Volkswagen Group starts fiscal year 2017 on a strong footing

- **Group sales revenue increases by 10.3 percent in the first three months to EUR 56.2 billion**
- **Net liquidity in the Automotive Division remains a robust EUR 23.6 billion at the end of March**
- **Operating profit improves to EUR 4.4 billion**
- **CEO Matthias Müller: "The healthy quarterly figures strengthen our resolve to continue our chosen path."**

Wolfsburg, May 3, 2017 – In the first three months of the current fiscal year, the Volkswagen Group started on a strong footing in a challenging market and competitive environment. Group sales revenue rose by 10.3 percent year-on-year to EUR 56.2 billion. At EUR 4.4 billion, operating profit in the first quarter also significantly exceeded expectations. This corresponds to an operating return on sales of 7.8 percent following 6.1 percent in the prior-year quarter (all comparative prior-year figures are before special items). The robust results were due to volume- and mix-related factors, positive exchange rate effects and product cost optimization, as well as particularly the improvement in the Volkswagen brand's earnings, which rose to around EUR 0.9 billion. Other Group brands also contributed to the very good quarterly results.

"Our quarterly figures were positively impacted by the strong performance of the Group brands, the launch of new, compelling products and solid earnings in Western Europe," said Matthias Müller, CEO of Volkswagen Aktiengesellschaft, commenting on the interim results. "Our efforts to improve efficiency and productivity across all areas of the Company are also paying off," Müller continued. "We are encouraged by the strong results presented today. They strengthen our resolve to continue our chosen path with TOGETHER – Strategy 2025."

The business of the Chinese joint ventures, which are accounted for using the equity method, is not included in the Group's sales revenue and operating profit. They recorded a proportionate operating profit of EUR 1.1 (1.2) billion for the first three months. The Group's financial result rose by EUR 0.5 billion to EUR 0.3 billion. The Volkswagen Group generated profit before tax of EUR 4.6 (3.2) billion and the pre-tax operating return on sales increased from 6.3 to 8.2 percent. Consolidated profit after tax for the first three months was EUR 3.4 (2.4) billion.

Robust net liquidity

Investments in property, plant and equipment (capex) in the Automotive Division declined by 13.2 percent year-on-year to EUR 1.8 billion and the ratio of capex to sales revenue decreased to 3.8 (4.9) percent. This also reflected the higher sales revenue. Investments primarily focused on production facilities and new models, as well as on the ecological focus of the model range, drivetrain electrification and modular toolkits.

At EUR –2.6 billion, net cash flow in the Automotive Division was down EUR 3.9 billion on the prior-year figure in the first three months of 2017 due to cash outflows relating to the diesel issue. Net liquidity in the Automotive Division remained a robust EUR 23.6 billion at the end of March 2017.

“The quarterly results are further proof of our Group’s solid financial foundation,” said Frank Witter, Member of the Board of Management responsible for Finance and Controlling. “The fact that we always made safeguarding our robust financial strength a top priority is now paying off, particularly in light of the diesel issue. Although this will lead to a cash outflow in the double-digit billion euro range in the current fiscal year, our current net liquidity gives us the financial stability and flexibility to overcome this challenge. In addition, we will continue to systematically promote our TOGETHER – Strategy 2025 future program and focus on the Volkswagen brand’s Future Pact and cost discipline across the entire Group. These quarterly results represent the first tangible results – and we will continue to fight for every single customer.”

Brands and Business Fields

The allocation of companies between the Volkswagen Passenger Cars brand and the Group was adapted from 2017 as part of the realignment of Group structures, thus increasing transparency and comparability. Along with cross-brand logistics and other services, importers that also distribute vehicles of other Group brands will be split off from the Volkswagen Passenger Cars brand. In the first three months of 2017, the brand’s sales revenue declined by 24.0 percent to EUR 19.0 billion due to the resulting change in the consolidated Group. Operating profit before special items rose to EUR 869 (73) million. In addition to volume-, mix- and margin-related factors, exchange rate effects had a positive impact.

Audi’s operating profit was virtually on a level with the previous year, at EUR 1.2 (1.3) billion. The expansion of the international model and technology portfolio in the period under review also led to higher depreciation and amortization charges. The financial key performance indicators for the Audi brand also include the Lamborghini and Ducati brands.

ŠKODA carried its extremely encouraging prior-year performance over into the first three months of 2017. Operating profit rose by 31.8 percent to EUR 415 million as a result of positive volume, margin and mix effects.

The SEAT brand improved its operating profit to EUR 56 (54) million. Higher sales volumes, improved margins and positive mix effects compensated for negative exchange rate effects and cost growth.

Bentley sold 2,030 (2,033) vehicles in the first quarter of 2017. At EUR –30 (–54) million, the operating loss improved year-on-year due to exchange rate effects and lower development costs for the model portfolio.

Porsche's financial services business is reported as part of Volkswagen Financial Services from January 2017. As in the previous year, Porsche Automobile generated sales revenue of EUR 5.0 billion. Improvements in the mix and positive exchange rate effects lifted Porsche Automobile's operating profit to EUR 932 (855) million.

Volkswagen Commercial Vehicles increased unit sales and sales revenue worldwide in the first three months on the back of higher demand for the Multivan/Transporter and Caddy models. Operating profit improved by 44.5 percent to EUR 205 million.

The Scania brand saw operating profit improve by EUR 80 million year-on-year to EUR 324 million in the first three months. In addition to volume growth, exchange rates and an enhanced service business had a particularly positive impact.

At MAN Commercial Vehicles, operating profit before special items exceeded the prior-year figure, at EUR 93 (65) million. This increase was mainly due to higher volumes and cost savings.

MAN Power Engineering generated an operating profit of EUR 26 (48) million.

Volkswagen Financial Services increased its operating profit by 12.2 percent to EUR 551 million. As well as the initial inclusion of Porsche Financial Services, this is mainly attributable to business growth.

Outlook for full-year 2017 confirmed

Volkswagen Group is confirming its outlook for 2017 after a strong first quarter. The Group therefore expects sales revenue for the full year to grow by up to 4.0 percent year-on-year.

In terms of the Group's operating profit, an operating return on sales of between 6.0 percent and 7.0 percent is forecast for 2017. Challenges will arise particularly from the economic situation, intense competition in the market, exchange rate volatility and the diesel issue.

The full interim report is published on our website:
http://www.volkswagenag.com/ir/Q1_2017_e.pdf

	Q1 2017	Q1 2016	%
Volume data[1]			
Deliveries to customers (thousand units)	2,495	2,508	–0.5
Vehicle sales (thousand units)	2,610	2,577	+1.3
Production (thousand units)	2,738	2,555	+7.1
Employees (thousand at March 31/December 31)	632.8	626.7	+1.0
Financial data (IFRSs), EUR million			
Total sales revenue	56,197	50,964	+10.3
Operating profit before special items	4,367	3,131	+39.5
as a percentage of sales revenue	7.8	6.1	
Special items	–	309	
Operating profit after special items	4,367	3,440	+27.0
as a percentage of sales revenue	7.8	6.8	
Profit before tax	4,623	3,203	+44.3
as a percentage of sales revenue	8.2	6.3	
Profit after tax	3,403	2,365	+43.9
Automotive Division[2]			
Total research and development costs	3,370	3,314	+1.7
as a percentage of sales revenue (R&D ratio)	7.0	7.6	
Cash flows from operating activities	835	2,402	–65.2
Cash flows from investing activities[3]	3,418	1,117	
of which: capex	1,840	2,120	–13.2
as a percentage of sales revenue	3.8	4.9	
Net cash flow*	–2,583	1,285	
Net liquidity (at March 31)	23,645	25,964	–8.9

1) Volume data including the unconsolidated Chinese joint ventures. Deliveries for2016 have been updated to reflect subsequent statistical trends.
2) Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
3) Excluding acquisition and disposal of equity investments: Q1 EUR 3,161 (3,293) million

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