# Volkswagen Group reports solid earnings in period to September

- **Sales revenue of €159.9 billion on a level with the previous year**
- **Operating profit before special items improves by €1.1 billion to €11.3 billion in the first nine months**
- **Net liquidity in the Automotive Division at a robust €31.1 billion**
- **Special items in the first three quarters of 2016 hurt earnings by €2.6 billion**
- **CFO Witter: "Despite major challenges and the negative impact of the diesel issue, the Volkswagen Group remains on a solid financial footing."**

**Wolfsburg, October 27, 2016 – The Volkswagen Group generated an operating profit before special items of €11.3 (10.2) billion in the first nine months of the year, representing an increase of 10.5%. The sales revenue of €159.9 billion was on a level with the previous year and the operating return on sales before special items amounted to 7.0 (6.4)%. However, earnings in the third quarter were impacted by further provisions recognized in connection with the diesel issue of €0.4 billion. For the period January to September, operating profit after special items amounted to €8.6 (3.3) billion. Profit after tax was €5.9 (4.0) billion.**

"The figures for the first three quarters show the operational strength of the alliance of brands in the Volkswagen Group", said Matthias Müller, Chairman of the Board of Management of Volkswagen Aktiengesellschaft, commenting on the quarterly report. "This is a robust base on which we intend to push forward with our planned transformation from car manufacturer to provider of sustainable mobility. In 'TOGETHER – Strategy 2025', we have laid out a compelling plan for this transition. As our future program and the latest quarterly results prove, the Volkswagen Group remains fully operational in spite of the present pressures."

Chief Financial Officer Frank Witter also emphasized how the Group's solid financial position is a vitally important factor in its continuing success: "Despite major challenges and the negative impact of the diesel issue, the Volkswagen Group remains on a solid financial footing." As Witter explained: "Our net liquidity gives us the financial stability to actively shape the future of mobility while coping simultaneously with the financial repercussions of the diesel issue and the investments and outlay required for $CO_2$ compliance and new technologies." The impact of the diesel issue, in particular, required a systematic, disciplined approach to investments and costs, he continued, "But further significant improvements in productivity and profitability are needed across the whole Group. The Volkswagen brand's 'pact for the future' is of crucial importance for the future of the entire Group."

The Group's operating profit and sales revenue exclude the activities of the Chinese joint ventures, which are accounted for in the financial result using the equity method. The share of operating profit attributable to the Chinese joint ventures to the end of September 2016 remained stable at €3.6 (3.8) billion.

## Net liquidity in the Automotive Division rises to €31.1 billion

Net liquidity in the Group's Automotive Division increased to €31.1 billion at the end of September (compared to €24.5 billion at the end of December 2015). The Automotive Division's investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) rose from €7.3 billion to €7.8 billion in the first three quarters. The ratio of capex to sales revenue in the Automotive Division amounted to 5.7 %.

## Brands and Business Fields

The **Volkswagen Passenger Cars** brand's unit sales of 3.2 (3.3) million vehicles in the first nine months of 2016 fell short of the prior-year level. Operating profit before special items decreased to €1.2 (2.2) billion. The decrease is primarily attributable to volume, mix and exchange rate effects as well as higher marketing costs as a consequence of the emissions issue. By contrast, cost savings had a positive effect.

**Audi** increased its unit sales by 0.7% year-on-year in the reporting period to 1.2 million vehicles worldwide. Our Chinese joint venture FAW-Volkswagen sold a further 411,000 Audi vehicles. At €3.9 (4.0) billion, operating profit before special items reached the 2015 level. In addition to exchange rate effects and intense competition, the expansion of the model and technology portfolio and the international production network had a negative impact on earnings.

The **ŠKODA** brand sold 606,000 vehicles in the first three quarters of this year, once again more than a year earlier. Operating profit improved by 28.1% to €940 million mainly on the back of positive volume and mix effects as well as optimized product costs.

Despite the modifications at the Martorell plant, the **SEAT** brand's unit sales of 400,000 vehicles in the reporting period were at the prior-year level. At €137 million, operating profit was €125 million higher than in 2015, with cost reductions and mix improvements more than compensating for negative exchange rate effects.

The **Bentley** brand increased its unit sales by 6.1% year-on-year between January and September 2016, primarily due to the popularity of the new Bentayga. Due to positive effects from exchange rates and cost-cutting measures, operating profit was on a level with the previous year at €54 (57) million in spite of changed market conditions.

The **Porsche** brand lifted its vehicle sales by 5.0% year-on-year in the first three quarters of 2016 to 177,000 units worldwide. Operating profit climbed 12.2% to €2.9 billion. Here too, the rise was mainly attributable to volume, mix and exchange rate effects.

**Volkswagen Commercial Vehicles** sold 342,000 vehicles worldwide in the first nine months of 2016. At €8.0 billion, sales revenue was up 6.7% over the prior-year period. Operating profit rose by €79 million to €392 million, as a result of higher volumes and mix effects as well as optimized product costs.

Unit sales by the **Scania** brand amounted to 60,000 trucks and buses in the first three quarters of 2016. Higher sales figures in Europe offset the decline in demand in Turkey, South America and Russia. At Scania, operating profit before special items amounted to €802 (748) million.

As in the previous year, **MAN Commercial Vehicles** sold 74,000 units in the period from January to September of this year. Operating profit before special items rose to €204 (52) million. Volume effects and improved margins in Europe as well as the structural improvements introduced had a positive effect.

**MAN Power Engineering's** sales revenue decreased by 6.9% year-on-year to €2.6 billion in the first nine months of 2016. This reduced the operating profit by €51 million to €176 million.

At €1.5 billion, the operating profit at **Volkswagen Financial Services** in the reporting period was 11.1% higher than in the previous year. The number of financing, leasing, service and insurance contracts signed in the reporting period rose by 14.6% to 4.9 million. The total number of contracts was 15.8 million as of September 30, 2016, surpassing the 2015 year-end figure by 7.8%.

**Outlook**

We expect that, on the whole, deliveries to customers of the Volkswagen Group in 2016 will be slightly higher than in the previous year amid persistently challenging market conditions, with a growing volume in China. Depending on the economic conditions, exchange rate developments and the diesel issue, the Group expects its sales revenue in 2016 to match the prior-year level. In terms of the Group's operating profit before special items, it is anticipated that the full-year operating return on sales will be at the upper end of the forecast range of 5.0 – 6.0%.

| | 2016 | 2015 | % | 2016 | 2015 | % |
|---|---|---|---|---|---|---|
| | Q3 | Q3 | | 9M | 9M | |
| Volume data[1] | | | | | | |
| Deliveries to customers | | | | | | |
| (thousand units) | 2,493 | 2,392 | + 4.2 | 7,609 | 7,431 | + 2.4 |
| Vehicle sales (thousand units) | 2,454 | 2,350 | + 4.4 | 7,653 | 7,440 | + 2.9 |
| Production (thousand units) | 2,377 | 2,125 | + 11.9 | 7,645 | 7,438 | + 2.8 |
| Employees | | | | | | |
| (thousand at Sept. 30/Dec. 31) | | | | 624.0 | 610.1 | + 2.3 |
| | | | | | | |
| Financial data | | | | | | |
| (IFRSs), € million | | | | | | |
| Total sales revenue | 51,997 | 51,487 | + 1.0 | 159,932 | 160,263 | - 0.2 |
| Operating profit before | | | | | | |
| special items | 3,750 | 3,206 | + 17.0 | 11,267 | 10,197 | + 10.5 |
| Special items | - 442 | - 6,685 | - 93.4 | - 2,620 | - 6,855 | - 61.8 |
| Operating profit | 3,308 | - 3,479 | x | 8,647 | 3,342 | x |
| as a percentage of sales revenue | 6.4 | - 6.8 | | 5.4 | 2.1 | |
| Profit before tax | 3,348 | - 2,522 | x | 8,159 | 5,142 | + 58.7 |
| as a percentage of sales revenue | 6.4 | - 4.9 | | 5.1 | 3.2 | |
| Profit after tax | 2,337 | -1,673 | x | 5,915 | 3,990 | + 48.2 |
| | | | | | | |
| Automotive Division[2] | | | | | | |
| Cash flows | | | | | | |
| from operating activities[3] | 7,262 | 7,629 | - 4.8 | 16,998 | 18,445 | - 7.9 |
| from investing activities | | | | | | |
| attributable to operating activities[4] | 4,893 | 507 | x | 9,495 | 7,220 | + 31.5 |
| of which: capex | 3,288 | 2,688 | + 22.3 | 7,803 | 7,340 | + 6.3 |
| as a percentage of sales revenue | 7.4 | 6.1 | | 5.7 | 5.3 | |
| Net cash flow[3] | 2,369 | 7,122 | - 66.7 | 7,504 | 11,235 | - 33.2 |
| Net liquidity | | | | | | |
| at Sept. 30 | | | | 31,115 | 27,755 | + 12.1 |
| Net liquidity | | | | | | |
| at Sept. 30/Dec. 31 | | | | 31,115 | 24,522 | |

1) Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method. All figures shown are rounded, so minor discrepancies may arise from addition of these amounts. Deliveries for 2015 have been updated to reflect subsequent statistical trends.
2) Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
3) Prior-year figures adjusted.
4) Excluding acquisition and disposal of equity investments: Q3 €4,850 (3,573) million, Jan. – Sept. €11,788 (10,246) million.

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