# Brands and Business Fields

Amid fierce competition in a market environment that remained challenging, we achieved a new vehicle sales record with our brands in 2017. Special items from the diesel issue again affected the operating 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. Accordingly, the 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 the 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 Financial Services Division, which corresponds to the Financial Services segment, combines dealer and customer financing, leasing, banking and insurance activities, fleet management and the 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 brands 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.

When realigning our Group structures, we have reclassified companies from the Volkswagen Passenger Cars brand to the Group starting in 2017. This will allow us to increase transparency and comparability. Along with cross-brand logistics and services, importers that also distribute vehicles from other Group brands have been separated out from the Volkswagen Passenger Cars brand. These will be disclosed in the line "Other" and will continue to be presented in the Passenger Cars Business Area. For the Volkswagen Passenger Cars brand, the reclassifications lead to reductions in unit sales, sales revenue and operating profit.

In addition, we explain unit sales and sales revenue in the Europe/Other markets, North America, South America and Asia-Pacific regions.

## KEY FIGURES BY MARKET

At €17.0 (14.6) billion, the operating profit before special items in fiscal year 2017 exceeded the prior-year figure. Special items, which resulted solely from the diesel issue in the reporting year, weighed on the operating profit by €3.2 billion (previous year: operating profit reduced by €7.5 billion).

Amid fierce competition in a challenging market environment, the Volkswagen Group set a new sales record of 10.8 (10.4) million vehicles in fiscal year 2017. Sales revenue increased by 6.2% to €230.7 billion.

In the Europe/Other markets region, unit sales rose by 2.1% year-on-year to 4.7 million vehicles. At €142.8 billion, sales revenue was 3.4% higher than in 2016, due among other things to higher volumes. Exchange rate effects had a negative impact.

In North America, we sold 1.0 million vehicles, a 2.5% increase compared with the previous year, driven by stronger demand in the USA and Canada. Volume and mix effects lifted sales revenue by 9.5% to €38.8 billion.

The economic environment in the markets of the South America region improved during the reporting year. The Volkswagen Group's sales there rose by 25.1% to 0.5 million vehicles. Sales revenue rose by 25.3% to €10.0 billion, which was due both to higher volumes and positive mix effects.

In the Asia-Pacific region – including the Chinese joint ventures – we sold a total of 4.5 (4.4) million vehicles in fiscal year 2017. At €39.1 billion, sales revenue exceeded the prior year by 9.4%. This increase especially resulted from a higher import volume and an improved components business at our fully consolidated companies. This figure does not include the sales revenue of our equity-accounted Chinese joint ventures.

## KEY FIGURES BY BRAND AND BUSINESS FIELD[1]

| Thousand vehicles/€ million | VEHICLE SALES 2017 | VEHICLE SALES 2016 | SALES REVENUE 2017 | SALES REVENUE 2016 | OPERATING RESULT 2017 | OPERATING RESULT 2016 |
|---|---|---|---|---|---|---|
| Volkswagen Passenger Cars[2] | 3,573 | 4,347 | 79,979 | 105,651 | 3,301 | 1,869 |
| Audi | 1,530 | 1,534 | 60,128 | 59,317 | 5,058 | 4,846 |
| ŠKODA | 937 | 814 | 16,559 | 13,705 | 1,611 | 1,197 |
| SEAT | 595 | 548 | 9,892 | 8,894 | 191 | 153 |
| Bentley | 11 | 11 | 1,843 | 2,031 | 55 | 112 |
| Porsche Automotive[3] | 248 | 239 | 21,674 | 20,710 | 4,003 | 3,733 |
| Volkswagen Commercial Vehicles | 498 | 478 | 11,909 | 11,120 | 853 | 455 |
| Scania[4] | 92 | 83 | 12,789 | 11,303 | 1,289 | 1,072 |
| MAN Commercial Vehicles | 114 | 102 | 11,087 | 10,005 | 362 | 230 |
| MAN Power Engineering | – | – | 3,283 | 3,593 | 193 | 194 |
| VW China[5] | 4,020 | 3,873 | – | – | – | – |
| Other[6] | –840 | –1,638 | –30,288 | –56,617 | –2,335 | –1,343 |
| Volkswagen Financial Services[7] | | – | 31,826 | 27,554 | 2,460 | 2,105 |
| **Volkswagen Group before special items** | **–** | **–** | **–** | **–** | **17,041** | **14,623** |
| Special items | – | – | – | – | –3,222 | –7,520 |
| **Volkswagen Group** | **10,777** | **10,391** | **230,682** | **217,267** | **13,818** | **7,103** |
| Automotive Division[8] | 10,777 | 10,391 | 196,949 | 186,016 | 11,146 | 4,668 |
| of which: Passenger Cars Business Area | 10,077 | 9,729 | 158,466 | 150,343 | 9,309 | 4,167 |
| Commercial Vehicles Business Area | 700 | 662 | 35,200 | 32,080 | 1,892 | 718 |
| Power Engineering Business Area | – | – | 3,283 | 3,593 | –55 | –217 |
| Financial Services Division | – | – | 33,733 | 31,251 | 2,673 | 2,435 |

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
2 2017 figures take account of the reclassification of companies; prior-year figures were not adjusted.
3 Porsche (Automotive and Financial Services): sales revenue €23,491 (22,318) million, operating profit €4,144 (3,877) million.
4 Including financial services.
5 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 €4,746 (4,956) million.
6 Prior year adjusted. 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.
7 Starting January 1, 2017, Porsche's financial services business is reported as part of Volkswagen Financial Services. Prior-year figures were not adjusted.
8 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

## KEY FIGURES BY MARKET[1]

| Thousand vehicles/€ million | VEHICLE SALES 2017 | VEHICLE SALES 2016 | SALES REVENUE 2017 | SALES REVENUE 2016 |
|---|---|---|---|---|
| Europe/Other markets | 4,731 | 4,635 | 142,753 | 138,079 |
| North America | 992 | 968 | 38,818 | 35,454 |
| South America | 526 | 421 | 9,988 | 7,973 |
| Asia-Pacific[2] | 4,527 | 4,367 | 39,123 | 35,761 |
| **Volkswagen Group[2]** | **10,777** | **10,391** | **230,682** | **217,267** |

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
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.