

**VOLKSWAGEN**

AKTIENGESELLSCHAFT

# Shaping the transformation together.

ANNUAL MEDIA CONFERENCE 2018

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# **1** 2017 Review

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Where the Volkswagen Group is today

# **2** Financial Figures for 2017

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What we have generated

# **3** Outlook and Strategic Priorities 2018+

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How we are driving forward our program for the future

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How we are driving forward our program for the future

## Where we came from: Our way out of the crisis

2015



### SETBACK

Diesel crisis the biggest challenge in our history

2016



### NEW BEGINNING

Volkswagen launches strategic realignment

2017



### OFFENSIVE

Full speed ahead – in terms of our operating business and future trends

## What we accomplished in 2017: Great progress on all Group goals



Continue to resolve the diesel crisis

12/2017



Focus on successful operating business



Further increases in efficiency and synergies



Drive forward Strategy 2025



Promote and live new corporate culture

01/2017



## Resolving the diesel crisis: Substantial progress in all markets



### Worldwide recall/service campaigns driven forward:

Processing rate for Germany currently 93%; substantial progress also in Europe (74%) and worldwide (68%)

### Group environmental incentive makes significant contribution to improving air quality in German cities:

160,000 customers already decided to switch to environmentally friendly vehicles

Legal processing still in progress



### Major progress in modifications in North America:

On target for modifications/buybacks for 2.0 liter TDI engines; field fix started for 3.0 liter TDI engines

### Agreed flanking measures being consistently implemented:

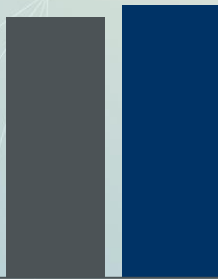
Investment plan for zero emissions vehicles (ZEV) approved by authorities; implementation started

Legal processing well advanced

## Successful operating business: Record deliveries, sales revenue and profit



**10.7** million



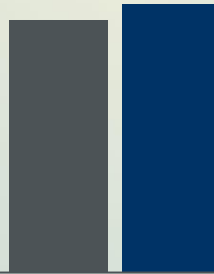
2016 2017

Deliveries  
(units)

**+4.3%**

vs. prior year

**€230.7** billion



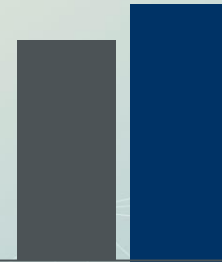
2016 2017

Sales revenue

**+6.2%**

vs. prior year

**€17.0** billion



2016 2017

Operating profit  
(before special items)

**+16.5%**

vs. prior year




## Successful operating business: Growth in all core regions



- 
- Deliveries in Western Europe again up slightly
  - Strong momentum in Central and Eastern Europe

**4.3 million | +3.3%**  
deliveries | vs. prior year

**Europe**

- 
- Deliveries exceed strong prior-year figure
  - Strong market position further extended

**4.2 million | +5.1%**  
deliveries | vs. prior year

**China**

- 
- Positive unit sales trend stabilized
  - Above-average growth in fiercely competitive US market

**0.98 million | +4.0%**  
deliveries | vs. prior year

**North America**

## Successful operating business: Strong contribution by all Group brands



 Volkswagen	<ul style="list-style-type: none"><li>• “TRANSFORM 2025+” strategy driven forward consistently</li><li>• Clear improvement in operating profit and margin, successful product initiative</li></ul>
 Audi	<ul style="list-style-type: none"><li>• Prior-year sales record again exceeded</li><li>• A8 as first series car in the world developed for conditional automated driving</li></ul>
 PORSCHE	<ul style="list-style-type: none"><li>• One millionth 911 rolls off production line, new Cayenne well received</li><li>• New records for unit sales, sales revenue and profit</li></ul>
 ŠKODA	<ul style="list-style-type: none"><li>• Success story continues with record unit sales, sales revenue and profit</li><li>• SUV initiative reinforced by the new Karoq</li></ul>
 SEAT	<ul style="list-style-type: none"><li>• Record sales revenue and significant increase in profit</li><li>• Powerful model initiative continues with the new Ibiza and Arona</li></ul>
VOLKSWAGEN TRUCK & BUS	<ul style="list-style-type: none"><li>• Further key steps on the way to becoming global champion</li><li>• Pioneering role in digitalization reinforced by launch of RIO platform</li></ul>
VOLKSWAGEN FINANCIAL SERVICES AKTIENGESELLSCHAFT	<ul style="list-style-type: none"><li>• Further record profit makes key contribution to Group’s success</li><li>• Successful return to the primary market for euro bonds</li></ul>

**“2017 was an excellent year for the Volkswagen Group and its brands. We’re back on the offensive.”**



## Efficiency gains and synergies: Measures increasingly effective



### Efficiency gains on target:

Group brand programs successfully initiated (e.g. Zukunftspakt at VW brand); excellence initiative also launched for Group functions



### Cooperation intensified:

Large number of issues being addressed on a cross-brand basis, e.g. common platform (PPE) launched for Audi and Porsche premium electric cars, plant allocation decided for first wave of MEB vehicles



### Synergies leveraged:

Intensified cooperation at Volkswagen Truck & Bus and in the “Luxury/Sport” brand group increasingly bearing fruit



### Improved investment discipline:

Capex and R&D ratios toward 6 percent target by 2020

# Driving forward Strategy 2025: Implementation is accelerating



ROADMAP E launched



Roadmap **E**

Center of Excellence for battery technology established



Joint venture for rapid charging network in place



IONITY



SEDRIC developed and presented



Joint venture with JAC created for e-mobility



JAC  
MOTORS

TOGETHER

STRATEGY 2025

MOIA pilot started and shuttle presented



New technology partnerships agreed



Realignment of Group Components approved



GROUPCOMPONENTS  
DRIVING GLOBAL MOBILITY

Positioning of Group brands sharpened



Board Digitalization Committee established



## New corporate culture: Change gaining breadth and depth



- **Sustainable strengthening of compliance systems taking effect**
  - Substantial progress in improving processes, structures and policies
  - Zero tolerance of violations of values
- **Focus on values, integrity and Code of Collaboration becoming firmly rooted in corporate culture**
  - Volkswagen Convention: Training for 7,600 managers and works council members on integrity, culture and compliance
  - Group-wide management development with new requirements profiles launched
  - Role model program helps to implement change by example

**“We are on track toward the future.  
And we’re not going to let up halfway there.  
We are stepping on the gas.”**



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## What we're planning for 2018: Accelerating change

2015



SETBACK

2016



NEW BEGINNING

2017



OFFENSIVE

2018



**ACCELERATION**

We are driving forward  
change at Volkswagen  
at full speed

## Our priorities for 2018



Continue to resolve the diesel crisis

- Conclude worldwide recall campaigns and service actions
- Manage legal proceedings worldwide



Focus on successful operating business

- Continue the positive trend at all brands
- Further extend market shares in the regions



Further increases in efficiency and synergies

- Further improve disciplined approach to investment
- Drive forward cooperation within the Group



Drive forward Strategy 2025

- Accelerate Group initiatives under the future program
- Define the transformation phase from 2020 to 2025



Promote and live new corporate culture

- Fill Code of Collaboration with life
- Firmly root role model function of executives

## Focus on operating business: Ambitious outlook for 2018



### **Deliveries to customers**

Moderate increase over prior-year record



### **Sales revenue**

Further increase by up to 5 percent



### **Group operating return on sales**

Target corridor lifted to 6.5 to 7.5 percent

## Focus on strategy: Resolutely making progress toward sustainable mobility



Sustainable mobility



Efficient combustion engines and alternative drives



Battery technology



Charging infrastructure

MOIA  
NEW MOBILITY MODES

Mobility services



Self-driving system (SDS)

E-mobility

## Volkswagen's largest-ever investment program focusing on future trends now being rolled out

### Up to the end of 2022:

- More than **€34 billion** for e-mobility, digitalization, autonomous driving and mobility services – thereof in 2018: **€6.6 billion**
- More than **€90 billion** for the conventional vehicle and drive portfolio – thereof in 2018: **€19.8 billion**



## Core project “Roadmap E”: The most comprehensive electrification initiative in the auto industry

# Roadmap **E**



**2025**

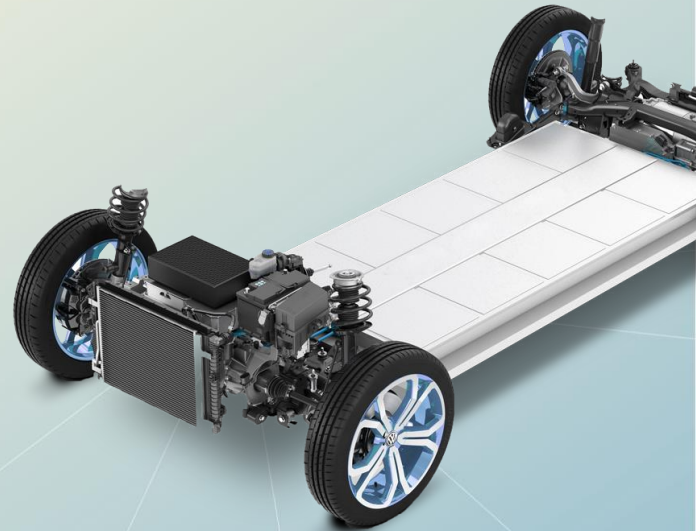
- + 50 BEVs and 30 PHEVs
- Up to 25% of new Group vehicles to be purely electric-powered

**2030**

- At least **one electrified version** of each of the >300 Group models

## How we are implementing “Roadmap E”: Battery expertise, stage by stage

- **Center of Excellence for battery cells:** started operating
- **Battery strategy** is being implemented in stages:
  - Battery capacity required by 2025: 150 GWh per year
  - Procurement volume for MEB: more than €50bn over the cycle
  - First MEB partners contracted for Europe and China
  - Supplier decision for North America to be taken shortly
- Key issue of **safeguarding supplies of raw materials** is being systematically addressed with selected suppliers





## We are bringing the future to life with new mobility services

- App-based **ride pooling service** from **MOIA** closes the gap between taxis and buses
- Test phase in Hanover with **2,000 users**
- Own **e-shuttle for 6 passengers** developed
- **Project start** in Hamburg at **end-2018**: fleet will be expanded to **200 vehicles** in the first phase
- **Further cities** planned



## We're stepping on the gas with autonomous driving

- **SEDRIC, Audi AICON and I.D. Vizzion** showcase the potential of autonomous driving
- The new **Audi A8**: conditional automated driving up to 60 km/h
- Autonomous Intelligent Driving GmbH at Audi is developing **self-driving system**
- **Cooperation with Aurora Innovation** launched
- Group-wide activities are being **synchronized, expanded and accelerated**



## Focus on sustainability: Volkswagen is realigning its energy supply

- **Converting** the two large power stations in Wolfsburg from coal to natural gas
- **Saving 1.5 million tons of CO<sub>2</sub> per year**, equal to the annual CO<sub>2</sub> emissions of 870,000 vehicles
- **Investing about €400 million** in new gas and steam turbine systems



**“We are on the right path and are gaining momentum. We still have plenty of work ahead of us. But: we will reach our goal.”**



## Where we are headed: Strategic Group goals 2025 confirmed

### The Volkswagen Group

- ... remains one of the largest automobile manufacturers.
- ... is the #1 in e-mobility worldwide.
- ... is a model in terms of environment, safety and integrity.
- ... sets standards in mobility services.



# TGETHER

STRATEGY 2025