

VOLKSWAGEN

AKTIENGESELLSCHAFT

Leading the Transformation.

Frank Witter, CFO

Exane BNP Paribas & Jefferies Webcast Presentation
3rd March 2020

Disclaimer

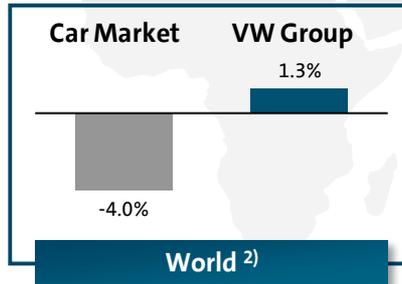
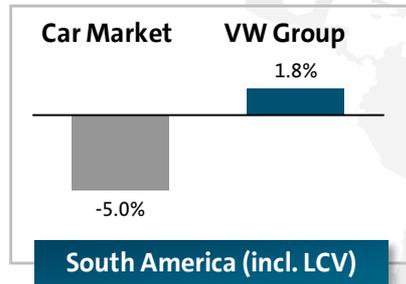
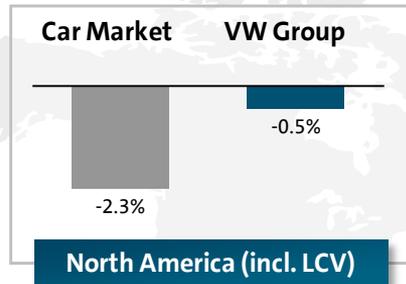
The following presentations contain forward-looking statements and information on the business development of the Volkswagen Group. These statements may be spoken or written and can be recognized by terms such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will” or words with similar meaning. These statements are based on assumptions, 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. These assumptions relate in particular to the development of the economies of individual countries and markets, the regulatory framework and the development of the automotive industry. Therefore the estimates given involve a degree of risk, and the actual developments may differ from those forecast. The Volkswagen Group currently faces additional risks and uncertainty related to pending claims and investigations of Volkswagen Group members in a number of jurisdictions in connection with findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The degree to which the Volkswagen Group may be negatively affected by these ongoing claims and investigations remains uncertain.

Consequently, a negative impact relating to ongoing claims or investigations, 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, and trade disputes among major trading partners 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 in particular 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.

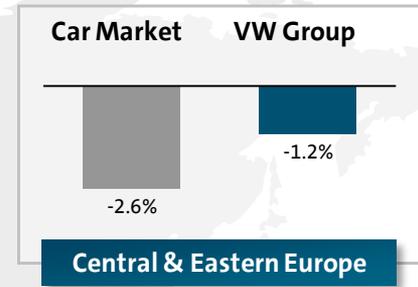
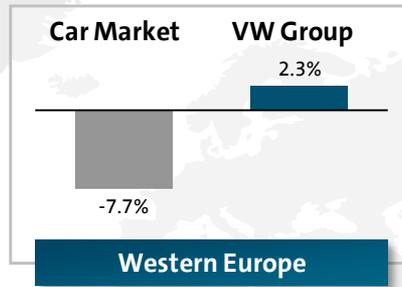
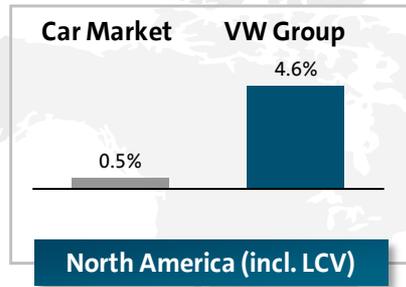
We do not update forward-looking statements retrospectively. Such statements are valid on the date of publication and can be superseded. This information does not constitute an offer to exchange or sell or an offer to exchange or buy any securities.

Development World Car Market vs. Volkswagen Group Car Deliveries to Customers¹⁾ (Growth y-o-y in deliveries to customers, January to December 2019 vs. 2018)



¹⁾ Volkswagen Group Passenger Cars exd. Volkswagen Commercial Vehicles ²⁾ incl. LCV in North America & South America

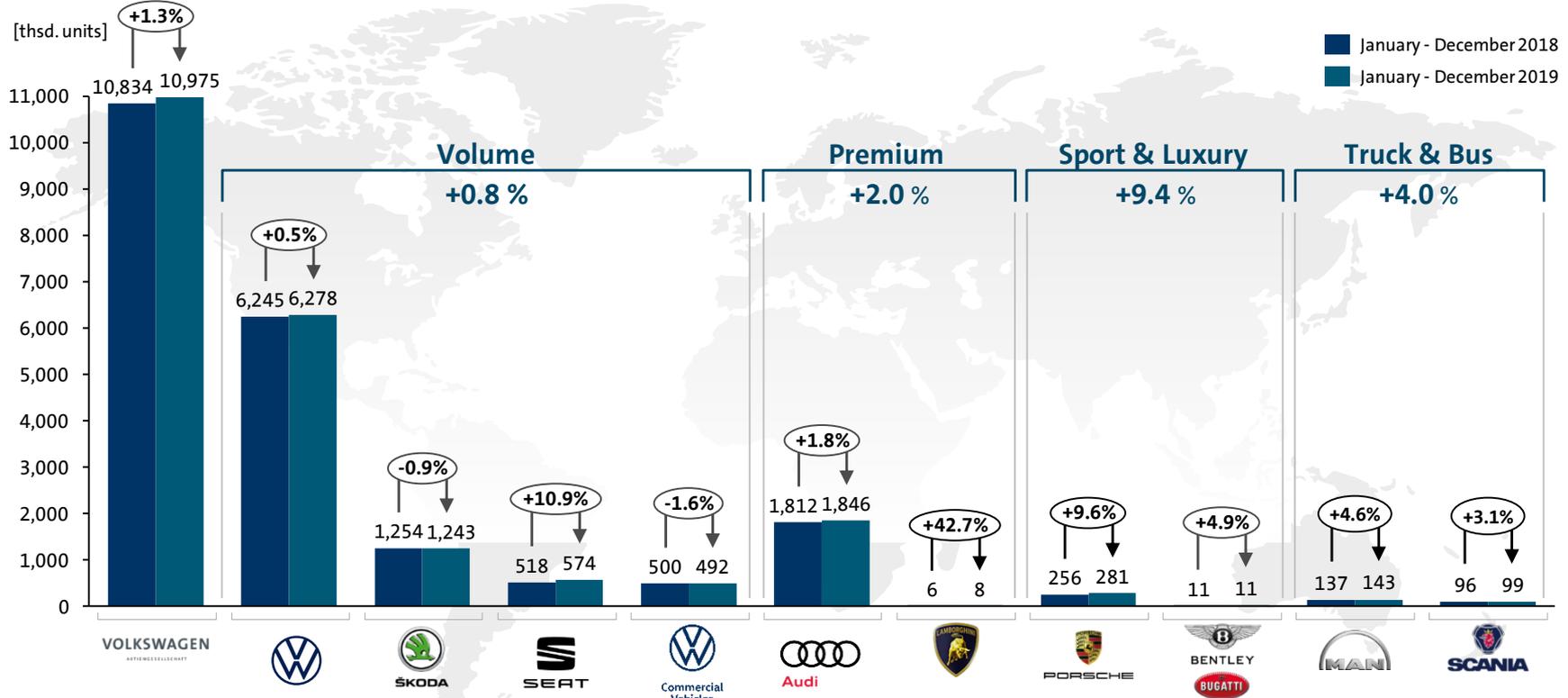
Development World Car Market vs. Volkswagen Group Car Deliveries to Customers¹⁾ (Growth in deliveries to customers, January 2020 vs. 2019)



¹⁾ Volkswagen Group Passenger Cars exd. Volkswagen Commercial Vehicles ²⁾ incl. LCV in North America & South America

Volkswagen Group – Deliveries to Customers by Brands¹⁾

(January to December 2019 vs. 2018)

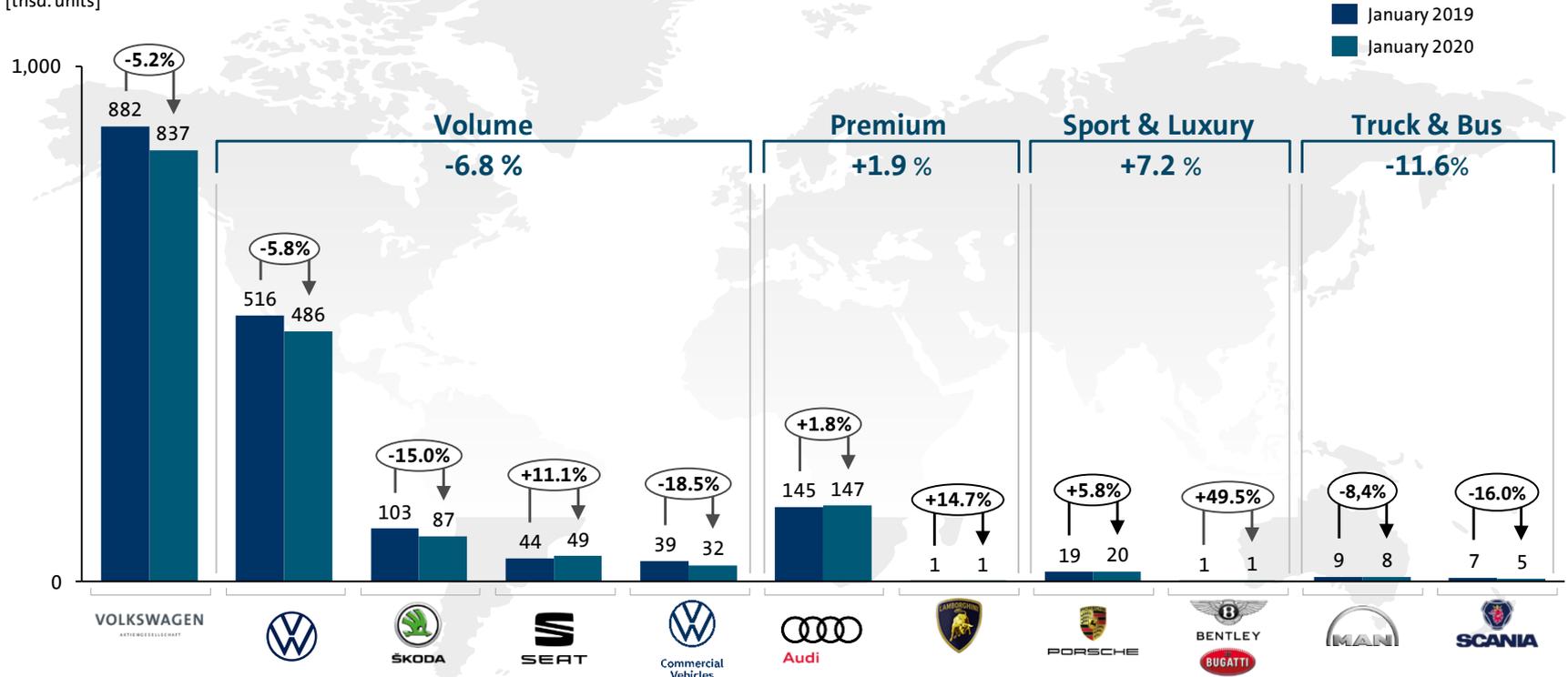


¹⁾ Volkswagen Group excl. Ducati

Volkswagen Group – Deliveries to Customers by Brands¹⁾

(January 2020 vs. 2019)

[thsd. units]

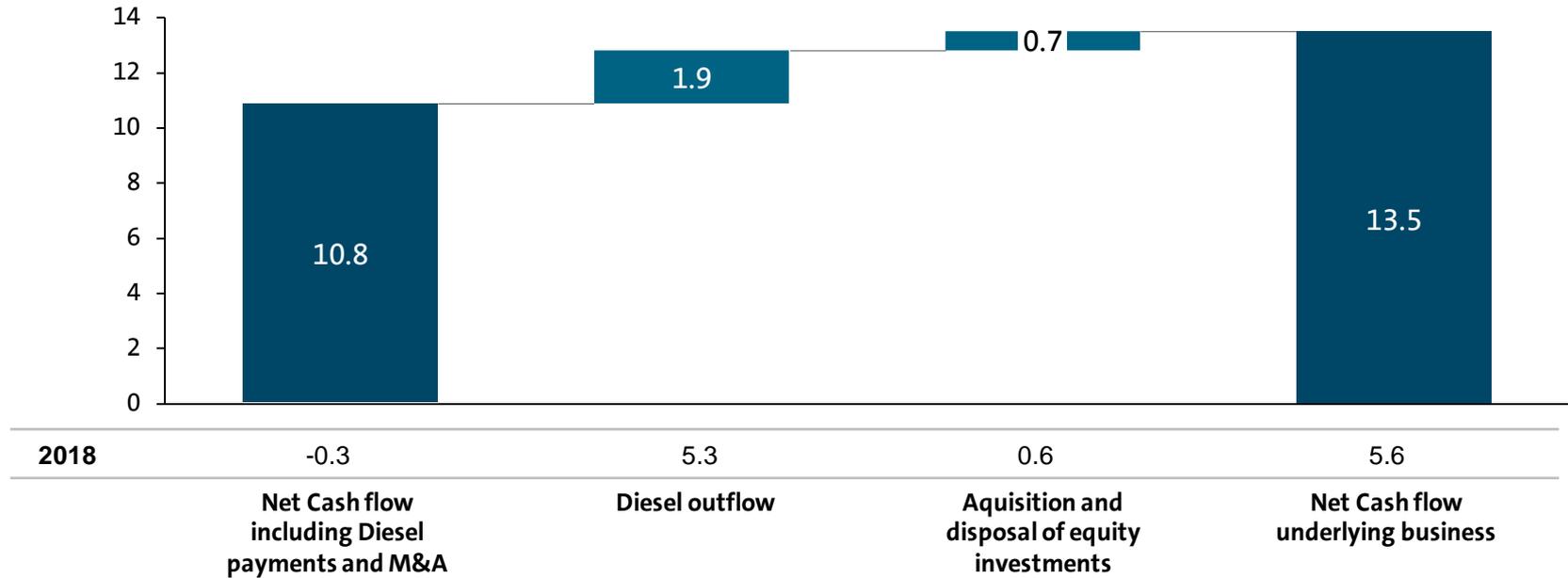


¹⁾ Volkswagen Group excl. Ducati

Automotive Division – Net Cash Flow ¹⁾

(January to December 2019)

[€ billion]

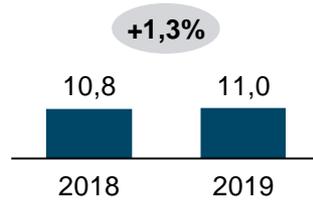


¹⁾ Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

Volkswagen Group – Outlook for 2020



Deliveries to customers
(‘000 vehicles)

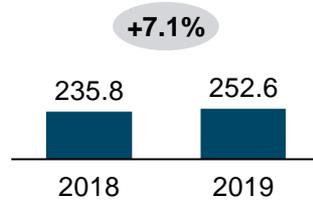


On the level of prior year

2020



Sales revenue
(€ billion)

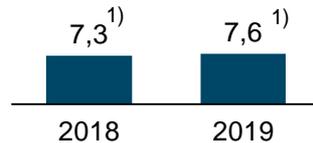


grow by as much as 4%

2020



Operating return on sales
(%)



Range of 6.5 – 7.5% (before Special Items)

2020

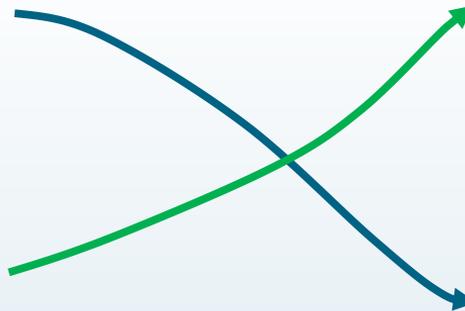
¹⁾ before Special Items.

The transformation of our portfolio has started

Broad product portfolio

Transformation

CO₂ neutral cars

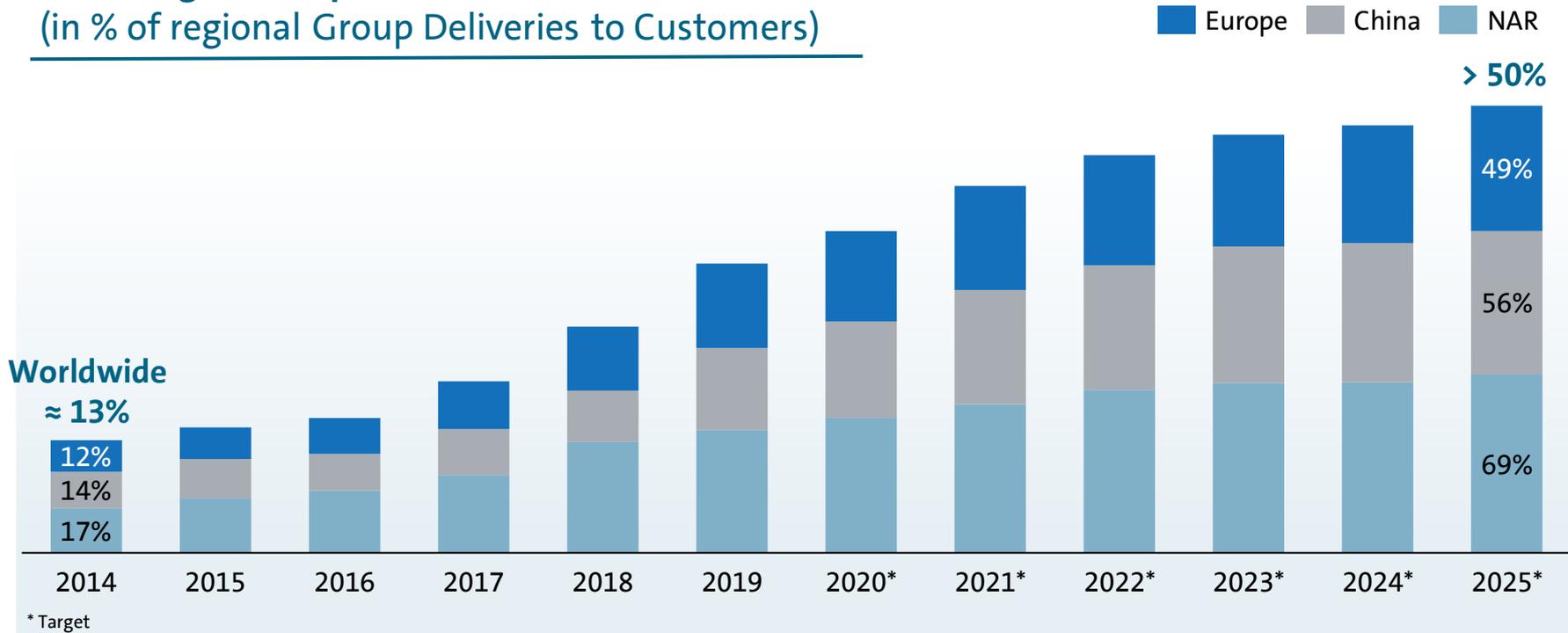


2020

2050

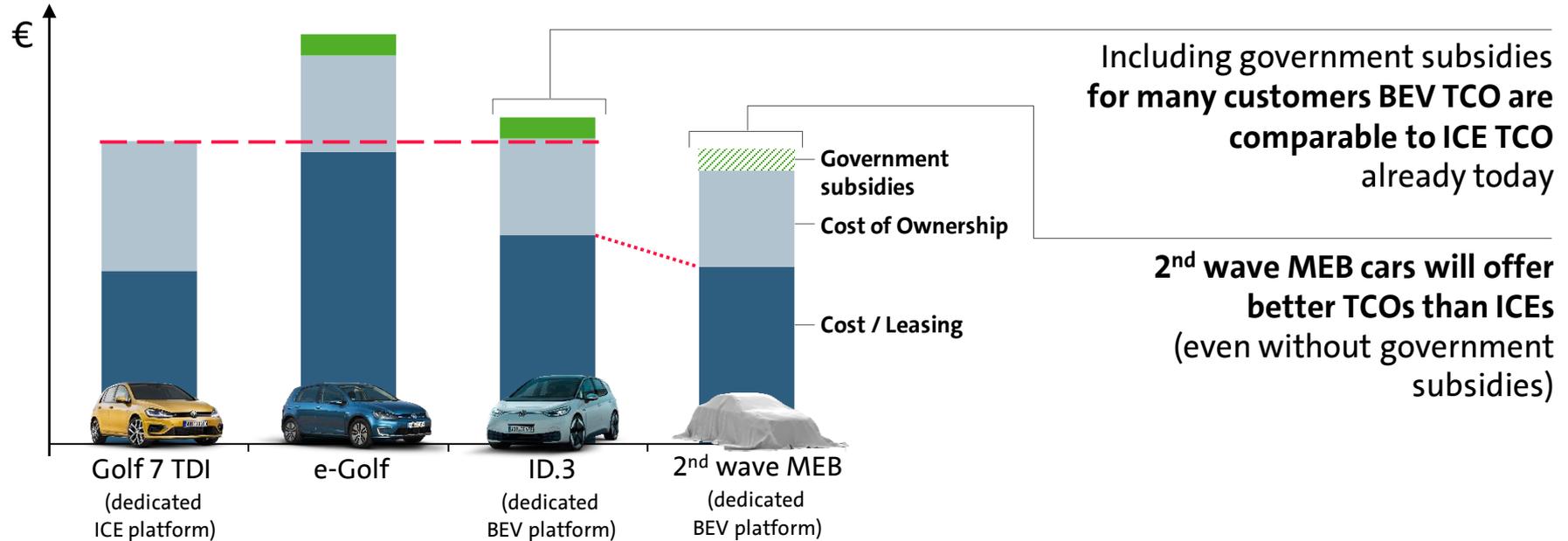
Our worldwide SUV mix is expected to increase strongly

Volkswagen Group - SUV share (in % of regional Group Deliveries to Customers)



Customers already experience comparable TCOs in 2020 – 2nd wave BEV will provide even more attractive TCOs

TCO comparison¹⁾

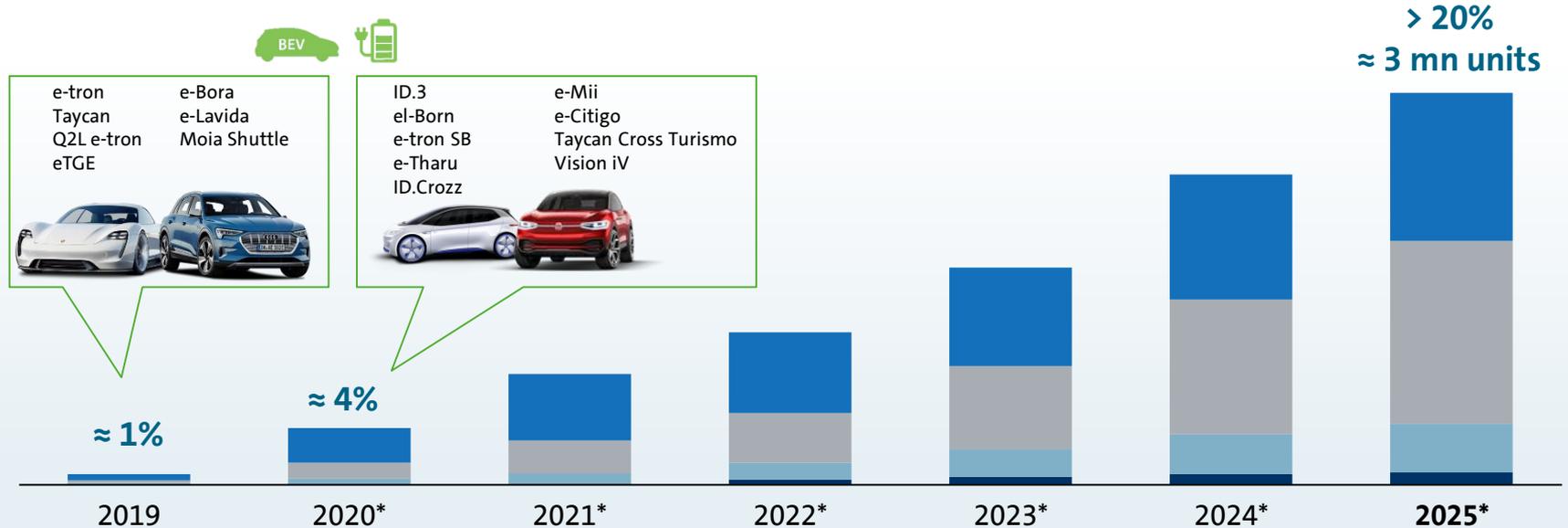


¹⁾ Schematic overview | TCO = Total Cost of Ownership

The significant increase in BEV deliveries will support CO₂ compliance

Volkswagen Group – BEV volume by regions (BEV share of total Group Deliveries in %)

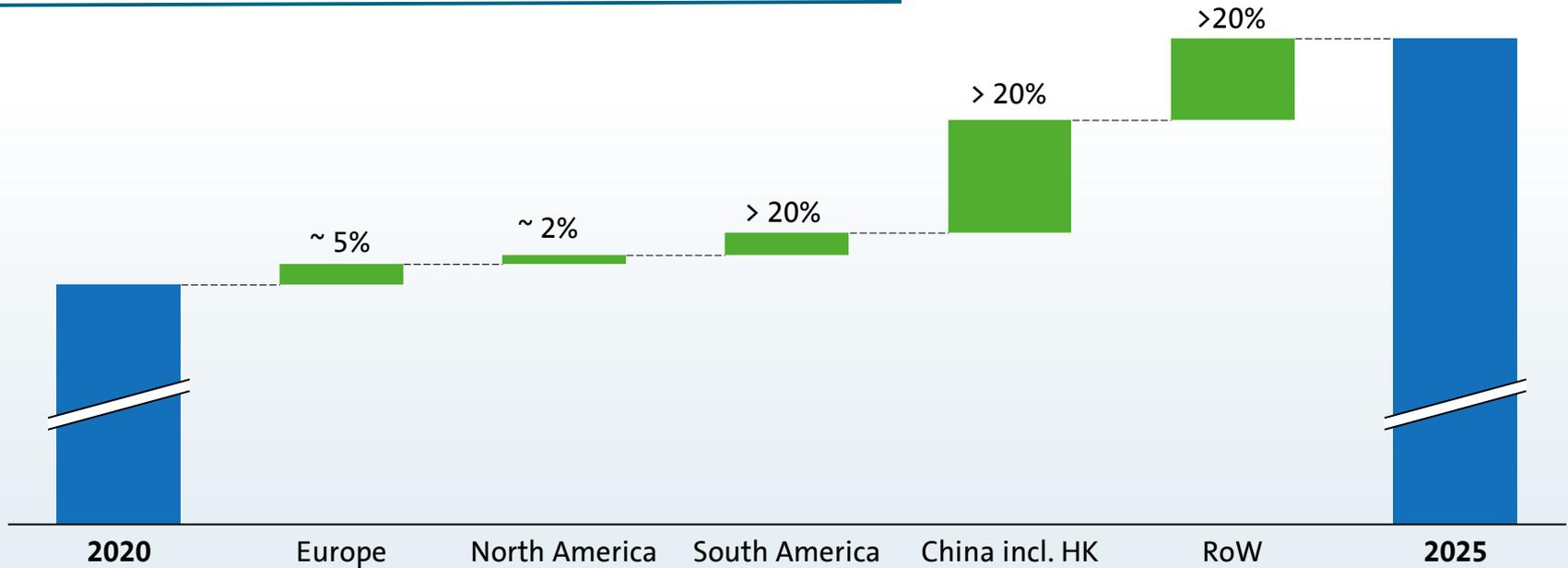
Europe China NAR RoW



* Target

Development Global passenger car markets

Markets by regions (2020-2025)



Group KPI's confirmed

Key financial targets	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Outlook	2025 Strategic Targets
Operating return on sales <u>Before</u> Special Items	6.7%	7.4%	7.3%	7.6%	6.5-7.5%	7-8%
Return on investment Automotive Division <u>before</u> Special Items	13.9%	14.4%	13.1%	update at Annual Press Conference	update at Annual Press Conference	>14% ²⁾
Capex ratio Automotive Division	6.9%	6.4%	6.6%	6.6%	6 – 6.5%*	6%
R&D cost ratio Automotive Division	7.3%	6.7%	6.8%	6.7%	6 – 6.5%*	6%
Cash						
Automotive Division						
a) Net Cashflow¹⁾	€ 4.9 bn	€ 10.3 bn	€ 5.6 bn	13.5 bn	> € 10 bn	> € 10 bn
b) Net Liquidity	€ 27.2bn	€ 22.4 bn	€ 19.4 bn	€ 21.3 bn ²⁾	update at Annual Press Conference	~10% of Group turnover

¹⁾ Ex Diesel payments and M&A ²⁾ Including the negative IFRS 16 impact, effective from 1st January 2019. *Ambition of reaching 6% remains.

CY 2020 - Updated

Basis: Result 2016

2020 Updated

		<u>CMD March 2017</u>	<u>PR 66</u>	<u>PR 67</u>	<u>PR 68</u>
Sales revenue (€ bn)	217.3	+ > 20 %	+ > 25 % ✓	+ > 25 % ✓	+ ≥ 20 % ✓
Operating profit (€ bn) before special items	14.6	+ 25 %	+ ≥ 25 % ✓	+ > 30 % ✓	+ ≥ 25 % ✓
Profit before tax (€ bn)	14.8	+ ≥ 25 %	+ ≥ 30 % ✓	+ ≥ 40 % ✓	+ ≥ 30 % ✓
Earnings per Pref. Share	10.3 €	≥ 25 €	> 25 € ✓	≥ 30 € ✓	27-28 € ✓

To ensure future profits, we drive a fundamental transformation towards electrification and digitalisation

Transformation

1



Electrical transformation:
Battery electric vehicles



Commitment to Paris goals 2050



Conventional platforms

Software & electric platforms



Transformation

2



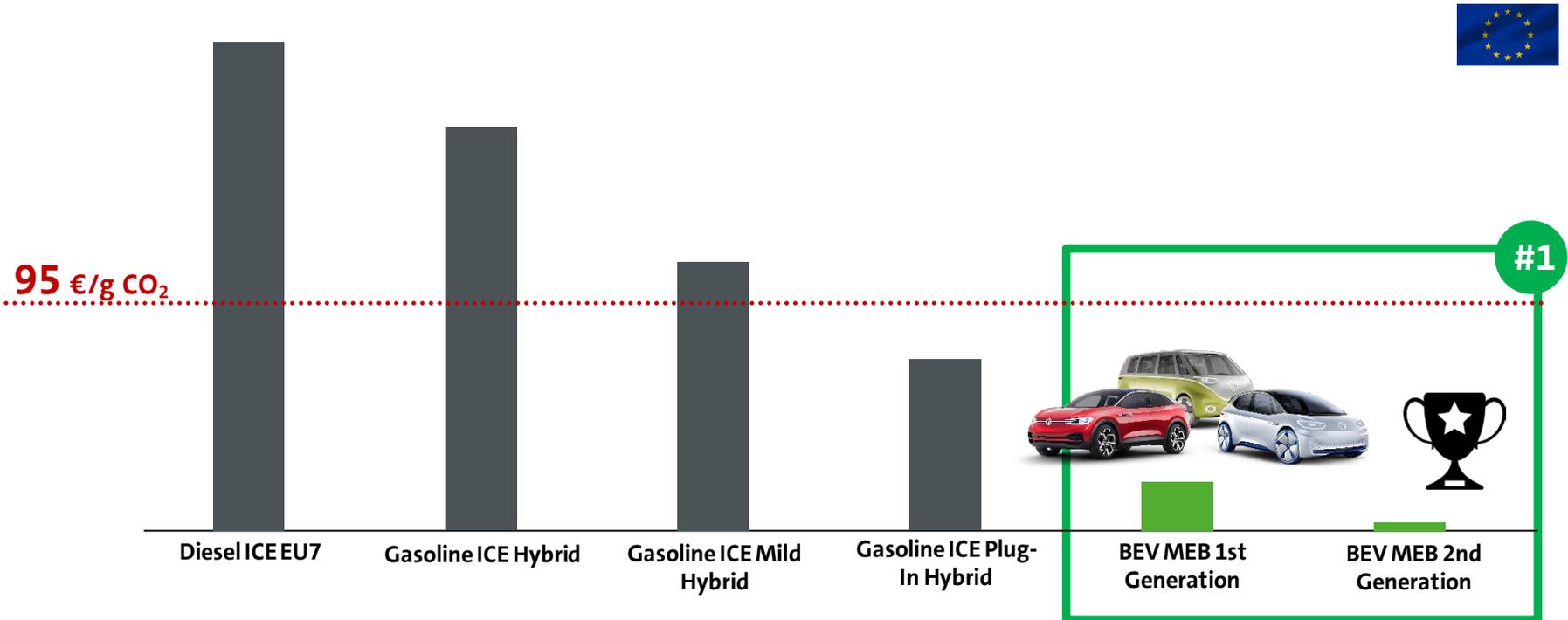
Digital transformation:
**Fully networked vehicles
and autonomous driving**



**We will become a leading
automotive software company**

BEVs are the first choice as the most cost-efficient solution for CO₂ reduction...

Measures for CO₂ reduction in €/g CO₂



Scalable Technology: The dedicated platforms (MEB/PPE) guarantee superior customer experience, scale and versatility



Long wheelbase
short overhangs



Spacious interior for
driver & passengers



No center tunnel



Various
bodystyles



Big wheels



Rear-wheel
& four-wheel drive



Central
computing unit



Trunk volume
~ ICE



New Design



The ID. DNA | What makes our ID. Family special



Visionary design



New sense of space



Smart connected



Intuitive usability



Sustainable platform

Affordable | High Ranges | Fast Charging Technology | Good residual values

To maximize the climate impact of MEB we are open to share it to other car manufactures as well

1  Large range

2  attractive costs

3  maximum security

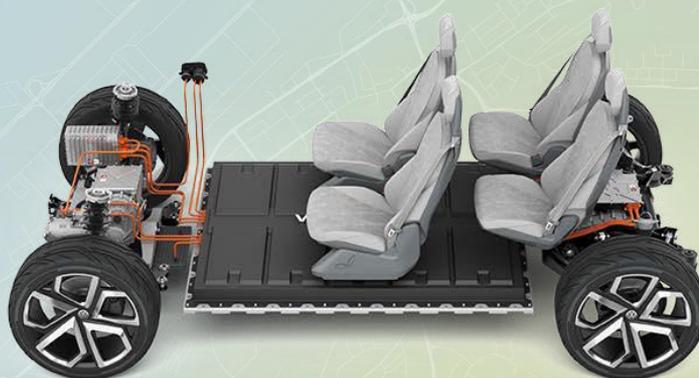
4  robustness and availability

5  worldwide use

8  designed for fast charging

7  high performance

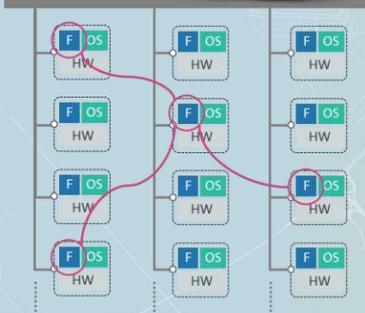
6  long lifespan



The car becomes the most complex internet device



Car



distributed customer functions

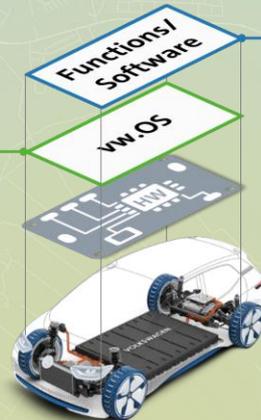
Control units: approx. **70**

No own Software stacks

Fully connected car



vw.OS Basic Software: Operating System



Software Stacks: Infotainment, Navigation, Emergency Assist ...



High Performance Computers **3-5**

+ Further control units for safety relevant functions

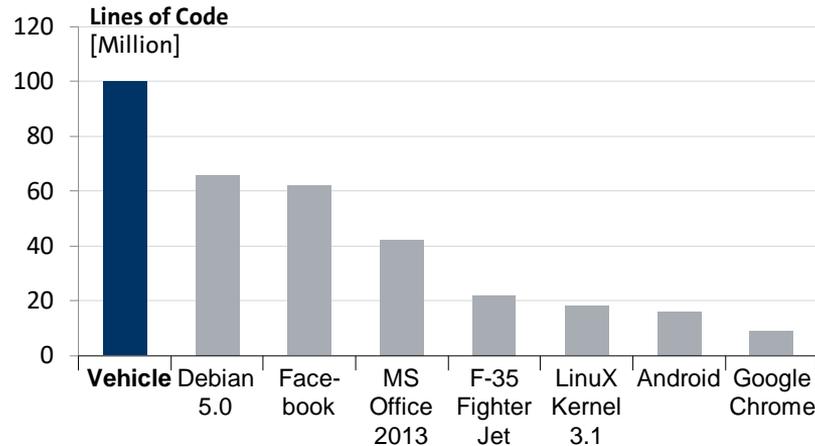
Development of Volkswagen's own Software stacks

Today Tomorrow

In the future, software will be a main differentiator in the automotive industry...

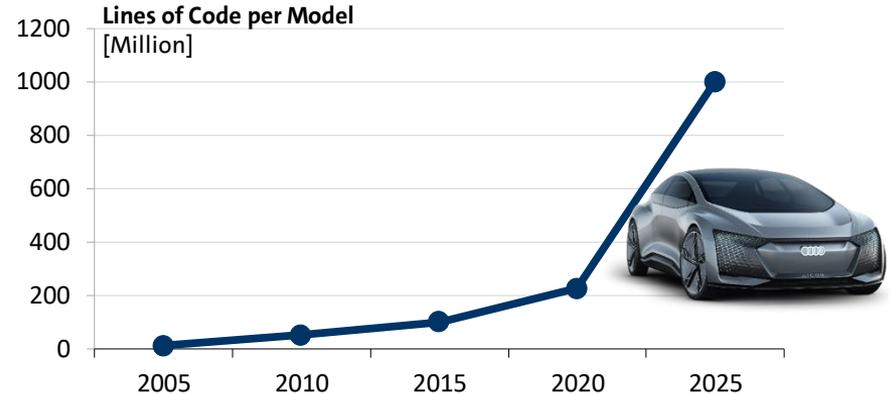
Today

- 100 million lines of code per vehicle
- Approximately \$ 10 per line of code
- Example: Navi system 20 million lines of code



Tomorrow

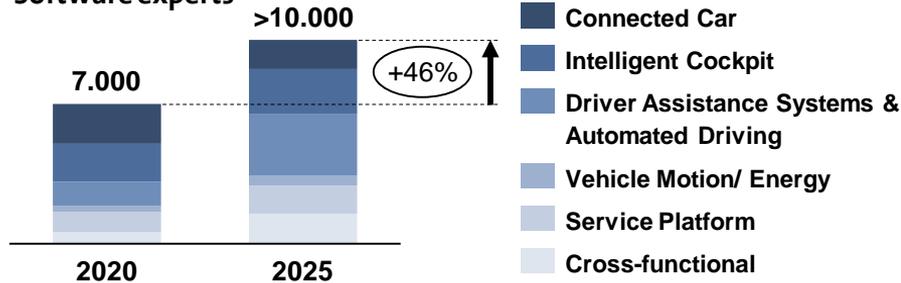
- > 200 - 300 million lines of code are expected
- Level 5 autonomous driving will take up to 1 billion lines of code



...therefore, we invest 7 billion Euro in a dedicated software organisation and will start operation in January 2020

A strong team...

Software experts



More customer value...

- Always up-to-date functions in all vehicles
- Higher residual values
- Lower maintenance downtimes



...develops software in-house

- Increase in-house share software development from 10% to 60%
- All new cars on VW.OS from 2025 on
- Migrate parallel solutions to gain scale, e.g. One Infotainment & One cloud

...less complexity for us

- Cost reduction due to
 - significantly lower direct material cost
 - reduced development cost
 - smoother new vehicle launches
 - reduced warranty cost

~ 0.5 bn
synergies by 2025 from
standardisation of
infotainments Example

Expanding production of electric vehicles worldwide on a massive scale by the end of 2022



NORTH AMERICA



EUROPE



CHINA



BEV challenges addressed by three key elements

Usability / Range



e-Golf

up to 231 km (WLTP)



MEB-platform

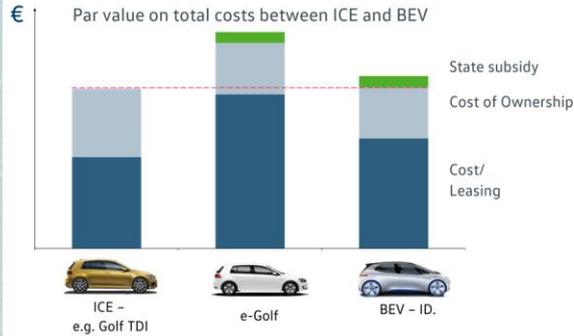
330 km (WLTP)

up to 550 km (WLTP)

scalable

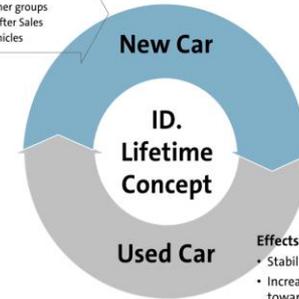


Total Cost of Ownership



Systematic Sales Approach

- "Rate instead of price":**
- Leasing for all customer groups
 - Package offers incl. After Sales
 - For new and used vehicles



- Effects:**
- Stabilization of residual values
 - Increase of customer loyalty towards dealers & brand

Driving forward Strategy: New collaborative approach

Market/ Product



JETTA

E-Mobility services

Elli

IONITY

Software

 Microsoft

 WirelessCar

Volkswagen 

Technology

 Quantum Scape

northvolt
European Battery Union

New Scale dimensions

Ford and Volkswagen extend global alliance, Volkswagen simultaneously invests in Argo AI

ANNOUNCED 2019

VOLKSWAGEN TO SUPPLY
MEB PLATFORM TO FORD

EQUAL SHAREHOLDER WITH FORD;
TRANSACTION REPRESENTS
\$7.25B VALUATION*
NEW COLLABORATION

COMMERCIAL VAN
AND PICKUP

FULLY ELECTRIC
VEHICLES

VOLKSWAGEN
MAKES
AUTONOMOUS
DRIVING
INVESTMENT



VOLKSWAGEN
AKTIENGESELLSCHAFT



Key Messages

1.

Leading the transformation to e-mobility

2.

Cost effective transformation path

3.

First in transforming into software OEM

4.

Increased focus on value creation



TRATON Group – New Era for TRATON with IPO

- TRATON shares began trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard) and the regulated market of Nasdaq Stockholm (Large Cap Segment) in June 2019.
- Significant step to create additional value for all stakeholders and drive the Global Champion strategy.

Global Champion



- Scale and global reach through leading brands and strategic alliance partners
- Strong platform enabling growth and positioning for best-in-class profitability

Growth



- Customer value focused product and service offering
- New product generations
- Further expansion in key geographies through smart partnerships

Profitability



- Focus on earnings growth and cash generation
- Stand alone brand performance and synergies
- Concrete path to profitability improvement

Execution



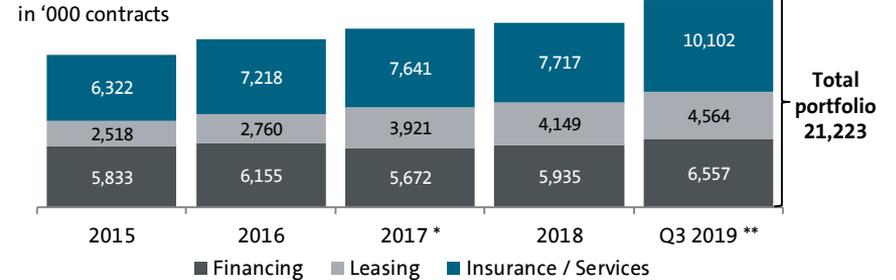
- Strong team with industry-leading track record

Volkswagen Financial Services ¹⁾: global, well diversified and successful

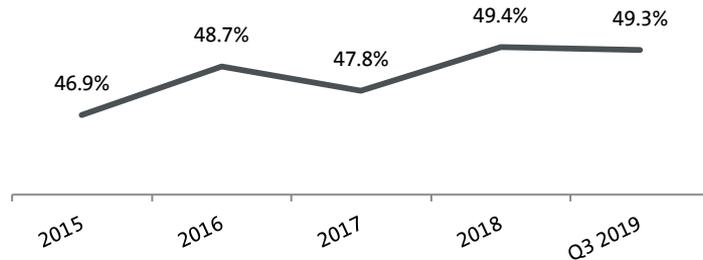
Strong global presence



Continuous portfolio expansion



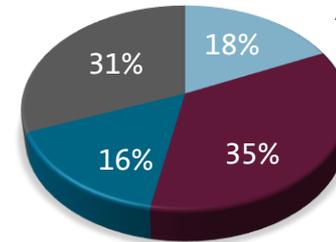
Rising penetration rates (without China)



Diversified funding structure

Equity, liabilities to affiliated companies, other

Customer deposits



30.09.2019: € 219.3 bn

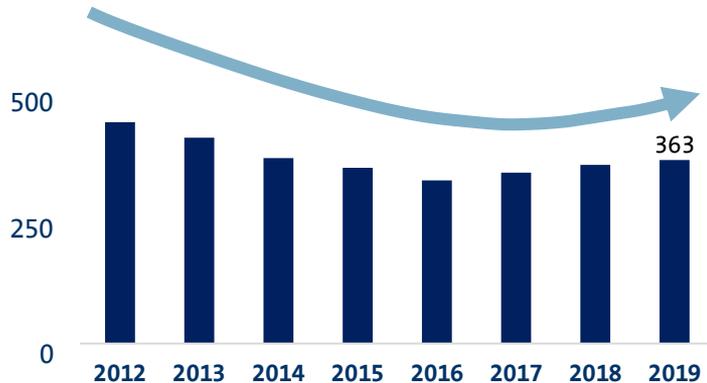
¹⁾ Excl. activities of Scania and Porsche Holding Salzburg; incl. Financial Services of Porsche AG and MAN Financial Services.



Volkswagen Brand – Pushing the Turnaround in the US, break even by 2020

- Product portfolio renewal with focus on profitable products
 - Significant reduction in incentive spend
 - Improved model mix, mainly SUVs
- Fix costs improvements
- Focus on efficient local production and logistics
 - > 90% of US sales produced in North America
 - Lower material costs and one-offs due to less complexity
 - MQB share up from 20% in 2015 to 80% in 2020

Deliveries to US customers, '000' units

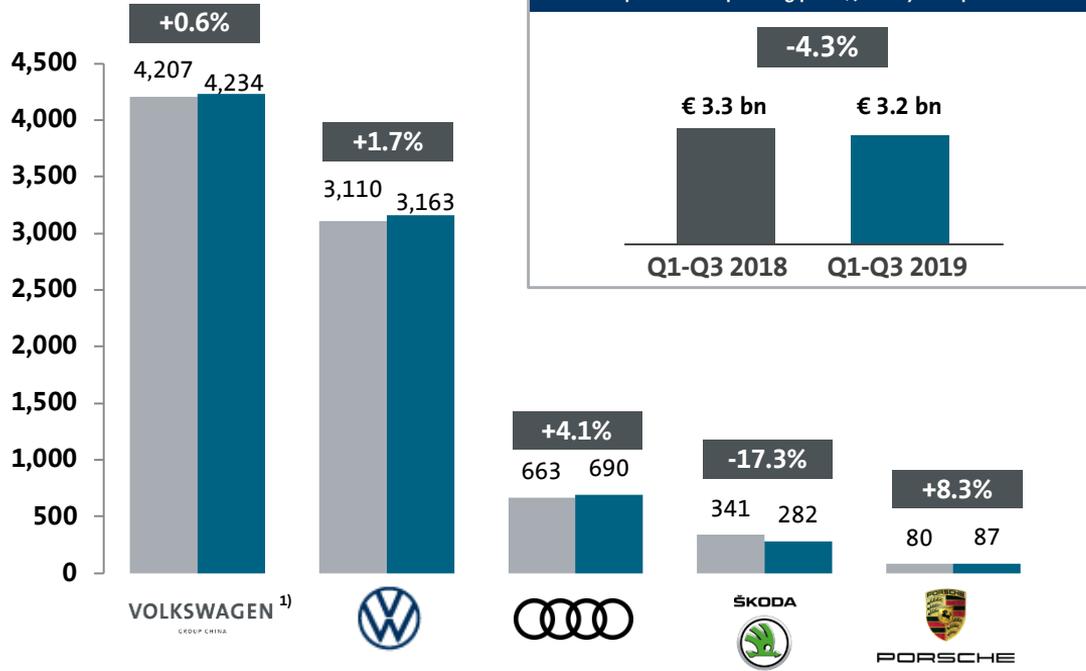


SUV offensive #1	New Sedans	SUV offensive #2	Electric transition
2017 All-new Atlas All-new Tiguan	2018-19 Jetta Passat Arteon	2020-21 Atlas Cross Sport Compact SUV	2020 + Compact SUV e ID Buzz New Model

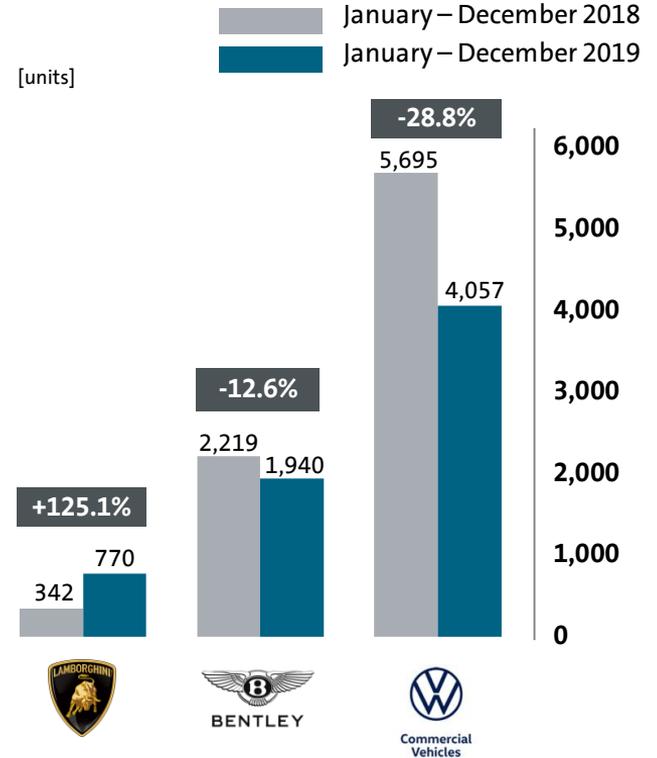


Volkswagen Group China performance (January to December 2019 vs. 2018)

[thsd. units]



[units]

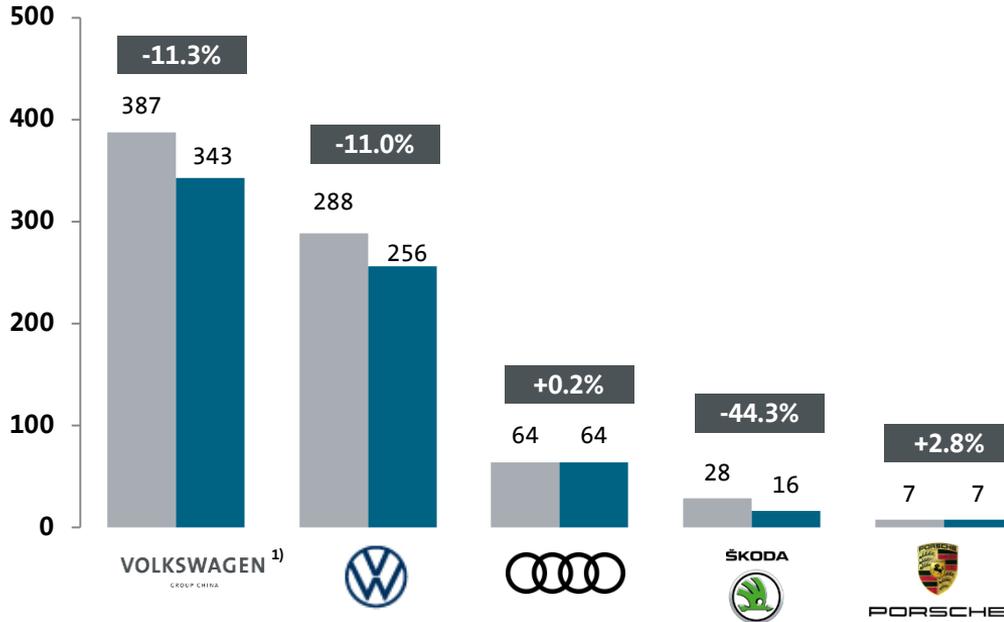


¹⁾ Incl. Hong Kong, excl. Ducati. Group numbers incl. Volkswagen Commercial Vehicles, Scania and MAN.

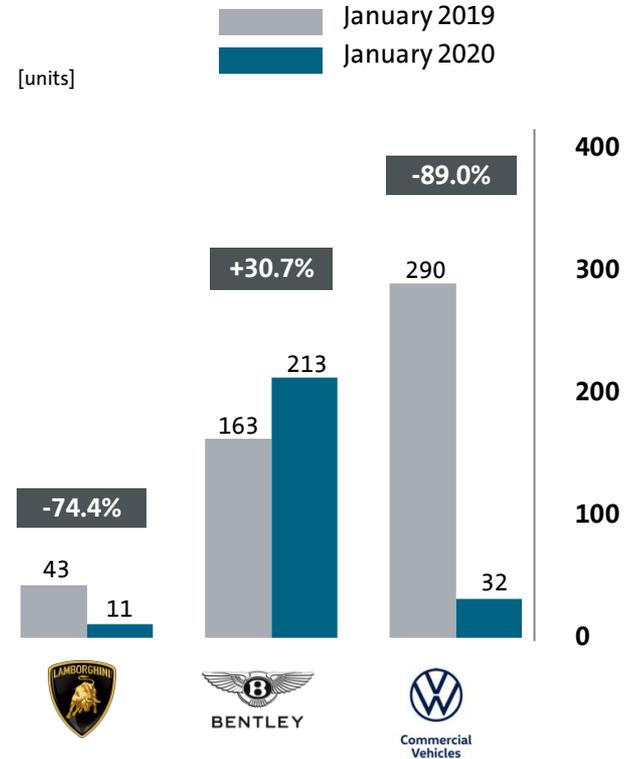


Volkswagen Group China performance (January 2020 vs. 2019)

[thsd. units]



[units]



¹⁾ Incl. Hong Kong, excl. Ducati. Group numbers incl. Volkswagen Commercial Vehicles, Scania and MAN.

Together4Integrity: Group-wide integrity and compliance program in full swing

STRATEGY

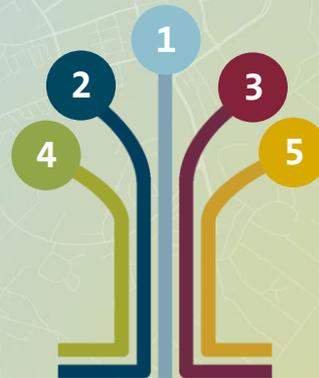
Ethics and compliance is central to business strategy

RISK MANAGEMENT

Ethics and compliance risks are identified, owned, managed and mitigated

SPEAK-UP ENVIRONMENT

The organization encourages, protects and values the reporting of concerns and suspected wrongdoing



INTEGRITY & COMPLIANCE
PROGRAM
TOGETHER FOR INTEGRITY

CULTURE OF INTEGRITY

Leaders at all levels across the organization build and sustain a culture of integrity

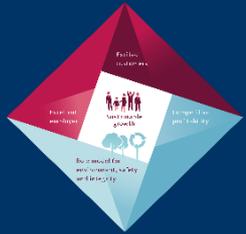
RESOLUTE ACCOUNTABILITY

The organization takes action and holds itself accountable when wrongdoing occurs

We are convinced that we have a strong Investment Proposition

TOGETHER 2025⁺
FOCUS AND SPEED

Shaping
mobility –
for
generations
to come.



- Strong brands with clear positioning and great products that inspire customers
- A leading position in China with global footprint and value creating growth
- Fully committed to "Go to Zero" and shaping e-mobility
- Transforming to one of the leading automotive software players
- Business portfolio optimisation and rigorous allocation of capital
- Taking complexity out and pushing for industry-leading economies of scale
- Delivering on demanding financial targets and committed to dividend pay out ratio

Unleash value

Integrity as the foundation of a successful business

Investor Relations Team

We are pleased to answer your inquiries regarding Volkswagen shares and other capital market related questions.



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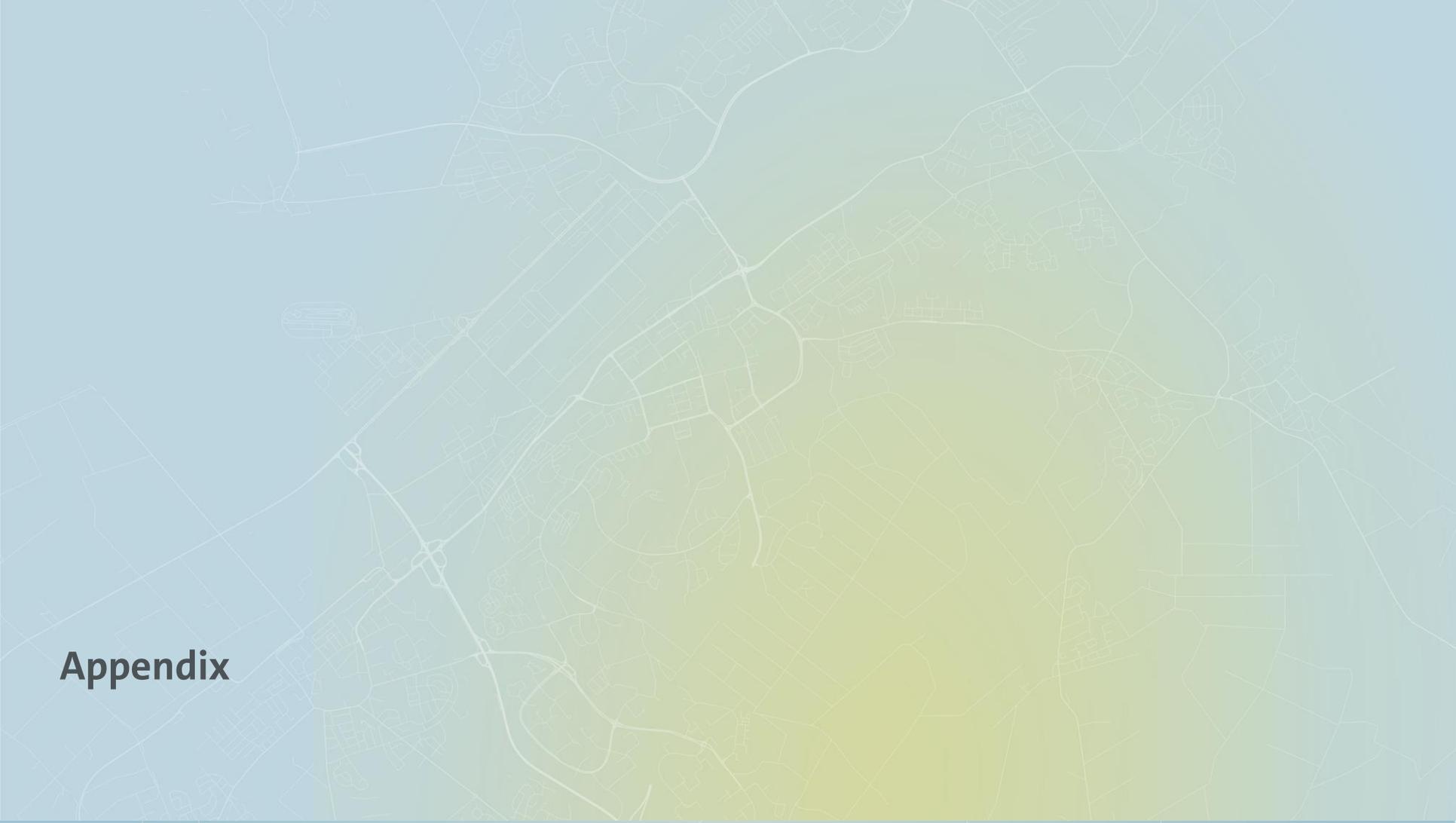
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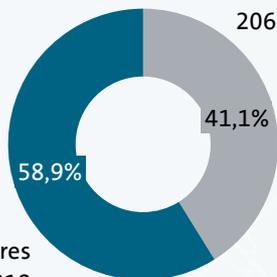


Appendix

The Shareholder Structure, Supervisory and Management Board

Shareholder Structure of Volkswagen AG

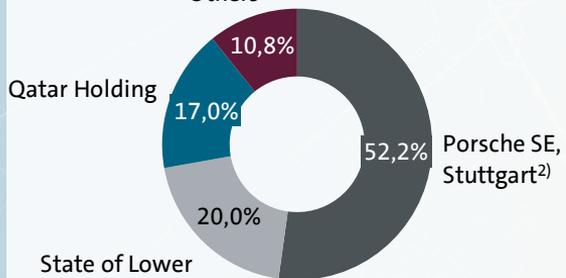
Number of Outstanding Shares Preferred shares 206,205,445



Ordinary shares
295,089,818

Current Voting Rights Distribution

Others



State of Lower
Saxony, Hanover

(as at December 31, 2018)

Supervisory Board of Volkswagen AG

Chairman	Hans Dieter Pötsch
Members	Dr. Hussain Ali Al Abdulla Dr. Hessa Sultan Al Jaber Dr. Bernd Althusmann Dr. Hans-Peter Fischer Marianne Heiß Jörg Hofmann Johan Järvklo Ulrike Jakob Dr. Louise Kiesling Peter Mosch Bertina Murkovic Bernd Osterloh Dr. jur. Hans Michel Piëch Dr. jur. Ferdinand Oliver Porsche Dr. rer. comm. Wolfgang Porsche Conny Schönhardt Athanasios Stimoniaris Stephan Weil Werner Weresch

Board of Management of Volkswagen AG¹⁾

Chairman of VW AG and VW Passenger Cars brand	Dr. Herbert Diess
Porsche AG	Dr. Oliver Blume
Human Resources	Gunnar Kilian
TRATON Group	Andreas Renschler
Audi AG	Abraham Schot
Integrity and Legal Affairs	Hiltrud Dorothea Werner
Finance and IT	Frank Witter
Components and Procurement	Dr. Stefan Sommer

¹⁾ Each Board Member is responsible for one or more functions within the Volkswagen Group. The work of the Board of Management of Volkswagen AG is supported by the boards of the brands and regions as well as by the other group business units and holdings. ²⁾ On March 13 2019, Porsche SE announced increase in voting rights to 53.1%.

Volkswagen Group – Analysis by Business Line ¹⁾

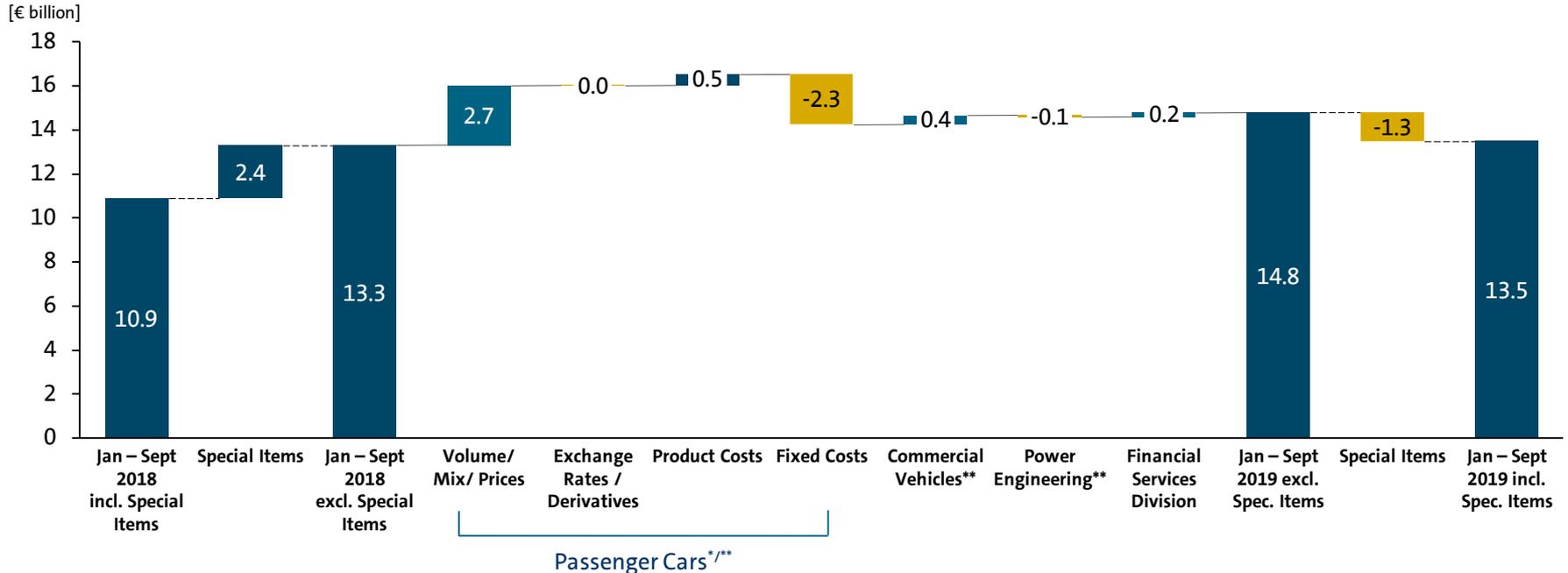
(January to September 2019 vs. 2018)

thousand vehicles / € million	Vehicle sales		Sales revenue		Operating profit	
	2019	2018	2019	2018	2019	2018
Volkswagen Passenger Cars	2,754	2,753	65,447	62,508	3,152	2,330
Audi	900	1,107	41,332	44,257	3,239	3,671
ŠKODA	805	698	14,811	12,598	1,175	1,083
SEAT	517	462	8,828	7,744	248	237
Bentley	7	7	1,306	1,092	65	-137
Porsche Automotive ²⁾	205	190	18,666	17,507	3,200	3,197
Volkswagen Commercial Vehicles	344	337	8,756	8,572	497	628
Scania ³⁾	76	69	10,427	9,337	1,209	888
MAN Commercial Vehicles	104	98	9,175	8,599	297	222
Power Engineering	-	-	2,873	2,489	91	142
VW China ⁴⁾	2,815	3,021	-	-	-	-
Other ⁵⁾	-543	-619	-22,949	-24,762	-411	-872
Volkswagen Financial Services	-	-	27,946	24,635	2,035	1,915
Volkswagen Group before Special Items	-	-	-	-	14,795	13,306
Special Items	-	-	-	-	-1,257	-2,435
Volkswagen Group	7,983	8,123	186,617	174,577	13,539	10,871
Automotive Division ⁶⁾	7,983	8,123	157,031	148,424	11,313	8,832
of which: Passenger Cars ⁷⁾	7,803	7,956	134,666	128,218	10,103	8,021
of which: Commercial Vehicles ⁷⁾	180	167	19,491	17,717	1,307	857
of which: Power Engineering	-	-	2,873	2,489	-98	-46
Financial Services Division	-	-	29,587	26,153	2,226	2,039

¹⁾ All figures shown are rounded, minor discrepancies may arise from addition of these amounts. ²⁾ Porsche (Automotive and Financial Services): sales revenue € 20,490 (19,117) million, operating profit € 3,346 (3,329) million. ³⁾ Scania (Automotive and Financial Services): sales revenue € 10,762 (9,634) million, operating profit € 1,314 (991) million. ⁴⁾ The sales revenue and operating profits of the joint venture companies in China are not included in the figures for the Group. These Chinese companies are accounted for using the equity method and recorded a proportionate operating profit of € 3,187 (3,330) million. ⁵⁾ In operating profit mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; the figure includes depreciation and amortization of identifiable assets as part of purchase price allocation for Scania, Porsche Holding Salzburg, MAN and Porsche. ⁶⁾ Including allocation of consolidation adjustments between the Automotive and Financial Services divisions. ⁷⁾ Since 1st January 2019 Volkswagen Commercial Vehicles is reported in the Automotive division, prior year figures have been adjusted.

Volkswagen Group – Analysis of Operating Profit ¹⁾

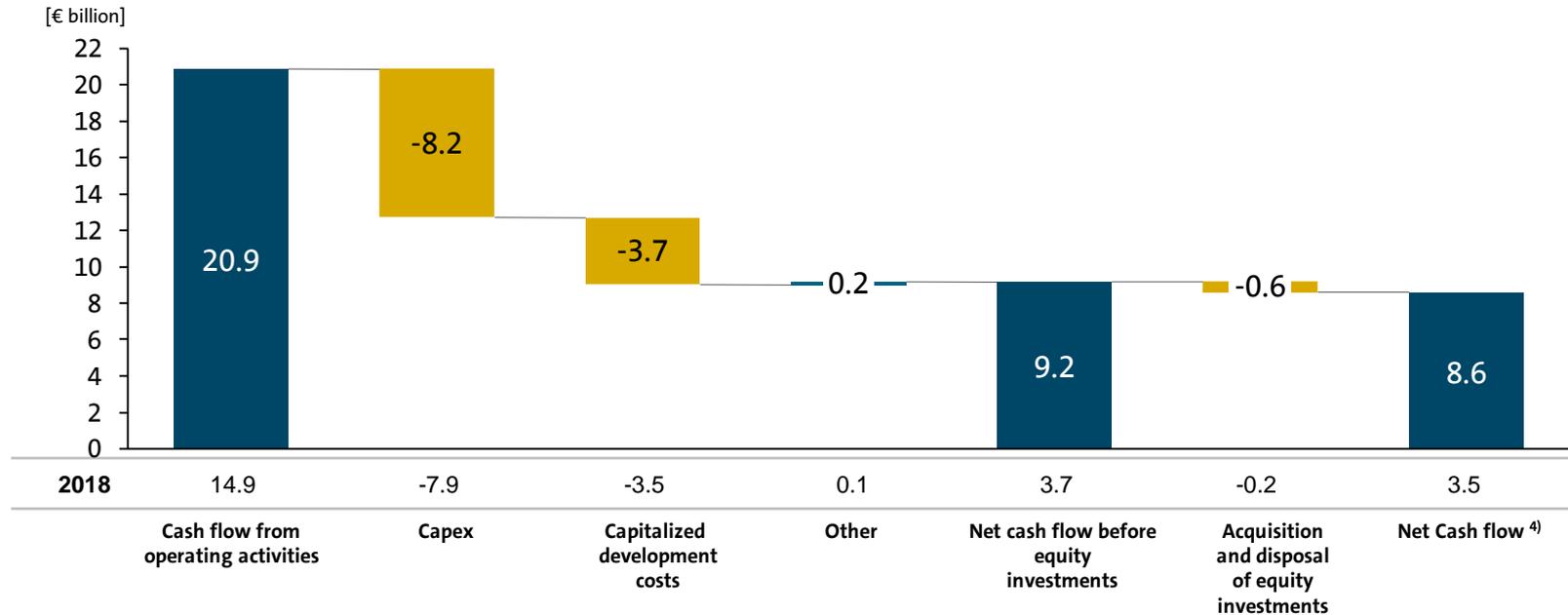
(January to September 2019 vs. 2018)



¹⁾ All figures shown are rounded, minor discrepancies may arise from addition of these amounts. *) without FS **) including PPA

Automotive Division – Net Cash Flow Development ^{1) 2)}

(January to September 2019)

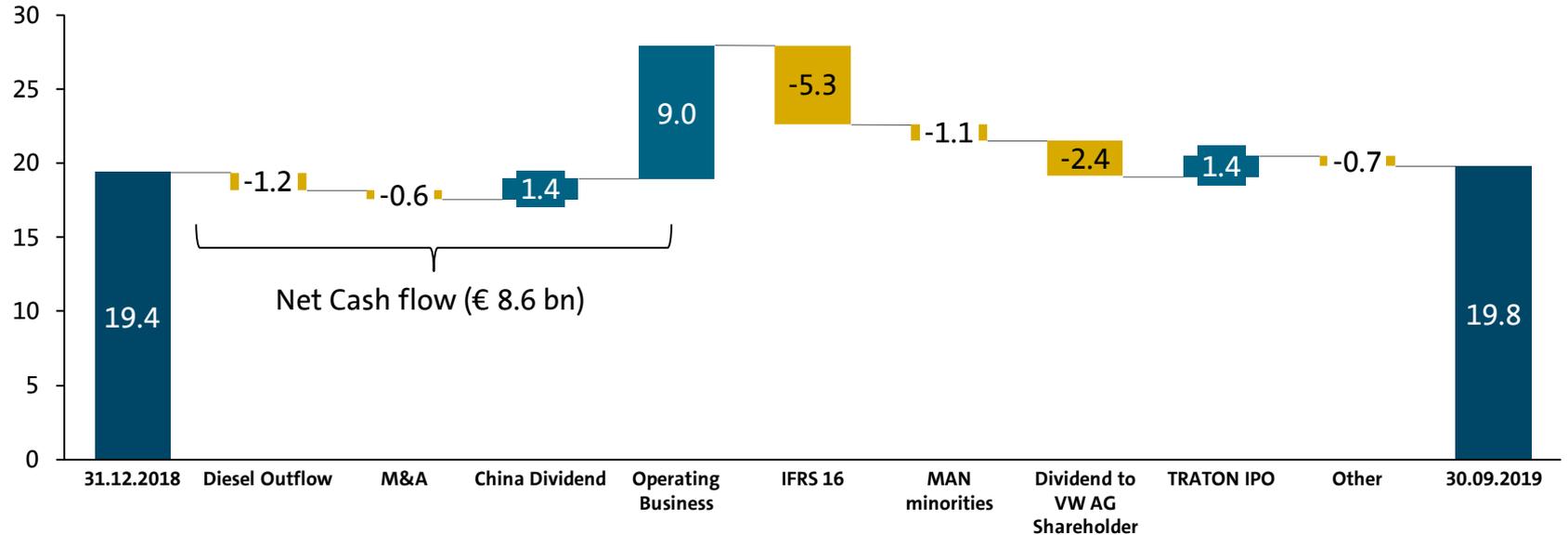


¹⁾ All figures shown are rounded, minor discrepancies may arise from addition of these amounts. ²⁾ Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

Automotive Division – Analysis of Net Liquidity ¹⁾

(January to September 2019)

[€ billion]

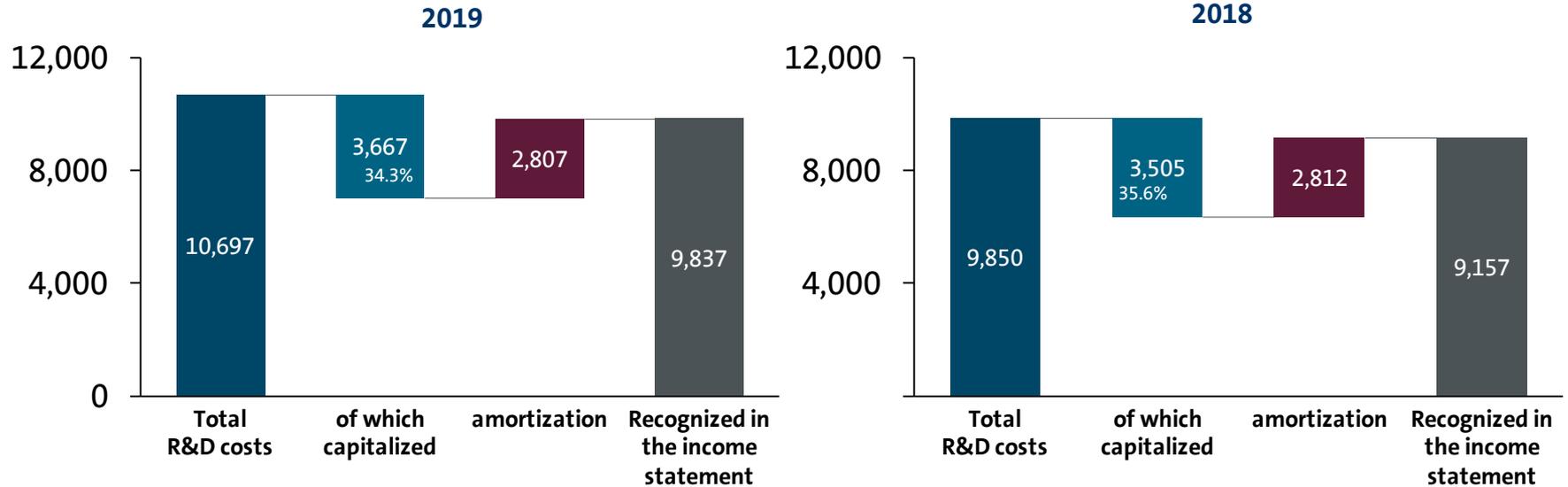


¹⁾ All figures shown are rounded, minor discrepancies may arise from addition of these amounts.

Automotive Division – Research and Development Costs

(January to September 2019 vs. 2018)

[€ million]



Diesel issue: Special Items & payments

€ (bn)	Diesel special items	Payments
2015	Legal 7.0	-
	Other items 9.2	
	16.2	
2016	Mainly legal risks 6.4	~3.0
2017	Buyback/retrofit program 2.2	~16.1
	Legal 1.0	
	3.2	
2018	Mainly legal risks 3.2	~5.3
2019	Mainly legal risks 2.3	2019 Update at Annual Press Conference
Total	31.3	Payments made until 2018 ~24.6

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