

SUMMARY OF BUSINESS DEVELOPMENT AND ECONOMIC POSITION

The Board of Management of Volkswagen AG considers business development and the economic position to have been positive overall.

In spite of the challenges presented by the diesel issue and public discussion pertaining to diesel vehicles, the persistently difficult market conditions and the new WLTP test procedure, we slightly lifted our deliveries to customers to 10.8 million vehicles, thus achieving a new sales record. We saw growth in Europe, South America and the Asia-Pacific region. The Group's sales revenue rose by 2.7%, within the expected range. Operating profit before special items amounted to €17.1 billion; at 7.3% the operating return on sales before special items was within the range forecast at the beginning of the year of 6.5–7.5%. Due to special items resulting from the diesel issue, the operating return on sales of 5.9% was moderately below the forecast range, as recently projected.

Our efforts to ensure the Company's future viability are reflected in research and development costs; at 6.8% the R&D ratio in the Automotive Division was within the expected range.

At 6.6%, the Automotive Division's ratio of capex to sales revenue was also within the forecast range as well. As expected, the Automotive Division's net cash flow considerably exceeded the comparable prior-year figure, but was negative at €–0.3 billion. This was particularly due to higher-than-expected cash outflows attributable to the diesel issue, owing to fines resulting from the administrative fine order issued by the public prosecutor's offices in Braunschweig and Munich II. In combination with the acquisition of MAN shares tendered, this resulted in a year-on-year decline in net liquidity, which stood at €19.4 billion.

The return on investment (ROI) in the Automotive Division of 11.0% was lower than in 2017 but exceeded the minimum required rate of return on invested capital.

FORECAST VERSUS ACTUAL FIGURES

	Actual 2017 ¹	Original forecast for 2018	Adjusted forecast for 2018	Actual 2018
Deliveries to customers	10.7 million	moderate increase	moderate increase	10.8 million
Volkswagen Group				
Sales revenue	€229.6 billion	increase of up to 5%	increase of up to 5%	€235.8 billion
Operating return on sales before special items	7.4%	6.5–7.5%	6.5–7.5%	7.3%
Operating return on sales	6.0%	6.5–7.5%	moderately below 6.5%	5.9%
Operating result before special items	€17.0 billion	within the forecast range	within the forecast range	€17.1 billion
Operating result	€13.8 billion	within the forecast range	within the forecast range	€13.9 billion
Passenger Cars Business Area				
Sales revenue	€157.3 billion	increase of up to 5%	increase of up to 5%	€160.8 billion
Operating return on sales before special items	8.0%	6.5–7.5%	6.5–7.5%	7.7%
Operating return on sales	5.9%	6.5–7.5%	moderately below 6.5%	5.7%
Operating result before special items	€12.5 billion	within the forecast range	within the forecast range	€12.4 billion
Operating result	€9.3 billion	within the forecast range	within the forecast range	€9.2 billion
Commercial Vehicles Business Area				
Sales revenue	€35.2 billion	increase of up to 5%	increase of up to 5%	€36.7 billion
Operating return on sales	5.4%	5.0–6.0%	5.0–6.0%	5.4%
Operating result	€1.9 billion	within the forecast range	within the forecast range	€2.0 billion
Power Engineering Business Area				
Sales revenue	€3.3 billion	increase of up to 5%	increase of up to 5%	€3.6 billion
Operating result	€–0.1 billion	lower loss	around the prior-year level	€–0.1 billion
Financial Services Division				
Sales revenue	€33.7 billion	increase of up to 5%	increase of up to 5%	€34.8 billion
Operating result	€2.7 billion	at prior-year level	at prior-year level	€2.8 billion
R&D ratio in the Automotive Division	6.7%	6.5–7.0%	6.5–7.0%	6.8%
Capex/sales revenue in the Automotive Division	6.5%	6.5–7.0%	6.5–7.0%	6.6%
Net cash flow in the Automotive Division	€–6.0 billion	significant increase, positive	significant increase, positive	€–0.3 billion
Net liquidity in the Automotive Division	€22.4 billion	moderate increase	moderate decline	€19.4 billion
Return on investment (ROI) in the Automotive Division	12.1%	slight increase, >9%	slight decline, >9%	11.0%

1 Adjusted; see disclosures about the application of new International Financial Reporting Standards on page 114.