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Successful business development at Volkswagen

- Sales revenue and profit of the Group's core brand improve in the first half
 - Slight fall in costs despite product offensive
 - TRANSFORM 2025+ strategy continues to be consistently pursued
 - Largest model offensive in the history of the brand – renewal of model range by 2020
 - Preparations for innovative electric vehicles running at full speed
 - Brand CEO Diess: "We are making good progress with the realignment of the brand."
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Wolfsburg – The Volkswagen brand has continued its good start to the year in the second quarter and maintained its positive business development. Both sales revenue and operating profit rose in the first half of 2017. In the year to June, with the new demarcation between Group and brand which has applied since the beginning of the year, sales revenue rose by about 8 percent compared with the prior-year period to €39.9 billion. On a comparable basis, operating profit was doubled, reaching €1.8 (0.9) billion in the first half of the year. Following the positive performance of the brand in the first six months, Volkswagen has confirmed its return forecast for the year as a whole. The Board of Management of the Volkswagen brand expects operating return on sales to be at the upper end of the range from 2.5 to 3.5%.

"The Volkswagen brand is on the right track. There is strong demand for our cars throughout the world and our strategic realignment is showing positive effects on business operations", explained Herbert Diess, Chairman of the Board of Management of the Volkswagen brand. "We have successfully embarked on a new phase in our company. Our objective is to position Volkswagen in such a way that it is fully and completely viable for the future so that we can continue to play a leading role in the automobile world of the future", Diess added.

In the first half of 2017, Volkswagen successfully asserted its position on sales markets under conditions which remained challenging. Recently, the development in sales volumes accelerated. In the months of May and June, deliveries by the brand grew by 3.5 and 4.0 percent respectively. In all,

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Volkswagen handed about 2.9 million vehicles over to customers throughout the world in the first half of the year. Deliveries were therefore 0.3 percent above the prior-year figure. There was above-average growth in markets including the USA (plus 8.2 percent), where the Volkswagen brand won market shares, and in South America (plus 12.2 percent) as well as Russia (plus 17.9 percent). In China, the most important market, growth of 0.2% was reached.

"In some core regions, we have recently recorded significant growth again, also as a result of our broad-based model offensive, which is being very well received by the markets. New models such as the Polo, Arteon and Tiguan Allspace give us reason to be positive about the second half of the year", said Jürgen Stackmann, Volkswagen brand Board Member for Sales.

Financial figures significantly improved, forecast confirmed

Marked success in the marketplace also contributed to positive developments in sales revenue in the first half of the year. Volume, mix and margin effects had a positive effect on operating profit. The upward trend was also a result of the continued improvement in the cost situation. In the first half of the year, it was possible to optimize product costs. Despite the continued product offensive, fixed costs were maintained at the level of the previous year. The pact for the future agreed last fall is also having a growing effect. In addition, the brand achieved progress on the way to a turnaround in the regions.

"Thanks to strict cost discipline and the continuous improvement of productivity, we are making progress to schedule on the route to competitive cost structures. We are laying the foundations for Volkswagen to record, in the medium to long term, the returns which we need for a viable position for the future in the new automobile world", Arno Antlitz, Volkswagen Brand Board Member for Finance, explained.

For the remainder of the year, the Board of Management of the Volkswagen brand expects the positive business development of the first half to continue. On a comparable basis, sales revenue is forecast to rise by about 10 percent over the previous year. An operating return on sales at the upper end of the range from 2.5 to 3.5% is expected. Volkswagen's medium-term and long-term return on sales targets of at least 4 percent by 2020 and 6 percent by 2025 remain unchanged. "Over the next few years, we will improve the financial competitiveness of the Volkswagen brand step by step. Both the pact for the future and the consistent implementation of our



TRANSFORM 2025+ strategy will contribute to these developments", said Antlitz.

Model offensive to be strengthened

In the second half of the year, the strategic focus will be on the continuation of the largest model offensive in the history of the brand, in addition to further improvements in competitiveness and continuing the turnaround in certain regions. There will continue to be a clear emphasis on the high-growth, high-return SUV segment, where Volkswagen will significantly expand its range from the original figure of two models to 19 models by 2020. All in all, the model range is to be comprehensively renewed by 2020 and expended in key segments. From 2020, the brand will then launch its offensive with innovative electric vehicles.

"We want to win market shares with new, attractive and emotional vehicles at the same time as further improving our competitiveness. We want to use the positive momentum that we can feel throughout the company and in the marketplace to step up the pace both for the realignment of the brand and business operations. The Volkswagen brand is going on the offensive again", said brand CEO Diess.

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 2016, Volkswagen produced about 5.99 million vehicles including bestselling models such as the Golf, Tiguan, Jetta or Passat. Currently, 196,000 people work for Volkswagen across the globe. The brand also has 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.
