Key Figures

VOLKSWAGEN GROUP

	2018	2017[1]	%
Volume Data[2] in thousands			
Deliveries to customers (units)	10,834	10,742	+0.9
Vehicle sales (units)	10,900	10,777	+1.1
Production (units)	11,018	10,875	+1.3
Employees at Dec. 31	664.5	642.3	+3.5
Financial Data (IFRSs), € million			
Sales revenue	235,849	229,550	+2.7
Operating result before special items	17,104	17,041	+0.4
Operating return on sales before special items (%)	7.3	7.4	
Special items	–3,184	–3,222	–1.2
Operating result	13,920	13,818	+0.7
Operating return on sales (%)	5.9	6.0	
Earnings before tax	15,643	13,673	+14.4
Return on sales before tax (%)	6.6	6.0	
Earnings after tax	12,153	11,463	+6.0
Automotive Division[3]			
Total research and development costs	13,640	13,135	+3.8
R&D ratio (%)	6.8	6.7	
Cash flows from operating activities	18,531	11,686	+58.6
Cash flows from investing activities attributable to operating activities[4]	18,837	17,636	+6.8
of which: capex	13,218	12,631	+4.6
capex/sales revenue (%)	6.6	6.5	
Net cash flow	–306	–5,950	–94.9
Net liquidity at Dec. 31	19,368	22,378	–13.5
Return on investment (ROI) in %	11.0	12.1	
Financial Services Division			
Return on equity before tax[5] (%)	9.9	9.8	

VOLKSWAGEN AG

	2018	2017	%
Volume Data in thousands			
Employees at Dec. 31	119.4	117.4	+1.7
Financial Data (HGB), € million			
Sales	78,001	76,729	+1.7
Net income for the fiscal year	4,620	4,353	+6.1
Dividends (€)			
per ordinary share	4.80	3.90	
per preferred share	4.86	3.96	

1 Adjusted
2 Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method. Prior-year deliveries updated to reflect subsequent statistical trends.
3 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
4 Excluding acquisition and disposal of equity investments: €18,242 (€17,512) million.
5 Earnings before tax as a percentage of average equity.

This version of the annual report is a translation of the German original. The German takes precedence. All figures shown in the report are rounded, so minor discrepancies may arise from addition of these amounts. The figures from the previous fiscal year are shown in parentheses directly after the figures for the current reporting period.

Moving Globally

VOLKSWAGEN GROUP deliveries – in thousand units

EUROPE/OTHER MARKETS

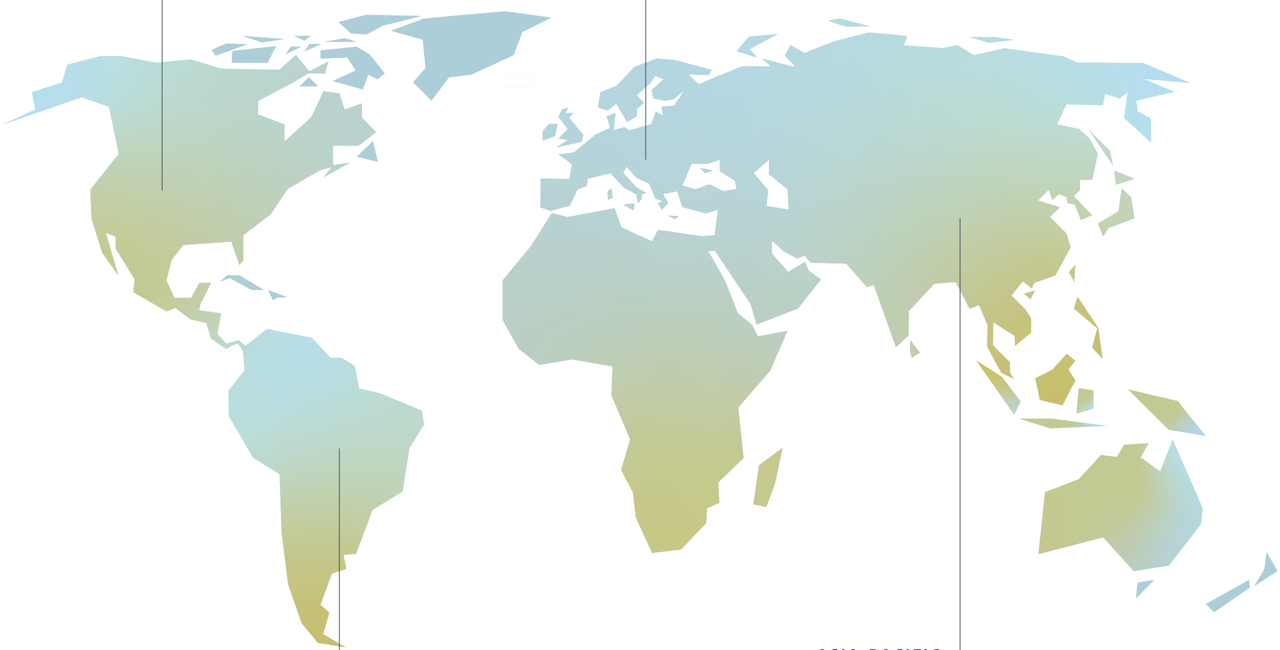
2016	4,618
2017	4,738
2018	4,741

+0.1%

NORTH AMERICA

2016	939
2017	976
2018	957

–2.0%



ASIA-PACIFIC

2016	4,319
2017	4,506
2018	4,546

+0.9%

SOUTH AMERICA

2016	422
2017	522
2018	590

+13.1%

Five-Year Review

	2018	2017[1]	2016	2015	2014
Volume Data (thousands)					
Vehicle sales (units)	**10,900**	**10,777**	**10,391**	**10,010**	**10,217**
Germany	1,236	1,264	1,257	1,279	1,247
Abroad	9,664	9,513	9,135	8,731	8,970
Production (units)	**11,018**	**10,875**	**10,405**	**10,017**	**10,213**
Germany	2,303	2,579	2,685	2,681	2,559
Abroad	8,715	8,296	7,720	7,336	7,653
Employees (yearly average)	**656**	**634**	**619**	**604**	**583**
Germany	291	285	280	276	265
Abroad	365	350	339	329	318
Financial Data (in € million)					
Income Statement					
Sales revenue	**235,849**	**229,550**	**217,267**	**213,292**	**202,458**
Cost of sales	–189,500	–186,001	–176,270	–179,382	–165,934
Gross profit	**46,350**	**43,549**	**40,997**	**33,911**	**36,524**
Distribution expenses	–20,510	–20,859	–22,700	–23,515	–20,292
Administrative expenses	–8,819	–8,126	–7,336	–7,197	–6,841
Net other operating result	–3,100	–745	–3,858	–7,267	3,306
Operating result	**13,920**	**13,818**	**7,103**	**–4,069**	**12,697**
Financial result	1,723	–146	189	2,767	2,097
Earnings before tax	**15,643**	**13,673**	**7,292**	**–1,301**	**14,794**
Income tax expense	–3,489	–2,210	1,912	–59	–3,726
Earnings after tax	**12,153**	**11,463**	**5,379**	**–1,361**	**11,068**
Personnel expenses	**41,158**	**38,950**	**37,017**	**36,268**	**33,834**
Balance Sheet (at December 31)					
Noncurrent assets	274,620	262,081	254,010	236,548	220,106
Current assets	183,536	160,112	155,722	145,387	131,102
Total assets	**458,156**	**422,193**	**409,732**	**381,935**	**351,209**
Equity	117,342	109,077	92,910	88,270	90,189
of which: noncontrolling interests	225	229	221	210	198
Noncurrent liabilities	172,846	152,726	139,306	145,175	130,314
Current liabilities	167,968	160,389	177,515	148,489	130,706
Total equity and liabilities	**458,156**	**422,193**	**409,732**	**381,935**	**351,209**
Cash flows from operating activities	**7,272**	**–1,185**	**9,430**	**13,679**	**10,784**
Cash flows from investing activities attributable to operating activities	**19,386**	**18,218**	**16,797**	**15,523**	**16,452**
Cash flows from financing activities	**24,566**	**17,625**	**9,712**	**9,068**	**4,645**

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

Financial Key Performance Indicators

%	2018	2017[1]	2016	2015	2014
Volkswagen Group					
Gross margin	19.7	19.0	18.9	15.9	18.0
Personnel expense ratio	17.5	17.0	17.0	17.0	16.7
Operating return on sales	5.9	6.0	3.3	–1.9	6.3
Return on sales before tax	6.6	6.0	3.4	–0.6	7.3
Return on sales after tax	5.2	5.0	2.5	–0.6	5.5
Equity ratio	25.6	25.8	22.7	23.1	25.7
Automotive Division[2]					
Change in unit sales year-on-year[3]	+1.1	+3.7	+3.8	–2.0	+5.0
Change in sales revenue year-on-year	+2.7	+5.3	+1.1	+3.6	+1.4
Research and development costs as a percentage of sales revenue	6.8	6.7	7.3	7.4	7.4
Operating return on sales	5.5	5.7	2.5	–3.4	6.1
EBITDA (in € million)[4]	26,707	26,094	18,999	7,212	23,100
Return on investment (ROI)[5]	11.0	12.1	8.2	–0.2	14.9
Cash flows from operating activities as a percentage of sales revenue	9.2	6.0	10.9	12.9	12.2
Cash flows from investing activities attributable to operating activities as a percentage of sales revenue	9.4	9.0	8.6	8.1	8.7
Capex as a percentage of sales revenue	6.6	6.5	6.9	6.9	6.5
Net liquidity as a percentage of sales revenue	8.2	9.7	12.5	11.5	8.7
Ratio of noncurrent assets to total assets[6]	23.3	23.7	23.4	23.1	22.3
Ratio of current assets to total assets[7]	17.6	16.3	15.9	15.2	14.3
Inventory turnover[8]	5.0	5.1	5.5	5.8	6.2
Equity ratio	37.9	36.9	31.4	32.6	36.9
Financial Services Division					
Increase in total assets	11.2	6.0	8.3	13.9	15.1
Return on equity before tax[9]	9.9	9.8	10.8	12.2	12.5
Equity ratio	12.7	13.7	12.5	11.9	11.3

1 Adjusted; see disclosures about the application of new International Financial Reporting Standards on page 114.
2 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
3 Including the Chinese joint ventures. These companies are accounted for using the equity method.
4 Operating result plus net depreciation/amortization and impairment losses/reversals of impairment losses on property, plant and equipment, capitalized development costs, lease assets, goodwill and financial assets as reported in the cash flow statement.
5 For details, see Value-based management on page 127.
6 Ratio of property, plant and equipment to total ass.
7 Ratio of inventories to total assets at the balance sheet date.
8 Ratio of sales revenue to average monthly inventories.
9 Earnings before tax as a percentage of average equity.

Glossary

Selected terms at a glance

Big Data
Big data is a term used to describe new ways of analyzing and evaluating data volumes that are too vast and too complex to be processed using manual or conventional methods.

Compliance
Adherence to statutory provisions, internal company policies and ethical principles.

Compressed Natural Gas (CNG)
Burning this compressed natural gas releases approximately 25% less CO_2 than petrol because of its low carbon and high energy content.

Corporate Governance
International term for responsible corporate management and supervision driven by long-term value added.

Hybrid drive
Drive combining two different types of engine and energy storage systems (usually an internal combustion engine and an electric motor).

Hybrid notes
Hybrid notes issued by Volkswagen are classified in their entirety as equity. The issuer has call options at defined dates during their perpetual maturities. They pay a fixed coupon until the first possible call date, followed by a variable rate depending on their terms and conditions.

Industry 4.0
Describes the fourth industrial revolution and the systematic development of real-time and intelligent networks between people, objects and systems, exploiting all of the opportunities of information technology along the entire value added chain. Intelligent machines, inventory systems and operating equipment that independently exchange information, trigger actions and control each other will be integrated into production and logistics at a technical level. This offers tremendous versatility, efficient resource utilization, ergonomics and the integration of customers and business partners in operational processes throughout the entire value chain.

Liquefied Natural Gas (LNG)
LNG is needed so that natural gas engines can be used in long-distance trucks and buses, since this is the only way of achieving the required energy density.

Modular Electric Drive Toolkit (MEB)
The modular system is being developed for the manufacturing of electric vehicles. The MEB establishes parameters for axles, drive systems, high-voltage batteries, wheelbases and weight ratios to ensure a vehicle optimally fulfills the requirements of e-mobility. The first vehicle based on the MEB should go into series production in 2020.

Modular Transverse Toolkit (MQB)
As an extension of the modular strategy, this platform can be deployed in vehicles whose architecture permits a transverse arrangement of the engine components. The modular perspective enables high synergies to be achieved between the vehicles in the Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, Audi, SEAT and ŠKODA brands.

Plug-in hybrid
Performance levels of hybrid vehicles. Plug-in hybrid electric vehicles (PHEVs) have a larger battery with a correspondingly higher capacity that can be charged via the combustion engine, the brake system, or an electrical outlet. This increases the range of the vehicle.

Rating
Systematic assessment of companies in terms of their credit quality. Ratings are expressed by means of rating classes, which are defined differently by the individual rating agencies.

Test procedure
Levels of fuel consumption and exhaust gas emissions for vehicles registered in Europe were previously measured on a chassis dynamometer with the help of the “New European Driving Cycle (NEDC)”. Since fall 2017, the existing test procedure for emissions and fuel consumption used in the EU is being gradually replaced by the Worldwide Harmonized Light-Duty Vehicles Test Procedure (WLTP). This has been in place for new vehicle types since fall 2017 and will apply to all new vehicles since fall 2018. The aim of this new test cycle is to state CO_2 emissions and fuel consumption in a more practice-oriented manner. A further important European regulation is the Real Driving Emissions (RDE) for passenger cars and light commercial vehicles, which also monitors emissions using portable emission measuring technology in real road traffic.

Turntable concept
Concept of flexible manufacturing enabling the production of different models in variable daily volumes within a single plant, as well as offering the facility to vary daily production volumes of one model between two or more plants.

Vocational groups
For example, electronics, logistics, marketing, or finance. A new teaching and learning culture is gradually being established by promoting training in the vocational groups. The specialists are actively involved in the teaching process by passing on their skills and knowledge to their colleagues.

Zero-Emissions Vehicle (ZEV)
Vehicles that operate without exhibiting any harmful emissions from combustion gases. Examples of zero-emissions vehicles include purely battery-powered electric vehicles (BEV) or fuel cell vehicles.

Capitalization ratio

The capitalization ratio is defined as the ratio of capitalized development costs to total research and development costs in the Automotive Division. It shows the proportion of primary research and development costs subject to capitalization.

Distribution ratio

The distribution ratio is the ratio of total dividends attributable to ordinary and preferred shares to earnings after tax attributable to the shareholders of Volkswagen AG. The distribution ratio provides information on how earnings are distributed.

Dividend yield

The dividend yield is the ratio of the dividend for the reporting year to the closing price per share class on the last trading day of the reporting year; it represents the interest rate earned per share. The dividend yield is used in particular for measuring and comparing shares.

Equity ratio

The equity ratio measures the percentage of total assets attributable to shareholders' equity as of a reporting date. This ratio indicates the stability and financial strength of the company and shows the degree of financial independence.

Gross margin

Gross margin is the percentage of sales revenue attributable to gross profit in a period. Gross margin provides information on profitability net of cost of sales.

Price-earnings ratio

The price-earnings ratio is calculated by dividing the share price per share class at the end of the year by the earnings per share. It reflects a company's profitability per share; a comparison over several years shows how its performance has developed over time.

Return on equity before tax

The return on equity shows the ratio of profit before tax to average shareholders' equity of a period, expressed as a percentage. It reflects the company's profitability per share and indicates the interest rate earned on equity.

Return on sales before tax

The return on sales is the ratio of profit before tax to sales revenue in a period, expressed as a percentage. It shows the level of profit generated for each unit of sales revenue. The return on sales provides information on the profitability of all business activities before deducting income tax expense.

Tax rate

The tax rate is the ratio of income tax expense to profit before tax, expressed in percent. It shows what percentage of the profit generated has to be paid over as tax.