagen Passenger									
Cars	2,719	2,835	3,677	76,127	71,076	88,407	2,503 ⁽⁹⁾	454 ⁽⁹⁾	3,785 ⁽⁹⁾
ŠKODA	784	849	1,062	17,743	17,081	19,806	1,083	756	1,660
SEAT	494	484	667	9,614	9,198	11,496	-233	-339	445
Volkswagen Commercial									
Vehicles	326	345	456	9,909	9,358	11,473	73	-454	510
Audi	1,009	1,017	1,200	53,068	49,973	55,680	5,546 ⁽⁹⁾	2,739 ⁽⁹⁾	4,509
Bentley	15	11	12	2,845	2,049	2,092	389	20	65
Porsche Automotive ⁽³⁾	297	265	277	30,289	26,086	26,060	5,006	4,021	4,210 ⁽⁹⁾
Scania Vehicles and Services ⁽⁴⁾	91	73	101	13,927	11,521	13,934	903	748	1,506
MAN Commercial Vehicles	151	118	143	13,000	10,838	12,663	-276	-631	402
At equity accounted companies in China ⁽⁵⁾	3,042	3,577	4,048	—	—	—	—	—	—
Power Engineering	—	—	—	3,278	3,640	3,997	179	-268	159
Volkswagen Financial									
Services	—	—	—	41,662	38,637	37,957	5,672	2,803	2,960
Other ⁽⁶⁾	-353	-418	-685	-21,263	-26,573	-30,931	-818	759	-917
Volkswagen Group before special items	—	—	—	—	—	—	20,026	10,607	19,296
Special items	—	—	—	—	—	—	-751	-931	-2,336
Volkswagen Group	8,576	9,157	10,956	250,200⁽⁷⁾	222,884⁽⁷⁾	252,632⁽⁷⁾	19,275⁽⁷⁾	9,675⁽⁷⁾	16,960⁽⁷⁾
Automotive Division ⁽⁸⁾	8,576	9,157	10,956	206,237	182,106	212,473	13,230	6,664	13,748
of which:									
Passenger Cars									
Business Area	8,303	8,965	10,713	172,868	156,311	182,031	13,051	7,224	12,188
Commercial Vehicles									
Business Area	273	191	243	30,092 ⁽⁷⁾	22,156 ⁽⁷⁾	26,444 ⁽⁷⁾	134 ⁽⁷⁾	-79 ⁽⁷⁾	1,653 ⁽⁷⁾
Power Engineering									
Business Area ⁽⁷⁾	—	—	—	3,278	3,640	3,997	45	-482	-93
Financial Services Division ⁽¹⁰⁾	—	—	—	43,963	40,778	40,160	6,045	3,012	3,212

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

(2) Unaudited except where indicated.

- ⁽³⁾ Porsche (including Financial Services): sales revenue of €33,138 million in 2021 (2020: €28,695 million, 2019: €28,518 million); operating result before expenses directly related to the diesel issue of €5,286 million in 2021 (2020: €4,176 million, 2019: €4,396 million).
- ⁽⁴⁾ Scania (including Financial Services): sales revenue of €14,400 million in 2021 (2020: €11,950 million, 2019: €14,391 million); operating result of €1,119 million in 2021 (2020: €855 million, 2019: €1,648 million).
- ⁽⁵⁾ The sales revenue and operating result of the joint venture companies in China are not included in the figures for the Group. These Chinese companies are accounted for using the equity method and recorded a proportionate operating result of €3,026 million in 2021 (2020: €3,602 million, 2019: €4,425 million).
- ⁽⁶⁾ In operating profit, mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; the figure includes depreciation and amortization of identifiable assets as part of purchase price allocation, as well as companies not allocated to the brands. Includes Navistar from July 1, 2021.
- ⁽⁷⁾ Audited.
- ⁽⁸⁾ Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
- ⁽⁹⁾ Before expenses directly related to the diesel issue.
- ⁽¹⁰⁾ Financial Services Division corresponds to the Financial Services segment, audited.

Volkswagen generated sales revenue from vehicle sales of €148,067 million, €129,164 million and €157,212 million in the years ended December 31, 2021, 2020 and 2019, respectively, which corresponds to 59.2%, 58.0% and 62.2%, respectively, of Volkswagen's consolidated sales revenue during such periods. In the years ended December 31, 2021, 2020 and 2019, the Automotive Division generated sales revenue of €18,015 million, €14,886 million and €16,676 million, respectively, from the sale of genuine parts.

The tables presented under the individual brands in the following sections provide an overview of the number of deliveries to customers, unit sales to dealers and the number of vehicles produced by the respective brand companies for the years ended December 31, 2021, 2020 and 2019. In addition, the tables show each brand company's sales revenue, operating result and ratio of operating result to sales revenue (operating return on sales). Operating result shown in the following tables does not eliminate intra-company transactions and with respect to those brands indicated in the footnote, is before expenses directly related to the diesel issue. Operating result is one of the key metrics used by management to measure the performance of Volkswagen's brands and reflects the brands' management's responsibility. The Ducati brand is allocated and accounted for under the Audi brand.

7.4.1.1 Volkswagen Passenger Cars business area

Passenger cars and light commercial vehicles are generally classified by vehicle types and product classes. Volkswagen has a broad portfolio of brands, covering the entire spectrum of vehicle product classes and types. Volkswagen classifies its vehicles into ten vehicle types: (i) hatchback, (ii) notchback/saloon, (iii) station wagon/estate, (iv) MPV (multipurpose vehicle), (v) SUV (sports utility vehicle), (vi) coupé, (vii) convertible, (viii) roadster, (ix) SLW/TRP (city delivery van/transporter) and (x) pick-up.

7.4.1.1.1 Volkswagen Passenger Cars brand

The Company owns the Volkswagen Passenger Cars brand, which primarily produces vehicles in the Compact and Mid-range classes in Volkswagen's high-volume business. The Company has been producing and selling cars in Germany since 1945, in other European markets since 1947 and in markets worldwide since 1952.

	For the year ended December 31, (unaudited)			Change in % (unaudited)	
	2021	2020	2019	2021/2020	2020/2019
Deliveries (thousand units)	4,897	5,328	6,279	-8.1	-15.1
Vehicle sales (thousand units)	2,719	2,835	3,677	-4.1	-22.9
Production (thousand units)	4,575	5,081	6,184	-9.9	-17.8
Sales revenue (in € million)	76,127	71,076	88,407	+7.1	-19.6
Operating result (in € million) ⁽¹⁾	2,503	454	3,785	>=100	-88.0
As percentage of the brand's sales revenue	3.3	0.6	4.3	—	—

⁽¹⁾ Before expenses directly related to the diesel issue.

The main production facilities for Volkswagen Passenger Cars brand vehicles are located in Western Europe (in particular in Germany) and Central and Eastern Europe (in particular in Russia and Slovakia). Other major

production facilities are located in South America (Brazil and Argentina), North America (Mexico and the United States), as well as South Africa and Asia-Pacific (in particular in China). The main markets for Volkswagen Passenger Cars brand products are Western Europe (in particular Germany), North America, South America (in particular Brazil) and the Asia-Pacific region (in particular China). Since 1983, Volkswagen Passenger Cars brand products have also been produced, sold and delivered to and in China. See “— Significant equity interests”, for a description of the Chinese joint ventures

7.4.1.1.2 ŠKODA brand

Volkswagen owns 100% of the shares of ŠKODA AUTO a.s., based in Mladá Boleslav, Czech Republic (“ŠKODA”). Volkswagen produces both Subcompact and Compact vehicles under the ŠKODA brand, as well as Mid-range vehicles.

	For the year ended December 31, (unaudited)			Change in % (unaudited)	
	2021	2020	2019	2021/2020	2020/2019
Deliveries (thousand units)	878	1,005	1,243	-12.6	-19.1
Vehicle sales (thousand units)	784	849	1,062	-7.7	-20.0
Production (thousand units)	802	941	1,243	-14.8	-24.3
Sales revenue (in € million)	17,743	17,081	19,806	+3.9	-13.8
Operating result (in € million)	1,083	756	1,660	+43.2	-54.4
As percentage of the brand’s sales					
revenue	6.1	4.4	8.4	—	—

The main production facilities for the ŠKODA brand are located in Central and Eastern Europe (in particular in the Czech Republic) and Asia-Pacific (in particular in India and China). The main markets for products of the ŠKODA brand are Western Europe, Central and Eastern Europe and Asia-Pacific. Since 2007, ŠKODA vehicles have also been produced, sold and delivered in China. See “— Significant equity interests”, for a description of the Chinese joint ventures.

7.4.1.1.3 SEAT brand

Volkswagen owns 100% of the shares of SEAT S.A. (“SEAT”), based in Martorell, Spain. SEAT is a company with two clearly defined brands: SEAT and CUPRA. SEAT produces Compact and Subcompact vehicles and also offers mid-range vehicles. Most SEAT vehicles are produced in Spain. The main market for SEAT products is Western Europe (in particular Spain and Germany).

	For the year ended December 31, (unaudited)			Change in % (unaudited)	
	2021	2020	2019	2021/2020	2020/2019
Deliveries (thousand units)	471	427	574	+10.3	-25.6
Vehicle sales (thousand units)	494	484	667	+2.1	-27.5
Production (thousand units)	424	406	592	+4.2	-31.3
Sales revenue (in € million)	9,614	9,198	11,496	+4.5	-20.0
Operating result (in € million)	-233	-339	445	+31.2	>= -100
As percentage of the brand’s sales					
revenue	-2.4	-3.7	3.9	—	—

7.4.1.1.4 Volkswagen Commercial Vehicles brand

In 1950, Volkswagen began mass production of the Volkswagen Transporter, a Volkswagen Commercial Vehicles brand vehicle. In 1995, the Company introduced Volkswagen Commercial Vehicles as a brand. The Volkswagen Group's model portfolio under its Volkswagen Commercial Vehicles brand primarily covers city delivery vans, small transporters, large MPVs, camper vans and pick-ups.

	For the year ended December 31, (unaudited)			Change in % (unaudited)	
	2021	2020	2019	2021/2020	2020/2019
Deliveries (thousand units)	360	372	492	-3.2	-24.4
Vehicle sales (thousand units)	326	345	456	-5.6	-24.3
Production (thousand units)	335	344	477	-2.5	-28.0
Sales revenue (in € million)	9,909	9,358	11,473	+5.9	-18.4
Operating result (in € million)	73	-454	510	>=100	>= -100
As percentage of the brand's sales					
revenue	0.7	-4.9	4.4	—	—

The main production facilities for Volkswagen Commercial Vehicles are located in Germany, Poland and Argentina. The main market for the Volkswagen Commercial Vehicles brand is Europe. The Volkswagen Commercial Vehicles brand offers commercial vehicles, and Compact, Mid-range and Upper Mid-range passenger cars.

7.4.1.1.5 Audi brand

Volkswagen holds 100.00% of the shares in AUDI AG, based in Ingolstadt, Germany. Audi primarily produces Compact, Mid-range, Upper mid-range and Premium vehicles.

	For the year ended December 31, (unaudited)			Change in % (unaudited)	
	2021	2020	2019	2021/2020	2020/2019
Deliveries (thousand units) ⁽¹⁾	1,689	1,700	1,854	-0.7	-8.3
Vehicle sales (thousand units) ⁽¹⁾	1,009	1,017	1,200	-0.7	-15.2
Production (thousand units) ⁽¹⁾	1,580	1,663	1,802	-5.0	-7.7
Sales revenue (in € million)	53,068	49,973	55,680	+6.2	-10.2
Operating result (in € million)	5,546 ⁽²⁾	2,739 ⁽²⁾	4,509	>=100	-39.3
As percentage of the brand's sales					
revenue	10.5 ⁽²⁾	5.5 ⁽²⁾	8.1	—	—

⁽¹⁾ Includes Lamborghini (deliveries: 2021: 8,405; 2020: 7,430; 2019: 8,205; vehicle sales: 2021: 8,315; 2020: 7,460; 2019: 8,290; production: 2021: 8,303; 2020: 7,250; 2019: 8,664).

⁽²⁾ Before expenses directly related to the diesel issue.

The main production facilities for the Audi brand are located in Western Europe (primarily in Germany), Central and Eastern Europe (primarily in Hungary), Asia-Pacific region (primarily in China) and in Mexico. The main markets for the Audi brand are Western Europe, Central and Eastern Europe, North America and Asia-Pacific. Since 1988, Audi brand vehicles have also been produced, sold and delivered to and in China. See "— Significant equity interests", for a description of the Chinese joint ventures.

7.4.1.1.6 Porsche Automotive brand

As of the date of this Offering Memorandum, Volkswagen owns 100% of the shares of Porsche AG, based in Stuttgart, via Porsche Holding Stuttgart GmbH. Porsche develops, produces and sells sports cars from Mid-range to Premium class in the saloon, sports utility vehicle, coupe and roadster segments. The Porsche Group also offers various financial services and operates an original parts business. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent Events — Porsche IPO."

	For the year ended December 31, (unaudited)			Change in % (unaudited)	
	2021	2020	2019	2021/2020	2020/2019
Deliveries (thousand units) ⁽¹⁾	302	272	281	+10.9	-3.1
Vehicle sales (thousand units) ⁽¹⁾	297	265	277	+12.1	-4.2
Production (thousand units) ⁽¹⁾	283	263	274	+7.6	-4.1
Sales revenue (in € million)	30,289	26,086	26,060	+16.1	+0.1
Operating result (in € million)	5,006	4,021	4,210 ⁽²⁾	+24.5	-4.5
As percentage of the brand's sales					
revenue	16.5	15.4	16.2 ⁽²⁾	—	—

⁽¹⁾ Porsche Automotive and Financial Services 2021 sales revenue: €33,138 million (2020: €28,695 million, 2019: €28,518 million) and operating result before expenses directly related to the diesel issue in 2021: €5,286 million (operating result 2020: €4,176 million, 2019: €4,396 million).

⁽²⁾ Before expenses directly related to the diesel issue.

Porsche maintains production sites in Stuttgart-Zuffenhausen as well as in Leipzig and produces cars at the Volkswagen plant in Bratislava. Porsche's key sales markets are China, the United States and Germany.

7.4.1.1.7 Bentley

Volkswagen owns Bentley Motors Ltd., based in Crewe, United Kingdom, which manufactures and markets the Bentley brand and has been operating under the name Bentley Motors Ltd. since 2002. Bentley develops and sells luxury cars and SUVs with the main production facilities located in Crewe, UK.

	For the year ended December 31, (unaudited)			Change in % (unaudited)	
	2021	2020	2019	2021/2020	2020/2019
Deliveries (thousand units)	14,659	11,206	11,006	+30.8	+1.8
Vehicle sales (thousand units)	14,594	11,296	11,631	+29.2	-2.9
Production (thousand units)	14,788	10,693	12,430	+38.3	-14.0
Sales revenue (in € million)	2,845	2,049	2,092	+38.9	-2.1
Operating result (in € million)	389	20	65	>=100	-70.1
As percentage of the brand's sales					
revenue	13.7	1.0	3.1	—	—

7.4.1.1.8 Lamborghini

Volkswagen also owns Lamborghini Holding S.p.A., based in Sant'Agata Bolognese, Italy, which owns the Lamborghini brand. Volkswagen generally includes sales of the Lamborghini brand in the sales of the Audi brand. During the years ended December 31, 2021, 2020 and 2019, respectively, Volkswagen produced 8,303, 7,250 and 8,664 Lamborghini brand vehicles and delivered 8,405, 7,430 and 8,205 Lamborghini brand vehicles worldwide.

7.4.1.2 Commercial Vehicles business area

Within the "Truck & Bus brand group", TRATON is designed to combine the brands' respective strengths (MAN, Scania, Navistar, Volkswagen Caminhões e Ônibus and RIO brands) and know-how in order to create a new environment for transportation and logistics solutions. As of March 31, 2022, Volkswagen held an 89.72% interest in the share capital of TRATON SE. As of March 31, 2022, TRATON SE held 89.05% of the shares in Scania AB and held a 100% interest in the share capital of MAN SE.

7.4.1.2.1 Scania Vehicles and Services

Based in Södertälje, Sweden, Scania's product portfolio consists of heavy-duty trucks (>16 tons), offering tailor-made solutions for different applications (in the segments of long-distance, urban and construction as well as special-purpose and defense applications) and buses (city buses, intercity buses, coaches and bus chassis). Furthermore, Scania's product offering includes a comprehensive set of power solutions for industrial, marine and power generation applications.

	For the year ended December 31, (unaudited)			Change in % (unaudited)	
	2021	2020	2019	2021/2020	2020/2019
Deliveries (thousand units)	90	72	99	+25.4	-27.5
Vehicle sales (thousand units)	91	73	101	+24.7	-27.1
Production (thousand units)	93	73	97	+27.8	-25.2
Sales revenue (in € million)	13,927	11,521	13,934	+20.9	-17.3
Operating result (in € million)	903	748	1,506	+20.7	-50.3
As percentage of the brand's sales revenue	6.5	6.5	10.8	—	—

The main production facilities for the Scania brand are located in Europe (in particular in Sweden and The Netherlands) and South America (in particular in Brazil). The main markets for the Scania brand are Europe and South America.

7.4.1.2.2 MAN Commercial Vehicles

Based in Munich, Germany, MAN is one of the leading European companies in the transportation-related engineering sector. It develops, produces and sells trucks, buses and vans as well as diesel and natural gas engines and components. The MAN figures below also include the figures of the Volkswagen Caminhões e Ônibus brand as this is a part of the MAN Latin America business.

	For the year ended December 31, (unaudited)			Change in % (unaudited)	
	2021	2020	2019	2021/2020	2020/2019
Deliveries (thousand units)	151	118	143	+27.8	-17.3
Vehicle sales (thousand units)	151	118	143	+28.0	-17.3
Production (thousand units) ⁽¹⁾	147	119	141	+24.0	-16.0
Sales revenue (in € million)	13,000	10,838	12,663	+19.9	-14.4
Operating result (in € million)	-276	-631	402	+56.3	>-100
As percentage of the brand's sales revenue	-2.1	-5.8	3.2	—	—

⁽¹⁾ Includes figures of Volkswagen Caminhões e Ônibus brand.

The main production facilities for the MAN Brand are located in Europe (in particular Poland and Germany), in South America (in particular Brazil) as well as in South Africa.

7.4.1.2.3 Navistar

The acquisition of Navistar closed on July 1, 2021. The initial recognition of the acquisition has not been finalized due to the size of the transaction, as the internal reviews of the underlying information have not yet been completed and the amounts recognized as of December 31, 2021 are provisional. From July 1, 2021 until December 31, 2021, Navistar delivered 29,876 vehicles. The consolidation of Navistar as of July 1, 2021 led to an increase of €3,494 million in the Volkswagen Group's sales revenue in 2021.

7.4.1.3 Power Engineering business area

The Power Engineering business area combines the large-bore diesel engines, turbomachinery and propulsion components businesses. In October 2018, Volkswagen AG and TRATON SE agreed on the sale of

MAN's Power Engineering business to a Volkswagen Group subsidiary. The sale was executed on December 31, 2018. On October 6, 2020, Volkswagen sold its shareholding in RENK AG.

	For the year ended December 31, (unaudited)		
	2021	2020	2019
Power Engineering			
Sales revenue (in € million)	3,278	3,640	3,997
Operating result (in € million)	45	-482	- 93
As percentage of sales revenue	1.4	-13.2	-2.3

7.4.1.4 Significant equity interests

As of March 31, 2022, Volkswagen owned equity interests in the companies and joint ventures described below, which are considered material due to their size. Volkswagen has limited access to financial information of these companies because it does not fully consolidate them.

7.4.1.4.1 Joint ventures

SAIC Volkswagen Automotive Company, Ltd.: Volkswagen holds directly and indirectly 50% of the shares in SAIC Volkswagen Automotive Company, Ltd., a joint venture based in Shanghai, China (formerly named Shanghai Volkswagen Automotive Company, Ltd.). SAIC Volkswagen Automotive Company, Ltd. develops and produces passenger cars. There is an agreement in place between Volkswagen Group companies and the joint venture partner, Shanghai Automotive Industry Corporation, regarding a long-term strategic partnership. ŠKODA, as part of Volkswagen's 50%-share, holds 1% of the shares in SAIC Volkswagen Automotive Company, Ltd. and permits SAIC Volkswagen Automotive Company, Ltd. to manufacture its models under licenses. Audi also holds 1% of the shares in SAIC Volkswagen Automotive Company, Ltd., as part of Volkswagen's 50%-share.

FAW-Volkswagen Automotive Company, Ltd.: Volkswagen holds directly and indirectly 40% of the shares in FAW-Volkswagen Automotive Company, Ltd., a joint venture based in Changchun, China. FAW-Volkswagen Automotive Company, Ltd. develops, produces and sells passenger cars. There is an agreement in place between Volkswagen Group companies and the joint venture partner, China FAW Corporation Limited, regarding a long-term strategic partnership. Audi, as part of Volkswagen's 40%-share, holds 5% of the shares in FAW-Volkswagen Automotive Company, Ltd. and permits FAW-Volkswagen Automotive Company, Ltd. to manufacture its models under licenses.

SAIC-Volkswagen Sales Company Ltd.: Volkswagen indirectly holds 30% of the shares in SAIC-Volkswagen Sales Company Ltd., a joint venture based in Shanghai, China. SAIC-Volkswagen Sales Company Ltd. sells passenger cars for SAIC Volkswagen Automotive Company, Ltd. There is an agreement in place between Volkswagen Group companies and the joint venture partner, Shanghai Automotive Industry Corporation, regarding a long-term strategic partnership.

7.4.1.4.2 Associates

Sinotruk (Hong Kong) Ltd.: As of March 31, 2022, the quoted market value of the Volkswagen shares in Sinotruk amounted to €954 million (25.0% participating interest). Sinotruk, based in Hong Kong, China, is one of the largest truck manufacturers in the Chinese market. There is an agreement in place between Volkswagen Group companies and Sinotruk regarding a long-term strategic partnership, under which Volkswagen participates in the local market.

Bertrandt AG: As of March 31, 2022, the quoted market value of the Volkswagen shares in Bertrandt amounted to €129 million (29.0% participating interest). Bertrandt, based in Ehningen, Germany, is an engineering partner to companies in the automotive and aviation industry. Its portfolio of services ranges from developing individual components through complex modules to end-to-end solutions.

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

method. The Volkswagen Group ownership interest in There Holding B.V. amounted to 29.7% as of March 31, 2022.

Navistar. On July 1, 2021, a TRATON company acquired all of the outstanding shares in Navistar International Corporation (Navistar), a US manufacturer of commercial vehicles. TRATON SE now indirectly holds 100% of the shares in Navistar International Corporation, which until then was accounted for using the equity method (interest of 16.7%). Trading in Navistar shares on the New York Stock Exchange has been discontinued. As of December 31, 2020, the quoted market price of the shares in Navistar amounted to €596 million.

7.4.1.5 Genuine parts business

Volkswagen's genuine parts business aims at directing and optimizing the supply of the genuine parts of Volkswagen's different brands worldwide. The genuine parts include parts procured from outside suppliers and parts produced by Volkswagen.

7.4.1.6 Markets and competition

The market information, information on vehicle sales for passenger cars and light commercial vehicles in the market as a whole across all automobile manufacturers worldwide (including Volkswagen) as well as in the individual sales and production regions, and the information on unit sales and deliveries to customers for the Volkswagen Group, as presented in this section, is based on unaudited data and estimates of the Company. See also "*General Information — Industry Information*".

Volkswagen's market shares in this section are calculated as the ratio of vehicles delivered to customers by the Volkswagen Group to the number of vehicles sold in the relevant market as a whole, as estimated by the Company. Volkswagen's market position is determined on the basis of its calculated market share in the relevant market as a whole. Information on the market positions of the Volkswagen Group's competitors is based on the Company's information and estimates. In certain markets, Volkswagen reports consolidated numbers for Group deliveries and/or sales of passenger cars with respective numbers of light commercial vehicles. On the other hand, market data may refer to passenger cars and/or light commercial vehicles separately, depending on the region breakdown, and as a result, not all figures and market share comparisons will be fully comparable. The following table provides an overview of the worldwide sales of passenger cars and light commercial vehicles in the years ended December 31, 2021, 2020 and 2019:

Worldwide passenger cars sales (units)	For the year ended December 31,			Change (%)	
	2021	2020	2019	2021/2020	2020/2019
Europe/Other markets	16,951,497	16,737,200	21,014,916	1.3	-20.4
Western Europe	10,692,627	10,905,945	14,441,206	-2.0	-24.5
Germany	2,622,341	2,917,678	3,607,258	-10.1	-19.1
France	1,655,908	1,646,995	2,208,560	0.5	-25.4
United Kingdom	1,646,851	1,631,064	2,311,140	1.0	-29.4
Italy	1,467,387	1,390,116	1,924,588	5.6	-27.8
Spain	917,423	926,201	1,363,334	-0.9	-32.1
Central and Eastern Europe	2,897,570	2,818,435	3,348,816	2.8	-15.8
Czech Republic	205,445	202,971	249,915	1.2	-18.8
Russia	1,519,304	1,480,661	1,625,810	2.6	-8.9
Poland	446,671	428,362	555,608	4.3	-22.9
Other markets	3,361,300	3,012,820	3,224,894	11.6	-6.6
Turkey	568,294	610,109	387,256	-6.9	57.5
South Africa	300,107	246,629	354,885	21.7	-30.5
North America⁽¹⁾	17,734,288	17,070,448	20,295,972	3.9	-15.9
United States	15,079,182	14,582,997	17,063,684	3.4	-14.5
Canada	1,640,426	1,537,388	1,914,357	6.7	-19.7
Mexico	1,014,680	950,063	1,317,931	6.8	-27.9
South America⁽¹⁾	3,520,839	3,119,725	4,337,085	12.9	-28.1
Brazil	1,977,101	1,954,827	2,665,579	1.1	-26.7
Argentina	355,514	323,960	440,926	9.7	-26.5
Asia-Pacific	32,720,755	31,160,733	34,285,588	5.0	-9.1
China	20,833,000	19,947,827	21,305,450	4.4	-6.4
India	2,959,479	2,345,653	2,837,526	26.2	-17.3
Japan	3,730,751	3,853,934	4,327,280	-3.2	-10.9
Worldwide	70,927,379	68,088,106	79,933,561	4.2	-14.8

(Source: Volkswagen Group data)

⁽¹⁾ In North and South America, the light vehicle market is reported as part of the passenger car market, which includes both passenger cars and light commercial vehicles.

The following table shows the number of passenger cars and light commercial vehicles delivered by Volkswagen Group passenger car brands to customers in the years ended December 31, 2021, 2020 and 2019:

Volkswagen Group deliveries to customers by markets (units) ⁽¹⁾	For the year ended December 31, (unaudited)			Change (%) (unaudited)	
	2021	2020	2019	2021/2020	2020/2019
Europe/Other markets	3,698,882	3,779,397	4,712,761	-2.1	-19.8
Western Europe	2,761,568	2,848,474	3,628,329	-3.1	-21.5
of which: Germany	959,748	1,065,811	1,324,942	-10.0	-19.6
France	238,366	222,520	307,847	+7.1	-27.7
United Kingdom	422,594	409,016	544,117	+3.3	-24.8
Italy	248,414	239,167	310,944	+3.9	-23.1
Spain	220,148	213,700	305,494	+3.0	-30.0
Central and Eastern Europe	624,815	652,819	766,810	-4.3	-14.9
of which: Czech Republic	114,250	112,586	136,377	+1.5	-17.4
Russia	204,772	221,811	223,454	-7.7	-0.7
Poland	120,831	126,883	165,530	-4.8	-23.3
Other markets	312,499	278,104	317,622	+12.4	-12.4
of which: Turkey	121,885	121,129	78,251	+0.6	+54.8
South Africa	72,847	64,693	90,968	+12.6	-28.9
North America	876,558	784,299	948,275	+11.8	-17.3
of which: USA	647,521	574,822	654,118	+12.6	-12.1
Canada	98,829	83,531	112,247	+18.3	-25.6
Mexico	130,208	125,946	181,910	+3.4	-30.8
South America	436,852	440,326	551,734	-0.8	-20.2
of which: Brazil	311,519	336,773	420,880	-7.5	-20.0
Argentina	56,186	57,555	70,496	-2.4	-18.4
Asia-Pacific	3,598,455	4,110,782	4,520,322	-12.5	-9.1
of which: China	3,298,270	3,842,004	4,225,157	-14.2	-9.1
India	52,481	28,423	51,541	+84.6	-44.9
Japan	65,549	66,935	79,268	-2.1	-15.6
Worldwide	8,610,747	9,114,804	10,733,092	-5.5	-15.1

⁽¹⁾Deliveries for 2020 and 2019 have been updated or amended to reflect subsequent statistical trends and the changes in reporting structure. The figures include the Chinese joint ventures.

The following table sets forth Volkswagen's estimated market share of the passenger car and light commercial vehicles market by region in the years ended December 31, 2021, 2020 and 2019:

Market Share Volkswagen Group ⁽¹⁾	For the year ended December 31,			Change	
	2021 ⁽¹⁾ (in %)	2020 ⁽¹⁾	2019 ⁽¹⁾	2021/2020	2020/2019
Western Europe	23.5	23.7	22.8	-0.2	+0.9
Central and Eastern Europe	20.5	21.9	21.5	-1.4	+0.5
North America	4.9	4.6	4.7	+0.3	-0.1
South America	12.4	14.1	12.7	-1.7	+1.4
Asia-Pacific	10.9	13.1	13.1	-2.2	+0.0
Rest of the World	8.5	8.6	8.8	-0.1	-0.2
Worldwide	11.7	12.9	12.9	-1.2	+0.0

⁽¹⁾ Volkswagen's market share is calculated as the ratio of vehicles delivered to customers by the Volkswagen Group passenger car brands to the number of vehicles sold in the market as a whole. With the exception of North and South America, vehicles delivered by Volkswagen Commercial Vehicles brand are not included. The figures include the Chinese joint ventures.

7.4.1.6.1 Competition; developments and trends in Volkswagen's main markets

As a global company, Volkswagen is exposed to both global and regional competition. Volkswagen Group considers BMW, Ford, General Motors, Honda, Hyundai/Kia, Mercedes Benz, Renault-Nissan-Mitsubishi, Stellantis and Toyota to be its main competitors in the passenger car market and also faces new competition especially for electric vehicles from brands such as Tesla and Chinese brands. Volkswagen believes that, based on the total number of vehicles delivered to customers, Volkswagen Group ranked second worldwide behind Toyota in 2021. Volkswagen estimates that in 2021 it has reached a worldwide market share of 11.7% in the passenger car market. Volkswagen believes it is also the market leader for passenger cars in Western Europe, with an estimated market share of 23.5% in 2021 (Source: Volkswagen Group data). In the market for trucks and buses, Volkswagen's key globally active competitors in the truck and bus segment include, in particular, Volvo and Daimler Trucks.

(i) Western Europe

Sales of passenger cars in Western Europe decreased by 2.0% to 10.7 million vehicles in 2021, which corresponds to 15.1% of worldwide passenger car sales (Source: Volkswagen Group data). In 2021, Volkswagen Group delivered 2,761,568 passenger cars and light commercial vehicles to customers, a decrease of 3.1% compared to the previous year's figures (2020: 2,848,474). The decreases in sales and deliveries were mainly attributable to falling volumes as a result of the continued SARS-CoV-2 pandemic effects and especially supply bottlenecks for semiconductors and the resulting limited availability of Group models. In 2021, the Volkswagen Group's share of the passenger car market in Western Europe amounted to 23.5% (2020: 23.7%). (Source: Volkswagen Group data)

(ii) Central and Eastern Europe

In Central and Eastern Europe, sales of passenger cars increased by 2.8% to 2.9 million vehicles in 2021, which corresponds to 4.1% of worldwide vehicle sales (Source: Volkswagen Group data). In 2021, Volkswagen Group delivered 624,815 passenger cars and light commercial vehicles to Central and Eastern Europe customers, a decrease of 4.3% in 2021 as compared to prior-year figures (2020: 652,819). Demand for Group models decreased primarily as a result of the continued SARS-CoV-2 pandemic effects and especially supply bottlenecks for semiconductors and the resulting limited availability of Group models. Volkswagen Group's share of the passenger car market in Central and Eastern Europe in 2021 was 20.5%, a slight decrease compared to 2020 (21.9%). (Source: Volkswagen Group data)

(iii) North America

In North America, the number of Volkswagen Group vehicles delivered to customers in 2021 increased by 11.8% to 876,558 units (2020: 784,299). The North American market had been weakened by the pandemic and supply bottlenecks. Despite this fact, the Volkswagen Group managed to outperform the overall market. The Group's share of the market in this region amounted to 4.9% in 2021 (2020: 4.6%). (Source: Volkswagen Group data)

In the US market, which is witnessing moderate growth, the Volkswagen Group delivered 12.6% more vehicles to customers in 2021 compared to 2020. In Canada, the number of vehicles delivered to Volkswagen Group customers rose by 18.3% in 2021 compared with 2020. The overall market recorded a smaller increase during this period. In Mexico, where the market as a whole has seen distinct growth, the Volkswagen Group sold 3.4% more vehicles to customers in 2021 than in the prior year.

(iv) South America

In the South American market for passenger cars and light commercial vehicles, which has seen significant growth, the number of Group models handed over to customers decreased by 0.8% to 436,852 units in 2021 compared to prior-year figure (2020: 440,326). The Group's share of the market in South America amounted to 12.4% in 2021 (2020: 14.1%). (Source: Volkswagen Group data) In the Brazilian market, which experienced slight growth, the Volkswagen Group's delivered vehicles to customers decreased 7.5% to 311,519 in 2021 (2020: 336,773). In Argentina, the number of Volkswagen Group vehicles handed over to customers in 2021 decreased by 2.4% to 56,186 (2020: 57,555) in an overall market exhibiting noticeable growth.

(v) Asia-Pacific

In the Asia Pacific region, the Volkswagen Group saw deliveries to customers decrease by 12.5 % to 3,598,455 units in 2021 compared to the prior year (2020: 4,110,782) in a market that experienced moderate growth overall. Bottlenecks in the supply of semiconductors were most prevalent in this region and had an increased impact from the third quarter of 2021 onwards. The Group's share of the passenger car market in this region amounted to 10.9% (2020: 13.1%). (Source: Volkswagen Group data) In China, the recovery of the market as a whole continued at a slower pace in 2021, with Volkswagen Group delivering 14.2% fewer vehicles compared to 2020 (2021: 3,298,270; 2020: 3,842,004).

(vi) Commercial Vehicles

Volkswagen is active in the light commercial vehicles market through its Volkswagen Commercial Vehicles brand and in trucks and buses sales through TRATON (comprising Scania, MAN and Navistar).

The following table shows the number of commercial vehicles delivered to Volkswagen's customers in the years ended December 31, 2021, 2020 and 2019:

Deliveries to customers by markets (units)⁽¹⁾	For the year ended December 31, (unaudited)			Change (%) (unaudited)	
	2021	2020⁽¹⁾	2019⁽¹⁾	2021/2020	2020/2019
Europe/Other markets	149,427	127,893	168,831	+16.8	-24.2%
of which: EU27+3	119,029	105,131	142,058	+13.2	-26.0%
of which: Germany	32,130	31,859	39,059	+0.9	-18.4%
Russia	11,293	8,486	10,123	+33.1	-16.2%
Turkey	4,398	2,681	707	+64.0	—
South Africa	3,942	3,111	4,455	+26.7	-30.2%
North America	31,869	1,502	3,219	—	-53.3%
of which: USA	24,239	—	—	—	—
Mexico	5,375	1,498	3,218	—	-53.4%
South America	77,774	49,372	56,826	+57.5	-13.1%
of which: Brazil	65,005	40,855	49,551	+59.1	-17.5%
Asia-Pacific	12,140	11,420	13,344	+6.3	-14.4%
Worldwide	271,210	190,187	242,220	+42.6	-21.5%

¹ Deliveries for 2020 and 2019 have been updated or amended to reflect subsequent statistical trends. From July 1, 2021, the figures include Navistar.

In 2021, the Volkswagen Group delivered 42.6% more commercial vehicles to customers worldwide than in the prior year, when demand was affected by a slump in core markets, which had been further intensified by the uncertainty generated by the SARS-CoV-2 pandemic. The Group delivered a total of 271,210 commercial vehicles to customers in 2021 (2020: 190,187). Of such deliveries, trucks accounted for 230,151 units (a 47.2% increase compared to 2020) and buses for 18,857 units (a 16.6% increase compared to 2020). A total of 22,202 vehicles (a 25.9% increase compared to 2020) from the MAN TGE van series were delivered.

In the EU 27 states excluding Malta, but including the United Kingdom, Norway and Switzerland (EU27+3), sales increased by 13.2% in 2021 compared to the prior year, to a total of 119,029 units (2020: 105,131), of which 92,038 were trucks and 5,451 were buses. The MAN brand delivered 21,540 vehicles from the MAN TGE van series.

In Russia, sales increased to 11,293 units in 2021 (2020: 8,486), including 11,232 trucks and 61 buses. Deliveries in Turkey increased to 4,398 vehicles in fiscal year 2021 (2020: 2,681). Trucks accounted for 4,204 units and buses for 28 units, while 166 vehicles from the MAN TGE van series were sold. In South Africa, deliveries of Volkswagen Group commercial vehicles increased by 26.7% compared to prior year figures, to a total of 3,942 units in 2021 (2020: 3,111). Among these, 3,610 were trucks and 332 were buses.

Sales in North America increased in 2021 to 31,869 vehicles compared to the prior year (2020: 1,502); this included 25,815 trucks and 6,054 buses. From July 1, 2021, the figures also include Navistar's sales (29,003) whose vehicles were mostly handed over to customers in the United States.

Deliveries in South America in 2021 increased to a total of 77,774 vehicles (2020: 49,372), an increase of 57.5% compared to 2020, of which 72,955 were trucks and 4,812 were buses. Sales in Brazil increased by 59.1% in fiscal year 2021 to 65,005 units (2020: 40,855). Of the units delivered, 61,571 were trucks and 3,434 were buses.

In the Asia-Pacific region, the Volkswagen Group sold 12,140 vehicles to customers in 2021 (2020: 11,420) an increase of 6.3% compared to 2020. Among these, 11,262 were trucks and 860 were buses.

7.4.1.7 Procurement

7.4.1.7.1 Overview

Procurement purchases of goods include raw materials, vehicle parts and components, services and capital expenditure items. In the year ended December 31, 2021, the incoming goods and order volume amounted to €116.8 billion (excluding orders from the Chinese joint ventures). Volkswagen works with approximately 40,000 suppliers worldwide. The most important procurement markets for Volkswagen are Europe, followed by North/South America and Asia-Pacific. See also *“Risk Factors — Volkswagen faces regulatory risks and greater competition in vehicle aftermarkets resulting from the adoption of the new EU Vertical Block Exemptions Regulation changes.”* and *“— If Volkswagen is unable to obtain automotive parts and components from suppliers at a reasonable price or at all, for example, due to a supply bottleneck, particularly within a limited supplier environment, Volkswagen’s procurement, production, transport and service chains could be interrupted or impaired.”* and *“— Volkswagen operates complex IT systems and is exposed to risks in the areas of cyber security and new regulatory requirements for IT.”*

The following table provides an overview of Volkswagen’s total procurement volume (excluding the Chinese joint ventures) in 2021, categorized by procurement market:

	For the year ended December 31, 2021
	(unaudited)
	in € billion
Europe/Other markets	98.3
North America	8.9
South America	3.7
Asia-Pacific	5.9

7.4.1.7.2 Procurement of production materials

Volkswagen procures raw materials and pre-products. Pre-products consist of parts and components produced by external suppliers according to Volkswagen’s specifications, such as navigation devices and audio systems, wheels, tires, air filters and brake pads.

In 2021, Volkswagen purchased more than 6 million tonnes of steel, primarily from European markets. In 2021, Volkswagen’s major suppliers of vehicle parts and components and pre-products were Bosch, Faurecia and Continental. The ten largest suppliers of vehicle parts and components based on supply volume met approximately 28% of Volkswagen’s procurement requirements in 2021 (excluding the Chinese joint ventures). As an effort to reduce production costs, Volkswagen endeavors to procure raw materials and pre-products from local suppliers. Furthermore, Volkswagen hedges price and to a limited extent also shortage risks associated with raw materials and pre-products by entering into forward transactions and swaps.

7.4.1.7.3 General procurement

The general procurement sub-division is responsible for the purchase of all goods and services that are not directly connected to vehicle production. In 2021, the procurement volume of the general procurement sub-division amounted to approximately €29.6 billion.

7.4.1.8 Production

7.4.1.8.1 Production locations

Volkswagen had 120 operating production locations worldwide as of December 31, 2021: 63 locations in Europe (including 24 in Germany), 34 locations in Asia-Pacific, 9 locations in North America, 10 locations in South America and 4 locations in Africa.

Volkswagen Group produced 8,282,954 vehicles worldwide in 2021 (2020: 8,900,154, 2019: 10,823,378), 6.9% less than in the previous year. In total, Volkswagen Group's Chinese joint ventures manufactured 17.5% fewer units in 2021 than in the prior year. In Germany, the production declined by 9.2% in 2021. These declines in production were mainly due to the measures taken to control the spread of the SARS-CoV-2 pandemic and supply chain bottlenecks, in particular in relation to semiconductors, which imposed constraints on production. The percentage of the Group's total production accounted for by Germany in 2021 was lower than in 2020, at 17.9% (2020: 18.4%; 2019: 19.5%).

7.4.1.8.2 Description of production

The modular platform strategy and the modular toolkit concept are key features of production for Volkswagen. Volkswagen has developed the modular platform strategy into the engineering concept of modular toolkits. There are several types of modular toolkits: the modular transverse toolkit platforms for vehicles with transversely mounted engines and the modular longitudinal toolkit platforms for vehicles with longitudinally mounted engines. Other toolkits, e.g., for sports cars, have been added and, recently, a modular electric drive toolkit has been developed. A modular toolkit consists of several vehicle components that are combined in a standardized manner. For example, there is a modular toolkit for the seating systems of a vehicle, a modular toolkit for the underbody and a modular toolkit for the axles and for the steering. Modular toolkits can be used for production of vehicles across brands and vehicle classes.

The engineering concept of the modular toolkits means that, in the production of its volume models, Volkswagen mostly uses modular toolkits independently of the brand or vehicle class of the individual model, rather than individual components manufactured for individual brands, vehicle classes or models. Volkswagen intends to expand the development and use of modular components to reduce development time, one-time expenses and unit costs per vehicle. Furthermore, the modular component concept facilitates faster model changes and the launch of new products in various markets to reflect local customer preferences. Volkswagen believes that this engineering concept will enhance its ability to adapt to demand fluctuations and increase the average utilization capacity of its plants.

7.4.1.9 Marketing

Volkswagen pursues a multibrand strategy in which each company brand has an autonomous character and operates and markets independently. The profiles of Volkswagen's individual brands are conceived so that, as far as possible, they do not overlap. Volkswagen's brands are strengthened through the development of overall brand concepts and core values geared to the specific target customer segments of each brand. Volkswagen's products are developed according to the specific customer requirements of the target group and the relevant competition in that group. Thereby, the Volkswagen Group strives for a sufficient differentiation of its brands in terms of values and products in terms of design and equipment in order to reduce unnecessary diversion of sales from one Volkswagen brand to another and to maximize sales.

One of Volkswagen's key marketing strategies is its remarketing strategy. Volkswagen views a vehicle's resale value as one factor that influences a customer's purchase decision. In the early course of product development and manufacture, Volkswagen takes into consideration all relevant factors affecting the resale value such as quality, durability, design and equipment. Volkswagen conducts regular customer surveys through internal and external service providers to determine the needs and the requirements of customers for a used car.

The organizational marketing structure of the Volkswagen Group ensures that the brand-specific marketing measures and the image of each brand remain clearly recognizable. In order to ensure the autonomy of the brands while simultaneously protecting Volkswagen Group interests, the management of the brands is supported by the respective brand boards of management and Volkswagen's Board of Management.

7.4.1.10 Customers and sales

The sale of vehicles of individual brands is fundamentally the responsibility of the respective brand. Each brand generally sells only its own products.

Depending on the country where the vehicle is sold, the sales set-up may differ. If the country of the brand parent company is identical to the country of sale, the vehicles are sold from the parent company via a retail dealer system to the customer. Otherwise, a subsidiary of the Volkswagen Group or brand parent company (for example, in France, the United Kingdom or Sweden) or an independent company (for example, in Belgium, the Netherlands or Switzerland) will act as intermediary wholesaler between the brand parent com-

pany and the local retail dealers. The subsidiary or the wholesale company is responsible for the sale of vehicles of one or more brands for one country. Local retail dealers are predominantly independent external entrepreneurs.

The independent wholesale companies and independent local dealers generally act in their own names and for their own accounts. In the main markets, Volkswagen has set up a system to monitor the financial positions of independent dealers to ensure that they are not insolvent or on the edge of insolvency.

In terms of genuine parts sales, Volkswagen Group is following the same approach as for new car sales. In brand parent company markets as well as in markets with subsidiary wholesalers, there is an own logistics network and warehouses to facilitate the sales. Volkswagen maintains a total of approximately 155 logistics and warehousing centers worldwide.

7.4.2 Financial Services Division

The Financial Services Division comprises Volkswagen's financial services activities. The vehicle-related activities are broken down into the following areas: financing (customer and dealer financing), leasing, insurance, service and fleet management. Volkswagen is also active in the direct banking business. The objective of Volkswagen's financial services activities is to support the sale of vehicles produced by Volkswagen and to strengthen customer loyalty to the Group's brands.

Although Volkswagen allocates the financial services activities of the Scania brand and Porsche Holding Salzburg to the Financial Services Division, these activities are managed principally by Scania and Porsche Holding Salzburg, respectively. Therefore, the description of the Financial Services Division in this section of the Offering Memorandum does not cover the financial services activities of Scania and Porsche Holding Salzburg nor do the key financial figures include the corresponding data of Scania and Porsche Holding Salzburg (unless indicated otherwise).

Volkswagen Financial Services AG ("**VWFS AG**"), a wholly owned subsidiary of the Company, is responsible for the coordination of the Company's worldwide financial services activities. Volkswagen Group's financial services activities are provided by VWFS AG and its subsidiaries, by Volkswagen Bank GmbH ("**Volkswagen Bank**"), as well as in the United States and Canada, through indirect subsidiaries of the Company.

Volkswagen Financial Services is represented in 47 countries. The main markets for Volkswagen Financial Services are Germany, the United States, the United Kingdom, China, Italy, France, Spain and Canada. Germany is the main market for Volkswagen Financial Services. In Europe, the principal companies are Volkswagen Bank, Volkswagen Leasing GmbH ("**Volkswagen Leasing**"), Porsche Financial Services and Volkswagen Versicherungsdienst GmbH ("**VVD**"). VW Credit, Inc. operates financial services activities in North America.

Volkswagen's financial services operations include mainly loans, leasing as well as insurance programs for customers and dealers. In 2021, 35.8% (2020: 35.2%; 2019: 34.2%) of Volkswagen's vehicles delivered worldwide were financed by or leased from the companies of Volkswagen's Financial Services Division (including the Chinese joint ventures but excluding Scania and Porsche Holding Salzburg financial services). Volkswagen's financing and leasing activities are offered in close coordination and cooperation with Volkswagen's Automotive Division.

The following table provides information about Volkswagen Group's financial services receivables (including Scania and Porsche Holding Salzburg) as of December 31, 2020, 2019 and 2018.

	As of December 31,					
	2021		2020		2019	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
	(audited)					
	(in € million)					
Receivables from financing business						
Customer financing	27,272	48,639	26,758	46,157	22,873	49,175
Dealer financing	9,647	1,785	12,435	1,994	16,781	2,512
Direct banking	311	12	307	7	305	5
	37,230	50,435	39,500	48,157	39,958	51,692
Receivables from operating leases	325	–	379	–	285	–
Receivables from finance leases	18,943	34,519	18,127	34,408	18,371	35,281
	56,498	84,954	58,006	82,565	58,615	86,973

Volkswagen's Financial Services Division is represented in growth markets by subsidiaries or through cooperations with local banks, although the volume of business is in all cases minor compared to the main markets.

7.4.2.1 Products and services of the Financial Services Division

Volkswagen's Financial Services Division is present in Volkswagen's main markets, offering its customers "vehicle-centered" financial and banking services and products through the relevant regional companies and branches. Products of the direct banking business are offered through the internet, by telephone and in a few cases also through sales partnerships.

An overview of the products and services of Volkswagen's Financial Services Division (exclusive of the direct banking business), broken down by customer segments, can be described as follows:

Customer segments	Financing	Leasing & Fleet management	Insurance	Service	New Mobility
Private customers	<ul style="list-style-type: none"> • Customer financing 	<ul style="list-style-type: none"> • Private leasing 	<ul style="list-style-type: none"> • Car insurance • Personal insurance 		<ul style="list-style-type: none"> • Parking • Charging • Fueling • Car rental
Dealers	<ul style="list-style-type: none"> • Dealer financing 	<ul style="list-style-type: none"> • Leasing of office and business furniture and equipment 	<ul style="list-style-type: none"> • Dealer insurance • Car • Personal • Buildings 		<ul style="list-style-type: none"> • Carsharing • Car rental
Other services centering around the automobile				<ul style="list-style-type: none"> • Service & Maintenance • Charge & Fuel cards • Tire replacement 	
Major/fleet customers		<ul style="list-style-type: none"> • Financial leasing • Operating leasing • Fleet management 	<ul style="list-style-type: none"> • Product packages for leasing & fleet customers • Extension of manufacturer's warranty 		<ul style="list-style-type: none"> • Parking • Truck / Car rental • Charging & Fueling

7.4.2.1.1 Financing

In the area of vehicle financing, Volkswagen offers financial solutions for both private customers and dealers. In the private customer business, vehicles are financed through classic installment loans (*ClassicCredit*) or flexible credit products such as balloon loans (*AutoCredit*). With financing products, the ownership of the vehicle is with the customer.

With the classic installment loan, upon the purchase of the vehicle customers can make a down payment, which is set flexibly. The loan is then repaid in full through monthly installment payments.

With what are referred to as balloon loans, the customer also initially can make a down payment. During the relevant financing period, the customer then pays lower installments than, for example, in the case of a classic installment loan. At the end of the term, the customer has three options: (a) return of the vehicle to the dealer at a previously agreed price, (b) entry into a refinancing agreement, or (c) payment of a higher final installment.

The finance contract is entered into directly between Volkswagen's financial services entity and the customer who purchases the car from a dealer. The dealer mediates the contract between the customer and Volkswagen's financial services entity and receives a commission for this service. The Financial Services Division has responsibility for collection of the loans. If the customer does not pay the agreed installments, Volkswagen is entitled to repossess the vehicle from the customer. Loans are generally non-recourse *vis-a-vis* the dealers.

As part of dealer financing, the Financial Services Division offers authorized dealers of the Volkswagen Group the ability to obtain loans. Such loans serve primarily to finance vehicles, genuine and replacement parts and investments.

To optimize the Automotive Division's liquidity position, the Financial Services Division uses factoring to finance the payment terms agreed between Volkswagen, on the one hand, and importers and dealers on the other, as well as payment terms agreed between importers and dealers.

AutoEuropa Bank, Braunschweig, Germany, a branch of Volkswagen Bank, also finances vehicles, caravans and motor homes other than those of Volkswagen.

7.4.2.1.2 Leasing

The leasing products offered by the Financial Services Division are used primarily by individual business customers and corporate customers (including fleet customers).

With respect to leases, the lessor retains ownership of the vehicle during the entire term of the lease. The lessee makes lease payments, which pay for the use of the vehicle and which, depending on the structure of the relevant contract, may pay for services such as vehicle insurance and maintenance.

Leasing contracts are entered into directly between Volkswagen's financial services entity and the customer. The dealer acts as mediator and receives a commission for this service. Volkswagen Financial Services collect the leasing instalments. Vehicles that are returned at the end of the lease are offered back to the dealer at the agreed residual value or are re-marketed directly by Volkswagen Financial Services.

A fundamental distinction can be made between finance leasing and operating leasing. In finance leasing, the economic risks and benefits pass over to the lessee. The realization risk (risk that at the end of the lease term the leasing asset actually has the value predicted and reflected in the leasing agreement) of the underlying asset is not borne by the lessor.

In operating leasing, the economic risks and benefits of the vehicle and, therefore, the realization risk of the leasing asset, remain with the lessor throughout the lease term. The lessor includes the leasing assets in its accounts as "leased assets". An operating lease can also result in residual value risk for the lessor. Generally, an exposure to residual value risk exists when the market value for realization of the leasing asset at the end of the term of the lease agreement is lower than the residual value calculated when the lease is concluded.

Volkswagen's used-car marketing is supported by the Financial Services Division, both through leasing and financing products.

7.4.2.1.3 Insurance services

The Financial Services Division provides insurance products as insurer or as intermediary (broker or agent), depending on the specific market environment. With the aim to ensure a best practice business model in

each market, the Financial Services Division also cooperates with a large number of different insurance companies.

The major products in the area of private and individual business customers are motor insurance (both third party liability and full comprehensive insurance), warranty insurance, credit or leasing protection insurance and gap insurance. Extended and used car warranty products are offered as an insurance or service product, which covers electronic and mechanical breakdown of automobile parts. Credit or leasing protection insurance policies cover the remaining payments of the relevant financing or leasing contract in the event of disability, unemployment, or similar circumstances. In addition, so-called "gap insurance" offers protection against the risk that the residual value of the vehicle is below the remaining outstanding financing or leasing payments in case of damages.

For corporate customers (including fleet customers), specific product packages are developed and adapted to their specific requirements. Vehicle, personal and property insurance policies are brokered for dealers.

The Financial Services Division is also active in the warranty insurance business via its own primary insurance carrier, Volkswagen Versicherung AG, which offers extended warranty insurance products in Germany and France. Additionally, used car warranty products are offered in Austria, the Czech Republic, France, Ireland, Italy, Poland, The Netherlands, Spain, Sweden, Switzerland, Turkey and the United Kingdom via freedom of services (i.e. on the basis of the right to provide cross-border business services in European Economic Area member states) or reinsurance with a local company fronting the business.

Through Volkswagen Versicherung AG, the Financial Services Division also reinsures significant quotas of the brokered credit/leasing protection insurance portfolios.

Volkswagen Autoversicherung AG, in which VWFS AG holds 51% and the Allianz Group 49% of the shares, offers customized motor insurance and motor insurance-related products to customers of the Volkswagen brands in Germany.

7.4.2.1.4 Services

In the service area, the Financial Services Division offers its customers vehicle services which are rendered as part of fleet contracts, but can also be purchased individually by retail and fleet customers.

Fleet management includes fleet planning, administration, analysis and control. This includes reporting for fleet customers, which allows them to obtain precise usage data regarding their vehicles and drivers. In addition, the processing of insurance premiums and taxes, repairs and realization of the vehicle are offered as services. In addition, management of vehicle-related consumable materials and supplies, such as fuels, lubricants, tires and the like, is also offered.

7.4.2.1.5 Mobility Services

The Financial Services Division provides vehicle-related and further mobility services. The current portfolio includes charge and fuelcards, toll, smart parking, car and truck rental, car subscription, car sharing and payment services. The mobility services portfolio is operated by the subsidiaries LogPay Financial Services GmbH, PayByPhone Technologies Inc., Volkswagen Payments S.A., Collect Car B.V. and EURO-Leasing GmbH.

Together with the charging network of the Volkswagen Group brand Elli, the Financial Services Division provides through the Charge&Fuel Card & App access to over 280,000 public charging points and another 50,000 fueling stations in Europe. Furthermore, the Financial Services Division offers its customers under the VW FS | Auto Abo product name a flexible car subscription as an alternative to traditional leasing and credit financing. It covers several brands of the Volkswagen Group and enables customers to use a vehicle without any long-term commitment. Moreover, the Financial Services Division offers through the PayBy-Phone App an electronic payment solution for parking in many cities across North America and Europe.

In addition, the Financial Services Division offers payment solutions regarding mobility services, e.g., mobile ticket sale for public transport and their payment transactions.

7.4.2.1.6 Direct banking business

Through Volkswagen Bank's direct banking business unit, Volkswagen Group offers direct banking services. In the years ended December 31, 2021, 2020 and 2019, 1,006 thousand, 1,037 thousand and 1,075 thousand customers were served, respectively. Customer deposits at Volkswagen Bank totaled €26.5 billion, €28.7 billion and €31.7 billion as of December 31, 2021, 2020 and 2019, respectively.

Volkswagen Bank offers typical bank services such as maintaining checking accounts, overnight deposit accounts, fixed-term deposit accounts, non-business loans and credit cards for retail customers. Additionally, Volkswagen Bank provides services related to cashless payment systems for commercial customers.

The securities accounts, mortgage loans and insurance policies that Volkswagen Bank offers are products of external third parties, which Volkswagen facilitates on a cooperative basis. Volkswagen's major partners in this commission-based business currently consist of wallstreet:online capital AG (securities transactions and securities account maintenance), Whitebox Services GmbH (online financial advisor) and interhyp GmbH (mortgages). In the insurance business, the partners are JDC (Jung DMS & Cie. Pro GmbH) and HDI Versicherung AG.

7.4.2.1.7 Risk management in the Financial Services Division

Volkswagen Financial Services Division is separated into the risk management of the Volkswagen Bank and its subsidiaries (the "**Volkswagen Bank Group**") and the internal control system of the VWFS AG and its subsidiaries (the "**VWFS AG Group**").

7.4.2.1.8 Risk management in the Volkswagen Bank Group

In accordance with the requirements of the German Banking Act and the German Stock Corporation Act, a system for identifying, measuring, monitoring and managing risk positions has been established for the Volkswagen Bank Group.

Along with the quantification of risk positions, as required by regulation, and the classification of available equity capital components, Volkswagen Bank Group has established a system for determining risk-bearing capacity. Using this system, it compares the economic risk with the available risk-taking potential and performs a quarterly assessment as to whether Volkswagen Bank Group is in a position to bear the risks that could result from the business activity, with the goal of ensuring a going concern.

Volkswagen Bank Group utilizes a limit system, derived from its analysis of risk-bearing capacity, which makes it possible to limit and manage relevant risk types with respect to their amount. The limit system comprises three steps: In a first step, an overall group risk limit is determined. For this purpose, the management of Volkswagen Bank Group determines the portion of the available risk-taking potential (essentially equity capital) that is intended to be available for covering material risks. In the second step, the overall group risk limit is broken down into risk limits for risk types considered to be material and quantifiable. In the third step, the risk type limits are further broken down to branch and subsidiary level, taking into account the planned business and risk development. Regular reports are made to senior management and the management as part of the submission of the risk management reporting.

The management of Volkswagen Bank Group is responsible for establishing and implementing Volkswagen Bank Group's risk strategy, which contains the risk policy principles for Volkswagen Bank Group. The Chief Risk Officer reports to the management and the Supervisory Board of Volkswagen Bank Group on a regular basis on the overall risk position of the Volkswagen Bank Group. The departments in risk management, which report to the Chief Risk Officer, formulate the corresponding risk-policy guidelines for risk management, develop methods and procedures, analyze the current risk position on an ongoing basis and ensure the transparency of reporting. The departments of risk management report to the management of Volkswagen Bank Group and its Supervisory Board at least once a quarter.

Risk management, i.e. the management of the respective portfolios, is in principle integrated into the individual branches and subsidiaries of the Volkswagen Bank Group. In addition, the internal audit function of the Volkswagen Bank Group, an independent department acting on behalf of the management of Volkswagen Bank Group, performs risk-related audits of the operating and commercial processes of the Volkswagen Bank Group.

7.4.2.1.9 Internal control system (ICS) in VWFS AG Group

ICS adopts a cross-sectional function for risk control, and thus, acts as an interlinkage between local legal entities and the Board of Management of VWFS AG Group. ICS operates within the "Three Lines of Defense" model and is in charge of the central coordination and reconciliation of individual risks with risk owners, which are appointed by the Board of Management of VWFS AG Group.

The 1st Line of Defense contains the approach of sovereignty in risk control within the local units. They are obliged to fulfill central requirements, defined by risk owners and ICS in the 2nd Line of Defense. ICS sup-

ports the local units in implementing these central requirements. The 3rd Line of Defense is represented by the internal audit function of VWFS AG Group, acting as an independent department on behalf of the Board of Management of VWFS AG Group and performing audits on the operating, commercial and supporting processes on the basis of a risk-related audit plan.

The early warning system of VWFS AG Group is essentially considered as an economic forward-looking monitoring, that summarizes each risk owner's individual activities in risk steering with an early warning character. Thereby, the "Three Lines of Defence" model assures the risk-type-specialized recognition. Each risk owner takes the responsibility for implementing a risk-based steering concept (risk management circle), which consists of defining the target, identification, assessment, steering, controlling and communication of the risks and determining the risk's individual early warning indicators. In addition to local risk management measures and methods, ICS and risk owners formulate the overall corresponding risk-policy guidelines, support the development of methods and procedures, analyze the current overall risk position on an ongoing basis and ensure the transparency of reporting.

7.4.2.1.10 Management of credit risk

In order to monitor credit risk, which encompasses the risk of default by customers and dealers on loans and leases, rating procedures are utilized for dealers and corporate customers and scoring procedures are utilized for retail customers in general. These procedures form the basis for credit decisions.

The scoring procedures for private customers have been developed based on multi-year data histories. The rating procedures for dealers as well as corporate customers include in general both financial statement data and qualitative factors, such as quality of management, market and industry environment, and payment behavior. Additionally, models for loss given default and credit conversion factors are in place.

The Group uses product approval procedures, regular portfolio analyses, planning sessions for the timely identification of new risks and changes in risk. All risks are quantified as part of a quarterly assessment procedure.

Due to the type of financing activity, the outstanding financing amount is essentially secured by the financed vehicles. Therefore, the Financial Services Division monitors changes in the market values of motor vehicles on an ongoing basis. If major changes in market values occur, the forecast values and the processes for liquidating collateral are adjusted.

If customers get into payment difficulties, the affected loans are passed on to the collections department. If the unpaid amounts cannot be recovered, the vehicles serving as collateral are liquidated.

7.4.2.1.11 Management of residual value risk

Residual value risks arise in particular in connection with leasing products and products with balloon rate and return option when the market value at the time of liquidating the asset at the end of the contract term is lower than the residual value calculated when the contract was concluded.

To the extent that the Financial Services Division bears the residual value risks with regard to their development, the Financial Services Division continuously monitors trends in used car prices, for which it can utilize internal group information and experience as well as external sources such as the Schwacke Eurotax Glass' list. If the residual value risk increases, the risk provision is adjusted accordingly. That approach is based on the residual value risk management circle of the Financial Services Division.

7.4.2.1.12 Management of market price risk

Volkswagen Financial Services Division is exposed to various market price risks, which consist of interest rate risk in the banking book, foreign currency risk as well as price risk. In the course of its regular business activities, financial risks may arise from changes in interest rates, exchange rates or prices of financial assets.

The Financial Services Division maintains a risk monitoring and management system within the entire Financial Services Division, the goal of which is to identify and evaluate all market price risks and help ensure active management by limiting and monitoring the market price risk at the level of the individual subsidiaries.

If the prescribed limits are exceeded, the management of Volkswagen Bank Group or VWFSAG Group, as applicable, is informed. Appropriate measures are then discussed and resolved in the Asset Liability Management Committee in order to keep the risk position at or below the approved limit.

7.4.2.1.13 Management of liquidity risk

The Financial Services Division faces liquidity risk, in particular the risk of a negative difference between actual cash inflows and cash outflows and expected cash inflows and cash outflows. Cash outflows must be covered at all times by cash in hand and cash inflows.

Liquidity management for VWFS AG, Volkswagen Bank and Volkswagen Leasing is the responsibility of Volkswagen Bank GmbH's treasury department. It is carried out within the framework of a multi-step planning and takes into account known cash inflows and payment obligations, the potential growth of the credit and lease business and the development of the deposit business. The Operative Liquidity Committees, which are composed of representatives of the treasury, controlling, direct banking and risk management departments, are responsible for monitoring and micro-managing liquidity within the liquidity risk management and ICS concepts.

7.5 Research and Development

Total research and development costs in the Automotive Division of Volkswagen Group in the years ended December 31, 2021, 2020 and 2019 were €15,583 million, €13,885 million and €14,306 million, respectively, which corresponded to 7.6%, 7.6% and 6.7% of its sales revenue, respectively. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Material Factors Affecting Results of Operations and Financial Position — Research and development costs"*.

Volkswagen's top priority for research and development in 2021, 2020 and 2019 was to develop conventional engines and alternative powertrain concepts to reduce emissions, and to further develop and optimize the modular longitudinal toolkit platforms, the modular transverse toolkit platforms and digitalization. In March 2021, Volkswagen announced that it has no further plans to develop new conventional engines and powertrains for the Volkswagen brand in the future. In the Research and Development function, Volkswagen employed 53,046 people worldwide as of December 31, 2021 (including the Chinese joint ventures).

At Volkswagen, research and development differ through their basic orientation. Research is detached from specific series projects and covers new materials and future technologies. Mobility, energy, safety and sustainability are the most important areas of activity. Development is involved primarily with the further development and new development of specific vehicle projects and technologies for utilization in series.

While development of specific vehicle projects is primarily a function and responsibility of each brand, individual modules and components are developed jointly with the development departments of the brands and as a result are made available to all vehicles. Examples of such components are the dual clutch gearbox, the radio navigation system, the modular transverse toolkit, the modular longitudinal toolkit and the modular electrification toolkit.

7.5.1 Research

From 2015 through 2021, a major focus of Volkswagen's research was on the following areas: future trends and new mobility, fuel and drive trains, emissions reduction, advanced materials, automated driving, communication and car networking.

In the coming years, research strategic emphasis will be on the efficiency and sustainability of the entire system — environmentally friendly propulsion and energy systems, material design and smart manufacturing and seamless mobility through safe, intelligent vehicles, future vehicle concepts and mobility solutions, digitalization and artificial intelligence.

From 2015 through 2021, Volkswagen's most important research cooperations with external partners were in the fields of fuel cells and upgrading battery technology (for example, all-solid-state batteries) for hybrid drives and electric vehicles, as well as additive manufacturing (e.g. use of 3D printing technology for the manufacturing of automotive parts) and advanced displays (for example, stereoscopic 3D displays).

7.5.2 Development

From 2015 through 2021, the focus of the brands' development activities was, among other things, in the following areas: powertrain technology, the modular transverse toolkit, the further development of assistance systems and the electrification of powertrains. Several battery-powered electric cars and plug-in hybrid electric vehicles are already available for sale and many more are in development as part of Volkswagen Group's comprehensive electrification initiative. In addition, Volkswagen Group is researching on upgrading battery technology and preparing further production facilities for the manufacture of electric vehicles.

Among the major development results of the Scania brand is the driver eco-module which continuously analyzes data from various sensors in the vehicle and with it identifies the driving style of the driver who receives suggestions in real time through a display on an economically and ecologically optimized driving style. This module is integrated into the Ecolution program of Scania, which also includes trainings for fuel efficient driving and specific services such as a maintenance module to ensure better technical efficiency.

Volkswagen's development capacities are supplemented through cooperation with external partners such as suppliers and strategic partners. The major partnerships with external parties in the development function include the joint development and production of Volkswagen's models. The joint development and production of certain vehicle models together with strategic external partners makes it possible to reduce development and production costs. At the same time, Volkswagen's expertise and know-how in vehicle development is strengthened through cooperation within the group. Examples of synergies of this kind are the joint development and production of the models Volkswagen Touareg, Audi Q7 and Porsche Cayenne.

7.5.3 Product and services development

A focal point of Volkswagen's current and future development activities is and will be innovative mobility concepts and the reduction of fuel consumption and emissions of the fleet. The Volkswagen Group's new passenger car fleet in the EU (excluding Lamborghini and Bentley) emitted an average of 118.5 g CO₂/km in 2021, which was approximately 2% below the VW-fleet, based on provisional EU data. With a broad range of development activities in the powertrain and other sectors, Volkswagen will continue to reduce the emissions of its vehicles in the coming years. To this end, Volkswagen has and will continue to expand the electrification of powertrains by introducing new models with hybrid and electric drives, and at the same time, will continue to optimize the use of conventional combustion engines. As small volume manufacturers, the Lamborghini and Bentley brands each have an independent fleet for the purposes of the European CO₂ legislation; both Bentley and Lamborghini were slightly above their targets.

7.6 Intellectual Property

Volkswagen generates and holds a significant number of patents in a number of countries in connection with the operation of its business. While none of these patents by itself is material to its business as a whole, these patents are important to Volkswagen's business and continued technological development. In addition, Volkswagen Group holds a number of trademarks and service marks that are important to its identity and recognition in the marketplace.

7.7 Business Portfolio

One of Volkswagen's strategic goals is to make Volkswagen a competitive, financially sound mobility provider that focuses on its core business and uses its capital to the best advantage. For this, the Volkswagen Group's business portfolio is being analyzed in detail and existing options are being examined. A standardized process for continuous evaluation of the Volkswagen Group's business portfolio will also be developed.

7.8 Property, Plants and Real Estate

Volkswagen's real estate consists primarily of the vehicle and component production plants of its individual companies. In Volkswagen's Automotive Division, real estate holdings include administrative buildings, which are mostly on plant premises, as well as warehouses for the spare parts business and several buildings primarily used by Volkswagen's wholesale trading companies, located mainly in Germany and other European countries and the United States.

The real estate owned by the Company, which in Germany for Volkswagen AG consists of six plants and their surrounding areas, is encumbered by real property liens totaling approximately €1.3 billion in favor of Volkswagen Pension Trust e.V. as of December 31, 2021, as security for current semi-retirement and individual long-term working time credit balances in order to protect the credit balances of individuals in semi-retirement against insolvency.

Furthermore, Volkswagen Group occasionally leases or rents its real estate to third parties. Volkswagen has rented or leased various real estate properties which are not essential for production, such as office space, from third parties. In connection with land and buildings, as of December 31, 2021 in total real property liens of €1,528 million are pledged as collateral for partial retirement obligations, financial liabilities and other liabilities within the Volkswagen Group.

The following table shows Volkswagen's key plants (in terms of size, investment volume and/or book value) as of December 31, 2021.

City, country	As of December 31, 2021		
	Size of property in thousand m²	Gross size of buildings in thousand m²	Volkswagen or third-party owned
Volkswagen plant, Wolfsburg, Germany (including proving grounds Ehra and additional nearby properties)	approx. 20,700	approx. 3,500	group owned
Audi plant, Ingolstadt, Germany	approx. 6,900	approx. 3,500	group owned
ŠKODA plant, Mladá Boleslav, Czech Republic	approx. 6,600	approx. 1,000	group owned
Audi plant, Neckarsulm, Germany	approx. 1,300	approx. 2,000	group owned
SEAT plant, Martorell, Spain	approx. 2,900	approx. 1,100	group owned

7.9 Employees

Including the Chinese joint ventures, Volkswagen had an average of 667,647, 665,445 and 667,748 employees in the years ended December 31, 2021, 2020 and 2019, respectively. Volkswagen's companies based in Germany had an average of 294,479, 295,133 and 294,779 employees in the years ended December 31, 2021, 2020 and 2019, respectively.

As of December 31, 2021, 12,341 employees had entered into early retirement agreements with Volkswagen. Volkswagen continuously analyzes whether to enter into further agreements of this kind on the basis of personnel planning, taking into account assumptions regarding job security and financial feasibility.

Employees at Volkswagen's German locations and at a number of foreign subsidiaries have traditionally been heavily unionized. See also "*Risk Factors — Risk Factors regarding Volkswagen Aktiengesellschaft and Volkswagen Group — Other Risks — Volkswagen is dependent on good relationships with its employees and their unions.*"

7.10 Risk Management

Volkswagen has established a risk management system, which is based on the internationally recognized COSO enterprise risk management framework, to identify, assess, document and monitor relevant risks, as well as to implement countermeasures and controls. Volkswagen defines risk as the danger of a negative deviation from corporate objectives due to internal and external factors.

Volkswagen's risk management system is an integral part of the Volkswagen Group's structure and workflows and is embedded into its day-to-day business processes. Events that entail risk are identified and assessed on a decentralized basis in the divisions of the group, as well as in subsidiaries and other investees.

The major risks of the Company are documented quarterly in accordance with the requirements of German law. In these processes, a qualitative likelihood of occurrence, the relative range of loss and additional qualitative criteria are allocated to each identified risk. To mitigate identified risks, suitable countermeasures have to be implemented in an appropriate timeframe. The regular update of risk documentation is coordinated centrally and independently.

The external auditors check both the processes and procedures implemented in this respect and the adequacy of the documentation on an annual basis. The auditors analyzed the risk management and internal control systems, concluding that the Board of Management had taken the measures required by section 91(2) of the German Stock Corporation Act to ensure early detection of any risks endangering the continued existence of the company.

The Financial Services Division, which operates the banking, leasing and insurance business, is subject to special risks and regulatory requirements for risk management. For this reason, the Financial Services Division maintains an autonomous risk management system in accordance with regulatory requirements. See "*— Volkswagen's Divisions and their Products and Services — Financial Services Division –Risk management in the Financial Services Division*".

The Company's Audit Committee and the Board of Management are informed on a regular basis about risk management procedures and results. Volkswagen's risk management system is subject to continuous improvement.

7.11 Environmental Management

Volkswagen AG has implemented an Environmental Compliance Management System (“**ECMS**”), which also includes an Energy Management System that apply to its manufacturing, warehouse or other facilities. Through ECMS in collaboration with other relevant management systems (esp. Product Compliance Management System, Quality Management System), Volkswagen assesses and manages the environmental practices and impacts of manufacturing and product development as well as other activities with environmental relevance. Accordingly, Volkswagen specifies responsibilities and processes applicable to activities that relate to environmental protection and continually reviews the environmental practices and impacts of its facilities. The ECMS contains an element for managing the process used to assure compliance with legal and regulatory obligations. These processes satisfy the environmental requirements of ISO 50001 or ISO 14001, including their provisions governing internal audits. External auditors assess the ECMS and issue appropriate certificates indicating that the respective facilities’ ECMS conform with the ISO standard.

Volkswagen has adopted and applies comparable environmental standards throughout the group. Minimum requirements have been described in a group policy, which also contains strategic guidelines. Worldwide all production sites of the Volkswagen brand (excluding joint-ventures) have also established site-specific ECMSs according to ISO 50001 and ISO 14001. The development, updating, and application of the ECMSs is supported, among other things, by a regular exchange of experience among those entrusted with environmental responsibility and by additional working groups.

7.12 Compliance Management System

Volkswagen has set up a compliance management system. This system supports operational business processes, helps to ensure compliance with legal provisions and, when necessary, initiates appropriate countermeasures which are continuously integrated into operational business processes. This approach is based on the contents prescribed in the voluntary auditing standard of the Institute of Public Auditors in Germany (IDW) for the verification of compliance management systems (IDW PS 980).

Following the diesel issue and in accordance with the settlement agreements between Volkswagen and the U.S. government, Volkswagen has initiated programs and projects to enhance its internal controls, procedures and compliance systems to strengthen its culture of integrity and accountability. Among other things, Volkswagen has focused on creating an organizational framework for a centralized integrity management function by setting up a new Board of Management position for Integrity and Legal Affairs in 2016. This function is responsible for planning, preparing and implementing programs aimed at raising, clarifying and intensifying a collective awareness of integrity. In addition, pursuant to the settlement agreements, Volkswagen was required to retain for a three-year period an external independent compliance monitor/compliance auditor to review and audit Volkswagen’s compliance with the obligations under the settlement agreements. Larry D. Thompson was appointed as the Independent Compliance Monitor in April 2017. On October 17, 2019, Volkswagen announced that it has been granted a 90-day extension by the Department of Justice (“**DOJ**”) and Mr. Thompson to demonstrate that it has met its commitments under the terms of the Plea Agreement. On September 1, 2020, the Monitor certified to DOJ that Volkswagen’s compliance program, including its policies and procedures, is reasonably designed and implemented to prevent and detect violations of anti-fraud and environmental laws, pursuant to the Plea Agreement. On September 14, 2020, the term of the independent compliance monitor expired. See also “*Risk Factors — Risk Factors regarding Volkswagen Aktiengesellschaft and Volkswagen Group — The diesel issue led to a review and ongoing reforms of Volkswagen’s internal controls, compliance function and company culture. If these reforms are not completed and future material compliance failures occur, Volkswagen could be exposed to significant adverse consequences.*”

A central Compliance Office has responsibility for setting up a group-wide compliance organization and implements steps to comply with regulations, such as the development and implementation of a code of conduct. Various bodies support the work of the compliance organization at Group and brand company level. For example, a core compliance team was formed at the Group level. In order to implement a uniform policy, the Compliance Office established a group-wide network consisting of a Group Chief Compliance Officer, Divisional Compliance Officer, Chief Compliance Officers, Compliance Officers and Compliance Representatives, to support the brand parent companies, companies, locations and business units in promoting and assuring compliance. A new Group Chief Compliance Officer of the Volkswagen Group was appointed in April 2017, reporting directly to the member of the Board of Management with responsibility for Integrity and Legal Affairs. His responsibilities include the introduction and monitoring of preventive

measures. The Group Chief Compliance Officer is supported by five Divisional Compliance Officers and one Regional Compliance Officer China, who are responsible for the Divisions.

The compliance scope covers topics such as anti-corruption, money laundering prevention, embezzlement prevention and investigation of compliance violations of employees. Providing information to employees at all work levels continues to be a core component of compliance work within the Volkswagen Group.

Volkswagen maintains a whistleblower system. Tips can be given internally and externally. The internal team consists of lawyers who process tips professionally. Additionally, two independent lawyers are available as ombudsmen to all employees, as well as to outside third parties, via a hotline. The ombudsmen are bound by professional secrecy and only disclose information to company investigators. Any breach of the law or internal guidelines leads to appropriate sanction up to, and including, dismissal.

7.13 Insurance

The Company and its subsidiaries carry various insurance policies, including comprehensive general liability insurance, product liability insurance, environmental liability insurance, property insurance, marine cargo insurance, property business interruption insurance and terrorism insurance policies. Furthermore, the Company has taken out directors' and officers' liability insurance for members of the Board of Management and Supervisory Board of the Company. The Company has also taken out directors' and officers' liability insurance for members of the Board of Management and the Supervisory Board of the Issuer.

The insurance protection is regularly reviewed and adjusted. However, losses incurred by Volkswagen or claimed against Volkswagen may not be fully covered by existing insurance policies. This includes claims associated with product recalls, which are not fully insurable.

7.14 Legal and Arbitration Proceedings

Various legal risks could potentially have materially adverse consequences for Volkswagen's business, results of operations, financial position and net assets.

7.14.1 Diesel Issue

The Volkswagen Group is involved in extensive investigations and legal proceedings in relation to the diesel issue as further detailed below. See also "*Risk Factors — Risk Factors regarding Volkswagen Aktiengesellschaft and Volkswagen Group — Government authorities in a number of jurisdictions worldwide have conducted and are continuing to conduct investigations of Volkswagen regarding findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The results of these and any further investigations, and related civil and criminal litigation, may have a material adverse effect on Volkswagen's business, financial position, results of operations, and reputation, as well as the prices of its securities, including the Notes, and its ability to make payments under its securities.*"

7.14.1.1 Overview of the Diesel Issue

The diesel issue is rooted in a modification of parts of the software of the relevant engine's control units – which, according to Volkswagen AG's legal position, is only unlawful under US law – for the type EA 189 diesel engines that Volkswagen AG was developing at that time.

In the months following publication of a study by the International Council on Clean Transportation in May 2014, Volkswagen AG's Powertrain Development department checked the test set-ups on which the study was based for plausibility and confirmed the unusually high NOx emissions from certain US vehicles with type EA 189 2.0 I diesel engines. The California Air Resources Board (CARB) – a part of the environmental regulatory authority of California – was informed of this result, and, at the same time, Volkswagen offered to recalibrate the engine control unit software of type EA 189 diesel engines in the US. This measure was evaluated and adopted by the *Ausschuss für Produktsicherheit* (APS – Product Safety Committee), which initiates necessary and appropriate measures to ensure the safety and conformity of Volkswagen AG's products that are placed in the market.

In the course of the summer of 2015, it became successively apparent to individual members of Volkswagen AG's Board of Management that the cause of the discrepancies in the US was a modification of parts of the software of the engine control unit, which was later identified as an unlawful "defeat device" as defined by US law. This culminated in the disclosure of the existence of a "defeat device" in certain US vehicles with diesel engines to EPA and CARB on September 3, 2015. According to the assessment of the

responsible persons dealing with the matter at that time, the scope of the costs expected by the Volkswagen Group (recall costs, retrofitting costs and financial penalties) would not be fundamentally dissimilar to that of previous cases involving other vehicle manufacturers, and, therefore, appeared to be manageable overall with a view to the business activities of the Volkswagen Group. This assessment by the Volkswagen Group was based, among other things, on the advice of a law firm engaged in the US for compliance issues, according to which similar cases in the past were resolved amicably with the US authorities.

On September 18, 2015, the U.S. Environmental Protection Agency (“EPA”) publicly announced in a “Notice of Violation” that irregularities in relation to nitrogen oxide (“NOx”) emissions had been discovered in emissions tests on certain vehicles of Volkswagen Group with type 2.0 l diesel engines in the US. In this context, on September 22, 2015, Volkswagen AG announced that noticeable discrepancies between the figures achieved in testing and in actual road use had been identified in type EA189 diesel engines and that around eleven million vehicles with such engines were sold worldwide. On November 2, 2015, the EPA issued a second “Notice of Violation” alleging that irregularities had also been discovered in the software installed in U.S. vehicles with type V6 3.0 l diesel engines.

Numerous governmental proceedings seeking damages, recalls and/or technical fixes for affected diesel vehicles, criminal and administrative proceedings, consumer, dealer and salespersons claims and investor lawsuits were subsequently initiated in the US, Canada, Germany and the rest of the world.

After the first Notice of Violation was issued, Volkswagen AG initiated its own internal inquiries and an external investigation. The Supervisory Board of Volkswagen AG formed a special committee to coordinate the activities relating to the diesel issue for the Supervisory Board. To resolve U.S. criminal law charges, Volkswagen AG and the DoJ entered into a Plea Agreement, which includes a Statement of Facts. At the end of March 2021, the Supervisory Board of Volkswagen AG announced the completion of the investigation initiated in October 2015 into the causes of and those responsible for the diesel issue. The Board resolved to claim damages from Prof. Dr. Martin Winterkorn, former Chair of the Board of Management of Volkswagen AG, and from Rupert Stadler, former member of the Board of Management of Volkswagen AG and former Chair of the Board of Management of AUDI AG, for breach of their duty of care under stock corporation law. The investigation found no breaches of duty by other members of the Volkswagen AG Board of Management. The resolution was based on a review of liability claims conducted by a law firm on behalf of the Supervisory Board and the negligent breaches of duty identified in the resulting report. The investigation covered all members of the Board of Management who were in office during the relevant period. Furthermore, claims for damages were asserted against individual former members of the Audi and Porsche boards of management. Claims were already asserted against a former member of the Volkswagen Passenger Cars brand Board of Management. In June 2021, Volkswagen and Audi entered into damage settlements (liability settlements) with Prof. Winterkorn and Mr. Stadler respectively in connection with the diesel issue. Prof. Winterkorn’s total damage compensation amounts to €11.2 million and that of Mr. Stadler to €4.1 million. Volkswagen has furthermore reached agreement with the relevant insurers under its directors and officers liability policies (D&O insurance) on payment of an aggregate sum of €270 million (coverage settlement).

Work in respect of the legal proceedings that are still pending in the US and the rest of the world is ongoing, will require considerable efforts and coordination from Volkswagen, may demand significant management resources, and is expected to continue for some time. In connection with this further work, Volkswagen AG is being advised by a number of external law firms. Ongoing legal proceedings related to the diesel issue could result in further considerable financial charges.

The diesel issue has affected and will continue to affect Volkswagen’s business, financial position and results of operations. From 2015 to 2021, Volkswagen recognized over €30 billion in expenses directly related to the diesel issue, adversely affecting its operating profit, financial position and results of operations.

Contingent liabilities were disclosed in relation to the diesel issue as of December 31, 2021 in the aggregate amount of €4.3 billion (December 31, 2020: €4.2 billion), of which lawsuits filed by investors account for €3.6 billion (December 31, 2020: €3.5 billion). Also included are certain elements of the class action lawsuits relating to the diesel issue as well as criminal proceedings/misdemeanor proceedings as far as these can be quantified. As some of these proceedings are still at a very early stage, the plaintiffs have in a number of cases so far not specified the basis of their claims and/or there is insufficient certainty about the number of plaintiffs or the amounts being claimed. As of March 31, 2022, there were no significant changes to contingent liabilities compared to December 31, 2021.

Evaluating known information and making reliable estimates for provisions is a continuous process. The provisions recognized, and the contingent liabilities disclosed as well as the other latent legal risks in the context of the diesel issue are in part subject to substantial estimation risks given the complexity of the individual relevant factors and the ongoing coordination with the authorities, and that the fact-finding efforts – excluding the investigations by the Supervisory Board – have not yet been concluded. As a result, Volkswagen could be subject to further considerable financial charges that exceed its current estimates, and, in addition depending on the jurisdiction, Volkswagen may be required to pay accrued interest on any successful claim amounts. Furthermore, new information not known to Volkswagen’s Board of Management at present may surface, requiring further revaluation of the amounts estimated. Considerable financial charges may be incurred, and further substantial provisions may be necessary as the issues and legal risks, fines and penalties crystallize.

Tax legislation varies from country to country and taxes related to vehicle registration or vehicle ownership are based on a variety of parameters. Investigations by various regulatory and government authorities, including in areas relating to tax, are ongoing. However, should any tax demands be made, Volkswagen may be required to make additional payments, which would thus increase costs.

7.14.1.2 Coordination with authorities on technical measures

In coordination with the respective responsible authorities, Volkswagen Group is making technical measures available designed to rectify the diesel issue in affected diesel vehicles worldwide. In this context, within the Volkswagen Group, Volkswagen AG has development responsibility for the four-cylinder diesel engines such as the type EA 189, and AUDI AG has development responsibility for the six- and eight-cylinder diesel engines such as the type V6 3.0 I and V8 diesel engines. These measures have resulted in, and may continue to result in, significant expenses for the Volkswagen Group.

In the United States and Canada, where Volkswagen’s planned actions for the four-cylinder and six-cylinder diesel engines must be approved by U.S. regulators, intensive exchanges of information with the authorities have resulted in approval of emissions modifications for these engines in certain vehicles in the markets. Due to NOx limits in the United States and Canada that are considerably stricter than in the EU and much of the rest of the world, it is a greater technical challenge to refit the vehicles so that the emission standards defined in the U.S. settlement agreements for these vehicles can be achieved. In 2017 and 2018, the EPA/CARB issued the outstanding approvals needed for the technical solutions for affected vehicles with 2.0 I TDI and with V6 3.0 I TDI engines. In the case of 2.0 I Generation 2 diesel vehicles with manual transmissions, Volkswagen elected to withdraw the approved emissions modification proposal, whereby owners were given the option of a buyback and lessees were given the option of early lease termination. Further field measures with financial consequences cannot be ruled out completely at this time. On October 31, 2018, after discussions with DOJ, EPA, and CARB, the parties agreed to modify the First and Second Partial Consent Decrees to clarify that Volkswagen may repair certain technical issues with approved emissions modifications through an “AEM Correction” (Approved Emissions Modification Correction).

Where emissions modifications have been approved by U.S. regulators, similar emissions recall programs to those in the U.S. have been developed for Canada. Because, as in the US, no repair will be available in Canada for 2.0 I Generation 2 manual transmission vehicles, consumers in possession of these vehicles had the option to participate in the Canadian settlement and receive a buyback, trade-in or early lease termination or, if they had not already made a claim or received benefits, opt out of the settlement between June 15, 2018 and August 15, 2018.

Volkswagen may be required to repurchase any other 2.0 I Generation 2 diesel vehicles with manual transmissions and any other diesel vehicles sold in the US, Canada and elsewhere, even if not covered under a settlement. This could lead to further significant costs. For example, in Canada, as agreed with the federal environmental regulator, any owners or lessees of manual transmission 2.0 I Generation 2 diesel vehicles who made a claim by the September 1, 2018 settlement deadline could surrender their vehicle, even if they were not eligible under the Canadian settlement. Furthermore, if the technical solutions implemented by Volkswagen in order to rectify the diesel issue are not implemented in a timely or effective manner or have an undisclosed negative effect on the performance, fuel consumption or resale value of the affected vehicles, regulatory proceedings and/or customer claims for damages could be brought in the future.

In October and December 2015, the KBA ordered the Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, SEAT and Audi brands to recall all EA189 diesel vehicles that had been issued with vehicle

type approval by the KBA. The recall concerned the member states of the European Union (EU 27). Volkswagen Group has been recalling the affected vehicles, of which there are around 8.5 million in total in the EU 27, to service workshops since January 2016. The technical measures differ in scope depending on the engine variant. The technical measures cover software and in some cases hardware modifications, depending on the series and model year. The KBA has ascertained for all clusters (groups of vehicles) that the implementation of the technical measures would not bring about any adverse changes in fuel consumption figures, CO2 emissions figures, engine power, maximum torque and noise emissions. On Volkswagen's voluntary notification the KBA approved a voluntary modification for the technical measures for one class of EA189 engines (1.2l 3-cylinder only). In addition, in February 2020, Volkswagen together with AUDI AG proposed a voluntary modification to the onboard monitoring system (On-Board Diagnosis (OBD)) for certain vehicles equipped with EA 288 EU6 diesel engines, which has been accepted by the KBA in March 2020 for Volkswagen; whereas for AUDI AG the proposed voluntary modification has been accepted by the SNCH, the Luxembourg national certification and homologation authority (*Société Nationale de Certification et d'Homologation*, "**SNCH**") in April 2020. The implementation of the modification has been accepted by the KBA and is under varying stages of its roll-out.

Following the studies carried out by AUDI AG to check all relevant diesel concepts for possible irregularities and retrofit potential, measures proposed by AUDI AG have been adopted and mandated by the KBA in various recall orders pertaining to vehicle models with V6 and V8 TDI engines. AUDI AG continues to anticipate that the total cost, including recall expenses, of the ongoing largely software-based retrofit program that began in July 2017 will be manageable and has recognized corresponding balance-sheet risk provisions. AUDI AG has in the meantime developed software updates for many of the affected powertrains and, after approval by the KBA, already installed these updates in the vehicles of a large number of affected customers. The few software updates already submitted to the KBA are expected for approval early in the second quarter of 2022.

In some countries outside the EU (excluding US and Canada), vehicles are homologated by national type approval authorities; the technical measure had to be approved by the national authorities. This approval process has been concluded in all countries.

On April 4, 2018, the Korean Ministry of Environment ("**KME**") ordered a recall after it categorized (i) certain emissions strategies in the engine control software of various AUDI, Volkswagen and Porsche brand diesel vehicles with a V6 or V8 engine, and (ii) the Dynamic Shift Program (DSP) in the gearbox control in some AUDI vehicle models, as prohibited defeat devices. On August 21, 2019, the KME further announced that it has categorized an injection strategy of urea solution as an illegal emission defeat device and (i) revoked the certifications of eight AUDI, Volkswagen and Porsche brand diesel vehicles with V6 engines, (ii) issued a recall order and administrative fines, and (iii) referred the manufacturers to the prosecutors' office in criminal proceedings.

In addition, AUDI is responding to requests from the U.S. authorities for information regarding automatic gearboxes in certain vehicles. See also "Diesel Issue—Proceedings in relation to automatic transmissions".

7.14.1.3 Criminal and administrative proceedings worldwide (excluding the United States/Canada)

Criminal investigations, regulatory offense proceedings, and/or administrative proceedings have been opened in some countries (in Germany for example by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – "**BaFin**"). The public prosecutor's offices in Braunschweig and Munich are investigating the core issues of the diesel case.

In April 2019, the Braunschweig Office of the Public Prosecutor issued an indictment against, among others, Volkswagen AG's former CEO, Martin Winterkorn, charging, among other things, fraud relating to type EA 189 engines in connection with the diesel issue. In September 2019, the Braunschweig Office of the Public Prosecutor furthermore indicted the current and a former Chairman of the Board of Management of Volkswagen AG as well as a former member of its Board of Management (currently Chairman of the Supervisory Board) on charges of market manipulation relating to capital market disclosure obligations in connection with the diesel issue. The Braunschweig Regional Court has named Volkswagen AG as a collateral participant in the proceedings.

The September 2019 proceedings have been fully dismissed with regard to one current and one former board member and with regard to Volkswagen AG, and so have the related BaFin proceedings in relation to the same individuals and Volkswagen AG. The capital market proceedings with regard to the former Chair-

man of the Board of Management of Volkswagen AG have been provisionally terminated but may be reinstated depending on the outcome of the investigations relating to fraud in connection with the type EA 189 engines. Furthermore, the Public Prosecutor in Braunschweig is investigating further allegations of fraud related to type EA 288 diesel vehicles.

In July 2019, the Munich II Office of the Public Prosecutor issued an indictment, against, among others, Rupert Stadler, the former Chairman of the Board of Management of AUDI AG, charging, among other things, fraud relating to 3.0l TDI engines in connection with the diesel issue. In June 2020, the Munich II Regional Court allowed the prosecution's charges in respect to four suspects, including the former Audi CEO, and opened the main proceedings. The trial began in September 2020.

In connection with the diesel issue, the Stuttgart Office of the Public Prosecutor is conducting a criminal investigation on suspicion of fraud and illegal advertising; the investigation against a member of the Board of Management of Dr. Ing. h.c. F. Porsche AG has been dismissed.

As the type approval authority of proper jurisdiction, the KBA is moreover continuously testing Audi, Volkswagen, and Porsche brand vehicles for problematic functions. If certain functions are deemed impermissible by the KBA, the affected vehicles are recalled pursuant to a recall order or they are brought back into compliance by means of a voluntary service measure.

Furthermore, additional administrative actions relating to the diesel issue are ongoing in other jurisdictions. The companies of the Volkswagen Group continue to cooperate with the government authorities. Whether the criminal and administrative proceedings will ultimately result in fines or other consequences for the Volkswagen Group, and if so what amounts these may entail, is currently subject to estimation risks. Should these proceedings result in adverse court decisions against the individuals involved, this could have a negative impact on the outcome of other proceedings against Volkswagen and/or could have other material adverse financial consequences. In connection with the various criminal proceedings, offices of Volkswagen AG and its subsidiaries have been searched by different public prosecutor's offices. Contingent liabilities have been disclosed in cases where they can be assessed and for which the likelihood of a sanction was deemed not lower than 10%. Provisions were recognized to a small extent.

7.14.1.4 Product-related lawsuits worldwide (excluding the United States/Canada)

Customers, consumer associations and/or environmental associations in the affected markets have filed civil lawsuits against Volkswagen AG, other Volkswagen Group companies and non-Volkswagen Group importers and dealers involved in the sales process. In addition, it is possible that importers and dealers could assert claims against Volkswagen, for example through recourse claims. Further lawsuits are possible. Many of these proceedings are in an early procedural stage and it is difficult to assess their prospects of success or to quantify the exposure. In some proceedings it is even impossible to define the claimants' precise causes of action or allegations. However, should these actions be resolved in favor of the claimants, they could result in significant civil damages, fines, the imposition of penalties, sanctions, injunctions and other consequences.

Customer class action lawsuits and actions brought by consumer and/or environmental organizations are pending against Volkswagen AG and other Volkswagen Group companies in a number of countries including Belgium, Brazil, England and Wales, France, Germany, Italy, the Netherlands, Portugal, and South Africa. Alleged rights to damages and other relief are asserted in these actions. The pending actions include in particular the following:

In Australia, two civil suits filed against Volkswagen AG and other Group companies by the Australian Competition and Consumer Commission (ACCC) were settled for the sum of AUD 75 million in the second half of 2019. On appeal, the amount of the settlement was increased to AUD 125 million by final judicial ruling in 2021.

In Belgium, the Belgian consumer organization Test Aankoop VZW has filed a class action to which an opt-out mechanism has been held to apply. Given the opt-out rule, the class action potentially covers all vehicles with type EA 189 engines purchased by consumers on the Belgian market after September 1, 2014, unless the right to opt out is actively exercised. The asserted claims are based on purported violations of unfair competition and consumer protection law as well as on alleged breach of contract.

In Brazil, two consumer protection class actions are pending. The first of these class actions pertains to some 17 thousand Amarok vehicles and the second to roughly 67 thousand later generation Amaroks. In the first class action, an appeals judgment was rendered in May 2019 that only partially upheld the lower

court's decision. This judgment initially reduced the damage liability of Volkswagen do Brasil considerably to around Brazilian Real ("**BRL**") 172 million. This amount could however increase as a result of the adjudicated inflation rate and the assertion of individual claims alleging declines in the value of affected Amarok vehicles. The appeals judgment remains non-final since Volkswagen do Brasil has appealed it to a higher court. The enforceability of the appeal judgment was suspended by the Superior Court of Justice. The second class action was dismissed as inadmissible in October 2021. The judgment was appealed.

The financialright GmbH filed consolidated actions before various German courts asserting claims assigned to it by customers in Germany, Slovenia, and Switzerland against Volkswagen Group companies. Following the withdrawal of numerous motions for relief, approximately 36 thousand claims are currently still pending. Some cases have in the meantime moved to the first or second level of appeal. There is, however, as yet no high court ruling on the permissibility of the business model of financialright GmbH.

In England and Wales, suits filed in court by various law firms have been joined in a single collective action (group litigation). Because of the opt-in mechanism, not all vehicles with type EA 189 engines are automatically covered by the group litigation; potential claimants must instead take action in order to join. To date, some 91 thousand plaintiffs have registered claims under the group litigation, for which the opt-in period has expired. In May 2022, Volkswagen Group reached an out of court settlement with plaintiffs resolving the circa 91 thousand claims. As a consequence of the settlement, a payment of GBP 193 million is being made to the plaintiffs by the Volkswagen Group. A separate contribution is being made by the Volkswagen Group towards plaintiffs' legal costs and other fees. Further plaintiff law firms have registered roughly 105 thousand additional claims with the court. In addition, in late 2021 a new lawsuit was filed in court against Volkswagen AG, Volkswagen Financial Services (UK) Limited, and other Volkswagen Group companies in connection with diesel vehicles with various other engines types leased or sold in England, Wales, and Northern Ireland since 2009.

In France, a class action is pending that was filed by the French consumer organization Confédération de la Consommation, du Logement et du Cadre de Vie (CLCV) against Volkswagen Group Automotive Retail France and Volkswagen AG for up to 1 million French owners and lessees of vehicles with type EA 189 engines. This is an opt-in class action.

In Italy, a trial level judgment in favor of the plaintiffs was rendered by the Venice Regional Court in July 2021 in the class action brought by the consumer association Altroconsumo on behalf of Italian customers; the judgment requires Volkswagen AG and Volkswagen Group Italia to pay damages to some 63 thousand consumers in an aggregate amount of roughly € 185 million. Volkswagen AG and Volkswagen Group Italia have appealed this decision. In May 2022, the Court of Appeal suspended the enforceability of the first instance judgment.

In the Netherlands, an opt-out class action is pending that was brought by Stichting Volkswagen Car Claim seeking declaratory rulings for up to 165 thousand customers. A declaratory judgment partially granting the relief sought was issued in July 2021. In the opinion of the court, Volkswagen AG and the other defendant Group companies acted unlawfully with respect to the original engine management software. The court moreover held that consumers are entitled to a purchase price reduction from the defendant dealerships. No specific payment obligations result from the declaratory judgment. Any individual claims would then have to be established afterwards in separate proceedings. Volkswagen AG and the other defendant Group companies have appealed the decision. Furthermore, a class action brought by the Diesel Emissions Justice Foundation is pending before the Court in Amsterdam which concerns, among others, vehicles of the engine type EA 189. In March 2022, the court issued an interlocutory judgment. The new class action regime, according to which not only the determination of claims but also the payment of damages can be asserted, was not applicable to these proceeding. Furthermore, the Amsterdam Court lacks jurisdiction to hear lawsuits brought by consumers outside the Netherlands. The judgment is appealable.

In Portugal, a Portuguese consumer organization has filed an opt-out class action. The class action potentially affects up to approximately 99 thousand vehicles with type EA 189 engines. The complaint seeks vehicle return and alleges damages as well.

In South Africa, an opt-out class action seeking damages is pending that pertains to some 8 thousand vehicles with V6 and V8 TDI engines in addition to approximately 72 thousand vehicles with type EA 189 engines.

Furthermore, individual lawsuits and similar proceedings are pending against Volkswagen AG and other Volkswagen Group companies in various countries. Most of these lawsuits are seeking damages or rescission of the purchase contract.

In Germany, roughly 55 thousand individual lawsuits relating to various diesel engine types are currently pending against Volkswagen AG or other Group companies, with the plaintiffs suing for damages or rescission of the contract in most cases.

In 2020, the Federal Court of Justice (BGH – *Bundesgerichtshof*) issued a series of fundamental judgments deciding legal issues of major importance for the litigation still pending with regard to vehicles with type EA 189 engines. The BGH held that buyers who had purchased vehicles prior to public disclosure of the diesel issue had damage claims against Volkswagen AG. While buyers can require reimbursement of the purchase price paid, they must accept a deduction for the benefit derived from using the vehicle and must return it to Volkswagen AG. Buyers have no tort-based claim for damages if they purchased their vehicles after the ad hoc announcement of September 22, 2015 or if they raise claims based solely on a temperature-dependent emissions control feature (so-called thermal window) in the engine. In February 2022, the BGH issued further fundamental judgments concerning vehicles with EA 189 motors deciding that buyers of new vehicles of the Volkswagen brand were entitled to so-called residual damage claims against Volkswagen AG after the knowledge-based limitation period has expired. As a result, Volkswagen AG has to repay the purchase price of the vehicle or the price paid by the dealer. The BGH decided that the claims for residual damages do not extend beyond claims of ordinary damages. Buyers need to subtract the value of usage and can only demand payment of the residual damages if they in return relinquish the vehicle. Prior to this the BGH had decided that, in contrast, buyers of used vehicles are not entitled to residual damages. Customers are also not entitled to residual damages when the sales risk at the time of the conclusion of the sales contract no longer rested with Volkswagen AG but with the dealership.

Contingent liabilities are disclosed for these proceedings where the amount of such liabilities can be measured and the chance that the plaintiff will prevail was assessed as not implausible. Since many of these proceedings are still in an early procedural stage, it is in many cases not yet possible to quantify the realistic risk exposure. Furthermore, provisions were recognized to the extent necessary based on the current assessment.

At this time, it cannot be estimated how many customers will choose to file lawsuits in the future in addition to those already pending and what prospect of success such lawsuits might have.

7.14.1.5 Investor proceedings outside the United States and Canada

Private and institutional investors from Germany and abroad have filed claims seeking significant damages against Volkswagen AG — in some cases along with Porsche Automobil Holding SE (Porsche SE) as joint and several debtors — based on purported losses due to alleged misconduct in capital market communications in connection with the diesel issue. The claims relate to Volkswagen AG's shares and other securities, including bonds, issued by Volkswagen Group companies, as well as third-party securities.

The vast majority of these investor lawsuits are currently pending before the Braunschweig Regional Court. In August 2016, the Braunschweig Regional Court issued an order referring common issues of law and fact relevant to the investor lawsuits pending before it to the Higher Regional Court in Braunschweig for binding declaratory rulings pursuant to the German Act on Model Case Proceedings in Disputes under Capital Markets Law (Capital Markets Model Case Act — KapMuG (*Kapitalanleger-Musterverfahrensgesetz*)). In this proceeding, common issues of law and fact relevant to these actions are to be adjudicated by the Braunschweig Higher Regional Court in a single consolidated proceeding (model case proceedings). The lawsuits filed with the Braunschweig Regional Court are stayed pending resolution of the common issues, unless the cases can be dismissed for reasons independent of the common issues that are to be adjudicated in the model case proceedings. The resolution in the model case proceedings of the common issues of law and fact will be binding for the pending cases that have been stayed as described. The model case plaintiff is Deka Investment GmbH. Oral argument in the model case proceedings before the Braunschweig Higher Regional Court began in September 2018 and is continuing at subsequent hearings. The latest indication from the court was that it may hear witness testimony on certain points.

Further investor lawsuits have been filed with the Stuttgart Regional Court against Volkswagen AG, in some cases along with Porsche SE as joint and several debtor. A further investor action for a binding declaratory ruling pursuant to the KapMuG is pending before the Stuttgart Higher Regional Court against Porsche SE; Volkswagen AG is involved in this action as a third party intervening in support of a party to the dispute. The Wolverhampton City Council, Administrating Authority for the West Midlands Metropolitan Authorities Pension Fund, has been appointed model case plaintiff. Oral argument in this case began in July 2021 and is to be continued.

In the Netherlands, an unquantified action filed by a shareholder association seeking a determination that Volkswagen AG had supposedly misled the capital markets was withdrawn in early July 2021 after the European Court of Justice held that the courts of the Netherlands lacked international jurisdiction in a similar case. Volkswagen AG consented to the withdrawal of the action. This terminated the litigation without precluding the filing of subsequent lawsuits.

Excluding the United States and Canada and following the withdrawal of various actions, claims in connection with the diesel issue totaling roughly €9.5 billion (plus accessory claims) are currently pending worldwide against Volkswagen AG in the form of investor lawsuits, judicial applications for dunning and conciliation procedures, and claims under the KapMuG. Volkswagen AG remains of the opinion that it duly complied with its capital market obligations. Therefore, no provisions have been recognized for these investor lawsuits. Contingent liabilities have been disclosed where the chance of success was estimated to be not less than 10%.

7.14.1.6 Special Audit

In a November 2017 ruling, the Higher Regional Court of Celle ordered, upon the request of three US funds, the appointment of a special auditor for Volkswagen AG. The special auditor is to examine whether the members of the Board of Management and Supervisory Board of Volkswagen AG breached their duties in connection with the diesel issue from June 22, 2006 onwards and, if so, whether this resulted in damages for Volkswagen AG. The ruling by the Higher Regional Court of Celle is formally unappealable. However, Volkswagen AG has filed a constitutional complaint with the German Federal Constitutional Court alleging infringement of its constitutional rights. Following the formally unappealable ruling from the Higher Regional Court of Celle, the special auditor appointed by the court indicated that he was not available to conduct the special audit on grounds of age. In April 2020, the Celle Higher Regional Court issued a ruling appointing a different special auditor. Volkswagen AG has filed a constitutional complaint with the Federal Constitutional Court contesting this formally unappealable decision as well on grounds of infringement of its constitutional rights and has suggested joinder of this matter with its initial constitutional complaint against the decision to appoint the special auditor. It is currently unclear when the Federal Constitutional Court will rule on the two constitutional complaints. The constitutional complaints have no suspensory effect.

In addition, a second motion seeking appointment of a special auditor for Volkswagen AG to examine matters relating to the diesel issue has been filed with the Regional Court of Hanover. This proceeding has been stayed pending a decision by the Federal Constitutional Court in the initial special auditor litigation.

7.14.1.7 Proceedings in the United States/Canada

Following the publication of the EPA's "Notices of Violation" of the U.S. Clean Air Act, Volkswagen AG and other Volkswagen Group companies have been the subject of intense scrutiny, ongoing investigations (civil and criminal) and civil litigation. Volkswagen AG and/or other Volkswagen Group companies have received subpoenas and inquiries from state attorneys general and other governmental authorities and are responding to such investigations and inquiries. In addition, Volkswagen AG and other Volkswagen Group companies in the US and Canada are facing litigation on a number of different fronts relating to the matters described in the EPA's "Notices of Violation".

A large number of putative class action lawsuits by consumers, investors, dealers and salespersons have been filed in U.S. federal courts and consolidated for pretrial coordination purposes in the federal multi-district litigation proceeding in the State of California.

On January 4, 2016, the DoJ, Civil Division, on behalf of the EPA, initiated a civil complaint against Volkswagen AG, AUDI AG and certain other Volkswagen Group companies. The action sought statutory penalties under the U.S. Clean Air Act, as well as certain injunctive relief, and was consolidated for pretrial coordination purposes in the California multidistrict litigation. On January 12, 2016, CARB announced that it intended to seek civil fines for alleged violations of the California Health & Safety Code and various CARB regulations.

Volkswagen was able to end many significant court and governmental proceedings in the US by concluding settlement agreements. with (i) the DoJ on behalf of the EPA and the State of California on behalf of CARB and the California Attorney General, (ii) the U.S. Federal Trade Commission, and (iii) private plaintiffs represented by a Plaintiffs' Steering Committee (PSC) in a multi-district litigation in California. The settlement agreements resolved certain civil claims made in relation to affected diesel vehicles in the US. Depending on the type of diesel engine, under the settlement agreements Volkswagen provided for, *inter alia*, free emissions modification of vehicles, buy-backs/trade-ins or early lease terminations, and made cash pay-

ments to affected current owners or lessees as well as certain former owners or lessees. Volkswagen also agreed to support environmental programs, make significant investments over a period of ten years in zero emissions vehicle infrastructure as well as corresponding access and awareness initiatives. Several thousand consumers initially opted out of the settlement agreements, and many of these consumers filed civil lawsuits seeking monetary damages for fraud and violations of state consumer protection acts. Various subsequent resolutions have eliminated the majority of the cases brought by the original consumer opt-outs. The first opt-out trial was held in late February and early March 2020 in the federal multidistrict litigation. In the aggregate, the ten opt-out plaintiffs were awarded a total of U.S.\$28,735 in compensatory and punitive damages combined. The ten trial plaintiffs have appealed this decision to the Ninth Circuit; briefing on the appeal was completed in November 2021, and oral argument occurred on December 10, 2021.

The DoJ also opened a criminal investigation focusing on allegations that various federal law criminal offenses were committed. As part of its plea agreement, Volkswagen AG pleaded guilty on March 10, 2017 to three felony counts under US law: (i) conspiracy to defraud the US, to commit wire fraud and to violate the Clean Air Act, (ii) obstruction of justice, and (iii) using false statements to import cars into the US. The court accepted Volkswagen AG's guilty plea to all three charges and sentenced the company to three years' probation on April 21, 2017. The plea agreement provides for payment of a criminal fine of U.S.\$2.8 billion. Pursuant to the terms of this agreement, Volkswagen was required to retain for a three-year period an external independent compliance monitor/compliance auditor to review and audit Volkswagen's compliance with its obligations under the settlement agreements. Larry D. Thompson was appointed as the independent compliance monitor in April 2017. This included overseeing the implementation of measures to further strengthen compliance, reporting and monitoring systems, including an enhanced ethics program. On October 17, 2019, Volkswagen announced that it was granted a 90-day extension by DOJ and the Monitor to demonstrate that it has met its commitments under the terms of the plea agreement. On September 14, 2020, the term of the plea agreement and the term of the Independent Compliance Monitor retained pursuant to the plea agreement expired. Volkswagen will also continue to cooperate with the DoJ's ongoing investigation of individual employees or former employees who may be responsible for criminal violations. Additionally, the term of the Independent Compliance Auditor under the Third Partial Consent Decree and the Third California Partial Consent Decree ended earlier in June 2020.

Volkswagen AG, AUDI AG and other Volkswagen Group companies have further agreed to pay a combined civil penalty of U.S.\$ 1.45 billion to resolve U.S. federal customs-related claims in the US. Furthermore, Volkswagen AG and Volkswagen Group of America, Inc. have agreed to pay a smaller civil penalty to the DoJ to settle other potential claims arising under federal statute. DoJ investigations into the conduct of various individuals relating to the diesel issue remain ongoing. Volkswagen is required to cooperate with these investigations. In the event of non-compliance with the terms of the plea agreement, Volkswagen could face further penalties and prosecution.

Volkswagen has also resolved the claims of Volkswagen-branded franchise dealers in the US relating to the affected vehicles and other matters asserted concerning the value of the franchise. The settlement agreement includes a cash payment of up to U.S.\$ 1.2 billion and additional benefits. Certain individual Volkswagen branded franchise dealers either opted out of the settlement agreement or were not included in the settlement class definition and pursued individual claims in individual actions, but those actions have been resolved. Additionally, a putative class action of Volkswagen salespersons who work at franchise dealerships filed suit alleging claims for lost income in the federal multidistrict litigation in California. The court dismissed this action with prejudice in October 2020. Plaintiffs appealed this decision to the Ninth Circuit, and, on December 6, 2021, the Ninth Circuit affirmed the dismissal.

Moreover, investigations by various U.S. regulatory and government authorities, including in areas relating to securities, tax and financing, are ongoing. On March 14, 2019, the SEC filed a complaint in the U.S. District Court for the Northern District of California, against Volkswagen AG, Volkswagen Group of America Finance, LLC, VW Credit Inc., asserting claims under US federal securities law based, among other things, on alleged misstatements and omissions in connection with the offer and sale of certain bonds and asset-backed securities. The SEC complaint seeks permanent injunctions, disgorgement of allegedly ill-gotten gains with prejudgment interest, and civil penalties. In August 2020, the court granted in part and denied in part Volkswagen's motion to dismiss. The claims dismissed by the court included all claims against VW Credit, Inc. related to asset-backed securities. In September 2020, the SEC filed an amended complaint that, among other things, removed the dismissed claims. Moreover, private plaintiffs purporting to represent a putative class of individuals who purchased or leased TDI vehicles but who no longer owned or

leased those vehicles filed a class action complaint in the federal multidistrict litigation in California. The court dismissed the complaint in November 2020. Plaintiffs appealed this decision to the Ninth Circuit, which affirmed the lower court's decision on January 20, 2022.

In the US, Volkswagen has reached separate agreements with the attorneys general of all 50 states, the District of Columbia and Puerto Rico to resolve their existing or potential consumer protection and unfair trade practices claims in connection with both 2.0l TDI and 3.0l TDI vehicles in the US. Volkswagen has also reached separate agreements with the attorneys general of seventeen US states (California, Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Montana, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Vermont, and Washington) to resolve their existing or potential future claims for civil penalties and injunctive relief for alleged violations of environmental laws. The attorney general of one other US state (Texas) and some municipalities have suits pending in state and federal courts against Volkswagen AG, Volkswagen Group of America, Inc. and/or certain affiliates, alleging violations of environmental laws. The environmental claims of nine states – Alabama, Illinois, Minnesota, Missouri, Montana, Ohio, Tennessee, Texas, and Wyoming – as well as Hillsborough County (Florida), Salt Lake County (Utah), and two Texas counties, have been dismissed in full or in part by trial or appellate courts as preempted by federal law. On June 1, 2020, the Ninth Circuit reversed in part the dismissal of the claims asserted by Hillsborough County and Salt Lake County. On June 29, 2021, the Ohio Supreme Court affirmed a decision by an Ohio appellate court that permitted certain environmental claims by Ohio to proceed. Volkswagen sought to appeal the Ninth Circuit and Ohio Supreme Court decisions to the U.S. Supreme Court, but on November 15, 2021, the U.S. Supreme Court declined to hear Volkswagen's appeals.

On December 22, 2020, a Texas appellate court dismissed Texas's claims against Volkswagen AG and AUDI AG, concluding that they are not subject to jurisdiction in Texas in that case. On February 5, 2021, Texas sought discretionary review by the Texas Supreme Court of those decisions. On January 28, 2022, the Texas Supreme Court agreed to hear Texas's appeals.

A putative class action has also been filed on behalf of purchasers of certain USD-denominated Volkswagen bonds, alleging that these bonds were trading at artificially inflated prices due to Volkswagen's alleged misstatements and omissions to disclose material facts, and that the value of these bonds declined after the EPA issued its "Notices of Violation". This lawsuit has also been consolidated in the federal multidistrict litigation proceeding in the State of California described above. On June 25, 2021, the Ninth Circuit granted Volkswagen's interlocutory appeal, reversing the district court's denial of Volkswagen's motion for summary judgment. In July 2021, the plaintiff petitioned the Ninth Circuit for rehearing either before the original panel or en banc. On September 23, 2021, the Ninth Circuit denied the petition for rehearing or rehearing en banc. On October 12, 2021, the Ninth Circuit issued the mandate formally entering its judgment of reversal and remanding to the district court for determination as to whether summary judgment should be granted.

In Canada, which has the same NOx emissions limits as the US, civil consumer claims and regulatory investigations have been initiated for vehicles with 2.0l and 3.0l diesel engines. Volkswagen reached settlements in Canada with consumers relating to 2.0l and 3.0l diesel vehicles, in December 2016 and January 2018, respectively, which, *inter alia*, provided for cash payments for completing free vehicle emissions modifications, buy-backs/trade-ins and early lease terminations, as applicable. Also, concurrent with the timing of the consumer settlements, Volkswagen Group Canada agreed with the Commissioner of Competition in Canada to civil resolutions of its regulatory inquiries into consumer protection issues as to 2.0l and 3.0l diesel vehicles. In December 2019, the Canadian federal environmental regulator filed charges against Volkswagen AG in respect of 2.0l and 3.0l Volkswagen and Audi vehicles at the conclusion of its criminal enforcement-related investigation into the diesel issue. Volkswagen AG cooperated with the investigation and agreed to a plea resolution addressing all of the charges. In January 2020, Volkswagen AG pleaded guilty to the charges and agreed to pay a penalty of CAD 196.5 million, which was approved by the court. Following this approval, the Ontario provincial environmental regulator withdrew its action against Volkswagen AG charging a quasi-criminal enforcement-related offense with respect to certain Volkswagen and Audi 2.0l diesel vehicles.

As to pending matters in Canada, an environmental class action has been authorized on behalf of residents in Quebec. This action was authorized by the court on the sole issue of whether punitive damages could be recovered and on the basis that unresolved questions about the viability of plaintiffs' damages theory would be a matter for trial. The case has been settled for an all inclusive payment of CAD 6.7 million. The settlement is pending court approval.

Other class action and joinder lawsuits have also been filed in Canada, including alleged consumer protection and securities claims asserting damages among other things. While a class action filed in Quebec provincial court was authorized as to claims relating to Volkswagen AG's shares, ADRs and debt securities, the case was dismissed by the Quebec court on April 16, 2020 for lack of jurisdiction. The Quebec Court of Appeal has affirmed that dismissal in October 2021. A similar class action pertaining to shares and ADRs was also filed in the Province of Ontario. On August 15, 2018, the Ontario proceeding was dismissed by the Ontario court. While an appeal from this Ontario court ruling was noticed on September 14, 2018, the appeal was resolved before a hearing and dismissed.

7.14.1.8 Proceedings in relation to automatic transmissions

Since November 2016, Volkswagen has been responding to information requests from the EPA and CARB related to automatic transmissions in certain vehicles. In August 2019, Volkswagen agreed with the EPA to forfeit approximately 220,000 Greenhouse Gas Emission Credits in response to the EPA's inquiry. Also in August 2019, Volkswagen and the Plaintiffs' Steering Committee announced the settlement of civil claims relating to approximately 98,000 Volkswagen, Audi, Porsche and Bentley vehicles. Volkswagen's testing of these vehicles in connection with the information requests resulted in a 1 mile per gallon change, when rounded according to EPA rules, in the fuel economy disclosed on the "Monroney label" required by US regulations. Under the settlement agreement, Volkswagen has paid approximately \$96.5 million to compensate affected current and former owners or lessees. In February 2020, the court granted final approval of the settlement. Provisions were recognized by Volkswagen Bank GmbH and Volkswagen Leasing GmbH for possible claims in connection with financial services provided to consumers.

In addition, other mass actions were filed in the federal multidistrict litigation in California and other courts alleging similar claims with respect to the existence of "defeat devices" in Audi brand vehicles with automatic transmissions. All of these mass actions have now been dismissed without prejudice by agreement of the parties.

In Canada, two similar putative class actions, including for a national class, have been filed in Ontario and Quebec provincial courts against Audi AG, Volkswagen AG and U.S. and Canadian Volkswagen Group affiliates. A C\$4.95 million national settlement with plaintiffs was approved by the courts in January 2021 to resolve both of the Canadian actions.

7.14.2 Potential regulatory issues relating to hardware and software components used in certain type approval measurements for gasoline vehicles

Porsche AG has discovered potential regulatory issues relating to vehicles for various markets worldwide. There are questions as to the permissibility of specific hardware and software components used in certain type approval measurements for gasoline vehicles. Differences compared with series production versions may have occurred in certain cases. Based on the information presently available, current production is not affected. The issues are unrelated to the defeat devices that were at the root of the diesel issue.

Porsche AG is cooperating with the relevant authorities including the Stuttgart Office of the Public Prosecutor, which is investigating the matter in Germany. The Stuttgart Office of Public Prosecutor has dismissed the case against all (former) Porsche employees/members of the Board of Management initially investigated. No formal criminal investigation has been opened against Porsche AG. Porsche's own internal investigations have also been completed in this regard.

In January 2021, a consolidated complaint was filed with the US District Court for the Northern District of California alleging that the affected vehicles used certain software and/or hardware that resulted in increased emissions and/or overstated fuel economy estimates as compared to the results of certification testing. The defendants (Volkswagen AG, Porsche AG, and Porsche Cars North America, Inc.) have moved for dismissal of the action.

7.14.3 Investor Claims in connection with Porsche

In 2011, ARFB Anlegerschutz UG (*haftungsbeschränkt*) filed a claim for damages against Volkswagen AG and Porsche SE for allegedly violating disclosure requirements under capital market law in connection with the acquisition of ordinary shares in Volkswagen AG by Porsche SE in 2008. The damages being sought based on allegedly assigned rights currently amount to approximately €2.26 billion plus interest. In April 2016, the Hanover Regional Court formulated numerous objects of declaratory judgment that the antitrust panel of the Higher Regional Court in Celle will decide on in model case proceedings under the KapMuG. At

the first hearing in October 2017, the court already indicated that it currently sees no justification for claims against Volkswagen AG, both because the pleadings are not sufficiently specific and for substantive legal reasons. The Higher Regional Court has yet to render a decision. Further hearings are scheduled for 2022.

Volkswagen AG continues to consider the alleged claims to be without merit. However, in the event of a settlement or an unfavorable decision in the legal proceedings, Volkswagen AG could sustain considerable losses.

7.14.4 Antitrust Proceedings

7.14.4.1 Europe

In 2014, the European Commission opened antitrust proceedings against European truck manufacturers including MAN and Scania. With its first decision following individual settlements in July 2016 the European Commission fined five European truck manufacturers excluding MAN and Scania. MAN was not fined as the company had informed the European Commission about the irregularities as a key witness. With regard to Scania, the European Commission issued a contentious fine decision in September 2017 by which a fine of €0.88 billion was imposed. Scania had appealed to the European Court in Luxembourg that rendered its decision in February 2022. Scania's appeal was fully rejected and the fining decision of the European Commission confirmed. As a result Scania increased the provisions in connection with the proceedings (€0.9 billion as of December 31, 2021). In April 2022, Scania filed an appeal with the European Court of Justice against the February 2022 judgment, and at the same time paid the €0.9 billion fine, to avoid additional interest penalties. As is the case in any antitrust proceedings, lawsuits for damages from a significant number of (direct and indirect) truck customers against MAN and Scania have been filed and will continue to be filed, which could result in substantial liabilities.

Volkswagen was also subject to antitrust investigation by the European Commission in relation to potential collusion in the field of technical developments among certain European auto manufacturers. As part of an announced review, in November 2017, the European Commission examined documents in the offices of Volkswagen AG and AUDI AG. In April 2019, the European Commission issued an initial statement of objections to Volkswagen AG, AUDI AG and Porsche AG in connection with the Commission's antitrust investigation of the automobile industry. These objections stated the European Commission's preliminary evaluation of the matter. Following entry into a formal settlement procedure, the Commission in April 2021 issued a revised statement of objections raising charges that were considerably more narrow. On this basis, a settlement decision was issued on July 8, 2021 concluding the administrative action and assessing a total fine of roughly €502 million against the three brands. The subject matter scope of the decision is limited to the cooperation of German automobile manufacturers on individual technical questions in connection with the development and introduction of SCR (selective catalytic reduction) systems for passenger cars that were sold in the European Economic Area. The manufacturers are not charged with any other misconduct such as price fixing or allocating markets and customers. Volkswagen accepted the decision, which was served on July 12, 2021, and filed no appeal, thus allowing the decision to become final.

The Korean competition authority ("**KFTC**") is analyzing potential violations based on the facts of the EU case. The final report of the KFTC's appointed case handler was issued in November 2021. Volkswagen AG, AUDI AG, and Porsche AG have replied to this report. Proceedings in this matter have also been finalized in Turkey. There, these three Group brands have received a decision from the competition authority that did not impose any fines on the three Group brands. Based on comparable matters, the Chinese competition authority has instituted proceedings against Volkswagen AG, Audi AG, and Porsche AG, among others, and issued requests for information.

In addition, a few national and international authorities have initiated antitrust investigations. Volkswagen is cooperating with the responsible authorities in these investigations. For example, Volkswagen AG has received a request for information from the European Commission relating to end-of-life vehicles. In the same matter Volkswagen Group UK has been subject to a dawn raid by the UK Competition and Market Authority. The above proceedings are currently pending, and it is too early to assess the potential consequences of the investigation on Volkswagen.

7.14.4.2 United States and Canada

In March 2020, the US District Court for the Northern District of California dismissed two amended putative class action complaints brought by purchasers of German luxury vehicles alleging that, since the 1990s, several automobile manufacturers, including Volkswagen AG and other Group companies conspired to

unlawfully increase the prices of German luxury vehicles in violation of US antitrust and consumer protection law. The court held that the plaintiffs have not stated a claim for relief because the allegations in the complaints do not plausibly support the alleged agreements unreasonably restrained competition in violation of U.S. law. The court granted plaintiffs leave to file amended complaints with respect to a limited subset of plaintiffs' original claims. Plaintiffs filed a second set of amended complaints in June 2020, which defendants moved to dismiss in August 2020. In October 2020, the court granted defendants' motion and dismissed with prejudice the amended complaints in their entirety. The plaintiffs appealed this ruling. In August 2021, the plaintiffs in one of the two class actions withdrew their appeal. In October 2021, the Ninth Circuit affirmed the dismissal of the other class action by the US District Court for the Northern District of California. After receiving an extension until December 27, 2021, the plaintiffs in the latter class action filed a motion for rehearing, which the Ninth Circuit denied on January 25, 2022. Those plaintiffs also filed on December 28, 2021 a motion seeking to set aside the District Court's October 2020 judgment and to be allowed to file a new amended complaint, which the District Court denied on February 22, 2022.

Plaintiffs in Canada filed claims with similar allegations on behalf of putative classes of purchasers of German luxury vehicles against several automobile manufacturers, including Volkswagen Group Canada Inc., Audi Canada Inc., and other Group companies.

Additionally, Volkswagen AG and certain of its former executives and a current director have been named as defendants in a putative class action filed in the United States District Court for the Eastern District of New York. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, based on allegations relating to statements in Volkswagen AG's Annual Reports for the years 2012 through 2016, including statements regarding Volkswagen AG's compliance measures, in particular those relating to competition and antitrust law. On May 20, 2021, the District Court dismissed with prejudice all of Plaintiffs' claims, holding that none of the statements identified by Plaintiffs gave rise to a cause of action under U.S. securities laws. On March 15, 2022, the United States Court of Appeals for the Second Circuit affirmed the District Court's dismissal of the action.

In July 2019 Ford Motor Co., Honda Motor Co. Ltd., BMW of North America LLC and Volkswagen Group of America, Inc. announced a voluntary agreement with the CARB regarding CARB's enforcement position on greenhouse gas emissions and fuel economy standards. In August 2019 the DOJ's Antitrust Division wrote to each of these companies to express its concern that the agreement may violate federal antitrust laws and to request information regarding the agreement. After such information was provided, the DOJ closed its investigation in February 2020.

7.14.5 Nullification Lawsuits

On August 23, 2021, two claims were initiated against Volkswagen in the District Court (*Landgericht*) of Hannover seeking nullification of certain resolutions passed at the annual General Meeting of Shareholders on July 22, 2021. Specifically, both claims seek nullification of: (i) the resolutions on the approval of settlement agreements with former Chairman of the Board of Management Professor Martin Winterkorn and former member of the Board of Management Rupert Stadler and (ii) the resolution on the approval of a settlement agreement with the D&O insurers of Volkswagen Aktiengesellschaft. Additionally, the second claim seeks nullification of: (i) the discharge of the members of the Board of Management for the fiscal year 2020 and (ii) the discharge of the members of the Supervisory Board for the fiscal year 2020.

7.14.6 MAN Latin America Tax Proceedings

In the tax proceedings between MAN Latin America Indústria e Comércio de Veículos Ltda. ("**MAN Latin America**") and the Brazilian tax authorities, the Brazilian tax authorities took a different view of the tax implications of the acquisition structure chosen by MAN SE for the acquisition of MAN Latin America in 2009. The tax proceedings have been divided into two auditing periods, covering the years 2009/2011 (Phase 1) and 2012/2014 (Phase 2). In December 2017, an adverse last instance judgment was rendered by the Brazilian Administrative Court (Phase 1), which was negative for MAN Latin America. MAN Latin America appealed this judgement before a regular judicial court in 2018. The tax proceeding related to Phase 2 is still pending judgment by the Brazilian tax authorities. Because of the potential range of penalties plus interest which could apply under Brazilian law, the estimated size of the risk in the event that the tax authorities are able to prevail overall with their view is uncertain. This could result in a risk of about €0.5 billion (BRL 3.2 billion) as of September 30, 2021 for the contested period from 2009 onward. This assessment is based on the accumulated accounts at the reporting date for the claimed tax liability including the potential penalty surcharges, as well as accumulated interest, but excluding any future interest and without discount-

ing any cash flows. Several banks have issued bank guarantees for the benefit of MAN Latin America as is customary in connection with such tax proceedings, which in turn are secured by TRATON.

7.14.7 Navistar

In December 2021, Navistar entered into a final Profit Sharing Settlement Agreement to terminate with past, present, and future effect certain disputes most recently litigated before an arbitration tribunal concerning the calculation of profit sharing amounts for purposes of Navistar's corporate retiree healthcare commitments. At the same time and in the same context, an agreement to settle the class action lawsuits was also reached with class action members; this agreement is still subject to approval by the supervising court, which will hear the class action members before ruling. The final agreement provides for a payment by Navistar in an amount of €491 million (USD 556 million); in fulfillment of the agreement, Navistar has already made an initial payment totaling €88 million (USD 100 million) in 2021. Navistar recognized provisions in this regard in prior periods.

7.14.8 Environmental claims

In November 2021, three claimants supported by Greenpeace filed a lawsuit against Volkswagen AG before the Braunschweig Regional Court. The action seeks to compel Volkswagen to initially reduce in stages and by beginning of 2030 completely cease its production and sale of vehicles with internal combustion engines as well as to significantly reduce greenhouse gas emissions from development, production, and marketing (including third party vehicle use). The lawsuit further seeks to compel Volkswagen to exercise influence over Group companies, subsidiaries, and joint ventures so as to cause them to fulfill these demands as well. Simultaneously, another action with identical requests for relief and by and large the same rationale has been filed by an organic farmer with the support of Greenpeace before the Detmold Regional Court. Volkswagen is analyzing the claims and will defend itself against them.

7.14.9 GT Gettaxi Ltd. proceedings

In February 2020, Volkswagen AG and another defendant were served with a lawsuit filed by GT Gettaxi Ltd ("**Gett**") in Cyprus. The lawsuit in particular alleges large damage claims and tortious wrongdoings by Volkswagen AG. Volkswagen is evaluating the alleged claims and defending itself against them. In August 2021, the court of first instance dismissed Gett's action for lack of jurisdiction. However, Gett appealed this decision to the Cyprus Supreme Court.

7.15 Legal Factors Influencing Business

As with other international companies, Volkswagen's business is affected by numerous laws in Germany and abroad. In particular, these are legal requirements relating to development, production and distribution, and also include tax, capital market, commercial and company law, as well as antitrust, environmental, labor, banking, state aid, energy and insurance regulations.

Risks from the legal and political framework have a considerable impact on Volkswagen's future business success and have tended to become greater during the recent period. Regulations concerning vehicles' emissions, fuel consumption and safety play a particularly important role. Complying with these varied and often diverging regulations across the world requires strenuous efforts on the part of the automotive industry. In addition to emissions, consumption and safety regulations, traffic-policy restrictions for the reduction of traffic congestion, noise and pollution are becoming increasingly important in cities and urban areas in the European Union and other regions. For example, bans on diesel vehicles are being gradually implemented in several jurisdictions.

When transparent and economically viable, insurance cover is taken out for these risks. For the identifiable and measurable risks, corresponding provisions are recognized and information about contingent liabilities is disclosed. As some risks cannot be assessed or can only be assessed to a limited extent, the possibility of loss or damage not being covered by the insured amounts and provisions cannot be ruled out. This particularly applies to legal risk assessment regarding the diesel issue.

8. REGULATION

Volkswagen's business is subject to regulatory requirements in various countries. These relate, among other things, to environmental law, intellectual property and copyright law, consumer protection law, product warranty and product liability law, energy law, labor and employment protection law, hazardous substances and chemicals law, export control regulations, banking and insurance law, competition and antitrust law, construction and planning law and tax law, anti-money laundering law and criminal law. In addition, international agreements, including bilateral and multilateral agreements between countries concerning customs duties or other regulations related to the import and export of products, are important for Volkswagen.

Applicable regulatory requirements are not always homogeneous. The cost of compliance with regulatory requirements can be significant and is ongoing.

The regulatory environment applicable to Volkswagen's business operations, broken down by division, is briefly described below.

8.1 Automotive Division

The automotive business is in particular subject to regulations concerning the development, design, production and sale/distribution of vehicles, as well as product-related regulations.

8.1.1 *Regulations concerning the development, design, production and distribution of vehicles*

8.1.1.1 *Industrial environmental control*

8.1.1.1.1 *Requirements in Member States of the European Union*

All legal systems of the Member States of the European Union impose restrictions on excessive pollution of the environment, including regulations on air pollutants, chemicals, heavy metals, persistent organic pollutants ("POPs"), and biocides. Volkswagen must comply with these regulations in their manufacturing processes and regarding the contents of their end products.

Volkswagen's European processes are subject to the Regulation for Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No 1907/2006 of the European Parliament and of the Council of December 18, 2006, as last amended by Commission Regulation (EU) No 2020/1149 of August 3, 2020) ("REACH"). REACH requires manufacturers and importers of chemicals to identify and manage risks linked to the substances they manufacture and market, to submit a registration dossier for substances produced or imported in quantities of one ton or more per year per company, and to provide their downstream users with the risk information they need to be able to use the substances safely. In addition, for "substances of very high concern," REACH may either require authorization for further use or impose restrictions in the future, which may delay or increase the costs of operations.

Further, Volkswagen must comply with the Stockholm Convention on Persistent Organic Pollutants, which the European Union adopted as Regulation (EU) 2019/1021, restricting or, in some cases, prohibiting the production, release and use of numerous POPs, and the Biocidal Product Regulation (Regulation (EU) 528/2012), which regulates how pesticides and anti-microbial substances are used and placed in the market.

Liability for violations of these and other environmental regulations is governed by the national laws of the respective European Union states that implement the requirements and restrictions of Directive 2004/35/EC on environmental liability with regard to the prevention and remedying of environmental damage. The Directive establishes a comprehensive liability system, based on the "polluter pays" principle, for damage to natural resources, protected species and natural habitats, waters and soil. Operators of activities that cause environmental damage or direct danger of damage to these natural resources could be held responsible for restoring the damage caused, or made to pay for restoration, irrespective of whether they are at fault.

8.1.1.1.2 *Requirements in the United States*

Assembly, manufacturing and other operations in the United States, carried out by Volkswagen Group of America, Inc. or one of its subsidiaries, must meet substantial regulatory requirements under numerous federal, state, and local environmental laws. In particular, Volkswagen must comply with the Clean Air Act,

the Clean Water Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Emergency Planning and Community Right-To-Know Act of 1986, and the Resource Conservation and Recovery Act, as respectively amended. These and related federal, state and local environmental laws and regulations thereunder substantially restrict airborne and waterborne emissions, discharges of pollutants and the disposal of waste from Volkswagen Group of America, Inc.'s facilities, govern the use and handling of hazardous materials and other regulated chemicals and substances, and address remediation and other liabilities arising from environmental contamination. These requirements may change over time and may require Volkswagen Group of America, Inc. to take additional measures, e.g., upgrade existing or install additional pollution control equipment or emission monitoring devices, alter waste-disposal practices, change chemical products or other regulated components employed in operations, clean up areas of environmental contamination, and meet technical certification requirements relating to vehicle emissions that govern which vehicles may be sold in the United States or individual States. Satisfying any of these obligations could be costly, and failure to meet them could have a significant adverse effect on operations.

8.1.1.2 Cross-border import and export of vehicles

Volkswagen's import and export of goods are subject to the national and international foreign trade legislation and customs laws. Most countries in which Volkswagen conducts business have export control regulations.

The most important foreign trade regulations applicable to Volkswagen in Germany are contained in the German Foreign Trade and Payments Act, the German Foreign Trade and Payments Regulation and Council Regulations (EC) No 428/2009 and (EU) No 388/2012, setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items. Regulatory systems differ depending on whether the exchange of goods is between Member States of the European Union (so-called intra-community business) or with non-Member States (so-called third-party countries). The German Foreign Trade and Payments Regulation, Regulations (EC) No 428/2009 and (EU) No 388/2012 classify certain goods as subject to export control by the German Federal Office of Economics and Export Control. Whether an export of a certain good is prohibited or subject to approval depends on the circumstances of the individual case, i.e. on the type of goods, the (end-) destination country, to whom and for which end use. For example, certain all-terrain vehicles, which according to German law are classified as military goods, as a rule require an export license.

Volkswagen has implemented processes to check its business partners against European and international sanction lists, in which different persons are listed (e.g., Council Regulation (EC) No 881/2002, 2580/2001 and the U.S. Specially Designated Nationals List), to ensure that business is not conducted with any person, entity or country which is subject to any sanctions enforced by one of the mentioned sanctions authorities that could result in an enforcement action against Volkswagen.

In addition to national and European export control legislation, Volkswagen monitors different international regulations, in particular, in countries where products are exported and where companies of the Volkswagen Group produce vehicles. Volkswagen especially monitors U.S. re-export regulations, principally Export Administration Regulations, which cover all relevant regulations regarding dual-use items, and certain sanctions of the U.S. Treasury's Office of Foreign Asset Control (OFAC) are primary focuses when importing and exporting goods, services and technology.

8.1.1.3 Antitrust law

Volkswagen must observe various antitrust laws and regulations applicable in the jurisdictions in which it operates. Provisions on merger control, the prohibition of anti-competitive agreements and collusive behavior and the prohibition of abuse of a dominant position within the market are particularly relevant.

Within the European Union, compliance with applicable European and national competition laws is monitored by the European Commission and the national competition authorities. Article 101(2) of the Treaty on the Functioning of the European Union ("**TFEU**") provides for the invalidity of anti-competitive agreements which are covered by Article 101(1) TFEU to the extent that the requirements of Article 101(3) TFEU are not met.

The assessment of whether the conditions of Article 101(3) TFEU are met must be made by each company in a so-called self-assessment. The self-assessment of compliance of Volkswagen's agreements with dealers, suppliers or competitors generally carries the risk that the European Commission, national competition

authorities or national courts could come to a different conclusion as to whether there is an infringement of competition law.

The self-assessment is facilitated through Commission Regulations and Notices, for example Commission Notice on the implementation of Article 101(3) TFEU, and so-called Block Exemption Regulations ("**BERs**"). BERs create a safe harbor for groups of agreements which can be assumed to meet the requirements for an exemption from the cartel prohibition without an individual review under Article 101(3) TFEU.

For new vehicle sales, the non-sector specific General BER on vertical agreements (Regulation (EU) No 330/2010) ("**General BER**") that entered into force on June 1, 2010 and the sector-specific guidelines issued by the European Commission apply to the sale of new motor vehicles. The European Commission adopted and published a new General BER and accompanying guidelines on May 12, 2022. This new General BER will come into force on June 1, 2022 and final legal assessment is still in progress. As of the date of this Offering Memorandum, there is no indication that Volkswagen AG's current distribution system could be affected.

For spare part sales and the provision of repair and maintenance services, the European Commission has issued on May 27, 2010 a new Automotive BER, Commission Regulation (EU) No 461/2010 on the application of Article 101(3) TFEU to categories of vertical agreements and concerted practices in the motor vehicle sector ("**Automotive BER**"), applicable since June 1, 2010. The Automotive BER expires on May 31, 2023. The European Commission has announced to extend the validity of the regulation for 5 years. However, the European Commission considers to amend the sector-specific guidelines. The Automotive BER is supplemented by the rules of the General BER.

Based on Europe-wide standardized contracts, which were adapted to the requirements of national law, Volkswagen has established a selective sales and distribution system throughout Europe with vehicle dealers and workshops.

In the area of new vehicle sales and in accordance with the specifications of the General BER, Volkswagen applies a quantitative selective system, under which the number of dealers, which must fulfil specified qualitative standards, can be limited. This system is exempt from Article 101(1) TFEU only if the market share of the supplier does not exceed 30%.

However, the European Commission stated in the sector-specific guidelines that a quantitative selective distribution will generally satisfy the conditions laid down in Article 103(3) of the Treaty if the parties' market shares do not exceed 40%. Where Volkswagen has a market share above 40%, it uses a purely qualitative selection for new vehicle sales, which is permitted even if the 40% threshold has been exceeded. If a change becomes necessary due to the revised legal framework, Volkswagen may have to change its distribution agreements and admit further dealers into its network.

Since June 1, 2010, the aftermarkets (genuine parts and provision of repair and maintenance services) have been subject to the Automotive BER. Under the Automotive BER, vertical agreements regarding the sale of genuine parts and on repair and maintenance services are block-exempted only if they satisfy the requirements set forth in the General BER and comply with more stringent requirements with respect to certain types of restrictions on competition which could limit the supply of genuine parts in the motor vehicle aftermarket (in particular with regard to independent dealers, independent repair shops and end users).

Additionally, Volkswagen is obliged to grant access to technical information for independent market participants in accordance with the Euro 5/Euro 6 legislation (Regulation (EU) No 566/2011, Regulation (EC) No 715/2007 and Regulation (EC) No 692/2008). Due to the amendment of the Euro 5/Euro 6 legislation in the form of Regulation (EC) No. 2018/858 effective September 1, 2020, Volkswagen must grant independent operators access to technical information that goes beyond the previous requirements, in particular to technical information on Volkswagen's genuine parts. The expansion of independent market participants' access to such information causes additional expenses in connection with the review of existing arrangements and other costs that Volkswagen incurs in order to adapt to the new regulation. The regulations described above could also expose Volkswagen to greater competition in the aftermarkets.

8.1.1.4 Emission trading

Volkswagen is subject to the European and national emission trading system. The system is based on a "cap and trade" principle which is designed to lead to a reduction in carbon dioxide emissions by limiting the number of emission allowances (cap) required for certain facilities and the possibility of purchasing shortfall or selling surplus emission allowances (trade).

During the current allocation period (2021 to 2030), which started on January 1, 2021 (the fourth trading period of the EU Emissions Trading Scheme) emission allowances are issued to facility operators on an auction basis except for certain defined categories of operators which may be allocated emission allowances free of charge. The general legal framework for emission trading is provided in Directive 2003/87/EC, as amended by Directive 2009/29/EC (and other directives) and has been implemented into German law. The Directive, among other things, extends the number of facilities that are subject to European emission trading and establishes the framework for the respective auction systems for emission allowances in the member states of the European Union. General exceptions exist for certain parts of manufacturing, trade and certain energy generation facilities. In addition, the European Union has announced the binding target to reduce domestic greenhouse gas emissions by at least 40% below the 1990 level by 2030. This will have repercussions on Volkswagen's production facilities to varying degrees.

Furthermore, other relevant markets might introduce similar schemes in the near-term future which could potentially impact the business operations of Volkswagen. In particular, China has rolled out pilot cap-and-trade systems on the automotive industry in several regions which may be followed by a nationwide system if the regional pilot schemes prove effective.

In addition, at the 2015 United Nations Framework Convention on Climate Change in Paris, nearly 200 nations, including Germany, entered into an international climate agreement (referred to as the "**Paris Agreement**"), which entered into effect in November 2016. The Paris Agreement sets a goal of limiting the increase in global average temperature to well below 2 degrees Celsius and pursuing efforts to limit the increase to 1.5 degrees Celsius, with global greenhouse gas emissions to peak and begin to decline as soon as possible. The Paris Agreement consists of two elements: a commitment by each participating country to set a voluntary emissions reduction target (referred to as "nationally determined contributions" or "**NDCs**"), with a review of the NDCs that could lead to updates and enhancements every five years beginning in 2023 and a transparency commitment requiring participating countries to disclose in full their progress.

8.1.2 Product-related regulations

Each country where Volkswagen develops, produces and sells its vehicles and vehicle components has various product-related regulatory requirements. Volkswagen must comply with substantial licensing, certification, approval and permit requirements, as well as numerous and continually increasing technical product requirements, particularly with regard to environmental protection and the safety of vehicle occupants and other road users. For instance, Volkswagen is required to recall vehicles found to have safety related defects. The cost of such recalls can be substantial depending on the nature of the repair and the number of vehicles affected.

The following regulations are of particular relevance for Volkswagen.

8.1.2.1 Type-approval procedure

8.1.2.1.1 Requirements in Member States of the European Union

In order to be placed on the European Union market, vehicles must comply with EC type-approval legislation, which sets out the standardized requirements for vehicles, systems, components and separate technical units. Within the context of the Framework Directive 2007/46/EC, repealed by Regulation (EU) 2018/858 which applies from September 1, 2020 and the Directive 2000/53/EC, Volkswagen must comply with extensive legislation regulating specific safety, emissions, technical features and reuse, recovery and recyclability rates of vehicles and their components. The Directive 2007/46/EC provides for an EC type-approval system. With the EC type-approval, the competent government agency of the Member State certifies that a type of vehicle or system (such as braking systems), component (such as tires) or separate technical unit (such as lateral safety devices) conforms to the applicable regulations and technical requirements. A valid EC type-approval is a prerequisite to registering, selling and operating vehicles, systems, components or separate technical units in the Member States of the European Union.

8.1.2.1.2 Requirements in the United States

The National Highway Traffic Safety Administration ("**NHTSA**") issues federal motor vehicle safety standards covering a wide range of vehicle components and systems such as airbags, seatbelts, brakes, windshields, tires, steering columns, displays, lights, door locks, side impact protection, and fuel systems. Volkswagen is required to test and certify in good faith that all vehicles and equipment meet or exceed the federal motor vehicle safety standards before introducing to, selling them in, the United States.

These standards add to the cost and complexity of designing and producing vehicles and equipment. In recent years, the NHTSA has mandated, among other things:

- a system for collecting information relating to vehicle performance and customer complaints to assist in the early identification of potential vehicle defects; and
- enhanced requirements for frontal and side impact, including a lateral pole impact.

8.1.2.1.3 Requirements in other markets of significance to Volkswagen

Most countries in the major markets in which Volkswagen operates have established type-approval systems and vehicle safety regulations. For example, China has recently established extensive and complex vehicle certification procedures.

8.1.2.2 Emission control

Volkswagen is subject to laws and regulations that require it to control automotive emissions, including exhaust emission standards, vehicle fuel evaporation standards and onboard diagnostic system requirements.

8.1.2.2.1 Requirements in Member States of the European Union

Volkswagen's vehicles must comply with increasingly stringent requirements concerning emissions. With respect to exhaust emissions, new type approvals of passenger cars and light commercial vehicles of class N1,I (i.e., with a reference mass up to 1,305 kg) must comply with the strict Euro 6 emission standard since September 2014 and all newly manufactured class I vehicles since September 2015. Light commercial vehicles of class N1,II and N1,III (i.e., with a reference mass above 1,305 kg) and N2 must comply with Euro 6 since September 2015 (new vehicle types) and September 2016 (all newly manufactured vehicles) respectively. Heavy passenger and commercial vehicles must currently meet the Euro VI standard. The competent government authorities in the Member States of the European Union monitor compliance with the limits and may require non-compliant manufacturers to take certain measures, including a recall of the affected vehicles.

Since 2012, automobile manufacturers have to reduce the CO₂ emissions of their new passenger car fleet in the European Union with an average industry target of 130g CO₂/km (subject to a gradual phase-in process), based on Regulation (EC) 443/2009. The target to be achieved with a phase in from 2020 onward is 95g CO₂/km. The NEDC-target will be recalculated to set a target with the comparable stringency level under the new drive cycle WLTP. Regulation 510/2011 setting performance standards to reduce CO₂ emissions for new light commercial vehicles became effective in 2011, supplementing the regulation on CO₂ emissions of passenger cars. Under the Regulation, manufacturers in the European Union must, for the average of their new fleet of light commercial vehicles, reduce the CO₂ emissions of such vehicles in category N1, phasing in to 175g CO₂/km for all new light commercial vehicles of such manufacturer by 2017. 147g CO₂/km was set as the limit to be achieved by 2020. As for passenger cars, the target level will be recalculated under the WLTP. On April 17, 2019, the European Parliament and the Council adopted new Regulations for both passenger cars and light commercial vehicles, which introduce new CO₂ emission performance standards for the period after 2020. These targets are defined as a percentage reduction compared to the 2021 emission target levels and amount to a 15% reduction for both passenger car and light commercial vehicles from 2025 on and to a 37.5% reduction for new passenger cars and to a 31% reduction for light commercial vehicles from 2030 on. A failure to meet the CO₂ emission targets results in an excess emission premium on the automobile manufacturer based on the level by which the emission limits were exceeded. The European Commission also enforced a CO₂ regulation for heavy-duty vehicles, starting with an initial monitoring phase.

Europe was the first market where the new real driving emission regulation came in place. This regulation enforces emission limits for nitrogen oxide (NOx) and number of particles (PN) under "real world driving" conditions on public roads. The regulation for passenger cars and class N1,I light commercial vehicles applies with mandatory limits for new vehicle types as of September 2017 and for all newly manufactured vehicles as of September 2018 for the emission PN and September 2019 for the emission NOx. Light commercial vehicles of class N1,II, N1,III and N2 have to comply with the real-world driving emission regulation as of September 2018 (new vehicle types) and September 2019 (all newly manufactured vehicles) for both emission PN and NOx. The new real-driving emissions regulation requires additional technologies and will further increase the cost of combustion engines. Compliance with real-driving emissions tests introduces additional cost pressures especially on European Union market for smaller diesel vehicles.

8.1.2.2 Requirements in the United States

U.S. federal and state governments and agencies (i.e. the U.S. Environmental Protection Agency (“**EPA**”) and California Air Resources Board (“**CARB**”)) have created a suite of vehicle and engine emission regulations aimed at improving local air quality and minimizing the potential effects of global climate change. Currently, under Section 177 of the Clean Air Act, states are permitted to adopt California’s criteria pollutant and greenhouse gas regulations, as well as California’s Zero-Emission Vehicle regulations. Automobile manufacturers must ensure that their individual vehicles, and in some cases, fleets of vehicles, comply with various pollutant, carbon dioxide, on-board diagnostic, fuel economy, and zero-emission technology requirements. Additional requirements for evaporative emissions and the onboard refueling vapor recovery systems are regulated. Emission and onboard diagnostic requirements become more stringent each year. In particular, increasingly stringent and complex onboard diagnostic standards may lead to increased vehicle recall and warranty costs. The results of various federal and state regulatory and judicial proceedings with respect to fuel quality could also impact a vehicle manufacturer’s warranty costs and its ability to comply with the aforementioned emissions standards.

Volkswagen is responsible under these regulations for the performance of vehicle emission control systems, as well as the emission performance of its sold cars and light duty trucks over certain time and mileage periods. Regulatory authorities may conduct ongoing evaluations of the emissions compliance of Volkswagen’s products, including vehicle emissions testing and review of emission control strategies. EPA regulations are primarily covered by the following main programs:

- Tier 2 and Tier 3 light-duty emissions regulations: Tier 2 emission standards impose individual vehicle and manufacturer fleet average requirements for tailpipe pollutants. The updated Tier 3 program implements increasingly more stringent vehicle and fleet average requirements starting in model year (“**MY**”) 2017 and is mostly aligned with California’s LEVIII program that started in MY 2015. Further emissions regulations for a Tier 4 program are expected, guided by the LEV-IV program in California (see below). It’s anticipated that a Tier 4 program would come into force no earlier than MY2027.
- Light-duty vehicle greenhouse gas fleet average standard: Starting with MY 2012, each manufacturer must ensure that their fleet of passenger cars and light duty trucks achieve an annual fleet average target depending on their average footprint, which is increasingly more stringent year-by-year through MY 2025.
- The U.S. Department of Transportation, under Congressional authority, currently regulates light-duty fleet average fuel economy standards under the corporate average fuel economy (“**CAFE**”) program. CAFE standards require each original equipment manufacturer (“**OEM**”) to achieve annual fleet average fuel economy minimum targets for all passenger cars and light duty trucks sold in the United States.

California and several other states have developed a separate set of vehicle emission regulations, mainly the following three programs:

- LEV (“Low Emission Vehicle”)-II and LEV-III light-duty emissions regulations: LEV-II emission standards impose individual vehicle and fleet average requirements for tailpipe pollutants. Identical standards exist for passenger cars and light-duty trucks. The updated LEV-III program implements increasingly more stringent vehicle and fleet average requirements starting in MY 2015. With MY 2026 California’s LEVIV program will come into force. Main topics will be additional emission test cycles for different soak times and lower idle times and elimination of highest emissions levels.
- Light-duty greenhouse gas fleet average emission standards: Fleet average targets are determined individually per OEM based on a sale weighted mix of vehicles (passenger cars and light duty trucks) sold in California and other states that have separate vehicle emission regulations.
- Zero Emission Vehicle mandate (ZEV I until MY 2017, ZEV II with MY 2018 through MY 2025, ZEV III starting with MY2026): California and other states that have separate vehicle emission regulations have established regulatory programs which mandate minimum annual sales volumes for vehicles equipped with qualified zero and near-zero emission powertrain technologies, such as battery-electric, fuel cell, plug-in hybrid, hybrid, and partial zero-emission combustion engines. By MY 2025, it is currently expected that up to 15% of a manufacturer’s total sale volume in California and other states will need to be made up of ZEV-compliant vehicles. Volkswagen is complying under the ZEV I as an intermediate volume manufacturer with Partial Zero Emission Vehicles and is subject to sell Zero Emission Vehicles under ZEV II as a large volume manufacturer. In addition, ZEV II increases the time and mileage periods

during which a manufacturer is responsible for a vehicle's emission performance. ZEV III program starting with MY2026 contains a constantly rising requirement of ZEV share up to 100% of the fleet for MY 2035.

There have been several attempts to harmonize these programs that could lead to further changes in the regulatory framework.

8.1.2.2.3 Requirements in other markets of significance to Volkswagen

Most other markets of significance to Volkswagen have regulations concerning vehicle emissions. For example, India, Russia, Australia, Korea and other countries follow the emission classes and emission requirements specified in the European Union, partly with modifications.

China, which is important for Volkswagen due to its high sales volume, is rapidly implementing more stringent legislation. The China 6 exhaust emission regulation, which started in 07/2019 in some key regions and in 07/2020 nationwide, requires for light-duty vehicles drastically reduced exhaust emission limits for gaseous pollutants (up to 50% below Euro 6), stringent exhaust emission limits for particulates (equal to Euro 6, but for all engine types), drastically reduced evaporative and refueling emission limits (65% below Euro 6), increased requirements regarding on-board diagnostics and from 07/2023 on the measurement of exhaust emissions on the road (real-driving emissions).

The Ministry of Industry and Information Technology regulates the passenger car fleet within the corporate average fuel consumption ("**CAFC**") standard since 2011. CAFC standards require each manufacturer or importer in China to achieve an annual fleet average fuel consumption target for all passenger cars produced or imported in China. The CAFC standard was recently updated to include increasingly more stringent requirements year-by-year, with an average industry target of 5.0 l/100km in 2020. In 2021, the drive cycle was changed from NEDC for fuel consumption to WLTP (for ICE and PHEV) and with an average industry target of 4.6l/100km in 2025.

In addition, a regulation was published in September 2017, mandating a minimum annual production volumes for vehicles equipped with powertrain technologies such as battery-electric, fuel cell and plug-in hybrid. Starting in 2019, a NEV credit quota of 10% and in 2020 of 12% has to be achieved by the manufacturer or importer. The amount of credit per vehicle depends on the technology and the electrical range or energy consumption for NEV (including PHEV, BEV and FCEV). Under the Administrative Measures on Corporate Average Fuel Consumption and New Energy Vehicle Dual-credit Scheme for Passenger Vehicle Enterprises promulgated on June 15, 2020 and effective as of January 1, 2021, the NEV credit quota for 2021, 2022 and 2023 was and is 14%, 16% and 18%, respectively.

8.1.2.3 Genuine parts

Genuine parts (and hence, also original parts sold by Volkswagen) are protected by design patents in most European countries. From time to time, efforts are being made to limit this protection by introducing throughout Europe a so-called "repair clause" aimed to eliminate the design protection for visible genuine parts, i.e. component parts of a complex product for the purpose of the repair of that complex product so as to restore its original appearance. Thus, all genuine parts which must necessarily be identical with the original part would be affected by the introduction of the repair clause. Eliminating design patent protection for visible genuine parts would have a significant consequence for Volkswagen as it would lead to intensified competition in the genuine parts market. Certain European countries, the latest including Germany, have already adopted such repairs clauses within national design law. However, a harmonized European directive has not been implemented thus far. On the European level, the EU Community Design Patent Regulation provides a similar "repair clause" for registered EU design patents. Other countries are considering the withdrawal of design patent protection entirely.

8.1.2.4 Reuse, recycling and recovery

Directive 2000/53/EC on end-of-life vehicles (the "**ELV Directive**"), Directive 2006/66/EC on batteries (the "**Batteries Directive**") and Directive 2012/19/EC on waste electric and electronic equipment (the "**WEEE Directive**") govern the recovery of motor vehicles, batteries, and electric and electronic equipment within the European Union. The Directives require ambitious reuse and recovery and reuse and recycling rates.

The ELV Directive, Batteries Directive and WEEE Directive also contain provisions concerning the collection of end-of-life vehicles, batteries, and electric and electronic equipment. These directives ensure that the

take-back occurs without any cost to the last owner. The manufacturers must meet all, or a significant part of, the costs associated with undertaking these measures.

Apart from the above, the ELV Directive, the Batteries Directive as well as the Directive 2011/65/EC on the restrictions of the use of certain hazardous substances in electrical and electronic equipment limit manufacturing options because they also contain prohibitions on the use of certain identified substances and materials. The Batteries Directive is currently being revised, i.e. the requirements, particularly in the area of recycling and use of recycled materials, will become more stringent. The directive will become a regulation.

Although there may be differences in the manner of implementation of laws and regulations concerning the reuse, recycling and recovery, several other markets in which Volkswagen is active also have enacted laws and regulations with similar goals to those implemented in Germany and/or in the European Union (e.g., in Japan, South Korea, China, Russia). Failure to comply with provisions of the directives can lead to action from competent authorities against manufacturers. This is the case even for components supplied by third parties. Currently, competent authorities have begun assessing potential actions as a result of a finding of excessive lead content in vehicle components supplied to automotive manufacturers, including Volkswagen, by their suppliers. There is a risk that the competent authorities may impose, among other things, waste disposal orders and/or fines against Volkswagen.

8.1.2.5 Fuel requirements

Directive 2003/30/EC on the promotion of the use of biofuels or other renewable fuels for transport specifies that a minimum proportion of the fuel sold in EU Member States is derived from biofuels (fuels produced from biomass, i.e. biodegradable waste and residues that originate, among other things, from agriculture and forestry). Generally, the Directive mandates that this minimum percentage must be at least 5.75% of all diesel and petrol quantities sold.

The Directive on biofuels 2003/30/EC was replaced by Directive 2009/28/EC on the promotion of the use of energy from renewable sources on January 1, 2012. Pursuant to this Directive, each Member State shall ensure that the share of energy from renewable sources in all forms of transport in 2020 is at least 10% of the final consumption of energy in transport in that Member State.

The Renewable Energy Directive II, which member states had to transpose into national law by mid-2021, establishes a framework for the promotion of energy from renewable sources in the European Union until 2030 and continues to promote the use of renewable energy in transport, including liquid fuel and electricity, with a target of at least 27% renewables in the final energy consumption by 2030. Some Member States as well as certain countries outside the European Union plan to implement measures (e.g., quota or tax incentives) to establish higher targets.

Regardless of the differences in the implementation of the legislative provisions, in most other significant markets in which Volkswagen is active, provisions have been enacted pursuing legislative goals similar to those in the European Union.

8.1.2.6 Road safety

Regulation (EC) 661/2009 of the European Parliament and Council ("**GSR**"), which will be superseded by Regulation (EC) 2019/2144 ("**GSR 2**"), governs the type approval requirements for the general safety of motor vehicles, as well as their trailers, systems, components, and separate technical units. The regulation lists the compulsory implementing measures and the vehicle categories to which each regulation applies. In addition, Regulation (EC) 78/2009 on the type approval of motor vehicles with regard to the protection of pedestrians and other vulnerable road users ("**VRUs**") (the "**Pedestrian Safety Regulation**") has replaced Directive 2003/102/EC with modified and more advanced provisions, adapted to technical progress. These modifications include passive safety requirements to mitigate the risk of critical injury in the event of a collision between a vehicle and a person.

The GSR requires the Commission to report to the European Parliament periodically with proposals for amendments to the regulation or other relevant community legislation. These proposals relate to the inclusion of new safety features that meet the criteria of the CARS 2020 Action Plan and the policy orientations on road safety 2011-2020. The Pedestrian Safety Regulation also requires the Commission to provide monitoring reports to the European Parliament. Beginning with July 2022, GSR 2 mandates a large number of advanced safety features as standard equipment such as: tyre pressure monitoring systems; intelligent speed assistance; alcohol interlock installation facilitation; driver drowsiness and attention mon-

itoring; advanced driver distraction recognition; emergency stop signal; reversing detection; lane departure warning systems/emergency lane-keeping systems; advanced emergency braking systems and event data recorder.

8.2 Financial Services Division

Due to the reorganization within the Volkswagen Financial Services Division, the regulatory qualification of Volkswagen Financial Services group as financial-holding group and VWFS AG as financial-holding company ended on August 31, 2017.

Since then, together with its subsidiaries and investees, Volkswagen Bank GmbH forms a supervised group within the meaning of the Regulation (EU) No 575/2013 of June 26, 2013 (as amended by Regulation EU 2019/876 "**CRR II**") and the German Banking Act (*Kreditwesengesetz*, "**Banking Act**"). The consolidated group of companies of a supervised group under supervisory law includes subsidiaries and affiliates classified as credit institutions, financial services institutions, investment firms or financial institutions. Volkswagen Bank GmbH acts as the parent company of the group under the CRR and the Banking Act.

Volkswagen Bank GmbH holds the requisite license to carry out banking business and provide financial services in accordance with the Banking Act. Volkswagen Leasing operates as a financial services institution that provides finance leases and factoring in accordance with the German Banking Act. Volkswagen Versicherung AG is a direct insurer (guarantee insurance) with reinsurance business under the German Insurance Supervision Act (*Versicherungsaufsichtsgesetz*).

The VWFS AG group, however, includes a number of institutions that are supervised by the supervisory authorities of the countries in which these institutions are based or provide their services.

8.2.1 Banking supervision

The European Central Bank ("**ECB**"), the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**"), and the German Central Bank (*Deutsche Bundesbank*), are the main supervisory authorities for Volkswagen Bank GmbH and the Volkswagen Bank group.

Regulation (EU) No 1022/2013 of October 22, 2013, Regulation (EU) No 1024/2013 of October 15, 2013 ("**SSM Regulation**") and Regulation 468/2014 of the European Central Bank of April 16, 2014 ("**SSM Framework Regulation**") create a single supervisory mechanism ("**SSM**") for the oversight of banks and other credit institutions of banks established in those member states that have the euro as their common currency ("**Eurozone**") as well as any member states that decide to join the SSM. Under the SSM, specific tasks related to financial stability and banking supervision have been conferred to the ECB. Within the framework of Articles 4 and 6 of the SSM Regulation, the ECB directly supervises credit institutions, financial holding companies or mixed financial holding companies that are significant at the highest level of consolidation within the participating member states.

The ECB determined on October 16, 2017 that Volkswagen Bank GmbH and its consolidated holding group ("**Supervised Group**") is a significant group within the meaning of Article 6 (4) of the SSM Regulation, and that all its subsidiaries within the Supervised Group that are subject to prudential supervision on a consolidated basis in accordance with the CRR are significant supervised entities within the meaning of Article 6 (4) of the SSM Regulation.

The list of group entities subject to the prudential supervision on a consolidated basis consists of Volkswagen Bank GmbH and its subsidiaries, joint ventures and branches. Therefore, the relevant supervisory authority directly supervises these entities. Certain preparatory tasks have been undertaken which involved a comprehensive assessment of Eurozone banks, the results of which have been published.

The ECB co-operates and in particular exchanges information with national supervisory authorities in exercising its direct supervision of significant institutions. With respect to certain supervisory tasks under the SSM Regulation, BaFin is required to assist the ECB in its supervisory tasks relating to the Supervised Group and to follow the ECB's instructions. Where Volkswagen describes the fulfillment of banking supervisory tasks relevant for regulated Volkswagen entities in the following, Volkswagen refers to the "**competent authorities**" for carrying out such supervisory tasks.

The Banking Act, the CRR and Directive 2013/36/EU of June 26, 2013, as amended by Directive (EU) 2019/878 ("**CRD V**") and related regulations and publications form the legal basis for the supervision of the business activities of the Supervised Group, Volkswagen Bank GmbH as a credit institution and Volkswagen Leasing, a subsidiary of VWFS AG, as a financial services institution.

According to the Banking Act, a license is required for the operation of a banking business and provision of financial services. The CRR and the Banking Act also stipulate the regulatory requirements which must be observed by credit institutions and financial services institutions as well as financial holding companies when operating their respective businesses.

As part of their statutory responsibilities, the competent authorities may issue ordinances with respect to institutions, financial holding companies, their managing directors and their shareholders in order to prevent or remedy infringements of regulatory provisions. The admission to carry out business operations, compliance with capital adequacy requirements, liquidity requirements and large exposure limits, as well as the proper business organization of the institutions, including appropriate risk management, are subject to supervision by the competent authorities.

If the competent authorities discover violations of regulatory laws, they may, under certain conditions, revoke an institution's license or take a less severe action such as dismissing the managing directors or prohibiting them from continuing to perform their functions.

If the capital adequacy or liquidity requirements are not satisfied and the credit institution does not remedy the deficiencies within a specified period, the competent authorities may under certain circumstances, among other things, prohibit or limit the distribution of profits, payments on equity instruments or the granting of further loans. Further, the competent authorities may instruct the credit institution to take measures in order to reduce risks resulting from certain types of businesses and products or the utilization of certain systems.

If there is a risk that a credit institution will not meet its obligations *vis-a-vis* its creditors, and, in particular, if the safety of the assets entrusted to the institution is at risk, or if there is a legitimate suspicion that effective supervision of the credit institution is not possible, the competent authorities may take interim measures in order to prevent these risks. These measures may include instructions to the institution's management, prohibitions on accepting funds or securities from customers or the granting of loans, prohibitions or limitations of the activities of the managing directors, issuance of a temporary ban on dispositions and payments, prohibitions on accepting payments that are not designated for the discharge of the institution's liabilities, or the closure of the institution to customer business.

The ECB is empowered, in particular as part of the Supervisory Review and Evaluation Process ("**SREP**"), *inter alia*, to analyze the business model, reliability of internal control arrangements (including the internal models to measure adequacy of capital and liquidity also referred to as "Internal Capital Adequacy Assessment Process" (ICAAP) and "Internal Liquidity Adequacy Assessment Process" (ILAAP), respectively), risk governance of individual groups of significant credit institutions (such as Volkswagen Bank GmbH) and to require those to comply with own funds and liquidity adequacy requirements which may exceed regular regulatory requirements or to take early correction measures to address potential issues.

The key result of the application of the SREP is a common scoring which may result in specific additional individual capital and liquidity requirements for the supervised credit institutions subject to the SSM. As a result, each affected credit institution will receive a SREP decision by the ECB affecting, among other, individual capital requirements which may increase the capital requirements applicable to it.

8.2.2 Capital adequacy requirements

Credit institutions and sub-groups subject to prudential supervision are required to have adequate levels of own funds in the interest of meeting their obligations to creditors and, in particular, to secure the assets entrusted to them.

Due to the reorganization of VWFS AG, its regulatory reporting requirements on group level ceased on September 1, 2017. This includes the capital adequacy requirements on VWFS AG group level. Since September 1, 2017, regulatory reporting requirements on group level exist for Volkswagen Bank GmbH which, in addition, had to comply with regulatory reporting requirements on entity level already.

According to the CRR and the Banking Act, an institution has an adequate level of own funds if, at close of business on each day, it is able to fulfill the capital adequacy requirements in relation to risks of counterparty credit (risk of non-performance of debtors), operational risks (risk of losses due to failure of internal systems or as a consequence of external events) as well as the own funds requirements with relation to market risks. Market risks include in general foreign currency risks, commodity risks and trading book position risks. These requirements must also be fulfilled by German banking and financial holding groups on a consolidated basis. The CRR and the related delegated regulations as well as the Banking Act and the

German Solvability Regulation (*Solvabilitätsverordnung*) contain detailed provisions for the calculation of own funds and the total risk exposure amounts that are to be backed by own funds. The minimum requirement for the most important form of capital, “Common Equity Tier 1” capital (primarily consisting of share capital, retained earnings and other reserves), is to maintain at least a 4.5% ratio of Common Equity Tier 1 capital to the total risk exposure amount. The minimum requirement for Tier 1 capital, which consists of Common Equity Tier 1 capital and Additional Tier 1 capital, is to maintain at least a 6% ratio. The minimum requirement for the own funds, which consist of the sum of its Tier 1 capital and Tier 2 capital, is to maintain at least an 8% ratio. The competent authorities have additional powers to impose additional of own funds requirements under certain circumstances. Additionally, banks are required to fulfil the capital buffer requirements in form of Common Equity Tier 1 capital. The capital buffer requirements include the capital conservation buffer of 2.5% in relation to the risk weighted exposure amounts. The competent authorities may further impose a countercyclical capital buffer of up to 2.5% of total risk exposure amounts, consisting of Common Equity Tier 1 capital which is designed to be accumulated during phases of excessive credit growth. Additional buffers may apply to institutions depending on systemic relevance and risks. Moreover, the additional capital adequacy requirements pursuant to SREP outcome have to be considered.

On June 26, 2020, Regulation (EU) 2020/873, which contains targeted amendments to the CRR II in response to the SARS-CoV-2 pandemic, was published in the Official Journal. This regulation is sometimes referred to as the “CRR Quick Fix”. Its target is to encourage lending by banks to mitigate the economic impact of the SARS-CoV-2 pandemic. Among other things, CRR II extends the transitional arrangements for mitigating the impact of IFRS 9 provisions on regulatory capital, applies a preferential treatment for publicly guaranteed loans (including loans subject to export guarantee schemes) under the prudential backstop for non-performing loans (NPLs) available under the CRR and brings forward the dates of application of certain reforms introduced by CRR II.

At the end of October 2021, the European Commission published a proposal for the amendment of Regulation (EU) No 575/2013 (CRR III) and Directive 2013/36/EU (CRD VI) in order to finalize the Basel III requirements (so-called Basel IV). The amendments aim to strengthen the resilience of the EU banking sector and to increase financial stability in case of future economic shocks. Furthermore, the new regulations are intended to support the European economy recover from the COVID-19 pandemic and to facilitate the achievement of climate neutrality.

8.2.3 Liquidity requirements

Volkswagen Bank GmbH is subject to the liquidity coverage ratio (“**LCR**”) and the net stable funding ratio (“**NSFR**”). The liquidity requirements relating to the LCR (which requires credit institutions to maintain certain high-quality liquid assets that cover net outflows for a 30-day period against the background of a stress scenario) have to be met with a minimum ratio of 100%. The NSFR (which requires credit institutions to refinance their long term assets under regular as well as under stressed market conditions with respective long term stable funding) must also be at least 100%. Since the minimum ratio of 100% of the LCR and NSFR, Volkswagen Bank GmbH has always complied with the given limit.

8.2.4 Leverage ratio requirements

Banks are required to calculate and to report a leverage ratio to the supervisory authority. Furthermore, since 2015 all banks must disclose their leverage ratios and its components. The CRR II introduced a legally binding minimum leverage ratio of 3%. The introduction of a minimum requirement of 3% for the leverage ratio may constrain the Volkswagen Bank GmbH’s ability to grow in the future or even require it to reduce its business volumes.

In reaction to the SARS-CoV-2 pandemic, Regulation (EU) 2020/873, *inter alia*, recalibrates the mechanism for offsetting the impact of excluding certain exposures from the calculation of the leverage ratio.

8.2.5 Organization and risk management in the Financial Services Division

Volkswagen Financial Services Division is separated into the risk management of Volkswagen Bank Group and the internal control system (“**ICS**”) of the VWFS AG Group.

8.2.5.1 Organization and risk management in Volkswagen Bank Group

CRD V and the Banking Act contain strict standards of corporate governance, improved risk management functions and risk control, and improved regulatory supervision of financial institutions, as well as the possibility of national regulatory supervisors to impose effective, proportional and deterring sanctions.

According to the Banking Act, institutions (including Volkswagen Bank GmbH) and financial holding groups (including the Supervised Group) must maintain a proper business organization that includes appropriate and effective risk management.

Under the applicable risk management framework, appropriate and effective risk management includes specifying strategies and establishing internal monitoring procedures, taking into account the risk-bearing capacity of the relevant institution. The internal monitoring procedures consist of internal control systems and internal auditing functions. The internal monitoring system comprises rules regarding the structural and operational arrangements and processes for identifying, assessing, treating, monitoring and communicating risks.

The risk management framework in Volkswagen Bank GmbH also sets forth provisions for risk management at the group level. The group related requirements extend to strategies, risk-bearing capacity, risk management and risk monitoring processes, procedural provisions and group auditing. The way risk management is implemented at Volkswagen Bank Group depends on the nature, scope, complexity and level of risk, as well as the corporate law framework.

The Banking Act further provides for the separation of proprietary trading and lending to hedge funds and other highly leveraged funds from deposit taking and requires the transfer of such activities to a financially, organizationally and legally independent financial trading entity (*Finanzhandelsinstitut*) upon reaching a certain threshold. Volkswagen Bank Group does not currently reach or exceed such threshold. BaFin is given powers to impose additional separation requirements.

The ECB, EBA and BaFin regularly assess risks and vulnerabilities in the European and German banking sectors, in particular by conducting stress tests on credit institutions such as Volkswagen Bank Group. The outcome of these stress tests may be published and may therefore have a negative impact on investors' confidence in the financial market as such or in specific institutions such as Volkswagen Bank Group.

For a description of risk management in Volkswagen's Financial Services Division, see "*Business of the Volkswagen Group — Volkswagen's Divisions and their Products and Services — Financial Services Division — Risk management in the Volkswagen Bank Group.*"

8.2.5.2 Organization and risk management internal control system in VWFS AG Group

The Board of Management of VWFS AG Group consigns the establishment of a system for identifying, measuring, monitoring and managing risk positions to the Internal Control System ("**ICS**"). The assurance of compliance with regulatory obligations as well as corporate guidelines and industry standards is in the responsibility of the legal entities. They are obliged to fulfill central requirements, defined by risk owners and ICS control.

For a description of the internal control system in Volkswagen's Financial Services Division, see "*Business of the Volkswagen Group — Volkswagen's Divisions and their Products and Services — Financial Services Division — Internal control system (ICS) in VWFS AG Group.*"

8.2.6 Recovery and resolution measures

Credit institutions such as Volkswagen Bank GmbH are subject to the German Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz*, "**SAG**") which has implemented the Directive for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU – "**BRRD**") into German law. BRRD was amended by Directive (EU) 2019/879 ("**BRRD II**"). Within the European Union in addition to the BRRD, by Regulation (EU) No. 806/2014 ("**SRMR**") as amended by Regulation (EU) 2019/877 ("**SRMR II**"), a Single Resolution Mechanism (the "**SRM**" and together with the SAG, the "**Resolution Framework**") establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms and a Single Resolution Fund (the "**Fund**") was established for the participating member states of the SSM. The SRM is considered as the second pillar of the so-called EU Banking Union (and in this respect, supplements the SSM as the respective first pillar), according to which a new agency of the European Union, the resolution board (the Single Resolution Board or the "**SRB**") has been established for

the purposes of a centralized and uniform application of the resolution regime. The predominant part of the provisions of the SRMR has been applicable since January 1, 2016 and was amended most recently in June 2019 by SRMR II. The SRB and the BaFin form together the competent resolution authority for certain significant banks, including Volkswagen Bank GmbH (which is subject to direct supervision by the ECB).

The SAG and the SRM Regulation confer additional crisis prevention measures and resolution tools on the competent authorities which are aimed at preventing the occurrence of a financial crisis at an early stage. Volkswagen Bank GmbH may also be subject to crisis prevention measures under the SAG and SRMR, which, *inter alia*, enable the competent authorities to act when they identify any impediments to resolution.

The resolution powers of competent resolution authority include the bail-in tool. Pursuant to this and ancillary measures, claims for payment of principal, interest or other amounts under certain debt instruments (instruments counting towards the institution's own funds as well as other liabilities) may be subject to a permanent reduction, including to zero, variations of the terms and conditions of the debt instruments in other aspects (e.g., changes of the debt instrument's maturity) or a conversion into one or more instruments that constitute common equity tier 1 capital instruments (such as share capital) by intervention of the competent resolution authorities. These measures entail the risk that creditors whose claims are affected (i) suffer a partial or complete write-down of the nominal amount of their outstanding claim, (ii) may otherwise lose all or part of their investment e.g., by being subject to a permanent reduction, including to zero, or variation of the terms and conditions of the debt instruments in other aspects (e.g., extension of the maturity of a debt instrument) or (iii) receive shares or other instruments of the core capital (*hartes Kernkapital*) in exchange for their claims (whereby such equity instruments may be highly diluted and have a value close to zero). Pursuant to the applicable provisions, any write-down (or conversion) in accordance with the bail-in tool or the write-down tool would not constitute an event of default under the terms of the relevant instruments. Consequently, any amounts so written down would be irrevocably lost and the holders of such instruments would cease to have any claims thereunder. The competent resolution authority may, however, restore the position of the holders of bail-in or write-down instruments should the position of the respective institution improve. Payments made in breach of the order of the competent resolution authority would have to be reimbursed.

Volkswagen Bank GmbH is required to comply with a minimum requirement for own funds and eligible liabilities ("**MREL**") which may be subject to the bail-in tool. The MREL shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of both Risk-Weighted Assets ("**RWA**") and the Leverage Ratio Exposure ("**LRE**") of the institution. BRRD II and the SRMR II aim at reaching consistency with the requirements on Total Loss Absorbing Capacity (TLAC) which are agreed on the international level and solely applicable for globally systemic relevant banks (G-SIBs). The obligation to meet minimum requirements of MREL-eligible liabilities may increase refinancing costs and may adversely affect Volkswagen Bank GmbH's ability to meet the payment obligations under the debt instruments issued by it. If existing instruments ceased to be eligible for MREL, Volkswagen Bank GmbH would need to fulfil any upcoming MREL by virtue of issuing new debt instruments in the future.

8.2.7 Holders of significant interests

The Banking Act also includes a number of requirements and empowers the competent authorities to take action with respect to individuals and companies owning a significant interest (being a qualifying holding within the meaning of the CRR, i.e. a direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking) in an institution. For example, the competent authorities may suspend an institution's license if there are facts justifying the assumption that the holder of a significant interest or its representative appointed by law or according to the articles of association is not reliable or does not, for other reasons, meet the requirements in the interest of a sound and prudent management of the institution. In relation to Volkswagen Bank GmbH and Volkswagen Leasing GmbH, Volkswagen Financial Services AG, Volkswagen AG and Porsche SE have been reported to BaFin as holders of significant interests.

8.2.8 Deposit protection

As a deposit taking credit institution, Volkswagen Bank GmbH is subject to the statutory deposit protection rules. It is a member of the Compensation Scheme of German Banks (*Entschädigungseinrichtung deutscher Banken GmbH*). If a creditor is entitled to compensation, such creditor has a direct claim against the Compensation Scheme of German Banks, which is limited to €100,000 (€500,000 in specific cases).

Volkswagen Bank GmbH is also a member of the Deposit Protection Fund (*Einlagensicherungsfonds*) of the Association of German Banks (*Bundesverband deutscher Banken*), which supplements the government deposit protection by means of a voluntary self-help arrangement. The Deposit Protection Fund in principle protects all deposits of private individuals and foundations, certain deposits of commercial enterprises, institutional investors (other than banks, financial institutions and investment firms) and public-sector entities up to a limit of 15% of the liable capital of the credit institution relevant for deposit protection. The current 15% limit will be reduced to 8.75% from January 1, 2025 onwards.

The Deposit Protection Fund is funded by an annual contribution from the participating banks. If the resources in the fund are not sufficient, or it is otherwise required in order to enable the fund to perform its tasks, the Association of German Banks may resolve that one or more special contributions shall be levied in each business year, whereby the sum of all special contributions in a given business year shall not exceed 100% of the annual contribution (not taking into account certain rebates or certain surcharges and discounts) for the respective business year.

Banks contributing to the Deposit Protection Fund must submit a mandatory declaration to the Association of German Banks of individuals or companies who own the majority of the shares in the relevant bank, or who can exercise a direct or indirect controlling influence on such bank. The declaration contains the obligation to indemnify the Association of German Banks against any losses incurred by it as a result of assistance provided to such bank. Volkswagen AG and Porsche SE have submitted such declaration in respect of Volkswagen Bank GmbH.

9. MAJOR SHAREHOLDERS

The following table sets forth information regarding the shareholders who hold voting rights in the Company as of the date of this Offering Memorandum. The Company receives notifications in accordance with the German Securities Trading Act (WpHG — *Wertpapierhandelsgesetz*) indicating shareholders that hold directly more than 3% of the ordinary voting shares of the Company. The table below shows the percentage of voting rights for the Company's significant shareholders:

<u>Shareholders subject to the notification requirement</u>	<u>Percentage of voting rights</u>
Porsche Automobil Holding SE, Stuttgart ⁽¹⁾	53.3%
State of Lower Saxony	20.0%
Qatar Holding LLC ⁽²⁾	17.0%

⁽¹⁾ These shares are held indirectly by and for the benefit of individuals from the Porsche and Piëch families who are the ultimate beneficial owners of such shares. There are agreements and other arrangements in place among the intermediate holding companies and the individuals with respect to the shares of Volkswagen AG. Volkswagen AG is not a party to and has no information concerning the terms of these arrangements.

⁽²⁾ These shares are attributed to the State of Qatar (via various intermediate holding companies).

10. RELATED PARTY TRANSACTIONS

Persons related to Volkswagen AG include its principal shareholders, including Porsche SE, which is indirectly controlled by the Porsche and Piëch families, together with the State of Lower Saxony and the State of Qatar. See "*Major Shareholders*".

In addition to the direct and indirect equity interests and voting rights in Volkswagen AG held by Porsche SE and the Porsche and Piëch families, members of the Porsche and Piëch families serve on the governing bodies of Volkswagen AG, AUDI AG, MAN SE and Porsche Holding Gesellschaft m.b.H. Salzburg, as well as Porsche SE and its affiliated companies. For additional information, see "*Board of Management and Supervisory Board*".

The Porsche and Piëch families also hold significant interests in Porsche Familienholding GmbH and Porsche Gesellschaft m.b.H., both based in Salzburg. Following Porsche Gesellschaft m.b.H.'s exercise of its put option, Volkswagen acquired Porsche Holding's operating trading business as of March 1, 2011.

In 2021, Volkswagen rendered supplies and services to related parties totaling €18,982 million (€18,783 million in 2020 and €18,072 million in 2019). Volkswagen's total sales revenue amounted to €250,200 million in 2021 (222,884 million in 2020 and €252,632 million in 2019). For more information concerning the amounts of the supplies and services transacted, as well as outstanding receivables and liabilities between consolidated companies of the Volkswagen Group and related parties, please refer to note 46 of the 2021 Annual Financial Statements and note 46 of the 2020 Annual Financial Statements.

All business relations with unconsolidated subsidiaries, joint ventures, associates and other related parties are, in the opinion of the Company, conducted on arm's length terms.

10.1 Relationships of the Volkswagen Group with Porsche SE and the Porsche and Piëch families

10.1.1 Porsche SE

Volkswagen maintains legal and business relationships with Porsche SE, which holds 53.3% of Volkswagen AG's voting capital.

10.1.1.1 Relationships under company law, dual mandates

Members of Volkswagen's Supervisory Board and Board of Management serve simultaneously on the boards of Porsche SE and AUDI AG. For additional information, see "*Board of Management and Supervisory Board*".

Volkswagen AG ensures that both members of the Board of Management, in the performance of their duties, separate their functions as member of Volkswagen AG's Board of Management and as member of Porsche SE's Executive Board and act in accordance with applicable statutory provisions.

10.1.1.2 Contractual relationships

Various business relationships exist between the Volkswagen Group and Porsche SE companies and their subsidiaries. These relationships are largely regulated by reciprocal consulting framework agreements and, to minor extent, by other contracts.

Since 2008, the Board of Management of Volkswagen AG has represented in its annual report that Volkswagen AG received appropriate consideration in all legal transactions with affiliated companies, including Porsche SE and its subsidiaries.

10.1.2 Porsche and Piëch families

The Porsche and Piëch families have significant interests in Porsche SE, Porsche Familienholding GmbH and Porsche Gesellschaft m.b.H.

Members of the Porsche and Piëch families are represented on Volkswagen AG's Supervisory Board. These are Dr. jur. Hans Michel Piëch, Dr. jur. Ferdinand Oliver Porsche, Dr. rer. comm. Wolfgang Porsche, and Dr. Louise Kiesling. See "*Board of Management and Supervisory Board — Supervisory Board*".

10.2 Relationships of the Volkswagen Group with the State of Qatar

The State of Qatar indirectly holds approximately 17% of Volkswagen AG's voting capital and has two representatives, Dr. Hussain Ali Al-Abdulla and Dr. Hessa Sultan Al-Jaber, on Volkswagen AG's Supervisory Board.

10.3 Relationships of the Volkswagen Group with the State of Lower Saxony

The State of Lower Saxony holds, directly and indirectly, approximately 20% of Volkswagen AG's voting capital. See "*Major Shareholders*".

In accordance with Volkswagen AG's articles of association, the State of Lower Saxony is entitled to appoint two members of the Supervisory Board of Volkswagen AG for as long as it directly or indirectly holds at least 15% of Volkswagen AG's ordinary shares.

Transactions with the State of Lower Saxony and private-law entities of the State of Lower Saxony are, in the opinion of the Company, conducted on arm's length terms. In addition, the State of Lower Saxony and its private-law entities have not instructed Volkswagen to enter into, or refrain from entering into, any transactions.

11. BOARD OF MANAGEMENT AND SUPERVISORY BOARD

As required by the German Stock Corporation Act, Volkswagen AG has a two-tier board system, consisting of a Supervisory Board (*Aufsichtsrat*) and a Board of Management (*Vorstand*).

11.1 Board of Management

The Board of Management is directly responsible for managing the Company.

Pursuant to the articles of association of the Company, the Company is represented by two members of the Board of Management or by one member of the Board of Management and an authorized signatory.

The number of members of the Board of Management is determined by the Supervisory Board. The Board of Management must consist of at least three members. The Board of Management of Volkswagen AG has eight members. Pursuant to German statutory requirements, one member of the Board of Management must be assigned the responsibility for labor matters.

The members of the Board of Management are appointed by the Supervisory Board for a maximum term of five years. The Supervisory Board may also reappoint a member of the Board of Management or extend such member's term of office, in each case for a maximum of five years. The Supervisory Board can revoke the appointment of a member of the Board of Management before the expiration of his term of office for good cause, for example for gross violation of duties or if the general shareholders' meeting declares it no longer has confidence in such member of the Board of Management, unless the vote of "no confidence" was based on grounds that are obviously not objective.

The Board of Management adopts resolutions by a simple majority of the votes cast. If there is a tied vote, the Chairman has the casting vote.

According to the articles of association of the Company, the Board of Management requires the prior approval of the Supervisory Board to take certain measures and to enter into certain transactions which are of particular importance to the Company or which entail exceptional economic risks. Article 9 of the articles of association contains a list of transactions requiring the approval of the Supervisory Board, such as establishing and closing branch offices, setting up and relocating production facilities, or investing under investment programs that must be regularly submitted to the Supervisory Board and investing outside these investment programs, insofar as the costs exceed certain thresholds in the individual case. In addition, the rules of procedure of the Board of Management contain details and additions to these approval reservations. Moreover, the Supervisory Board may require its approval for additional types of transactions. It may also generally give its approval to certain types of transactions in advance or subject to certain conditions, such as approvals of limits.

The Board of Management provides the Supervisory Board with regular, timely and comprehensive information on all matters relevant to the Company and the Volkswagen Group with regard to planning, business developments, risks and risk management. It reports on deviations of the course of business from agreed plans and goals and identifies the reasons. In general, the Board of Management must provide the Supervisory Board with a long-term plan for the group on an annual basis and must report on significant deviations from the existing plan.

The Supervisory Board may request special reports from the Board of Management at any time. In addition, the Board of Management and the Supervisory Board report on the corporate governance of the Company in the annual report.

11.1.1 Members of the Board of Management

The table below lists the names of the members of the Board of Management of Volkswagen AG as of the date of this Offering Memorandum and their respective ages as of December 31, 2021:

Name	Age	Position at Volkswagen AG
Dr. Ing. Herbert Diess ⁽¹⁾	63	Chairman; Chairman of the Brand Board of Management of Volkswagen Passenger Cars, Volume brand group; Chairman of the Board of Management, China Division
Dr. Oliver Blume ⁽²⁾	53	Chairman of the Executive Board of Dr. Ing. h.c. F. Porsche AG, Sport & Luxury brand group

<u>Name</u>	<u>Age</u>	<u>Position at Volkswagen AG</u>
Dr. Arno Antlitz ⁽³⁾	51	Finance and IT (IT until February 1, 2022)
Markus Duesmann ⁽⁴⁾	52	Chairman of the Board of Management of AUDI AG, Premium brand group
Murat Aksel ⁽⁵⁾	50	Purchasing
Ralf Brandstätter ⁽⁶⁾	53	Chair of the Board of Management (CEO) of the Volkswagen Passenger Cars brand, Volkswagen Passenger Cars
Dr. Jur. Manfred Döss ⁽⁷⁾	64	Integrity and Legal Affairs
Gunnar Kilian ⁽⁸⁾	46	Human Resources and Truck and Bus
Thomas Schmall-von Westerholt ⁽⁹⁾	57	Technology and Chairman of the Board of Management of Volkswagen Group Components
Hauke Stars ⁽¹⁰⁾	54	IT
Hildegard Wortmann ⁽¹¹⁾	55	Sales

⁽¹⁾ Mr. Herbert Diess has been appointed as chairman of the Board of Management effective April 12, 2018, replacing Mr. Matthias Müller who stepped down from the Board of Management by mutual agreement. Mr. Diess will continue to manage the Volkswagen Passenger Cars brand with the assistance of a chief operating officer, who is responsible for daily operations. Mr. Diess also assumed responsibility of the China division from Prof. Jochem Heizmann, effective January 11, 2019.

⁽²⁾ Mr. Oliver Blume, Chairman of the Board of Management of Dr. Ing. h.c. F. Porsche AG, has been appointed as a new member of the Board of Management in April 2018 following the departure of Mr. Francisco Javier Garcia Sanz, head of Procurement, who left the Company at his own request.

⁽³⁾ Mr. Arno Antlitz has been appointed as a new member of the Board of Management since April 1, 2021. Until February 1, 2022 he was responsible for the business area IT. Since February 1, 2022, Dr. Arno Antlitz has only been responsible for the business area Finance.

⁽⁴⁾ Mr. Markus Duesmann has taken over the responsibility as the Chairman of the Board of Management of AUDI AG, effective April 1, 2020, replacing Mr. Abraham Schot.

⁽⁵⁾ Mr. Murat Aksel has been appointed as a new member of the Board of Management effective January 1, 2021 in connection with the December 2020 decision of the Supervisory Board to split up the responsibility for Components and Procurement into Purchasing and Technology.

⁽⁶⁾ Mr. Ralf Brandstätter has been appointed as a new member of the Board of Management since January 1, 2022.

⁽⁷⁾ Dr. Jur. Manfred Döss has been appointed as a new member of the Board of Management since February 1, 2022, replacing Ms. Hiltrud Dorothea Werner.

⁽⁸⁾ Mr. Gunnar Kilian has taken over the responsibility for Human Resources and Organization from Mr. Karlheinz Blessing in April 2018. Mr. Blessing has left the Board of Management by mutual agreement. As of July 15, 2020, Mr. Killian took over responsibility for Truck & Bus brand group.

⁽⁹⁾ Mr. Thomas Schmall-von Westerholt has been appointed as a new member of the Board of Management effective January 1, 2021 in connection with the December 2020 decision of the Supervisory Board to split up the responsibility for Components and Procurement into Purchasing and Technology.

⁽¹⁰⁾ Ms. Hauke Stars has been appointed as a new member of the Board of Management since February 1, 2022.

⁽¹¹⁾ Ms. Hildegard Wortmann has been appointed as a new member of the Board of Management since February 1, 2022.

There are no family relationships between any of the individuals listed above.

Dr. Herbert Diess was born in Munich (Bavaria) on October 24, 1958. After completing his high school education, he studied vehicle technology at Munich University of Applied Sciences from 1977 and then mechanical engineering at Munich Technical University from 1978 to 1983. After obtaining his degree in engineering, Dr. Diess was a scientific assistant at the Institute for Tool Machines and Plant Management of Munich Technical University, where he obtained a doctorate in the field of assembly automation in 1987. From 1988, he headed the Assembly Automation Department of the Institute for Tool Machines and Plant Management. In 1989, he continued his career with Robert Bosch GmbH in Stuttgart. In 1990, he was appointed Technical Director, Planning and Maintenance, of the Robert Bosch plant at Treto in Spain, where he was General Manager from 1993. In 1996, Dr. Diess joined BMW AG in Munich as Director, Long-Term and Structural Planning. From 1997, he headed the Process Consulting Department, first in the Production Division and later in the Engineering and Technology Division. He was then assigned to the UK, where he was Director of BMW's Birmingham plant from 1999; one year later, he became Director of the BMW plant in Oxford. In 2003, he was appointed Director of BMW Motorcycles. In 2007, he became Member of the Board of Management, Purchasing and Supplier Network, and, in 2012, Member of the Board of Management, Development, of BMW AG. Effective July 1, 2015, the Supervisory Board of Volkswagen AG appointed Dr. Herbert Diess Member of the Board of Management of Volkswagen Aktiengesellschaft and Chairman of the Board of Management of the Volkswagen Passenger Cars brand.

Dr. Herbert Diess was a member of the executive, administrative, or supervisory bodies and/or a partner in the enterprise or company listed below as of December 31, 2021:

- FC Bayern München AG, Munich (Member of the Supervisory Board)
- Infineon Technologies AG, Neubiberg (Member of the Supervisory Board)

Dr. Oliver Blume was born on June 6, 1968 in Brunswick. He holds a PhD in mechanical engineering and has been with the Volkswagen Group since 1994. After graduating from high school, Mr. Blume began his studies at TU Braunschweig in 1988, and was awarded a degree in mechanical engineering in 1994. He completed his PhD thesis to receive the title of Doctor of Engineering in Vehicle Engineering from the Institute of Vehicle Technology at Tongji University, Shanghai, in 2001. Mr. Blume already started his professional career in 1994, joining the international trainee program at AUDI AG. After roles in body construction planning and logistics, he held various senior management functions until 2006, including Head of Body Construction for the A3, Head of the AUDI AG Pilot Plant, and Head of Planning and the Pilot Series Centre at SEAT S.A. in Barcelona. Mr. Blume moved to Wolfsburg as Head of Production Planning at the Volkswagen brand in 2009. He became the member of the Executive Board for Production and Logistics at Porsche AG in 2013. He was appointed Chairman of the Executive Board of Dr. Ing. h. c. F. Porsche AG in 2015.

Dr. Blume was not a member of the executive, administrative, or supervisory bodies and/or a partner in any enterprises or companies as of December 31, 2021.

Dr. Arno Antlitz was born March 30, 1970 in Premich, Lower Franconia, Germany. He studied industrial engineering at the Technical University Darmstadt, specializing in mechanical engineering, and earned his doctorate in political science (Dr. rer. pol.) at the Otto Beisheim School of Management (WHU). In 1999, he started at the business consulting firm McKinsey & Company, where he was last employed as an Associate Principal. His areas of emphasis included strategy, organization optimization and cost optimization in the automotive and supplier industries. Dr. Antlitz joined Volkswagen Aktiengesellschaft in 2004. Early in 2005, he was given responsibility for global product controlling at Volkswagen brand. Since January 1, 2010 Dr. Antlitz was Member of the Volkswagen Brand Board of Management for "Controlling and Accounting". From March 1, 2020 until March 31, 2021 Dr. Antlitz was Chief Financial Officer of the AUDI Aktiengesellschaft in Ingolstadt. The Supervisory Board of Volkswagen AG transferred responsibility for Finance at Group level in the Board of Management to Dr. Antlitz with effect from April 1, 2021. Since February 1, 2022, Dr. Antlitz has been responsible for the business area Finance at Group level in the Board of Management.

Dr. Antlitz was not a member of the executive, administrative, or supervisory bodies and/or a partner in any enterprises or companies as of December 31, 2021.

Markus Duesmann was born on June 23, 1969 in Heek, North Rhine-Westphalia. In 1991, he completed his studies of mechanical engineering at Steinfurt University of Applied Sciences with a degree in engineering. He began his career in 1992 as a design engineer for a V12 series-production engine at Mercedes-Benz in Stuttgart. In 1995, he moved to the development service provider FEV GmbH in Aachen, where he held various positions, the last of which was head of the engine mechanics division. In 2004, he took over the position of main department manager for new diesel engines at DaimlerChrysler AG in Stuttgart, and in 2005 became head of Formula 1 development at Mercedes-Benz in Brixworth in the United Kingdom. In 2007, Markus Duesmann moved to BMW AG as head of formula 1 powertrain. After holding several responsible positions at that company, he was Board of Management Member for Purchasing and Supplier Network at BMW AG from October 2016 until July 2018. The Supervisory Board of Volkswagen AG has appointed Markus Duesmann as Chairman of the Board of Management at AUDI AG effective April 1, 2020. As of the same date, he will also have Board of Management responsibility for Group Research and Development.

Mr. Duesmann was not a member of the executive, administrative, or supervisory bodies and/or a partner in any enterprises or companies as of December 31, 2021.

Murat Aksel was born in 1972. He holds a degree in Industrial Engineering from the Technical University of Kaiserslautern. He began his career in 1998 in the purchasing department of Opel in Rüsselsheim. In 2001, he took over responsibility for supply chain management at General Motors and Fiat in Turin before moving to Shanghai in 2008 as Executive Director of Electrical Vehicle and Powertrains at General Motors. In 2009, the BMW Group appointed him Head of Purchasing and Supplier Network Body and Equipment. In this function, he was also responsible for site management of the BMW Landshut component plant from 2011

to 2012. In 2015 he was appointed Process Chain Manager Driving Dynamics and Integration. Since 2017, Mr. Aksel was Senior Vice President of Purchasing and Supplier Network Americas at BMW with responsibility for purchasing and the supplier network in America. Mr. Aksel was appointed to the Board of Management as of 1 January 2021.

Mr. Aksel was not a member of the executive, administrative, or supervisory bodies and/or a partner in any enterprises or companies as of December 31, 2021.

Ralf Brandstätter was born in Brunswick on September 8, 1968. He trained as a shopfitter at the Volkswagen plant in Brunswick. He then studied industrial engineering and joined the Volkswagen Group in 1993. Following positions in international project steering in the procurement division, he became an assistant to the Board of Management in the General Secretariat of Volkswagen AG. In 1998, he took charge of metal procurement for chassis and powertrain components and was made project manager for new vehicle projects in 2003. In 2005, he moved to Spain as head of procurement. He became the member of the SEAT Executive Committee responsible for Purchasing in 2008. Brandstätter was named Head of Group Procurement Exterieur in 2010. He was appointed Head of Group Purchasing New Product Launches in 2012 and was made a General Representative of Volkswagen AG in October 2015. Mr. Brandstätter was appointed a member of the Board of Management of the Volkswagen Passenger Cars brand on December 9, 2015. He held responsibility for procurement from December 2015 to the end of February 2019. Mr. Brandstätter has led the Volkswagen Passenger Cars brand as Chief Operating Officer (COO) since August 1, 2018. Mr. Brandstätter became Chairman of the Board of Management (CEO) of the Volkswagen Passenger Cars brand on July 1, 2020. Mr. Brandstätter was appointed to the Board of Management as of January 1, 2022.

Mr. Brandstätter was not a member of any comparable executive, administrative, or supervisory bodies and/or a partner in any enterprises or companies as of December 31, 2021.

Dr. Jur. Manfred Döss was born in 1958 in Bad Kreuznach, Germany. He studied law at the Johannes Gutenberg University in Mainz, Germany. After his post-graduate clerkship in 1987, he received his doctorate in 1990. Dr. Döss started his career at Metallgesellschaft AG (today Gea AG) in the legal department. In 1996, he became head of the legal department and in 1994, he also became representative of senior executives in the co-determined Supervisory Board of Metallgesellschaft AG. From 2005 to 2013, Dr. Döss worked as head of the legal department of RWE AG. From 2007 to 2009, he also served as non-executive director during the initial public offering of American Water Works Co. Inc., Voorhees (NJ), USA, a former subsidiary of the RWE Group. From 2013 to 2015, Dr. Döss served as head of the Legal department of Porsche Automobil Holding SE. Since 2016, Dr. Döss has served as member of the Management Board of Porsche Automobil Holding SE, responsible for Legal and Compliance. Dr. Döss was appointed to the Board of Management as of February 1, 2022.

Dr. Döss was not a member of any comparable executive, administrative, or supervisory bodies and/or a partner in any enterprises or companies as of December 31, 2021.

Gunnar Kilian was born on January 31, 1975 in Westerland/Sylt and has worked for the Volkswagen Group since 2000. He started his professional career in 1995 as an intern with a newspaper, subsequently holding various editorial posts before joining Volkswagen AG as a public relations officer in 2000. From 2003, Mr. Kilian ran the office of a member of the German Bundestag, and returned to Volkswagen AG in 2006 as press spokesperson for the Group Works Council. He worked in the Salzburg office of the Chairman of the Volkswagen AG Supervisory Board from 2012 before returning to Wolfsburg in 2013 to take up the post of Secretary-General and General Manager of the Group Works Council. Mr. Kilian also held Supervisory Board mandates at Wolfsburg AG, Porsche Holding Stuttgart GmbH, Volkswagen Truck & Bus GmbH, MAN Diesel & Turbo SE, Allianz für die Region GmbH as well as Volkswagen Vertriebsbetreuungsgesellschaft and MOIA GmbH. Mr. Kilian has engaged in voluntary work for many years, for example as Chairman of the Volkswagen Belegschaftsstiftung (Volkswagen Employee Foundation) and also as a member of the Stiftungsrat (Board of Trustees) of the International Youth Meeting Center in Auschwitz.

Mr. Kilian was a member of the executive, administrative, or supervisory bodies and/or a partner in the enterprise or company listed below as of December 31, 2021:

- Wolfsburg AG, Wolfsburg

Thomas Schmall-von Westerholt was born on January 9, 1964. After leaving school, he studied business management and labour and organisational psychology at the University of Giessen. Mr. Schmall-von Westerholt joined the Volkswagen Group in 1991. Following posts in industrial engineering in Wolfsburg,

Germany, Mexico and South Africa, Mr. Schmall-von Westerholt moved to Volkswagen do Brasil in 1999, becoming manager of the Curitiba plant one year later. Mr. Schmall-von Westerholt joined Volkswagen Slovakia as Board member for Technology in 2003, becoming Chairman of the Volkswagen Slovakia Board of Management based at the Bratislava plant two years later. Thomas Schmall-von Westerholt was appointed CEO of Volkswagen do Brasil in 2007. He also held the post of Vice President of the São Paulo German-Brazilian Chamber of Commerce between 2009 and 2013 and was then elected President of the Chamber until March 2015. Thomas Schmall-von Westerholt was appointed member of the Volkswagen Brand Board of Management responsible for Components effective 1 January 2015. Thomas Schmall-von Westerholt has been CEO of Volkswagen Group Components, an autonomous corporate unit under the umbrella of Volkswagen AG, since 1 January 2019. In this role he supervised the transformation of the division into a stand-alone unit. Mr Schmall-von Westerholt shaped this transition, above all, with an eye on adequate return on investment to ensure self-financing in all business areas. Under central management, Components increased its competitiveness, achieved synergies, optimized plant utilization and investment planning—with the objective of making a lasting positive and sustainable value contribution to the Volkswagen Group’s operating profit. Mr. Schmall-von Westerholt was appointed to the Board of Management as of 1 January 2021.

Mr. Schmall-von Westerholt was not a member of the executive, administrative, or supervisory bodies and/or a partner in any enterprises or companies as of December 31, 2021.

Hauke Stars was born on June 3, 1967. Ms. Stars studied applied computer science at the Technical University of Magdeburg and studied further in the UK, graduating as a Master of Science in Engineering. Ms. Stars’ whole working life has also been closely tied to information technology. Ms. Stars began her professional career in the IT division of Bertelsmann at the beginning of the 1990s. She moved to the IT service provider Triaton in 1998, where she was initially in charge of software development and, from 2000 on, the member of the Management Board responsible for sales and marketing. Triaton was acquired by Hewlett Packard (HP) in 2004, with the result that Stars continued her career at this global IT group. She was responsible at HP for IT services business in the Netherlands and, from 2007, was Managing Director of HP’s local organization in Switzerland. In 2012, she joined the Executive Board of the DAX 40 company Deutsche Börse AG, where she was responsible for IT, capital market business and human resources (as Labor Director) until 2020. The technology and financial market expert has also held seats on various Supervisory Boards since 2009, currently with Supervisory Board mandates at the power company RWE and the logistics company Kühne+Nagel. Ms. Stars was appointed as a member of the Board of Management as of February 1, 2022. In this capacity, Ms. Stars is responsible for all Group-wide activities in the areas of IT, data, organizational development and process management.

Ms. Stars was not a member of any comparable executive, administrative, or supervisory bodies and/or a partner in any enterprises or companies as of December 31, 2021.

Hildegard Wortmann was born on September, 1966 in Münster. After graduating as a state-certified foreign language correspondent and studying business administration at the University of Münster, Ms. Wortmann started her career at Unilever in 1990. She held various positions there including Product and Brand Manager and was later Marketing Director for Calvin Klein. During her work with the company she gained international experience, including in London and New York. Alongside her professional career she completed an MBA in London. In 1998, she moved to the BMW Group, where she led the relaunch of the MINI brand as Head of Brand Communication. Her other professional positions at BMW included marketing pre-development, innovation projects, product management and after-sales. From 2010 to 2017 she was responsible for global product management for BMW. In addition, from 2016 she assumed the overall brand responsibility for the BMW brand. With the development and launch of the electric brand BMW i, Ms. Wortmann placed a decisive focus on e-mobility. In January 2018 she moved to Singapore, where she was responsible for the Asia-Pacific sales region. Ms. Wortmann has been the Member of the Board of Management of AUDI AG for Sales and Marketing since July 1, 2019. Ms. Wortmann was appointed to the Board of Management for Sales as of February 1, 2022.

Ms. Wortmann was not a member of any comparable executive, administrative, or supervisory bodies and/or a partner in any enterprises or companies as of December 31, 2021.

11.1.2 Remuneration of members of the Board of Management

The new remuneration system has applied since January 1, 2021 to all Board of Management members with service contracts newly concluded or renewed after the Supervisory Board resolution of December 14,

2020. For the Board of Management members already appointed at the time of the resolution by the Supervisory Board on December 14, 2020, the new remuneration system also applies in principle from January 1, 2021. Until such time as their contracts are renewed, however, the following exceptions apply: the performance share plan of the Board of Management members already appointed continues to have only a three-year performance period but otherwise corresponds to the performance share plan described in this system. Penalty and clawback rules will only apply to Board of Management members already appointed on renewal of their contracts.

11.1.2.1 Fixed remuneration components

The fixed remuneration components of the remuneration system include (i) base salary; (ii) fringe benefits; and (iii) occupational retirement provisions. The base salary is composed of twelve equal installments payable at month-end. The Chair of the Board of Management receives €2,235,000 and a Board of Management member receives €1,420,000. Fringe benefit allowance (€175,000) covers certain benefits at the discretion of the Board of Management member, for example: (a) company cars; (b) preventative medical check-ups; (c) allowances for health and long-term care insurance; and (d) accident insurance. Volkswagen credits benefits against the fringe benefit allowance where these are subject to payroll tax and then there is payment of the remaining amount. The basic remuneration and fringe benefits are intended to reflect the tasks and responsibility of the Board of Management members, provide a basic income and prevent members from taking inappropriate risks.

The occupational retirement provision of the fixed remuneration component involves a defined contribution plan by means of direct commitments to retirement, disability and surviving dependents' benefits. Retirement normally occurs when the members reach the age of 65 (or 63 in the case of Board of Management members who took office before January 1, 2020). There is an annual pension contribution of 40% of the contractually agreed base salary (or 50% in the case of Board of Management members who took office before January 1, 2018). The occupational retirement provision is intended to provide Board of Management members with an adequate pension when they retire.

11.1.2.2 Variable remuneration components

The variable remuneration components include (i) an annual bonus; and (ii) a long-term incentive component. The annual bonus involves a target bonus: (i) the Chair of the Board of Management has a target amount of €3,045,000; and (ii) a Board of Management member: €1,350,000. The payment amount for the annual bonus is capped at 180% of the target amount for the annual bonus. A member's annual bonus payment amount is calculated by: individual target amount x financial target achievement x ESG factor. The annual bonus is designed to motivate Board of Management members to pursue ambitious targets. The financial performance targets support the strategic target of achieving competitive profitability. Integration of the sustainability targets takes into account the importance of ESG factors.

11.1.2.2.1 Annual bonus – financial subtarget

Each member's performance criteria includes the financial subtargets of: (a) operating result ("OR") including Chinese joint ventures (proportionately) which accounts for 50% and (b) operating return on sales which accounts for the other 50%. The Supervisory Board defines minimum, target and maximum values for the financial subtargets for each fiscal year. The minimum corresponds to subtarget achievement of 0% of the OR including Chinese joint ventures (proportionate) or 50% of the operating return on sales. The target value corresponds to a subtarget achievement of 100% in each case and the maximum value is the subtarget achievement of 150%. The overall financial target achievement equals: subtarget achievement "operating result including Chinese joint ventures (proportionate)" x 50% + "subtarget achievement operating return on sales" x 50%.

11.1.2.2.2 Annual bonus – ESG factor

The performance criteria to receiving one's annual bonus is also affected by an ESG factor. In this structure, there are subtargets of: (i) 50% each for the Environment (decarbonization index) and Social (sentiment rating and diversity index) and (ii) the Governance factor between 0.9 and 1.1 (compliance & integrity, standard value of 1.0). The Supervisory Board defines minimum, target, and maximum values for the Environment and Social subtargets for each fiscal year. The minimum, target, and maximum values correspond to subtarget achievement of 0.7, 1.0, and 1.3, respectively. The Supervisory Board sets the Governance factor after the end of the fiscal year taking into account the collective performance of the Board of Management

as a whole and the performance of each Management Board member individually. The overall calculation of the ESG factor is: (Environment subtarget achievement x 50% + Social subtarget achievement x 50%) x Governance factor (0.9 – 1.1).

11.1.2.3 Long-term incentive

The long-term incentive involves a phantom performance share plan. The long-term incentive serves to align the remuneration of the Board of Management members with the Company's long-term performance. The financial performance target EPS (earnings per share) in conjunction with share price performance and the dividends paid, measured over four years, ensures long-term behavioral incentives and supports the strategic target of achieving competitive profitability. The performance period is measured forward over four years. For the Board of Management members already appointed prior to December 14, 2020, a three-year performance period continues to apply until their contracts are renewed. In all other respects, the performance share plan corresponds to the new system for fiscal year 2021. The target amount for (i) the Chair of the Board of Management is €3,830,000; and (ii) a Board of Management member: €1,800,000. The payment amount under the performance share plan is limited to 200% of the target amount. In terms of the allocation of performance shares: at the start of each fiscal year, the individually agreed target amount is divided by the arithmetic mean of the closing prices of Volkswagen's preferred shares (German Securities Identification Number: 766403) in the Xetra trading system of Deutsche Börse AG as of the last 30 trading days prior to January 1 in the respective performance period (the initial reference price).

At the start of the performance period, the Supervisory Board defines minimum, target and maximum values for EPS (as presented in the annual report as audited) which the represent fully diluted earnings per Volkswagen preferred share from the Company's continuing and discontinued operations. The EPS minimum corresponds to a target achievement of 50%, the EPS target corresponds to a target achievement of 100% and the EPS maximum corresponds to a target achievement of 150%. The determination of one-quarter of the allocated performance shares at the end of each fiscal year depends on the EPS target achievement.

In terms of calculating the payment amount, the fixed performance shares are multiplied by the arithmetic mean of the closing prices of Volkswagen's preferred shares in the Xetra trading system of Deutsche Börse AG on the last 30 trading days prior to the end of the performance period (the "closing reference price") and the dividends paid out per Volkswagen preferred share during the performance period (the "dividend equivalent"). However if a member's service contract ends before the end of the performance period due to a bad leaver case (for example, extraordinary termination for cause or a breach of a contractual or post contractual restraint on competition), all performance shares will be forfeited.

11.1.2.3 Other services

Volkswagen may also offer a special payment which is intended to reward outstanding and exceptional performance and may only be granted if they are in the Company's interest and are associated with future benefits for the Company. Special payments are only on the basis of a separate contractual agreement with the Board of Management member. The agreement is made in advance for the fiscal year and defines performance criteria for the special payment. There are currently no special payment agreements with Board of Management members.

Volkswagen may also offer certain benefits as agreed with new Board of Management members for either a defined period of time or for the entire term of their service contracts. Such payments are designed to attract qualified candidates. These benefits are only on the basis of a separate contractual agreement with the new Board of Management member. Payments may compensate for declining variable remuneration or other financial disadvantages. Benefits may be offered in connection with a relocation. Such payments serve as a minimum remuneration guarantee. New Board of Management members did not receive any special benefits in the past fiscal year.

11.1.2.4 Other remuneration provisions

11.1.2.4.1 Penalty and clawback rules

Penalty and clawback rules are intended to counteract individual misconduct and negligence on the part of the organization. For the Board of Management members already appointed prior to December 14, 2020, penalty and clawback rules only apply once such members' contracts have been renewed. Essentially, the Supervisory Board may reduce or request repayment of the annual bonus and LTI by up to 100% in the

event of misconduct during the assessment period. A clawback is not permissible if more than three years has elapsed since the bonus was paid.

11.1.2.4.2 Maximum remuneration

The aim of the maximum remuneration is to ensure that the remuneration of Board of Management members is not inappropriately high when measured against the peer group. The relevant components are the base salary paid for the respective fiscal year, the fringe benefits granted, the service cost for occupational retirement provision, the annual bonus granted for the respective fiscal year and paid out in the following year, the performance share plan paid out in the respective fiscal year and for which the performance period ended immediately before the respective fiscal year, any special payment granted for the respective fiscal year and any benefits granted to new Board of Management members.

For Board of Management members, the maximum threshold is €7,000,000 (gross) per fiscal year and for the chair of the Board of Management the maximum threshold is €12,000,000 (gross) per fiscal year. If the maximum remuneration is exceeded, the annual bonus will be reduced. If a reduction is not sufficient, the Supervisory Board may, at its discretion, reduce other remuneration components or request repayment of remuneration paid out.

11.1.2.4.3 Cap on cash remuneration

The cap on cash remuneration is intended to prevent unacceptably high disbursements in the individual fiscal year. This mechanism is in addition to maximum remuneration. The cash remuneration includes the base salary paid in the respective fiscal year, the annual bonus granted for the respective fiscal year and paid out in the following year, the performance share plan paid in the respective fiscal year and any special payment granted for the respective fiscal year. For Board of Management members, the threshold is €5,500,000 (gross) per fiscal year and for the chair of the Board of Management, the threshold is €10,000,000 (gross) per fiscal year.

11.1.3 Remuneration of the Board of Management members appointed in fiscal year 2021

The following table shows the remuneration actually received by the Board of Management members in 2021 (Mr. Ralf Brandstätter only joined the Board of Management as of 1 January 2022, Dr. Jur. Manfred Döss, Ms. Hauke Stars and Ms. Hildegard Wortmann only joined the Board of Management as of 1 February 2022). The remuneration reported as granted in fiscal year 2021 thus consists of the base salary paid out in fiscal year 2021, the fringe benefits, the annual bonus paid in the month following the approval of the Company's consolidated financial statements for fiscal year 2021 and the LTI for the performance period 2018 to 2020 paid in fiscal year 2021. As the Company was not in default on the payment of remuneration components, no remuneration owed is reported in the tables.

The relative shares shown in the tables relate to the remuneration components granted and owed in the respective fiscal year in accordance with section 162(1) sentence 1 of the AktG. They thus include all benefits actually received in the respective fiscal year, regardless of the fiscal year for which the Board of Management members received them. The relative shares indicated here are thus not comparable with the respective relative shares of fixed and variable remuneration components as part of total remuneration in the description of the remuneration system according to section 87a(1) sentence 2 no. 3 of the AktG. The shares indicated in the remuneration system relate to the targets agreed for the relevant fiscal year, irrespective of the time at which the respective remuneration component was paid out.

Pension expense is reported as service cost within the meaning of IAS 19. The service cost in accordance with IAS 19 does not constitute remuneration granted or owed within the meaning of section 162(1) sentence 1 of the AktG as it is not actually received by the Board of Management member in the reporting year.

Maximum remuneration corresponds to maximum remuneration within the meaning of section 87a(1) sentence 2 no. 1 of the AktG in accordance with the remuneration system adopted by the Supervisory Board and approved by the Annual General Meeting. As in the past, in addition to maximum remuneration, a limit on cash remuneration, which includes the base salary paid out for the relevant fiscal year, the annual bonus granted for the relevant fiscal year and paid out in the subsequent year, the performance share plan paid out in the relevant fiscal year and any special payment granted for the relevant fiscal year, has been agreed with the members of the Board of Management.

Board of Management service contracts that are new or have been renewed since the Supervisory Board adopted the new remuneration system for the members of the Board of Management on December 14, 2020 also contain the penalty and clawback rules provided for in this remuneration system. The service contracts of the Board of Management members Ms. Werner, Mr. Blume and Mr. Duesmann, who were already appointed as of December 14, 2020, therefore do not contain penalty or clawback rules, nor did Mr. Witter's service contract, which ended on June 30, 2021. Volkswagen AG did not make use of the existing penalty and clawback rules in fiscal year 2021.

	Component of remuneration				
	Fixed remuneration components	Variable remuneration			Other remuneration
One-year variable remuneration/ annual bonus		Long-term incentive (performance share plan) 2018-2020			
Dr. Ing. Herbert Diess	2,413,231.00	5,294,646.00	886,668.16	—	8,594,545.16
Murat Aksel	1,600,481.00	2,347,380.00	—	—	3,947,861.00
Arno Anlitz ⁽¹⁾ (since April 1, 2021)	1,200,764.00	1,760,535.00	—	—	2,961,299.00
Dr. Oliver Blume	1,600,442.00	2,347,380.00	351,318.72	—	4,299,140.72
Markus Duesmann	1,623,048.00	2,347,380.00	—	—	3,970,428.00
Gunnar Kilian	1,600,442.00	2,347,380.00	1,383,318.72	—	5,331,140.72
Thomas Schmall-von Westerholt	1,600,235.00	2,347,380.00	—	—	3,947,615.00
Hiltrud Dorothea Werner*	1,599,781.00	2,149,931.72	1,930,068.28	—	5,679,781.00
Frank Witter ^{(2)*} (until March 31, 2021)	400,012.00	586,845.00	122,517.07	—	1,109,374.07
Total	13,638,436.00	21,528,857.72	4,673,890.95	0	39,841,184.67

	Pension expenses	Total remuneration including pension expenses	Max remuneration	Clawback
Dr. Ing. Herbert Diess	1,717,037.00	10,311,582.16	12,000,000.00	—
Murat Aksel	1,076,359.00	5,024,220.00	7,000,000.00	—
Arno Anlitz ⁽¹⁾ (since April 1, 2021)	883,496.00	3,844,795.00	5,250,000.00	—
Dr. Oliver Blume	1,092,470.00	5,391,610.72	7,000,000.00	—
Markus Duesmann	1,120,404.00	5,090,832.00	7,000,000.00	—
Gunnar Kilian	1,309,055.00	6,640,195.72	7,000,000.00	—
Thomas Schmall-von Westerholt	1,040,965.00	4,988,580.00	7,000,000.00	—
Hiltrud Dorothea Werner*	1,261,258.00	6,941,039.00	7,000,000.00	—
Frank Witter ^{(2)*} (until March 31, 2021)	271,099.00	1,380,473.07	1,750,000.00	—
Total	9,772,143.00	49,613,327.67	61,000,000.00	0

⁽¹⁾ Arno Anlitz became a member of the Board of Management as of April 1, 2021.

⁽²⁾ Frank Witter left the Board of Management on March 31, 2021.

* No longer part of the Board of Management as of the date of this Offering Memorandum.

11.1.4 Performance criteria for the long-term incentive (LTI)

The four-year performance share plan has applied since January 1, 2021 to all Board of Management members with service contracts newly concluded or renewed after the Supervisory Board resolution of December 14, 2020. This includes Mr. Anlitz, Mr. Aksel and Mr. Schmall-von Westerholt. For the Board of Management members already appointed at the time of the Supervisory Board resolution of December 14, 2020, a three-year performance period continues to apply until their contracts are renewed. This is the case for Ms. Werner, Mr. Duesmann, Mr. Blume and Mr. Witter. The four-year performance share plan applies pro rata from July 10, 2021 for Mr. Diess and pro rata from December 10, 2021 for Mr. Kilian.

11.1.5 *Benefit and pension commitments to Board of Management members for early termination*

The remuneration system for the members of the Board of Management and the service contracts of the Board of Management members provide for severance payments in the event that an appointment as member of the Board of Management is revoked. In such cases – except where there is good cause entitling the Company to terminate the service contract prematurely or where the appointment is revoked due to a gross breach of duty – the Board of Management member receives a gross severance payment in the amount of the total remuneration of the past fiscal year up to the end of the regular term of the appointment, for a maximum of two years, calculated as of the date of the termination of the appointment as member of the Board of Management. Any special payment will not be taken into account for the calculation. Should a Board of Management member leave during the course of the first fiscal year of the appointment, the calculation will by way of exception be based on the expected total remuneration for the current fiscal year.

11.1.6 *Pension commitments to Board of Management members for regular termination of service*

In the event of regular termination of their service on the Board of Management, the members of the Board of Management are entitled to a pension, including a surviving dependents' pension, as well as the use of company cars for the period in which they receive their pension. The agreed benefits are paid or made available when the Board of Management member reaches the age of 63, or in Mr. Duesmann's, Mr. Aksel's, Mr. Schmall-von Westerholt's and Mr. Antlitz's case, when they reach the age of 65. The Board of Management members received a defined contribution plan, which is based in principle on a works agreement that also applies to the employees of Volkswagen AG covered by collective agreements and includes retirement, invalidity and surviving dependents' benefits. A pension contribution in the amount of 50 % of the base salary for Ms. Werner and Mr. Diess and in the amount of 40 % of the base salary for Mr. Aksel, Mr. Blume, Mr. Duesmann, Mr. Kilian, Mr. Schmall-von Westerholt and Mr. Antlitz is paid to Volkswagen Pension Trust e.V. at the end of the calendar year for each year they are appointed to the Board of Management. The pension contribution for Mr. Witter was 50%. The annual pension contributions result in modules of what is, in principle, a lifelong pension in line with the arrangements that also apply to employees covered by collective agreements.

The individual pension modules vest immediately upon payment to Volkswagen Pension Trust e.V.. Instead of a lifelong pension, benefits can optionally be paid out as a lump sum or in installments when the beneficiary reaches retirement age. Volkswagen AG has assumed responsibility for pension entitlements due to Mr. Witter from the time before his service with the Company. The earliest point at which he can draw his pension is when he reaches the age of 60; for his other pension entitlements, the earliest point at which Mr. Witter may retire is at the age of 62.

11.1.7 *Benefits and pension commitments to Board of Management members who left in fiscal year 2021*

Mr. Witter left in fiscal year 2021. He was originally appointed as a member of the Volkswagen AG Board of Management until the end of June 30, 2021. Mr. Witter's appointment to the Board of Management of Volkswagen AG was terminated early by mutual agreement, effective March 31, 2021. Due to this termination, Volkswagen AG concluded a termination agreement with Mr. Witter. The subject of this termination agreement included the continuation of his service contract until its regular termination date, i.e. until the end of June 30, 2021. Volkswagen AG agreed to continue paying Mr. Witter his monthly base salary until the termination date of his service contract and to grant the annual bonus for 2021 and the LTI for the performance period 2021– 2023 on a pro rata basis (6/12). Until the end of his service contract, Mr. Witter retained private use of his company cars and was entitled to fringe benefits.

11.1.8 *Shares held by members of the Board of Management*

As at March 8, 2019, Dr. Herbert Diess held 14,000 ordinary shares in the Company. On March 15, 2020, Dr. Diess disclosed a purchase of shares arrangement via a standing order on the basis of a voluntary commitment of acquisition of shares. The standing order began on March 15, 2020 and has an undetermined duration, needing to be cancelled in written form. The monthly volume is the equivalent value of €50,000,00 (plus ancillary acquisition costs) taking the calculated quantity based on the current purchase price of Volkswagen AG ordinary share at Frankfurt stock exchange. The monthly purchase date is each 15th day of a month; trading place: Frankfurt Stock Exchange.

11.2 Supervisory Board

The Supervisory Board advises the Board of Management on managing the Company and supervises its conduct of the business. In this regard, the Supervisory Board may demand special reports from the Board of Management at any time. In addition, the Board of Management must report to the Supervisory Board on a regular basis about the business of the Company and fundamental matters of business planning.

In accordance with German statutory law and the Company's articles of association, the Supervisory Board consists of 20 members, of whom 10 are shareholder representatives and 10 are elected by the employees.

Pursuant to the Company's articles of association, the German Federal State of Lower Saxony is entitled to appoint two of the shareholder representatives to the Supervisory Board of the Company, as long as the State of Lower Saxony directly or indirectly holds at least 15% of the ordinary shares of the Company. The Supervisory Board membership of Dr. Bernd Althusmann and Stephan Weil are based on this right. The remaining shareholder representatives on the Supervisory Board are elected by the general shareholders' meeting.

The members of the Supervisory Board are elected for a term that ends upon the close of the general shareholders' meeting which resolves the discharge of members from their supervisory duties for the fourth year following the start of their terms of office. The year in which the term of appointment commences is not included in this calculation. A member of the Supervisory Board may resign from his position at any time by giving the Supervisory Board Chairman one month's prior written notice.

A Supervisory Board member elected by the general shareholders' meeting without being bound by an election proposal, i.e. a member elected outside the special rules for the election of employee representatives, may be removed by the general shareholders' meeting at any time before the expiration of his appointment without cause, by resolution adopted by a majority of three quarters of the votes cast.

Resolutions of the Supervisory Board require a majority of the votes cast, unless otherwise provided in the articles of association or by law. If there is a tie vote on the Supervisory Board, and a second vote on the same matter also results in a tie, the Supervisory Board Chairman has two votes. The Deputy Chairman is not entitled to a second vote; this applies also in the absence of the Supervisory Board Chairman. Resolutions on setting up or relocating production facilities require a two-thirds majority of the members of the Supervisory Board.

11.2.1 Committees

The Supervisory Board has formed the following four committees: the Executive Committee, the Mediation Committee, the Audit Committee and the Nomination Committee. The Special Diesel Engine Committee was dissolved with effect from the end of December 31, 2021.

The Executive Committee is comprised of four shareholder representatives and four employee representatives. The shareholder representatives on the Executive Committee make up the Nomination Committee. The Audit Committee and the Mediation Committee are each composed of two shareholder representatives and two employee representatives.

The responsibilities of the Executive Committee include preparing the resolutions of the Supervisory Board and deciding on contractual matters regarding the Board of Management. The following persons are members of the Executive Committee: Hans Dieter Pötsch (Chairman), Jörg Hofmann (Deputy Chairman), Daniela Cavallo, Peter Mosch, Bertina Murkovic, Dr. jur. Hans Michel Piëch, Dr. rer. comm. Wolfgang Porsche and Stephan Weil. The Executive Committee met 12 times during 2021.

The Mediation Committee is responsible, in accordance with the German Co-Determination Act, for appointing the members of the Board of Management. The following persons are members of the Mediation Committee: Hans Dieter Pötsch (Chairman), Jörg Hofmann (Deputy Chairman), Daniela Cavallo and Stephan Weil. The Mediation Committee met six times during 2021.

The Audit Committee prepares the advice and resolutions of the Supervisory Board on accounting matters. This includes approval of the annual financial statements of Volkswagen AG and the consolidated financial statements, questions relating to accounting and risk management, particularly reviewing the risk monitoring system for compliance issues, and the independence of the external auditor and commissioning an external auditor to audit the annual and consolidated financial statements, including establishing focal points for the audit and agreeing on fees. The Supervisory Board may assign additional tasks to the Audit Commit-

tee. The following persons are members of the Audit Committee: Dr. jur. Ferdinand Oliver Porsche (Chairman), Peter Mosch (Deputy Chairman), Marianne Heiß and Conny Schönhardt. The Audit Committee met four times in 2021.

The task of the Nomination Committee is to suggest suitable candidates to the Supervisory Board who it may propose for election to the general shareholders' meeting. The following persons are members of the Nomination Committee: Hans Dieter Pötsch (Chairman), Dr. jur. Hans Michel Piëch, Dr. rer. comm. Wolfgang Porsche and Stephan Weil. The Nomination Committee met on one occasion in 2021.

A further committee formed by the Supervisory Board is the Special Diesel Engine Committee, which was in existence from October 2015 to December 2021. The tasks of the Special Diesel Engine Committee were essentially completed by the end of December 2021, by when the Supervisory Board had completed its investigations into the diesel issue as far as the civil liability of the members of the boards are concerned.

11.2.2 *Members of the Supervisory Board*

The below table shows the names of the members of the Supervisory Board of Volkswagen AG as of the date of this Offering Memorandum and their respective ages as of December 31, 2021. Information regarding their principal business activities performed outside Volkswagen AG, including other principal directorships, listed below is as of December 31, 2021 unless otherwise indicated.

<u>Name, Position</u>	<u>Age</u>	<u>Principal activities outside Volkswagen AG</u>
Hans Dieter Pötsch Chairman Chairman of the Executive Board of Porsche Automobil Holding SE	70	<ul style="list-style-type: none"> • AUDI AG, Ingolstadt⁽¹⁾ • Autostadt GmbH, Wolfsburg⁽¹⁾ • Bertelsmann Management SE, Gütersloh⁽¹⁾ • Bertelsmann SE & Co. KGaA, Gütersloh⁽¹⁾ • Dr. Ing. h.c.F. Porsche AG, Stuttgart⁽¹⁾ • TRATON SE, Munich (Chairman)⁽²⁾ • Wolfsburg AG, Wolfsburg⁽¹⁾ • Porsche Austria Gesellschaft m.b.H., Salzburg (Chairman)⁽²⁾ • Porsche Holding Gesellschaft m.b.H., Salzburg (Chairman)⁽²⁾ • Porsche Retail GmbH, Salzburg (Chairman)⁽²⁾ • VfL Wolfsburg-Fußball GmbH, Wolfsburg (Deputy Chairman)⁽²⁾
Mansoor Bin Ebrahim Al-Mahmoud Chief Executive Officer Qatar Investment Authority	47	<ul style="list-style-type: none"> • Qatar Exchange, the Doha-Based International stock exchange (Vice-Chairman)⁽²⁾ • Qatar Airways (Vice-Chairman)⁽²⁾ • Special Advisor to Qatar Museums' Chairperson, H.E. Sheikha Al Mayassa bint Hamad bin Khalifa Al Thani⁽²⁾ • Board member for QNB, Qatari Diar, the Doha Film Institute and Hamad Bin Khalifa University⁽²⁾
Dr. Hessa Sultan Al-Jaber Former Minister of Information and Communications Technology, Qatar	62	<ul style="list-style-type: none"> • Malomatia, Doha (Chairwoman)⁽²⁾ • MEEZA, Doha⁽²⁾ • Qatar Satellite Company (Es'hailSat), Doha (Chairwoman)⁽²⁾ • Trio Investment, Doha (Chairwoman)⁽²⁾

<u>Name, Position</u>	<u>Age</u>	<u>Principal activities outside Volkswagen AG</u>
Dr. Bernd Althusmann Minister of Economic Affairs, Labor, Transport and Digitalization for the Federal State of Lower Saxony	55	<ul style="list-style-type: none"> • Deutsche Messe, AG, Hanover (Deputy Chairman)⁽¹⁾ • Container Terminal Wilhelmshaven JadeWeserPort-Marketing GmbH & Co. KG, Wilhelmshaven (Chairman)⁽²⁾ • JadeWeserPort Realisierungs GmbH & Co. KG, Wilhelmshaven (Chairman)⁽²⁾ • JadeWeserPort Realisierungs-Beteiligungs GmbH, Wilhelmshaven (Chairman)⁽²⁾ • Niedersachsen Ports GmbH & Co. KG, Oldenburg (Chairman)⁽²⁾
Dr. Arno Homburg Chairman of the Board of Management of Volkswagen Management Association	53	n.a.
Matías Carnero Sojo Chair of the General Works Council of SEAT	53	n.a.
Daniela Cavallo* Chair of the General and Group Works Councils of Volkswagen AG	46	<ul style="list-style-type: none"> • TRATON SE, Munich⁽¹⁾ • Volkswagen Financial Services AG, Braunschweig (Deputy Chair)⁽¹⁾ • Wolfsburg AG, Wolfsburg⁽¹⁾ • Allianz für die Region GmbH, Braunschweig⁽²⁾ • Porsche Holding Gesellschaft m.b.H., Salzburg⁽²⁾ • SEAT, S.A., Martorell⁽²⁾ • ŠKODA Auto a.s., Mladá Boleslav⁽²⁾ • VfL Wolfsburg-Fußball GmbH, Wolfsburg⁽²⁾ • Volkswagen Group Services GmbH⁽²⁾
Marianne Heiß ⁽³⁾ Chief Executive Officer of BBDO Group Germany GmbH, Düsseldorf	49	<ul style="list-style-type: none"> • AUDI AG, Ingolstadt⁽¹⁾ • Porsche Automobil Holding SE, Stuttgart⁽¹⁾ •
Jörg Hofmann* Deputy Chairman First Chairman of IG Metall	66	<ul style="list-style-type: none"> • Robert Bosch GmbH, Stuttgart⁽¹⁾
Simone Mahler Chairwoman of the Works Council of VW Financial Services AG, Braunschweig	51	<ul style="list-style-type: none"> • Vehicle Trading International GmbH
Dr. Louise Kiesling Entrepreneur	64	n.a.
Peter Mosch* Chairman of the General Works Council of AUDI AG	49	<ul style="list-style-type: none"> • AUDI AG, Ingolstadt (Deputy Chairman)⁽¹⁾ • Audi Pensionskasse – Altersversorgung der AUTO UNION GmbH, VVaG, Ingolstadt⁽¹⁾ • CARIAD SE, Wolfsburg (Deputy Chair)⁽¹⁾ • Audi Stiftung für Umwelt GmbH, Ingolstadt⁽²⁾
Daniela Nowak, Chairwoman of the Works Council of Volkswagen AG Braunschweig	51	n.a.

<u>Name, Position</u>	<u>Age</u>	<u>Principal activities outside Volkswagen AG</u>
Dr. jur. Hans Michel Piëch Lawyer in private practice	79	<ul style="list-style-type: none"> • AUDI AG, Ingolstadt⁽¹⁾ • Dr. Ing. h.c. F. Porsche AG, Stuttgart⁽¹⁾ • Porsche Automobil Holding SE, Stuttgart (Deputy Chairman)⁽¹⁾ • Porsche Cars Great Britain Ltd., Reading⁽²⁾ • Porsche Cars North America Inc., Atlanta⁽²⁾ • Porsche Greater China, consisting of: Porsche (China) Motors Limited, Shanghai Porsche Hong Kong Limited, Hong Kong⁽²⁾ • Porsche Holding Gesellschaft m.b.H., Salzburg⁽²⁾ • Schmittenhöhebahn AG, Zell am See⁽²⁾ • Volksooper Wien GmbH, Vienna⁽²⁾
Dr. jur. Ferdinand Oliver Porsche Member of the Board of Management of Familie Porsche AG Beteiligungsgesellschaft	60	<ul style="list-style-type: none"> • AUDI AG, Ingolstadt⁽¹⁾ • Dr. Ing. h.c. F. Porsche AG, Stuttgart⁽¹⁾ • Porsche Automobil Holding SE, Stuttgart⁽¹⁾ • Porsche Holding Gesellschaft m.b.H., Salzburg⁽²⁾ • Porsche Lifestyle GmbH & Co. KG, Ludwigsburg⁽²⁾
Dr. rer. comm. Wolfgang Porsche Chairman of the Supervisory Board of Porsche Automobil Holding SE Chairman of the Supervisory Board of Dr. Ing. h.c. F. Porsche AG	78	<ul style="list-style-type: none"> • AUDI AG, Ingolstadt⁽¹⁾ • Dr. Ing. h.c. F. Porsche AG, Stuttgart (Chairman)⁽¹⁾ • Porsche Automobil Holding SE, Stuttgart (Chairman)⁽¹⁾ • Familie Porsche AG Beteiligungsgesellschaft, Salzburg (Chairman)⁽²⁾ • Porsche Cars Great Britain Ltd., Reading⁽²⁾ • Porsche Cars North America Inc., Atlanta⁽²⁾ • Porsche Greater China, consisting of: Porsche (China) Motors Limited, Shanghai Porsche Hong Kong Limited, Hong Kong⁽²⁾ • Porsche Holding Gesellschaft m.b.H., Salzburg⁽²⁾ • Schmittenhöhebahn AG, Zell am See⁽²⁾
Jens Rothe*	51	<ul style="list-style-type: none"> • Volkswagen Sachsen GmbH, Zwickau (Deputy Chair)⁽¹⁾
Conny Schönhardt ^{(4)*} Union Secretary to the Board of IG Metall	43	<ul style="list-style-type: none"> • CARIAD SE, Wolfsburg⁽¹⁾ • Volkswagen Bank GmbH, Braunschweig⁽¹⁾

<u>Name, Position</u>	<u>Age</u>	<u>Principal activities outside Volkswagen AG</u>
Stephan Weil Minister-President of the Federal State of Lower Saxony	63	n.a
Mr. Werner Weresch ^{(5)*} Member of the Executive Committee of the Works Council of Porsche Automobil Holding SE Chairman of the General and Group Works Councils of Dr. Ing. h.c. F. Porsche AG	60	• Dr. Ing. h.c. F. Porsche AG, Stuttgart ⁽¹⁾

* Employee representative.

⁽¹⁾ Membership of statutory supervisory boards in Germany.

⁽²⁾ Comparable appointments in Germany and abroad.

⁽³⁾ Replaced Ms. Annika Falkengren as member of the Supervisory Board as of February 14, 2018. Ms. Heiß was confirmed as a new member of the Supervisory Board at the Annual General Meeting held on May 3, 2018.

⁽⁴⁾ Replaced Ms. Birgit Dietze as member of the Supervisory Board as of June 16, 2019. Ms. Dietze resigned her mandate as a member of the Supervisory Board of Volkswagen AG with effect from May 31, 2019.

⁽⁵⁾ Replaced Mr. Uwe Hück as member of the Supervisory Board as of February 21, 2019. Mr. Hück resigned his mandate as a member of the Supervisory Board of Volkswagen AG with effect from February 8, 2019.

The following family relationships exist between the members of the Supervisory Board: Dr. jur. Hans Michel Piëch and Dr. rer. comm. Wolfgang Porsche are cousins. In addition, Dr. jur. Ferdinand Oliver Porsche is a nephew of the aforementioned members of the Supervisory Board. Dr. Louise Kiesling is a niece of Dr. jur. Hans Michel Piëch. There are no family relationships among the remaining members of the Supervisory Board.

11.2.3 Remuneration of members of the Supervisory Board

Section 113(3) of the AktG, as amended by ARUG II, requires the Annual General Meeting of listed companies to pass a resolution on the remuneration of Supervisory Board members at least every four years, whereby a resolution confirming the existing remuneration is also permissible. At the Annual General Meeting on July 22, 2021, the Supervisory Board and Board of Management presented the existing remuneration of the members of the Supervisory Board for confirmation and the remuneration system for approval. The members of the Supervisory Board of Volkswagen AG continue to receive the following remuneration, effected January 1, 2017:

- A fixed remuneration of €100,000 per fiscal year in addition to the reimbursement of their expenses.
- The Chairman of the Supervisory Board shall receive three times the amount, and the Deputy Chairman shall receive two times the amount of the fixed remuneration specified above.
- In addition, each member of the Supervisory Board shall receive an additional fixed remuneration of €50,000 per committee per fiscal year for his work in a committee of the Supervisory Board, if the respective committee has met at least once a year in fulfillment of its duties. This shall not include membership of the Nomination Committee and the Mediation Committee in accordance with Section 27 (3) of the German Codetermination Act (*Mitbestimmungsgesetz*). The chairmen of the committees shall receive two times the amount, and their deputy chairmen shall receive one-and-a-half times the amount of the aforementioned committee remuneration.
- The work on a maximum of two committees shall be included in calculating the remuneration. In case this maximum is exceeded the two most highly remunerated functions shall be decisive for the respective remuneration.
- Members of the Supervisory Board who have been member of the Supervisory Board or a committee of the Supervisory Board for only part of a fiscal year shall receive the remuneration on a *pro rata temporis* basis.
- For attendance at a meeting of the Supervisory Board or of a committee of the Supervisory Board each attending member shall receive an attendance fee of €1,000; if several meetings take place on the same day, the attendance fee shall only be paid once.
- The remuneration and the attendance fees shall be payable after the end of each fiscal year.

- The Company shall reimburse to each Supervisory Board member the value-added tax incurred on his remuneration. In addition, the Company undertakes to conclude a liability insurance in favor of the members of the Supervisory Board.

Members of the Supervisory Board who are also members of the Supervisory Board of other companies of the Volkswagen Group may receive additional remuneration from these companies.

In 2021, the aggregate remuneration of the Supervisory Board of the Company amounted to €3,457,500. The fixed remuneration for members of the Supervisory Board of the Company amounted to €2,207,777.79 and the remuneration for work in the committees of the Supervisory Board of the Company amounted to €1,024,722.21 in 2021. Remuneration for attendance fees amounted to €225,000.00 in 2021. The following table shows the remuneration of the Supervisory Board members in 2021.

	Component of remuneration				Remuneration for serving on Boards of Other Group Companies⁽¹⁾
	Fixed	Work in the Committees	Meeting Attendance Fees (in EUR) (unaudited)	Total	
Hans Dieter Pötsch	300,000.00	100,000.00	15,000.00	415,000.00	498,900.00
Jörg Hofmann ⁽²⁾	200,000.00	75,000.00	15,000.00	290,000.00	–
Hussain Ali Al-Abdulla	100,000.00	–	4,000.00	104,000.00	–
Hessa Sultan Al-Jaber	100,000.00	–	6,000.00	106,000.00	–
Bernd Althusmann ⁽³⁾	100,000.00	50,000.00	9,000.00	159,000.00	–
Kai Bliesener (until March 31, 2021) ⁽²⁾	25,000.00	–	2,000.00	27,000.00	–
Matías Carnero Sojo (since April 1, 2021) ⁽⁴⁾	–	–	–	–	–
Daniela Cavallo (since May 11, 2021) ⁽²⁾	63,888.89	61,944.44	11,000.00	136,833.33	86,308.59
Hans-Peter Fischer ⁽²⁾	100,000.00	–	10,000.00	110,000.00	–
Marianne Heiß	100,000.00	50,000.00	12,000.00	162,000.00	83,700.00
Ulrike Jakob ⁽²⁾	100,000.00	–	10,000.00	110,000.00	–
Louise Kiesling	100,000.00	–	8,000.00	108,000.00	–
Peter Mosch ⁽²⁾	100,000.00	96,458.33	16,000.00	212,458.33	163,900.00
Bertina Murkovic ⁽²⁾	100,000.00	100,000.00	16,000.00	216,000.00	–
Bernd Osterloh (until April 30, 2021) ⁽²⁾	33,055.56	41,319.44	4,000.00	78,375.00	47,552.18
Hans Michel Piëch	100,000.00	50,000.00	16,000.00	166,000.00	190,800.00
Ferdinand Oliver Porsche	100,000.00	150,000.00	13,000.00	263,000.00	163,800.00
Wolfgang Porsche	100,000.00	150,000.00	16,000.00	266,000.00	215,800.00
Jens Rothe (since October 22, 2021) ⁽²⁾	19,166.67	–	2,000.00	21,166.67	–
Conny Schönhardt ⁽²⁾	100,000.00	50,000.00	12,000.00	162,000.00	–
Athanasios Stimoniaris (until August 31, 2021) ⁽²⁾	66,666.67	–	6,000.00	72,666.67	199,586.15
Stephen Weil ⁽³⁾	100,000.00	50,000.00	13,000.00	163,000.00	–
Werner Weresch ⁽²⁾	100,000.00	–	9,000.00	109,000.00	94,500.00
Total	2,207,777.79	1,024,722.21	225,000.00	3,457,500.00	1,744,846.92

⁽¹⁾ The remuneration for membership of other Group bodies includes variable remuneration components for the following members of the Supervisory Board: Hans Dieter Pötsch (€142,400.00), Marianne Heiß (€71,200.00), Peter Mosch (€142,400.00), Hans Michel Piëch (€106,800.00), Ferdinand Oliver Porsche (€106,800.00), Wolfgang Porsche (€106,800.00) and Athanasios Stimoniaris (€40,000.00).

⁽²⁾ These employee representatives have stated that they will transfer their Supervisory Board remuneration to the Hans Böckler Foundation in accordance with the guidelines issued by the *Deutscher Gewerkschaftsbund* (DGB –German Confederation of Trade Unions).

⁽³⁾ Under section 5(3) of the *Niedersächsisches Ministergesetz* (German Act Governing Ministers of the State of Lower Saxony), these members of the Supervisory Board are obliged to transfer their Supervisory Board remuneration to the State of Lower Saxony as soon as and in so far as it exceeds €6,200 per annum. Remuneration is defined for this purpose as Supervisory Board remuneration and attendance fees exceeding the amount of €200.

⁽⁴⁾ Mr. Carnero Sojo waived his remuneration for fiscal year 2021 in its entirety.

11.2.4 Significant shareholdings of members of the Supervisory Board

Dr. Louise Kiesling, Dr. jur. Hans Michel Piëch, Dr. jur. Ferdinand Oliver Porsche and Dr. rer. comm. Wolfgang Porsche are members of the Supervisory Board and are indirect owners of voting rights in Volkswagen AG through their indirect interest in Porsche Automobil Holding SE and Porsche Gesellschaft m.b.H., which collectively hold approximately 53.3% of the ordinary shares of Volkswagen AG. See "*Major Shareholders*".

11.3 Conflicts of Interest and Related Party Transactions

Some of the members of the Board of Management and the Supervisory Board are also members of executive bodies of Volkswagen Group companies, which are companies in which the Company has a substantial interest, and of key shareholders of the Company, so-called dual mandates.

Such dual mandates are, for example, held by Dr. Oliver Blume, a member of the Board of Management and also simultaneously the Chairman of the Board of Management of Dr. Ing. h.c.F. Porsche AG.

Dual mandates also exist in relation to key shareholders of Volkswagen AG and the members of its governing bodies.

Dr. jur. Hans Michel Piëch, Dr. jur. Ferdinand Oliver Porsche and Marianne Heiß are simultaneously members of the Supervisory Board of Volkswagen AG and members of the Supervisory Board of Porsche Automobil Holding SE. Dr. rer. comm. Wolfgang Porsche, Chairman of the Supervisory Board of Porsche Automobil Holding SE, is simultaneously a member of the Supervisory Board of Volkswagen AG.

Dr. jur. Hans Michel Piëch, Dr. jur. Ferdinand Oliver Porsche and Mr. Werner Weresch are simultaneously members of the Supervisory Board of Volkswagen AG and members of the Supervisory Board of Dr. Ing. h.c. F. Porsche AG. Dr. rer. comm. Wolfgang Porsche, Chairman of the Supervisory Board of Dr. Ing. h.c. F. Porsche AG, is simultaneously a member of the Supervisory Board of Volkswagen AG.

Dr. jur. Hans Michel Piëch, Dr. jur. Ferdinand Oliver Porsche, Dr. rer. comm. Wolfgang Porsche, Peter Mosch and Marianne Heiß are members of the Supervisory Board of Volkswagen AG and members of the Supervisory Board of AUDI AG.

Due to the dual mandates, there could be instances in which there arises a conflict of interest in the structuring of business relationships between Volkswagen companies, as well as with other companies outside the Volkswagen Group, or a disadvantageous exercise of influence over the Volkswagen Group's business. This is particularly the case given the background that, due to the overlap of personnel and the Volkswagen Group's structure, decision-making within the Board of Management and the Supervisory Board cannot take place as independently as would be the case for subsidiaries which are not as connected with their parent company in the same manner. To the extent that conflicts of interest occur, the relevant members deal with them in a responsible manner and in accordance with legal requirements.

For information regarding benefits provided to members of the Board of Management and the Supervisory Board at the end of their employment relationship, see "*—Benefit and pension commitments to Board of Management members for early termination*", "*—Pension commitments to Board of Management members for regular termination of service*", "*—Benefits and pension commitments to Board of Management members who left in fiscal year 2021*", and "*—Supervisory Board—Remuneration of members of the Supervisory Board*".

Dr. Louise Kiesling, Dr. jur. Hans Michel Piëch, Dr. jur. Ferdinand Oliver Porsche and Dr. rer. comm. Wolfgang Porsche are members of the Supervisory Board and are indirect owners of voting rights in Volkswagen AG, as described above and under "*Major Shareholders*". For information regarding related party transactions involving these persons directly or their affiliates, refer to "*Related Party Transactions—Relationships of the Volkswagen Group with Porsche SE and the Porsche and Piëch families*".

Apart from the facts indicated above, there are no potential conflicts of interests between any duties to the Guarantor of the members of the Board of Management and the Supervisory Board and their private interests and or other duties.

12. EXCHANGE RATE INFORMATION

The following tables set forth information regarding the noon buying rates for euro in New York City as certified for customs purposes by the Federal Reserve Bank of New York expressed in U.S. dollars per euro during the periods and as of the dates shown (“**noon buying rates**”). The average exchange rate for the periods shown is the average of the month-end rates during the period, except for monthly average rates, which are determined by averaging the daily rates during the respective months. Unless otherwise noted, the rate used for the translations was U.S.\$ 1.1318 per €1.00, the noon buying rate on December 31, 2021.

Solely for the convenience of the reader, this Offering Memorandum contains translations of certain euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the euro amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated.

The following tables show the noon buying rates in U.S. dollars per euro.

<u>Year Ended December 31</u>	<u>High</u>	<u>Low</u>	<u>Average</u>	<u>Period End</u>
2017	1.2041	1.0416	1.1301	1.2022
2018	1.2488	1.1281	1.1817	1.1456
2019	1.1524	1.0905	1.1194	1.1227
2020	1.2280	1.0682	1.1410	1.2230
2021	1.2295	1.1196	1.1830	1.1318
<u>Year Ending December 31, 2022</u>	<u>High</u>	<u>Low</u>	<u>Average</u>	<u>Period End</u>
First Quarter	1.1487	1.0860	1.1216	1.1093

The above rates may vary slightly from the rates used for translating foreign currencies into euro in the preparation of the consolidated financial statements of Volkswagen AG.

13. TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions (the "Conditions") that shall be applicable to the U.S.\$ % Guaranteed Notes due 20 (the "A Notes"), the U.S.\$ % Guaranteed Notes due 20 (the "B Notes"), the U.S.\$ % Guaranteed Notes due 20 (the "C Notes") and the U.S.\$ Floating Rate Guaranteed Notes due 20 (the "D Notes" and, together with the A Notes, the B Notes, and the C Notes, the "Notes"). These terms and conditions shall be incorporated by reference into each Global Note (as defined below) and each Note in definitive form. All capitalized terms that are not defined in these Conditions will have the meanings given to them in the Fiscal and Paying Agency Agreement (as defined below).

Unless the context requires otherwise, references in these Conditions to any law, statutory provision or legislative enactment of mandatory effect are subject to amendment to the extent that such law, provision or legislative enactment is altered or re-enacted with retroactive effect.

References herein to the Notes shall mean (i) the global Notes (each, a "**Global Note**") and (ii) any Notes in definitive form.

The Notes are issued on June , 2022 (the "**Issue Date**") pursuant to a fiscal and paying agency agreement dated on or about June , 2022 (as amended and supplemented from time to time, the "**Fiscal and Paying Agency Agreement**") among Volkswagen Group of America Finance, LLC (the "**Issuer**"), Volkswagen Aktiengesellschaft (the "**Guarantor**"), Citibank, N.A., London Branch as fiscal agent, transfer agent, calculation agent and paying agent (the "**Fiscal Agent**", "**Transfer Agent**", "**Calculation Agent**" and "**Paying Agent**", respectively) and Citibank Europe plc as registrar (the "**Registrar**" and, together with the Fiscal Agent, the Transfer Agent, Calculation Agent and the Paying Agent, the "**Agents**"), and with the benefit of a deed of covenant dated the Issue Date and executed by the Issuer in relation to the Notes (as amended and supplemented from time to time, the "**Deed of Covenant**"), and a Guarantee dated the Issue Date and executed by the Guarantor in relation to the guarantee of the Notes (as amended and supplemented from time to time, the "**Guarantee**"). The Noteholders (as defined herein) are deemed to have notice of all of the provisions of the Fiscal and Paying Agency Agreement, the Deed of Covenant and the Guarantee applicable to them.

The Notes will be unconditionally and irrevocably guaranteed by Volkswagen Aktiengesellschaft, in its capacity as Guarantor, pursuant to the Guarantee. Under the Guarantee, the Guarantor has guaranteed the due and punctual payment of all amounts due under the Notes and the Deed of Covenant as and when the same shall become due and payable. The original of the Guarantee is held by the Fiscal Agent.

The Notes that are initially offered and sold in the United States to persons who are qualified institutional buyers (each, a "**Qualified Institutional Buyer**") (as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")) will be represented by beneficial interests in one or more global notes (the "**Rule 144A Global Notes**") in registered form without interest coupons, which will be deposited on or about the Issue Date with the custodian for, and registered in the name of Cede & Co. as nominee of, The Depository Trust Company ("**DTC**").

The Notes that are offered and sold in reliance on Regulation S ("**Regulation S**") under the Securities Act will be represented by beneficial interests in one or more global notes (the "**Regulation S Global Notes**") in registered form without interest coupons, which will be deposited on or about the Issue Date with, the custodian for and registered in the name of Cede & Co., as nominee of DTC.

As used herein, the term "**Global Notes**" refers to both the Rule 144A Global Notes and the Regulation S Global Notes.

Beneficial interests in the Global Notes may be held only through DTC (or any successor clearing system) and its participants. Investors may hold their interests in the Global Notes directly through DTC if they are participants in or indirectly through organizations which are participants in such system.

Noteholders will hold beneficial interests in the Global Notes through DTC in book-entry form. Notes in definitive form will only be issued under the limited circumstances set forth below.

The Notes (including any beneficial interest in a Global Note) will be subject to certain restrictions on transfer set forth in the Notes and the Fiscal and Paying Agency Agreement. The Global Notes and any Notes

issued in definitive form will bear a legend regarding the restrictions as set forth under “*Purchase and Transfer Restrictions*” of the offering memorandum dated May , 2022 relating to the Notes (the “**Offering Memorandum**”). Under certain circumstances, transfers may be made only upon receipt by the Registrar and Transfer Agent of a written certification (in the form provided in the Fiscal and Paying Agency Agreement).

The Issuer does not intend to list the Notes on any securities exchange or quoted on any automated quotation system. There is currently no public market for the Notes.

Any reference to “**Noteholders**” or “**holders**” shall mean the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below.

Copies of the Fiscal and Paying Agency Agreement, the Deed of Covenant and the Guarantee are available for inspection at the specified offices of each of the Agents.

The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Fiscal and Paying Agency Agreement.

1. Form, Denomination and Title

The Notes will be issued only in registered form and serially numbered, in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (the “**Specified Denomination**”).

Subject as set out below, title to the Notes will pass upon registration of transfers in accordance with the provisions of the Fiscal and Paying Agency Agreement. The Issuer, the Guarantor and any Agent will (except as otherwise required by law or ordered by a court having jurisdiction or an official authority) deem and treat the registered holder of any Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as DTC or its nominee is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Fiscal and Paying Agency Agreement and the Notes, except to the extent that, in accordance with DTC’s published rules and procedures, any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes that are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC and its participants (including Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”)) and its indirect participants, as the case may be.

2. Transfers

(a) Transfers within Global Notes: Subject to the procedures and limitations described in the Fiscal and Paying Agency Agreement, including the transfer restrictions set forth in Schedule 3 thereto, transfers of beneficial interests within a Global Note may be made without delivery to the Issuer, the Guarantor or the Fiscal Agent of any written certifications or other documentation by the transferor or transferee.

(b) Transfers of interests in Global Notes: Transfers of beneficial interests in Global Notes will be effected by DTC and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Global Note only in Specified Denominations and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Fiscal and Paying Agency Agreement. Transfers of a Global Note shall be limited to transfers of such Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor’s nominee.

(c) Transfers between the Global Notes: A beneficial interest in a Regulation S Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through a Rule 144A Global Note only upon receipt by the Transfer Agent of a written certification (in the form provided in the Fiscal and Paying Agency Agreement) from the transferor to the effect that the transferor (i) reasonably believes that

the transferee is a Qualified Institutional Buyer purchasing for its own account (or for the account of one or more Qualified Institutional Buyers over which account it exercises sole investment discretion), (ii) is transferring such note in a transaction meeting the requirements of Rule 144A and (iii) has notified the transferee of the restrictions on transfer and the representations set forth under the heading on transfer set forth under the heading "*Purchase and Transfer Restrictions*" of the Offering Memorandum, if then applicable.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note without any written certification from the transferor or the transferee, and each transferee of a Rule 144A Global Note, in making its purchase, will be subject to certain restrictions and must be able to make and will be deemed to have made certain acknowledgements, representations and agreements for itself and for each account for which it is purchasing as set forth under the heading "*Purchase and Transfer Restrictions — Rule 144A Notes*" of the Offering Memorandum.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note only upon receipt by the Transfer Agent of a written certification (in the form provided in the Fiscal and Paying Agency Agreement) from the transferor to the effect that such transfer is being made in compliance with the restrictions and representations set forth under the heading "*Purchase and Transfer Restrictions*" of the Offering Memorandum and in accordance with Rule 904 of Regulation S. No representation can be made by the Issuer as to the availability of the exemption provided by Rule 144 for resale of an interest in a Rule 144A Global Note.

Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a Regulation S Global Note will, upon transfer, cease to be a beneficial interest in such Rule 144A Global Note and will become a beneficial interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such Regulation S Global Note for so long as such person retains such an interest.

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a Rule 144A Global Note will, upon transfer, cease to be a beneficial interest in such Regulation S Global Note and will become a beneficial interest in the Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such Rule 144A Global Note for so long as such person retains such an interest.

(d) Transfers or Exchanges from Global Notes to Definitive Notes: Each Global Note may be exchangeable, in whole or in part, for Notes in definitive, registered form (each, a "**Definitive Note**"):

(i) if DTC notifies the Issuer that it is unwilling or unable to hold the applicable Global Note or DTC ceases to be a clearing agency registered under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and in each case the Issuer does not appoint a successor depository which shall be registered under the Exchange Act within 90 days of the Issuer's receiving such notice or DTC's ceasing to be so registered;

(ii) if a payment default has occurred and is continuing; or

(iii) if, in the event of a bankruptcy or liquidation default pursuant to Condition 10(d) and (e) respectively, the Issuer (or failing whom, the Guarantor) fails to make payment on the Notes when due.

(e) Transfer of Definitive Notes: Upon the terms and subject to the conditions set forth in the Fiscal and Paying Agency Agreement, a Definitive Note may be transferred in whole or in part (in Specified Denominations). In order to effect any such transfer (i) the holder or holders must (A) surrender the Note for registration of the transfer of the Note (or the relevant part of the Note) at the specified office of the Registrar or the Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorized in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the Transfer Agent and (ii) the Registrar or, as the case may be, the Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 3 to the Fiscal and Paying Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the Transfer Agent will, within five business days (being for this purpose a day, other than a Saturday or Sunday, on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located (a "**Definitive Note Business Day**")) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and

delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Definitive Note of a like aggregate nominal amount to the Note (or the relevant part of the Note) transferred. In the case of the transfer of part only of a Definitive Note, a new Definitive Note in respect of the balance of the Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the address of the transferor as the transferor may request.

Upon the transfer, exchange or replacement of Definitive Notes set forth in Schedule 1, Part III to the Fiscal and Paying Agency Agreement, the Issuer will deliver only Definitive Notes that bear such legend.

(f) Exchange and Costs: Exchanges and transfers of Notes on registration, transfer or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require), which tax or charge shall be borne by the relevant Noteholder. Holders of Definitive Notes may exchange such Notes for interests in a Global Note of the same type at any time.

3. Status of the Notes and the Guarantee

(a) Notes: The Notes constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank *pari passu* with all other unsecured and unsubordinated indebtedness of the Issuer, present and future.

(b) Guarantee: The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Notes. Its obligations in that respect are contained in the Guarantee. The Guarantee will be the direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Guarantor. The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation, at all times rank *pari passu* with all other unsecured and unsubordinated obligations of the Guarantor, present and future.

4. Negative Pledge

(a) So long as any of the Notes remain outstanding (as defined in the Fiscal and Paying Agency Agreement), the Issuer shall not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (each, a "**Security Interest**") upon the whole or any part of its respective assets or revenues of whatever nature present or future, to secure any notes or bonds, or any guarantee of or indemnity in respect of thereof, unless at the same time or prior thereto the Issuer's obligations under the Notes are secured equally and ratably therewith or benefit from a Security Interest or guarantee or indemnity in substantially identical terms thereto to the extent permitted by applicable law or regulation. For the avoidance of doubt, this undertaking shall not apply to any Security Interest provided in connection with asset-backed securities issued by the Issuer, or by a special purpose vehicle where the Issuer is the originator of the underlying assets.

(b) So long as any of the Notes remain outstanding (as defined in the Fiscal and Paying Agency Agreement), neither the Guarantor nor any of the Guarantor's Principal Subsidiaries (as defined below) shall create or permit to subsist any Security Interest upon the whole or any part of its respective assets or revenues of whatever nature present or future, to secure any Relevant Debt (as defined below) or any guarantee of or indemnity in respect thereof, unless at the same time or prior thereto the Issuer's obligations under the Notes are secured equally and ratably therewith or benefit from a Security Interest or guarantee or indemnity in substantially identical terms thereto to the extent permitted by applicable law or regulation. For the avoidance of doubt, this undertaking shall not apply to any Security Interest provided in connection with asset-backed securities issued by the Guarantor or any of the Guarantor's Principal Subsidiaries, or by a special purpose vehicle where the Guarantor or any of the Guarantor's Principal Subsidiaries is the originator of the underlying assets.

"**Relevant Debt**" means any present or future indebtedness for borrowed money in the form of, or represented by, bonds, notes or other securities that are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter market or other securities market.

"**Principal Subsidiary**" means at anytime

(i) each of AUDI AG, Porsche AG, SEAT S.A., ŠKODA Auto A.S., Volkswagen Financial Services AG, Volkswagen Bank GmbH and Volkswagen Leasing GmbH; and

(ii) any Subsidiary of Volkswagen Aktiengesellschaft (other than a Securitization Entity) which has consolidated sales revenues which exceed 10% of the consolidated total sales revenues of the Volkswagen Group. Compliance with this provision shall be determined by reference to the most recent audited consolidated profit and loss accounts of the Volkswagen Group and such Subsidiary.

“Securitization Entity” means a special purpose entity created to facilitate one or more financings of receivables, loans, installment sales contracts, leases and/or leased assets, floor plan or other loans or leases to vehicle dealers or similar or related assets and for which Volkswagen Aktiengesellschaft and its Principal Subsidiaries do not provide recourse for credit losses or residual value losses.

“Subsidiary” means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries).

“Person” means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

“Volkswagen Group” means Volkswagen Aktiengesellschaft together with its consolidated subsidiaries, including the Issuer.

5. Interest

(a) Fixed Interest Rate: Each of the A Notes, the B Notes and the C Notes bears interest from and including the Issue Date at a rate of % *per annum* in the case of the A Notes (the **“A Note Rate of Interest”**), % *per annum* in the case of the B Notes (the **“B Note Rate of Interest”**) and % *per annum* in the case of the C Notes (the **“C Note Rate of Interest”**), payable semi-annually in arrear on June and December in each year for the A Notes, on June and December in each year for the B Notes, and on June and December in each year for the C Notes (each, an **“Interest Payment Date”**), commencing on December , 2022 (short first coupon) in the case of the A Notes, December , 2022 (short first coupon) in the case of the B Notes, and December , 2022 in the case of the C Notes, up to (and including) June , 20 in the case of the A Notes (the **“A Note Maturity Date”**), June , 20 in the case of the B Notes (the **“B Note Maturity Date”**), and June , 20 in the case of the C Notes (the **“C Note Maturity Date”**).

The amount of interest payable on the Notes on an Interest Payment Date shall be calculated on the basis of a 360-day year consisting of twelve 30-day months (unadjusted, following Payment Day) and by applying the A Note Rate of Interest, the B Note Rate of Interest or the C Note Rate of Interest, as relevant, to an increment of U.S.\$1,000 (rounding the resultant figure to the nearest whole cent, with U.S.\$0.005 rounded upwards), multiplied by the nominal amount of such Note divided by 1,000.

(b) Floating Interest Rate: The D Notes (**“Floating Rate Notes”**) bear interest from and including the Issue Date at a floating interest rate interest as determined in accordance with Condition 5(c) below (the **“Floating Rate of Interest”**), payable quarterly in arrear on March , June , September and December in each year (each, a **“Floating Rate Interest Payment Date”**) commencing on September , 2022 up to (and including) the Floating Rate Interest Payment Date falling on or around , 20 (the **“D Note Maturity Date”** and together with the A Note Maturity Date, the B Note Maturity Date and the C Note Maturity Date, **“Maturity Dates”** and each, a **“the Maturity Date”**).

The amount of interest payable on the Floating Rate Notes on a Floating Rate Interest Payment Date for each Floating Rate Interest Period (as defined below) shall be calculated on the basis of the actual number of days in the relevant Observation Period (as defined below) divided by 360 (adjusted, modified following Payment Day) (the **“Floating Rate Day Count Fraction”**).

(c) Determination of the Floating Rate of Interest: The Floating Rate of Interest for each Floating Rate Interest Period will be equal to the sum of the Compounded SOFR as determined on the applicable Interest Determination Date and _____ basis points per annum (the “**Margin**”), all as determined by the Calculation Agent in accordance with the following definitions and subject to the provisions set out below. If such sum determined in accordance with these conditions in respect of any Interest Period is less than 0.000 per cent. per annum, the Floating Rate of Interest for such Interest Period shall be 0.000 per cent. per annum.

The amount of interest accrued and payable on the Notes for each Floating Rate Interest Period will be equal to the product of (i) the outstanding principal amount of the Floating Rate Notes multiplied by (ii) the product of (a) the Floating Rate of Interest for the relevant Floating Rate Interest Period multiplied by (b) the Floating Rate Day Count Fraction.

“**Compounded SOFR**” means, with respect to any Interest Period, the rate of return of a daily compound interest investment computed by the Calculation Agent in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards to 0.00001):

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

“**d₀**” for any Observation Period, is the number of U.S. Government Securities Business Days in the relevant Observation Period;

“**i**” is a series of whole numbers from one to d₀, each representing the relevant U.S. Government Securities Business Day in chronological order from and including the first U.S. Government Securities Business Day in the relevant Observation Period;

“**SOFR_i**”, for any U.S. Government Securities Business Day “i” in the relevant Observation Period, is equal to SOFR in respect of that U.S. Government Securities Business Day “i”;

“**n_i**”, for any U.S. Government Securities Business Day “i” in the relevant Observation Period, is the number of calendar days from and including such U.S. Government Securities Business Day “i” to but excluding the following U.S. Government Securities Business Day (“i+1”); and

“**d**” is the number of calendar days in the relevant Observation Period.

And where:

“**Floating Rate Interest Period**” means each period from and including a Floating Rate Interest Payment Date (or, in the case of the initial Interest Period, the Issue Date) to but excluding the immediately succeeding Floating Rate Interest Payment Date (or in the case of the final Floating Rate Interest Period, the D Notes Maturity Date or, if the D Notes are redeemed, the date of redemption).

“**Interest Determination Date**” is the date that is two U.S. Government Securities Business Days before each Floating Rate Interest Payment Date.

“**Observation Period**” is (i) in respect of each Floating Rate Interest Period the period from and including the date that is two U.S. Government Securities Business Days preceding the first date in such Floating Rate Interest Period to but excluding the Interest Determination Date for such Floating Rate Interest Period and (ii) in respect of the payment of any interest in connection with any redemption of the Floating Rate Notes, the period from and including the date that is two U.S. Government Securities Business Days preceding the first date in the Floating Rate Interest Period in which such redemption occurs to but excluding the date that is two U.S. Government Securities Business Days before the date of redemption;

For purposes of determining Compounded SOFR, “**SOFR**” means, with respect to any U.S. Government Securities Business Day:

(i) the Secured Overnight Financing Rate published for such U.S. Government Securities Business Day as such rate appears on the SOFR Administrator’s Website at 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day (the “**SOFR Determination Time**”);

(ii) if the rate specified in clause (i) above does not so appear at the SOFR Determination Time, unless both a Benchmark Transition Event and its related Benchmark Replacement Date have occurred, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator’s Website; or

(iii) if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior to the relevant Floating Rate Interest Period end date, the Calculation Agent will use the Benchmark Replacement to determine the Floating Rate Rate of Interest and for all other purposes relating to the D Notes.

“SOFR Administrator” means the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate).

“SOFR Administrator’s Website” means the website of the Federal Reserve Bank of New York, or any successor source.

“U.S. Government Securities Business Day” means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(d) Effect of a Benchmark Transition Event.

If for any Interest Determination Date the Issuer or its Independent Advisor (as defined below) determine on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark (including any daily published component used in the calculation thereof), the Benchmark Replacement will replace the then-current Benchmark (or such component) for all purposes relating to the Floating Rate Notes in respect of such determination on such date and for all determinations on all subsequent Interest Determination Dates.

In connection with the implementation of a Benchmark Replacement, the Issuer or its Independent Advisor will have the right to make Benchmark Replacement Conforming Changes from time to time, without any requirement for the consent or approval of the holders of the Notes.

Any determination, decision or election that may be made by the Issuer or its Independent Advisor pursuant to this section, including any determination with respect to any Benchmark Replacement Conforming Changes, a determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection:

- (i) will be conclusive and binding absent manifest error;
- (ii) will be made in the Issuer’s or its Independent Advisor’s reasonable discretion; and
- (iii) notwithstanding anything to the contrary in the documentation relating to the Floating Rate Notes, shall become effective without consent from the holders of the Floating Rate Notes or any other party.

As used herein the following terms have the meanings assigned to them:

“Benchmark” means, initially, Compounded SOFR, as such term is defined above; provided that if for any Interest Determination Date the Issuer or its Independent Advisor determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Compounded SOFR (or the published daily SOFR used in the calculation thereof) or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement.

“Benchmark Replacement” means the first alternative set forth in the order below that can be determined by the Issuer or its Independent Advisor as of the Benchmark Replacement Date:

- (i) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark and (b) the Benchmark Replacement Adjustment;
- (ii) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; or
- (iii) the sum of: (a) the alternate rate of interest that has been selected by the Issuer or its Independent Advisor as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment.

“Benchmark Replacement Adjustment” means the first alternative set forth in the order below that can be determined by the Issuer or its Independent Advisor as of the Benchmark Replacement Date:

(i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its Independent Advisor giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time.

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of the Floating Rate Interest Period, timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer or its Independent Advisor decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its Independent Advisor decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its Independent Advisor determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its Independent Advisor determines is reasonably necessary).

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

(i) in the case of clauses (i) or (ii) of the definition of “Benchmark Transition Event”, the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(ii) in the case of clause (iii) of the definition of “Benchmark Transition Event”, the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

For the avoidance of doubt, for purposes of the definitions of Benchmark Replacement Date and Benchmark Transition Event, references to Benchmark also include any reference rate underlying such Benchmark.

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

(i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component);

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

"Independent Advisor" means a reputable independent financial institution or other reputable independent financial advisor experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense.

"ISDA" means the International Swaps and Derivatives Association, Inc.

"ISDA Definitions" means the 2006 ISDA Definitions published by ISDA or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

"ISDA Fallback Adjustment" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark.

"ISDA Fallback Rate" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

"Reference Time" with respect to any determination of the Benchmark means (1) if the Benchmark is Compounded SOFR, the SOFR Determination Time, and (2) if the Benchmark is not Compounded SOFR, the time determined by the Issuer or its Independent Advisor after giving effect to the Benchmark Replacement Conforming Changes.

"Relevant Governmental Body" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(e) Duties of the Calculation Agent: The Calculation Agent will, subject to this Condition 5, determine the Floating Rate of Interest on each Interest Payment Determination Date and will calculate immediately the payable amount of interest (the **"Interest Amount"**). Furthermore, the Calculation Agent will make such determination and calculation according to these Conditions and will cause the Floating Rate of Interest and the Interest Amount for the relevant Interest Period and each Interest Payment Date to be notified to the Fiscal Agent, the Issuer and the Guarantor and to the holders of the Floating Rate Notes in accordance with Condition 14 of the Conditions, as soon as possible after their determination or calculation.

The determination of the relevant Floating Rate of Interest and the Interest Amount by the Calculation Agent will (in the absence of manifest error) be final and binding upon the Issuer and the Holders.

If the Floating Rate Notes become due and payable, the Floating Rate of Interest and the accrued interest payable in respect of the Floating Rate Notes will nevertheless continue to be calculated in accordance with this Condition 5 (b) of the Conditions but no publication of the Floating Rate of Interest or the Interest Amount, so calculated, need to be made.

(f) Accrual of Interest: Interest on the A Notes, the B Notes, the C Notes and the D Notes shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue at the relevant rate of interest until the earlier of the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, with immediate effect, upon further presentation of the Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

6. Redemption, Purchase and Cancellation

(a) Final Redemption: Unless previously redeemed or purchased and cancelled as provided below, each Note shall be finally redeemed on the relevant Maturity Date specified herein, in each case at its principal amount in U.S. dollars.

(b) Redemption for Taxation Reasons: The A Notes, the B Notes, the C Notes and/or the D Notes or all of the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving

not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), if: (i) the Issuer or the Guarantor (or any successor to the Issuer or the Guarantor) has or will become obliged to pay Additional Amounts (as defined in Condition 8) as a result of any change in, or amendment to, the laws or regulations of any Tax Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the Offering Memorandum (or, in the case of a successor to the Issuer or the Guarantor that is organized in or a resident for tax purposes of a jurisdiction other than the United States or Germany, the date of such succession), and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it; **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Amounts were a payment in respect of the Notes to be redeemed (or the Guarantee, as the case may be) then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by a duly authorized officer of the Issuer (or the Guarantor, as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognized standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Amounts as a result of such change or amendment. Notes redeemed pursuant to this Condition 6(b) will be redeemed at a price equal to 100% of the principal amount of the Notes to be redeemed then outstanding plus accrued and unpaid interest on the principal amount being redeemed (and all Additional Amounts, if any) to (but excluding) the date of redemption.

(c) Redemption at par of the B Notes or the C Notes at the Option of the Issuer: The Issuer may redeem the B Notes and/or the C Notes, in whole but not in part, at any time at the Issuer's election, upon not less than 10 nor more than 60 days' notice in accordance with Condition 14, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, at any time during the period from and including the applicable Par Call Date (as defined below) to but excluding the applicable Maturity Date. Once notice of redemption is sent, the relevant Notes called for redemption will become due and payable on the date of redemption and at 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest thereon to the date of redemption, subject to any conditions precedent specified in such notice.

"Par Call Date" means the B Notes par call date (the date that is 1 (one) month prior to the scheduled Maturity Date of the B Notes) with respect to the B Notes, and the C Notes par call date (the date that is 2 (two) months prior to the scheduled Maturity Date of the C Notes) with respect to the C Notes. The A Notes and the D Notes will not be subject to any par call period.

(d) Make whole Redemption of A Notes, the B Notes, and the C Notes at the Option of the Issuer: Prior to the applicable Maturity Date specified herein with respect to the A Notes, and prior to the applicable Par Call Date (as defined above) with respect to the B Notes and the C Notes, the Issuer may redeem the A Notes, the B Notes and/or the C Notes, in whole or in part, at any time and from time to time at the Issuer's election, upon not less than 10 nor more than 60 days' notice in accordance with Condition 14, at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed, and (ii) as determined by the Issuer, or on its behalf by a person designated by it (the "**Designee**"), the sum of the present values of the remaining scheduled payments of principal of and interest on the Notes to be redeemed (assuming for this purpose that the relevant Notes mature on the applicable Maturity Date or, as the case may be, the applicable Par Call Date, and not including any portion of such payments of interest accrued as of the date of redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus _____ basis points for the A Notes, _____ basis points for the B Notes, and _____ basis points for the C Notes, in each case, accrued and unpaid interest thereon to the date of redemption. If fewer than all of the Notes are being redeemed, they shall be redeemed on a *pro rata* pass-through distribution basis and in accordance with the procedures of DTC. Once notice of redemption is sent, the relevant Notes called for redemption will become due and payable on the date of redemption and at the applicable redemption price, plus accrued and unpaid interest thereon to the date of redemption, subject to any conditions precedent specified in such notice. In connection with such optional redemption, the following defined terms apply:

“Treasury Rate” means, with respect to any date of redemption, the yield determined by the Issuer, or its Designee, in accordance with the following two paragraphs:

The Treasury Rate shall be determined by the Issuer, or its Designee, after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third New York City Business Day preceding the date of redemption based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as “Selected Interest Rates (Daily)—H.15” (or any successor designation or publication) under the caption “U.S. government securities—Treasury constant maturities—Nominal” (or any successor caption or heading) (“**H.15 TCM**”). In determining the Treasury Rate, the Issuer, or its Designee, shall select, as applicable: (1) the yield for the Treasury constant maturity on H.15 TCM exactly equal to the period from the date of redemption to the relevant Maturity Date (the “**Remaining Life**”); or (2) if there is no such Treasury constant maturity on H.15 TCM exactly equal to the Remaining Life, the two yields – one yield corresponding to the Treasury constant maturity on H.15 TCM immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 TCM immediately longer than the Remaining Life – and shall interpolate to the relevant Maturity Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 TCM shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 TCM closest to the Remaining Life. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 TCM shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the date of redemption.

If on the third New York City Business Day preceding the date of redemption H.15 TCM is no longer published, the Issuer, or its Designee, shall calculate the Treasury Rate based on the rate *per annum* equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second New York City Business Day preceding such date of redemption of the United States Treasury security maturing on, or with a maturity that is closest to, the Maturity Date. If there is no United States Treasury security maturing on the Maturity Date but there are two or more United States Treasury securities with a maturity date equally distant from the Maturity Date, one with a maturity date preceding the Maturity Date and one with a maturity date following the Maturity Date, the Issuer, or its Designee, shall select the United States Treasury security with a maturity date preceding the Maturity Date. If there are two or more United States Treasury securities maturing on the Maturity Date or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Issuer, or its Designee, shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

“New York City Business Day” is any day which is not a Saturday, Sunday, or a day on which commercial banking institutions are authorized or required by law to close in New York City.

(e) Purchases: The Issuer, the Guarantor and any of their subsidiaries may at any time purchase Notes in the open market or otherwise at any price. Such Notes may be held, resold (subject to the restrictions on sale and resale set forth in the Fiscal and Paying Agency Agreement) or, at the option of the Issuer, surrendered to the Fiscal Agent or Registrar, as the case may be, for cancellation. Any Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any of their respective subsidiaries, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 11(a).

(f) Cancellation: Any Notes purchased by or on behalf of the Issuer, the Guarantor or any of their subsidiaries may, at the option of the Issuer, Guarantor or the relevant subsidiary, as the case may be, be surrendered for cancellation. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

7. Payments

(a) Method of Payment: Subject as provided below, payments will be made by credit or transfer to an account in U.S. dollars maintained by the payee with a bank in New York City. Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

(b) Payment procedures:

(i) Payments of principal in respect of each Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Note at the specified office of the Registrar or any of the Paying Agent. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Note appearing in the register of holders of the Notes maintained by the Registrar (the "**Register**") at the close of business on the business day (being for this purpose a day on which banks are open for general business in the city where the specified office of the Registrar is located) prior to the relevant due date (the "**Record Date**"). If (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$1,000,000, payment will instead be made by a check in U.S. dollars drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means a bank in New York City.

(ii) Payments of interest in respect of each Note (whether or not in global form) will be made by transfer to the Designated Account of the holder (or the first named of joint holders) of the Note appearing in the Register at the close of business on the Record Date (or in the case of Notes in definitive form, at the close of business on the 15th day (whether or not such 15th day is a business day) before the Record Date) at his address shown in the Register on the Record Date. If a holder does not have a Designated Account, payment will instead be made by a check in U.S. dollars drawn on a Designated Bank. Payment of the interest due in respect of each Note on redemption and the final installment of principal will be made in the same manner as payment of the principal amount of such Note.

(iii) Holders will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Note as a result of a check posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Notes.

(iv) None of the Issuer, the Guarantor and the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(c) General provisions concerning payments: The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note. Street name and other indirect holders should consult their banks or brokers for information on how they will receive payments.

(d) Payment day: If the date for payment of any amount in respect of any Note is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day and shall not be entitled to further interest or other payment in respect of such delay.

(e) Interpretation of principal and interest: References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all interest amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any Additional Amounts that may be payable under this Condition.

8. Taxation

All payments of principal and interest in respect of the Notes or under the Guarantee by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by any Tax Jurisdiction (as defined below), unless the Issuer or the Guarantor, as the case may be, is required by law to make such withholding or deduction. In that event, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the “**Additional Amounts**”) as shall result in receipt by holders that are not subject to income tax in the United States on a net income basis of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable:

(a) in respect of any tax, assessment or governmental charge (including backup withholding) that would not have been so withheld or deducted but for:

(i) the beneficial owner or the holder, or a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, the holder if the holder is an estate, trust, partnership, limited liability company, corporation or other entity, or a person holding a power over an estate or trust administered by a fiduciary holder, being considered as: (w) being or having been present or engaged in a trade or business in the relevant Tax Jurisdiction or having or having had a permanent establishment in the relevant Tax Jurisdiction, (x) having a current or former relationship with the relevant Tax Jurisdiction (other than merely the holding of such Notes or receipt of interest, principal or premiums in respect thereof or activities (including enforcement) incidental thereto), including a relationship as a citizen or resident thereof, (y) being or having been a foreign or domestic personal holding company, a passive foreign investment company or a controlled foreign corporation with respect to the United States, a corporation that has accumulated earnings to avoid United States federal income tax or a private foundation or other tax-exempt organization, (z) being or having been a “10-percent shareholder” of the Company as defined in Section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended, or the Code, or any successor provision or being or having been a bank whose receipt of interest on a note is described in Section 881(c)(3)(A) of the Code or any successor provision;

(ii) the failure of the holder or any other person to comply with certification, information, documentation, reporting or other similar requirements concerning the nationality, residence, identity or connection with the relevant Tax Jurisdiction of the holder or beneficial owner of such Note, (including, but not limited to, the failure to provide U.S. Internal Revenue Service, or IRS, Form W-8BEN, W-8BEN-E or W-8ECI or any subsequent versions thereof), or any other certification, information, documentation, reporting or other similar requirement under the income tax laws or regulations of the relevant Tax Jurisdiction that would establish entitlement to otherwise applicable relief or exemption from any tax, assessment or governmental charge;

(iii) the failure of the holder to present the Note for payment (where such presentation is required) within 30 days of the Relevant Date (as defined below); or

(iv) the presentation of the Note by or on behalf of a holder or beneficial owner of the Note (where such presentation is required) for payment in one location if the holder or beneficial owner would have been able to avoid such tax by presenting the Note for payment elsewhere;

(b) in respect of any estate, inheritance, gift, sales, excise, transfer, wealth or personal property tax or a similar tax, assessment or governmental charge;

(c) in respect of any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any note, if such payment can be made without such withholding by any other paying agent;

(d) in respect of a tax, assessment or governmental charge that is imposed otherwise than by withholding by the Issuer, the Guarantor or one of their agents from the payment; or

(e) in respect of any combination of the foregoing clauses.

As used in these Conditions,

“**Tax Jurisdiction**” means, with respect to any payment made under the Notes by the Issuer or Guarantor, any jurisdiction or any political subdivision or taxing authority thereof or therein in which the Issuer or Guarantor is organized, is a resident for tax purposes or conducts business; and

“**Relevant Date**” means, with respect to any payment due from the Issuer or Guarantor, the date on which such payment becomes due or, if the full amount payable has not been received by the Paying Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the holders of the Notes.

Notwithstanding any other provision of these Terms and Conditions, any amounts to be paid in respect of the Notes or under the Guarantee by or on behalf of the Issuer or the Guarantor will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (“**FATCA Withholding**”). Neither the Issuer, the Guarantor, nor any other Person will be required to pay Additional Amounts on account of any FATCA Withholding.

9. Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the applicable due date.

10. Events of Default

If any of the following events (“**Events of Default**”) occurs and is continuing:

(a) the Issuer fails to pay principal, interest or Additional Amounts due thereon within 15 days from the relevant due date; or

(b) the Issuer fails duly to perform any other obligation arising from the Notes or the Guarantor fails to perform any obligation arising from the Guarantee which failure is not capable of remedy or, if such failure is capable of remedy, such failure continues for more than 45 days after the Fiscal Agent has received notice thereof from a Noteholder; or

(c) the Issuer or the Guarantor announces its inability to meet its financial obligations or ceases its payments; or

(d) a court opens bankruptcy or other insolvency proceedings against the Issuer or the Guarantor, or such proceedings are instituted and have not been discharged or stayed within 60 days, or the Issuer or the Guarantor applies for or institutes such proceedings; or

(e) the Issuer or the Guarantor goes into liquidation unless this is done in connection with a merger or other form of combination with another company and such company assumes in writing all obligations contracted by the Issuer or the Guarantor, as the case may be, under the Notes or the Guarantee; or

(f) the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect, then any Noteholder may, by written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare any of the Notes held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at their principal amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

11. Meetings of Noteholders; Modifications and Amendments

(a) Meetings of Noteholders: The Fiscal and Paying Agency Agreement contains provisions for convening meetings of the Noteholders of the A Notes (“**Tranche A Noteholders**”), meetings of the Noteholders of the B Notes (the “**Tranche B Noteholders**”), meetings of the Noteholders of the C Notes (the “**Tranche C Noteholders**”), meetings of the Noteholders of the D Notes (the “**Tranche D Noteholders**”) and meetings of all Noteholders, in each case to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined below) of certain modifications of the relevant Notes or the provisions of the Fiscal and Paying Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than one-twentieth in nominal amount of the A Notes in respect of matters affecting the interests of the Tranche A Noteholders only, the B Notes in respect of matters affecting the interests of the Tranche B Noteholders only, the C Notes in respect of matters affecting the interests of the Tranche C Noteholders only, the D Notes in respect of matters affecting the interests of the Tranche D

Noteholders only, and all Noteholders in respect of any matter affecting the interest of all Noteholders, in each case for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than one-half in nominal amount of the relevant Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing the relevant Noteholders whatever the nominal amount of the relevant Notes so held or represented. An Extraordinary Resolution passed at any meeting of the Tranche A Noteholders shall be binding on all the Tranche A Noteholders, an Extraordinary Resolution passed at any meeting of the Tranche B Noteholders shall be binding on all the Tranche B Noteholders, an Extraordinary Resolution passed at any meeting of the Tranche C Noteholders shall be binding on all the Tranche C Noteholders, an Extraordinary Resolution passed at any meeting of the Tranche D Noteholders shall be binding on all the Tranche D Noteholders, and an Extraordinary Resolution passed at any meeting of all Noteholders shall be binding on all the Noteholders, in each case whether or not they are present at the meeting, **provided that** no Extraordinary Resolution passed at a meeting of the Tranche A Noteholders only shall be binding on any of the Tranche B Noteholders, any of the Tranche C Noteholders, or any of the Tranche D Noteholders; no Extraordinary Resolution passed at a meeting of the Tranche B Noteholders only shall be binding on any of the Tranche A Noteholders, any of the Tranche C Noteholders, or any of the Tranche D Noteholders; no Extraordinary Resolution passed at a meeting of the Tranche C Noteholders only shall be binding on any of the Tranche A Noteholders, any of the Tranche B Noteholders, or any of the Tranche D Noteholders; and no Extraordinary Resolution passed at a meeting of the Tranche D Noteholders only shall be binding on any of the Tranche A Noteholders, any of the Tranche B Noteholders, or any of the Tranche C Noteholders.

(b) Notwithstanding Condition 11(a) above, no Extraordinary Resolution shall be passed or become effective, and no other modification of the A Notes, the B Notes, the C Notes or the D Notes or any provision of the Fiscal and Paying Agency Agreement shall have any effect, in each case, without the consent of the holder of each Note that would be affected thereby, if the effect of such Extraordinary Resolution or other modification would be to:

(i) change the maturity of the principal of any A Note, B Note, C Note or D Note or reduce the principal amount thereof, or reduce the rate or extend the time of payment of any installment of interest thereon, or change the place or currency of payment of principal of, or interest on, any A Note, B Note, C Note or D Note, or change the Issuer's or the Guarantor's obligation to pay Additional Amounts, impair or affect the right of any Noteholder to institute suit for the enforcement of any such payment on or after the due date thereof (or in the case of redemption, on or after the redemption date) or change in any manner adverse to the interests of the Tranche A Noteholders, the Tranche B Noteholders, the Tranche C Noteholders and/or the Tranche D Noteholders the terms and provisions of the Guarantees in respect of the due and punctual payment of principal amount of the A Notes, the B Notes, the C Notes or the D Notes then outstanding plus accrued and unpaid interest (and all Additional Amounts, if any); or

(ii) reduce the aforesaid requirement for consent of the Tranche A Noteholders, the Tranche B Noteholders, the Tranche C Noteholders, the Tranche D Noteholders or all Noteholders, as applicable.

(c) The Issuer, the Guarantor and the Fiscal Agent may, without the consent of any of the Noteholders or the need for any meeting of Noteholders to be convened pursuant to Condition 11(a), from time to time and at any time, enter into a fiscal and paying agency agreement or fiscal and paying agency agreements supplemental thereto for one or more of the following purposes:

(i) to convey, transfer, assign, mortgage or pledge to the Fiscal Agent or another person as security for the Notes any property or assets;

(ii) to evidence the succession of another person to the Issuer or the Guarantor, or successive successions, and the assumption by the successor person of the covenants, agreements and obligations of the Issuer or the Guarantor, pursuant to the Fiscal and Paying Agency Agreement;

(iii) to evidence and provide for the acceptance of appointment of a successor or successors to the Fiscal Agent in any of its capacities;

(iv) to add to the covenants of the Issuer or the Guarantor, such further covenants, restrictions, conditions or provisions as the Issuer or the Guarantor, as the case may be, shall reasonably consider to be for the protection of the Noteholders, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default under the Notes permitting the enforcement of all or any of the several remedies provided in the applicable fiscal and paying agency agreement; **provided that**, in respect of any such additional covenant, restriction, condition or

provision, such supplemental fiscal and paying agency agreement may provide for a particular period of grace after default (which may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the right of any of the Tranche A Noteholders of a majority in aggregate principal amount of the A Notes, the Tranche B Noteholders of a majority in aggregate principal amount of the B Notes, the Tranche C Noteholders of a majority in aggregate principal amount of the C Notes, the Tranche D Noteholders of a majority in aggregate principal amount of the D Notes or all Noteholders of a majority in aggregate principal amount of all Notes, as the case may be, to waive such an Event of Default;

(v) to modify the restrictions on, and procedures for, resale and other transfers of the Notes pursuant to law, regulation or practice relating to the resale or transfer of restricted securities generally;

(vi) to cure any ambiguity or to correct or supplement any provision contained in the Fiscal and Paying Agency Agreement, the Notes or the Guarantees, or in any supplemental agreement, which may be defective or inconsistent with any other provision contained therein or in any supplemental agreement or to make such other provision in regard to matters or questions arising under the Fiscal and Paying Agency Agreement or under any supplemental agreement as the Issuer may deem necessary or desirable and which will not adversely affect the interests of the Noteholders to which such provision relates in any material respect; and

(vii) to "reopen" the A Notes, the B Notes, the C Notes and/or the D Notes and create and issue further A Notes, B Notes, C Notes and/or D Notes, as applicable, in accordance with Condition 13 below.

"Extraordinary Resolution" means a resolution passed at a meeting of the Tranche A Noteholders, a meeting of the Tranche B Noteholders, a meeting of the Tranche C Noteholders, a meeting of the Tranche D Noteholders or a meeting of all Noteholders, as applicable, in each case duly convened and held in accordance with the provisions contained in these Conditions by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll shall be duly demanded then by a majority consisting of not less than three-fourths of the votes given on the poll.

(d) The Floating Rate Notes may be amended without the consent of any Noteholder to reflect the implementation of the benchmark transition provisions as described in Conditions 5 (b) in relation to the Benchmark Transition Event.

12. Replacement of Notes

If a Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and regulations, at the specified office of the Fiscal Agent and of the Registrar (in the case of Definitive Notes) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees, costs, taxes and duties incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes) and otherwise as the Issuer may require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

13. Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further notes having in each such case the same terms and conditions as the A Notes, the B Notes, the C Notes or the D Notes, other than the issue price and, if applicable, the interest commencement date and the first interest payment date (so that, for the avoidance of doubt, references in the conditions of such Notes to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with the A Notes, the B Notes, the C Notes or the D Notes, as the case may be, and references in these Conditions to the "A Notes", the "B Notes", the "C Notes" or the "D Notes", as the case may be, shall be construed accordingly, **provided, however, that** in the event any further notes are not fungible with the Notes issued in this Offering for U.S. federal income tax purposes such non-fungible further notes will be issued with a separate CUSIP, ISIN or other identifying number so that they are distinguishable from the Notes.

14. Notices

Any notice to the Noteholders will be given (i) so long as the Notes are represented by Global Notes, by delivery of the relevant notice to DTC for communication by it to entitled participants, or (ii) in the case of Definitive Notes, by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Definitive Note) with the relative Note or Notes, with the Registrar. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Paying Agent or the Registrar through DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Paying Agent, the Registrar and DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or the Guarantor or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor shall only constitute a discharge to the Issuer or the Guarantor, as the case may be, to the extent of the amount in the currency of payment under the relevant Note that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note (such amount being the “**shortfall**”), the Issuer failing whom the Guarantor shall, to the fullest extent permitted by applicable law, indemnify the recipient in an amount equal to the shortfall and, if a purchase is made, against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder to demonstrate that a shortfall would have arisen had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer’s and the Guarantor’s other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

16. Agents

The names of the initial Agents and their initial specified offices are set forth in the Fiscal and Paying Agency Agreement.

The Issuer and the Guarantor are entitled to terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, **provided that:**

(a) there will at all times be a Paying Agent and a Registrar; and

(b) there will at all times be a Paying Agent in a jurisdiction within Continental Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

Any termination, appointment or change shall take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days prior written notice thereof, which notice shall expire not less than 30 days before or after any due date for payment of any principal or interest in respect of the Notes, shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Fiscal and Paying Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Noteholders. The Fiscal and Paying Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent. If the Issuer appoints an Independent Advisor in accordance with Condition 5(d) this paragraph shall apply *mutatis mutandis* to the Independent Advisor.

The Fiscal and Paying Agent will also act as initial calculation agent (the “**Calculation Agent**”). If the Calculation Agent is incapable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint the London office of a leading bank engaged in the London Interbank Market to act as such in its place.

17. Governing Law, Jurisdiction and Service of Process

(a) Governing Law: The Notes (and any non-contractual obligations arising out of or in connection with them), the Deed of Covenant and the Fiscal and Paying Agency Agreement are governed by, and shall be construed in accordance with, English law. The Guarantee of the Guarantor is governed by German law.

(b) Jurisdiction: The courts of England are to have non-exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, the Deed of Covenant and the Fiscal and Paying Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Notes, the Deed of Covenant and the Fiscal and Paying Agency Agreement (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Guarantor irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

The non-exclusive place of jurisdiction for all legal proceedings arising out of or in connection with the Guarantee against the Guarantor is Frankfurt am Main, Germany.

(c) Service of Process: Each of the Issuer and the Guarantor irrevocably appoints Volkswagen Group United Kingdom Limited, Yeomans Drive, Blakelands, Milton Keynes MK14 5AN, United Kingdom as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer or the Guarantor). If for any reason such process agent ceases to be able to act as such or no longer has an address in England, each of the Issuer and the Guarantor irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

(d) Consent to Enforcement: Each of the Issuer and the Guarantor consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any judgment or award which may be made or given in such Proceedings.

(e) Waiver of Immunity: To the extent that either the Issuer or the Guarantor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before the making of a judgment or an award or otherwise) or other legal process including in relation to the enforcement of an arbitration award and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer, the Guarantor or their respective assets or revenues, each of the Issuer and the Guarantor agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

14. FORM OF GUARANTEE OF THE NOTES

GUARANTEE AND NEGATIVE PLEDGE

by
VOLKSWAGEN AKTIENGESELLSCHAFT,
Wolfsburg, Germany,
(the "**Guarantor**")

in favour of the holders of Notes (as defined below) issued by
Volkswagen Group of America Finance, LLC,
Delaware, United States of America,
(the "**Issuer**")
under the

U.S.\$	% Guaranteed Notes due 20	(the " A Notes "),
U.S.\$	% Guaranteed Notes due 20	(the " B Notes "),
U.S.\$	% Guaranteed Notes due 20	(the " C Notes ") and
U.S.\$	Floating Rate Guaranteed Notes due 20	(the " D Notes ")

and, together with the A Notes, the B Notes and the C Notes, the "**Notes**")

The Guarantor hereby unconditionally and irrevocably guarantees to the holder of (i) each Note and (ii) any direct rights arising in relation to such Note ("**Direct Rights**") pursuant to a deed of covenant relating to the Notes and dated the date hereof (the "**Deed of Covenant**") (in each case, a "**Holder**") the due payment of the amounts corresponding to the principal of and interest, if any, on the respective Notes or Direct Rights in accordance with the respective terms applicable to such Notes or Direct Rights.

The intent and purpose of this Guarantee and Negative Pledge is to ensure that the Holders under all circumstances, whether factual or legal, and regardless of the motives or considerations by reason of which the Issuer may fail to effect payment, shall receive the amounts payable as principal and interest, if any, on the dates provided for in the Terms and Conditions (the "**Conditions**") applicable to the respective Notes.

The Guarantor expressly guarantees the payment of principal of, and interest, if any, on, all Notes or Direct Rights.

The payment obligations of the Guarantor under this Guarantee shall, save for such exceptions as may be provided by applicable legislation, at all times rank *pari passu* with all other unsecured and unsubordinated obligations of the Guarantor, present and future.

The Guarantor further undertakes, as long as Notes or Direct Rights are outstanding, but only up to the time all amounts of principal and interest, if any, have been placed at the disposal of the Fiscal Agent, not to provide for any other Bond Issue, including any guarantee or indemnity in respect thereof, any security upon its assets without at the same time having the Holders share equally and rateably in such security. For the avoidance of doubt, this undertaking shall not apply to security provided in connection with asset-backed securities issued by (i) the Issuer, (ii) a special purpose vehicle where the Issuer is the originator of the underlying assets, (iii) the Guarantor or any of the Guarantor's Principal Subsidiaries, or (iv) a special purpose vehicle where the Guarantor or any of the Guarantor's Principal Subsidiaries is the originator of the underlying assets. For the purposes of this Guarantee and Negative Pledge, "**Bond Issue**" shall mean an issue of debt securities which is, or is intended to be, or is capable of being, quoted, listed or dealt in on any stock exchange, over-the-counter or other securities market.

This Guarantee and Negative Pledge is given in respect of any and all Notes which are or will be issued by the Issuer on or after the date hereof and any Direct Rights relating thereto.

This Guarantee and Negative Pledge and all undertakings contained herein constitute a contract for the benefit of the Holders from time to time as third-party beneficiaries pursuant to § 328 (1) BGB (German Civil Code)¹. They give rise to the right of each such Holder to require performance of the obligations undertaken herein directly from the Guarantor, and to enforce such obligations directly against the Guarantor.

¹ An English language translation of § 328 (1) German Civil Code would read as follows: "A contract may stipulate performance for the benefit of a third party, to the effect that the third party acquires the right directly to demand performance."

Any Holder has the right in case of non-performance of any payments on the Notes or the Direct Rights to enforce the Guarantee by filing a suit directly against the Guarantor without the need to take prior proceedings against the Issuer.

Citibank, N.A., London Branch, which accepted this Guarantee and Negative Pledge in its capacity as Fiscal Agent, does not act in a relationship of agency or trust, a fiduciary or in any other similar capacity for the Holders.

All payments of principal and interest under this Guarantee by the Guarantor shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed informally, unless such withholding or deduction is required by German law. In that event, subject to the provisions of the Conditions, the Guarantor shall pay Additional Amounts to the Holders.

Terms used in this Guarantee and Negative Pledge and not otherwise defined herein shall have the meaning attributed to them in the Conditions.

This Guarantee and Negative Pledge may be amended in accordance with Condition 11. Should the Conditions of a Note be amended in accordance with Condition 11 this Guarantee shall also apply to payments due under the amended Conditions.

The rights and obligations arising from this Guarantee and Negative Pledge shall in all respects be determined in accordance with German law. Place of performance shall be Frankfurt am Main.

The original version of this Guarantee and Negative Pledge shall be delivered to, and kept by, Citibank, N.A., London Branch.

The non-exclusive place of jurisdiction for all legal proceedings arising out of or in connection with this Guarantee and Negative Pledge against the Guarantor shall be Frankfurt am Main.

On the basis of a copy of this Guarantee and Negative Pledge certified as being a true copy by a duly authorized officer of Citibank, N.A., London Branch, each Holder may protect and enforce in his own name his rights arising under this Guarantee and Negative Pledge in any legal proceedings against the Guarantor or to which such Holder and the Guarantor are parties, without the need for production of the original version of this Guarantee and Negative Pledge in such proceedings.

Wolfsburg _____, 2022
Volkswagen Aktiengesellschaft
as Guarantor

By: _____

By: _____

Citibank, N.A., London Branch
as Fiscal Agent

By: _____

15. BOOK-ENTRY, DELIVERY AND FORM

The information set out below in connection with DTC is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC currently in effect. The information in this section concerning DTC has been obtained from sources believed to be reliable, but neither the Issuer nor the Guarantor nor any Initial Subscriber takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any clearing system are advised to confirm the continued applicability of the rules, regulations and procedures of such clearing system. Neither the Issuer nor the Guarantor nor any Initial Subscriber nor any affiliate of any of the above or any person by whom any of the above is controlled (as such term is defined in the Securities Act) will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial interests in the Notes held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

15.1 General

The Notes that are initially offered and sold in the United States to Qualified Institutional Buyers will be represented by beneficial interests in one or more global notes (the “**Rule 144A Global Notes**”) in registered form without interest coupons, which will be deposited on or about the Issue Date with the custodian for and registered in the name of Cede & Co. as nominee of DTC. DTC is referred to as the “depository”. Noteholders will hold beneficial interests in the Notes through DTC in book-entry form. This means that the Issuer will not issue certificates to each holder. The Notes that are offered and sold in reliance on Regulation S will be represented by beneficial interests in one or more global notes (the “**Regulation S Global Notes**”) in registered form without interest coupons, which will be deposited on or about the Issue Date with the custodian for and registered in the name of Cede & Co., as nominee of DTC.

Beneficial interests in the Global Notes may be held only through DTC (or any successor clearing system) and its participants. Investors may hold their interests in the Global Notes directly through DTC if they are participants in or indirectly through organizations which are participants in such system.

As used in this Offering Memorandum, “**Global Notes**” refers to both the Rule 144A Global Notes and the Regulation S Global Notes.

So long as DTC or its nominee is the registered holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the applicable Global Note for all purposes set forth under the Fiscal and Paying Agency Agreement and the Notes (except as the context otherwise requires in respect of additional amounts).

The Notes (including any beneficial interest in a Global Note) will be subject to certain restrictions on transfer set forth in the Notes and the Fiscal and Paying Agency Agreement and under “*Purchase and Transfer Restrictions*”. The Global Notes and any Notes issued in definitive form will bear a legend regarding the restrictions as set forth under “*Purchase and Transfer Restrictions*”. Under certain circumstances, transfers may be made only upon receipt by the transfer agent or the registrar of a written certification (in the form provided in the Fiscal and Paying Agency Agreement). See “*Terms and Conditions of the Notes*” and “*Purchase and Transfer Restrictions*”.

The Notes will not be listed on any securities exchange or quoted on any automated quotation system.

15.2 Transfers within Global Notes

Subject to the procedures and limitations described herein, including under “*Purchase and Transfer Restrictions*,” transfers of beneficial interests within a Global Note may be made without delivery to the Issuer, the Guarantor or the Fiscal Agent of any written certifications or other documentation by the transferor or transferee.

15.3 Transfers of interest in Global Notes

Transfers of beneficial interests in Global Notes will be effected by DTC and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Global Note only in Specified Denominations and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may

be, and in accordance with the terms and conditions specified in the Fiscal and Paying Agency Agreement. Transfers of a Global Note shall be limited to transfers of such Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

15.4 Transfers between the Global Notes

A beneficial interest in a Regulation S Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through a Rule 144A Global Note only upon receipt by the transfer agent of a written certification (in the form provided in the Fiscal and Paying Agency Agreement) from the transferor to the effect that the transferor (i) reasonably believes that the transferee is a Qualified Institutional Buyer purchasing for its own account (or for the account of one or more Qualified Institutional Buyers over which account it exercises sole investment discretion), (ii) transfers such note in a transaction meeting the requirements of Rule 144A and (iii) has notified the transferee of the restrictions on transfer and the representations set forth under "*Purchase and Transfer Restrictions*".

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note without any written certification from the transferor or the transferee, and each transferee of a Rule 144A Global Note, in making its purchase, will be subject to certain restrictions and must be able to make and will be deemed to have made certain acknowledgements, representations and agreements for itself and for each account for which it is purchasing as set forth under "*Purchase and Transfer Restrictions — Rule 144A*."

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note only upon receipt by the transfer agent of a written certification (in the form provided in the Fiscal and Paying Agency Agreement) from the transferor to the effect that such transfer is being made in compliance with the restrictions and representations set forth under "*Purchase and Transfer Restrictions*" and in accordance with Rule 904 of Regulation S under the Securities Act. No representation can be made as to the availability of the exemption provided by Rule 144 for resale of an interest in a Rule 144A Global Note.

Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a Regulation S Global Note will, upon transfer, cease to be a beneficial interest in such Rule 144A Global Note and become a beneficial interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such Regulation S Global Note for so long as such person retains such an interest.

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a Rule 144A Global Note will, upon transfer, cease to be a beneficial interest in such Regulation S Global Note and become a beneficial interest in the Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such Rule 144A Global Note for so long as such person retains such an interest.

15.5 Transfers or Exchanges from Global Notes to Definitive Notes

No Global Note may be exchanged in whole or in part for Notes in definitive registered form ("**Definitive Notes**") unless:

- the depositary notifies the Issuer that it is unwilling or unable to hold the applicable Global Note or the depositary ceases to be a clearing agency registered under the Exchange Act, and in each case the Issuer does not appoint a successor depositary which shall be registered under the Exchange Act within 90 days;
- a payment default has occurred and is continuing; or
- in the event of bankruptcy or liquidation default pursuant to the terms and conditions of the Notes, the Issuer (or failing whom, the Guarantor) fails to make payment on the Notes when due.

On or after the Exchange Date, the holder of the relevant Global Note may surrender such Global Note to or to the order of the registrar or any transfer agent. In exchange for the relevant Global Note, as provided in the Fiscal and Paying Agency Agreement, the registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Definitive Notes in or substantially in the form set out in the relevant schedule to the Fiscal and Paying Agency Agreement.

The registrar will not register the transfer of, or exchange of interests in, a Global Note for Definitive Notes for a period of 15 calendar days immediately preceding the due date for redemption of any of the Notes.

“**Exchange Date**” means a day falling not later than 30 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which DTC is located.

15.6 Delivery

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Notes and the Issuer will, at the cost of the Guarantor (but against such indemnity as the registrar or any relevant transfer agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Notes to be executed and delivered to the registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the registrar with (a) a written order containing instructions and such other information as the Issuer, the Guarantor and the registrar may require to complete, execute and deliver such Notes and (b) in the case of a Rule 144A Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a Qualified Institutional Buyer. Definitive Notes issued in exchange for a beneficial interest in a Rule 144A Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under “*Purchase and Transfer Restrictions*”.

15.7 Legends

The holder of a Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the registrar or any transfer agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of Definitive Notes bearing the legend set forth under “*Purchase and Transfer Restrictions — Rule 144A Notes*”, or upon specific request for removal of the legend on a Rule 144A Note that is a Definitive Note, the Issuer will deliver only Definitive Notes that bear such legend or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Upon the transfer, exchange or replacement of Definitive Notes bearing the legend set forth under “*Purchase and Transfer Restrictions — Regulation S Notes*” on or prior to the 40th day after the later of the commencement of the sale of the relevant tranche of Notes and the final delivery date with respect thereto, the Issuer will deliver only Definitive Notes that bear such legend.

Each Definitive Note will benefit from the Guarantee of the Guarantor, in the form set forth herein under “*Form of Guarantee of the Notes*,” and will include terms substantially in the form of those set forth in the Fiscal and Paying Agency Agreement.

15.8 Direct Rights

The Noteholders are entitled to the benefit of the Deed of Covenant dated the Issue Date and executed by the Issuer (the “**Deed of Covenant**”). Pursuant to the Deed of Covenant, if at any time any Global Note becomes void in accordance with its terms (such time, the “**Determination Date**”), each holder of an account with DTC will have against the Issuer all rights (including the right to receive payments due on the Notes) (“**Direct Rights**”) which such accountholder would have had in respect of such Notes if, immediately before the Determination Date, it had been the holder of Definitive Notes. No further action will be required on the part of the Issuer or any other person for such accountholders to enjoy the Direct Rights, or for each such accountholder to have the benefit of the Conditions as if they had been incorporated *mutatis mutandis* into the Deed of Covenant, **provided, however, that** nothing in the Deed of Covenant will entitle any such accountholder to receive any payment which has already been made in accordance with the terms of any Global Note.

15.9 Clearing and Settlement

Under the rules, regulations, and procedures creating and affecting DTC and its operations (the “**Rules**”), DTC is required to make book-entry transfers of Notes among DTC participants on whose behalf it acts with

respect to Notes accepted into DTC's book-entry settlement system as described below (the "**DTC Notes**") and to receive and transmit distributions of the nominal amount and interest on the DTC Notes. DTC participants and indirect DTC participants with which beneficial owners of DTC Notes ("**owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective owners. Accordingly, although owners who hold DTC Notes through DTC participants or indirect DTC participants will not possess Notes, the Rules by virtue of the requirements described above, provide a mechanism by which such owners will receive payments and will be able to transfer their interests with respect to the Notes.

Transfers of ownership or other interests in the Notes in DTC may be made only through DTC participants. Indirect DTC participants are required to effect transfers through a DTC participant. DTC has no knowledge of the actual beneficial owners of the Notes. DTC's records reflect only the identity of the DTC participants to whose accounts the Notes are credited, which may not be the beneficial owners. DTC participants will remain responsible for keeping account of their holdings on behalf of their customers and for forwarding all notices concerning the Notes to their customers.

So long as DTC, or its nominee, is the registered holder of a Global Note, payments on the applicable Notes will be made in immediately available funds to DTC. DTC's practice is to credit DTC participants' accounts on the applicable payment date in accordance with their respective holdings shown on its records, unless DTC has reason to believe that it will not receive payment on that date. Payments by DTC participants to beneficial owners will be governed by standing instructions and customary practices, and will be the responsibility of the DTC participants and not of DTC, or any other party, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the paying agent. Disbursement of payments for DTC participants will be DTC's responsibility, and disbursement of payments to the beneficial owners will be the responsibility of DTC participants and indirect DTC participants.

Because DTC can only act on behalf of DTC participants, who in turn act on behalf of indirect DTC participants, and because owners of beneficial interests in the Notes holding through DTC will hold interests in the Notes through DTC participants or indirect DTC participants, the ability of the owners of the beneficial interests to pledge Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to the Notes, may be limited.

DTC will take any action permitted to be taken by an owner only at the direction of one or more DTC participants to whose account with DTC such owner's DTC Notes are credited. Additionally, DTC has advised the Issuer that it will take such actions with respect to any percentage of the beneficial interest of owners who hold Notes through DTC participants or indirect participants only at the direction of and on behalf of DTC participants whose account holders include undivided interests that satisfy any such percentage.

To the extent permitted under applicable law and regulations, DTC may take conflicting actions with respect to other undivided interests to the extent that such actions are taken on behalf of DTC participants whose account holders include such undivided interests.

Ownership of interests in the Global Notes will be shown on, and the transfer of those ownership interests will be effected only through records maintained by, DTC, the DTC participants and the indirect DTC participants. Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules.

15.10 Limitation on Responsibilities

Although the foregoing sets out the procedures of the depositaries established in order to facilitate the transfer of interests in the Global Notes among their participants, none of the depositaries is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

DTC has no knowledge of the actual beneficial owners of interests in a Global Note. DTC's records reflect only the identity of the DTC participants to whose accounts those Global Notes are credited, which may or may not be the beneficial owners of interests in a Global Note.

None of the Issuer, the Guarantor or the Initial Subscribers, nor any of their respective agents will have any responsibility for the performance by any depositary or its respective participants of their respective obligations under the rules and procedures governing their operations.

15.11 Initial Settlement

Upon the issue of a Global Note deposited with DTC or a nominee therefor, DTC or its nominee, as the case may be, will credit, on its internal system, the respective nominal amount of the individual beneficial interest represented by such relevant DTC Note or Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant dealers. Ownership of beneficial interest in a DTC Note will be limited to DTC participants or indirect DTC participants. Ownership of beneficial interests in DTC Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC participants) and the records of DTC Participants (with respect to interests of indirect DTC participants).

Investors that hold their interests in a DTC Note will follow the settlement procedures applicable to global bond issues. Investors' securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

15.12 Secondary Market

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date. Although DTC has agreed to the following procedures in order to facilitate transfers of interests in Global Notes deposited with DTC or a custodian therefor among participants of DTC, DTC is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor any agent of the Issuer will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Secondary market trading between DTC participants will be settled using the procedures applicable to global bond issues in same-day funds.

15.13 Payments

So long as any of the Notes remains outstanding, the Issuer and the Guarantor will maintain an office or agency in London (a) where the Notes may be presented for payment (by the Issuer pursuant to the Notes or by the Guarantor pursuant to the Guarantee), (b) in the case of the Issuer, where the Notes may be presented for registration of transfer and for exchange and (c) where notices and demands to or upon the Issuer, or the Guarantor or under the Fiscal and Paying Agency Agreement may be served. The Issuer and the Guarantor, as applicable, will give the Fiscal Agent written notice of the location of any such office or agency and of any change of location thereof. The Issuer and the Guarantor, as applicable, will initially designate Citibank, N.A., London Branch, in London for such purposes.

The Issuer or Guarantor, may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes or where such notices or demands may be served and may from time to time rescind such designations; **provided, however, that** no such designation or rescission shall in any manner relieve the Issuer, or any Guarantor, of any obligation to maintain an office or agency in London for such purposes. The Issuer, or the Guarantor, shall give written notice to the agents of any such designation or rescission and of any such change in the location of any other office or agency.

The Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of Notes and any other expenses (including the fees and expenses of the Agents). No service charge will be made for any such transaction.

No transfer shall be registered (i) for so long as the Notes are represented by the Global Notes, for a period of three business days (as such term is defined in the Fiscal and Paying Agency Agreement) and (ii) if the Notes are represented by Definitive Notes, 15 calendar days, in each case immediately preceding the due date for redemption of any of the Notes.

The Notes will be issued in registered form without coupons and transferable in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

The laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in the Global Notes is limited to such extent.

16. TAX CONSIDERATIONS

16.1 U.S. Federal Income Tax Considerations

The following summary describes certain U.S. federal income tax consequences of the acquisition, ownership and disposition of a Note by an investor that acquires the Note in the initial offering from the Initial Subscribers at the issue price (the first price at which a substantial amount of the Notes is sold for money to investors) and holds it as a capital asset (generally, property held for investment). This summary does not address all aspects of U.S. federal income taxation that may be applicable to a particular investor's decision to acquire, own or dispose of a Note.

The discussion below is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), U.S. Treasury regulations thereunder, and judicial and administrative interpretations thereof, all as of the date of this Offering Memorandum and any of which may at any time be repealed, revoked or modified or subject to differing interpretations, potentially retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. In addition, there can be no assurances that the U.S. Internal Revenue Service (the "**IRS**") would not assert, or that a U.S. court would not uphold, positions concerning the U.S. federal income tax consequences of an investor's acquisition, ownership or disposition of a Note that are contrary to the discussion below.

If an entity or arrangement classified as a partnership for U.S. federal income tax purposes invests in a Note, the U.S. federal income tax consequences to the partners of such partnership will depend on the activities of the partnership and the status of the partners. Such entities or arrangements should consult with their own tax advisers about the consequences to them and the partners of an investment in the Notes.

16.1.1 U.S. Holders

As used herein, the term "**U.S. Holder**" means a beneficial owner of a Note that is for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation created or organized in or under the laws of the United States, any state therein or the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust.

This summary does not address all U.S. federal income tax consequences that apply to prospective investors subject to special tax rules, including, among others:

- tax-exempt organizations;
- financial institutions;
- dealers and traders in securities or currencies;
- persons required for U.S. federal income tax purposes to accelerate the recognition of any item of gross income with respect to the Notes as a result of such income being recognized on an applicable financial statement;
- U.S. Holders that will hold a Note as part of a "straddle," hedging transaction or "conversion transaction" for U.S. federal income tax purposes;
- U.S. Holders that enter into "constructive sale" transactions with respect to the Notes;
- U.S. Holders that own (directly or through attribution) 10% or more of the equity, by vote or value, of the Issuer;
- U.S. Holders that have a "functional currency" other than the U.S. dollar;
- Partnerships (or entities or arrangements treated as partnerships for U.S. federal income tax purposes), or partners therein; and
- certain U.S. expatriates.

In addition this summary does not address consequences to U.S. Holders of the acquisition, ownership and disposition of a Note under U.S. federal tax laws other than the U.S. federal income tax (such as the alternative minimum tax or the Medicare contribution tax) or the tax laws of any state, locality or other political subdivision of the United States or other countries or jurisdictions.

Prospective purchasers should consult their own tax advisers as to the particular tax considerations for them relating to the purchase, ownership and disposition of a Note, including the applicability of any U.S.

federal, state, or local tax laws, or non-U.S. tax laws, any changes in applicable tax laws, and any pending or proposed legislation or regulations.

16.1.1.1 Payments of stated interest

In general, a payment of stated interest on a Note will be taxable to a U.S. Holder as U.S. source ordinary interest income at the time it is accrued or is paid in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

16.1.1.2 Original issue discount

If the issue price of a Note is less than its principal amount by more than a *de minimis* amount, U.S. Holders will be subject to special U.S. federal income tax rules with respect to this original issue discount ("**OID**"). OID will be considered to be *de minimis* if it is less than 0.25% of the principal amount multiplied by the number of complete years to maturity from the issue date. U.S. Holders will be required to include any OID in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, even though the cash attributable to this income will not be received until a Note is sold, exchanged, redeemed or otherwise disposed of.

16.1.1.3 Sale, exchange, redemption, retirement at maturity or other taxable disposition of the Notes

Upon the sale, exchange, redemption, retirement at maturity or other taxable disposition of a Note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount of cash and the fair market value of any property received on the disposition (except to the extent such cash or property is attributable to accrued and unpaid stated interest, which will be treated like a payment of interest, as described above) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the amount paid for the Note increased by the amount of any OID included in the U.S. Holder's income with respect to the Note.

Any gain or loss that a U.S. Holder recognizes upon the sale, exchange, redemption, retirement at maturity or other taxable disposition of a Note generally will be U.S. source capital gain or loss and will be long-term capital gain or loss if, at the time of the disposition, the U.S. Holder's holding period for the Note is more than one year. The deductibility of capital losses is subject to limitations.

16.1.1.4 Information reporting and backup withholding requirements

U.S. Holders may be subject to information reporting on the amounts paid to them (including OID accrued in the manner described above), unless they provide proof of an applicable exemption. If a U.S. Holder does not provide this proof of exemption, it may be subject to backup withholding on such amounts unless the U.S. Holder provides its taxpayer identification number and otherwise complies with the requirements of the backup withholding rules. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, **provided that** the required information is timely furnished to the IRS.

U.S. Holders should consult their tax advisers about any additional reporting obligations that may apply as a result of the acquisition, ownership or disposition of a Note. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

16.1.2 Non-U.S. Holders

As used herein, the term "**Non-U.S. Holder**" means a beneficial owner of a Note that is, for U.S. federal income tax purposes: (i) a nonresident alien individual; (ii) a corporation created or organized in or under the laws of a jurisdiction outside of the United States or of any political subdivision thereof or (iii) an estate or trust the income of which is not subject to U.S. federal income taxation regardless of its source.

The following discussion describes certain U.S. federal income tax consequences of the acquisition, ownership and disposition of a Note by a Non-U.S. Holder. This discussion does not consider the specific facts and circumstances that may be relevant to a particular Non-U.S. Holder. In particular, this discussion does not address, among others, potential investors that:

- are banks;
- own (directly, indirectly or through attribution) equity possessing 10% or more of the total combined voting power of the Issuer;

- are controlled foreign corporations for U.S. federal income tax purposes that are considered to be related parties of the Issuer;
- are partnerships (or entities or arrangements treated as partnerships for U.S. federal income tax purposes), or partners therein;
- are treated as earning income on a Note that is effectively connected with a trade or business of the potential investor in the United States; or
- are individuals that are present in the United States for 183 days or more in a taxable year in which they dispose of a Note.

Prospective investors should consult their own tax advisers with regard to the application of the U.S. federal income tax laws to their particular circumstances as well as any tax consequences arising under U.S. federal tax laws (other than the U.S. federal income tax laws) and the laws of any state, local or non-U.S. taxing jurisdiction.

Subject to the discussion under “—*FATCA Withholding*” below, a Non-U.S. Holder will not be subject to U.S. federal income tax or backup withholding on payments (including OID, if any) on, or gain realized on the sale, exchange or other disposition of, a Note **provided that** the Non-U.S. Holder certifies on the appropriate IRS Form W-8, under penalties of perjury, that it is not a U.S. person. A Non-U.S. Holder that fails to certify on the appropriate IRS Form W-8 its status as a non-U.S. person will generally be subject to U.S. withholding tax on payments of stated interest (and OID, if any) on a Note at a flat rate of 30%.

16.1.3 *FATCA Withholding*

U.S. tax rules commonly referred to as FATCA impose a 30% withholding tax on certain U.S. source payments, including interest (and OID if any), if paid to a foreign financial institution, whether as a beneficial owner or intermediary, unless the financial institution collects and reports certain information regarding U.S. financial account holders (including certain account holders that are foreign entities with U.S. owners), or otherwise qualifies for an exemption. These rules also generally impose a withholding tax of 30% on such payments made to certain other payees that are not classified as financial institutions unless they provide the withholding agent with certain documentation containing information about their identity and their FATCA status, and if required a certification identifying their direct and indirect substantial U.S. owners. Under certain circumstances, an investor may be eligible for a refund or credit of such withheld taxes.

These rules generally apply to interest payments made on the Notes. If withholding does apply, there will be no additional amounts paid in respect of such withholding. Prospective investors are urged to consult with their own tax advisers regarding the possible implications of these rules on their investment in the Notes.

THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER’S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER OTHER FEDERAL TAX RULES, STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

17. CERTAIN ERISA AND RELATED CONSIDERATIONS

Sections 404 and 406 of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), and Section 4975 of the Code impose fiduciary and prohibited transaction restrictions on the activities of employee benefit plans and certain other retirement plans and arrangements subject to such provisions of law, including investment funds, bank collective investment funds and insurance company accounts whose assets are deemed to be “plan assets” within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (together referred to as “**Benefit Plan Investors**”).

Governmental plans (as defined in Section 3(32) of ERISA), plans maintained outside the United States primarily for the benefit of persons substantially all of whom are non-resident aliens (as described in Section 4(b)(4) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) are not subject to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code but may be subject to federal, state, local or non-U.S. laws or regulations substantially similar to such provisions of law (“**Similar Law**”). The Issuer, the Guarantor, the Initial Subscribers, the Fiscal and Paying Agent, the Registrar and their respective affiliates (collectively, the “**Transaction Parties**”) may be “parties in interest” (as defined in Section 3(14) of ERISA) or “disqualified persons” (as defined in Section 4975(e)(2) of the Code) as to certain Benefit Plan Investors. Thus, the acquisition, holding or disposition of Notes by or on behalf of a Benefit Plan Investor may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code unless a statutory or administrative exemption applies. Fiduciaries and other persons involved in a non-exempt prohibited transaction may be subject to penalties and other liabilities under ERISA or Section 4975 of the Code, and the prohibited transaction may need to be rescinded or otherwise corrected.

There are statutory or administrative exemptions that could apply, depending on the circumstances, to provide relief from certain of the prohibited transaction provisions of ERISA or Section 4975 of the Code in connection with the acquisition or holding of Notes, including, but not limited to: Prohibited Transaction Class Exemption (“**PTCE**”) 84-14 (applicable to a “qualified professional asset manager”); PTCE 90-1 (applicable to insurance company separate accounts); PTCE 91-38 (applicable to bank collective investment funds); PTCE 95-60 (applicable to insurance company general accounts); and PTCE 96-23 (applicable to an “in-house asset manager”). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code generally exempt certain transactions with a person that is a party in interest or disqualified person to a Benefit Plan Investor solely by reason of it or its affiliate providing services to the Benefit Plan Investor where such services are not in a fiduciary capacity within the meaning of ERISA or Section 4975 of the Code in connection with the investment of “plan assets” of the Benefit Plan Investor involved in the transaction, and the Benefit Plan Investor pays no more than, and receives no less than, “adequate consideration” in connection with the transaction.

There can be no assurance that any prohibited exemption will apply to the acquisition or holding, or subsequent transfer or other disposition, of Notes by any particular Benefit Plan Investor or, even if all of the conditions specified therein were satisfied, that the exemption would apply to all prohibited transactions that may occur in connection with such investment. Each Benefit Plan Investor and its fiduciary acting on its behalf shall be solely responsible for determining whether any prohibited transaction exemptions apply and provide full relief to the acquisition and holding of Notes by the Benefit Plan Investor.

Each purchaser and transferee of any Note (or interest therein) will be deemed to have represented and warranted by its acquisition of such Note (or interest therein) that either (a) it is not, and is not acting on behalf of, a Benefit Plan Investor or a governmental, church or non-U.S. plan subject to Similar Law or (b) its acquisition, holding and disposition of such Note (or interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of applicable Similar Law or subject the Issuer’s assets to Section 404 or 406 of ERISA, Section 4975 of the Code or any Similar Law.

Each of the Transaction Parties has its own interests in the Offering and related transactions, which differ from the interests of any Benefit Plan Investor considering the acquisition or holding of Notes, and such financial interests are disclosed in this Offering Memorandum. Any person that, for any direct or indirect compensation, makes a suggestion, directly or indirectly, to engage in or refrain from a particular action in connection with the acquisition or holding of a Note by any Benefit Plan Investor might be rendering “investment advice” so as to become a fiduciary to the Benefit Plan Investor.

In this regard, each purchaser and transferee of the Notes (or interests therein) that is, or is acting on behalf of, a Benefit Plan Investor will be deemed to have represented by its acquisition of such Notes (or interests

therein) that (x) none of the Transaction Parties has provided any investment recommendation or investment advice to the Benefit Plan Investor, or any fiduciary or other person investing on behalf of the Benefit Plan Investor or who otherwise has discretion or control over the investment and management of “plan assets” (a “**Plan Fiduciary**”), on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to acquire such Notes (or interests therein), (y) none of the Transaction Parties is undertaking to act as a “fiduciary” within the meaning of Section 3(21) of ERISA or Section 4975(e)(3) of the Code to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor’s acquisition of such Notes (or interests therein) and (z) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction. Any Plan Fiduciary or any fiduciary or representative of a plan that is subject to Similar Law that proposes to acquire or hold Notes (or interests therein) on behalf of or with the assets of a Benefit Plan Investor or such other plan is encouraged to consult with its counsel regarding the application of the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of ERISA and Section 4975 of the Code or the applicability of Similar Law before making the proposed investment.

The sale of Notes to a Benefit Plan Investor is in no respect a representation by the Issuer or Initial Subscribers that such an investment meets all relevant legal requirements with respect to investments by Benefit Plan Investors generally or any particular Benefit Plan Investor, or that such an investment is appropriate for Benefit Plan Investors generally or any particular Benefit Plan Investor.

18. PLAN OF DISTRIBUTION

18.1 Subscription

The Issuer and the Guarantor have entered into a Subscription Agreement dated May _____, 2022 (the “**Subscription Agreement**”) with the Initial Subscribers named below (the “**Initial Subscribers**”), pursuant to which, and subject to the terms and conditions set forth therein, the Issuer has agreed to issue and sell to the Initial Subscribers and each Initial Subscriber has severally agreed to subscribe to, the principal amount of the Notes as set forth below:

Initial Subscribers	Principal Amount of A Notes	Principal Amount of B Notes	Principal Amount of C Notes	Principal Amount of D Notes
Morgan Stanley & Co. LLC . . .	U.S.\$	U.S.\$	U.S.\$	U.S.\$
Credit Agricole Securities (USA) Inc.	U.S.\$	U.S.\$	U.S.\$	U.S.\$
Mizuho Securities USA LLC . . .	U.S.\$	U.S.\$	U.S.\$	U.S.\$
SG Americas Securities, LLC	U.S.\$	U.S.\$	U.S.\$	U.S.\$
Wells Fargo Securities, LLC . . .	U.S.\$	U.S.\$	U.S.\$	U.S.\$
Total	U.S.\$	U.S.\$	U.S.\$	U.S.\$

The obligations of the Initial Subscribers under the Subscription Agreement, including their agreement to subscribe to the Notes from the Issuer, are several and not joint. The Subscription Agreement provides that the Initial Subscribers will subscribe, subject to certain conditions precedent, to all the Notes if any of them are subscribed to.

The Initial Subscribers initially propose to offer and sell the Notes of each tranche at the applicable prices set forth on the cover page of this Offering Memorandum. If all of the Notes of a tranche are not sold at the initial offering price, the initial offering price and other selling terms may be changed at any time without notice. The offering of the Notes by the Initial Subscribers is subject to receipt and acceptance and subject to the Initial Subscribers’ right to reject any order in whole or in part. The Initial Subscribers may offer and sell Notes through certain of their affiliates.

In the Subscription Agreement, the Issuer and the Guarantor have agreed, jointly and severally, to the extent permitted by the laws of England, to indemnify and hold harmless each Initial Subscriber, its affiliates, directors, officers, partners, employees and controlling persons against certain liabilities in connection with the Offering and to contribute to payments that the Initial Subscribers may be required to make in respect thereof. The Initial Subscribers have agreed to reimburse certain of the Issuer’s offering-related expenses.

The Notes are new issues of securities for which there currently are no markets and the Issuer has no intention of listing the Notes on any securities exchange or arranging for their quotation on any automated quotation system. Certain of the Initial Subscribers have advised the Issuer that following the completion of the Offering, they intend to make a market in the Notes of each tranche. They are not obligated to do so, however, and any market-making activities with respect to the Notes may be discontinued at any time at their sole discretion without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, the Issuer cannot give any assurance as to the development of any markets or the liquidity of any markets for the Notes.

In connection with the Offering, the Initial Subscribers may engage in over-allotment, stabilizing transactions and syndicate covering transactions. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Subscribers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the prices of the Notes. Syndicate covering transactions involve purchasers of the Notes in the open market after the distribution has been completed in order to cover short positions. Any of these activities may prevent a decline in the market prices of the Notes, and may also cause the prices of the Notes to be higher than they would otherwise be in the absence of these transactions. The Initial Subscribers may conduct these transactions in the over-the-counter market or otherwise. If the Initial Subscribers commence any of these transactions, they may discontinue them at any time and, if begun, must be brought to an end after a limited period. Any stabilization action or over-allotment must be conducted by the Initial Subscribers in accordance with all applicable laws and rules.

The Initial Subscribers also may impose a penalty bid. This occurs when a particular Initial Subscriber repays to the Initial Subscribers a portion of the underwriting discount received by it because such Initial Subscriber or its affiliates have repurchased notes sold by or for the account of such Initial Subscriber in stabilizing or short covering transactions.

The Initial Subscribers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Some of the Initial Subscribers and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor or affiliates of the Issuer or Guarantor. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Initial Subscribers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or affiliates of the Issuer or Guarantor. Certain of the Initial Subscribers or their respective affiliates that have a lending relationship with the Issuer, the Guarantor or affiliates of the Issuer or Guarantor routinely hedge, and certain other of these Initial Subscribers or their respective affiliates are likely to hedge, their credit exposure to the Issuer, the Guarantor or affiliates of the Issuer or Guarantor consistent with their customary risk management policies. Typically, such Initial Subscribers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities of the Issuer, the Guarantor or affiliates of the Issuer or Guarantor, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Subscribers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Delivery of the Notes is expected to be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be the fifth business day (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T+5 "). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next three succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Intesa Sanpaolo S.p.A. is not a U.S. registered broker-dealer and will not effect any offers or sales of any Notes in the United States unless it is through one or more U.S. registered broker-dealers as permitted by the regulations of the U.S. Financial Industry Regulatory Authority.

18.2 Selling Restrictions

18.2.1 United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only to (i) persons who are Qualified Institutional Buyers within the United States in each case purchasing for their own account or the account of one or more persons, each of which is a Qualified Institutional Buyer, as to which the purchaser exercises sole investment discretion, in transactions meeting the requirements of Rule 144A and (ii) non-U.S. persons located outside the United States in reliance on Regulation S under the Securities Act.

The Notes being offered and sold pursuant to Regulation S may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person, unless the Notes are registered under the Securities Act or an exemption from the registration requirements under the Securities Act is available.

Terms used above have the meaning given to them by Regulation S and Rule 144A. See “*Purchase and Transfer Restrictions*”.

In addition, until forty days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

18.2.2 Retail Investors in the European Economic Area and the United Kingdom

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIPs Regulation.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the “**UK PRIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIPs Regulation.

18.2.3 United Kingdom

Each of the Initial Subscribers has represented, warranted and agreed that:

(a) It has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) It has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

18.2.4 Hong Kong

Each of the Initial Subscribers has severally represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**Companies Ordinance**”) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are or are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of

Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made thereunder.

18.2.5 Japan

Each of the Initial Subscribers has severally represented and agreed that the Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended); it will not offer or sell, directly or indirectly, any of the Notes in Japan or to, or for the account or benefit of, any resident of Japan or to, or for the account or benefit of, any resident for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan except (i) pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and (ii) in compliance with the other relevant laws and regulations of Japan.

18.2.6 Singapore

Each of the Initial Subscribers has severally represented and agreed that this Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the “MAS”).

Accordingly, each of the Initial Subscribers severally represents, warrants and agrees that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:
 - (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 - (2) where no consideration is or will be given for the transfer;
 - (3) where the transfer is by operation of law;
 - (4) as specified in section 276(7) of the SFA; or
 - (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

18.2.7 Switzerland

This Offering Memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes. The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the

Swiss Financial Services Act (“**FinSA**”) and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to FinSA, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

18.2.8 Canada

Prospective Canadian investors are advised that the information contained within the Offering Memorandum has not been prepared with regard to matters that may be of particular concern to Canadian investors. Accordingly, prospective Canadian investors should consult with their own legal, financial and tax advisers concerning the information contained within the Offering Memorandums and as to the suitability of an investment in the Notes in their particular circumstances.

Each Initial Purchaser has severally represented and agreed that the Notes may only be offered or sold in the provinces of Alberta, British Columbia, Ontario and Québec or to or for the benefit of a resident of these provinces pursuant to an exemption from the requirement to file a prospectus in such province in which such offer or sale is made, and only by a dealer duly registered under the applicable securities laws of that province or by a dealer that is relying in that province on the “international dealer” exemption provided by section 8.18 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“**NI 31-103**”). Furthermore, the Notes may only be offered or sold to or for the benefit of a resident of any such province provided that such resident is both an “accredited investor” as defined in section 1.1 of National Instrument 45-106 *Prospectus Exemptions* (“**NI 45-106**”) or subsection 73.3 (1) of the *Securities Act* (Ontario) and a “permitted client” as defined in NI 31-103. By purchasing any Notes and accepting delivery of a purchase confirmation a purchaser is deemed to have represented to the Initial Purchasers and the dealer from whom the purchase confirmation is received that it is an “accredited investor” and “permitted client” as defined above. The distribution of the Notes in Canada is being made on a private placement basis only and any resale of the Notes must be made in accordance with applicable Canadian securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with prospectus and registration requirements or exemptions from the prospectus and registration requirements.

By purchasing any Notes and accepting delivery of a purchase confirmation a Canadian purchaser is deemed to have represented, warranted and acknowledged to the Initial Purchasers and the dealer from whom the purchase confirmation is received that (i) no securities commission, stock exchange or other similar regulatory authority in Canada has reviewed or in any way passed upon this Offering Memorandum or the merits of the Notes described herein, nor has any such securities commission, stock exchange or other similar regulatory authority in Canada made any recommendation or endorsement with respect to, the Notes; (ii) no person has made any representation or given any undertaking, written or oral, to such purchaser (A) that any person will resell or repurchase the Notes purchased by such purchaser; (B) that the Notes will be freely tradeable by such purchaser without any restrictions or hold periods; (C) that any person will refund the purchase price of the Notes; or (D) as to the future price or value of the Notes; (iii) that the Issuer is not a “reporting issuer” (as such term is defined under applicable Securities Laws) and is not, and may never be, a reporting issuer in any province, or territory of Canada; (iv) there currently is no public market in Canada for any of the Notes, and one may never develop; and (v) that the Notes will be subject to resale restrictions under applicable Canadian securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the Subsequent Purchaser’s province or territory. Subsequent Purchasers should refer to any applicable provisions of the securities legislation of the Subsequent Purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Under Canadian securities law, National Instrument 33-105 – *Underwriting Conflicts* (“**NI 33-105**”) provides disclosure requirements with respect to potential conflicts of interest between an issuer and underwriters, dealers or placement agents, as the case may be. To the extent any conflict of interest between us and any of the Underwriters (or any other placement agent acting in connection with this offering) may exist in respect of this offering, the applicable parties to this offering are relying on the exemption from these disclosure requirements provided to them by section 3A.3 of NI 33-105 (exemption based on U.S. disclosure).

The Issuer, the Guarantor and the Initial Purchasers hereby notify prospective Canadian investors that: (a) we may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the aggregate purchase price of any Notes purchased) ("**personal information**"), which Form 45-106F1 may be required to be filed by us under NI 45-106, (b) such personal information may be delivered to the securities regulatory authorities in applicable provinces of Canada in accordance with NI 45-106, (c) such personal information is collected indirectly by securities regulatory authorities in Canada under the authority granted to it under the applicable Canadian securities laws, and (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of the applicable provinces of Canada. Prospective Canadian investors that purchase Notes in this offering will be deemed to have authorized the indirect collection of the personal information by applicable securities regulatory authorities in Canada, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other securities regulatory authorities in Canada, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Each purchaser of Notes in Canada hereby agrees that it is the purchaser's express wish that all documents evidencing or relating in any way to the sale of the notes be drafted in the English language only. *Chaque acheteur au Canada des valeurs mobilières reconnaît que c'est sa volonté expresse que tous les documents faisant foi ou se rapportant de quelque manière à la vente des valeurs mobilières soient rédigés uniquement en anglais.*

19. PURCHASE AND TRANSFER RESTRICTIONS

19.1 General

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

The offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and, accordingly, may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except as set forth below.

The Notes (including any beneficial interest in a Global Note) will be subject to certain restrictions on transfer set forth in the Notes and the Fiscal and Paying Agency Agreement. A beneficial interest in a Regulation S Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through a Rule 144A Global Note only upon receipt by the transfer agent of a written certification (in the form provided in the Fiscal and Paying Agency Agreement) from the transferor to the effect that the transferor (i) reasonably believes that the transferee is a Qualified Institutional Buyer purchasing for its own account (or for the account of one or more Qualified Institutional Buyers over which account it exercises sole investment discretion), (ii) transfers such note in a transaction meeting the requirements of Rule 144A and (iii) has notified the transferee of the restrictions on transfer and the representations described in this section.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note without any written certification from the transferor or the transferee.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note only upon receipt by the transfer agent of a written certification (in the form provided in the Fiscal and Paying Agency Agreement) from the transferor to the effect that such transfer is being made in compliance with the restrictions and representations described in this section and in accordance with Rule 904 of Regulation S under the Securities Act.

Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a Regulation S Global Note will, upon transfer, cease to be a beneficial interest in such Rule 144A Global Note and become a beneficial interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such Regulation S Global Note for so long as such person retains such an interest.

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a Rule 144A Global Note will, upon transfer, cease to be a beneficial interest in such Regulation S Global Note and become a beneficial interest in the Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such Rule 144A Global Note for so long as such person retains such an interest.

19.2 Rule 144A Notes

Each purchaser of the Notes (including the registered holders and beneficial owners of the Notes as they exist from time to time, including as a result of transfers, in each case, as of the time of purchase) offered hereby in reliance on Rule 144A (the "**Rule 144A Notes**") must be able to and will be deemed to have represented and agreed, on its own behalf and on behalf of each account for which it is purchasing, as follows:

(a) It is a Qualified Institutional Buyer; is aware the sale of the Notes to it is being made in reliance on Rule 144A; and is acquiring such Notes for its own account or the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion:

(b) It understands and acknowledges that such Rule 144A Notes are being offered only in a transaction not involving any public offering in the United States, within the meaning of the Securities Act, and the Rule 144A Notes offered hereby have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred except to a person who the seller reasonably believes is a Qualified Institutional Buyer in a transaction meeting the requirements of Rule 144A, in accordance with all applicable securities laws of the states of the United States.

(c) It agrees that it will deliver to each person to whom it transfers the Rule 144A Notes notice of any restrictions on transfer of such Rule 144A Notes.

(d) It understands and acknowledges that Rule 144A Global Notes (or any interest therein) may be purchased, sold, pledged or otherwise transferred only in minimum principal amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

(e) Either (a) it is not and is not acting on behalf of a Benefit Plan Investor or other plan or arrangement subject to Similar Law or (b) (i) its purchase and holding of a Note will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code, or a violation of applicable Similar Law or subject the Issuer's assets to Section 404 or 406 of ERISA, Section 4975 of the Code or any Similar Law, and (ii) if it is a Benefit Plan Investor, (1) none of the Transaction Parties (x) has provided any investment recommendation or investment advice to the Benefit Plan Investor or Plan Fiduciary, on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to acquire any interest in the Note, and (y) is acting as a "fiduciary" within the meaning of Section 3(21) of ERISA or Section 4975(e)(3) of the Code to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor's acquisition of any interest in the Note and (2) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

(f) It understands that each Rule 144A Global Note, and each Definitive Note issued in exchange for all or part of a Rule 144A Global Note or an interest therein, will bear a legend to the following effect, unless the Issuer determines otherwise in compliance with applicable law:

"THE NOTES EVIDENCED BY THIS RESTRICTED GLOBAL NOTE MAY BE PURCHASED AND TRANSFERRED ONLY IN MINIMUM PRINCIPAL AMOUNTS OF U.S. \$200,000 AND INTEGRAL MULTIPLES OF U.S. \$1,000 IN EXCESS THEREOF.

NEITHER THE NOTES EVIDENCED BY THIS RESTRICTED GLOBAL NOTE NOR THE RELATED GUARANTEE HAS BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"). THE NOTES EVIDENCED BY THIS RESTRICTED GLOBAL NOTE MAY NOT BE REOFFERED, SOLD, ASSIGNED, ENCUMBERED, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE HOLDER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER AS TO WHICH THE PURCHASER EXERCISES SOLE INVESTMENT DISCRETION, IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S ("**REGULATION S**") UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES, **PROVIDED THAT**, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER HEREOF, THE ISSUER, THE GUARANTOR OR THE FISCAL AGENT MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH THE FOREGOING. THE HOLDER OF NOTES EVIDENCED BY THIS RESTRICTED GLOBAL NOTE, BY PURCHASING OR ACCEPTING NOTES EVIDENCED BY THIS RESTRICTED GLOBAL NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF NOTES EVIDENCED BY THIS RESTRICTED GLOBAL NOTE FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE."

(g) It understands that no representation can be made as to the availability of the exemption provided by Rule 144 for resales of the Notes offered hereby.

(h) It acknowledges that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

(i) It acknowledges that the Fiscal Agent will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to the Issuer and the Guarantor that the restrictions set forth herein have been complied with.

(j) It acknowledges that the Issuer, the Guarantor, the Initial Subscribers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Notes are no longer accurate, it shall promptly notify the Issuer and the Initial Subscribers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

19.3 Regulation S Notes

Each purchaser of Notes other than the Rule 144A Notes ("**Regulation S Notes**") must be able to and will be deemed to have represented and agreed as follows:

(a) It is a non-U.S. person who is acquiring such Regulation S Notes in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, and is not acting for the account or benefit of a U.S. person.

(b) It understands that such Regulation S Notes are being offered only outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act and that the Regulation S Notes offered hereby have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons except as permitted by the legend set forth in paragraph (e) below.

(c) It agrees that it will deliver to each person to whom it transfers the Regulation S Notes notice of any restrictions on transfer of such Regulation S Notes.

(d) Either (a) it is not and is not acting on behalf of a Benefit Plan Investor or other plan or arrangement subject to Similar Law or (b) (i) its purchase and holding of a Note will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code, or a violation of applicable Similar Law or subject the Issuer's assets to Section 404 or 406 of ERISA, Section 4975 of the Code or any Similar Law, and (ii) if it is a Benefit Plan Investor, (1) none of the Transaction Parties (x) has provided any investment recommendation or investment advice to the Benefit Plan Investor or Plan Fiduciary, on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to acquire any interest in the Note, and (y) is acting as a "fiduciary" within the meaning of Section 3(21) of ERISA or Section 4975(e)(3) of the Code to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor's acquisition of any interest in the Note and (2) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

(e) It understands that each Regulation S Global Note, and each Definitive Note issued in exchange for all or part of a Regulation S Global Note or interest therein, will bear a legend to the following effect, unless the Issuer determines otherwise in compliance with applicable law:

"THE NOTES EVIDENCED BY THIS UNRESTRICTED GLOBAL NOTE MAY BE PURCHASED AND TRANSFERRED ONLY IN MINIMUM PRINCIPAL AMOUNTS OF U.S. \$200,000 AND INTEGRAL MULTIPLES OF U.S. \$1,000 IN EXCESS THEREOF.

NEITHER THE NOTES EVIDENCED BY THIS UNRESTRICTED GLOBAL NOTE NOR THE RELATED GUARANTEE HAS BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, SOLD, ASSIGNED, ENCUMBERED, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (EACH AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. THE ISSUER OF THE NOTES EVIDENCED BY THIS UNRESTRICTED GLOBAL NOTE HAS AGREED THAT THIS PARAGRAPH OF THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES EVIDENCED BY THIS UNRESTRICTED GLOBAL NOTE AND THE FINAL DELIVERY DATE WITH RESPECT THERETO."

(f) It acknowledges that the Fiscal Agent will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to the Issuer and the Guarantor that the restrictions set forth herein have been complied with.

(g) It acknowledges that the Issuer, the Guarantor, the Initial Subscribers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if

any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Notes are no longer accurate, it shall promptly notify the Issuer and the Initial Subscribers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

20. LEGAL MATTERS

The validity of the Notes and the Guarantee and certain legal matters in connection with the Offering with respect to United States federal securities law, New York law, German law and English law will be passed upon for the Issuer and the Company by Clifford Chance. Certain legal matters in connection with the Offering with respect to Delaware law will be passed upon for the Issuer by Richards, Layton & Finger, P.A. Certain matters of United States federal securities law, New York law, German law and English law will be passed upon for the Initial Subscribers by Linklaters LLP.

21. INDEPENDENT AUDITORS

The German language consolidated financial statements of Volkswagen Aktiengesellschaft as of and for the years ended December 31, 2021 and December 31, 2020, of which the English language translations are incorporated by reference in this Offering Memorandum, have been audited in accordance with section 317 of the German Commercial Code (*Handelsgesetzbuch, HGB*) and the German generally accepted standards for financial statement audits promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland, IDW*) by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Hanover office, Landschaftsstraße 8, 30159 Hanover, Germany ("**EY**"), a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Berlin, as stated in their German language independent auditor's reports (*Bestätigungsvermerke des unabhängigen Abschlussprüfers*) thereon.

The German language unaudited condensed interim consolidated financial statements of Volkswagen Aktiengesellschaft as of and for the three-month period ended March 31, 2022, of which the English language translation is incorporated by reference in this Offering Memorandum, have been reviewed in accordance with German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland, IDW*) by EY as stated in their German language review report (*Bescheinigung nach prüferischer Durchsicht*) thereon.

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LLC**

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**Wells Fargo Securities,
LLC**

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TRANSFER AGENT**

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AUDITORS

Of the Guarantor:

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Wirtschaftsprüfungsgesellschaft
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Germany

VOLKSWAGEN

VOLKSWAGEN GROUP OF AMERICA FINANCE, LLC

U.S.\$

consisting of

U.S.\$	% Guaranteed Notes due 20	,
U.S.\$	% Guaranteed Notes due 20	,
U.S.\$	% Guaranteed Notes due 20	and
U.S.\$	Floating Rate Guaranteed Notes due 20	

Each with an unconditional and irrevocable guarantee of principal and interest from

VOLKSWAGEN AKTIENGESELLSCHAFT

OFFERING MEMORANDUM

May , 2022

Joint Book-Running Managers

Morgan Stanley

**Credit
Agricole CIB**

**Mizuho
Securities**

**SOCIETE
GENERALE**

**Wells Fargo
Securities**
