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Volkswagen Group posts solid H1 results and strengthens strategic position in China

- Strong underlying operating profit of EUR 13.9 billion, with corresponding margin at 8.9 percent; operating profit of EUR 11.3 billion, with operating margin at 7.3 percent
- Revenue growth of 18 percent to EUR 156.3 billion, driven by significantly higher vehicle sales in Europe and North America and continued favourable mix and pricing
- 4.4 million vehicles delivered in H1, up 13 percent year-on-year, driven by strong performance without China (+21 percent)
- All-electric vehicle (BEV) deliveries rose around 50 percent in H1 2023, representing a 7.4 percent share of total deliveries; Group underscores European market leadership in BEV segment
- Order bank of 1.65 million vehicles in Western Europe at the end of H1, including more than 200,000 BEVs, demonstrating stable customer demand
- Volkswagen Group strengthens strategic position in China and targets new market and customer segments with recently announced partnerships
- Financial outlook FY2023 confirmed; outlook for deliveries in 2023 slightly adapted from around 9.5 million to 9 to 9.5 million
- Oliver Blume, CEO Volkswagen Group: “We have strategically realigned and restructured the Volkswagen Group, with a clear plan and measurable milestones. In the first half of the year, the Volkswagen Group delivered reliably with very solid results. Sales in North America are picking up, we are strengthening our position in China through technological partnerships and on top of that the trend for fully electric vehicles is moving in the right direction. What is important to us is long-term, sustainable growth, with a focus on value over volume.”
- Arno Antlitz, CFO & COO of Volkswagen Group: “In the first half of the year, we achieved solid financial results and took major steps to improve our competitiveness. The focus for the second half is now on strengthening net cash flow. With the launch of performance programs at all brands and our strategic decisions in China, we will improve the competitive position of the Volkswagen Group even further.”

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Wolfsburg, July 27, 2023 – Volkswagen Group posted solid H1 results for 2023, with rising sales revenue and strong underlying operating profit. This is in line with the Group’s “value over volume” strategy, announced at the recent Capital Markets Day. The Group’s BEV strategy is also making further progress, with deliveries in the first half of the year increasing by around 50 percent year-on-year. In Europe, the Group increased its BEV deliveries by as much as 68 percent, underscoring its position as market leader in Europe. As the year progresses, significantly shorter delivery times, the remaining high order bank of 1.65 million vehicles and stable demand should provide further tailwinds. The solid net liquidity of EUR 33.6 billion in the Automotive Division also gives the Group the necessary strength and flexibility to continue investing in key regions and growth areas.

Oliver Blume, CEO Volkswagen Group: “We have strategically realigned and restructured the Volkswagen Group, with a clear plan and measurable milestones. In the first half of the year, the Volkswagen Group delivered reliably with very solid results. Sales in North America are picking up, we are strengthening our position in China through technological partnerships and on top of that the trend for fully electric vehicles is moving in the right direction. What is important to us is long-term, sustainable growth, with a focus on value over volume.”

Solid results

In the first half of 2023, the Volkswagen Group achieved an operating profit before valuation effects mainly from commodity hedging outside hedge accounting of EUR 13.9 billion, an increase of about 13 percent. This resulted in a corresponding margin of 8.9 percent, above the guidance range of 7.5 percent to 8.5 percent. Operating profit came in at EUR 11.3 billion (H1 2022: EUR 13.2 billion) largely due to non-cash hedging effects mainly from commodity hedging amounting to EUR - 2.5 billion (Q1 2023 EUR - 1.3 billion; H1 2022: EUR 0.9 billion).

Overall revenue grew by 18 percent to EUR 156.3 billion in H1 (H1 2022: EUR 132.3 billion), driven by a continued recovery in volume as well as solid mix and pricing. Vehicle deliveries declined by 1 percent in China, although there were notable signs of recovery towards the end of the reporting period. Overall, the Group continued to see solid demand.

The Group’s electrification strategy continued to accelerate, with battery electric vehicles (BEV) representing a 7.4 percent share of total deliveries in the first half (compared to 5.6 percent in H1 2022) and including 18 percent year-on-year growth in China in Q2, demonstrating a positive trend. In a challenging market environment, Volkswagen was able to increase market share particularly in Europe where the Group remains the BEV segment market leader. In the context of a more challenging market environment, Volkswagen Group aims to reach a BEV share of 8-10% of total deliveries in FY 2023. Seasonal effects, along with the significantly reduced delivery times, are likely to contribute to a higher proportion of BEV sales in H2.

In view of the continuing bottlenecks in the logistics chains, net cash flow was muted at EUR 2.5 billion in the first half of the year. In anticipation of an improving logistics situation and minor production adjustments in the second half of the year, Volkswagen Group continues to target full-year net cash flow of EUR 6-8 billion and has taken decisive measures to ensure that the lower end of this range is met.

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The automotive division's net liquidity remained solid at EUR 33.6 billion at the end of H1, which will continue to support the Group's targeted sustainable value strategy.

Arno Antlitz, CFO & COO Volkswagen Group: "In the first half of the year, we achieved solid financial results and took major steps to improve our competitiveness. The focus for the second half is now on strengthening net cash flow. With the launch of performance programs at all brands and our strategic decisions in China, we will improve the competitive position of the Volkswagen Group even further."

Financial Outlook for FY 2023 confirmed

Volkswagen Group confirms the financial outlook for FY 2023 published on March 3, 2023. The outlook for deliveries is slightly adapted for 2023 from around 9.5 million to 9 to 9.5 million while the Group remains fully on track to meet the sales revenue goal.

As anticipated, supply chain disruptions have continued to ease in H1 2023, with pressure shifting from semiconductor shortages to transportation and logistics delays. H2 should be supported by lower raw material costs and gradually easing logistical bottlenecks. The performance programs for the brands are designed to deliver their first results in H2, further strengthening the Group's position in an increasingly competitive environment.

In line with the steering model announced at the recent Capital Markets Day, the Group's focus remains on meeting profitability and cash flow targets. An emphasis on value-driven production is expected to support the already strong results. Prioritizing sustainable profitability over volume growth will enable the group to meet operating margin and cash flow targets.

Acceleration of strategic transformation in China

Volkswagen Group is stepping up the pace of its transformation in China, where the Group aims to remain the most successful international OEM and amongst the top 3 in the market, building on solid existing foundations in H1.

After a challenging start in the first two months of the year, the Group's delivery figures in China in March through May were significantly up compared to the previous year. A decrease in June was the result of a high base in the same month last year and non-recurring effects, including a tax exemption for ICE vehicle purchases and local government subsidies. Volkswagen Group China delivered a total of 1,451,900 vehicles (-1.2 percent compared to the previous year) in the first half of 2023.

The Volkswagen Group has announced two partnerships in the region: a strategic partnership between the Volkswagen Group and Xpeng as well as the expansion of an existing cooperation between Audi with FAW and SAIC. These collaborations are intended to expand the existing product range to include models for particularly promising customer and market segments. The collaborations align with the company's "in China for China" strategy, which enables it to address market-defining trends in China at an early stage and better leverage the growth momentum of the Chinese market.

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Ambitious targets and performance programs for Group brands

As noted during the recent Capital Markets Day, Volkswagen Group is focused on its strategic realignment in line with the 10-point plan and has taken decisive steps in H1 to strengthen profitability and cash flows and reduce capital intensity.

Realignment of Platforms

The Group is realigning its technology platforms to provide the brands with leading technological innovations and to unlock economies of scale.

In terms of architectures, the Group has outlined a clear path forward for the establishment of the group-wide SSP platform. As early as 2024, the new PPE is expected to be used as a competitive architecture, followed by the second generation MEB+ from 2025 forward.

The Group's battery strategy and ramp-up offer the Group maximum flexibility and cost benefits through the Unified Cell to be developed by PowerCo.

The strategic realignment of the CARIAD organisation aims to establish it as an internal software supplier that works closely with the Group's brands. It also seeks to accelerate the execution of the E³ platforms, the next generation of which will be designed in the newly developed Software-Defined Vehicle hub.

Furthermore, Volkswagen Group continues to make progress towards fully autonomous driving, which the Group sees as a significant future profit pool with major growth potential. Volkswagen has launched autonomous driving test programs in North America and Europe.

Brand Performance Programs

Each brand is launching its own Performance Program, which provides the framework for their advancement. The programs set equally ambitious targets across the individual brands to make them more resilient and profitable. In doing so, they focus on improving their performance in terms of margins, product mix and vehicle equipment. Moreover, emerging business models, such as mobility solutions, shall broaden the scope of opportunities for brands and exploit additional profit pools. This path is supported by the efficient bundling of economies of scale and extensive cost work in the areas of development, materials, production, distribution and fixed costs.

Brand Group results

Core

Four brands continue to lay the foundation for the positive performance of the Core Brand Group, with sales revenue climbing 30 percent in H1. Operating profit strongly increased to EUR 3.8 billion with an operating margin of 5.5 percent, including a strong contribution from North America. In addition to the focus on efficiency in key synergy areas, the strong H1 result was driven by higher sales volume, leaner structures, and consistent cost management.

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Progressive

The operating margin of the Progressive Brand Group was 10 percent in H1 2023. The operating profit was heavily impacted by valuation effects mainly from commodity hedging outside hedge accounting. The underlying operating margin before these effects was above 12 percent.

Gernot Döllner will join the Group Board of Management of Volkswagen AG as the new CEO of AUDI AG, effective September 1, 2023. Döllner held several management positions at Porsche AG including Head of Concept Development and has been Head of Group Strategy, Product Strategy and General Secretariat at the Volkswagen Group since 2021. In Gernot Döllner, Audi has gained a manager with extensive Group and product experience, who will continue to develop and drive forward Audi's strategy together with the whole Audi team.

Sport Luxury

In the Sport Luxury Brand Group, Porsche's operating margin within the automotive business remained stable at a very high level at 19.3 percent in H1, due to higher deliveries (+15 percent) coupled with constant pricing. The operating result rose 11 percent to EUR 3.9 billion, including EUR 174 million from Porsche Financial Services. Net cash flow within the automotive business stood at EUR 2.2 billion slightly below prior-year level.

Trucks

TRATON reported a unit sales increase of 22 percent. Overall sales revenue was up 27 percent, driven by strong volume expansion and positive mix and pricing effects as well as growth in vehicle services. Operating profit improved significantly to EUR 1.8 billion, with an 8.1 percent operating margin, due to better capacity utilization and positive price-mix effects compensating for higher input costs.

Battery Business

PowerCo SE is planning to introduce a completely new manufacturing process, drycoating, in its battery cell production plants in Europe and Northern America. Drycoating has the potential to deliver reductions of about 30 percent in energy consumption and 15 percent in required floor space, thereby saving hundreds of millions of euros each year.

CARIAD

CARIAD improved sales revenue by 32 percent, driven by higher license revenues from MEB cars on the 1.1 platform. CARIAD was able to limit losses to previous year levels while investments in software platforms continued.

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Key Figures

Volkswagen Group

	Q2			H1		
	2023	2022 ¹	%	2023	2022 ¹	%
Volume Data² in thousands						
Deliveries to customers (units)	2,332	1,977	+18.0	4,372	3,875	+12.8
Vehicle sales (units)	2,324	2,011	+15.5	4,448	4,006	+11.0
Production (units)	2,418	2,116	+14.3	4,691	4,160	+12.8
Employees (on June 30, 2023/Dec. 31, 2022)				673.9	675.8	-0.3
Financial Data (IFRSs), € million						
Sales revenue	80,059	69,500	+15.2	156,257	132,211	+18.2
Operating result before special items	5,600	4,722	+18.6	11,347	13,180	-13.9
Operating return on sales before special items (%)	7.0	6.8		7.3	10.0	
Special items	-	-230	x	0	-360	x
Operating result	5,600	4,491	+24.7	11,347	12,820	-11.5
Operating return on sales (%)	7.0	6.5		7.3	9.7	
Earnings before tax	5,446	5,139	+6.0	11,898	14,055	-15.3
Return on sales before tax (%)	6.8	7.4		7.6	10.6	
Earnings after tax	3,791	3,912	-3.1	8,521	10,655	-20.0
Automotive Division³						
Total research and development costs	5,135	4,930	+4.2	10,206	9,289	+9.9
R&D ratio (%)	7.7	8.5		7.8	8.5	
Cash flows from operating activities	6,161	7,803	-21.0	13,737	13,604	+1.0
Cash flows from investing activities attributable to operating activities ⁴	5,936	7,002	-15.2	11,267	11,311	-0.4
of which: capex	3,162	2,385	+32.6	5,620	4,089	+37.5
capex/sales revenue (%)	4.7	4.1		4.3	3.7	
Net cash flow	226	801	-71.8	2,470	2,293	+7.7
Net liquidity at June 30				33,627	28,209	+19.2

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: Q2 €5,700 (4,846) million, H1 €10,654 (8,694) million.

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Key figures by brand group and business field from January 1 to June 30

Thousand vehicles/€ million	VEHICLE SALES		SALES REVENUE		OPERATING RESULT	
	2023	2022	2023	2022 ¹	2023	2022 ¹
Core brand group	2,450	1,956	68,764	53,010	3,773	2,646
Progressive brand group	655	513	34,169	29,869	3,417	4,965
Sport Luxury brand group ²	171	149	18,892	16,425	3,653	3,261
CARIAD	–	–	329	249	–1,088	–978
Battery	–	–	0	0	–181	–14
TRATON Commercial Vehicles	168	138	22,331	17,613	1,798	617
MAN Energy Solutions	–	–	1,875	1,632	208	131
Equity-accounted companies in China ³	1,352	1,431	–	–	–	–
Volkswagen Financial Services	–	–	24,112	21,866	1,760	2,975
Other ⁴	–349	–180	–14,215	–8,454	–1,993	–425
Volkswagen Group before special items	–	–	–	–	11,347	13,180
Special items	–	–	–	–	0	–360
Volkswagen Group	4,448	4,006	156,257	132,211	11,347	12,820
Automotive Division ⁵	4,448	4,006	130,569	109,066	9,120	9,726
of which: Passenger Cars Business Area	4,279	3,868	106,362	89,820	7,118	8,979
Commercial Vehicles Business Area	168	138	22,331	17,613	1,796	618
Power Engineering Business Area	–	–	1,875	1,632	206	129
Financial Services Division	–	–	25,689	23,146	2,226	3,094

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

2 Including Porsche Financial Services: sales revenue €20,626 (17,922) million, operating result €3,852 (3,480) 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 €1,152 (1,402) 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, with its headquarters in Wolfsburg, is one of the world's leading automobile manufacturers and the largest carmaker in Europe. The Group comprises ten core brands from seven European countries: 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. Around 675,800 employees around the globe are involved in vehicle-related services or work in other areas of business. With its brands, the Volkswagen Group is present in all relevant markets around the world.

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).
