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Media information

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Volkswagen Group operating result increases and recovery in China accelerates

- **Operating result before special items Q1-Q3 of EUR 17.5bn reflecting an operating margin of 8.6%**
- **Volkswagen Group confirms margin guidance of 7-8.5% at the upper end of the range**
- **Overall Q3 revenues up year-on-year from EUR 56.9 bn to 70.7 bn vs a supply constrained Q3 2021**
- **Q3 operating result up year-on-year to EUR 4.3 bn. Q3 margin of 6% burdened by non-recurring items of EUR 1.6bn**
- **Accelerating recovery in China, with 27% increase in deliveries in Q3**
- **BEV ramp-up progressing, with 22% more deliveries in Q3 and accelerating BEV share of 6.8%; start of production of the ID.4 in the US**
- **Successful IPO of Porsche, with proceeds being used to accelerate the transformation and return to shareholders via special dividend**
- **Oliver Blume, Volkswagen CEO: "In the third quarter, Volkswagen made some significant strides towards generating greater sustainable value creation for shareholders. I'm pleased to see that we made progress in China and the U.S., and took another step toward further securing the supply of raw materials to deliver on our ambitious EV ramp-up plans."**
- **Arno Antlitz, Volkswagen CFO and COO: "We have once again demonstrated Volkswagen's financial resilience in a challenging environment. This quarter was another step towards meeting our ambitious full year targets."**

Wolfsburg, October 28, 2022 – Volkswagen Group posted solid financial results in the third quarter in a difficult global environment. Total vehicle deliveries to customers were up in Q3, with overall operating result increasing from EUR 2.6bn in a supply-constricted Q3 2021 to EUR 4.3bn. The Group's financial performance in Q3 demonstrates how measures to strengthen supply chains have successfully helped to mitigate a challenging global landscape.

The results were driven by strong profitability, in particular across the Premium and Sport & Luxury segments as well as Financial Services. The Premium brand group achieved a 14,1% margin and Sport & Luxury a 19,4% margin, underlining the Group's continued pricing discipline and good cost progress. However, overall the operating result was weighed down by non-recurring costs totaling around EUR 1.6bn related to revaluation effects due to the Group's suspended activities in Russia and costs associated with the Porsche IPO. Furthermore, Volkswagen is focusing its development activities for autonomous and highly automated driving. Subsequently, the financial result was burdened by a EUR 1.9bn non-cash impairment charge following the Group's withdrawal from its investment in Argo AI.

Oliver Blume, CEO Volkswagen Group, said: "In the third quarter, Volkswagen made some significant strides towards generating greater sustainable value for shareholders. The successful Porsche IPO has demonstrated the continued strength of our brands and the opportunity of realising their full potential. With regard to the 10 points of my strategic agenda, I'm pleased to see that we made progress in two key areas already, China and the U.S. In China we teamed up with Horizon Robotics, and in the U.S. we started production of the ID.4. Also, we took another step towards securing the supply of cathode materials needed for our ambitious EV ramp-up plans by launching a joint venture with Umicore. It has been a great team effort which will need to continue to take our Group to the next level."

Arno Antlitz, CFO Volkswagen Group, said: "This quarter has once again demonstrated Volkswagen's financial resilience in a challenging environment was another step towards meeting our full year targets. Results were driven by especially strong performances from our Premium and Sport & Luxury brands as well as Financial Services."

BEV ramp-up

Volkswagen Group continued to make progress in its BEV ramp-up. All-electric vehicles reached a 6.8% share of total deliveries in Q3, sequentially increasing over the year, with China remaining the biggest driver in BEV deliveries. In the year to date, 366,400 BEVs have been handed over to customers globally, 25% up from 293,000 in the prior-year period. Due to strong demand and ongoing supply constraints, the Group's BEV order bank in Western Europe remains at a high level of over 350,000 vehicles.

Recovery in China and strengthened competitiveness

The Group's recovery in China continues to accelerate with a 26% increase in deliveries in Q3, and a 33% increase in deliveries in September. In particular, demand for BEV vehicles in the region continues to grow and deliveries more than doubled in the year-to-date to 112,700 units (Q1-Q3 2021: 47,100). The Group is thus well on its way to doubling deliveries of all-electric vehicles in China, its largest market, even compared with the previous year as a whole.

To speed-up the pace of innovation and strengthen its customer focus in this important market, Volkswagen's software unit Cariad entered a new partnership with Horizon Robotics, one of the leading providers of computing solutions for smart vehicles in China. The Joint Venture is expected to accelerate the regional development of Advanced Driver Assistance System (ADAS) and Autonomous Driving (AD) systems for the Chinese market.

A new chapter for Volkswagen in North America

Volkswagen Group's expansion in the US market continued in Q3, with the first ID.4s rolling off the production line in Chattanooga, which now employs over 4,500 people to meet customer demand for the ID.4 and Atlas SUV family. The ID.4 is the first of Volkswagen's electric vehicles to be manufactured in the US and one project of a larger $7.1bn investment into North America to boost the Group's product portfolio, regional R&D and manufacturing capabilities. The Group aims for 55% of U.S. sales to be fully electric by 2030.

Further secured future BEV production

To further secure cathode material for future BEV production, PowerCo, the new battery company of the Volkswagen Group, announced a joint venture in Q3 with Umicore, the Belgian circular materials technology group for precursor and cathode material production in Europe. From 2025, the joint venture will supply PowerCo's European battery cell factories with key materials for the production of BEV vehicles. By the end of the decade, the joint venture aims to produce enough cathode material annually to power 2.2 million full electric vehicles.

Successful Porsche IPO

With the IPO of Porsche AG, Volkswagen has taken the next step in its transformation from a brand manufacturer to a vertically integrated mobility group. The proceeds from the IPO give Volkswagen additional flexibility to implement its electric strategy and are an important lever to create sustainable value for shareholders over the long-term.

Arno Antlitz, CFO Volkswagen Group, said: “An important milestone in the quarter was the successful Porsche IPO, one of the largest IPOs ever carried out in Europe. The Group’s robust net liquidity position combined with the proceeds from the IPO will enable us to take further important steps toward electrification. The funds of more than EUR 9 bn will play a vital role in financing and accelerating the transformation, in particular by supporting the development of our own battery business within PowerCo.”

“We expect the safe and efficient supply of batteries to be a key differentiator in our industry. PowerCo will be a decisive competitive advantage in the future and will make a significant positive contribution to our business”, said Antlitz.

Volkswagen is pleased to let our shareholders participate directly in this successful transaction with the distribution of a special dividend of EUR 19.06 per share. To this end, we have called an Extraordinary General Meeting for December 16, 2022. The payout is then expected to take place at January 9, 2023.

Outlook

Volkswagen confirms the outlook from July 28, 2022, in most material aspects.

However, deliveries are now expected to be similar to prior year level due to continued supply chain constraints.

The Volkswagen Group's sales revenue in 2022 is expected to be 8% to 13% higher than in the previous year, and that of the Passenger Cars Division 5% to 10% higher. In terms of operating margin the Group continues to expect to come in at the upper end of the corridor of 7 to 8,5%. Reported net cash flow is expected to remain at the same level as in 2021. In 2022, net liquidity in the Automotive Division is further anticipated to be up to 15% higher than the prior-year figure, before Porsche IPO proceeds.

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As a result of the structural undersupply of semiconductors, the 2022 financial year will continue to be burdened by supply bottlenecks. We expect the supply of semiconductors to improve further in the fourth quarter. Disruptions in logistics could have an additional negative impact.
Challenges arise in particular from the economic environment, increasing competitive intensity, volatile raw material and foreign exchange markets, securing supply chains, and stricter emissions-related requirements.

Key Figures

	Q3			Q1 –3		
	2022	2021	%	2022	2021	%
Volume Data[1] in thousands						
Deliveries to customers (units)	2,181	1,973	+10.6	6,056	6,951	–12.9
Vehicle sales (units)	2,236	1,805	+23.9	6,243	6,466	–3.4
Production (units)	2,237	1,586	+41.1	6,397	6,098	+4.9
Employees (on Sept. 30, 2022/Dec. 31, 2021)				674.9	672.8	+0.3
Financial Data (IFRSs), € million						
Sales revenue	70,712	56,931	+24.2	202,997	186,599	+8.8
Operating result before special items	4,269	2,798	+52.6	17,457	14,157	+23.3
Operating return on sales before special items (%)	6.0	4.9		8.6	7.6	
Special items	–	–203	x	–360	–203	+77.3
Operating result	4,269	2,595	+64.5	17,097	13,953	+22.5
Operating return on sales (%)	6.0	4.6		8.4	7.5	
Earnings before tax	2,936	3,079	–4.7	16,970	14,232	+19.2
Return on sales before tax (%)	4.2	5.4		8.4	7.6	
Earnings after tax	2,133	2,903	–26.5	12,771	11,357	+12.4
Automotive Division[2]						
Total research and development costs	4,538	3,665	+23.8	13,826	11,401	+21.3
R&D ratio (%)	7.7	8.0		8.2	7.5	
Cash flows from operating activities	8,652	3,615	x	22,256	22,703	–2.0
Cash flows from investing activities attributable to operating activities[3]	5,369	6,586	–18.5	16,679	15,483	+7.7
of which: capex	3,089	2,114	+46.1	7,177	5,891	+21.8
capex/sales revenue (%)	5.2	4.6		4.3	3.9	
Net cash flow	3,284	–2,971	x	5,576	7,220	–22.8
Net liquidity at Sept. 30				31,553	25,642	+23.1

1 Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method. Prior-year deliveries have been updated to reflect subsequent statistical trends.
2 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
3 Excluding acquisition and disposal of equity investments: Q3 €5,356 (3,670) million, Q1–Q3 €14,050 (11,029) million.

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Key figures by brand and business field

from January 1 to September 30

Thousand vehicles/€ million	VEHICLE SALES 2022	VEHICLE SALES 2021	SALES REVENUE 2022	SALES REVENUE 2021	OPERATING RESULT 2022	OPERATING RESULT 2021
Volume brand group	2,957	3,171	81,356	74,876	3,720	2,478
Volkswagen Passenger Cars	1,882	2,088	52,026	49,055	2,462	1,211
ŠKODA	646	596	15,181	13,329	856	900
SEAT	333	384	7,820	7,259	–10	–159
Volkswagen Commercial Vehicles	237	246	7,956	7,276	356	55
Tech. Components	–	–	12,655	12,803	–7	382
Consolidation	–141	–143	–14,281	–14,847	64	90
Audi (Premium brand group)[1]	766	806	44,561	42,325	6,282	4,169
Porsche Automotive (Sport & Luxury brand group)[2]	221	209	24,456	20,979	4,746	3,356
TRATON Commercial Vehicles[3]	218	196	27,964	21,305	954	476
Equity-accounted companies in China[4]	2,339	2,156	–	–	–	–
MAN Energy Solutions	–	–	2,517	2,338	210	123
CARIAD	–	–	422	255	–1,427	–750
Volkswagen Financial Services	–	–	32,859	32,044	4,399	3,688
Other[5]	–258	–74	–11,137	–7,521	–1,428	617
Volkswagen Group before special items	**–**	**–**	**–**	**–**	**17,457**	**14,157**
Special items	–	–	–	–	–360	–203
Volkswagen Group	**6,243**	**6,466**	**202,997**	**186,599**	**17,097**	**13,953**
Automotive Division[6]	6,243	6,466	168,183	152,869	12,907	9,986
of which: Passenger Cars Business Area	6,025	6,269	137,702	129,226	11,744	9,534
Commercial Vehicles Business Area	218	196	27,964	21,305	956	453
Power Engineering Business Area	–	–	2,517	2,338	207	–1
Financial Services Division	–	–	34,814	33,730	4,190	3,967

1 The previous year's figures were calculated by means of the simple addition of the figures for Bentley.
2 Porsche (including Financial Services): sales revenue €26,741 (23,115) million, operating result €5,048 (3,559) million.
3 Includes Navistar as of July 1, 2021.
4 The sales revenue and operating result of the equity-accounted companies in China are not included in the consolidated figures; the share of the operating result generated by these companies amounted to €2,558 (1,962) million.
5 In the operating result, mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; the figure includes depreciation and amortization of identifiable assets as part of purchase price allocation, as well as companies not allocated to the brands.
6 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

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About the Volkswagen Group:

The Volkswagen Group, with its headquarters in Wolfsburg, is one of the world's leading automobile manufacturers and the largest carmaker in Europe. Ten brands from seven European countries belong to the Group: Volkswagen Passenger Cars, Audi, SEAT, CUPRA, ŠKODA, Bentley, Lamborghini, Porsche, Ducati and Volkswagen Commercial Vehicles. The passenger car portfolio ranges from small cars all the way to luxury-class vehicles. Ducati offers motorcycles. In the light and heavy commercial vehicles sector, the products range from pick-ups to buses and heavy trucks. Every weekday, 672,800 employees around the globe are involved in vehicle-related services or work in other areas of business. The Volkswagen Group sells its vehicles in 153 countries.

In 2021, the total number of vehicles delivered to customers by the Group globally was 8.9 million (2020: 9.3 million). Group sales revenue in 2021 totaled EUR 250.2 billion (2020: EUR 222.9 billion). Earnings after tax in 2021 amounted to EUR 15.4 billion (2020: EUR 8.8 billion).