VOLKSWAGEN GROUP

Interim Report

January – March 2023

Key Figures

VOLKSWAGEN GROUP

	Q1		
	2023	2022[1]	%
Volume Data[2] in thousands			
Deliveries to customers (units)	2,041	1,898	+7.5
Vehicle sales (units)	2,124	1,995	+6.5
Production (units)	2,273	2,044	+11.2
Employees (on March 31, 2023/Dec. 31, 2022)	676.9	675.8	+0.2
Financial Data (IFRSs), € million			
Sales revenue	76,198	62,711	+21.5
Operating result before special items	5,747	8,458	–32.1
Operating return on sales before special items (%)	7.5	13.5	
Special items	0	–130	x
Operating result	5,747	8,328	–31.0
Operating return on sales (%)	7.5	13.3	
Earnings before tax	6,453	8,916	–27.6
Return on sales before tax (%)	8.5	14.2	
Earnings after tax	4,730	6,743	–29.9
Automotive Division[3]			
Total research and development costs	5,071	4,359	+16.3
R&D ratio (%)	8.0	8.5	
Cash flows from operating activities	7,576	5,800	+30.6
Cash flows from investing activities attributable to operating activities[4]	5,332	4,309	+23.7
of which: capex	2,458	1,703	+44.3
capex/sales revenue (%)	3.9	3.3	
Net cash flow	2,244	1,491	+50.5
Net liquidity at March 31	38,441	31,065	+23.7

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: Q1 €4,954 (3,848) 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 customers of the Volkswagen Group up year-on-year at 2.0 (1.9) million vehicles; growth in Western Europe, North and South America, declines in Asia-Pacific as well as Central and Eastern Europe

> Deliveries of all-electric vehicles to customers up 42.1%; their share of the Group's total deliveries rises to 6.9 (5.2)%

> Group sales revenue up 21.5% on the prior-year figure to €76.2 billion

> Operating result down year-on-year at €5.7 (8.3) billion; effects from the fair value measurement of derivatives to which hedge accounting is not applied of €–1.3 (+3.2) billion; improvements particularly in volumes and price positioning

> Profit before tax drops to €6.5 (8.9) billion; profit after tax decreases by €2.0 billion to €4.7 billion

> Automotive Division's net cash flow improves to €2.2 (1.5) billion; capex ratio of 3.9 (3.3)%

> Net liquidity of €38.4 billion in the Automotive Division; includes cash outflow for the special dividend in connection with the IPO of Porsche AG

Group News

NEW PRODUCTS AND TECHNOLOGIES

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

At the Chicago Auto Show in February 2023, the Volkswagen Passenger Cars brand unveiled the new Atlas and Atlas Cross Sport. The upgraded models, available as a seven-seater or five-seater, offer the latest technologies, an attractive interior design and an agile powertrain. The interior of the new Atlas family models has been significantly enhanced with high-quality materials. High-end comfort functions come as standard. The standard features include a 12-inch infotainment display, the Volkswagen Digital Cockpit Pro, IQ.DRIVE driver assistance technology and improved connectivity solutions. The high-torque and efficient four-cylinder turbocharged engine with direct injection produces 200 kW (269 PS). Its power output matches that of its predecessor but with increased torque and a wider RPM range. Driving comfort and acceleration have been further improved.

In March 2023, the Volkswagen Passenger Cars brand celebrated the world premiere of the new generation of the ID.3. From outside, the all-electric compact class bestseller has a fresh, sharper look. The front of the vehicle, which includes a new bumper, has a confident, friendly appearance. At the rear, the two-part taillight clusters now also illuminate within the boot lid for the first time. The interior combines modern design with sustainable materials. The microfiber material, Artvelours Eco, is used for the door trims and seat covers. This fabric is made of 71% recyclate yet has the same look, feel and durability as traditional materials. All materials used for the interior are animal-free. The modern and intuitive controls are based on the latest software generation and can receive over-the-air updates. The compact 5.3-inch driver display is controlled via the multifunctional steering wheel. In the center of the console is a 12-inch touch display fitted as standard, which controls the navigation, phone, media, assistance systems and vehicle set-up. The optional augmented reality head-up display projects information such as dynamic navigation instructions onto the windscreen – clear and correctly positioned from the driver's perspective, these are superimposed on the surroundings ten meters in front of the vehicle. Along with the tried-and-tested adaptive cruise control (ACC) and Lane Assist systems, the new ID.3 is available with the optional Travel Assist, which uses swarm data.

In the age of e-mobility, the Volkswagen Passenger Cars brand continues to write the success story of the compact car. In mid-March, it gave a first preview of an all-electric Volkswagen for less than €25,000: the ID. 2all concept car showcases a new Volkswagen design language and is the first MEB vehicle with front-wheel drive. The electric motor has a power output of 166 kW (226 PS), and the vehicle has a range of up to 450 km. Innovative technological features include Travel Assist, IQ.LIGHT and the e-route planner. The production version of the ID. 2all will be based on the so-called MEB Entry platform, which will set new standards in technology and everyday practicality. The vehicle is one of ten new electric models that Volkswagen plans to put on the market by 2026.

Lamborghini celebrated the premiere of the new Revuelto in March 2023. The Revuelto continues the Italian super sports car manufacturer's V12 heritage and takes it into a new electrified future as the brand's first production hybrid. It features a new design and powertrain, maximum-efficiency aerodynamics and a novel carbon frame design. Its power output of 747 kW (1015 PS) is delivered from a completely new 12-cylinder combustion engine, which works alongside a new dual clutch gearbox and three electric motors. These are powered by a lithium-ion battery and pave the way for a fully electric driving mode.

Volkswagen Group Technology brings together the battery, charging and electric component activities across the Group and supports the Group brands as an in-house technology supplier. As part of the Tech Day 2023, Volkswagen Group Technology gave a preview of upcoming innovations in electric vehicles in the first quarter. This focused on the electric drive system of the future. Volkswagen is taking all the key components into its own hands. In addition to batteries and electric motors, it is now developing pulse inverters and thermal management systems internally. This will bring considerable efficiency and cost advantages: up to 20% more efficiency is possible through the optimal combination of individual components alone.

AWARDS

In January 2023, the CUPRA brand won a double victory with its Formentor in the Auto Bild magazine sports cars of the year 2022 award, beating 24 other SUVs. In the SUVs (production) category, readers voted the model the winner in the import and overall rankings.

Also in January 2023, the Volkswagen ID. Buzz was the overall winner of "What Car? Car of the Year Award 2023". Other Volkswagen Group models secured wins in five of the other 18 categories.

At the end of January 2023, MAN Truck & Bus together with Axel Springer Corporate Solutions GmbH & Co. KG won the golden FOX AWARD in the Auto category for their Electrifying Europe Tour. This European tour covered a distance of almost 2,500 kilometers through eight countries with MAN Lion's City 12 E, demonstrating the performance of all-electric city buses. Launched 12 years ago, the FOX AWARDS are presented to the winners by a jury of media experts.

Several Volkswagen Group models won categories in the "Best Cars 2023" awards from *auto motor und sport* magazine in early February 2023. The Volkswagen Passenger Cars brand impressed with the T-Roc in the small SUVs/crossovers category. The Polo was another overall winner for the brand in the small cars category. In the import rankings for this category, the ŠKODA Fabia took first place. With its Octavia, ŠKODA also won the compact class category for import vehicles. Porsche prevailed against its competitors in the upper mid-size category with the Taycan. The Porsche brand also secured top place in the sports cars category with the 911 and in the convertibles category with the 911 Cabrio/Targa. The Porsche Macan won the large SUVs/off-roaders category. The Bentley Continental GT led the import rankings in the luxury class. The ID. BUZZ from Volkswagen Commercial Vehicles took first place in the vans category. In the import rankings for the compact SUVs/off-roaders category, the CUPRA Formentor was the victor. The Lamborghini Urus triumphed among import vehicles in the luxury SUVs/off-roaders category. A total of more than 100,000 readers chose their favorites in 13 vehicle categories.

Also in February 2023, MAN Lion's City 10 E was crowned "Bus of the Year in Spain" at the National Transport Awards 2023 in Madrid. A jury of professionals and sector experts voted for the year's best vehicles in a total of ten categories.

ANNIVERSARIES

The Porsche brand is marking its 75th anniversary in 2023. The sports car story began in 1948 with the production of the 356 "No. 1" roadster. The festivities have begun with the special exhibition "Driven by Dreams", which is being presented at the Drive Volkswagen Group Forum in Berlin from January to September 2023. The centerpiece of the exhibition is the Porsche Vision 357 concept car, which seeks to connect the brand's past, present and future. Further exhibitions are planned at various locations worldwide over the course of the year.

In early February, the one millionth Volkswagen T-Roc left the plant in Palmela. The milestone vehicle was a two-tone T-Roc R in Pure White and Titanium Black for delivery to Australia. The compact SUV has been successfully produced at the plant in Portugal for the last five years.

In February 2023, Volkswagen celebrated another production milestone at the Poznań plant when the four millionth vehicle – a Caddy in Indium Gray Metallic – rolled off the assembly line. As Poland's largest automotive manufacturer, the Volkswagen plants in Poznań and Września employ a total of over 8,500 people.

Audi Hungaria celebrated its 30-year milestone in February 2023. Some 12,000 employees and approximately 50,000 service providers and suppliers work here at the world's largest drive systems factory. More than 42 million engines and almost two million vehicles have been produced in Győr since the company was founded.

Also in February 2023, SEAT celebrated 30 years of its main plant in Martorell. Almost 12,000 people work at the headquarters in Spain, which has already produced more than 12 million units of 45 models altogether. Starting in 2025, Martorell is to produce all-electric models for various Group brands in the small car segment.

The Volkswagen Touran celebrated its 20th birthday in March 2023. Over 2.6 million of the compact MPVs have already been sold worldwide. The second generation of the Touran, which is Volkswagen's first MPV based on the MQB, has been in production since 2015.

In March 2023, ŠKODA celebrated the 25th birthday of the Octavia Combi. More than 2.8 million of the estate cars have been delivered to customers. The vehicle is now in its fourth generation and available as an electric model.

PARTNERSHIPS AND INVESTMENTS

In the first quarter, the Volkswagen Group took stock for the first time of the creation of its worldwide fast-charging network. By 2025, the Group's aim is to install a global network of a total of 45,000 high-power chargers (HPCs) with a power output of up to 350 kW. By the end of 2022, the Group together with its joint ventures (IONITY, Ewiva and CAMS) and strategic partners (BP and Iberdrola in Europe and China, and Electrify America in North America) had already connected some 15,000 fast-charging points to the network. Around 10,000 HPCs in Europe and up to 25,000 HPCs worldwide are to be available by the end of 2023.

CAPACITY EXPANSIONS

In March 2023, Volkswagen took the next step in building its global battery business. In the Spanish region of Valencia, the Group laid the cornerstone for its second battery cell factory, where the beginning of production is envisaged for 2026. Initially, it will produce sustainable battery cells with an annual capacity of 40 GWh. There is an option to expand capacity to 60 GWh. The aim is to completely cover the cell factory's energy supply using renewable power from solar and wind energy, including a 250-hectare solar park in the immediate vicinity of the plant. In addition, the raw materials cycle will be closed directly at the cell factory site.

In March 2023, the Volkswagen Group also announced that it was stepping up its activities in North America. The Group's first gigafactory outside Europe is to be built in St. Thomas, Ontario where the beginning of production is envisaged for 2027. In future, the factory is to supply the Group brands' all-electric vehicles in the region with state-of-the-art sustainable battery cells. It also forms part of the memorandum of understanding signed last August with the Canadian government, which is focused on battery value creation and securing the supply of raw materials to promote e-mobility in Canada.

To contribute to the Volkswagen Group's growth strategy in North America, the Volkswagen Group decided in March 2023 to build its first production site for Scout Motors Inc. in Columbia, South Carolina. The plant, which has a planned annual capacity of over 200,000 vehicles, will produce the Scout brand's robust SUV and pickup on a newly developed all-electric platform. The plan is for construction to begin in mid-2023, meaningt that the first vehicles would roll off the production line at the end of 2026.

REORGANIZATION OF VOLKSWAGEN FINANCIAL SERVICES

A reorganization of Volkswagen Financial Services by mid-2024 is planned in order to lay the foundations for a successful implementation of the Group's mobility services strategy. Volkswagen Financial Services will therefore undergo a change in corporate structure. The majority of the German and European companies of Volkswagen Financial Services AG and Volkswagen Bank GmbH will be consolidated in a new financial holding company supervised by the European Central Bank. Volkswagen Financial Services AG will be renamed in the process and will act as a holding company for non-European companies. Both holding companies will continue to be an integral part of the Volkswagen Group. Pooling activities in a single European financial services provider will enable the refinancing instruments of Volkswagen Bank GmbH to also be used for the further expansion of the fast-growing leasing business in Germany and Europe and to leverage potential synergy effects in the existing financing and leasing companies in Europe.

SUPERVISORY BOARD MATTERS

Dr. Günther Horvath, Managing Director of Dr. Günther J. Horvath Rechtsanwalt GmbH and self-employed attorney at Dr. Günther J. Horvath Rechtsanwalt GmbH, was court-appointed as a member of the Supervisory Board of Volkswagen AG effective February 28, 2023. He succeeded Dr. Louise Kiesling, who passed away on December 9, 2022.

Mr. Gerardo Scarpino, Chair of the Group Works Council of Volkswagen AG, was court-appointed as a member of the Volkswagen AG Supervisory Board effective April 21, 2023. He succeeds Mr. Jens Rothe, who stepped down from his post with effect from the close of March 3, 2023.

Volkswagen Shares

In the first quarter of 2023, the international stock markets initially continued their upward trend that had begun in October 2022. However, market developments were overshadowed by investors' fears of further interest rate hikes by the national central banks in light of persistently high inflation rates. The international stock markets came under pressure toward the end of the reporting period: the crisis in the international banking sector triggered by the higher interest rates deeply unsettled the financial markets.

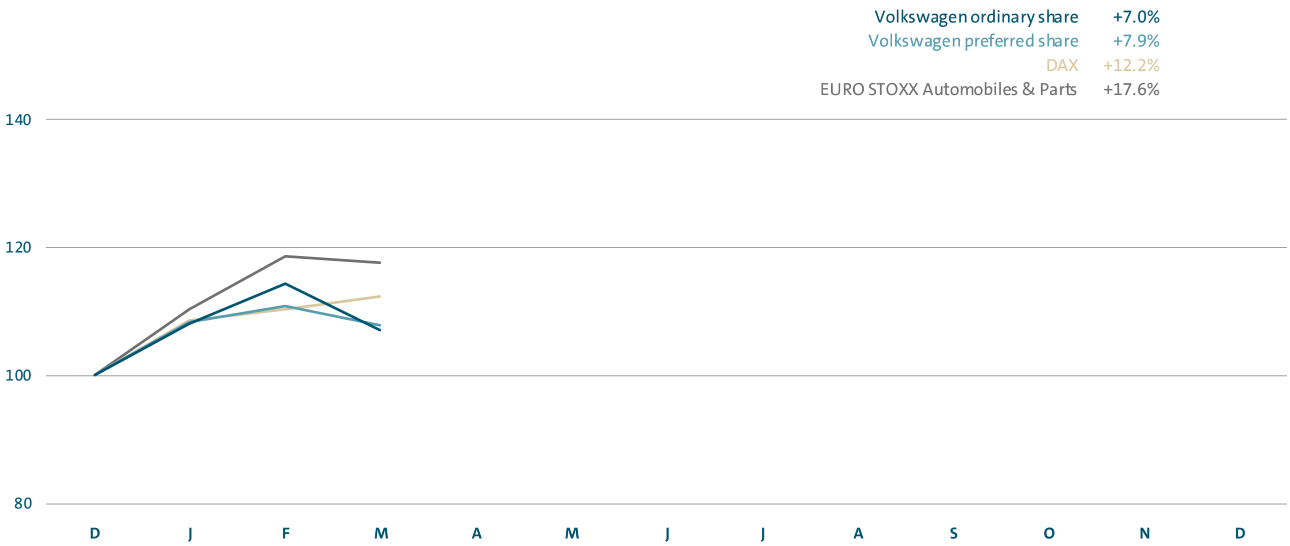
The German stock market index (DAX) got off to a tremendous start in 2023, surpassing the 2022 year-end closing price. Driven by falling gas prices, declining inflation rates and improved leading economic indicators, sentiment initially improved with hopes that the economic downturn might be smaller 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. At the end of the first quarter of 2023, turbulence at several international banks, which was linked to the rising interest rates, had an adverse effect on share prices.

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 Group's continued high dependence on developments in China also weighed on the share price. At the end of the first quarter of 2023, preferred shares were up 7.9% and ordinary shares were up 7.0% 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 can be downloaded from our website www.volkswagenag.com/en/InvestorRelations.html.

PRICE DEVELOPMENT FROM DECEMBER 2022 TO MARCH 2023

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



VOLKSWAGEN SHARE KEY FIGURES AND MARKET INDICES FROM JANUARY 1 TO MARCH 31, 2023

		High	Low	Closing
Ordinary share	Price (€)	181.65	149.50	158.00
	Date	Mar. 3	Mar. 24	Mar. 31
Preferred share	Price (€)	142.20	119.00	125.64
	Date	Mar. 3	Mar. 24	Mar. 31
DAX	Price	15,654	14,069	15,629
	Date	Mar. 6	Jan. 2	Mar. 31
ESTX Auto & Parts	Price	630	522	595
	Date	Mar. 6	Jan. 2	Mar. 31

Business Development

GENERAL ECONOMIC DEVELOPMENT

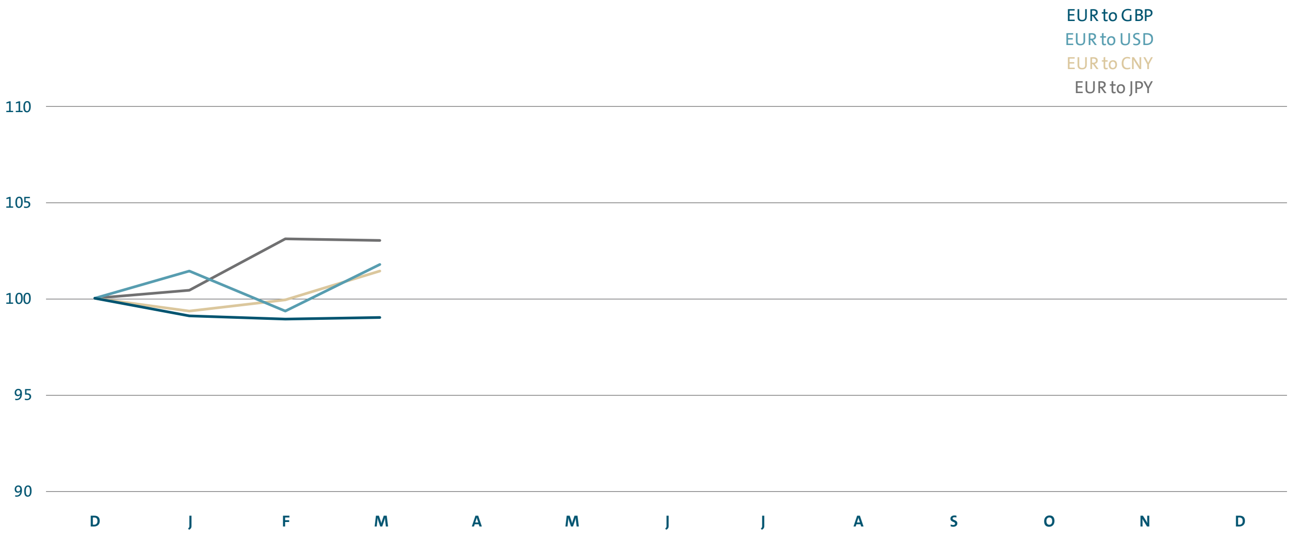
The Russia-Ukraine conflict led to increased uncertainty in relation to developments in the global economy and prompted large sections of the community of Western states to impose sanctions on Russia, ranging from extensive trade embargoes to the partial exclusion of Russia from the global financial 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, the still elevated raw material prices, continuing supply shortages and salary trends in the overheated labor markets, 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 despite the Russia-Ukraine conflict in 2022, both the advanced economies and the emerging markets continued to recover in the reporting period on average, albeit with diminishing momentum compared with the prior year. At the 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 – and thus 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 increased in the reporting period.

The economy in Western Europe recorded positive but lower growth in the first quarter of 2023, as in the same period of the previous year. The main reasons for this were the in some cases significant increases in energy and commodity prices, which substantially increased inflation rates in the previous year and thus negatively affected consumer sentiment. The recovery of consumer sentiment that began in the second half of 2022 continued on a low level in the reporting period. In addition, the restrictive monetary policy measures taken to rein in inflation dampened both consumer spending and investment. This trend was seen in almost all countries in Northern and Southern Europe.

Germany registered positive economic growth during the reporting period, though with waning momentum. Compared with the same period of the prior year, unemployment rose on average. After reaching historically high levels in 2022, monthly inflation rates fell slightly though stayed relatively high.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2022 TO MARCH 2023
Index based on month-end prices: as of December 31, 2022 = 100



The economies in Central and Eastern Europe recorded a decrease in real growth in absolute gross domestic product (GDP) overall in the first three months of 2023 compared with the prior-year period. While economic output in Central Europe developed at a comparatively low negative rate, GDP in the Eastern Europe region fell more significantly starting from the second quarter of 2022 – as a result of the Russia-Ukraine conflict – versus the equivalent period of the previous year. Inflation rates across the entire Central and Eastern Europe region were on average higher in the reporting period, but declining at a fast pace.

In the first quarter of 2023, Türkiye's economy achieved a low 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, but the pace of growth weakened over the final quarters. Given the high inflation and the tight labor market, the US Federal Reserve continued its restrictive monetary policy, raising its key interest rate seven times in 2022 and two more times in the first quarter 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 weaker growth in the 2023 reporting period than in the previous year, combined with high but 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 slower 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 quarter of 2023, the volume of the passenger car market worldwide was slightly above the comparative figure for 2022 at 17.5 million vehicles (+3.1%). The performance of most of the large passenger car markets was positive, due in particular to the weak prior-year level. While the supply situation for intermediates slowly improved, 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 and strong growth was recorded in the overall markets of the Western Europe and Middle East regions respectively, while North America and South America were noticeably up on the prior-year period. In the other regions, sales fell in the first three months of 2023: whereas market volume was down significantly in Central and Eastern Europe and Africa, Asia-Pacific recorded a slight decrease.

In the first quarter of 2023, the global volume of new registrations for light commercial vehicles was noticeably higher (+7.2%) than in the prior-year quarter.

In Western Europe, the number of new passenger car registrations in the first quarter of the 2023 reporting period increased significantly year-on-year by +17.2% to 2.9 million vehicles. The performance of the large individual passenger car markets was consistently positive: France (+15.2%), United Kingdom (+18.2%), Italy (+25.7%) and Spain (+43.5%) all exceeded the levels recorded in the first quarter of 2022 by a significant to very 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 (+14.1%).

At 667 thousand, the total number of new passenger car registrations in Germany in the first quarter of 2023 was noticeably higher than the weak prior-year level (+6.6%). Disruption in global logistic chains restricted vehicle availability at the beginning of the year. Later on in the quarter, availability of intermediates and semiconductor deliveries improved significantly, giving a boost to domestic production. Production in Germany in the first three months of the reporting period rose to 1.1 million vehicles (+38.8%) and passenger car exports grew to 839 thousand units (+37.2%).

Sales of light commercial vehicles in Germany in the first three months of 2023 were significantly higher than the 2022 figure with an increase of 10.5%.

In the Central and Eastern Europe region, the volume of the passenger car market showed a significant drop (–13.7%) after a severe slump in 2022 as a whole. Sales figures also showed very mixed trends in the individual markets. After the weak prior-year figures, a recovery could be observed in Central Europe with a strong increase in Poland (+20.3%) and a significant increase in the Czech Republic (+19.0%).

In the first quarter of 2023, the market volume of light commercial vehicles in Central and Eastern Europe fell sharply below the prior-year level (–22.2%).

The volume of the passenger car market in Türkiye in the reporting period was much higher than the level in the first quarter of 2022 (+50.1%). The South African passenger car market stagnated at the prior-year level (–0.1%), while the African region as a whole registered a significant decline.

The volume of new registrations of light commercial vehicles in Türkiye rose by 52.7% in the reporting period on the comparable 2022 figure; South Africa recorded noticeable growth (+6.7%).

Sales of passenger cars and light commercial vehicles (up to 6.35 tonnes) in the North America region rose noticeably to 4.3 million vehicles (+9.0%). At 3.6 million units, the market volume in the USA grew by less than the average for this region in the first quarter of 2023 but still achieved noticeable growth of 8.2%. The Canadian automotive market also registered a noticeable increase in sales figures to 348 thousand units (+5.8%) in the reporting period, while new registrations of passenger cars and light commercial vehicles in Mexico saw a sharp rise compared with the prior-year period to 315 thousand vehicles (+24.4%).

In the South America region, the volume of new passenger car and light commercial vehicle registrations at 833 thousand units in the first three months of 2023 was noticeably higher than the level of the comparative prior-year period (+6.9%). The positive growth trend that began in the previous year thus continued. In Brazil, the number of new registrations was significantly higher than the level for the prior-year quarter at 437 thousand units (+16.4%). In the Argentinian market, demand for passenger cars and light commercial vehicles rose significantly by +14.0% to 115 thousand units.

In the Asia-Pacific region, the volume of the passenger car market in the first quarter of 2023 was slightly lower than the previous year's figure at 7.9 million units (–4.4%). The decrease in demand for passenger cars in the region was largely attributable to the negative trend 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. Overall, the volume of demand in China totaled 4.4 million units, significantly below the level of the first quarter of 2022 (–12.5%). In India, passenger car sales rose significantly by 10.9% compared with the prior-year period, increasing to 979 thousand units. New registrations in the Japanese passenger car market in the reporting period were also up significantly year-on-year at 1.2 million units (+15.3%).

The volume of demand for light commercial vehicles in the Asia-Pacific region in the first three months of 2023 was noticeably above the level for the prior-year period (+5.0%). Registration volumes in China, the region's dominant market and the largest market worldwide, were significantly higher than the prior-year figure with an increase of +11.9%. The number of new vehicle registrations in India was slightly up year-on-year (+4.7%); in Japan this figure was on a level with the previous year (+1.4%).

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 strongly higher in the reporting period than in the prior year. Truck markets globally were significantly up on the previous year, driven primarily by the Chinese market, which has begun to recover following the end of the zero-Covid strategy pursued there.

Sales volume in the 27 EU states excluding Malta, but plus Norway, Switzerland and the United Kingdom (EU27+3), was significantly higher in the first three 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 significantly. Demand on the UK and French markets was also significantly up on the prior year. Türkiye recorded a very sharp increase in new registrations compared with the previous year. In the South African market demand was up slightly. 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 quarter of 2023 was slightly above the level recorded the previous year.

In the first three months 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 noticeably 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 stronger performance than in the prior year. Demand for buses in Mexico was significantly higher 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 quarter of 2023. This is especially attributable to a decline in demand in merchant shipping as a result of higher ship prices and of long waiting times amid 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 markets for cruise ships and passenger ferries shrank slightly. The special market for government vessels, which is supported by state investment, was still active due to the current geopolitical situation. In the offshore sector, the existing overcapacity continued to curb investment in offshore oil production, though positive development was discernible. The uncertainty regarding future fuel and emissions regulations persisted in the marine market in the first three months of 2023 as well, but in general a clear trend towards new fuel technologies was underscored.

There was reticence in the market for energy generation in the first quarter of 2023, particularly in Europe. This was due to the gas supply issues and the continued lack of fully finalized criteria for investment decisions on the part of policymakers. The current focus on the development of renewable energy sources pointed to 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 continued rising demand for flexible dual-fuel engines. There is also a clear market demand for engines that can be converted for use with fuels of the future such as hydrogen and green ammonia. There was still strong demand for new energy solutions such as hydrogen and long-term energy storage, with a clear trend towards greater flexibility and decentralized availability. 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 also continued unabated in the reporting period.

The turbomachinery market was at a slightly higher level than in the first quarter 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. Unit sales of turbo compressors in oil and gas production were bolstered by the persistently high supply insecurity and were significantly higher year-on-year. The new business fields for turbomachinery used in the area of decarbonization hovered around the level of the previous year. Demand for steam turbines used for power generation and gas turbines used for decentralized, industrial combined-heat-and-power installations was slightly higher than in the previous year.

The after-sales market for engines in the marine and power plant business was on a par with the previous year’s high level in the first three months of 2023.

Demand in the after-sales market for turbomachinery rose year-on-year in the first quarter of 2023 and was up on the level seen before the Covid-19 pandemic. The difficult supply situation as a result of the Russia-Ukraine conflict also eased slightly.

TRENDS IN THE MARKETS FOR FINANCIAL SERVICES

Demand for automotive financial services was at a high level in the first quarter 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, although 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, the continuing challenges presented by parts supply in vehicle production and by logistics chains still impacted 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 quarter 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.

In South Africa, it was above all the subdued economic conditions, rising vehicle and energy prices and renewed interest rate hikes that strained disposable income. The market for financed vehicle purchases therefore remained difficult.

Vehicle deliveries in the North America region improved year-on-year in the first quarter of 2023. New vehicle penetration in the USA was on a level with the previous year. Canada and Mexico, in contrast, saw a fall in the penetration of leasing and financing contracts, though the number of new contracts for after-sales products was up on the first quarter of the previous year.

In the South America region, the positive growth trend in the volume of new vehicle sales continued. Argentina continued to record excess demand, exacerbated by 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.

In the first quarter of 2023, the volume of sales in the Chinese automotive market declined, accompanied by an increase in dealer inventories. The rate of growth in automotive financial services declined year-on-year. In addition, aggressive strategies by the banks put manufacturers' own financial service providers under pressure. The increased sales of electric vehicles led to higher demand for related financing and leasing products.

The demand for financial services products in the market for heavy commercial vehicles was virtually level with the previous year in the reporting period. However, the continued lengthy delivery times for commercial vehicles mean that this is taking time to feed through to financing and leasing contracts in Germany and Europe.

VOLKSWAGEN GROUP DELIVERIES

Between January and March 2023, the Volkswagen Group delivered 2,040,647 vehicles to customers worldwide. This was 7.5% or 142,347 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 and disruptions in logistics chains continued to have an adverse effect in 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 MARCH 31[1]

	2023	2022	%
Passenger Cars	1,956,059	1,830,545	+6.9
Commercial Vehicles	84,588	67,755	+24.8
Total	**2,040,647**	**1,898,300**	**+7.5**

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 three months of 2023 increased by 6.9% year-on-year to 1,956,059 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 and disruptions in logistics chains continued to have an adverse effect in the reporting period. All Volkswagen Group brands delivered more vehicles to customers than in the same period of 2022. While we registered an increase in the sales volume in Western Europe, the Middle East, North America and South America, sales volumes declined in Central and Eastern Europe, Asia-Pacific and Africa.

The Group's e-mobility campaign continued to move ahead successfully: we delivered 141,023 all-electric vehicles to customers worldwide in the first three months of this year. This was 41,799 units or 42.1% more than in the same period of the previous year. Their share of the Group's total deliveries rose to 6.9 (5.2)%. A total of 55,756 of our plug-in hybrid models were delivered (+9.1%) to customers. As a result, total electric vehicle deliveries went up by 30.9% and their share of total Group deliveries rose year-on-year to 9.6 (7.9)%. The Group's most successful all-electric vehicles included the ID.3 and ID.4 from the Volkswagen Passenger Cars brand, the Audi e-tron and Audi Q4 e-tron, the ŠKODA Enyaq iV, the CUPRA Born and the Porsche Taycan and Taycan Cross Turismo.

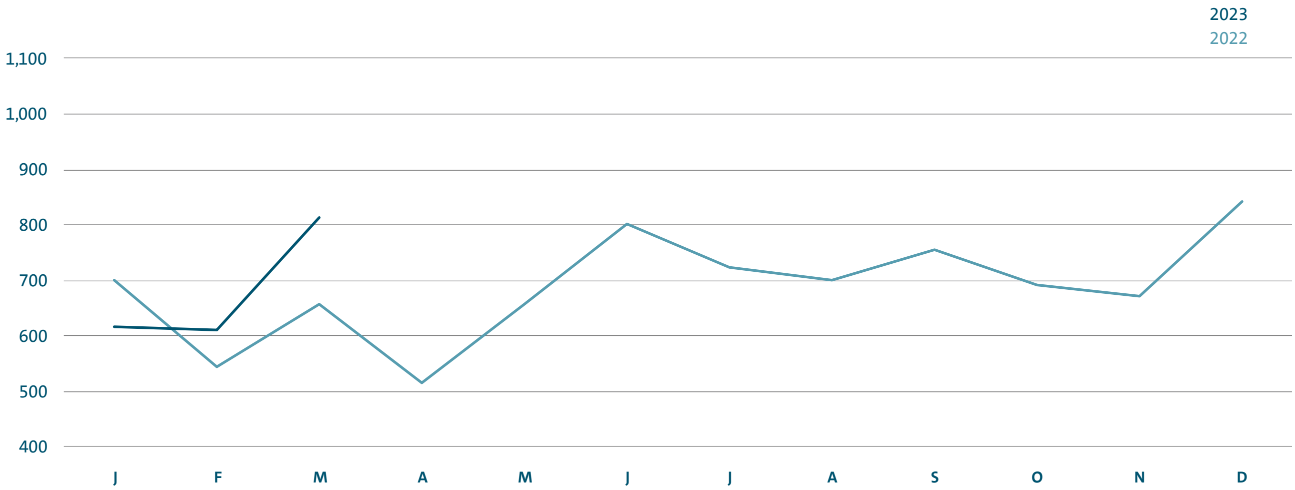
In an overall global market experiencing slight growth, we achieved a passenger car market share of 10.7 (10.3)%.

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 762,948 vehicles to customers in the first three months of this year in an overall market that was at a significantly higher level than in the previous year. This was 26.2% 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 and disruptions in logistics chains continued to have an adverse effect in the reporting period. Customer interest in the Volkswagen Group's electrified vehicles was strongest in Western Europe, where we delivered more than two-thirds of our all-electric models to customers in the first quarter of 2023. Their share of Group deliveries in this region was 11.9 (9.0)%. The Group models with the highest sales volume were the T-Roc, Tiguan, Polo and Golf from the Volkswagen Passenger Cars brand. Demand also developed encouragingly for further models, including the T-Cross, Taigo, ID.4 and ID.3 from Volkswagen Passenger Cars, the Kamiq, Karoq and Octavia Combi from ŠKODA, the SEAT Arona and CUPRA Born, the Audi Q4 Sportback e-tron, Audi A1 Sportback and Audi Q5, as well as the Porsche Cayenne and Porsche Macan. 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 ID. Buzz from Volkswagen Commercial Vehicles. The Volkswagen Group's share of the passenger car market in Western Europe amounted to 23.7 (21.8)%.

VOLKSWAGEN GROUP DELIVERIES BY MONTH
Vehicles in thousands



In Germany, the number of vehicles delivered to Volkswagen Group customers between January and March 2023 in an overall market registering noticeable growth was up 12.5% 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 and disruptions in logistics chains continued to have an adverse effect in the reporting period. The Group models with the highest sales volume were the T-Roc and Golf from Volkswagen Passenger Cars plus the ŠKODA Octavia Combi. Models for which there was stronger demand included the ID.4, ID.3 and Taigo from the Volkswagen Passenger Cars brand, the ŠKODA Fabia, the CUPRA Born and CUPRA Leon, and the A1 Sportback, Q5 Sportback 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 three 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 down 6.6% year-on-year. This was due in particular to the slump in sales in the Russian market as a consequence of the sanctions imposed in connection with the Russia-Ukraine conflict. The overall market experienced a significant decline in demand 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 Kamiq and ŠKODA Fabia. The Volkswagen Group's share of the passenger car market in the Central and Eastern Europe region amounted to 20.8 (19.5)%.

In Türkiye, the Volkswagen Group delivered 60% more vehicles to customers between January and March 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 9.5%, while the overall market stagnated. 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 20.5% year-on-year. The overall market showed noticeable growth in this period. The Group's share of the market in this region increased to 4.5 (4.1)%. 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 8.2 (5.1) %.

From January to March 2023, the Volkswagen Group delivered 21.6% more vehicles to customers in the noticeably 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 A3 saloon. In addition, the Q4 e-tron and Q4 Sportback e-tron from Audi and the Porsche Macan developed encouragingly.

In Canada, the number of deliveries to Volkswagen Group customers increased by 6.1% year-on-year in the reporting period. The overall market recorded comparable growth during this period. The Group models that saw the biggest volume of demand were the Taos and Tiguan Allspace from the Volkswagen Passenger Cars brand and the Audi Q5.

In Mexico, where the overall market is seeing strong growth, we delivered 25.6% more vehicles to customers in the first three months of this year than in the prior-year period. Demand developed encouragingly for a number of models, among them the 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 noticeably up on the prior-year level, the number of Group models handed over to customers between January and March 2023 increased by 37.7% 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 amounted to 10.7 (8.3)%.

Compared with the previous year, the Volkswagen Group delivered 58.4% more vehicles to customers in the first three months of 2023 in the Brazilian market, which recorded significant growth. Sales of the Polo, Saveiro and Gol models from Volkswagen Passenger Cars developed particularly encouragingly.

In Argentina, the number of Group models sold in the reporting period increased by 48.2% 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 three months of 2023, the Volkswagen Group saw sales in the Asia-Pacific region drop by 11.9% in a market that experienced slightly weaker growth overall compared with the previous year, which had already suffered from parts supply shortages, especially semiconductors, and from local lockdowns in China intended to curb the spread of the Omicron variant of the SARS-CoV-2 virus. The Group's share of the passenger car market in this region amounted to 9.1 (9.9)%.

China's overall market recorded a significant decline in the reporting period. The Volkswagen Group delivered 14.5% fewer vehicles to customers there than in the already weaker 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 around one-quarter lower year-on-year at 21,456 units. The Tayron, Lamando and Tavendor models from Volkswagen Passenger Cars, as well as the Audi Q4 e-tron, Audi Q6 and Audi Q5 e-tron, among others, introduced to the market as new or successor models during the previous year, showed a positive trend. Other models that saw encouraging demand were the Polo, ID.3, Magotan from Volkswagen Passenger Cars, Audi A6 saloon and Audi Q7 as well as the Porsche Cayenne and Porsche Macan.

In the Indian passenger car market, which grew significantly, the Volkswagen Group sold 10.5% more vehicles in the first three 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 following new or successor models introduced to the market during the previous year saw encouraging demand: the Virtus from Volkswagen Passenger Cars as well as the Kodiaq and Slavia from ŠKODA.

In Japan, the number of Group models delivered to customers between January and March 2023 increased by 9.4% year-on-year in a significantly expanding overall market. The Group models with the highest sales volume were the T-Cross and T-Roc from the Volkswagen Passenger Cars brand.

PASSENGER CAR DELIVERIES TO CUSTOMERS BY MARKET FROM JANUARY 1 TO MARCH 31[1]

	DELIVERIES (UNITS)		CHANGE
	2023	2022	(%)
Europe/Other Markets	**947,078**	**781,158**	**+21.2**
Western Europe	**762,948**	**604,659**	**+26.2**
of which: Germany	263,309	234,109	+12.5
France	62,033	50,476	+22.9
United Kingdom	120,902	84,118	+43.7
Italy	70,569	51,916	+35.9
Spain	59,764	40,012	+49.4
Central and Eastern Europe	**107,685**	**115,325**	**–6.6**
of which: Czech Republic	28,799	25,533	+12.8
Russia	1,688	28,962	–94.2
Poland	32,297	23,814	+35.6
Other Markets	**76,445**	**61,174**	**+25.0**
of which: Türkiye	33,305	19,870	+67.6
South Africa	16,858	18,625	–9.5
North America	**193,177**	**160,271**	**+20.5**
of which: USA	139,960	115,056	+21.6
Canada	19,458	18,342	+6.1
Mexico	33,759	26,873	+25.6
South America	**89,158**	**64,747**	**+37.7**
of which: Brazil	62,288	39,328	+58.4
Argentina	14,071	9,493	+48.2
Asia-Pacific	**726,646**	**824,369**	**–11.9**
of which: China	643,954	753,383	–14.5
India	25,214	22,810	+10.5
Japan	15,494	14,169	+9.4
Worldwide	**1,956,059**	**1,830,545**	**+6.9**
Volkswagen Passenger Cars	1,021,508	1,011,857	+1.0
ŠKODA	209,553	186,170	+12.6
SEAT	125,218	91,407	+37.0
Volkswagen Commercial Vehicles	97,189	81,859	+18.7
Audi	415,684	385,084	+7.9
Lamborghini	2,623	2,539	+3.3
Bentley	3,517	3,203	+9.8
Porsche	80,767	68,426	+18.0

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 March 2023, the Volkswagen Group delivered 24.8% more commercial vehicles to customers worldwide than in the same period of the previous year. We delivered a total of 84,588 commercial vehicles to customers in the first three months of this year. Trucks accounted for 70,209 units (+22.0%) and buses for 7,618 units (+28.6%). Deliveries of the MAN TGE van series amounted to 6,761 (+58.6%).

In the 27 EU states excluding Malta, but plus the United Kingdom, Norway and Switzerland (EU27+3), sales from January to March 2023 were up by 44.6% on the same period of the previous year to a total of 38,161 units, of which 30,370 were trucks and 1,120 were buses. Deliveries of the MAN TGE van series amounted to 6,671 vehicles.

In the first quarter of the year, deliveries in Türkiye rose to 1,391 vehicles. Trucks accounted for 1,287 units and buses for 52 units, while 52 vehicles from the MAN TGE van series were sold. In South Africa, deliveries of Volkswagen Group commercial vehicles were up noticeably at 958 units compared with the previous year; of this figure 884 were trucks and 74 were buses.

Sales in North America rose in the first three months of 2023 to 23,575 vehicles, of which 19,842 were trucks and 3,733 were buses.

Deliveries in South America declined to a total of 14,444 vehicles (–17.1%) in the reporting period, of which 12,247 were trucks and 2,197 were buses. Due to the introduction of a new emissions standard at the beginning of this year, sales in Brazil were down by 18.6% in the first quarter, falling to 11,754 units. Of the units delivered, 9,804 were trucks and 1,950 were buses.

In the Asia-Pacific region, the Volkswagen Group sold 2,591 vehicles to customers in the reporting period including 2,407 trucks and 167 buses. Overall, this was 17.7% more than in the previous year.

COMMERCIAL VEHICLE DELIVERIES TO CUSTOMERS BY MARKET FROM JANUARY 1 TO MARCH 31[1]

	DELIVERIES (UNITS)		CHANGE
	2023	2022	(%)
Europe/Other Markets	**43,978**	**30,937**	**+42.2**
of which: EU27+3	38,161	26,398	+44.6
of which: Germany	11,678	7,321	+59.5
Türkiye	1,391	460	x
South Africa	958	879	+9.0
North America	**23,575**	**17,200**	**+37.1**
of which: USA	18,778	13,706	+37.0
Mexico	3,571	2,526	+41.4
South America	**14,444**	**17,417**	**–17.1**
of which: Brazil	11,754	14,446	–18.6
Asia-Pacific	**2,591**	**2,201**	**+17.7**
Worldwide	**84,588**	**67,755**	**+24.8**
Scania	22,626	16,645	+35.9
MAN	27,266	19,321	+41.1
Navistar	22,548	17,070	+32.1
Volkswagen Truck & Bus	12,148	14,719	–17.5

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 March 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 quarter 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 rose by 5.5% to 2.2 million in the reporting period. The ratio of leased and financed vehicles to Group deliveries (penetration rate) in the Financial Services Division's markets stood at 34.5 (34.2)%. The total number of contracts stood at 24.0 (24.5) million on March 31, 2023.

At 1.7 million, the number of new contracts signed was up 12.2% 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 March 2023. The total number of contracts at the end of March 2023 was on a level with December 31, 2022 at 17.7 (18.1) million. 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 first three months of 2023 increased year-on-year to 218 (174) thousand. The total number of contracts stood at 3.0 million at the end of the reporting period, a 0.6% fall on the level reported at the end of the previous year. The customer financing/leasing area recorded 1.6 (1.7) million contracts.

In the South America region, 102 (74) thousand new contracts were concluded in the first quarter of this year. Compared with December 31, 2022, the total number of contracts as of March 31, 2023 fell to 822 (828) thousand. The existing contracts mainly related to the customer financing/leasing area.

The number of new contracts signed in the Asia-Pacific region in the reporting period declined to 231 (367) thousand, falling short of the comparative prior-year figure. The total number of contracts stood at 2.4 (2.6) million at the end of March 2023. The customer financing/leasing area recorded 1.6 (1.6) million contracts.

SALES TO THE DEALER ORGANIZATION

In the first quarter of 2023, the Volkswagen Group's unit sales to the dealer organization rose year-on-year by 6.5% to 2,123,997 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 and disruptions in the global logistics chain had a negative impact in the reporting period. Unit sales outside Germany rose by 4.7% to 1,835,920 vehicles. Growth was recorded in particular in the United States, United Kingdom and Brazil, while unit sales in China declined. Unit sales in Germany increased by 19.1% year-on-year. Vehicles sold in Germany as a proportion of the Group's overall sales increased to 13.6 (12.1)%.

PRODUCTION

The Volkswagen Group produced 2,272,822 vehicles (including the equity-accounted companies in China) from January to March 2023, 11.2% more than in the 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 on production in the reporting period. Production in Germany increased by 51.2% to 551,143 vehicles. The proportion of the Group's total production accounted for by Germany increased to 24.2 (17.8)%.

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. Disruptions in the logistics chain continued to have a negative impact in the reporting period.

EMPLOYEES

The Volkswagen Group had 649,439 active employees on March 31, 2023. In addition, 12,490 employees were in the passive phase of their partial retirement and 14,986 young people were in vocational traineeships. At the end of the first quarter of 2023, the Volkswagen Group had a total of 676,915 employees worldwide, approximately the same number as at the end of 2022. A total of 294,508 people were employed in Germany (+0.2%) and 382,407 outside Germany (+0.1%).

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. The first payment of USD 190 million was made in January 2023. The company has been included in the Volkswagen consolidated financial statements since January 1, 2023.

IFRS 17 – INSURANCE CONTRACTS

IFRS 17 provides new guidance on accounting for insurance contracts. First-time application resulted in a slight change in equity as of both January 1, 2023 and January 1, 2022. This is due primarily to the changed system for calculating provisions related to the insurance business. In addition, the net approach to cash flows applied when measuring provisions also led to a reduction of €0.7 billion in assets and provisions related to the insurance business. 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.

EQUITY INVESTMENTS HELD FOR SALE

In December 2022, Dr. Ing. h.c. F. Porsche AG (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. The legal transfer of ownership and the determination of the final purchase price are still subject to approval of the transaction by the Russian authorities.

It was resolved in the fourth quarter of 2022 to sell the following consolidated subsidiaries from 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 bodies was followed immediately by the initiation of a disposal plan, which is expected to be completed in the second quarter of 2023.

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, which are still to be established under German and Swiss law. The transaction is expected to be completed within the next 12 months.

On March 3, 2023, the Supervisory Board of the Volkswagen Group resolved that OOO Volkswagen Group Rus, Kaluga/Russia, and its subsidiaries OOO Scania Finance, Moscow/Russia, OOO Scania Strachovanie, Moscow/Russia, and OOO Scania Leasing, Moscow/Russia, must be sold. The sales negotiations with potential investors are at an advanced stage. As of the reporting date, the legal transfer of ownership of the four companies was still subject to approval by the Russian authorities. It is currently expected that ownership will be legally transferred and the purchase price finally determined in the course of the first half of 2023.

In accordance with IFRS 5, the assets and liabilities held for sale were recognized at the lower of their carrying amount and fair value less expected costs of disposal.

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 three months of fiscal year 2023.

RESULTS OF OPERATIONS

Results of operations of the Group

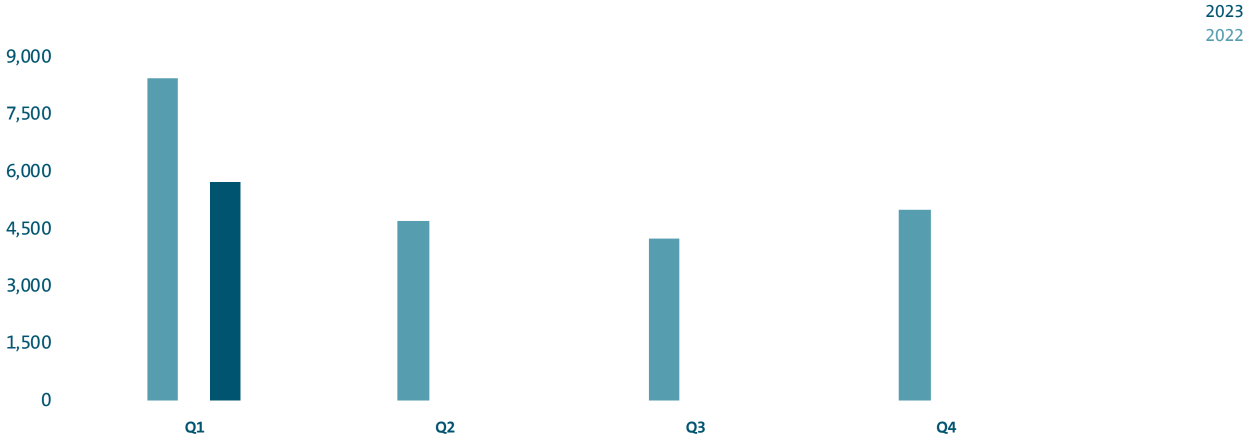
In the first quarter of 2023, the Volkswagen Group's sales revenue was €76.2 billion, up 21.5% on the prior-year figure. This was due particularly to a rise in vehicle sales and improved price positioning. Adverse exchange rate movements had an offsetting effect. The prior-year period had been impacted to an even greater extent by limited vehicle availability due to parts supply shortages. 81.5 (81.5)% of the Group's sales revenue originated abroad. Gross profit climbed by €3.2 billion to €15.2 billion; the gross margin was 19.9 (19.1)%.

The Volkswagen Group's operating result amounted to €5.7 (8.3) billion in the first three months of 2023. The operating return on sales amounted to 7.5 (13.3)%. 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 €–1.3 billion being charged to the operating result, compared with a €+3.2 billion increase in the result in the comparative prior-year period. Special items in connection with the diesel issue amounting to €–0.1 billion had been recognized in the previous year.

The financial result improved to €0.7 (0.6) billion. The share of the result of equity-accounted investments was down on the figure for the first quarter of 2022. The interest income included in the financial result more than compensated for the rise in interest expenses. In the other financial result, adverse exchange rate effects and other factors recorded in the reporting period were offset 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.

The Volkswagen Group's earnings before tax declined by €2.5 billion to €6.5 billion in the reporting period. Earnings after tax were down by €2.0 billion year-on-year to €4.7 billion.

OPERATING PROFIT BEFORE SPECIAL ITEMS BY QUARTER
Volkswagen Group in € million



Results of operations in the Automotive Division

The Automotive Division generated sales revenue of €63.5 (51.2) billion in the period from January to March 2023. The improvement was mainly the result of a rise in volume and beneficial changes in price positioning, which were set against adverse exchange rate trends. In the first quarter of 2022, parts supply shortages had had an even stronger adverse effect. Sales revenue was strongly up in the Passenger Cars Business Area and very strongly up in the Commercial Vehicles Business Area compared with prior-year figures, while it was significantly higher in the Power Engineering Business Area. 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 MARCH 31

€ million	2023	2022[1]
Passenger Cars		
Sales revenue	51,623	42,096
Operating result	3,611	6,400
Operating return on sales (%)	7.0	15.2
Commercial Vehicles		
Sales revenue	10,938	8,353
Operating result	872	330
Operating return on sales (%)	8.0	4.0
Power Engineering		
Sales revenue	901	761
Operating result	100	54
Operating return on sales (%)	11.1	7.1

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

The cost of sales rose due to higher product costs (especially for commodities), mainly as a result of rising inflation in connection with the Russia-Ukraine conflict, and a significant increase in research and development costs recognized in profit or loss, but the share of this item in sales revenue went down year-on-year. As sales revenue rose faster than total research and development costs, the research and development ratio (R&D ratio), defined as total research and development costs as a percentage of the Automotive Division's sales revenue, decreased year-on-year to 8.0 (8.5)% in the reporting period.

There was a year-on-year increase in distribution expenses due to higher logistics costs, as well as in administrative expenses in the first quarter of 2023. The ratio of distribution expenses to sales revenue went down, while the ratio of administrative expenses to this item remained virtually unchanged. The other operating result stood at €–1.3 (3.4) 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 influence in the same period of the previous year.

In the period from January to March 2023, the Automotive Division's operating result was €4.6 (6.8) billion. The operating return on sales amounted to 7.2 (13.2)%. 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, which could not be offset by increased volumes and improvements in price positioning.

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 March 2023, the Financial Services Division recorded sales revenue of €12.7 billion, up 10.7% on the previous year. Sales revenue growth was outpaced by the rise in cost of sales, driven especially by the very strong increase in interest expenses. Gross profit declined by €0.2 billion to €2.2 billion as a result.

The Financial Services Division's operating result went down by €0.4 billion to €1.2 billion. In addition to higher interest expenses, the decrease was mainly attributable to adverse effects from derivatives, which had had a positive effect in the prior-year period. The operating return on sales dropped to 9.1 (13.4)%.

FINANCIAL POSITION

Financial position of the Group

The Volkswagen Group's gross cash flow amounted to €12.2 (11.7) billion in the first quarter of 2023. The non-cash measurement effects arising from hedging transactions, which are included in earnings, must be eliminated from the cash flow statement. The change in working capital amounted to €–6.2 (–2.4) billion. The reasons for the year-on-year change included a higher increase in inventories, receivables and lease assets, offset by a volume-driven rise in liabilities and other provisions. As a result, cash flows from operating activities went down by €3.4 billion to €6.0 billion.

The Volkswagen Group's investing activities attributable to operating activities grew by €1.0 billion to €5.4 billion in the reporting period.

Financing activities resulted in a total cash outflow of €3.9 billion in the first three months of 2023. This figure also included the special dividend paid to the shareholders of Volkswagen AG in connection with the

FINANCIAL POSITION IN THE PASSENGER CARS, COMMERCIAL VEHICLES AND POWER ENGINEERING BUSINESS AREAS FROM JANUARY 1 TO MARCH 31

€ million	2023	2022[1]
Passenger Cars		
Gross cash flow	8,101	6,323
Change in working capital	–1,163	–1,109
Cash flows from operating activities	6,938	5,214
Cash flows from investing activities attributable to operating activities	–5,332	–3,872
Net cash flow	1,606	1,342
Commercial Vehicles		
Gross cash flow	1,186	1,022
Change in working capital	–549	–536
Cash flows from operating activities	638	487
Cash flows from investing activities attributable to operating activities	22	–426
Net cash flow	660	61
Power Engineering		
Gross cash flow	156	92
Change in working capital	–156	7
Cash flows from operating activities	–0	99
Cash flows from investing activities attributable to operating activities	–22	–11
Net cash flow	–22	88

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

IPO of Porsche AG completed in the previous year. Financing activities also include the issuance and redemption of bonds and other financial liabilities. In the prior-year period, there had been a cash inflow of €0.4 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 €36.9 (43.6) billion in its cash flow statement.

The Volkswagen Group's net liquidity stood at €–131.5 billion on March 31, 2023; it was €–125.8 billion at the end of 2022.

Financial position of the Automotive Division

In the period from January to March 2023, the Automotive Division's gross cash flow of €9.4 billion exceeded the prior-year figure by €2.0 billion. The non-cash measurement effects arising from hedging transactions, which are included in earnings, must be eliminated from the cash flow statement. The change in working capital amounted to €–1.9 (–1.6) billion and, compared with the previous year, resulted mainly from a higher rise in inventories caused above all by disruptions in the logistics chain. This was set against a volume-driven increase in liabilities and other provisions.

As a result, cash flows from operating activities went up by €1.8 billion to €7.6 billion.

Investing activities attributable to operating activities grew by €1.0 billion to €5.3 billion in the period from January to March 2023. Within this figure, investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) increased by €0.8 billion to €2.5 billion. The ratio of capex to sales revenue was 3.9 (3.3)%. 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 €2.6 (2.2) billion in the first quarter of 2023. The "Acquisition and disposal of equity investments" item amounted to €–0.4 (–0.5) billion; it included primarily strategic investments in a variety of companies.

In the period from January to March 2023, the Automotive Division's net cash flow improved by €0.8 billion year-on-year to €2.2 billion.

Financing activities relate to the issuance and redemption of bonds, as well as to changes in other financial liabilities; in the first quarter of 2023, they resulted in a cash outflow of €10.1 billion. This was mainly attributable to the special dividend paid to the shareholders of Volkswagen AG in connection with the IPO of Porsche AG. There had been a cash inflow of €3.9 billion in the prior-year period.

At the end of March 2023, the Automotive Division's net liquidity was €38.4 billion, compared to €43.0 billion on December 31, 2022.

Financial position in the Financial Services Division

In the first three months of 2023, the Financial Services Division generated gross cash flow of €2.7 (4.3) billion. The year-on-year contraction was due to factors such as lower earnings. The change in working capital amounted to €–4.3 (–0.7) 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 €5.1 billion to €–1.6 billion.

Investing activities attributable to operating activities amounted to €0.0 (0.1) billion.

The Financial Services Division's financing activities resulted in a cash inflow of €6.2 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 €–3.5 billion in the prior-year period.

At the end of the first quarter of 2023, the Financial Services Division's negative net liquidity, which is common in the industry, was €–170.0 billion as against €–168.8 billion on December 31, 2022.

NET ASSETS

Consolidated balance sheet structure

The Volkswagen Group's total assets amounted to €568.8 billion at the end of the first quarter of 2023, 0.9% 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 €3.9 billion to €182.2 billion, mainly because of the encouraging earnings. The equity ratio rose to 32.0 (31.6)%.

Automotive Division balance sheet structure

At the end of the first quarter of 2023, the Automotive Division's intangible assets increased, driven primarily by a rise in capitalized development costs. Property, plant and equipment was almost unchanged from the figure on December 31, 2022. Equity-accounted investments were down, due among other factors to the intragroup transfer of the equity investment in Europcar to the Financial Services Division. In total, noncurrent assets of €177.3 (178.7) billion were on a level with the figure at the end of 2022.

Current assets were likewise virtually unchanged, at €122.3 (122.7) billion. The inventories included in this figure increased, primarily due to disruptions in the logistics chain. Current other receivables and financial assets were higher than on December 31, 2022; the main reasons for this were trade receivables, which had risen for volume-related reasons.

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

€ million	March 31, 2023	Dec. 31, 2022[1]
Passenger Cars		
Noncurrent assets	141,713	142,467
Current assets	103,412	105,055
Total assets	**245,124**	**247,522**
Equity	122,364	119,654
Noncurrent liabilities	69,831	71,632
Current liabilities	52,929	56,236
Commercial Vehicles		
Noncurrent assets	33,993	34,620
Current assets	15,448	14,184
Total assets	**49,440**	**48,804**
Equity	14,184	13,804
Noncurrent liabilities	15,265	16,252
Current liabilities	19,991	18,748
Power Engineering		
Noncurrent assets	1,569	1,579
Current assets	3,474	3,491
Total assets	**5,043**	**5,070**
Equity	2,571	2,495
Noncurrent liabilities	325	432
Current liabilities	2,147	2,143

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

The Automotive Division’s cash and cash equivalents grew by €4.9 billion to €27.9 billion. Total securities were €11.1 billion lower, at €21.7 billion.

The “Assets held for sale” item comprises the carrying amounts of the assets of Volkswagen Group Rus and of subsidiaries of Volkswagen Financial Services, Porsche and Scania in Russia, which are earmarked for divestment, as well as assets of MAN Energy Solutions. The “Liabilities held for sale” item comprises the carrying amounts of the corresponding liabilities.

On March 31, 2023 the Automotive Division’s equity stood at €139.1 billion, 2.3% higher than as of the end of 2022. Encouraging earnings in the reporting period were the main contributing factor. Accordingly, noncontrolling interests also increased slightly; they were mostly attributable to the noncontrolling interest shareholders of the Porsche AG Group and the TRATON Group. The equity ratio rose to 46.4 (45.1)%.

Noncurrent liabilities decreased by €2.9 billion to €85.4 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 decreased by €2.1 billion to €75.1 billion. Current financial liabilities amounted to €–11.5 (–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 4.2% compared with the end of 2022 for volume-related reasons. Current other liabilities decreased, driven primarily by the special dividend, which was resolved upon in December 2022 and distributed 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.

At €299.6 billion, the Automotive Division’s total assets on March 31, 2023 were 0.6% lower than on December 31, 2022.

Financial Services Division balance sheet structure

At the end of the reporting period, the Financial Services Division reported total assets of €269.2 billion, 2.5% 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.

At €163.1 (161.2) billion, noncurrent assets were slightly higher than on December 31, 2022. 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 increased by 4.6% to €106.1 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 €8.3 (6.1) billion on March 31, 2023.

At the end of the first quarter of 2023, the Financial Services Division accounted for around 47.3 (46.6)% of the Volkswagen Group’s assets.

At the end of March 2023, the Financial Services Division’s equity of €43.1 billion was 1.7% up on the previous year for earnings-related reasons. The equity ratio was 16.0 (16.1)%.

At €115.2 (114.6) billion, noncurrent liabilities in the Financial Services Division were on a level with the end of 2022. The noncurrent financial liabilities included here expanded, while noncurrent other liabilities declined. Current liabilities went up, driven primarily by a rise in current financial liabilities.

Deposits from the direct banking business stood at €27.1 billion on March 31, 2023; they had amounted to €26.7 billion at the end of 2022.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

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

The forecast for all other core performance indicators remains unchanged. The outlook for fiscal year 2023 can be found on page 31.

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 a trial level decision rendered in late February 2023, the Schleswig Administrative Court had granted the relief requested in a lawsuit brought by Environmental Action Germany (Deutsche Umwelthilfe) against the KBA 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 filed an appeal against the judgment of the Schleswig Administrative Court.

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

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 stating that it considers the contemplated examination of witnesses to be necessary and is planning accordingly. Given the unforeseeably long remaining duration of the litigation, the court at the same time 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 a proposal by the Braunschweig Higher Regional Court. Irrespective thereof, oral argument will continue for the time being.

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, all investor lawsuits against Porsche SE in the suspended underlying litigation must in effect be dismissed. The model declaratory judgment is not yet final. A complaint to the Bundesgerichtshof (BGH – Federal Court of Justice) on points of law is possible.

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. The decision is currently being analyzed within the Group; the possibility of appeal is under consideration.

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 to around €500 million. 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 those decisions relating to the movable and immovable property of VGR. The defendant Group companies are defending all claims.

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”.

Prospects 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 noticeably higher than the level seen the previous year. We anticipate a noticeable increase overall in new registrations in the South American markets in 2023 compared 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 at around 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 slightly 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 strong increase in sales revenue compared with the prior year and an operating result in the range of €3.5 billion.

In the Automotive Division, we expect the R&D ratio to come in at around 8% in 2023 and the ratio of capex to sales revenue to be around 6.5%. We anticipate a very 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.

This report contains forward-looking statements on the business development of the Volkswagen Group. These statements are based on assumptions relating to the development of the economic, political and legal environment in individual countries, economic regions and markets, and in particular for the automotive industry, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. The estimates given entail a degree of risk, and actual developments may differ from those forecast. Any changes in significant parameters relating to our key sales markets, or any significant shifts in exchange rates, energy and other commodities or the supply of parts relevant to the Volkswagen Group will have a corresponding effect on the development of our business. In addition, there may also be departures from our expected business development if the assessments of the factors influencing sustainable value enhancement and of risks and opportunities presented in the 2022 annual report develop in a way other than we are currently expecting, or if additional risks and opportunities or other factors emerge that affect the development of our business.

Brands and Business Fields

SALES REVENUE AND OPERATING RESULT BY BRAND AND BUSINESS FIELD

The Volkswagen Group generated sales revenue of €76.2 (62.7) billion in the first quarter of 2023. The operating result stood at €5.7 (8.3) billion. While the fair value measurement of derivatives to which hedge accounting is not applied had an adverse effect in the first three months of this year (€–1.3 billion), it had had a positive effect in the same period of the previous year (€+3.2 billion). In the previous year, there had been special items of €0.1 billion in connection with the diesel issue.

The Volume brand group sold 1.2 (0.9) million vehicles in the reporting period; sales revenue stood at €33.2 (24.4) billion. The operating result (prior-year figure before special items) amounted to €1.7 (0.9) billion.

The Volkswagen Passenger Cars brand increased its unit sales by 36.0% to 731 thousand vehicles in the first three months of 2023. The ID. family models, the T-Roc and the Atlas were particularly popular. The new Taigo was also in strong demand. The higher volumes caused sales revenue to rise by 37.5% to €20.5 billion. The operating result (prior-year figure before special items) increased to €0.6 (0.5) billion. This was due to volumes along with improved price positioning.

The ŠKODA brand sold 275 thousand vehicles in the reporting period, representing an increase of 19.4% compared with the previous year. The Enyaq iV and Octavia achieved particular growth. Sales revenue climbed to €6.8 (5.1) billion. The operating result improved to €542 (337) million due to volume, mix and pricing effects. Exchange rates and product costs 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 GROUPS AND BUSINESS FIELD FROM JANUARY 1 TO MARCH 31

Thousand vehicles/€ million	VEHICLE SALES 2023	VEHICLE SALES 2022	SALES REVENUE 2023	SALES REVENUE 2022[1]	OPERATING RESULT 2023	OPERATING RESULT 2022[1]
Volume brand group	1,193	918	33,163	24,361	1,742	877
Premium brand group (Audi)	323	244	16,883	14,282	1,816	3,535
Sport & Luxury brand group (Porsche Automotive[2])	85	66	9,333	7,317	1,727	1,359
CARIAD	–	–	168	110	–429	–416
Battery	–	–	0	0	–72	–6
TRATON Commercial Vehicles	85	68	10,938	8,353	875	331
MAN Energy Solutions	–	–	901	761	101	55
Equity-accounted companies in China[3]	609	765	–	–	–	–
Volkswagen Financial Services	–	–	11,980	10,876	985	1,501
Other[4]	–171	–67	–7,168	–3,348	–997	1,222
Volkswagen Group before special items	**–**	**–**	**–**	**–**	**5,747**	**8,458**
Special items	–	–	–	–	–	–130
Volkswagen Group	**2,124**	**1,995**	**76,198**	**62,711**	**5,747**	**8,328**
Automotive Division[5]	2,124	1,995	63,463	51,210	4,583	6,784
of which: Passenger Cars Business Area	2,039	1,927	51,623	42,096	3,611	6,400
Commercial Vehicles Business Area	85	68	10,938	8,353	872	330
Power Engineering Business Area	–	–	901	761	100	54
Financial Services Division	–	–	12,736	11,502	1,164	1,544

1 Prior-year figures adjusted (see disclosures on IFRS 17).
2 Porsche (including Financial Services): sales revenue €10,097 (8,043) million, operating result €1,840 (1,467) 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 €625 (824) 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 VOLUME BRAND GROUP FROM JANUARY 1 TO MARCH 31

Thousand vehicles/€ million	VEHICLE SALES 2023	VEHICLE SALES 2022	SALES REVENUE 2023	SALES REVENUE 2022	OPERATING RESULT 2023	OPERATING RESULT 2022
Volkswagen Passenger Cars	731	537	20,464	14,879	608	513
ŠKODA	275	231	6,794	5,101	542	337
SEAT	155	107	3,562	2,404	144	5
Volkswagen Commercial Vehicles	104	73	3,599	2,294	171	46
Tech. Components	–	–	6,028	3,614	237	–33
Consolidation	–72	–29	–7,284	–3,931	39	9
Volume brand group	**1,193**	**918**	**33,163**	**24,361**	**1,742**	**877**

Unit sales at SEAT and CUPRA increased to 155 thousand vehicles in the period from January to March of this year; this was 45.1% more than a year earlier. This figure includes the A1 manufactured for Audi. Both SEAT and CUPRA saw higher demand. The CUPRA Formentor and CUPRA Born were especially popular. Sales revenue was 48.2% up on the prior-year figure at €3.6 billion. Primarily due to the higher volume and the success of CUPRA, SEAT's operating result of €144 (5) million improved on the previous year's figure.

In the first quarter of 2023, global sales of Volkswagen Commercial Vehicles increased to 104 (73) thousand units. Sales revenue rose to €3.6 (2.3) billion as a result. The operating result increased to €171 (46) million. This was due to the higher volume along with positive price effects.

Unit sales at the Premium brand group (Audi) came to 323 thousand vehicles globally in the reporting period, an increase of 32.4% compared with the first quarter of 2022. Growth was seen particularly for the Q5 and Q7 as well as the all-electric Q4 e-tron and e-tron GT models. A further 128 (138) thousand Audi vehicles were sold by the Chinese joint ventures FAW-Volkswagen and SAIC VOLKSWAGEN. Sales revenue climbed to €16.9 (14.3) billion. The operating result (prior-year figure before special items) amounted to €1.8 (3.5) billion. The decline was mainly attributable to measurement effects from commodity hedges (down €–1.6 billion year-on-year). Conversely, the good results of the Bentley, Lamborghini and Ducati brands and the rise in volume at the Audi brand had a beneficial effect on profit. Ducati sold 18,498 (14,125) motorcycles in the first three months of this year.

In the first quarter of 2023, the Sport & Luxury brand group (Porsche Automotive) sold 85 (66) thousand vehicles worldwide. Demand grew particularly for the 911, Macan and Cayenne models. Sales revenue climbed to €9.3 (7.3) billion. The operating result improved to €1.7 (1.4) billion, mainly due to volume effects.

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 €168 (110) million in the first quarter of 2023, driven primarily by a rise in license fees on the back of the higher vehicle volume. Upfront development expenditures resulted in an operating loss of €–0.4 (–0.4) billion, unchanged from the previous year.

The Battery business field brings together the Group’s global battery activities – the future manufacture of battery cells and other activities along the battery value chain. Given fixed-cost effects resulting from the establishment of the business, the operating result in the Battery business field in the first quarter of 2023 came to €–72 (–6) million.

Unit sales of TRATON Commercial Vehicles exceeded the prior-year figure at 85 (68) thousand vehicles. Sales revenue increased by 31.0% to €10.9 billion. At €875 (331) million, the operating result was up on the prior-year figure. The increase was driven by the higher volume of new vehicles, a positive product mix, better price positioning and growth in the service business.

MAN Energy Solutions generated sales revenue of €0.9 (0.8) billion in the period from January to March 2023. The operating result rose to €101 (55) 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 2.0 million (+4.3%). 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 34.4 (34.1)%. At 21.5 (22.0) million, the total number of contracts at the end of March 2023 was approximately level with the figure for December 31, 2022. The number of contracts in the customer financing/leasing area amounted to 10.2 (10.3) million, and in the service/insurance area to 11.3 (11.6) million. Volkswagen Bank managed 1.4 (1.3) million deposit accounts as of March 31 of this year. The operating profit declined as expected to €1.0 (1.5) billion, mainly due to adverse effects from derivatives. In the previous year, lower risk costs and strong demand for used vehicles had also had a positive effect.

UNIT SALES AND SALES REVENUE BY MARKET

The Volkswagen Group sold 1.0 million vehicles in the Europe/Other Markets region in the first three months of this year. This was an increase of 23.4% year-on-year. Sales revenue climbed to €45.7 (36.4) billion. Volumes and improved price positioning had a positive impact.

In the North American markets, the Volkswagen Group's unit sales increased by 32.5% to 238 thousand vehicles in the reporting period. Driven by volume and exchange rate effects, sales revenue improved to €15.8 (12.1) billion.

Unit sales in South America increased to 101 (74) thousand vehicles from January to March 2023. Sales revenue rose to €3.4 (2.7) billion due to volume effects.

The Volkswagen Group's unit sales in the Asia-Pacific region – including the equity-accounted companies in China – fell by 17.5% to 735 thousand vehicles in the first quarter of 2023. Sales revenue amounted to €11.6 (11.8) billion. The sales revenue of our equity-accounted companies in China is not included.

Hedging transactions relating to the Volkswagen Group's sales revenue in foreign currency made a negative contribution of €–0.4 (–0.3) billion in the reporting period.

KEY FIGURES BY MARKET FROM JANUARY 1 TO MARCH 31

	VEHICLE SALES		SALES REVENUE	
Thousand vehicles/€ million	**2023**	2022	**2023**	2022[1]
Europe/Other Markets	1,050	850	45,729	36,444
North America	238	180	15,817	12,054
South America	101	74	3,413	2,726
Asia-Pacific[2]	735	891	11,618	11,802
Hedges on sales revenue	–	–	–379	–315
Volkswagen Group[2]	**2,124**	**1,995**	**76,198**	**62,711**

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 March 31

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2023	2022[2]	2023	2022[2]	2023	2022[2]
Sales revenue	**76,198**	**62,711**	**63,463**	**51,210**	**12,736**	**11,502**
Cost of sales	–61,005	–50,744	–50,434	–41,645	–10,571	–9,099
Gross result	**15,193**	**11,967**	**13,029**	**9,565**	**2,165**	**2,402**
Distribution expenses	–4,836	–4,315	–4,524	–3,978	–311	–337
Administrative expenses	–3,241	–2,770	–2,594	–2,163	–647	–607
Other operating result	–1,370	3,446	–1,328	3,361	–42	85
Operating result	**5,747**	**8,328**	**4,583**	**6,784**	**1,164**	**1,544**
Share of the result of equity-accounted investments	535	629	542	604	–7	25
Interest result and other financial result	171	–41	221	–28	–50	–13
Financial result	**706**	**588**	**762**	**576**	**–57**	**12**
Earnings before tax	**6,453**	**8,916**	**5,345**	**7,360**	**1,107**	**1,556**
Income tax expense	–1,723	–2,173	–1,404	–1,808	–319	–365
Earnings after tax	**4,730**	**6,743**	**3,941**	**5,552**	**788**	**1,191**
of which attributable to						
Noncontrolling interests	382	40	350	5	32	34
Volkswagen AG hybrid capital investors	138	129	138	129	–	–
Volkswagen AG shareholders	4,209	6,574	3,453	5,417	756	1,156
Basic/diluted earnings per ordinary share in €[3]	**8.37**	**13.09**				
Basic/diluted earnings per preferred share in €[3]	**8.43**	**13.15**				

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 March 31

€ million	2023	2022[1]
Earnings after tax	**4,730**	**6,743**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	–340	5,954
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	104	–1,790
Pension plan remeasurements recognized in other comprehensive income, net of tax	–236	4,165
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]	29	–389
Deferred taxes relating to fair value valuation of equity instruments that will not be reclassified to profit or loss[2]	–2	53
Fair value valuation of equity instruments that will not be reclassified to profit or loss, net of tax	27	–336
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	0	1
Items that will not be reclassified to profit or loss	**–209**	**3,829**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	–812	1,142
Transferred to profit or loss	–	15
Exchange differences on translating foreign operations, before tax	–812	1,157
Deferred taxes relating to exchange differences on translating foreign operations	–1	2
Exchange differences on translating foreign operations, net of tax	–813	1,159
Hedging		
Fair value changes recognized in other comprehensive income (OCI I)	703	–124
Transferred to profit or loss (OCI I)	–35	18
Cash flow hedges (OCI I), before tax	669	–106
Deferred taxes relating to cash flow hedges (OCI I)	–198	45
Cash flow hedges (OCI I), net of tax	470	–61
Fair value changes recognized in other comprehensive income (OCI II)	–159	–153
Transferred to profit or loss (OCI II)	215	170
Cash flow hedges (OCI II), before tax	56	17
Deferred taxes relating to cash flow hedges (OCI II)	–10	–17
Cash flow hedges (OCI II), net of tax	46	0
Fair value valuation of debt instruments that may be reclassified to profit or loss		
Fair value changes recognized in other comprehensive income	50	–149
Transferred to profit or loss	0	0
Fair value valuation of debt instruments that may be reclassified to profit or loss, before tax	49	–149
Deferred taxes relating to fair value valuation of debt instruments recognized in other comprehensive income	–6	39
Fair value valuation of debt instruments that may be reclassified to profit or loss, net of tax	43	–109
Share of other comprehensive income of equity-accounted investments that may be reclassified to profit or loss, net of tax	–143	123
Items that may be reclassified to profit or loss	**–396**	**1,113**
Other comprehensive income, before tax	–491	6,610
Deferred taxes relating to other comprehensive income	–115	–1,668
Other comprehensive income, net of tax	**–606**	**4,942**
Total comprehensive income	**4,124**	**11,685**
of which attributable to		
Noncontrolling interests	418	82
Volkswagen AG hybrid capital investors	138	129
Volkswagen AG shareholders	3,568	11,474

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 March 31, 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	**340,395**	**339,853**	**177,274**	**178,667**	**163,122**	**161,187**
Intangible assets	84,170	83,241	83,787	82,846	383	394
Property, plant and equipment	63,676	63,890	62,692	62,908	984	982
Lease assets	59,121	59,380	902	1,279	58,220	58,100
Financial services receivables	87,434	86,944	–758	–767	88,192	87,711
Investment Property, equity-accounted investments and other equity investments, other receivables and financial assets	45,994	46,399	30,651	32,400	15,344	13,999
Current assets	**228,446**	**224,159**	**122,333**	**122,730**	**106,113**	**101,430**
Inventories	56,662	52,274	52,992	48,768	3,670	3,506
Financial services receivables	61,748	61,549	–808	–799	62,556	62,348
Other receivables and financial assets	46,821	43,226	20,161	18,764	26,660	24,462
Marketable securities and time deposits	25,946	37,206	21,741	32,867	4,204	4,338
Cash and cash equivalents	36,247	29,172	27,919	23,034	8,328	6,137
Assets held for sale	1,022	733	327	95	695	638
Total assets	**568,842**	**564,013**	**299,607**	**301,396**	**269,234**	**262,616**
Equity and liabilities						
Equity	**182,208**	**178,328**	**139,119**	**135,954**	**43,089**	**42,375**
Equity attributable to Volkswagen AG shareholders	154,791	151,255	112,377	109,565	42,414	41,690
Equity attributable to Volkswagen AG hybrid capital investors	14,075	14,121	14,075	14,121	–	–
Equity attributable to Volkswagen AG shareholders and hybrid capital investors	168,865	165,376	126,452	123,686	42,414	41,690
Noncontrolling interests	13,343	12,952	12,667	12,267	676	684
Noncurrent liabilities	**200,596**	**202,961**	**85,421**	**88,316**	**115,175**	**114,646**
Financial liabilities	119,757	121,737	19,144	21,871	100,613	99,866
Provisions for pensions	27,936	27,553	27,479	27,104	457	449
Other liabilities	52,903	53,671	38,797	39,341	14,106	14,330
Current liabilities	**186,037**	**182,723**	**75,068**	**77,127**	**110,970**	**105,596**
Financial liabilities	87,948	83,448	–11,534	–10,953	99,481	94,401
Trade payables	30,484	28,738	27,216	26,106	3,268	2,631
Other liabilities	66,972	70,380	58,865	61,961	8,107	8,418
Liabilities associated with assets held for sale	633	158	521	12	113	146
Total equity and liabilities	**568,842**	**564,013**	**299,607**	**301,396**	**269,234**	**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

€ million	Subscribed capital	Capital reserve	Retained earnings	OTHER RESERVES					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
					HEDGING							
				Currency translation reserve	Cash flow hedges (OCI I)	Deferred costs of hedging (OCI II)	Equity and debt instruments	Equity-accounted investments				
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]	–	–	6,574	–	–	–	–	–	129	6,703	40	6,743
Other comprehensive income, net of tax[1]	–	–	4,143	1,111	–62	0	–416	124	–	4,900	42	4,942
Total comprehensive income[1]	**–**	**–**	**10,717**	**1,111**	**–62**	**0**	**–416**	**124**	**129**	**11,603**	**82**	**11,685**
Disposal of equity instruments	–	–	–	–	–	–	–	–	–	–	–	–
Capital increases/Capital decreases	–	–	–	–	–	–	–	–	1,154	1,154	103	1,257
Dividend payments	–	–	–	–	–	–	–	–	–155	–155	–	–155
Capital transactions involving a change in ownership interest	–	–	–	–	–	–	–	–	–	–	–	–
Other changes	–	–	5	–	–	–	–	0	–	5	–15	–10
Balance at March 31, 2022[1]	**1,283**	**14,551**	**128,053**	**–1,240**	**–698**	**–366**	**–772**	**666**	**15,568**	**157,045**	**1,875**	**158,920**
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	–	–	4,209	–	–	–	–	–	138	4,347	382	4,730
Other comprehensive income, net of tax	–	–	–232	–763	378	50	69	–143	–	–641	35	–606
Total comprehensive income	**–**	**–**	**3,977**	**–763**	**378**	**50**	**69**	**–143**	**138**	**3,706**	**418**	**4,124**
Disposal of equity instruments	–	–	13	–	–	–	–13	–	–	–	–	–
Capital increases/Capital decreases	–	–	–	–	–	–	–	–	–	–	–	–
Dividend payments	–	–	–	–	–	–	–	–	–185	–185	–	–185
Capital transactions involving a change in ownership interest	–	–	–42	–11	–	–	–	–	–	–54	–27	–80
Other changes	–	–	21	–	–	–	–	–	–	21	0	21
Balance at March 31, 2023	**1,283**	**14,551**	**141,241**	**–3,031**	**2,001**	**–1,027**	**–949**	**721**	**14,075**	**168,865**	**13,343**	**182,208**

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

Cash flow statement for the Period January 1 to March 31

€ million	VOLKSWAGEN GROUP 2023	VOLKSWAGEN GROUP 2022[7]	AUTOMOTIVE[1] 2023	AUTOMOTIVE[1] 2022[7]	FINANCIAL SERVICES 2023	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	6,453	8,916	5,345	7,360	1,107	1,556
Income taxes paid	–1,443	–1,000	–667	–747	–776	–253
Depreciation and amortization expense[2]	6,440	7,047	4,051	4,614	2,389	2,433
Change in pension provisions	71	151	68	143	3	8
Share of the result of equity-accounted investments	–539	–641	–546	–616	7	–25
Other noncash income/expense and reclassifications[3]	1,187	–2,785	1,191	–3,316	–4	531
Gross cash flow	**12,170**	**11,688**	**9,443**	**7,438**	**2,726**	**4,250**
Change in working capital	**–6,207**	**–2,375**	**–1,868**	**–1,638**	**–4,339**	**–737**
Change in inventories	–4,754	–1,897	–4,578	–2,105	–177	208
Change in receivables	–3,016	–2,061	–1,681	–1,685	–1,335	–376
Change in liabilities	4,778	3,098	3,715	2,478	1,063	620
Change in other provisions	571	–200	456	–228	115	28
Change in lease assets (excluding depreciation)	–2,530	–2,104	218	14	–2,747	–2,118
Change in financial services receivables	–1,256	790	2	–111	–1,258	901
Cash flows from operating activities	**5,963**	**9,313**	**7,576**	**5,800**	**–1,613**	**3,513**
Cash flows from investing activities attributable to operating activities	**–5,380**	**–4,425**	**–5,332**	**–4,309**	**–49**	**–117**
of which: Investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property	–2,485	–1,746	–2,458	–1,703	–27	–43
capitalized development costs	–2,559	–2,235	–2,559	–2,235	–	–
acquisition and disposal of equity investments	–404	–541	–378	–461	–26	–80
Net cash flow[4]	***582***	***4,888***	***2,244***	***1,491***	***–1,662***	***3,397***
Change in investments in securities, time deposits and loans	10,751	–1,067	13,086	–1,391	–2,335	324
Cash flows from investing activities	**5,371**	**–5,492**	**7,755**	**–5,699**	**–2,384**	**207**
Cash flows from financing activities	**–3,906**	**372**	**–10,142**	**3,884**	**6,236**	**–3,512**
of which: capital transactions with noncontrolling interests	–8	–	–8	–	–	–
capital contributions/capital redemptions	0	1,262	–2	1,262	2	–
Effect of exchange rate changes on cash and cash equivalents	–292	250	–216	210	–76	40
Change of loss allowance within cash and cash equivalents	–1	0	–1	0	0	0
Net change in cash and cash equivalents	**7,134**	**4,443**	**4,971**	**4,194**	**2,163**	**248**
Cash and cash equivalents at March 31[5]	**36,872**	**43,565**	**28,014**	**29,093**	**8,858**	**14,472**
Securities and time deposits and loans	39,400	35,138	18,043	17,218	21,357	17,921
Gross liquidity	**76,272**	**78,704**	**46,057**	**46,311**	**30,215**	**32,393**
Total third-party borrowings	–207,785	–211,435	–7,615	–15,246	–200,169	–196,189
Net liquidity at March 31[6]	**–131,513**	**–132,731**	**38,441**	**31,065**	**–169,954**	**–163,796**
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 March 31, 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).

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 change is due primarily to the changed approach 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. The change in the approach 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 three months 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 quarter 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 in the Russia-Ukraine conflict in the first quarter 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 in the first quarter of 2023 (see the “IFRS 5 – Noncurrent assets held for sale” section).

No additional material risk provisions were recognized in connection with the Russia-Ukraine conflict in the first three months 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 €1.1 billion (previous year: gains of €3.8 billion) were recognized in the other operating result.

Although 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 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. The first payment of USD190 million was already made in January 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 USD50 million to the company in January 2023. The contribution was written down in full.

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

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. The legal transfer of ownership and the determination of the final purchase price are still subject to approval of the transaction by the Russian authorities. An impairment loss of €25 million was recognized for the disposal group as of December 31, 2022. Another minor impairment loss was identified and recognized in the other operating result in the first quarter of 2023.

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 quarter 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, which are still to be established under German and Swiss law. The transaction is expected to be completed within fiscal year 2023.

On March 3, 2023, the Supervisory Board of the Volkswagen Group resolved that OOO Volkswagen Group Rus, Kaluga/Russia, and its subsidiaries, OOO Scania Finance, Moscow/Russia, OOO Scania Strachovanie, Moscow/Russia, and OOO Scania Leasing, Moscow/Russia must be sold.

The sales negotiations with potential investors are at an advanced stage. As of the reporting date, the legal transfer of ownership of the four companies was still subject to approval by the Russian authorities. It is currently expected that ownership will be legally transferred and the purchase price finally determined in the course of the first half of 2023.

In total, assets of €1,022 million and liabilities of €633 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 March 31, 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.

Disclosures on the interim consolidated financial statements

1. Sales revenue

STRUCTURE OF GROUP SALES REVENUE: Q1 2023

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total Segments	Reconciliation	Volkswagen Group
Vehicles	45,664	7,262	–	–	52,925	–4,838	48,087
Genuine parts	4,052	1,786	–	–	5,837	–51	5,786
Used vehicles and third-party products	3,263	626	–	5,679	9,568	–995	8,573
Engines, powertrains and parts deliveries	2,588	268	–	–	2,857	–21	2,835
Power Engineering	–	–	901	–	901	0	901
Motorcycles	273	–	–	–	273	–	273
Leasing business	242	395	0	4,236	4,873	–300	4,573
Interest and similar income	59	0	–	2,677	2,736	–190	2,547
Hedges sales revenue	–447	9	–	–	–439	60	–379
Other sales revenue	2,541	593	–	143	3,277	–276	3,001
	58,235	**10,938**	**901**	**12,736**	**82,810**	**–6,612**	**76,198**

STRUCTURE OF GROUP SALES REVENUE: Q1 2022[1]

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total Segments	Reconciliation	Volkswagen Group
Vehicles	34,795	5,053	–	–	39,848	–3,179	36,669
Genuine parts	3,660	1,608	–	–	5,268	–39	5,229
Used vehicles and third-party products	3,080	535	–	5,318	8,932	–1,025	7,907
Engines, powertrains and parts deliveries	2,911	187	–	–	3,099	–17	3,082
Power Engineering	–	–	761	–	761	0	761
Motorcycles	186	–	–	–	186	–	186
Leasing business	158	433	0	4,042	4,633	–321	4,312
Interest and similar income	55	1	–	2,000	2,057	–90	1,967
Hedges sales revenue	–314	–9	–	–	–322	7	–315
Other sales revenue	2,454	544	–	141	3,140	–226	2,913
	46,986	**8,353**	**761**	**11,502**	**67,602**	**–4,890**	**62,711**

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 €1,570 million (previous year: €567 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 €157 million (previous year: €331 million); they are mostly recognized in other operating expenses and in cost of sales.

3. Research and development costs

	Q1		
€ million	2023	2022	%
Total research and development costs	5,071	4,359	16.3
of which: capitalized development costs	2,559	2,235	14.5
Capitalization ratio in %	50.5	51.3	
Amortization of capitalized development costs	1,218	1,220	–0.2
Research and development costs recognized in profit or loss	**3,730**	**3,344**	**11.5**

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.

		Q1	
		2023	2022[1]
Weighted average number of:			
Ordinary shares – basic/diluted	Shares	295,089,818	295,089,818
Preferred shares – basic/diluted	Shares	206,205,445	206,205,445
Earnings after tax	€ million	4,730	6,743
Noncontrolling interests	€ million	382	40
Earnings attributable to Volkswagen AG hybrid capital investors	€ million	138	129
Earnings attributable to Volkswagen AG shareholders	€ million	4,209	6,574
of which: basic/diluted earnings attributable to ordinary shares	€ million	2,471	3,863
of which: basic/diluted earnings attributable to preferred shares	€ million	1,739	2,712
Earnings per ordinary share – basic/diluted	€	8.37	13.09
Earnings per preferred share – basic/diluted	€	8.43	13.15

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

5. Noncurrent assets

CHANGES IN SELECTED NONCURRENT ASSETS BETWEEN JANUARY 1 AND MARCH 31, 2023

€ million	Carrying amount at Jan. 1, 2023	Additions/ Changes in consolidated Group	Disposals/ Other changes	Depreciation and amortization	Carrying amount at March 31, 2023
Intangible assets	83,241	2,673	206	1,537	84,170
Property, plant and equipment	63,890	2,725	521	2,418	63,676
Lease assets	59,380	6,784	4,443	2,600	59,121

6. Inventories

€ million	March 31, 2023	Dec. 31, 2022
Raw materials, consumables and supplies	10,177	10,458
Work in progress	6,364	6,041
Finished goods and purchased merchandise	33,514	29,466
Current lease assets	5,265	5,170
Prepayments	1,370	1,165
Hedges on inventories	–27	–26
	56,662	**52,274**

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	March 31, 2023	Dec. 31, 2022[1]
Trade receivables	20,772	18,534
Miscellaneous other receivables and financial assets	26,049	24,692
	46,821	**43,226**

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

In the period January 1 to March 31, 2023, impairment losses and reversals of impairment losses on noncurrent and current financial assets reduced operating profit by €166 million (previous year: €336 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	March 31, 2023	Dec. 31, 2022
Bonds, commercial paper and notes	89,506	89,869
Liabilities to banks	20,926	23,266
Deposit business	3,347	2,642
Lease liabilities	5,215	5,283
Other financial liabilities	764	677
	119,757	**121,737**

10. Current financial liabilities

€ million	March 31, 2023	Dec. 31, 2022
Bonds, commercial paper and notes	38,970	38,523
Liabilities to banks	22,948	18,840
Deposit business	23,828	24,107
Lease liabilities	1,080	1,102
Other financial liabilities	1,121	876
	87,948	**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 balance sheet items 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 MARCH 31, 2023

€ 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 MAR. 31, 2023
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	13,047	13,047
Other equity investments	346	–	–	–	3,438	3,784
Financial services receivables	151	51,355	50,917	–	35,928	87,434
Other financial assets	3,569	5,621	5,526	3,281	–	12,471
Tax receivables	–	–	–	–	392	392
Current assets						
Trade receivables	8	20,765	20,765	–	0	20,772
Financial services receivables	23	41,730	41,730	–	19,995	61,748
Other financial assets	2,550	11,981	11,981	1,293	–	15,824
Tax receivables	–	8	8	–	1,696	1,703
Marketable securities and time deposits	25,232	714	714	–	–	25,946
Cash and cash equivalents	–	36,247	36,247	–	–	36,247
Assets held for sale	–	626	626	–	396	1,022
Noncurrent liabilities						
Financial liabilities	–	114,542	112,513	–	5,215	119,757
Other financial liabilities	1,381	2,595	2,485	3,421	–	7,397
Current liabilities						
Financial liabilities	–	86,868	86,868	–	1,080	87,948
Trade payables	–	30,484	30,484	–	–	30,484
Other financial liabilities	1,054	11,383	11,383	1,190	–	13,627
Tax payables	–	12	12	–	730	742
Liabilities associated with assets held for sale	–	130	130	–	504	633

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	11,042	11,042	1,270	–	15,157
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 €55.9 billion (previous year: €55.1 billion) and their fair value was €55.0 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	March 31, 2023	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	346	107	0	239
Financial services receivables	151	–	–	151
Other financial assets	3,569	–	2,026	1,543
Current assets				
Trade receivables	8	–	–	8
Financial services receivables	23	–	–	23
Other financial assets	2,550	–	2,061	488
Marketable securities and time deposits	25,232	25,161	70	–
Noncurrent liabilities				
Other financial liabilities	1,381	–	1,313	68
Current liabilities				
Other financial liabilities	1,054	–	1,032	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	March 31, 2023	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	3,281	–	3,281	–
Current assets				
Other financial assets	1,293	–	1,293	–
Noncurrent liabilities				
Other financial liabilities	3,421	–	3,421	–
Current liabilities				
Other financial liabilities	1,190	–	1,190	–

€ 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	**3,181**	**102**
Foreign exchange differences	–19	1
Changes in consolidated Group	0	–
Total comprehensive income	–386	–9
recognized in profit or loss	–386	–9
recognized in other comprehensive income	0	–
Additions (purchases)	28	–
Sales and settlements	–215	–
Transfers into Level 2	–138	–4
Balance at March 31, 2023	**2,450**	**89**
Total gains or losses recognized in profit or loss	**–386**	**9**
Other operating result	–388	9
of which attributable to assets/liabilities held at the reporting date	–375	8
Financial result	2	–
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	35	–1
Changes in consolidated Group	–	–
Total comprehensive income	1,587	–112
recognized in profit or loss	1,587	–112
recognized in other comprehensive income	–	–
Additions (purchases)	143	–
Sales and settlements	–25	–29
Transfers into Level 1	–	–
Transfers into Level 2	–170	–5
Balance at March 31, 2022	**3,690**	**156**
Total gains or losses recognized in profit or loss	**1,587**	**112**
Other operating result	1,587	112
of which attributable to assets/liabilities held at the reporting date[1]	1,480	113
Financial result	0	–
of which attributable to assets/liabilities held at the reporting date	0	–

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 March 31, 2023, earnings after tax would have been €237 million (previous year: €336 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 March 31, 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 March 31, 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 March 31, 2023, earnings after tax would have been €483 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 March 31, 2023, earnings after tax would have been €515 million (previous year: €494 million) lower.

If the risk-adjusted interest rates applied to receivables measured at fair value had been 100 basis points higher as of March 31, 2023, earnings after tax would have been €5 million (previous year: €6 million) lower. If the risk-adjusted interest rates as of March 31, 2023 had been 100 basis points lower, earnings after tax would have been €2 million (previous year: €0 million) higher.

If the corresponding vehicle price used in the vehicle financing programs had been 10% higher as of March 31, 2023, earnings after tax would have been €4 million (previous year: €13 million) higher. If the corresponding vehicle prices used in the vehicle financing programs had been 10% lower as of March 31, 2023, earnings after tax would have been €4 million (previous year: €13 million) lower.

If the result of operations of equity investments measured at fair value had been 10% better as of March 31, 2023, equity would have been €7 million (previous year: €7 million) higher, and earnings after tax would have been €5 million (previous year: €9 million) higher. If the result of operations of equity investments measured at fair value had been 10% worse, equity would have been €7 million (previous year: €7 million) lower, and earnings after tax would have been €5 million (previous year: €9 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	March 31, 2023	March 31, 2022
Cash and cash equivalents as reported in the balance sheet	36,247	44,847
Cash and cash equivalents held for sale	625	–
Time deposits[1]	0	–1,281
Cash and cash equivalents as reported in the cash flow statement	**36,872**	**43,565**

1 As of March 31, 2022, time deposits with maturities of more than three months were included in cash and cash equivalents as presented in the balance sheet. They were reclassified to the marketable securities and time deposits item in the balance sheet as of June 30, 2022.

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

	Q1	
€ million	2023	2022
Capital contributions/Capital redemptions	0	1,262
Dividends paid	–6,708	–155
Capital transactions with noncontrolling interest shareholders	–8	–
Proceeds from issuance of bonds	7,951	6,395
Repayments of bonds	–7,591	–5,238
Changes in other financial liabilities	2,747	–1,622
Repayments of lease liabilities	–298	–270
	–3,906	**372**

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: Q1 2023

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	52,619	10,691	901	11,835	76,046	152	76,198
Intersegment sales revenue	5,616	247	0	901	6,764	–6,764	–
Total sales revenue	58,235	10,938	901	12,736	82,810	–6,612	76,198
Segment result (operating result)	5,449	872	100	1,164	7,586	–1,839	5,747

REPORTING SEGMENTS: Q1 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	42,990	8,071	761	10,771	62,593	119	62,711
Intersegment sales revenue	3,997	282	0	730	5,009	–5,009	–
Total sales revenue	46,986	8,353	761	11,502	67,602	–4,890	62,711
Segment result (operating result)	5,675	330	54	1,544	7,603	725	8,328

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

RECONCILIATION

€ million	Q1 2023	Q1 2022[1]
Segment result (operating result)	**7,586**	**7,603**
Unallocated activities	13	11
Group financing	–5	–12
Consolidation/Holding company function	–1,846	726
Operating result	**5,747**	**8,328**
Financial result	**706**	**588**
Consolidated earnings before tax	**6,453**	**8,916**

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 of 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 also assumed obligations for dividend distributions of Porsche AG, although payments will only be made in 2023 after the Annual General Meeting of Porsche AG. €114 million of this obligation is attributable to Porsche SE.

OTHER RELATED PARTY DISCLOSURES IN ACCORDANCE WITH IAS 24

	SUPPLIES AND SERVICES RENDERED Q1		SUPPLIES AND SERVICES RECEIVED Q1	
€ million	2023	2022	2023	2022
Porsche SE and its majority interests	1	1	0	0
Supervisory Board members	0	0	1	0
Unconsolidated subsidiaries	417	296[1]	405	421
Joint ventures and their majority interests	3,359	4,043	166	186
Associates and their majority interests	99	70	658	369
State of Lower Saxony, its majority interests and joint ventures	6	3	1	2

1 Prior-year figures adjusted.

€ million	RECEIVABLES FROM		LIABILITIES (INCLUDING OBLIGATIONS) TO	
	March 31, 2023	Dec. 31, 2022	March 31, 2023	Dec. 31, 2022[1]
Porsche SE and its majority interests	0	1	114	136
Supervisory Board members	0	0	250	276
Unconsolidated subsidiaries	1,398	1,346	2,031	1,865
Joint ventures and their majority interests	14,235	14,046	2,973	2,740
Associates and their majority interests	707	625	1,233	1,096
State of Lower Saxony, its majority interests and joint ventures	127	255	2	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 €9 million (previous year: €2 million) received from joint ventures and associates.

Receivables from joint ventures are primarily attributable to loans granted in an amount of €10,967 million (December 31, 2022: €10,350 million) as well as trade receivables in an amount of €3,038 million (December 31, 2022: €3,491 million). Receivables from non-consolidated subsidiaries also result primarily from loans granted in an amount of €801 million (December 31, 2022: €727 million) as well as trade receivables in an amount of €191 million (December 31, 2022: €222 million).

Outstanding related party receivables include doubtful receivables on which impairment losses of €19 million (previous year: €17 million) were recognized. This incurred expenses of €2 million (previous year: €0 million) in the first quarter of 2023.

In addition, the Volkswagen Group has furnished guarantees to external banks on behalf of related parties in the amount of €284 million (December 31, 2022: €296 million).

Between January and March 2023, the Volkswagen Group made capital contributions of €209 million (previous year: €384 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 a trial level decision rendered in late February 2023, the Schleswig Administrative Court had granted the relief requested in a lawsuit brought by Environmental Action Germany (Deutsche Umwelthilfe) against the KBA 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 filed an appeal against the judgment of the Schleswig Administrative Court.

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

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 stating that it considers the contemplated examination of witnesses to be necessary and is planning accordingly. Given the unforeseeably long remaining duration of the litigation, the court at the same time 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 a proposal by the Braunschweig Higher Regional Court. Irrespective thereof, oral argument will continue for the time being.

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, all investor lawsuits against Porsche SE in the suspended underlying litigation must in effect be dismissed. The model declaratory judgment is not yet final. A complaint to the Bundesgerichtshof (BGH – Federal Court of Justice) on points of law is possible.

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. The decision is currently being analyzed within the Group; the possibility of appeal is under consideration.

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 to around €500 million. 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 those decisions relating to the movable and immovable property of VGR. The defendant Group companies are defending all claims.

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

There were no material changes as of March 31, 2023 compared with the contingent liabilities of €10.6 billion reported in the 2022 annual report.

17. Other financial obligations

Compared with the 2022 consolidated financial statements, other financial obligations went up by €1.9 billion to €37.2 billion. The rise was due mainly to higher purchase commitments for property, plant and equipment and services.

Significant events after the balance sheet date

There were no events with a significant effect on net assets, financial position and results of operations after March 31, 2023.

Wolfsburg, May 2, 2023

Volkswagen Aktiengesellschaft

The Board of Management

Review Report

On completion of our review, we issued the following unqualified review report dated 3 May 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 31 March 2023, which are part of the interim financial report pursuant to Sec. 115 (7) in conjunction with (2) Nos. 1 and 2 and (3) and (4) 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, 3 May 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.

Premium Platform Electric (PPE)
A new vehicle platform for all-electric premium, sport and luxury class vehicles. The components and functions of this platform are especially tailored to meet the high demands of this segment. This platform enables high synergies to be achieved particularly between the Audi, Porsche and Bentley brands.

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.

Contact Information

PUBLISHED BY

Volkswagen AG

Group Financial Publications

Letterbox 1848

38436 Wolfsburg

Germany

Phone +49 (0) 5361 9 0

Fax +49 (0) 5361 9 28282

INVESTOR RELATIONS

Volkswagen AG

Investor Relations

Letterbox 1849

38436 Wolfsburg

Germany

E-Mail investor.relations@volkswagen.de

Internet www.volkswagenag.com/en/InvestorRelations.html

FINANCIAL CALENDAR

May 10, 2023	Volkswagen AG Annual General Meeting
July 27, 2023	Half-Yearly Financial Report 2023
October 26, 2023	Interim Report January – September 2023

This Interim Report is also available on the Internet, in German and English, at: www.volkswagenag.com/en/InvestorRelations.html

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

358.809.619.20

www.volkswagenag.com