

VOLKSWAGEN TRUCK & BUS

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Volkswagen Truck & Bus on road for success

- **On the road at high speed. Important milestones reached**
- **Financial year 2017 completed very successfully**
- **Further way clearly mapped out with strategic initiatives**
- **Achieving capital market readiness accelerates Group's further development**
- **Commercial vehicle markets remain on the upswing. Positive prospects for further growth of the Volkswagen Truck & Bus Group**

Munich, April 16, 2018 – Volkswagen Truck & Bus is on the road to success with its Global Champion strategy. The Executive Board takes stock of this positive interim result after the company has reached significant milestones of its strategy within three years since its foundation. In 2015, the Supervisory Board of Volkswagen AG decided to bundle its truck and bus brands MAN, Scania and Volkswagen Caminhões e Ônibus under one umbrella. Since then, the goal has been clear: to become Global Champion of the transportation business.

"We are driving at high speed and the business climate for commercial vehicles in our core markets supports us in doing so. Volkswagen Truck & Bus has achieved a lot in short time and we have proven: we are stronger together. The cooperation between the brands strengthens our innovation power and creates notable synergies. This enables growth in the global competition and adds clear value for our customers," said Andreas Renschler, CEO of Volkswagen Truck & Bus and Member of the Board of Management of Volkswagen AG, during a press round table in Munich.

Strong development of revenues and earnings at Group and brand levels

The Group's economic development proves that bundling the brands was the right move: since the foundation of Volkswagen Truck & Bus in 2015, revenues increased by more than 16.8% and operating profit before special items by more than 61.5%. In the 2017 financial year, Volkswagen Truck & Bus generated revenues of €23.9 billion in the commercial vehicles business¹, up 12.1 % on the previous year. Operating profit before special items increased by 26.8% to €1.7 billion, corresponding to an operating return on sales of 6.9%.

All Group brands contributed equally to this positive development of Volkswagen Truck & Bus. MAN Truck & Bus' revenues rose by 8.6% to €10.0 billion, while operating profit saw a sharp rise of 27.9% to €532 million. Scania achieved impressive growth of 13.2% with revenues of €12.8 billion. Operating profit grew even stronger to €1.3 billion. Volkswagen

¹ The Power Engineering business area is a legal part of Volkswagen Truck & Bus GmbH but operative not a part of the commercial vehicles business.

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Caminhões e Ônibus increased revenues by 32.5 % to €1.1 billion after an extremely weak economic year 2016. Although the operating result remained negative due to continued weak demand and strong competition, revenues growth and efficiency programs led to a decline in the loss to €105 million.

Brand performance programs bear fruit

The figures achieved in the past financial year are impressive proof of the success of the measures taken at brand level. All brands of the Volkswagen Truck & Bus Group have set up tailor-made programs to sustainably increase their performance. With its PACE2017 program, MAN was able to reorganize its production network to sustainably increase productivity. In addition, PACE2017 has created a sound basis for further profitability-focused initiatives. With its “Focus & Ambition” program, Scania has expanded its service portfolio, increased efficiency in brand-specific research and development and reduced product costs. Volkswagen Caminhões e Ônibus achieved a turnaround in a challenging market environment in Brazil in 2017, particularly through cost optimization. To this end, the efficiency of sales was increased and the production organization was adapted to market capacity.

Brand cooperation creates synergies

Lead engineering plays a crucial role in the expansion of brand cooperation in order to leverage synergies as a group: one brand is given project responsibility for the joint development of a component platform. In this way, technologies are used across brands and new technologies are developed to market maturity more quickly. For example, the development of the common heavy-duty drive platform “CBE-1” (Common Base Engine 1) will reduce investment cost by 200 million euros, and the cutting-edge engine will be used in every second truck in the group going forward. This allows for material cost to be reduced by 90 million euros per year.

Volkswagen Truck & Bus can also leverage synergies by introducing a modular system for commercial vehicle powertrains: the design of individual components will enable their universal application as modules in buses and trucks.

Lead Buying leads to further synergy effects with a joint procurement concept for the company's own commercial vehicle brands, including the volumes from global strategic partnerships.

Further expansion of global market position

Already today, Volkswagen Truck & Bus is the market leader in its core markets: in Germany, its brands have a market share of 35%², close to one third in Europe³ and a strong 40% in Brazil.

² Registered trucks >6t 2017

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Another central pillar of the Global Champion strategy is the expansion into new markets. To do so, the company also capitalizes on strategic partnerships in growth markets: With Navistar in North America, Sinotruk in China and most recently Hino Motors in Japan and Asia. Via Navistar, Volkswagen Truck & Bus gained direct access to NAFTA, the largest commercial vehicle market in the world. Since establishing the strategic alliance in 2017, both companies have stepped up their cooperation in joint engine and drive technologies. In procurement, the partners were able to realize significant synergies via a joint venture within the first year. In China, MAN holds a stake in Sinotruk, the country's largest manufacturer of heavy trucks. In 2017, it recorded a strong increase in revenues of 68% to 55.5 billion RMB. To further strengthen its position in Asia, Volkswagen Truck & Bus recently entered into a strategic partnership with the Japanese company Hino Motors, one of Asia's leading truck and bus manufacturers.

Shaping the future of the transportation business

Volkswagen Truck & Bus has a strong position in future technologies, such as automated driving, alternative powertrains or connectivity. To accelerate its development in the digital sector and new business models, Volkswagen Truck & Bus is going to bundle its digital offerings in a new unit: Volkswagen Truck & Bus Digital Services. In doing so, the company intends to advance the digital connection of transportation along the entire value chain. The first brand under this new umbrella will be RIO. Founded in 2016, the brand offers customers the opportunity to digitize their infrastructure. Already today, more than 360,000 connected trucks from MAN and Scania are driving on Europe's roads. Including the Navistar fleet, this will increase to 650,000 connected trucks.

Clear roadmap for strategy implementation

The matrix organization of brand responsibilities and overarching functions created in 2015 is the strong basis for the further development of Volkswagen Truck & Bus. The four central pillars of the Global Champion strategy define the focal points the company focuses on on its path into the future:

1. Further enhance brands' performance with individual identities, strengths and profiles
2. Increase cooperation and leverage synergies between brands
3. Further global expansion to leverage scale and be ahead of competition
4. Develop solutions for future transportation

Acceleration of the Global Champion strategy through project Next Level

"We want to be the Global Champion in our industry. Our strong brands and our highly motivated team are the best prerequisites for achieving this goal. On the next stage we'll speed up. That's why we started Next Level. This comprehensive project will accelerate the

³ EU28 as well as Switzerland and Norway

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transformation of our company from its start-up phase of the past years to a true Global Champion and will quickly make it ready for the capital markets," said Andreas Renschler.

On its way to capital market readiness Volkswagen Truck & Bus will establish structures and processes to improve the company's matureness, efficiency and innovativeness. The company's capital market capability will open up new financing opportunities for future investments, in order to sustainably strengthen its profitable growth.

"We are just really getting things going. Thanks to our strategic partnerships, we are now present in relevant key markets. The further path is clearly mapped along the Global Champion initiatives. We have ambitious plans for 2018 and are working with great motivation and manpower on its successful implementation," added Matthias Gründler, CFO of Volkswagen Truck & Bus.

Positive outlook for the truck and bus business

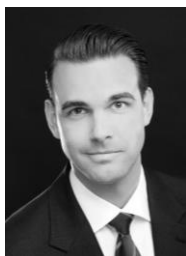
Volkswagen Truck & Bus expects the successful development to continue in the current fiscal year. Volkswagen Truck & Bus expects an overall stable development in new truck and bus registrations in its relevant markets over the coming years. Slight growth in NAFTA, the largest commercial vehicle market in the world, is contrasted by a slight decline in Europe. The Asian market outside China should grow more significantly overall. The South American market is expected benefit from a stronger recovery in Brazil. Thanks to its globally stable position, the company is able to balance phases of weaker growth in individual markets with positive developments in other regions.

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Volkswagen Truck & Bus GmbH is a wholly-owned subsidiary of Volkswagen AG and a leading commercial vehicle manufacturer worldwide with its MAN, Scania, Volkswagen Caminhões e Ônibus, and RIO brands. In 2017, Volkswagen Truck & Bus GmbH's brands sold around 205,000 vehicles in total. Its offering comprises light-duty commercial vehicles, trucks, and buses which are produced at 31 sites in 17 countries. The Company had a workforce of around 81,000 worldwide across its commercial vehicle brands as of December 31, 2017. The Group seeks to realign the transportation system through its products, its services, and as a partner for its customers.