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 diesel issue, which continues to keep us very busy, and the persistently challenging market conditions, we increased our deliveries to customers in 2017 as forecast. At 10.7 million vehicles we lifted deliveries to customers by 4.3% , achieving a new record. We saw growth in Europe, North and South America and the Asia-Pacific region. The higher volume was a significant factor in the 6.2% increase in the Group's sales revenue and thus confirmed the current forecast. As a consequence, operating profit before special items rose to €17.0 billion and the operating return on sales before special items, at 7.4%, was moderately higher than the range forecast at the beginning of the year of 6.0–7.0%. After deducting special items resulting exclusively from the diesel issue, the operating return on sales of 6.0% was at the lower end of this scale, as recently projected.

Research and development costs underscore the efforts made to ensure the Company's future viability; at 6.7%, the R&D ratio in the Automotive Division was inside the expected range.

The Automotive Division's ratio of capex to sales revenue was reduced to 6.4%, which put it within the forecast range as well. Owing to high cash outflows attributable to the diesel issue, the Automotive Division's net cash flow was negative, as anticipated. The Automotive Division's net liquidity fell as a result, but was still a robust €22.4 billion at the end of the reporting period.

On the back of the increase in earnings, the return on investment (ROI) in the Automotive Division improved markedly to 12.1%, thus exceeding the minimum required rate of return on invested capital.

FORECAST VERSUS ACTUAL FIGURES

	Actual 2016	Original forecast for 2017	Adjusted forecast for 2017	Actual 2017
Deliveries to customers	10.3 million	moderate increase	moderate increase	10.7 million
Volkswagen Group				
Sales revenue	€217.3 billion	increase of up to 4%	> 4%	€230.7 billion
Operating return on sales before special items	6.7%	6.0–7.0%	moderately above 7.0%	7.4%
Operating return on sales	3.3%	6.0–7.0%	~6.0%	6.0%
Operating result before special items	€14.6 billion	within the forecast range	within the forecast range	€17.0 billion
Operating result	€7.1 billion	within the forecast range	within the forecast range	€13.8 billion
Passenger Cars Business Area				
Sales revenue	€150.3 billion	increase of up to 4%	> 4%	€158.5 billion
Operating return on sales before special items	7.4%	6.5–7.5%	moderately above 7.5%	7.9%
Operating return on sales	2.8%	6.5–7.5%	slightly below 6.5%	5.9%
Operating result before special items	€11.1 billion	within the forecast range	within the forecast range	€12.5 billion
Operating result	€4.2 billion	within the forecast range	within the forecast range	€9.3 billion
Commercial Vehicles Business Area				
Sales revenue	€32.1 billion	increase of up to 4%	> 4%	€35.2 billion
Operating return on sales	2.2%	3.0–5.0%	moderately above 5.0%	5.4%
Operating result	€0.7 billion	within the forecast range	within the forecast range	€1.9 billion
Power Engineering Business Area				
Sales revenue	€3.6 billion	significant decline	significant decline	€3.3 billion
Operating result	€–0.2 billion	lower loss	lower loss	€–0.1 billion
Financial Services Division				
Sales revenue	€31.3 billion	at prior-year level	noticeable increase	€33.7 billion
Operating result	€2.4 billion	at prior-year level	noticeable increase	€2.7 billion
R&D ratio in the Automotive Division	7.3%	6.0–7.0%	6.0–7.0%	6.7%
Capex/sales revenue in the Automotive Division	6.9%	6.0–7.0%	6.0–7.0%	6.4%
Net cash flow in the Automotive Division	€4.3 billion	significant decline, negative	significant decline, negative	€–6.0 billion
Net liquidity in the Automotive Division	€27.2 billion	significant decline	significant decline	€22.4 billion
Return on investment (ROI) in the Automotive Division	8.2%	noticeable increase, > 9%	noticeable increase, > 9%	12.1%