

# Brands and Business Fields

Our brands achieved a new vehicle sales record in 2016 amid fierce competition in a market environment that remained challenging. Special items – particularly from the diesel issue – again affected the operating profit.

## GROUP STRUCTURE

The Volkswagen Group consists of two divisions: the Automotive Division and the Financial Services Division. The Automotive Division comprises the Passenger Cars, Commercial Vehicles and Power Engineering Business Areas. We report on the Passenger Cars segment and the reconciliation in the Passenger Cars Business Area. The Commercial Vehicles Business Area and Power Engineering Business Area correspond to the segments of the same name. Accordingly, the activities of the Automotive Division comprise the development of vehicles and engines, the production and sale of passenger cars, light commercial vehicles, trucks, buses and motorcycles, as well as the genuine parts, large-bore diesel engines, turbomachinery, special gear units, propulsion components and testing systems businesses. The Ducati brand is allocated to the Audi brand and thus to the Passenger Cars Business Area. The Financial Services Division, which corresponds to the Financial Services segment, combines dealer and customer financing, leasing, banking and insurance activities, fleet management and the mobility offerings.

## VOLKSWAGEN GROUP

Division	Automotive										Financial Services					
Brand/ Business Field	Volkswagen Passenger Cars	Audi	ŠKODA	SEAT	Bentley	Porsche	Volkswagen Commercial Vehicles	Scania	MAN	Others	Dealer and customer financing	Leasing	Direct bank	Insurance	Fleet management	Mobility offerings

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 China for the Volkswagen Group and the continuing growth in the world's largest single market, 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 presented separately by brand and their models, i.e. by product line. Unit sales figures refer to models sold by the various brand companies, including vehicles from 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.

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

#### KEY FIGURES BY MARKET

Fiscal year 2016 was affected especially by the diesel issue. In particular, charges as a result of legal risks led to special items totaling €-7.5 (-16.9) billion. At €14.6 (12.8) billion, the operating profit before special items was up on the prior-year level.

The market remained challenging for the Volkswagen Group in the 2016 fiscal year, and competition was fierce. Unit sales reached a new record of 10.4 (10.0) million vehicles. Sales revenue rose by 1.9% to €217.3 billion.

In the Europe/Other markets region, we sold 4.6 million vehicles. This was 2.5% more than in the previous year. Due to volume and mix effects, sales revenue rose by 4.2% to €138.1 billion. Exchange rate effects had a negative impact.

In North America, higher demand in Mexico lifted sales of Group vehicles by 2.9% to 1.0 million units. Due to exchange rate developments, sales revenue fell by 0.2% year-on-year to €35.5 billion.

The economic environment in the markets of the South America region remained difficult in the reporting year. The Volkswagen Group sold 0.4 million vehicles there (-22.1%). The lower volume was combined with negative exchange rate effects, resulting in a 21.4% fall in sales revenue to €8.0 billion.

In the Asia-Pacific region, sales of Group models – including the Chinese joint ventures – in fiscal year 2016 amounted to 4.4 (4.0) million vehicles. At €35.8 billion, sales revenue exceeded the prior-year figure by 1.5%. Currency effects had a negative impact. This figure does not include the sales revenue generated by our Chinese joint ventures, since these are accounted for using the equity method.

KEY FIGURES BY BRAND AND BUSINESS FIELD<sup>1</sup>

Thousand vehicles/€ million	VEHICLE SALES		SALES REVENUE		SALES TO THIRD PARTIES		OPERATING RESULT	
	2016	2015	2016	2015	2016	2015	2016	2015
Volkswagen Passenger Cars	4,347	4,424	105,651	106,240	69,523	70,939	1,869	2,102
Audi	1,534	1,529	59,317	58,420	37,460	37,605	4,846	5,134
ŠKODA	814	800	13,705	12,486	6,606	6,128	1,197	915
SEAT	548	544	8,894	8,572	3,967	3,570	153	-10
Bentley	11	11	2,031	1,936	1,590	1,379	112	110
Porsche <sup>2</sup>	239	219	22,318	21,533	20,166	19,663	3,877	3,404
Volkswagen Commercial Vehicles	478	456	11,120	10,341	5,527	4,813	455	382
Scania <sup>2</sup>	83	78	11,303	10,479	11,291	10,479	1,072	1,027
MAN Commercial Vehicles	102	102	10,005	9,958	9,275	9,700	230	-4
MAN Power Engineering	-	-	3,593	3,775	3,590	3,769	194	283
VW China <sup>3</sup>	3,873	3,456	-	-	-	-	-	-
Other	-1,638	-1,608	-58,225	-56,349	23,646	21,922	-1,486 <sup>4</sup>	-2,440 <sup>4</sup>
Volkswagen Financial Services	-	-	27,554	25,901	24,625	23,326	2,105	1,921
<b>Volkswagen Group before special items</b>	-	-	-	-	-	-	<b>14,623</b>	<b>12,824</b>
Special items	-	-	-	-	-	-	-7,520	-16,893
<b>Volkswagen Group</b>	<b>10,391</b>	<b>10,010</b>	<b>217,267</b>	<b>213,292</b>	<b>217,267</b>	<b>213,292</b>	<b>7,103</b>	<b>-4,069</b>
Automotive Division <sup>5</sup>	10,391	10,010	186,016	183,936	189,384	186,869	4,668	-6,305
of which: Passenger Cars Business Area	9,729	9,374	150,343	149,716	160,409	158,716	4,167	-7,013
Commercial Vehicles Business Area	662	636	32,080	30,445	25,385	24,383	718	586
Power Engineering Business Area	-	-	3,593	3,775	3,590	3,769	-217	123
Financial Services Division	-	-	31,251	29,357	27,883	26,424	2,435	2,236

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

2 Including financial services.

3 The sales revenue and operating result of the joint venture companies in China are not included in the figures for the Group. The Chinese companies are accounted for using the equity method and recorded a proportionate operating result of €4,956 (5,214) million.

4 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.

5 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

KEY FIGURES BY MARKET<sup>1</sup>

Thousand vehicles/€ million	VEHICLE SALES		SALES REVENUE	
	2016	2015	2016	2015
Europe/Other markets	4,635	4,524	138,079	132,535
North America	968	941	35,454	35,384
South America	421	540	7,973	10,148
Asia-Pacific <sup>2</sup>	4,367	4,005	35,761	35,225
<b>Volkswagen Group<sup>2</sup></b>	<b>10,391</b>	<b>10,010</b>	<b>217,267</b>	<b>213,292</b>

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

2 The sales revenue of the joint venture companies in China is not included in the figures for the Group and the Asia-Pacific market.