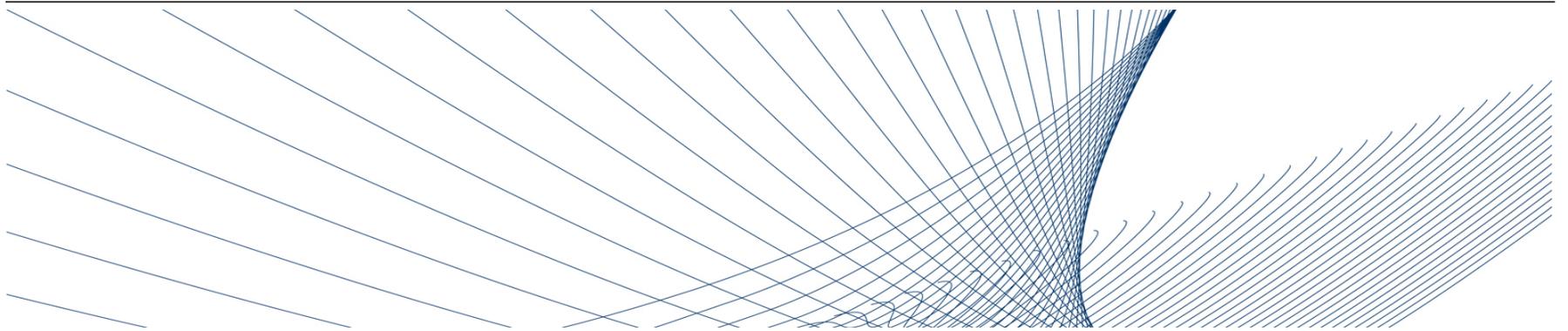


VOLKSWAGEN

AKTIENGESELLSCHAFT



Levers to unleash value

Dr. Herbert Diess

Chairman of the Board of Management Volkswagen AG

09/12/2019 - London

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.

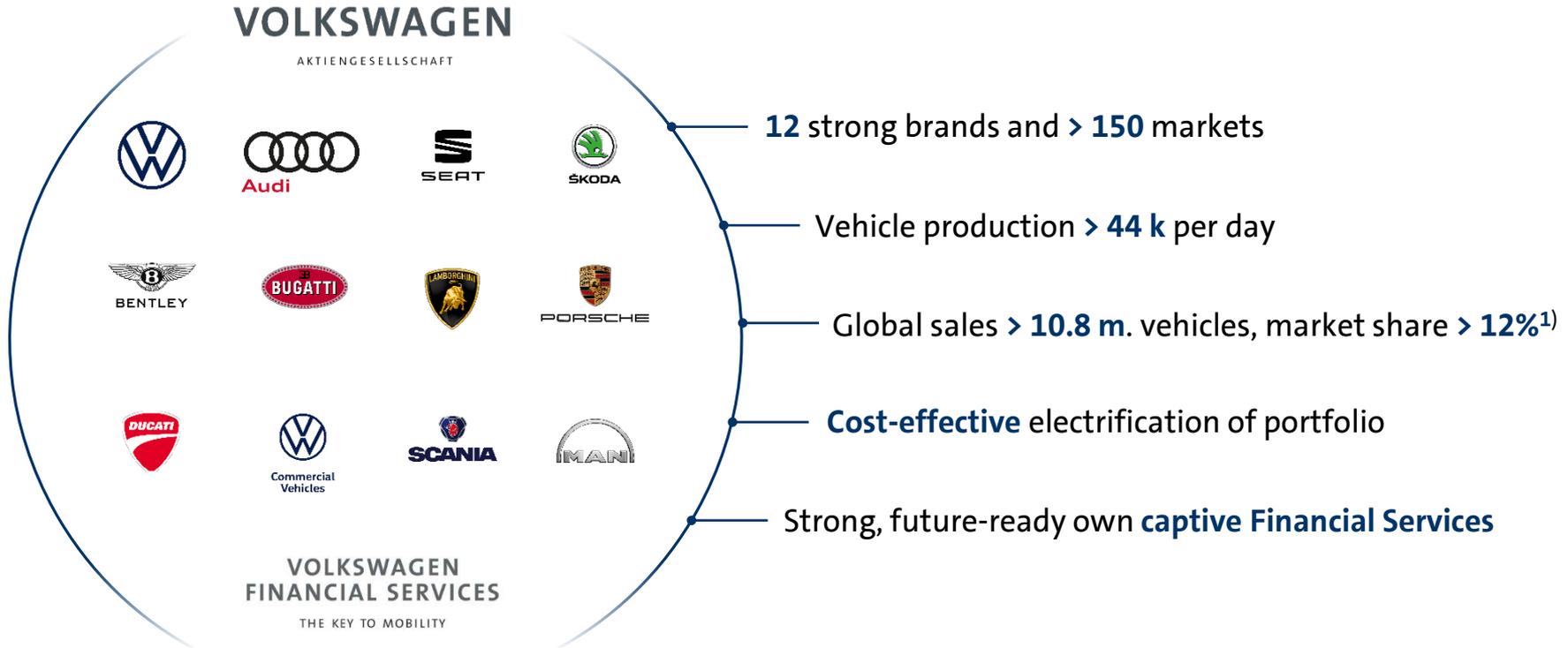
Consequently, a negative impact relating to ongoing claims or investigations, any unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, and trade disputes among major trading partners will have a corresponding 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.

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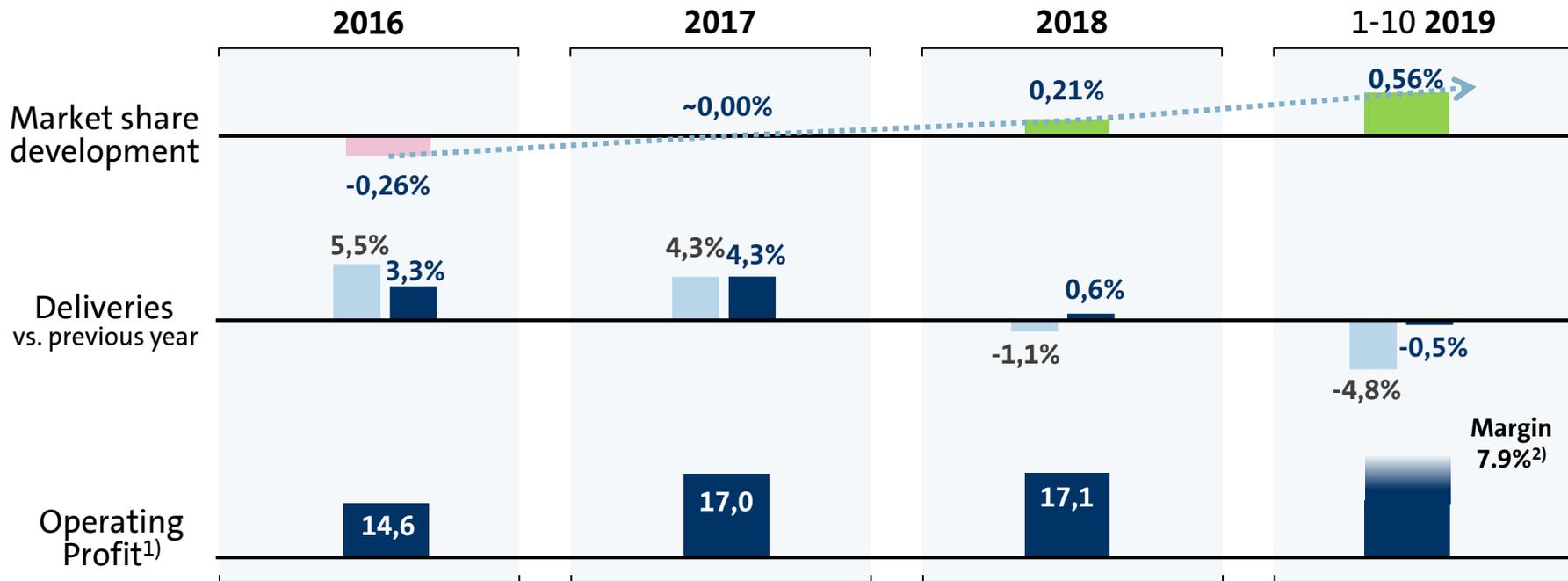
Volkswagen with its strong brands is one of the largest players in the automotive industry – covering a wide range of customer needs



¹⁾ 2018, Global Passenger Vehicles Market Share

Since 2017 we have been outperforming the industry...

Growth total markets vs. VW Group deliveries to customers



Excl. Ducati, MAN and Scania, LCVs only included in NAR and SAM

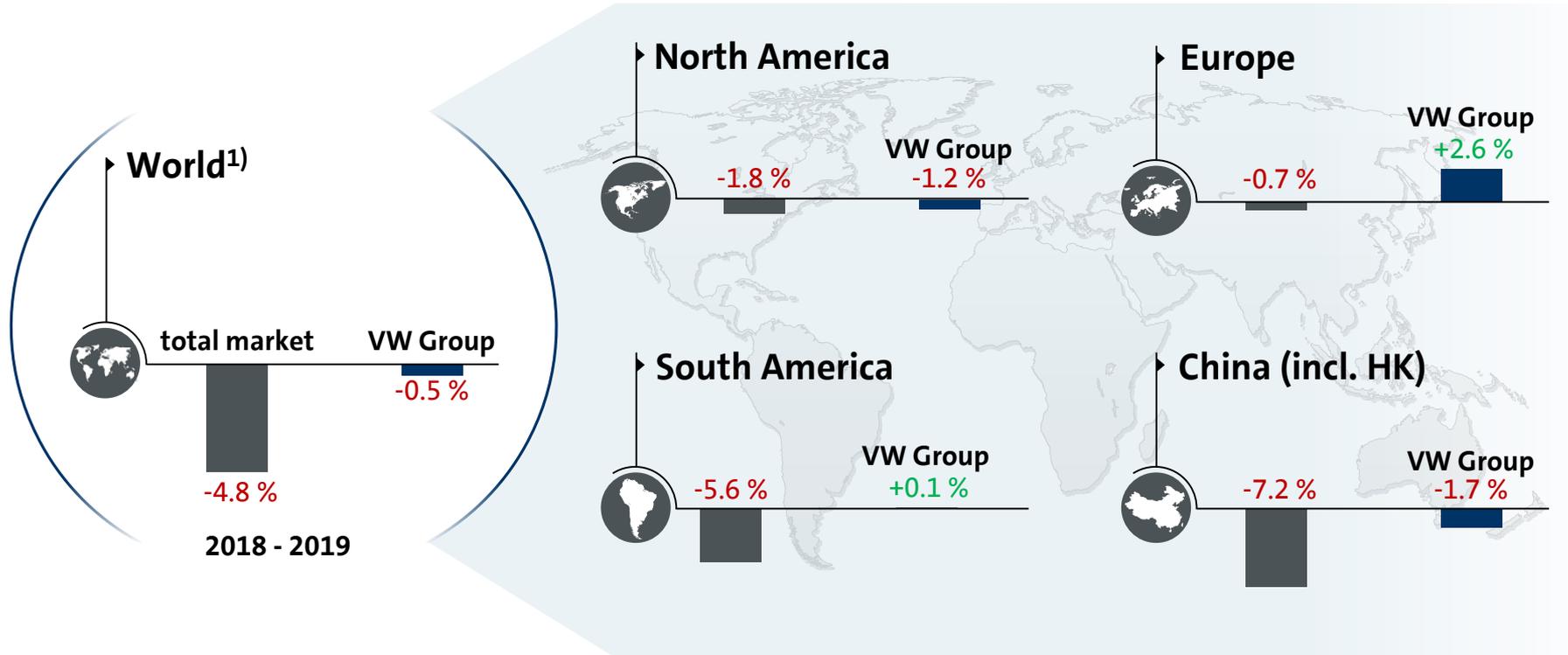
¹⁾ Before special items

²⁾ 1-9 2019

■ Total market ■ VW Group

...and even in a challenging environment we have been gaining market share

Growth total markets vs. VW Group deliveries to customers Jan – Oct. 2019 vs. 2018



¹⁾ Excl. Ducati, MAN and Scania, LCVs only included in NAR and SAM

We continuously deliver on demanding financial targets

Key financial targets	2016 Actual	2017 Actual	2018 Actual	2019 Outlook	2020 Strategic Targets	2025 Strategic Targets	
Operating return on sales <small>Before Special Items</small>	6.7%	7.4%	7.3%	6.5-7.5%	6.5-7.5%	7-8%	
Return on investment <small>Automotive Division before Special Items</small>	13.9%	14.4%	13.1%	12-14%	12-14% ²⁾	>14% ²⁾	
Capex ratio <small>Automotive Division</small>	6.9%	6.4%	6.6%	6.5-7%	6%	6%	
R&D cost ratio <small>Automotive Division</small>	7.3%	6.7%	6.8%	6.5-7%	6%	6%	
Cash <small>Automotive Division</small>	a) Net Cashflow¹⁾	€ 4.9 bn	€ 10.3 bn	€ 5.6 bn	≥ €9 bn	≥ € 10 bn	> € 10 bn
	b) Net Liquidity	€ 27.2bn	€ 22.4 bn	€ 19.4 bn	> € 15 bn ²⁾	> € 20 bn ²⁾	~10% of Group turnover

Volkswagen Group

- Delivering consistently on our top line strategic KPIs and reconfirming guidance
- Record underlying cash flow generation levels
- CAPEX and R&D Ratios on track
 - Already holistic investments in future included (hybridization, electric mobility and digitalization)
- Dividend Pay-out-Ratio of 30% embedded in 5-year-planning
 - By 2022 at latest
- Volkswagen has delivered a TSR of 28.5% over the past year

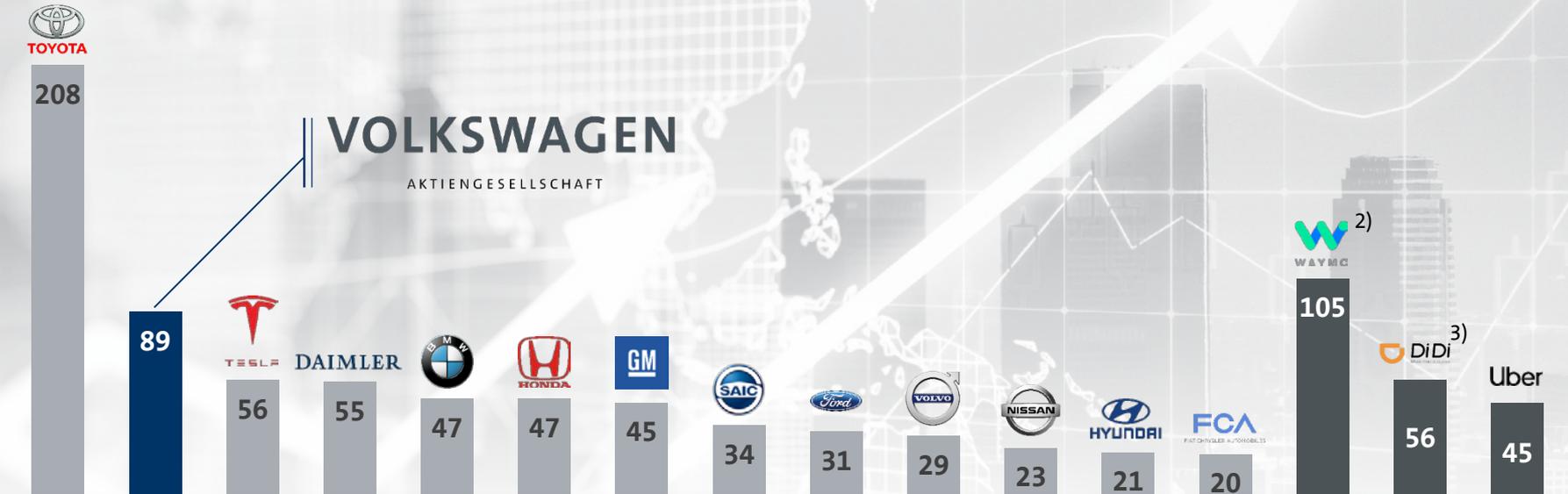
¹⁾ Excl. Diesel payments and M&A

²⁾ Including the negative IFRS 16 impact, effective from 1st January 2019

TSR: Total Shareholder Return

However, our company valuation is not where it should be!

Market capitalization 2019¹⁾ (€ bn)



¹⁾ As of 21/11/2019

²⁾ According to Morgan Stanley report from 26/09/2019

³⁾ Estimation Spring 2019

Source: Bloomberg

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



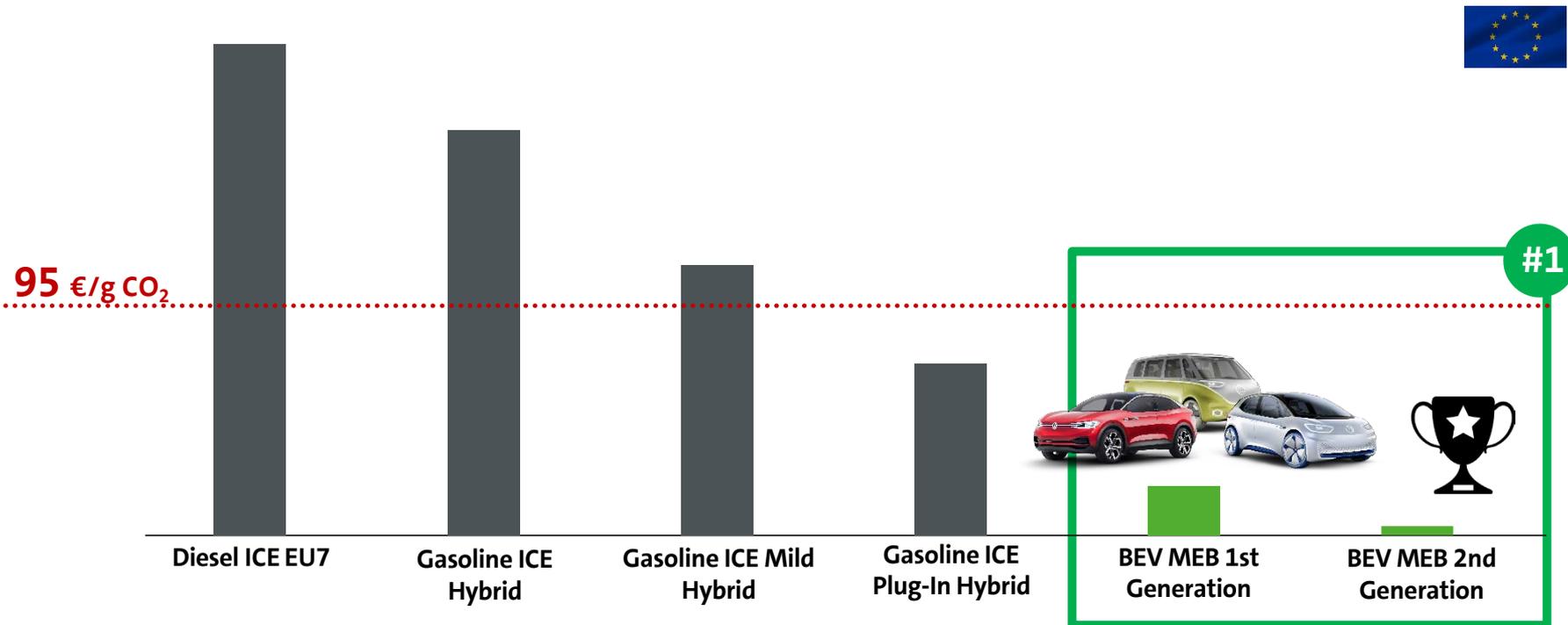
Digital transformation:
**Fully networked vehicles
and autonomous driving**



**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

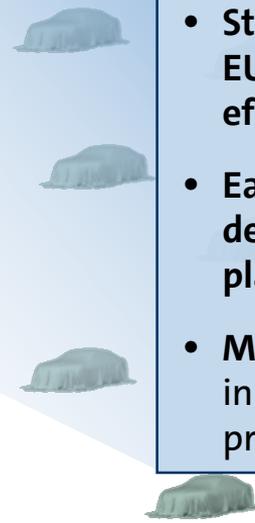


...therefore we based our strategy on dedicated BEV platforms already in 2015

1st wave



2nd wave



Our advantage

- Strong group position in EU/CN guarantees scale effects
- Early decisions on dedicated BEV platforms unleash value
- Multi-brand platforms in dedicated plants provide efficiencies

26 m. cars

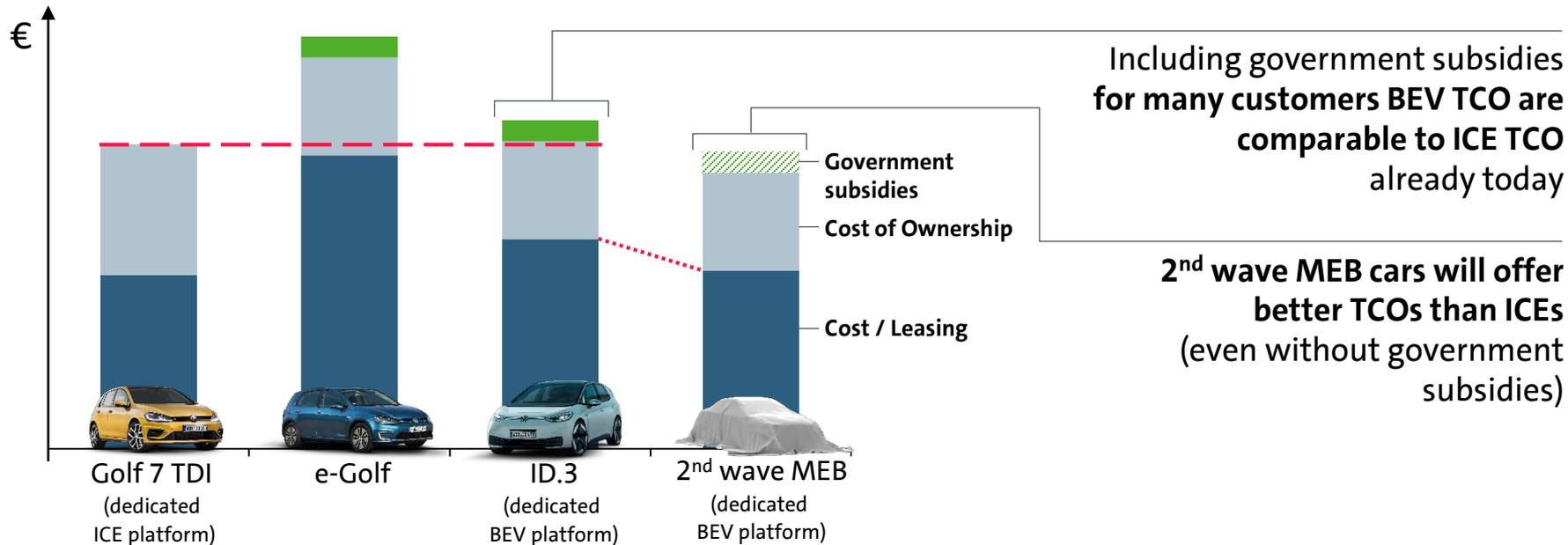
~ 33 bn. invest

Battery supply secured

3 World regions
China, USA, Europe

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

TCO comparison¹⁾

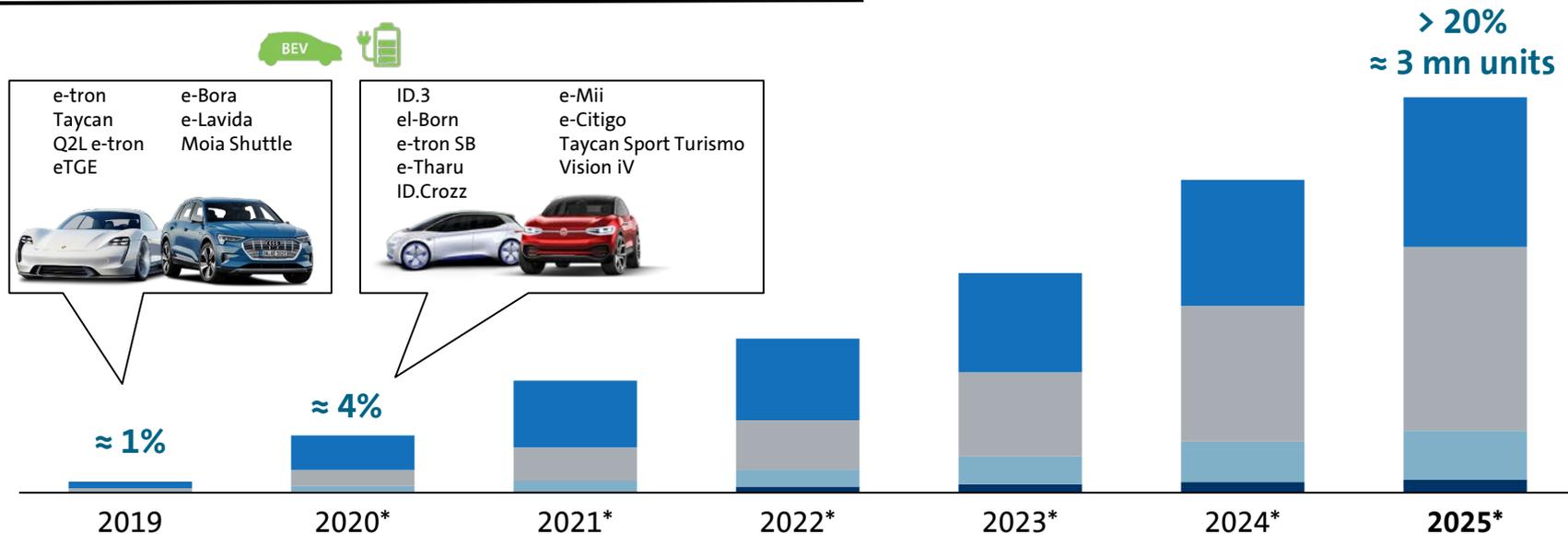


¹⁾ Schematic overview | TCO = Total Cost of Ownership

Based on strong customer interest, we will significantly increase our BEV deliveries

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

Europe China NAR RoW

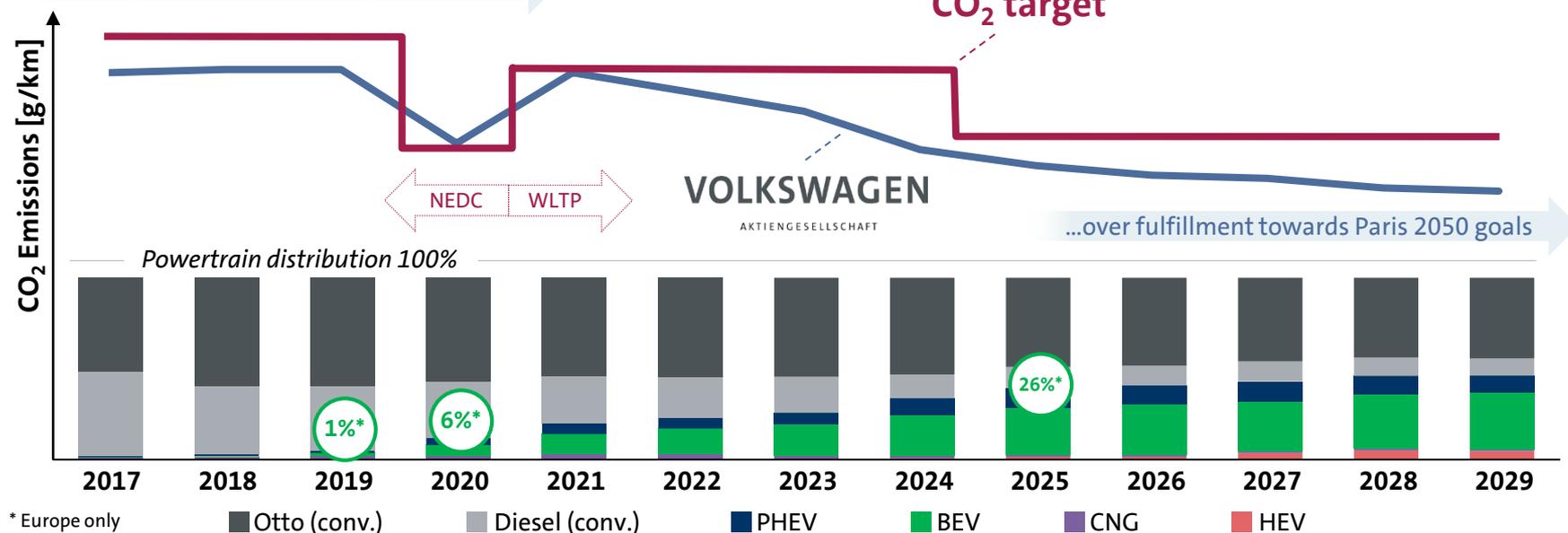


* Target

Our dedicated BEV strategy enables us to meet CO₂ requirements

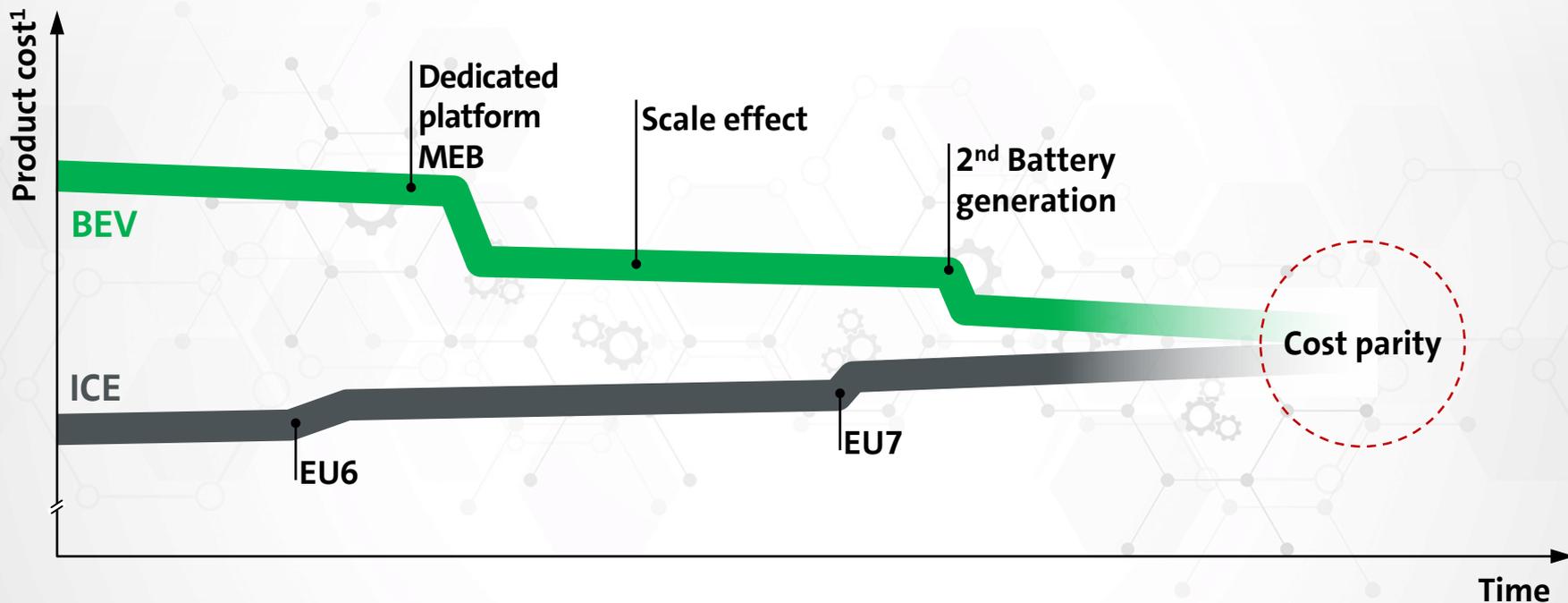


...we already started MEB development in 2015



We expect cost parity between BEVs and ICEs in the near future

Product cost development BEV vs ICE¹⁾

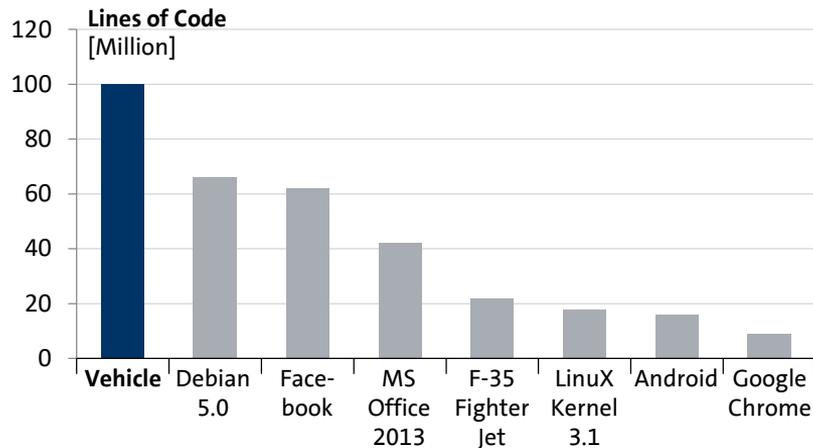


¹⁾ Schematic overview

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

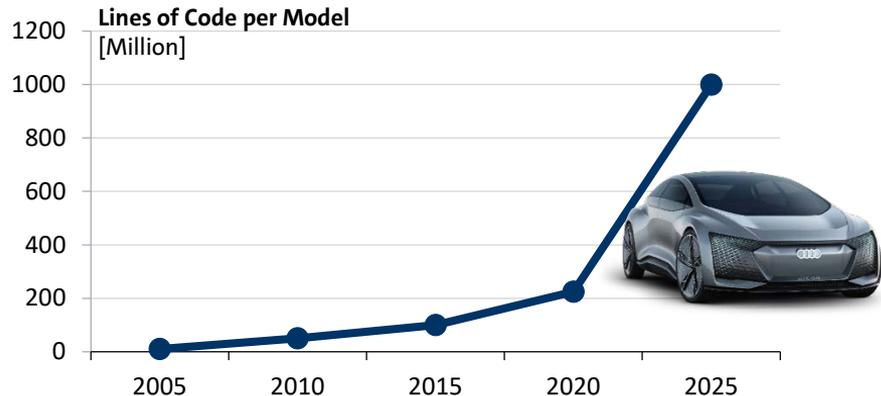
Today

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



Tomorrow

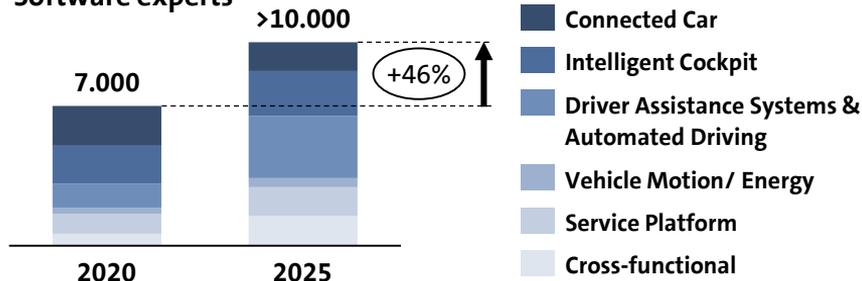
- > 200 - 300 million lines of code are expected
- Level 5 autonomous driving will take up to 1 billion lines of code



...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

We rigorously allocate capital and seek intelligent partnerships...

Platform scale



Commercial Vehicles



Battery

northvolt®



VOLKSWAGEN

AKTIENGESELLSCHAFT



BENTLEY



PORSCHE



Commercial Vehicles



VOLKSWAGEN
FINANCIAL SERVICES

THE KEY TO MOBILITY

Software Cloud / Autonomous Driving



Production



...and continue to drive cost reduction initiatives

Selected examples

Personnel cost reduction



- “**Zukunftspakt**” VW brand: (gross) Headcount reduction >10,600 since the start of the Zukunftspakt¹⁾
- “**Roadmap Digitale Transformation**” VW brand: up to -4,000 jobs (indirect) until 2023²⁾
- “**Audi.Zukunft**”: agreement with workers council, up to -9,500 jobs until 2025

Zero-based budgeting program 2020



- Tight alignment of cost with strategic priorities
 - Technical development
 - Investments
 - Sales and Marketing
- Elimination of redundant activities across brands

Synergies through structural improvements



- Single-brand cross-functional responsibility for synergetic vehicle families
- One-for-all Engineering
- Worldwide logistics systems optimisation
- New market area concept

¹⁾ Net reduction > 6,900, status 09/2019

²⁾ Direct: additional productivity improvements to secure mid-/long-term competitiveness (+5% improvement p.a. until 2023)

We group our vehicles in synergy families in order to realise substantial savings

Today

- Successful market positioning
- Brand-specific design
- Synergistic concepts
- High share of carry over parts
- Scale effects through modular platform concept



Skoda Karoq
(Launch 2017)



Seat Ateca
(Launch 2016)



Target picture – 1st wave

- 4 cross-brand synergy families
- Cross-functional lead responsibility in one brand

 1st Model family

 2nd Model family

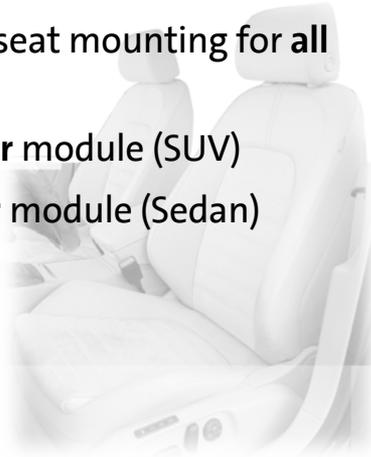
 3rd Model family

 4th Model family

We capture further synergies through „one-for-all“ module engineering and reduce complexity significantly

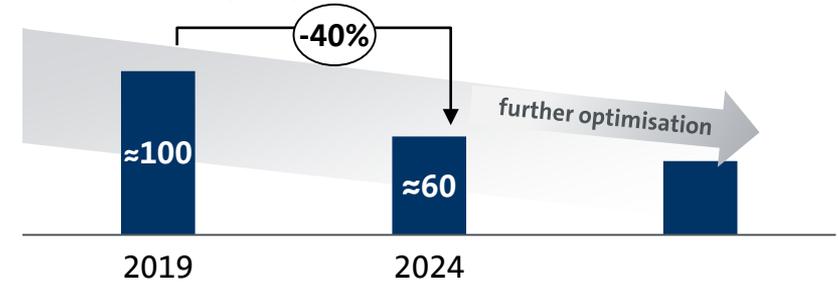
Dedicated module strategies with one lead developer – *example front seats*

- **Uniform, standardized** seat mounting for all brands and platforms
- **One dedicated high seater** module (SUV)
- **One dedicated low seater** module (Sedan)
- **30% less modules**
- **60% less variation**



Planned complexity reduction – *example engine-gearbox combinations*

within MQB [EU28]:



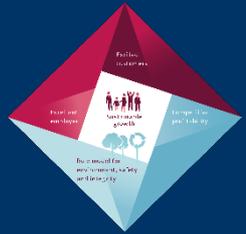
VW: -36% engine- / gearbox combinations in Golf 8 vs. Golf 7

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