

End of Year Roundup

December 6, 2018

Welcome



Volkswagen

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December 6, 2018

Ralf Brandstätter

Chief Operating Officer of the Volkswagen Brand



Volkswagen

ID. R Pikes Peak



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The Volkswagen strategy has three phases

1 Radical restructuring

Optimize profitability



- Major SUV offensive: 30 new models
- Restructuring and strategic realignment brand and regions
- Platform-oriented plant assignment

2 Leading e-company

Full connectivity



- Fully-connected vehicles
- Leading digital mobility ecosystem
- World market leader in e-mobility

3 Major transformation

New mobility



- Business model for autonomous driving
- Profitable offering for new mobility solutions and emission-free driving

2020

2025



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Touareg: the brand flagship



Statement in design,
technology,
driving dynamics and
comfort



Tharu: the powerful family SUV from China



Impressive **space**



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Tayron: addition to the SUV family in China

The mid-size model
serves the
fast-growing
SUV market



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T-Cross: rounds off the SUV offering

Combination of **diversty**,
Connectivity and
outstanding Design



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Virtus: new model for the South America strategy



Superior package

with emotional design and latest connectivity features



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Jetta: the seventh generation of the global bestseller

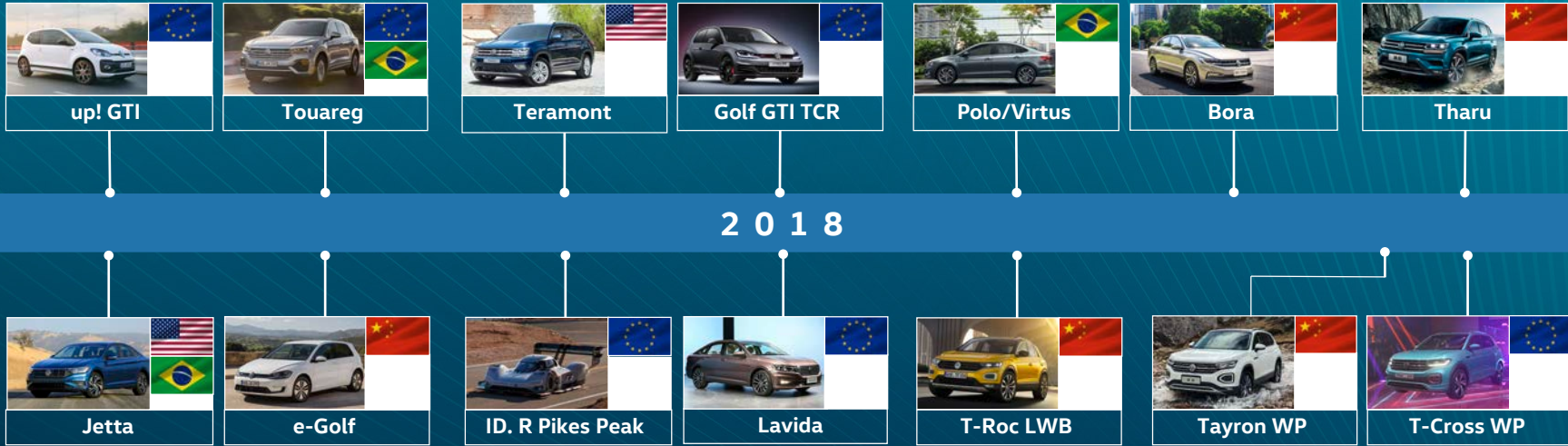


generous space and **efficient** drive technology



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Volkswagen brand 2018 product highlights



We have given our electric offensive a powerful boost

September 2018

ID. Workshop Dresden



VW macht Tempo bei E-Autos
27 Modelle bis zum Jahr 2022

November 2018

Transformation Zwickau

VW vom Frevler zum Vorbild
VON MAX HÄGLER
Jetzt soll auch noch eine ganze Autobahn gesperrt werden, weil die Luft so miserabel ist. Die Entscheidung des Verwaltungsgerichts in Gelsenkirchen...



VW gibt Gas bei Elektroautos
Zwickau - Volkswagen will den Wandel zum E-Autobauer beschleunigen. Insgesamt 27 Modelle von unternehmensintern angekündigt haben, so die Deutsche Presse-Agentur. Das erste vollelektrische Modell der ID-F...

Volkswagen will Elektroautos CO₂-neutral produzieren
Der Autobauer verlangt von Batteriezellen-Lieferanten, für die Produktion Ökostrom zu verwenden. Das sächsische Werk in Zwickau läuft schon nachhaltig.
VON NORA MIEBKE
Elektroautos hätten eine schlechte Ökobilanz und würden den Klimaschutz weiter vorantreiben. Der Grund sei die Produktion der Batterie...

2019

2020

2021

2021

2022



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2018: a year of contrasts

Record deliveries to Q3

New models presented



Powerful boost to electric offensive



2018

Q1

Q2

Q3

Q4

WLTP

Petrol-diesel mix

Political framework



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WLTP as the ultimate stress test

All engine-transmission variants again ready to order as planned by the end of December

EGV in Configurator

Konfigurieren Sie Ihren Volkswagen.

The screenshot shows a grid of Volkswagen models with their respective prices and financing options. Each model has a small 'Angebote' icon below it.

Model	Price / Financing
Der up!	ab 76,20 € / Monat ¹⁾ oder 10.620,00 € ²⁾
Der Polo	ab 82,29 € / Monat ¹⁾ oder 13.300,00 € ²⁾
Der Golf	ab 146,42 € / Monat ¹⁾ oder 19.300,00 € ²⁾
Der T-Roc	ab 122,62 € / Monat ¹⁾ oder 20.873,00 € ²⁾
Der Golf Sportsvan	ab 144,88 € / Monat ¹⁾ oder 20.826,00 € ²⁾
Der Golf Variant	ab 142,67 € / Monat ¹⁾ oder 22.200,00 € ²⁾
Der Touran	ab 208,30 € / Monat ¹⁾ oder 27.726,00 € ²⁾
Der Tiguan	ab 310,57 € / Monat ¹⁾ oder 37.776,00 € ²⁾
Der neue Tiguan Allspace	ab 193,90 € / Monat ¹⁾ oder 26.870,00 € ²⁾
Der Passat	ab 263,73 € / Monat ¹⁾ oder 31.950,00 € ²⁾
Der Passat Variant	ab 266,08 € / Monat ¹⁾ oder 32.970,00 € ²⁾
Der Arteon	ab 281,88 € / Monat ¹⁾ oder 34.900,00 € ²⁾
Der Skarab	ab 276,75 € / Monat ¹⁾ oder 34.850,00 € ²⁾
Der neue Touareg	ab 411,29 € / Monat ¹⁾ oder 57.975,00 € ²⁾
Volkswagen Nutzfahrzeuge	

>70%

>90%

November

Plan December



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Levers for the reliable planning for WLTP in 2019

-25% variants
in Europa



+ 30% test rig
capacity



Optimized processes
and IT systems



6 Tools & systems

7 Secure "early phase"

1 Reduce scope

2 Increase capacity

5 Improve organization

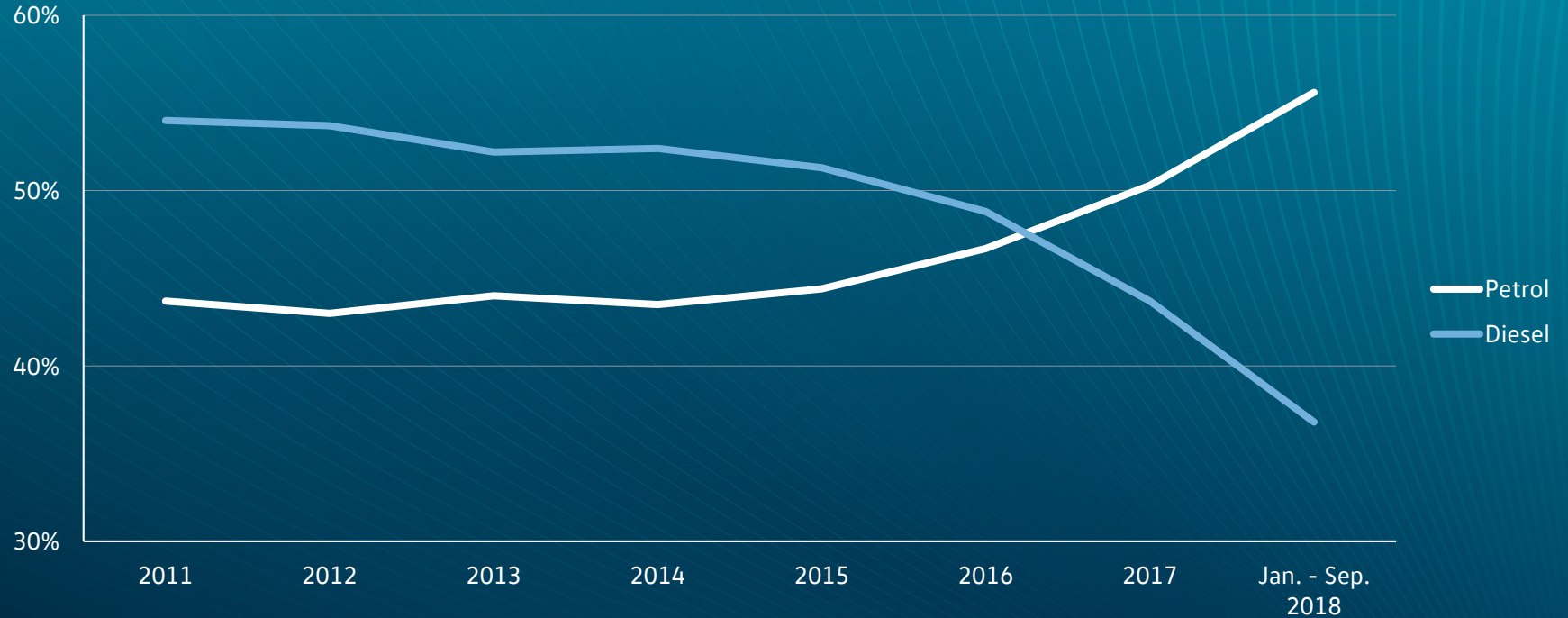
4 Establish robust
processes

3 Detail timelines
processes



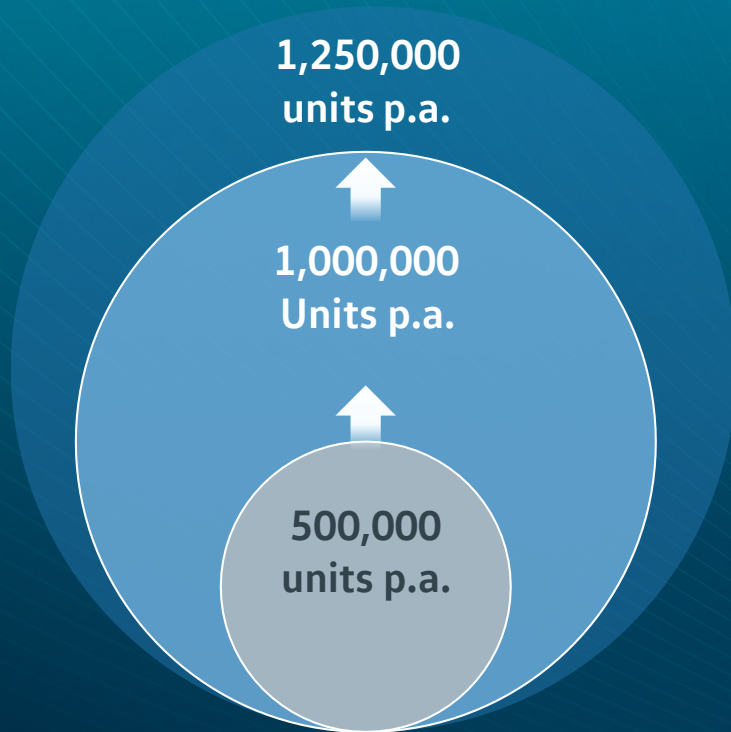
Massive shift in petrol-diesel mix

Western Europe - January - September 2018



Timely plans for expanding petrol engine capacities¹

Example: EA211 1.5I TSI Evo



Diesel



Petrol



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Political framework



- Brexit in UK
- Financial crisis in Italy
- Political crisis in Turkey



- Trade war between US and China



- Import duties on German vehicles



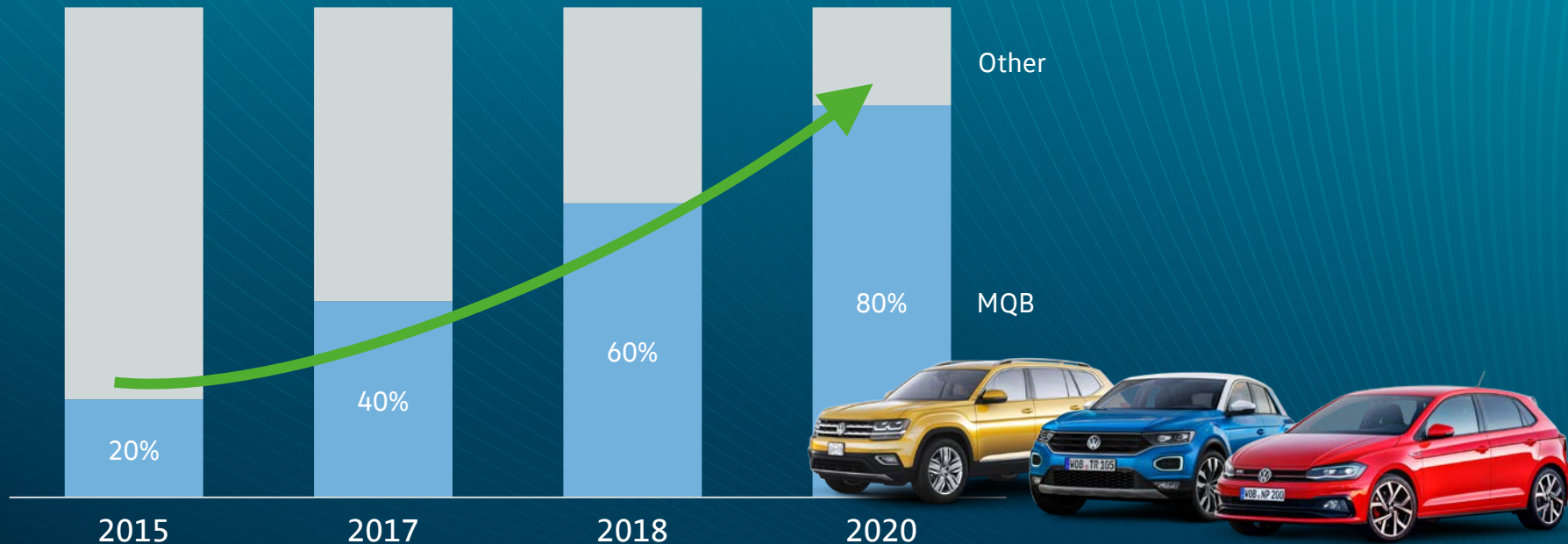
Our package of measures for more productivity and efficiency

- **Rigorous expansion of platform orientation**
- **Increase efficiency at our plants**
- **Reduce complexity** – fewer variants for more success
- **Optimize material costs** to realize target return
- **Lean administration and less bureaucracy**



Rigorous expansion of platform orientation

MQB share in overall production (percent | rounded)

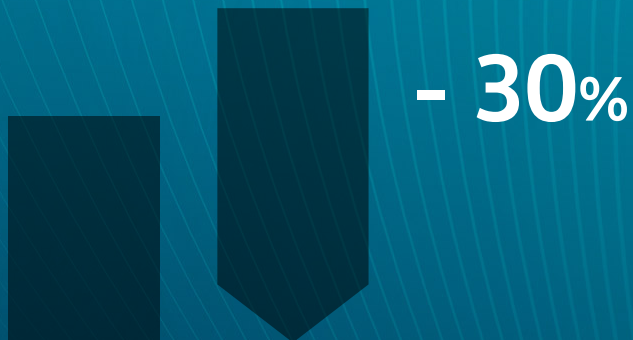


Increase efficiency at our plants



Productivity

We want to achieve a strong increase in production at our sites worldwide by 2025



Investments

We will make massive cuts in factory costs and investments: reduction of more than €1.5 billion compared with today



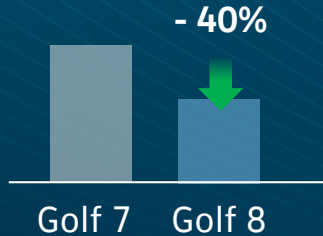
Reducing variant diversity and complexity

Fewer variants for more success

- Reduce complexity of offering
- Meaningful reductions in engine-transmission variants and equipment lines
- High-variant modules and components will be optimized



Wheel rims



Steering wheels



Optimize material costs to realize target return



Efficiency concept

- Reduce variants
- Simple technical solutions
- Low component complexity
- Region-specific solutions

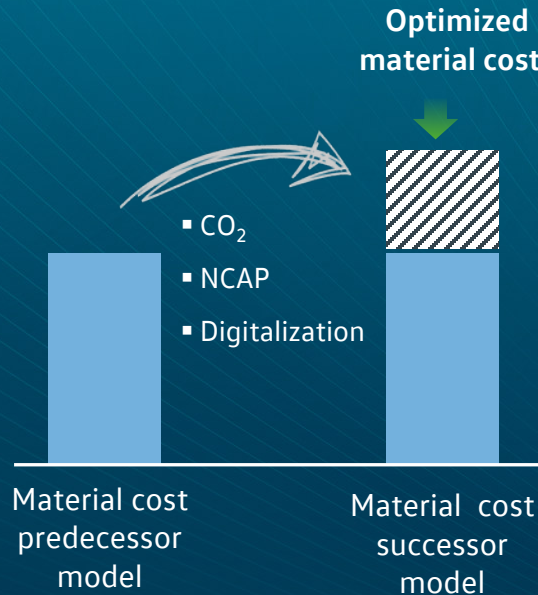
Value Engineering



Cost effects

- Increase economies of scale effects
- Use Industry 4.0
- Optimize manufacturing concept

Value Sourcing



Lean administration

Systematic implementation of a flat and agile organization

- **Manager-to-staff ration 1:8**



- **Micro manager-to-staff ratio i.e. $1 < 5$**



- **Optimized hierarchy level**

- max. 60 employees Manager + 2 Levels
- max. 500 employees Manager + 3 Levels
- more than 500 employees Manager + 4 Levels



»» **Implementation begins in 2019**



Volkswagen is managing two major transformations

Transformation paths

Modular Transverse Toolkit (MQB)

- Over **55** million 1st-generation vehicles
- Over **50** 2nd-generation vehicles



Conventional drives

2nd transformation



Volkswagen OS & One Digital Platform (ODP)

- Connectivity
- Updates & upgrades
- Autonomous driving
- Digital services

Fully-connected vehicle and autonomous driving

1st transformation



Modular Electric Toolkit (MEB)

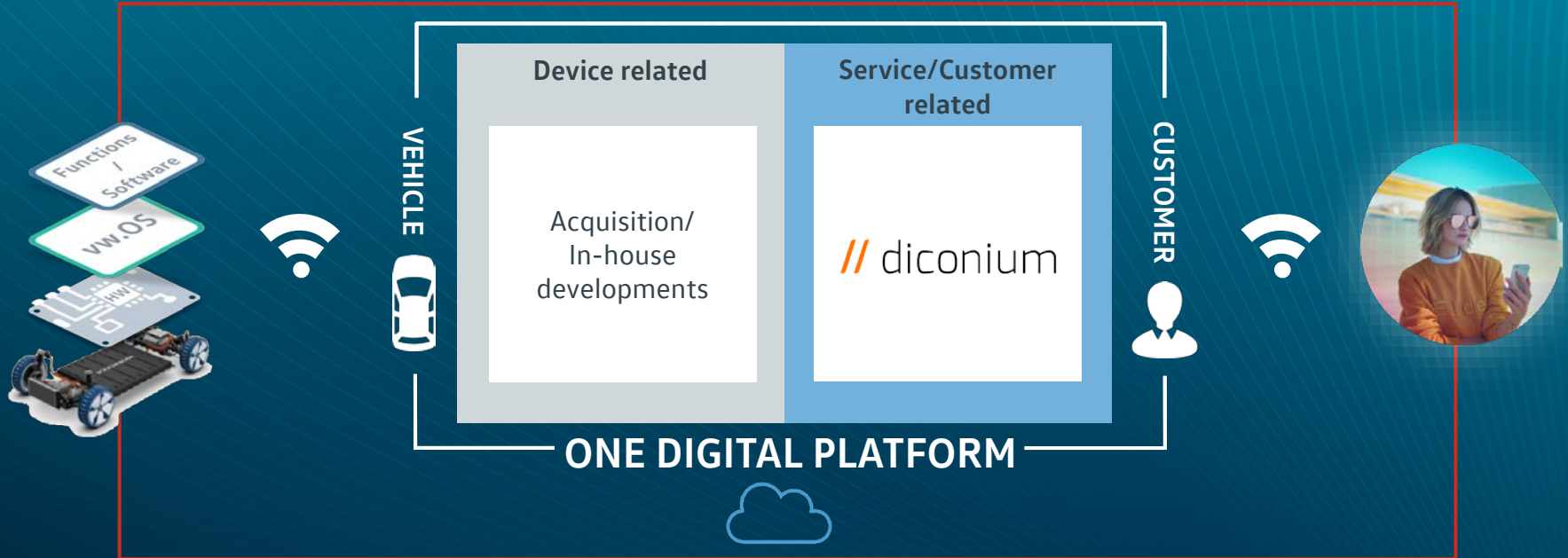
- Over **15** million vehicles in first project phase



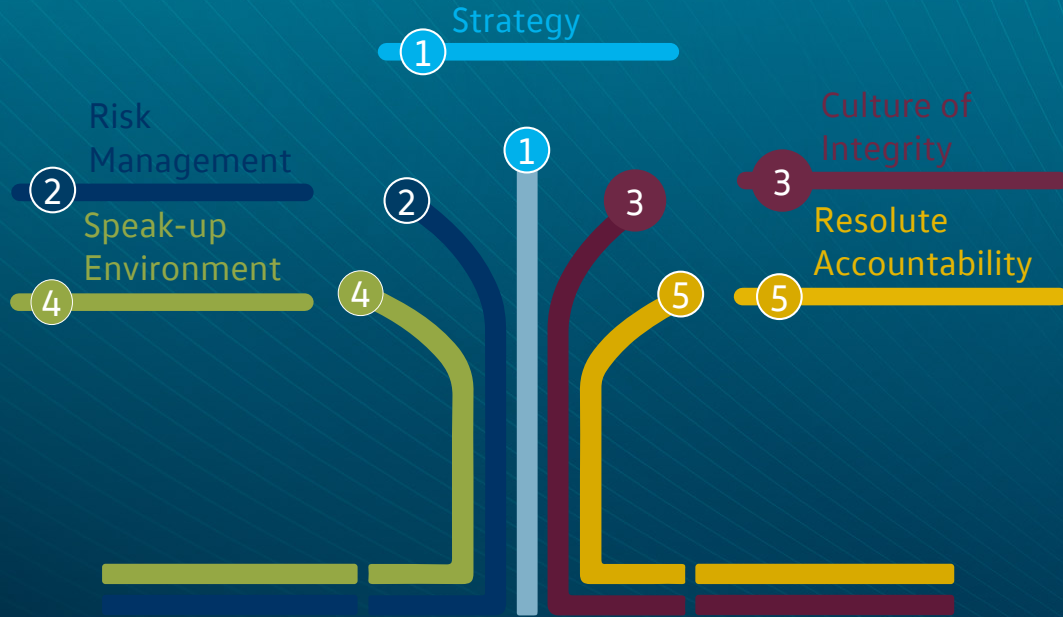
E-mobility



New alliances strengthen Volkswagen's ability to create a connected car, customer and retail ecosystem



Excellence in integrity and compliance guides our actions



T4I – Together for Integrity

Holistic compliance & integrity program

1. Win back customer trust
2. Take pride in our working environment
3. Lay the foundation for future generations



ID. family: it's not an evolution, it's a revolution



"100% emission-neutral"



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Dr. Arno Antlitz

Member of the Volkswagen Brand Board of Management
for Controlling and Accounting

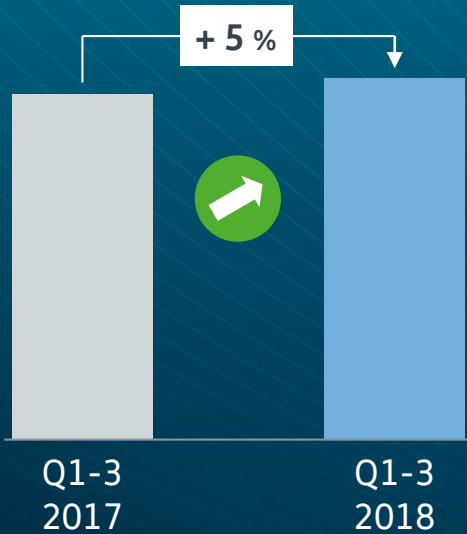


Volkswagen

Solid operating performance from January to September 2018

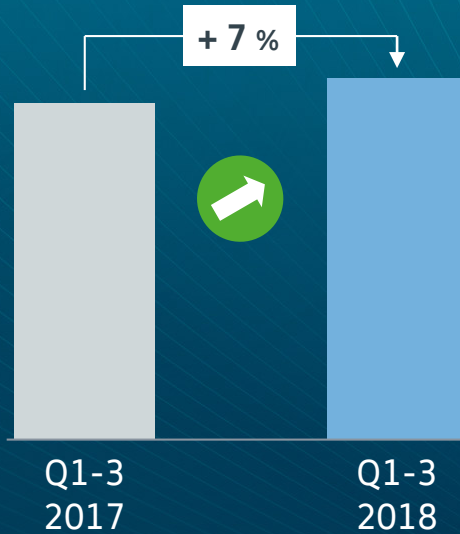
Sales ¹⁾

2.8 million vehicles



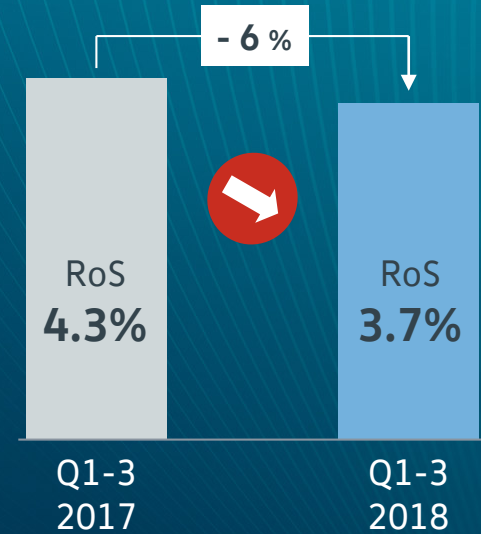
Sales Revenue

€ 62.5 billion



Operating Profit before special items

€ 2.3 billion



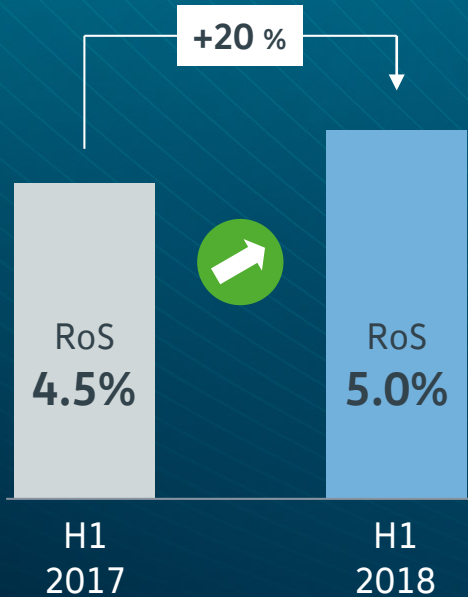
1) These figures do not include sales of our Chinese joint ventures.



Strong earnings improvement in the first half of the year



Operating Profit in H1 before special items (€ billion)



Product Offensive



Zukunftspakt



Tournaround in the regions



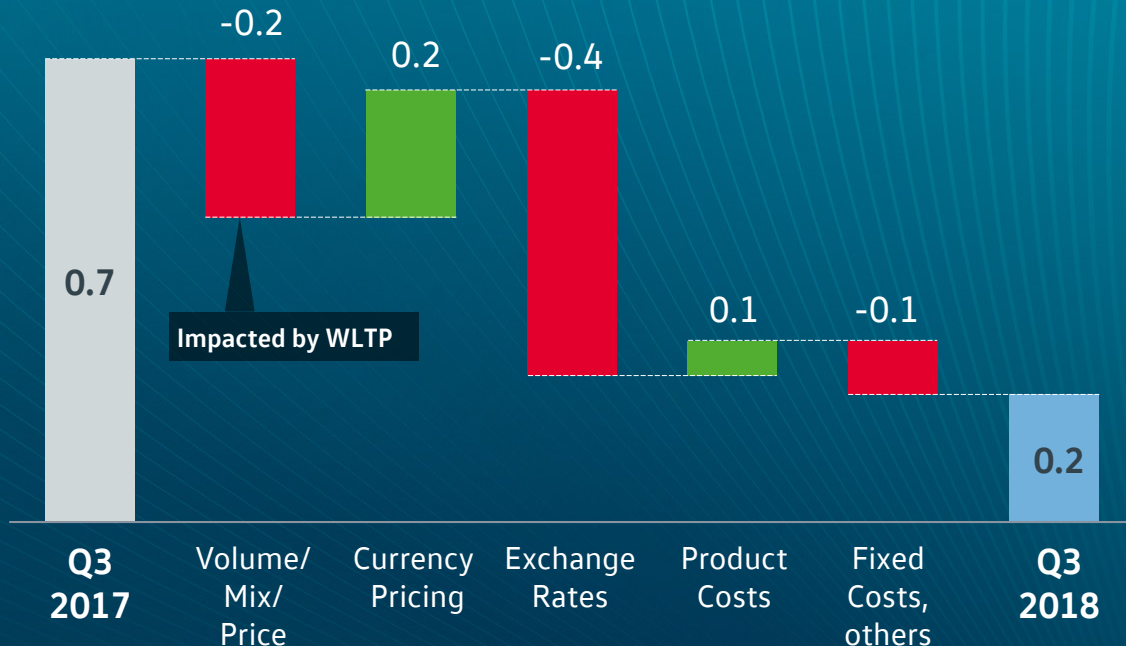
WLTP with significant impact on third quarter 2018



Sales ('000 units)



Operating Profit (€ billion)



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



Key levers for improving the result: Status update

Product Offensive



Zukunftspakt



Turnaround in the regions



Achievements:

- SUV portfolio widened: T-Roc, Tiguan, Tiguan Allspace, Touareg, Atlas
- Another SUV coming soon: T-Cross
- Increase of MQB share to 60% in 2018

Achievements:

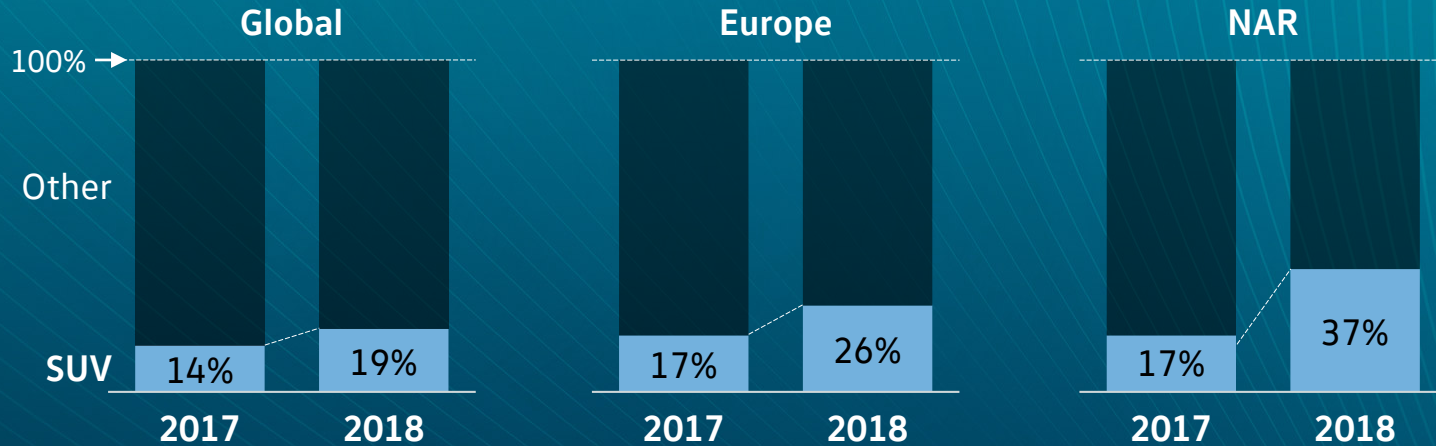
- Realized cost improvements of more than €2 billion
- > 9,300 early retirement contracts
- Current headcount reduction better than target

Achievements:

- Break even in Russia already achieved in 2017
- SAM to break even in 2019
- Improvement in NAR continues



Product Offensive – SUV share on the rise January to November 2018 vs. 2017



Zukunftspakt – On track to deliver

Cost Savings (2018 full year forecast)

€ 2.2bn

More than € 2.2 bn expected to be realized by the end of the year (2020 target for Germany: € 3 bn)

(net) Headcount reduction

> 5,600 (1,250 better than ZP target)

Since the start of the Zukunftspakt headcount has been reduced by more than 5,600 people (gross reduction ~ 7,500 people)



Early retirements (contracts signed)

9,300

More than 9,300 people signed early retirement contracts and will leave the company by 2020 at latest

New jobs

> 1,900

Headcount increase in future oriented business areas (software development, connectivity, new mobility solutions)



Regions – Positive development continues

NAR



- US Deliveries
Jan.-Nov. 2018: **+4.1%**
- Product highlights:
Atlas, Tiguan, new Jetta
- Profit: **Improved vs. prev. year**
- **Break-even expected in 2020**

Russia



- Deliveries
Jan.-Nov. 2018: **+19.9%**
- Products highlights:
Tiguan Allspace and new Touareg, Polo
- Profit: **Still positive despite devaluation of Ruble**

SAM

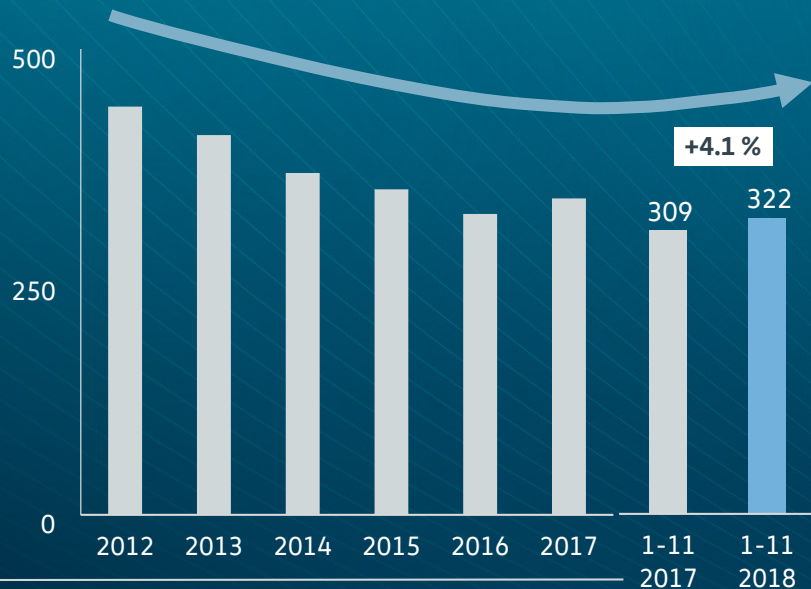


- Deliveries
Jan.-Nov. 2018: **+11.7%**
- Product highlights:
New Polo and Virtus
- Profit: **Improved vs. prev. year**
- **Break-even expected in 2019**



Turnaround in the US with new products from 2017 onwards

Deliveries to US customers ('000 units)



Market Share %	2012	2013	2014	2015	2016	2017	1-11 2017	1-11 2018
	3.0	2.6	2.2	2.0	1.8	2.0		



Our Mission „E-Mobility for All“ requires substantial upfront expenses



From 2019 - 2023

**we will invest €9 billion in Capex and R&D
to realize the leap to the top of electric mobility**



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New business areas require increasing resources

E-Mobility



Achievements:

- Ramp up of MEB in Europe, China, and NAR
- SOP of ID. in 2019
- ID. CROZZ, ID. BUZZ and ID. VIZZION to follow on MEB platform

Charging



Achievements:

- People's Wallbox
- Foundation of Group Charging Entity
- We Charge App
- Co-Foundation of IONITY

Digital Ecosystem



Achievements:

- Several applications already launched
- Updates and Upgrades over the air
- User ID
- Operating system vw.OS



Improving the return on sales despite substantial headwinds

Operating Return On Sales (in %)

Product Offensive



Zukunftspakt



Turnaround in the regions



Electrification and Digitalization

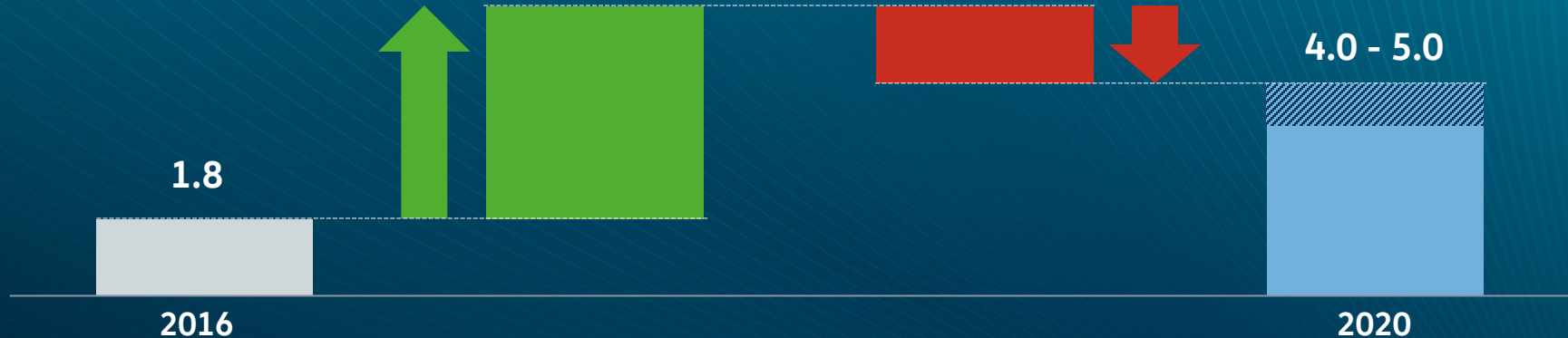


CO₂/Emission Legislation



RISKS

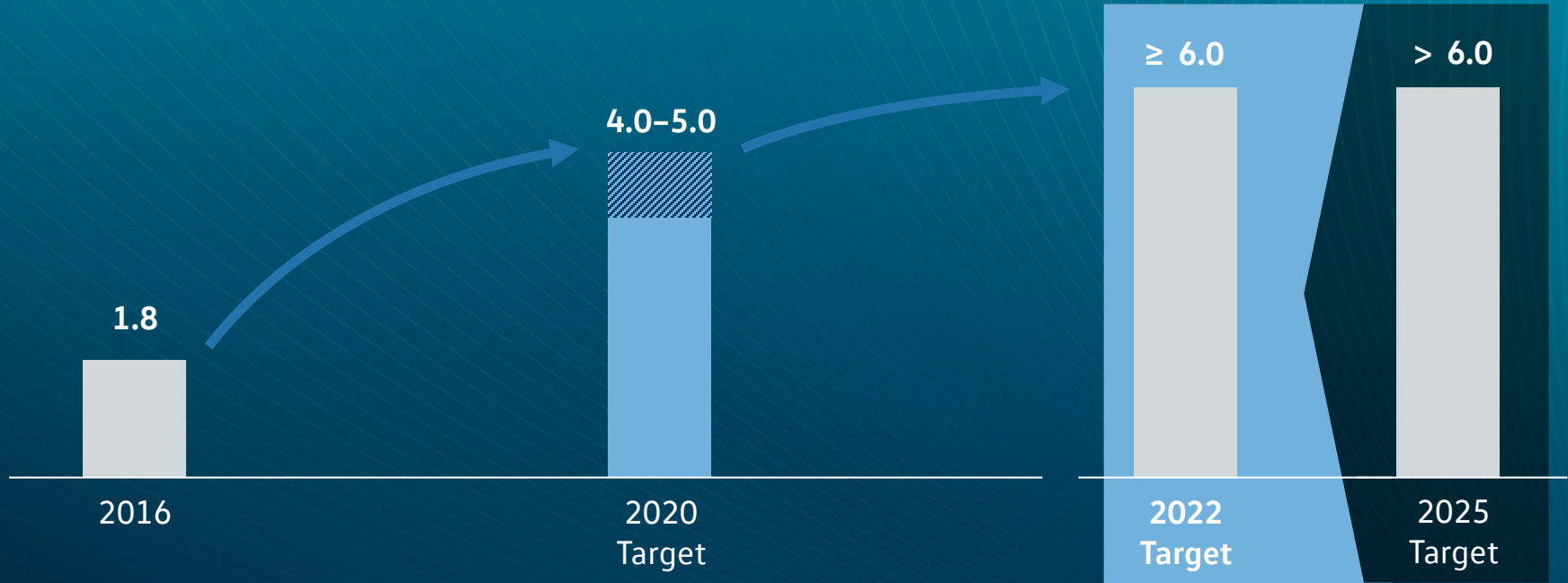
Economics, trade, raw materials, currencies



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We aim to achieve our long term targets earlier than planned

Operating Return On Sales (in %)



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Jürgen Stackmann

Member of the Volkswagen Brand Board of Management
for Sales & Marketing



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Volkswagen brand deliveries above previous year despite challenges

Deliveries to customer | Jan - Nov 2018 (YoY)

North America

524,100

-2.9%

Europe

1,619,100

+4.3%

China

2,820,100

-0.5%

South America

434,400

+11.7%

World

5,704,200

+1.2%



New European dealer contracts – a milestone in our Future Sales Project

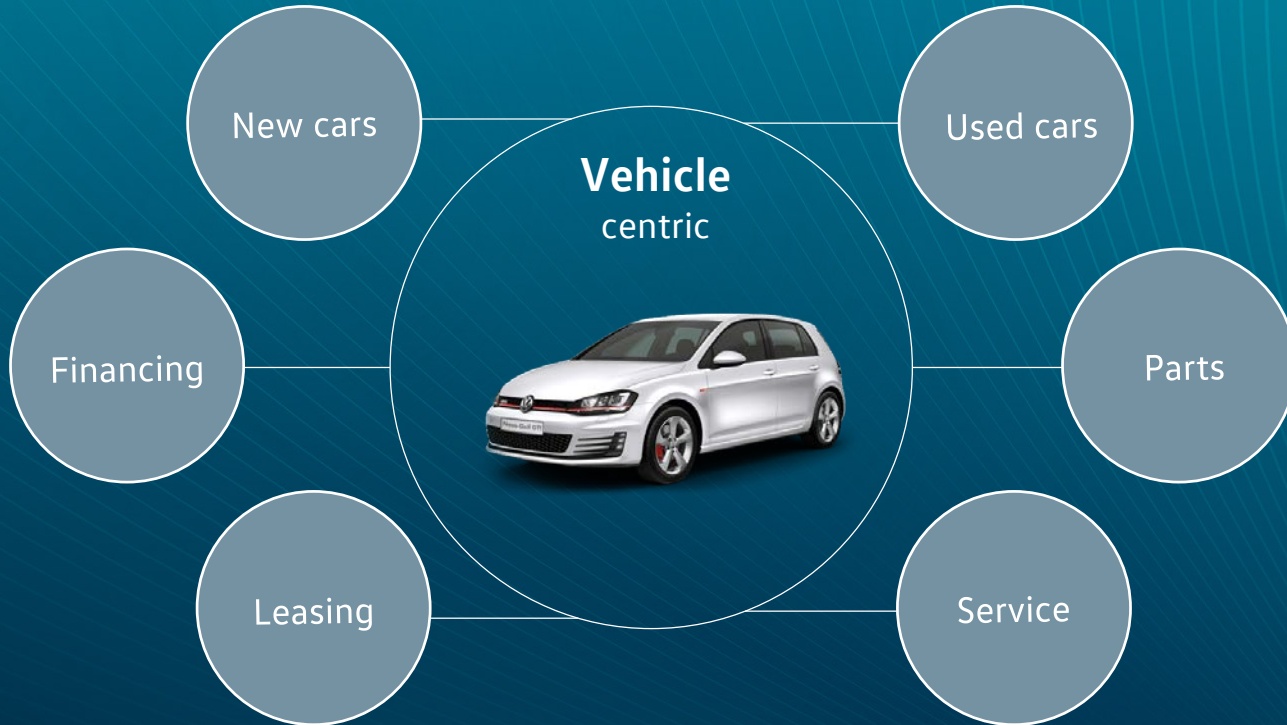
Dirk Weddigen von Knapp and Thomas Zahn



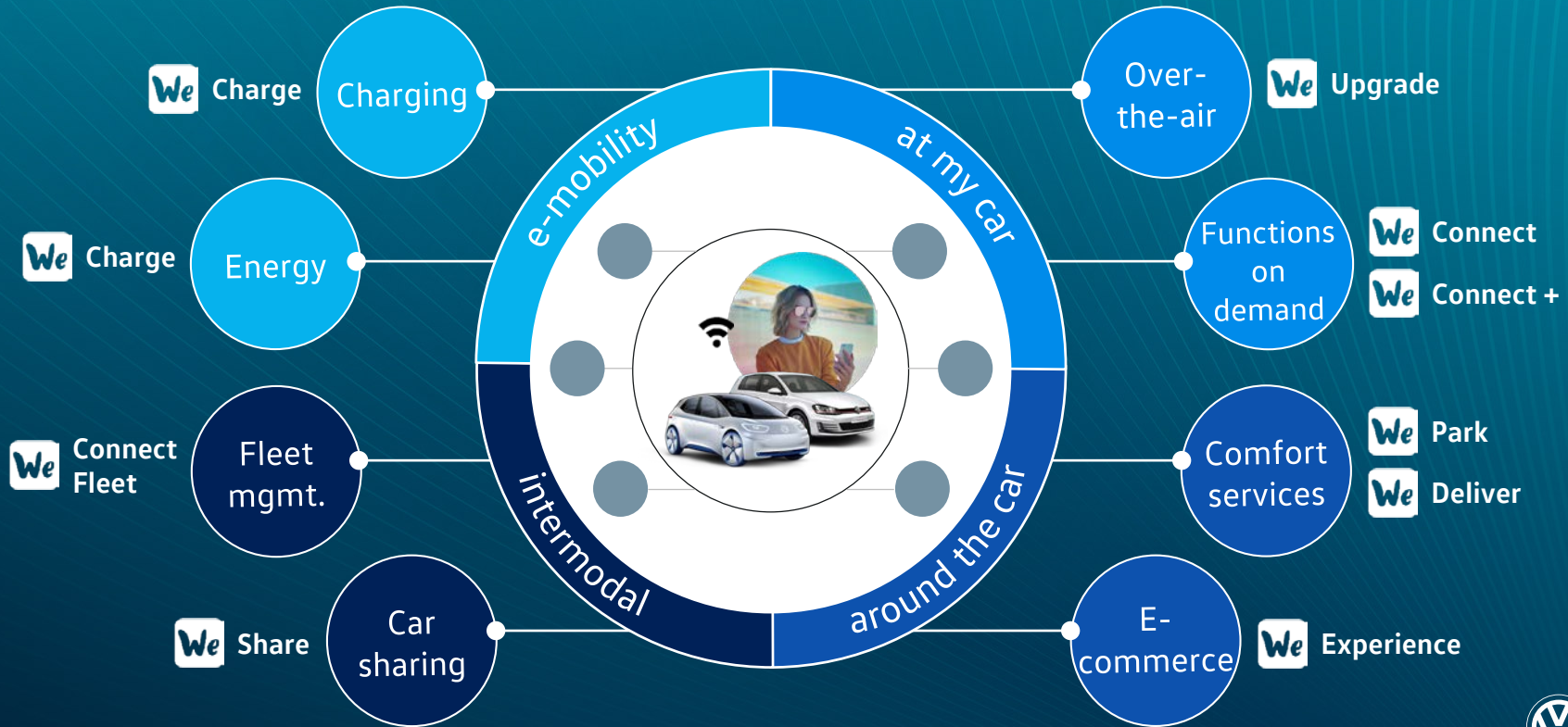
Dr. Matti Pörhö and Jürgen Stackmann



Today's core business with its focus on products



Our Future Sales Model builds on today's value chain and expands into a mobility system

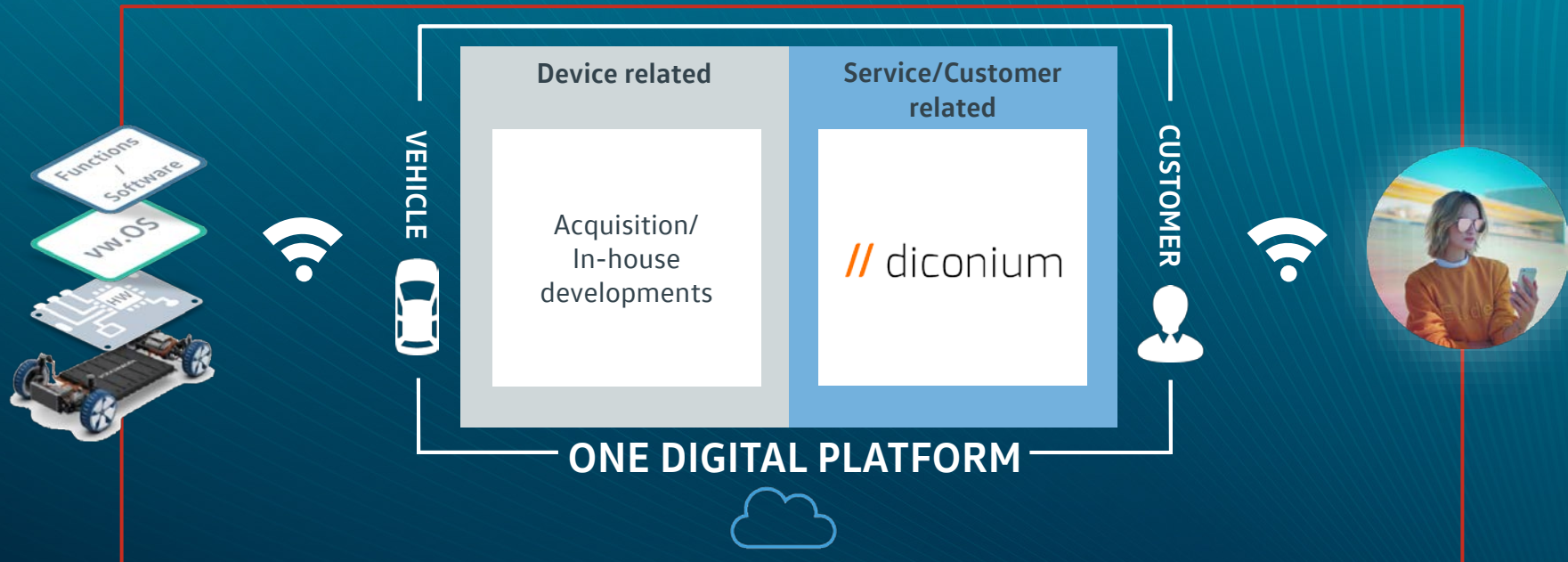


Volkswagen's all-electric car-sharing service "We Share" starts in Berlin in April 2019



Volkswagen

New alliances strengthen Volkswagen's ability to create a connected car, customer and retail ecosystem



Product highlights of Volkswagen brand 2019



T-Cross LWB



e-Lavida



e-Golf



Passat



T-Roc Cabrio WP

2019



T-Cross



e-Bora



Polo



Passat



Golf WP



ID. WP



New Golf - the benchmark and icon of compact cars



ID. - the electric car for millions of people



With the ID. starts a new era for Volkswagen

**Emission-neutral
e-mobility**

Up to **550 kilometers***

**Fully connected vehicle
innovative interface**

Updates over the air



*WLTP | Volkswagen prognosis before homologation



Volkswagen

Our new cars will boast a radically simplified complexity

Choose your **Model**

Choose your **Range**

Choose your **Colour**

Choose your **Package**

Add **Services**

e.g. 550 km



Package 1

Package 2

Package 3



Volkswagen

2019/2020: "Magic" years of our Transform 2025+ strategy

Full deployment
of SUV range

Connected car,
customer & retail

Start of e-commerce
via ID.

New Brand Design



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