

VOLKSWAGEN

AKTIENGESELLSCHAFT



Volkswagen Group – Moving ahead

Frank Witter

Member of the Board of Management

UniCredit Kepler Cheuvreux German Corporate Conference, Frankfurt, 20 January 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 Such statements are valid on the date of publication and can be superseded.

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 2.0I (EU5): ~ 5.2m units

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



EA189 1.6I (EU5): ~ 3m units

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



EA189 1.2I (EU5): ~ 0.3m units

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

USA

EA189 2.0 I (Gen 1)	EA189 2.0 I (Gen 2)	EA288 2.0 I (Gen 3)
~ 0.4 million units	~ 0.1 million units	~ 0.1 million 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



Uncovering what happened

Finding out the truth and learning from it



New structure

Launching a more entrepreneurial & decentralized Group structure



New mindset

Profoundly changing the way we do things



New destination

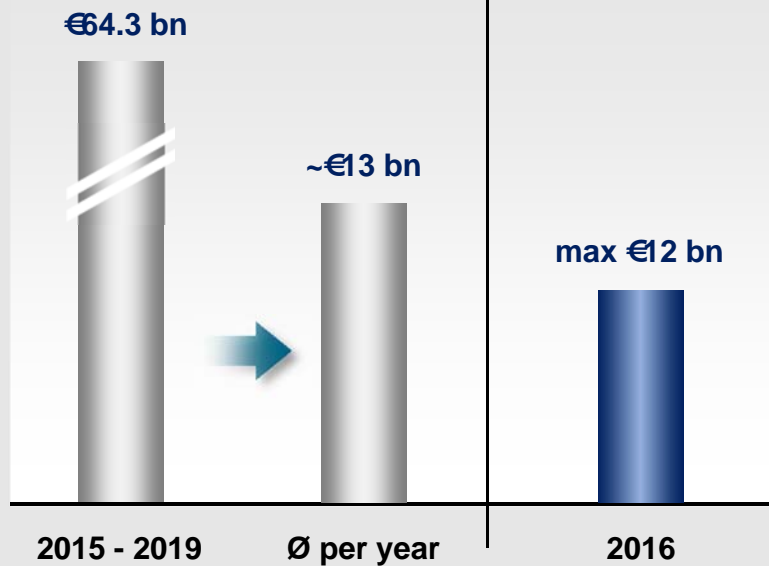
Re-evaluating what we do & re-defining our targets

Volkswagen Group reduces level of capex and accelerates the achievement of Group synergies

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

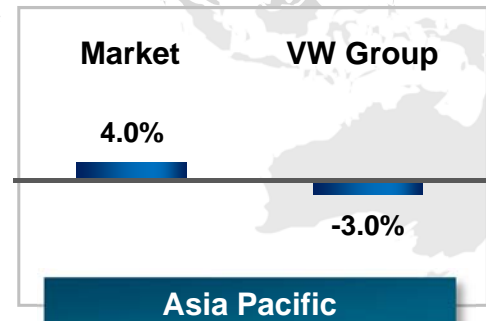
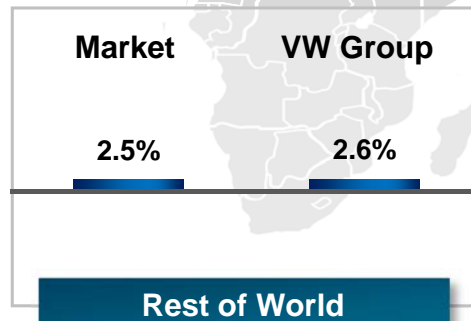
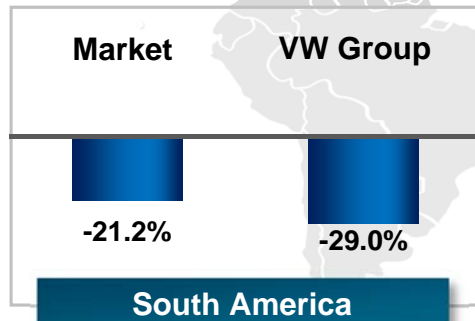
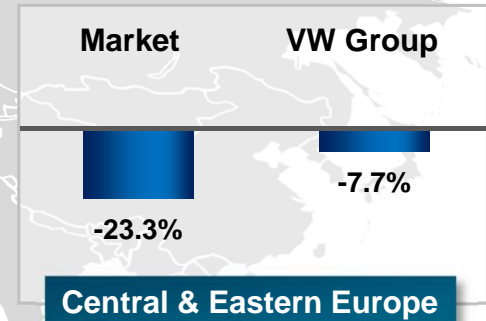
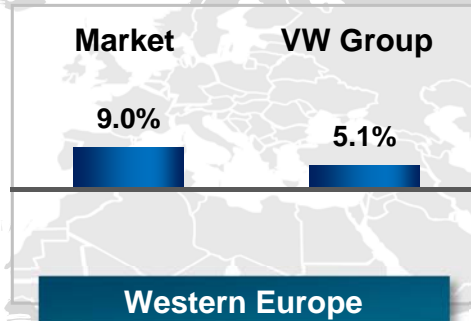
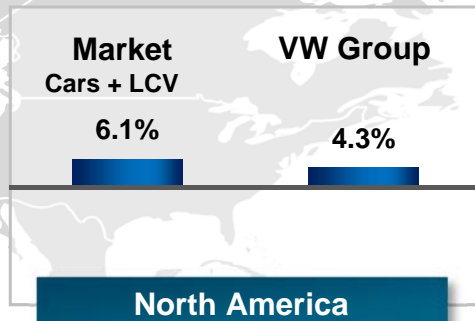
Cancellation or delay of all projects that are not absolutely necessary

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

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

Development World Car Market vs. Volkswagen Group Car Deliveries to Customers¹⁾ (Growth y-o-y in deliveries to customers, January to December 2015 vs. 2014)

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



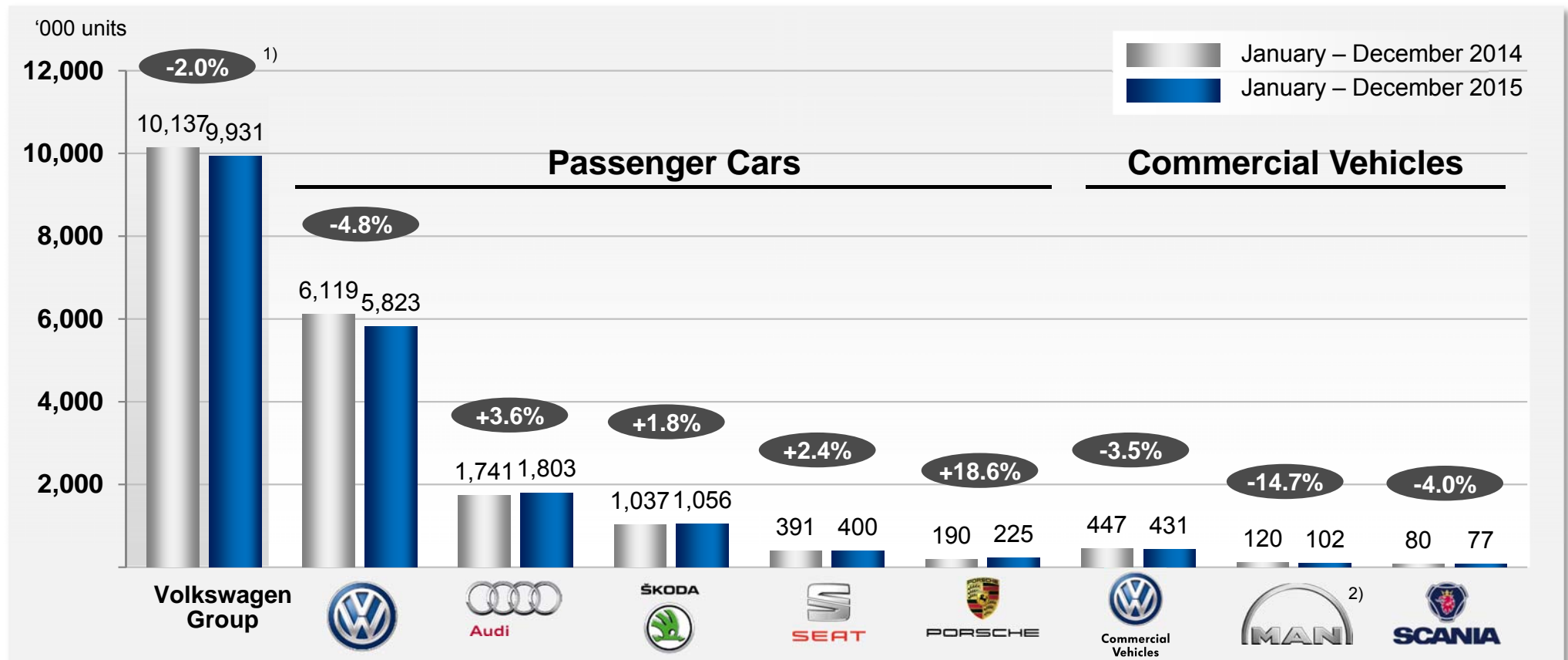
¹⁾ Figures excl. Volkswagen Commercial Vehicles, Scania and MAN.

VOLKSWAGEN

AKTIENGESELLSCHAFT

Volkswagen Group – Deliveries to Customers by Brands

(January to December 2015 vs. 2014)



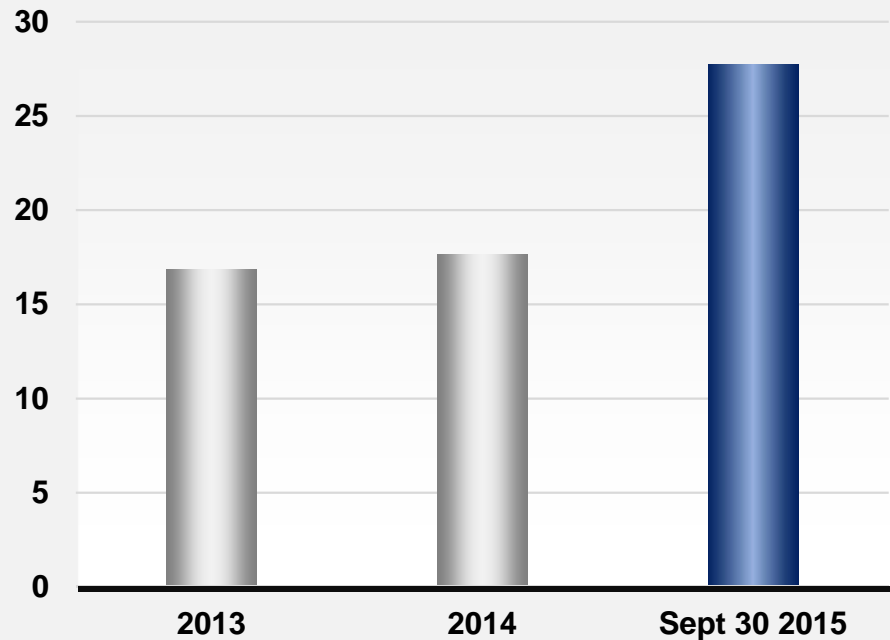
¹⁾ Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -1.8% excl. Volkswagen Commercial Vehicles, Scania and MAN.

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

Volkswagen Group – Generating cash and robust financial position

Automotive Division - Net Liquidity

(in € bn)



Funding programs as of September 30 ¹⁾

(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 ²⁾	26.5

Borrowings

Committed Lines	2.2
Uncommitted Lines	7.7
Supranationals, development banks, government, other	16.0
Direct Banking Deposits	23.5

Total Amount

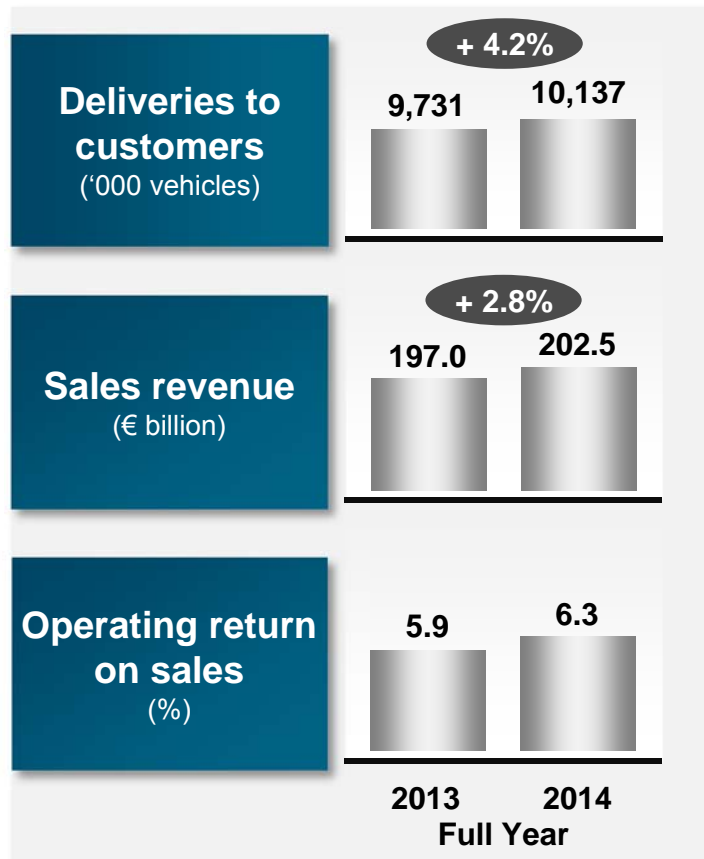
141.4

1) Outstandings excluding Porsche, MAN, Scania

2) Including Porsche, MAN

Source: Volkswagen Group

Volkswagen Group – Outlook for 2015



We expect ...

- deliveries to customers for the Volkswagen Group in 2015 to remain on a level with the previous year in a persistently challenging market environment.
- 2015 sales revenue for the Volkswagen Group and its business areas to increase by up to 4% y-o-y, depending on the economic conditions. However, economic trends in Latin America and Eastern Europe will need to be continuously monitored in the Commercial Vehicles/Power Engineering Business Area.

In terms of operating profit...

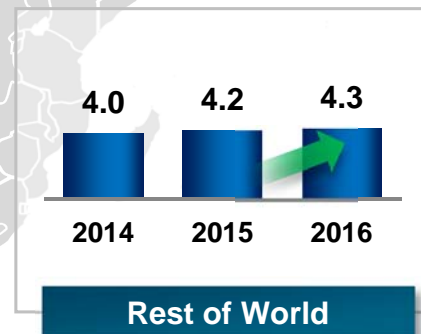
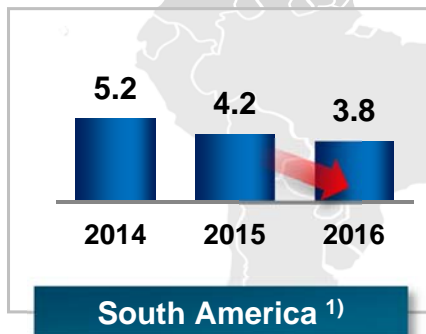
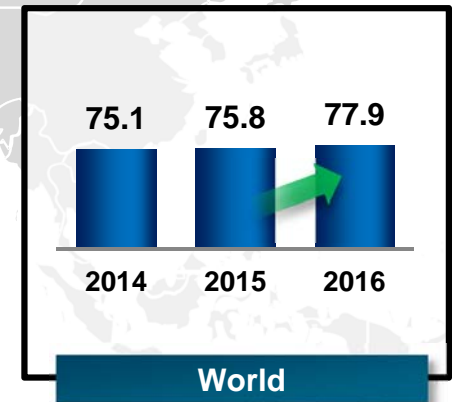
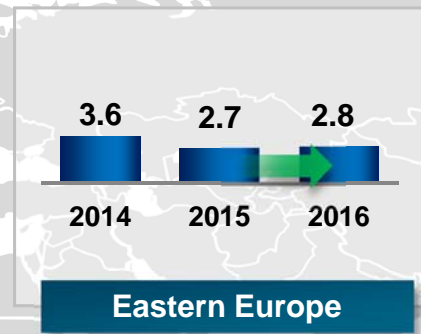
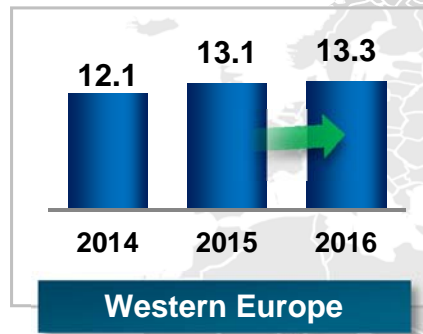
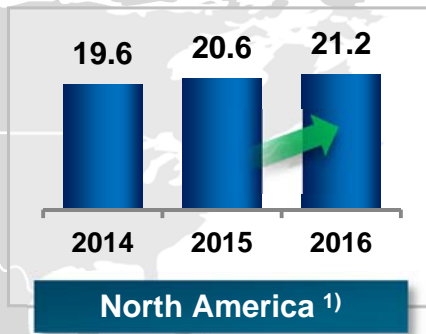
- due to the impact relating to the Diesel issue we anticipate a Group operating profit as well as for the Passenger Cars Business Area significantly below the prior year level.

Before special items...

- we anticipate a Group operating return on sales of between 5.5% and 6.5% in 2015 in light of the challenging economic environment.
- the operating return on sales is expected to be in the 6.0% to 7.0% range in the Passenger Cars Business Area and between 2.0% and 4.0% in Commercial Vehicles/Power Engineering.

For the Financial Services Division, we are forecasting an operating profit at the prior-year level.

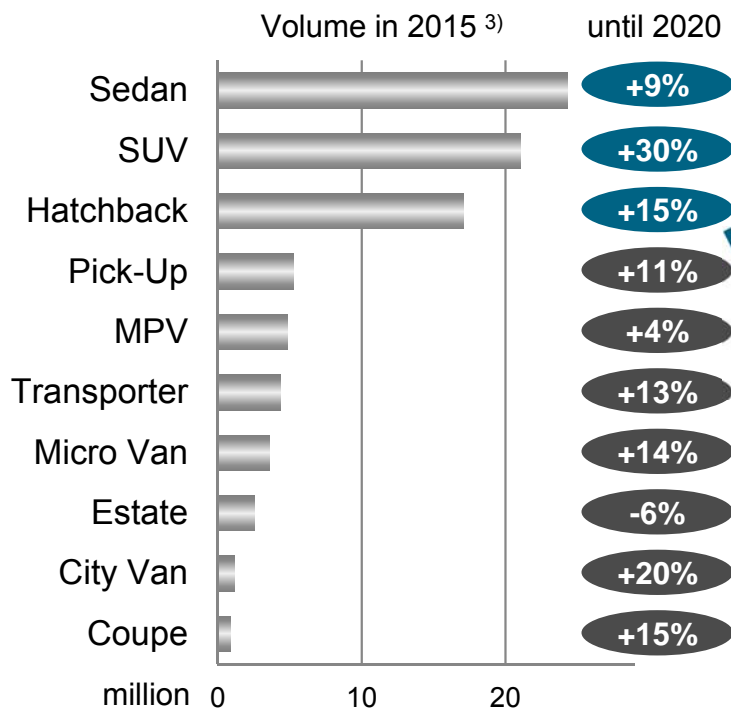
Passenger car market forecast 2016 – most of the regions are expected to grow



Source: *IHS Economics as of December 2015
¹⁾ Passenger cars and Light Commercial Vehicles

Product firework¹⁾ in line with expected future market trends

Body group trends until 2020²⁾



New models 2016 and to follow

Category	Models
Sedan	A6L e-tron, Panamera, C-Modell (CN), Magotan, Voyage
SUV	Bentayga, Tiguan, A+ SUV, B-SUV, Q2, Entry SUV, Q5, SEAT A-SUV
Hatchback	A3, Leon, Rapid (IND), Gol, up!
Other	Beetle, Amarok, 911, Saveiro, A5, Boxster, Cayman

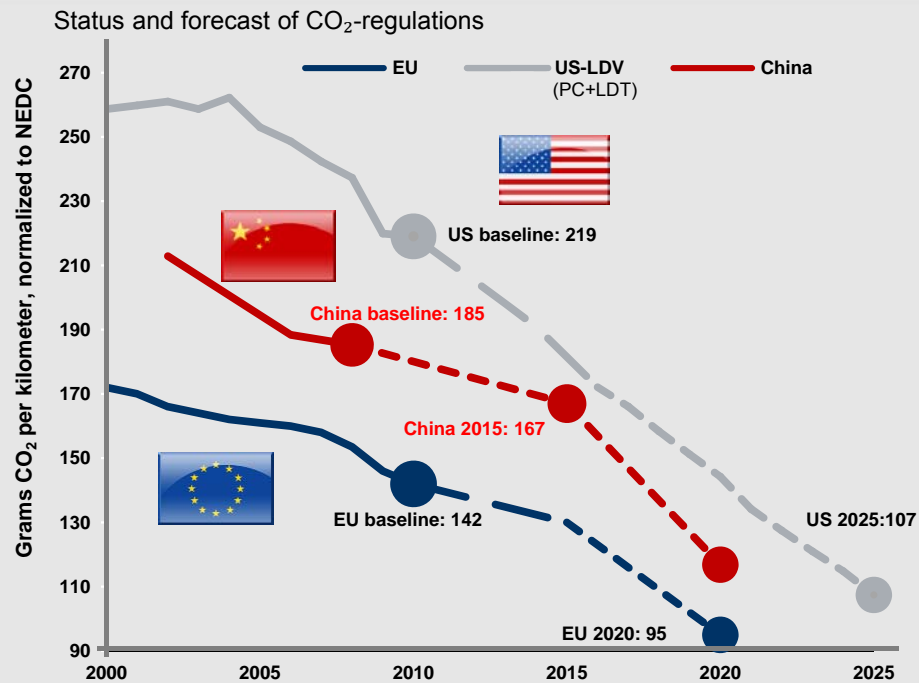
¹⁾ Schematic overview – does not show all models

²⁾ Source: IHS

³⁾ preliminary figures

Tightening environmental regulation and major trends driving R&D expenditures

... CO₂ and EU6 regulations



Source: based on ICCT

... Market / consumer trends

Digitalization



Shorter lifecycles



E-mobility



SUV trend



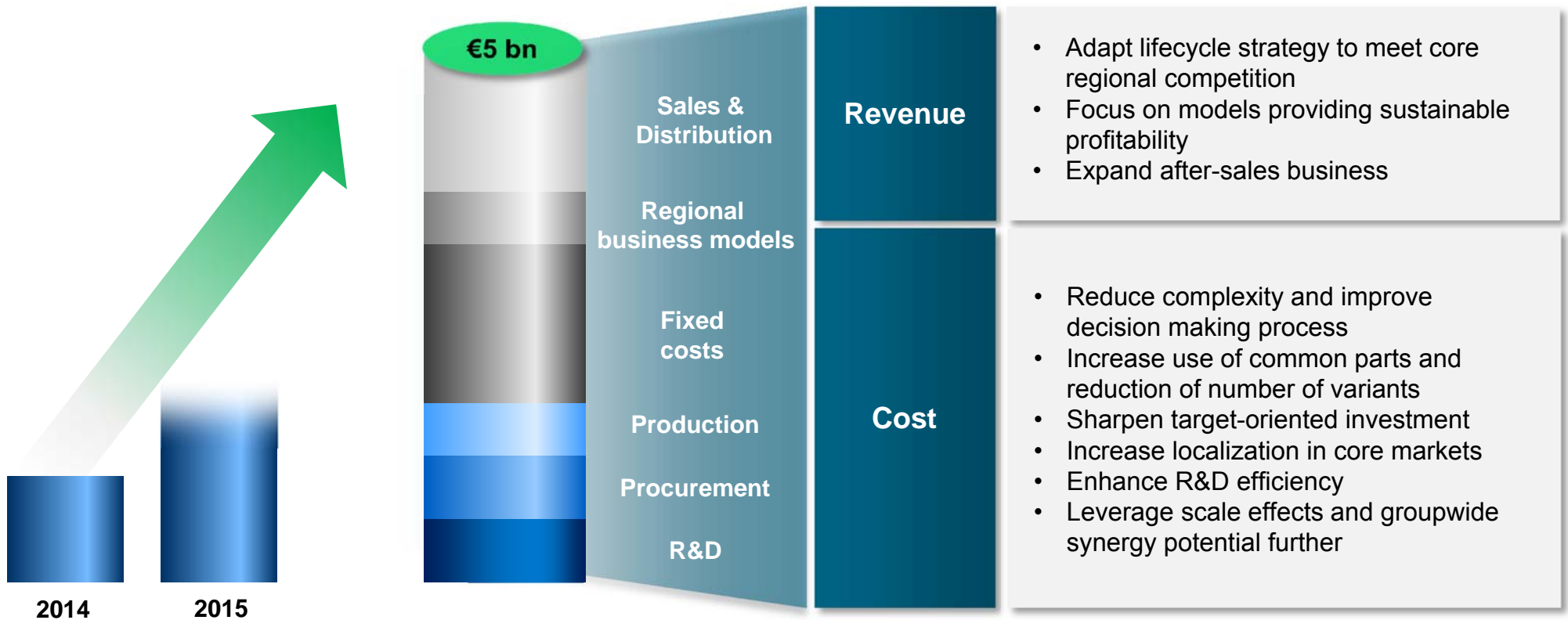
Automated driving



Shift in priorities



Volkswagen Brand: Substantial efficiency measures across all business areas to ensure €5 billion earnings improvement

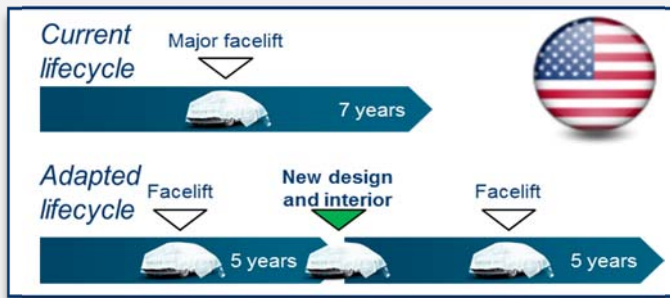


Efficiency program well on the way in all business areas



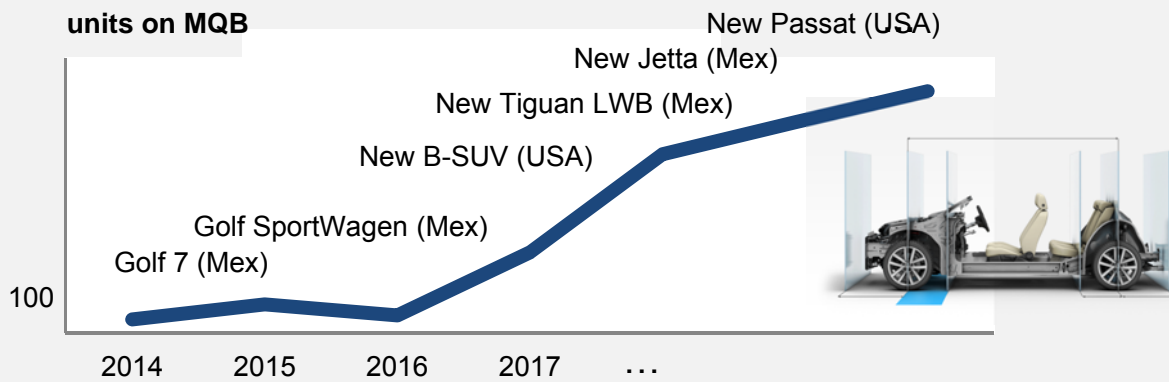
¹⁾ Percentage of reduction in number of variants, Example: Golf 7

USA - Shorter life cycles, presence in growth segments and realizing scale



- Moving towards a 2 x 5 year life cycle
- Extending the product range by offering more models in growth segments
- Design, size and interior are steered by North American Planning & Engineering Center in Chattanooga, TE
- Moving all major models on MQB to realize economies of scale
- Significant increase of local production, sourcing and working on costs

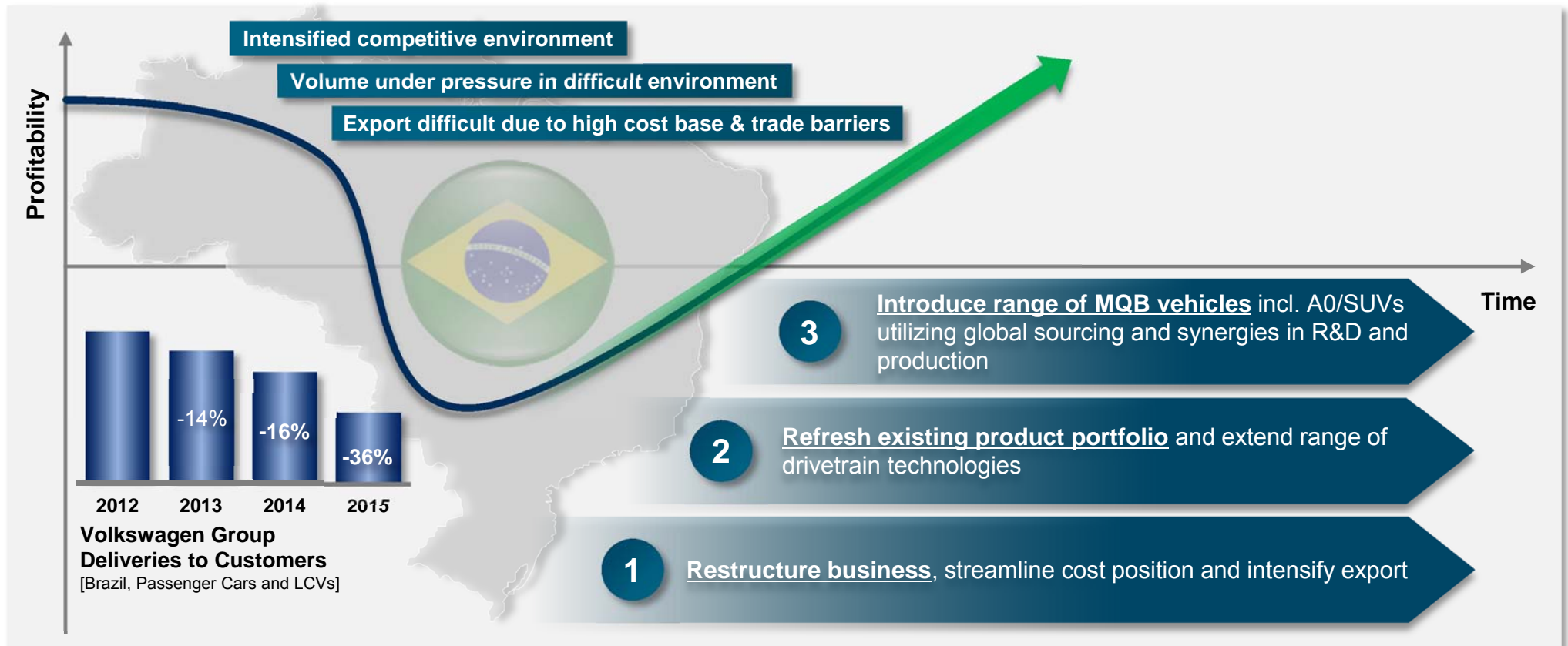
Nafta Production in '000 units on MQB



New products from 2016 onwards



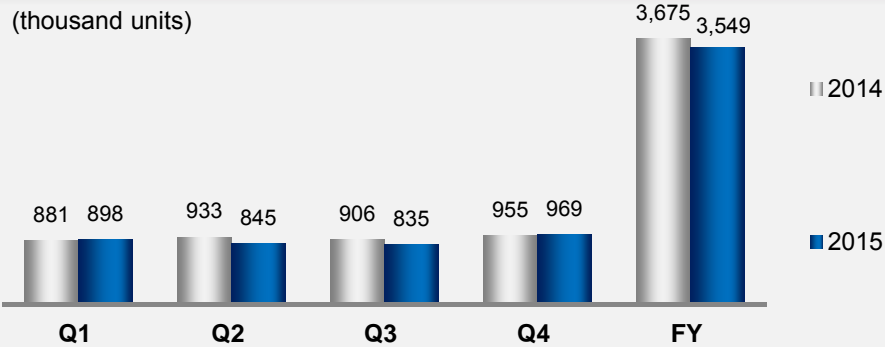
Product innovation and cost reduction are the key pillars of Volkswagen's strategy to cope with challenges in emerging markets



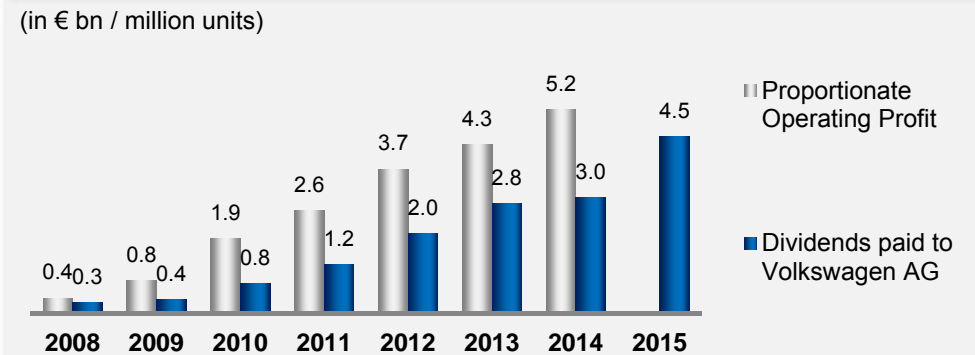
Deep roots and strong market position combined with further growth potential assures continued profitable growth in China



Deliveries to customers - solid 4th quarter



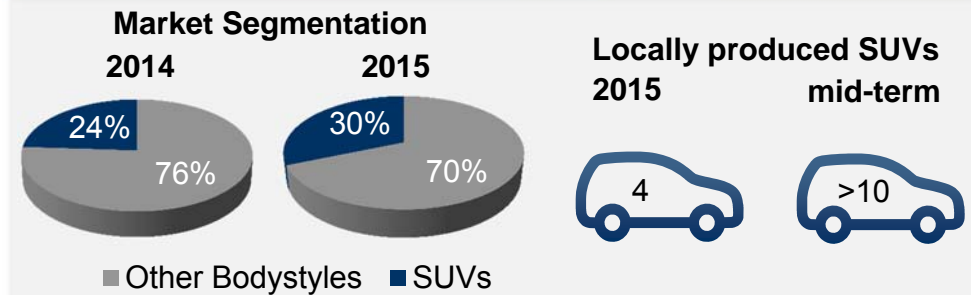
Strong operational & financial track record



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



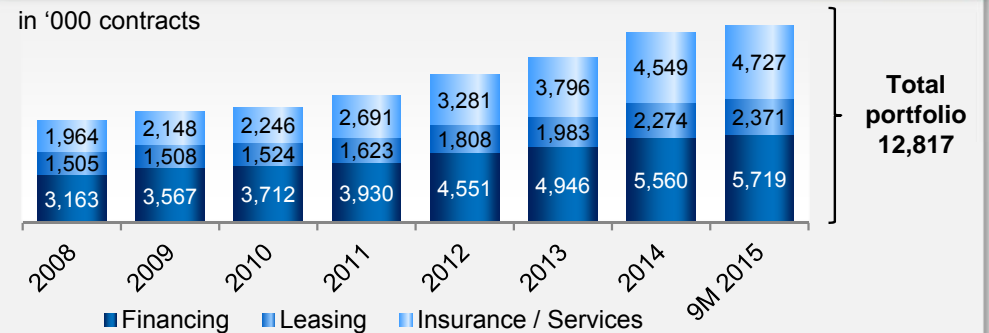
**Caminhões
Ônibus**

VW Financial Services¹⁾: A global, well diversified and successful business

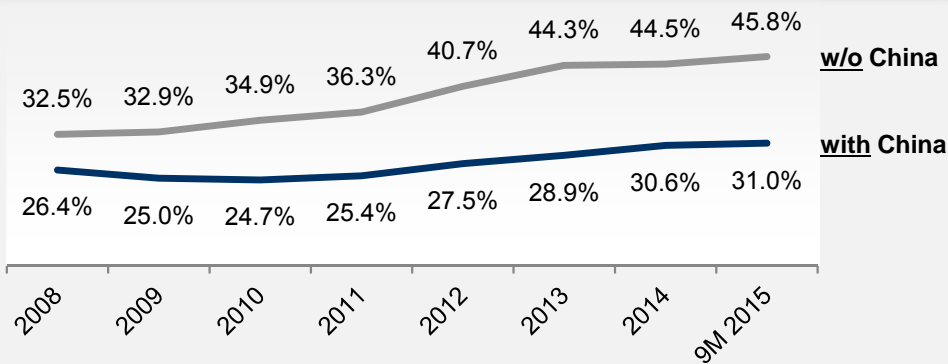
Strong global presence



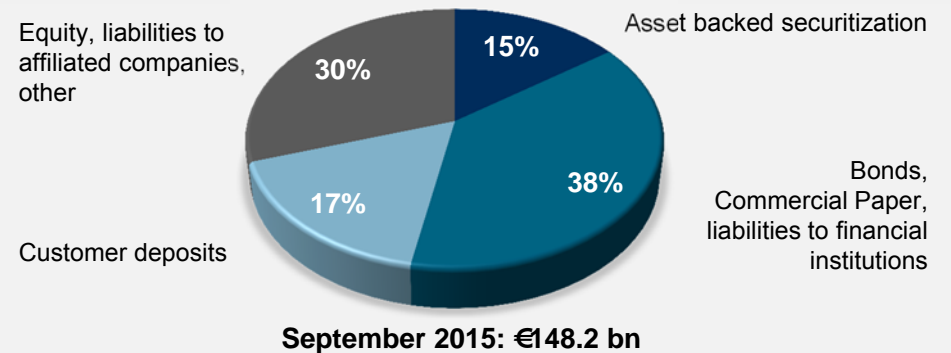
Continuous portfolio expansion



Rising penetration rates



Diversified funding structure



¹⁾ All shown figures show VW Financial Services as of 30 June 2015, excluding financial service activities of Scania, Porsche AG and Porsche Holding Salzburg; MAN financial services activities are included from 1 January 2014

Strategy 2025 is currently being developed to prepare the Volkswagen Group for the new challenges in the automotive industry

New focus areas

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

Foundation



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

Appendix

VOLKSWAGEN
AKTIENGESELLSCHAFT

Volkswagen Tiguan



VOLKSWAGEN
AKTIENGESELLSCHAFT

Volkswagen Budd-e



VOLKSWAGEN

AKTIENGESELLSCHAFT

Audi e-tron quattro concept



VOLKSWAGEN

AKTIENGESELLSCHAFT

Audi A4 TFSI quattro



VOLKSWAGEN

AKTIENGESELLSCHAFT

Porsche 911 Turbo S Cabrio

Porsche 911 Turbo S



VOLKSWAGEN
AKTIENGESELLSCHAFT

Porsche Mission E Concept



VOLKSWAGEN

AKTIENGESELLSCHAFT

ŠKODA Superb Combi SportLine



VOLKSWAGEN

AKTIENGESELLSCHAFT

SEAT Leon Cross Sport



VOLKSWAGEN

AKTIENGESELLSCHAFT

Bentley Bentayga



VOLKSWAGEN

AKTIENGESELLSCHAFT

Lamborghini Huracán LP 610-4 Spyder



VOLKSWAGEN

AKTIENGESELLSCHAFT

Volkswagen Multivan



VOLKSWAGEN

AKTIENGESELLSCHAFT

MAN TGX D38



Scania R 730 6x4 Streamline



VOLKSWAGEN

AKTIENGESELLSCHAFT



Volkswagen Group – Moving ahead

Frank Witter

Member of the Board of Management

UniCredit Kepler Cheuvreux German Corporate Conference, Frankfurt, 20 January 2016