

**VOLKSWAGEN**  
AKTIENGESELLSCHAFT



## **Volkswagen Group: Robust, Innovative, Delivering**

**Hans Dieter Pötsch**

Member of the Board of Management, Volkswagen Aktiengesellschaft

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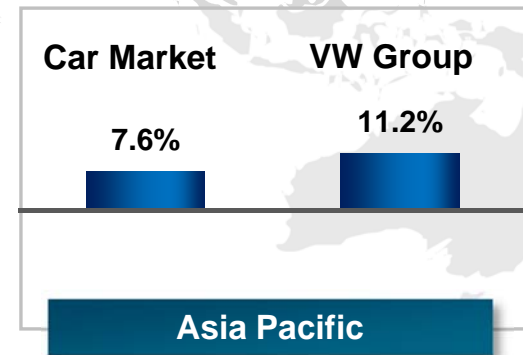
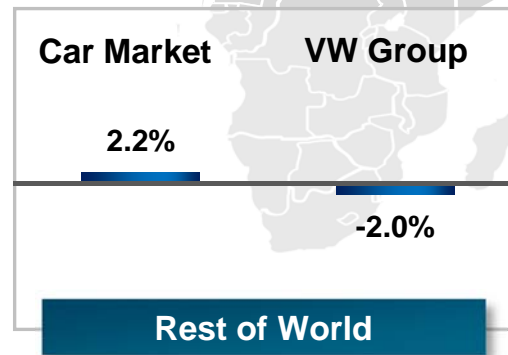
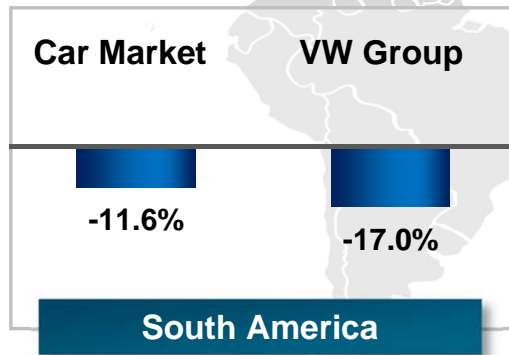
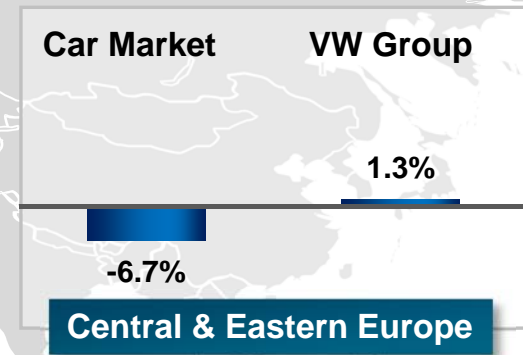
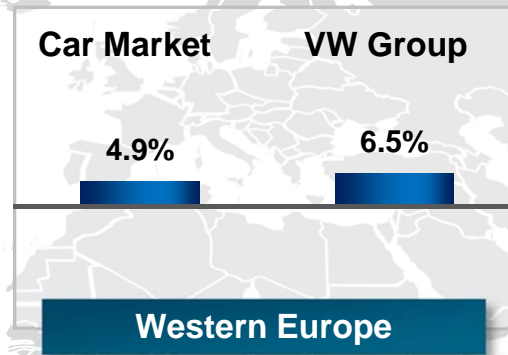
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We do not update forward-looking statements retrospectively. Such statements are valid on the date of publication and can be superseded.

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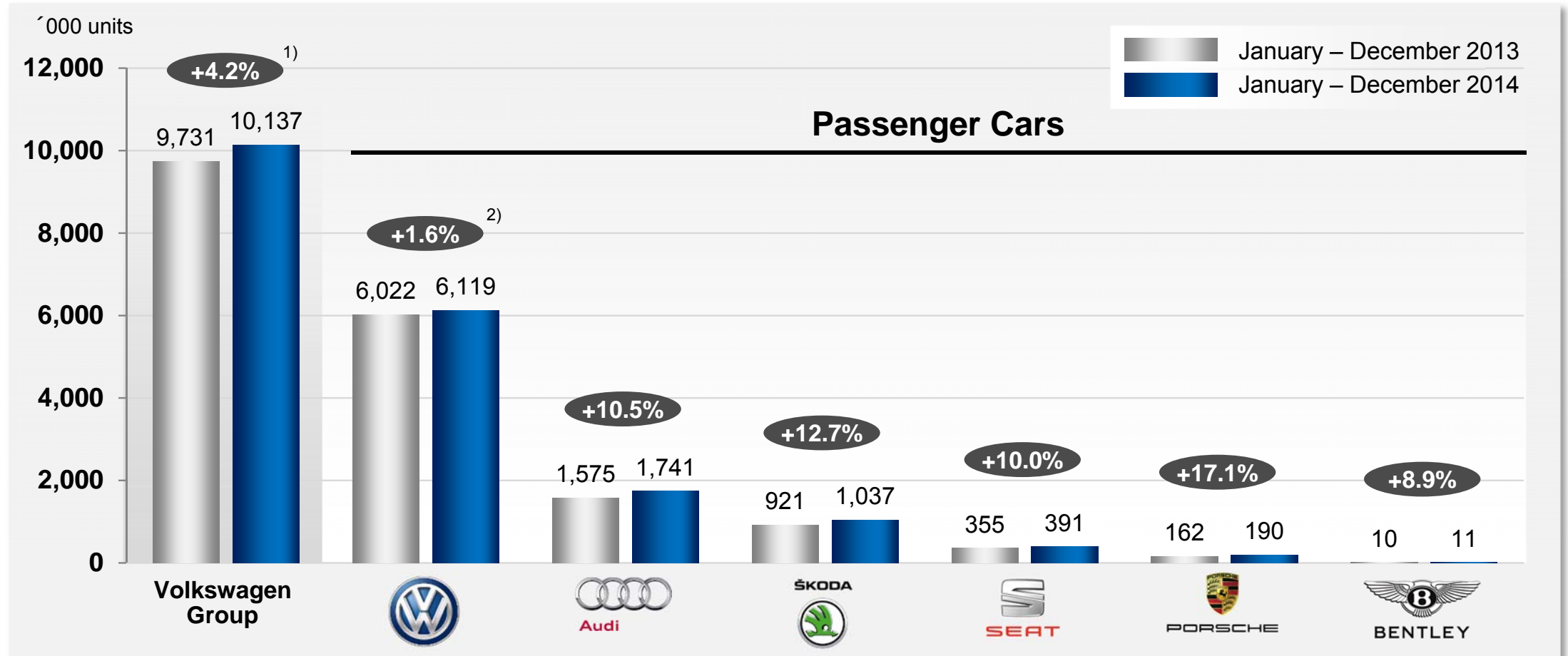
## Development World Car Market vs. Volkswagen Group Car Deliveries to Customers<sup>1)</sup> (Growth y-o-y in deliveries to customers, January to December 2014 vs. 2013)

**World: Car Market: 4.5% Volkswagen Group: 4.9%**



<sup>1)</sup> Figures excl. Volkswagen Commercial Vehicles, Scania and MAN. The Saveiro model, previously Volkswagen Commercial Vehicles, is reported in the Volkswagen Passenger Cars brand retrospectively as of January 1, 2013.

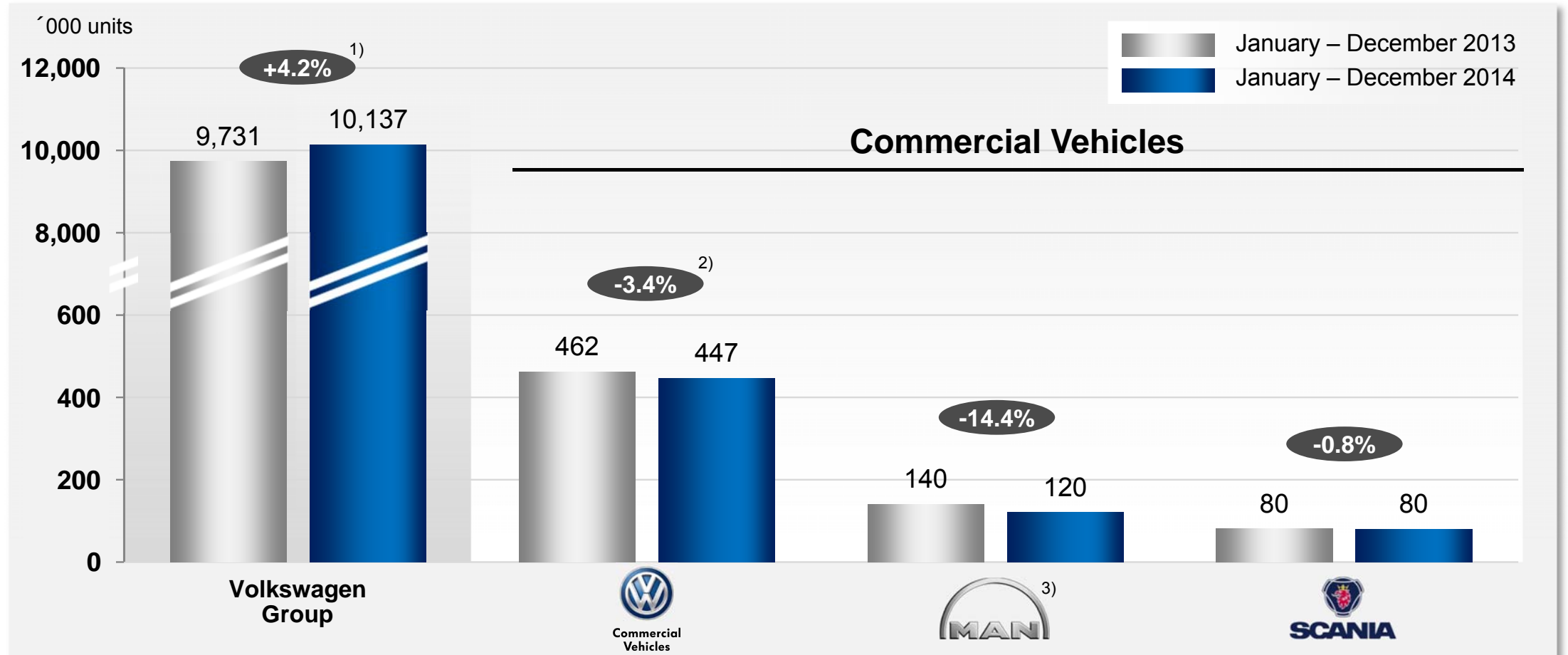
## Volkswagen Group – Deliveries to Customers by Brands (January to December 2014 vs. 2013)



<sup>1)</sup> Incl. Volkswagen Commercial Vehicles, Scania and MAN; 4.9% excl. Volkswagen Commercial Vehicles, Scania and MAN.

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## Volkswagen Group – Commercial Vehicles Deliveries to Customers by Brands (January to December 2014 vs. 2013)

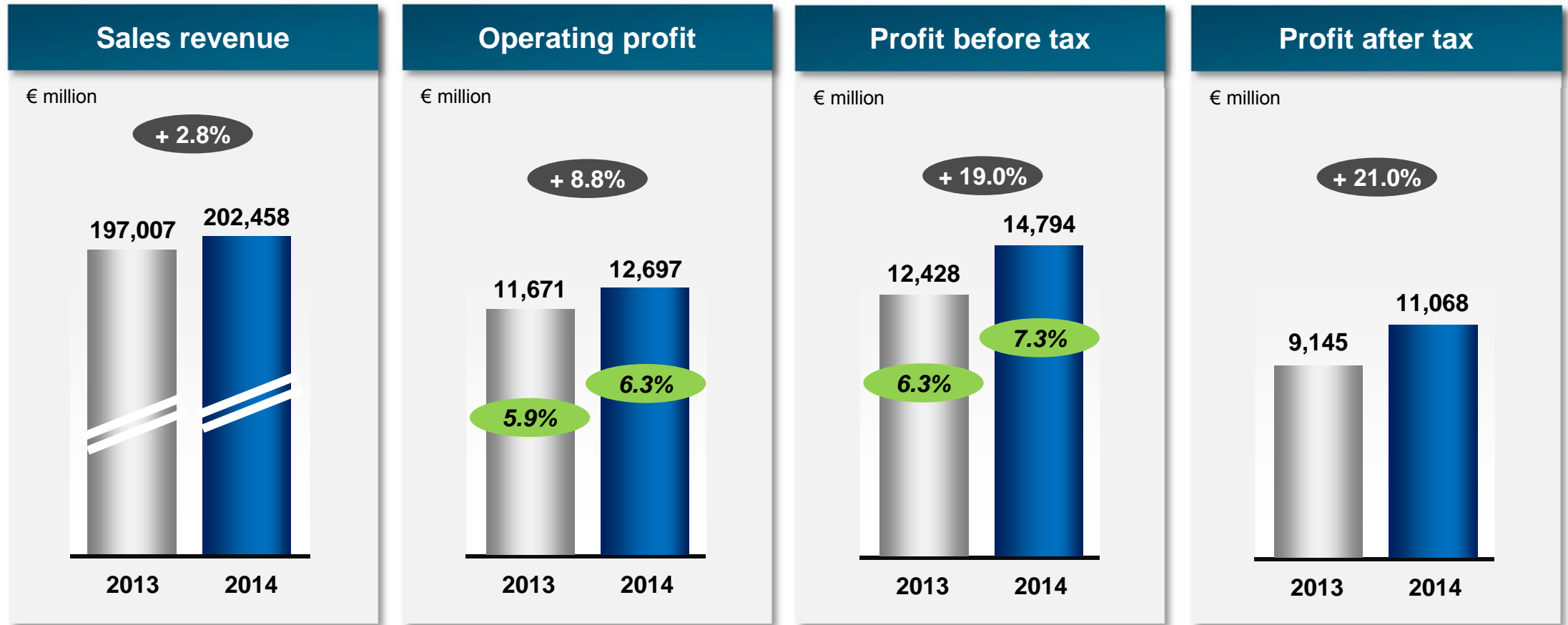


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<sup>2)</sup> The Saveiro model, previously Volkswagen Commercial Vehicles, is reported in the Volkswagen Passenger Cars brand retrospectively as of January 1, 2013. <sup>3)</sup> MAN incl. MAN Latin America Trucks and Buses GVW > 5t

## Financial Highlights – Volkswagen Group

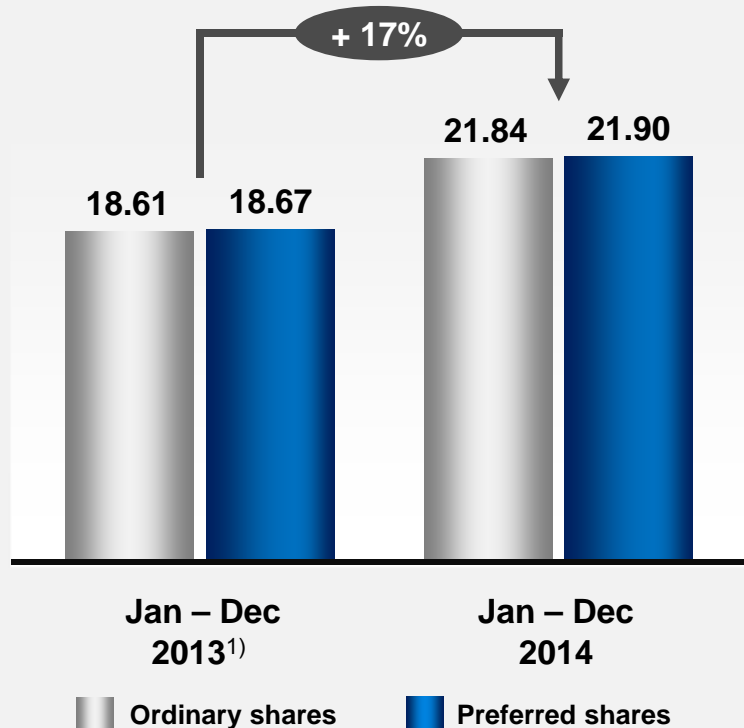
(January to December 2014 vs. 2013)



+ x.x% % growth rate y-o-y    x.x% Operating profit / profit before tax in % of sales revenue

## Volkswagen Group – Analysis of earnings per share development (January to December 2014 vs. 2013)

### Earnings per share (diluted, in €)

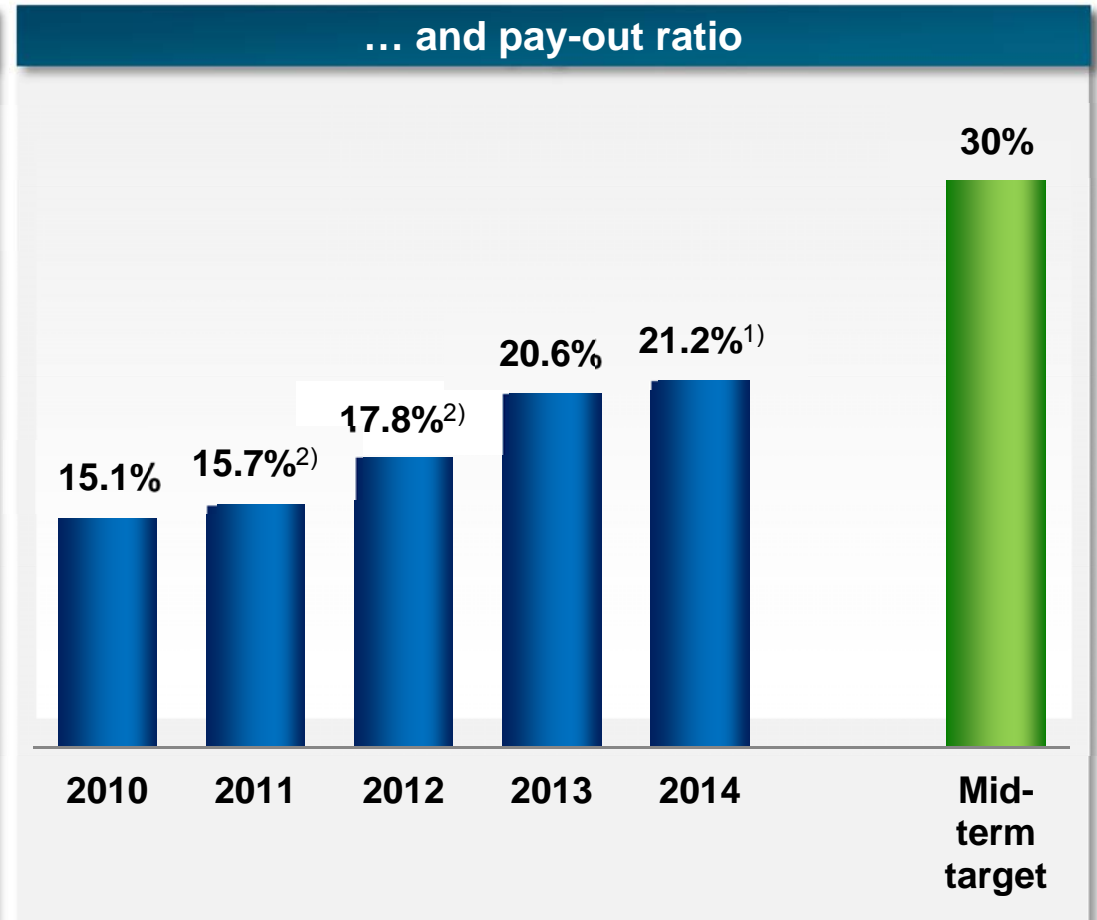
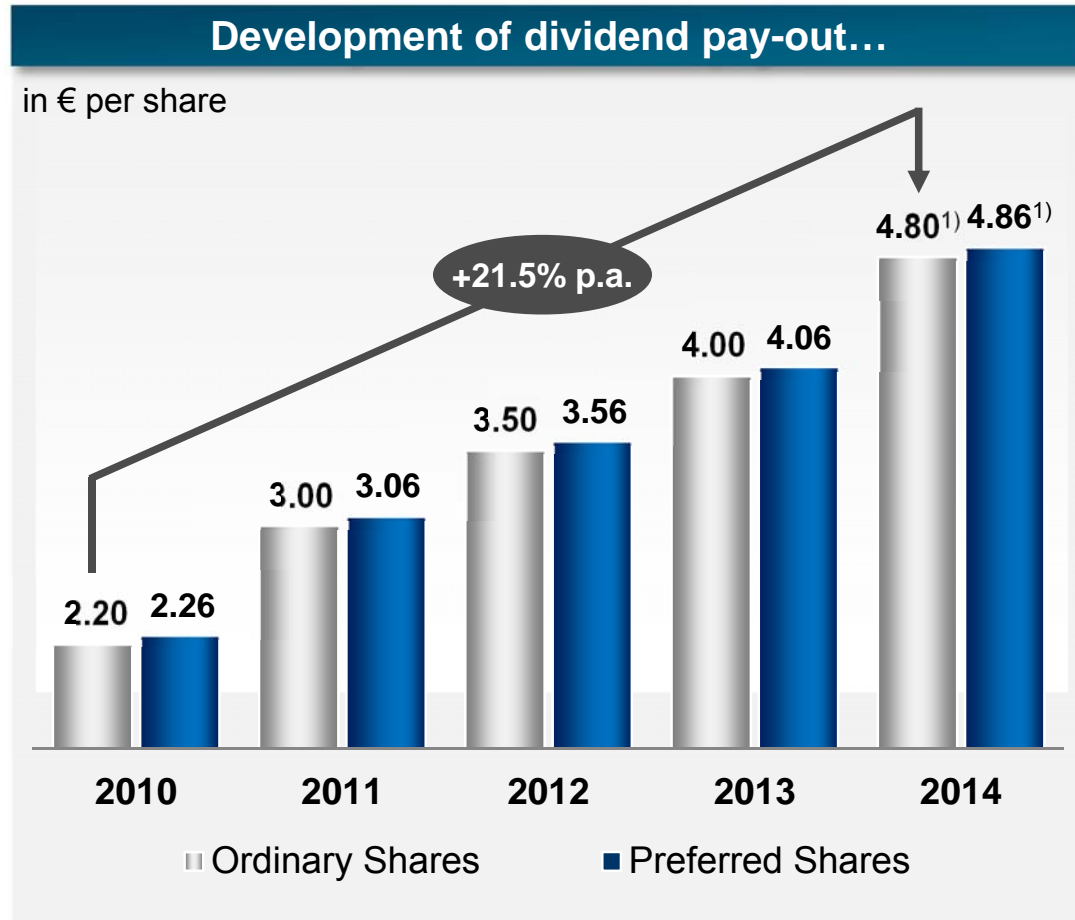


### Key driving factors for EPS

- + Increase of Group operating profit
- + Improved at-equity result, mainly due to continued strong performance of Chinese joint venture companies
- + Improved other financial result
- Higher minority and hybrid investors' interest in net profit reconciliation
- Slightly increased average number of shares outstanding following issuance of equity capital and convertibles

<sup>1)</sup> Prior-year figures adjusted to reflect application of IAS 33.26.

## Continuous dividend development on a sustainable basis

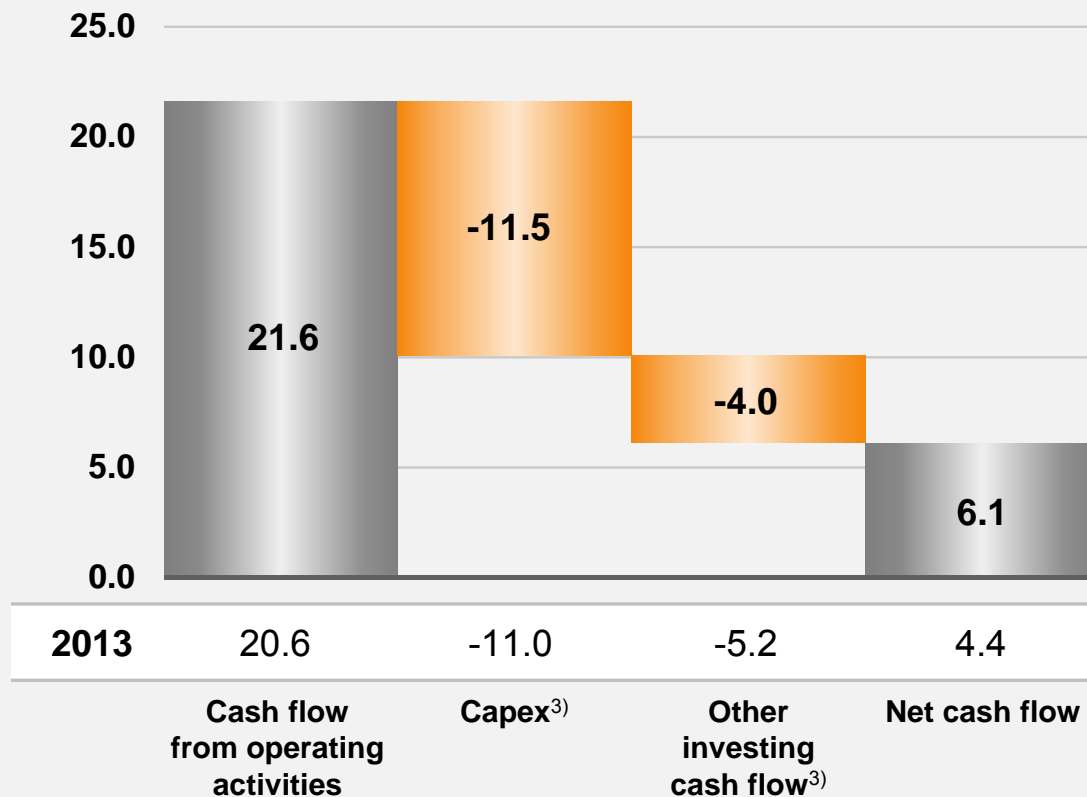


<sup>1)</sup> Dividend proposal to Annual General Meeting on 05 May 2015. <sup>2)</sup> Total dividend in percent of net income attributable to shareholders adjusted for noncash income mainly from the updated measurement of the put/call rights relating to the acquisition of the stake in Porsche AG indirectly held by Porsche SE, as well as the remeasurement of the existing stake held at the contribution date.

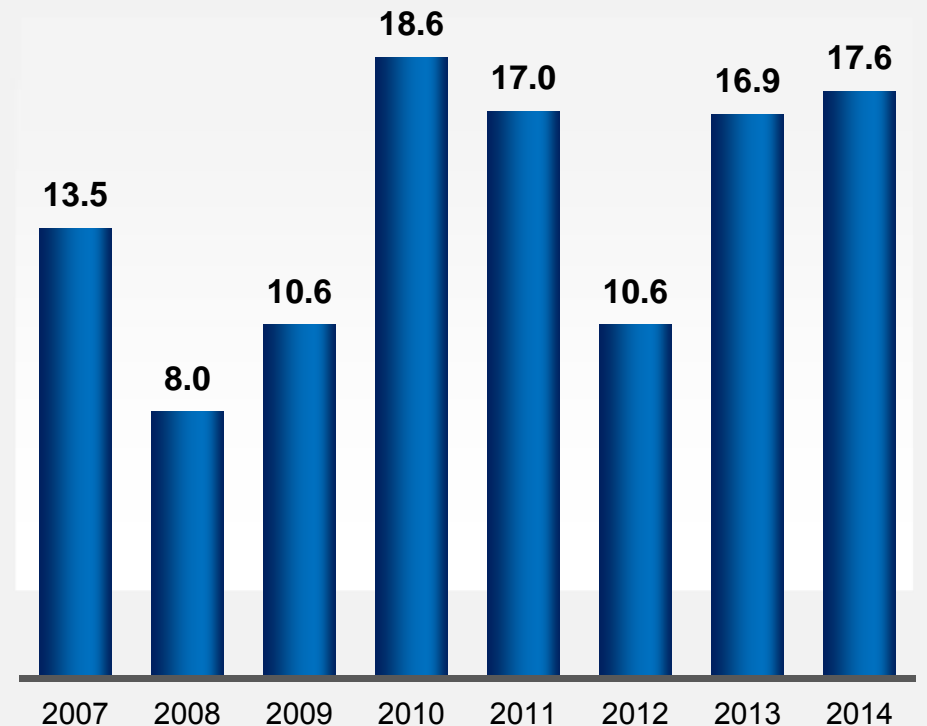


## Automotive Division – Strong cash generation and robust net liquidity<sup>1) 2)</sup> (January to December 2014, in € billion)

Automotive cash flow performance 2014 vs. 2013



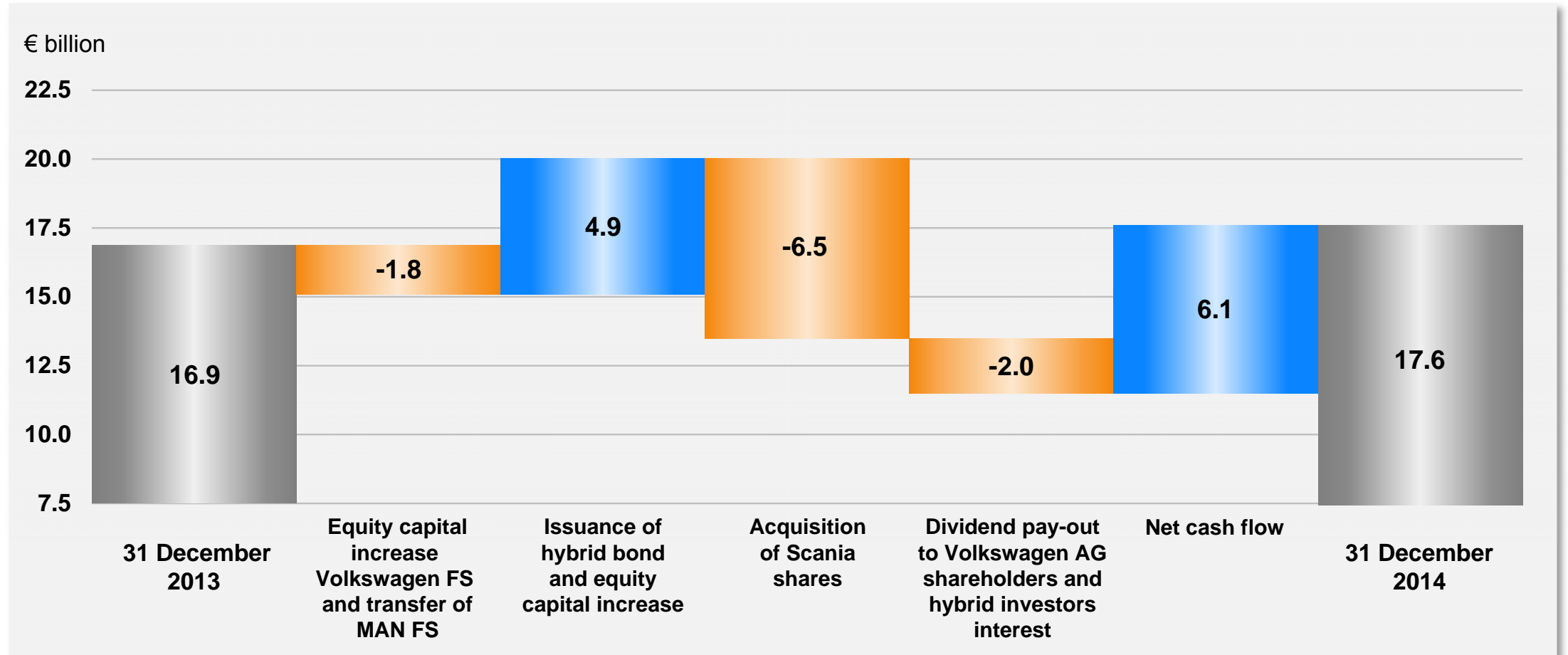
Development of automotive net liquidity



<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

<sup>3)</sup> Total cash flows from investing activities attributable to operating activities: €15,476 m (previous year: €16,199 m), excl. acquisition and disposal of equity investments: €15,719 m (previous year: €14,497 m).

## Automotive Division – Analysis of net liquidity<sup>1)</sup> (January to December 2014)

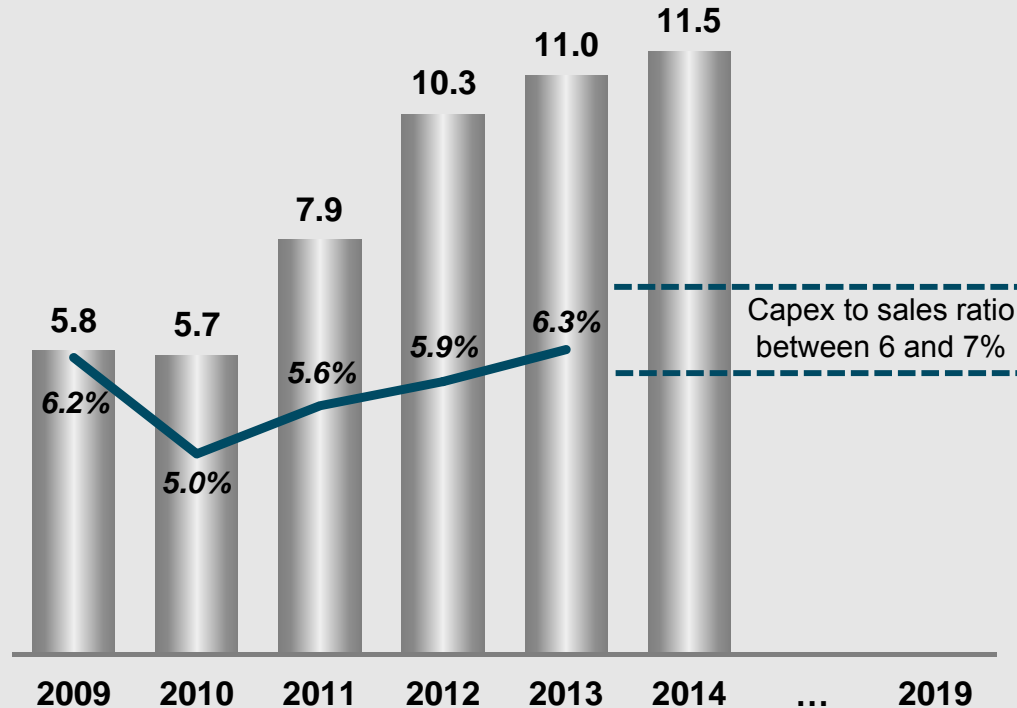


<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts.

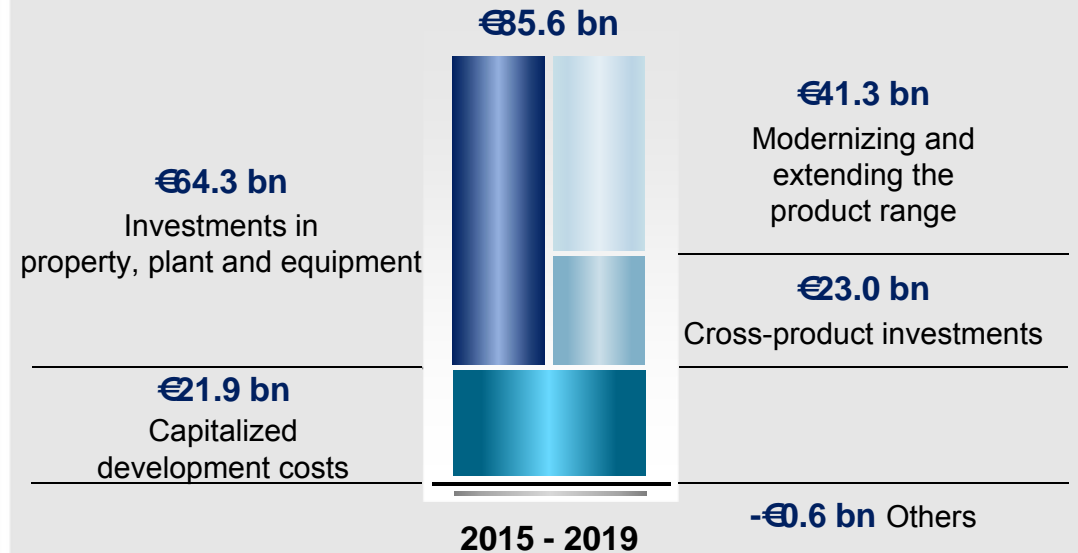
# Volkswagen's Automotive Division continues to invest in new products, innovative technologies and its global production footprint

## Investments in property, plant and equipment

€ billion / in % of sales revenue

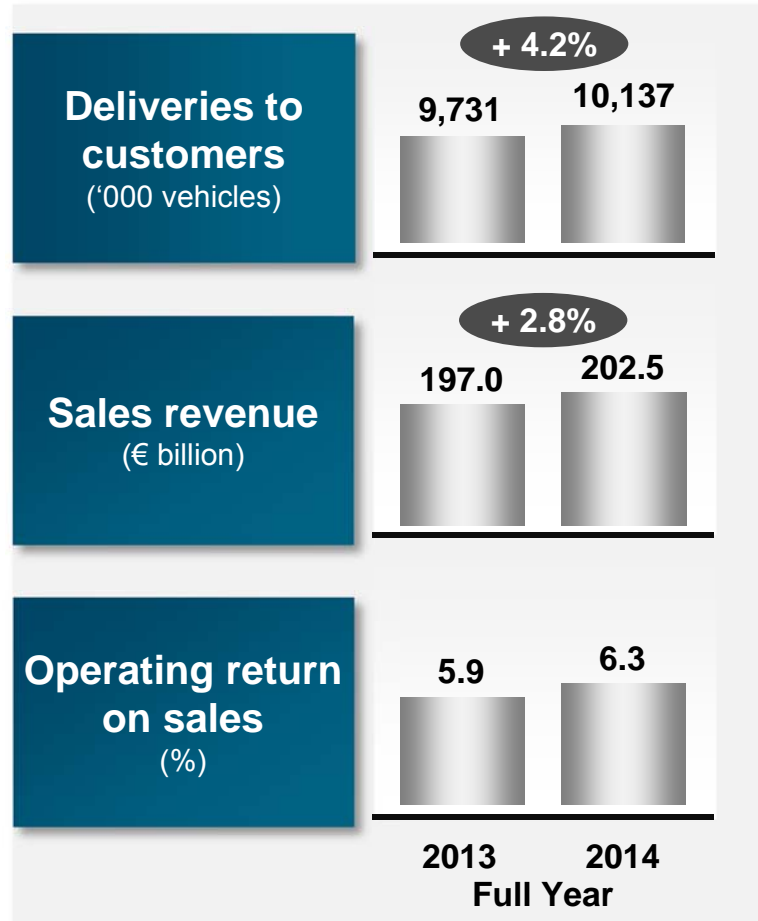


## 5-year investment program remains on a stable level



- Around two-thirds will continue to flow into increasingly efficient vehicles, drives and technologies, as well as environmentally friendly production
- In addition, China JVs will invest a total of €22.0 bn in new production facilities and products (fully self funded)

## Volkswagen Group – Outlook for 2015



We expect ...

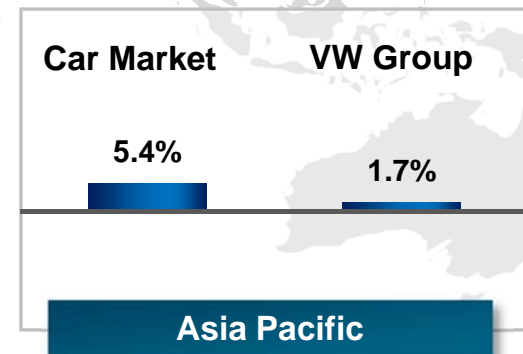
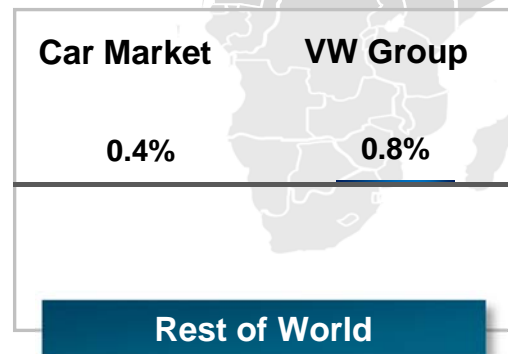
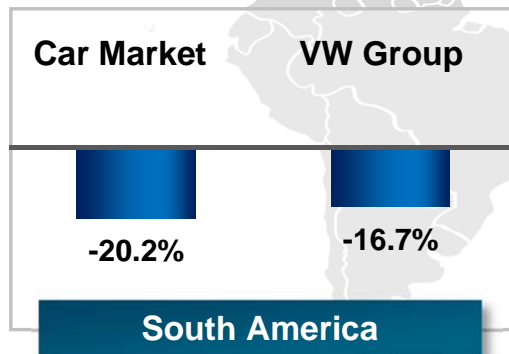
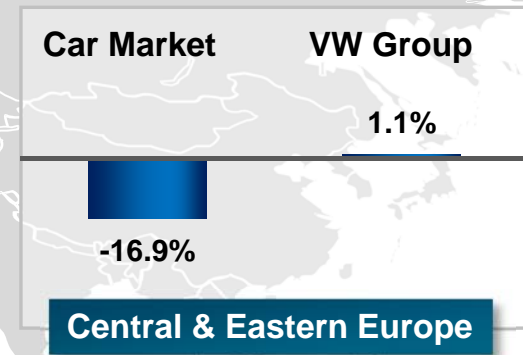
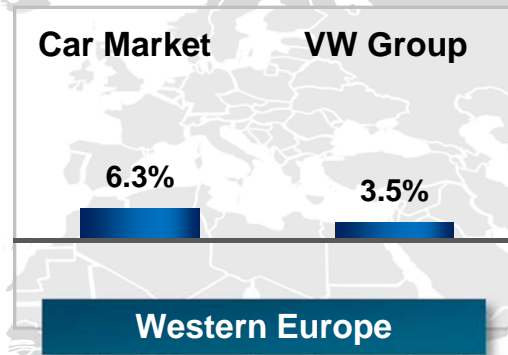
- to moderately increase Volkswagen Group deliveries to customers year-on-year in 2015 in a persistently challenging market environment.
- 2015 sales revenue for the Volkswagen Group and its business areas to increase by up to 4% above the prior-year figure, depending on the economic conditions. However, 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.

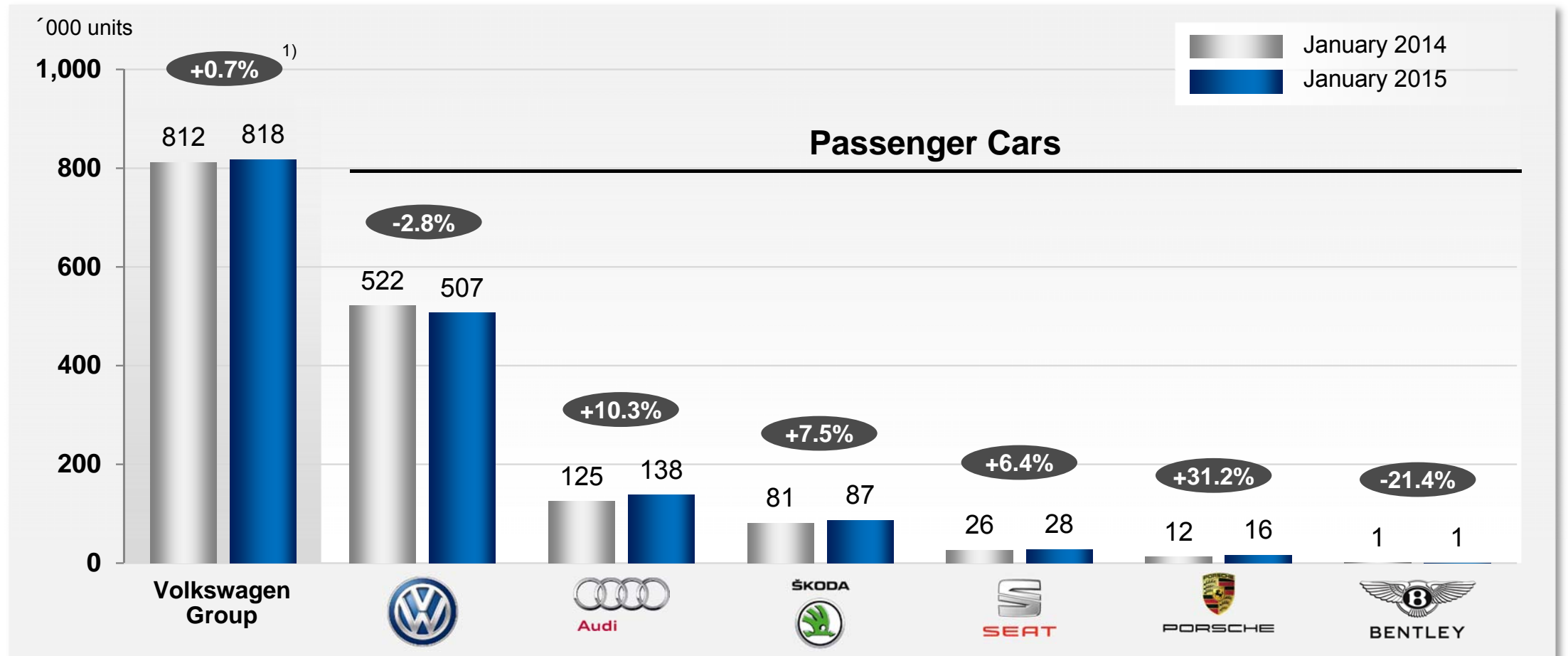
## Development World Car Market vs. Volkswagen Group Car Deliveries to Customers<sup>1)</sup> (Growth y-o-y in deliveries to customers, January 2015 vs. 2014)

World: Car Market: 4.3% Volkswagen Group: 1.3%



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

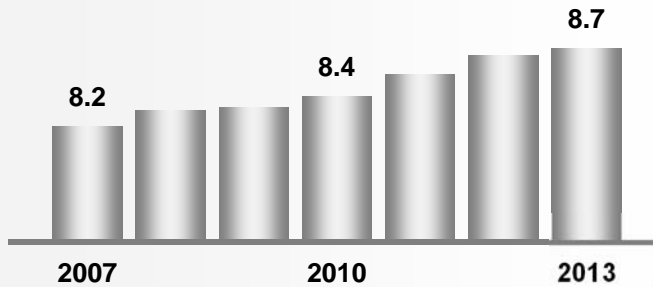
## Volkswagen Group – Deliveries to Customers by Brands (January 2015 vs. 2014)



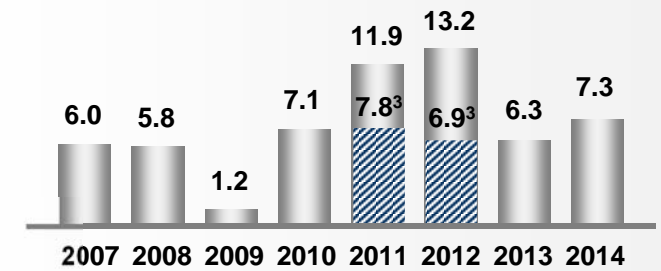
<sup>1)</sup> Incl. Volkswagen Commercial Vehicles, Scania and MAN; 1.3% excl. Volkswagen Commercial Vehicles, Scania and MAN.

# Volkswagen Group – Well on track to achieve targets under Strategy 2018

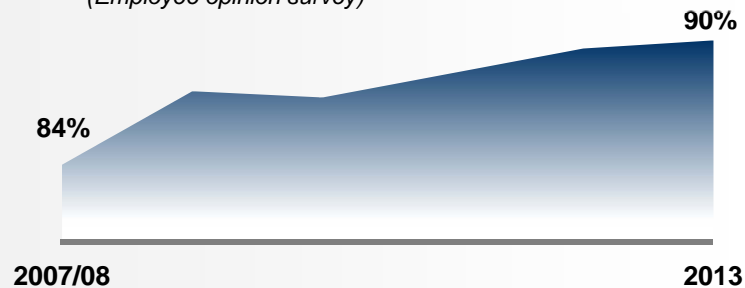
**Volkswagen Group customer satisfaction**  
(on a scale of 1 to 10<sup>1)</sup>)



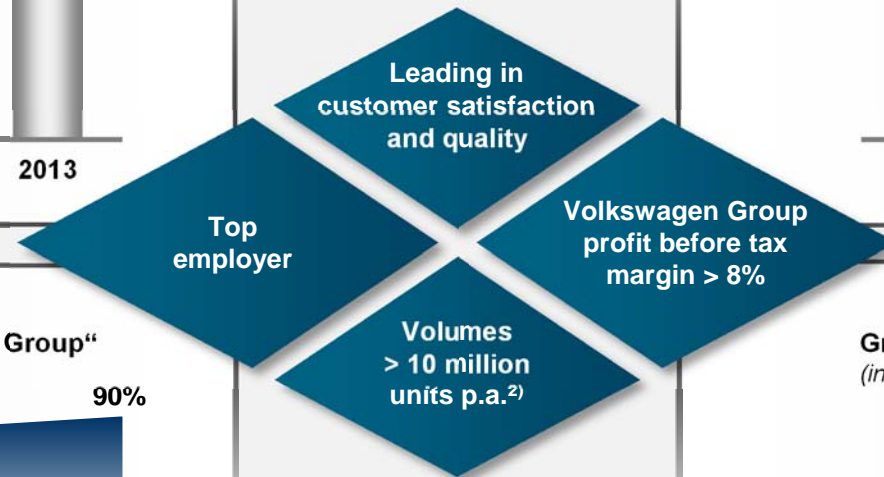
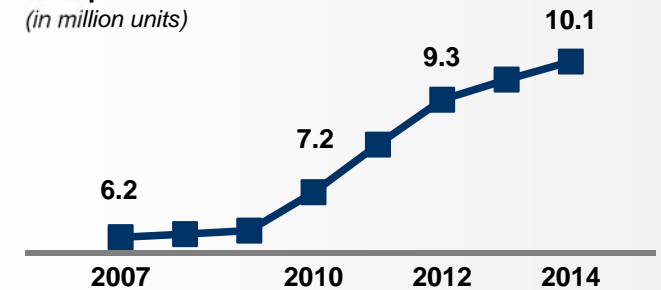
**Group profit before tax margin**  
(in percent)



**„I am happy to work at the Volkswagen Group“**  
(Employee opinion survey)



**Group deliveries to customers**  
(in million units)



<sup>1)</sup> Own calculation based on key industry studies on customer satisfaction with dealers, after sales and new vehicles. <sup>2)</sup> Including China.

<sup>3)</sup> Group profit before tax margin excluding the nonrecurring effect from the remeasurement of the Porsche put/call options and from remeasurement at the contribution date of the shares already held.

## Volkswagen Group – Key sustainable achievements

Superior products



Continued market leadership  
in Europe and China



Positioning and cooperation clearly  
strengthened in the premium segment



Audi



PORSCHE

Creation of a leading truck business



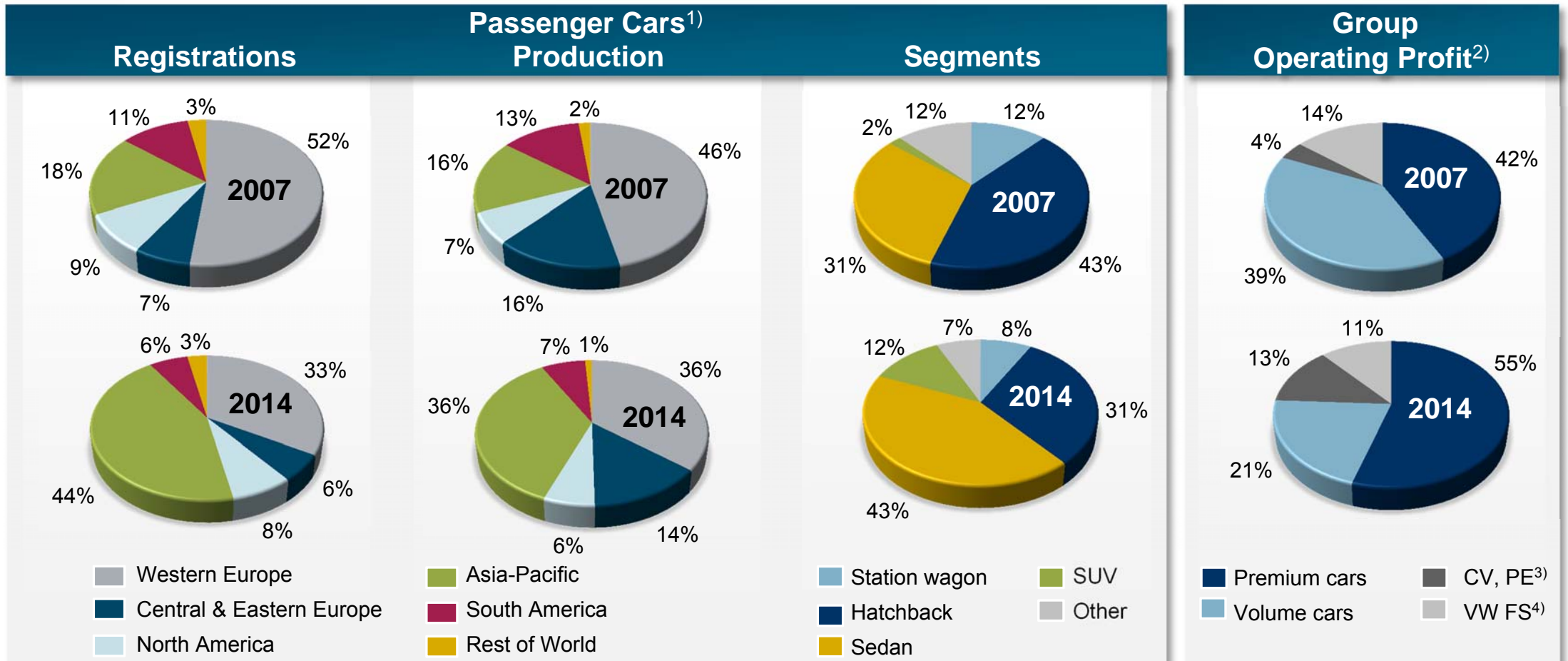
SCANIA

Successful toolkit implementation





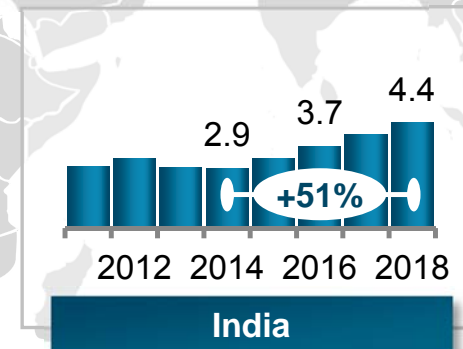
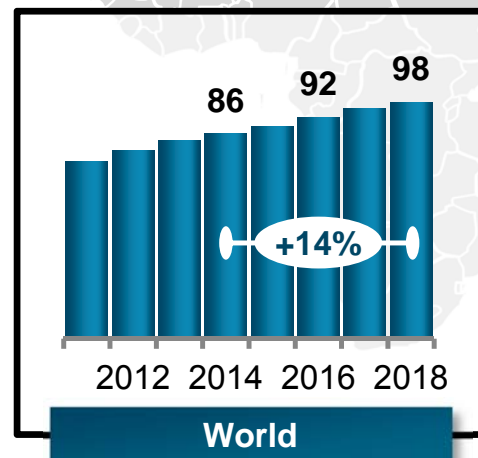
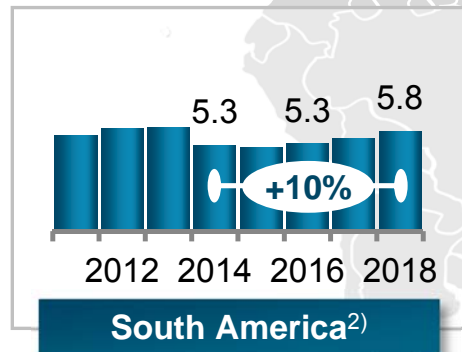
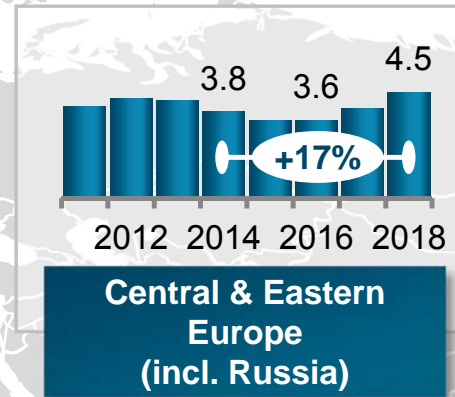
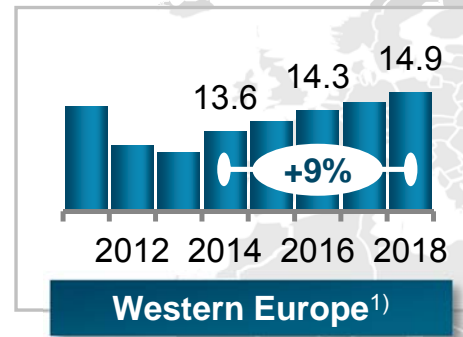
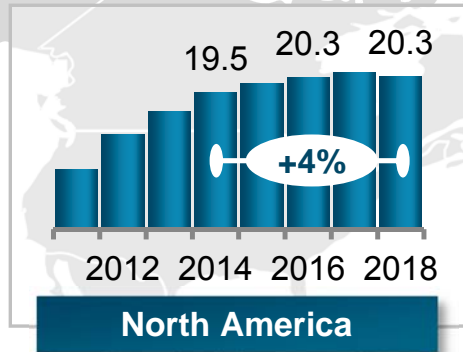
# Improved segment and market exposure provides stable earnings platform



<sup>1)</sup> Source: Polk; figures excluding Volkswagen Commercial Vehicles, MAN and Scania. Porsche fully consolidated as from 1 August 2012 <sup>2)</sup> Split of Group Operating Profit excluding Other / Consolidation and PPA Jan – Sept 2014 vs. Jan – Dec 2007 <sup>3)</sup> Commercial Vehicles / Power Engineering <sup>4)</sup> VW Financial Services figures do not include financial service activities of Scania, Porsche AG and Porsche Holding Salzburg

# Key sales markets offer substantial growth opportunities

Market growth 2014 – 2018 (million units)

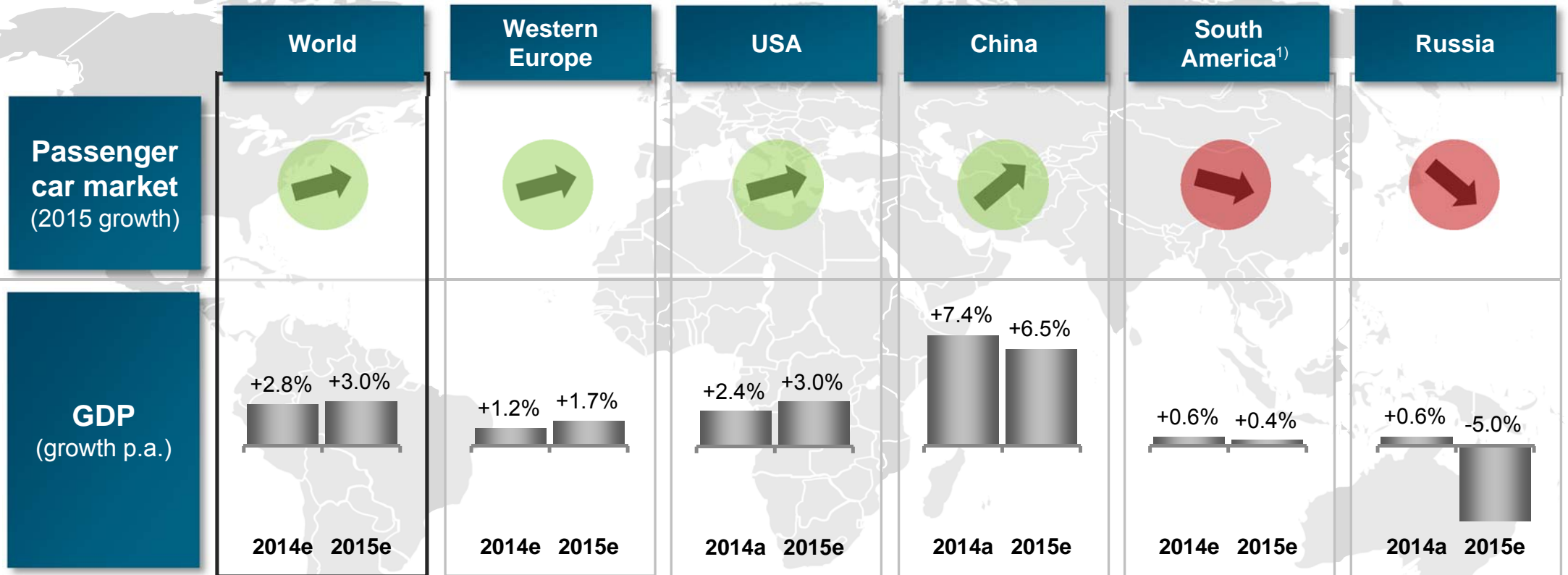


<sup>1)</sup> Includes Cyprus and Malta

<sup>2)</sup> Includes Central America and Caribbean

Source: IHS Automotive (data status: January 2015), rounded  
Note: Market = Cars and LCVs

## Global passenger car market expected to grow further in 2015 with adverse developments in individual regions



Source: IHS Automotive , IHS Economics as of February 2015  
<sup>1)</sup> Includes Central America and Caribbean, excluding Mexico

## New registrations of mid-sized and heavy trucks in markets relevant for the Volkswagen Group are set to drop noticeably in 2015

### Western Europe



Demand **expected to rise modestly** with economic recovery; pull-forward effects in 2013 related to Euro 6 emission standard negatively affected 2014

### Germany



GDP growth in 2015 expected to **slightly increase** over the year with positive effect on truck sales

### Russia



Sanctions and sluggish macroeconomic development will have **continuing negative effect on truck demand** in 2015

### Brazil



Negative macroeconomic development with adjustment of FINAME-Program have a **significantly negative impact** on Brazilian market

### India



- Government change 2014 provides further investment incentives
- **Substantial increase** in truck sales expected

### China

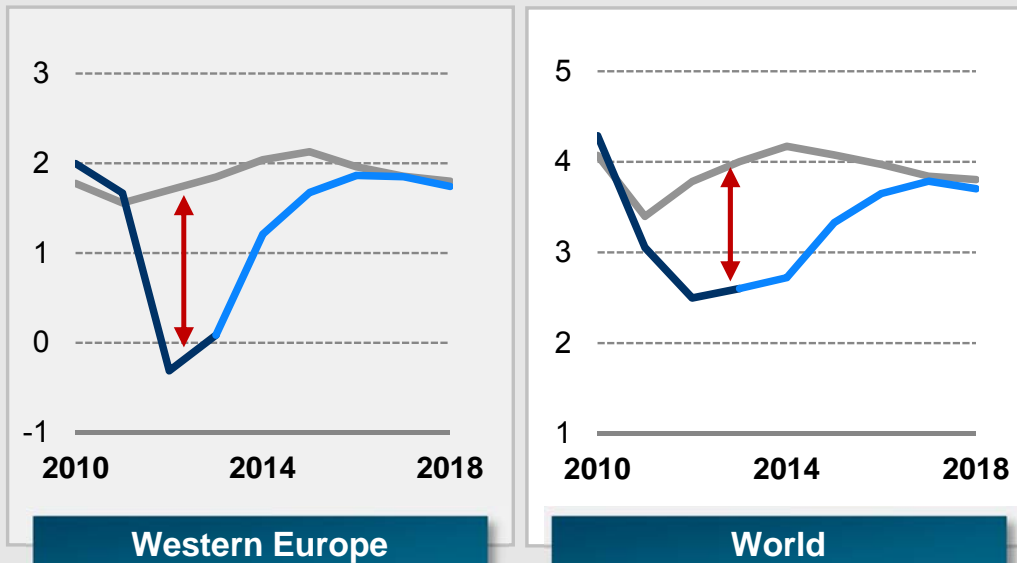


Sales in China expected to be **almost on the same level** as 2014 despite positive macroeconomic development

## Growth in many major markets, excluding China, below expectations

### GDP growth remains behind forecasts - but recovery expected until 2018

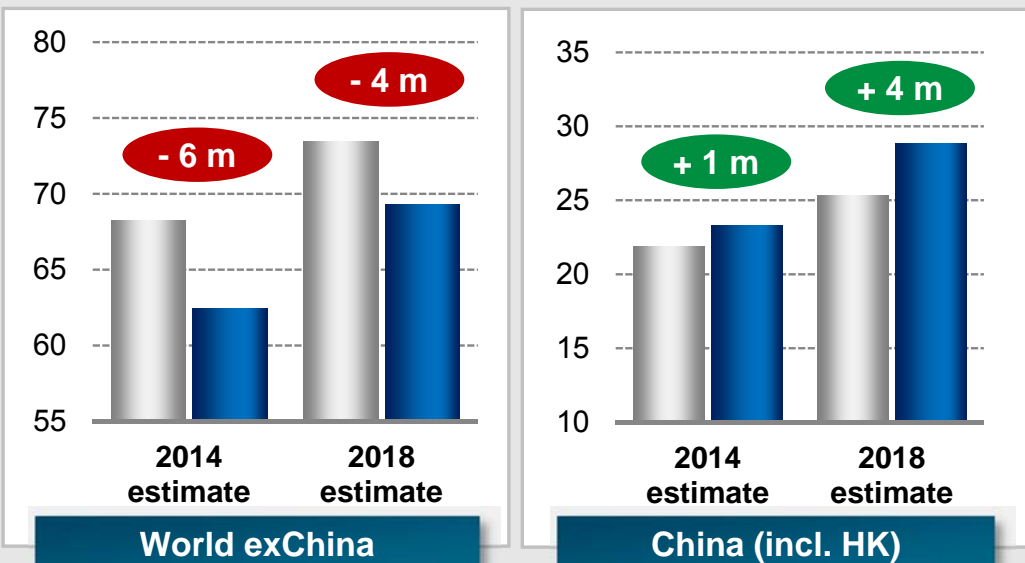
GDP growth p.a. 2010 – 2018 (%)



— Dec 2010 forecast  
— Actuals  
— Sept 2014 forecast

### Volume projections for global car markets (ex China) reduced significantly

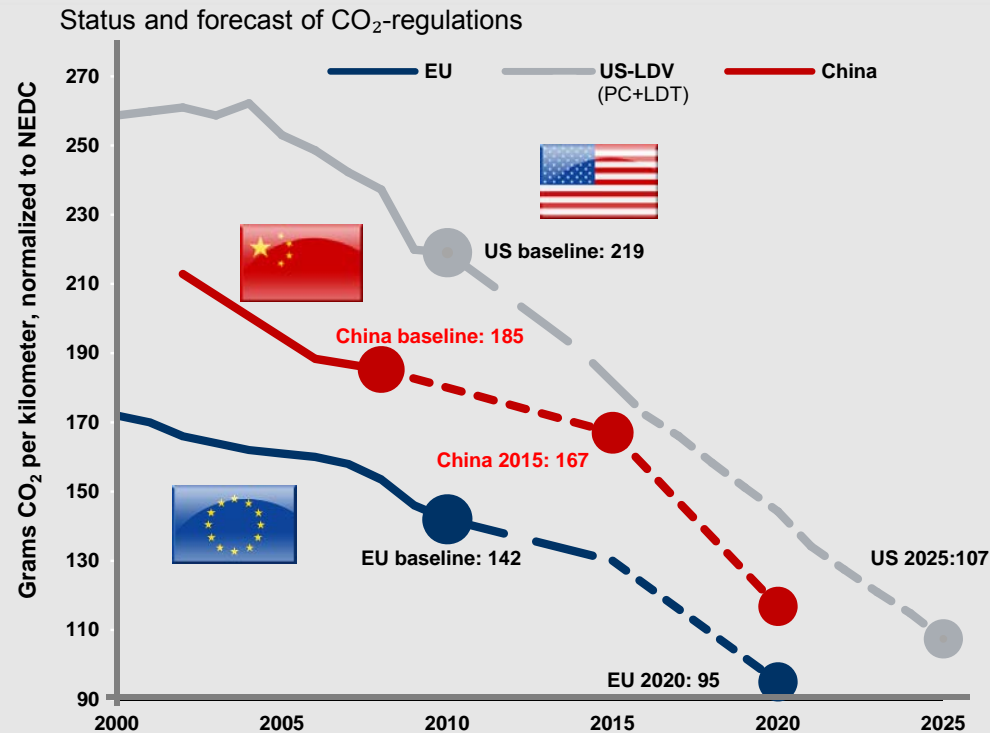
in million units



— Projection as per end of 2010  
— Projection as per October 2014

# Tightening environmental regulation and major trends driving substantially higher investment and engineering needs today

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



Source: based on ICCT

## ... Market / consumer trends

Digitalization



Shorter lifecycles



E-mobility



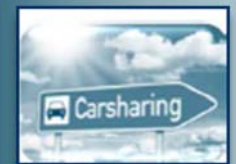
SUV trend



Automated driving



Shift in priorities



# Future Tracks – Paving the way to the future



## Strategy for the time beyond 2018

- E-mobility
- Digitalization
- Business models
- Product cycles
- Automated driving

### Future trends

### Profitability



### Economic uncertainty

- Trade barriers
- Currencies
- Economic development
- Regulations

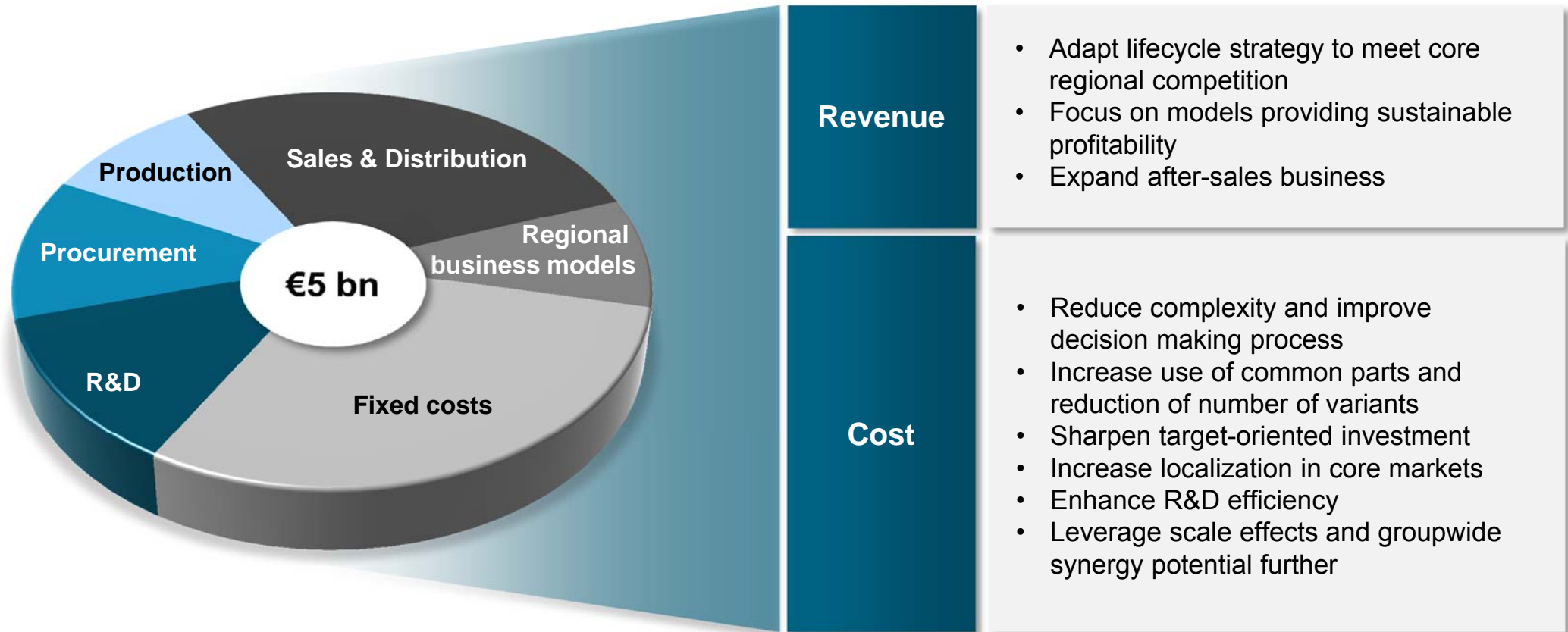


## Volkswagen Group 2018 Strategy





## Volkswagen Brand: Substantial efficiency measures across all business areas to ensure > 6% target return before 2018







# Volkswagen Brand: Three focus areas to improve competitiveness

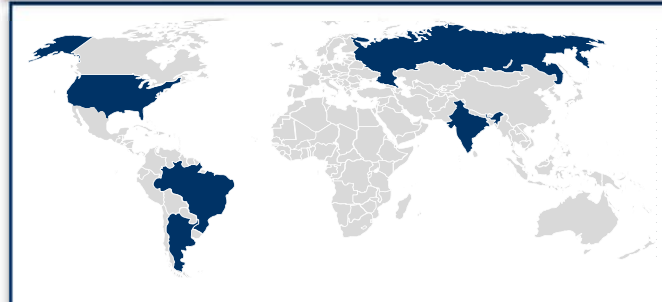
## Efficiency Program

### Model Portfolio & Cycle Plan



- Continually adapt product lifecycles to the specific regional and competitive requirement
- Challenge every model regarding growth prospects and sustainable profit contribution

### Strengthen Regions



- Improve operational and financial robustness of regional business models
- Increase localization of products, production and components as well as research and development

### Cost Discipline & Productivity

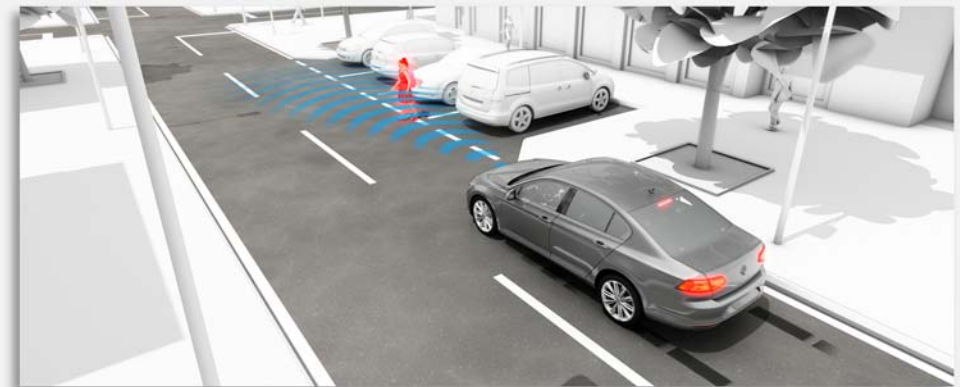


- Strong focus on cost and investment discipline
- Roll-out of efficiency program in order to secure/improve cost efficiency and quality of results

# Transition to automated driving already started and offers huge potential

## Drivers assistant systems in the new Passat

- Emergency assist with lane change
- Traffic jam assist with hands-off
- Work zone lane assist
- Automated driving
- Automated parking
- Traffic jam assist
- Emergency assist
- Trailer assist
- Front assist with pedestrian monitoring



## New Touran: Variants will be reduced in order to compensate complexity drivers and to cut costs

### Touran current model

#### Complexity drivers

- Drivers assistant systems
- Legal requirements
- Seating options
- ...



### Touran successor

#### Variant reduction

- Steering wheels
- Trunk lining
- Mirrors
- ...



## Significant savings potential through various variant reductions

(% reduction in number of variants)

Golf 7: Batteries



~50%

Golf 7: Interior lamps



~50%

Golf 7: Armrests (leather)



>30%

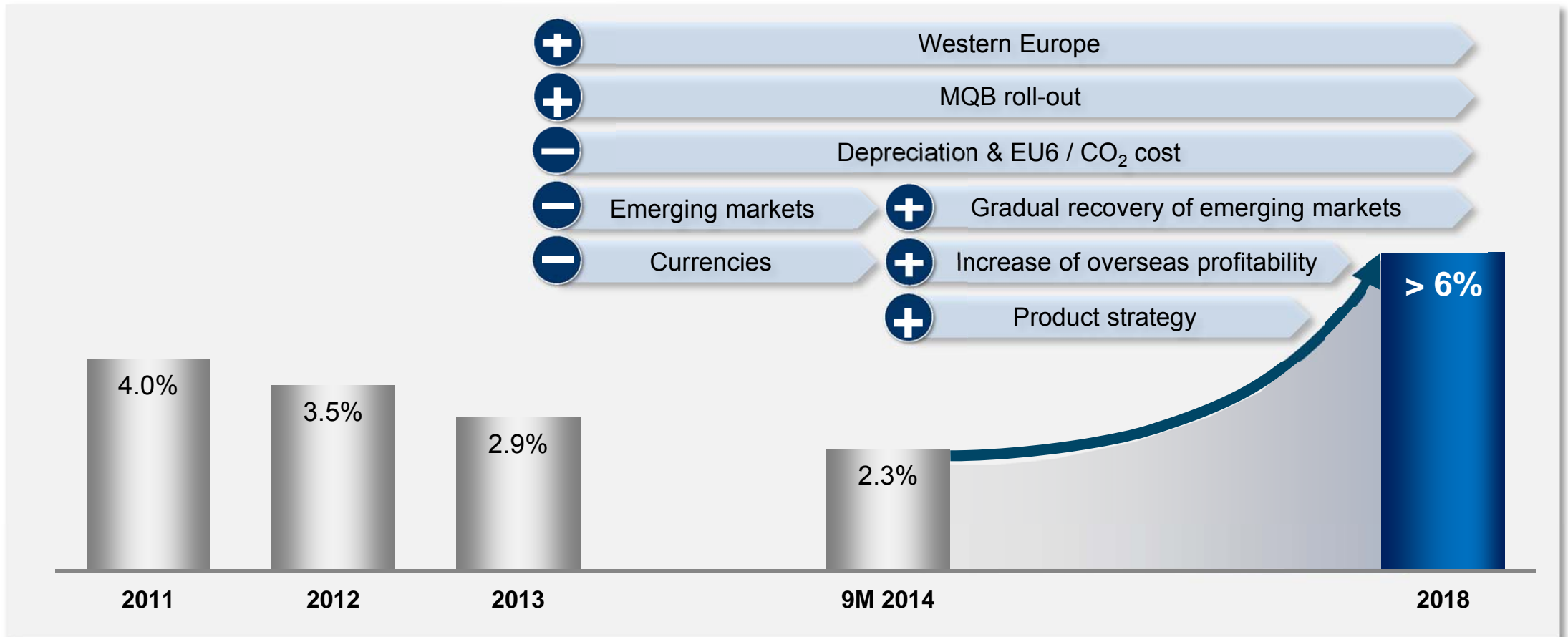
Polo successor: Engine/gearbox variants



>30%



# Improving operating returns at Volkswagen Passenger Cars<sup>1)</sup> the latest by 2018 is a core objective of Future Tracks



<sup>1)</sup> The joint venture companies in China are accounted for using the equity method and thus are not included in the operating profit of Volkswagen Passenger Cars.

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



## Production network and implementation of MQB

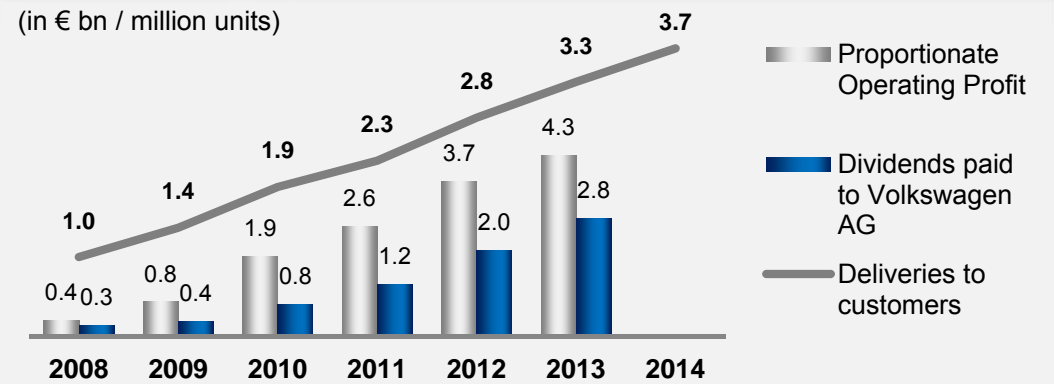
**Production capacity (250 working days)**  
2014: 3 million  
2019: 5 million

- Existing production site
- MQB production site by 2016
- Planned MQB production site

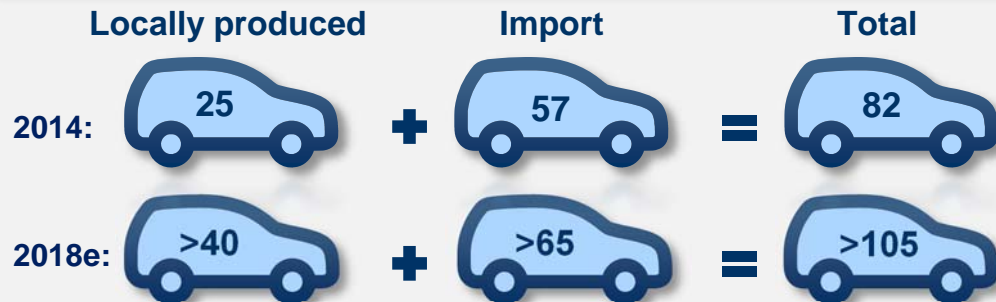


## Strong operational & financial track record

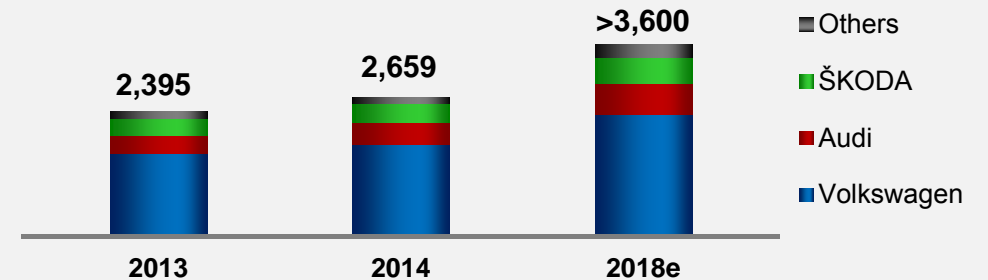
(in € bn / million units)



## Significant extension of product portfolio



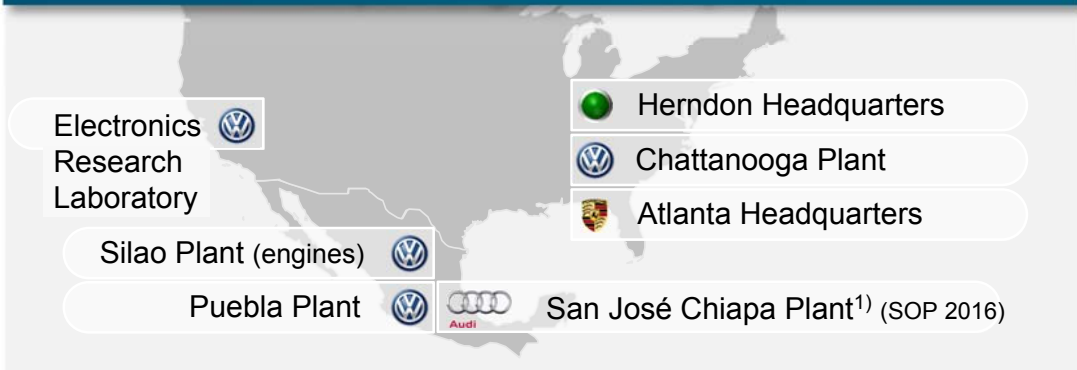
## Continuous expansion of dealer network



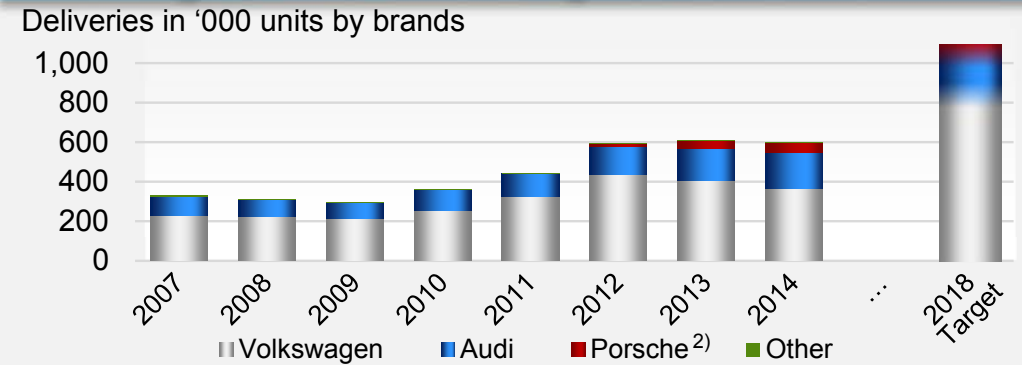
# USA – Extending the business



## Expanding local footprint



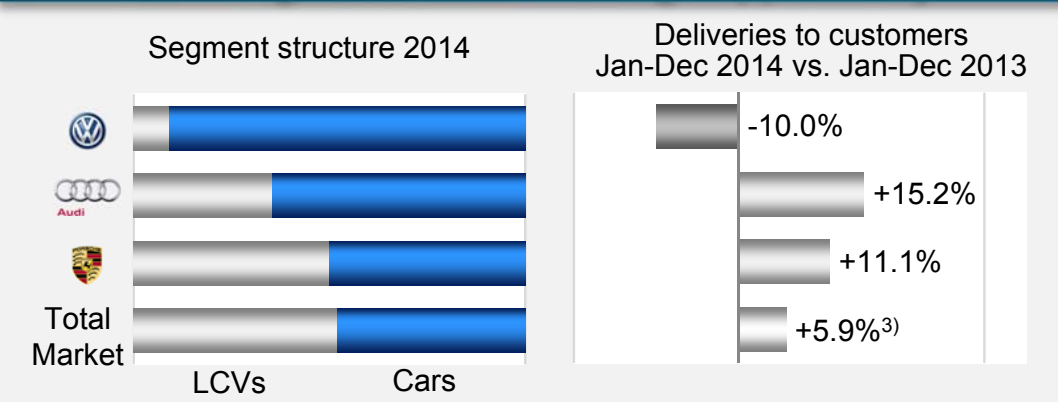
## Strong commitment to targets in the U.S. market



## Upgrade/expansion of portfolio



## LCV segment remains a large opportunity



<sup>1)</sup> Production of global volumes of new Audi Q5 from 2016 <sup>2)</sup> Figures including Porsche as from 1 August 2012  
<sup>4)</sup> Imported and locally produced vehicles in % of total deliveries (Volkswagen Passenger cars)

<sup>3)</sup> Thereof Passenger Cars +1.8%, Light Commercial Vehicles +10.0%

# Brazil – Short-term challenge, mid-term opportunity



## Highly localized passenger car production



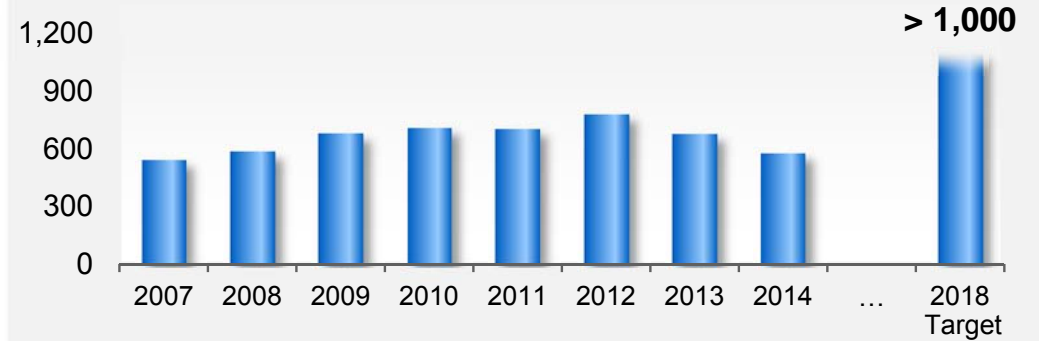
São Carlos (engines)

Anchieta

Taubaté

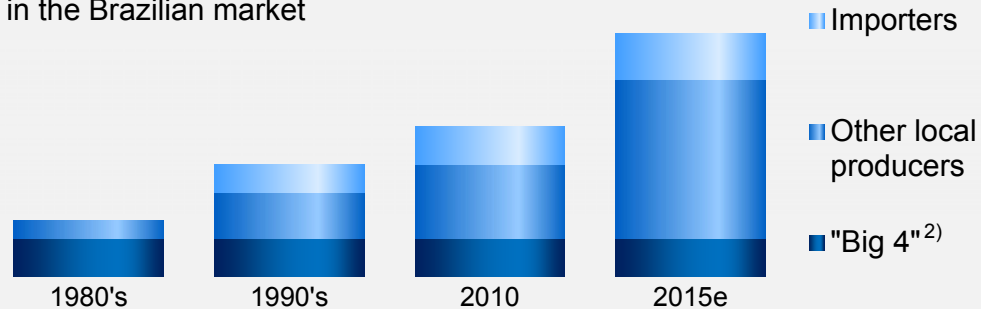
Curitiba<sup>1)</sup>

## Deliveries to customers ('000 units)



## A rapidly changing competitive landscape

Number of automotive companies in the Brazilian market



Source: Anfavea, own research

## Expansion & upgrade of locally produced portfolio

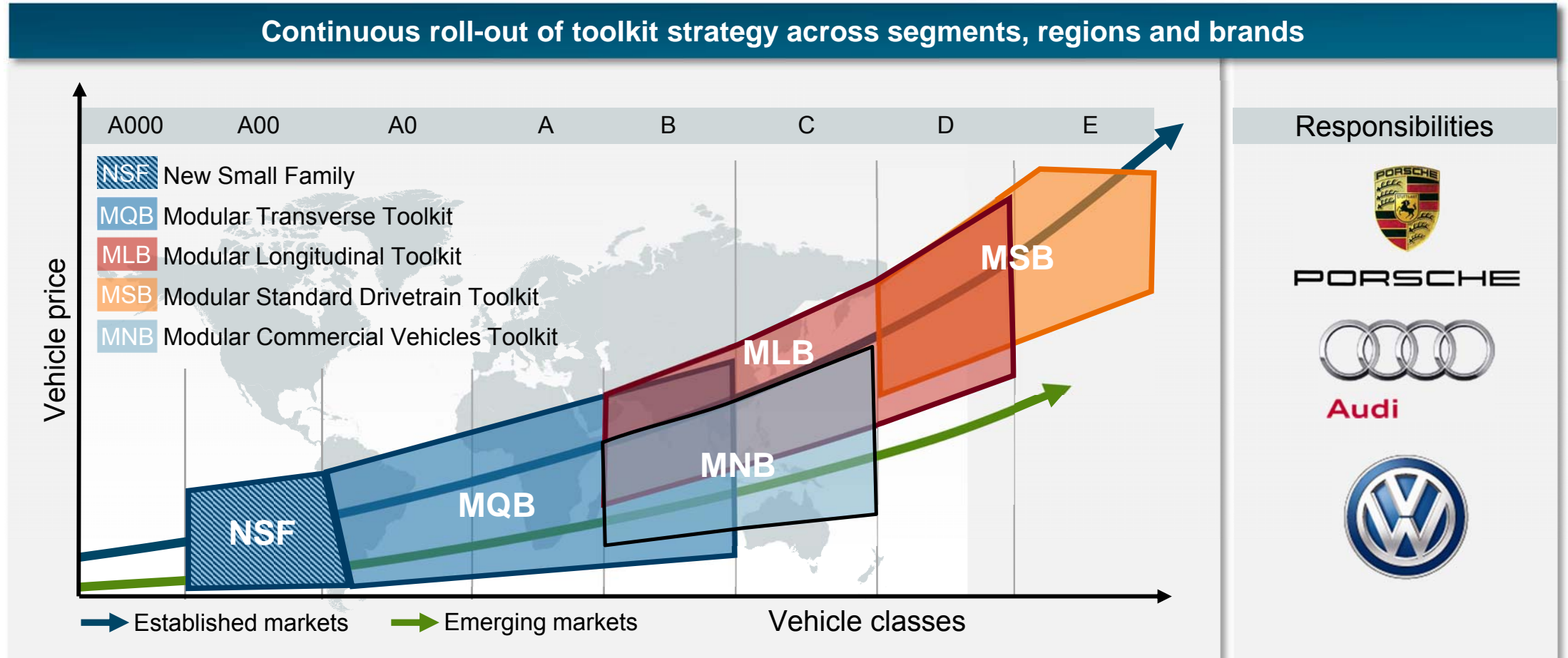


<sup>1)</sup> Audi to start production of A3 Sedan in São José dos Pinhais in 2015 (Audi Q3 to follow in 2016)

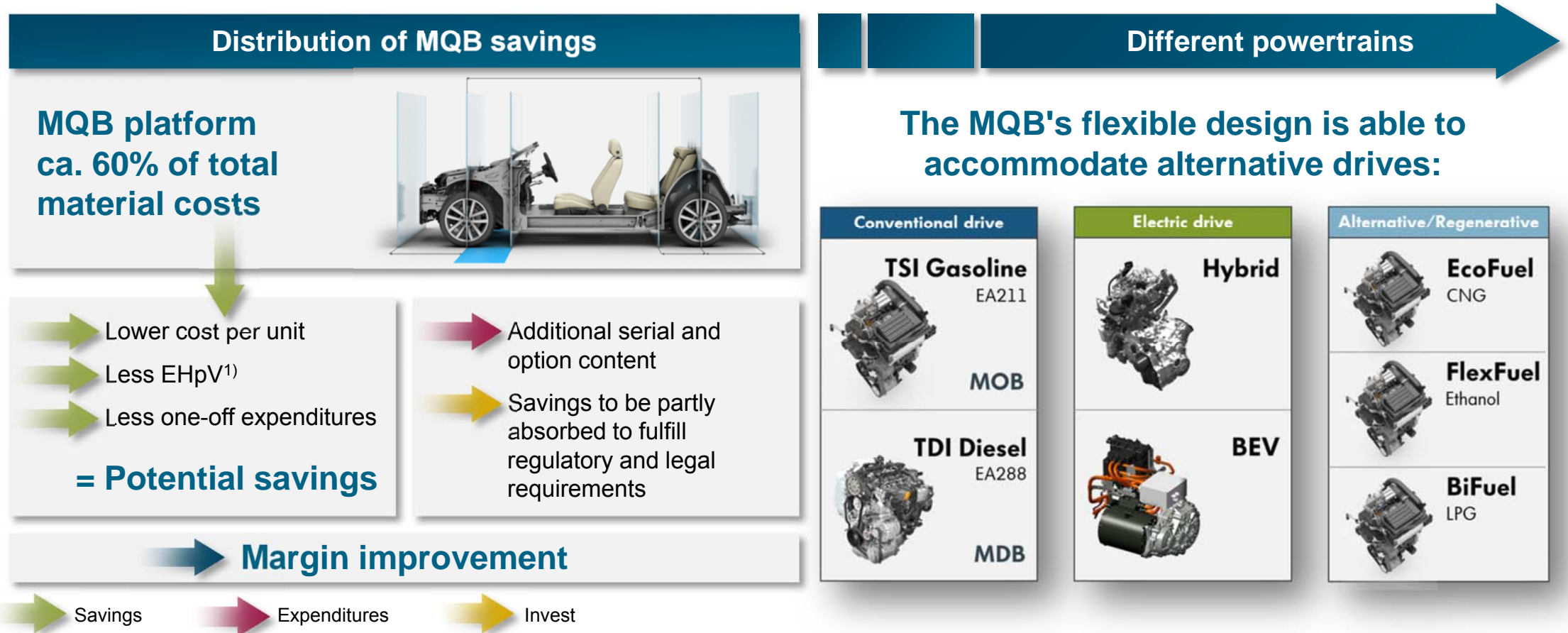
<sup>2)</sup> Volkswagen, Fiat, General Motors, Ford



## Volkswagen Group toolkit strategy and responsibilities



# MQB – Driving forward economies of scale in unit cost, investment and supporting achievement of emission targets



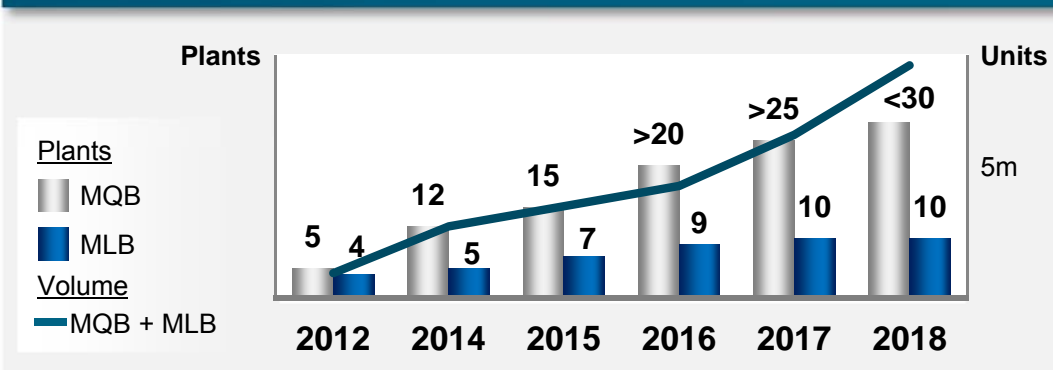
<sup>1)</sup> Engineered Hours per Vehicle

# Sustainable success secured through the roll-out of modular toolkits

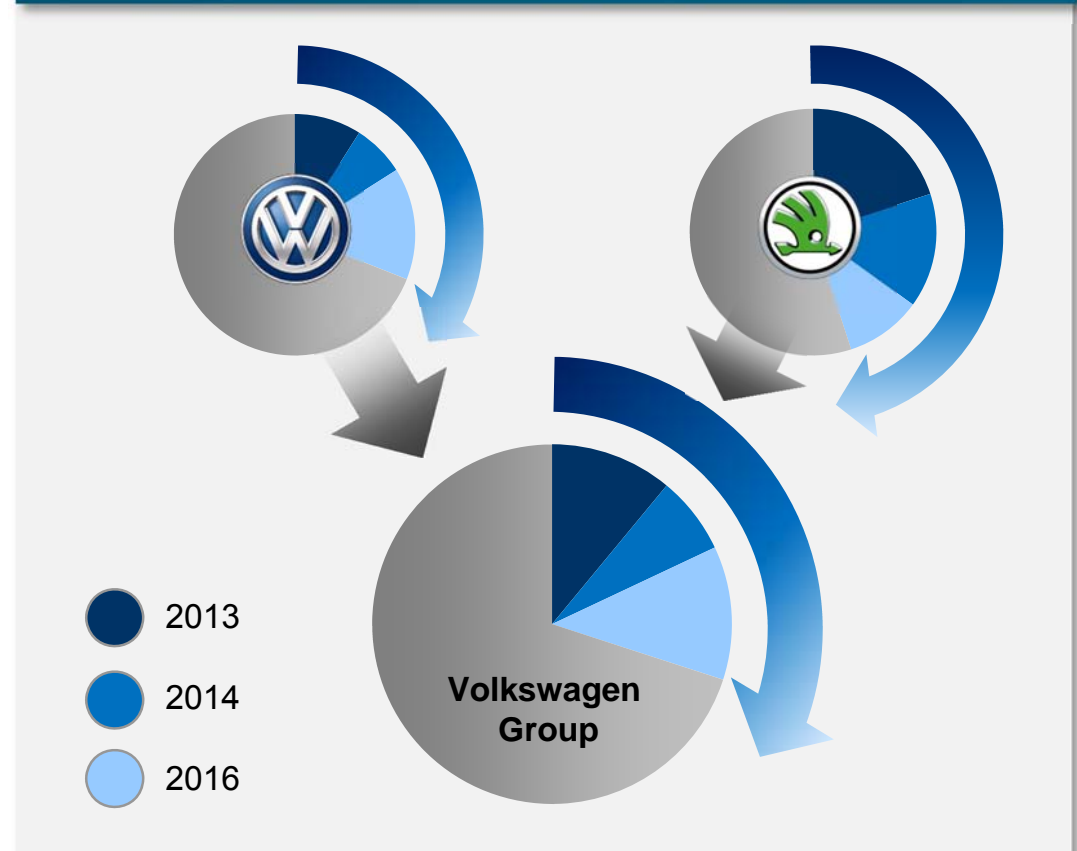
## Global roll-out of modular toolkits



## Number of toolkit equipped plants and volume



## MQB production share of total production volumes<sup>1)</sup>



<sup>1)</sup> Including China; the Chinese share in the global MQB volume amounted to around one fifth in 2014 and is expected to increase to more than one third in 2018

## Innovative technical flexibility made simple

### Flexibility of volume

„Turntable“ („Drehscheibe“)

WOLFSBURG

ZWICKAU

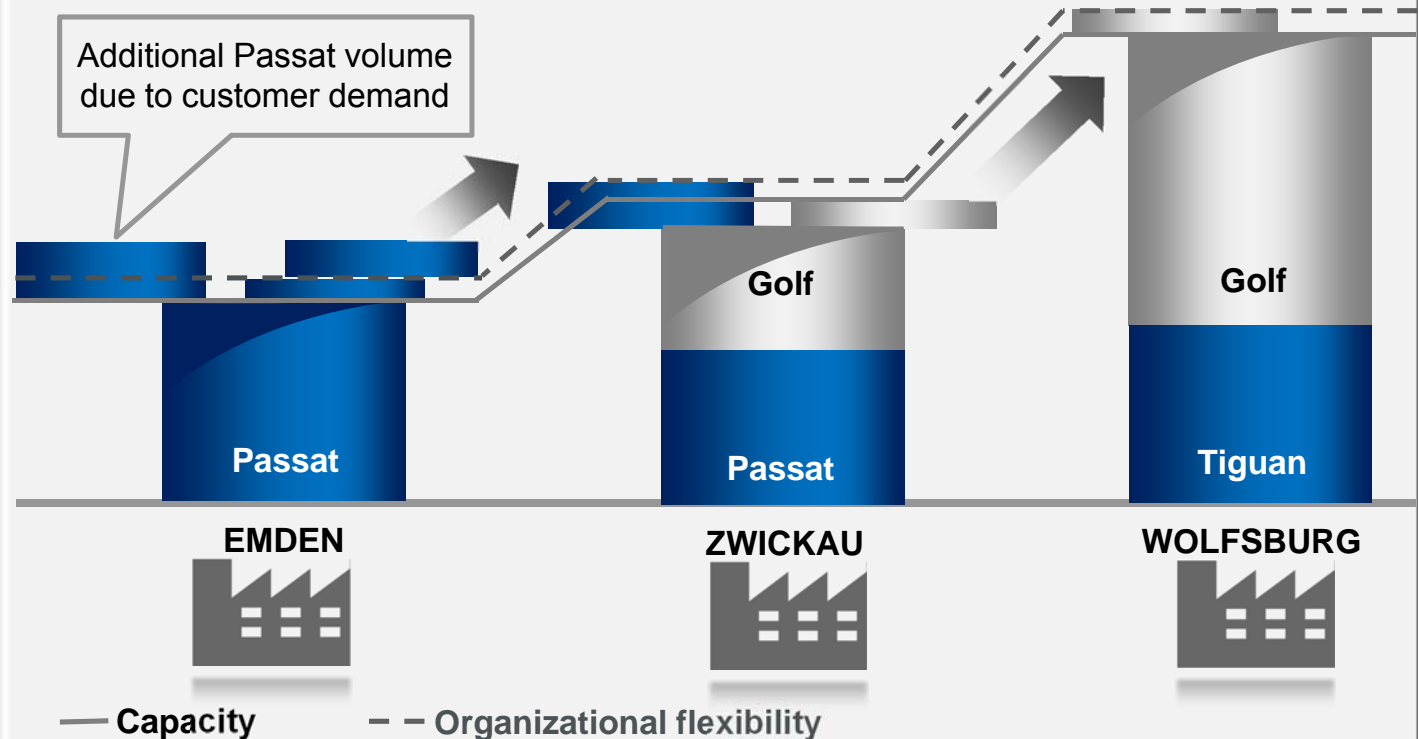


EMDEN

### Integrated production across three sites (Schematic illustration)

e.g. Additional demand for Volkswagen Passat

Additional Passat volume due to customer demand



# New Volkswagen Group models 2015 – a strong basis for profitable growth

## Highlights



Touran, Passat Alltrack, Tiguan, Lamando, Santana Derivative



Q7, A4, TT Roadster

SKODA



Fabia Combi, Superb Sedan & Superb Combi



Ibiza



PORSCHE

911



Huracán Spyder



BENTLEY

Continental GT, Continental GT Convertible



Commercial Vehicles

T6 Family, Caddy

## Global Roll-Out



Passat, Touareg, Golf (Brazil)



Audi

TT Coupé, Q3 (US), A3 Sedan (Brazil), A6L (China)

SKODA



Fabia, Fabia (China), Superb Sedan (China)



PORSCHE

Cayenne



## Highly Efficient Powertrains



Passat GTE (PHEV), Jetta Hybrid  
Golf TSI BlueMotion



Audi

Q7 TDI e-tron



## Scania transaction is a pre-requisite to improve competitiveness and efficiency based on integration of Volkswagen's truck businesses

### Integration drivers

**Foundation:** management of independent and strong brands on the basis of integrated technology and operations

**Objective:** modular toolkit strategy for commercial vehicles with common components and systems

**Scale benefits:** improved efficiency of resource allocation and increased flexibility concerning vertical integration



Commercial  
Vehicles

### Synergies (Operating Profit impact)

#### Achieved by the end of 2014

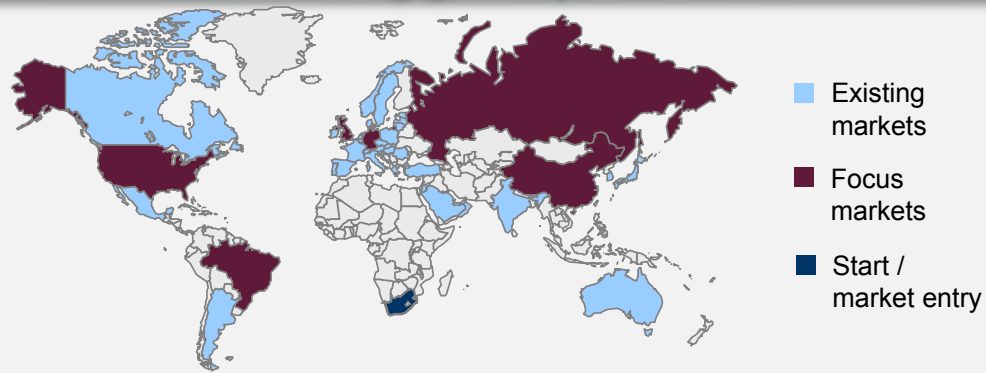
- €200+ million
- Focus on purchasing
- Synergy potential limited due to arm's-length requirements

#### Additional potential through the integration

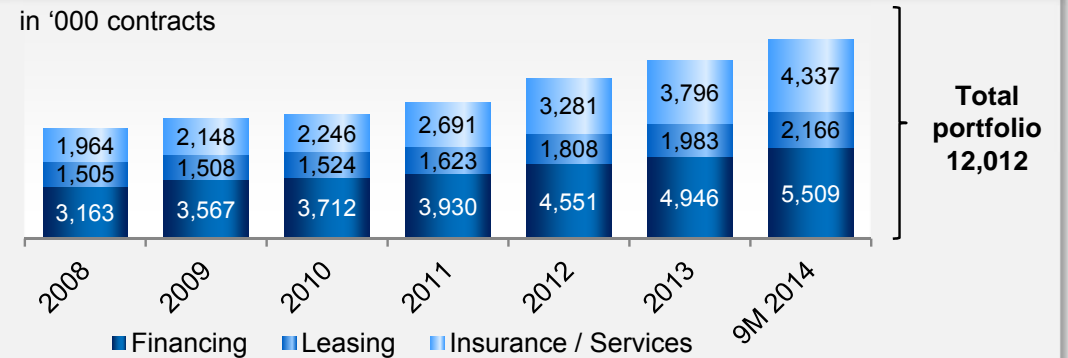
- €650+ million per year long-term average with 10-15 years gradual phase-in based on life cycles of vehicles and systems / components
- Majority of benefits from joint R&D, purchasing and sourcing components, e.g. gearbox
- Significant benefits from capex savings

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

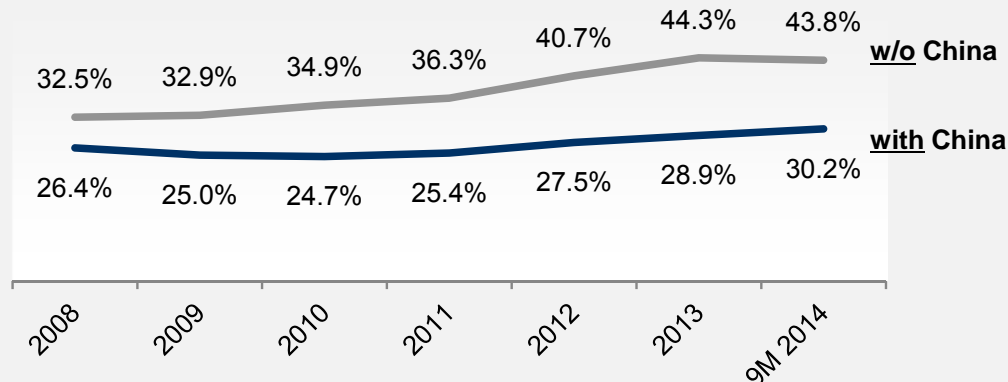
## Strong global presence



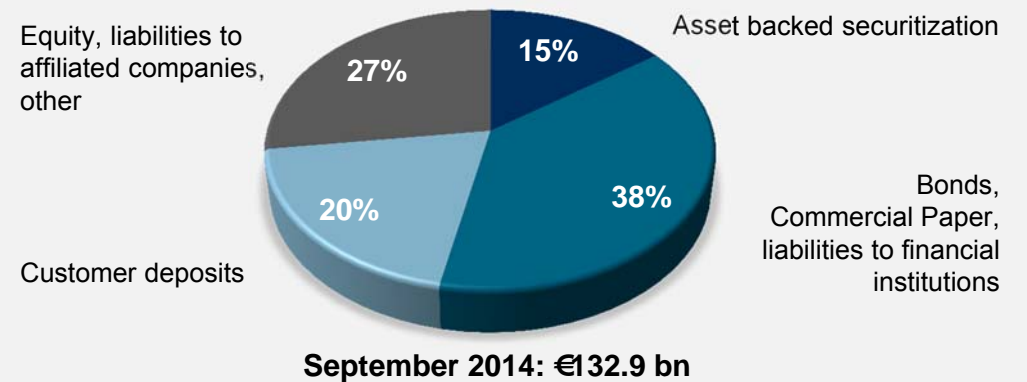
## Continuous portfolio expansion



## Rising penetration rates



## Diversified funding structure



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

## Volkswagen Group: Global automotive leader 2018

### Economic and environmental leadership in the global automotive industry

#### Economic leadership

Excellent and custom-tailored product portfolio

Increasing global footprint and emerging markets presence

Realization of cost savings, toolkit modularization and localization of products

Creation of sustainable value

#### Environmental leadership

Diversified portfolio of drivetrain technologies

Continuous improvements in internal combustion engines

Leadership in alternative powertrain technologies

25 percent less energy and water consumption, waste and emissions in Group production





VOLKSWAGEN

AKTIENGESELLSCHAFT



Appendix

## Volkswagen Group – Headline figures (January to December 2014 vs. 2013)

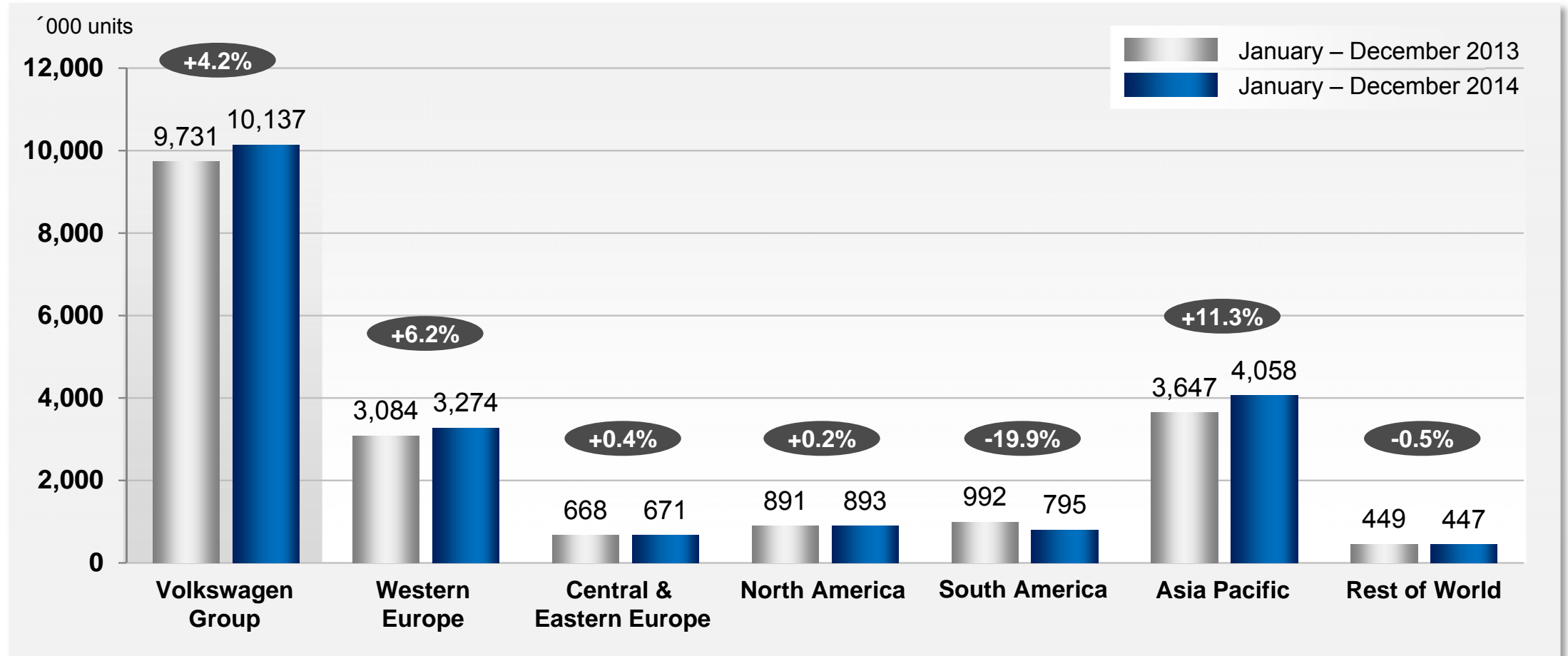
		2014	2013	+/- (%)
Deliveries to customers <sup>1)</sup>	'000 units	10,137	9,731	+4.2
Vehicle sales <sup>1)</sup>	'000 units	10,217	9,728	+5.0
Production <sup>1)</sup>	'000 units	10,213	9,728	+5.0
Sales revenue	€ million	202,458	197,007	+2.8
Operating profit	€ million	12,697	11,671	+8.8
Profit before tax	€ million	14,794	12,428	+19.0
Profit after tax	€ million	11,068	9,145	+21.0
<b>Automotive Division<sup>2)</sup></b>				
Cash flows from operating activities	€ million	21,593	20,612	+4.8
Cash flows from investing activities attributable to operating activities <sup>3)</sup>	€ million	15,476	16,199	-4.5
Of which investments in property, plant & equipment	€ million	11,495	11,040	+4.1
Net cash flow	€ million	6,117	4,413	+38.6
Net liquidity at December 31	€ million	17,639	16,869	+4.6

<sup>1)</sup> Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method. All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.  
2013 deliveries updated on the basis of statistical extrapolations.

<sup>2)</sup> Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

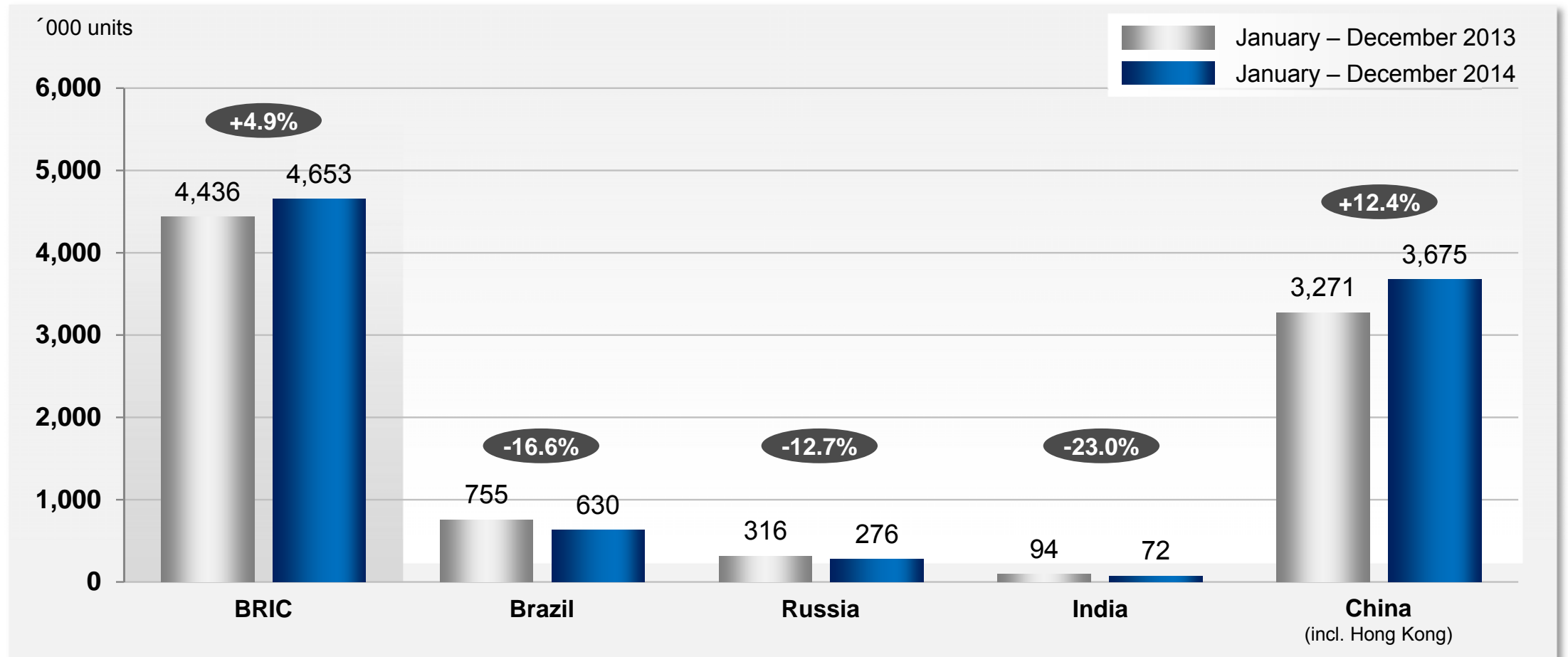
<sup>3)</sup> Excluding acquisition and disposal of equity investments: January – December €15,719 million (€14,497 million).

## Volkswagen Group – Deliveries to Customers by Markets<sup>1)</sup> (January to December 2014 vs. 2013)



<sup>1)</sup> Incl. Volkswagen Commercial Vehicles, Scania and MAN; 4.9% excl. Volkswagen Commercial Vehicles, Scania and MAN.

## Volkswagen Group – Deliveries to Customers BRIC-Markets<sup>1)</sup> (January to December 2014 vs. 2013)



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

# Volkswagen Sport Coupé Concept GTE



# Volkswagen Passat Alltrack



# Volkswagen Cross Coupé GTE



# Audi Q7





# Audi prologue Avant



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# ŠKODA Superb



# SEAT Leon Cupra ST



# Porsche Cayenne Turbo S



# Porsche 911 Targa 4 GTS



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# Bentley Continental GT V8 S



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## Lamborghini Asterion LPI 910-4



# Ducati Diavel Carbon





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# Volkswagen Caddy



# MAN TGX Hybrid



# Scania R 730 4x2 Topline



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## **Volkswagen Group: Robust, Innovative, Delivering**

**Hans Dieter Pötsch**

Member of the Board of Management, Volkswagen Aktiengesellschaft

Exane BNP Paribas / Barclays Geneva Motor Show Conference, 3-4 March 2015