Brands and Business Fields

Despite the continued challenging environment, the Volkswagen Group remained on its growth course in the reporting year. Unit sales, sales revenue and profit increased, while special items attributable to the diesel issue continued to weigh on profit.

GROUP STRUCTURE

The Volkswagen Group consists of two divisions: the Automotive Division and the Financial Services Division. The Automotive Division comprises the Passenger Cars, Commercial Vehicles and Power Engineering business areas. We report on the Passenger Cars segment and the reconciliation in the Passenger Cars Business Area. The Commercial Vehicles Business Area and Power Engineering Business Area correspond to the segments of the same name. Activities of the Automotive Division comprise the development of vehicles and engines, the production and sale of passenger cars, light commercial vehicles, trucks, buses and motorcycles, as well as genuine parts, large-bore diesel engines, turbomachinery, special gear units, propulsion components and testing systems businesses. The Ducati brand is allocated to the Audi brand and thus to the Passenger Cars Business Area. The activities of the Financial Services Division, which corresponds to the Financial Services segment, comprise dealer and customer financing, vehicle leasing, direct banking and insurance activities, fleet management and mobility offerings.

VOLKSWAGEN GROUP REPORTING STRUCTURE

AUTOMOTIVE DIVISION			FINANCIAL SERVICES DIVISION
Passenger Cars Business Area	**Commercial Vehicles Business Area**	**Power Engineering Business Area**	Dealer and customer financing
Volkswagen Passenger Cars	Volkswagen Commercial Vehicles	MAN Power Engineering	Leasing
Audi	Scania Vehicles and Services		Direct bank
ŠKODA	MAN Commercial Vehicles		Insurance
SEAT			Fleet management
Bentley			Mobility offerings
Porsche Automotive			
Others			

In this chapter, we present the key volume and financial data relating to the Group brands and to Volkswagen Financial Services. In light of the considerable importance of the development of business in the world's largest single market for the Volkswagen Group, we also report on business developments and the results of our activities in China in this chapter.

The production figures and deliveries to customers are differentiated by brand and their models that carry the corresponding brand logo. Unit sales figures contain vehicles sold by respective brand companies, including models of other Group brands. In some cases, there are marked differences between delivery figures and unit sales as a result of our business development in China.

KEY FIGURES BY MARKET

In fiscal year 2018, the Volkswagen Group generated an operating profit before special items of €17.1 (17.0) billion. Special items which resulted from the diesel issue weighed on the operating profit in the amount of €–3.2 (–3.2) billion.

Amid fierce competition in a challenging market environment, the Volkswagen Group lifted sales to a new record of 10.9 (10.8) million vehicles. Sales revenue increased by 2.7% to €235.8 billion.

In the Europe/Other markets region, we sold 4.7 million vehicles (+0.2 %). Sales revenue amounted to €143.1 (142.8) billion. Negative exchange rate effects were offset by higher volume. The second half of 2018 was negatively impacted by the changeover to the WLTP test procedure.

In North America, Group sales stood at 0.9 million vehicles, a decline of 6.8% year-on-year. Sales revenue of €37.7 (37.7) billion was on a level with the previous year. Negative effects resulted from the decline in new vehicle sales and from exchange rates, while improvements in the mix and the financial services business, as well as revenue stemming from retrofitted used vehicles in connection with the diesel issue, had a positive impact.

In the markets of the South America region, we increased unit sales by 13.2% to 0.6 million vehicles. Volume and mix improvements increased sales revenue by 4.2% to €10.4 billion; exchange rate trends had a negative impact.

In the Asia-Pacific region – including the Chinese joint ventures – we sold a total of 4.6 (4.5) million vehicles in the reporting year. Sales revenue rose by 10.3% to €43.2 billion due to higher volumes and improvements in the components business at our fully consolidated companies. This figure does not include the sales revenue of our equity-accounted Chinese joint ventures.

Since the new accounting standard IFRS 9 was applied on January 1, 2018, income and expenses realized from hedging transactions relating to sales revenue in foreign currency have been allocated to sales revenue; in fiscal year 2018, hedging transactions increased the sales revenue of the Volkswagen Group by €1.5 billion.

KEY FIGURES BY BRAND AND BUSINESS FIELD

	VEHICLE SALES		SALES REVENUE		OPERATING RESULT	
Thousand vehicles/€ million	**2018**	2017	**2018**	2017[1]	**2018**	2017
Volkswagen Passenger Cars	3,715	3,573	84,585	79,186	3,239	3,301
Audi	1,467	1,530	59,248	59,789	4,705	5,058
ŠKODA	957	937	17,293	16,559	1,377	1,611
SEAT	608	595	10,202	9,892	254	191
Bentley	10	11	1,548	1,843	–288	55
Porsche Automotive[2]	253	248	23,668	21,674	4,110	4,003
Volkswagen Commercial Vehicles	469	498	11,875	11,909	780	853
Scania[3]	97	92	13,360	12,789	1,346	1,289
MAN Commercial Vehicles	137	114	12,104	11,087	332	362
MAN Power Engineering	–	–	3,608	3,283	193	193
VW China[4]	4,101	4,020	–	–	–	–
Other[5]	–912	–840	–34,408	–30,288	–1,557	–2,335
Volkswagen Financial Services	–	–	32,764	31,826	2,612	2,460
Volkswagen Group before special items	**–**	**–**	**–**	**–**	**17,104**	**17,041**
Special items	–	–	–	–	–3,184	–3,222
Volkswagen Group	**10,900**	**10,777**	**235,849**	**229,550**	**13,920**	**13,818**
Automotive Division[6]	10,900	10,777	201,067	195,817	11,127	11,146
of which: Passenger Cars Business Area	10,206	10,077	160,802	157,334	9,220	9,309
Commercial Vehicles Business Area	694	700	36,656	35,200	1,971	1,892
Power Engineering Business Area	–	–	3,608	3,283	–64	–55
Financial Services Division	–	–	34,782	33,733	2,793	2,673

1 Adjusted; see disclosures about the application of new International Financial Reporting Standards on page 114.
2 Porsche (Automotive and Financial Services): sales revenue €25,784 (23,491) million, operating profit €4,291 (4,144) million.
3 Including financial services.
4 The sales revenue and operating profits of the joint venture companies in China are not included in the figures for the Group. These Chinese companies are accounted for using the equity method and recorded a proportionate operating profit of €4,627 (4,746) million.
5 In operating profit, mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; the figure includes depreciation and amortization of identifiable assets as part of purchase price allocation for Scania, Porsche Holding Salzburg, MAN and Porsche.
6 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

KEY FIGURES BY MARKET

	VEHICLE SALES		SALES REVENUE	
Thousand vehicles/€ million	**2018**	2017	**2018**	2017[1]
Europe/Other markets	4,739	4,731	143,089	142,753
North America	925	992	37,656	37,686
South America	596	526	10,405	9,988
Asia-Pacific[2]	4,640	4,527	43,166	39,123
Hedges on sales revenue	–	–	1,535	–
Volkswagen Group[2]	**10,900**	**10,777**	**235,849**	**229,550**

1 Adjusted; see disclosures about the application of new International Financial Reporting Standards on page 114.
2 The sales revenue of the joint venture companies in China is not included in the figures for the Group and the Asia-Pacific market.