

Volkswagen profit jumps, but 'great challenges' ahead

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The VW group delivered a record 2.8 million vehicles in the second quarter

Volkswagen on Wednesday reported a leap in second quarter profit thanks to strong sales, but the German car giant warned that strict new emissions tests and global trade tensions posed "great challenges" in the

months ahead.

The Wolfsburg-based group said net profit jumped 6.8 percent year-on-year to 3.3 billion euros (\$3.8 billion) between April and June, beating analyst expectations.

The positive result comes even after VW had to shell out another 1.6 billion euros "in connection with the diesel crisis", as the fallout from its 2015 emissions cheating scandal rumbles on.

Revenues were up 3.4 percent to 61 billion euros after the VW group—whose 12 brands include luxury Porsche and Audi as well as the more affordable Skoda—delivered a record 2.8 million vehicles in the second quarter.

Despite the good news, VW's new chief executive Herbert Diess sounded a note of caution.

"We cannot rest on our laurels because great challenges lie ahead of us in the coming quarters -- especially regarding the transition to the new WLTP test procedure," Diess said in a statement.

"Growing protectionism also poses major challenges for the globally integrated automotive industry."

Volkswagen is set to close its iconic Wolfsburg plant for several days in the third quarter as the group scrambles to adapt to tough new EU emissions test from September 1, known as WLTP.

The tests are meant to better mimic real-world driving conditions than lab tests, to prevent the kind of rigging exposed in VW's "dieselgate" controversy.

Like other German automakers, Volkswagen is also nervously eyeing US-EU trade tensions, particularly President Donald Trump's threat to slap duties of up to 25 percent on car imports.

Unending saga

Despite the clouds on the horizon, the VW group confirmed its full-year outlook, expecting revenues "up to five percent higher" compared with the previous year.

It is targeting an operating profit margin before special items of between 6.5 and 7.5 percent, compared with 7.4 percent last year.

Shares in VW fell 1.4 percent to 150.10 euros in early afternoon trading in Frankfurt, against a blue-chip Dax index narrowly in the red.

Volkswagen was plunged into its biggest-ever crisis in 2015 after it admitted to installing "defeat devices" in 11 million diesel cars worldwide designed to cheat pollution tests.

The scandal has cost it over 27 billion euros so far in compensation, buy-backs and fines and the company remains entangled in legal woes at home and abroad.

CEO Diess took the helm in April, vowing to steer the company out of the diesel cloud and accelerate a shift towards electric and self-driving vehicles.

But in a fresh blow in June, German prosecutors arrested Audi boss Rupert Stadler as part of their probe into the diesel scam.

"We hope that the prosecutor's office can quickly clarify the matter," Diess told reporters in a conference call.

Last month, the European Commission said VW had repaired about 80 percent of the 8.5 million cars in Europe found to have been equipped with defeat devices.

But it also urged VW to do more to satisfy customers in Europe, who unlike their American peers have not been given any compensation over the cheating.

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