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## **Volkswagen Group: Stability in Volatile Times**

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Deutsche Bank IAA Cars 2015 Conference, Frankfurt, 15-16 September 2015

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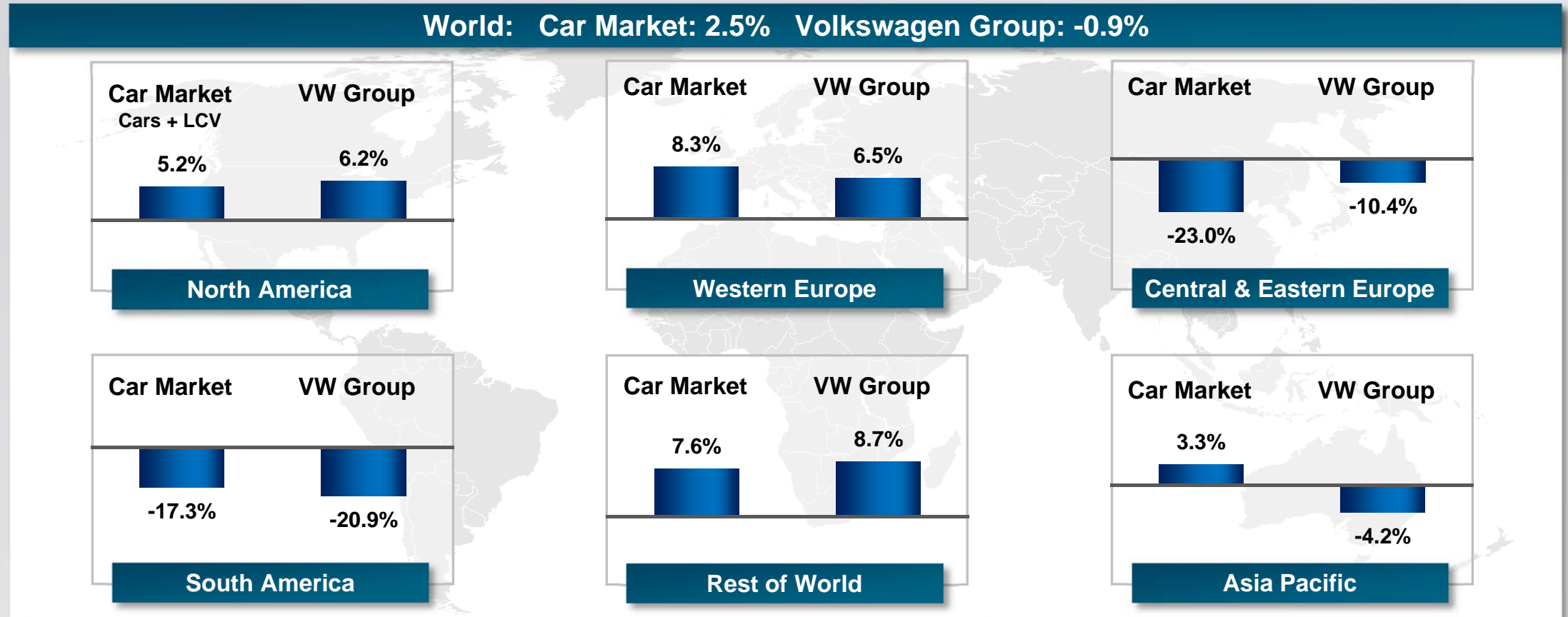
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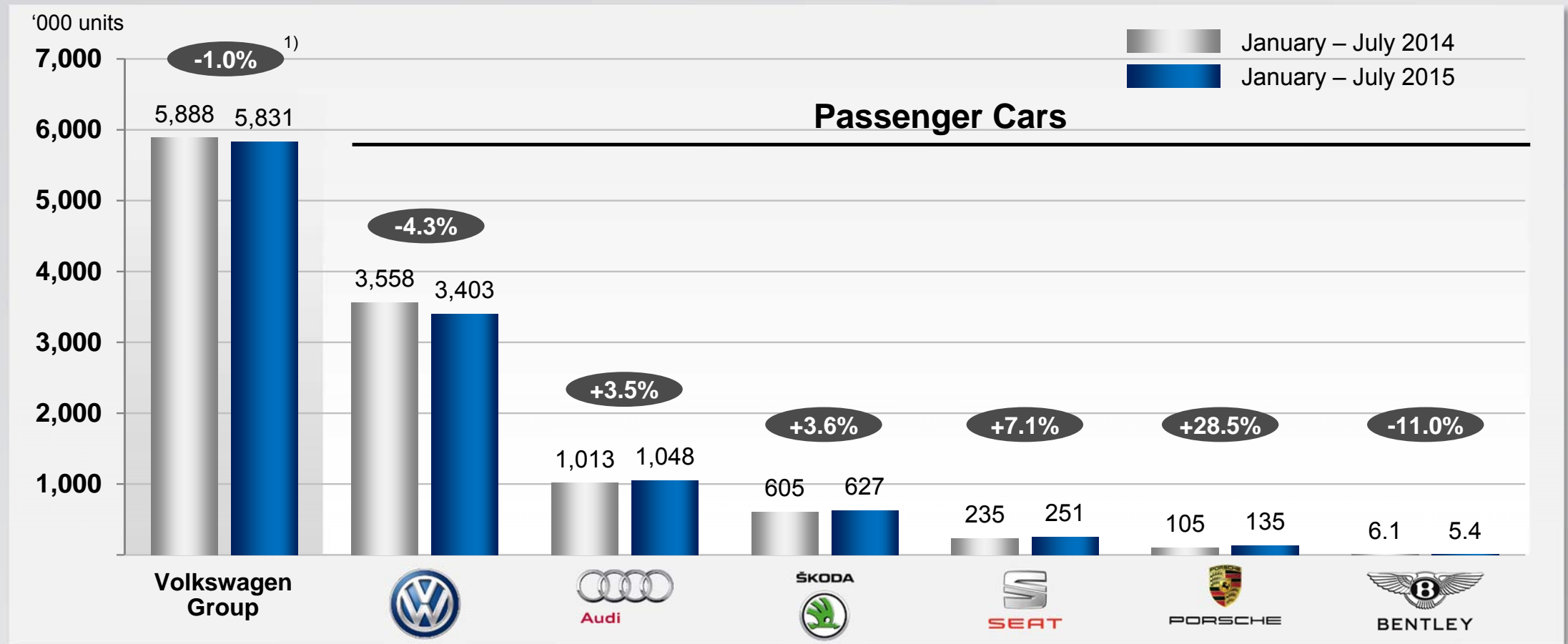
# Development World Car Market vs. Volkswagen Group Car Deliveries to Customers<sup>1)</sup>

(Growth y-o-y in deliveries to customers, January to July 2015 vs. 2014)



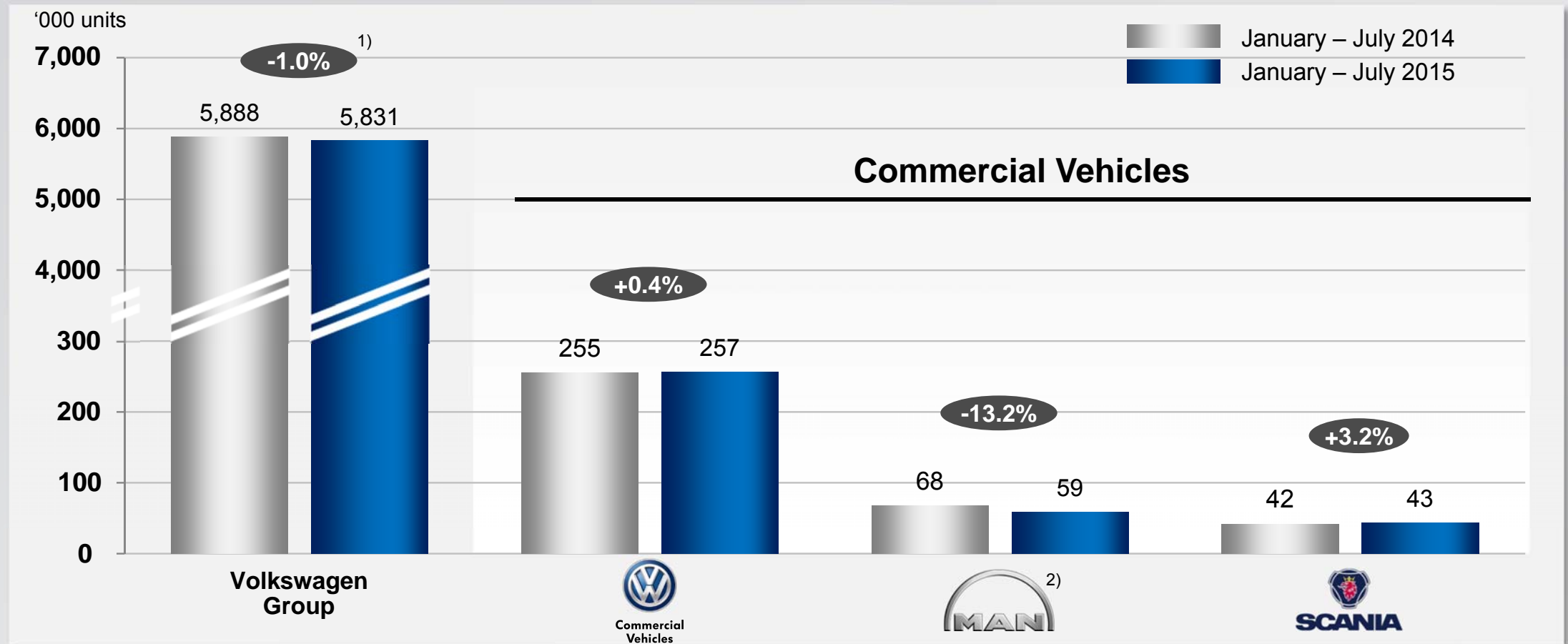
<sup>1)</sup> Figures excl. Volkswagen Commercial Vehicles, Scania and MAN

## Volkswagen Group – Deliveries to Customers by Brands (January to July 2015 vs. 2014)



<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -0.9% excl. Volkswagen Commercial Vehicles, Scania and MAN.

## Volkswagen Group – Commercial Vehicles Deliveries to Customers by Brands (January to July 2015 vs. 2014)

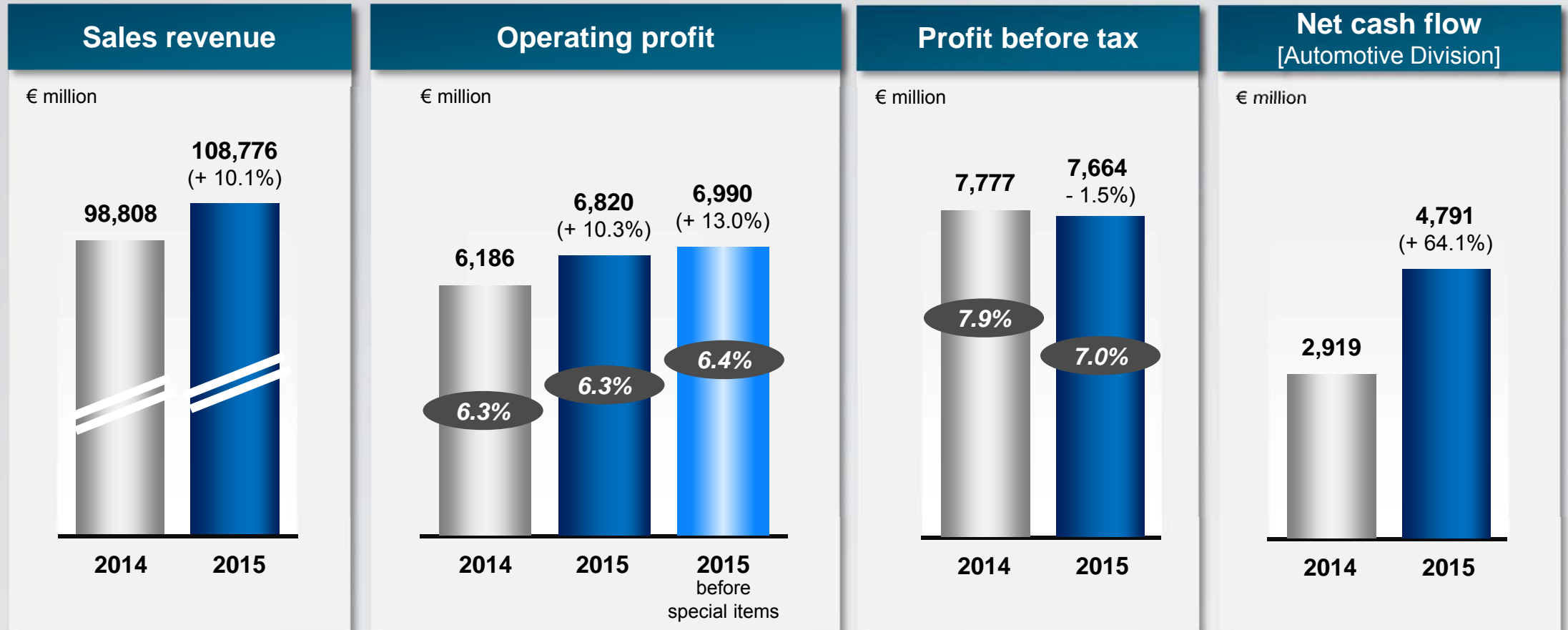


1) Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -0.9% excl. Volkswagen Commercial Vehicles, Scania and MAN.

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

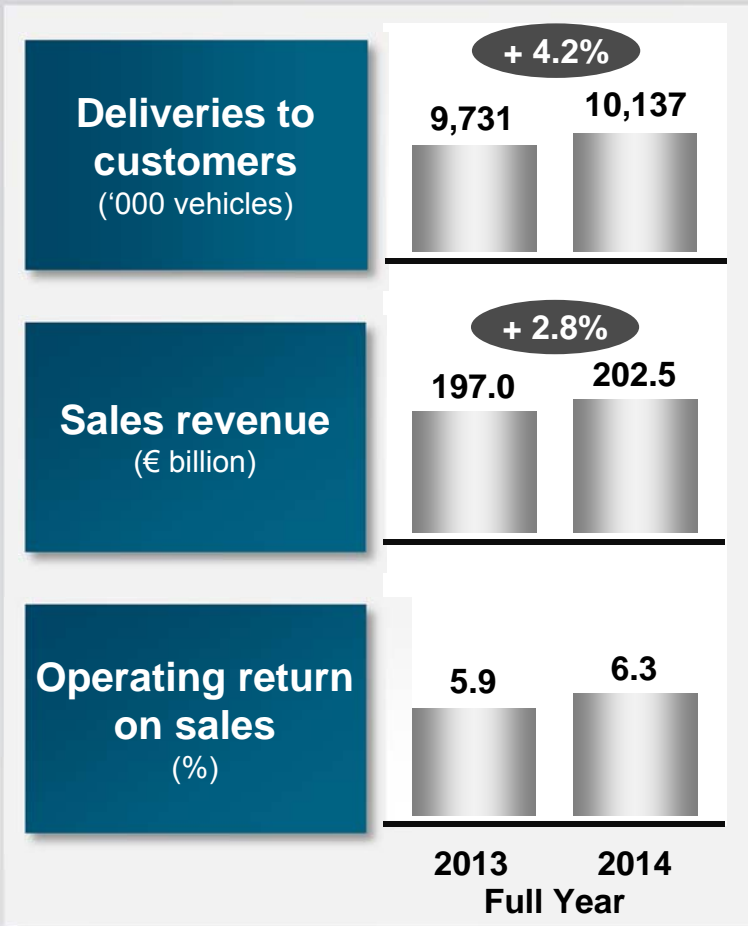
# Volkswagen Group – Positive financial performance in challenging times

(January to June 2015 vs. 2014)



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

## Volkswagen Group – Outlook for 2015



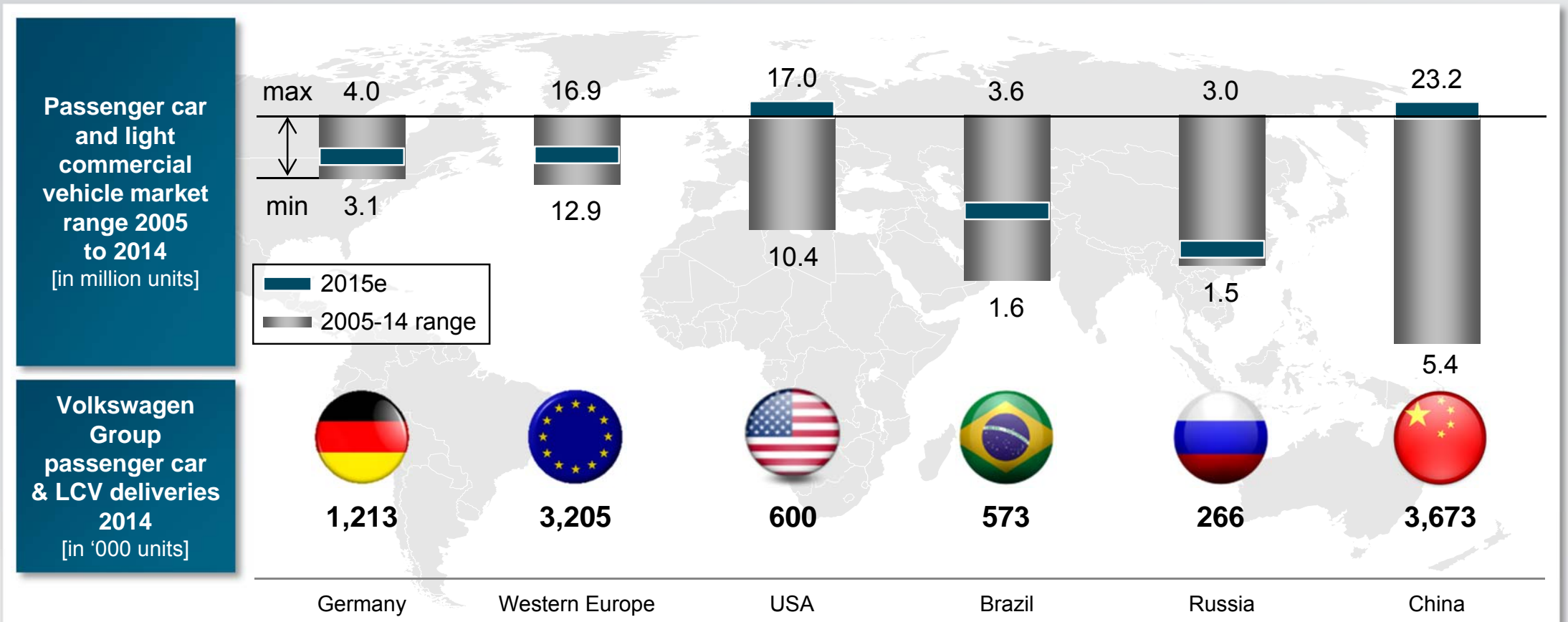
We expect ...

- 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% above the prior-year figure, 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 ...

- 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 the Commercial Vehicles/Power Engineering Business Area.
- For the Financial Services Division, we are forecasting an operating profit at the prior-year level.

## While some major markets are near peak levels, core regions of the Volkswagen Group are still significantly below historical sales levels



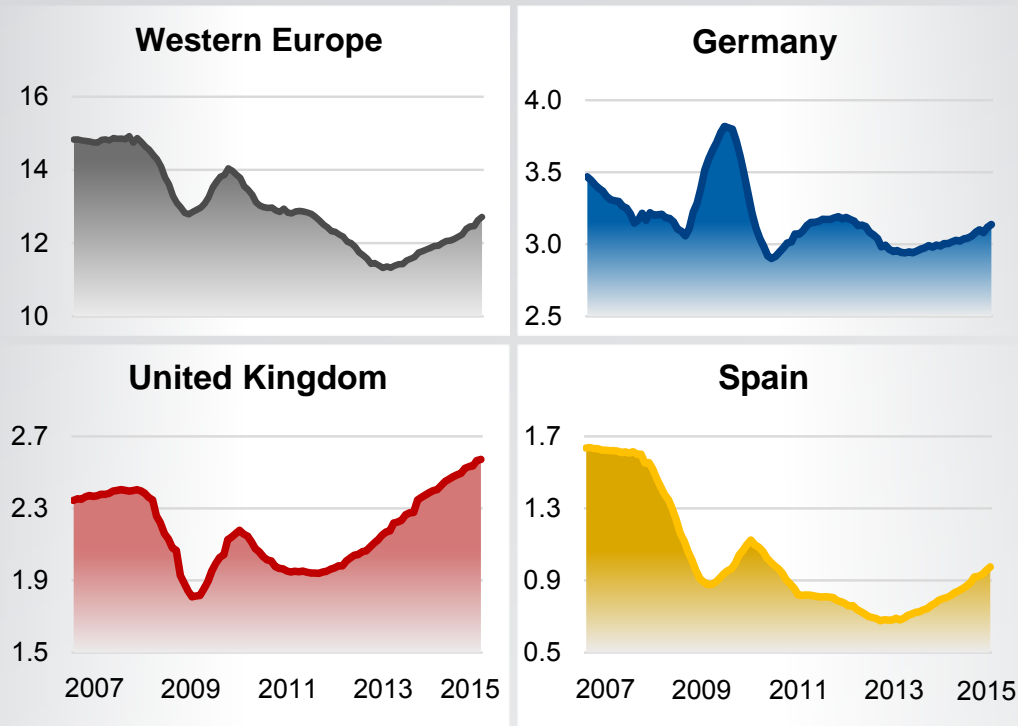




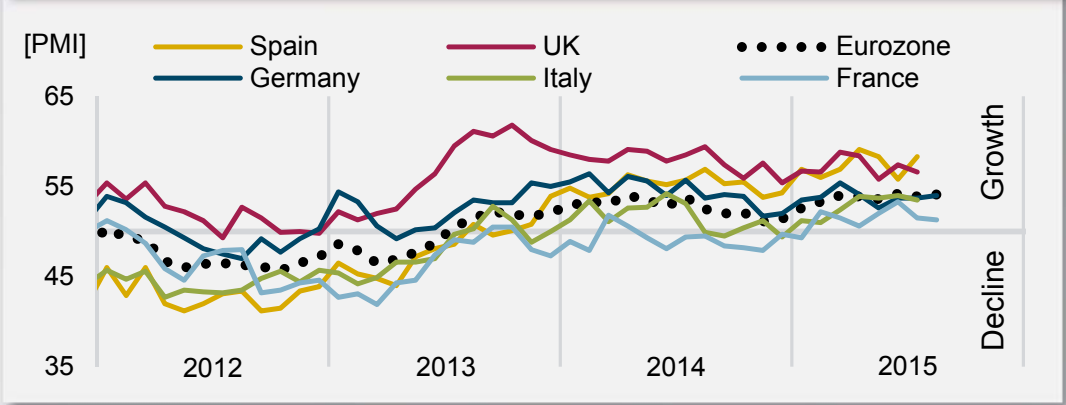
# Western European car markets are recovering on a solid basis, but most markets are still below historical levels

## Key Western European Passenger Car Markets

[Seasonally-adjusted-annual rate, Dec 2006 – Jul 2015, in m units]



## Purchasing Managers Index (as per July 2015)



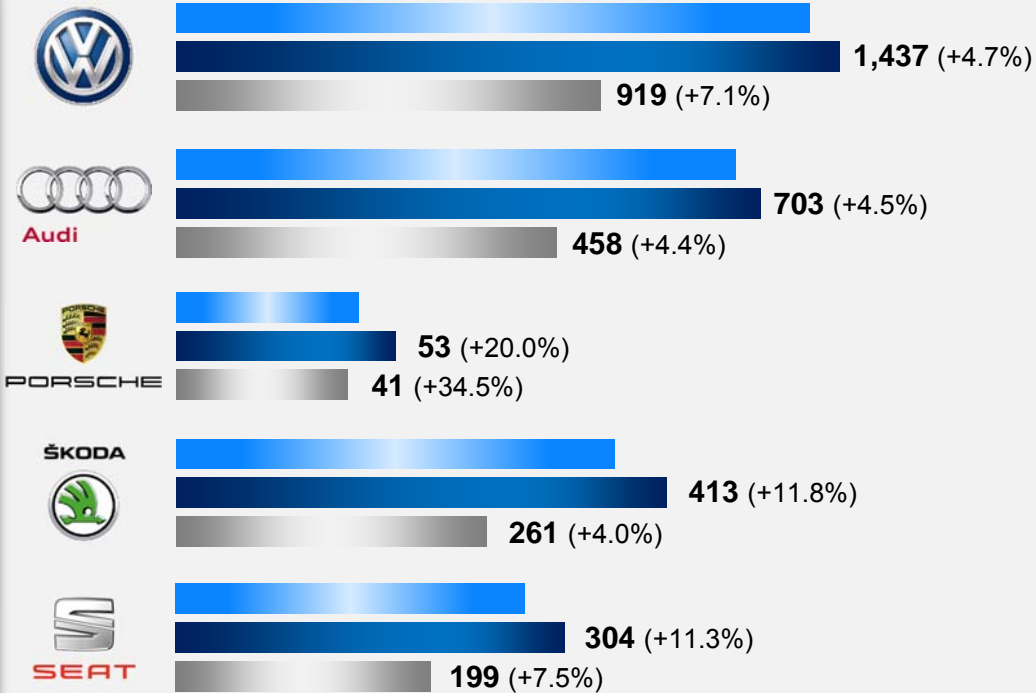
- Since mid-2013 the Western European passenger car market is steadily recovering from lows
- Key drivers include recovering economic performance and sound growth expectations as well as low financing rates
- However, most markets are still below pre-crisis levels
- Further continuation of positive development supported by robust growth expectations



# Western European recovery – mix effects provide substantial stimulus to Group operating profit performance in addition to volume impact

Deliveries to customers Western Europe

[in '000 units]      2013   2014   Jan - Jul 2015



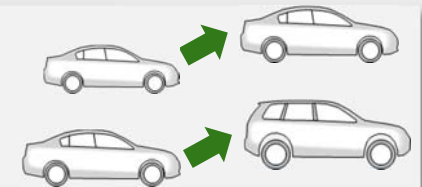
**Positive overall volume impact**, driven by market growth as well as attractive product



**Supportive country mix**



**Positive model & segment mix**



**Improving content**



# Volkswagen Group brands product firework<sup>1)</sup> across the world

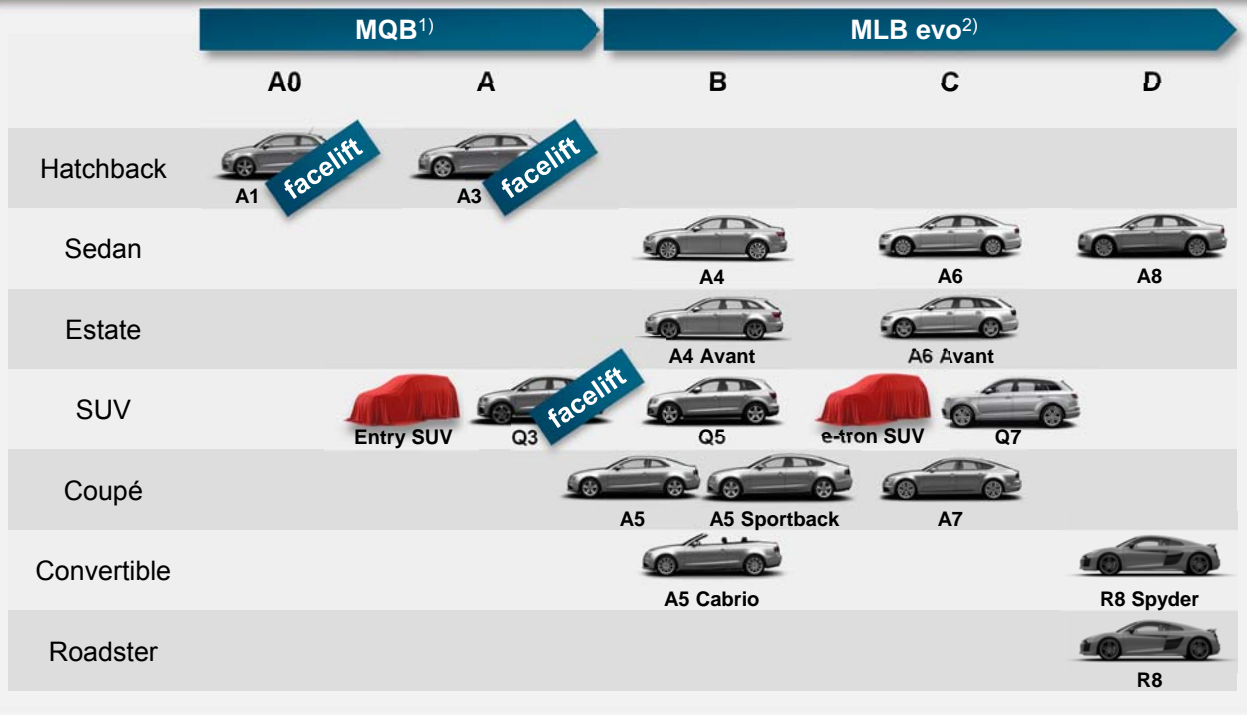


2014	2015	... to follow
 e-Golf + GTE  Passat  Golf Sportsvan  Touareg	 Touran  Passat GTE  Lamando  Lavida	 Tiguan  B-SUV  A-SUV
 A3 e-tron  TT	 R8  Q7  A6L  A4	 A6L e-tron  Q5  Entry SUV  A5
 Fabia  Octavia Scout	 Fabia Combi  Superb	 A+ SUV
 Leon Cupra  Leon ST CNG	 Ibiza  Alhambra	 A-SUV
 918 Spyder  Macan	 911	 Boxster  Panamera  Cayman

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

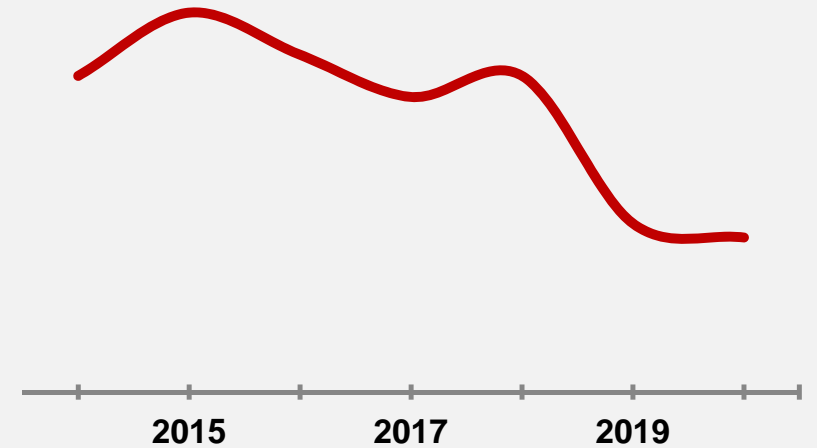
# Audi: renewal of many important models in the years to come leads to a substantially improved product portfolio

## Large number of product launches in 2015-2018 [selection]



## Substantially enhanced positioning of the Audi brand until 2020

∅ portfolio age

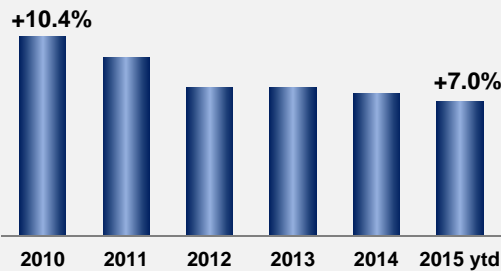


<sup>1)</sup> Current A1 and Q3 series not yet based on MQB <sup>2)</sup> R8 series not based on the MLB

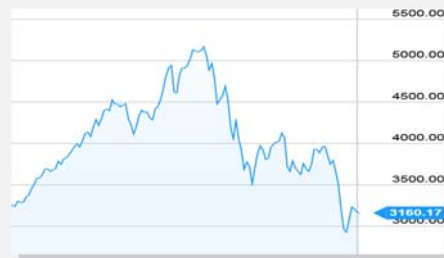
# 'New Normal' has arrived in the Chinese market requiring a different focus

## Challenging framework conditions...

### Slowing GDP growth



### Stock market volatility



### Car purchase restrictions



### Growth moving to lower Tier cities with more price sensitive customers



### Pressure on vehicle prices



## ...require more focus on qualitative growth

### More focus on synergies, efficiencies and costs



### Flexible and prudent capacity planning



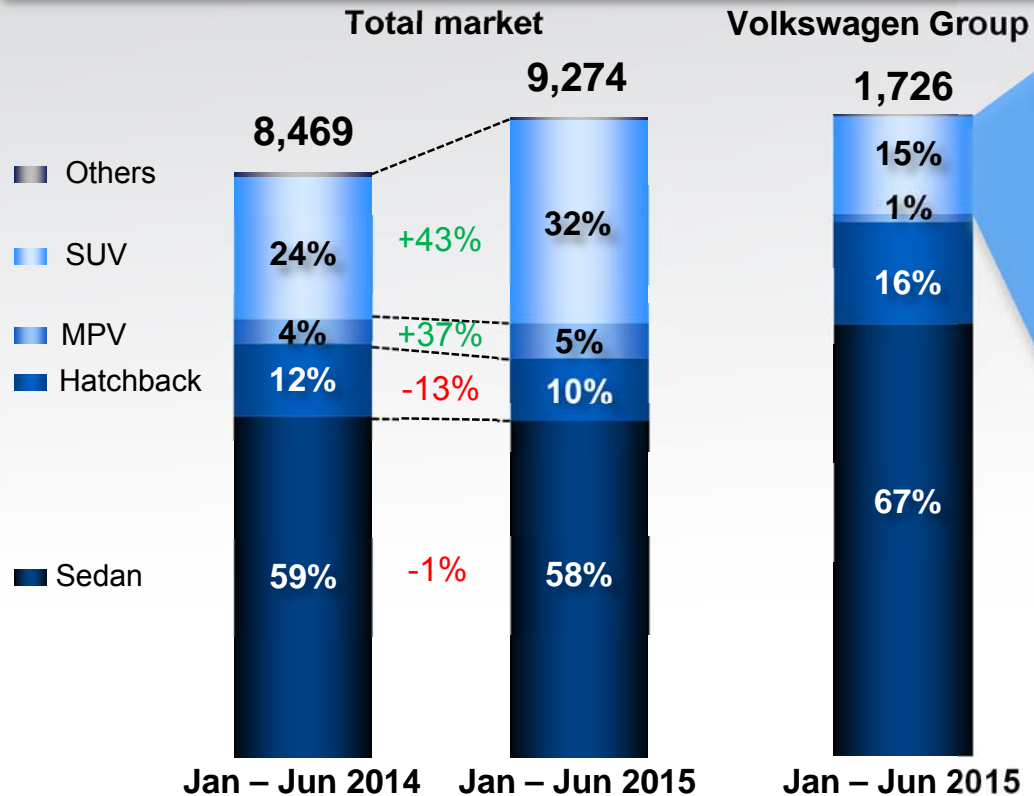
### Conservative planning of sales targets

### Product portfolio refreshment and development



## Strong growth in SUV segment - short term challenge, mid term opportunity

### China deliveries by bodystyle [in '000 units]



### Current SUV portfolio of Volkswagen Group in China



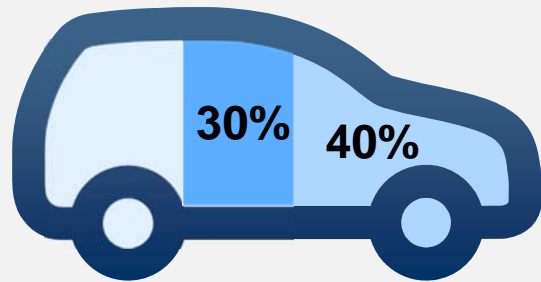
### Significant portfolio expansion planned in 2016 - 2020





A0    A    B    C    D/E

In 2015/16 Volkswagen Group is updating up to 70% of its models in China, including the launch of more than 30 entirely new models to the market

Model relaunches and facelifts  
in % of total portfolio



2016 total portfolio: ~160 models

-  % share of models introduced in 2015
-  % share of models introduced in 2016

Vehicles carrying substantial volume potential  
to be updated in 2015/16 (examples)<sup>1)</sup>



**Laida (SVW)**  
(>350,000 units)



**Audi A4L (FAW-VW)**  
(>100,000 units)



**Passat NMS (SVW)**  
(>200,000 units)



**Audi Q7 (FBU)**  
(>20,000 units)



**Magotan (FAW-VW)**  
(>200,000 units)



**ŠKODA Superb (SVW)**  
(>30,000 units)



**Tiguan<sup>2)</sup> (SVW)**  
(>200,000 units)

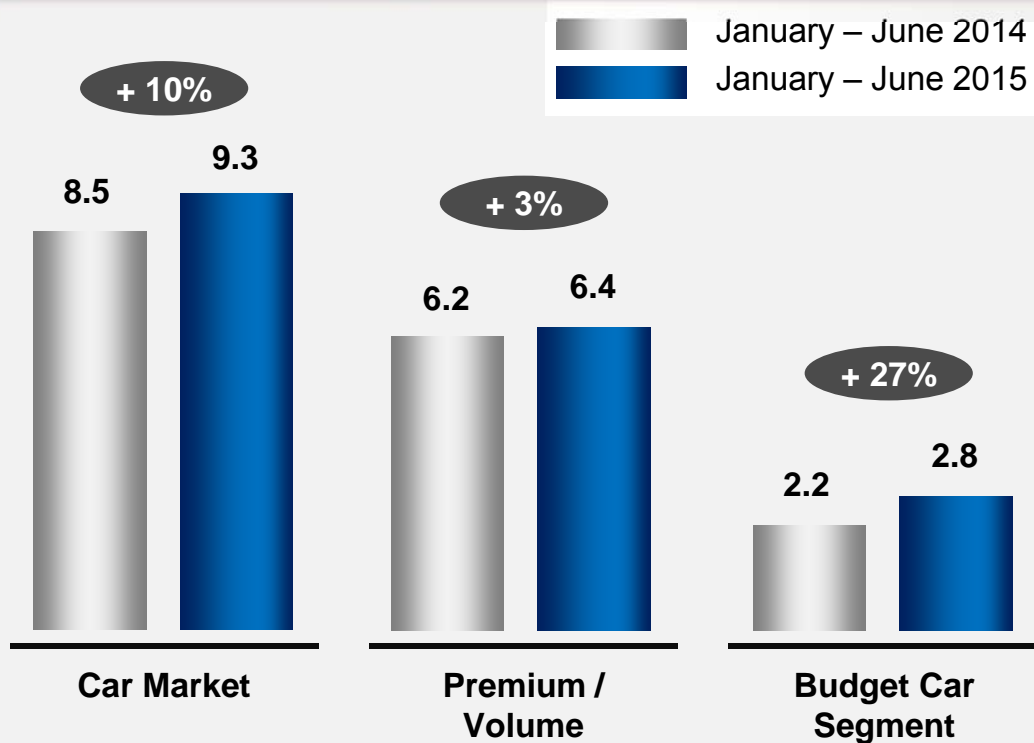


**Porsche 911 Coupé (FBU)**  
(>1,000 units)

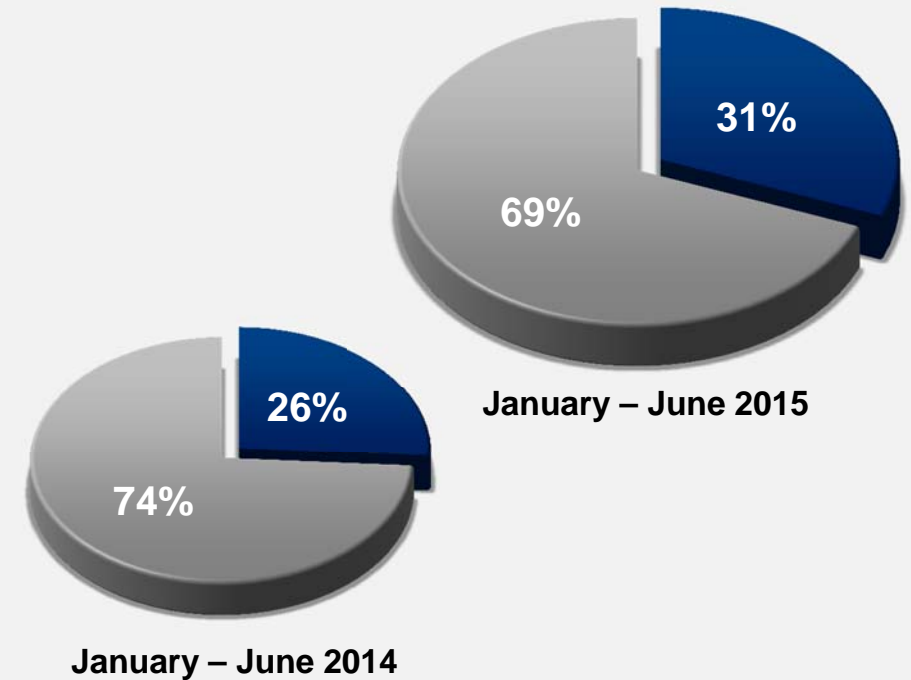
<sup>1)</sup> Volume data as per full year 2014 <sup>2)</sup> incl. LWB version

## China passenger car market growth driven by strong demand for robust, low-priced vehicles in lower tier regions with traditional segments under pressure

Passenger car deliveries China by market segment  
[in million units]

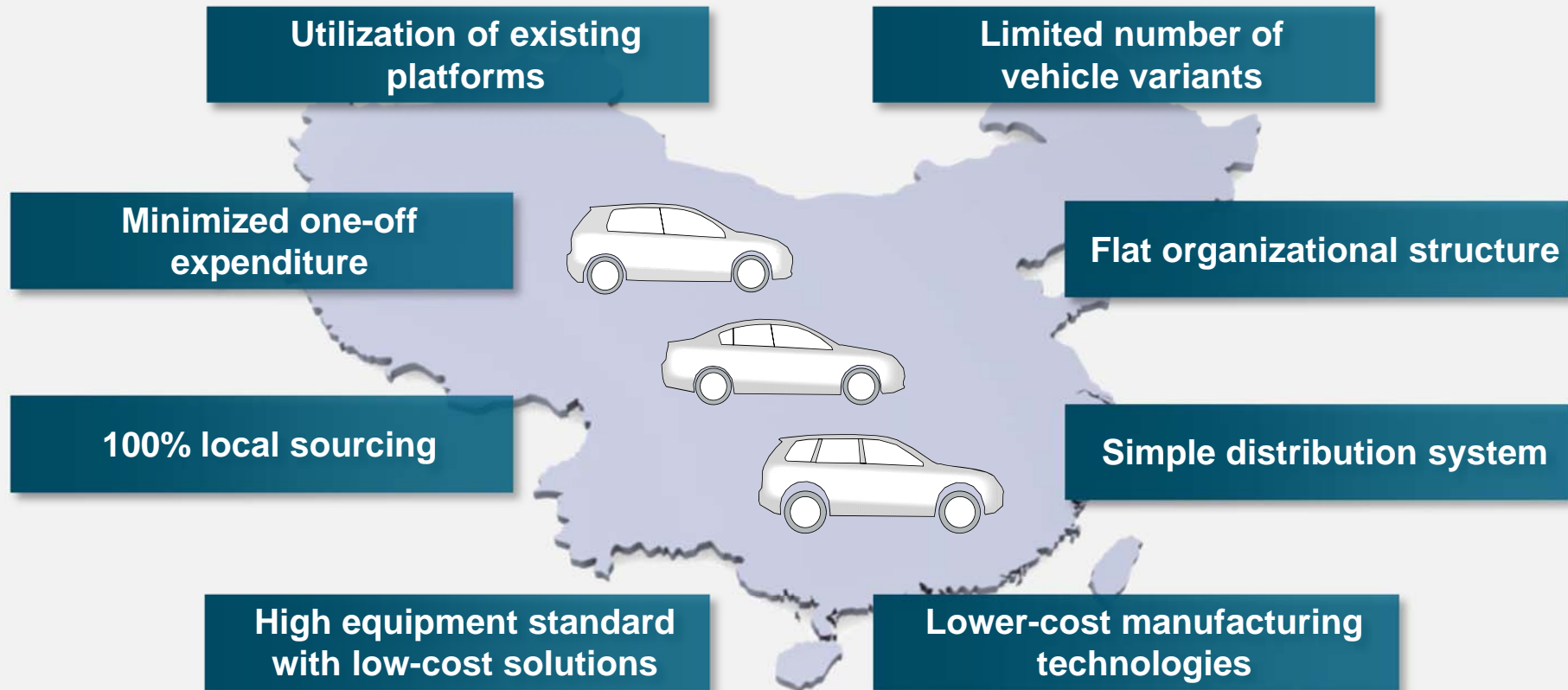


Market share of budget car segment

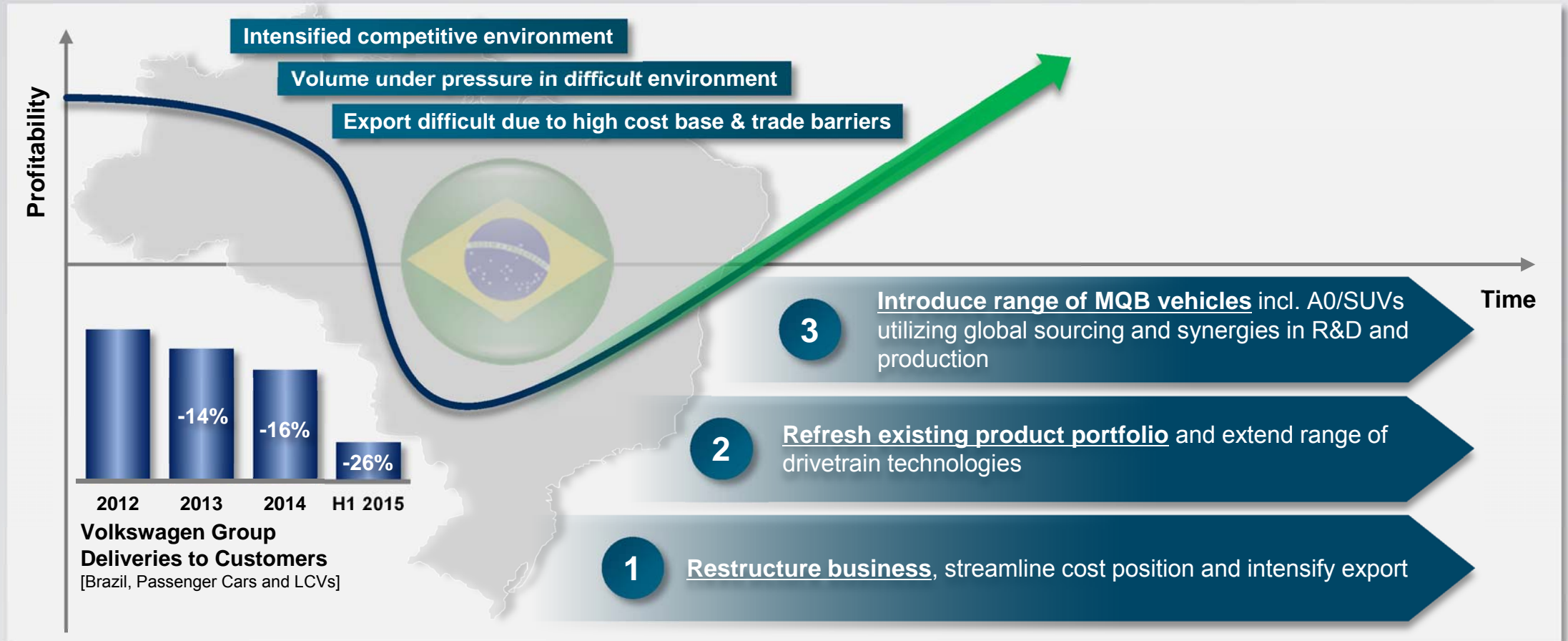




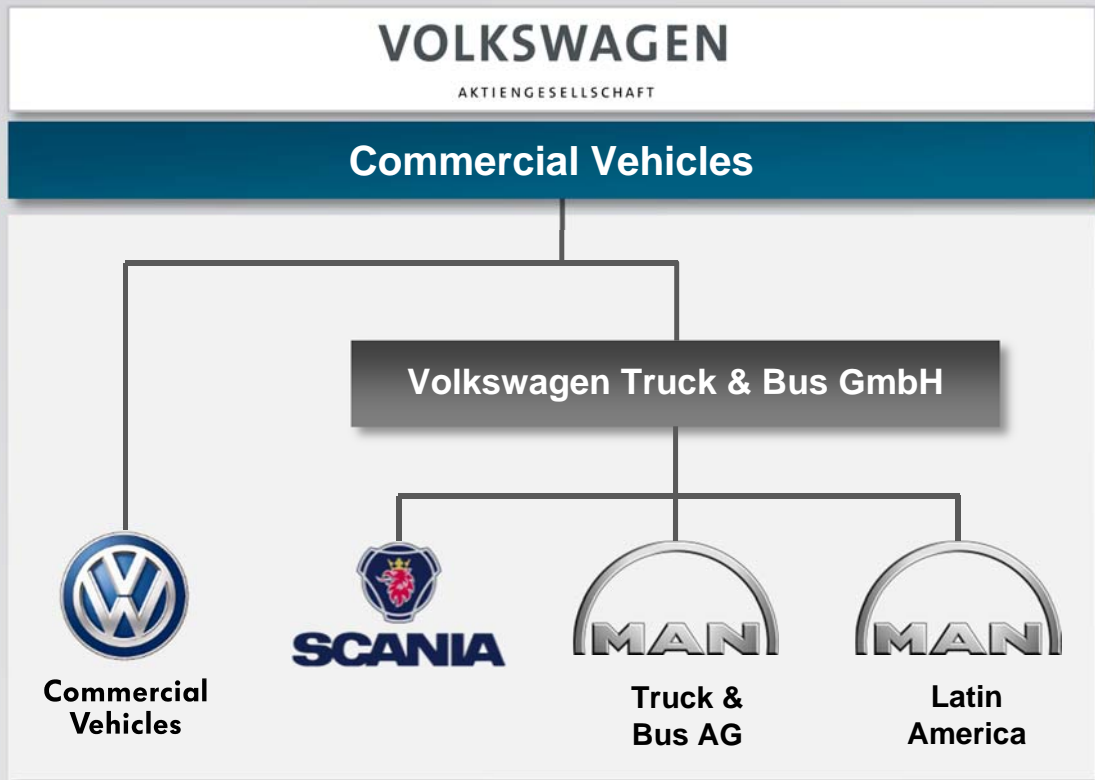
## Volkswagen Group's 360° business model for the Budget Car Family



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



## Structured framework<sup>1)</sup> for business with mid-sized and heavy trucks and buses



Objective is to foster close cooperation to ...



... implement internal processes specifically designed for the truck & bus business at VW



... bundle financial resources while preserving independence of brands as part of Volkswagen



... leverage synergies to create effective and efficient commercial vehicles unit

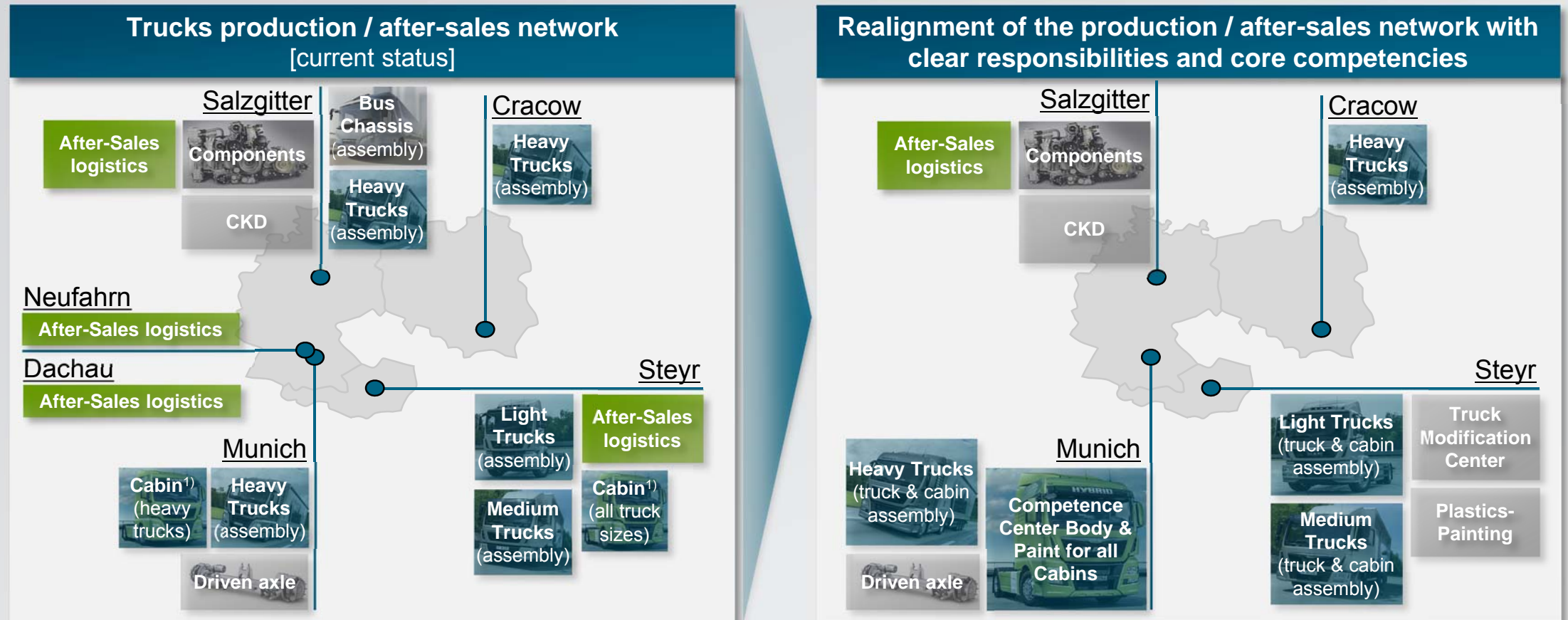


... bring together know-how from brands to ensure cutting-edge product development

<sup>1)</sup> Operational steering structure

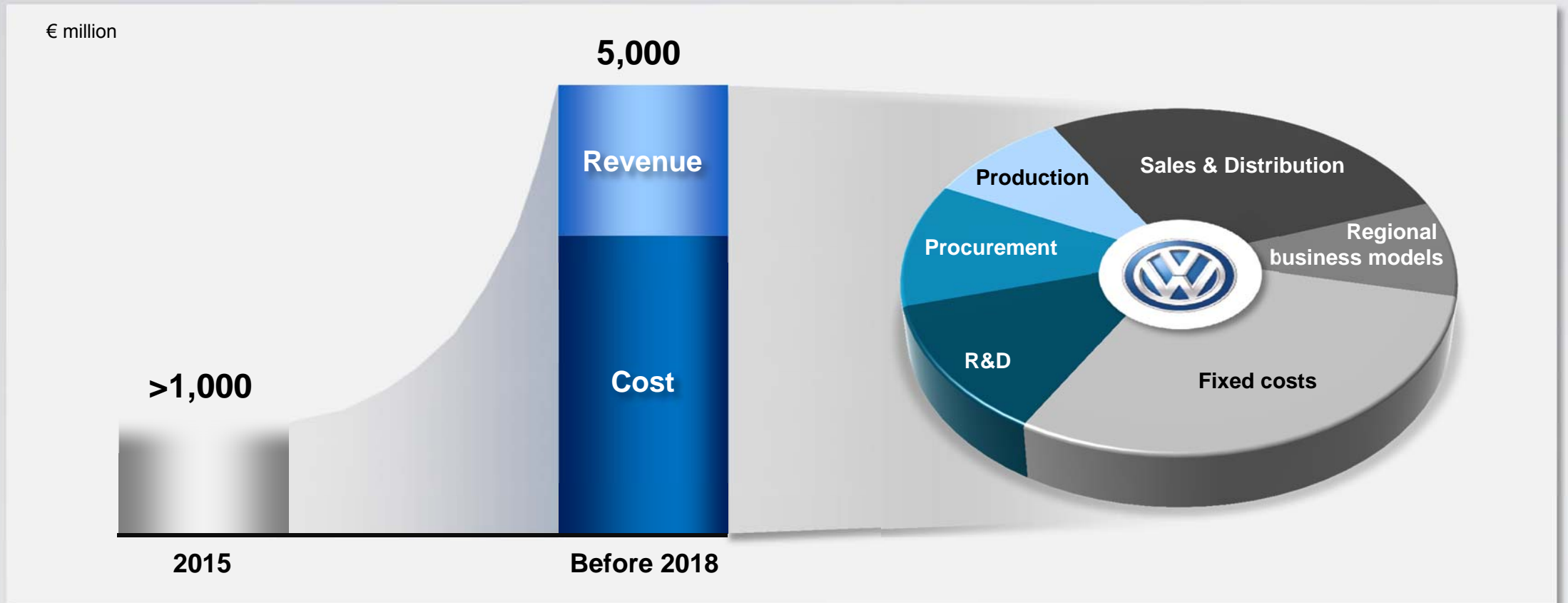
# MAN Truck & Bus – program to strengthen sustainable competitiveness

(New structure for production network Trucks Central Europe)



<sup>1)</sup> Body-in-white, painting and assembly

## Volkswagen Brand: Well on track to achieve efficiency improvement and cost reduction targets



## Six key takeaways

Recovery of Western European car markets provides substantial tailwind



China: Strong focus on costs and product portfolio



Truck integration and MAN future program well underway



Turn-around of Group business in emerging markets



Stability and continuity in Volkswagen Group strategy



Volkswagen Passenger Cars efficiency program well on track



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Appendix

## Volkswagen Group – Headline Figures (January to June 2015 vs. 2014)

		2015	2014	+/- (%)
Deliveries to customers <sup>1)</sup>	'000 units	5,039	5,066	-0.5
Vehicle sales <sup>1)</sup>	'000 units	5,090	5,207	-2.2
Production <sup>1)</sup>	'000 units	5,314	5,234	+1.5
Sales revenue	€ million	108,776	98,808	+10.1
Operating profit before special items	€ million	6,990	6,186	+13.0
Special items	€ million	-170	-	x
Operating profit	€ million	6,820	6,186	+10.3
Profit before tax	€ million	7,664	7,777	-1.5
Profit after tax	€ million	5,663	5,716	-0.9
<b>Automotive Division<sup>2)</sup></b>				
Cash flows from operating activities	€ million	11,553	8,388	+37.7
Cash flows from investing activities attributable to operating activities <sup>3)</sup>	€ million	6,761	5,469	+23.6
of which investments in property, plant & equipment	€ million	4,652	3,578	+30.0
Net cash flow	€ million	4,791	2,919	+64.2
Net liquidity at June 30	€ million	21,489	13,979	+53.7

<sup>1)</sup> Volume data incl. the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method. All figures shown are rounded, minor discrepancies may arise from addition of these amounts. 2014 deliveries updated reflect subsequent statistical trends. <sup>2)</sup> Incl. allocation of consolidation adjustments between the Automotive and Financial Services divisions. <sup>3)</sup> Excl. acquisition and disposal of equity investments: Jan – Jun €6,672 m (€5,849 m).

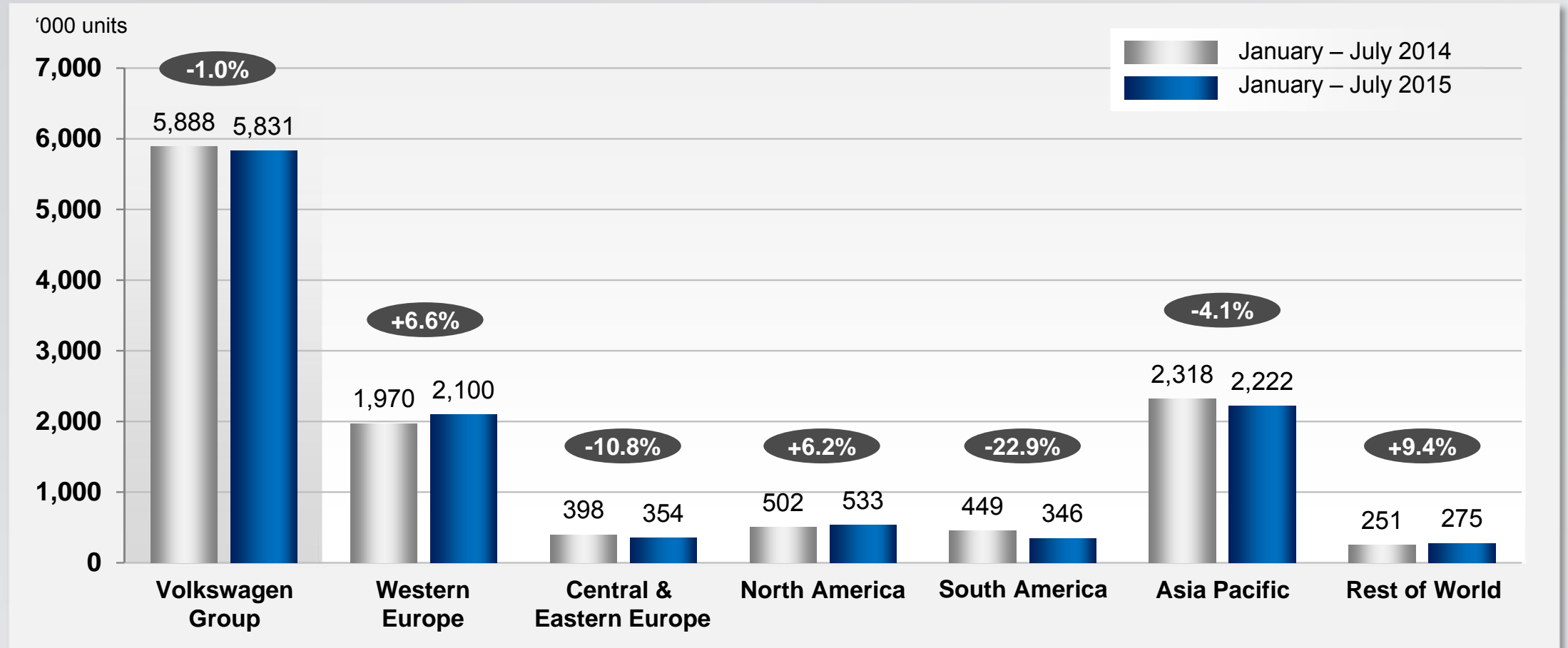


# Volkswagen Group – Reliably delivering on targets

## Outlook 2015 and achievements 2014

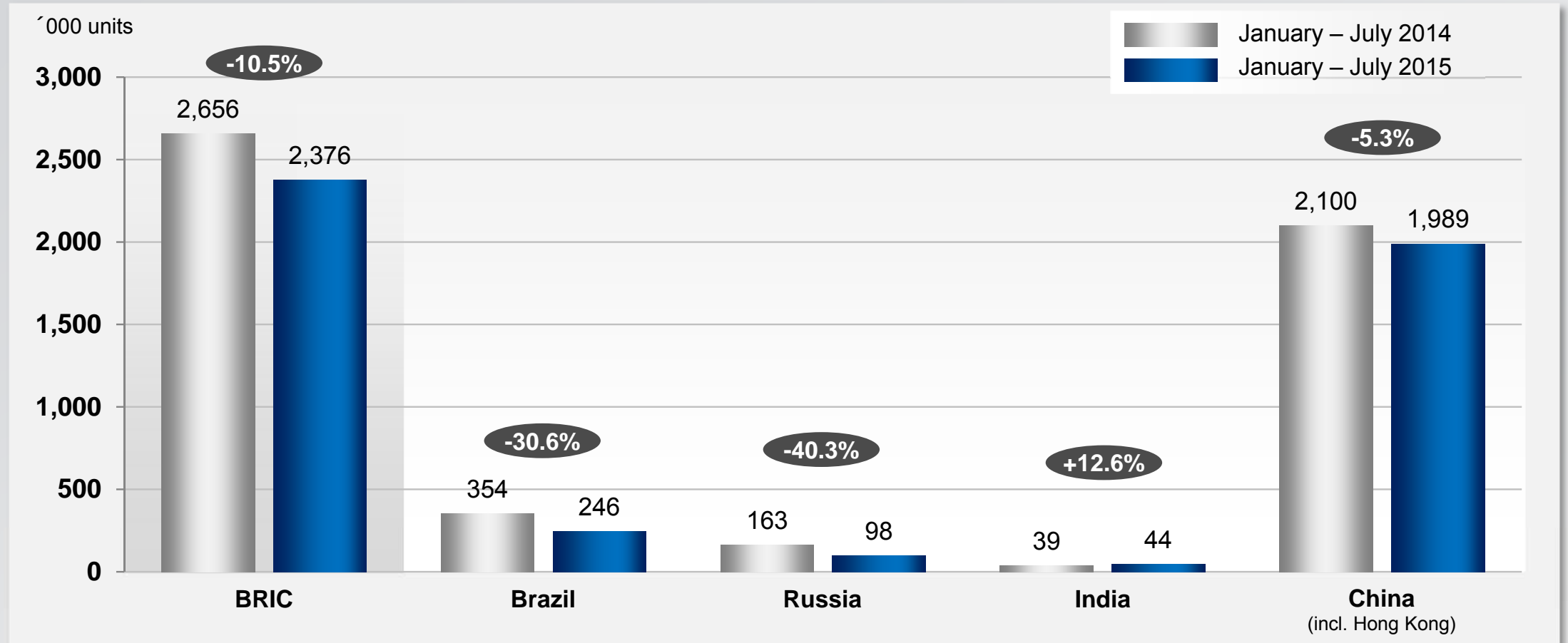
million vehicles / € billion		2013	Outlook 2014	2014	Outlook 2015
<b>Volkswagen Group</b>	Deliveries to customers	9.7	moderate growth	+4.2% 10.1	previous year's level
	Sales revenue	197.0	+/- 3%	+2.8% 202.5	increase by up to 4%
	Operating profit	11.7	within forecast range	12.7	within forecast range
	Operating return on sales	5.9%	5.5 – 6.5%	6.3 %	5.5 – 6.5%
<b>Passenger Cars</b>	Sales revenue	140.1	+/- 3%	+2.5% 143.6	increase by up to 4%
	Operating profit	9.0	within forecast range	9.8	within forecast range
	Operating return on sales	6.4%	5.5 – 6.5%	6.8%	6.0 – 7.0%
<b>Commercial Vehicles / Power Engineering</b>	Sales revenue	34.9	+/- 3%	-2.8% 33.9	increase by up to 4%
	Operating profit	0.8	moderate growth	0.9	within forecast range
	Operating return on sales	2.3%		2.8%	2.0 – 4.0%
<b>Financial Services Division</b>	Sales revenue	22.0	+/- 3%	+13.3% 24.9	increase by up to 4%
	Operating profit	1.9	within forecast range	1.9	previous year's level
	Operating return on sales	8.5%	8.0 – 9.0%	7.7%	
<b>Automotive Division</b>	Capex/sales revenue	6.3%	6.0 – 7.0%	6.5%	6.0 – 7.0%
	Net cash flow	4.4	moderate decline	+38.6% 6.1	moderate decline
	Return on investment (Rol)	14.5%	9.0 – 14.5%	14.9%	sign. > 9.0 < 14.9%

## Volkswagen Group – Deliveries to Customers by Markets<sup>1)</sup> (January to July 2015 vs. 2014)



<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -0.9% excl. Volkswagen Commercial Vehicles, Scania and MAN.

## Volkswagen Group – Deliveries to Customers BRIC-Markets<sup>1)</sup> (January to July 2015 vs. 2014)



<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles).

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# Volkswagen Tiguan



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# Audi e-tron quattro concept



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# Audi A4 TFSI quattro



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## Porsche 911 Carrera S

## Porsche 911 Carrera Cabrio



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# ŠKODA Superb SportLine





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# SEAT Leon CUPRA 290



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# Bentley Bentayga



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# Lamborghini Huracán LP 610-4 Spyder



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# Volkswagen Multivan



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# MAN TGX D38



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# Scania R 730 6x4 Streamline



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