

VOLKSWAGEN  
AKTIENGESELLSCHAFT



## Volkswagen Group – New Perspectives

**Frank Witter**

Member of the Board of Management

Exane BNP Paribas and Barclays Geneva Motor Show Conference, Geneva, 1 March 2016

## Disclaimer

The following presentations contain forward-looking statements and information on the business development of the Volkswagen Group. These statements may be spoken or written and can be recognized by terms such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will” or words with similar meaning. These statements are based on assumptions relating to the development of the economies of individual countries, and in particular of the automotive industry, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. The estimates given involve a degree of risk, and the actual developments may differ from those forecast.

Consequently, any unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, will have a corresponding impact on the development of our business. The same applies in the event of a significant shift in current exchange rates relative to the US dollar, sterling, yen, Brazilian real, Chinese renminbi and Czech koruna.

If any of these or other risks occur, or if the assumptions underlying any of these statements prove incorrect, the actual results may significantly differ from those expressed or implied by such statements.

We do not update forward-looking statements retrospectively. Such statements are valid on the date of publication and can be superceded.

This information does not constitute an offer to exchange or sell or an offer to exchange or buy any securities.

## How the NOx issue will be solved

### Europe (approved by KBA)



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

- Software fix only
- Working time ca 30 min.
- Fix started in Q1 2016



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

- Soft- and Hardware fix required
- Working time < 1h
- Fix starts in Q3 2016



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

- Software fix only
- Working time ca 30 min.
- Fix starts in Q2 2016

### USA

EA189 2.0 I  
(Gen 1):  
~ 0.4m units

EA189 2.0 I  
(Gen 2):  
~ 0.1m units

EA288 2.0 I  
(Gen 3):  
~ 0.1m units



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

## Our 5 top priorities



### **Helping our customers**

Communicating & providing effective technical solutions

*In progress*



### **Uncovering what happened**

Finding out the truth and learning from it

*Report based on  
Jones Day investigation  
second half of April*



### **New structure**

Launching a more entrepreneurial & decentralized Group structure

*In progress*



### **New mindset**

Profoundly changing the way we do things

*In progress*



### **New destination**

Re-evaluating what we do & re-defining our targets

*Strategy 2025  
(Mid-2016)*

## Publications of 2015 figures and AGM delayed due to remaining open questions and resulting valuation calculations relating to diesel issue

| <u>Event</u>  | <u>Previous Date</u>      | <u>Status</u>   | <u>Statement regarding result 2015</u>   |
|---|---------------------------|---|--|
| Annual press conference   | March 10, 2016            | Delayed<br>              | <p><b><i>“Before special items Volkswagen anticipates the Operating Result for the Group at the level of the prior year”</i></b></p> |
| Annual General Meeting  | April 21, 2016            | Delayed<br>              |  |
| Jones Day report on background and responsibilities connected to Diesel issue | Second half of April 2016 | Sticking to timing<br> |  |

# Volkswagen Group reduces level of capex and resets priorities

## Investments in property, plant and equipment

Prior planning as of November 2014

€64.3 bn



2015 - 2019

~€13 bn



Ø per year

New planning as of  
November 2015

max €12 bn



2016

## Prioritization and focus on digitalization and e-mobility

Uncertainty requires  
prioritization of  
investments

Cancellation or delay of all  
projects that are not  
absolutely necessary



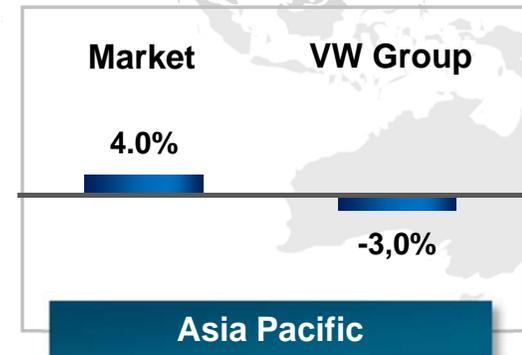
Not jeopardizing our future:  
spending on digitalization  
and alternative drive train  
technologies will be  
increased further

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



## Development World Car Market vs. Volkswagen Group Car Deliveries to Customers<sup>1)</sup> (Growth y-o-y in deliveries to customers, January to December 2015 vs. 2014)

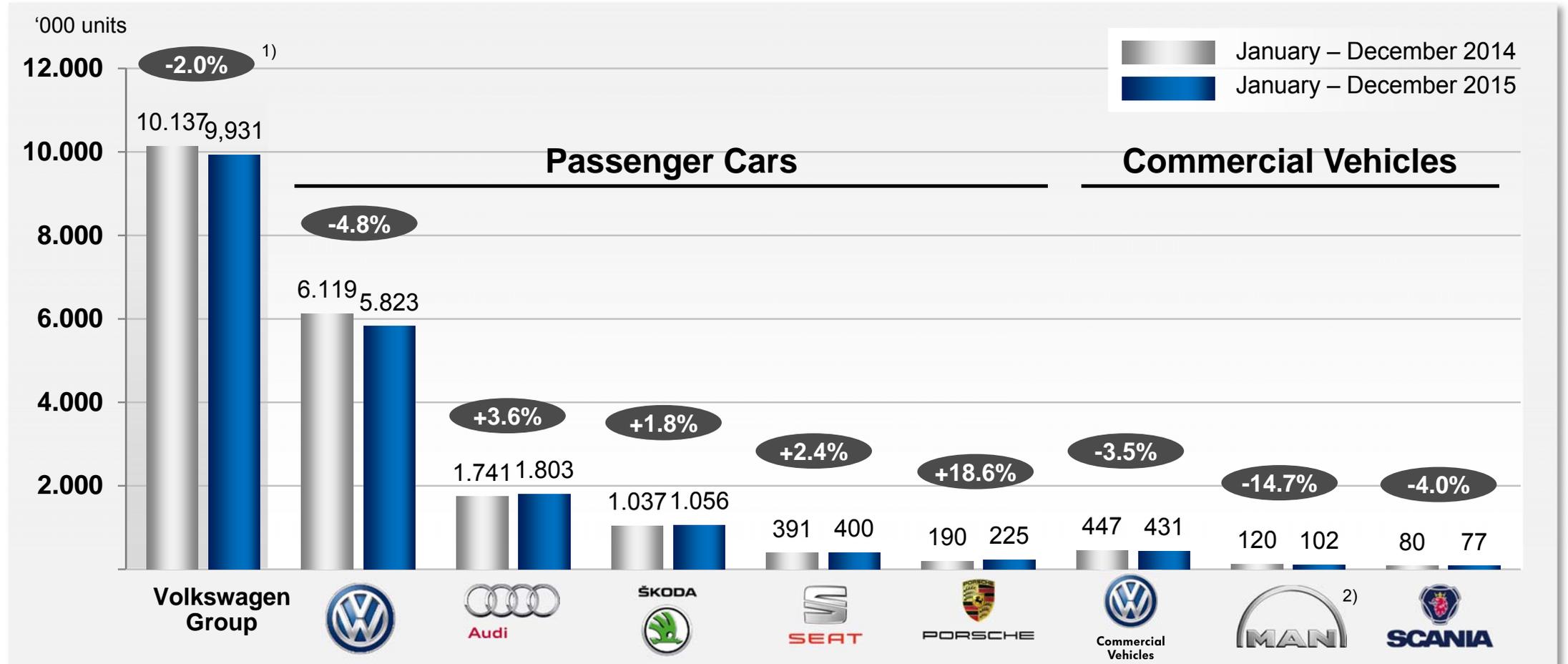
**World: Market: 2.6% Volkswagen Group: -1.8%**



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

# Volkswagen Group – Deliveries to Customers by Brands

(January to December 2015 vs. 2014)

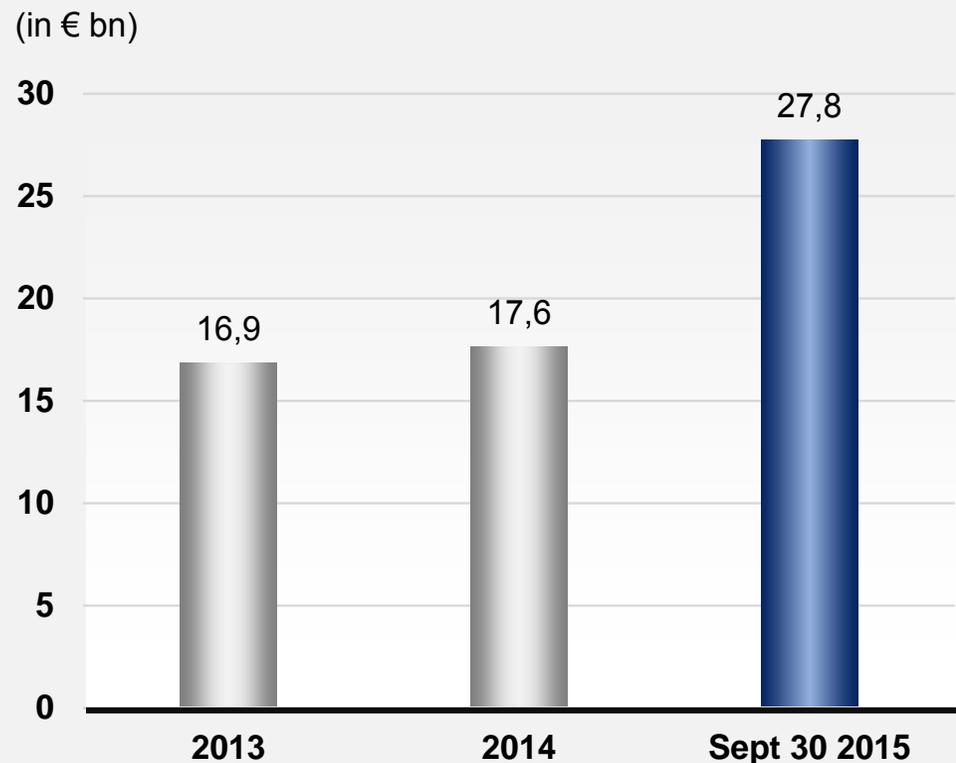


<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -1.8% excl. Volkswagen Commercial Vehicles, Scania and MAN.

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

## Volkswagen Group – Generating cash and robust financial position

### Automotive Division - Net Liquidity



### Funding programs as of September 30 <sup>1)</sup>

(in € bn)

#### Money and Capital Markets

|                              | Utilization |
|------------------------------|-------------|
| Commercial Papers            | 5.5         |
| Medium Term Notes / Bonds    | 60.0        |
| <i>thereof: Hybrid Bonds</i> | 7.5         |
| ABS <sup>2)</sup>            | 26.5        |

#### Borrowings

|  |              |
|--|--------------|
| Committed Lines                                      | 2.2          |
| Uncommitted Lines                                    | 7.7          |
| Supranationals, development banks, government, other | 16.0         |
| Direct Banking Deposits                              | 23.5         |
| <b>Total Amount</b>                                  | <b>141.4</b> |

*Bridge facility*

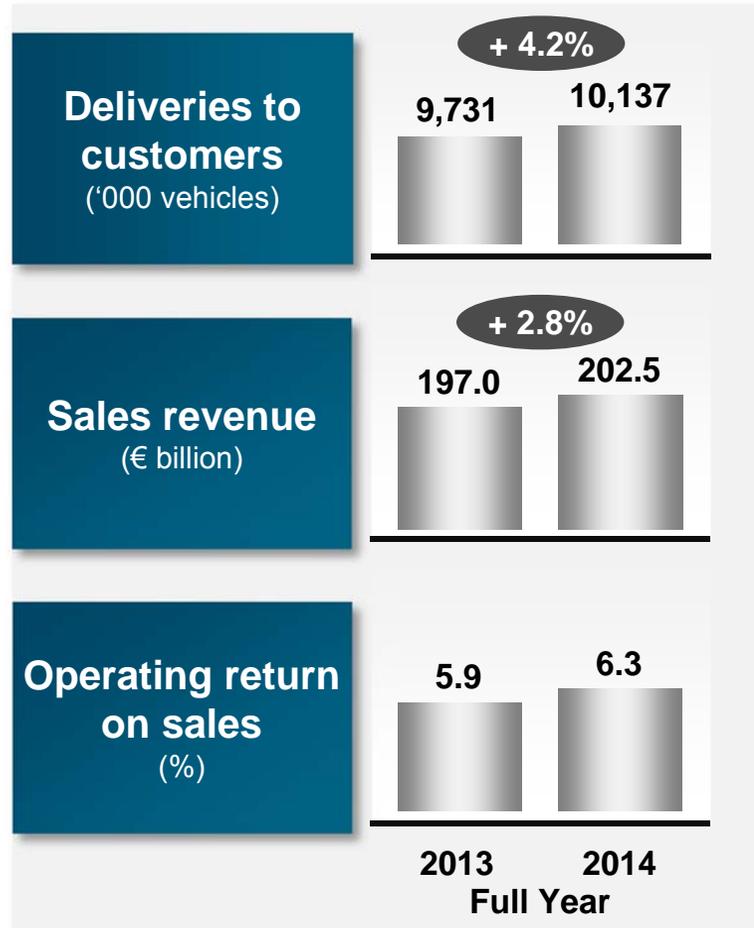
*up to €20 bn*

1) Excluding Porsche, MAN, Scania

2) Including Porsche, MAN

Source: Volkswagen Group

## Volkswagen Group – Outlook for 2015

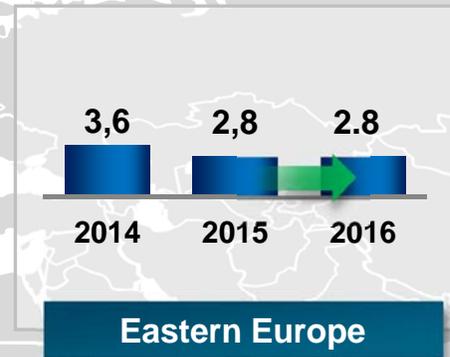


- As commented in our Press Release on February 5<sup>th</sup>, 2016, the Operating Result for the Group before Special Items will be at the level of the prior year with an Operating Margin within the forecast range between 5.5% and 6.5%.

In terms of Operating Profit...

- due to the impact relating to the Diesel issue we anticipate a Group Operating Profit after Special Items as well as for the Passenger Cars Business Area significantly below the prior year level.
- For the Financial Services Division, we are forecasting an Operating Profit at the prior-year level.

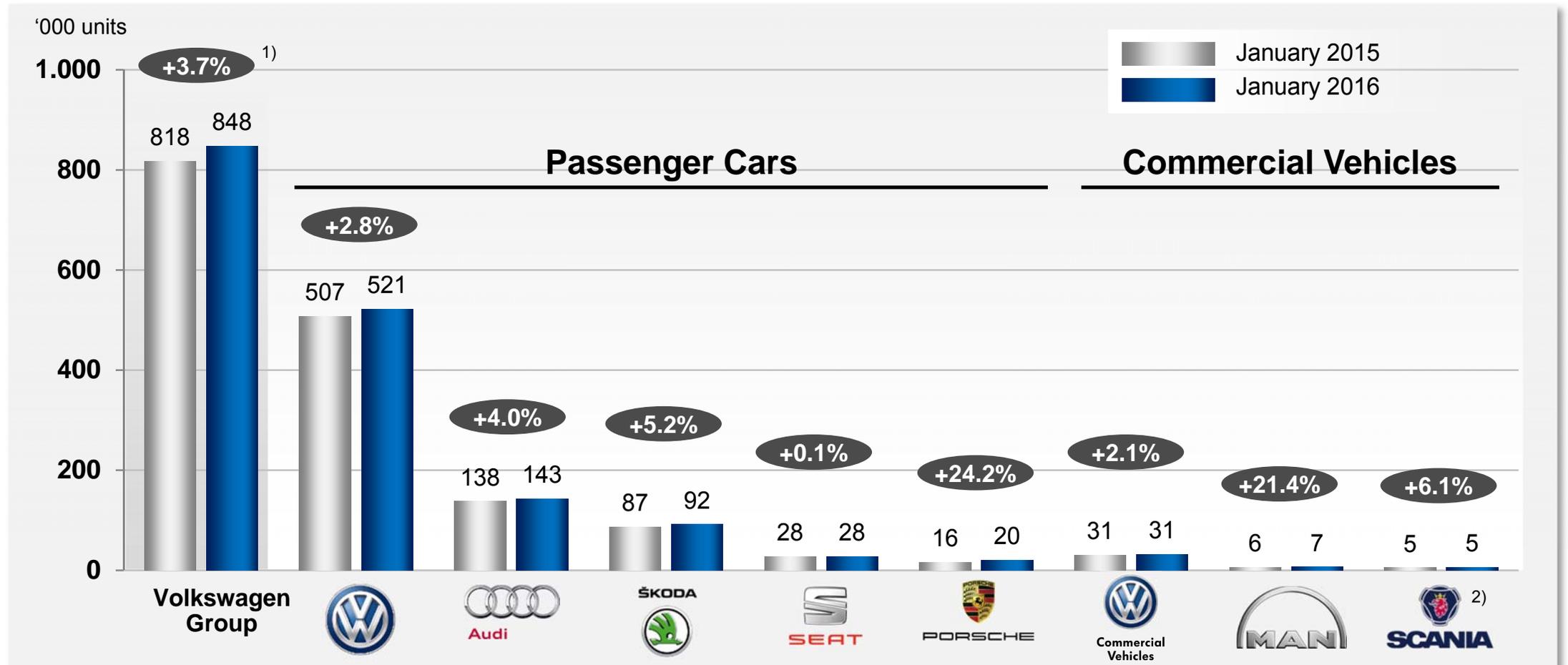
## Passenger car market forecast 2016 – overall growth expected (in million units)



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

# Volkswagen Group – all major brands grew deliveries in January

(January 2016 vs. 2015)

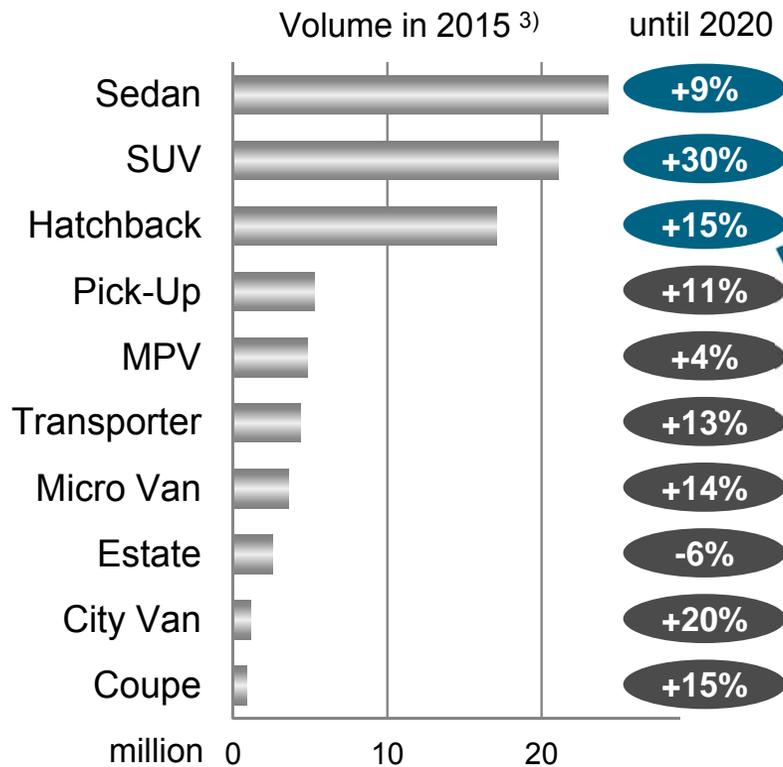


<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +3.6% excl. Volkswagen Commercial Vehicles, Scania and MAN.

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

# Product firework<sup>1)</sup> aligns with expected future market trends

## Body group trends until 2020<sup>2)</sup>



## New models 2016 and to follow

### Sedan



### SUV



### Hatchback



### Other



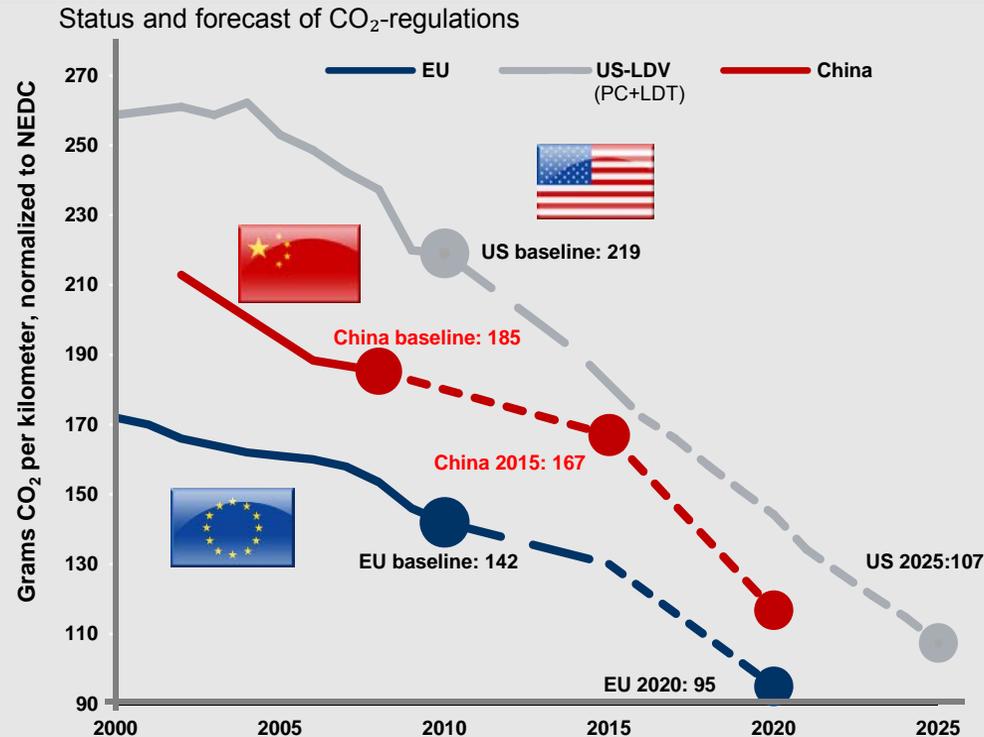
<sup>1)</sup> Schematic overview – does not show all models

<sup>2)</sup> Source: IHS

<sup>3)</sup> final figures

# Tightening environmental regulation and major trends driving R&D expenditures and Group strategy

## ... 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 with focus on digitalization and autonomous driving

## Volkswagen Group Future Centers



- **Three new Volkswagen Group Future Centers** in Europe, California and Asia
- **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

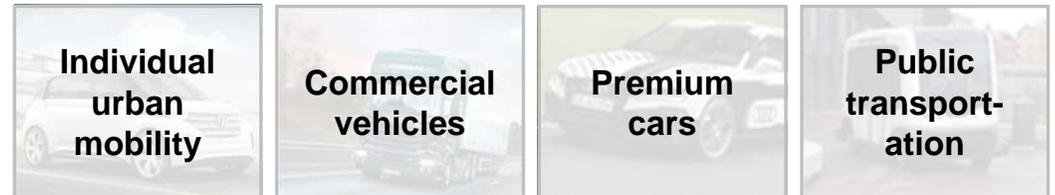
## Autonomous driving

- 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**



# 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



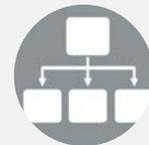
## COMMUNICATION

- 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



# Volkswagen brand vehicle development: bundling of competencies into four model series and pooling of responsibilities

## Competencies bundled into four model series

### Strategy division

- 1 Define lifecycles
- 2 Coordinate

Small



Polo

Compact



Golf

Mid-/Fullsize



Passat

e-Mobility



e-up!

## Pooling responsibilities - entrepreneurial approach

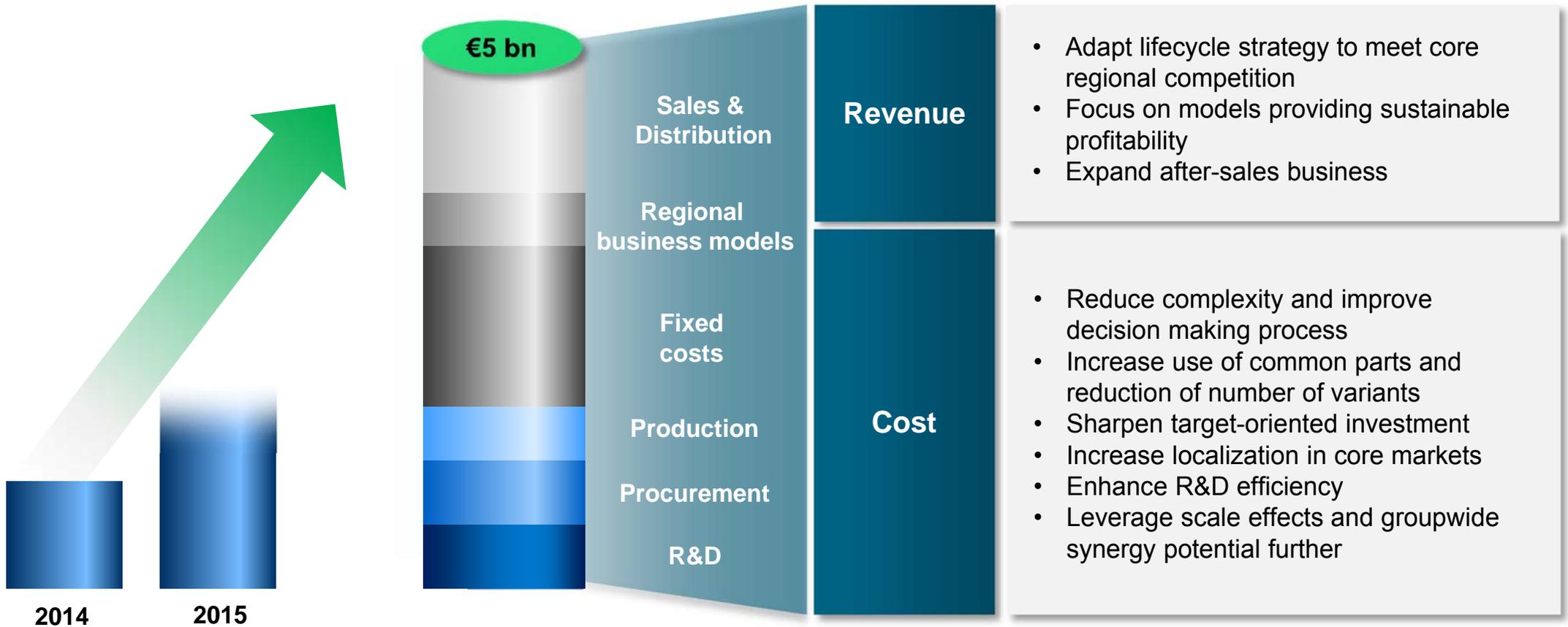


## Core of “new Volkswagen” initiative

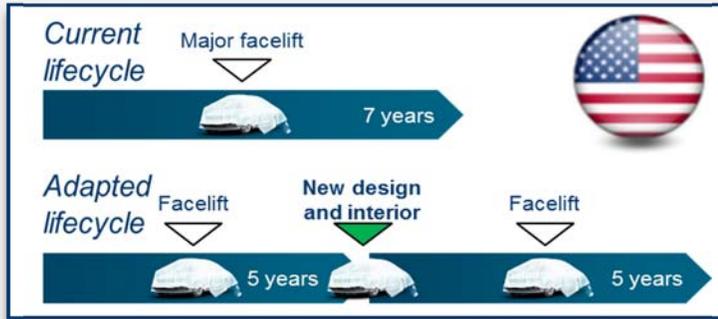
- Clear structures and responsibilities
- More time for workforce to focus on core tasks
- Strengthen personal responsibility, initiative and team spirit
- Stronger focus on profitability
- Acceleration of development



# Volkswagen Brand: Substantial efficiency measures across all business areas

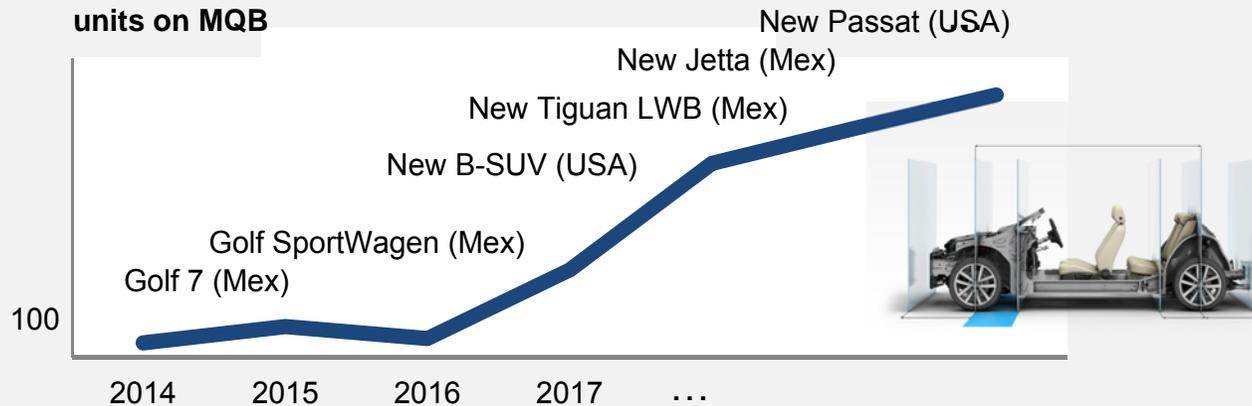


## USA - Shorter life cycles, presence in growth segments and higher economies of scale



- Moving towards a 2 x 5 year life cycle
- Extending the product range by offering more models in growth segments
- New vehicle projects are steered locally by North American Planning & Engineering Center in Chattanooga, TE
- Moving all major models onto MQB to realize economies of scale
- Significant increase of local production, sourcing and cost reduction
- Volkswagen Group Future Center in Silicon Valley currently being established: designers and digitalization experts work hand in hand to create the car of the future

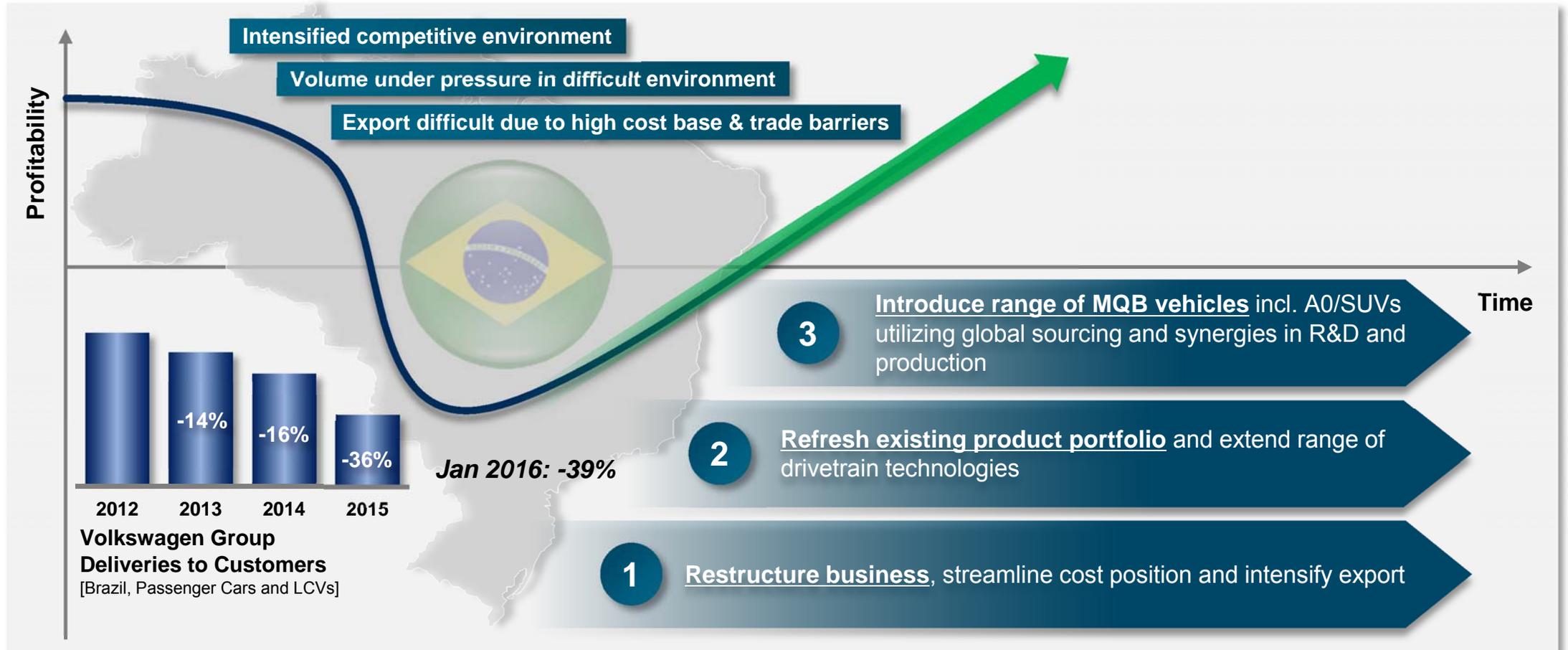
Nafta Production in '000 units on MQB



### New products from 2016 onwards



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



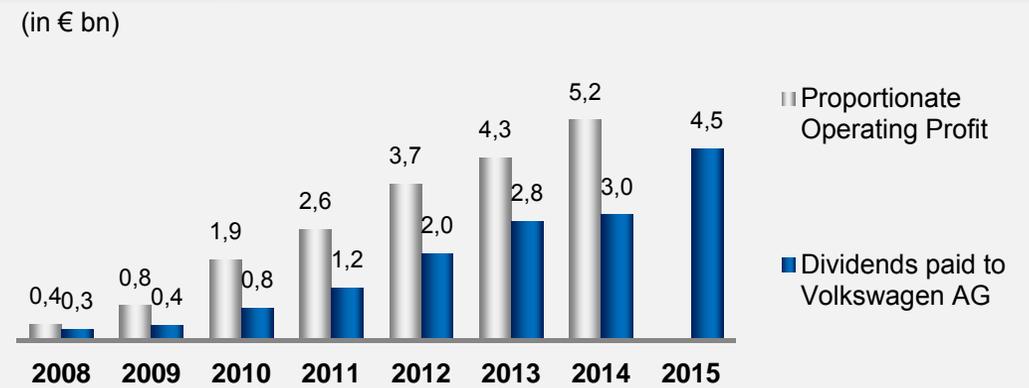
# Deep roots and strong market position combined with further growth potential assures continued profitable growth in China



## Deliveries to customers – strong January 2016



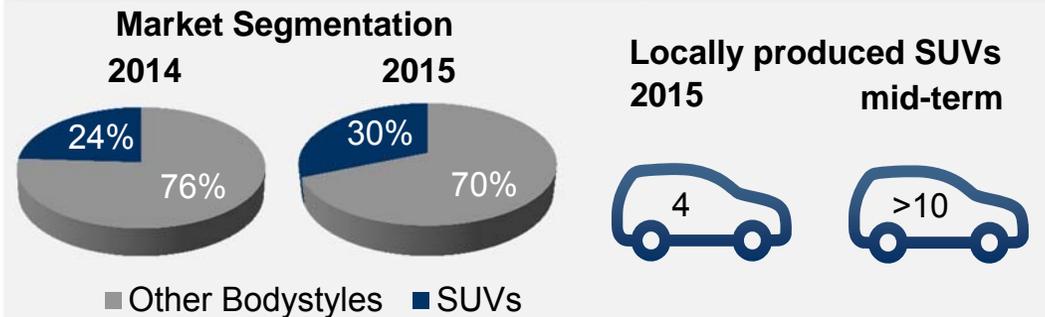
## Strong operational & financial track record



## Localization of New Electric Vehicles



## Significant extension of SUV portfolio until 2020



## 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**



**SCANIA**



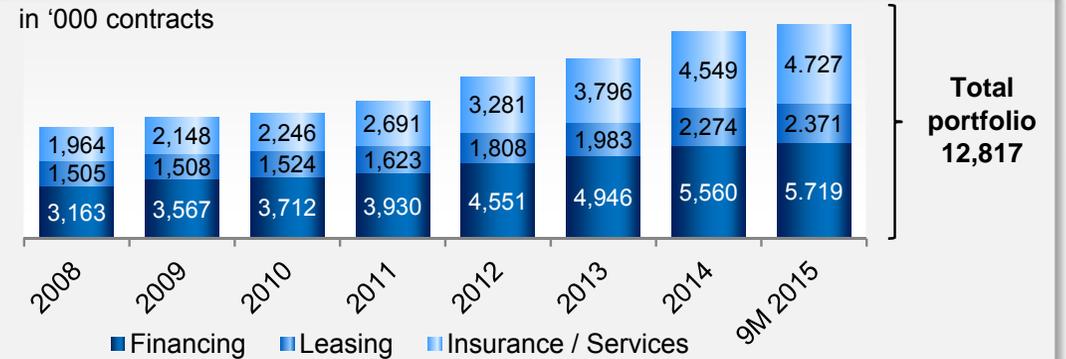
**Caminhões  
Ônibus**

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

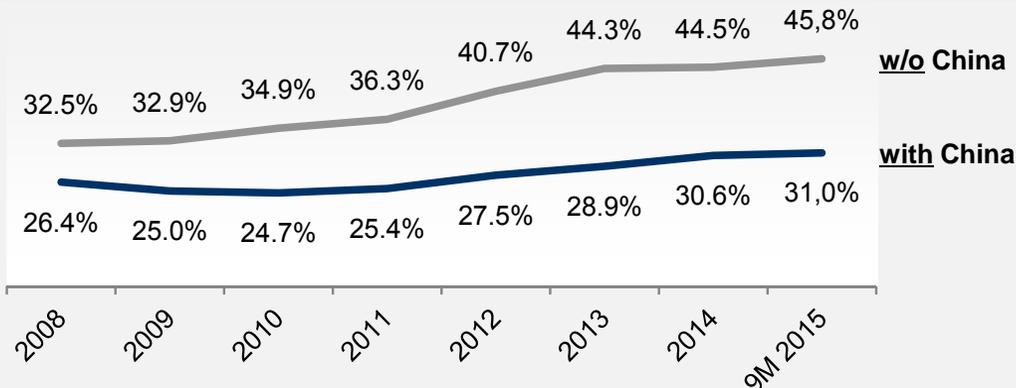
## Strong global presence



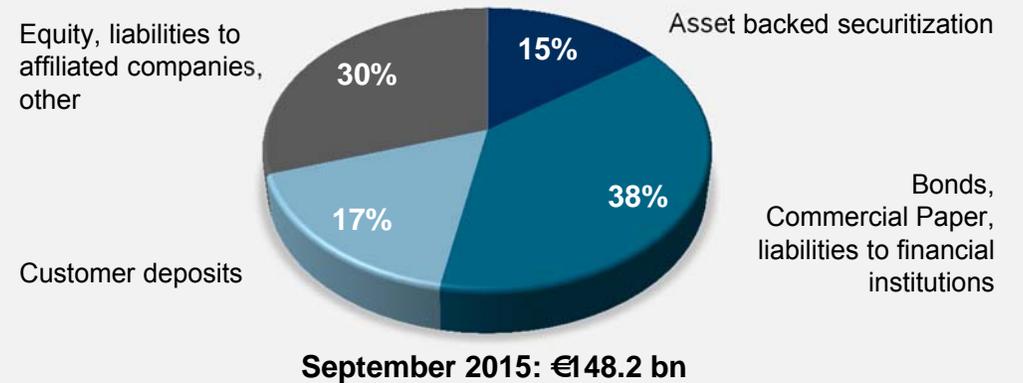
## Continuous portfolio expansion



## Rising penetration rates



## Diversified funding structure



# Strategy 2025 is being developed to prepare the Volkswagen Group for the new challenges of the automotive industry

## New focus areas

| Digitalization   | Sustainability  | Integrity/Compliance   |
|--|---|--|
| <ul style="list-style-type: none"> <li>• New function reporting to Group CEO</li> <li>• Group-wide initiative</li> <li>• Digital Future Labs</li> <li>• Industry / Business 4.0</li> </ul> | <ul style="list-style-type: none"> <li>• 20 additional e-models by 2020</li> <li>• Focus on battery technology</li> <li>• Innovative conventional drive trains</li> </ul> | <ul style="list-style-type: none"> <li>• New function in Board of Management</li> <li>• Firmly anchored in structures and processes</li> </ul> |

## Foundation



**Strategy  
2025**  
(to be presented  
mid-2016)

# Appendix

**Volkswagen up!**



VOLKSWAGEN  
AKTIENGESELLSCHAFT

# Volkswagen T-Cross Breeze



# Audi e-tron quattro concept



# Audi Q2



# Porsche 718 Boxster



# Porsche Mission E Concept



VOLKSWAGEN  
AKTIENGESELLSCHAFT

# ŠKODA VisionS



VOLKSWAGEN  
AKTIENGESELLSCHAFT

# ŠKODA Superb Combi SportLine



VOLKSWAGEN

AKTIENGESELLSCHAFT

# SEAT Ateca



# Bentley Mulsanne



VOLKSWAGEN  
AKTIENGESELLSCHAFT

# Lamborghini Huracán Spyder LP 610-4



# Bugatti Chiron



VOLKSWAGEN  
AKTIENGESELLSCHAFT



## Volkswagen Group – New Perspectives

**Frank Witter**

Member of the Board of Management

Exane BNP Paribas and Barclays Geneva Motor Show Conference, Geneva, 1 March 2016