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Volkswagen Group off to a good start in 2018: Unit sales and sales revenue up again in the first quarter

- **Deliveries to customers of the Group brands rise to 2.7 (2.5) million vehicles**
- **Group sales revenue increases by EUR 2.0 billion to EUR 58.2 billion**
- **Operating profit at EUR 4.2 (4.4) billion due to a change in the reporting of the valuation of derivatives**
- **Net liquidity in the Automotive Division at a robust EUR 24.3 billion**
- **Net cash flow increases by EUR 5.0 billion, considerably lower cash outflows attributable to the diesel issue**
- **Profit before tax down slightly on the previous year at EUR 4.5 (4.6) billion**
- **CEO Diess: "The Volkswagen Group is in a robust economic position, our TOGETHER – Strategy 2025 is taking effect. We are pursuing this course in a dynamic and focused manner."**

Wolfsburg, April 26, 2018 – The Volkswagen Group is off to a good start for the new fiscal year. Supported by record unit sales in the first quarter, Group sales revenue rose year-on-year from EUR 56.2 to EUR 58.2 billion. Operating profit decreased from EUR 4.4 to EUR 4.2 billion – the moderate decline is due, among other things, to the negative effect resulting from a change in the reporting of the valuation of derivatives of derivatives (IFRS 9). Without this effect, the adjusted earnings were up slightly year-on-year. In the period from January to March, the operating return on sales amounted to 7.2 percent. Additional significant provisions in connection with the diesel issue were not incurred in the first quarter of 2018, in addition there were significantly lower cash outflows in respect of this matter.

"The Volkswagen Group is in a robust economic position, our TOGETHER – Strategy 2025 is taking effect," explained Dr. Herbert Diess, CEO of Volkswagen AG. "Following an extremely successful initial phase, it is now a matter of pursuing this course in a strong and focused manner. After all, the speed of change in our industry is still increasing. Our goal is to transform the Volkswagen Group into one of the industry's leading companies in terms of profitability, innovative power and sustainability. The quarterly results confirm that we are on the right path."

The Group's operating profit does not include the proportionate operating profit from the Chinese joint ventures. This rose to EUR 1.2 billion – despite negative exchange rate effects – from the beginning of January to the end of March 2018. These companies are accounted for using the equity method and are therefore reflected in the Group's financial result. After taxes, the Group's three-month profit stood at EUR 3.3 (3.4) billion.

Globally, the Volkswagen Group delivered 2.7 million vehicles to customers in the first quarter. This means an increase of 7.4 percent compared with the prior-year period. In March, the Group recorded more than one million deliveries, marking the highest number of unit sales in a single month thus far.

"The first quarter results represent a good start for the new fiscal year. The annual press conference already addressed the topic that the new standardized vehicles test procedure WLTP will pose a great challenge for the entire automotive industry in the second half of the year," said Frank Witter, Member of the Board of Management, responsible for Finance and IT. "Our net liquidity in the Automotive Division remains robust at more than EUR 24 billion. We are confident that we will reach our financial as well as strategic goals for this year."

In April, members of the Board of Management and Supervisory Board of the Volkswagen Group resolved to introduce brand groups and a new management structure. This is intended to advance the collaboration as well as decision-making processes in the individual operating units. "The Volkswagen Group is on a successful path and the new brand structure will considerably strengthen our future viability," said CEO Diess, commenting on the quarterly results. "With our future program TOGETHER – Strategy 2025, the Group is preparing for a new era in the automotive industry. Therefore, it's important to leverage the synergy potential within the Group even more than in the past."

Net Liquidity Automotive Division

Net liquidity in the Automotive Division came to EUR 24.3 billion at the end of March. Capex in this division rose by EUR 0.1 billion to EUR 1.9 billion. The ratio of capex to sales revenue in the Automotive Division consequently amounted to 3.9 (3.8) percent.

Brands and Business Fields

In the first three months of 2018, sales revenue for the **Volkswagen Passenger Cars** brand rose by 5.6 percent to EUR 20.1 billion. Operating profit improved to EUR 879 (869) million. This was mainly attributable to higher volumes and lower product costs. Intense competition, exchange rate effects and advance payments for new products, particularly for the implementation of the electric offensive, among other things, weighed on performance.

Sales revenue for the **Audi** brand increased during the first quarter of 2018 to EUR 15.3 (14.4) billion. At EUR 1.3 (1.2) billion, operating profit was higher than in the prior-year period, primarily due to volume improvements and efficiency gains. The financial key figures for the Audi brand also include the Lamborghini and Ducati brands.

In the first three months of 2018, **ŠKODA** was able to increase sales revenue by 4.9 percent to EUR 4.5 billion. Due to volume and mix effects as well as to cost optimization effects, operating profit rose by 5.3 percent to EUR 437 million.

At EUR 2.8 billion, sales revenue for the **SEAT** brand was 11.8 percent higher than the same period of the previous year. Operating profit climbed 51.4 percent to EUR 85 million; here, the effects of advance payments for new products and exchange rates were more than compensated by positive volume, price and mix effects.

In the period from January to the end of March, sales revenue for the **Bentley** brand amounted to EUR 351 (361) million, which was slightly below that of the previous year. The operating result amounted to EUR –44 (–30) million. Positive volume, price and mix effects were unable to compensate for the effects of exchange rates and delays in the start-up of the new Continental GT.

At EUR 5.4 (5.0) billion, **Porsche** Automobile generated a year-on-year increase in sales revenue in the first quarter of 2018. The operating profit of Porsche Automotive improved, despite the growth-driven increase in costs as well as lower capitalized advance payments, on the back of volume and mix effects to EUR 939 (932) million.

Volkswagen Commercial Vehicles sales revenues grew in the first three months by 2.4 percent to EUR 2.9 billion. Operating profit rose by 9.1 percent to EUR 224 million, due in particular to mix effects, improved price positioning and material cost optimization.

At EUR 3.1 billion, **Scania** brand sales revenue from January to March was as high as in the same period in 2017. Operating profit improved to EUR 331 (324) million due to volume and exchange rate effects, and the enhanced service business also had a positive effect.

At **MAN Commercial Vehicles** the operating profit declined to EUR 83 (93) million in the first quarter of 2018. Increasing competitive pressure and higher expenses, including for research and development, burdened the result, while higher volume had a positive impact.

MAN Power Engineering generated sales revenue of EUR 766 (783) million in the first three months. As a result, operating profit decreased to EUR 21 (26) million in the first quarter.

In the period from January to March 2018, the operating profit of **Volkswagen Financial Services** climbed 10.3 percent to EUR 608 million, due in particular to business growth and improved margins.

2018 outlook confirmed

For the year as a whole, the Group expects deliveries to customers of the Volkswagen Group in 2018 to moderately exceed the prior-year figure. Challenges in the current fiscal year will arise mainly from the economic situation, increasing competition, exchange rate volatility and the diesel issue. In the EU, there is also a new, more time-consuming test procedure for determining pollutant and CO_2 emissions as well as fuel consumption in passenger cars and light commercial vehicles (WLTP).

Sales revenue for the Volkswagen Group is expected to be up by as much as five percent on the prior-year figure. An operating return on sales of between 6.5 and 7.5 percent is anticipated for the operating profit.

	Q1-2018	Q1-2017[1]	Percent
Volume data[2], thousand units			
Deliveries to customers (units)	2,680	2,495	+7.4
Vehicle sales (units)	2,769	2,610	+6.1
Production (units)	2,727	2,738	–0.4
Employees (at March 31, 2018/Dec. 31, 2017)	648.1	642.3	+0.9
Financial data (IFRSs), EUR million			
Sales revenue	58,228	56,197	+3.6
Operating result	4,211	4,367	–3.6
Operating return on sales (%)	7.2	7.8	
Earnings before tax	4,477	4,592	–2.5
Return on sales before tax (%)	7.7	8.2	
Earnings after tax	3,300	3,373	–2.2
Automotive Division[3]			
Total research and development costs	3,356	3,370	–0.4
R&D ratio (%)	6.7	7.0	
Cash flows from operating activities	5,455	835	x
Cash flows from investing activities attributable to operating activities[4]	3,018	3,418	–11.7
of which: capex	1,918	1,840	+4.2
capex/sales revenue (%)	3.9	3.8	
Net cash flow	2,437	–2,583	x
Net liquidity (at March 31)	24,294	23,645	+2.7

1 Prior-year figures adjusted due to changes in the International Financial Reporting Standards (IFRS).
2 Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method. Prior-year deliveries 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: first quarter EUR 3,080 (3,161) million

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