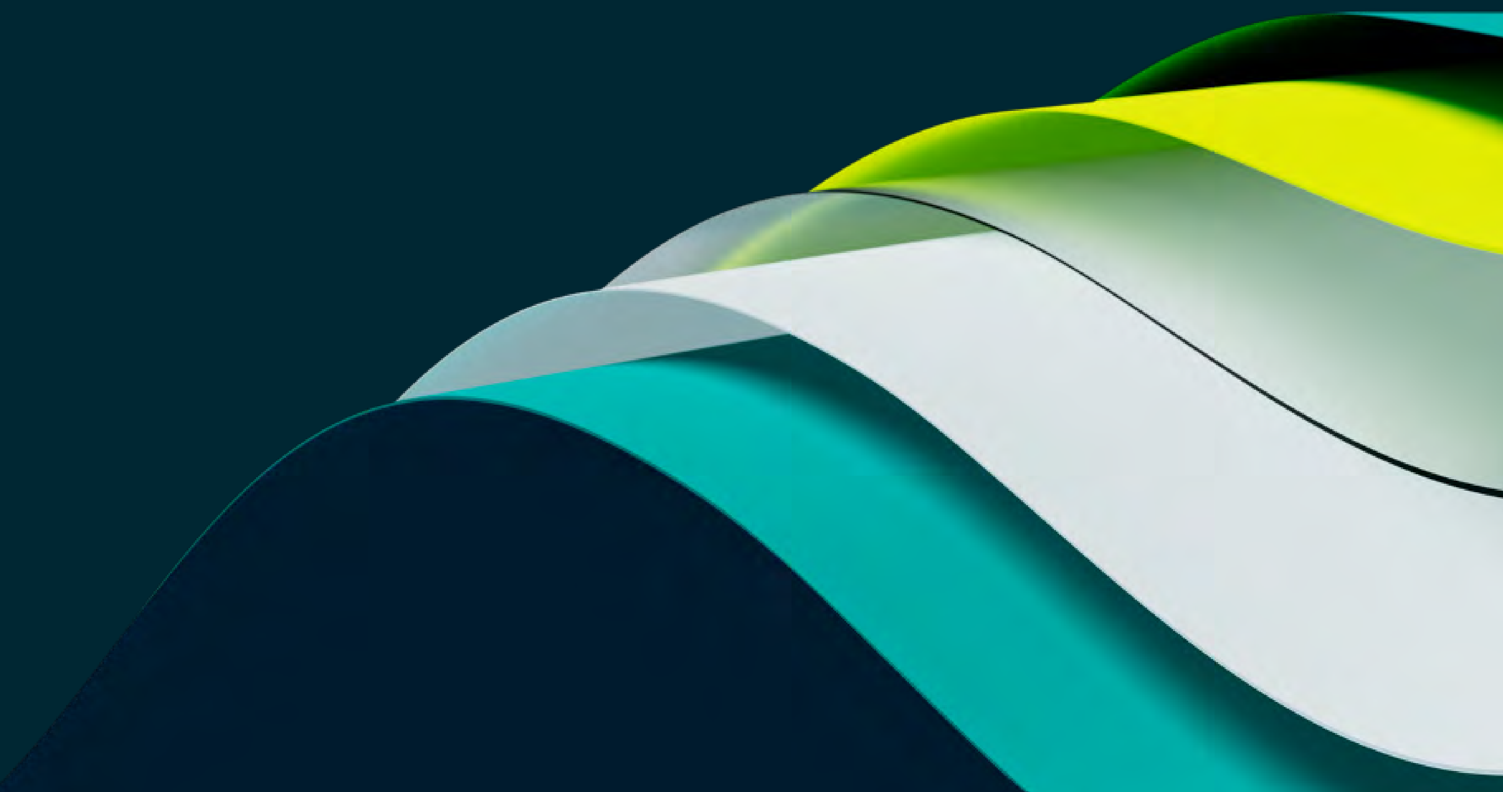
VOLKSWAGEN GROUP

Half-Yearly Financial Report

January – June 2023



Key Figures

VOLKSWAGEN GROUP

	Q2			H1		
	2023	2022[1]	%	2023	2022[1]	%
Volume Data[2] 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 Division[3]						
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.

This document is an English translation of the original report written in German. In case of discrepancies, the German version shall take precedence. All figures shown in the report are rounded, so minor discrepancies may arise from addition of these amounts. The figures from the previous fiscal year are shown in parentheses directly after the figures for the current reporting period.
Specified vehicle ranges correspond to results obtained through the Worldwide Harmonized Light Vehicles Test Procedure (WLTP) on the chassis dynamometer. WLTP value ranges for series-produced vehicles may vary depending on the equipment. The actual range will deviate in practice depending on various other factors.

Key Facts

> Deliveries to Volkswagen Group customers increase to 4.4 (3.9) million vehicles in the first half of 2023; growth in nearly every region worldwide, especially Western Europe; Asia-Pacific at prior-year level

> Deliveries of all-electric vehicles to customers up by 48.1%; their share of the Group's total deliveries lies at 7.4 (5.6)%

> Group sales revenue amounts to €156.3 billion, 18.2% more than in the first half of 2022

> Operating result down year-on-year at €11.3 (12.8) billion; effects from the fair value measurement of derivatives to which hedge accounting is not applied of €–2.5 (+0.9) billion; improvements particularly in volumes and price positioning

> Earnings before tax decrease to €11.9 (14.1) billion; earnings after tax fall by €2.1 billion to €8.5 billion

> Automotive Division's net cash flow improves to €2.5 (2.3) billion; capex ratio of 4.3 (3.7)%

> Net liquidity in the Automotive Division amounts to €33.6 billion; includes cash outflows from dividend payments totaling around €11 billion

Group News

NEW PRODUCTS AND TECHNOLOGIES

The Volkswagen Group and its brands presented new vehicles and technologies once again in the second quarter of 2023.

In April 2023, the Volkswagen Passenger Cars brand celebrated the world premiere of the new ID.7, its first global electric model in the upper mid-sized class. Measuring almost five meters in length, the aerodynamic and comfortable long-distance saloon is the first model using the Modular Electric Drive Toolkit (MEB) to feature an all-new, highly efficient generation of powertrain: the 210 kW (286 PS) electric motor is the most powerful unit with the highest ever torque fitted to a Volkswagen ID. model so far. Depending on the battery size, the vehicle can achieve ranges of up to 700 km, making the ID.7 suitable for the long distances covered particularly by frequent drivers and fleet customers. Assistance systems such as Travel Assist (featuring swarm data) and Side Assist further increase driver convenience, along with a Park Assist system that enables the vehicle to be parked using a smartphone app. The ID.7 is the first vehicle to use a new control and display concept, which is based around a 15-inch infotainment system and an augmented reality head-up display. With air-conditioned massage seats and an innovative panorama roof, the ID.7 also offers optional equipment otherwise only found in the premium segment: the smart glass panoramic roof can be electronically switched between opaque and transparent via a touch control. A 700-watt sound system from Harman Kardon rounds off the range of options. The ID.7 is due to launch this year on the European and Chinese markets. Introduction in North America is planned for 2024.

The Volkswagen Passenger Cars brand has upgraded the third-generation Touareg with an extensive update. The premium segment SUV's suspension, as well as the display and control system, have been revised, and the design of the front and rear ends has been honed even further. The newly developed HD matrix headlights are a particularly striking feature at the front: more than 38,000 interactive LEDs project an exact carpet of light onto the driving lane, precisely illuminating the road ahead. As a first on a vehicle available in Germany, the LED rear lights, arranged as a band of light, incorporate the Volkswagen logo illuminated in red. The Touareg comes with a wide range of comfort and assistance systems as standard. Optional features include Travel Assist for assisted driving up to the maximum speed, Park Assist with remote control via an app, Trailer Assist and a Night Vision assistance system. The new Touareg is available in five powertrain versions. In addition to a turbocharged petrol engine, there is a choice of two turbodiesels and two plug-in hybrids. The Touareg R eHybrid is the top-of-the-range model. A V6 petrol engine plus electric motor offers a system output of 340 kW (462 PS), making this the most powerful version.

CUPRA unveiled its all-electric Tavascan SUV coupé to the global public in April 2023. The model is based on the Volkswagen Group's MEB platform. The exterior design delivers athletic, sporty proportions, while the front stands out with LED matrix headlights that create a triangular eye signature. DCC Sport dynamic chassis technology, sport suspension and progressive steering along with performance tyres mounted on 21-inch forged alloy wheels make for a sporty driving experience. The Tavascan will be available with two power outputs: the 210 kW (286 PS) version has an electric range of up to 549 km. The higher-output version with dual-motor all-wheel drive and 250 kW (340 PS) of power can cover up to 517 km. Inside, the Tavascan features a 15-inch infotainment system – the largest yet in a CUPRA model. For the first time, the vehicle also integrates a high-fidelity 12-speaker sound system developed in collaboration with premium audio firm Sennheiser. CUPRA has also announced that its UrbanRebel Concept – an urban electric car – will enter series production in 2025 as the CUPRA Raval.

Porsche has crowned its mid-engined 718 model line with a sports car designed for maximum driving pleasure: the new 718 Spyder RS is the open-top counterpart to the 718 Cayman GT4 RS. This is the first open-top, mid-engined sports car to use the 368 kW (500 PS) naturally aspirated six-cylinder boxer engine from the 911 GT3. With its unusually light, purist-pleasing manual soft-top roof, the 718 Spyder RS makes the highly evocative sound of the engine an even more compelling experience. This is underpinned by the lightweight stainless steel sports exhaust system as standard and the distinctive side air inlets behind the headrests. In addition, Porsche has thoroughly refined its successful luxury SUV. The new Cayenne is making its debut with a highly digitalized display and control concept, new chassis technology and innovative high-tech features. High-definition matrix LED headlights provide road illumination tailored to every driving situation. An air quality system filters pollutants from the air in the interior, and for the first time in the Cayenne, front passengers have their own infotainment display – allowing them to stream videos during the trip, for example. With its extensively refined design and more powerful engine range, the Cayenne is underlining its claim to be the epitome of the sport utility vehicle. The sports car manufacturer also caused a stir with an innovative concept car: the Mission X is a spectacular reinterpretation of a two-seater hyper-car with doors that open forwards and upwards and a high-performance, efficient electric powertrain. It symbolizes the symbiosis of motorsport DNA with a luxurious overall feel and will provide critical impetus for the development of future vehicle concepts. Measuring approximately 4.5 meters long and 2 meters wide, the Mission X is a relatively compact hypercar. For aerodynamic purposes, the concept car has mixed-size tyres, with 20-inch wheels at the front and 21-inch wheels on the rear axle.

In June 2023, the Volkswagen Commercial Vehicles brand celebrated the world premiere of the long-wheelbase ID. Buzz. The additional 250 mm of wheelbase length provides space for a third row of seats, up to 2,469 liters of luggage compartment capacity and a new, larger battery for even more range. The large ID. Buzz will launch with a brand new 210 kW (286 PS) electric motor. An all-wheel-drive GTX version with 250 kW (339 PS) of power has been announced for 2024. New interior features include a head-up display, an updated infotainment system and remote-controlled parking via smartphone. The new panoramic sunroof with smart glass brings back memories of the legendary Samba Bus from the 1950s. At 1.5 square meters, it is the largest glass roof ever to be fitted in a Volkswagen vehicle. The smart glass can be changed from transparent to opaque using a touch slider or voice assistant.

AWARDS

In early June 2023, readers of the *Auto Bild Allrad* motoring magazine chose two CUPRA models as their all-wheel-drive cars of the year 2023. The Formentor was crowned overall winner in the all-terrain and SUV category for vehicles priced between €40,000 and €50,000. The Leon Sportstourer VZ won the import rankings in the all-wheel-drive cars up to €50,000 category. Readers could choose from over 200 vehicles in ten categories.

Also in June 2023, the British magazine Auto Trader from the automotive trading company of the same name presented its “New Car Awards 2023”. The Bentley Bentayga won the Best Luxury Car category. Porsche was named Most Loved Brand for the third time in a row. Over 220,000 readers voted for the 23 awards in total.

In the 35th Robb Report "Best of the Best Awards" in June 2023, the Bentley Continental GT S won in the Best Grand Tourer category. The award was Bentley's fifth victory in the comparative test by the American luxury lifestyle magazine.

The first "Auto Elektro Trophy 2023" organized by the *Auto Zeitung* motor magazine in late June 2023 saw awards for several Volkswagen Group models. The Volkswagen Passenger Cars brand's ID.4 won the best electric SUV up to €50,000 category. In the import rankings for this category, the ŠKODA Enyaq iV took first place. The ID.3 won the overall rankings in the best electric city cars, small cars and compacts category, while the CUPRA Born topped the same category in the import rankings. CUPRA also surpassed its competitors in the import rankings for the category of most sustainable car brand. Volkswagen Commercial Vehicles triumphed in the best electric van category with the ID. Buzz. Audi won the overall rankings in the electric saloons category with the e-tron GT. Readers could choose from a total of 70 models and 43 brands in five vehicle categories.

ANNIVERSARIES

At the end of April 2023, the 500,000th battery system was manufactured at ŠKODA's main plant in Mladá Boleslav. The location produces battery systems for both MEB vehicles and for models with plug-in hybrid drive.

Lamborghini has been marking its 60th company anniversary since the beginning of May 2023. The sports car manufacturer has been combining its passions for innovation, style and performance since the very beginning. To commemorate the anniversary, Lamborghini is releasing a special-edition Huracán STO, Huracán Tecnica and Huracán EVO Spyder, each limited to 60 units and with exclusive features. The anniversary year will also be celebrated with numerous international events.

At the end of May 2023, Audi México's San José Chiapa plant hit the production milestone of one million vehicles. This is the first plant in Mexico to produce premium segment vehicles and employs over 5,000 people.

The seven millionth vehicle left the Volkswagen Slovakia plant in Bratislava in mid-June 2023. This milestone was celebrated with a presentation at the FUN DAY Festival for employees and their families. The milestone vehicle was a Volkswagen Touareg in limited-edition matt paintwork.

The Volkswagen Group achieved another milestone in June 2023 with the delivery of one million electric vehicles based on the Modular Electric Drive Toolkit (MEB). The MEB platform has already been used for more than 50% of all electric vehicles delivered by the Group. Since September 2020, the number of plants around the world producing MEB models now stands at eight.

Volkswagen Poznań celebrated its 30th anniversary in late June 2023. Since production launched, more than four million vehicles have been produced at the three Polish sites and are now sold in 55 countries. The four production facilities employ more than 9,500 people.

CAPITAL MARKETS DAY 2023

At the Capital Markets Day in June 2023, the Volkswagen Group presented a new leadership model that emphasizes more customer orientation, entrepreneurship and team spirit. The "value over volume" principle prioritizes sustainable value creation over volume growth. As part of this, the brand groups are being given a new steering model along with an enhanced product range and brand positioning. The realignment also included a renaming of the brand groups: Volume has become Core, Premium is now called Progressive, Sport & Luxury has changed to Sport Luxury and Truck & Bus to Trucks. A strategic return on sales target has been set for each Group brand as well as for the technology platforms PowerCo and CARIAD. Each brand will be responsible for pursuing these targets with structured performance programs.

To enable the brands to leverage economies of scale from the technology platforms to the maximum, the technology areas – architecture, battery, software and mobility services – are to be restructured.

VOLKSWAGEN GROUP IMPROVES ESG RATING

In June 2023, the Volkswagen Group achieved an improvement in its external sustainability rating from the rating agency ISS ESG. The new rating of C+ compares with a C in 2022. The ESG (Environmental, Social, Governance) rating looks at ESG indicators that reflect a company's measurable performance and its progress in these three areas. The rating makes Volkswagen one of the six best-scoring automotive companies overall.

VFL WOLFSBURG FOOTBALLERS ARE NEW RECORD CUP WINNERS

Footballers from VfL Wolfsburg won their ninth women's DFB-Pokal (German football cup) final in a row in front of more than 44,000 fans in Cologne in May 2023. With this win, the VfL women notched up their tenth cup victory in 11 years, making them the most successful women's cup-winning team ever. Their success underscores the important role that they play as brand ambassadors for Volkswagen: the VfL Wolfsburg women's team stands in particular for the values of diversity, affinity, professionalism and team spirit.

ANNUAL GENERAL MEETING

Volkswagen AG's 63rd Annual General Meeting took place in person at the CityCube in Berlin on May 10, 2023. Around 56% of the share capital was represented at the meeting. The shareholders agreed to the proposal by the Board of Management and Supervisory Board to pay a higher dividend for fiscal year 2022 than in the previous year, amounting to €8.70 (7.50) per ordinary share and €8.76 (7.56) per preferred share. Furthermore, the Annual General Meeting approved the actions of the members of the Board of Management and Supervisory Board for fiscal year 2022. The shareholders also approved changes to the remuneration system for the Board of Management and to the Supervisory Board remuneration. The Annual General Meeting appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditors and Group auditors for fiscal year 2023 and for the review of the condensed interim consolidated financial statements and of the interim management report for the first half of 2023 and of the condensed interim consolidated financial statements and interim management report for the period from January 1 to September 30, 2023 and for the first quarter of fiscal year 2024. Dr. Günther Horvath was elected to the Supervisory Board to succeed Dr. Louise Kiesling, who has passed away in December 2022. Dr. Wolfgang Porsche and Ms. Marianne Heiß were elected to the Board for a further term of office. Among other matters, the shareholders also approved the amendment to the Articles of Association to be able to hold the Annual General Meeting in a virtual format in future.

BOARD OF MANAGEMENT AND SUPERVISORY BOARD MATTERS

On June 29, 2023, the Supervisory Board of Volkswagen AG appointed Dr. Gernot Döllner in his new function of Chair of the Board of Management of AUDI AG as a member of the Volkswagen Group Board of Management with effect from September 1, 2023. He will succeed Mr. Markus Duesmann, who is leaving the Group Board of Management and stepping down as Chair of the Board of Management of AUDI AG as of the same date.

Effective July 11, 2023, Ms. Karina Schnur, Chair of the Group Works Council at TRATON SE and Chair of the General and Group Works Councils at MAN Truck & Bus SE, was appointed by the court as a member of the Supervisory Board of Volkswagen AG. She succeeds Ms. Simone Mahler, who stepped down from her post effective May 31, 2023.

Volkswagen Shares

In the first half of 2023, the international stock markets initially continued their upward trend that had begun in October 2022. However, market developments were overshadowed by further interest rate hikes imposed by the national central banks to rein in persistently high inflation. What is more, the crisis in the international banking sector triggered by the higher interest rates deeply unsettled the financial markets, a situation that was exacerbated among other things by the debt ceiling debate in the United States and recession fears. Subsequently stock prices came under pressure during the further course and only recovered at the end of the reporting period.

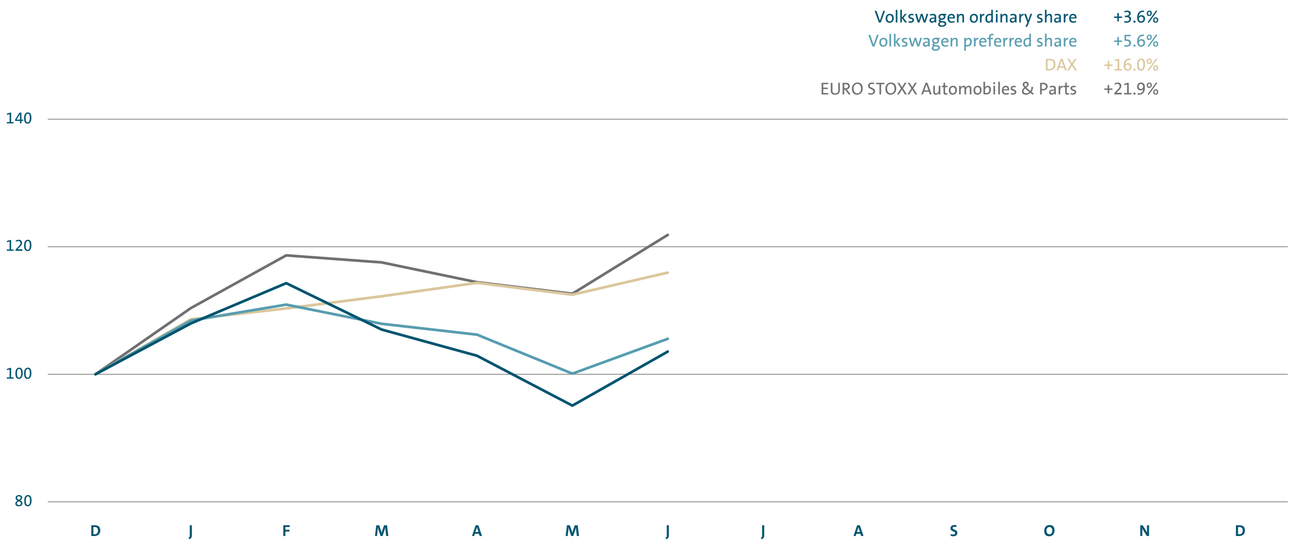
The German stock market index (DAX) got off to a tremendous start in 2023, surpassing the 2022 year-end closing price. Driven by falling gas prices, declining inflation rates and improved leading economic indicators, sentiment initially improved with hopes that the economic downturn might be smaller than expected. As the quarter continued, stock prices were hit by further interest rate hikes on the part of the European Central Bank in light of continued high inflationary pressure. The DAX transitioned into sideways movement. As the year went on, the turbulence at several international banks triggered by rising interest rates and the US debt ceiling dispute had an adverse effect on share prices. Despite difficult market conditions, the benchmark index rose to a new record in the second quarter; however, this level proved to be unsustainable, with the result that the sideways trend remained around the mark of 16,000 points until the end of the half-year.

The prices of Volkswagen AG’s preferred and ordinary shares initially developed very positively at the beginning of the reporting period. The sound results for the 2022 fiscal year, the dividend proposed for 2022 and an ambitious outlook for 2023 caused a temporary rally. However, the capital market was skeptical about the high levels of capital required for the Company’s transformation and the intensifying competition in the automotive sector. Price cuts by competitors and the question as to how other automotive manufacturers would react led to investor uncertainty. The assessment by market participants regarding the Group’s dependence on developments in China also weighed on the share price. At the end of the first half of 2023, preferred shares were up 5.6% and ordinary shares were up 3.6% on their year-end 2022 values.

Information and explanations on earnings per share can be found in the notes to the interim consolidated financial statements. Additional Volkswagen share data, plus corporate news, reports and presentations, is available on our website www.volkswagen-group.com/en/investors-15766.

PRICE DEVELOPMENT FROM DECEMBER 2022 TO JUNE 2023

Index based on month-end prices: December 31, 2022 = 100



VOLKSWAGEN SHARE KEY FIGURES AND MARKET INDICES FROM JANUARY 1 TO JUNE 30, 2023

		High	Low	Closing
Ordinary share	Price (€)	181.65	140.40	152.90
	Date	Mar. 3	May 31	Jun. 30
Preferred share	Price (€)	142.20	116.52	122.94
	Date	Mar. 3	May 17	Jun. 30
DAX	Price	16,358	14,069	16,148
	Date	Jun. 16	Jan. 2	Jun. 30
ESTX Auto & Parts	Price	630	522	617
	Date	Mar. 6	Jan. 2	Jun. 30

Business Development

GENERAL ECONOMIC DEVELOPMENT

The Russia-Ukraine conflict led to increased uncertainty in relation to 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 partial exclusion of Russia from the global financial system. Russia itself, in its role as an energy exporter, restricted deliveries to Europe, particularly deliveries of gas. Although calm began to return to the energy and commodity markets in recent months, some raw material prices remain comparatively elevated. Furthermore, salary trends in the overheated labor markets, among other factors, pose the threat of continued high inflation.

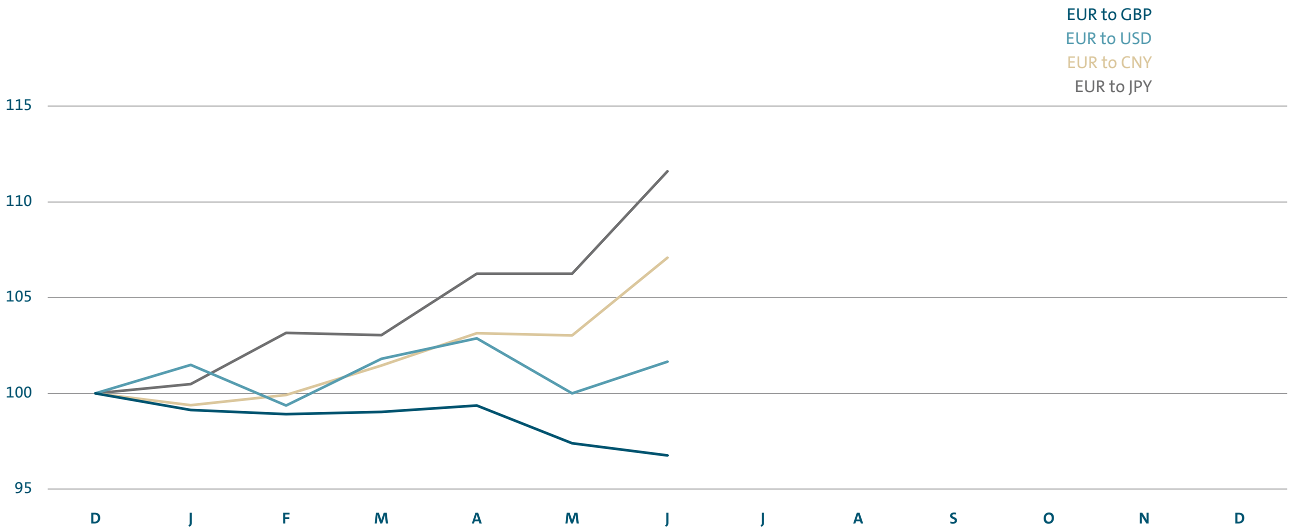
Following the slump in global economic output in 2020, the incipient recovery due to baseline and catch-up effects in 2021 and further normalization of economic activity in 2022 despite the Russia-Ukraine conflict, economic growth continued to recover in the reporting period on average, albeit with diminishing momentum compared with the prior year. This was mainly due to weaker growth in the advanced economies, whereas the rate of change in the emerging markets remained virtually the same overall. At national level, developments depended on the one hand on the intensity with which central banks had to tighten monetary policy to curb the higher inflation – mainly by raising interest rates and scaling back bond-buying – which had a negative impact on consumer spending and investment activity. On the other hand, the extent to which national economies were affected by the consequences of the Russia-Ukraine conflict was a decisive factor. Prices for energy and many other raw materials were lower than in the previous year, and shortages of intermediate products and commodities eased somewhat. Global trade in goods expressed in nominal terms decreased in the reporting period.

The economy in Western Europe recorded positive but lower growth in the first half of 2023, as in the same period of the previous year. This trend was seen in many countries in Northern and Southern Europe. The main reasons for this were the in some cases momentarily significant increases in energy and commodity prices, which had substantially pushed up inflation rates in the previous year and thus had a negative impact on consumer confidence. The recovery in consumer sentiment in the European Union that commenced in the second half of 2022 continued at a low level in the reporting period, while the mood among companies progressively darkened. In addition, the restrictive monetary policy measures taken to rein in inflation impacted on both consumer spending and investment.

Germany registered negative economic growth in the reporting period. Compared with the same period of the prior year, the seasonally adjusted unemployment figures rose on average. After reaching historically high levels in 2022, monthly inflation rates fell though stayed relatively high.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2022 TO JUNE 2023

Index based on month-end prices: as of December 31, 2022 = 100



The economies in Central and Eastern Europe recorded growth in real gross domestic product (GDP) overall in the first six months of 2023, that was lower compared with the prior-year period. While economic output in Central Europe developed at a comparatively low positive rate, GDP in the Eastern Europe region rose again in the second quarter of 2023 for the first time since the outbreak of the Russia-Ukraine conflict versus the same period of the previous year. Inflation rates across the entire Central and Eastern Europe region declined on average in the reporting period, but remained at a high level.

In the first half of 2023, Türkiye's economy achieved a rate of GDP growth that was weaker than in the previous year, amid very high inflation and depreciation of the local currency. South Africa recorded a slight positive change in economic output amid persistent structural deficits and political challenges.

Gross domestic product in the USA increased year-on-year in the reporting period while at the same time, the rate of growth slowed. Given the high inflation and the tight labor market, the US Federal Reserve maintained its restrictive monetary policy, raising its key interest rate seven times in 2022 and three more times in the first half of 2023. Unemployment remained at a low level in the reporting period. In Canada and Mexico, economic output was also higher than in the same period of 2022.

Brazil's economy achieved somewhat weaker growth in the 2023 reporting period than in the previous year, combined with declining monthly inflation rates. Argentina saw economic output growing slower on the whole year-on-year amid very high inflation and the continued collapse of the currency.

China's economic output rose faster in the reporting period compared to the prior-year period, positively influenced by the repeal of the zero-Covid strategy. India registered positive but weaker economic growth year-on-year. Japan also recorded a positive albeit low GDP growth rate compared with the same period of the previous year.

TRENDS IN THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

In the first half of 2023, the volume of the global passenger car market was noticeably above the comparative figure for 2022 at 36.5 million vehicles (+9.2%). The performance of the largest passenger car markets was positive, due among other things to the weak prior-year figures. While the supply situation for intermediates improved compared with 2022, particularly the consequences of the Russia-Ukraine conflict and pull-forward effects generated by state subsidies expiring at the end of the previous year dampened the trend in new registrations in individual markets. Significant growth was recorded in the overall markets of the Western Europe, Middle East and North America regions. The markets of the Central and Eastern Europe, South America and Asia-Pacific regions were slightly to noticeably higher than the prior-year level. The market in Africa fell significantly short of the prior-year volume.

In the first half of 2023, the global volume of new registrations for light commercial vehicles was significantly higher (+15.5%) than in the previous year.

In Western Europe, the number of new passenger car registrations in the first half of the 2023 reporting year increased significantly year-on-year by +17.9% to 6.0 million vehicles. The performance of the large individual passenger car markets was positive across the board: France (+15.4%), United Kingdom (+18.4%), Italy (+22.7%) and Spain (+23.2%) all exceeded the levels recorded in the first half of 2022 by a significant to strong degree.

The volume of new registrations for light commercial vehicles in Western Europe in the reporting period was significantly higher than for the same period of the previous year (+13.5%).

At 1.4 million, the total number of new passenger car registrations in Germany in the first six months of 2023 was significantly higher than the weak prior-year level (+12.9%). Disruption in global logistic chains restricted vehicle availability at the beginning of the year. More recently, parts availability improved further, giving a boost to domestic production. Production in Germany in the first half of 2023 rose to 2.2 million vehicles (+32.4%) and passenger car exports grew to 1.7 million units (+32.5%).

Sales of light commercial vehicles in Germany in the first six months of 2023 were significantly higher than the 2022 figure, recording an increase of 17.2%.

In the Central and Eastern Europe region, the volume of the passenger car market rose noticeably (+5.2%) after the severe slump in 2022 as a whole. However, the pace of growth varied in the individual markets. After the weak prior-year figures, a significant recovery could be observed in Central Europe, specifically in the Czech Republic (+16.8%) and Poland (+12.1%).

In the first half of 2023, the market volume of light commercial vehicles in Central and Eastern Europe was noticeably down on the prior-year level (–6.7%).

The volume of the passenger car market in Türkiye at the end of the reporting period was 54.5% above the figure for the first half of 2022. The South African passenger car market fell slightly short of the prior-year level (–0.6%), while the Africa region as a whole registered a significant decline (–10.8%).

The volume of new registrations of light commercial vehicles in Türkiye rose by 47.3% in the first six months of 2023 on the comparable 2022 figure; South Africa recorded strong growth (+21.5%).

Sales of passenger cars and light commercial vehicles (up to 6.35 tonnes) in the North America region rose significantly in the first half of 2023 to 9.2 million vehicles (+12.8%). Within this region, the market volume in the USA also grew significantly to 7.7 million units (+12.6%). The Canadian automotive market registered a noticeable increase in sales figures to 812 thousand units (+8.1%) in the reporting period, while new registrations of passenger cars and light commercial vehicles in Mexico saw a sharp rise to 633 thousand vehicles (+22.1%) compared with the prior-year period.

In the South America region, the volume of new passenger car and light commercial vehicle registrations was at 1.7 million units in the first six months of 2023, slightly more than in the comparative prior-year period (+2.0%). The positive growth trend that had commenced in the previous year tapered off during the reporting period. In Brazil, the number of new registrations was noticeably higher than the level for the prior-year period at 935 thousand units (+9.6%). In the Argentinian market, demand for passenger cars and light commercial vehicles rose significantly by +13.5% to 222 thousand units.

In the Asia-Pacific region, the volume of the passenger car market in the first half of 2023 was noticeably higher than the previous year's figure at 16.7 million units (+5.7%). The trend in demand for passenger cars in the region was largely determined by developments in the Chinese passenger car market. Here, state subsidies and incentive programs expired at the end of 2022, causing pull-forward effects in vehicle purchases and consequently reducing the number of vehicle registrations at the beginning of 2023. Demand initially recovered as the period went on, due for example to discounts and new regional incentive programs, but weakened again at the end of the reporting period. Overall, the volume of demand in China totaled 9.8 million units, slightly above the level of the first half of 2022 (+3.3%). In India, passenger car sales rose significantly by 10.3% compared with the prior-year period, increasing to 1.9 million units. New registrations in the Japanese passenger car market in the reporting period were also up significantly year-on-year at 2.1 million units (+18.6%).

The volume of demand for light commercial vehicles in the Asia-Pacific region in the first six months of 2023 was significantly above the level for the prior-year period (+16.4%). Registration volumes in China, the region's dominant market and the largest market worldwide, experienced a very strong rise of +31.5% compared to the prior year. The number of new vehicle registrations in India was on a level with the previous year (0.0%); in Japan this figure was significantly up on the previous year (+10.3%).

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

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 significantly higher in the reporting period than in the same period of 2022. Truck markets globally were strongly up on the previous year's level. This was due to an improved situation in global supply chains and the very strong recovery in China, the world's largest truck market, following the end of the country's zero-Covid strategy.

Sales volume in the 27 EU states excluding Malta, but plus the United Kingdom, Norway and Switzerland (EU27+3), was significantly higher in the first six months of 2023 than in the prior year. The shortages in parts supplies have largely been overcome. New registrations in Germany, the largest market in this region, rose strongly. Demand on the UK and French markets was significantly up on the prior year. Türkiye recorded a very sharp increase in new registrations compared with the previous year. Demand was up noticeably in the South African market. The truck market in North America is divided into weight classes 1 to 8. In the segments relevant for Volkswagen – Class 6 to 8 (8.85 tonnes or heavier) – new registrations were up strongly on the previous year's figure. In Brazil, the largest market in the South America region, demand for trucks in the first half of 2023 was significantly down on the previous year's level due to the introduction of a new emissions standard at the beginning of 2023.

In the first half of 2023, there was a very strong rise in demand overall in the bus markets that are relevant for the Volkswagen Group compared with the same period of the prior year. Demand for buses in the EU27+3 markets in the reporting period was up significantly on the level of the previous year, with the picture varying from country to country. The school bus segment in the US and Canada delivered a much stronger performance than in the prior year. Demand for buses in Mexico was also much stronger than in the previous year. In Brazil, demand also increased and was up very strongly on the prior-year figure.

TRENDS IN THE MARKETS FOR POWER ENGINEERING

The markets for power engineering are influenced by varying regional and economic factors. Consequently, the business growth trends of the respective markets develop mostly independently of one another.

The marine market remained below the prior-year level in the first half of 2023. This is especially attributable to a decline in demand in merchant shipping as a result of higher ship prices and long waiting times due to high shipyard utilization rates. In this segment, the market for container ships, LNG tankers and bulk cargo carriers in particular saw a year-on-year decline, while the market for tankers recorded a positive trend. The market for cruise ships and passenger ferries declined in the reporting period. The special market for government vessels, which is funded by state investment, continued to be active due to the current geopolitical situation. In the offshore sector, the existing overcapacity continued to curb investment in offshore oil production. The uncertainty regarding future fuel and emissions regulations persisted in the marine market in the first six months of 2023, but in general a clear trend towards new fuel technologies was confirmed.

There was reticence in the market for energy generation in the first half of 2023, particularly in Europe. This was due to the gas supply issues and the continued lack of a finalized framework for power plant operation on the part of policymakers. The current focus on the development of renewable energy sources indicated the potential level of demand for grid balancing facilities. Such facilities are used to meet power requirements if the share of renewables is not sufficient to ensure security of supply. Demand for power-to-methane plants developed very positively. In the engines segment, there is a continuously rising demand for flexible dual-fuel engines. There is also a clear demand on the market for engines that can be converted for use with synthetic fuels such as hydrogen and green ammonia. Demand for new energy solutions such as hydrogen and long-term energy storage continued to be strong, with a clear trend towards greater flexibility and decentralized availability. However, in addition to the risks of a lack of price stability in the markets and bottlenecks in supply chains, the strong competitive and price pressure continued unabated in the reporting period.

Movement on the turbomachinery market was at a higher level than in the first half of 2022. The consistently high prices for raw materials led to stable demand for production facilities with turbo compressors in the raw materials and processing industry. Sales of turbo compressors for oil and gas production were bolstered by the persistently high supply insecurity and were up year-on-year. The new business fields for turbomachinery used in the area of decarbonization remained constant. Demand for steam turbines used for power generation and gas turbines used for decentralized, industrial combined-heat-and-power installations was higher than in the previous year.

In the first six months of 2023 the after-sales market for engines in the marine and power plant business was at the same high level as in the previous year.

The high demand in the after-sales market for turbomachinery seen in the first quarter of the year continued in the second quarter and was up on the prior-year level.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

Demand for automotive financial services was at a high level in the first half of 2023; however, higher interest rates put pressure on demand for financial services in almost all regions.

The European passenger car market was still affected by shortages in the reporting period. Vehicle deliveries nevertheless increased and were up on the prior-year period. Demand for financial services products also grew; however, as a percentage of vehicle deliveries, the figure was down on the equivalent figure for 2022. The positive trend in the financing of used vehicles continued. The sale of after-sales products such as servicing, maintenance and spare parts agreements continued to expand.

In Germany, persistent challenges presented by parts supply in vehicle production and by logistics chains continued to impact vehicle sales and the financial services business. Nevertheless, the increase in deliveries of new vehicles led to a higher volume of both leasing and financing contracts in the first half of 2023. New vehicle penetration was down on the comparative figure for 2022, however. New contracts for used vehicles exceeded the previous year's levels. The number of new after-sales contracts also increased and was above the 2022 level in the reporting period. The number of new contracts in the insurance business was also higher year-on-year.

The Turkish market was influenced by very high inflation and very difficult, short-term refinancing. To minimize interest rate risks, interest-bearing financial services business was conducted in a manner that was very restrictive. Meanwhile, the sale of lease returns developed positively.

In South Africa, financed vehicle purchases remained difficult due to the subdued economic conditions, higher vehicle prices, increased energy prices and limited energy availability. The South African central bank raised its key interest rate again in May 2023. This was the tenth rate hike in a row, causing borrowing costs to rise to their highest level since May 2009.

Vehicle deliveries in the North America region improved year-on-year in the first half of 2023. New vehicle penetration in the USA and Canada was above the previous year's level. In Mexico, meanwhile, the penetration of leasing and financing contracts declined. The absolute number of new contracts for leasing, financing and after-sales products in the region as a whole was higher than the figures for the first half of 2022.

In the South America region, the positive growth trend in the volume of new vehicle sales continued, albeit at a slower pace in some cases. The market for financial services benefited from increased deliveries and the economic recovery. Argentina continued to record excess demand, exacerbated by limited supply due to restrictions on imports. Higher interest rates, high inflation and the continued collapse of the currency increased the proportion of cash purchases; however, the level of financing contracts was stable. In Brazil, there was an increase in the number of new financing contracts.

On the Chinese automotive market, demand for automotive financial services began to recover. Sales of electric vehicles continued to rise, resulting in higher demand for associated financing and leasing products in the reporting period. In Japan, there was a positive trend in demand for automotive financial services. A relatively low interest rate by international comparison and attractive financial service offerings in many places were key features of this market.

The financial services business in the market for heavy commercial vehicles was slightly up on the prior-year level in the first half of 2023. The lengthy delivery times for commercial vehicles are gradually beginning to return to normal. The borrowing habits of commercial vehicle customers changed due to rising interest rates: the decision on financing is moving closer to the time of vehicle delivery as customers speculate on interest rates falling.

VOLKSWAGEN GROUP DELIVERIES

The Volkswagen Group delivered 4,372,216 vehicles to customers worldwide in the first half of 2023. This was 12.8% or 497,217 units more than in the same period of the previous year, which had suffered in particular from the limited availability of Group models caused by the continued shortage of semiconductors, and from the Russia-Ukraine conflict. Parts supply shortages continued to have an adverse effect in the reporting period. In addition, disruptions in logistics chains had a negative effect; however, this effect diminished in the course of the reporting period. Sales of both passenger cars and commercial vehicles were up year-on-year. The chart in this section shows the trend in deliveries worldwide for the individual months compared with the previous year.

In the following, we report separately on deliveries in the Passenger Cars Business Area and the Commercial Vehicles Business Area.

VOLKSWAGEN GROUP DELIVERIES FROM JANUARY 1 TO JUNE 30[1]

	2023	2022	%
Passenger Cars	4,203,944	3,737,703	+12.5
Commercial Vehicles	168,272	137,296	+22.6
Total	**4,372,216**	**3,874,999**	**+12.8**

1 Prior-year deliveries have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures.

GLOBAL DELIVERIES BY THE PASSENGER CARS BUSINESS AREA

Sales of Volkswagen Group passenger cars and light commercial vehicles worldwide in the first six months of 2023 increased by 12.5% year-on-year to 4,203,944 units. The previous year had suffered in particular from the limited availability of Group models due to the continued shortage of semiconductors, and from the Russia-Ukraine conflict. Parts supply shortages continued to have an adverse effect in the reporting period. In addition, disruptions in logistics chains had a negative effect; however, this effect diminished in the course of the reporting period. With the exception of Bentley, all Volkswagen Group brands delivered more vehicles to customers than in the same period of 2022. Whilst we recorded sales in the Asia-Pacific region at about the same level as the prior-year, sales exceeded the prior-year figures in all other sales regions.

The Group's e-mobility campaign continued to move ahead successfully: we delivered 321,610 all-electric vehicles to customers worldwide in the first six months of this year. This was 104,383 units or 48.1% more than in the same period of the previous year. Their share of the Group's total deliveries rose to 7.4 (5.6)%. A total of 115,399 of our plug-in hybrid models (+8.1%) were delivered to customers. As a result, total electric vehicle deliveries went up by 34.9% and their share of total Group deliveries rose year-on-year to 10.9 (8.4)%. The Group's most successful all-electric vehicles included the ID.3 and ID.4 from the Volkswagen Passenger Cars brand, the Audi Q4 e-tron and Audi Q8 e-tron, the ŠKODA Enyaq iV, the CUPRA Born and the Porsche Taycan and Taycan Cross Turismo.

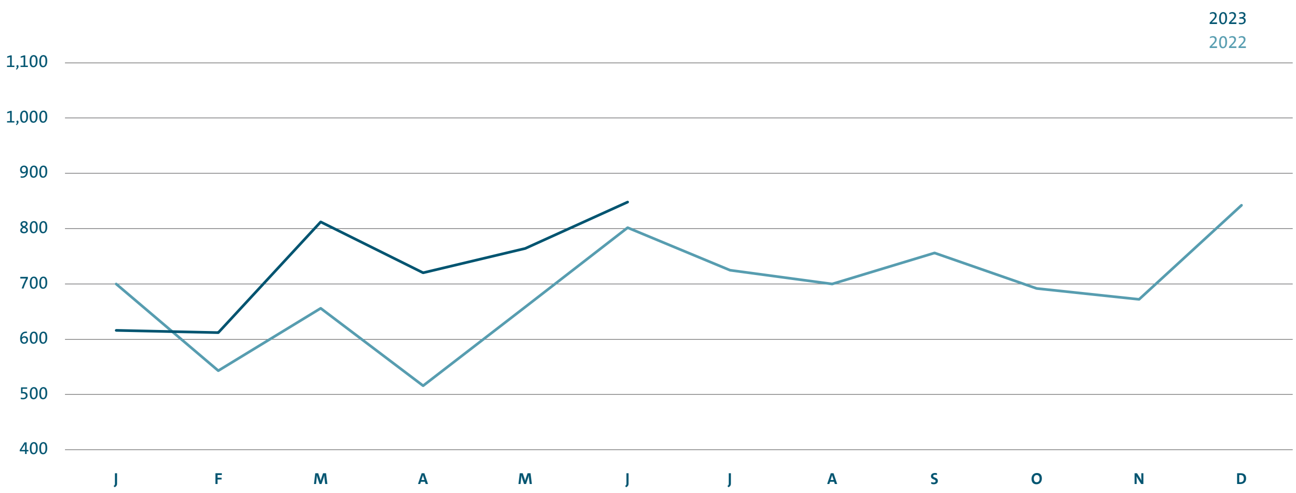
In an overall global market experiencing noticeable growth, we achieved a passenger car market share of 11.0 (10.7)%.

The table that follows in this section provides an overview of passenger car and light commercial vehicle deliveries to customers by market in the reporting period. Sales trends in the individual markets are described below.

Deliveries in Europe/Other Markets

In Western Europe, the Volkswagen Group delivered 1,579,298 vehicles to customers in the first six months of this year in an overall market that was at a significantly higher level than in the previous year. This was 26.1% more than in the weak prior-year period, which had suffered in particular from the limited availability of Group models caused by the continued shortage of semiconductors, and from the Russia-Ukraine conflict. Parts supply shortages continued to have an adverse effect in the reporting period. In addition, disruptions in logistics chains had a negative effect; however, this effect diminished in the course of the reporting period. Customer interest in the Volkswagen Group's electrified vehicles was strongest in Western Europe, where we delivered almost two-thirds of our all-electric models to customers in the first half of 2023. Their share of Group deliveries in this region was 12.7 (9.6)%. The Group models with the highest sales volume were the T-Roc, Tiguan, Polo and Golf from the Volkswagen Passenger Cars brand. Other models that saw encouraging demand included the ID.4, Taigo, ID.3 and Passat from Volkswagen Passenger

VOLKSWAGEN GROUP DELIVERIES BY MONTH
Vehicles in thousands



Cars, the Octavia Combi, Kodiaq and Kamiq from ŠKODA, the Arona and Ibiza from SEAT, the CUPRA Formentor and CUPRA Born, A3 Sportback, A1 Sportback and Q2 from Audi, as well as the Porsche Macan and the Porsche Cayenne. In addition, the following new or successor models introduced to the market during the previous year proved very popular with customers: the ID.5 from Volkswagen Passenger Cars, the ŠKODA Karoq and the ID. Buzz from Volkswagen Commercial Vehicles. The Volkswagen Passenger Cars brand also successfully introduced the ID.3 to the market as a successor model during the reporting period. The Volkswagen Group's share of the passenger car market in Western Europe rose to 24.1 (22.5)%.

In Germany, 553,052 vehicles were delivered to Volkswagen Group customers between January and June 2023 in an overall market registering significant growth; this was up 18.3% on the weak prior-year period, which had suffered in particular from the limited availability of Group models attributable to the continued shortage of semiconductors, and from the Russia-Ukraine conflict. Parts supply shortages continued to have an adverse effect in the reporting period. In addition, disruptions in logistics chains had a negative effect; however, this effect diminished in the course of the reporting period. The Group models with the highest sales volume were the T-Roc, Passat and Tiguan from the Volkswagen Passenger Cars brand. Models for which there was stronger demand included the ID.4 and ID.3 from the Volkswagen Passenger Cars brand, the ŠKODA Octavia Combi, the CUPRA Born and CUPRA Leon, and the A4 Avant, A6 Avant, A1 Sportback, Q2 and Q4 e-tron from Audi. In addition, the following new models introduced to the market during the previous year proved very popular with customers: the ID.5 from Volkswagen Passenger Cars and the ID. Buzz from Volkswagen Commercial Vehicles. Six Group models led the *Kraftfahrt-Bundesamt* (KBA – German Federal Motor Transport Authority) registration statistics in their respective segments: the Golf, T-Roc, Tiguan, Audi A6, Porsche 911 and Multivan/Transporter. The Golf was again the most popular passenger car in Germany in terms of registrations in the first six months of 2023.

In the Central and Eastern Europe region, the number of Volkswagen Group vehicles handed over to customers in the reporting period was up 10.7% year-on-year. The overall market experienced noticeable growth in the same period. Demand developed encouragingly for a number of models, including the Taigo from Volkswagen Passenger Cars, as well as for the ŠKODA Octavia and ŠKODA Kamiq. The Volkswagen Group's share of the passenger car market in the Central and Eastern Europe region rose to 22.3 (21.4)%.

In Türkiye, the Volkswagen Group delivered almost 50% more vehicles to customers between January and June 2023 than in the prior-year period in an overall market experiencing very strong growth. The T-Roc from Volkswagen Passenger Cars was the most sought-after Group model. In the South African market, the number of Group models sold decreased by 4.5%, while the overall market experienced a slight contraction. The Polo from the Volkswagen Passenger Cars brand remained the best-selling Group model in this region.

Deliveries in North America

In North America, the number of Volkswagen Group models delivered to customers in the reporting period increased by 12.7% year-on-year. The overall market grew at a comparable pace in this period. The Group's share of the market in this region amounted to 4.5 (4.5)%. The Tiguan Allspace and Taos from Volkswagen Passenger Cars as well as the Audi Q5 were the most sought-after Group models in North America. The share of all-electric vehicles in the Group's total deliveries in this region rose to 7.6 (4.7)%.

From January to June 2023, the Volkswagen Group delivered 11.5% more vehicles to customers in the significantly expanding US market than in the same period of the previous year, in which parts supply shortages in particular had likewise had an adverse effect. The Group models to record the greatest increases in absolute terms included the ID.4 from Volkswagen Passenger Cars as well as the Audi Q5 and the Audi A5 Sportback. In addition, the Audi Q7 and the Porsche Macan performed encouragingly.

In Canada, the number of deliveries to Volkswagen Group customers increased by 14.9% year-on-year in the reporting period. The overall market recorded noticeable growth during this period. The Group models with the highest volume of demand were the Tiguan Allspace from the Volkswagen Passenger Cars brand and the Audi Q5.

In Mexico, where the overall market is seeing strong growth, we delivered 16.7% more vehicles to customers in the first six months of this year than in the prior-year period. Demand developed encouragingly for a number of models, among them the Taos, Virtus and Jetta from Volkswagen Passenger Cars.

Deliveries in South America

In the South American market for passenger cars and light commercial vehicles, which was slightly up on the prior-year level, the number of Group models handed over to customers between January and June 2023 increased by 24.4% year-on-year. The Polo, T-Cross and Nivus from Volkswagen Passenger Cars were the Group models with the highest sales volumes. The Group's share of the market in South America rose to 11.5 (9.4)%.

Compared with the previous year, the Volkswagen Group delivered 44.2% more vehicles to customers in the first six months of 2023 in the Brazilian market, which recorded noticeable growth. The development of the sales of the Polo, Saveiro and Virtus models from Volkswagen Passenger Cars was particularly encouraging.

In Argentina, the number of Group models sold in the reporting period increased by 19.1% in comparison with the previous year in an overall market that was undergoing significant growth. Group models with the highest sales volume were the Taos from Volkswagen Passenger Cars and the Amarok from Volkswagen Commercial Vehicles.

Deliveries in the Asia-Pacific region

In the first six months of 2023, the Volkswagen Group saw sales in the Asia-Pacific region, an overall market that experienced noticeable growth, at about the same level as the preceding year (-0.1%). The Group's share of the passenger car market in this region amounted to 9.7 (10.2)%.

China's overall market recorded slight growth in the reporting period compared with the previous year, in which parts supply shortages, in particular of semiconductors, and local lockdowns intended to curb the spread of the Omicron variant of the SARS-CoV-2 virus had already had an adverse effect. The Volkswagen Group delivered 1.3% fewer vehicles to customers there than in the preceding year. In addition to parts supply shortages, the increasing intensity of competition had a negative impact in the reporting period. The number of all-electric vehicles delivered to customers in China was 1.6% lower year-on-year at 62,416 units. New or successor models introduced during the previous year – the Sagitar, Tayron, Lamando and Tavendor from the Volkswagen Passenger Cars brand and the Q4 e-tron, A7 saloon, Q5 e-tron and Q6 from the Audi brand – were among those showing a positive trend. Other models that saw encouraging demand included the Passat, Magotan, Tiguan Allspace, Polo and ID.3 from the Volkswagen Passenger Cars brand, the Audi A6 saloon, Audi Q7 and Audi A5 Sportback, and the Porsche Panamera and Porsche Macan. Successor models introduced to the market in the reporting period included the Tharu and T-Roc from Volkswagen Passenger Cars.

In the Indian passenger car market, which grew significantly, the Volkswagen Group sold 0.9% fewer vehicles in the first six months of this year than in the prior-year period. The Taigun from the Volkswagen Passenger Cars brand as well as the Kushaq from ŠKODA were the most sought-after Group models there. In addition, the Virtus from Volkswagen Passenger Cars and the Kodiaq from ŠKODA, which were introduced as new or successor models to the market during the previous year, saw an encouraging development in demand.

In Japan, the number of Group models delivered to customers between January and June 2023 increased by 1.5% year-on-year in a significantly expanding overall market. The Group models with the highest sales volume were the T-Cross and the T-Roc from the Volkswagen Passenger Cars brand.

PASSENGER CAR DELIVERIES TO CUSTOMERS BY MARKET FROM JANUARY 1 TO JUNE 30[1]

	DELIVERIES (UNITS)		CHANGE
	2023	2022	(%)
Europe/Other Markets	**1,980,515**	**1,596,781**	**+24.0**
Western Europe	**1,579,298**	**1,252,119**	**+26.1**
of which: Germany	553,052	467,627	+18.3
France	128,537	103,414	+24.3
United Kingdom	238,460	171,639	+38.9
Italy	144,219	113,165	+27.4
Spain	129,149	103,137	+25.2
Central and Eastern Europe	**240,009**	**216,906**	**+10.7**
of which: Czech Republic	61,960	52,006	+19.1
Russia	2,573	34,402	–92.5
Poland	69,634	51,595	+35.0
Other Markets	**161,208**	**127,756**	**+26.2**
of which: Türkiye	74,881	50,206	+49.1
South Africa	32,959	34,518	–4.5
North America	**410,541**	**364,206**	**+12.7**
of which: USA	293,035	262,845	+11.5
Canada	48,559	42,260	+14.9
Mexico	68,947	59,101	+16.7
South America	**196,009**	**157,601**	**+24.4**
of which: Brazil	143,768	99,722	+44.2
Argentina	27,319	22,944	+19.1
Asia-Pacific	**1,616,879**	**1,619,115**	**–0.1**
of which: China	1,450,663	1,469,106	–1.3
India	48,044	48,482	–0.9
Japan	29,588	29,138	+1.5
Worldwide	**4,203,944**	**3,737,703**	**+12.5**
Volkswagen Passenger Cars	2,224,704	2,076,009	+7.2
ŠKODA	432,173	360,496	+19.9
SEAT	261,434	204,121	+28.1
Volkswagen Commercial Vehicles	198,731	153,630	+29.4
Audi	907,111	785,099	+15.5
Lamborghini	5,341	5,090	+4.9
Bentley	7,096	7,398	–4.1
Porsche	167,354	145,860	+14.7

1 Prior-year deliveries have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures.

COMMERCIAL VEHICLE DELIVERIES

Between January and June 2023, the Volkswagen Group delivered 22.6% more commercial vehicles to customers worldwide than in the same period of the previous year. We handed over a total of 168,272 commercial vehicles to customers in the first half of the year. Trucks accounted for 140,001 units (+21.6%) and buses for 14,848 (+15.2%). Deliveries of the MAN TGE van series amounted to 13,423 (+44.6%).

In the 27 EU states excluding Malta, but including the United Kingdom, Norway and Switzerland (EU27+3) sales from January to June 2023 were up by 49.5% on the same period of the previous year and amounted to a total of 76,196 units, of which 60,261 were trucks and 2,749 were buses. Deliveries of the MAN TGE van series amounted to 13,186 vehicles.

In the first six months of the year, deliveries in Türkiye rose to 2,795 vehicles. Trucks accounted for 2,609 units and buses for 109 units, while 77 vehicles from the MAN TGE van series were sold. In South Africa, deliveries of Volkswagen Group commercial vehicles amounted to 2,317 units, a very strong increase compared with the previous year; of this figure 2,103 units were trucks and 214 were buses.

Sales in North America rose in the first half of 2023 to 48,192 vehicles, of which 40,321 were trucks and 7,871 were buses.

Deliveries in South America declined to a total of 25,280 vehicles (–29.1%) in the reporting period; 22,185 of these were trucks and 3,095 were buses. Due to the introduction of a new emissions standard at the beginning of 2023, sales in Brazil were down by 29.2% in the first half of the year, falling to 20,161 units. Of the units delivered, 17,663 were trucks and 2,498 were buses.

In the Asia-Pacific region, the Volkswagen Group sold 6,040 vehicles to customers in the reporting period including 5,609 trucks and 395 buses. Overall, this was 24.5% more than in the previous year.

COMMERCIAL VEHICLE DELIVERIES TO CUSTOMERS BY MARKET FROM JANUARY 1 TO JUNE 30[1]

	DELIVERIES (UNITS)		CHANGE
	2023	2022	(%)
Europe/Other Markets	**88,760**	**59,236**	**+49.8**
of which: EU27+3	76,196	50,956	+49.5
of which: Germany	22,267	13,032	+70.9
Türkiye	2,795	1,476	+89.4
South Africa	2,317	1,774	+30.6
North America	**48,192**	**37,579**	**+28.2**
of which: USA	37,886	30,094	+25.9
Mexico	7,635	5,158	+48.0
South America	**25,280**	**35,631**	**–29.1**
of which: Brazil	20,161	28,479	–29.2
Asia-Pacific	**6,040**	**4,850**	**+24.5**
Worldwide	**168,272**	**137,296**	**+22.6**
Scania	46,450	36,834	+26.1
MAN	55,999	34,785	+61.0
Navistar	45,791	37,333	+22.7
Volkswagen Truck & Bus	20,032	28,344	–29.3

1 Prior-year deliveries have been updated to reflect subsequent statistical trends.

DELIVERIES IN THE POWER ENGINEERING SEGMENT

Orders in the Power Engineering segment are usually part of major investment projects. Lead times typically range from just under one year to several years, and partial deliveries as construction progresses are common. Accordingly, there is a time lag between incoming orders and sales revenue from the new construction business.

In the period from January to June 2023, sales revenue in the Power Engineering segment was largely driven by Engines & Marine Systems and Turbomachinery, which together generated more than three-quarters of overall sales revenue.

VOLKSWAGEN GROUP FINANCIAL SERVICES

The activities in the Financial Services Division cover the Volkswagen Group's dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility services. The division comprises Volkswagen Financial Services and the financial services activities of Scania, Navistar and Porsche Holding Salzburg and also extends to the contracts concluded by our international joint ventures.

The Financial Services Division's products and services were popular in the first half of 2023. However, limited vehicle availability caused by parts supply shortages and disruptions in logistics chains weighed on demand. The number of new financing, leasing, service and insurance contracts signed worldwide increased by 8.1% to 4.5 million. The ratio of leased and financed vehicles to Group deliveries (penetration rate) in the Financial Services Division's markets stood at 33.6 (33.1)% in the reporting period. The total number of contracts on June 30, 2023 was 24.2 (24.5) million.

At 3.3 million, the number of new contracts signed was up 8.4% on the previous year's figure in the Europe/Other Markets region even though the financial services business was impacted by limited vehicle availability in the period from January to June 2023. The total number of contracts as of June 30, 2023 was 17.9 (18.1) million, putting it on a level with the figure for December 31, 2022. The customer financing/leasing area was responsible for 7.1 (7.2) million of these contracts.

The number of new contracts signed in North America in the reporting period increased year-on-year to 481 (371) thousand. At 3.0 (3.0) million, the number of contracts at the end of June was on a level with the end of the previous year. The customer financing/leasing area recorded 1.6 (1.7) million contracts.

In the South America region, 242 (156) thousand new contracts were concluded in the first half of 2023. Compared with December 31, 2022, the total number of contracts at the end of the reporting period rose to 882 (828) thousand. The existing contracts mainly related to the customer financing/leasing area.

The number of new contracts signed in the Asia-Pacific region from January to June declined to 502 (613) thousand, falling short of the comparative prior-year figure. The total number of contracts at the end of June 2023 was 2.5 (2.6) million. The customer financing/leasing area was responsible for 1.6 (1.6) million of these contracts.

SALES TO THE DEALER ORGANIZATION

In the first half of 2023, the Volkswagen Group's unit sales to the dealer organization rose year-on-year by 11.0% to 4,447,828 units (including the equity-accounted companies in China). In the prior-year period, limited vehicle availability caused by parts supply shortages that were attributable in part to the Russia-Ukraine conflict had had an adverse effect. Persistent parts supply shortages had a negative impact in the reporting period as did disruption in the global logistics chains, although this disruption reduced as the year progressed. Unit sales outside Germany rose by 9.8% to 3,867,802 vehicles. Growth was recorded in particular in the United Kingdom, United States, Brazil and Türkiye, while unit sales in China declined. Unit sales in Germany increased by 19.6% year-on-year. Vehicles sold in Germany as a proportion of the Group's overall sales increased to 13.0 (12.1)%.

PRODUCTION

The Volkswagen Group produced 4,690,719 vehicles (including the equity-accounted companies in China) from January to June 2023, 12.8% more than in the comparative prior-year period, which had seen production being halted due to the disruption of supply chains caused by the Russia-Ukraine conflict and the Covid-19 pandemic. Parts supply shortages also impacted production in the reporting period. Production in Germany increased by 37.6% to 1,081,348 vehicles. The proportion of the Group's total production accounted for by Germany increased to 23.1 (18.9)%.

INVENTORIES

Global inventories of new vehicles at Group companies and in the dealer organization were higher at the end of the reporting period than at year-end 2022 and above the corresponding prior-year figure. The effect of disruption in the logistics chains continued to have a negative impact in the reporting period.

EMPLOYEES

The Volkswagen Group had 647,716 active employees on June 30, 2023. In addition, 12,034 employees were in the passive phase of their partial retirement and 14,130 young people were in vocational traineeships. At the end of the first half of 2023, the Volkswagen Group had a total of 673,880 employees worldwide, approximately the same level as at the end of 2022. A total of 294,173 people were employed in Germany (+0.1%), while the workforce outside Germany decreased to 379,707 (–0.6%), due mainly to the sale of OOO Volkswagen Group Rus, Kaluga/Russia.

Results of Operations, Financial Position and Net Assets

SCOUT MOTORS INC.

In 2022, Scout Motors Inc., Arlington, Virginia/USA, a wholly owned subsidiary of Volkswagen Finance Luxemburg, Strassen/Luxembourg, was established within the Volkswagen Group's North America strategy. A new vehicle brand is to be created under the name of SCOUT, under which electrified all-terrain vehicles and pickups will be distributed in the USA from 2026. In order to finance the creation of the SCOUT brand, as well as vehicle development and production planning, an amount of around USD 500 million is to be contributed to the company in 2023. By June 30, 2023, payments of USD 240 million had already been made. The company has been included in the Volkswagen consolidated financial statements since January 1, 2023.

IFRS 17 – INSURANCE CONTRACTS

IFRS 17 specifies new accounting rules for insurance contracts. First-time application resulted in an insignificant change in equity as of January 1, 2023 and January 1, 2022, respectively. This is due primarily to the changed system for calculating provisions related to the insurance business. In addition, the netting of cash flows when measuring the provisions led to a reduction of €0.7 billion each in assets and provisions related to the insurance business as of January 1, 2023. The change in the system for recognizing income and expenses does not have any material effect on the income statement. Prior-year figures have been adjusted accordingly.

SALE OF OOO VOLKSWAGEN GROUP RUS

On May 18, 2023, the Volkswagen Group completed the sale of its shares in OOO Volkswagen Group Rus (Volkswagen Group Rus), Kaluga/Russia, and that company's local subsidiaries (OOO Volkswagen Components and Services, Kaluga/Russia, OOO Scania Leasing, Moscow/Russia, OOO Scania Finance, Moscow/Russia, OOO Scania Insurance, Moscow/Russia) to OOO ART-FINANCE, Moscow/Russia, which is supported by the Russian dealer AO Avilon Automotive Group, Moscow/Russia. On registration of the transaction on May 22, 2023, ownership of the shares in Volkswagen Group Rus was transferred from the seller to the buyer. The transaction comprises the production facilities in Kaluga, the importer network of the Group brands Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, AUDI, ŠKODA, Bentley, Lamborghini and Ducati for possible after-sales business and the warehouse activities, as well as Scania's financial services activities, including all associated employees.

The Volkswagen Group had recognized significant impairment losses and corresponding provisions in this context back in 2022. The selling price is €125 million. The deconsolidation of the affected companies results in a loss of €0.4 billion in fiscal year 2023, which is presented in the other operating result. Of this net loss, a loss of €0.4 billion is attributable to the Automotive Division and a gain of €0.1 billion to the

Financial Services Division. The loss is mainly attributable to the realization of currency translation effects of €–0.3 billion, which have been reclassified from the currency translation reserve to other operating expenses.

EQUITY INVESTMENTS HELD FOR SALE

The assets and liabilities held for sale of the Russian subsidiaries of Volkswagen Financial Services and Porsche, as well as of MAN Energy Solutions, in connection with the gas turbine business and of EURO-Leasing GmbH were recognized in accordance with IFRS 5 at the lower of their carrying amount and fair value less expected disposal costs.

SPECIAL ITEMS

Special items consist of certain items in the financial statements whose separate disclosure the Board of Management believes can enable a better assessment of our economic performance.

No material special items in connection with the diesel issue were recognized in the first six months of fiscal year 2023.

RESULTS OF OPERATIONS

Results of operations of the Group

In the first half of 2023, the Volkswagen Group generated sales revenue of €156.3 billion, up 18.2% on the prior-year figure. A rise in vehicle sales and improved price positioning were set against adverse exchange rate movements. The prior-year period had been impacted to an even greater extent by limited vehicle availability due to parts supply shortages. The Volkswagen Group generated 81.7 (82.2)% of its sales revenue abroad. Gross profit amounted to €30.9 billion, up €4.5 billion on the prior-year period. The gross margin was 19.8 (20.0)%.

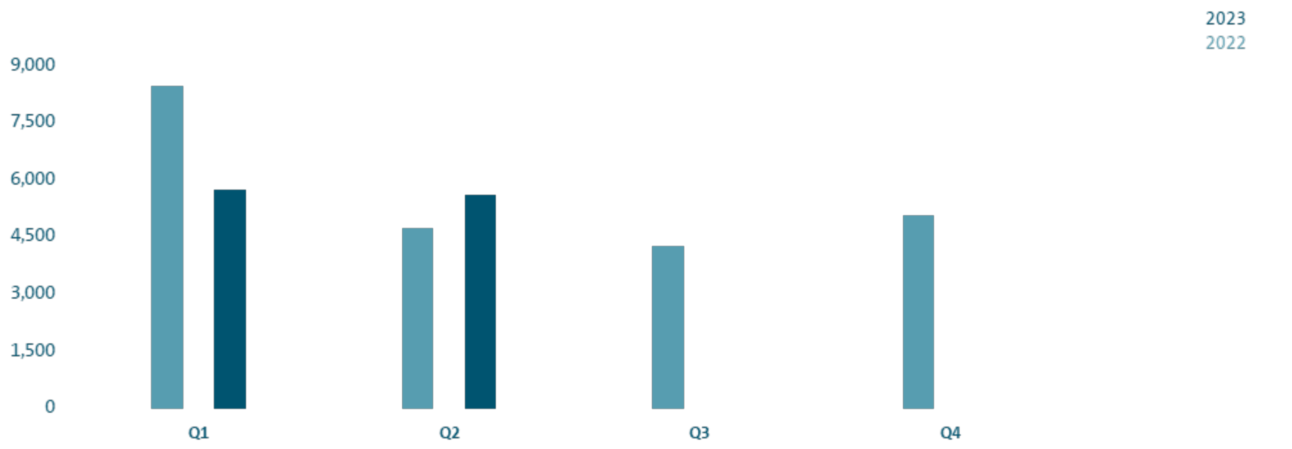
In the period from January to June 2023, the Volkswagen Group's operating result was €11.3 (12.8) billion. The operating return on sales stood at 7.3 (9.7)%. Improvements, especially in the volume and in price positioning, had a beneficial impact on the operating result, while a rise in product costs (in particular for commodities) reduced it. The fair value measurement of derivatives to which hedge accounting is not applied (especially commodity hedges) resulted in €–2.5 billion being charged to the operating result, compared with a €0.9 billion increase in the result in the comparative period of 2022. In addition, the deconsolidation of Volkswagen Group Rus and its subsidiaries led to a loss of €0.4 billion. The previous year had included one-off expenses for restructuring measures at SEAT as well as special items in connection with the diesel issue in an amount of €–0.4 billion, while effects from derivatives in the Financial Services Division had had a positive impact.

The financial result amounted to €0.6 (1.2) billion. The share of the result of equity-accounted investments was down on the previous year. In the interest result, higher interest income was offset by a rise in interest expenses. Adverse exchange rate effects and other factors included in the other financial result were more than offset in the reporting period by positive net income from securities and funds, which had been negatively impacted in the prior-year period, especially as a result of the Russia-Ukraine conflict. Adjustments to the carrying amounts of investees because of changes in share prices and impairment tests resulted in a non-cash loss.

The Volkswagen Group's earnings before tax declined by €2.2 billion to €11.9 billion in the first half of 2023. Earnings after tax were down by €2.1 billion year-on-year to €8.5 billion.

OPERATING PROFIT BEFORE SPECIAL ITEMS BY QUARTER

Volkswagen Group in € million



Results of operations in the Automotive Division

In the first six months of 2023, the Automotive Division’s sales revenue improved by €21.5 billion to €130.6 billion. This was mainly the result of a rise in volume and beneficial changes in price positioning. These factors were offset by exchange rate effects. In the prior-year period, parts supply shortages had had an even stronger adverse effect. The Passenger Cars and Power Engineering business areas’ sales revenues were significantly up on the previous year, while the Commercial Vehicles Business Area recorded a strong year-on-year increase. As our Chinese joint ventures are accounted for using the equity method, the Group’s business performance in the Chinese passenger car market is essentially reflected in the Group’s sales revenue only through deliveries of vehicles and vehicle parts.

RESULTS OF OPERATIONS IN THE PASSENGER CARS, COMMERCIAL VEHICLES AND POWER ENGINEERING BUSINESS AREAS FROM JANUARY 1 TO JUNE 30

€ million	2023	2022[1]
Passenger Cars		
Sales revenue	106,362	89,820
Operating result	7,118	8,979
Operating return on sales (%)	6.7	10.0
Commercial Vehicles		
Sales revenue	22,331	17,613
Operating result	1,796	618
Operating return on sales (%)	8.0	3.5
Power Engineering		
Sales revenue	1,875	1,632
Operating result	206	129
Operating return on sales (%)	11.0	7.9

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

Higher product costs (especially for commodities) due to inflation in connection with the Russia-Ukraine conflict and an increase in research and development costs recognized in profit or loss contributed to a significant surge in cost of sales compared with the previous year, but their share of sales revenue went down. As sales revenue rose faster than total research and development costs, the research and development ratio (R&D ratio of the Automotive Division) decreased year-on-year to 7.8 (8.5)% in the reporting period.

In the period from January to June 2023, there was an increase in distribution expenses due to higher logistics costs, among other factors, as well as in administrative expenses; their respective share of sales revenue went down. The other operating result stood at €–3.2 (0.8) billion. The reporting period was weighed down by adverse effects from the fair value measurement of derivatives to which hedge accounting is not applied, especially for commodities, while these factors had had a positive impact in the same period of the previous year.

In the first half of 2023, the Automotive Division generated an operating result of €9.1 (9.7) billion. The operating return on sales was 7.0 (8.9)%. The year-on-year decrease was mainly attributable to the effects of measuring derivatives to which hedge accounting is not applied and to higher product costs, especially for commodities. Increased volumes and improvements in price positioning were unable to fully offset these adverse factors.

Our operating result largely benefits from the business performance of our equity-accounted Chinese joint ventures only through deliveries of vehicles and vehicle parts and through license income, as these joint ventures are included in the financial result.

Results of operations in the Financial Services Division

In the period from January to June 2023, the Financial Services Division recorded sales revenue of €25.7 billion, up 11.0% on the previous year. The very strong rise in interest expenses meant that this item increased faster than cost of sales as a whole. As a result, gross profit decreased by €0.6 billion to €4.2 billion.

The Financial Services Division's operating result went down by €0.9 billion to €2.2 billion. In addition to higher interest expenses, the decline from the prior-year figure was mainly attributable to adverse effects from derivatives, which had had a positive effect in the prior-year period. The operating return on sales decreased to 8.7 (13.4)%.

FINANCIAL POSITION

Financial position of the Group

In the first six months of 2023, the Volkswagen Group generated gross cash flow of €26.0 (25.5) billion. The non-cash measurement effects arising from hedging transactions, which are included in earnings, must be eliminated from the cash flow statement. Comparison with the previous year also has to take account of the dividend resolution that FAW-Volkswagen had not yet adopted in 2022. The change in working capital amounted to €–18.9 (–8.5) billion. The reasons for the year-on-year change were a higher increase in inventories, receivables and lease assets. As a result, cash flows from operating activities went down by €9.9 billion to €7.1 billion.

The Volkswagen Group's investing activities attributable to operating activities grew by €0.4 billion to €11.9 billion in the reporting period as a result of higher investments in property, plant and equipment and additions to capitalized development costs. In the previous year, this had also included the full portion of the purchase price payable by Volkswagen for the acquisition of Europcar, amounting to €1.7 billion, which was contributed to Green Mobility Holding.

FINANCIAL POSITION IN THE PASSENGER CARS, COMMERCIAL VEHICLES AND POWER ENGINEERING BUSINESS AREAS FROM JANUARY 1 TO JUNE 30

€ million	2023	2022[1]
Passenger Cars		
Gross cash flow	16,844	15,180
Change in working capital	–4,635	–1,050
Cash flows from operating activities	12,209	14,131
Cash flows from investing activities attributable to operating activities	–10,749	–10,495
Net cash flow	1,460	3,636
Commercial Vehicles		
Gross cash flow	2,664	1,875
Change in working capital	–1,171	–2,549
Cash flows from operating activities	1,492	–674
Cash flows from investing activities attributable to operating activities	–473	–789
Net cash flow	1,019	–1,464
Power Engineering		
Gross cash flow	290	196
Change in working capital	–254	–48
Cash flows from operating activities	35	147
Cash flows from investing activities attributable to operating activities	–45	–26
Net cash flow	–10	121

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

Financing activities include the dividend distribution of €4.4 billion to the shareholders of Volkswagen AG and the payment of a special dividend to the shareholders of Volkswagen AG in connection with the IPO of Porsche AG completed in the previous year.

In the first half of 2023, there was a cash inflow of €3.0 billion overall, which also includes the issuance and redemption of bonds and other financial liabilities. In the prior-year period, there had been a cash outflow of €9.2 billion, which also included the redemption and issuance of hybrid notes. At the end of the reporting period, the Volkswagen Group reported cash and cash equivalents of €37.2 (33.9) billion in its cash flow statement.

At the end of June 2023, the Volkswagen Group's net liquidity stood at €–142.2 billion, compared with €–125.8 billion at the end of 2022.

Financial position of the Automotive Division

In the first half of 2023, the Automotive Division's gross cash flow of €19.8 billion exceeded the prior-year figure by €2.5 billion. The non-cash measurement effects arising from hedging transactions, which are included in earnings, must be eliminated from the cash flow statement. Comparison with the previous year also has to take account of the dividend resolution that FAW-Volkswagen had not yet adopted in 2022. The change in working capital amounted to €–6.1 (–3.6) billion and, compared with the previous year, resulted mainly from a higher rise in inventories caused, among other factors, by disruptions in the logistics chains and a larger increase in receivables.

Cash flows from operating activities were almost unchanged at €13.7 (13.6) billion.

Investing activities attributable to operating activities in the period from January to June 2023 were on a level with the previous year, at €11.3 (11.3) billion. Within this figure, investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) increased by €1.5 billion to €5.6 billion. The ratio of capex to sales revenue was 4.3 (3.7)%. A considerable portion of capex was allocated primarily to our production facilities and to models to be launched this year and next, the electrification and digitalization of our products, and enhancements of our modular and all-electric toolkits and platforms. Additions to capitalized development costs rose to €5.2 (4.8) billion in the reporting period. The "Acquisition and disposal of equity investments" item amounted to €–0.6 (–2.6) billion; it included primarily strategic investments in a variety of companies. In the previous year, this had also included the full portion of the purchase price payable by Volkswagen for the acquisition of Europcar, amounting to €1.7 billion, which was contributed to Green Mobility Holding.

In the period from January to June 2023, the Automotive Division's net cash flow improved by €0.2 billion year-on-year to €2.5 billion.

Financing activities relate to the issuance and redemption of bonds, as well as to changes in other financial liabilities; in the first half of 2023, they resulted in a cash outflow of €12.8 billion. This was mainly attributable to the dividend distributed to the shareholders of Volkswagen AG and the special dividend paid to the shareholders of Volkswagen AG in connection with the IPO of Porsche AG. There had been a cash outflow of €2.8 billion in the prior-year period.

As a result, the Automotive Division's net liquidity stood at €33.6 billion at the end of June 2023, compared with €43.0 billion on December 31, 2022.

Financial position in the Financial Services Division

In the period from January to June 2023, the Financial Services Division recorded gross cash flow of €6.2 (8.2) billion. The year-on-year contraction was due to factors such as lower earnings. The change in working capital amounted to €–12.8 (–4.9) billion, leading to a rise in funds tied up in working capital. Compared to the previous year, this resulted mainly from higher growth in receivables and lease assets, offset by a larger increase in liabilities. As a result, cash flows from operating activities went down by €10.0 billion to €–6.7 billion.

Investing activities attributable to operating activities amounted to €0.6 (0.2) billion.

The Financial Services Division's financing activities resulted in a cash inflow of €15.8 billion in the reporting period. This figure relates primarily to the issuance and redemption of bonds and to other financial liabilities. There had been a cash outflow of €–6.4 billion in the prior-year period.

At the end of the second quarter of 2023, the Financial Services Division's negative net liquidity, which is common in the industry, was €–175.8 billion as against €–168.8 billion on December 31, 2022.

NET ASSETS

Consolidated balance sheet structure

On June 30, 2023, the Volkswagen Group had total assets of €581.3 billion, 3.1% more than at the end of 2022. Total assets as of the reporting date reflected the implementation of the new guidance on accounting for insurance contracts (IFRS 17), which led to a decrease in total assets and liabilities. The figure as of the end of 2022 was retrospectively adjusted accordingly. Equity was up by €2.6 billion to €181.0 billion, mainly because of the encouraging earnings. The equity ratio decreased to 31.1 (31.6)%.

BALANCE SHEET STRUCTURE OF THE PASSENGER CARS, COMMERCIAL VEHICLES AND POWER ENGINEERING BUSINESS AREAS

€ million	Jun. 30, 2023	Dec. 31, 2022[1]
Passenger Cars		
Noncurrent assets	140,047	142,467
Current assets	105,798	105,055
Total assets	**245,845**	**247,522**
Equity	119,667	119,654
Noncurrent liabilities	69,212	71,632
Current liabilities	56,966	56,236
Commercial Vehicles		
Noncurrent assets	34,601	34,620
Current assets	15,723	14,184
Total assets	**50,324**	**48,804**
Equity	15,444	13,804
Noncurrent liabilities	16,221	16,252
Current liabilities	18,659	18,748
Power Engineering		
Noncurrent assets	1,555	1,579
Current assets	3,593	3,491
Total assets	**5,148**	**5,070**
Equity	2,542	2,495
Noncurrent liabilities	433	432
Current liabilities	2,173	2,143

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

Automotive Division balance sheet structure

At the end of June 2023, the Automotive Division's intangible assets were up on the previous year, driven primarily by a rise in capitalized development costs. Property, plant and equipment was almost unchanged from the figure on December 31, 2022, as depreciation and impairment losses approximately offset additions to property, plant and equipment. Equity-accounted investments were down for reasons that include impairment losses as a result of changes in share prices and in response to impairment tests, the dividend resolutions, and the intragroup transfer of the equity investment in Europcar to the Financial Services Division. In total, noncurrent assets of €176.2 (178.7) billion were below the figure at the end of 2022.

Current assets climbed to €125.1 (122.7) billion. The inventories included in this figure increased, due among other factors to disruptions in the logistics chains. Current other receivables and financial assets were higher than on December 31, 2022, due mainly to a rise in trade receivables for volume-related reasons.

The Automotive Division's cash and cash equivalents went up slightly by €0.3 billion to €23.4 billion. Total securities were €11.2 billion lower, at €21.7 billion.

The "Assets held for sale" item comprises the carrying amounts of the assets of subsidiaries of Volkswagen Financial Services and Porsche, which are earmarked for divestment, as well as assets of MAN Energy Solutions and EURO-Leasing GmbH. The "Liabilities held for sale" item comprises the carrying amounts of the corresponding liabilities.

The Automotive Division's equity amounted to €137.7 billion, 1.3% higher than at the end of 2022. Encouraging earnings in the reporting period were the main contributing factor. Accordingly, noncontrolling interests also increased noticeably; they were mostly attributable to the noncontrolling interest shareholders of the Porsche AG Group and the TRATON Group. The equity ratio was 45.7 (45.1)%.

Noncurrent liabilities decreased by €2.4 billion to €85.9 billion. The noncurrent financial liabilities included in this item were down, mainly because of reclassifications from noncurrent to current liabilities reflecting shorter remaining maturities.

Current liabilities increased slightly by €0.7 billion to €77.8 billion. Current financial liabilities amounted to €–9.7 (–11.0) billion. The figures for the Automotive Division also contain the elimination of intragroup transactions between the Automotive and Financial Services divisions. As the current financial liabilities for the primary Automotive Division were lower than the loans granted to the Financial Services Division, a negative amount was disclosed in both periods. Trade payables were up by 9.0% compared with the end of 2022 for volume-related reasons. Current other liabilities were down, primarily because of the special dividend, which was resolved in December 2022 and paid in January 2023. This was offset by the netting of the right to payment from Porsche SE arising from the second tranche of the ordinary shares of Porsche AG.

On June 30, 2023, the Automotive Division reported total assets of €301.3 (301.4) billion, which were on a level with December 31, 2022.

Financial Services Division balance sheet structure

At €280.0 billion, the Financial Services Division's total assets at the end of June 2023 were 6.6% higher than at the end of 2022. Total assets as of the reporting date reflected the implementation of the new guidance on accounting for insurance contracts (IFRS 17), which led to a decrease in total assets and liabilities. The figure as of the end of 2022 was retrospectively adjusted accordingly.

Noncurrent assets went up compared with December 31, 2022 to €167.7 (161.2) billion. The equity-accounted investments included in this item were up for reasons that included the intragroup transfer of the equity investment in Europcar to the Financial Services Division.

Current assets climbed by 10.7% to €112.3 billion. The current other receivables and financial assets included in this item went up, buoyed among other factors by the rise in trade receivables. The Financial Services Division's cash and cash equivalents stood at €13.8 (6.1) billion on June 30, 2023.

At the end of the first half of 2023, the Financial Services Division accounted for around 48.2 (46.6)% of the Volkswagen Group's assets.

The Financial Services Division's equity at the end of June 2023 was €43.3 billion, exceeding the figure on the 2022 reporting date by 2.2% for earnings-related reasons. The equity ratio was 15.5 (16.1)%.

Noncurrent liabilities in the Financial Services Division rose to €116.4 (114.6) billion compared with the end of 2022. The noncurrent financial liabilities and noncurrent other liabilities included here were both up. Current liabilities went up, driven primarily by a rise in current financial liabilities.

Deposits from the direct banking business increased from their level on December 31, 2022 to €35.1 (26.7) billion.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

Based on the results achieved, we raised our forecast for the operating result of the Commercial Vehicles Business Area after the first quarter of 2023 and expect to achieve an operating return on sales of between 7% and 8%.

In view of parts supply shortages, disruptions in logistics chains and the latest developments in the markets, we now expect deliveries to customers of between 9 million and 9.5 million vehicles.

For the Power Engineering Business Area, we expect an increase in sales revenue, while we anticipate lower sales revenue in the Financial Services Division combined with an improvement in the operating result.

In the Automotive Division, where we had forecast an R&D ratio of around 8%, we now expect the figure to be between 8% and 8.5%. Our previous expectation for the capex ratio of 6.5% has been updated to between 6% and 6.5%. The disruptions in the supply chains are also leading to an increase in working capital and, as a consequence, a decline in the expected net cash flow, although this will still be significantly to strongly up on the previous year.

The forecast for all other core performance indicators remains unchanged. The outlook for fiscal year 2023 can be found on page 32.

Litigation

Diesel issue

1. Criminal and administrative proceedings worldwide (excluding the USA/Canada)

The Braunschweig Office of the Public Prosecutor conducted investigations on suspicion of fraud in connection with type EA 288 engines. The proceedings against the accused employees and against Volkswagen AG were terminated in late 2022 and early 2023, definitively against payment of a sum set by the court in the case of three of the accused persons and provisionally as regards four others.

In late June 2023, the Munich II Regional Court handed down a judgment in the criminal proceedings commenced in June 2020 for, among other things, alleged fraud in connection with the diesel issue involving 3.0 l and 4.2 l TDI engines. A former Chairman of the Board of Management of AUDI AG and the other two defendants were sentenced to prison terms, the enforcement of which was in each case suspended subject to probation. In each case, the conditions of probation include paying a sum set by the court. The judgment is at present not yet final as all three defendants as well as the office of the public prosecutor have filed appeals. The proceedings against an additional former defendant were terminated by the Munich II Regional Court in April 2023 against payment of a sum set by the court.

In a trial level decision rendered in late February 2023, the Schleswig Administrative Court had granted the relief requested in a lawsuit brought by Deutsche Umwelthilfe (DUH – Environmental Action Germany) against the Kraftfahrt-Bundesamt (KBA – German Federal Motor Transport Authority) and invalidated the notice of approval for a software update for certain older Golf Plus model vehicles to the extent this notice classified the thermal window feature, the altitude correction feature, and the taxi switch feature as permissible deactivation devices (defeat devices). The so-called thermal window in question is a temperature-dependent exhaust gas recirculation function. Altitude correction refers to altitude-dependent exhaust gas recirculation. The taxi switch modifies exhaust gas recirculation when a vehicle with a running engine stands motionless for a certain period of time. Volkswagen AG is involved in the litigation as an interested party summoned. In late April 2023, Volkswagen AG and the KBA filed an appeal against the judgment of the Schleswig Administrative Court. This decision is thus not legally final. DUH has filed two additional lawsuits with the Schleswig Administrative Court. The first action contests the notices of approval for further Audi and Porsche brand vehicles equipped with type EA 189 engines as well as with selected V-TDI engines; the second action is directed against all Group diesel vehicles with the EU5 and EU6b/c exhaust emission standard.

2. Product-related lawsuits worldwide (excluding the USA/Canada)

In Brazil, the appeal filed by the plaintiff against the October 2021 trial court judgment dismissing its complaint in the second consumer protection class action, which pertains to roughly 67 thousand Amarok vehicles, was rejected by the appellate court in June 2023.

In the Netherlands class action seeking monetary damages, the Diesel Emissions Justice Foundation has limited its appeal against the March 2022 interlocutory judgment solely to the applicability of the new class action regime, hence the decision of the Amsterdam court that it lacks jurisdiction to hear lawsuits brought by consumers outside the Netherlands is final and binding.

In Portugal, the Supreme Court dismissed the class action in July 2023 as inadmissible because the plaintiff consumer organization lacked standing to sue.

In late June 2023, the Bundesgerichtshof (BGH – Federal Court of Justice) handed down judgments in lawsuits against Volkswagen AG and AUDI AG posing the issue as to how the case law of the European Court of Justice (ECJ) on the potential claims of buyers under European type approval law should be implemented in German law. The BGH held that the negligent use of an impermissible defeat device may in principle entitle plaintiffs to differential damages amounting to 5% to 15% of their vehicle's purchase price. Whether this claim is given in a particular instance is for the appeals courts to determine. The BGH stated that it did not matter whether the limits in the NEDC testing procedure would be complied with even when system functioning was modified. The BGH held that liability does not arise where the manufacturer is not at fault, e.g. because the relevant public authority had approved the deactivation device in its specific configuration and taking account of identified combinations of deactivation devices, or would have done so upon request. Where a claim for differential damages exists in principle, the buyer must furthermore accept an offset for the benefit derived from using the vehicle and for the vehicle's value to the extent these exceed the vehicle's diminished value. An implemented software update may also potentially mitigate damages.

3. Lawsuits filed by investors worldwide (excluding the USA/Canada)

In the investor action for model declaratory judgment before the Braunschweig Higher Regional Court, the court issued a notification ruling in March 2023, in light of the unforeseeably long remaining duration of the litigation, suggested that the parties each consider their willingness to enter into out-of-court settlement negotiations. Without prejudice to its legal position, Volkswagen AG has indicated that it is prepared to consider the Braunschweig Higher Regional Court's suggestion. In July 2023, the Braunschweig Higher Regional Court issued an order for the taking of evidence including the examination of numerous persons as well as the production and consultation of documents and records. The mandated taking of evidence focuses initially on whether the Board of Management of Volkswagen AG or individual members thereof and/or individual members of Volkswagen AG's Ad Hoc Disclosure Clearing Office had or, reflecting Volkswagen AG's state of knowledge, lacked knowledge of the installation of switching devices prohibited under US law in Volkswagen AG vehicles, as well as on the conceptions of these persons regarding the potential share price impact of the information that each respectively possessed. The taking of testimony to begin in the fall of 2023.

In the model case proceedings against Porsche Automobil Holding SE (Porsche SE), in which Volkswagen AG intervened as a third party supporting a party to the dispute, the Stuttgart Higher Regional Court rendered a model declaratory judgment in late March 2023. Based on the determinations made in the model declaratory judgment and the current substantive status of the underlying actions, all of the suspended investor lawsuits against Porsche SE would in effect have to be dismissed. The model declaratory judgment is not yet final. The model case plaintiff, several interested parties summoned, and Porsche SE have petitioned the BGH for review on points of law. Volkswagen AG has declared its intervention as a third-party supporting the petition for review of Porsche SE.

4. Special audit

Following the rulings of the Federal Constitutional Court in November 2022 finding both constitutional complaints lodged by Volkswagen AG to be meritorious, the proceedings before the Hanover Regional Court, which had been stayed pending decision by the Federal Constitutional Court, have been resumed as a result of these rulings. The subject of these proceedings is a motion seeking appointment of a special auditor for Volkswagen AG to examine matters relating to the diesel issue.

Additional important legal cases

In July 2021, the European Commission assessed a fine totaling roughly €502 million against Volkswagen AG, AUDI AG, and Dr. Ing. h.c. F. Porsche AG pursuant to a settlement decision. Volkswagen declined to file an appeal, hence the decision became final in 2021. 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. Based on the facts of the EU case, in April 2023 the Korean competition authority KFTC issued the administrative fine decision that it had announced in its February 2023 press release. As announced, no fine was imposed on Volkswagen AG, and Porsche AG is not affected by the decision. A fine equaling just under €3 million was assessed against AUDI AG. AUDI AG and Volkswagen AG have appealed the decision to the relevant court in Seoul/Korea.

In April 2023, the English Competition and Markets Authority (CMA) filed an appeal against the February 2023 judgment upholding the claim of Volkswagen AG in an action for judicial review. The action challenged the requests for information issued to Volkswagen AG by CMA in the context of CMA's investigations with respect to Volkswagen Group UK, it being the position of Volkswagen AG that CMA lacks jurisdiction to issue them. Volkswagen AG continues to examine the possibilities for reasonable cooperation with CMA.

Both of the lawsuits that Greenpeace is supporting against Volkswagen AG were dismissed in February 2023 by the Braunschweig Regional Court and the Detmold Regional Court. The lawsuits seek to compel Volkswagen AG to initially reduce in stages and by 2029 completely cease its production and placement into the stream of commerce of vehicles with internal combustion engines, as well as to reduce greenhouse gas emissions from development, production, and marketing (including third party vehicle use). They would furthermore compel Volkswagen AG to exercise influence over Group companies, subsidiaries, and joint ventures so as to cause them to fulfill these demands as well. The plaintiffs have filed appeals against the judgments dismissing their complaints (appeals filed in March 2023 with the Braunschweig Higher Regional Court and in April 2023 with the Hamm Higher Regional Court).

In Russia, Automobile Plant "GAZ" LLC (GAZ) has filed several judicial proceedings against Volkswagen AG and others alleging damage claims totaling around 44 billion Russian ruble. In this connection, GAZ applied for and in some cases initially obtained protective measures relating to the shares in Volkswagen Group Rus OOO (VGR) as well as to the movable and immovable property of VGR; the courts either rejected or have since vacated these measures. GAZ has appealed these decisions rejecting or vacating protective measures relative to the movable and immovable property of VGR; this appeal has since been rejected at the first appeals level. In May 2023, Volkswagen AG completed the sale of its shares in VGR and its local subsidiaries to Art-Finance LLC, thereby transferring title to the shares in VGR and its local subsidiaries to the buyer upon registration of the transaction. Volkswagen Group Rus was renamed AGR LLC in June 2023. Volkswagen AG is defending itself in all proceedings.

In line with IAS 37.92, no further statements have been made concerning estimates of the financial impact or regarding uncertainties as to the amount or maturity of provisions and contingent liabilities in relation to the legal risks. This is so as to not compromise the results of the proceedings or the interests of the Company.

Beyond these events, there were no significant changes in the reporting period compared with the disclosure on the Volkswagen Group's expected development in fiscal year 2023 contained in the combined management report of the 2022 Annual Report in the sections "Report on Expected Developments" and "Report on Risks and Opportunities", including in section "Legal Risks".

Outlook for 2023

Our planning is based on the assumption that global economic output will grow overall in 2023 albeit at a slower pace. The persistently high inflation in many regions and the resulting restrictive monetary policy measures taken by central banks are expected to increasingly dampen consumer spending. We continue to believe that risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, continuing geopolitical tensions and conflicts are weighing on growth prospects; risks continue to be associated with the Russia-Ukraine conflict. Furthermore, it cannot be ruled out that risks may also arise if new variants of the SARS-CoV-2 virus occur, particularly with regard to regional outbreaks and the measures associated with these. We assume that both the advanced economies and the emerging markets will show positive momentum on average, but with below-average growth in gross domestic product (GDP).

The trend in the automotive industry closely follows global economic developments. We assume that competition in the international automotive markets will intensify further. Uncertainty may arise from the continued shortage of intermediates and commodities. This may be further exacerbated by the fallout from the Russia-Ukraine conflict and, in particular, lead to rising prices and a declining availability of energy.

We predict that trends in the markets for passenger cars in the individual regions will be mixed in 2023. Overall, the global volume of new car sales is expected to be noticeably higher than in the previous year. For 2023, we anticipate that the volume of new passenger car registrations in Western Europe will be significantly above that recorded in the previous year. In the German passenger car market, we predict a noticeable increase in the volume of new registrations in 2023 compared with the previous year. Sales of passenger cars in 2023 are expected to significantly exceed the prior-year figures in markets in Central and Eastern Europe – subject to the further development of the Russia-Ukraine conflict. The volume of sales in the markets for passenger cars and light commercial vehicles (up to 6.35 tonnes) in North America in 2023 is forecast to be significantly higher than the level seen the previous year. We anticipate that new registrations in the South American markets in 2023 will be on a level with the previous year. The passenger car markets in the Asia-Pacific region are expected to be noticeably up on the prior-year level in 2023.

Trends in the markets for light commercial vehicles in the individual regions will also be mixed; on the whole, we expect a significant increase in the sales volume for 2023.

For 2023, we expect to see a noticeable upwards trend in new registrations for mid-sized and heavy trucks with a gross weight of more than six tonnes compared with the previous year in the markets that are relevant for the Volkswagen Group, with variations from region to region. A significant increase in overall demand is anticipated for 2023 in the bus markets relevant for the Volkswagen Group, whereby this will vary depending on the region.

We assume that automotive financial services will prove highly important to global vehicle sales in 2023.

We anticipate that, amid challenging market conditions, deliveries to customers of the Volkswagen Group in 2023 will stand between 9 million and 9.5 million vehicles. This assumes that the shortages of intermediates and commodities and the bottlenecks in logistics will become less intense.

Challenges will arise in particular from the economic situation, the increasing intensity of competition, volatile commodity, energy and foreign exchange markets, and more stringent emissions-related requirements.

We expect the sales revenue of the Volkswagen Group in 2023 to be 10% to 15% higher than the prior-year figure and the operating return on sales to lie between 7.5% and 8.5%. In the Passenger Cars Business Area, we forecast an increase of around 7% to 13% in sales revenue compared with the previous year, with an operating return on sales of between 8% and 9%. For the Commercial Vehicles Business Area, we anticipate an operating return on sales of 7% to 8% amid a 5% to 15% year-on-year increase in sales revenue. In the Power Engineering Business Area, we expect sales revenue to be noticeably above the prior-year figure and operating profit to be in the low triple-digit million euro range. For the Financial Services Division, we forecast a significant increase in sales revenue compared with the prior year and an operating result in the range of €4 billion.

In the Automotive Division, we expect the R&D ratio to come in between 8% and 8.5% in 2023 and the ratio of capex to sales revenue to be between 6% and 6.5%. We anticipate a significant to strong year-on-year increase in net cash flow for 2023. This will particularly include increasing investments for the future and cash outflows from mergers and acquisitions for battery factories, which are a cornerstone of the Volkswagen Group's transformation. Net liquidity in the Automotive Division in 2023 is expected to be between €35 billion and €40 billion; this includes cash inflows and outflows in connection with the IPO of Porsche AG. We anticipate a return on investment (ROI) of between 12% and 15%. Our declared goal remains unchanged, namely to continue with our robust financing and liquidity policy.

Brands and Business Fields

SALES REVENUE AND OPERATING RESULT BY BRAND AND BUSINESS FIELD

The Volkswagen Group generated sales revenue of €156.3 (132.2) billion in the first half of 2023. The operating result stood at €11.3 (13.2) billion. While the fair value measurement of derivatives to which hedge accounting is not applied had an adverse effect in the first six months of this year (€–2.5 billion), it had had a positive effect in the same period of the previous year (€+0.9 billion). In the previous year, there had been special items of €0.4 billion in connection with the diesel issue.

The Core brand group sold 2.4 (2.0) million vehicles in the reporting period. Sales revenue amounted to €68.8 (53.0) billion. The operating result (prior-year figure before special items) improved to €3.8 (2.6) billion.

The Volkswagen Passenger Cars brand increased its unit sales by 25.1% to 1.5 million vehicles in the first six months of 2023. The ID. family models, the T-Roc, the Tiguan and the Atlas were particularly popular. The new Taigo was also in strong demand. Sales revenue increased by 28.9% to €43.0 billion. The operating result (prior-year figure before special items) amounted to €1.6 (1.9) billion. The higher volume and price effects had a positive impact, while a rise in product costs and fixed costs, as well as the deconsolidation of Volkswagen Group Rus weighed on the result.

The ŠKODA brand sold 545 thousand vehicles in the reporting period, 22.1% more than in the previous year. Growth was recorded particularly by the Enyaq iV and the Octavia. Sales revenue climbed to €13.7 (10.2) billion. The operating result improved to €911 (676) million due to volume and pricing effects. Exchange rate effects and product costs, and the deconsolidation of Volkswagen Group Rus had a negative effect.

VOLKSWAGEN GROUP REPORTING STRUCTURE

AUTOMOTIVE DIVISION			FINANCIAL SERVICES DIVISION
Passenger Cars Business Area	**Commercial Vehicles Business Area**	**Power Engineering Business Area**	Dealer and customer financing
Volkswagen Passenger Cars	TRATON Commercial Vehicles	MAN Energy Solutions	Leasing
ŠKODA			Direct bank
SEAT			Insurance
Volkswagen Commercial Vehicles			Fleet management
Tech. Components			Mobility services
Audi			
Porsche Automotive			
CARIAD			
Battery			
Others			

KEY FIGURES BY BRAND GROUP AND BUSINESS FIELD FROM JANUARY 1 TO JUNE 30

Thousand vehicles/€ million	VEHICLE SALES 2023	VEHICLE SALES 2022	SALES REVENUE 2023	SALES REVENUE 2022[1]	OPERATING RESULT 2023	OPERATING RESULT 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.

KEY FIGURES FOR THE CORE BRAND GROUP FROM JANUARY 1 TO JUNE 30

Thousand vehicles/€ million	VEHICLE SALES 2023	VEHICLE SALES 2022	SALES REVENUE 2023	SALES REVENUE 2022	OPERATING RESULT 2023	OPERATING RESULT 2022
Volkswagen Passenger Cars	1,523	1,218	42,959	33,322	1,641	1,860
ŠKODA	545	447	13,748	10,223	911	676
SEAT	317	236	7,411	5,377	371	–97
Volkswagen Commercial Vehicles	212	153	7,418	5,046	448	187
Tech. Components	–	–	12,092	8,147	438	–28
Consolidation	–148	–97	–14,863	–9,105	–37	50
Core brand group	**2,450**	**1,956**	**68,764**	**53,010**	**3,773**	**2,646**

Unit sales at SEAT and CUPRA increased to 317 thousand vehicles in the period from January to June of this year; this was 34.5% more than a year earlier. The figure includes the A1 manufactured for Audi. Both SEAT and CUPRA saw higher demand. The CUPRA Formentor and the CUPRA Born were especially popular. Sales revenue stood at €7.4 billion, an increase of 37.8% compared with the previous year. At €371 (–97) million, SEAT achieved its highest six-month operating result ever; this was attributable above all to the success of CUPRA, higher volumes and the positive effects of efficiency gains.

Unit sales by Volkswagen Commercial Vehicles increased to 212 (153) thousand units worldwide in the first half of 2023. As a result, sales revenue climbed to €7.4 (5.0) billion. The operating result improved to €448 (187) million. In addition to the higher volume, price effects had a particularly positive impact.

In the first six months of this year, Tech. Components generated sales revenue of €12.1 (8.1) billion. The operating result improved by €467 million to €438 million. The adverse effects of higher product costs were mainly offset by a rise in volumes.

Worldwide unit sales in the Progressive brand group amounted to 655 thousand vehicles in the reporting period, 27.8% more than in the first half of 2022. Growth was seen particularly for the Q5 and Q7, as well as the all-electric Q4 e-tron model. A further 295 (277) thousand Audi vehicles were sold by the Chinese joint ventures FAW-Volkswagen and SAIC VOLKSWAGEN. Sales revenue amounted to €34.2 (29.9) billion. The operating result (prior-year figure before special items) amounted to €3.4 (5.0) billion. The decrease was mainly attributable to the effects of measuring derivatives to which hedge accounting is not applied. Conversely, the rise in volume at the Audi brand and the good results of the Bentley, Lamborghini and Ducati brands had a beneficial effect on profit. Ducati sold 37,602 (33,865) motorcycles in the first six months of this year.

In the first half of 2023, the Sport Luxury brand group sold 171 (149) thousand vehicles globally. Demand increased particularly for the 911, Macan and Cayenne models. Sales revenue rose to €18.9 (16.4) billion. The operating result increased to €3.7 (3.3) billion, due primarily to higher volumes combined with continued stable price positioning, and was offset by higher expenditure on products and innovations and an increase in distribution expenses.

CARIAD pools the Volkswagen Group’s software expertise. The business model comprises the development and operation of standardized software platforms for current and future vehicle models. Sales revenue climbed to €329 (249) million in the period from January to June 2023. This increase was due mainly to a rise in license fees thanks to a higher volume of vehicles fitted with CARIAD software. Upfront development expenditure resulted in an operating loss of €–1.1 (–1.0) billion.

The Battery business field brings together the Group’s global battery activities, which relate to the future manufacture of battery cells and other activities along the battery value chain. Due to the effect of fixed costs incurred during the establishment of the business, the operating result in the Battery business field in the first half of 2023 amounted to €–181 (–14) million.

Unit sales at TRATON Commercial Vehicles were higher than in the prior year at 168 (138) thousand vehicles. Sales revenue increased by 26.8% to €22.3 billion. The operating result improved to €1.8 (0.6) billion. In addition to the higher volume of new vehicles and higher capacity utilization due to a significant increase in production figures, a beneficial effect on profit was also had by a positive product mix and improved price positioning.

MAN Energy Solutions generated sales revenue of €1.9 (1.6) billion in the period from January to June 2023. The operating result rose to €208 (131) million due to volume and mix-related factors.

The number of new financing, leasing, service and insurance contracts signed with Volkswagen Financial Services in the reporting period stood at 4.1 million (+6.9%). With credit eligibility criteria remaining unchanged, the penetration rate, expressed as the ratio of leased or financed vehicles to relevant Group delivery volumes, stood at 33.4 (33.0)%. The total number of contracts at the end of June 2023 was close to the figure for December 31, 2022 at 21.7 (22.0) million. The number of contracts in the customer financing/leasing area amounted to 10.2 (10.3) million, and in the service/insurance area to 11.5 (11.6) million. As of June 30 of this year, Volkswagen Bank managed 1.5 (1.3) million deposit accounts. As expected, the operating result contracted to €1.8 (3.0) billion; in addition to higher interest expenses, the decline was primarily attributable to adverse effects from derivatives, which had had a positive effect in the prior-year period. In the previous year, lower risk costs and a strong demand for used vehicles had also had a positive impact.

UNIT SALES AND SALES REVENUE BY MARKET

The Volkswagen Group sold 2.1 million vehicles in the Europe/Other Markets region in the first six months of this year. This was 23.9% more than in the previous year. Sales revenue improved to €93.3 (74.3) billion due to volume effects and improved price positioning.

The Volkswagen Group's unit sales in the North American markets increased by 16.0% in the reporting period to 484 thousand vehicles. Driven mainly by higher volumes, sales revenue rose to €32.2 (27.6) billion.

Unit sales in South America increased to 229 (200) thousand vehicles from January to June 2023. Sales revenue consequently went up to €7.4 (6.6) billion.

In the Asia-Pacific region, the unit sales of the Volkswagen Group – including those of the equity-accounted companies in China – fell by 3.9% to 1.6 million vehicles in the first half of 2023. Sales revenue amounted to €24.0 (24.7) billion. This figure does not include sales revenue from our equity-accounted companies in China.

Hedging transactions relating to the Volkswagen Group's sales revenue in foreign currency made a negative contribution of €–0.6 (–0.9) billion in the reporting period.

KEY FIGURES BY MARKET FROM JANUARY 1 TO JUNE 30

	VEHICLE SALES		SALES REVENUE	
Thousand vehicles/€ million	**2023**	2022	**2023**	2022[1]
Europe/Other Markets	2,126	1,715	93,257	74,324
North America	484	417	32,163	27,609
South America	229	200	7,389	6,564
Asia-Pacific[2]	1,609	1,674	24,021	24,650
Hedges on sales revenue	–	–	–573	–936
Volkswagen Group[2]	**4,448**	**4,006**	**156,257**	**132,211**

1 Prior-year figures adjusted (see disclosures on IFRS 17).
2 The sales revenue of the joint venture companies in China is not included in the figures for the Group and the Asia-Pacific market.

Interim Consolidated Financial Statements (Condensed)

Income Statement for the Period January 1 to June 30

€ million	Volkswagen Group 2023	Volkswagen Group 2022[2]	Automotive[1] 2023	Automotive[1] 2022[2]	Financial Services 2023	Financial Services 2022[2]
Sales revenue	**156,257**	**132,211**	**130,569**	**109,066**	**25,689**	**23,146**
Cost of sales	–125,342	–105,762	–103,896	–87,444	–21,446	–18,319
Gross result	**30,915**	**26,449**	**26,673**	**21,622**	**4,243**	**4,827**
Distribution expenses	–10,026	–9,077	–9,443	–8,474	–582	–603
Administrative expenses	–6,201	–5,553	–4,874	–4,220	–1,327	–1,333
Other operating result	–3,342	1,001	–3,235	799	–107	202
Operating result	**11,347**	**12,820**	**9,120**	**9,726**	**2,226**	**3,094**
Share of the result of equity-accounted investments	883	1,081	837	1,029	46	52
Interest result and other financial result	–331	154	–194	175	–137	–20
Financial result	**552**	**1,235**	**643**	**1,203**	**–92**	**32**
Earnings before tax	**11,898**	**14,055**	**9,764**	**10,929**	**2,135**	**3,125**
Income tax expense	–3,377	–3,400	–2,757	–2,639	–620	–761
Earnings after tax	**8,521**	**10,655**	**7,006**	**8,291**	**1,515**	**2,364**
of which attributable to						
Noncontrolling interests	784	63	720	–24	64	86
Volkswagen AG hybrid capital investors	278	279	278	279	–	–
Volkswagen AG shareholders	7,459	10,313	6,008	8,035	1,451	2,278
Basic/diluted earnings per ordinary share in €[3]	**14.86**	**20.55**				
Basic/diluted earnings per preferred share in €[3]	**14.92**	**20.61**				

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Prior-year figures adjusted (see disclosures on IFRS 17).
3 Explanatory information on earnings per share is presented in the “Earnings per share” section.

Statement of Comprehensive Income for the Period January 1 to June 30

€ million	2023	2022[1]
Earnings after tax	**8,521**	**10,655**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	–302	14,442
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	104	–4,321
Pension plan remeasurements recognized in other comprehensive income, net of tax	–198	10,120
Fair value valuation of equity instruments that will not be reclassified to profit or loss		
Fair value valuation of equity instruments that will not be reclassified to profit or loss, before tax[2]	32	–449
Deferred taxes relating to fair value valuation of equity instruments that will not be reclassified to profit or loss[2]	–2	72
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	30	–376
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	14	1
Items that will not be reclassified to profit or loss	**–154**	**9,745**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	–1,725	2,729
Transferred to profit or loss	348	15
Exchange differences on translating foreign operations, before tax	–1,377	2,744
Deferred taxes relating to exchange differences on translating foreign operations	1	2
Exchange differences on translating foreign operations, net of tax	–1,375	2,746
Hedging		
Fair value changes recognized in other comprehensive income (OCI I)	1,114	–277
Transferred to profit or loss (OCI I)	–205	352
Cash flow hedges (OCI I), before tax	908	75
Deferred taxes relating to cash flow hedges (OCI I)	–253	–2
Cash flow hedges (OCI I), net of tax	655	72
Fair value changes recognized in other comprehensive income (OCI II)	–122	–680
Transferred to profit or loss (OCI II)	469	401
Cash flow hedges (OCI II), before tax	347	–280
Deferred taxes relating to cash flow hedges (OCI II)	–90	78
Cash flow hedges (OCI II), net of tax	257	–202
Fair value valuation of debt instruments that may be reclassified to profit or loss		
Fair value changes recognized in other comprehensive income	41	–273
Transferred to profit or loss	–3	0
Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax	38	–273
Deferred taxes relating to fair value valuation of debt instruments recognized in other comprehensive income	–11	73
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	27	–200
Share of other comprehensive income of equity-accounted investments that may be reclassified to profit or loss, net of tax	–383	261
Items that may be reclassified to profit or loss	**–819**	**2,678**
Other comprehensive income, before tax	–722	16,521
Deferred taxes relating to other comprehensive income	–251	–4,099
Other comprehensive income, net of tax	**–973**	**12,422**
Total comprehensive income	**7,548**	**23,077**
of which attributable to		
Noncontrolling interests	876	147
Volkswagen AG hybrid capital investors	278	279
Volkswagen AG shareholders	6,395	22,651

1 Prior-year figures adjusted (see disclosures on IFRS 17).
2 As from the first quarter of 2023, deferred taxes are reported separately. The prior-year figures were adjusted accordingly.

Income Statement for the Period April 1 to June 30

€ million	VOLKSWAGEN GROUP 2023	VOLKSWAGEN GROUP 2022[2]	DIVISIONS AUTOMOTIVE[1] 2023	AUTOMOTIVE[1] 2022[2]	FINANCIAL SERVICES 2023	FINANCIAL SERVICES 2022[2]
Sales revenue	**80,059**	**69,500**	**67,106**	**57,856**	**12,953**	**11,644**
Cost of sales	–64,337	–55,019	–53,462	–45,800	–10,875	–9,219
Gross result	**15,722**	**14,481**	**13,644**	**12,056**	**2,078**	**2,425**
Distribution expenses	–5,190	–4,762	–4,919	–4,496	–271	–266
Administrative expenses	–2,960	–2,784	–2,280	–2,057	–680	–726
Other operating result	–1,972	–2,445	–1,907	–2,562	–65	117
Operating result	**5,600**	**4,491**	**4,537**	**2,941**	**1,062**	**1,550**
Share of the result of equity-accounted investments	348	452	296	424	53	27
Interest result and other financial result	–502	196	–415	203	–87	–7
Financial result	**–154**	**647**	**–119**	**627**	**–35**	**20**
Earnings before tax	**5,446**	**5,139**	**4,418**	**3,569**	**1,028**	**1,570**
Income tax expense	–1,655	–1,227	–1,354	–831	–301	–396
Earnings after tax	**3,791**	**3,912**	**3,065**	**2,738**	**727**	**1,173**
of which attributable to						
Noncontrolling interests	402	23	370	–29	32	52
Volkswagen AG hybrid capital investors	140	150	140	150	–	–
Volkswagen AG shareholders	3,250	3,739	2,555	2,617	695	1,121
Basic/diluted earnings per ordinary share in €[3]	**6.48**	**7.46**				
Basic/diluted earnings per preferred share in €[3]	**6.48**	**7.46**				

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Prior-year figures adjusted (see disclosures on IFRS 17).
3 Explanatory information on earnings per share is presented in the "Earnings per share" section.

Statement of Comprehensive Income for the Period April 1 to June 30

€ million	2023	2022[1]
Earnings after tax	**3,791**	**3,912**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	38	8,487
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	0	–2,532
Pension plan remeasurements recognized in other comprehensive income, net of tax	38	5,955
Fair value valuation of equity instruments that will not be reclassified to profit or loss		
Fair value valuation of equity instruments that will not be reclassified to profit or loss, before tax[2]	3	–60
Deferred taxes relating to fair value valuation of equity instruments that will not be reclassified to profit or loss[2]	0	20
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	3	–40
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	14	0
Items that will not be reclassified to profit or loss	**56**	**5,916**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	–913	1,587
Transferred to profit or loss	348	0
Exchange differences on translating foreign operations, before tax	–565	1,587
Deferred taxes relating to exchange differences on translating foreign operations	3	0
Exchange differences on translating foreign operations, net of tax	–562	1,587
Hedging		
Fair value changes recognized in other comprehensive income (OCI I)	410	–153
Transferred to profit or loss (OCI I)	–170	334
Cash flow hedges (OCI I), before tax	240	181
Deferred taxes relating to cash flow hedges (OCI I)	–55	–48
Cash flow hedges (OCI I), net of tax	185	133
Fair value changes recognized in other comprehensive income (OCI II)	37	–528
Transferred to profit or loss (OCI II)	254	230
Cash flow hedges (OCI II), before tax	291	–297
Deferred taxes relating to cash flow hedges (OCI II)	–79	95
Cash flow hedges (OCI II), net of tax	211	–202
Fair value valuation of debt instruments that may be reclassified to profit or loss		
Fair value changes recognized in other comprehensive income	–9	–124
Transferred to profit or loss	–3	0
Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax	–12	–124
Deferred taxes relating to fair value valuation of debt instruments recognized in other comprehensive income	–5	34
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	–16	–90
Share of other comprehensive income of equity-accounted investments that may be reclassified to profit or loss, net of tax	–240	138
Items that may be reclassified to profit or loss	**–422**	**1,565**
Other comprehensive income, before tax	–231	9,912
Deferred taxes relating to other comprehensive income	–136	–2,431
Other comprehensive income, net of tax	**–367**	**7,481**
Total comprehensive income	**3,424**	**11,392**
of which attributable to		
Noncontrolling interests	458	66
Volkswagen AG hybrid capital investors	140	150
Volkswagen AG shareholders	2,827	11,177

1 Prior-year figures adjusted (see disclosures on IFRS 17).
2 As from the first quarter of 2023, deferred taxes are reported separately. The prior-year figures were adjusted accordingly.

Balance Sheet as of June 30, 2023 and December 31, 2022

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2023	2022[2]	2023	2022[2]	2023	2022[2]
Assets						
Noncurrent assets	**343,896**	**339,853**	**176,203**	**178,667**	**167,693**	**161,187**
Intangible assets	85,093	83,241	84,702	82,846	391	394
Property, plant and equipment	64,101	63,890	63,135	62,908	966	982
Lease assets	60,154	59,380	554	1,279	59,599	58,100
Financial services receivables	90,222	86,944	–749	–767	90,970	87,711
Investment Property, equity-accounted investments and other equity investments, other receivables and financial assets	44,327	46,399	28,561	32,400	15,766	13,999
Current assets	**237,397**	**224,159**	**125,114**	**122,730**	**112,283**	**101,430**
Inventories	60,803	52,274	56,576	48,768	4,227	3,506
Financial services receivables	62,940	61,549	–817	–799	63,758	62,348
Other receivables and financial assets	50,346	43,226	24,192	18,764	26,153	24,462
Marketable securities and time deposits	25,892	37,206	21,696	32,867	4,195	4,338
Cash and cash equivalents	37,129	29,172	23,371	23,034	13,758	6,137
Assets held for sale	288	733	96	95	191	638
Total assets	**581,294**	**564,013**	**301,317**	**301,396**	**279,976**	**262,616**
Equity and liabilities						
Equity	**180,953**	**178,328**	**137,653**	**135,954**	**43,300**	**42,375**
Equity attributable to Volkswagen AG shareholders	153,273	151,255	110,683	109,565	42,591	41,690
Equity attributable to Volkswagen AG hybrid capital investors	13,914	14,121	13,914	14,121	–	–
Equity attributable to Volkswagen AG shareholders and hybrid capital investors	167,188	165,376	124,597	123,686	42,591	41,690
Noncontrolling interests	13,766	12,952	13,057	12,267	709	684
Noncurrent liabilities	**202,281**	**202,961**	**85,866**	**88,316**	**116,415**	**114,646**
Financial liabilities	120,681	121,737	19,437	21,871	101,243	99,866
Provisions for pensions	27,908	27,553	27,448	27,104	460	449
Other liabilities	53,693	53,671	38,981	39,341	14,712	14,330
Current liabilities	**198,059**	**182,723**	**77,798**	**77,127**	**120,261**	**105,596**
Financial liabilities	99,032	83,448	–9,694	–10,953	108,726	94,401
Trade payables	31,885	28,738	28,464	26,106	3,421	2,631
Other liabilities	67,044	70,380	59,023	61,961	8,021	8,418
Liabilities associated with assets held for sale	98	158	5	12	92	146
Total equity and liabilities	**581,294**	**564,013**	**301,317**	**301,396**	**279,976**	**262,616**

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions, primarily intragroup loans.
2 Prior-year figures adjusted (see disclosures on IFRS 17).

Statement of Changes in Equity

				OTHER RESERVES								
					HEDGING							
€ million	Subscribed capital	Capital reserve	Retained earnings	Currency translation reserve	Cash flow hedges (OCI I)	Deferred costs of hedging (OCI II)	Equity and debt instruments	Equity-accounted investments	Equity attributable to Volkswagen AG hybrid capital investors	Equity attributable to Volkswagen AG shareholders and hybrid capital investors	Equity attributable to noncontrolling interests	Total equity
Unadjusted balance at Jan. 1, 2022	**1,283**	**14,551**	**117,342**	**–2,351**	**–635**	**–367**	**–355**	**541**	**14,439**	**144,449**	**1,705**	**146,154**
Changes in accounting policy to reflect IFRS 17	–	–	–11	–	–	–	–	1	–	–11	–	–11
Balance at Jan. 1, 2022	**1,283**	**14,551**	**117,331**	**–2,351**	**–635**	**–367**	**–355**	**542**	**14,439**	**144,438**	**1,705**	**146,143**
Earnings after tax[1]	–	–	10,313	–	–	–	–	–	279	10,592	63	10,655
Other comprehensive income, net of tax[1]	–	–	10,068	2,677	71	–202	–538	262	–	12,338	84	12,422
Total comprehensive income[1]	**–**	**–**	**20,381**	**2,677**	**71**	**–202**	**–538**	**262**	**279**	**22,930**	**147**	**23,077**
Disposal of equity instruments	–	–	–	–	–	–	–	–	–	–	–	–
Capital increases/Capital decreases	–	–	–	–	–	–	–	–	1,153	1,153	103	1,256
Dividend payments	–	–	–3,772	–	–	–	–	–	–454	–4,226	–32	–4,258
Capital transactions involving a change in ownership interest	–	–	–	–	–	–	–	–	–	–	–	–
Other changes	–	–	16	–	–	–	–	–2	–	14	–15	–1
Balance at June 30, 2022[1]	**1,283**	**14,551**	**133,956**	**326**	**–564**	**–569**	**–893**	**801**	**15,418**	**164,309**	**1,908**	**166,217**
Unadjusted balance at Jan. 1, 2023	**1,283**	**14,551**	**137,267**	**–2,256**	**1,623**	**–1,077**	**–1,005**	**870**	**14,121**	**165,378**	**12,950**	**178,327**
Changes in accounting policy to reflect IFRS 17	–	–	5	–	–	–	–	–7	–	–1	2	1
Balance at Jan. 1, 2023	**1,283**	**14,551**	**137,272**	**–2,256**	**1,623**	**–1,077**	**–1,005**	**864**	**14,121**	**165,376**	**12,952**	**178,328**
Earnings after tax	–	–	7,459	–	–	–	–	–	278	7,737	784	8,521
Other comprehensive income, net of tax	–	–	–193	–1,280	467	242	54	–356	–	–1,064	92	–973
Total comprehensive income	**–**	**–**	**7,267**	**–1,280**	**467**	**242**	**54**	**–356**	**278**	**6,673**	**876**	**7,548**
Disposal of equity instruments	–	–	13	–	–	–	–13	–	–	–	–	–
Capital increases/Capital decreases	–	–	–	–	–	–	–	–	–	–	–	–
Dividend payments	–	–	–4,374	–	–	–	–	–	–484	–4,858	–36	–4,894
Capital transactions involving a change in ownership interest	–	–	–42	–11	–	–	–	–	–	–54	–27	–80
Other changes	–	–	50	–	–	–	–	0	–	51	1	51
Balance at June 30, 2023	**1,283**	**14,551**	**140,186**	**–3,548**	**2,090**	**–834**	**–964**	**508**	**13,914**	**167,188**	**13,766**	**180,953**

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

Cash flow statement for the Period January 1 to June 30

€ million	VOLKSWAGEN GROUP 2023	VOLKSWAGEN GROUP 2022[7]	DIVISIONS AUTOMOTIVE[1] 2023	DIVISIONS AUTOMOTIVE[1] 2022[7]	DIVISIONS FINANCIAL SERVICES 2023	DIVISIONS FINANCIAL SERVICES 2022[7]
Cash and cash equivalents at beginning of period	**29,738**	**39,123**	**23,042**	**24,899**	**6,695**	**14,224**
Earnings before tax	11,898	14,055	9,764	10,929	2,135	3,125
Income taxes paid	–3,798	–2,151	–2,755	–1,624	–1,043	–526
Depreciation and amortization expense[2]	13,685	13,993	8,731	9,229	4,954	4,764
Change in pension provisions	125	319	119	294	6	24
Share of the result of equity-accounted investments	1,330	–139	1,302	–131	28	–7
Other noncash income/expense and reclassifications[3]	2,739	–615	2,637	–1,447	102	832
Gross cash flow	**25,980**	**25,463**	**19,798**	**17,251**	**6,183**	**8,212**
Change in working capital	**–18,896**	**–8,513**	**–6,061**	**–3,647**	**–12,835**	**–4,865**
Change in inventories	–8,915	–4,576	–8,176	–4,684	–739	107
Change in receivables	–5,695	–3,498	–3,781	–2,469	–1,914	–1,030
Change in liabilities	6,561	6,747	5,236	6,187	1,325	560
Change in other provisions	287	–2,607	323	–2,584	–36	–23
Change in lease assets (excluding depreciation)	–6,072	–4,358	365	36	–6,436	–4,394
Change in financial services receivables	–5,060	–220	–27	–134	–5,034	–86
Cash flows from operating activities	**7,085**	**16,950**	**13,737**	**13,604**	**–6,652**	**3,346**
Cash flows from investing activities attributable to operating activities	**–11,908**	**–11,486**	**–11,267**	**–11,311**	**–641**	**–176**
of which: Investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property	–5,719	–4,173	–5,620	–4,089	–99	–84
capitalized development costs	–5,197	–4,762	–5,197	–4,762	–	–
acquisition and disposal of equity investments	–1,166	–2,726	–613	–2,617	–553	–108
Net cash flow[4]	***–4,823***	***5,464***	***2,470***	***2,293***	***–7,293***	***3,171***
Change in investments in securities, time deposits and loans	10,052	–2,124	11,269	–1,155	–1,217	–969
Cash flows from investing activities	**–1,856**	**–13,610**	**2**	**–12,466**	**–1,857**	**–1,145**
Cash flows from financing activities	**3,010**	**–9,210**	**–12,758**	**–2,811**	**15,768**	**–6,399**
of which: capital transactions with noncontrolling interests	–8	–	–8	–	–	–
capital contributions/capital redemptions	0	1,262	–130	1,261	130	0
Effect of exchange rate changes on cash and cash equivalents	–778	664	–638	425	–140	239
Change of loss allowance within cash and cash equivalents	0	0	0	0	0	0
Net change in cash and cash equivalents	**7,461**	**–5,206**	**342**	**–1,248**	**7,118**	**–3,958**
Cash and cash equivalents at June 30[5]	**37,199**	**33,916**	**23,385**	**23,651**	**13,814**	**10,266**
Securities and time deposits and loans	40,345	36,170	19,985	17,276	20,360	18,894
Gross liquidity	**77,544**	**70,086**	**43,370**	**40,927**	**34,173**	**29,159**
Total third-party borrowings	–219,750	–207,750	–9,744	–12,718	–210,007	–195,031
Net liquidity at June 30[6]	**–142,207**	**–137,663**	**33,627**	**28,209**	**–175,833**	**–165,872**
For information purposes: at Jan. 1	–125,803	–136,576	43,015	26,685	–168,818	–163,261

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Net of impairment reversals.
3 These relate mainly to the fair value measurement of financial instruments and the reclassification of gains/losses on disposal of noncurrent assets and equity investments to investing activities.
4 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, time deposits and loans).
5 Cash and cash equivalents comprise cash at banks, checks, cash-in-hand and call deposits.
6 The total of cash, cash equivalents, securities and time deposits, as well as loans to affiliates and joint ventures net of third-party borrowings (noncurrent and current financial liabilities).
7 Prior-year figures adjusted (see disclosures on IFRS 17).

Explanatory notes on the cash flow statement are presented in the section relating to the cash flow statement.

Notes to the Consolidated Financial Statements

Accounting in accordance with International Financial Reporting Standards (IFRSs)

In accordance with Regulation No. 1606/2002 of the European Parliament and of the Council, Volkswagen AG prepared its consolidated financial statements for 2022 in compliance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. These interim consolidated financial statements for the period ended June 30, 2023 were therefore also prepared in accordance with IAS 34 (Interim Financial Reporting) and are condensed in scope compared with the consolidated financial statements.

All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

In addition to the reportable segments, the Automotive and Financial Services divisions are presented in the condensed interim group financial report for explanatory purposes alongside the income statement, balance sheet and cash flow statement for the Volkswagen Group. This supplemental presentation is not required by IFRSs. Eliminations of intragroup transactions between the Automotive and Financial Services divisions are allocated to the Automotive Division.

The accompanying interim consolidated financial statements were reviewed by auditors in accordance with section 115 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act).

Accounting policies

Volkswagen AG has applied all accounting pronouncements adopted by the EU and effective for periods as of January 1, 2023.

OTHER ACCOUNTING POLICIES

A discount rate of 3.6% (December 31, 2022: 3.7%) was applied to German pension provisions in the accompanying interim consolidated financial statements.

The income tax expense for the interim consolidated financial statements is always calculated on the basis of the best estimate of the average annual income tax rate that is expected for the entire fiscal year, in accordance with IAS 34 (Interim Financial Reporting). Impairment losses on equity investments as of June 30, 2023, which are not included in the business plan, are not reflected in the estimated average full-year income tax rate. This non-recurring effect was recognized in the second quarter of 2023 directly – rather than by adjusting the planned tax rate. In some of the countries where the Volkswagen Group operates, statutory provisions for minimum tax have been introduced in accordance with the OECD's guidance on a global minimum tax. On the basis of amendments to IAS 12 adopted by the IASB in May 2023, the Volkswagen Group has not taken account of the resulting potential effects on deferred taxes.

In other respects, the same accounting policies and consolidation methods that were used for the 2022 consolidated financial statements are generally applied to the preparation of the interim consolidated financial statements and the measurement of the prior-year comparatives. A detailed description of the policies and methods applied is published in the "Accounting policies" section of the notes to the 2022 consolidated financial statements.

In addition, details of the effects of new standards can be found in the "New and amended IFRSs not applied" section. The 2022 consolidated financial statements can also be accessed on the internet at www.volkswagenag.com/en/InvestorRelations.html.

IFRS 17 – INSURANCE CONTRACTS

IFRS 17 specifies new accounting rules for insurance contracts. The Volkswagen Group applied IFRS 17 as of January 1, 2023 for the first time. The transition was conducted using the full retrospective approach, unless using that approach was impracticable. This was the case when not all of the required historical information, in particular for multiyear contracts, was available without undue cost and effort. In these instances, the Volkswagen Group generally used the modified retrospective approach.

First-time application resulted in an insignificant change in equity as of January 1, 2023 and January 1, 2022, respectively. This is due primarily to the changed system for calculating provisions related to the insurance business. In addition, netting cash flows when measuring the provisions also led to an equal reduction of €0.7 billion in assets and provisions related to the insurance business as of January 1, 2023. The change in the system for recognizing income and expenses does not have any material effect on the income statement. Prior-year figures have been adjusted accordingly.

Key events

DIESEL ISSUE

On September 18, 2015, the US Environmental Protection Agency (EPA) publicly announced in a "Notice of Violation" that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain Volkswagen Group vehicles with 2.0 l diesel engines in the USA. This was followed by further reports on the scope of the diesel issue. Detailed information can be found in the "Key events" section of the 2022 consolidated financial statements.

No material special items in connection with the diesel issue were recognized in the first half of fiscal year 2023.

Further information on the litigation in connection with the diesel issue can be found in the "Litigation" section.

RUSSIA-UKRAINE CONFLICT / COVID-19 PANDEMIC / PARTS SUPPLY

The start of the Russia-Ukraine conflict in February 2022 led not only to a humanitarian crisis but also brought market upheaval around the world. There have been substantial price rises, particularly on the energy and commodity markets, and significant increases in interest and inflation rates have been observed internationally. There were some signs of normalization in the markets in the first half of fiscal year 2023.

Against the backdrop of the Russia-Ukraine conflict and the resulting consequences, Volkswagen had decided to suspend vehicle production in Russia for the time being. Vehicle exports to Russia have also been halted. In addition, the respective sanction requirements must also be complied with in relation to parts supplies and the provision of technical information.

There was again no easing of the Russia-Ukraine conflict in the first half of fiscal year 2023. For this reason, the discontinuation of business activities in Russia continued to take concrete shape in the Volkswagen Group. In this context, further sales negotiations with a number of investors continued or were concluded in the first half of 2023.

On May 18, 2023, Volkswagen Group has completed the sale of its shares in OOO Volkswagen Group Rus (Volkswagen Group Rus), Kaluga/Russia, including its local subsidiaries (OOO Volkswagen Components and Services, Kaluga/Russia, OOO Scania Leasing, Moscow/Russia, OOO Scania Finance, Moscow/Russia, OOO Scania Insurance, Moscow/Russia) to OOO ART-FINANCE, Moscow/Russia, who is supported by the Russian Dealer AO Avilon Automotive Group, Moscow/Russia. With the registration of the transaction on May 22, 2023, ownership of the shares in the authorized capital of Volkswagen Group Rus was transferred from the seller side to the buyer. The transaction includes the production facilities in Kaluga, the importer structure of the Group brands Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, AUDI, ŠKODA, Bentley, Lamborghini and Ducati for potential after-sales business and the warehousing as well as the Scania financial services activities with all its associated employees.

In this context, the Volkswagen Group had already made significant impairments in fiscal year 2022 and taken appropriate provisions. The sale price amounts to €125 million. The deconsolidation of the affected companies resulted in a loss of €0.4 billion in the 2023 financial year, which is reported in the other operating result. This result is split between the Automotive Division (€– 0.4 billion) and the Financial Services Division (€0.1 billion). The loss is mainly attributable to the realization of currency translation effects of €– 0.3 billion, which have been reclassified from foreign currency translation reserve to other operating expenses.

Apart from winding down Volkswagen Group Rus and its subsidiaries, no additional material expenses were recognized in connection with the Russia-Ukraine conflict in the first half of fiscal year 2023.

As a result of the fair value measurement and realization of derivatives to which hedge accounting is not applied (especially commodity hedges), losses totaling €2.1 billion (previous year: gains of €2.1 billion) were recognized in the other operating result.

While the situation in connection with the SARS-CoV-2 virus eased, the parts supply shortages continued at the beginning of the current fiscal year.

Please also refer to the comments in the interim group management report.

MATERIAL TRANSACTIONS

Scout Motors Inc.

Under the Volkswagen Group's North America strategy, Scout Motors Inc., Arlington, Virginia/USA, a wholly owned subsidiary of Volkswagen Finance Luxemburg, Strassen/Luxembourg, was established in fiscal year 2022. A new vehicle brand is to be created under the name of Scout, under which electrified all-terrain vehicles and pickups will be distributed in the USA from 2026. In order to finance the creation of the SCOUT brand, as well as vehicle development and production planning, an amount of around USD500 million is to be contributed to the company in fiscal year 2023. Payments of USD240 million had been made by June 30, 2023. The company has been included in the Volkswagen consolidated financial statements since January 1, 2023.

Argo AI

The process of winding down Argo AI, LLC, Pittsburgh/USA was initiated in the third quarter of 2022. In this context, Volkswagen contributed USD60 million to the company in the first half of 2023. The contribution was written down in full.

QuantumScape Corporation

In fiscal years 2020 and 2021, the Volkswagen Group acquired new shares in QuantumScape Corporation, San José/United States through forward purchase agreements resulting from a capital increase. Due to QuantumScape Corporation's simultaneous listing on the New York Stock Exchange, the forward purchase agreements had to be measured at the respective closing prices. As a consequence, a non-cash gain of €1.4 billion was recognized in the financial result in fiscal year 2020 and a non-cash expense of €0.6 billion in fiscal year 2021. In total, there was a non-cash increase of €0.8 billion.

Due to the share price performance in the first half of 2023, the Volkswagen Group conducted an impairment test on the shares in QuantumScape Corporation. The carrying amount was adjusted on the basis of the impairment test. This adjustment led to a non-cash expense of €0.3 billion in the second quarter of 2023, which is presented in the other financial result.

There Holding B.V.

There Holding B.V., Rijswijk/the Netherlands, is an investment company that holds shares in HERE International B.V., Eindhoven/the Netherlands, one of the world's largest producers of digital road maps for navigation systems. In the first half of 2023, capital transactions conducted at the level of There Holding B.V. increased the interest held by the Volkswagen Group in There Holding B.V. from 29.7% at the end of fiscal year 2022 to 30.6% at the end of the first six months of 2023. In addition, There Holding B.V. participated in several capital increases at HERE International B.V. in this period.

The share of the result of the equity-accounted investment in There Holding B.V. includes an expense of €92 million resulting from an impairment test on There Holding B.V.'s investment in HERE International B.V.

Basis of consolidation

In addition to Volkswagen AG, which is domiciled in Wolfsburg and entered in the commercial register at the Braunschweig Local Court under No. HRB 100484, the consolidated financial statements comprise all significant German and non-German subsidiaries, including structured entities, that 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.

IFRS 5 – NONCURRENT ASSETS HELD FOR SALE

Assets and disposal groups held for sale of the current fiscal year

In December 2022, Dr. Ing. h.c. F. Porsche AG, Stuttgart (Porsche AG) entered into an agreement with an independent, non-Group investor for the sale of two Russian sales companies in the Passenger Cars and Light Commercial Vehicles segment, OOO Porsche Russland, Moscow/Russia, and OOO Porsche Center Moscow, Moscow/Russia, as well as one company assigned to the Financial Services segment, OOO Porsche Financial Services Russland, Moscow/Russia. Moreover, a repurchase option was agreed with this investor, which can be exercised at the earliest five years and at the latest ten years after the sale. An impairment loss of €25 million was recognized for the disposal group as of December 31, 2022. Another minor impairment loss and offsetting currency translation effects were identified in the first half of 2023; they are recognized in the other operating result.

It was resolved in the fourth quarter of 2022 to sell the following fully consolidated subsidiaries allocated to the Financial Services segment: OOO Volkswagen Bank RUS, Moscow/Russia, OOO Volkswagen Group Finanz, Moscow/Russia, and OOO Volkswagen Financial Services RUS, Moscow/Russia. The resolution by the competent governing body was immediately followed by the implementation of a disposal plan, which is expected to be completed in the second half of 2023. Impairment losses resulting from measurement requirements under IFRS 5 were not recognized for the disposal group since the carrying amounts previously recognized had already covered the increased macroeconomic uncertainty and the status of the sales negotiations.

On December 15, 2022, the Supervisory Board of Volkswagen AG resolved to sell the MAN ES gas turbine business of MAN Energy Solutions SE, Augsburg, and MAN Energy Solutions Schweiz AG, Zurich/Switzerland, by way of an asset deal to CSIC Longjiang GH Gas Turbine Co. Ltd., Harbin/China, and its subsidiaries under German and Swiss law. The transaction is expected to be completed within fiscal year 2024.

In addition, the passenger car business of consolidated subsidiary EURO-Leasing GmbH, Sittensen, was classified as a disposal group held for sale as of June 30, 2023 in accordance with the provisions of IFRS 5. Following the resolution by the relevant boards in the first half of 2023, the disposal project is expected to be completed in the second half of 2023. According to the disposal plan, the passenger car business will first be demerged into a wholly owned subsidiary of EURO-Leasing GmbH and part of this will subsequently be sold. The disposal group as a whole is subject to the measurement provisions of IFRS 5 because it contains assets that fall under the scope of IFRS 5. The measurement of the disposal group at the lower of its carrying amount and fair value less disposal costs did not result in any requirement to recognize an impairment loss.

In total, assets of €288 million and liabilities of €98 million were presented as assets and liabilities held for sale in accordance with IFRS 5 in a separate line item of the balance sheet as of June 30, 2023. The assets and liabilities held for sale have been recognized at a lower of their carrying amount and fair value less expected costs of disposal.

Transactions completed in the current fiscal year

On March 3, 2023, the Supervisory Board of the Volkswagen Group resolved to sell OOO Volkswagen Group Rus, Kaluga/Russia, and its subsidiaries, OOO Scania Finance, Moscow/Russia, OOO Scania Insurance, Moscow/Russia, and OOO Scania Leasing, Moscow/Russia. These companies were consequently classified as a disposal group held for sale as of March 31, 2023. The sale was completed in May, 2023. Additional disclosures can be found in the “Key events” section.

Disclosures on the interim consolidated financial statements

1. Sales revenue

STRUCTURE OF GROUP SALES REVENUE: H1 2023

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total Segments	Reconciliation	Volkswagen Group
Vehicles	93,992	14,976	–	–	108,969	–9,460	99,508
Genuine parts	8,022	3,477	–	–	11,499	–100	11,399
Used vehicles and third-party products	6,375	1,298	–	11,107	18,780	–2,051	16,729
Engines, powertrains and parts deliveries	5,416	538	–	–	5,954	–38	5,917
Power Engineering	–	–	1,875	–	1,875	0	1,874
Motorcycles	560	–	–	–	560	–	560
Leasing business	479	784	0	8,616	9,879	–622	9,257
Interest and similar income	129	0	–	5,665	5,795	–413	5,382
Hedges sales revenue	–681	20	–	–	–662	89	–573
Other sales revenue	5,250	1,239	–	301	6,790	–585	6,205
	119,543	**22,331**	**1,875**	**25,689**	**169,437**	**–13,180**	**156,257**

STRUCTURE OF GROUP SALES REVENUE: H1 2022[1]

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total Segments	Reconciliation	Volkswagen Group
Vehicles	75,692	10,848	–	–	86,540	–6,771	79,768
Genuine parts	7,352	3,253	–	–	10,605	–76	10,529
Used vehicles and third-party products	5,831	1,138	–	10,608	17,576	–1,857	15,719
Engines, powertrains and parts deliveries	5,750	415	–	–	6,165	–35	6,129
Power Engineering	–	–	1,632	–	1,632	0	1,631
Motorcycles	457	–	–	–	457	–	457
Leasing business	310	850	0	8,177	9,338	–595	8,743
Interest and similar income	119	1	–	4,063	4,184	–207	3,977
Hedges sales revenue	–903	–11	–	–	–914	–22	–936
Other sales revenue	5,363	1,120	–	298	6,781	–586	6,195
	99,971	**17,613**	**1,632**	**23,146**	**142,362**	**–10,151**	**132,211**

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

Other sales revenue comprises revenue from workshop services and license revenue, among other things.

2. Cost of sales

Cost of sales includes interest expenses of €3,425 million (previous year: €1,228 million) attributable to the financial services business.

In addition to depreciation and amortization expenses, cost of sales also includes impairment losses on capitalized development costs, property, plant and equipment, and lease assets. The impairment losses totaled €532 million (previous year: €385 million); they are mostly recognized in the other operating result and in cost of sales.

3. Research and development costs

€ million	H1 2023	H1 2022	%
Total research and development costs	10,206	9,289	9.9
of which: capitalized development costs	5,197	4,762	9.1
Capitalization ratio in %	50.9	51.3	
Amortization of capitalized development costs	2,596	2,493	4.1
Research and development costs recognized in profit or loss	**7,605**	**7,019**	8.3

4. Earnings per share

Basic earnings per share are calculated by dividing earnings attributable to Volkswagen AG shareholders by the weighted average number of ordinary and preferred shares outstanding during the reporting period. Since there were no transactions in the reporting period that had a dilutive effect on the number of shares, diluted earnings per share are equivalent to basic earnings per share.

In accordance with Article 27(2) No. 3 of the Articles of Association of Volkswagen AG, preferred shares are entitled to a €0.06 higher dividend than ordinary shares.

		Q2 2023	Q2 2022[1]	H1 2023	H1 2022[1]
Weighted average number of:					
Ordinary shares – basic/diluted	Shares	295,089,818	295,089,818	295,089,818	295,089,818
Preferred shares – basic/diluted	Shares	206,205,445	206,205,445	206,205,445	206,205,445
Earnings after tax	€ million	3,791	3,912	8,521	10,655
Noncontrolling interests	€ million	402	23	784	63
Earnings attributable to Volkswagen AG hybrid capital investors	€ million	140	150	278	279
Earnings attributable to Volkswagen AG shareholders	€ million	3,250	3,739	7,459	10,313
of which: basic/diluted earnings attributable to ordinary shares	€ million	1,913	2,201	4,384	6,063
of which: basic/diluted earnings attributable to preferred shares	€ million	1,337	1,538	3,076	4,249
Earnings per ordinary share – basic/diluted	€	6.48	7.46	14.86	20.55
Earnings per preferred share – basic/diluted	€	6.48	7.46	14.92	20.61

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

5. Noncurrent assets

CHANGES IN SELECTED NONCURRENT ASSETS BETWEEN JANUARY 1 AND JUNE 30, 2023

€ million	Carrying amount at Jan. 1, 2023	Additions/ Changes in consolidated Group	Disposals/ Other changes	Depreciation and amortization	Carrying amount at June 30, 2023
Intangible assets	83,241	5,532	414	3,266	85,093
Property, plant and equipment	63,890	5,887	737	4,939	64,101
Lease assets	59,380	14,692	8,592	5,326	60,154

6. Inventories

€ million	June 30, 2023	Dec. 31, 2022
Raw materials, consumables and supplies	10,024	10,458
Work in progress	6,175	6,041
Finished goods and purchased merchandise	37,035	29,466
Current lease assets	6,074	5,170
Prepayments	1,492	1,165
Hedges on inventories	3	–26
	60,803	**52,274**

As in the prior-year period, it was not necessary to recognize or reverse significant impairment losses on inventories in the reporting period.

7. Current other receivables and financial assets

€ million	June 30, 2023	Dec. 31, 2022[1]
Trade receivables	21,771	18,534
Miscellaneous other receivables and financial assets	28,575	24,692
	50,346	**43,226**

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

In the period January 1 to June 30, 2023, impairment losses and reversals of impairment losses on noncurrent and current financial assets reduced operating profit by €313 million (previous year: €725 million). The prior-year figure is primarily the result of increased default risks due to the crisis situation in connection with the Russia-Ukraine conflict.

8. Equity

The subscribed capital is composed of 295,089,818 no-par value ordinary shares and 206,205,445 no-par value preferred shares, and amounts to €1,283 million (previous year: €1,283 million).

Noncontrolling interests are mainly attributable to the Porsche AG Group and the TRATON GROUP..

9. Noncurrent financial liabilities

€ million	June 30, 2023	Dec. 31, 2022
Bonds, commercial paper and notes	88,119	89,869
Liabilities to banks	21,912	23,266
Deposit business	4,857	2,642
Lease liabilities	5,111	5,283
Other financial liabilities	682	677
	120,681	**121,737**

10. Current financial liabilities

€ million	June 30, 2023	Dec. 31, 2022
Bonds, commercial paper and notes	45,694	38,523
Liabilities to banks	20,562	18,840
Deposit business	30,407	24,107
Lease liabilities	1,064	1,102
Other financial liabilities	1,304	876
	99,032	**83,448**

11. Fair value disclosures

Generally, the principles and techniques used for fair value measurement remained unchanged year-on-year. Detailed explanations of the measurement principles and techniques can be found in the “Accounting policies” section of the 2022 consolidated financial statements.

Fair value generally corresponds to the market or quoted market price. If no active market exists, fair value is determined using valuation techniques, such as by discounting the future cash flows at the market interest rate, or by using recognized option pricing models.

Financial assets and liabilities measured at fair value through profit or loss consist of derivative financial instruments to which hedge accounting is not applied. They include primarily commodity futures, currency forwards relating to commodity futures, call options on equity instruments as well as, in certain cases, interest rate swaps, currency swaps and cross-currency interest rate swaps. Moreover, other equity investments (shares representing an ownership interest of less than 20% as a rule) in partnerships (debt instruments), customer financing receivables whose returns contain more than just interest and principal repayments, and financial assets held in special funds controlled by the Volkswagen Group are measured at fair value through profit or loss. Derivative financial instruments to which hedge accounting is applied are measured at fair value either directly in equity or through profit or loss, depending on the underlying hedged item.

Financial assets measured at fair value through other comprehensive income include equity investments (shares representing an ownership interest of less than 20% as a rule) in corporations (equity instruments) and shares for which the Volkswagen Group normally exercises the option of fair value measurement through other comprehensive income, as well as securities (debt instruments) whose cash flows comprise solely payments of interest and principal and that are held under a business model aimed at both collecting contractual cash flows and selling financial assets. For instruments measured through other comprehensive income, changes in fair value are recognized directly in equity, taking deferred taxes into account. Impairment losses on securities (debt instruments) are recognized through profit or loss.

Uniform valuation techniques and inputs are used to measure fair value. The fair value of Level 2 and Level 3 financial instruments is measured in the individual divisions on the basis of Group-wide specifications.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS

The following table shows the reconciliation of the balance sheet items to the relevant classes of financial instruments, broken down by the carrying amount and fair value of the financial instruments.

The fair value of financial instruments measured at amortized cost, such as receivables and liabilities, is calculated by discounting the carrying amount using a market rate of interest for a similar risk and matching maturity. For reasons of materiality, the fair value of current financial assets and liabilities is generally deemed to be their carrying amount.

The risk variables governing the fair value of the receivables are risk-adjusted interest rates.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF JUNE 30, 2023

	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO A MEASUREMENT CATEGORY	BALANCE SHEET ITEM AT JUNE 30, 2023
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	10,536	10,536
Other equity investments	354	–	–	–	3,648	4,003
Financial services receivables	125	52,049	51,925	–	38,048	90,222
Other financial assets	3,178	5,898	5,830	3,841	–	12,917
Tax receivables	–	–	–	–	412	412
Current assets						
Trade receivables	–	21,771	21,771	–	0	21,771
Financial services receivables	21	43,035	43,035	–	19,883	62,940
Other financial assets	2,127	13,829	13,829	1,655	–	17,611
Tax receivables	–	4	4	–	1,809	1,813
Marketable securities and time deposits	25,472	420	420	–	–	25,892
Cash and cash equivalents	–	37,129	37,129	–	–	37,129
Assets held for sale	–	91	91	–	197	288
Noncurrent liabilities						
Financial liabilities	–	115,570	112,194	–	5,111	120,681
Other financial liabilities	1,865	2,638	2,523	3,788	–	8,292
Current liabilities						
Financial liabilities	–	97,968	97,968	–	1,064	99,032
Trade payables	–	31,885	31,885	–	–	31,885
Other financial liabilities	1,118	11,821	11,821	1,476	–	14,415
Tax payables	–	13	13	–	611	624
Liabilities associated with assets held for sale	–	41	41	–	56	98

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2022[1]

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT ALLOCATED TO A MEASUREMENT CATEGORY	BALANCE SHEET ITEM AT DEC. 31 , 2022
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	12,668	12,668
Other equity investments	342	–	–	–	3,147	3,489
Financial services receivables	178	51,557	50,721	–	35,209	86,944
Other financial assets	4,735	5,626	5,533	3,471	–	13,832
Tax receivables	–	–	–	–	394	394
Current assets						
Trade receivables	1	18,533	18,533	–	0	18,534
Financial services receivables	24	41,644	41,644	–	19,881	61,549
Other financial assets	2,845	11,032	11,032	1,270	–	15,148
Tax receivables	–	10	10	–	1,721	1,732
Marketable securities and time deposits	24,560	12,646	12,646	–	–	37,206
Cash and cash equivalents	–	29,172	29,172	–	–	29,172
Assets held for sale	–	570	570	–	163	733
Noncurrent liabilities						
Financial liabilities	–	116,455	112,101	–	5,283	121,737
Other financial liabilities	1,518	2,623	2,502	4,047	–	8,188
Current liabilities						
Financial liabilities	–	82,346	82,346	–	1,102	83,448
Trade payables	–	28,738	28,738	–	–	28,738
Other financial liabilities	1,004	17,372	17,372	1,430	–	19,807
Tax payables	–	17	17	–	709	726
Liabilities associated with assets held for sale	–	132	132	–	26	158

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

The category headed “not allocated to a measurement category” is used in particular for shares in equity-accounted investments, shares in non-consolidated affiliated companies as well as for lease receivables.

The carrying amount of lease receivables was €57.9 billion (previous year: €55.1 billion) and their fair value was €56.9 billion (previous year: €54.1 billion).

The following tables contain an overview of the financial assets and liabilities measured at fair value:

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE BY LEVEL

€ million	June 30, 2023	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	354	104	–	251
Financial services receivables	125	–	–	125
Other financial assets	3,178	–	1,931	1,246
Current assets				
Trade receivables	–	–	–	–
Financial services receivables	21	–	–	21
Other financial assets	2,127	–	1,699	428
Marketable securities and time deposits	25,472	25,397	75	–
Noncurrent liabilities				
Other financial liabilities	1,865	–	1,704	161
Current liabilities				
Other financial liabilities	1,118	–	1,098	21

€ million	Dec. 31, 2022	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	342	91	0	251
Financial services receivables	178	–	–	178
Other financial assets	4,735	–	2,571	2,165
Current assets				
Trade receivables	1	–	–	1
Financial services receivables	24	–	–	24
Other financial assets	2,845	–	2,283	562
Marketable securities and time deposits	24,560	24,487	73	–
Noncurrent liabilities				
Other financial liabilities	1,518	–	1,439	79
Current liabilities				
Other financial liabilities	1,004	–	982	23

DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING BY LEVEL

€ million	June 30, 2023	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	3,841	–	3,841	–
Current assets				
Other financial assets	1,655	–	1,655	–
Noncurrent liabilities				
Other financial liabilities	3,788	–	3,788	–
Current liabilities				
Other financial liabilities	1,476	–	1,476	–

€ million	Dec. 31, 2022	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	3,471	–	3,471	–
Current assets				
Other financial assets	1,270	–	1,270	–
Noncurrent liabilities				
Other financial liabilities	4,047	–	4,047	–
Current liabilities				
Other financial liabilities	1,430	–	1,430	–

The allocation of fair values to the three levels in the fair value hierarchy is based on the availability of observable market prices. Level 1 is used to report the fair value of financial instruments for which a price is directly available in an active market. Examples include marketable securities and other equity investments measured at fair value. Fair values in Level 2, for example of derivatives, are measured on the basis of market inputs using market-based valuation techniques. In particular, the inputs used include exchange rates, yield curves, commodity prices and stock exchange prices of listed shares that are observable in the relevant markets and obtained through pricing services. Fair Values in Level 3 are calculated using valuation techniques that incorporate inputs that are not directly observable in active markets. In the Volkswagen Group, long-term commodity futures are allocated to Level 3 because the prices available on the market must be extrapolated for measurement purposes. This is done on the basis of observable inputs obtained for the different commodities through pricing services. Options on equity instruments, residual value protection models, customer financing receivables and receivables from vehicle financing programs are also reported in Level 3. Equity instruments are measured primarily using the relevant business plans and entity-specific discount rates. The significant inputs used to measure fair value for the residual value protection models include forecasts and estimates of used vehicle residual values for the appropriate models. The measurement of vehicle financing programs requires in particular the use of the corresponding vehicle price.

The table below provides a summary of changes in Level 3 balance sheet items measured at fair value:

CHANGES IN BALANCE SHEET ITEMS MEASURED AT FAIR VALUE BASED ON LEVEL 3

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2023	**3,176**	**102**
Foreign exchange differences	–21	3
Changes in consolidated Group	0	–
Total comprehensive income	–685	100
recognized in profit or loss	–678	100
recognized in other comprehensive income	–8	–
Additions (purchases)	54	–
Sales and settlements	–249	–
Transfers into Level 2	–203	–22
Balance at June 30, 2023	**2,071**	**182**
Total gains or losses recognized in profit or loss	**–678**	**–100**
Other operating result	–679	–100
of which attributable to assets/liabilities held at the reporting date	–579	–88
Financial result	1	–
of which attributable to assets/liabilities held at the reporting date	0	–

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2022	**2,119**	**303**
Foreign exchange differences	86	–3
Changes in consolidated Group	–	–
Total comprehensive income	995	–104
recognized in profit or loss	983	–104
recognized in other comprehensive income	12	–
Additions (purchases)	114	–
Sales and settlements	–113	–49
Transfers into Level 1	–	–
Transfers into Level 2	–374	–12
Balance at June 30, 2022	**2,827**	**135**
Total gains or losses recognized in profit or loss	**983**	**104**
Other operating result	944	104
of which attributable to assets/liabilities held at the reporting date[1]	664	109
Financial result	39	–
of which attributable to assets/liabilities held at the reporting date	–	–

1 Prior-year figures adjusted.

The transfers between the levels of the fair value hierarchy are reported at the respective reporting dates. The transfers out of Level 3 into Level 2 comprise commodity futures for which observable quoted prices are now available for measurement purposes due to the decline in their remaining maturities; consequently, no further extrapolation is required.

Commodity prices are the key risk variable for the fair value of commodity futures. Sensitivity analyses are used to present the effect of changes in commodity prices on earnings after tax and equity.

If commodity prices for commodity futures classified as Level 3 had been 10% higher (lower) as of June 30, 2023, earnings after tax would have been €233 million (previous year: €270 million) higher (lower). Beyond that, equity would not be affected.

The key risk variable for measuring options on equity instruments held by the Company is the relevant enterprise value. Sensitivity analyses are used to present the effect of changes in risk variables on earnings after tax.

If the assumed enterprise values at June 30, 2023 had been 10% higher, earnings after tax would have been €2 million (previous year: €6 million) higher. If the assumed enterprise values as of June 30, 2023 had been 10% lower, earnings after tax would have been €2 million (previous year: €6 million) lower.

Residual value risks result from hedging agreements with dealerships under which earnings effects caused by market-related fluctuations in residual values that arise from buy-back obligations under leases are borne in part by the Volkswagen Group.

The key risk variable influencing the fair value of the options relating to residual value risks is used car prices. Sensitivity analyses are used to quantify the effects of changes in used car prices on earnings after tax.

If the prices of the used cars covered by the residual value protection model had been 10% higher as of June 30, 2023, earnings after tax would have been €452 million (previous year: €444 million) higher. If the prices of the used cars covered by the residual value protection model had been 10% lower as of June 30, 2023, earnings after tax would have been €483 million (previous year: €483 million) lower.

If the risk-adjusted interest rates applied to receivables measured at fair value had been 100 basis points higher as of June 30, 2023, earnings after tax would have been €6 million (previous year: €8 million) lower. If the risk-adjusted interest rates as of June 30, 2023 had been 100 basis points lower, earnings after tax would have been €4 million (previous year: €4 million) higher.

If the corresponding vehicle price used in the vehicle financing programs had been 10% higher as of June 30, 2023, earnings after tax would have been €7 million (previous year: €9 million) higher. If the corresponding vehicle prices used in the vehicle financing programs had been 10% lower as of June 30, 2023, earnings after tax would have been €7 million (previous year: €9 million) lower.

If the result of operations of equity investments measured at fair value had been 10% better as of June 30, 2023, equity would have been €8 million (previous year: €15 million) higher, and earnings after tax would have been €5 million (previous year: €4 million) higher. If the result of operations of equity investments measured at fair value had been 10% worse, equity would have been €8 million (previous year: €15 million) lower, and earnings after tax would have been €5 million (previous year: €4 million) lower.

12. Cash flow statement

The cash flow statement presents the cash inflows and outflows in the Volkswagen Group and in the Automotive and Financial Services divisions. Cash and cash equivalents comprise cash at banks, checks, cash-in-hand and call deposits.

€ million	June 30, 2023	June 30, 2022
Cash and cash equivalents as reported in the balance sheet	37,129	33,921
Cash and cash equivalents held for sale	70	33
Time deposits	–	–38
Cash and cash equivalents as reported in the cash flow statement	**37,199**	**33,916**

Cash inflows and outflows from financing activities are presented in the following table:

	H1	
€ million	2023	2022
Capital contributions/Capital redemptions	0	1,262
Dividends paid	–11,417	–4,258
Capital transactions with noncontrolling interest shareholders	–8	–
Proceeds from issuance of bonds	16,804	13,534
Repayments of bonds	–13,991	–14,014
Changes in other financial liabilities	12,218	–5,075
Repayments of lease liabilities	–596	–658
	3,010	**–9,210**

13. Segment reporting

Segments are identified on the basis of the Volkswagen Group's internal management and reporting. In line with the Group's multibrand strategy, each of its brands (operating segments) is managed by its own Board of Management. The Group targets and requirements laid down by the Board of Management of Volkswagen AG must be complied with. Segment reporting comprises four reportable segments: Passenger Cars and Light Commercial Vehicles, Commercial Vehicles, Power Engineering and Financial Services.

The activities of the Passenger Cars and Light Commercial Vehicles segment cover the development of vehicles, engines and vehicle software, the production and sale of passenger cars and light commercial vehicles, and the corresponding genuine parts business. In the Passenger Cars and Light Commercial Vehicles reporting segment, the individual brands are combined into a single reportable segment, in particular as a response to the high degree of technological and economic interlinking in the production network. Furthermore, there is collaboration within key areas such as procurement, research and development or treasury.

The Commercial Vehicles segment primarily comprises the development, production and sale of trucks and buses, the corresponding genuine parts business and related services. As in the case of the passenger car brands, there is collaboration within the areas procurement, development and sales. The aim is to create closer cooperation within the business areas.

The Power Engineering segment combines the large-bore diesel engines, turbomachinery and propulsion components businesses.

The activities of the Financial Services segment comprise dealership and customer financing, leasing, banking and insurance activities, fleet management and mobility services. In this segment, activities are combined for reporting purposes taking into particular account the comparability of the type of services and of the regulatory environment.

Purchase price allocation for companies acquired is allocated directly to the corresponding segments.

At Volkswagen, segment profit or loss is measured on the basis of the operating result.

The reconciliation contains activities and other operations that by definition do not constitute segments. It also includes the unallocated Group financing activities. Consolidation adjustments between the segments are also contained in the reconciliation.

As a matter of principle, business relationships between the companies within the segments of the Volkswagen Group are transacted at arm's length prices.

REPORTING SEGMENTS: H1 2023

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	108,476	21,851	1,874	23,787	155,988	269	156,257
Intersegment sales revenue	11,067	481	0	1,901	13,449	–13,449	–
Total sales revenue	119,543	22,331	1,875	25,689	169,437	–13,180	156,257
Segment result (operating result)	10,827	1,796	206	2,226	15,056	–3,709	11,347

REPORTING SEGMENTS: H1 2022[1]

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	91,677	17,045	1,631	21,680	132,033	178	132,211
Intersegment sales revenue	8,294	569	0	1,466	10,329	–10,329	–
Total sales revenue	99,971	17,613	1,632	23,146	142,362	–10,151	132,211
Segment result (operating result)	10,529	618	129	3,094	14,369	–1,550	12,820

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

RECONCILIATION

€ million	H1 2023	H1 2022[1]
Segment result (operating result)	**15,056**	**14,369**
Unallocated activities	70	22
Group financing	–5	–16
Consolidation/Holding company function	–3,775	–1,555
Operating result	**11,347**	**12,820**
Financial result	**552**	**1,235**
Consolidated earnings before tax	**11,898**	**14,055**

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

14. Related party disclosures

Porsche Automobil Holding SE (Porsche SE) holds the majority of the voting rights in Volkswagen AG.

The creation of rights of appointment for the State of Lower Saxony was resolved at the extraordinary General Meeting of Volkswagen AG on December 3, 2009. This means that, even though it holds the majority of voting rights in Volkswagen AG, Porsche SE cannot appoint the majority of the members of Volkswagen AG's Supervisory Board for as long as the State of Lower Saxony holds at least 15% of Volkswagen AG's ordinary shares. However, Porsche SE is therefore classified as a related party as defined by IAS 24.

IPO OF PORSCHE AG

On September 28, 2022, Volkswagen placed 25% of the preferred shares (including additional allocations) of its subsidiary Porsche AG with investors. These preferred shares have been traded on the stock exchange since the day after the placement. The basis for the IPO was a comprehensive agreement to enter into a number of contracts between Volkswagen and Porsche SE. In this context, the two parties agreed that Porsche SE would acquire 25% of the ordinary shares of Porsche AG plus one ordinary share from Volkswagen. See the disclosures provided in the consolidated financial statements as of December 31, 2022.

The resolution of the extraordinary General Meeting of Volkswagen AG on December 16, 2022 gave rise to the obligation to pay a special dividend and led to a total obligation to the shareholders of Volkswagen AG amounting to €9.6 billion as of December 31, 2022. Out of the total, an amount of €3.1 billion was attributable to Porsche SE.

Volkswagen AG and Porsche SE agreed to offset the obligation to pay a special dividend to Porsche SE against Volkswagen AG's claim to the payment of the purchase price still outstanding for the second tranche of ordinary shares. In the consolidated financial statements as of December 31, 2022, the purchase price receivable and the dividend liability were therefore presented on a net basis. Upon payment of the special dividend on January 9, 2023, the netting process was completed.

In connection with the IPO of Porsche AG, Volkswagen AG had also assumed obligations for dividend distributions of Porsche AG in 2022. The corresponding dividend of the same amount was resolved at the Annual General Meeting of Porsche AG on June 28, 2023 and paid on July 3, 2023. €114 million of this dividend was attributable to Porsche SE.

OTHER RELATED PARTY DISCLOSURES IN ACCORDANCE WITH IAS 24

	SUPPLIES AND SERVICES RENDERED H1		SUPPLIES AND SERVICES RECEIVED H1	
€ million	2023	2022	2023	2022
Porsche SE and its majority interests	1	1	0	0
Supervisory Board members	1	1	2	0
Unconsolidated subsidiaries	795	390[1]	954	789
Joint ventures and their majority interests	7,132	8,050	609	325
Associates and their majority interests	199	181	1,485	791
State of Lower Saxony, its majority interests and joint ventures	8	6	2	5

1 Prior-year figures adjusted.

€ million	RECEIVABLES FROM		LIABILITIES (INCLUDING OBLIGATIONS) TO	
	June 30, 2023	Dec. 31, 2022	June 30, 2023	Dec. 31, 2022[1]
Porsche SE and its majority interests	0	1	114	136
Supervisory Board members	0	0	230	276
Unconsolidated subsidiaries	1,493	1,346	2,445	1,865
Joint ventures and their majority interests	16,691	14,046	3,012	2,740
Associates and their majority interests	799	625	1,288	1,096
State of Lower Saxony, its majority interests and joint ventures	24	255	1	1,127

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

The tables above do not contain the dividend payments (net of withholding tax) of €1,091 million (previous year: €497 million) received from joint ventures and associates and the dividends of €1,415 million (previous year: €1,201 million) paid to Porsche SE.

Receivables from joint ventures are primarily attributable to loans granted in an amount of €11,753 million (December 31, 2022: €10,350 million) as well as trade receivables in an amount of €3,539 million (December 31, 2022: €3,491 million). Receivables from non-consolidated subsidiaries also result primarily from loans granted in an amount of €849 million (December 31, 2022: €727 million) as well as trade receivables in an amount of €204 million (December 31, 2022: €222 million).

Outstanding related party receivables include doubtful receivables on which impairment losses of €19 million (previous year: €43 million) were recognized. This incurred expenses of €2 million (previous year: €27 million) in the first half of 2023.

In addition, the Volkswagen Group has furnished guarantees to external banks on behalf of related parties in the amount of €286 million (December 31, 2022: €296 million).

Between January and June 2023, the Volkswagen Group made capital contributions of €490 million (previous year: €2,187 million) at related parties.

Obligations to members of the Supervisory Board relate primarily to interest-bearing bank balances of Supervisory Board members that were invested at standard market terms and conditions at Volkswagen Group companies.

Transactions with related parties are regularly conducted on an arm's length basis. Some of these transactions also include reservation of title clauses.

15. Litigation

DIESEL ISSUE

1. Criminal and administrative proceedings worldwide (excluding the USA/Canada)
The Braunschweig Office of the Public Prosecutor conducted investigations on suspicion of fraud in connection with type EA 288 engines. The proceedings against the accused employees and against Volkswagen AG were terminated in late 2022 and early 2023, definitively against payment of a sum set by the court in the case of three of the accused persons and provisionally as regards four others.

In late June 2023, the Munich II Regional Court handed down a judgment in the criminal proceedings commenced in June 2020 for, among other things, alleged fraud in connection with the diesel issue involving 3.0 l and 4.2 l TDI engines. A former Chairman of the Board of Management of AUDI AG and the other two defendants were sentenced to prison terms, the enforcement of which was in each case suspended subject to probation. In each case, the conditions of probation include paying a sum set by the court. The judgment is at present not yet final as all three defendants as well as the office of the public prosecutor have filed appeals. The proceedings against an additional former defendant were terminated by the Munich II Regional Court in April 2023 against payment of a sum set by the court.

In a trial level decision rendered in late February 2023, the Schleswig Administrative Court had granted the relief requested in a lawsuit brought by Deutsche Umwelthilfe (DUH – Environmental Action Germany) against the Kraftfahrt-Bundesamt (KBA – German Federal Motor Transport Authority) and invalidated the notice of approval for a software update for certain older Golf Plus model vehicles to the extent this notice classified the thermal window feature, the altitude correction feature, and the taxi switch feature as permissible deactivation devices (defeat devices). The so-called thermal window in question is a temperature-dependent exhaust gas recirculation function. Altitude correction refers to altitude-dependent exhaust gas recirculation. The taxi switch modifies exhaust gas recirculation when a vehicle with a running engine stands motionless for a certain period of time. Volkswagen AG is involved in the litigation as an interested party summoned. In late April 2023, Volkswagen AG and the KBA filed an appeal against the judgment of the Schleswig Administrative Court. This decision is thus not legally final. DUH has filed two additional lawsuits with the Schleswig Administrative Court. The first action contests the notices of approval for further Audi and Porsche brand vehicles equipped with type EA 189 engines as well as with selected V-TDI engines; the second action is directed against all Group diesel vehicles with the EU5 and EU6b/c exhaust emission standard.

2. Product-related lawsuits worldwide (excluding the USA/Canada)
In Brazil, the appeal filed by the plaintiff against the October 2021 trial court judgment dismissing its complaint in the second consumer protection class action, which pertains to roughly 67 thousand Amarok vehicles, was rejected by the appellate court in June 2023.

In the Netherlands class action seeking monetary damages, the Diesel Emissions Justice Foundation has limited its appeal against the March 2022 interlocutory judgment solely to the applicability of the new class action regime, hence the decision of the Amsterdam court that it lacks jurisdiction to hear lawsuits brought by consumers outside the Netherlands is final and binding.

In Portugal, the Supreme Court dismissed the class action in July 2023 as inadmissible because the plaintiff consumer organization lacked standing to sue.

In late June 2023, the Bundesgerichtshof (BGH – Federal Court of Justice) handed down judgments in lawsuits against Volkswagen AG and AUDI AG posing the issue as to how the case law of the European Court of Justice (ECJ) on the potential claims of buyers under European type approval law should be implemented in German law. The BGH held that the negligent use of an impermissible defeat device may in principle entitle plaintiffs to differential damages amounting to 5 % to 15 % of their vehicle's purchase price. Whether this claim is given in a particular instance is for the appeals courts to determine. The BGH stated that it did not matter whether the limits in the NEDC testing procedure would be complied with even when system functioning was modified. The BGH held that liability does not arise where the manufacturer is not at fault, e.g. because the relevant public authority had approved the deactivation device in its specific configuration and taking account of identified combinations of deactivation devices, or would have done so upon request. Where a claim for differential damages exists in principle, the buyer must furthermore accept an offset for the benefit derived from using the vehicle and for the vehicle's value to the extent these exceed the vehicle's diminished value. An implemented software update may also potentially mitigate damages.

3. Lawsuits filed by investors worldwide (excluding the USA/Canada)
In the investor action for model declaratory judgment before the Braunschweig Higher Regional Court, the court issued a notification ruling in March 2023, in light of the unforeseeably long remaining duration of the litigation, suggested that the parties each consider their willingness to enter into out-of-court settlement negotiations. Without prejudice to its legal position, Volkswagen AG has indicated that it is prepared to consider the Braunschweig Higher Regional Court's suggestion. In July 2023, the Braunschweig Higher Regional Court issued an order for the taking of evidence including the examination of numerous persons as well as the production and consultation of documents and records. The mandated taking of evidence focuses initially on whether the Board of Management of Volkswagen AG or individual members thereof and/or individual members of Volkswagen AG's Ad Hoc Disclosure Clearing Office had or, reflecting Volkswagen AG's state of knowledge, lacked knowledge of the installation of switching devices prohibited under US law in Volkswagen AG vehicles, as well as on the conceptions of these persons regarding the potential share price impact of the information that each respectively possessed. The taking of testimony to begin in the fall of 2023.

In the model case proceedings against Porsche Automobil Holding SE (Porsche SE), in which Volkswagen AG intervened as a third party supporting a party to the dispute, the Stuttgart Higher Regional Court rendered a model declaratory judgment in late March 2023. Based on the determinations made in the model declaratory judgment and the current substantive status of the underlying actions, all of the suspended investor lawsuits against Porsche SE would in effect have to be dismissed. The model declaratory judgment is not yet final. The model case plaintiff, several interested parties summoned, and Porsche SE have petitioned the BGH for review on points of law. Volkswagen AG has declared its intervention as a third-party supporting the petition for review of Porsche SE.

4. Special audit
Following the rulings of the Federal Constitutional Court in November 2022 finding both constitutional complaints lodged by Volkswagen AG to be meritorious, the proceedings before the Hanover Regional Court, which had been stayed pending decision by the Federal Constitutional Court, have been resumed as a result of these rulings. The subject of these proceedings is a motion seeking appointment of a special auditor for Volkswagen AG to examine matters relating to the diesel issue.

ADDITIONAL IMPORTANT LEGAL CASES

In July 2021, the European Commission assessed a fine totaling roughly €502 million against Volkswagen AG, AUDI AG, and Dr. Ing. h.c. F. Porsche AG pursuant to a settlement decision. Volkswagen declined to file an appeal, hence the decision became final in 2021. 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. Based on the facts of the EU case, in April 2023 the Korean competition authority KFTC issued the administrative fine decision that it had announced in its February 2023 press release. As announced, no fine was imposed on Volkswagen AG, and Porsche AG is not affected by the decision. A fine equaling just under €3 million was assessed against AUDI AG. AUDI AG and Volkswagen AG have appealed the decision to the relevant court in Seoul/Korea.

In April 2023, the English Competition and Markets Authority (CMA) filed an appeal against the February 2023 judgment upholding the claim of Volkswagen AG in an action for judicial review. The action challenged the requests for information issued to Volkswagen AG by CMA in the context of CMA's investigations with respect to Volkswagen Group UK, it being the position of Volkswagen AG that CMA lacks jurisdiction to issue them. Volkswagen AG continues to examine the possibilities for reasonable cooperation with CMA.

Both of the lawsuits that Greenpeace is supporting against Volkswagen AG were dismissed in February 2023 by the Braunschweig Regional Court and the Detmold Regional Court. The lawsuits seek to compel Volkswagen AG to initially reduce in stages and by 2029 completely cease its production and placement into the stream of commerce of vehicles with internal combustion engines, as well as to reduce greenhouse gas emissions from development, production, and marketing (including third party vehicle use). They would furthermore compel Volkswagen AG to exercise influence over Group companies, subsidiaries, and joint ventures so as to cause them to fulfill these demands as well. The plaintiffs have filed appeals against the judgments dismissing their complaints (appeals filed in March 2023 with the Braunschweig Higher Regional Court and in April 2023 with the Hamm Higher Regional Court).

In Russia, Automobile Plant "GAZ" LLC (GAZ) has filed several judicial proceedings against Volkswagen AG and others alleging damage claims totaling around 44 billion Russian ruble. In this connection, GAZ applied for and in some cases initially obtained protective measures relating to the shares in Volkswagen Group Rus OOO (VGR) as well as to the movable and immovable property of VGR; the courts either rejected or have since vacated these measures. GAZ has appealed these decisions rejecting or vacating protective measures relative to the movable and immovable property of VGR; this appeal has since been rejected at the first appeals level. In May 2023, Volkswagen AG completed the sale of its shares in VGR and its local subsidiaries to Art-Finance LLC, thereby transferring title to the shares in VGR and its local subsidiaries to the buyer upon registration of the transaction. Volkswagen Group Rus was renamed AGR LLC in June 2023. Volkswagen AG is defending itself in all proceedings.

In line with IAS 37.92, no further statements have been made concerning estimates of the financial impact or regarding uncertainties as to the amount or maturity of provisions and contingent liabilities in relation to the legal risks. This is so as to not compromise the results of the proceedings or the interests of the Company.

Beyond these events, there were no significant changes in the reporting period compared with the disclosure on the Volkswagen Group's expected development in fiscal year 2023 contained in the combined management report of the 2022 Annual Report in the sections "Report on Expected Developments" and "Report on Risks and Opportunities", including in section "Legal Risks".

16. Contingent liabilities

As of June 30, 2023, there were no material changes to the contingent liabilities as reported in the 2022 annual report.

17. Other financial obligations

Compared with the 2022 consolidated financial statements, other financial obligations went up by €2.2 billion to €37.6 billion. The rise was due mainly to higher purchase commitments for property, plant and equipment.

Significant events after the balance sheet date

On July 26, 2023, Volkswagen entered into an agreement with the electric vehicle company XPeng Inc., Cayman Islands, to acquire up to 4.99% of the ordinary shares of XPeng Inc. for a total purchase price of up to USD710 million. The transaction is expected to close in the fourth quarter of 2023. At the same time, a technological framework agreement was signed with Guangdong Xiaopeng Automotive Technology Co. Ltd., Guangzhou/People's Republic of China, a subsidiary company of XPeng Inc., for the joint development of electric vehicles in China.

Wolfsburg, July 25, 2023

Volkswagen Aktiengesellschaft

The Board of Management

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting and with generally accepted accounting principles, the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Wolfsburg, July 25, 2023

Volkswagen Aktiengesellschaft

The Board of Management

Review Report

On completion of our review, we issued the following unqualified review report dated 26 July 2023 in German language. The following text is a translation of this review report. The German text is authoritative:

To VOLKSWAGEN AKTIENGESELLSCHAFT

We have reviewed the condensed interim consolidated financial statements of VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, – comprising the condensed income statement, condensed statement of comprehensive income, condensed balance sheet, condensed statement of changes in equity, condensed cash flow statement as well as selected explanatory notes – and the interim group management report for the period from 1 January 2023 to 30 June 2023, which are part of the half-year financial report pursuant to Sec. 115 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The preparation of the condensed interim consolidated financial statements in accordance with IFRSs (International Financial Reporting Standards) on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's executive directors. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and of the interim group management report in compliance with German Generally Accepted Standards for the Review of Financial Statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and thus cannot issue an auditor's report.

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Hanover, 26 July 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Meyer	Matischiok
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Glossary

Selected terms at a glance

Hybrid notes
Hybrid notes issued by Volkswagen are classified in their entirety as equity. The issuer has call options at defined dates during their perpetual maturities. They pay a fixed coupon until the first possible call date, followed by a variable rate depending on their terms and conditions.

Modular Electric Drive Toolkit (MEB)
The modular system is for the manufacturing of electric vehicles. The MEB establishes parameters for axles, drive systems, high-voltage batteries, wheelbases and weight ratios to ensure a vehicle optimally fulfills the requirements of e-mobility. The production of the first vehicles based on the MEB started into series production in 2020.

Plug-in hybrid
Performance levels of hybrid vehicles. Plug-in hybrid electric vehicles (PHEVs) have a larger battery with a correspondingly higher capacity that can be charged via the combustion engine, the brake system, or an electrical outlet. This increases the range of the vehicle.

Capitalization ratio
The capitalization ratio is defined as the ratio of capitalized development costs to total research and development costs in the Automotive Division. It shows the proportion of primary research and development costs subject to capitalization.

Equity ratio
The equity ratio measures the percentage of total assets attributable to shareholders' equity as of a reporting date. This ratio indicates the stability and financial strength of the company and shows the degree of financial independence.

Gross margin
Gross margin is the percentage of sales revenue attributable to gross profit in a period. Gross margin provides information on profitability net of cost of sales.

Net cash flow
Net cash flow in the Automotive Division represents the excess funds from operating activities available for dividend payments, for example. It is calculated as cash flows from operating activities less cash flows from investing activities attributable to operating activities.

Net liquidity
Net liquidity in the Automotive Division is the total of cash, cash equivalents, securities, loans and time deposits not financed by third-party borrowings. To safeguard our business activities, we have formulated the strategic target that net liquidity in the Automotive Division should amount to approximately 10% of the consolidated sales revenue.

Operating result
Sales revenue, which does not include the figures for our equity-accounted Chinese joint ventures, reflects our market success in financial terms. Following adjustment for our use of resources, the operating result reflects the Company's actual business activity and documents the economic success of our core business.

Operating return on sales
The operating return on sales is the ratio of the operating result to sales revenue.

Ratio of capex to sales revenue
The ratio of capex (investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs) to sales revenue in the Automotive Division reflects both our innovative power and our future competitiveness. It shows our capital expenditure – largely for modernizing and expanding our product range and for environmentally friendly drivetrains, as well as for adjusting the production capacity and improving production processes – in relation to the Automotive Division's sales revenue.

Research and development ratio
The research and development ratio (R&D ratio) in the Automotive Division shows total research and development costs in relation to sales revenue. Research and development costs comprise a range of expenses, from futurology through to the development of marketable products. Particular emphasis is placed on the environmentally friendly orientation of our product portfolio. The R&D ratio underscores the efforts made to ensure the Company's future viability: the goal of competitive profitability geared to sustainable growth.

Return on sales before tax
The return on sales is the ratio of profit before tax to sales revenue in a period, expressed as a percentage. It shows the level of profit generated for each unit of sales revenue. The return on sales provides information on the profitability of all business activities before deducting income tax expense.

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FINANCIAL CALENDAR

October 26, 2023	
Interim Report January – September 2023	

This document is an English translation of the original report written in German. In case of discrepancies, the German version shall take precedence.

This Interim Report is also available on the Internet, in German and English, at:
www.volkswagen-group.com/en/investors-15766

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