

**VOLKSWAGEN**

AKTIENGESELLSCHAFT

# Leading the Transformation.

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**Volkswagen AG Group Investor Relations**

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Goldman Sachs Conference, London, 5 December 2019

## 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.

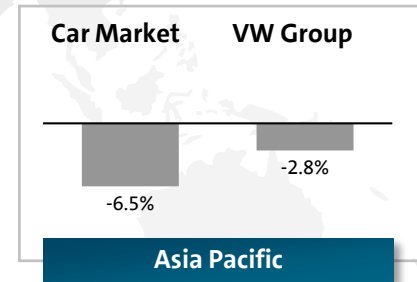
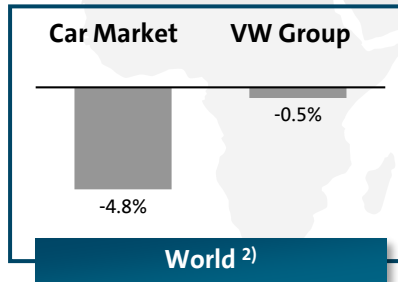
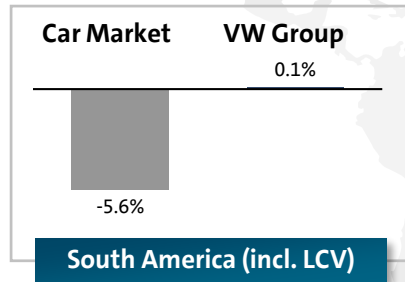
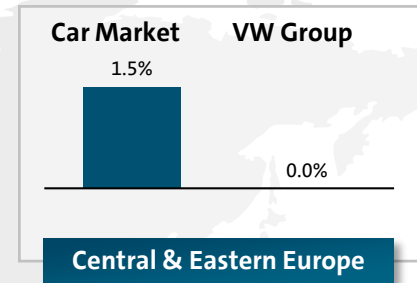
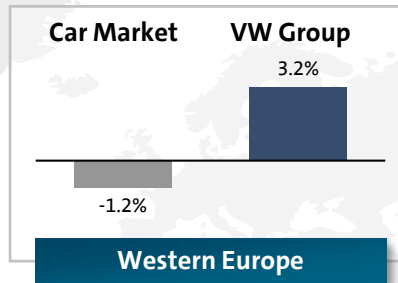
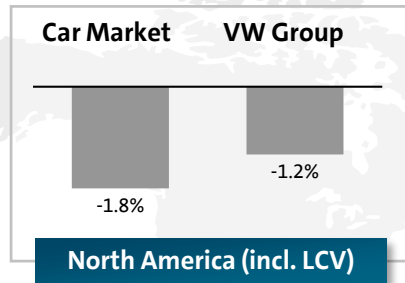
Consequently, a negative impact relating to ongoing claims or investigations, any unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, and trade disputes among major trading partners will have a corresponding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

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

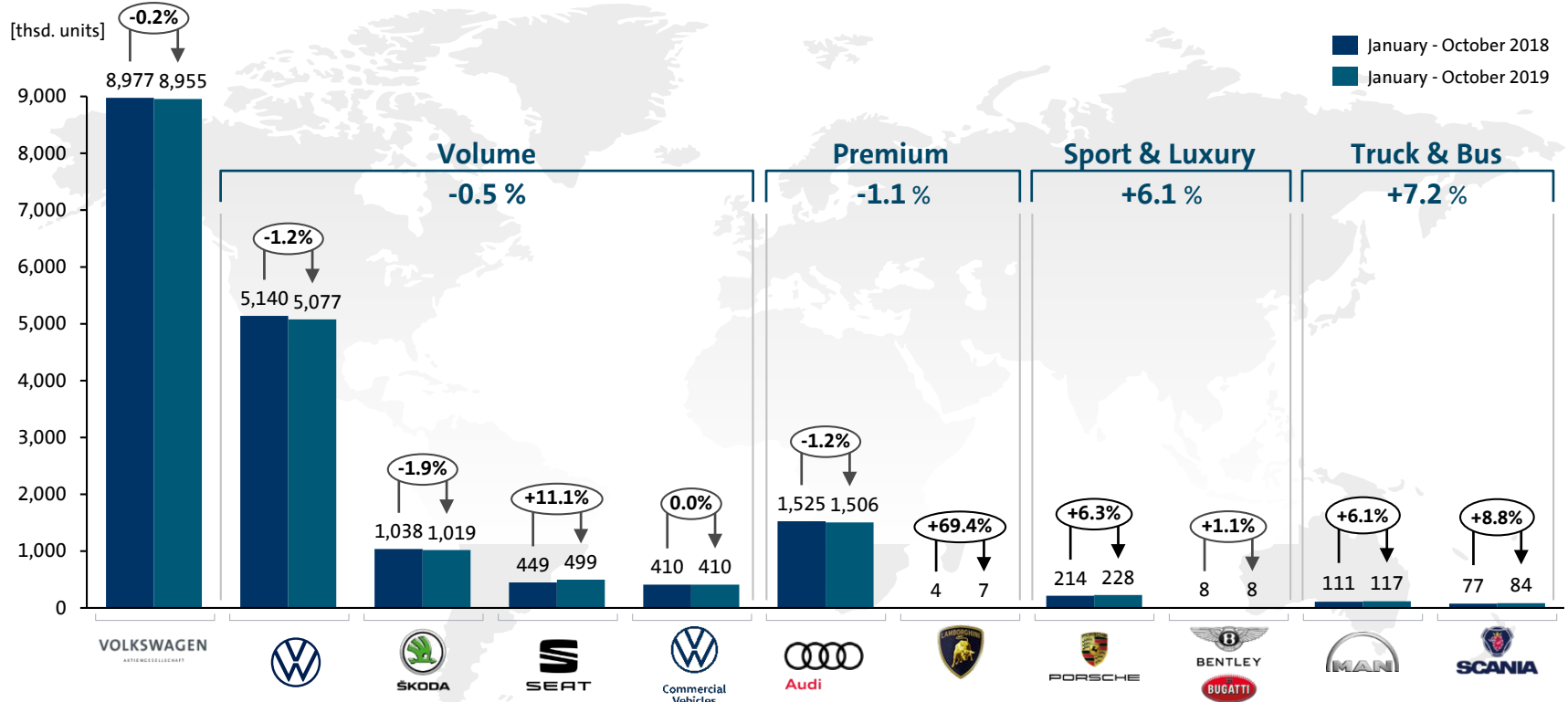
(Growth y-o-y in deliveries to customers, January to October 2019 vs. 2018)



<sup>1)</sup> Volkswagen Group Passenger Cars excl. Volkswagen Commercial Vehicles <sup>2)</sup> incl. LCV in North America & South America

## Volkswagen Group – Deliveries to Customers by Brands<sup>1)</sup>

(January to October 2019 vs. 2018)



<sup>1)</sup> Volkswagen Group excl. Ducati

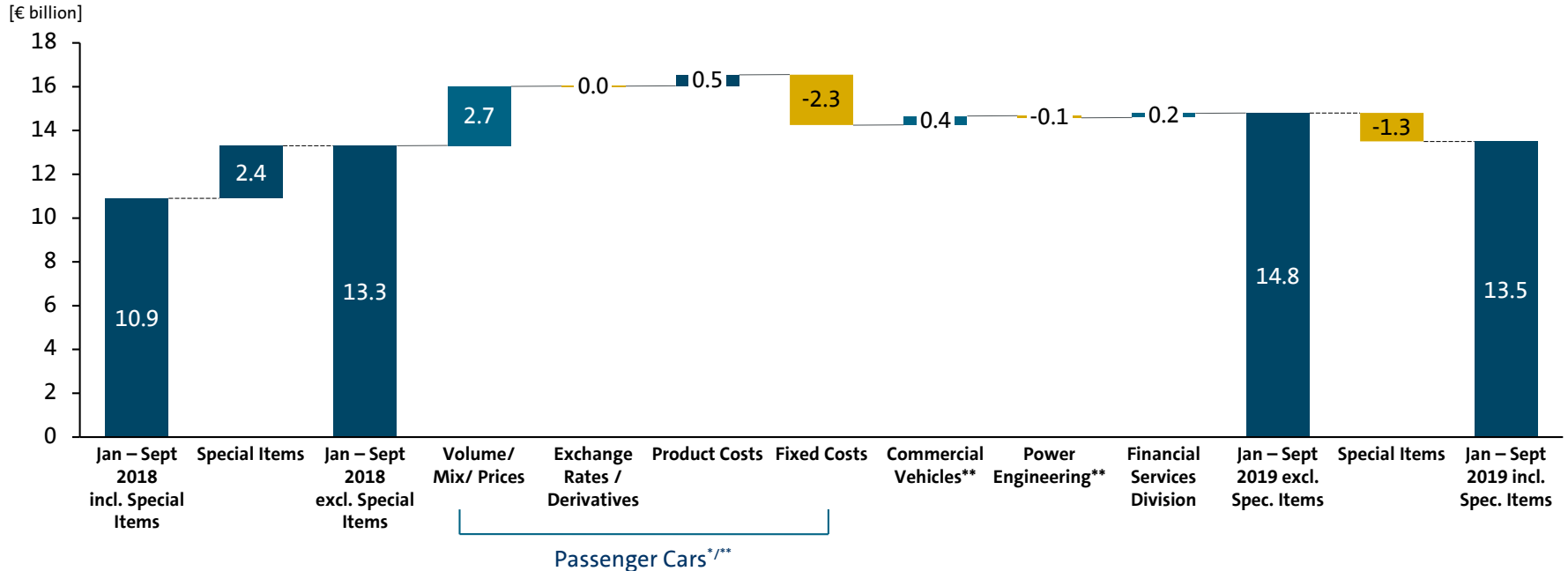
## Volkswagen Group – Analysis by Business Line <sup>1)</sup> (January to September 2019 vs. 2018)

thousand vehicles / € million	Vehicle sales		Sales revenue		Operating profit		Operating margin	
	2019	2018	2019	2018	2019	2018	2019	2018
Volkswagen Passenger Cars	2,754	2,753	65,447	62,508	3,152	2,330	4,8%	3,7%
Audi	900	1,107	41,332	44,257	3,239	3,671	7,8%	8,3%
ŠKODA	805	698	14,811	12,598	1,175	1,083	7,9%	8,6%
SEAT	517	462	8,828	7,744	248	237	2,8%	3,1%
Bentley	7	7	1,306	1,092	65	-137	5,0%	-12,5%
Porsche Automotive <sup>2)</sup>	205	190	18,666	17,507	3,200	3,197	17,1%	18,3%
Volkswagen Commercial Vehicles	344	337	8,756	8,572	497	628	5,7%	7,3%
Scania <sup>3)</sup>	76	69	10,427	9,337	1,209	888	11,6%	9,5%
MAN Commercial Vehicles	104	98	9,175	8,599	297	222	3,2%	2,6%
Power Engineering	-	-	2,873	2,489	91	142	3,2%	5,7%
VW China <sup>4)</sup>	2,815	3,021	-	-	-	-		
Other <sup>5)</sup>	-543	-619	-22,949	-24,762	-411	-872		
Volkswagen Financial Services	-	-	27,946	24,635	2,035	1,915	7,3%	7,8%
<b>Volkswagen Group before Special Items</b>	-	-	-	-	<b>14,795</b>	<b>13,306</b>		
Special Items	-	-	-	-	-1,257	-2,435		
<b>Volkswagen Group</b>	<b>7,983</b>	<b>8,123</b>	<b>186,617</b>	<b>174,577</b>	<b>13,539</b>	<b>10,871</b>	<b>7,3%</b>	<b>6,2%</b>
Automotive Division <sup>6)</sup>	7,983	8,123	157,031	148,424	11,313	8,832		
of which: Passenger Cars <sup>7)</sup>	7,803	7,956	134,666	128,218	10,103	8,021		
of which: Commercial Vehicles <sup>7)</sup>	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		

<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> Porsche (Automotive and Financial Services): sales revenue € 20,490 (19,117) million, operating profit € 3,346 (3,329) million. <sup>3)</sup> Scania (Automotive and Financial Services): sales revenue € 10,762 (9,634) million, operating profit € 1,314 (991) million. <sup>4)</sup> 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. <sup>5)</sup> 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. <sup>6)</sup> Including allocation of consolidation adjustments between the Automotive and Financial Services divisions. <sup>7)</sup> Since 1<sup>st</sup> January 2019 Volkswagen Commercial Vehicles is reported in the Automotive division, prior year figures have been adjusted.

# Volkswagen Group – Analysis of Operating Profit <sup>1)</sup>

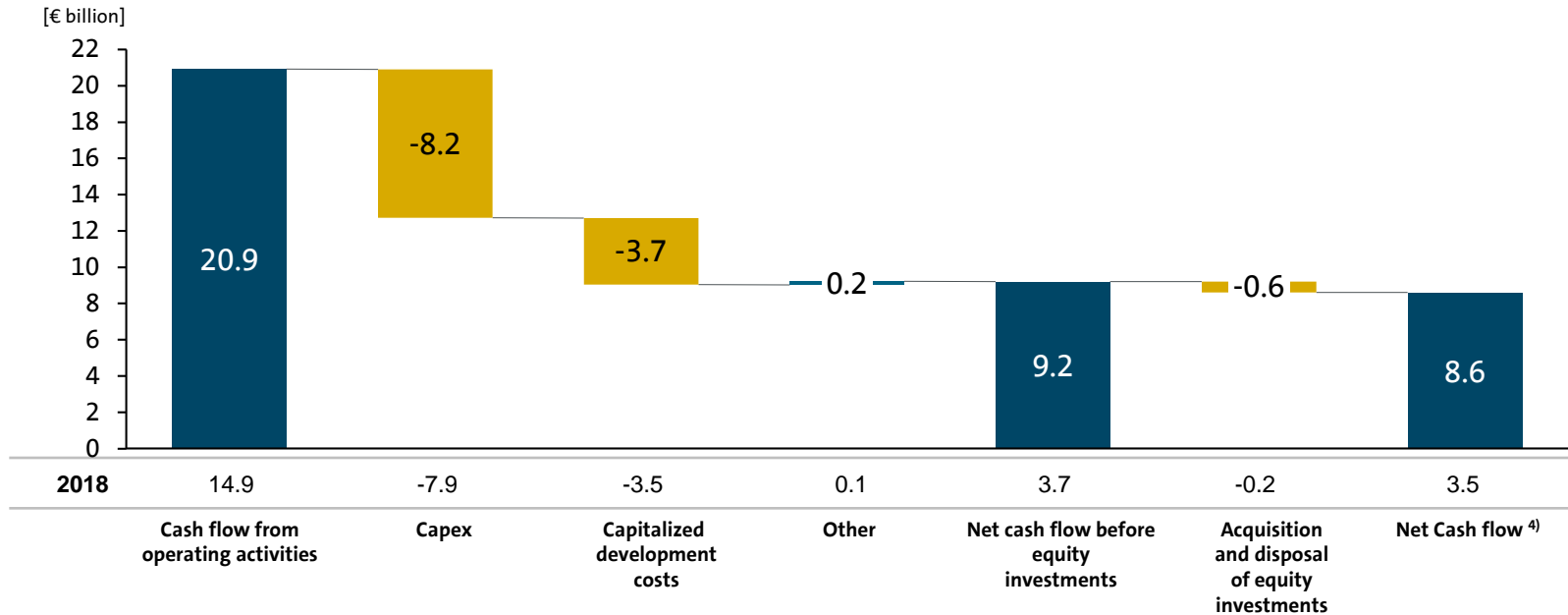
(January to September 2019 vs. 2018)



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

# Automotive Division – Net Cash Flow Development <sup>1) 2)</sup>

(January to September 2019)

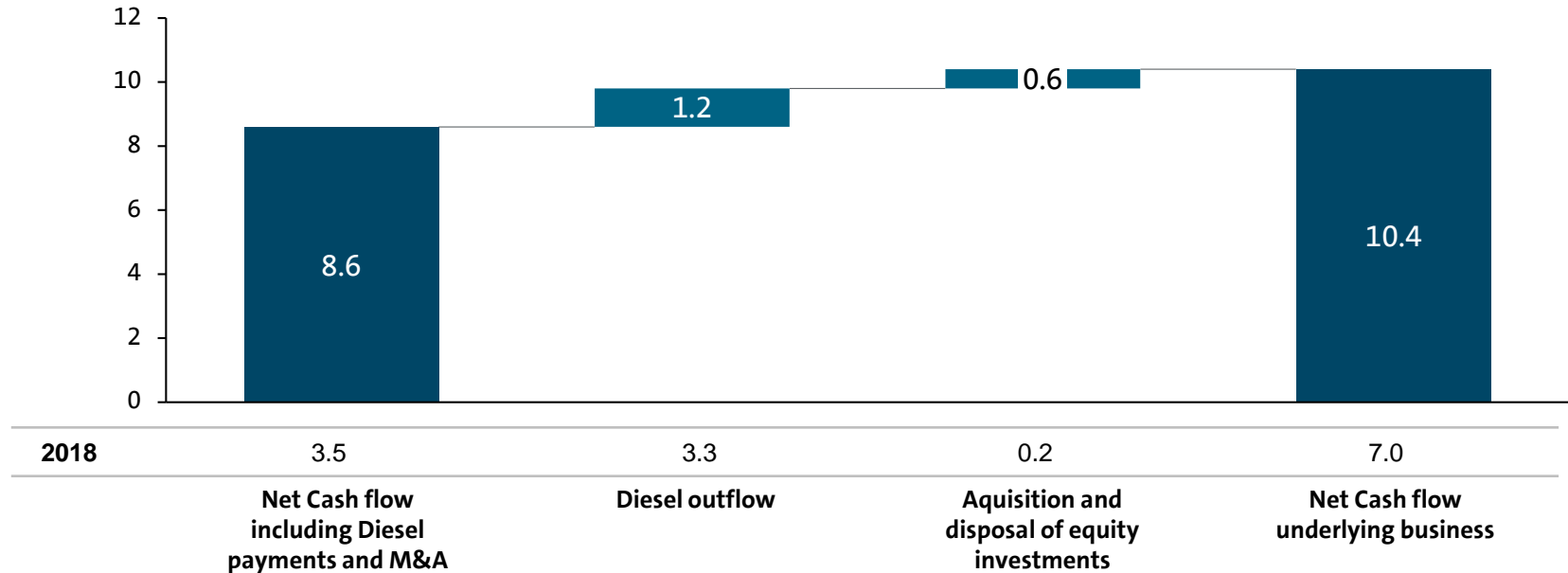


<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

# Automotive Division – Net Cash Flow <sup>1)</sup>

(January to September 2019)

[€ billion]



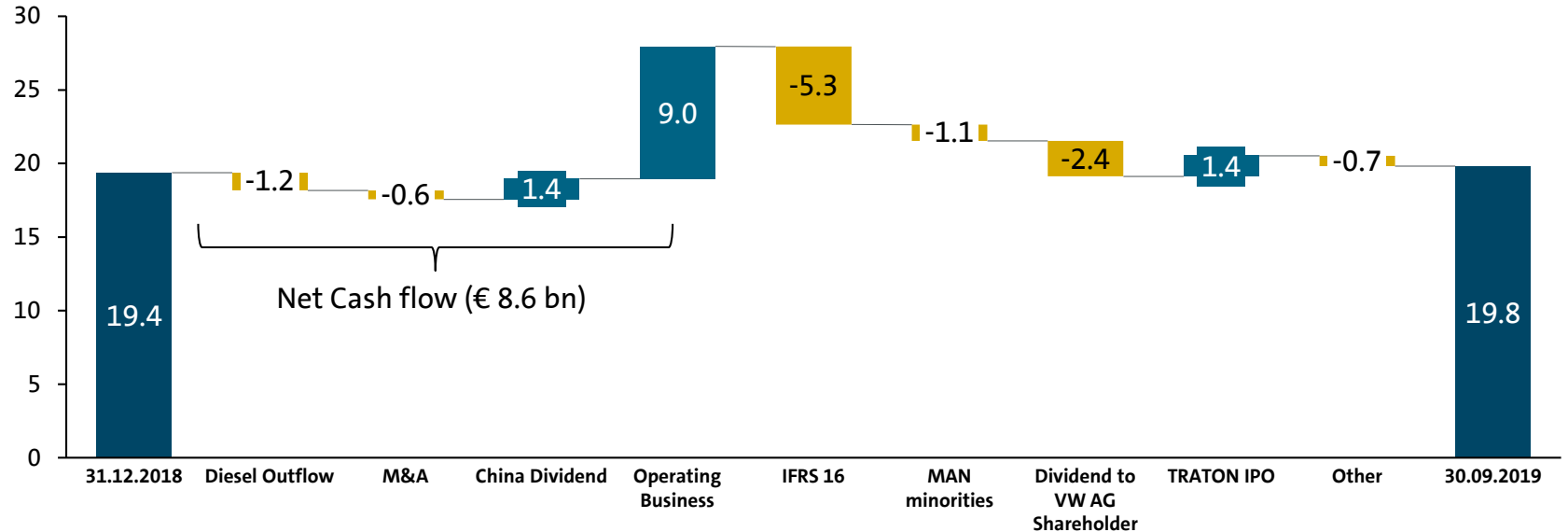
<sup>1)</sup> Including allocation of consolidation adjustments between Automotive and Financial Services divisions.



# Automotive Division – Analysis of Net Liquidity <sup>1)</sup>

(January to September 2019)

[€ billion]

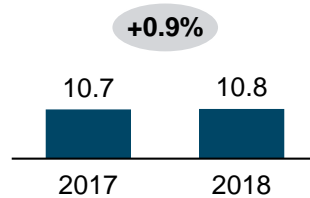


<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts.

# Volkswagen Group – Outlook for 2019



**Deliveries to customers**  
(‘000 vehicles)

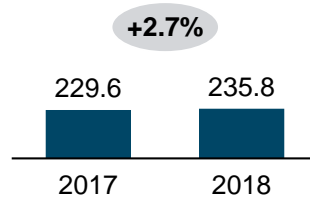


on the level of prior-year

2019



**Sales revenue**  
(€ billion)

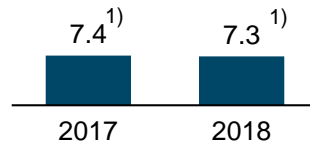


grow by as much as 5%

2019



**Operating return on sales**  
(%)



Range of 6.5 – 7.5% (before Special Items)

2019

<sup>1)</sup> before Special Items.

# The transformation of our portfolio has started

Broad product portfolio

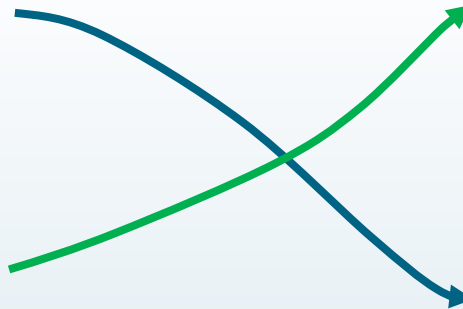
Transformation

CO<sub>2</sub> neutral cars



ICE

BEV

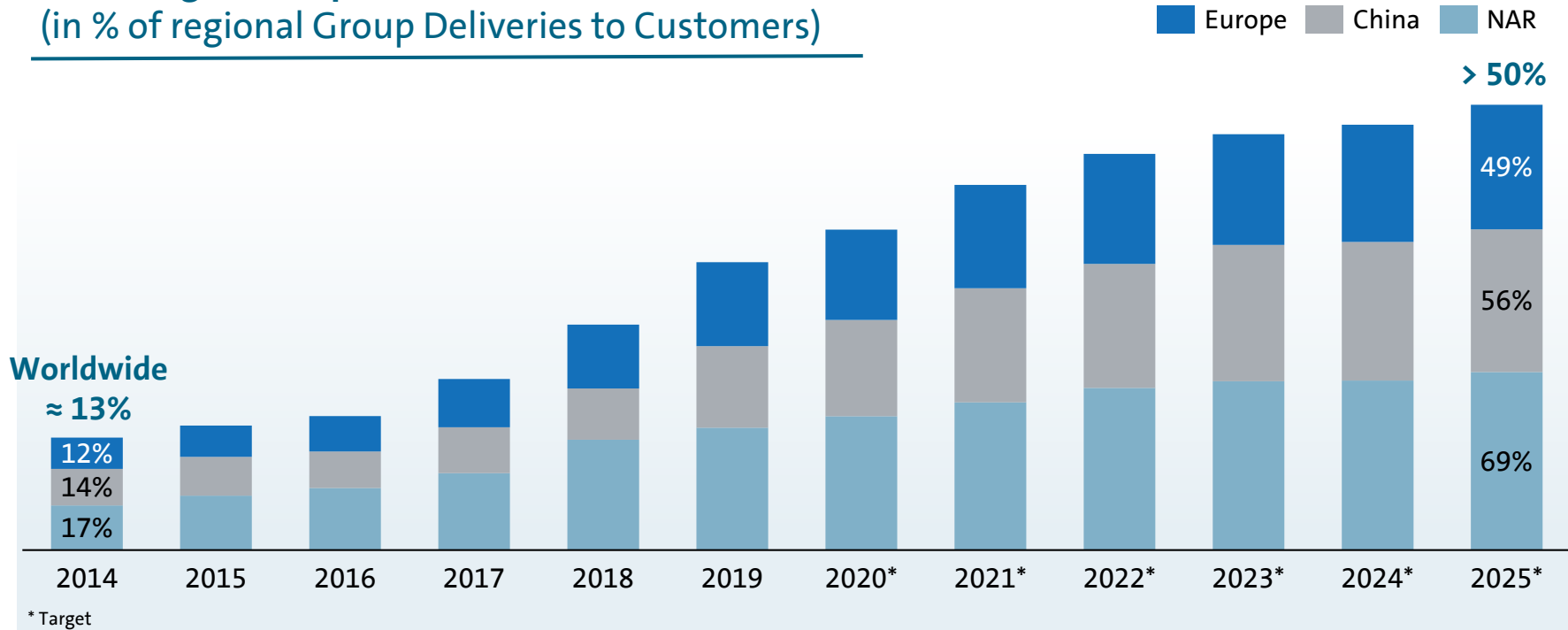


2020

2050

# Our worldwide SUV mix is expected to increase strongly

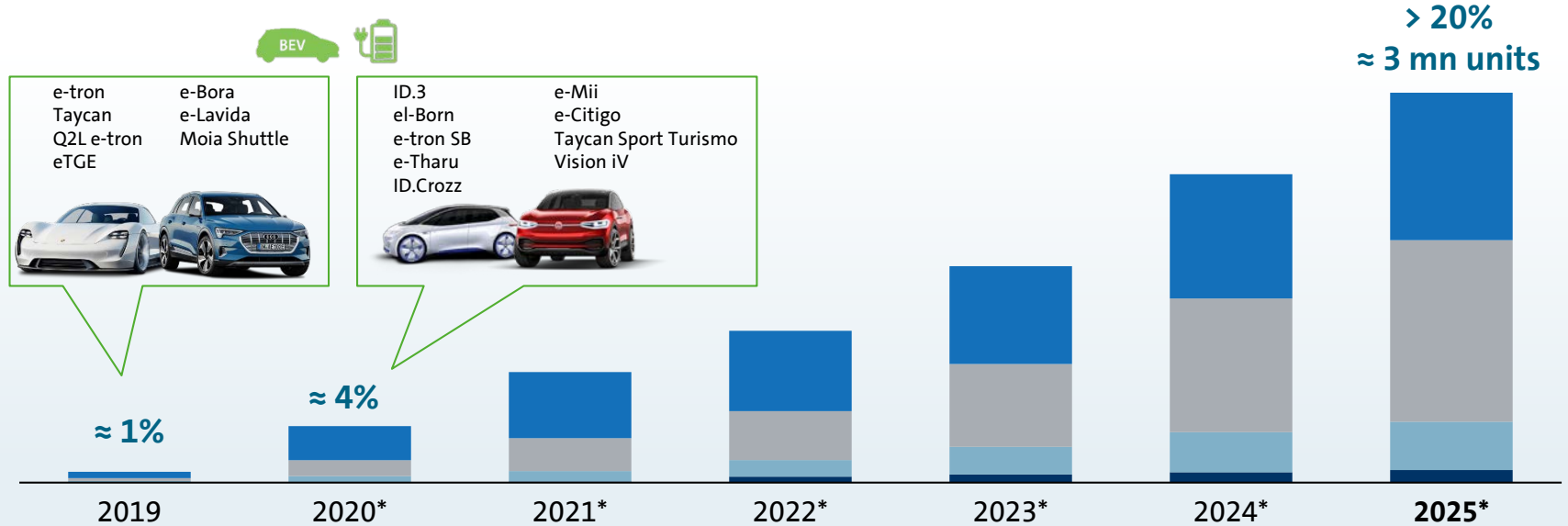
## Volkswagen Group - SUV share (in % of regional Group Deliveries to Customers)



# The significant increase in BEV deliveries will support CO<sub>2</sub> compliance

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

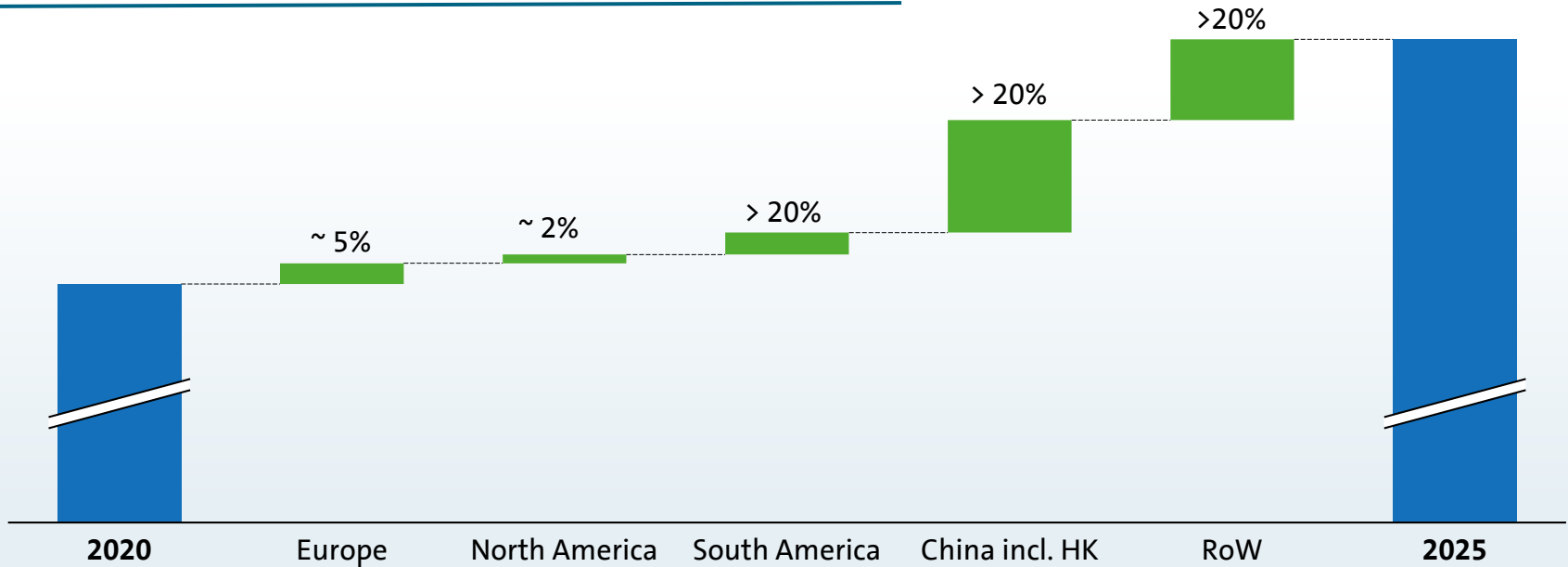
Europe China NAR RoW



\* 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 Outlook	2020 Strategic Targets	2025 Strategic Targets
<b>Operating return on sales</b> Before Special Items	6.7%	7.4%	7.3%	6.5-7.5%	6.5-7.5%	7-8%
<b>Return on investment</b> Automotive Division <u>before</u> Special Items	13.9%	14.4%	13.1%	12-14%	12-14% <sup>2)</sup>	>14% <sup>2)</sup>
<b>Capex ratio</b> Automotive Division	6.9%	6.4%	6.6%	6.5-7%	6%	6%
<b>R&amp;D cost ratio</b> Automotive Division	7.3%	6.7%	6.8%	6.5-7%	6%	6%
<b>Cash</b>						
Automotive Division						
<b>a) Net Cashflow<sup>1)</sup></b>	€ 4.9 bn	€ 10.3 bn	€ 5.6 bn	≥ € 9 bn	≥ € 10 bn	> € 10 bn
<b>b) Net Liquidity</b>	€ 27.2bn	€ 22.4 bn	€ 19.4 bn	> € 15 bn <sup>2)</sup>	> € 20 bn <sup>2)</sup>	~10% of Group turnover

<sup>1)</sup> Ex Diesel payments and M&A <sup>2)</sup> Including the negative IFRS 16 impact, effective from 1st January 2019.

## CY 2020 - Updated

**Basis: Result 2016**

**2020 Updated**

CMD March 2017

PR 66

PR 67

PR 68

**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 € ✓



## 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

**7**  high performance

**6**  long lifespan

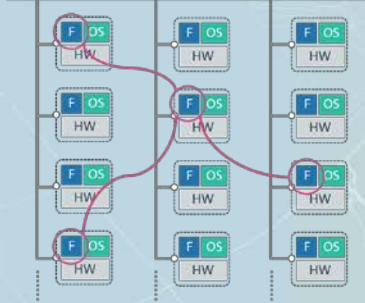
**8**  designed for fast charging



# The car becomes the most complex internet device



Car



distributed customer functions

Control units: approx. **70**

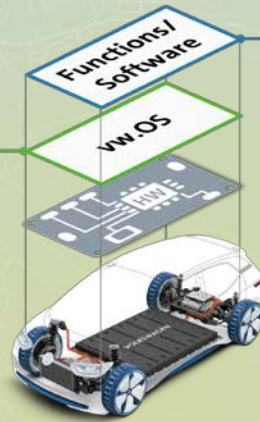
No own Software stacks

Today

Fully connected car



vw.OS Basic Software: Operating System



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



High Performance Computers **3-5**

Development of Volkswagen's own Software stacks

+ Further control units for safety relevant functions

Tomorrow

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



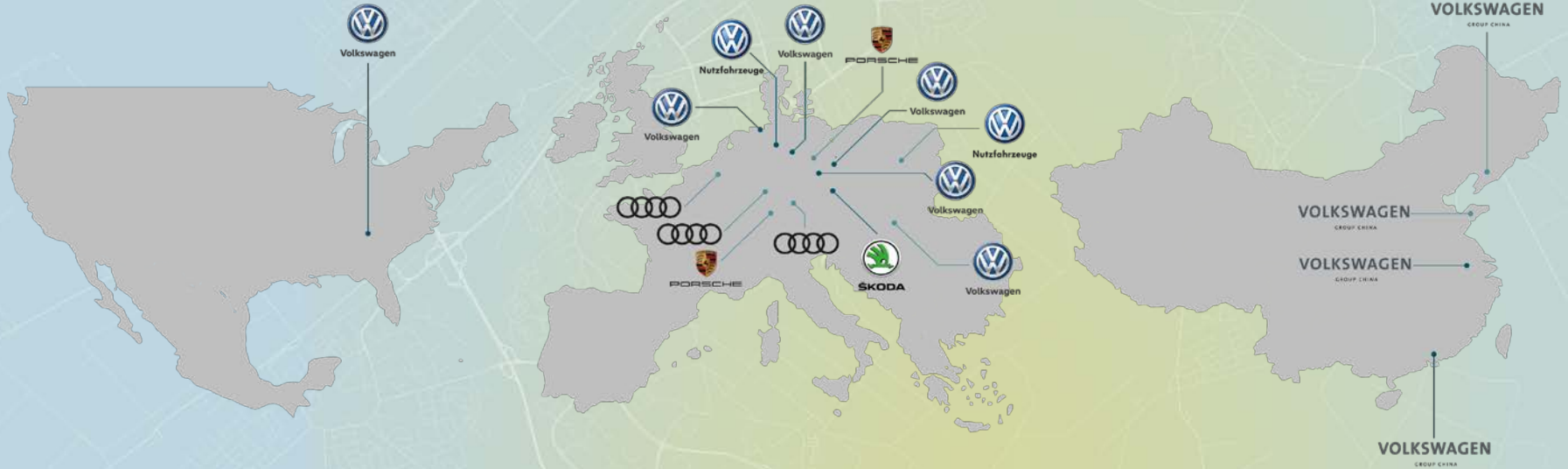
NORTH AMERICA



EUROPE



CHINA



## BEV challenges addressed by three key elements

### Usability / Range



e-Golf

up to 231 km (WLTP)



MEB-platform

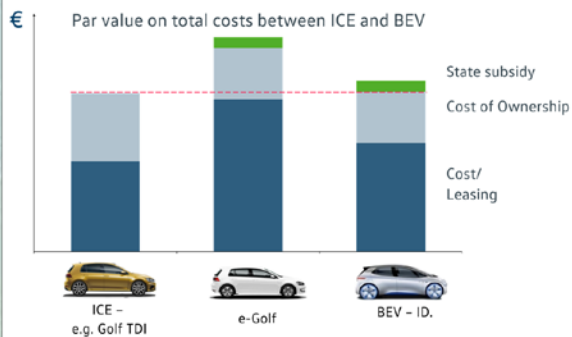
330 km (WLTP)

up to 550 km (WLTP)

scalable



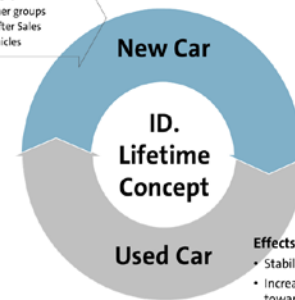
### Total Cost of Ownership



### 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 

 **SIEMENS**

### 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

COMMERCIAL VAN  
AND PICKUP

FULLY ELECTRIC  
VEHICLES



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

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.

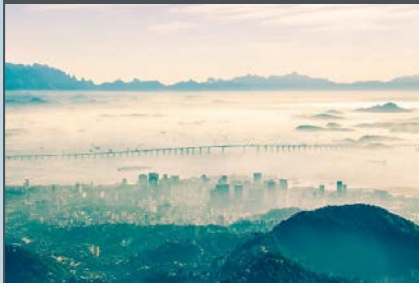
Increased focus on value creation



## 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

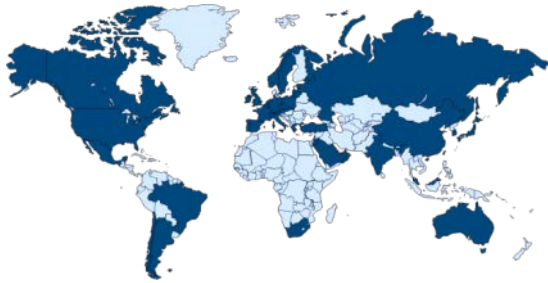
### Execution



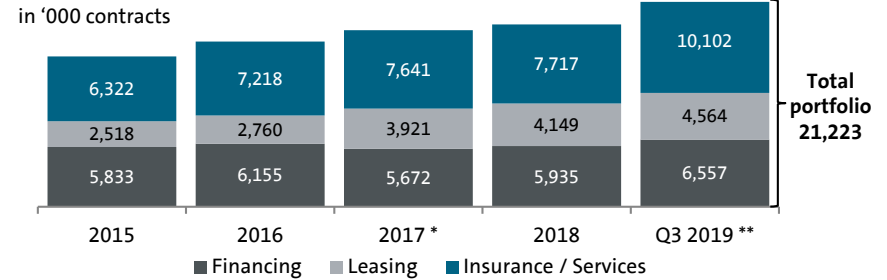
- Strong team with industry-leading track record

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

## Strong global presence

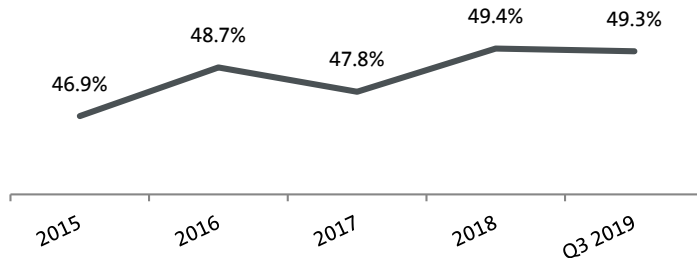


## Continuous portfolio expansion



<sup>1)</sup> Reclassification Finance / Lease contracts <sup>\*\*</sup>) contracts from international JVs included

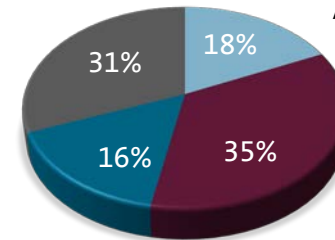
## Rising penetration rates (without China)



## Diversified funding structure

Equity, liabilities to affiliated companies, other

Customer deposits



Asset backed securitization

Bonds, Commercial Paper, liabilities to financial institutions

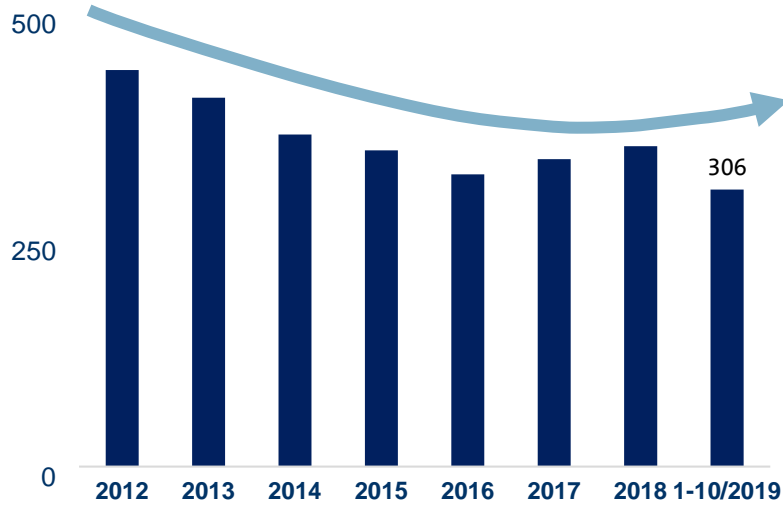
30.09.2019: € 219.3 bn

<sup>1)</sup> 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 with new products

Deliveries to US customers, '000' units



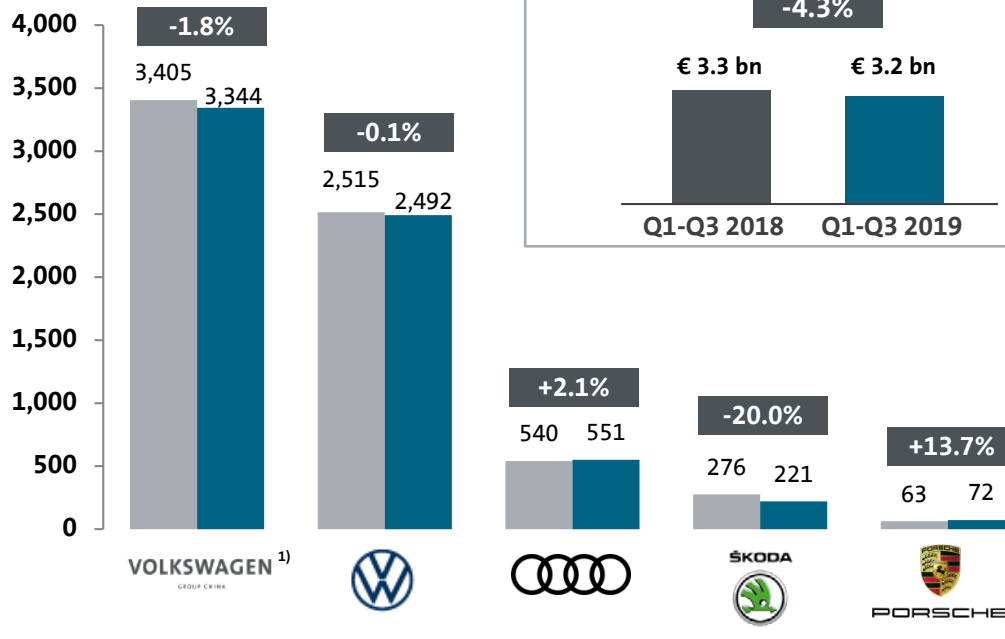
Year	Market Share %
2012	3.0
2013	2.6
2014	2.2
2015	2.0
2016	1.8
2017	2.0
2018	2.0
2019	-

SUV offensive #1	Sedans	SUV offensive #2
<p><b>2017</b></p>  <p><b>Atlas</b></p>  <p><b>Tiguan</b></p>  <p><b>Refreshed Golf</b></p>	<p><b>2018-19</b></p>  <p><b>Jetta</b></p>  <p><b>Passat</b></p>  <p><b>Arteon</b></p>	<p><b>2019-21</b></p>  <p><b>Atlas Cross Sport</b></p>  <p><b>Compact SUV</b></p>  <p><b>ID Crozz</b></p>

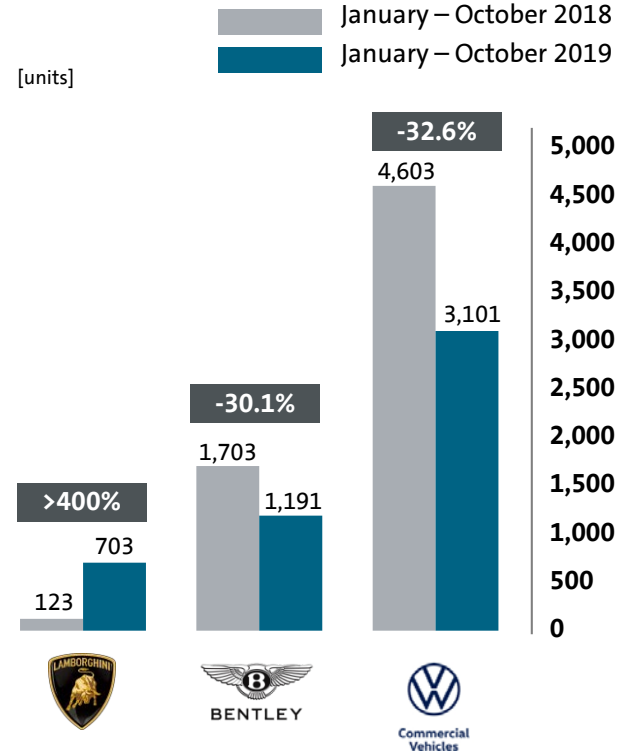


## Volkswagen Group China performance (January to October 2019 vs. 2018)

[thsd. units]



[units]



<sup>1)</sup> 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



## 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

<sup>1)</sup> Group entities covered; as of 12th March, 2019.

## Group Compliance action plan for 2019

Standards, Organization	1	Whistleblower Group Guideline
	2	Staffing of Group Compliance
Processes & Tools	3	Strengthening the group-wide Compliance Organization
	4	Consistent Compliance Risk Assessment
	5	Worldwide Anti-Money Laundering System
	6	Risk-based revision of group guidelines
Business partner	7	New Business partner approval process for suppliers and sales organization
	8	Compliance in M&A transactions and post merger integration for non-controlled shareholdings
Certification	9	Support Monitorship + implementation of Monitor Recommendations

## Investor Relations Team

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



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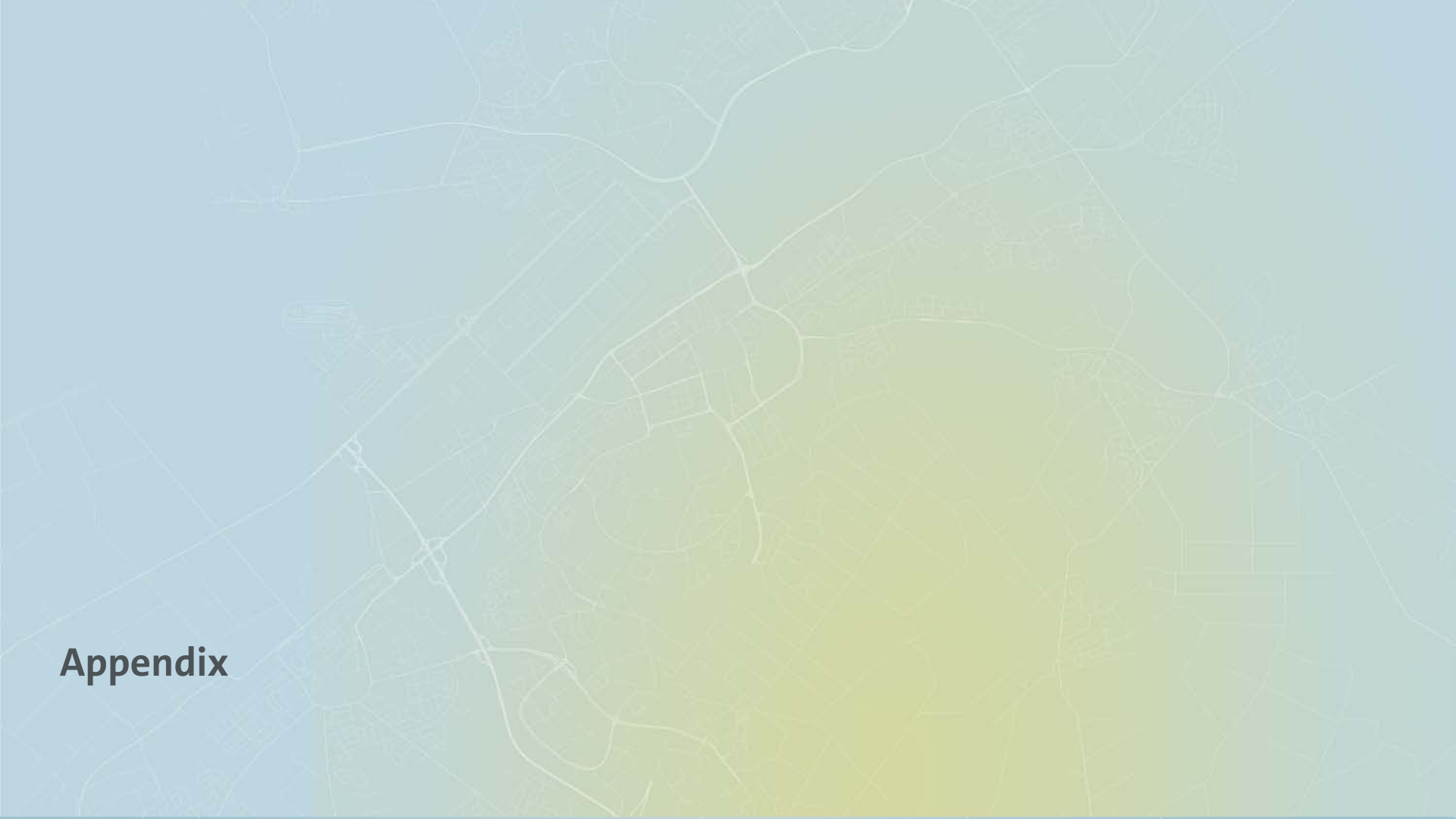
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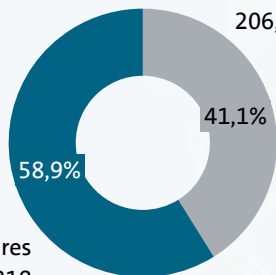
# Appendix

# The Shareholder Structure, Supervisory and Management Board

## Shareholder Structure of Volkswagen AG

### Number of Outstanding Shares

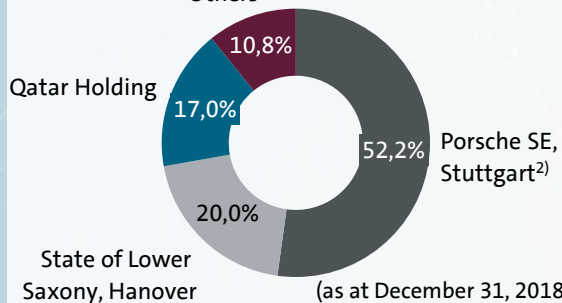
Preferred shares  
206,205,445



Ordinary shares  
295,089,818

### Current Voting Rights Distribution

Others



## Supervisory Board of Volkswagen AG

<b>Chairman</b>	Hans Dieter Pötsch
<b>Members</b>	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 AG<sup>1)</sup>

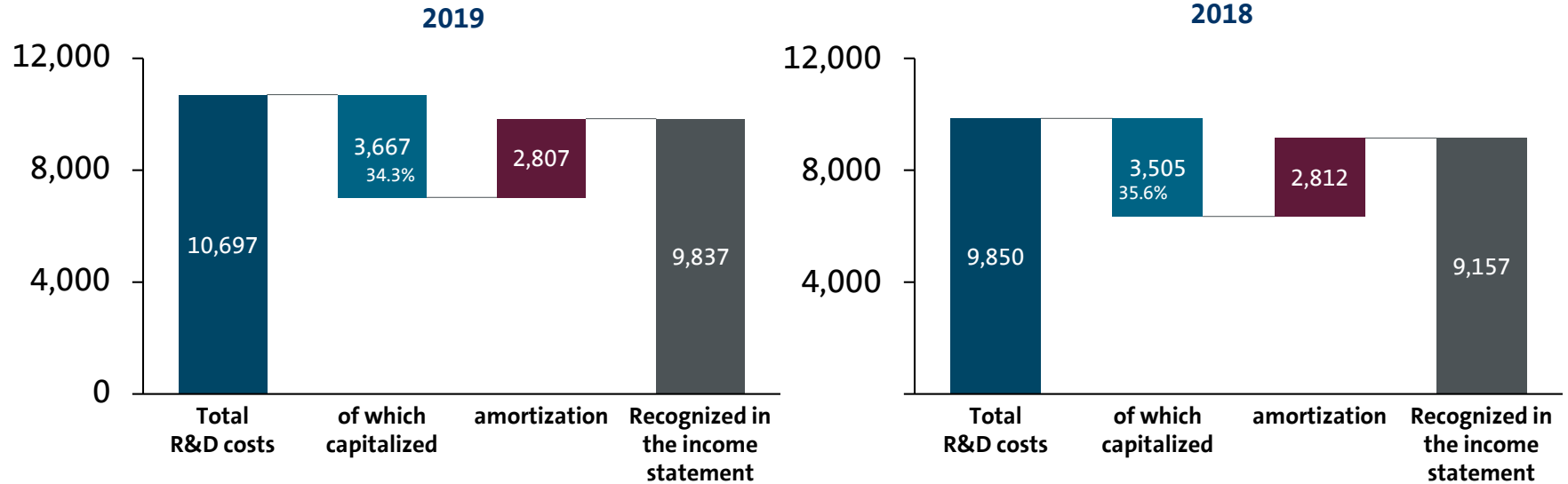
<b>Chairman of VW AG and VW Passenger Cars brand</b>	Dr. Herbert Diess
<b>Porsche AG</b>	Dr. Oliver Blume
<b>Human Resources</b>	Gunnar Kilian
<b>TRATON Group</b>	Andreas Renschler
<b>Audi AG</b>	Abraham Schot
<b>Integrity and Legal Affairs</b>	Hiltrud Dorothea Werner
<b>Finance and IT</b>	Frank Witter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

<sup>1)</sup> 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. <sup>2)</sup> On March 13 2019, Porsche SE announced increase in voting rights to 53.1%.

# 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	
	<b>16.2</b>	
2016	Mainly legal risks 6.4	~3.0
2017	Buyback/retrofit program 2.2	
	Legal 1.0	
	<b>3.2</b>	
2018	Mainly legal risks 3.2	~5.3
2019	Mainly legal risks 1.3	Expected ~2.0
Total	<b>30.0</b>	Payments made until 2018 ~24.6

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