
Media information

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The Volkswagen Group boosts sales revenue and earnings in the first quarter

- Volkswagen Group confirms 2019 targets for deliveries to customers, sales revenue and operating profit before special items
- Deliveries to customers of the Volkswagen Group at 2.6 million vehicles (–2.8 percent)
- Group sales revenue of EUR 60.0 billion exceeds prior-year figure by 3.1 percent
- Operating profit before special items improved by EUR 0.6 billion to EUR 4.8 billion, including a year-on-year increase in fair value measurement of derivatives amounting to EUR 0.4 billion
- Operating profit of EUR 3.9 (4.2) billion; negative special items arising from legal risks of one billion euros
- Profit before tax amounts to EUR 4.1 (4.5) billion
- Net liquidity in the Automotive Division of EUR 16.0 billion; negative effect of EUR 5.1 billion on the net liquidity reported due to the application of the new IFRS 16
- Chief Financial Officer Frank Witter: “The Volkswagen Group is once again off to a good start this year. The sales revenue performance and earnings growth in the first three months of the current fiscal year are encouraging. But we have to continue to pick up the pace when it comes to our transformation.”

Wolfsburg, May 2, 2019 – The Volkswagen Group confirms full-year targets for deliveries to customers, sales revenue and operating profit before special items. Sales revenue of the Volkswagen Group rose 3.1 percent year-on-year to EUR 60.0 billion in the first three months of the current fiscal year. The rise, which occurred despite the decline in volumes of deliveries to customers, was mainly the result of mix improvements and the healthy business performance in the Financial Services Division. At EUR 11.7 (11.6) billion, operating profit was in line with the previous year. Operating profit before special items increased by EUR 0.6 billion to EUR 4.8 billion. The operating return on sales before special items rose to 8.1 (7.2) percent. Positive effects arising from the fair value measurement of gains and losses on certain derivatives, improvements in the mix and price positioning and the favorable exchange rate trend more than offset the rise in fixed costs and lower vehicle sales. Negative special items arising from legal risks in the amount of one billion euros reduced operating profit, which declined year-on-year by EUR 0.3 billion to

EUR 3.9 billion. The share of profits or losses of equity-accounted investments and the share of profits and losses of the Chinese joint ventures included in that amount were on a par with the previous year at EUR 800 million. Profit before tax was down on the prior-year period, at EUR 4.1 (4.5) billion. Net liquidity in the Automotive Division amounted to EUR 16.0 billion.

Frank Witter, Chief Financial Officer of Volkswagen AG, said: “The Volkswagen Group is once again off to a good start this year. The sales revenue performance and earnings growth in the first three months of the current fiscal year are encouraging. The measurement of derivative financial instruments – an item that generally exhibits a high degree of volatility – also had a positive impact on operating profit. Overall, we have to continue to pick up the pace when it comes to our transformation. We are also facing challenges in connection with increasing global economic risks. Nevertheless, we maintain our targets for 2019.”

Brands and Business Fields

Sales revenue of the **Volkswagen Passenger Cars** brand rose by 7.1 percent to EUR 21.5 billion in the first quarter. Operating profit before special items improved to EUR 921 (879) million. Improvements in mix and price positioning as well as positive cost development compensated for the impact of lower volumes and negative exchange rate effects. In the reporting period, negative special items amounted to EUR 400 million.

At the **Audi** brand, sales revenue fell to EUR 13.8 (15.3) billion due to, among other things, the new allocation of sales companies. At EUR 1.1 (1.3) billion, operating profit was in line with the previous year. Improvements in the mix and margins as well as positive exchange rates could not compensate for the adverse affects of model launches, phase-outs as part of the product initiative and WLTP-related fluctuations in the portfolio, and higher upfront expenditure for new products and technologies. Effective 2019, the multibrand sales companies have been separated from the Audi brand to increase overall transparency and comparability.

Sales revenue at the **ŠKODA** brand increased by 8.2 percent to EUR 4.9 (4.5) billion in the reporting period. The operating profit decreased to EUR 410 million. The decline mainly resulted from negative exchange rate effects and cost increases. Meanwhile, volume increases and pricing measures had a positive impact.

Sales revenue at the **SEAT** brand increased to EUR 3.1 (2.8) billion in the first quarter. Operating profit increased by 5.5 percent to EUR 89 million due to volume and mix effects. This more than offset the negative impact of cost increases.

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At the **Bentley** brand, sales revenue climbed to EUR 456 (351) million in the first quarter. Operating profit improved to EUR 49 (–44) million, which was mainly the result of the availability of the new Bentley Continental GT as well as favorable mix effects and exchange rate trends.

At EUR 5.2 (5.4) billion, sales revenue generated by **Porsche** Automotive was below the figure for the same period in 2018. Operating profit fell by 11.6 percent to EUR 829 million, due to market and production-related declining volumes.

At EUR 3.3 (2.9) billion, **Volkswagen Commercial Vehicles** sales revenue was 11.8 percent higher than in the first quarter of 2018. In particular, higher volumes, improvements in the mix and a favorable exchange rate trend led to a 29.9 percent rise in the operating profit to EUR 291 million.

Sales revenue at **Scania** Vehicles and Services stood at EUR 3.4 (3.0) billion. Scania improved its operating profit to EUR 370 (301) million. Increasing vehicle sales, an improved parts and service business as well as the favorable exchange rate trend more than offset the negative impact of cost increases.

MAN Commercial Vehicles recorded sales revenue of EUR 3.0 (2.8) billion in the reporting period. Operating profit increased, mainly due to volume effects, to EUR 115 (83) million.

Power Engineering generated sales revenue of EUR 891 (766) million in the first three months of 2019. The operating profit decreased to EUR 9 (21) million.

In the first three months of the current fiscal year, the operating profit at **Volkswagen Financial Services** rose to EUR 638 (608) million.

Decline in Automotive Division's net liquidity due to IFRS 16

At the end of March 2019, net liquidity in the Automotive Division stood at EUR 16.0 billion. The recognition of lease liabilities as financial liabilities required by the new IFRS 16 since January 1, 2019, led to a EUR 5.1 billion increase in third-party borrowings in the Automotive Division as of March 31, 2019. As a result of this non-cash effect, the Automotive Division's net liquidity of EUR 19.4 billion was down significantly on the figure reported as of December 31, 2018.

Outlook

Volkswagen continues to expect that deliveries to customers of the Volkswagen Group in 2019 will slightly exceed the prior-year figure amid continuously challenging market conditions. Challenges will arise particularly from the economic situation, the increasing intensity of competition,

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exchange rate volatility and stricter WLTP requirements. Volkswagen still estimates that sales revenue for the Volkswagen Group may be up by as much as 5 percent on the prior-year figure. In terms of the operating profit before special items for the Group and the Passenger Cars Business Area, we forecast an operating return on sales in the range of 6.5–7.5 percent in 2019. An operating return on sales of between 6.0 and 7.0 percent is anticipated for the Commercial Vehicles Business Area. In the Power Engineering Business Area, a loss around the previous year's level amid a slight rise in sales revenue is expected. The forecast for the Financial Services Division calls for a moderate increase in sales revenues and an operating profit at the prior-year level. Including special items, the operating return on sales is expected to fall at the lower end of the expected range for both the Group and the Passenger Cars Business Area.

Note:

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About the Volkswagen Group:

The Volkswagen Group, with its headquarters in Wolfsburg, is one of the world's leading automobile manufacturers and the largest carmaker in Europe. The Group comprises twelve brands from seven European countries: Volkswagen Passenger Cars, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen Commercial Vehicles, Scania and MAN. The passenger car portfolio ranges from small cars all the way to luxury-class vehicles. Ducati offers motorcycles. In the light and heavy commercial vehicles sector, the products include ranges from pick-ups, buses and heavy trucks. Every weekday, 664,496 employees around the globe produce on average 44,567 vehicles, are involved in vehicle-related services or work in other areas of business. The Volkswagen Group sells its vehicles in 153 countries.

In 2018, the total number of vehicles supplied to customers by the Group globally was 10,831 million (2017: 10,741 million). The passenger car global market share was 12.3 per cent. In Western Europe 22.0 per cent of all new passenger cars come from the Volkswagen Group. Group sales revenue in 2018 totalled €235.8 billion (2017: €231 billion). Earnings after tax in 2018 amounted to €17.1 billion (2017: €11.6 billion).
