# 2

# Divisions

**DIVISIONS**

# 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

| Thousand vehicles/€ million | VEHICLE SALES 2018 | VEHICLE SALES 2017 | SALES REVENUE 2018 | SALES REVENUE 2017[1] | OPERATING RESULT 2018 | OPERATING RESULT 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

| Thousand vehicles/€ million | VEHICLE SALES 2018 | VEHICLE SALES 2017 | SALES REVENUE 2018 | SALES REVENUE 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.

Volkswagen

The Volkswagen Passenger Cars brand continued its global product initiative in 2018, including the world premiere of the new Touareg. Moreover, media representatives were given a preview of the Modular Electric Drive Toolkit (MEB).

## BUSINESS DEVELOPMENT

The Volkswagen Passenger Cars vision is “Moving people and driving them forwards”. The “TRANSFORM 2025+” strategy therefore centers on a global model initiative through which the brand aims to lead innovation, technology and quality in the volume segment.

Volkswagen Passenger Cars celebrated the world premiere of the new Touareg in the reporting year. With its expressive design, its extensive equipment, high-quality materials and top-class craftsmanship, it occupies a top position in the premium SUV segment. The brand also presented the T-Cross, a versatile, practical and urban crossover model, which is set to launch in 2019. In addition, it unveiled the ID. VIZZION concept car, the electric-driven ID. family's new flagship. The saloon car of tomorrow is self-driving, effortless to operate thanks to augmented reality, and capable of learning through artificial intelligence. In September 2018, Volkswagen gave media representatives from all around the world a first glimpse of its platform strategy for electric vehicles. The aim of the Modular Electric Drive Toolkit (MEB) is to translate electric mobility into mass mobility at affordable prices. The all-electric ID. family based on the MEB will be manufactured in Zwickau from late 2019. Vehicles with all-electric drive will also roll off the assembly line in Emden.

Volkswagen Passenger Cars delivered a record 6.2 million vehicles worldwide in 2018 (+0.2%). There was strong growth especially in Italy (+11.8%), Russia (+18.5%) and Brazil (+28.6%). The Polo, T-Roc, Tiguan and Virtus models were especially popular.

The Volkswagen Passenger Cars brand sold 3.7 (3.6) million vehicles in the reporting year. The difference between deliveries and unit sales is mainly due to the fact that the vehicle-producing joint ventures in China are not attributed to the companies in the Volkswagen Passenger Cars brand.

The Volkswagen Passenger Cars brand produced 6.3 (6.3) million vehicles worldwide in fiscal year 2018. The Mexican plant in Puebla produced its twelve millionth vehicle.

## SALES REVENUE AND EARNINGS

At €84.6 billion, the sales revenue of the Volkswagen Passenger Cars brand in 2018 was 6.8% higher than in the previous year. Operating profit before special items amounted to €3.2 (3.3) billion. The increase in vehicle sales and improved product costs had a positive effect. Higher sales expenses resulting from factors such as the environmental bonus, exchange rate effects and upfront expenditures for new products, especially in connection with the implementation of the electric mobility campaign, weighed on the operating profit. In addition, the WLTP test procedure presented challenges. The operating return on sales before special items was 3.8 (4.2)%. The diesel issue gave rise to special items of €–1.9 (–2.8) billion.

# 12 million

Vehicles produced in Mexico

## PRODUCTION

| Units | 2018 | 2017 |
| --- | --- | --- |
| Tiguan | 861,331 | 769,870 |
| Polo/Virtus | 855,179 | 755,506 |
| Golf | 805,752 | 968,284 |
| Jetta/Sagitar | 770,447 | 883,346 |
| Passat/Magotan | 656,249 | 660,996 |
| Lavida | 513,556 | 507,574 |
| Santana | 272,080 | 293,313 |
| Bora | 269,390 | 334,900 |
| T-Roc | 236,977 | 22,724 |
| Atlas/Teramont | 166,034 | 129,724 |
| Gol | 156,410 | 203,148 |
| Lamando | 141,076 | 138,943 |
| up! | 136,512 | 158,795 |
| Touran | 130,417 | 144,676 |
| Saveiro | 59,233 | 66,431 |
| Arteon/CC | 49,735 | 37,972 |
| Fox | 40,596 | 50,739 |
| Touareg | 40,387 | 42,407 |
| Beetle | 37,846 | 59,483 |
| Sharan | 30,459 | 45,695 |
| Tharu | 26,986 | – |
| Phideon | 24,102 | 13,014 |
| Suran | 16,356 | 21,093 |
| Scirocco | – | 8,199 |
| | **6,297,110** | **6,316,832** |

## VOLKSWAGEN PASSENGER CARS BRAND

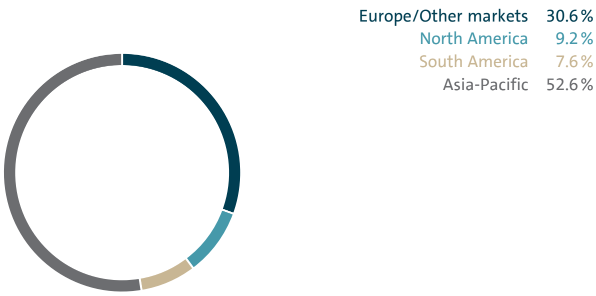
| | 2018 | 2017[1] | % |
| --- | --- | --- | --- |
| Deliveries (thousand units) | 6,245 | 6,230 | +0.2 |
| Vehicle sales | 3,715 | 3,573 | +4.0 |
| Production | 6,297 | 6,317 | –0.3 |
| Sales revenue (€ million) | 84,585 | 79,186 | +6.8 |
| Operating result before special items | 3,239 | 3,301 | –1.9 |
| Operating return on sales (%) | 3.8 | 4.2 | |

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

# Touareg

## DELIVERIES BY MARKET

*in percent*




FURTHER INFORMATION www.volkswagen.com

Audi continued to drive its major model and technology initiative in a difficult market environment. It presented the e-tron premium SUV, the brand's first fully electric series-produced model.

#### BUSINESS DEVELOPMENT

"Vorsprung" is an active brand promise that is delivered throughout the world, making Audi one of the most highly desired brands in the premium segment. In 2018, the brand had around 20 market launches, thus continuing the renewal of its model range and further strengthening its product portfolio. Audi presented the new A6, the eighth generation of its successful premium saloon. The A6 features dynamic surfaces, sharp contours and striking lines, conveying sporty elegance, cutting-edge technology and sophistication. Audi also presented the new face of its Q family for the first time: the Audi Q8. This combines the elegance of a four-door luxury coupé with the practical versatility of a large SUV. Its distinguished design is underlined by an imposing octagon-shaped, single-frame radiator grille, an elegant sloping roof line and up to 22-inch wheels. Audi started its electrification offensive in September 2018 with the world premiere of the e-tron. The SUV is the first all-electric production model from the brand with the four rings. Its comfort and spaciousness are equivalent to a traditional premium model. At fast-charging stations, the e-tron is ready for a long-distance drive after 30 minutes. A large number of pre-orders for the e-tron had already been received by the end of the year. By 2025, Audi plans to offer at least 20 electric models.

In the past fiscal year, Audi faced challenges from a difficult market environment and the new WLTP test procedure. The brand delivered a total of 1.8 million vehicles, a decline of 3.4%. While unit sales in Western Europe were down 13.9%, there were increases especially in China (+10.9%).

Audi sold 1.5 (1.5) million vehicles in 2018. Unit sales by the Chinese joint venture FAW-Volkswagen amounted to a further 620 (552) thousand Audi vehicles. The Q2, Q5, A4, A7 and A8 models were especially popular. Unit sales at Automobili Lamborghini S.p.A. amounted to 6,333 (3,897) vehicles. The increase was mainly due to high demand for the Urus.

Globally, Audi produced 1.9 (1.9) million units in the reporting year. Lamborghini manufactured a total of 6,571 (4,056) vehicles in 2018.

#### SALES REVENUE AND EARNINGS

Sales revenue of the Audi brand was €59.2 (59.8) billion in fiscal year 2018. Operating profit before special items was 7.0% lower, at €4.7 billion. Mix improvements, positive exchange rate effects and product cost optimization were unable to compensate for lower vehicle sales and higher sales costs, both of which primarily reflect the impact of the WLTP, as well as higher depreciation and amortization charges due to the large volume of capital expenditure. Audi generated an operating return on sales before special items of 7.9 (8.5)%. Special items resulting from the diesel issue amounted to €–1.2 (–0.4) billion. The financial key performance indicators for the Lamborghini and Ducati brands are included in the financial figures for the Audi brand.

**1.8 million**

Vehicles delivered in 2018

## PRODUCTION

| Units | 2018 | 2017 |
|---|---|---|
| **Audi** | | |
| A4 | 344,623 | 325,307 |
| A3 | 304,903 | 313,380 |
| Q5 | 298,645 | 289,959 |
| A6 | 254,705 | 259,618 |
| Q3 | 167,707 | 205,006 |
| A5 | 111,544 | 119,595 |
| Q7 | 110,593 | 106,515 |
| Q2 | 108,386 | 102,084 |
| A1 | 80,387 | 95,346 |
| A8 | 24,541 | 15,854 |
| Q8 | 22,414 | 364 |
| A7 | 20,058 | 16,968 |
| TT | 12,118 | 22,174 |
| e-tron | 2,425 | 4 |
| R8 | 1,764 | 3,179 |
| | **1,864,813** | **1,875,353** |
| **Lamborghini** | | |
| Urus | 2,565 | 121 |
| Huracán Coupé | 1,669 | 1,822 |
| Huracán Spyder | 1,121 | 827 |
| Aventador Roadster | 638 | 278 |
| Aventador Coupé | 578 | 1,008 |
| | **6,571** | **4,056** |
| **Audi brand** | **1,871,384** | **1,879,409** |
| Ducati, motorcycles | 53,320 | 56,743 |

## AUDI BRAND

| | 2018 | 2017[1] | % |
|---|---|---|---|
| Deliveries (thousand units) | 1,818 | 1,882 | –3.4 |
| Audi | 1,812 | 1,878 | –3.5 |
| Lamborghini | 6 | 4 | +50.7 |
| Vehicle sales | 1,467 | 1,530 | –4.1 |
| Production | 1,871 | 1,879 | –0.4 |
| Sales revenue (€ million) | 59,248 | 59,789 | –0.9 |
| Operating result before special items | 4,705 | 5,058 | –7.0 |
| Operating return on sales (%) | 7.9 | 8.5 | |

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

# A6

## DELIVERIES BY MARKET
*in percent*

Europe/Other markets 43.0 %
North America 15.2 %
South America 1.0 %
Asia-Pacific 40.7 %

FURTHER INFORMATION www.audi.com

ŠKODA presented the all-new compact Scala model in 2018. In addition to the Kamiq SUV, which was launched in China, additional derivative models of the Kodiaq and the upgraded Fabia were also presented.

## BUSINESS DEVELOPMENT

The models offered by ŠKODA are synonymous with smart understatement, featuring a superior spacious interior, highest standards of functionality, excellent value for money and a distinct design. Added to that are a number of "Simply Clever" ideas and new digital services, all aimed at making customers' lives easier. In 2018, ŠKODA launched their extensively enhanced Fabia. With the world premiere of the Scala, which will celebrate its market debut in 2019, ŠKODA has completely redefined its compact segment. The new compact model is the first series-produced vehicle to reveal the next step in the development of the ŠKODA design language, which will shape future ŠKODA models. New sculptural shapes, dynamic elements and attention to detail give the Scala its strong identity. The Kodiaq GT is the Czech brand's new top model in China. It is the first vehicle in ŠKODA's SUV segment that combines the robustness and versatility of an SUV with the sporty elegance and dynamic features of a coupé. China also saw the launch of the Kamiq. This city SUV offers the ultimate in connectivity for young urban customers who want to be always online even on the go. The dynamic Kodiaq RS – the new top model in the brand's SUV portfolio – is also the first SUV in the sporty RS family. Thanks to its extraordinary on- and off-road performance and markedly powerful design, it meets all the requirements of a steadily expanding target group for powerful SUVs. The VISION X and VISION RS vehicle concepts with plug-in hybrid technology revealed in 2018 embody ŠKODA's future orientation and form the basis for the series-produced models to be launched in 2019.

Global deliveries by the ŠKODA brand in 2018 amounted to 1.3 million vehicles (+4.4%), thus reaching a new record. China was once again the largest single market: deliveries there were up by 4.9%. Sales rose by 1.8% in Western Europe and 9.6% in Central and Eastern Europe.

ŠKODA sold 957 (937) thousand vehicles in 2018, outperforming the previous year's level. The Kodiaq and Karoq models were particularly highly sought-after. The difference between figures for deliveries and unit sales is mainly due to the fact that the vehicle-producing joint ventures in China are not attributed to ŠKODA brand companies.

ŠKODA manufactured 1.3 (1.2) million vehicles worldwide in 2018. The one-millionth SUV was produced at the plant in Kvasiny, Czech Republic.

## SALES REVENUE AND EARNINGS

At €17.3 billion, the ŠKODA brand's sales revenue in 2018 was 4.4% higher than in 2017. Operating profit fell by 14.6% to €1.4 billion; the decline mainly resulted from negative exchange rate effects, negative impacts resulting from WLTP, a rise in personnel costs and higher upfront expenditure for new products. Meanwhile, growth in unit sales, product cost optimization and improved price positioning had a positive impact. The operating return on sales declined from 9.7% in the previous year to 8.0%.

# 1 million

SUVs produced at the Kvasiny plant

## PRODUCTION

| Units | 2018 | 2017 |
|---|---|---|
| Octavia | 400,210 | 420,802 |
| Rapid | 195,270 | 210,002 |
| Fabia | 186,213 | 209,471 |
| Karoq/Kamiq/Yeti | 173,816 | 81,963 |
| Kodiaq | 155,499 | 123,982 |
| Superb | 136,985 | 147,103 |
| Citigo | 37,095 | 38,749 |
| | **1,285,088** | **1,232,072** |

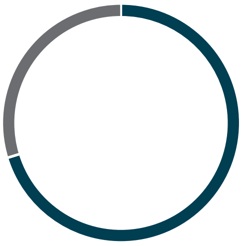
## ŠKODA BRAND

| | 2018 | 2017 | % |
|---|---|---|---|
| Deliveries (thousand units) | 1,254 | 1,201 | +4.4 |
| Vehicle sales | 957 | 937 | +2.1 |
| Production | 1,285 | 1,232 | +4.3 |
| Sales revenue (€ million) | 17,293 | 16,559 | +4.4 |
| Operating result | 1,377 | 1,611 | –14.6 |
| Operating return on sales (%) | 8.0 | 9.7 | |

# Kamiq

## DELIVERIES BY MARKET

*in percent*




FURTHER INFORMATION www.skoda-auto.com

SEAT celebrated the world premiere of the new Tarraco in the reporting year. In SEAT's SUV family, the Tarraco is the big brother of the Arona and Ateca, which contributed to the good results in the reporting year.

## BUSINESS DEVELOPMENT

SEAT delivers solutions "Created in Barcelona" to make mobility easy. The highlight in fiscal year 2018 was the world premiere of the new Tarraco. The Spanish brand's new flagship is based on the Modular Transverse Toolkit and complements the model range. It is the largest SUV offered by SEAT, next to the Arona and Ateca. The Tarraco combines elegant, progressive design with state-of-the-art technology, dynamic, agile handling, and limitless practicality and functionality. Synonymous with the ultimate expression of SEAT sportiness, the company's CUPRA brand was presented with its own unique personality in 2018. CUPRA is designed to captivate car lovers and stands for uniqueness, sophistication and performance. Its first model, the CUPRA Ateca, has been on sale since October 2018. In addition, CUPRA will enter an all-electric racing car in the new eTCR multibrand touring car competition, which is to be launched in 2020.

SEAT increased its deliveries to customers by 10.5% in fiscal year 2018 to 518 thousand vehicles. Almost all markets contributed to this rise, with the most significant increases achieved in Spain (+13.3%), Germany (+11.8%), France (+31.3%) and the United Kingdom (+12.0%).

At 608 thousand units, the SEAT brand's unit sales were up 2.2% year-on-year in the reporting period. The A1 and Q3 models produced for Audi are also included in this figure. The Arona was particularly popular.

SEAT produced 528 thousand vehicles in the past year. This was 10.2% more than in 2017.

## SALES REVENUE AND EARNINGS

SEAT continued its upward trend in the reporting year. Sales revenue was €10.2 billion, exceeding the previous year's record figure by 3.1%. Operating profit rose to €254 (191) million, which was also a new record. Positive volume and mix effects more than offset the negative impact of cost increases and exchange rates. The Seat brand's operating return on sales improved to 2.5 (1.9)%.

# 33.4%

Increase in profit in 2018

## PRODUCTION

| Units | 2018 | 2017 |
|---|---|---|
| Leon | 159,486 | 163,306 |
| Ibiza | 120,287 | 160,377 |
| Arona | 110,926 | 17,527 |
| Ateca | 90,824 | 77,483 |
| Alhambra | 19,588 | 33,638 |
| Mii | 14,369 | 13,825 |
| Toledo | 10,151 | 13,146 |
| Tarraco | 2,398 | – |
| | **528,029** | **479,302** |

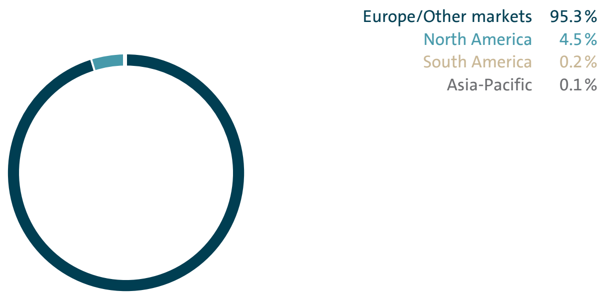
## SEAT BRAND

| | 2018 | 2017 | % |
|---|---|---|---|
| Deliveries (thousand units) | 518 | 468 | +10.5 |
| Vehicle sales | 608 | 595 | +2.2 |
| Production | 528 | 479 | +10.2 |
| Sales revenue (€ million) | 10,202 | 9,892 | +3.1 |
| Operating result | 254 | 191 | +33.4 |
| Operating return on sales (%) | 2.5 | 1.9 | |

# Tarraco


## DELIVERIES BY MARKET

*in percent*




FURTHER INFORMATION www.seat.com

BENTLEY

With the Bentayga Hybrid, the British luxury brand Bentley is taking the first step toward a fully electric product range. Delays to the start-up of the new Continental GT weighed on operating profit.

### BUSINESS DEVELOPMENT

The Bentley brand is defined by exclusivity, elegance and power. Bentley presented the world's first luxury hybrid vehicle during the reporting year. With the Bentayga Hybrid, the British luxury brand Bentley is taking a first step on the path toward a fully electric product range. At the heart of the plug-in hybrid model are a highly efficient electric motor and a new turbocharged 3.0 l V6 petrol engine. The Bentayga Hybrid can cover approximately 50 km in pure electric mode. With $CO_2$ emissions of 75 g/km, it is currently the brand's most efficient model. Bentley also presented the powerful Bentayga V8 for the first time in the reporting year. It combines luxury with sharp performance and strong practicality. Its V8 twin-turbo engine with 404 kW (550 PS) of power accelerates the vehicle from 0 to 100 km/h in 4.5 s. The new Continental GT had a very positive reception in 2018, both from its first customers and in the media. It is very popular worldwide and will be launched in the USA and in China in 2019. The new Continental GT Convertible was unveiled at the end of 2018, and deliveries will commence in spring 2019.

At 10,494 (11,089) vehicles, the Bentley brand's sales in 2018 did not match the previous year's record level. While deliveries fell by 14.0% in the USA, they were up 10.9% in Asia-Pacific.

In the 2018 reporting year, Bentley sold 9,559 (10,566) vehicles worldwide. This was below the previous year's level, primarily as a result of the new generation of the Continental GT. The Bentayga was the most sought-after model.

In 2018, the Bentley brand manufactured 9,115 vehicles. The 13.6% decline versus the prior year was mainly attributable to product cycles.

### SALES REVENUE AND EARNINGS

The Bentley brand generated sales revenue of €1.5 billion in the reporting period, a decline of 16.0% year-on-year. Operating result fell to €–288 (55) million. In particular, delays to the start-up of the new Continental GT as well as exchange rate effects had a negative impact. The operating return on sales amounted to –18.6 (3.0)%.

# 75 g/km

The Bentayga Hybrid's $CO_2$ emissions

## PRODUCTION

| Units | 2018 | 2017 |
|---|---|---|
| Bentayga | 4,072 | 4,849 |
| Continental GT Coupé | 2,841 | 1,345 |
| Flying Spur | 1,627 | 2,295 |
| Mulsanne | 547 | 595 |
| Continental GT Convertible | 28 | 1,468 |
| | **9,115** | **10,552** |

## BENTLEY BRAND

| | 2018 | 2017 | % |
|---|---|---|---|
| Deliveries (units) | 10,494 | 11,089 | –5.4 |
| Vehicle sales | 9,559 | 10,566 | –9.5 |
| Production | 9,115 | 10,552 | –13.6 |
| Sales revenue (€ million) | 1,548 | 1,843 | –16.0 |
| Operating result | –288 | 55 | x |
| Operating return on sales (%) | –18.6 | 3.0 | |

# Bentayga Hybrid

## DELIVERIES BY MARKET

*in percent*


FURTHER INFORMATION www.bentleymotors.com

Porsche looks back on another successful fiscal year; sales revenue and profit exceed the prior-year figures. The first all-electric Porsche is set to launch in 2019 under the name Taycan.

## BUSINESS DEVELOPMENT

Exclusivity and social acceptance, innovation and tradition, performance and everyday usability, design and functionality – these are the brand values of sports car manufacturer Porsche. The brand presented the new generation of the Macan in 2018. The SUV has been extensively enhanced in terms of design, comfort, connectivity and driving dynamics. The Porsche Communication Management with a 10.9-inch touchscreen enables access to new digital functions, such as intelligent voice control and the online navigation provided as standard. A high-performance sports car also made its debut: the Porsche 911 GT3 RS, which generates 383 kW (520 PS) and accelerates from 0 to 100 km/h in 3.2 s. Its top speed is an impressive 312 km/h. The new generation of the 911, which was presented at the end of 2018, will launch in 2019, once again setting standards in terms of exclusive sportiness. Intelligent controls and chassis elements as well as innovative assistance systems combine the uncompromising dynamism of the classic rear-engine sports car with the demands of the digital world. Porsche announced in 2018 that the brand's all-electric model, previously known as the Mission E concept car, will be marketed as the Porsche Taycan from the end of 2019. The brand also presented an electric-driven crossover utility vehicle: the Mission E Cross Turismo concept study. Its strengths are the exciting design, striking off-road elements, and innovative display and control interfaces with touchscreen and gaze control.

In the reporting period, Porsche delivered 256 thousand sports cars, an increase of 4.0% on the previous year. China remained the largest single market for Porsche with 80 thousand vehicles (+12.0%). Sales in North America rose by 3.7%.

At 253 thousand vehicles, Porsche's unit sales exceeded the prior-year figure by 1.9% in 2018. In particular, the Panamera and Cayenne achieved impressive growth; sales of the 911 were also up.

Porsche produced 268 thousand vehicles in the reporting year. This was 5.0% more than in the previous year.

## SALES REVENUE AND EARNINGS

The 2018 fiscal year was once again very successful for Porsche: Porsche Automotive's sales revenue rose by 9.2% to €23.7 (21.7) billion. Operating profit increased by 2.7% year-on-year to €4.1 billion. The rise was particularly attributable to the increased volume and positive mix effects, while higher research and development costs, particularly for e-mobility and digitalization had an offsetting effect. The operating return on sales stood at 17.4 (18.5)%.

9.2%

Increase in sales revenue in 2018

**PRODUCTION**

| Units | 2018 | 2017 |
|---|---|---|
| Macan | 93,953 | 98,763 |
| Cayenne | 79,111 | 59,068 |
| 911 Coupé/Cabriolet | 36,236 | 33,820 |
| Panamera | 35,493 | 37,605 |
| 718 Boxster/Cayman | 23,658 | 26,427 |
| | **268,451** | **255,683** |

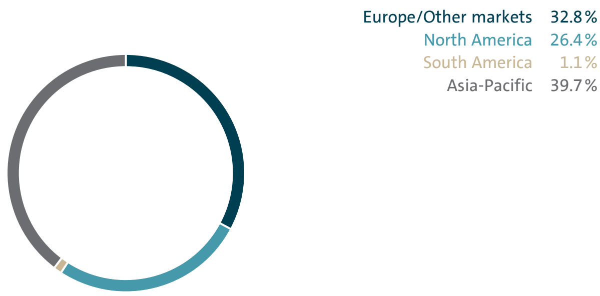
**PORSCHE AUTOMOTIVE[1]**

| | 2018 | 2017 | % |
|---|---|---|---|
| Deliveries (thousand units) | 256 | 246 | +4.0 |
| Vehicle sales | 253 | 248 | +1.9 |
| Production | 268 | 256 | +5.0 |
| Sales revenue (€ million) | 23,668 | 21,674 | +9.2 |
| Operating result | 4,110 | 4,003 | +2.7 |
| Operating return on sales (%) | 17.4 | 18.5 | |

1 Porsche (Automotive and Financial Services): sales revenue €25,784 (23,491) million, operating profit €4,291 (4,144) million.

# Macan

**DELIVERIES BY MARKET**
*in percent*




FURTHER INFORMATION www.porsche.com

Commercial
Vehicles

At the IAA Commercial Vehicles trade fair in Hanover, Volkswagen Commercial Vehicles impressed motor show visitors with a wealth of solutions ready for series production for using e-mobility in commercial contexts.

### BUSINESS DEVELOPMENT

As a leading manufacturer of light commercial vehicles, Volkswagen Commercial Vehicles is making fundamental, lasting changes to the way goods and services are distributed in cities in order to improve quality of life, especially in inner city areas. At the IAA Commercial Vehicles 2018 in Hanover, the brand presented a number of compelling solutions for using commercial e-mobility in urban areas on a sustainable basis. The e-Crafter has now become an important component of the Hanover-based car manufacturer's delivery range. Another two all-electric vehicles for urban traffic – the ABT e-Caddy and ABT e-Transporter – have also been added. With a top speed of 120 km/h, the ABT e-Caddy can cover approximately 200 km on a single battery charge. However, the highlight of Volkswagen Commercial Vehicles' presence at the IAA was the ID. BUZZ CARGO concept car. The delivery van of tomorrow is all-electric, connected and automated for urban traffic. The successor of the "Bulli" is intended to meet the need for modern, emission-free and sustainable transport of people and goods. With battery ranges of 330 to more than 550 km achieved with the new Modular Electric Drive Toolkit (MEB) and a digitalized charging system, the brand will address the future needs of its customer groups.

Deliveries by Volkswagen Commercial Vehicles in the past fiscal year amounted to 500 thousand vehicles, representing a slight increase of 0.4% on the previous year. Sales rose by 2.0% in Europe and 7.5% in South America.

Following Group-internal restructuring in South America, unit sales declined by 5.9% to 469 thousand vehicles. The Crafter was especially sought-after.

The Volkswagen Commercial Vehicles brand produced 519 thousand vehicles in the reporting year. This represents a year-on-year increase of 6.0%. The two-millionth Caddy rolled off the assembly line at Volkswagen Poznan in March. The main plant in Hanover had two reasons to celebrate in 2018: the 100 thousandth California campervan was produced at the end of May, and in early June staff completed the 500 thousandth vehicle in the current Transporter series.

### SALES REVENUE AND EARNINGS

Sales revenue at Volkswagen Commercial Vehicles in fiscal year 2018 was €11.9 (11.9) billion. Despite positive mix effects and material cost optimization, operating profit declined to €780 (853) million, primarily as a result of higher upfront expenditure for new products, unfavorable exchange rate trends and the challenges arising from the WLTP. The operating return on sales fell to 6.6 (7.2)%.

# 500 thousand

Vehicles produced in the current T series

## PRODUCTION

| Units | 2018 | 2017 |
|---|---|---|
| Caravelle/Multivan, Kombi | 115,525 | 115,553 |
| Caddy Kombi | 89,154 | 93,167 |
| Amarok | 88,950 | 80,328 |
| Transporter | 86,286 | 92,876 |
| Caddy | 71,881 | 71,501 |
| Crafter | 67,151 | 36,313 |
| | **518,947** | **489,738** |

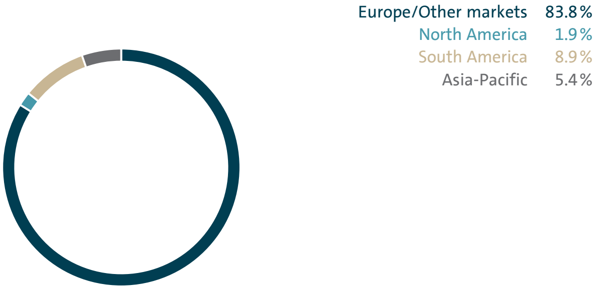
## VOLKSWAGEN COMMERCIAL VEHICLES BRAND

| | 2018 | 2017 | % |
|---|---|---|---|
| Deliveries (thousand units) | 500 | 498 | +0.4 |
| Vehicle sales | 469 | 498 | –5.9 |
| Production | 519 | 490 | +6.0 |
| Sales revenue (€ million) | 11,875 | 11,909 | –0.3 |
| Operating result | 780 | 853 | –8.6 |
| Operating return on sales (%) | 6.6 | 7.2 | |

# e-Crafter

## DELIVERIES BY MARKET

*in percent*




FURTHER INFORMATION www.volkswagen-commercial-vehicles.com

TRATON GROUP

In 2018, the TRATON GROUP continued to consistently pursue its goal of becoming a global champion of the commercial vehicle industry. Innovative technological solutions, sales successes and the expansion of strategic partnerships all contributed to this.

### BUSINESS DEVELOPMENT

With its MAN, Scania, Volkswagen Caminhões e Ônibus and RIO brands, TRATON SE aims to become a global champion of the commercial vehicle industry and drive the transformation of the logistics sector. Its mission is to reinvent transport for future generations: "Transforming Transportation". With this purpose in mind, Volkswagen Truck & Bus, as the company was known until mid-2018, has given itself the new name TRATON, which stands, among other things, for tradition, transport, transformation and tonnage. Other milestones in the reporting year were its conversion into a stock corporation and the achievement of capital market readiness.

Under the TRATON name, the group aims to become a leader in profitability. It made major progress towards this objective in 2018. TRATON once again leads the truck market in the core markets of Europe and Brazil and considerably increased unit sales by 13.7% in the reporting year to 233 (205) thousand vehicles globally. Scania's new generation of trucks and the newly developed MAN Lion's City Bus both contributed to this success.

TRATON reinforced its claim to innovation in 2018 with pioneering projects. These included the joint platooning project between MAN and DB Schenker on the A9 highway between Munich and Nuremberg and the fully autonomous Scania tipper truck in an Australian mine. TRATON also made progress in the field of e-mobility: Scania has been testing electric city buses in Sweden under everyday driving conditions since March 2018. MAN operates a test fleet of nine electric trucks for an Austrian consortium, gathering valuable experience in urban delivery traffic. In Brazil, Volkswagen Caminhões e Ônibus agreed to supply a beverage company with 1,600 battery-electric trucks by 2023. All the TRATON GROUP's electric vehicles use a common electric platform, which is also found in the chargE school bus produced by the US alliance partner Navistar.

At the IAA Commercial Vehicles 2018, the TRATON GROUP announced a new strategic partnership with the US company Solera. The partnership is intended to further expand TRATON's digital capabilities and encompasses fleet management, driver services and digital sales solutions for the commercial vehicle industry. TRATON also informed about the further development of the strategic partnership with Hino: the Japanese commercial vehicle manufacturer and TRATON agreed to establish a joint venture for procurement and to pool their energies in the field of e-mobility. A joint venture to build heavy trucks in China is also planned with the Chinese truck producer Sinotruk. With its investment in the manufacturer Navistar, TRATON is working on leveraging synergies in procurement and technologies in the USA. The aim of all strategic partnerships is to strengthen TRATON's global presence.

**13.7%**

Increase in deliveries in 2018

### PRODUCTION

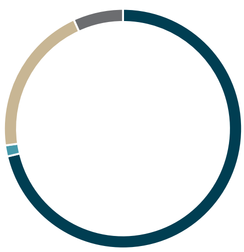
| Units | 2018 | 2017 |
|---|---|---|
| Trucks | 207,235 | 188,234 |
| Buses | 23,141 | 19,217 |
| Light Commercial Vehicles | 9,043 | 3,891 |
| | **239,419** | **211,342** |

### DELIVERIES

| Units | 2018 | 2017 |
|---|---|---|
| Trucks | 202,492 | 183,487 |
| Buses | 22,629 | 19,217 |
| Light Commercial Vehicles | 7,871 | 2,212 |
| | **232,992** | **204,916** |

# Strong brands

### DELIVERIES BY MARKET
*in percent*



Europe/Other markets 71.2 %
North America 1.5 %
South America 20.5 %
Asia-Pacific 6.8 %

FURTHER INFORMATION www.traton.com

Scania focused on alternative drive systems for its vehicles in fiscal year 2018 and exceeded the prior-year figures for unit sales, sales revenue and profit.

## BUSINESS DEVELOPMENT

The Swedish brand Scania follows its values “Customer first”, “Respect for the individual”, “Elimination of waste”, “Determination”, “Team Spirit” and “Integrity”. All the vehicles presented by Scania at the IAA Commercial Vehicles in 2018 had alternative drives. Among them was a hybrid truck for urban delivery traffic that can run on HVO (hydrotreated vegetable oil) or diesel. The model also has a 130 kW (177 PS) electric motor. Furthermore, Scania celebrated the world premiere of its first alternative-fuel coach. Powered by liquefied natural gas (LNG), the Interlink MD has a range of up to 1,000 km and is therefore a modern, future-proof alternative in the coach segment. Scania rounds off its modern engine range with a wide offering of fuel-efficient Euro 6 engines that can run on diesel, biodiesel, biogas, bioethanol, compressed natural gas (CNG) and HVO.

The key figures presented in this chapter encompass Scania’s truck and bus, industrial and marine engines and financial services businesses.

Incoming orders at the Scania brand decreased by 10.9% year-on-year in fiscal year 2018 to 97 thousand vehicles. In Western Europe, incoming orders rose due to Scania’s leading position in Euro 6 engines, long experience with consumption-optimized vehicles and wide range of alternative drive systems. Deliveries by the Scania brand increased in 2018 to 96 (91) thousand vehicles globally. In Europe, sales considerably outperformed the previous year’s figures, and encouraging increases were also seen in Brazil. At 8 (8) thousand units, the number of buses delivered in 2018 remained at the prior-year level. Demand for services and replacement parts as well as for Scania Financial Services was again higher in the reporting period than in the previous year.

Scania manufactured 101 (96) thousand commercial vehicles in fiscal year 2018 (+5.8%), of which 9 (8) thousand were buses.

## SALES REVENUE AND EARNINGS

The Scania brand generated sales revenue of €13.4 (12.8) billion in fiscal year 2018. Operating profit improved by 4.4% to €1.3 billion, particularly as a result of the higher volume, positive mix effects, favorable exchange rate trends and a better financial services business. Meanwhile, cost increases had a negative impact. The operating return on sales amounted to 10.1 (10.1)% in the reporting period.

**10.1%**

Operating return on sales

**PRODUCTION**

| Units | 2018 | 2017 |
|---|---|---|
| Trucks | 92,679 | 87,454 |
| Buses | 8,696 | 8,327 |
| | **101,375** | **95,781** |

**SCANIA BRAND**

| | 2018 | 2017 | % |
|---|---|---|---|
| Orders received (thousand units) | 97 | 109 | –10.9 |
| Deliveries | 96 | 91 | +6.3 |
| Vehicle sales | 97 | 92 | +6.1 |
| Production | 101 | 96 | +5.8 |
| Sales revenue (€ million) | 13,360 | 12,789 | +4.5 |
| Operating result | 1,346 | 1,289 | +4.4 |
| Operating return on sales (%) | 10.1 | 10.1 | |

# Interlink MD LNG


**DELIVERIES BY MARKET**
*in percent*

| | |
|---|---|
| Europe/Other markets | 74.0 % |
| North America | 0.8 % |
| South America | 15.3 % |
| Asia-Pacific | 9.9 % |

**FURTHER INFORMATION** www.scania.com

With its impressive vehicles, MAN provided straightforward answers to complex questions about e-mobility and digitalization in 2018.

### BUSINESS DEVELOPMENT

Customer focus, enthusiasm for the product and efficiency are the core values at MAN. In the past fiscal year, the company put the MAN eTGM distribution truck on the road and presented the eTGE van as a series-produced vehicle. Both vehicles are designed for urban use. The long-established, Munich-based company is using them to provide straightforward answers to multiple complex questions surrounding e-mobility and digitalization: The models are fully electric-powered and emission-free, and therefore contribute to improving urban air quality. Their low noise level also enables increased use at night. MAN is taking one step further with the MAN CitE concept, an electric-powered truck full of creative solutions for urban delivery traffic. Its innovative equipment, including the 360-degree camera system, means drivers can work safely and comfortably day in, day out. The CitE has a range of up to 100 km – more than enough for deliveries in cities. From its bus range, MAN presented the MAN Lion's City E prototype, which is close to production. Its batteries are crash-safe and located on the roof to save space. They enable a range of up to 270 km. In 2018, MAN also presented new tailor-made solutions from MAN DigitalServices.

In South America, MAN Commercial Vehicles, through its Volkswagen Caminhões e Ônibus brand, recorded rising demand in the reporting year, driven by the improved economic environment. In Europe, demand was up, too. Orders received increased by 22.2% to 146 thousand vehicles. MAN delivered 137 (114) thousand commercial vehicles to customers in the past fiscal year, of which 14 (11) thousand were buses.

MAN produced a total of 138 (116) thousand commercial vehicles in 2018, including 14 (11) thousand buses.

Incoming orders in the Power Engineering Business Area amounted to €4.0 (3.7) billion despite the continued difficult situation in the shipping industry and economic difficulties in emerging markets.

### SALES REVENUE AND EARNINGS

Driven by higher volumes, sales revenue at MAN Commercial Vehicles climbed to €12.1 billion in 2018, exceeding the prior-year figure by 9.2%. As a result of the expenditure associated with the restructuring activities in India, operating profit declined to €332 (362) million. The operating return on sales was 2.7 (3.3)%.

In the power engineering segment, MAN recorded an increase in sales revenue to €3.6 (3.3) billion. The operating profit for 2018 was €193 (193) million; positive volume effects were offset by a deterioration in the mix. The operating return on sales stood at 5.3 (5.9)%.

# 137 thousand

Commercial vehicles sold in 2018

## PRODUCTION

| Units | 2018 | 2017 |
|---|---|---|
| Trucks | 114,556 | 100,780 |
| Buses | 14,445 | 10,890 |
| Light Commercial Vehicles | 9,043 | 3,891 |
| | **138,044** | **115,561** |

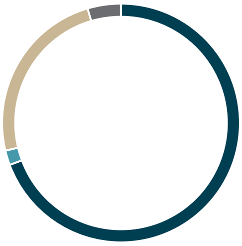
## MAN

| | 2018 | 2017 | % |
|---|---|---|---|
| **Commercial Vehicles** | | | |
| Orders received (thousand units) | 146 | 120 | +22.2 |
| Deliveries | 137 | 114 | +19.6 |
| Vehicle sales | 137 | 114 | +19.6 |
| Production | 138 | 116 | +19.5 |
| Sales revenue (€ million) | 12,104 | 11,087 | +9.2 |
| Operating result | 332 | 362 | –8.3 |
| Operating return on sales (%) | 2.7 | 3.3 | |
| | | | |
| **Power Engineering** | | | |
| Sales revenue (€ million) | 3,608 | 3,283 | +9.9 |
| Operating result | 193 | 193 | +0.1 |
| Operating return on sales (%) | 5.3 | 5.9 | |

# eTGM

## DELIVERIES BY MARKET

*in percent*




FURTHER INFORMATION www.man.eu

# Volkswagen Group China

We pushed ahead with our product and technology initiative in China in 2018, and further investments in e-mobility and digitalization are planned. We have expanded our production network with new manufacturing sites.

### BUSINESS DEVELOPMENT

Volkswagen continued its product and technology initiative in its biggest single market over the past year. The new Touareg, which celebrated its world premiere in Beijing, represents our ambitions in the important SUV segment. In China, this segment now makes up 44% of the market volume of passenger cars. Alongside the Touareg, the following models also debuted: the extended-wheelbase Chinese version of the T-Roc, the new Tayron and Tharu models, the Audi Q5L, the locally produced Q2L and the ŠKODA Kodiaq GT. The updated Volkswagen Lavida and Bora models were introduced, in addition to the new CC. With the ID. VIZZION concept vehicle, the future flagship of the all-electric ID. family, we looked ahead to the sustainable mobility of tomorrow and beyond. Together with our partners, we plan to invest over €4 billion during 2019 in e-mobility and the digitalization of the model range, in new technologies and mobility services, in strengthening development and production capacity and in new products. We aim to largely extend our range of electric models on the Chinese market by 2020. To do so, we will introduce 30 new models – half of which will be locally produced. We are preparing to enable delivery of approximately 400,000 New Energy Vehicles to customers in China in 2020 and approximately 1.5 million in 2025.

We currently manufacture vehicles and components at 23 sites in China. As part of our localization strategy for China, we opened new vehicle plants and one component plant in 2018. At the Tianjin plant, 300,000 SUV models are to roll off the assembly line each year, forming the basis for an SUV campaign. The opening of the second vehicle-manufacturing plant in Foshan, taking total capacity there to 600,000 vehicles a year, plays a pioneering role in our “Roadmap E” electrification strategy. In 2020, we plan to begin manufacturing vehicles based on the Modular Electric Drive Toolkit (MEB) and MEB battery systems at this location. In Qingdao, electric vehicles will also be built alongside models with combustion engines in future. In addition, the production of battery systems for the MQB platform will be located there. The Group’s first production site specially designed to produce MEB vehicles is scheduled to begin operation in Anting near Shanghai in 2020. Foshan and Anting will therefore follow closely behind the global MEB production launch in Zwickau in 2019.

On the Chinese market, the Volkswagen Group offers more than 180 imported and locally produced models from the Volkswagen Passenger Cars, Audi, ŠKODA, Porsche, Bentley, Lamborghini, Volkswagen Commercial Vehicles, MAN, Scania and Ducati brands. We delivered 4.2 (4.2) million vehicles (including imports) to customers in China in the reporting period. The Tiguan, Teramont, Magotan, New Bora, Audi A4 L, Audi A5, ŠKODA Kodiaq, Porsche Cayenne and Panamera models were especially popular. In November, the Volkswagen Passenger Cars brand celebrated the 30 millionth delivery in China since production began there in 1983.

30 million

Volkswagen models delivered since 1983

| Thousand units | 2018 | 2017 | % |
|---|---|---|---|
| Deliveries | 4,207 | 4,184 | +0.5 |
| Vehicle sales[1] | 4,101 | 4,020 | +2.0 |
| Production | 4,116 | 4,041 | +1.9 |

1 Produced locally.

### EARNINGS

| € million | 2018 | 2017 |
|---|---|---|
| Operating result (100%) | 11,427 | 11,191 |
| Operating result (proportionate) | 4,627 | 4,746 |

Our two joint ventures, SAIC VOLKSWAGEN and FAW-Volkswagen, produced a total of 4.1 million vehicles in fiscal year 2018. This was 1.9% more than in the previous year. The joint ventures produce both established Group models and those specially modified for Chinese customers (e.g. with lengthened wheelbases), as well as vehicles developed exclusively for the Chinese market (such as the Volkswagen Lamando, Lavida, New Bora, New Jetta, New Santana and Teramont).

The proportionate operating result of the joint ventures in the reporting year stood at €4.6 billion. The negative impact of more intense market competition, adverse exchange rate effects as well as the increase in research and development costs were offset by improvements in the mix, higher volumes and product cost optimization.

The figures of the Chinese joint venture companies are not included in the operating profit of the Group as they are accounted for using the equity method. Their profits are included solely in the Group's financial result on a proportionate basis.

## Tharu


### LOCAL PRODUCTION

| Units | 2018 | 2017 |
|---|---|---|
| Volkswagen Passenger Cars | 3,145,141 | 3,156,352 |
| Audi | 617,472 | 552,744 |
| ŠKODA | 353,829 | 332,168 |
| **Total** | **4,116,442** | **4,041,264** |

# VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

Growth in business enabled Volkswagen Financial Services to increase its earnings in 2018. The digitalization of financial services was expanded further.

## STRUCTURE OF VOLKSWAGEN FINANCIAL SERVICES

Volkswagen Financial Services comprises dealer and customer financing, leasing, direct banking and insurance activities, fleet management and mobility services in 48 countries. Volkswagen Financial Services AG is responsible for global coordination of the Group's financial services activities, the only exceptions being the financial services business of the Scania brand and of Porsche Holding Salzburg. In Europe, the principal companies are Volkswagen Bank GmbH, Volkswagen Leasing GmbH and Volkswagen Versicherungsdienst GmbH. VW CREDIT, INC. operates financial services activities in North America.

## BUSINESS DEVELOPMENT

In 2018, Volkswagen Financial Services continued the digitalization of its business and concluded a three-year cooperation agreement with the University of Hildesheim. In addition to promoting knowledge transfer and developing joint research projects in the future field of big data analytics, the university and Europe's largest automotive financial services provider also intend to strengthen contacts at the graduate level.

Furthermore, Volkswagen Financial Services is involved in the Hafven Smart City Hub in Hanover, a Lower Saxony-based founders' initiative for smart cities. This was established as an organization for start-ups and young people wishing to share their ideas with others and advance them together in networks. The potential founders receive coaching and mentoring from the company on selected ideas in areas such as artificial intelligence, augmented and virtual reality or the Internet of things.

In 2018, Volkswagen Financial Services invested in Verimi, a European, cross-industry identity platform combining a central login and high security and data protection standards. An overarching identity platform with a simplified customer login enhances the digital ecosystems at the Volkswagen Group, opens the door to diverse service offerings and generates real added value at a central interface for our clients – e.g. in relation to e-government activities and the digital vehicle file.

According to a study commissioned by the Focus Money magazine, the TraviPay parking app developed by sunhill technologies GmbH, Volkswagen Financial Services' smart parking service provider is one of the best smartphone apps in Germany. A total of 375 apps from 45 industries were rated. TraviPay beat its competitors in the mobility category, in the subcategory for finding a parking space.

6.2%

Increase in profit in 2018

The main refinancing sources for Volkswagen Financial Services are money market and capital market instruments, asset-backed securities (ABS) transactions and customer deposits from the direct banking business.

In April 2018, Volkswagen Financial Services AG issued three bonds with a total volume of €2.25 billion and terms of one and a half, three and five years. In October, it placed three further bonds with a total volume of €2.6 billion and terms of two, five and eight years. Volkswagen Leasing GmbH placed three bonds on the capital market for a total of €2.5 billion in August. In June, Volkswagen Bank GmbH also issued a euro benchmark bond in three tranches for a total of €2.0 billion.

Numerous notes transactions were conducted internationally too, including in Norway, Australia, Sweden, Mexico, Brazil, the UK and Russia.

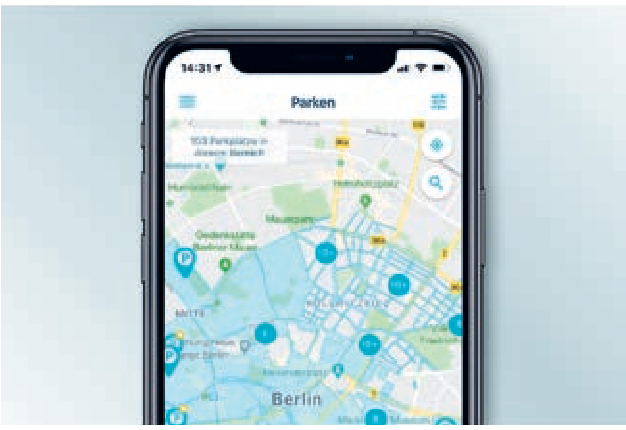
Volkswagen Leasing GmbH was once again active on the market with its ABS transactions in fiscal year 2018. The existing “Volkswagen Car Lease 26” program, consisting of securitized German leasing receivables, has a volume of approximately €1.5 billion. In the “Volkswagen Car Lease 27” program, receivables of approximately €1.0 billion are securitized.

Volkswagen Bank GmbH securitized loan receivables totaling approximately €1.65 billion in the reporting year with the Driver fourteen and Driver fifteen transactions.

Outside Germany, Volkswagen Financial Services issued various ABS transactions on the market, including in Australia, Japan, Spain and Turkey. In Italy, an ABS transaction was placed for the first time with a volume of €500 million. A total of ten bonds were issued.

Other instruments used as part of the diversified funding strategy are customer deposits, commercial paper and credit lines.

# TraviPay



6.9 million new financing, leasing, service and insurance contracts were signed in fiscal year 2018, 2.3% more than in the previous year. The total number of contracts stood at a new record high of 17.8 million (+3.3%) as of December 31, 2018. The customer financing/leasing area accounted for 10.1 million contracts, up 5.1% year-on-year. In the service/insurance area, the number of contracts increased by 1.0% to 7.7 million. Starting on January 1, 2019, contracts entered into by our international joint ventures will also be included, whereby the new number of contracts would have amounted to 20.3 million contracts on December 31, 2018. With credit eligibility criteria remaining unchanged, the penetration rate, expressed as the ratio of financed or leased vehicles to relevant Group delivery volumes – including the Chinese joint ventures – was steady at 33.3 (33.1)%.

As of December 31, 2018, Volkswagen Bank managed around 1.4 (1.5) million deposit accounts. Volkswagen Financial Services employed 14,048 people worldwide as of that date, 7,010 of them in Germany.

### SALES REVENUE AND EARNINGS

Volkswagen Financial Services’ sales revenue amounted to €32.8 billion in the reporting period, thus exceeding the prior-year figure by €2.9%. Operating profit rose by 6.2% to €2.6 billion – a new record. The increase was mainly attributable to business growth.

### VOLKSWAGEN FINANCIAL SERVICES

| | | 2018 | 2017 | % |
|---|---|---|---|---|
| Number of contracts | thousands | 17,801 | 17,234 | +3.3 |
| Customer financing | | 5,935 | 5,672 | +4.6 |
| Leasing | | 4,149 | 3,921 | +5.8 |
| Service/Insurance | | 7,717 | 7,641 | +1.0 |
| Lease assets | € million | 40,317 | 36,422 | +10.7 |
| Receivables from | € million | | | |
| Customer financing | | 63,690 | 58,125 | +9.6 |
| Dealer financing | | 20,529 | 19,614 | +4.7 |
| Leasing agreements | | 41,838 | 39,553 | +5.8 |
| Direct banking deposits | € million | 28,926 | 30,408 | –4.9 |
| Total assets | € million | 207,629 | 186,917 | +11.1 |
| Equity | € million | 26,298 | 25,634 | +2.6 |
| Liabilities[1] | € million | 174,255 | 154,410 | +12.9 |
| Equity ratio | % | 12.7 | 13.7 | |
| Return on equity before tax[2] | % | 10.0 | 9.8 | |
| Leverage[3] | | 6.6 | 6.0 | |
| Operating result | € million | 2,612 | 2,460 | +6.2 |
| Earnings before tax | € million | 2,600 | 2,299 | +13.1 |
| Employees at Dec. 31 | | 14,048 | 13,955 | +0.7 |

1 Excluding provisions and deferred tax liabilities.
2 Earnings before tax as a percentage of average equity (continuing operations).
3 Liabilities as a percentage of equity.

**ADDITIONAL INFORMATION**
www.vwfsag.com