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## Volkswagen Group delivers solid nine-month results in a challenging environment; disruptions in production and higher product costs impact third quarter

- Sales revenue growth of 16 percent year-to-date to 235.1 billion euros
- Vehicle sales up 8 percent to 6.8 million units
- Operating profit in the first nine months decreased by 7 percent to 16.2 billion euros; Operating return on sales of 6.9 percent; negative effects from product costs and manufacturing disruptions in the third quarter particularly impacted the brand group Core
- Operating profit before valuation effects, in particular from commodity hedging, at 18.7 billion euros, corresponding to underlying operating return on sales of 8.0 percent, almost level with the prior year period
- Electrification strategy is progressing, with deliveries of battery electric vehicles (BEV) increasing by 45 percent to 531,500 vehicles in the first nine months; BEV share of total deliveries grew to 7.9 percent in the first nine months
- Order bank of 1.4 million vehicles in Western Europe at the end of Q3 remains at high level, including around 150,000 BEV
- Financial outlook for fiscal year 2023 updated; operating result before special items expected to be around the level of the previous year
- Arno Antlitz, CFO & COO Volkswagen Group: "Overall, we are on a robust course and have again increased sales volumes and revenues in the third quarter. However, we cannot be satisfied with our profitability, which in the third quarter fell short of our ambitious targets. We are now concentrating on the systemic implementation of the 10-point plan and our cross-brand performance programs."

Wolfsburg, October 26, 2023 – Volkswagen Group achieved strong deliveries and sales revenue growth in the first nine months of FY 2023. Deliveries increased by 11 percent year-on-year to 6.7 million vehicles (Q3 2023: 2.3 million vehicles; +7.0 percent). Sales revenue grew by 16 percent to 235.1 billion euros (Q3 2023: 78.8 billion euros; +12 percent). The order bank at the end of the third quarter of 2023 remained at a high level of 1.4 million vehicles in Western Europe alone. Net liquidity in the Automotive Division remained very solid at 36.7 billion euros.

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**Arno Antlitz, CFO & COO of Volkswagen Group:** "Overall, we are on a robust course and have again increased sales volumes and revenues in the third quarter. However, we cannot be satisfied with our profitability, which in the third quarter fell short of our ambitious targets. We are now concentrating on the systemic implementation of the 10-point plan and our cross-brand performance programs."

## **Robust results in the first nine months of 2023**

The Group's operating profit decreased by 7 percent to 16.2 billion euros with an operating return on sales of 6.9 percent (Operating profit Q3 2023: 5 billion euros, +17 percent; Operating return on sales Q3 2023: 6.2 percent). This development was mainly attributable to negative valuation effects, mainly from commodity hedging outside hedge accounting, amounting to -2.5 billion euros (2022: +0.8 billion euros). Adjusted for the corresponding valuation effects, the Group's operating profit increased by 2 billion euros to 18.7 billion euros in the first nine months of 2023. At 8.0 percent, the corresponding Operating return on sales was almost on a par with the previous year.

In the third quarter, a significant volume increase in Passenger Cars, among other things, had a positive effect. However, this was offset by costs related to the production disruption of a supplier resulting from the floods in Slovenia and higher product costs, which affected the brand group Core specifically.

Net cash flow of 4.9 billion euros in the first nine months, including 2.5 billion euros in the third quarter alone, was only slightly lower than last year despite bottlenecks in the logistics chains. Additional burdens of 1.5 billion euros in the third quarter occurred from tax repayments for previous assessment periods.

## **Financial outlook for fiscal 2023 updated**

Volkswagen AG updated its outlook for fiscal year 2023 on 20 October 2023. The company continues to anticipate that deliveries to customers will stand between 9 and 9.5 million vehicles. Volkswagen continues to expect Group sales revenue to be 10 to 15 percent higher than the prior-year figure.

The further development of the commodity markets remains unpredictable. With regard to the effects of the fair value remeasurement of hedging transactions outside hedge accounting on operating result, from today's perspective the company does no longer expect to be able to compensate for the effects of EUR -2.5 billion accounted for in the first nine months by the end of the year. As a result, the company now expects operating result for the full year 2023 to be around the level of the previous year before special items, which was around EUR 22.5 billion (previously: operating return on sales between 7.5 and 8.5 percent). This forecast includes the effects of the fair value remeasurement of hedging instruments accumulated in the first nine months of the year.

Volkswagen AG continues to anticipate a significant to strong year-on-year increase in net cash flow of the Automotive Division. Net liquidity in the Automotive Division is still expected to be between EUR 35 billion and EUR 40 billion.

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## Electrification strategy moves forward

Deliveries of battery electric vehicles (BEV) increased by 45 percent to 531,500 vehicles in the first nine months of the year. Their share of total deliveries increased to 7.9 percent in the first nine months and represent a 9.0 percent share in the third quarter. This means that the targeted annual range of between 8 and 10 percent of total deliveries remains firmly in sight. From January to September, Europe remained the main BEV growth driver, with an increase of 61 percent to 341,100 vehicles. In the U.S., BEV deliveries rose by 74 percent to 50,300 units, and in China, they exceeded the previous year's level with an increase of 4 percent to 117,100 units.

IONWAY, a joint venture between Volkswagen-owned battery maker PowerCo and Belgian materials technology group Umicore, has announced the location for its cathode material manufacturing plant: Nysa, in Poland. IONWAY is the first partnership of its kind, producing regional, transparent, and sustainable battery materials. By the end of the decade, the partners aim to produce cathode and precursor materials for 160 gigawatt hours of cell capacity per year. This corresponds to an annual production capacity sufficient for around 2.2 million fully electric vehicles. The cathode materials required by the PowerCo cell factory in Salzgitter at the start of production in 2025 will be secured by Umicore's existing production capacities in Nysa.

## Competitive product portfolio

The all-electric ID.7<sup>1</sup>, which has been available to order for a few weeks now, was voted "German Car of the Year 2024" by a jury of German and international motor journalists. This award also confirms the performance of the Volkswagen Group's modular e-drive system (MEB).

In September, Volkswagen unveiled the new generation of the Tiguan<sup>2</sup>, one of the most successful Volkswagen models of the present day. The third generation of the best-selling SUV will roll off the production line in Wolfsburg starting in Fall 2023 and go on sale in the first quarter of 2024.

Simultaneously, Volkswagen has launched pre-sales of the upgraded ID.4 and ID.5. The two electric VW models come with major product upgrades, including a new infotainment system and a new electric drive with improved performance and greater range.

Audi launched several models in its Q8 family in the third quarter. The SQ8 e-tron<sup>3</sup> is on the market as the new top model of the all-electric SUV and crossover. This is contrasted by the new Q8<sup>4</sup>, the new SQ8<sup>5</sup> and the new RSQ<sup>6</sup>. The SUV coupés with their modern, powerful TDI and TFSI units made their debut in September 2023.

Porsche increased the hybrid range of the Cayenne series, the brand's best-selling model, to a total of three models<sup>7,8,9</sup> in September 2023. These new models are part of the third generation of the successful SUV, which has been fundamentally enhanced through far-reaching measures to the power train, design and equipment.

## Group makes decisive progress with plant allocation plan

Volkswagen Group has finalized the cornerstones of the production plans for its sites in Wolfsburg, Hanover, Osnabrück, Zwickau, Ingolstadt and Neckarsulm, as well as plants in

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Września and Poznań, Poland and Brussels, Belgium, early and in advance of the end of the planning round. With this, these sites get a basic utilization and an economic perspective for the coming years. In the next step, the budgets required for this will be defined and allocated during the planning round. The cornerstones are strategic product planning, sales and earnings planning, and the resulting capacity utilization of the plants.

## **Group-wide performance programs aim to strengthen competitiveness of all brands**

In addition, all the Group's brands have launched ambitious performance programs. With these programs, the Group aims to secure a long-term operating return on sales of over 10 percent. Over the next few weeks, the development potential of the brands will be identified and implemented swiftly. The performance programs are being implemented on an ongoing basis to enable all brands and brand groups to respond specifically to market changes and make them more resilient to external influences on earnings.

## **Sustainability: Responsible Raw Materials Report published and Green Bonds issued**

Transparency in supply chains is an important tool for greater sustainability in vehicle production. In July 2023, Volkswagen Group published its third Responsible Raw Materials Report, reporting in detail on progress made in transparency and risk mitigation in raw materials supply chains. The focus was on employing measures to comply with human rights-informed due diligence requirements and empower closer cooperation with battery suppliers and their suppliers.

In the third quarter of 2023, Volkswagen Group issued its first Green Hybrid Bond with a volume of 1.75 billion euro. Volkswagen Leasing GmbH also placed its first Green Bond with a volume of 2 billion euros on the marked based on the Green Finance Framework.

## **Brand Group results**

*Core (Volkswagen, Volkswagen Commercial Vehicles, Škoda, SEAT/CUPRA)*

Sales revenues in the brand group Core increased by 24 percent to 101 billion euros in the first nine months (Q3 2022: 32.3 billion euros; +13.9 percent). Operating profit of 5 billion euros grew by 34 percent year-on-year (Q3 2023: 1.2 billion euros, +11.7 percent). Despite stable prices, the strong sales increase in the third quarter was not fully reflected in operating profit due to higher product costs and a less favorable mix, resulting in a weaker operating return on sales of 4.9 percent. Among other things, this was due to a negative impact on earnings because of interruptions to production by a supplier resulting from the floods in Slovenia in the third quarter.

The negative effects were particularly evident in the Volkswagen brand's operating return on sales of 3.4 percent in the first nine months (2022: 4.7 percent). However, Škoda's 6.4 percent (2022: 5.6 percent), SEAT/CUPRA's 4.6 percent (2022: -0.1 percent) and Volkswagen Commercial Vehicles' 6.1 percent (2022: 4.5 percent) saw improvements in profitability, in some cases significantly, compared to the prior-year quarter.

*Progressive (Audi, Lamborghini, Bentley, Ducati)*

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The brand group Progressive increased its sales revenue by 13 percent year-to-date to 50 billion euros (Q3 2023: 16.2 billion euros, +10.3 percent). Operating return on sales reached 9.1 percent (Q3 2023: 7.4 percent). Operating profit after three quarters was 4.6 billion euros (2022: 6 billion euros), with most of the decline attributable to negative valuation effect, particularly from commodity hedges amounting to 0.9 billion euros. The underlying operating return on sales in the first nine months was 10.9 percent (2022: 12.8 percent).

## *Sport Luxury (Porsche)*

In the brand group Sport Luxury, Porsche's operating return on sales in the Automotive Division remained at a high level overall in the first nine months at 18.8 percent (Q3 2023: 18.0 percent). Operating profit increased by 9 percent (Q3 2023: +7.7 percent) due to higher vehicle sales and positive product mix and price effects. Net cash flow in the Automotive Division reached 3.4 billion euros.

## *Trucks (MAN, Scania, Navistar, Volkswagen Truck & Bus)*

TRATON increased its sales revenue in the vehicle and services business by 19 percent to 33 billion euros (Q3 2023: 11 billion euros, +6.4 percent). Sales growth was driven by strong volumes, a positive price/mix ratio and growth in vehicle services. Operating profit in the vehicle and services business improved significantly to 2.7 billion euros (Q3 2023: 0.9 billion euros). Operating return on sales in the vehicle and services business increased to 8.0 percent in the first nine months (Q3 2023: 7.8 percent). The main effects behind this were an improved fixed cost absorption resulting from higher volumes and positive price/mix effects, which offset higher input costs.

## *Financial Services*

In the Financial Services Division, sales revenues increased by 8 percent year-to-date to 37.6 billion euros (Q3 2023: 13.4 billion euros). Operating profit decreased by 40 percent to 2.5 billion euros (Q3 2023: 0.8 billion euros). The decline was mainly the result of higher interest expenses and adverse exchange rate trends.

## *CARIAD*

CARIAD improved sales revenue by 29 percent in the first nine months (Q3 2023: +24 percent). Negative operating profit was impacted by increased efforts to secure upcoming software launches. Negative operating cash flow of approximately 2.5 billion euros was partially offset by an intercompany tax refund of 1 billion euros.

<sup>1)</sup> ID. 7 Pro: Electricity consumption in kWh/100 km: combined 16.3 - 14.1; CO<sub>2</sub> emissions in g/km: combined 0.

<sup>2)</sup> Near-series study. Vehicle not yet offered for sale.

<sup>3)</sup> SQ8 e-tron: Electricity consumption in kWh/100 km: combined 29.0 - 26.2; CO<sub>2</sub> emissions in g/km: combined 0.

<sup>4)</sup> Q8: Fuel consumption in l/100 km: combined 11.4 - 8.0; CO<sub>2</sub> emissions in g/km: combined 260 - 210.

<sup>5)</sup> SQ8: Fuel consumption in l/100 km: combined 12.8 - 12.0; CO<sub>2</sub> emissions in g/km: combined 291 - 272.

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<sup>6)</sup> RS Q8: Fuel consumption in l/100 km: combined 13.6 - 13.2; CO<sub>2</sub> emissions in g/km: combined 308 - 300.

<sup>7)</sup> Cayenne E-Hybrid: fuel consumption in l/100 km: combined 1.8 - 1.5; electricity consumption in kWh/100 km: combined 30.8 - 28.7; CO<sub>2</sub> emissions in g/km: combined 42 - 33.

<sup>8)</sup> Cayenne S E-Hybrid: fuel consumption in l/100 km: combined 1.7 - 1.4; electricity consumption in kWh/100 km: combined 31.7 - 29.1; CO<sub>2</sub> emissions in g/km: combined 39 - 31.

<sup>9)</sup> Cayenne Turbo E-Hybrid: fuel consumption in l/100 km: combined 2.0 - 1.7; electricity consumption in kWh/100 km: combined 31.7 - 29.9; CO<sub>2</sub> emissions in g/km: combined 45 - 39.

For all vehicles, only consumption and emission values according to WLTP and not according to NEDC are available.

Key figures Volkswagen Group

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	Q3			Q1 - 3		
	2023	2022 <sup>1</sup>	%	2023	2022 <sup>1</sup>	%
<b>Volume Data<sup>2</sup> in thousands</b>						
Deliveries to customers (units)	2,344	2,181	+ 7.4	6,716	6,056	+ 10.9
Vehicle sales (units)	2,314	2,236	+ 3.5	6,762	6,243	+ 8.3
Production (units)	2,173	2,237	-2.8	6,864	6,397	+ 7.3
Employees (on Sept. 30, 2023/Dec. 31, 2022)				680.3	675.8	+ 0.7
<b>Financial Data (IFRSs), € million</b>						
Sales revenue	78,845	70,673	+ 11.6	235,102	202,885	+ 15.9
Operating result before special items	4,894	4,260	+ 14.9	16,241	17,439	-6.9
Operating return on sales before special items (%)	6.2	6.0		6.9	8.6	
Special items	-	-	x	0	-360	x
Operating result	4,894	4,260	+ 14.9	16,241	17,079	-4.9
Operating return on sales (%)	6.2	6.0		6.9	8.4	
Earnings before tax	5,801	2,937	+ 97.5	17,700	16,992	+ 4.2
Return on sales before tax (%)	7.4	4.2		7.5	8.4	
Earnings after tax	4,347	2,135	x	12,868	12,789	+ 0.6
<b>Automotive Division<sup>3</sup></b>						
Total research and development costs	5,366	4,538	+ 18.3	15,572	13,826	+ 12.6
R&D ratio (%)	8.3	7.7		8.0	8.2	
Cash flows from operating activities	7,996	8,652	-7.6	21,733	22,256	-2.4
Cash flows from investing activities attributable to operating activities <sup>4</sup>	5,528	5,369	+ 3.0	16,795	16,679	+ 0.7
of which: capex	3,098	3,089	+ 0.3	8,718	7,177	+ 21.5
capex/sales revenue (%)	4.8	5.2		4.5	4.3	
Net cash flow	2,468	3,284	-24.8	4,938	5,576	-11.5
Net liquidity at Sept. 30				36,712	31,553	+ 16.3

1 Prior-year figures adjusted (see disclosures on IFRS 17).

2 Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method. Prior-year deliveries have been updated to reflect subsequent statistical trends.

3 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

4 Excluding acquisition and disposal of equity investments: Q3 €5,630 (5,356) million, Q1 - 3 €16,284 (14,050) million.

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## Key figures by brand group and business field

from January 1 to September 30

Thousand vehicles/€ million	VEHICLE SALES		SALES REVENUE		OPERATING RESULT	
	2023	2022	2023	2022 <sup>1</sup>	2023	2022 <sup>1</sup>
Core brand group	3,575	2,957	101,060	81,356	4,985	3,720
Progressive brand group	945	766	50,390	44,561	4,595	6,282
Sport Luxury brand group <sup>2</sup>	250	221	27,785	24,465	5,232	4,748
CARIAD	-	-	544	422	-1,728	-1,427
Battery	-	-	2	0	-234	-32
TRATON Commercial Vehicles	250	218	33,349	27,964	2,662	954
MAN Energy Solutions	-	-	2,876	2,517	292	210
Equity-accounted companies in China <sup>3</sup>	2,150	2,339	-	-	-	-
Volkswagen Financial Services	-	-	37,595	32,728	2,535	4,381
Other <sup>4</sup>	-408	-258	-18,499	-11,128	-2,098	-1,397
<b>Volkswagen Group before special items</b>	-	-	-	-	<b>16,241</b>	<b>17,439</b>
Special items	-	-	-	-	0	-360
<b>Volkswagen Group</b>	<b>6,762</b>	<b>6,243</b>	<b>235,102</b>	<b>202,885</b>	<b>16,241</b>	<b>17,079</b>
Automotive Division <sup>5</sup>	6,762	6,243	195,060	168,191	13,226	12,908
of which: Passenger Cars Business Area	6,512	6,025	158,835	137,711	10,276	11,746
Commercial Vehicles Business Area	250	218	33,349	27,964	2,661	956
Power Engineering Business Area	-	-	2,876	2,517	289	207
Financial Services Division	-	-	40,042	34,693	3,015	4,171

1 Prior-year figures adjusted (see disclosures on IFRS 17).

2 Including Porsche Financial Services: sales revenue €30,132 (26,750) million, operating result €5,501 (5,049) million.

3 The sales revenue and operating result of the equity-accounted companies in China are not included in the consolidated figures; the share of the operating result generated by these companies amounted to €1,880 (2,558) million.

4 In the operating result, mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; the figure includes depreciation and amortization of identifiable assets as part of purchase price allocation, as well as companies not allocated to the brands.

5 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

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### About the Volkswagen Group:

The Volkswagen Group is one of the world's leading car makers, headquartered in Wolfsburg, Germany. It operates globally, with 115 production facilities in 19 European countries and 10 countries in the Americas, Asia and Africa. With around 676,000 employees worldwide. The Group's vehicles are sold in over 150 countries.

With an unrivalled portfolio of strong global brands, leading technologies at scale, innovative ideas to tap into future profit pools and an entrepreneurial leadership team, the Volkswagen Group is committed to shaping the future of mobility through investments in electric and autonomous driving vehicles, digitalization and sustainability.

In 2022, the total number of vehicles delivered to customers by the Group globally was 8.3 million (2021: 8.9 million). Group sales revenue in 2022 totaled EUR 279.2 billion (2021: EUR 250.2 billion). The operating result before special items in 2022 amounted to EUR 22.5 billion (2021: EUR 20.0 billion).

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