

Volkswagen sees 'good start' to 2018 despite slip in profits

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Volkswagen CEO Herbert Diess has vowed to steer the company out of the Dieselgate cloud and continue its pivot towards the greener, cleaner cars of the future

German car giant Volkswagen on Thursday reported a small drop in profits but nonetheless said strong sales got the year off to "a good start", as new CEO Herbert Diess pushes on with a post-dieselgate revamp of

the behemoth.

VW said it booked a [net profit](#) of 3.22 billion euros (\$3.9 billion) between January and March, down nearly three percent on the same period a year earlier and slightly below analyst expectations.

Underlying or operating [profit](#) slipped by 3.6 percent to 4.2 billion euros, the firm said, blaming the drop mainly on accounting changes and negative currency effects.

Revenues hit 58.2 billion euros, up 3.6 percent year-on-year, as the VW group with its stable of 12 brands delivered a record 2.7 million vehicles in the first quarter.

In a statement, the Wolfsburg-based company said the year was "off to a good start".

Demand for VW vehicles—which also includes luxury Audi and Porsche and the more affordable Skoda and Seat makes—was driven by the Asia-Pacific region, led by China's strong appetite for SUVs.

"Once again, the growth driver was the Chinese passenger car market," VW said.

The picture in western Europe was more mixed, with sales slowing in Italy and Britain, while dealerships in Germany were boosted by the robust economy and the popularity of a trade-in scheme for older diesel engines.

The first-quarter results are the first to be announced since VW brand chief Diess unexpectedly replaced Matthias Mueller as chief executive earlier this month, as the group seeks to draw a line under the diesel emissions rigging scandal.

Mueller was himself brought in to rescue VW after the company admitted in 2015 to installing cheating software in 11 million diesel vehicles worldwide to dupe pollution tests.

While Mueller managed to bring VW's share price and profits back up to pre-crisis levels, he himself landed in prosecutors' sights and the company remains mired in a sea of legal woes at home and abroad.

Diess has vowed to steer the car titan out of the dieselgate cloud and continue VW's pivot towards the greener, cleaner cars of the future.

Much of the focus will be on China, where VW this week pledged investments of 15 billion euros in electric and autonomous vehicles by 2022, in cooperation with local joint-venture partners.

"The quarterly results confirm we are on the right path," Diess said. "It is now a matter of pursuing this course in a strong and focused manner."

Looking ahead, the group confirmed that it expects to increase revenue by "as much as 5.0 percent" compared with the previous year.

It will also target an [operating profit margin](#) before special items of between 6.5 and 7.5 percent, compared with 7.4 percent last year.

The group said the main challenges this year were likely to come from economic headwinds, stronger competition and the continued fallout from the diesel scandal, including tough new EU emissions rules.

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