

# **Volkswagen Group Capital Markets Day 2017**

## **Improving operational excellence (Strategic KPIs)**

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Board of Management, „Finance and Controlling“

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## Agenda

Intro

**Setting the Stage**

KPIs

**What we will deliver**

RoS

**Improving Results**

Guidance

**Key Financials 2020**

Capex +  
R&D

**Accountability, Discipline, Complexity**

Cash

**Cash is King!**

Brands

**Delivering their Commitments**

Status

**What have we done so far**

## Setting the Stage



**We have to earn your trust!**



**We are only promising what we have commitments for!**



**We will improve our targets once we make visible progress!**



**We have a plan and strongly believe in it!**

## What you know already

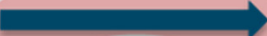







<b>Key financial targets</b>	<b>2016 Actual</b>	<b>2025 Targets</b>
<b>Operating return on sales</b> Before Special Items	6.7%	7-8%
<b>Return on investment</b> Automotive Division before Special Items	13.9%	>15%
<b>Capex ratio</b> Automotive Division	6.9%	6%

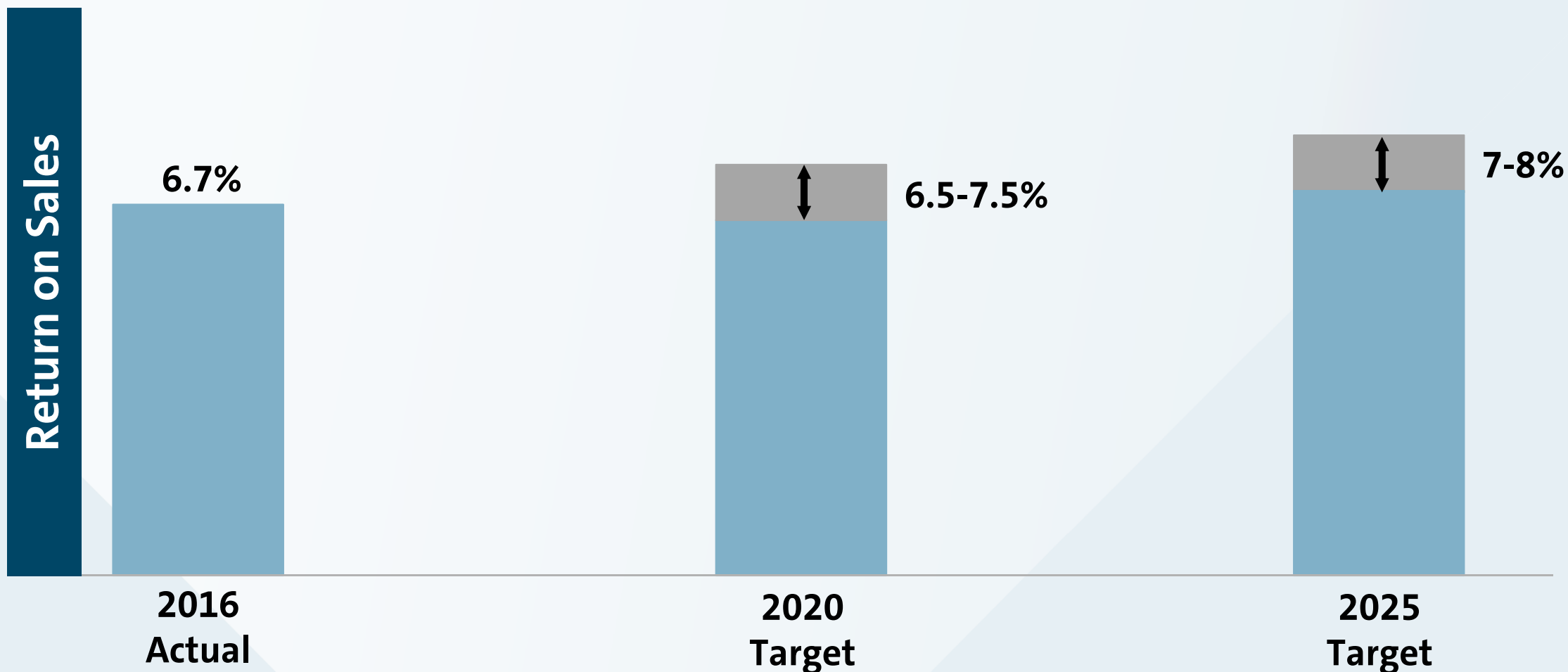
## Expanded Group KPI Set

TOGETHER

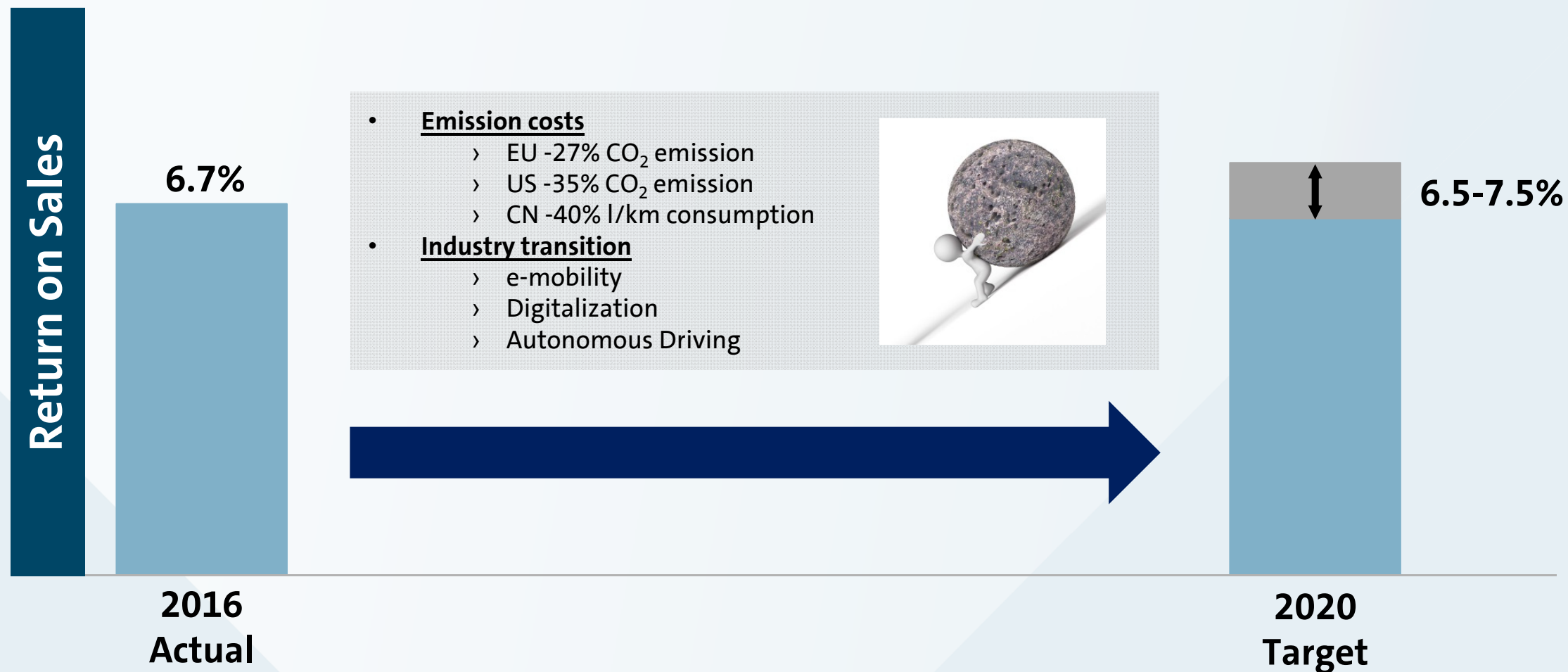
STRATEGY 2025

Key financial targets		2016 Actual	2020 Targets	2025 Targets
<b>Operating return on sales</b> <u>Before</u> Special Items		6.7%		7-8%
<b>Return on investment</b> Automotive Division <u>before</u> Special Items		13.9%		>15%
<b>Capex ratio</b> Automotive Division		6.9%		6%
<b>R&amp;D cost ratio</b> Automotive Division		7.3%		6%
<b>Cash</b> Automotive Division	a) Net Cashflow	€ 4.3 bn		positive <sup>1)</sup>
	b) Net Liquidity	€ 27.2 bn		~10% of Group turnover

## Improving Group results despite significant challenges

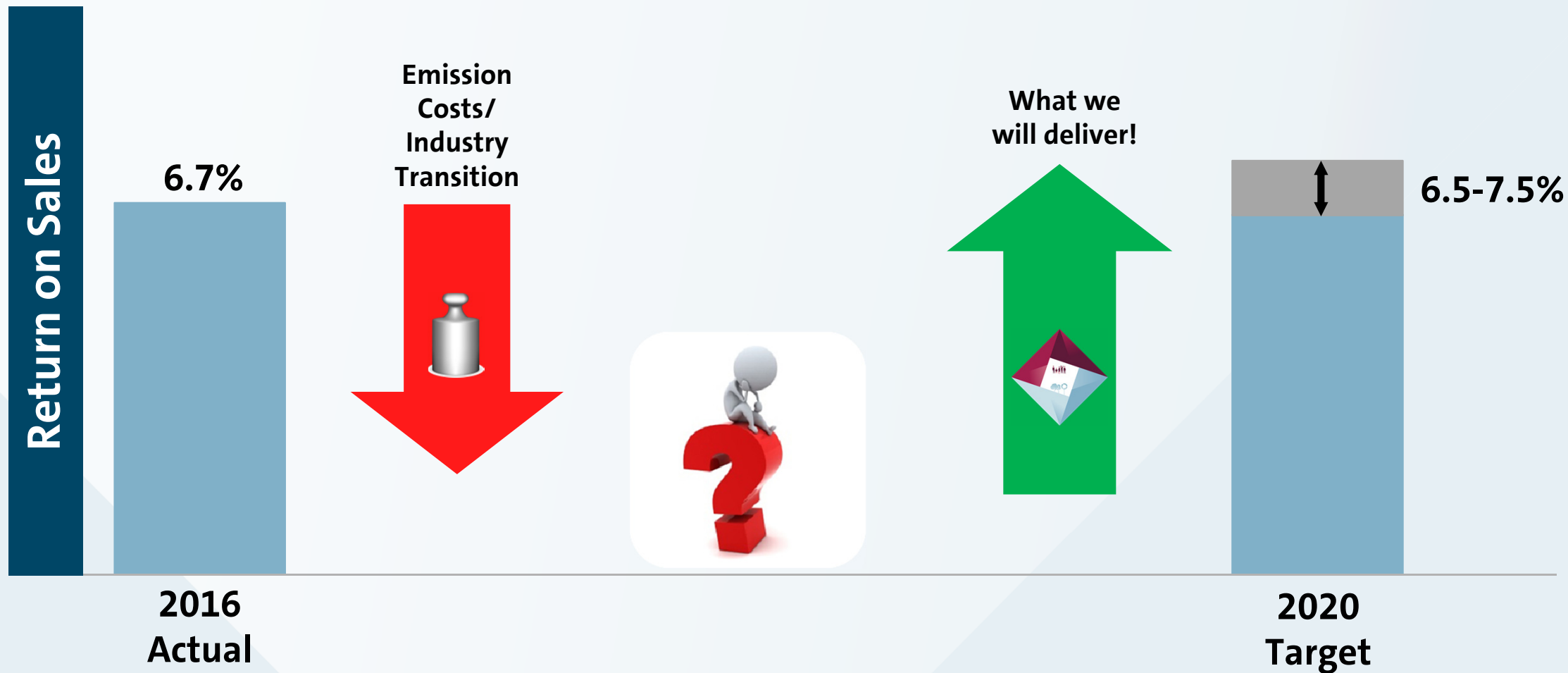


# Improving Group results despite significant challenges









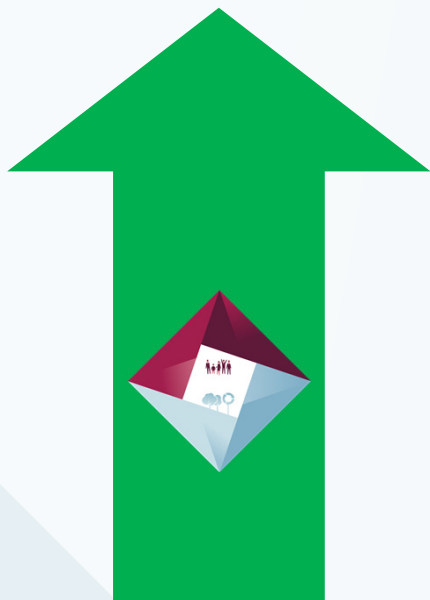
# Improving Group results despite significant challenges



## Guidance Group Financial Performance 2020

	Result 2016		Upside leverage 2020	
Sales revenue (€ bn)	217.3			+ > 20 %
	<u>after</u> Special Items	<u>before</u> Special Items		
Operating profit (€ bn)	7.1	14.6		+ 25 %
Profit before tax (€ bn)	7.3			+ ≥ 25 %
Earnings per Pref. Share	10.3 €			+ ≥ 25 %

## Improving Group results despite significant challenges



# How we are doing it?

# Delivering on Core Principles

Accountability

Discipline

Reduced Complexity

Profitability

## Modular Toolkits

**MQB**



Modular Transverse  
Toolkit

**MLB**



Modular Longitudinal  
Toolkit

**MSB**



Modular Standard  
Drivetrain  
Toolkit

**MNB**



Commercial  
Vehicles

Modular Light  
Commercial  
Vehicle Toolkit

**MMB**



PORSCHE

Modular  
Mid-engine  
Toolkit

**MEB**



Modular  
Electric  
Toolkit

## Product Line Organization

(Example Volkswagen Brand)

▶ G1 – Small



▶ G3 – Mid- &  
Fullsize



▶ G2 – Compact

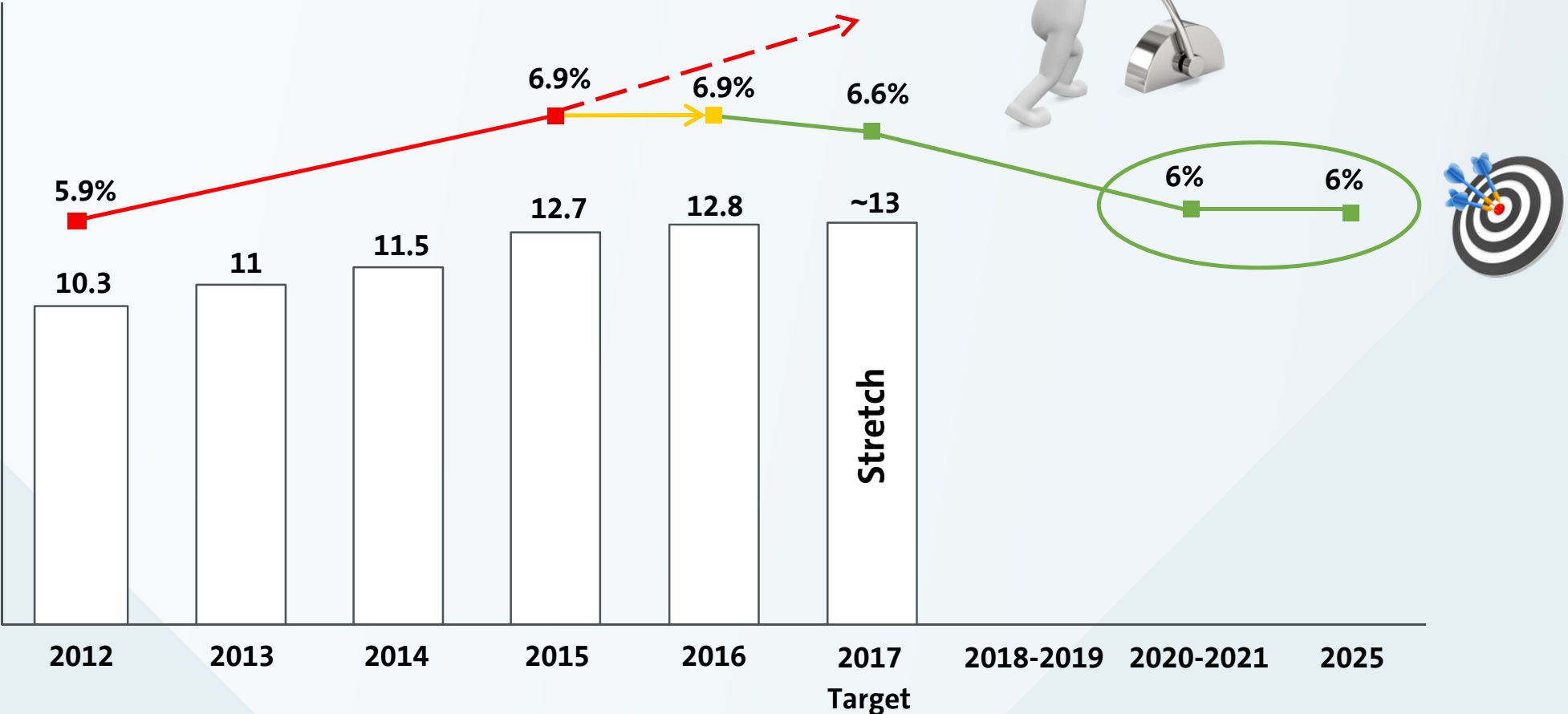


▶ G4 – e-Mobility



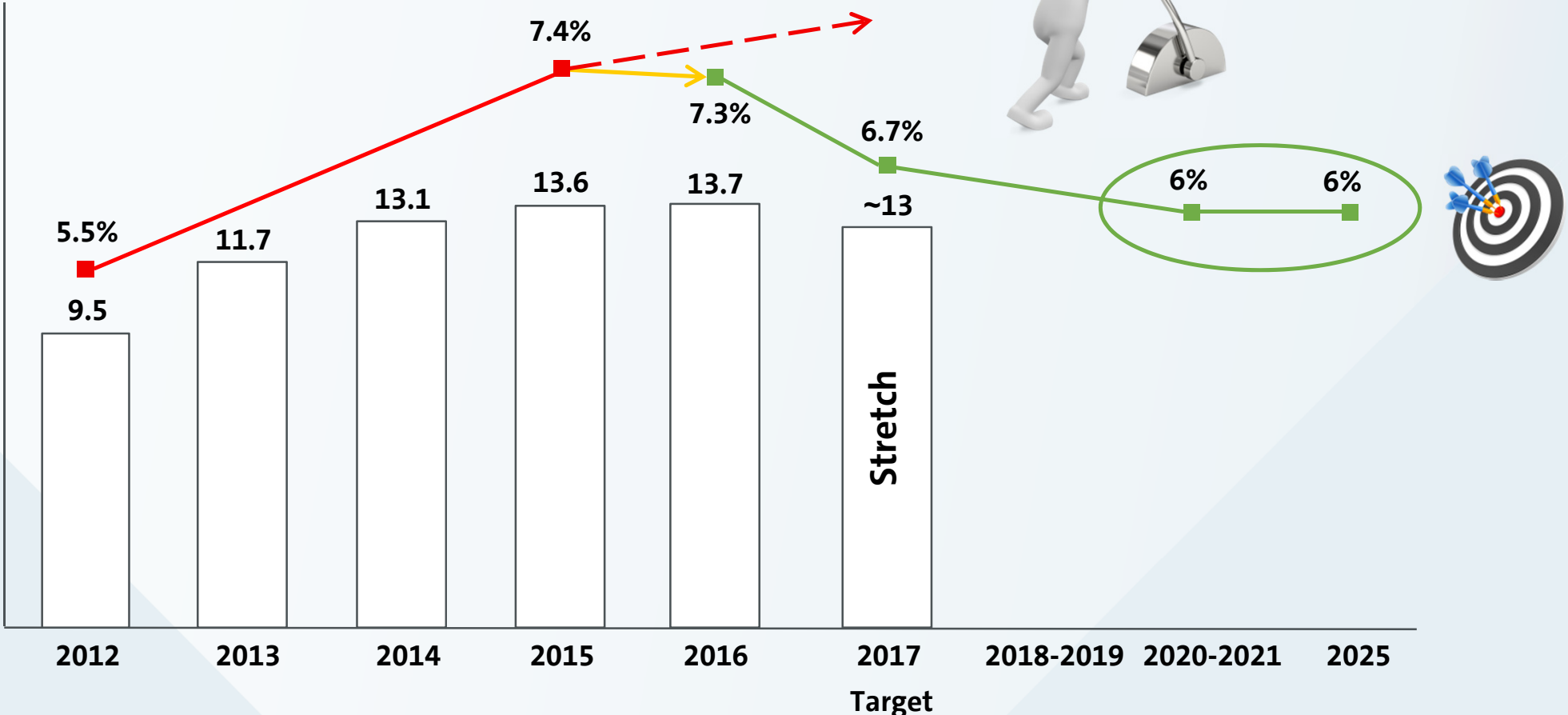
# CAPEX Automotive Division

(€ bn, as % of sales revenue)

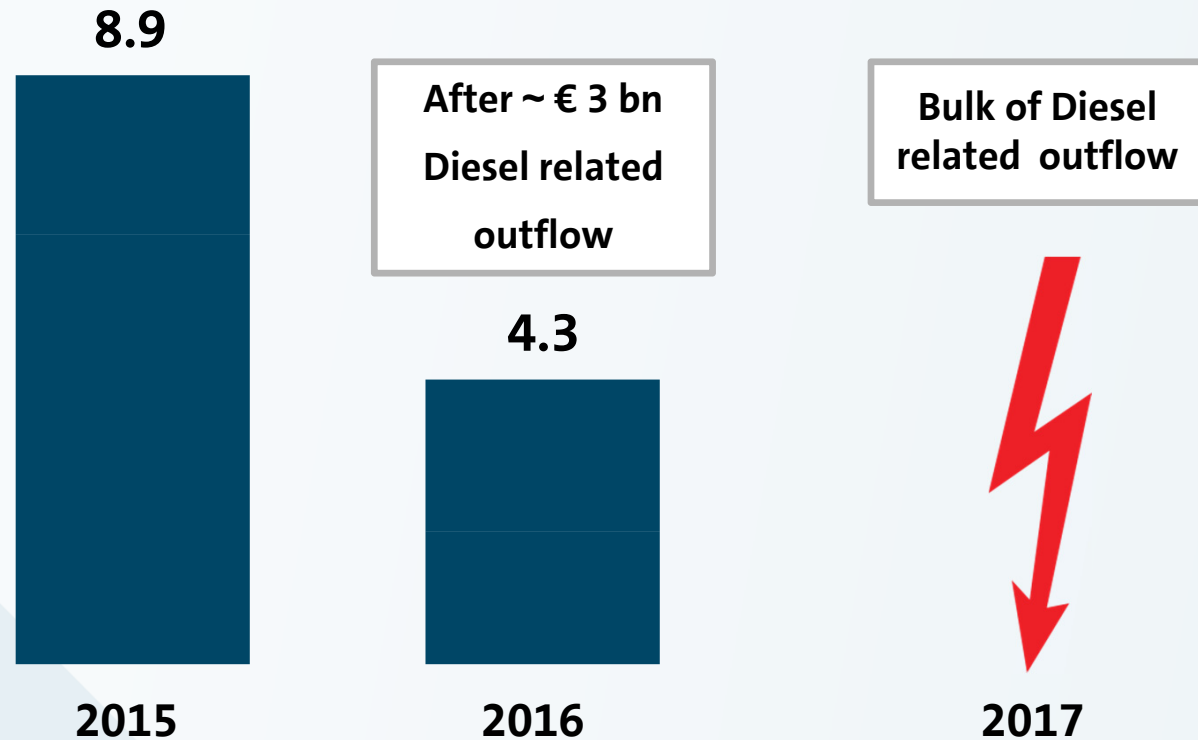


# R&D Cost Automotive Division

(€ bn, as % of sales revenue)



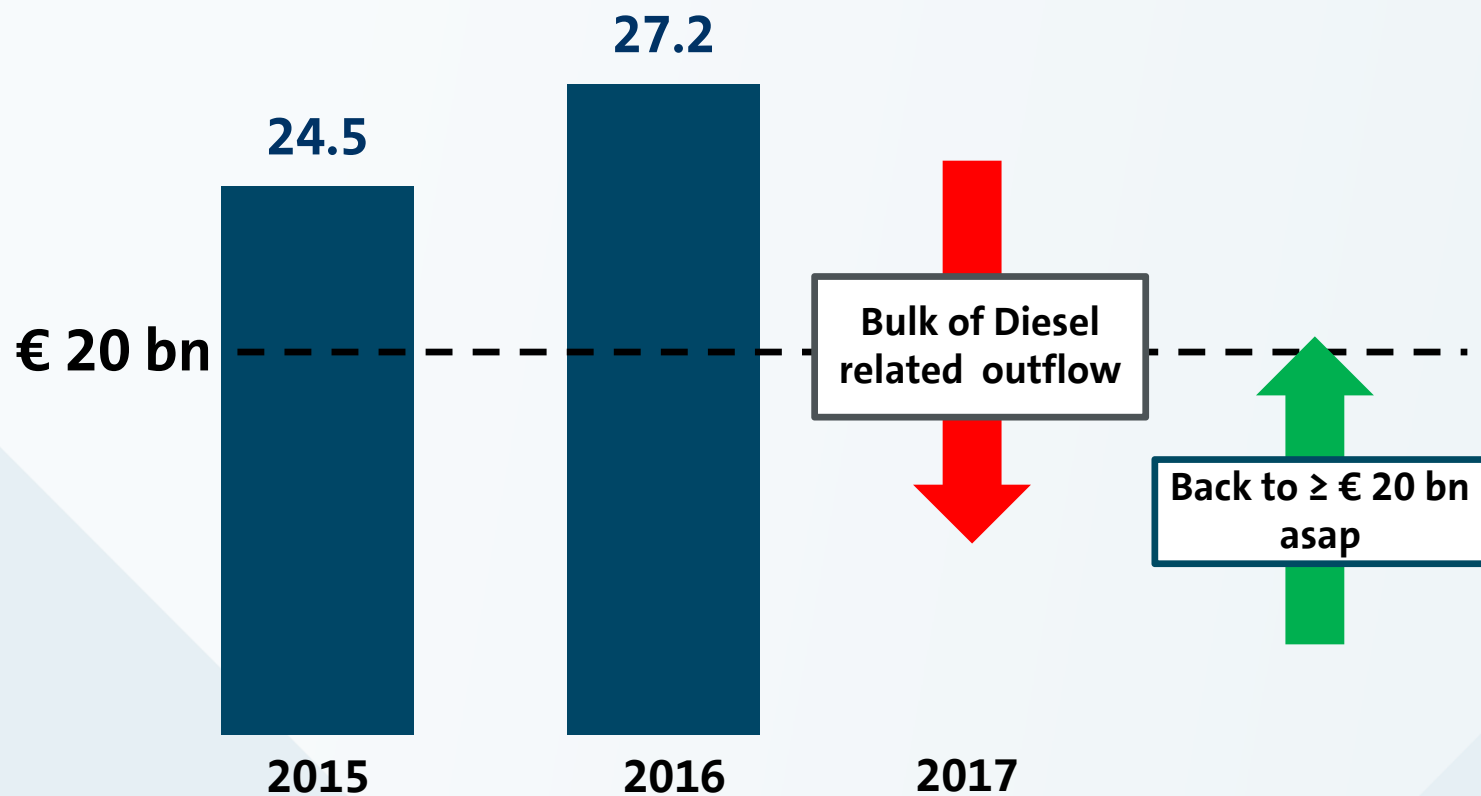
## Net Cash Flow Automotive – Cash is King! (€ bn)



### Net Cash Flow

- Needs improvement
- Focus area
- Strategic KPI

## Net Liquidity Automotive (€ bn)

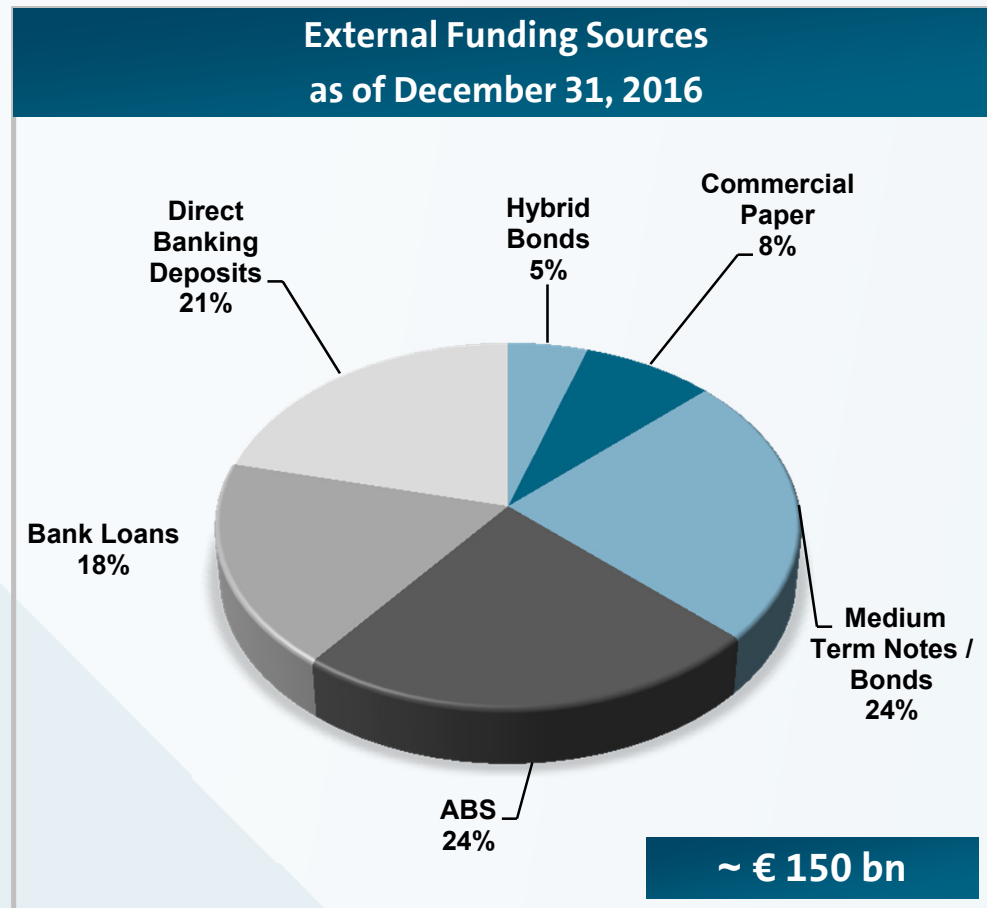


### Net Liquidity 2025

- Strategic Target ~10% of Group Revenue
- Improving Operating Cash Flow
- Portfolio Optimization (Strategy Initiative #13)
- Optimize Capital Requirements for FS



## Diversified Group funding structure



**See you soon in the Bond Market!**

## Group Milestones

Key financial targets	2016 Actual	2017 Targets	2020 Targets	2025 Targets
<b>Operating return on sales</b> <u>Before</u> Special Items	6.7%	6-7%	6.5-7.5%	7-8%
<b>Return on investment</b> Automotive Division <u>before</u> Special Items	13.9%	11-13%	13-15%	>15%
<b>Capex ratio</b> Automotive Division	6.9%	6.6%	6% (2020/21)	6%
<b>R&amp;D cost ratio</b> Automotive Division	7.3%	6.7%	6% (2020/21)	6%
<b>Cash</b> Automotive Division	a) Net Cashflow	€ 4.3 bn	negative	positive <sup>1)</sup>
	b) Net Liquidity	€ 27.2 bn	> 15 bn	≥€ 20 bn
				~10% of Group turnover

# Cascading Group Targets to Brands

Group KPIs

RoS

RoI

Capex

R&D

CF/Liquidity



Commitment



Specific KPIs

Brand KPIs

Top-Down Targets



Committed in Planning Rounds

## Overview Brand Targets (RoS, RoE)

<b>Return on Sales in %</b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2020</u></b>	<b><u>2025</u></b>
Volkswagen Group	6.7	6.0-7.0	6.5-7.5	7.0-8.0
Volkswagen Brand	1.8	2.5-3.5	≥4	≥6
Audi	8.2	8-10	8-10	8-10
Porsche	17.4	>15	>15	>15
ŠKODA	8.7	7-8	6-7	≥7
Volkswagen Commercial Vehicles	4.1	3-4	4-5	>6
Truck & Bus Business				
• Scania	9.5			
• MAN Commercial Vehicles	2.3	6-7	9	9
<b>Return on Equity (norm. 8%)</b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2020</u></b>	<b><u>2025</u></b>
Volkswagen Financial Services	15.6%	14-16%	14-16%	20%

## Status update

✓ **Group Strategy “Together 2025” applied to Brands with KPIs**

✓ **KPIs committed in Planning Round**

✓ **Product line management implemented**

✓ **Dramatic decrease in number of derivatives / complexity**

✓ **Right vehicles with regional focus (e.g. SUV’s in Europe, China and NA)**

✓ **“Zukunftspakt” for**



Volkswagen

# Key drivers to sustainable / competitive Group Profitability

