PAPER

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The Write-Down and the Margin

VOLKSWAGEN'S THIRD QUARTER, TAKEN APART

A headline loss that is mostly a non-cash write-down, an operating margin that is the real problem, a China business that no longer earns, and a balance sheet that buys time without saying how much.

Uwe Riemeyer · IMP InterMediaPartners GmbH · November 2026

€5.8bn
net loss in Q3 2026, including a €6.4bn non-cash impairment of Porsche goodwill

3.8%
operating margin before special items after nine months; the CFO calls it too little to invest in the future

2.6%
the same margin for the third quarter alone, an approximation from the group's rounded figures

minus 38.5%
China deliveries in Q3 against the prior year; fewer than two million for 2026 expected, the first time since 2010

01 What the number is

The headline is correct and incomplete. Volkswagen Group reported a net loss of €5.82bn for the third quarter of 2026, including a €6.4bn non-cash goodwill impairment, against a loss of €1.07bn a year earlier, and an operating loss of €5.86bn. After nine months the group's operating result stands at €71m, against €5.41bn in the prior-year period; net income after nine months is minus €2.72bn on sales of €233.4bn, down 2.2 percent.

What the number is made of matters more than the number. Special items of €7.8bn in the quarter, €8.7bn after nine months, account for the operating loss: €6.4bn is an impairment of the goodwill Volkswagen carries for Porsche, an adjustment of the carrying amount to lower expected cash flows and changed valuation parameters, not a full revaluation of Porsche as a company, and not involving any cash; about €1bn is write-downs on assets of fully consolidated companies in China; the remainder is restructuring, including the planned sale of the Osnabrück plant. The net loss contains, beyond these, the ordinary components of a quarter: financial result and taxes. Porsche as a brand group earned an operating profit of €1.5bn in the nine months.

Before special items, the group earned an operating result of €8.8bn in nine months, a margin of 3.8 percent. For the third quarter alone, the arithmetic from the group's rounded figures (minus €5.86bn reported, plus €7.8bn special items) gives about €1.9bn and a margin of about 2.6 percent on sales of €75.3bn, which fell 6.3 percent: the nine-month figure conceals that the latest quarter was weaker even before special items. The 3.8 percent after nine months is the figure the group's own finance chief describes as the problem: too little, in Arno Antlitz's words, to keep investing in the future. The original 2026 guidance was a margin of 4.0 to 5.5 percent; the guidance since September is "up to 1 percent" reported, on sales of about €315bn, with special items for the full year of about €10bn, before any provisions for early-retirement schemes, and the possibility of a reported loss for the year, which would be the first since 2015.

[Remark] *Scope. Public sources only: Volkswagen's nine-month report and investor presentation of 29 October 2026, its releases and conference call, and press reporting of them. The paper concerns the Volkswagen Group, not the Volkswagen brand; Section 02 sets out the difference. Nothing in this paper is a forecast, and nothing in it concerns any company's solvency.*

KEY FINDING

The €6.4bn impairment is a valuation adjustment, not a cash loss. The quarter the write-down obscures is the problem: a margin before special items of about 2.6 percent in the third quarter and 3.8 percent after nine months, in a year the group itself expected 4 to 5.5 percent.

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02 Group, not brand

"Volkswagen" in the headlines is the group: twelve brands in five brand groups, plus financial services, the software unit, the battery business and the holding. The nine-month figures by brand group show where the operating result is earned, and the two lines below the brands show how positive brand results become a group result of €71m.

Brand group	Sales 9M 2026	Operating result 9M 2026 (prior year)	Margin (prior year)
Core: Volkswagen Passenger Cars, Škoda, SEAT/CUPRA, Volkswagen Commercial Vehicles	€106.4bn	€4.3bn (€4.7bn)	4.1% (4.4%)
Progressive: Audi, Bentley, Lamborghini, Ducati	€42.1bn	€1.2bn (€1.6bn)	2.7% (3.2%)
Sport Luxury: Porsche (brand group, excluding Porsche financial services)	€22.1bn	€1.5bn (minus €0.2bn)	6.7% (minus 1.0%)
Trucks: Traton	€31.9bn	€1.7bn (€1.7bn)	5.2% (5.4%)
Group Mobility: financial services	€47.6bn	€2.7bn (€2.9bn)	5.7% (6.6%)
Cariad: software	€1.3bn	minus €1.3bn operating loss (minus €1.5bn)	n/c
Battery	€0.2bn	minus €1.05bn	n/c
Other, including consolidation and the Porsche goodwill impairment	minus €18.3bn (consolidation)	minus €8.88bn	n/c
Group, reported	€233.4bn	€71m (€5.4bn)	0.0% (2.3%)
Group, before special items	€233.4bn	€8.8bn	3.8%

Source: Volkswagen nine-month report, 29 October 2026. Brand-group sales do not add to group sales because of consolidation, shown in Other. The Porsche goodwill impairment is booked in Other, not in the brand group. Prior-year group margin from the reported figures.

What the table says. Within Core, the group reports a strong Škoda compensating a weak Volkswagen brand; SEAT/CUPRA, reported as one unit, earned €6m on €11.1bn of sales against €16m a year earlier, with the group naming sales incentives, volume, the electric mix and the tariff treatment of the China-built Tavascan as factors. The Volkswagen passenger-car brand, with unit sales of 2.2 million in nine months (2.3 million), is the brand whose operating result the group describes as weak. Porsche, at 6.7 percent, is the most profitable car brand group in the table, and it is the one whose goodwill the group wrote down: a brand group can earn well and still be worth less than its owner once paid for it.

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Cariad's operating loss was €1.3bn, down from €1.5bn; Battery and Other together take the group from a positive sum of brand results to break-even.

Deliveries to customers after nine months: 6.0 million, down 9 percent; unit sales 5.9 million, down 11 percent. In the third quarter alone, deliveries fell 14.3 percent to 1.89 million.

> **COUNTERPOINT**
> Brand-group margins are not independent of each other; Core supplies platforms and components to Progressive and Sport Luxury, and transfer pricing shapes where profit appears. The table shows where the group shows its profit as much as where it is made, and the lines below the brands show how much of the group's cost sits outside any brand.

03 China: from €4bn to break-even

The group's China business is the second component of the quarter, and the one with the longer tail. Two things must be kept apart: write-downs on fully consolidated Chinese companies, about €1bn, which sit in the group's special items; and the result of the joint ventures, which is reported proportionately and is not part of the consolidated operating result.

Deliveries in China fell 38.5 percent in the third quarter, to 405,800 from 660,300, and after nine months stand at 1.38 million, down about 30 percent. The joint ventures' proportionate operating result after nine months was minus €113m, which the group attributes partly to a write-down on the MEB electric platform, whose models have not held their ground against domestic competitors. For 2026 the group expects the joint ventures, before write-downs, to be around break-even. Before impairments the joint ventures' nine-month result was plus €110m. In 2018 and 2019 the same business contributed more than €4bn a year.

The group expects to sell fewer than two million vehicles in China in 2026, the first time since 2010, against 2.7 million in 2025; it plans to cut production capacity by a further 500,000 units, has reduced its 2030 China sales target to about 2.2 million, and will present a revised China plan in March 2027 (Börsen-Zeitung, citing the company). On 29 October the group also presented a new locally developed technology architecture for China and said it would be used outside China as well; that is a company announcement, not a result, and it shows that the response goes beyond capacity cuts and existing MEB models.

The competition, in CPCA retail figures for January to September 2026. BYD 1,695,099 passenger cars in China, all of them new-energy vehicles; Geely 1,529,193, of which 914,115 NEV; Chery 659,378, of which 289,378 NEV; Xiaomi about 286,500 NEV, derived from the CPCA's January-to-August ranking plus its September figure. New-energy vehicles, battery-electric and plug-in including range-extended, made up 58.2 percent of China's passenger-car retail market over the nine months (7.758 million of 13.334 million); in September alone the share was 67.0 percent. Volkswagen Group's 1.38 million deliveries over the same period are, in this market, a volume between Geely and Chery, in a segment mix that is still majority combustion. The structural point is in the shares: two thirds

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of the market in September was a drivetrain in which the group's MEB products have not held their ground.

KEY FINDING

China has gone from a multibillion-euro earnings contributor to joint ventures expected to be around break-even in 2026 before impairments, with capacity being cut and the 2030 target lowered. The deterioration has substantial structural components, price competition, product and technology, and the group's own write-down of MEB in China and its new local architecture are both acknowledgements of that.

COUNTERPOINT

A proportionate loss of €113m on 1.38 million vehicles is a small number for a business of this size, cyclical factors are not excluded, and the group still delivers more cars in China than any foreign manufacturer. The question is whether a business that once contributed €4bn a year can be replaced in the group's earnings by anything else, and nothing in the nine-month report says what.

04 The cost at home

The question most often asked in Germany about this result is whether the group's domestic conditions caused it: energy costs, bureaucracy, co-determination, job security. The paper tests the question with what is public, and the answer is narrower than the question.

What the group itself says. The nine-month report attributes the margin pressure to the market environment, the rapid ramp-up of electric vehicles, which earn less than combustion models and now make up about 40 percent of the European order book, and to US tariffs and the shrinking Chinese market. It does not attribute the result to energy costs or to co-determination. The group's programme, the "Group Target Picture 2030", targets cost reductions of about €31bn and an operating margin of 9 percent by the end of the decade; 50,000 job reductions are agreed, and the group has said a further 50,000 could follow arithmetically.

What the brand comparison does and does not show. Škoda, SEAT/CUPRA and the Volkswagen brand share the group's governance and supervisory board; they do not share national collective agreements, works-council arrangements or plant cost bases. Škoda earns a margin that compensates the Volkswagen brand; SEAT/CUPRA earns almost nothing, for the reasons the group names; the Volkswagen brand earns less than Škoda. The comparison does not prove that co-determination is economically irrelevant. It shows that blaming it does not explain the documented product, mix and market problems, which the group itself puts first.

What the plants say. The group has named four German sites, Emden, Zwickau, Hanover and Audi's Neckarsulm, for which no competitive follow-up allocation exists from 2031 to 2034, with a concept due by the end of June 2027; no plant closure has been decided. The Osnabrück plant is to be sold.

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What the agreements say. In September 2024 the group terminated the job-security agreement in force since 1994; in December 2024 the Zukunftstarifvertrag restored protection against compulsory redundancies to the end of 2030 in exchange for about 35,000 position reductions in Germany by 2030 through voluntary instruments, and other concessions. That agreement, including the protection, has not been terminated; Volkswagen and the IG Metall both confirm it runs to the end of 2030. What the group terminated on 30 September 2026, with effect from 31 December, in the review meeting provided for by the 2024 agreement, are ten other company collective agreements covering pay, working conditions and working time; the IG Metall describes this as nearly the whole house-agreement framework, with the job-security provisions excluded. Negotiations on pay are expected over the winter; the IG Metall demands 5 percent over twelve months and has signalled industrial action once the peace obligation ends at the turn of the year; a report that the group seeks a pay freeze to 2030 has not been confirmed by the company. (The employers' offer of a one-off payment in July 2027 and a 1.3 percent table increase from July 2028 belongs to the separate metal and electrical industry round, not to Volkswagen's house agreement.) The IG Metall points to the contributions employees have already made under the 2024 agreement, to a group personnel-cost ratio that has fallen from 17.5 percent in 2021 to 15.2 percent in 2025 according to the group's own reports, to the works council's calculation that halving house-agreement pay would make a vehicle only about 5 percent cheaper, and to dividends paid in the same period; that is an interest position, and it is reproduced as one, with its figures.

What this adds up to. Co-determination is not a cost line, and the paper cannot price it. What is measurable: the protection agreement was terminated and renegotiated once, in 2024, with substantial concessions, which shows it is negotiable under pressure; the current round concerns pay, not protection; the group's own diagnosis names products, electric margins, China and tariffs; and the German framework set out in Nos. 36, 37 and 41 of this series applies to every German manufacturer and does not by itself explain why Škoda earns and the Volkswagen brand does not.

> **COUNTERPOINT**
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> The institutions shape what the group can do and how fast. The 2024 agreement bought labour peace at the price of a six-year protection horizon; the four plants without allocation cannot be closed under it before 2030; and the composition of the supervisory board, with employee representatives holding half the seats and Lower Saxony two, is part of the process by which closure decisions are taken. Whether that is a cost or a safeguard depends on the reader. It is a constraint on speed, and the paper does not claim it is the reason no closure has been decided.

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05 The best car and the market it was built for

A question raised in the German debate deserves a short answer: Audi builds, with SAIC in China, a car that German enthusiasts admire and cannot buy, the AUDI E5 Sportback, launched in September 2025 at about 236,000 yuan, roughly €28,000. Why is it not sold in Europe, and would it help if it were?

A private import illustrates the first part: the co-founder of Hamburg's Miniatur Wunderland brought one to Germany, at about €40,000 in China and about €90,000 after transport, individual approval and taxes, and Audi has reportedly taken legal steps against the importer. A manufacturer's import would not carry the same costs as a private one, but it would carry the EU's countervailing duty on Chinese battery-electric vehicles at the rate the Commission applies to the SAIC group, the highest of the sampled groups, on top of the 10 percent standard duty, and the car would need EU type approval and European software, charging and regulatory adaptation. A €28,000 car does not reach Europe as a €28,000 car.

The second part is what happened in the market it was built for. The E5 took 10,000 orders in its first half hour; Handelsblatt reports about 7,070 units sold through the first months of 2026, with a discount campaign to the end of March, and monthly volumes well below the launch pace since. A single model in its first year is not a verdict on the joint venture or on the group's China strategy. It is the first datapoint, and it is not positive.

> **COUNTERPOINT**
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> The E5 is the first product of a joint venture whose point is to learn Chinese development speed and cost; the local architecture the group presented on 29 October is a technology announcement, not a market result, and follows a different path. The 2027 China plan will show whether the group's next products sell where the first has not.

06 The balance sheet

This is the section the headline obscures.

The position. Net liquidity in the Automotive division was €33.0bn at 30 September 2026, down from €34.5bn at the end of 2025 despite a positive net cash flow of €4.4bn in nine months (€3.9bn adjusted for M&A effects); the group's investor presentation reconciles the two through dividends, hybrid capital and other effects. The full-year guidance is net cash flow of €3 to 6bn and net liquidity of €32 to 34bn; the investment ratio is guided at 11 to 12 percent of Automotive sales. Volkswagen AG is rated BBB+ by S&P with a negative outlook since December 2025, Baa1 by Moody's since a one-notch downgrade in March 2025, and A- by Fitch; S&P has said the group's credit metrics may remain below the thresholds for BBB+ in 2026. The market has priced the year: the group's market value is about €47bn, against about €113bn at the end of 2021, and the ordinary share has lost about 46 percent in 2026 to date.

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What the figures say and do not say. The group holds a substantial financial buffer; a quarter with a €5.8bn reported loss and a positive Automotive cash flow of €1.2bn is what a non-cash write-down looks like. The buffer's development depends on sustained cash generation and on the total use of funds, investment, dividends, financing; a number of years cannot be derived from a balance-sheet date, and the paper does not derive one. What the paper can say is that the 2026 cash flow is positive partly because capital expenditure has been deferred and reduced, which the group itself notes, and that whether lower investment carries a cost in the next product cycle, or reflects prioritisation and completed projects, is a question the figures do not answer.

What is already agreed. The nine-month report records the agreed sale of 51 percent of Everllence (the former MAN Energy Solutions) to Bain Capital, with an expected cash inflow of about €7.4bn and closing targeted by the end of 2026, subject to regulatory approvals and final adjustments. Whether and how that inflow is reflected in the year-end liquidity guidance of €32 to 34bn is not stated in the report and is not assumed here.

What the group has sold before. In 2022 the group placed up to 25 percent of Porsche's preferred shares in the IPO, raising about €9.4bn, and sold 25 percent plus one of Porsche's ordinary shares to Porsche SE for about €10.1bn; it sold Bugatti to Rimac in 2021; it is selling Osnabrück now. What remains saleable, in principle, is a question of the Volkswagen Act, of Porsche SE's majority of voting rights, of Lower Saxony's 20 percent and blocking minority, and of the brands' integration; the paper lists the facts and does not speculate on sequence.

KEY FINDING

Both the balance sheet and the margin matter, and the nine-month figures show how: net liquidity of €33bn, down from €34.5bn despite positive cash flow, gives the group time, and a margin of 3.8 percent, with a cost programme to implement and a product cycle to finance, decides what the time is used for.

COUNTERPOINT

The group carried the diesel scandal and its costs without a liquidity problem, and €7.4bn from Everllence is agreed. A reader who concludes that €33bn is comfortable is reading the same figures as one who concludes it is being preserved by investing less; the group's guided investment ratio of 11 to 12 percent sits on the comfortable side of that argument.

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07 The €31bn programme

The "Group Target Picture 2030" is the group's answer to its own margin. It is a cost-reduction target, not a cash outlay: the group describes about €31bn of savings by 2030 and an operating margin of 9 percent by the end of the decade; the implementation costs of achieving them are a separate matter and partly in this year's special items. Agreed: 50,000 job reductions, a further 50,000 described as arithmetically possible; a reduced model range; four German plants without follow-up allocation from 2031 to 2034, with a concept due by June 2027; the sale of Osnabrück; a revised China plan in March 2027; the ID. Golf development paused; partnerships with Rivian (electronics architecture), NXP (semiconductors) and Wayve (automated driving). Headcount was 648,100 at 30 September, against 662,900 at the end of 2025.

What the programme requires, in the group's own structure: the Volkswagen brand to earn a margin closer to Škoda's; the Chinese joint ventures to earn money again, which the group now expects for 2026 only at around break-even before impairments; electric vehicles to earn what combustion vehicles earn, which the group says they do not yet, and which UBS, after the results, named as the question whether a rising electric share erodes the margin further; and Cariad to narrow its losses further. The investor presentation already shows headcount reductions, lower absolute overheads and an improvement at Cariad. What it does not yet show is improvement sufficient to offset the pressure on the group margin.

> **COUNTERPOINT**
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> Nine percent by 2030 is above what Volkswagen earned in its best recent years: 8.0 percent in 2021 and 8.1 percent in 2022 before special items. The programme asks the group to do better than it did before China turned, before electric margins and before tariffs. Whether that is realistic depends on China and tariffs more than on Wolfsburg.

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08 Three paths to 2031

Described, not weighted, and without a cash-flow model, which the public data do not support.

The programme works. The margin recovers towards 9 percent by 2030 on the cost reductions, a stabilised China business at lower volume and electric vehicles that earn their keep. The four plants receive allocations or are repurposed; the protection agreement runs to 2030 and is renewed on terms that reflect the recovery. Investment returns to normal.

The programme half works and the structure holds. The margin recovers to 4 to 6 percent; China stays at break-even; the four plants lose allocation and the 2027 concept becomes a closure decision for the 2030s; headcount falls by the full 100,000; investment is rationed. The group remains what it is, smaller.

The programme does not work and the structure changes. The margin stays below 3 percent; cash flow turns negative in a weak year; the group monetises what it can beyond Everllence, within the limits of the Volkswagen Act and its shareholder structure, Traton, further Porsche shares, brands at the edge of the portfolio; the protection agreement is renegotiated before 2030, as it was in 2024; Lower Saxony and Porsche SE face decisions they have not had to face since 2015. The paper does not say this is likely. It says the shareholder structure makes it slow.

09 German manufacturers at a glance

Group	Q3 2026 operating margin, adjusted, group level	Trend against 2025	What the company names as drivers
Volkswagen Group	group, before special items: about 2.6% (Q3, approximation); 3.8% (9M)	down; guidance cut to up to 1% reported (from 4 to 5.5%)	electric mix, China, tariffs, Porsche write-down
BMW Group	Automotive segment: 3.4% (Q3), 3.5% (9M), reported	down (Q3 2025: 5.2%; 9M 2025: 5.9%); guidance cut on 3 November to minus 0.5 to plus 0.5% (above 2% adjusted), from 1 to 3%	China (Q3 deliveries there down 24.8%), tariffs, expanded portfolio and structural measures
Mercedes-Benz Group	Cars segment: 2.5% adjusted (Q3), 3.5% (9M); group EBIT €1.77bn	down (Q3 2025: 4.8%); Cars guidance cut to 2 to 3%	China, higher raw-material and product-cycle costs in Q4; Q4 Cars margin near break-even possible (CFO)

Bases differ and are labelled, and the three companies reported within six days of each other: Volkswagen at group level before special items; Mercedes-Benz for the Cars segment, adjusted; BMW for the Automotive segment, reported. The three are not identical measures; the direction and the drivers each company names are what the table compares. Porsche appears within Volkswagen and is not listed separately. All three German groups cut their 2026

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margin guidance in the autumn, Volkswagen in September, Mercedes-Benz on 27 October, BMW on 3 November for the second time, and all three name China first. On the figures each reports, the Volkswagen Group's third quarter is the weakest of the three by margin, and BMW's year-end guidance is the weakest of the three by outlook.

10 Key finding

The €6.4bn is an impairment, not a cash loss, and the group's liquidity of €33bn, with €7.4bn more agreed from Everllence, makes the quarter a question of margin rather than of survival. The margin is 3.8 percent before special items after nine months and about 2.6 percent in the quarter, in a year the group expected 4 to 5.5, with the Chinese joint ventures at around break-even before impairments, electric vehicles earning less than combustion, and a €31bn savings programme whose early effects are visible and not yet sufficient. The German conditions apply, and they do not by themselves explain why Škoda earns and the Volkswagen brand does not. The protection agreement was renegotiated once under pressure and runs to 2030. The balance sheet buys time. The margin decides what the time is used for.

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Methodology & Sources

Volkswagen AG nine-month report, investor presentation and release of 29 October 2026, including the brand-group table, the reconciliation to the group result, the Automotive division's cash flow and the net-liquidity bridge; Volkswagen's ad-hoc release of September 2026 on the revised outlook; the conference call of 29 October as reported by Investing.com and dpa-AFX; Volkswagen Group Annual Report 2022 for 2021 and 2022 margins and the Porsche transactions; the nine-month report on the Everllence sale; Börsen-Zeitung and Handelsblatt reporting on China volumes and the 2027 plan; Volkswagen Group China on the local architecture of 29 October 2026; Volkswagen and IG Metall releases of September and December 2024 and September 2026 on the collective agreements; UBS as reported by finanznachrichten.de; Handelsblatt and Golem.de on the AUDI E5 and the private import; CPCA manufacturer rankings for January to September 2026 and the September report, as published by CnEVPost and CADA; BMW Group quarterly statement and ad-hoc release of 3 and 4 November 2026; Mercedes-Benz Group ad-hoc release of 27 October and Q3 statement; Volkswagen Annual Report 2025 for ratings; market values from Marketscreener; IMP Intelligence Series Nos. 36, 37 and 41 for the German framework data. Figures from press reports are attributed. CPCA figures are retail and are labelled as such; the Xiaomi nine-month figure is derived from two published CPCA values. The Q3 stand-alone adjusted figure is an approximation from rounded published figures. Nothing in this paper concerns the solvency of any company. Companies and individuals are named only as matters of public record. Data cut-off: 4 November 2026. Not investment advice.

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