Volkswagen

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Volkswagen remains on track for growth despite a challenging environment

- → **Sales revenue and deliveries above prior-year level**
- → **As expected, operating profit for the third quarter affected by WLTP changeover**
- → **Forecasts for sales revenue and operating profit for 2018 confirmed**
- → **COO Ralf Brandstätter: "The development in sales and growth over the first nine months has been gratifying. We still need to improve our operating return."**

Wolfsburg – In the first three quarters of the current fiscal year 2018, the Volkswagen Passenger Cars brand continued to develop well in a challenging market environment. Following the first nine months of the year, the deliveries and sales revenue of the Volkswagen Group's lead brand remain above the prior-year level. With 4.6 million vehicles handed over to customers (+2.9 percent), these were the most successful first nine months that the brand has ever experienced. Driven by higher sales and an improved product mix, the Volkswagen brand was able to boost sales revenue by 7.3 percent to €62.5 billion. At €2.3 billion, the operating profit before special items was slightly below the prior-year level (€2.5 billion) as a result of factors including the expected impact of the WLTP changeover and higher distribution expenses in connection with the environmental incentive. Operating return on sales was 3.7 percent, compared with the figure of 4.3 percent for the prior-year period. The diesel issue gave rise to special items of €-1.6 billion (2017: €-2.6 billion).

Ralf Brandstätter, Chief Operating Officer of the Volkswagen brand, says: "The development in sales and growth over the first nine months has been gratifying. We still need to improve our operating return. We continue to work in a highly disciplined way to make Volkswagen even more competitive."

Within the framework of its TRANSFORM 2025+ strategy, the Volkswagen brand is forging ahead with a fundamental transformation to further accelerate the electrification and digitalization of the model range. In order to make the necessary investments in the future from Volkswagen's own resources, the brand Board of Management has set a return on sales target of more than 6 percent by 2025.

"Since the beginning of our transformation, we have made considerable progress. The WLTP changeover has had a temporary negative impact but

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the underlying structural improvement of our earnings power has continued unabated," says Board Member for Finance Dr. Arno Antlitz. "At the same time, the challenges we face call for further sustained improvements in the brand's earnings power. This will be essential if we are to reach our long-term goal of making Volkswagen fit for the future and actively shaping the mobility of the future."

Especially in production, the brand sees considerable potential for further improvements in operating performance. On the basis of the new production strategy announced by Volkswagen in September 2018, the brand intends to improve the productivity of its plants throughout the world by 30 percent by 2025.

In addition, Volkswagen is strengthening its core business with the largest SUV offensive in the company's history. By 2025, the Volkswagen Passenger Cars brand alone intends to expand its SUV portfolio from the current figure of 11 to more than 30 models. By then, every second Volkswagen sold will probably be an SUV – with a conventional or electric powertrain. Volkswagen will therefore continue to benefit from the strong market growth in this segment in many regions of the world.

Sales revenue and return targets confirmed

In a market environment that remains challenging, the brand still expects to continue the positive developments of the first nine months in the fourth quarter. The forecasts for the current fiscal year have been confirmed. The Volkswagen Passenger Cars brand expects sales revenue to grow by up to 10 percent compared with the previous year – buoyed by new products and further recovery in the regions.

For the year as a whole, the Volkswagen brand expects positive cash flow from operations before special effects. The brand also confirms its return target and continues to expect an operating return before special effects of 4 to 5 percent for the current fiscal year. However, in view of the negative impact of the WLTP changeover, higher distribution expenses and investments made in new products – especially for the implementation of the electric offensive, the operating return will probably be at the lower end of the corridor stated.

The quarterly figures of the Volkswagen brand at a glance:

	Q1-Q3 2018	Q1-Q3 2017	Change (%)
Deliveries	4,623,000	4,491,000	+2.9%
Sales	2,753,000	2,632,000	+4.6%
Sales revenue (€ million.)	62,508	58,278	+7.3%
Operating profit (€ million)*	2,330	2,504	-6.9%
Operating return on sales*	3.7%	4.3%	

*before special effects

About the Volkswagen brand: "We make the future real"
The Volkswagen Passenger Cars brand is present in more than 150 markets throughout the world and produces vehicles at over 50 locations in 14 countries. In 2017, Volkswagen delivered 6.23 million vehicles including bestselling models such as the Golf, Tiguan, Jetta or Passat. Currently, 198,000 people work for Volkswagen across the globe. The brand also has over 7,700 dealerships with 74,000 employees. Volkswagen is forging ahead consistently with the further development of automobile production. E-mobility, smart mobility and the digital transformation of the brand are the key strategic topics for the future.