

VOLKSWAGEN

AKTIENGESELLSCHAFT



*moving*  
people

**Volkswagen Group**

Frank Witter

**Member of the Board of Management, Finance and Controlling**

Natixis Roadshow, Paris, 2 June 2016

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## Core statements – Result 2015

### Fiscal year 2015 in particular dominated by special items resulting from the diesel issue:

- Sales revenue rose by 5.4% to €213.3 billion; positive effects from mix, exchange rates and Financial Services
- Operating result excluding the special items was on a level with the previous year at €12.8 billion (€12.7 billion)
- Operating result including the special items declined sharply to €-4.1 billion

### Special items of €16.9 billion in operating result:

- Diesel issue: All known risks are covered in particular technical measures planned for the diesel engines affected, repurchases and legal risks result in exceptional charges of €16.2 billion
- Restructuring expenses in the area of commercial vehicles and in the passenger cars area in South America of €0.2 billion respectively

### Solid liquidity position:

- Net liquidity of the Automotive Division increases to €24.5 billion (€17.6 billion)
- Successful placement of hybrid notes (€2.5 billion)
- Dividend proposal for fiscal year 2015: €0.11 per ordinary share and €0.17 per preferred share

## Financial highlights January – March 2016

### **Solid start to the year for the Volkswagen Group:**

- Deliveries to customers slightly above prior year
- Sales Revenue decreased, influenced mainly by exchange rate effects
- Operating Profit before special items slightly below prior year

### **Robust operating profit including special items:**

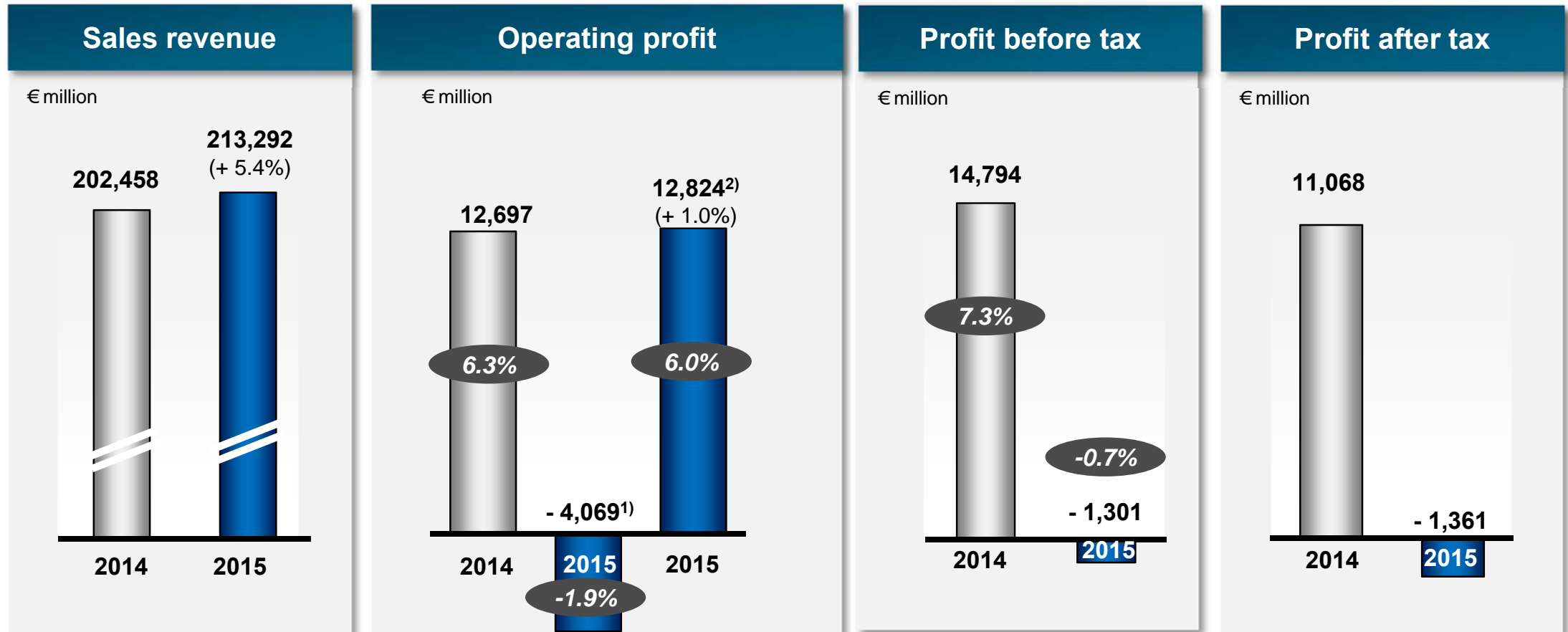
- Special items positively influenced by exchange rate effects; negatively impacted by Takata airbags recall and restructuring within Trucks
- Negative fair value of financial instruments results in lower Profit before tax

### **Solid liquidity position:**

- Strong Automotive net liquidity boosted by sale of interest in LeasePlan

# Financial highlights – Volkswagen Group

(January to December 2015 vs. 2014)



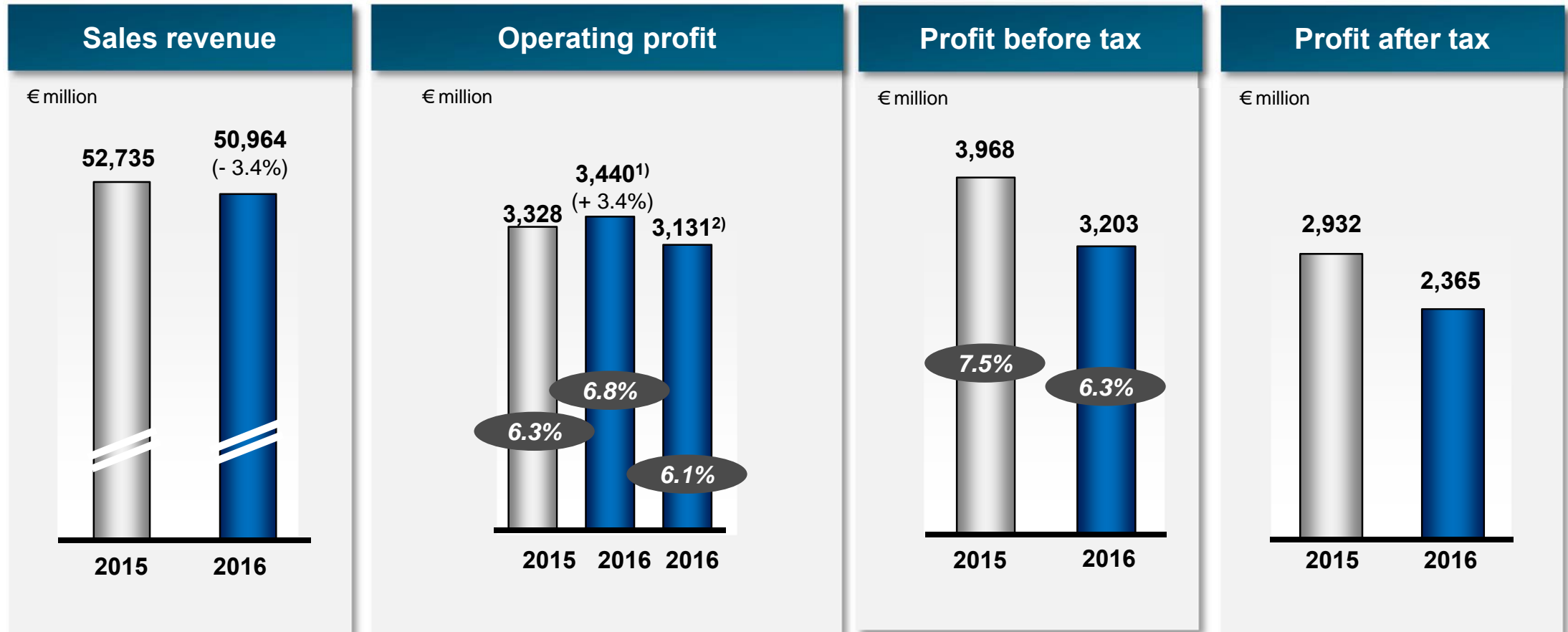
1) After Special items  
2) Before Special items

x.x%

Operating profit / profit before tax in % of sales revenue

# Financial highlights – Volkswagen Group

(January to March 2016 vs. 2015)

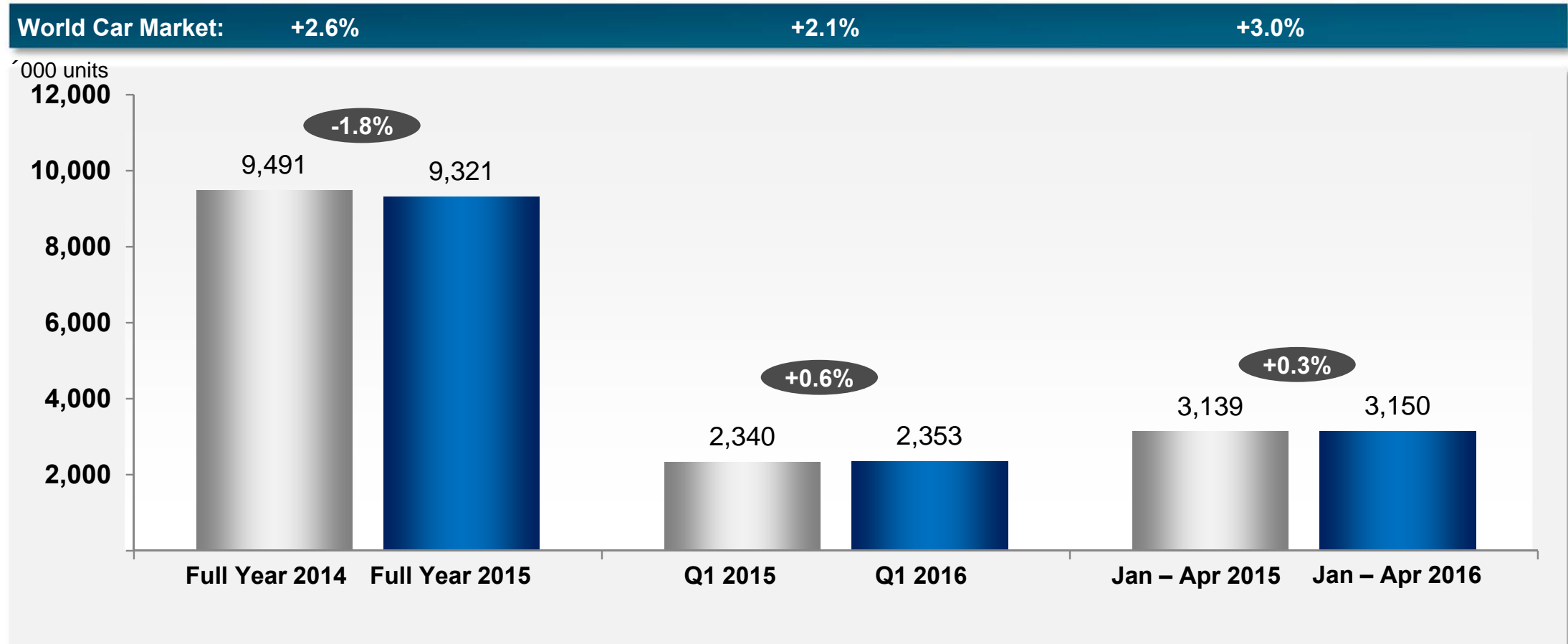


1) After Special items  
2) Before Special items

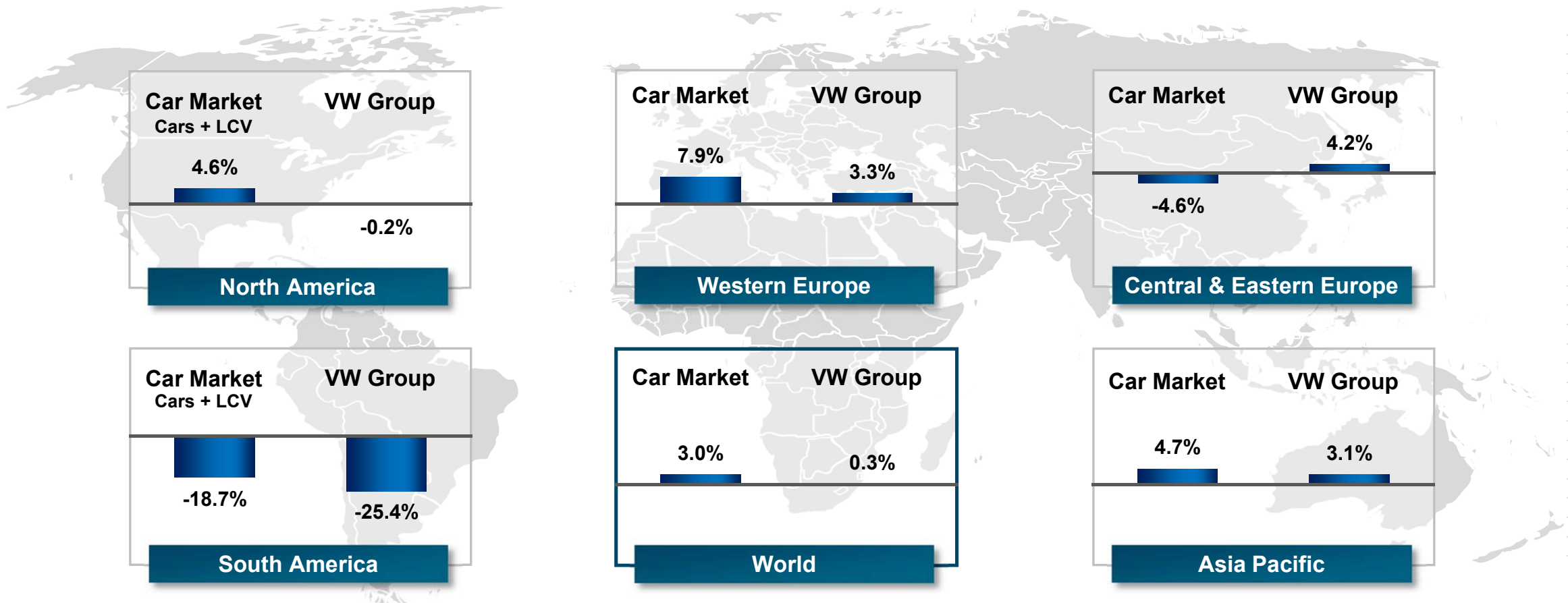
x.x% Operating profit / profit before tax in % of sales revenue

# Development Volkswagen Group car deliveries to customers<sup>1)</sup>

(in comparison to previous year)



# Development world car market vs. Volkswagen Group car deliveries to customers<sup>1)</sup> (Growth y-o-y in deliveries to customers, January to April 2016 vs. 2015)

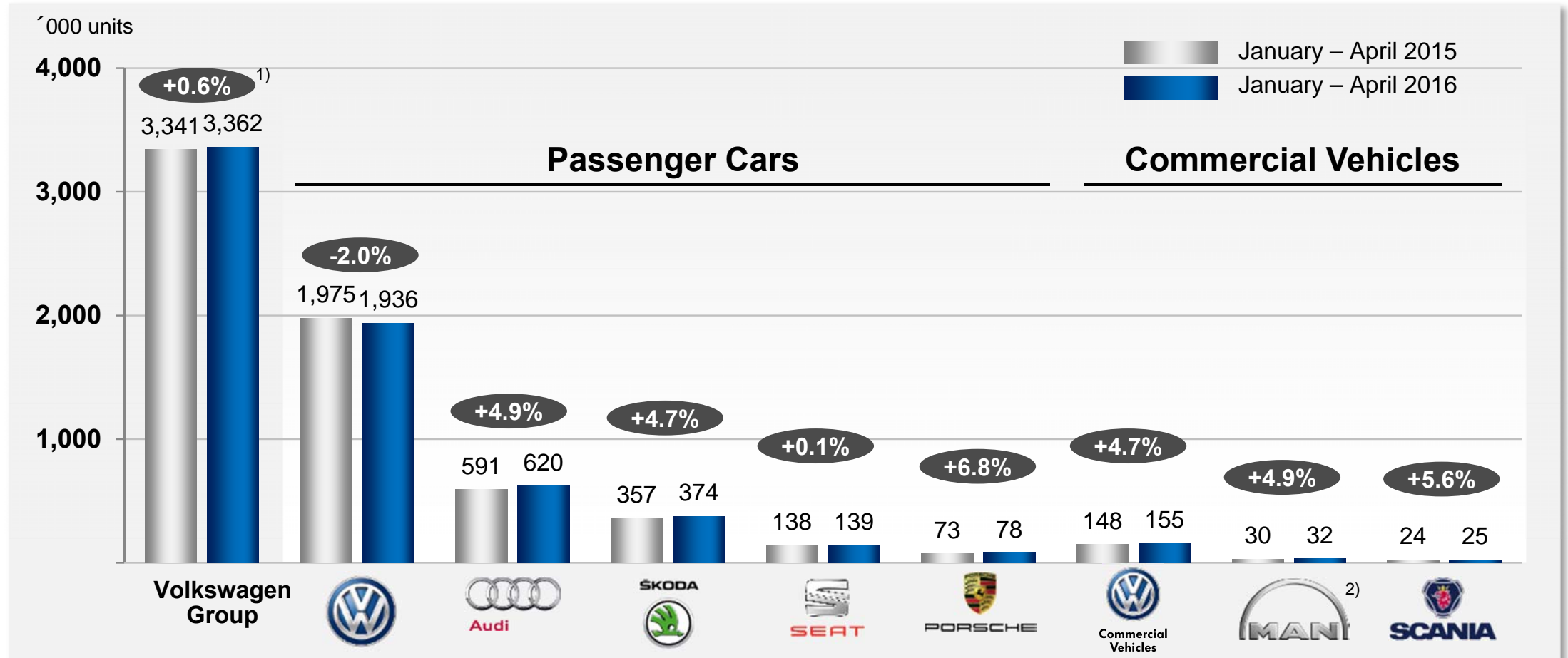


<sup>1)</sup> Figures excl. Volkswagen Commercial Vehicles, Scania and MAN.



# Volkswagen Group – Deliveries to customers by brands

(January to April 2016 vs. 2015)



<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +0.3% excl. Volkswagen Commercial Vehicles, Scania and MAN.

<sup>2)</sup> MAN incl. MAN Latin America Trucks and Busses GVW > 5t

## Volkswagen Group – Key financial figures<sup>1)</sup>

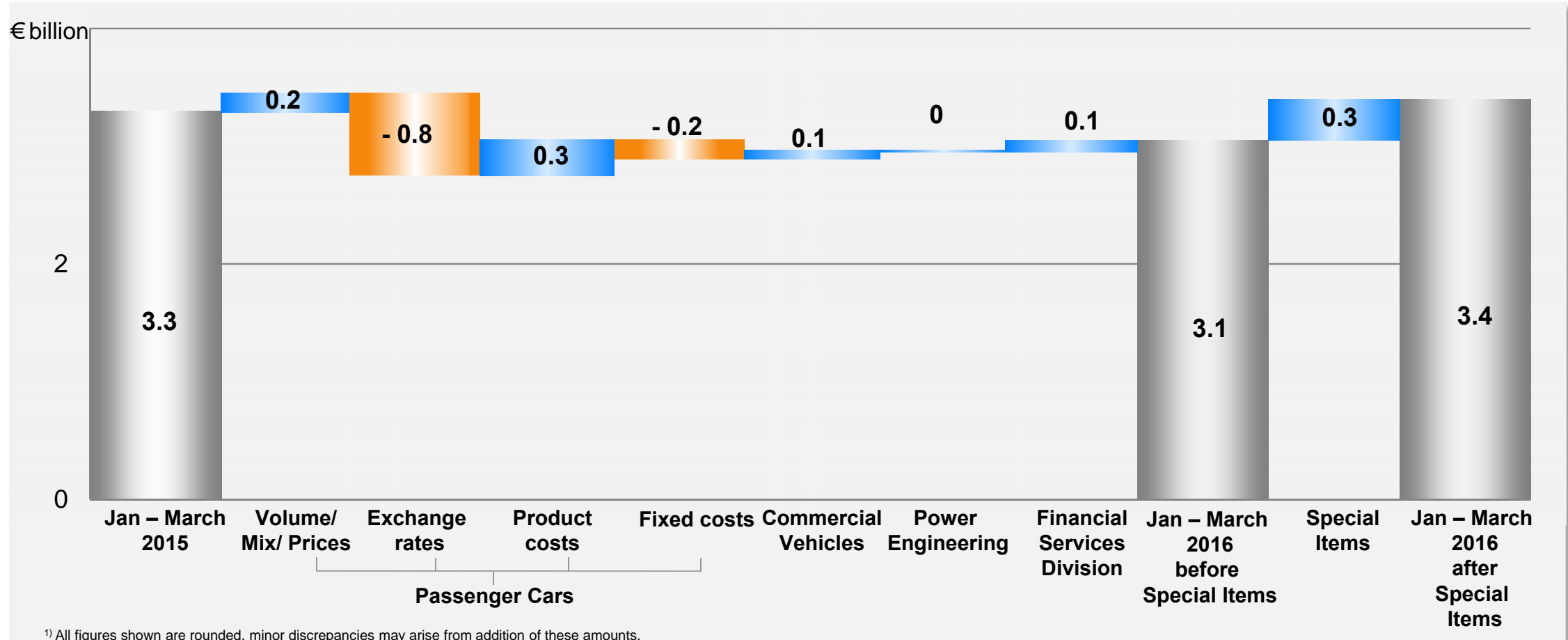
(January to March 2016 vs. 2015)

thousand vehicles / € million	2016	2015	+/- (%)
Vehicle Sales <sup>2)</sup>	2,577	2,607	-1.2
Sales revenue	50,964	52,735	-3.4
Operating profit before special items	3,131	3,328	-5.9
<i>% of sales revenue</i>	6.1	6.3	
Operating profit	3,440	3,328	+3.4
<i>% of sales revenue</i>	6.8	6.3	
Financial result	-237	639	x
of which: At-equity result <sup>2)</sup>	1,114	1,146	-2.8
of which: Other financial result	-1,351	-506	x
Profit before tax	3,203	3,968	-19.3
<i>% Return on sales before tax</i>	6.3	7.5	
Profit after tax	2,365	2,932	-19.3

<sup>1)</sup> All figures shown are rounded, so minor discrepancies may arise from addition of these amounts. Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

<sup>2)</sup> Volume data including the unconsolidated Chinese joint ventures. The joint venture companies in China are accounted for using the equity method and recorded an operating profit (proportionate) of €1,174 million (€1,598 million).

## Volkswagen Group – Analysis of operating profit<sup>1)</sup> (January to March 2016 vs. 2015)



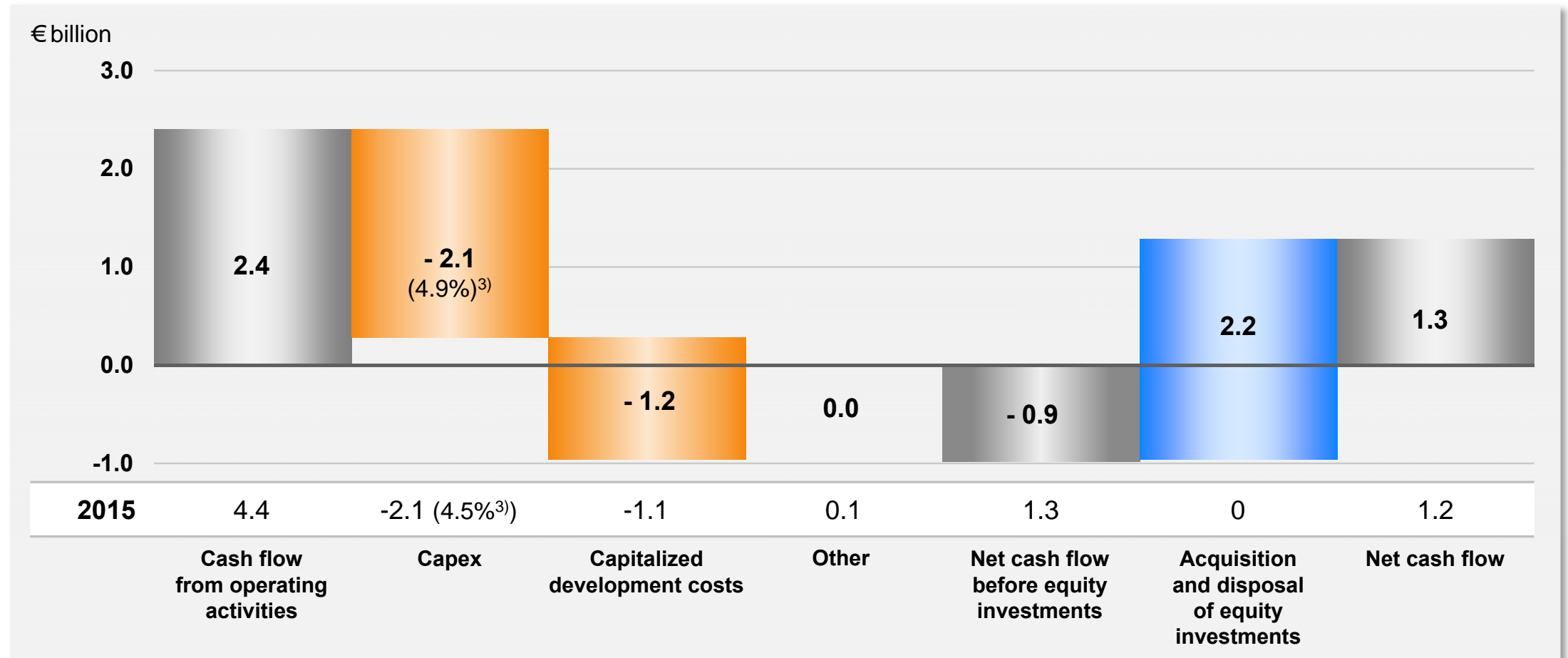
# Volkswagen Group – Analysis by business line<sup>1)</sup>

(January to March 2016 vs. 2015)

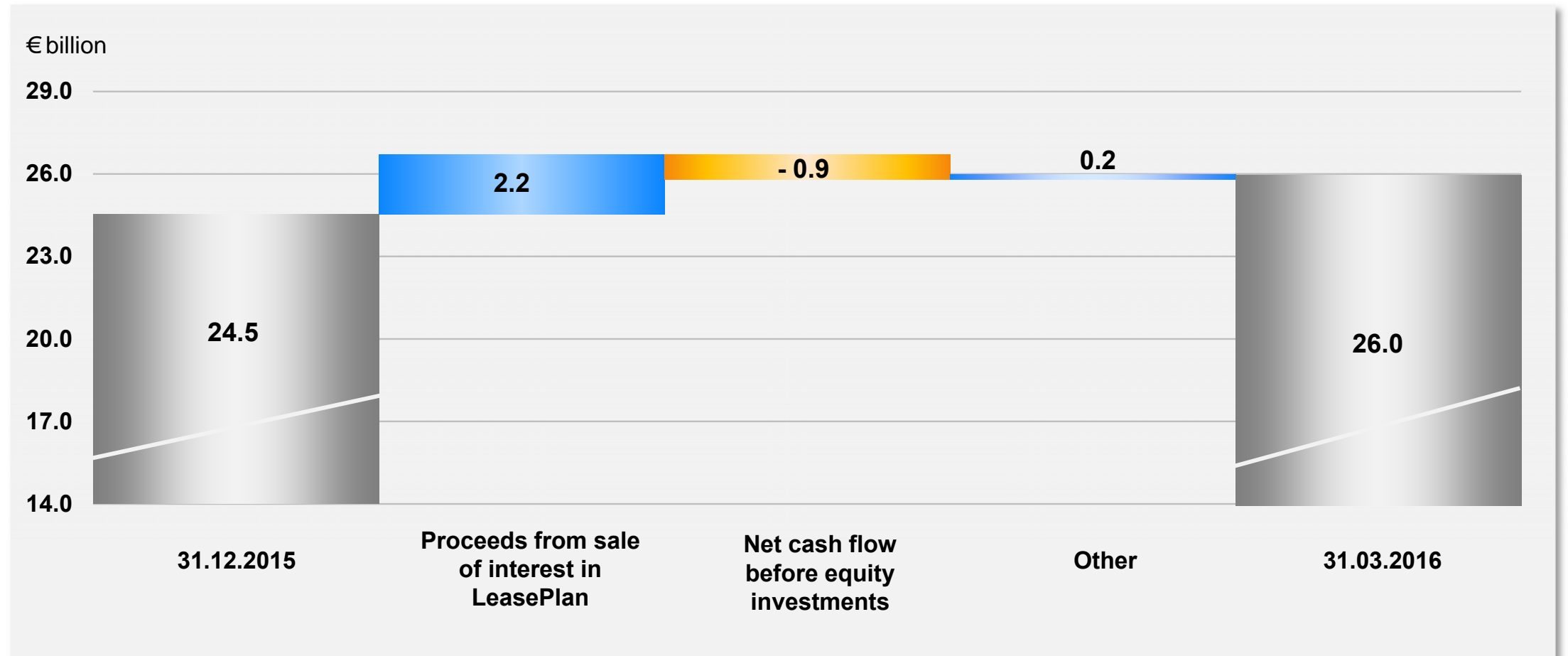
thousand vehicles/ € million	Vehicle sales		Sales revenue		Operating profit	
	2016	2015	2016	2015	2016	2015
Volkswagen Passenger Cars	1,069	1,117	25,068	26,291	73	514
Audi	388	389	14,511	14,651	1,302	1,422
ŠKODA	207	217	3,379	3,175	315	242
SEAT	127	138	2,070	2,182	54	33
Bentley	2	3	376	472	-54	49
Porsche <sup>2)</sup>	59	51	5,378	5,078	895	765
Volkswagen Commercial Vehicles	118	121	2,716	2,698	142	165
Scania <sup>2)</sup>	19	18	2,551	2,463	244	237
MAN Commercial Vehicles	23	22	2,291	2,293	65	-13
MAN Power Engineering	-	-	832	800	48	52
VW China <sup>3)</sup>	980	963	-	-	-	-
Other	-415	-431	-14,821	-13,513	-445 <sup>4)</sup>	-541 <sup>4)</sup>
Volkswagen Financial Services	-	-	6,612	6,145	492	403
<b>Volkswagen Group before special items</b>	-	-	-	-	<b>3,131</b>	<b>3,328</b>
Special items	-	-	-	-	309	-
<b>Volkswagen Group</b>	<b>2,577</b>	<b>2,607</b>	<b>50,964</b>	<b>52,735</b>	<b>3,440</b>	<b>3,328</b>
Automotive Division <sup>5)</sup>	2,577	2,607	43,530	45,806	2,850	2,856
of which: Passenger Cars	2,417	2,447	35,219	37,636	2,603	2,634
of which: Commercial Vehicles	160	161	7,487	7,370	256	236
of which: Power Engineering	-	-	832	800	-9	-14
Financial Services Division	-	-	7,434	6,928	591	473

<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> Incl. financial services. <sup>3)</sup> Sales revenue and operating profit of the JV's in China are not included in the Group figures. The Chinese companies are accounted for using the equity method and recorded an operating profit (proportionate) of €1.174 million (€1,598 million). <sup>4)</sup> Mainly intragroup items, in particular from elimination of intercompany profits; incl. depreciation and amortization of identifiable assets as part of the PPA for Scania, Porsche Holding Salzburg, MAN and Porsche. <sup>5)</sup> Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

## Automotive Division – Strong cash generation<sup>1) 2)</sup> (January to March 2016)



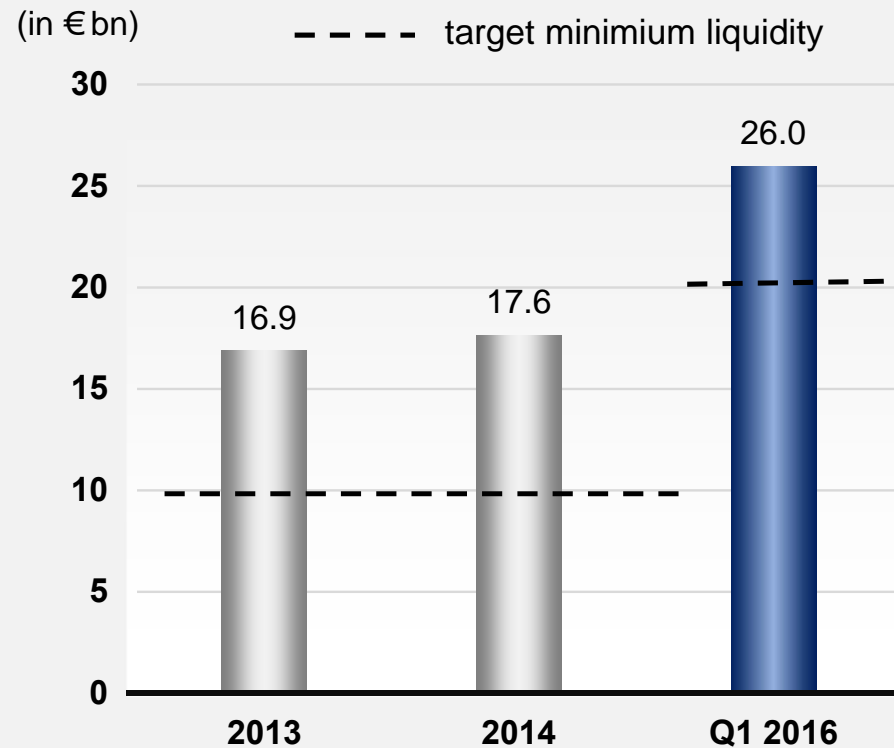
## Automotive Division – Analysis of net liquidity<sup>1)</sup>



<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts.

# Volkswagen Group – Net liquidity and funding

## Automotive Division - Net Liquidity



## Funding programs as of 31 March 2016

(in € bn)

### Money and Capital Markets

	Utilization
Commercial Papers	7.7
Medium Term Notes / Bonds	54.9
<i>thereof: Hybrid Bonds</i>	7.5
ABS <sup>2)</sup>	30.9

### Borrowings

	Utilization
Committed Lines	8.8
Uncommitted Lines	9.6
Supranationals, development banks, government, other	13.9
Direct Banking Deposits	30.3
<b>Total Amount</b>	<b>156.1</b>

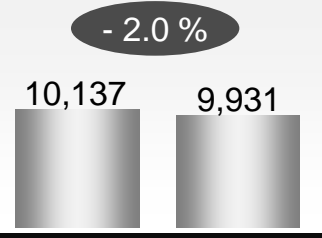
Bridge facility

up to €20 bn

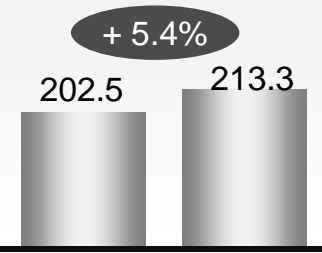
<sup>2)</sup> Including Porsche, MAN

# Volkswagen Group – Outlook for 2016

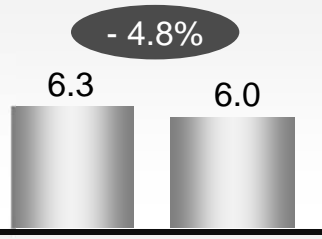
**Deliveries to customers**  
(‘000 vehicles)



**Sales revenue**  
(€ billion)



**Operating return on sales**  
(before special items)  
(%)



2014 2015  
Full Year



**Deliveries to customers**  
stable at high level



**Sales revenue**  
up to 5% below prior year

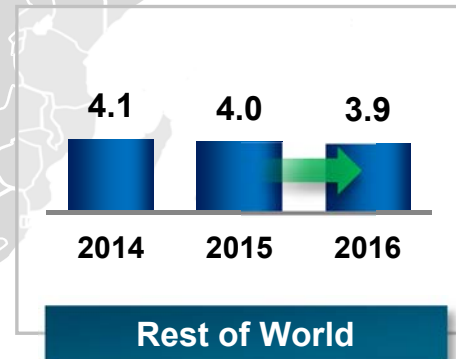
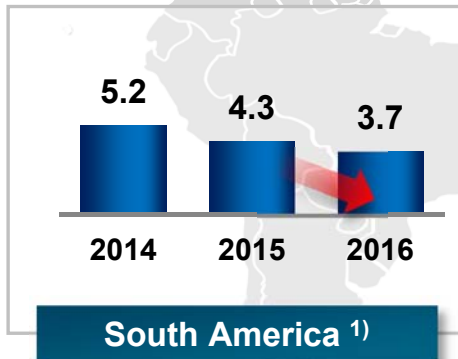
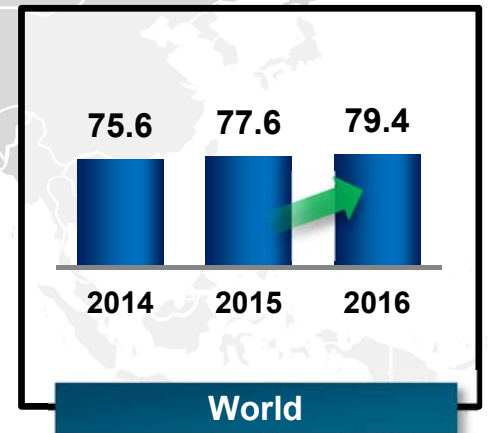
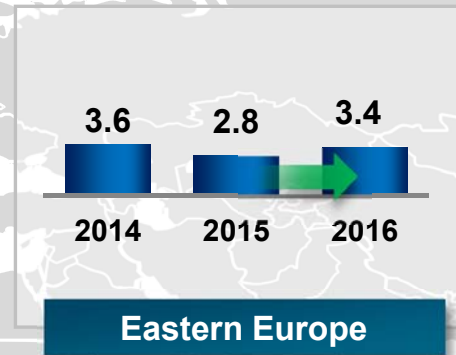
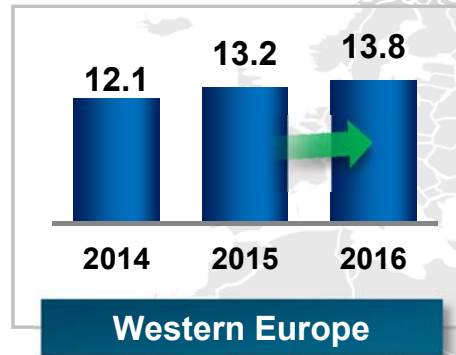
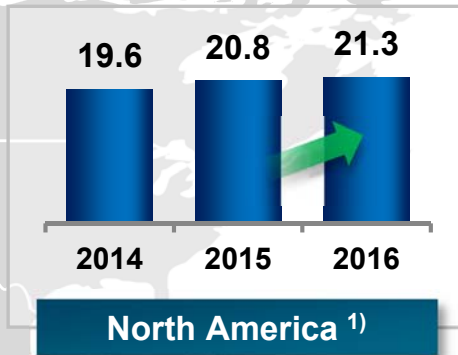


**Operating return on sales**  
between 5.0% and 6.0%



# Passenger car market forecast 2016 – Overall growth expected

(in million units)



Source: IHS Economics as of May 2016  
<sup>1)</sup> Passenger cars and Light Commercial Vehicles

## Our 5 priorities: Focus on crisis management and realignment



### Customer solutions

- Implementation of technical solutions launched in Germany
- Schedule for further refits in Europe to be adapted in consultation with authorities
- Agreement in principle reached with U.S. authorities



### Investigation

- Process audit by Group Audit already completed at 2015 year-end, proposed measures being rapidly implemented
- Detailed investigation of facts by Jones Day ongoing



### Structure

- New management team in place
- Intensive work on new structures and leaner processes



### Mindset

- Numerous individual changes made to renew corporate and leadership culture
- Structured change process initiated



### Destination

- Development of "Strategy 2025" proceeding to plan
- Priorities and objectives to be presented before summer break as announced

## How the NOx issue will be solved in the USA

<b>EA189 2.0 I</b> <b>(Gen 1):</b> <b>~ 0.4m units</b>	<b>EA189 2.0 I</b> <b>(Gen 2):</b> <b>~ 0.1m units</b>	<b>EA288 2.0 I</b> <b>(Gen 3):</b> <b>~ 0.1m units</b>
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### Diesel Status

- **Agreement in principle with US authorities:**
  - Dept. of Justice (Environmental Division)
  - Environmental Protection Agency (EPA)
  - California Air Resources Board (CARB)
  - Federal Trade Commission (FTC)
- Publication of settlement 21<sup>st</sup> June 2016
- Finalization of settlement 26<sup>th</sup> July 2016

**Currently coordinating viable solution  
concepts and time lines with the responsible  
authorities EPA and CARB**

## How the NOx issue will be solved in Europe

### Diesel Status Europe (approved by KBA)

- Modifications started and effective

#### EA189 2.0 I (EU5): ~ 5.2m units

- Software fix only
- Working time ca 30 min.



#### EA189 1.2 I (EU5): ~ 0.3m units

- Software fix only
- Working time ca 30 min.



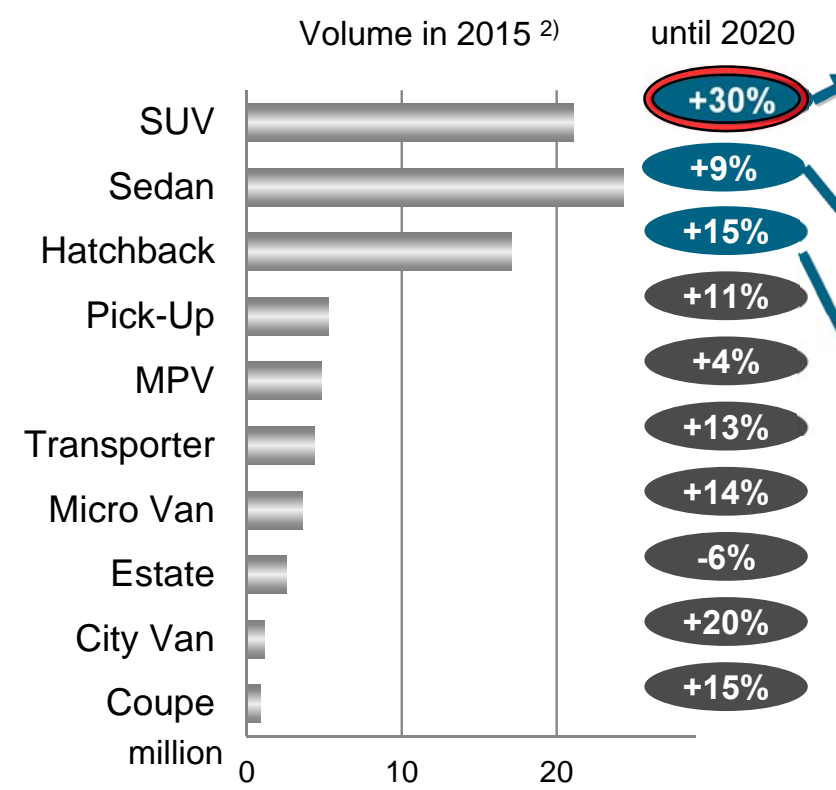
#### EA189 1.6 I (EU5): ~ 3m units

- Soft- and Hardware fix required
- Working time < 1h



# Product roadmap aligns with expected future market trends

## Body group trends until 2020<sup>1)</sup>



## New models 2016 and to follow

### SUV

Bentayga, Tiguan, Ateca, Audi Q2, Skoda Kodiaq, B-SUV, Entry SUV, Audi Q5

### Sedan

A6L e-tron, Panamera, Phideon, Magotan, Voyage

### Hatchback

A3, Leon, Rapid (IND), Gol, up!

### Other

Beetle, Amarok, 911, Saveiro, A5, Boxster, Cayman

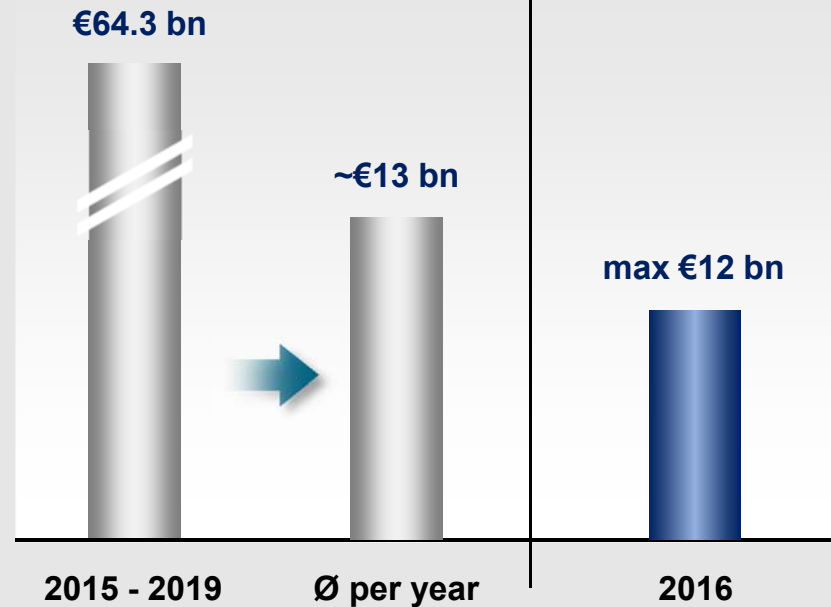
<sup>1)</sup> Source: IHS    <sup>2)</sup> final figures

## Volkswagen Group reduces level of capex and resets priorities

### Investments in property, plant and equipment

Prior planning as of November 2014

New planning as of November 2015



### Prioritization and focus on digitalization and e-mobility

Uncertainty requires prioritization of investments

Cancellation or delay of all projects that are not absolutely necessary

Not jeopardizing our future: spending on digitalization and alternative drive train technologies will be increased further

Focus on new products, continuing rollout and enhancement of toolkits, completion of ongoing capacity expansion

# 12 focus areas for a stronger Volkswagen Brand



## NEW VOLKSWAGEN

- Volkswagen brand to develop to a mobility provider
- Electric, fully networked car as part of a complete ecosystem



## CORPORATE CULTURE

- Board, management, staff to create modern corporate culture
- More responsibility, creativity and open exchange



## POSITIONING

- Checking brand positioning in major markets and adapt product range



## EFFICIENCY

- Strong focus in order to strengthen competitiveness
- e.g. large-scale launch of fast and fault free processes



## STRATEGY HOUSE

- Successor of mach18 strategy
- Strategic planning strengthened (staff and organization)



## REGIONAL STEERING

- Strengthen regional management and increase responsibility
- Regions will be given scope to make decisions



## MARKETS OF OPPORTUNITY

- Special teams take care of better access in markets such as Asia, South America and Africa



## COMMUNICATION

- Brand is establishing it's own communication
- Important to strengthen trust of customers, authorities and media



## STRUCTURES

- Corporate responsibility strengthened
- New structures created



## PROCESSES

- Accelerate decision making of management
- Reduce committees and bureaucracy, eradicate duplicate tasks



## EXCELLENT LEADERSHIP

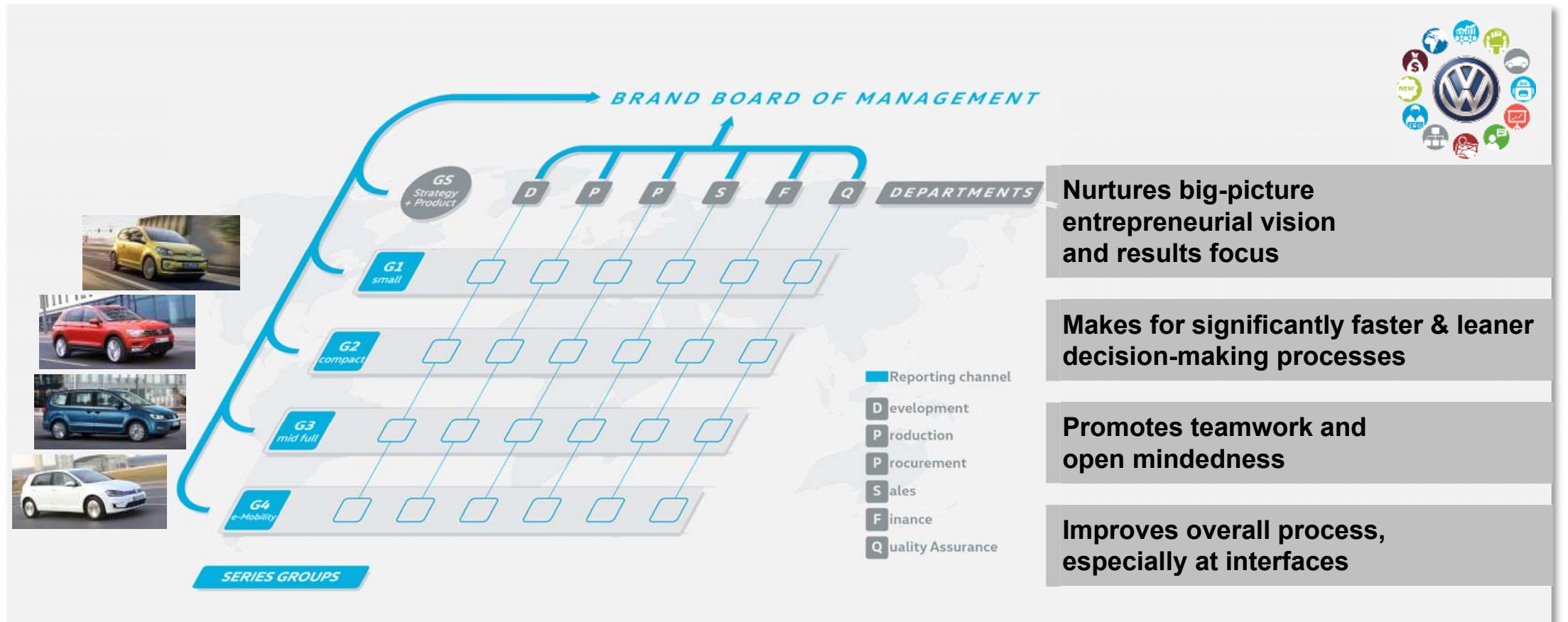
- Revamp management style
- New clearer mission statement focused on transparency, authenticity and openness



## COSTS

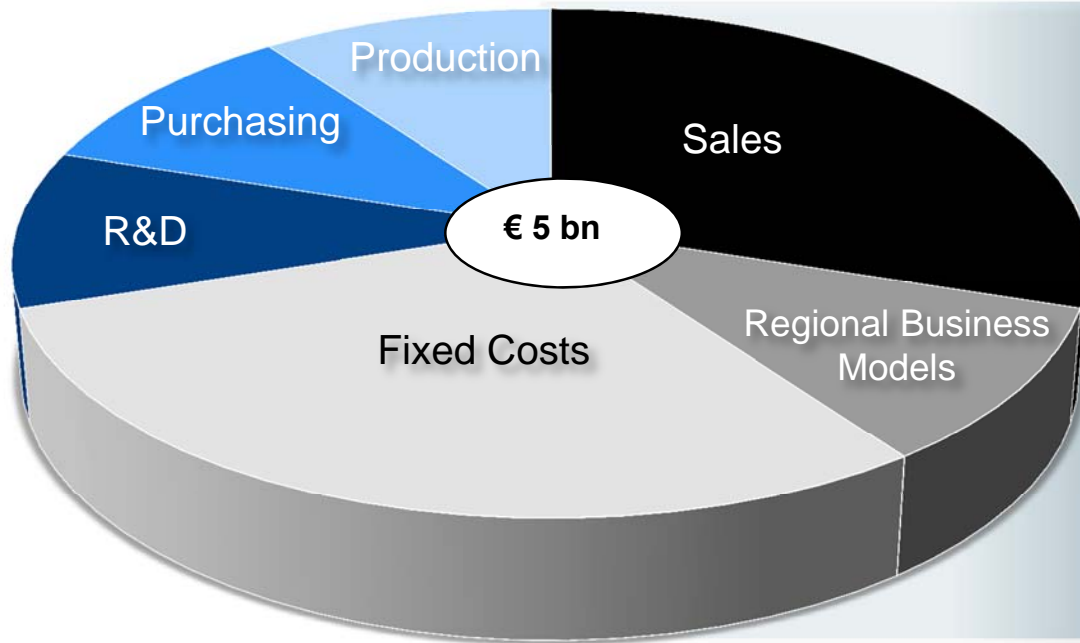
- Scrutinize all costs and standards
- Thriftiness is imperative

# More efficient and faster: New series organization – Volkswagen brand





## Volkswagen passenger cars: Efficiency actions allow for financial flexibility



- Critical review of infrastructure investments
- Prioritization of IT-projects
- Reduction of bureaucracy as well as more efficient committees
- Process optimization in specific departments
- Optimization of product portfolio with focus on models providing sustainable profitability
- Adaption of product cycles to regional main competitors
- Improve localization in core markets

## Core challenges in commercial vehicle industry ...

### Cyclical markets



Strong correlation to GDP in developed world  
Not all regions hit by economic downturns at the same time

### Further globalization



Local OEMs dominating in BRIC markets  
Improving infrastructure, stronger regulations open opportunities for Volkswagen

### Emission regulations



Europe with aggressive regulations, focus shifting to diesel lock-outs  
BRIC trailing behind, but with ambitious roadmap

### Connectivity & digitalization



Platooning and partly-autonomous driving as transition solutions  
Data management for customers and traffic of broad interest

### After sales and new business opportunities



After sales increasingly important as alternative source of revenues  
New business models (e.g. enhanced telematics) can stabilize revenues

## ... require Volkswagen truck brands to cooperate closely

**Cyclical markets**



**Further globalization**



**Emission regulations**



**Connectivity & digitalization**



**After sales and new business opportunities**



**Global market reach** to ensure sufficient volume in local up- & downturns

**Reduced fixed costs** through modularization and shared components

**Combined R&D know-how** for competitive product development

**Additional value** through customer services

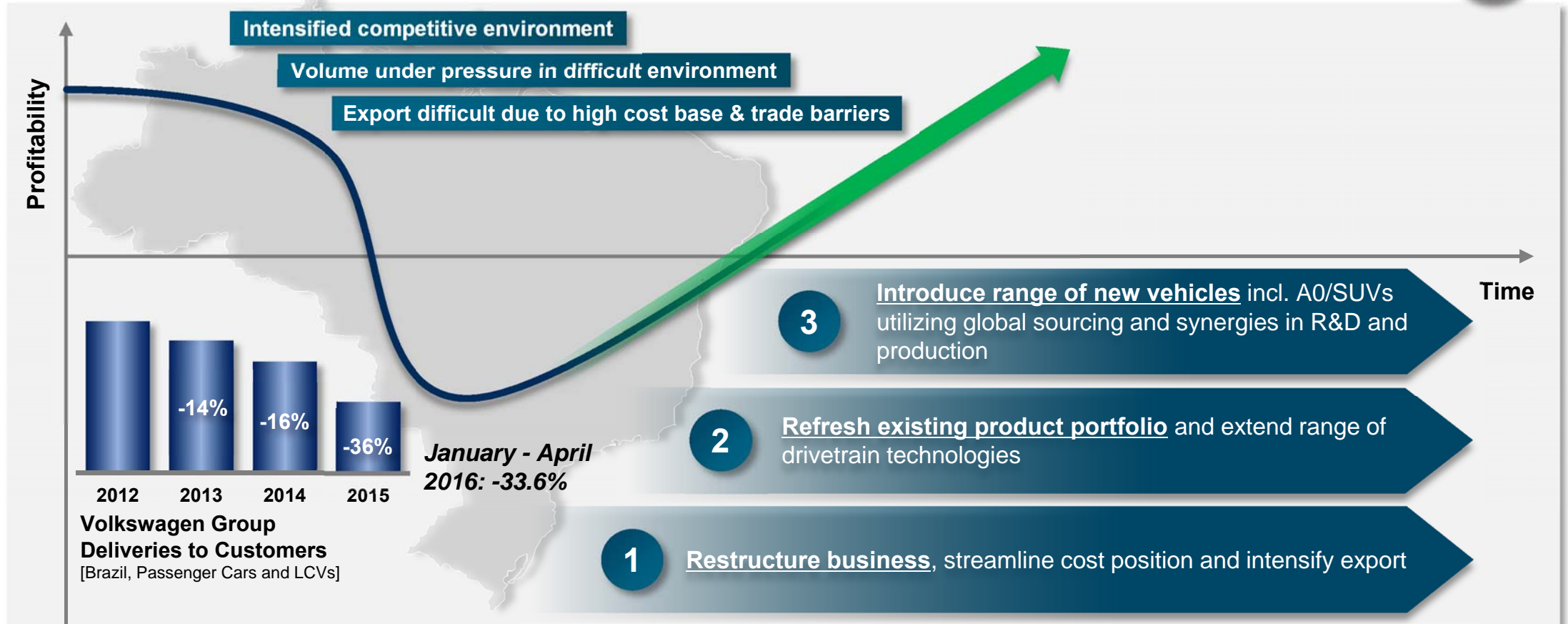
**Close cooperation going forward**

**VOLKSWAGEN TRUCK & BUS**



**Caminhões  
Ônibus**

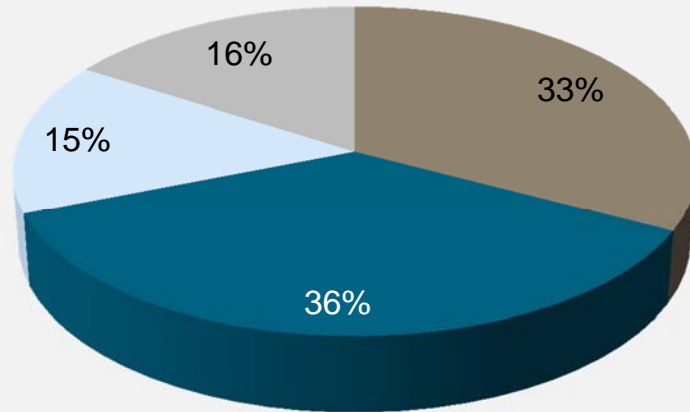
# Product innovation and cost reduction are the key pillars of Volkswagen's strategy to cope with challenges in emerging markets



# US market segmentation and trends offer potential as Volkswagen Group's model portfolio will be renewed and extended



Total market segmentation ytd 2016



■ Sedan ■ SUV ■ Pick-Up ■ Other

Segment	Market share April '16 (%)	Δytd '16 vs '15 (%)
Sedan	33	-2 ▼
Hatchback	5	-18 ▼
Coupe	3	-5 ▼
Wagon	1	-8 ▼
Cabrio/Roadster	1	-16 ▼
SUV	36	+10 ▲
Pick-Up	15	+7 ▲
MPV	4	+23 ▲
Transporter	3	+20 ▲
City Van	0	+177 ▲

Total volume ytd 2016: 5,595 tsd units  
Source: Autodata 01.05.2016

## Volkswagen Group's recently launched and upcoming models...



Q7



A4



R8



Golf Alltrack



Midsize SUV



Q5

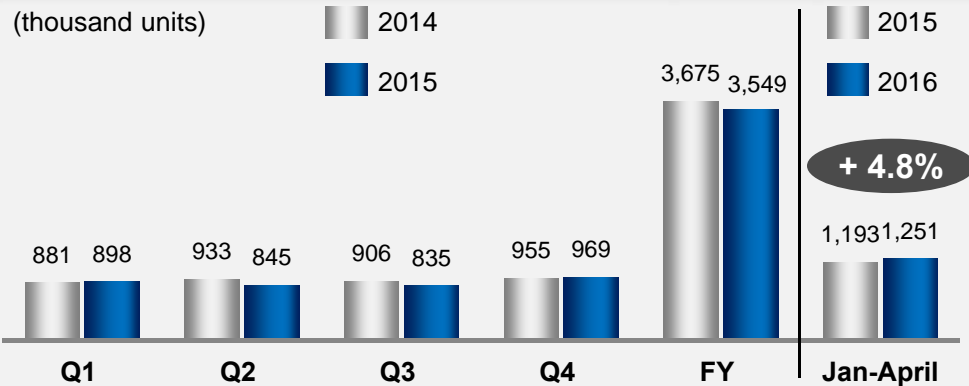


Tiguan

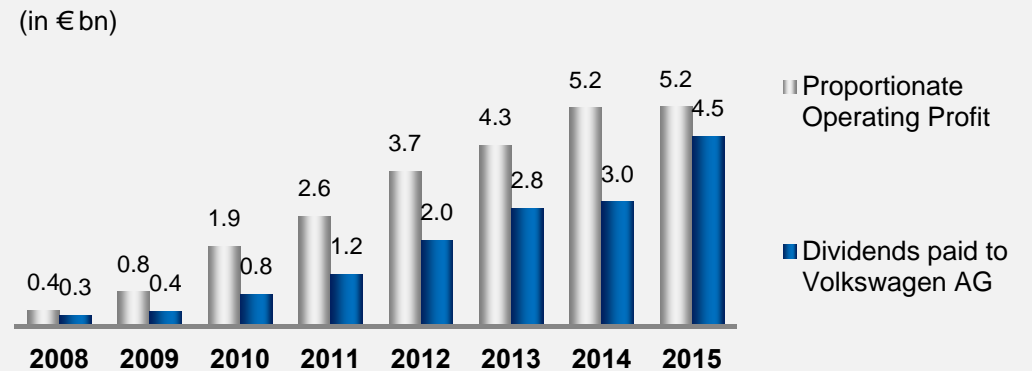
# Deep roots and strong market position combined with further growth potential continues robust performance in China



## Deliveries to customers – strong Jan-April 2016



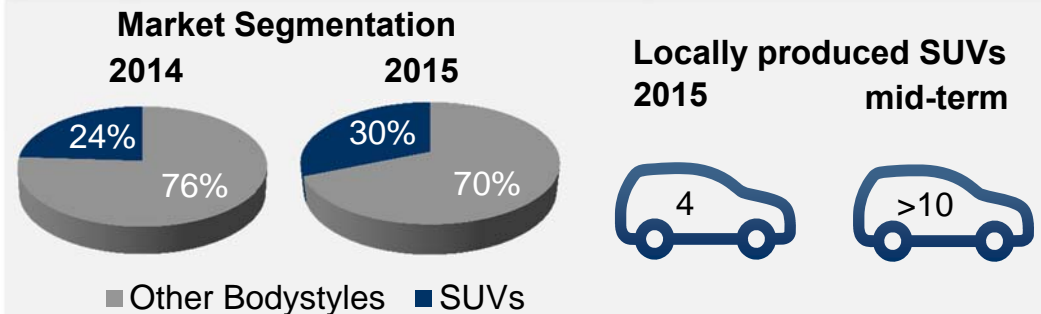
## Strong operational & financial track record



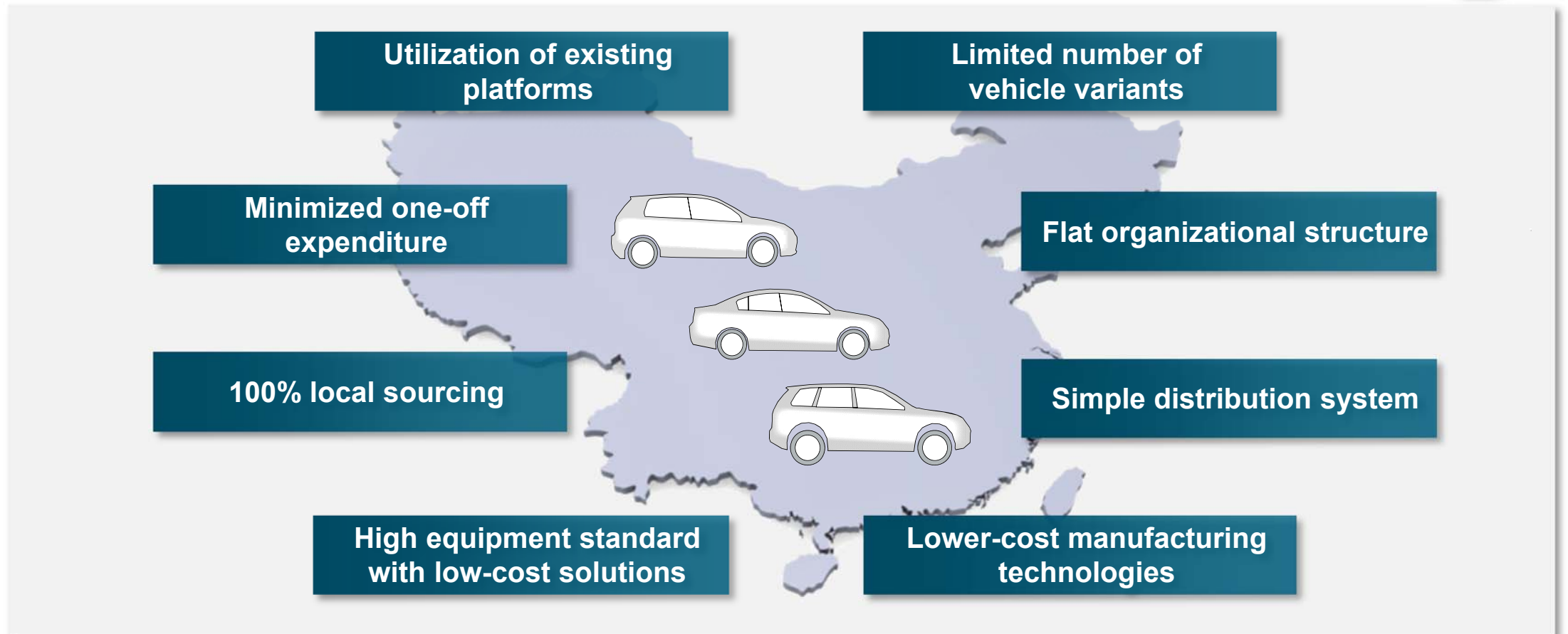
## Localization of New Electric Vehicles



## Significant extension of SUV portfolio until 2020



# Volkswagen Group's 360° business model for the budget car family

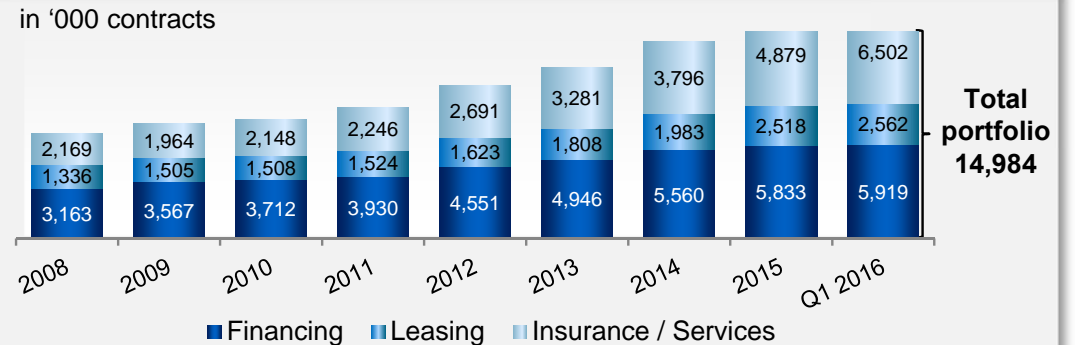


# Volkswagen Financial Services<sup>1)</sup>: global, well diversified and successful

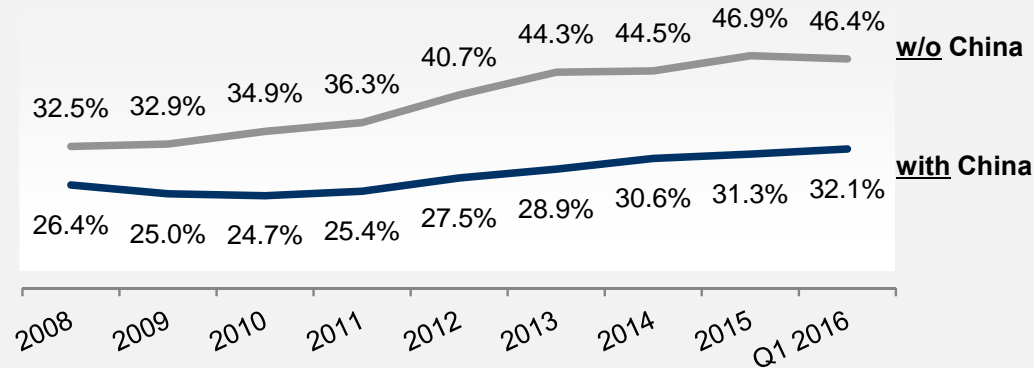
## Strong global presence



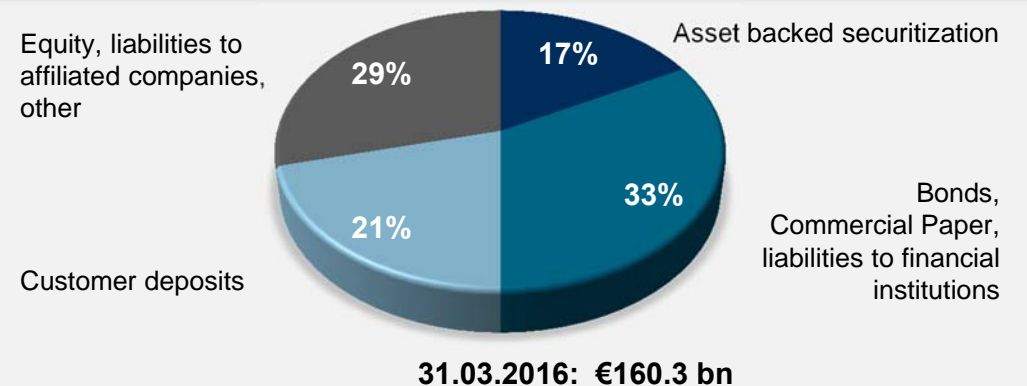
## Continuous portfolio expansion



## Rising penetration rates



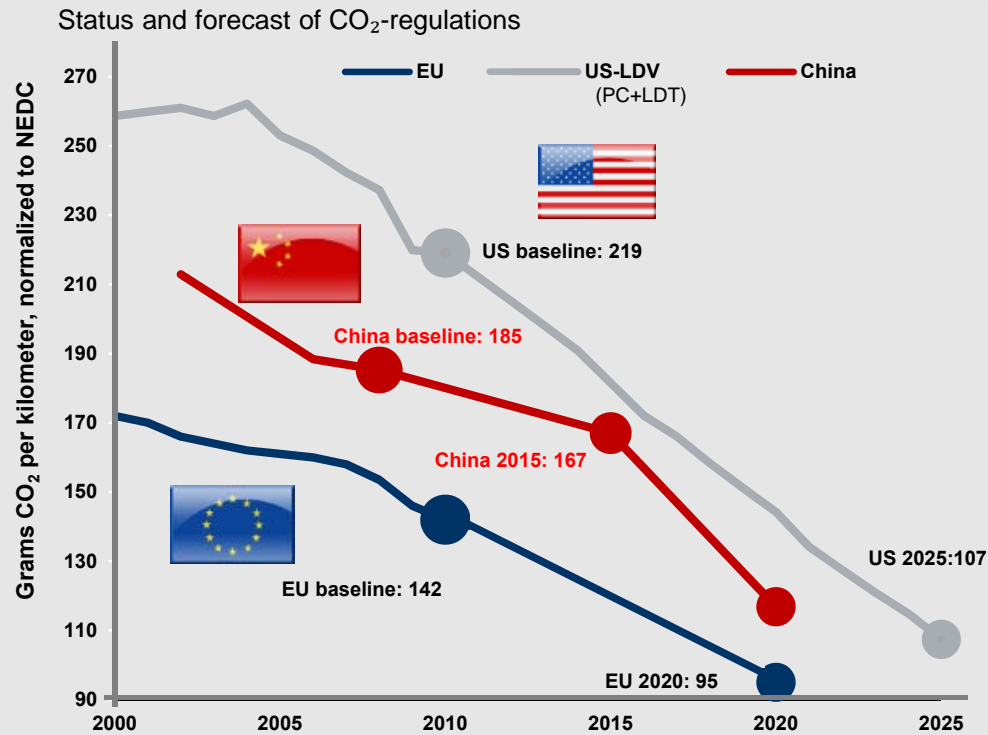
## Diversified funding structure





# Challenging emission regulations, trends and business transformation opportunities

## ... CO<sub>2</sub> and EU6 regulations



Source: based on ICCT

## ... Market / consumer trends

Digitalization



Shorter lifecycles



E-mobility



SUV trend



Automated driving

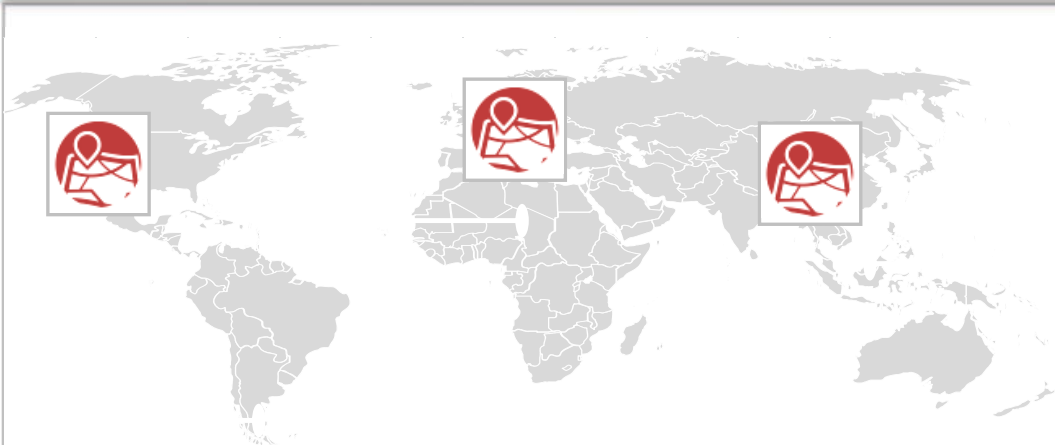


Shift in priorities



# Volkswagen is making digital transformation a top priority concentrating on digitalization and autonomous driving

## Volkswagen Group Future Centers



- **Three new Volkswagen Group Future Centers** in Silicon Valley, Potsdam and Beijing
- **Approach:** designers and digitalization experts work hand in hand to create the car of the future
- **Goal:** best in class customer experience, interface design and user friendliness, new interior concepts, integration of infotainment and entertainment systems

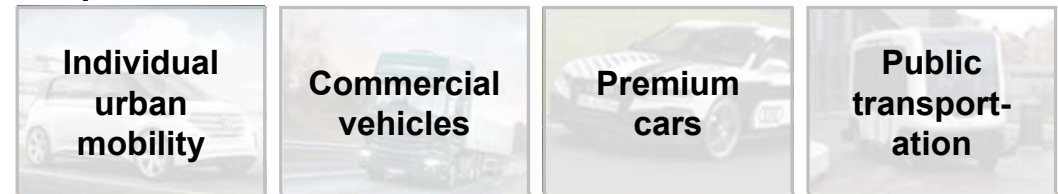
## Autonomous driving

- 91% of accidents caused by human error → reduce number of accidents
- People spend more than 4 years of their life in the car on average → make that time usable for the driver
- Huge potential for trucks → significantly higher productivity
- Car parked most of the day → customer achieves best return on investment by fully utilizing the car
- Infrastructure limited → has to be used more efficiently

**20<sup>th</sup> Century: Engine is the core of the automobile**

**21<sup>st</sup> Century: Self-driving system is the core of the automobile**

### Top fields of use



**Group is building on strong knowledge base – initiative started to get to market ahead of competitors**

## Modular toolkits – Brand responsibilities

**MQB**



**MLB Evo**



Audi



**MSB**



PORSCHE



**MNB**



Commercial Vehicles



**MMB**



PORSCHE



**Modular  
Transverse  
Toolkit**

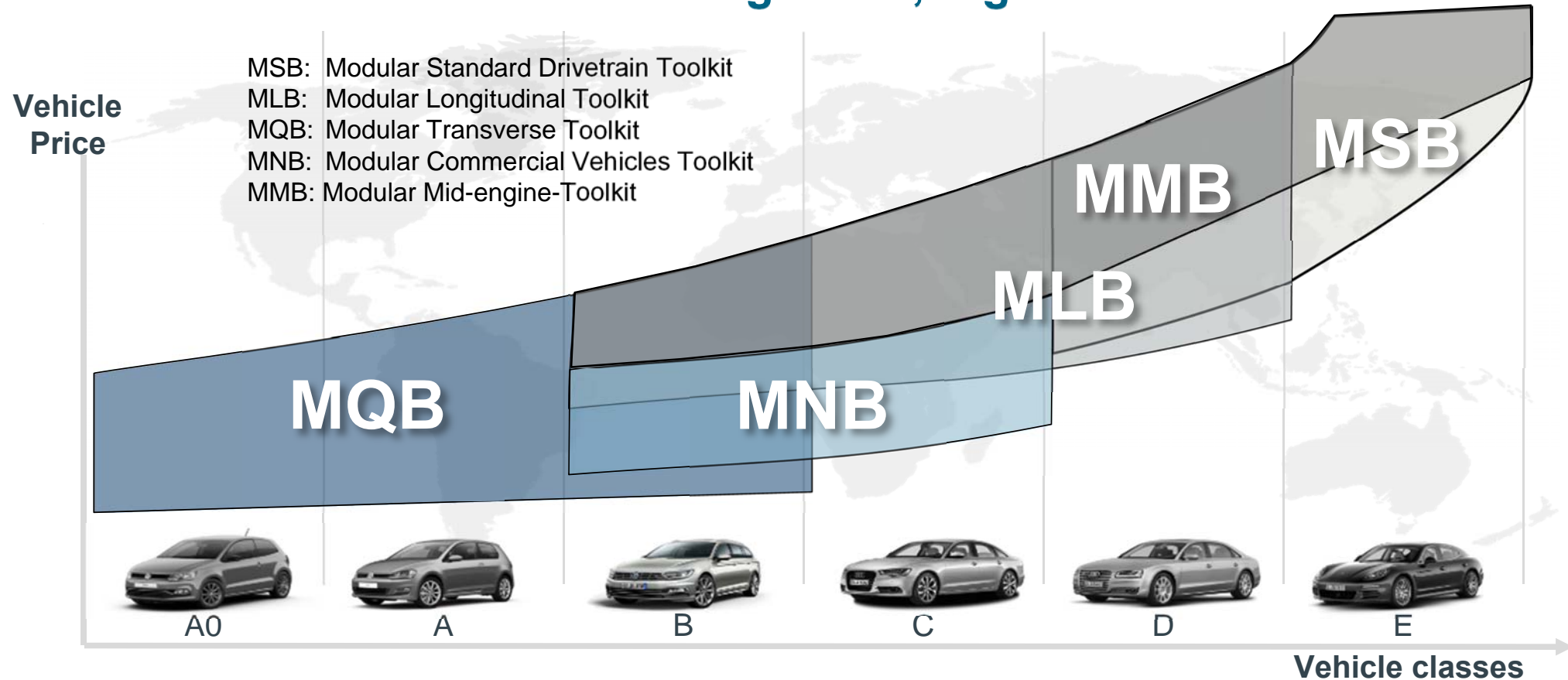
**Modular  
Longitudinal  
Toolkit**

**Modular  
Standard  
Drivetrain  
Toolkit**

**Modular  
Light  
Commercial  
Vehicle Toolkit**

**Modular  
Mid-engine  
Toolkit**

# Modular toolkits offered across segments, regions and brands



Continuous Roll-out of Toolkit Strategy across Segments, Regions & Brands

## We are working on the key trends in our industry ...

 **Digitalization**

 **Sustainability**

 **Connectivity**

 **Smart mobility**

 **E-mobility**

 **Autonomous driving**

**Strategy  
2025**

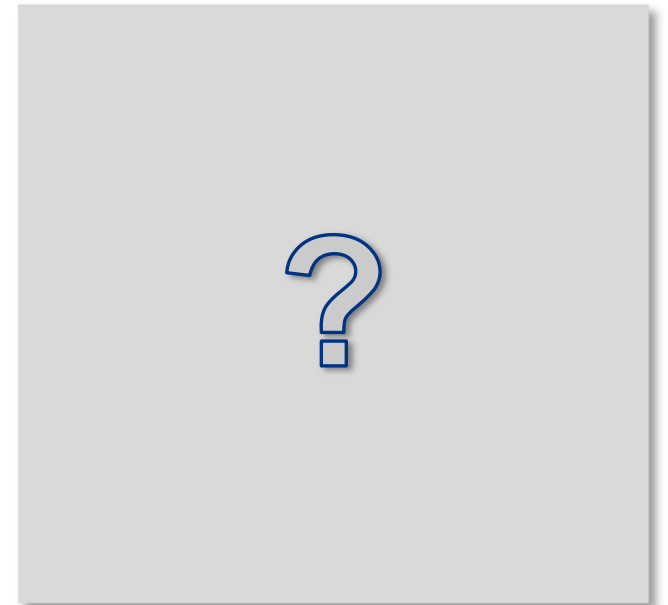
# Volkswagen – On the road to providing integrated mobility solutions



Global ride hailing provider



US freight trucking market





**“Together, we will create  
a new Volkswagen  
and play a key role in designing  
the mobility world  
of tomorrow”**

## Investor Relations Team



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## Events 2016

**22. June 2016** Volkswagen AG Annual General Meeting 2016

**28. July 2016** Volkswagen AG Interim Report January – June 2016

**27. October 2016** Volkswagen AG Interim Report January – September 2016



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## Volkswagen Group Appendix

# Rating Volkswagen Group

MOODY'S

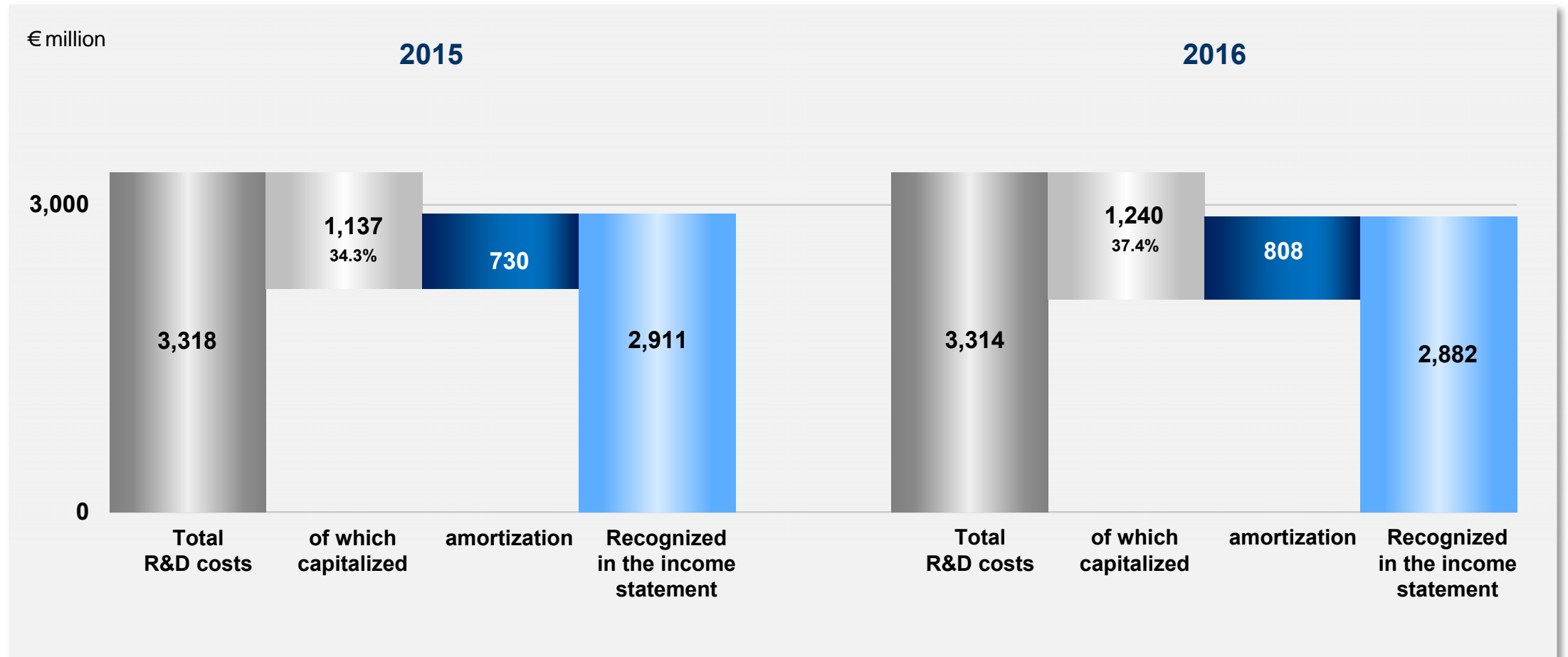
STANDARD & POOR'S  
RATINGS SERVICES  
McGRAW HILL FINANCIAL

Investment grade	Moody's	Standard & Poor's
Aaa		AAA
Aa1		AA+
Aa2		AA
Aa3		AA-
A1	VW FS AG (N), Volkswagen Bank GmbH (N)	A+
A2		A
A3	Volkswagen AG (N)	A-
Baa1		BBB+
Baa2		BBB
Baa3		BBB-
Ba1		BB+
Ba2		BB
Ba3		BB-
B1		B+
B2		B
---		B--

Outlook -> (P)ositive, (S)table, (N)egative, **RfD** = Ratings under review for Downgrade, **RfU** = Ratings under review for Upgrade

as of: May 31st, 2016

## Automotive division – Research and development costs (January to March 2016 vs. 2015)



# Volkswagen Budd-e



# Audi Q2



## Porsche 911 Turbo S Cabrio

## Porsche 911 Turbo S



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# ŠKODA VisionS





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## SEAT Ateca



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# Bentley Bentayga



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# Lamborghini Huracán LP 610-4 Spyder



# Volkswagen Multivan



# MAN TGX D38

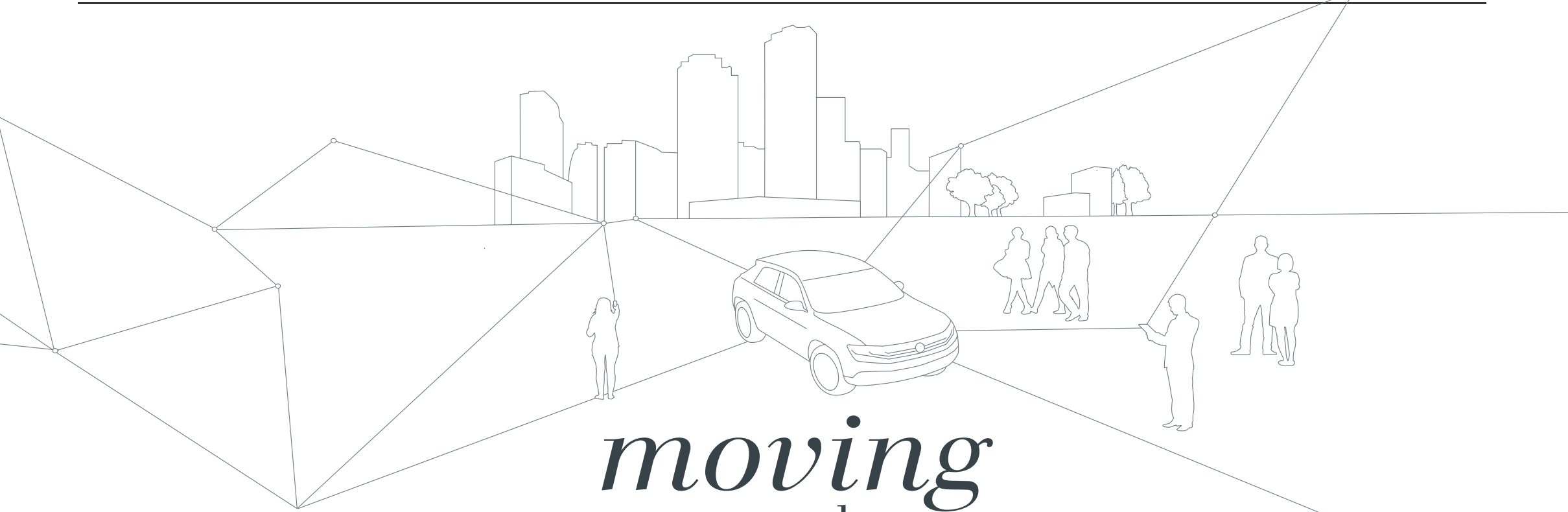


# Scania R 730 6x4 Streamline



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*moving*  
people

## Volkswagen Group

Frank Witter

**Member of the Board of Management, Finance and Controlling**

Natixis Roadshow, Paris, 2 June 2016