Volkswagen Group aims to continue on its robust growth path and further improve its earnings quality

- **CEO Winterkorn: "Our goal for fiscal year 2015 is to achieve further growth both in terms of volumes and in the Group's sales revenue and operating profit"**
- **The Volkswagen brand's efficiency program has made a very good start – opportunities for improvement representing about half of the five billion EUR target identified**
- **Operating profit including the proportionate operating profit of the Chinese joint ventures increases to almost EUR 18 billion**

Berlin, March 12, 2015 – The Volkswagen Group stuck to its qualitative growth path in fiscal year 2014, despite weakness in some growth markets, volatile exchange rates and an uncertain global economy. "We ensured that 2014 was another successful year. Since 2007, we have written an impressive, sustained success story. The Volkswagen Group signifies real value and reliability in a world full of uncertainties", said Prof. Dr. Martin Winterkorn, Chairman of the Board of Management of Volkswagen Aktiengesellschaft, on Thursday during the presentation of the Company's 2014 financial results in Berlin. Winterkorn announced that the Group aims to grow further this year as well: "We want to get better in every respect in 2015 and take the next step towards the top."

According to Winterkorn, the Volkswagen Group has three profitable pillars with its Passenger Cars, Commercial Vehicles/Power Engineering and Financial Services business fields and 12 fascinating brands. The Group can call on the innovative abilities of over 46,000 developers and 10,000 IT specialists, the necessary liquidity and financial robustness, and a strategy that has proven its worth even when times are tough. "We will specifically leverage these strengths", said Winterkorn, and added: "At EUR 11.5 billion, we expended more in research and development than any other company in the world in 2014."

He named the future areas of e-mobility and digitization as examples. Already today, Volkswagen offers the widest range of electric vehicles in the automotive industry, from pure-play electric cars like the e-up![1] and the e-Golf[1], through plug-in hybrids such as the A3 e-tron[3], the Golf[4] and the Passat GTE[5], the Panamera E-Hybrid[6], or the Cayenne S E-Hybrid[7], down to technological trailblazers like the XL 1[8] and the Porsche 918 Spyder[9]. Another example is automated driving. "We will be among the first to successfully market this technology with Audi and Volkswagen", said Winterkorn.

In the area of digitization, the Group aims to offer all of its new vehicles with internet access by 2020. Winterkorn commented that “as a Group, we already have the largest networked vehicle fleet on the road worldwide”. Other key issues for the future area of digitization are the networked “Industry 4.0”, which is being driven forward in the Group’s plants, for example through the use of 3D printers or human-robot cooperation. Intelligent IT services range from internal customer analyses to innovative business models for everything related to the car.

Efficiency program: wide variety of opportunities for improvement identified

Commenting on the efficiency program launched for the Volkswagen Passenger Cars brand last year, Winterkorn emphasized that “the program has got off to a very good start. In the meantime, we have identified opportunities for improvement that represent about half of our 5 billion EUR target. We expect a benefit of well over 1 billion EUR in our result for the current year”. For example, global plant utilization will be optimized, models that no longer match demand and return expectations will be discontinued, build combinations which do not deliver any genuine added value will be reduced and, finally, income options will be strengthened. “Our industry is facing radical changes that could be called historic. This is why we do not just have our sights set on the second half of the game. We are already looking far ahead, to the next season. Our “Future Tracks” program is not only preparing the Group for the technological challenges of the automotive world of tomorrow. Above all, it is also laying the foundations for long-term economic success, and for future generations at Volkswagen. In other words, “Future Tracks” is our compass for sustainable and profitable, in short, for qualitative growth”, said Winterkorn.

CFO Hans Dieter Pötsch was also satisfied with 2014. “Our success in recent years has put us in a strong market position. We are well positioned to deal with the mixed developments in the global automotive markets. We are aware of our strengths, which we work continuously to expand. These include in particular our unique brand portfolio, our diverse range of models with their innovative and environmentally friendly drive concepts, our presence in all major world markets and our wide selection of financial services.”

Group figures for 2014

Deliveries grew by 4.2 percent last year to over 10.1 million vehicles (9.7 million). The Volkswagen Group’s sales revenue increased by 2.8 percent to EUR 202.5 billion in fiscal year 2014 (previous year: EUR 197.0 billion). The Group’s operating profit rose by EUR 1 billion to a record EUR 12.7 billion (EUR 11.7 billion).

The Group’s delivery figures also include the vehicles sold by its Chinese joint ventures. Volkswagen sold 3.7 million units in China last year; this was a 12.4 percent increase year-on-year. By contrast, the Group’s sales revenue and operating profit do not include the Chinese joint ventures. Their businesses have always been accounted for in the financial result using the equity method and are therefore not included in consolidated operating profit. Their proportionate share of operating profit rose by over 20 percent to approximately EUR 5.2 billion (EUR 4.3 billion) in 2014. As a Group, Volkswagen’s theoretical operating profit, including the proportionate share of the operating profit of the Chinese joint ventures, would be almost EUR 18 billion.

The financial result increased to EUR 2.1 billion (EUR 0.8 billion) last year. Income from the equity-accounted Chinese joint ventures, which was up on the high prior-year figures, as well as lower expenses from the measurement of derivative financial instruments at the reporting date contributed to the increase. Overall, the Volkswagen Group's profit before tax was approximately EUR 14.8 billion last year (EUR 12.4 billion). The return on sales before tax rose from 6.3 percent to 7.3 percent. As a result, Volkswagen has taken a noticeable step towards its goal of generating a long-term return on sales of over 8 percent, as set out in the Strategy 2018. The Group's profit after tax was EUR 11.1 billion (EUR 9.1 billion).

In light of the company's continued success, the Board of Management and the Supervisory Board will be proposing to the Annual General Meeting on May 5, 2015 to increase the dividend by 20 percent to EUR 4.80 (EUR 4.00) per ordinary share and EUR 4.86 (EUR 4.06) per preferred share. This would result in a distribution ratio of 21.2 percent (20.6 percent). The medium-term distribution target is 30 percent.

The return on investment for the Automotive Division was 14.9 percent (14.5 percent), well above the minimum required rate of return of 9 percent. The return on equity before tax in the Financial Services Division declined to 12.5 percent (14.3 percent). This was primarily the result of the higher capital requirements and the associated stronger capital resources, as well as the ongoing pressure on margins.

Net liquidity in the Automotive Division remained sound at EUR 17.6 billion as of the end of December 2014 (EUR 16.9 billion), largely due to the high net cash flow of EUR 6.1 billion (EUR 4.4 billion). This gives the Group the necessary financial stability and flexibility to be able to maintain its profitable growth and to continue systematically implementing its Strategy 2018.

The ratio of capex to sales revenue in the Automotive Division rose slightly by 0.2 percentage points to 6.5 percent. Volkswagen therefore remains at a competitive level within its target corridor of 6 to 7 percent. Alongside its production facilities, Volkswagen invested mainly in the expansion and ecological focus of its model range, the use of electric drives and the modular toolkits.

"Given the challenging political conditions, the changing social landscape and fierce competition, our core tasks from a financial perspective remain safeguarding our earnings quality for the long term, pursuing disciplined cost and investment management, and focusing on our profitability targets", said Pötsch.

Brands and Business Fields

The Volkswagen Passenger Cars brand generated sales revenue of EUR 99.8 billion (EUR 99.4 billion) in 2014, up 0.4 percent on the prior-year figure. Operating profit for the Volkswagen Passenger Cars brand was negatively impacted by lower unit sales figures in the declining South American markets, the weaker demand in Russia due to the crisis, the deterioration in exchange rates – particularly in the first half of the year – and higher upfront investments in new technologies. The brand's operating profit was down EUR 417 million year-on-year, at EUR 2.5 billion (EUR 2.9 billion). The operating return on sales was 2.5 percent (2.9 percent). The positive developments in sales and earnings of the Chinese joint ventures are not included in these figures.

At EUR 53.8 billion (EUR 49.9 billion), Audi's sales revenue exceeded the prior-year figure by 7.8 percent, largely due to the positive sales performance. Its operating profit rose to EUR 5.2 billion (EUR 5.0 billion). Profit was positively impacted by higher volumes and material cost savings, while upfront investments in new products and technologies, as well as in the expansion of the international production network, had a negative effect. The brand generated an operating return on sales of 9.6 percent (10.1 percent).

ŠKODA recorded sales revenue of EUR 11.8 billion (EUR 10.3 billion) in 2014, up 13.9 percent on the prior year. Volume and mix effects and improved material costs led to an increase in operating profit to EUR 817 million (EUR 522 million). The operating return on sales rose to 7.0 percent (5.1 percent).

SEAT recorded sales revenue of EUR 7.7 billion (EUR 6.9 billion) in 2014. Its operating result improved by EUR 25 million to EUR –127 million. Profit was positively affected by mix and volume effects and improved material costs, while higher development costs for new products had a partially offsetting effect.

Bentley generated sales revenue of EUR 1.7 billion between January and December 2014, exceeding the prior-year figure by 4.0 percent. The positive sales performance was partially offset by negative mix and exchange rate effects, meaning that operating profit only grew slightly to EUR 170 million (EUR 168 million). The operating return on sales was 9.7 percent (10.0 percent).

Porsche recorded sales revenue of EUR 17.2 billion (EUR 14.3 billion) in 2014, an increase of 20.1 percent. Despite higher development costs for new technologies, comprehensive measures to reduce CO_2 levels and higher fixed costs from the development of the infrastructure needed for the Macan, operating profit improved to EUR 2.7 billion (EUR 2.6 billion) due to volume-related factors; the operating return on sales amounted to 15.8 percent (18.0 percent).

Sales revenue generated by Volkswagen Commercial Vehicles reached the prior-year level in 2014, at EUR 9.6 billion (EUR 9.4 billion). Its operating profit rose by 12.5 percent to EUR 504 million (EUR 448 million) as a result of positive mix effects and material cost savings.

Scania recorded sales revenue of EUR 10.4 billion (EUR 10.4 billion). Operating profit amounted to EUR 955 million (EUR 974 million). Higher demand for services had a positive effect, while volumes slightly below the prior-year level had a negative impact. MAN recorded sales revenue of EUR 14.3 billion (15.9 billion), generating an operating profit of EUR 384 million (EUR 319 million). The increase is largely attributable to the Power Engineering business area, which had recognized project–specific contingency reserves in the previous year.

Volkswagen Financial Services generated an operating profit of EUR 1.7 billion (EUR 1.6 billion) in 2014. The division signed 4.9 million new financing, leasing and service/insurance contracts worldwide (up 15.6 percent).

Winterkorn: “Our stated goal for fiscal year 2015 is to achieve further growth both in terms of volumes and in the Group’s sales revenue and operating profit.”

The Volkswagen Group made a promising start to 2015. In the first two months, 1.5 million passenger cars and light commercial vehicles as well as trucks and busses were delivered worldwide. This corresponds to a year-on-year increase of 1.6 percent. “We expect deliveries to increase moderately in full-year 2015 despite the persistently challenging market environment”, said CEO Winterkorn, referring to the forthcoming product initiative.

This year, the Volkswagen Group brands will be launching 50 new models, successors and upgrades. These include key models such as the new Touran, the Audi Q7 and Audi A4, the Porsche 911 and Porsche Boxster Spyder, the ŠKODA Superb and the SEAT Ibiza, as well as the new Caddy and the new T6 from Volkswagen Commercial Vehicles.

The difficult market environment, fierce competition, interest rate and exchange rate volatility, and fluctuations in raw materials prices all pose challenges. A positive effect is anticipated from the efficiency programs implemented by all brands and, increasingly, from the modular toolkits.

Depending on economic conditions, Volkswagen expects 2015 sales revenue for the Group and its business areas to increase by up to 4 percent above the prior-year figure. However, economic trends in Latin America and Eastern Europe will need to be continuously monitored in the Commercial Vehicles/Power Engineering Business Area.

In terms of the Group’s operating profit, Volkswagen anticipates an operating return on sales of between 5.5 percent and 6.5 percent in 2015 in light of the challenging economic environment. The operating return on sales is expected to be in the 6.0 percent and 7.0 percent range in the Passenger Cars Business Area and between 2.0 percent and 4.0 percent in the Commercial Vehicles/Power Engineering Business Area. For the Financial Services Division, the Group is forecasting an operating profit at the prior-year level.

“We are being deliberately rather more cautious – despite excellent figures we always have a good grip on reality”, said Winterkorn, and added: “You know us well enough: we’re never satisfied with just doing the minimum. Our stated goal for fiscal year 2015 is to achieve further growth both in terms of volumes and in our sales revenue and operating profit.” Disciplined cost and investment management and the continuous optimization of processes remain integral elements of the Volkswagen Group’s Strategy 2018.

Further information on the Annual Media Conference and Investor Conference can be accessed at www.volkswagen-media-services.com and www.volkswagenag.com/ir.

[1] *e-up!: Energy consumption, l/100km: combined 11,7; Combined CO_2 emissions, g/km: 0, efficiency class: A+*

[2] *e-Golf: Energy consumption, l/100km: combined 12,7; combined CO_2 emissions, g/km: 0, efficiency class: A+*

[3] *A3 e-tron: Fuel consumption, combined: Petrol 1,7-1,5 l/100 km / energy consumption kWh/100 km 124,0-114,0 combined; CO_2- emissions Petrol 39-35 g/km combined, efficiency class: A+*

[4]*Golf GTE: Fuel consumption, l/100km: combined 1,5; Combined CO_2 emissions, g/km: 35, efficiency class: A+*

[5]*Passat GTE is not on sale yet. Preliminary data: Passat GTE: Fuel consumption in l/100 km: combined: less than 2l; CO_2 emissions combined in g/km: less than 45.*

[6]*Panamera E-Hybrid: Fuel consumption l/100 km 3,1 combined; CO_2-emissions combined g/km: 71; energy consumption kWh/100 km: 16,2 combined, efficiency class: A+*

[7]*Cayenne S E-Hybrid: Fuel consumption l/100 km 3,4 combined; CO_2-emissions combined g/km: 79; Energy consumption kWh/100 km: 20,8 combind, efficiency class: A+*

[8]*XL1: fuel consumption l/100 km: 0,9 combined; power consumption in kWh/ 100 km: 7,2; CO_2 emission in g/km: 21combined; efficiency class: A+*

[9]*Porsche 918 Spyder: fuel consumption l/100 km 3,1-3,0 combined; CO_2-emissions combined g/km 72-70; Energy consumption kWh/100 km 12,7, efficiency class: A+.*

Volkswagen Group Communications
Christine Ritz
Head of Group Investor Relations/Spokesperson for Finance
Phone: +49 (0) 53 61 / 9 – 4 98 40
Fax: +49 (0) 53 61 / 9 – 3 04 11
E-mail: christine.ritz@volkswagen.de

Marco Dalan
Spokesperson for Finance
Phone: +49 (0) 53 61 / 9 – 7 11 21
Fax: +49 (0) 53 61 / 9 – 7 94 44
E-mail: marco.dalan@volkswagen.de
www.volkswagen-media-services.com
www.volkswagenag.com