

**VOLKSWAGEN**

AKTIENGESELLSCHAFT

# Shaping the transformation together.

**Frank Witter, Chief Financial Officer**

J.P. Morgan Investor Roadshow, London, 11<sup>th</sup> June 2018

## 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.

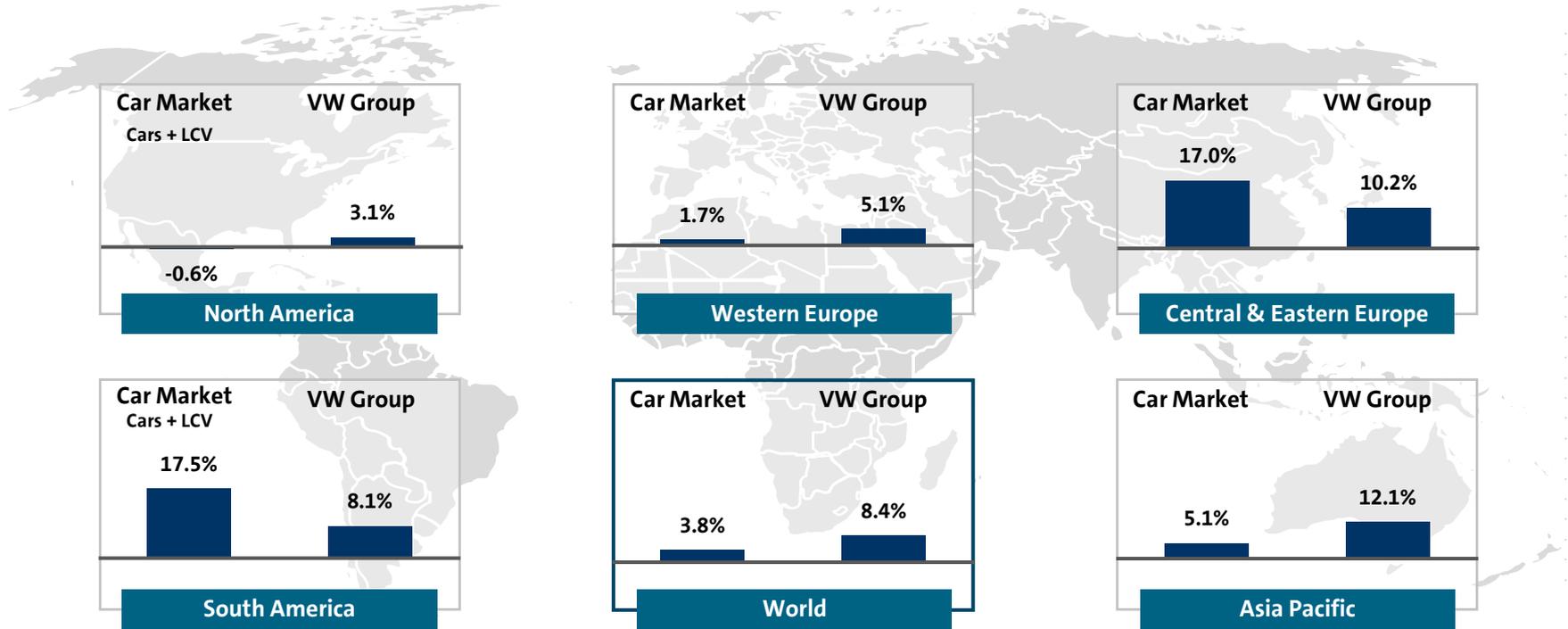
Consequently, a negative impact relating to ongoing claims or investigations, any unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, will have a corresponding impact on the development of our business. 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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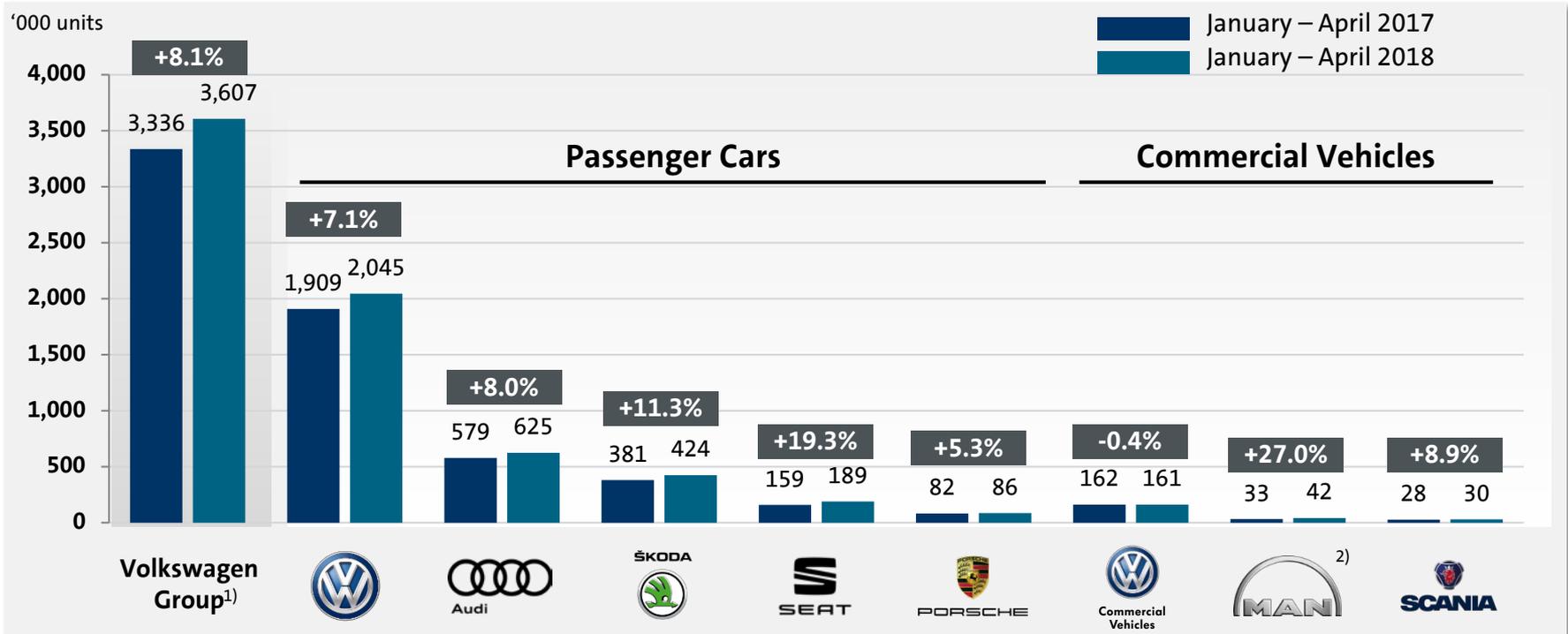
This information does not constitute an offer to exchange or sell or an offer to exchange or buy any securities.

## Development World Car Market vs. Volkswagen Group Car Deliveries to Customers<sup>1)</sup> (Growth y-o-y in deliveries to customers, January to April 2018 vs. 2017)



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

## Volkswagen Group – Deliveries to Customers by Brands (January to April 2018 vs. 2017)

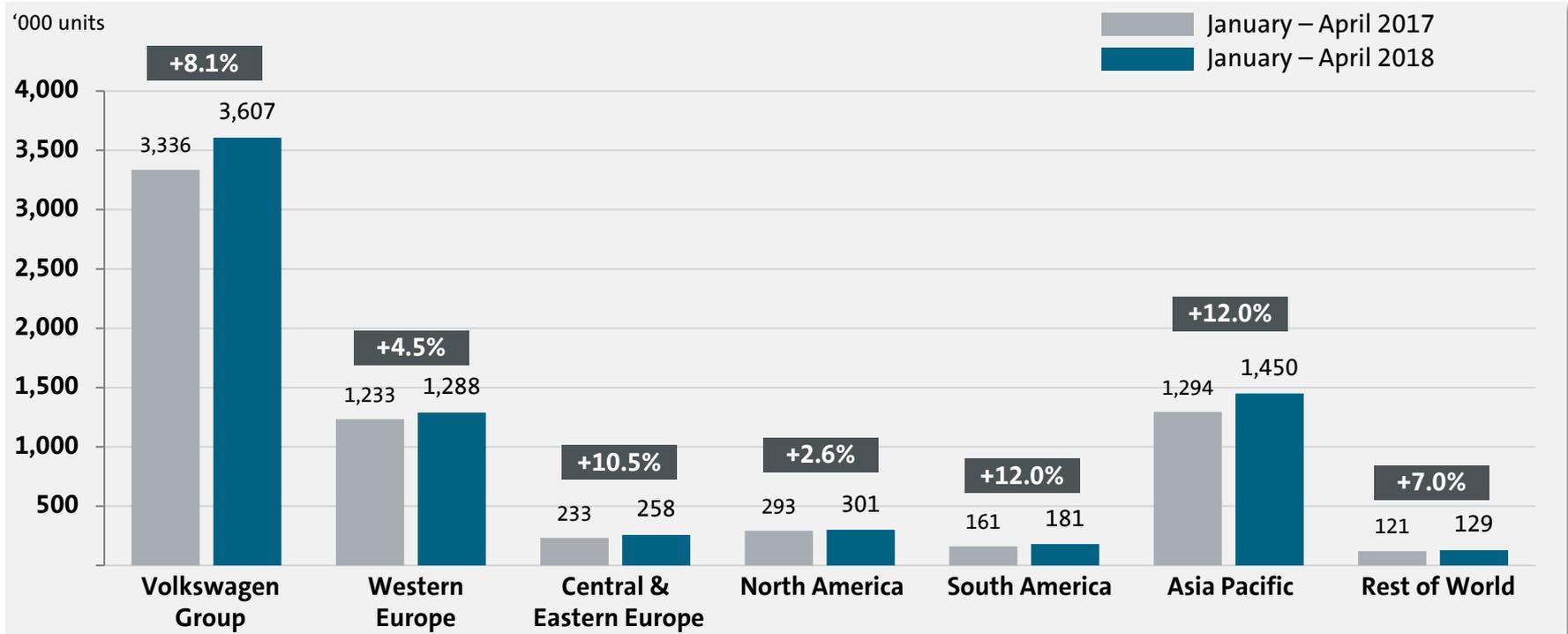


<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +8.4% excl. Volkswagen Commercial Vehicles, Scania and MAN.

<sup>2)</sup> MAN incl. MAN Latin America Trucks and Busses GVW > 5t.

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

(January to April 2018 vs. 2017)



<sup>1)</sup>Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +8.4% excl. Volkswagen Commercial Vehicles, Scania and MAN.

# Volkswagen Group – Key Financial Figures<sup>1)</sup>

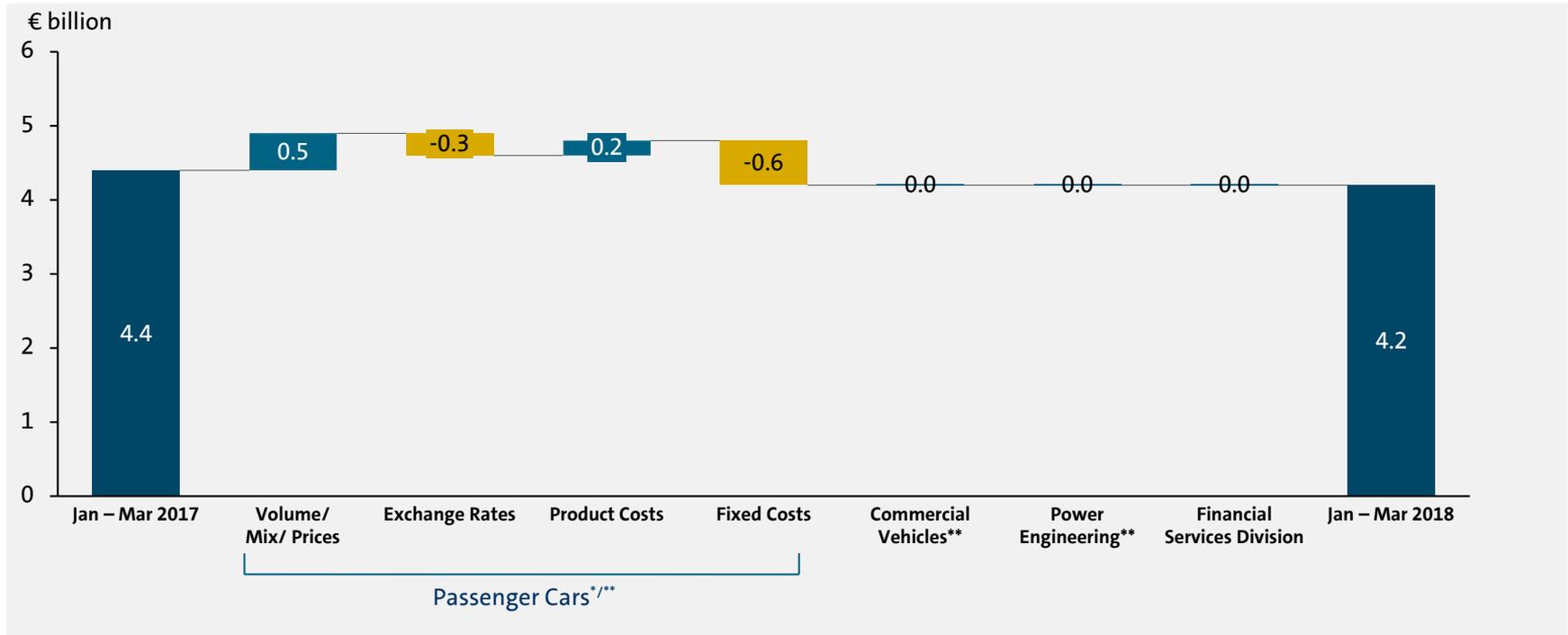
(January to March 2018 vs. 2017)

thousand vehicles / € million	2018	2017 <sup>2)</sup>	+/- (%)
Vehicle Sales <sup>3)</sup>	2,769	2,610	+6.1
Sales revenue	58,228	56,197	+3.6
Operating profit	4,211	4,367	-3.6
<i>% of sales revenue</i>	7.2	7.8	
Financial result	266	224	+18.8
of which: At-equity result <sup>3)</sup>	829	936	-11.5
of which: Other financial result	-562	-712	+21.1
Profit before tax	4,477	4,592	-2.5
<i>% Return on sales before tax</i>	7.7	8.2	
Profit after tax	3,300	3,373	

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

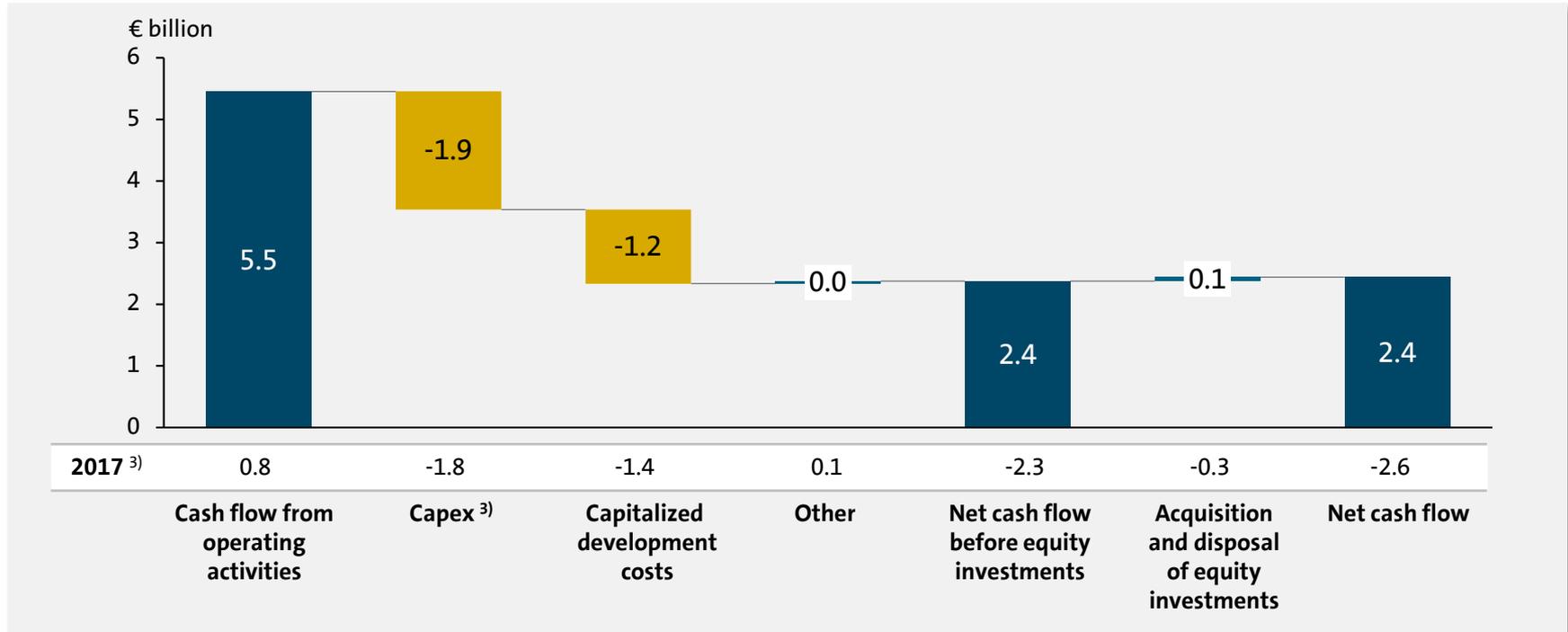
<sup>2)</sup> Prior-year figures were adjusted due to IFRS <sup>3)</sup> Volume data including the unconsolidated Chinese joint ventures. The joint venture companies in China are accounted for using the equity method and recorded an operating profit (proportionate) of €1,163 million (€1,112 million).

## Volkswagen Group – Analysis of Operating Profit<sup>1)</sup> (January to March 2018 vs. 2017)



<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 March 2018)

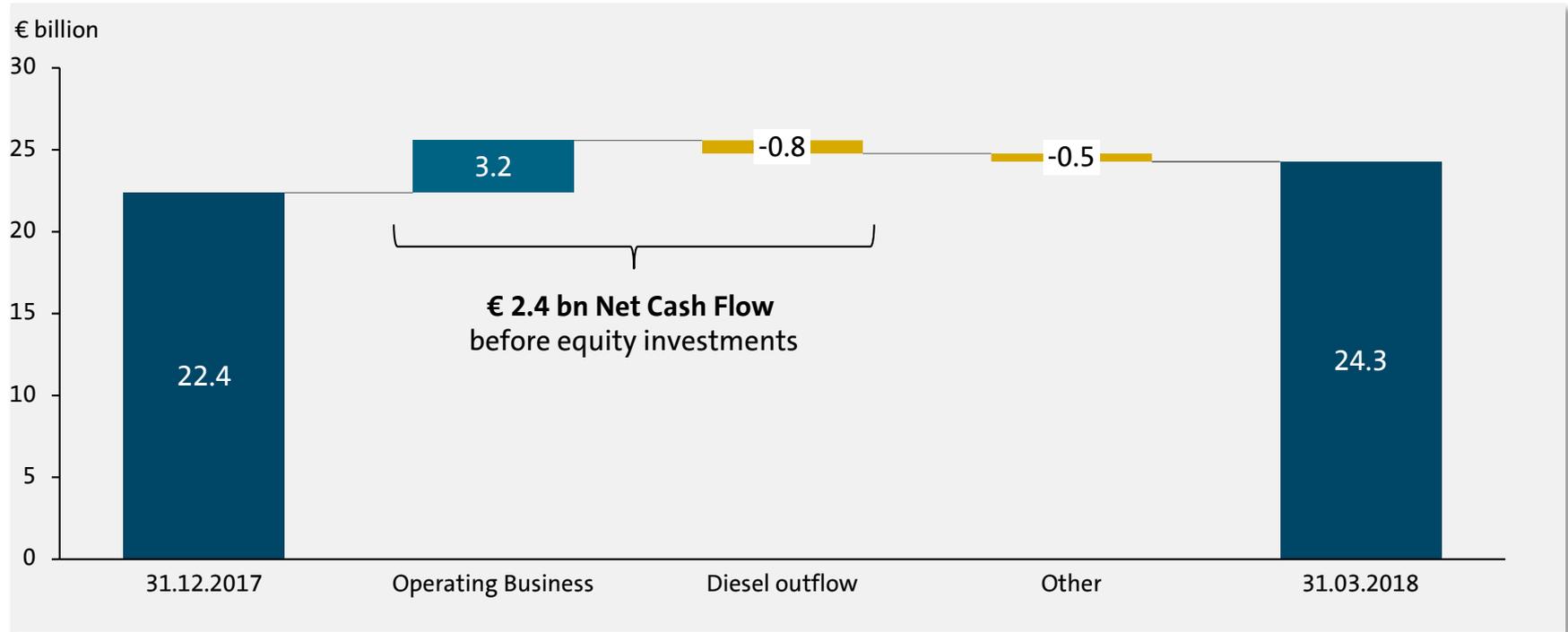


<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

<sup>3)</sup> Capital expenditure for property, plant and equipment in % of Automotive sales revenue.

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

(January to March 2018)



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

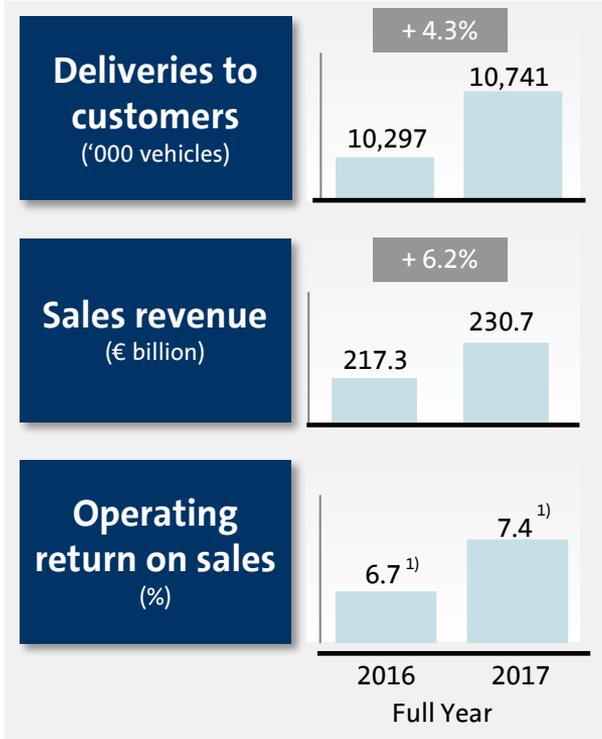
# Volkswagen Group – Analysis by Business Line<sup>1)</sup>

(January to March 2018 vs. 2017)

thousand vehicles/ € million	Vehicle sales		Sales revenue		Operating profit		Margin	
	2018	2017	2018	2017	2018	2017	2018	2017
Volkswagen Passenger Cars	912	862	20,115	19,040	879	869	4.4%	4.6%
Audi	394	375	15,320	14,378	1,300	1,244	8.5%	8.7%
ŠKODA	256	252	4,547	4,334	437	415	9.6%	9.6%
SEAT	167	148	2,782	2,487	85	56	3.0%	2.3%
Bentley	2	2	351	361	-44	-30	-12.5%	-8.3%
Porsche Automotive <sup>2)</sup>	61	57	5,438	5,035	939	932	17.3%	18.5%
Volkswagen Commercial Vehicles	117	119	2,945	2,875	224	205	7.6%	7.1%
Scania <sup>3)</sup>	23	21	3,118	3,084	331	324	10.4%	10.4%
MAN Commercial Vehicles	31	25	2,771	2,572	83	93	3.0%	2.3%
MAN Power Engineering	-	-	766	783	21	26	2.7%	3.3%
VW China <sup>4)</sup>	1,040	971	-	-	-	-	-	-
Other <sup>5)</sup>	-233	-223	-7,923	-6,628	-652	-319	-	-
Volkswagen Financial Services	-	-	7,999	7,876	608	551	-	-
<b>Volkswagen Group before Special Items</b>	-	-	-	-	<b>4,211</b>	<b>4,367</b>	<b>7.2%</b>	<b>7.8%</b>
Special Items	-	-	-	-	-	-	-	-
<b>Volkswagen Group</b>	<b>2,769</b>	<b>2,610</b>	<b>58,228</b>	<b>56,197</b>	<b>4,211</b>	<b>4,367</b>	-	-
Automotive Division <sup>6)</sup>	2,769	2,610	49,743	47,825	3,572	3,768	-	-
of which: Passenger Cars	2,600	2,445	40,298	38,640	3,077	3,299	-	-
of which: Commercial Vehicles	169	165	8,679	8,402	536	499	-	-
of which: Power Engineering	-	-	766	783	-42	-30	-	-
Financial Services Division	-	-	8,485	8,372	639	600	-	-

<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 €5,936 (5,489) million, operating profit €976 (967 million). <sup>3)</sup> Including financial services. <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 € 1,163 (1,112) 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.

# Volkswagen Group – Outlook for 2018





## Deliveries to customers

moderately above prior year



## Sales revenue

by as much as 5% year-on-year



## Operating return on sales

between 6.5% to 7.5%

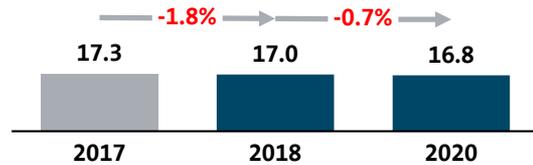
<sup>1)</sup> before Special Items.

## Global Passenger Car Market 2017/2020

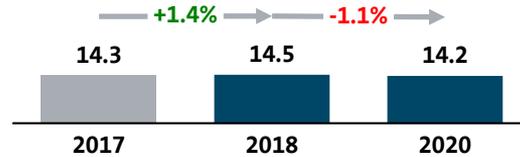
Slowdown in Western Europe due to falling demand in UK; Stagnation in USA at a high level; Recovery in Brazil and Russia from a low level; China remains largest driver of passenger car demand

million units

USA<sup>1)</sup>



Western Europe



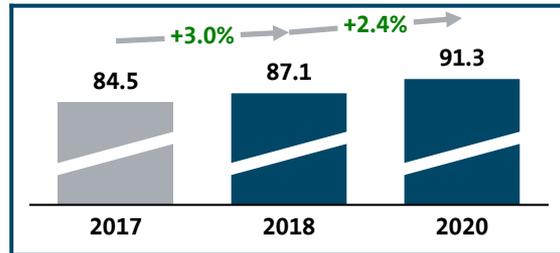
Russia



Brazil<sup>1)</sup>



World<sup>1)</sup>



China



Actuals Forecast

Data source: IHS Automotive (05.2018)

<sup>1)</sup> Volume for North & South America includes light commercial vehicles (definition 'Light Vehicles') growth 2018-2020 = Compound Annual Growth Rate / yearly average

## Upcoming Premium and Luxury models enhancing our portfolio offer



### Q1



A7 Sportback



911 Carrera T



Aventador S Roadster



RS 4 Avant

### Q2



Urus



Huracán Performante  
Spyder



Continental GT



911 GT3 RS

### Q3



Q8



A6 Avant



Bentayga Hybrid

### Q4



Q3



Q2 LWB (China)



A1 Sportback



Macan Facelift

## Strong product momentum continues in Volume segments



Volkswagen



ŠKODA



Commercial Vehicles

Q1



up! GTI



Polo GTI



Virtus (SAM)



Karoq LWB (China)

Q2



Touareg



Jetta (US)



Lavida (China)



Kodiaq (Russia)

Q3



Fabia



Bora (China)



T-Roc LWB (China)



e-Crafter

Q4



Cupra Ateca



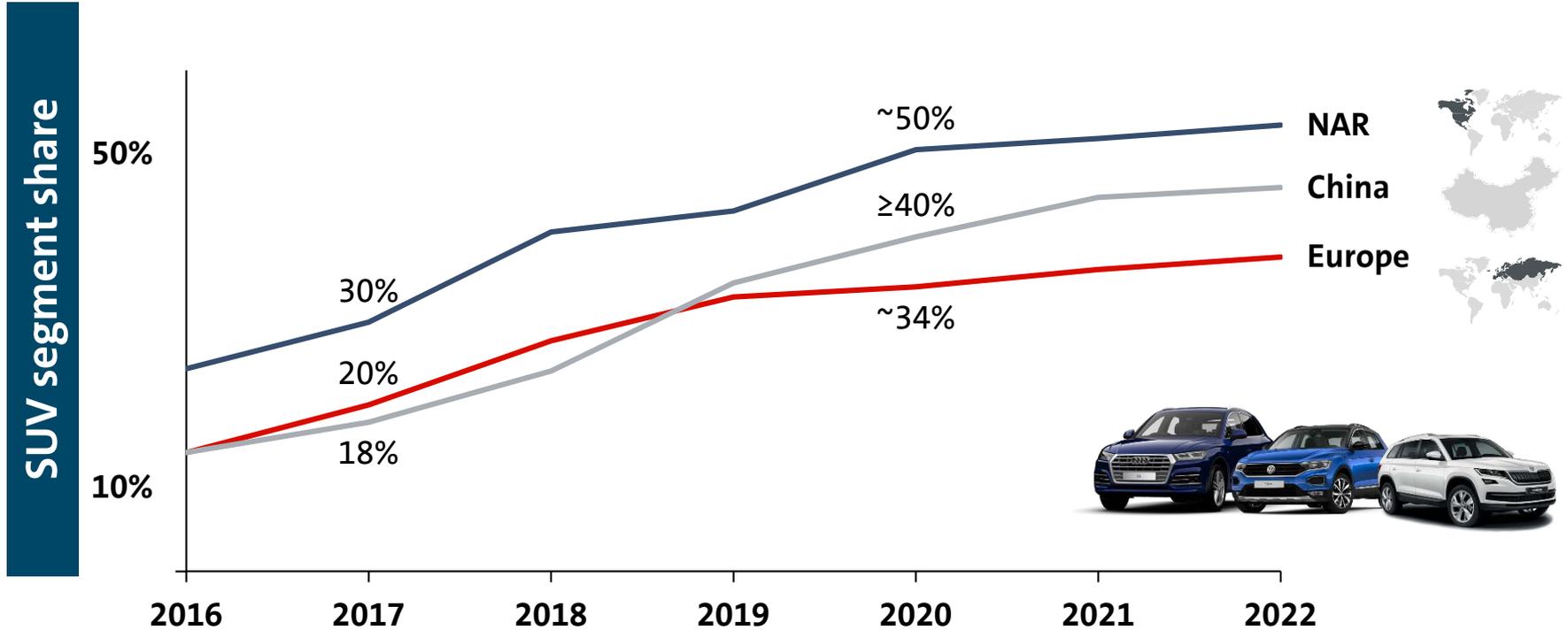
Compact SUVs (China)



Kamiq (China)

# Strong Increase in our SUV mix

SUV mix by region based on expected regional Group sales



# WLTP – Worldwide Harmonized Light Vehicles Test Procedure

## SCOPE

- In EU-28 States + 6 countries (Norway, Switzerland, Iceland, Turkey, Israel and Liechtenstein) <sup>1)</sup>
- Legally binding registration requirements for all OEM´s
- Effects communication to customers
- Effects taxation:
  - EU recommendation crossover from Jan 1<sup>st</sup> 2019



## IMPACT

- CO<sub>2</sub> / exhaust emissions and fuel consumption figures are calculated under more realistic conditions
- CO<sub>2</sub>-values vehicle-specific and therefore very precise
- Should close tolerances regarding different test condition

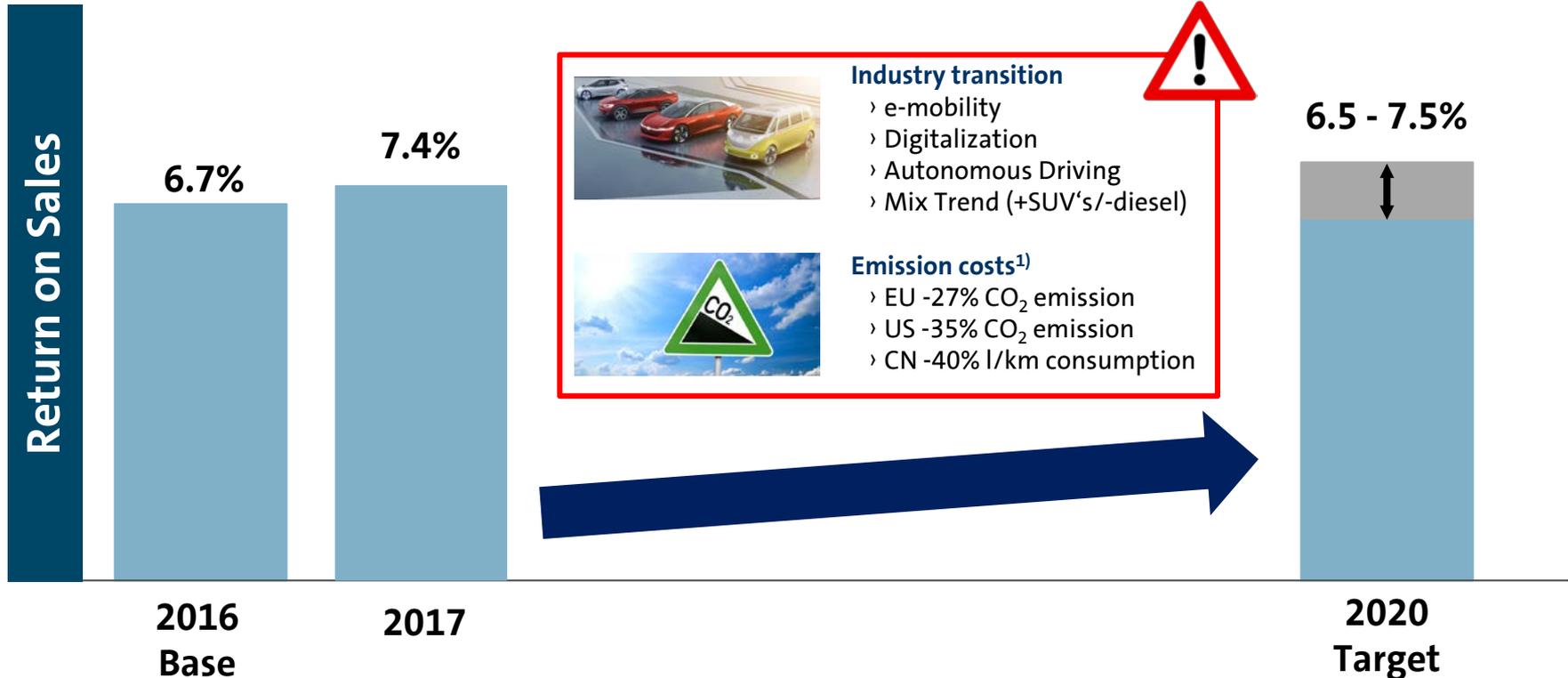


<sup>1)</sup> Different implementation of timelines between countries <sup>2)</sup> NEDC: New European Driving Cycle

## Clear Financial Targets and Milestones

Key financial targets	2016 Actual	2017 Actual	2018 Outlook	2020 Targets	2025 Targets
<b>Operating return on sales</b> <i>Before Special Items</i>	6.7%	7.4%	6.5-7.5%	6.5-7.5%	7-8%
<b>Return on investment</b> <i>Automotive Division <u>before</u> Special Items</i>	13.9%	14.4%	12-14%	13-15%	> 15%
<b>Capex ratio</b> <i>Automotive Division</i>	6.9%	6.4%	6.5-7%	6%	6%
<b>R&amp;D cost ratio</b> <i>Automotive Division</i>	7.3%	6.7%	6.5-7%	6%	6%
<b>Cash</b>					
<b>a) Net Cashflow</b> <i>Automotive Division</i>	€ 4.3 bn	€ -6.0 bn	≥ € 5 bn	≥ € 10 bn	> € 10 bn
<b>b) Net Liquidity</b>	€ 27.2 bn	€ 22.4 bn	> € 20 bn	> € 20 bn	~10% of Group turnover

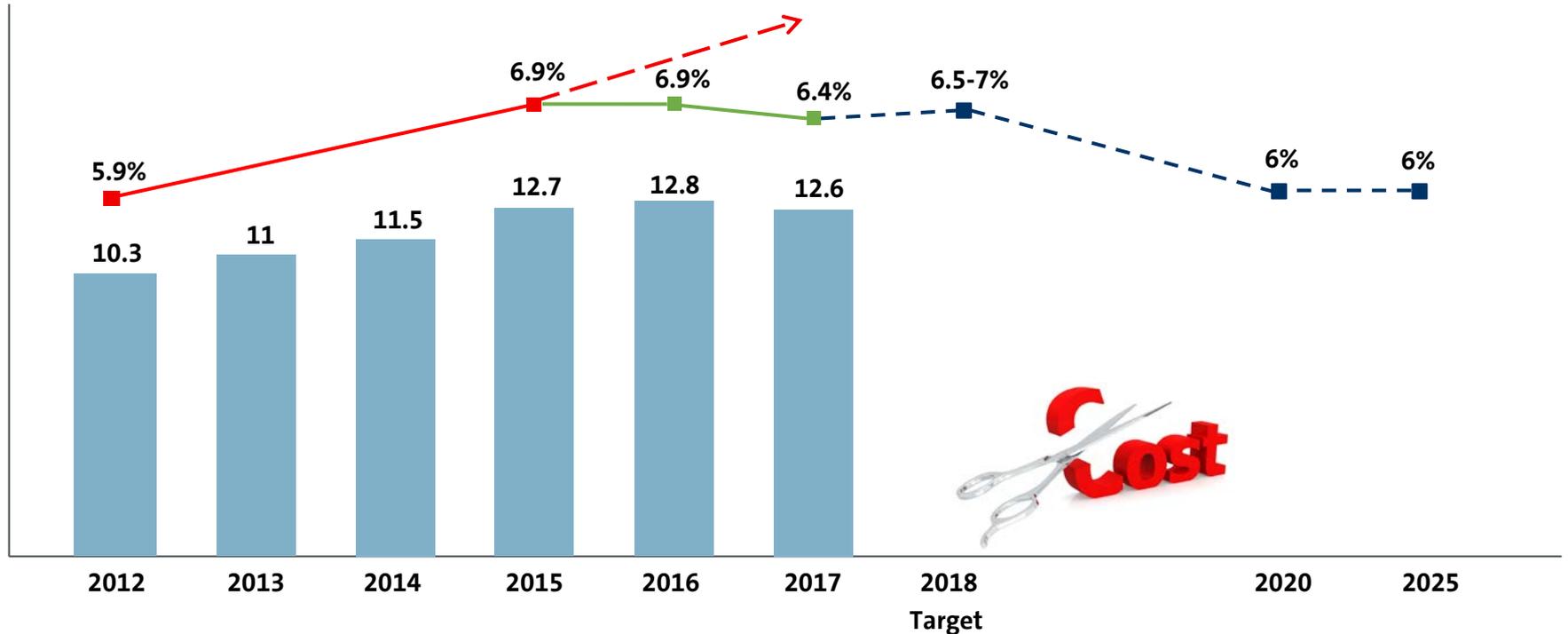
# Improving Group results despite significant challenges<sup>1)</sup>



<sup>1)</sup> Calculation based on 2016 figures.

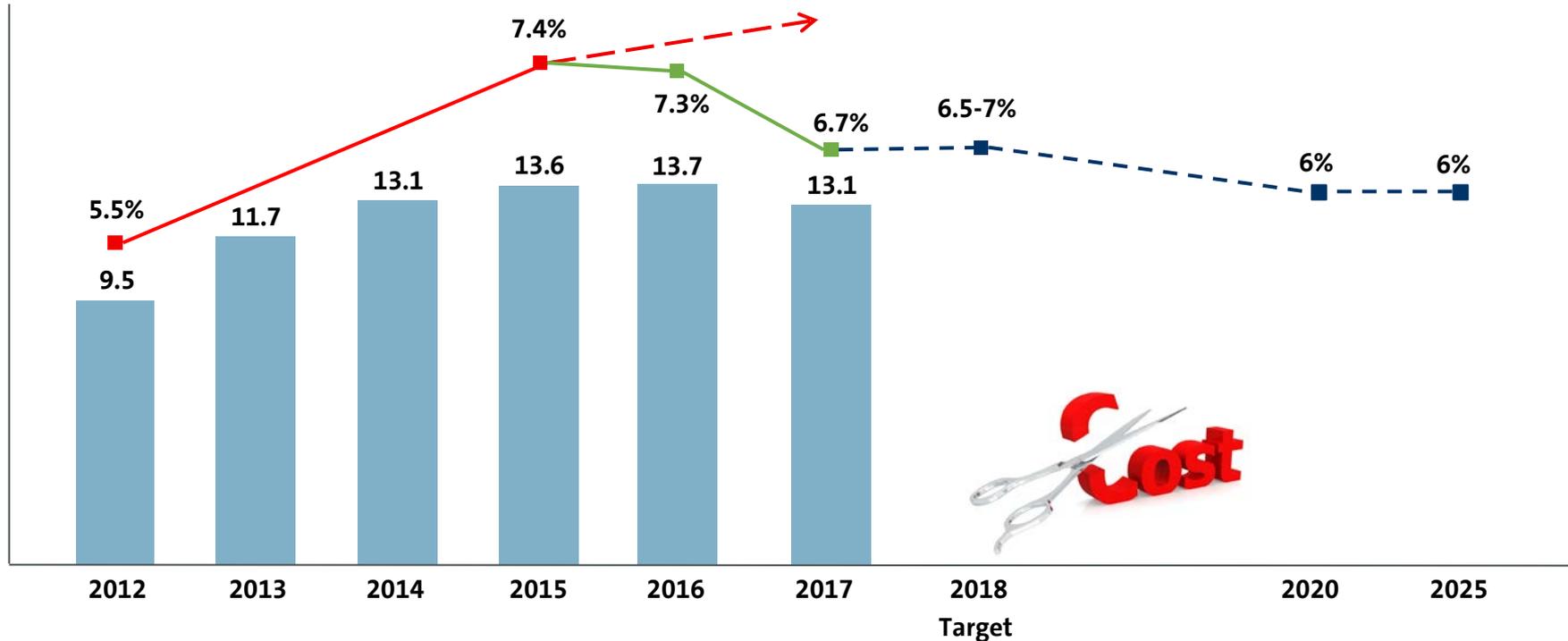
## CAPEX Automotive Division

(€ billion, as % of sales revenue)



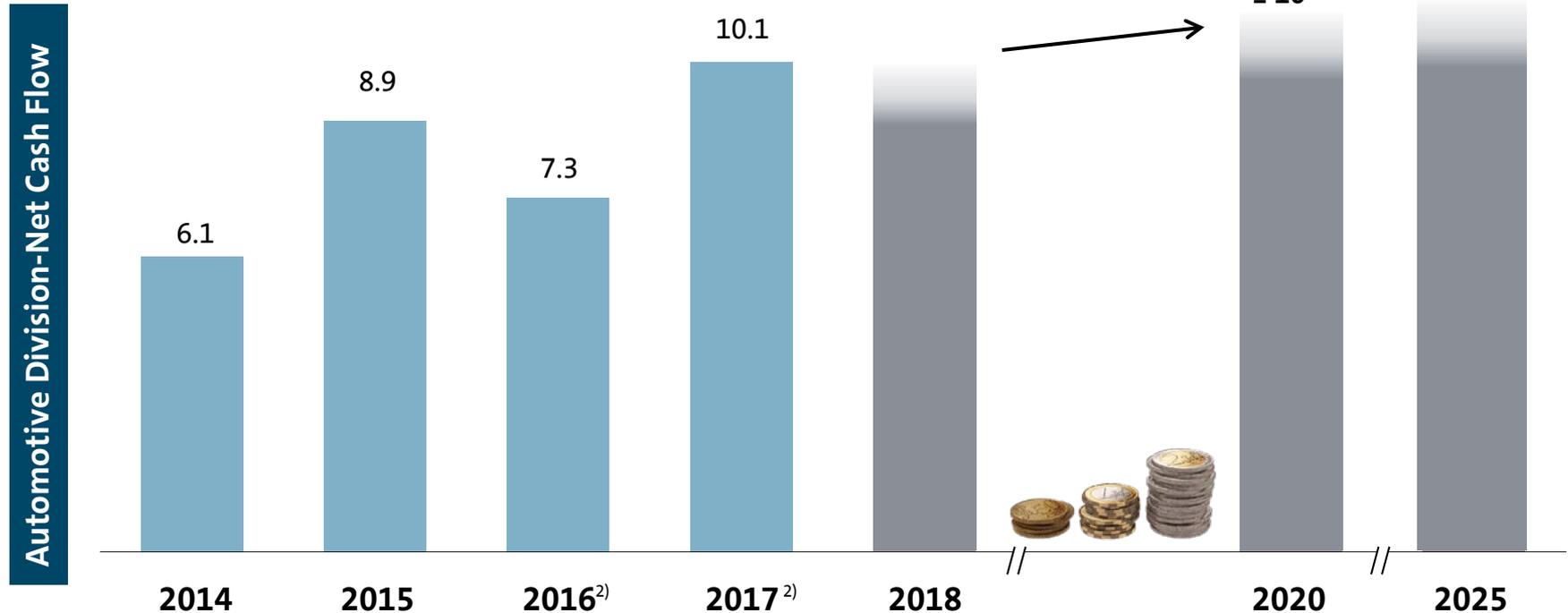
## R&D Costs Automotive Division

(€ billion, as % of sales revenue)



# Automotive Division-Net Cash Flow (ex Diesel payments)<sup>1)</sup>

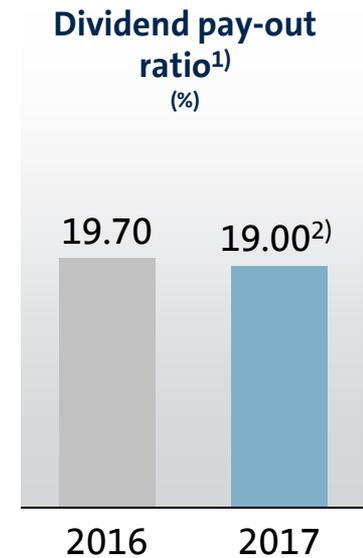
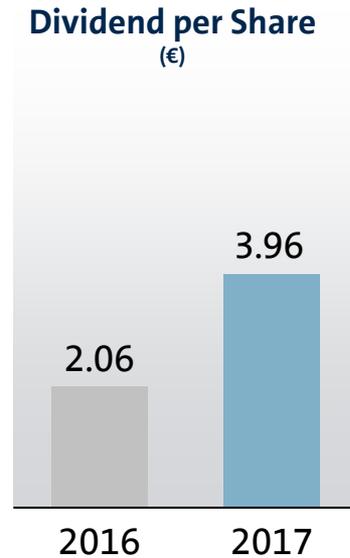
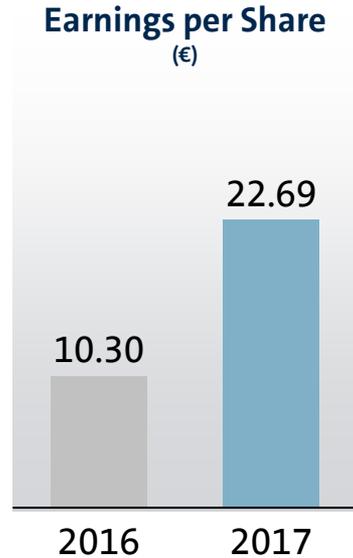
in € billion



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

<sup>2)</sup> Before around € 3 bn in 2016 and € 16.1 bn in 2017 Diesel related outflow.

# Volkswagen AG – Attractive Dividend for Preferred Shares; almost doubled<sup>1)</sup>



**Target EPS 2020**  
over € 25

**Within current planning round / next 5 years**  
30% Dividend pay-out ratio<sup>1)</sup>

<sup>1)</sup> Total dividend in percent of net income attributable to shareholders of Volkswagen AG.  
<sup>2)</sup> Business year 2017 adjusted for non-recurring effects related to the tax reform in the USA of € 1 bn.

## STRATEGY 2025 – Initiatives at a glance

GROW PROFITABLY

- 1 Sharpen positioning of brands
- 2 Develop winning vehicle and drivetrain portfolio
- 3 Streamline modular architectures
- 4 Partner with regional players to win in economy segment
- 5 Develop self-driving system for autonomous vehicles and artificial intelligence in-house
- 6 Develop battery technology as new core competency
- 7 Develop best-in-class user experience across brands and customer touchpoints

DEVELOP STRATEGIC CAPABILITIES

- 8 Implement model line organization
- 9 Realign "Components" business

ENHANCE ENTREPRENEURIAL SPIRIT



Transform core business

- 10 Build mobility solutions business

- 11 Develop and expand attractive and profitable smart mobility offering



Build mobility solutions business

- 12 Improve operational excellence

- 13 Optimize business portfolio



Secure funding

- 14 Drive digital transformation

- 15 Create organization 4.0



Strengthen innovation power

- 16 Better integrated and strategic planning process

## Goals of the Revised Management Structure – April 2018

With the realignment, Volkswagen Group presses its transformation ahead.

### Leadership

Secure the Group's leadership over the long-term in a phase of dynamic changes

### Group Management

Create a simple, lean and effective Group management structure

### Responsibilities

Maximize subsidiarity and establish clear-cut responsibilities

### Capabilities

Make optimum use of the capabilities and economies of scale available in the Group

### Synergies

Harness further synergies within the Group

### Profitability

Further increase profitability and competitiveness of future investments

## Creation of Brand Groups will reduce the complexity of the Group structure

Volume	Premium	Sport/Luxury	Truck & Bus	Procurement/ Components	Financial Services	China
<b>VW</b>  Volkswagen	<b>Audi</b>  Audi	<b>Porsche</b>  PORSCHE	<b>MAN</b> 	<b>Procurement</b>	 VOLKSWAGEN FINANCIAL SERVICES THE KEY TO MOBILITY	<b>Region China</b>
<b>Škoda</b>  ŠKODA	<b>Lamborghini*</b> 	<b>Bentley</b>  BENTLEY	<b>Scania</b> 	<b>Components**</b>		
<b>SEAT</b>  SEAT	<b>Ducati*</b> 	<b>Bugatti</b> 	<b>Power Engineering*</b>			
<b>VW LCV</b>  Commercial Vehicles						
<b>MOIA</b> 						

\* Allocation will be verified

\*\* Temporarily responsibility of Group CEO, will be a combined Board of Management function

# Focus on strategy: Resolutely making progress toward sustainable mobility



Sustainable mobility



Efficient combustion engines and alternative drives



Battery technology



Charging infrastructure

MOIA  
NEW MOBILITY WORLD

Mobility services



Self-driving system (SDS)

E-mobility

Up to the end of **2022**: We will be putting more than **€34 bn** into **e-mobility, digitalization, autonomous driving and mobility services** – thereof in 2018: **€6.6 bn**; Volkswagen Group and its **joint-venture partners in China** will be making around **€15 bn** available for e-mobility, autonomous driving, digitalization and new mobility services.

Also putting more than **€90 billion** into the **conventional vehicle and drive portfolio** – thereof in 2018: **€19.8 bn**

# Efficient combustion engines and alternative powertrains play a major role for the future of sustainable mobility

- Significant improvements in consumption and emissions of gasoline engines
- All new gasoline engines will be equipped with a particulate filter
- Working on synthetic fuels produced from renewable sources
- The latest Euro 6 diesel engines deliver above-average performance in the new WLTP<sup>1)</sup> cycle
- Significantly expanding the range of CNG<sup>2)</sup> vehicles



# Responsibilities for Electric Toolkit Architecture

## PPE

Premium  
Platform  
Electric



- Common modules and scale effects save up to 30% development costs (compared to brand excl. developments)
- Flexibility: Architecture open for other brands to be used in the future

## MEB

Modular  
Electrification  
Kit



- Economies of scale from use of MEB across entire Group
- Higher productivity and shorter manufacturing time
- Lower material and distribution costs

## Audi e-tron and Porsche Mission E will change the premium electric game



Market launch in August 2018.

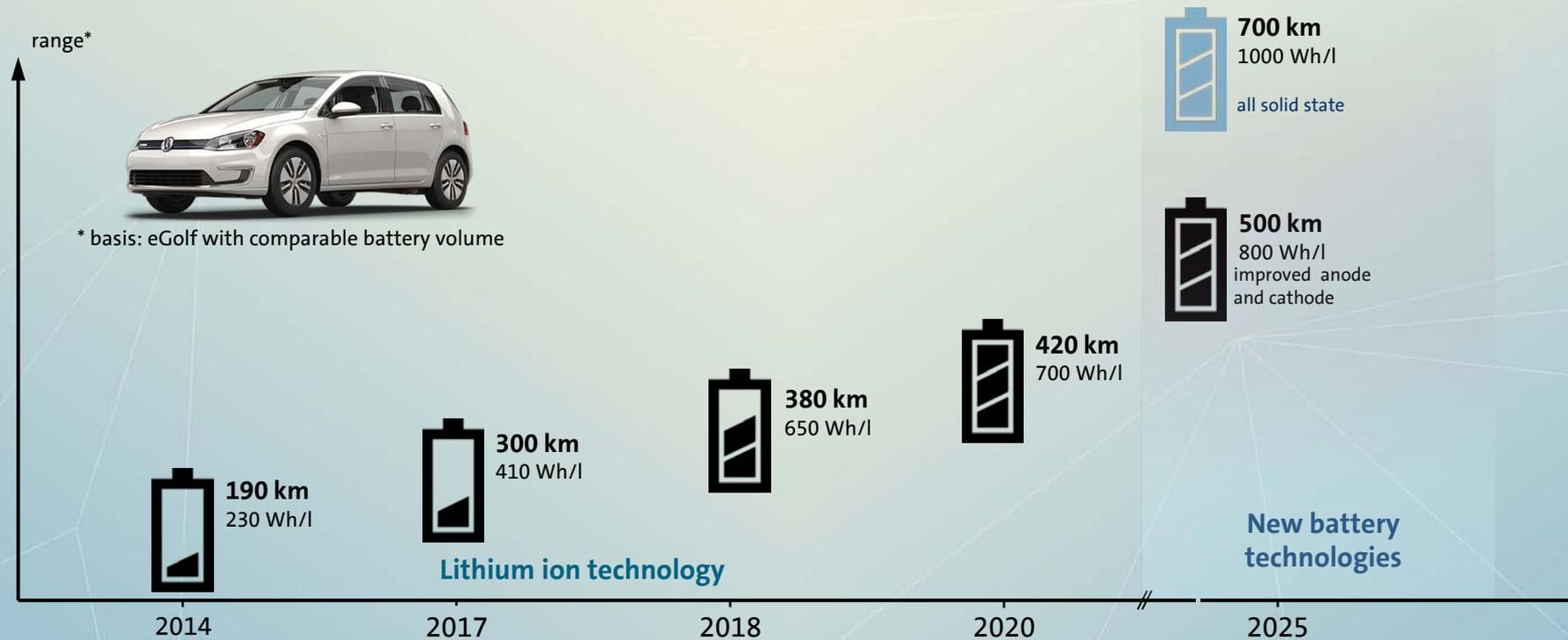


Market launch in the second half of next year.

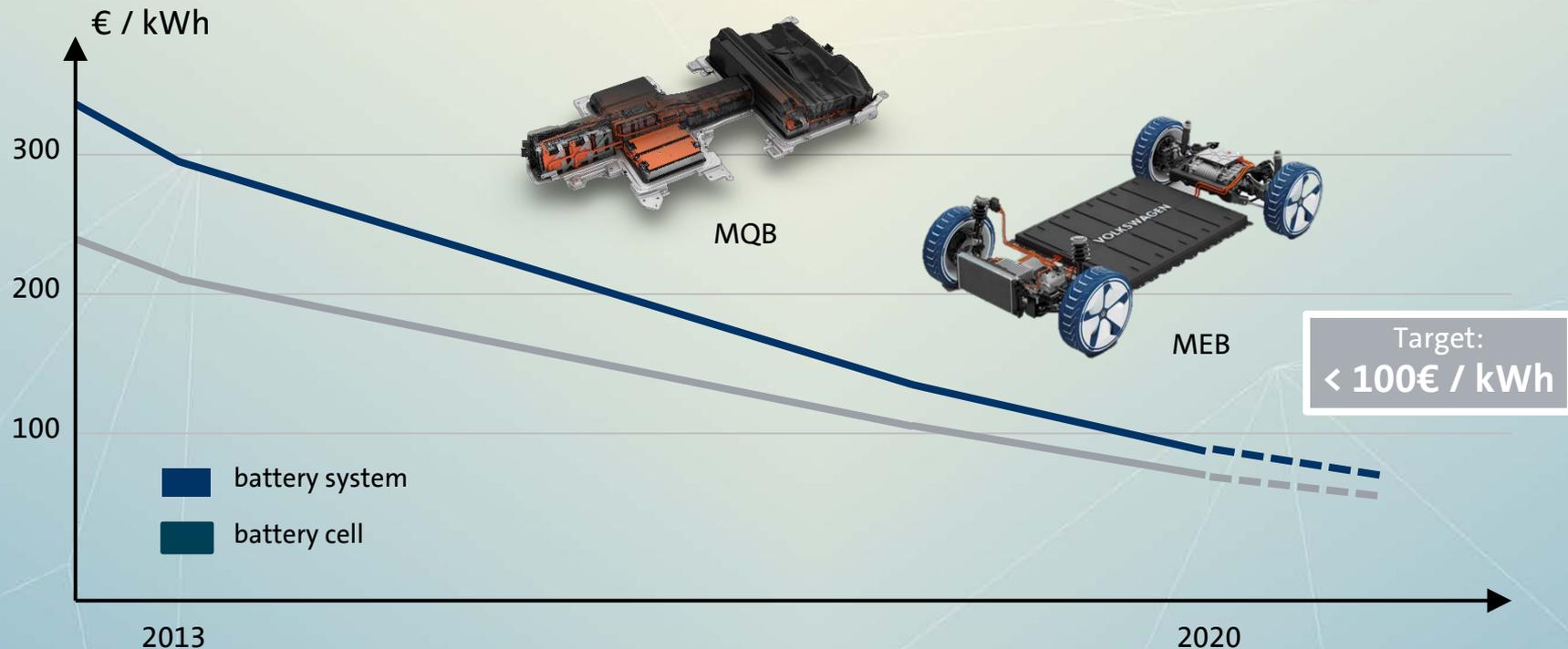
# The Volkswagen Brand's I.D. family sets the new BEV benchmark in the volume segment



# Advances in battery technology will improve range, weight and costs



# Battery costs will decrease significantly by 2020



## Roadmap E - E-mobility model offensive of the Volkswagen Group



- 50 BEVs + 30 PHEVs
- 2-3m expected units or 20–25% Group sales intended to be purely battery-powered
- Own e-fleet requirements over 150 GWh of battery capacity
- MEB: € 50 bn battery cell procurement volume up to 2025, of which € 40 bn has already been awarded to suppliers



2025

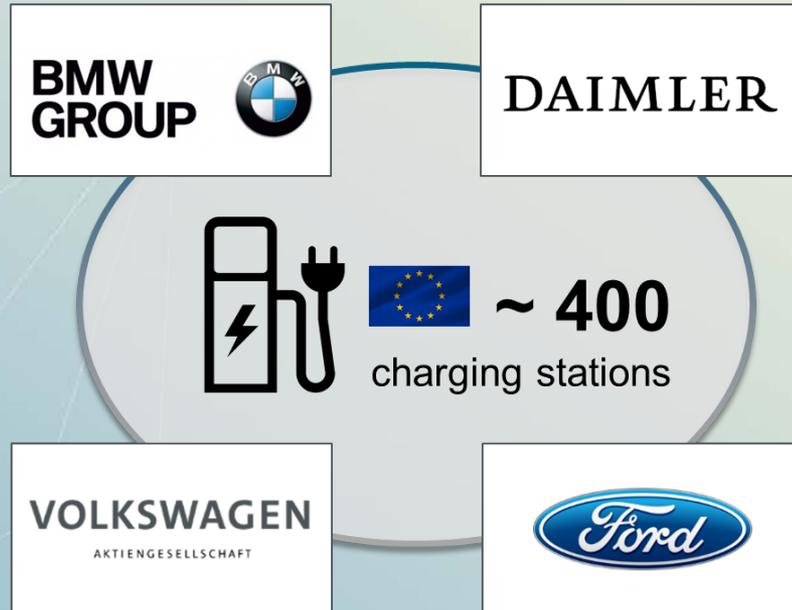
2030



- At least one electrified version for each of the Group's 300 or so models

# Launch of Pan-European High-Power Charging Network IONITY<sup>1)</sup>

## IONITY



- Joint Venture of automotive manufacturers enables electric mobility on long-distance journeys
- Building of a High-Power-Charging (HPC) Network for electric vehicles starts operation
- 20 stations in multiple European countries started in 2017
- IONITY will implement and operate about 400 fast charging stations across European major thoroughfares until 2020
- A charging capacity of up to 350 kW enables to reduce charging time significantly when compared to existing systems
- Multi-brand compatibility with current and future generations of electric vehicles through Combined Charging System (CCS)

<sup>1)</sup> The founding partners, BMW Group, Daimler AG, Ford Motor Company and the Volkswagen Group, have equal shares in the joint venture, while other automotive manufacturers are invited to help expand the network.

# Electrify America - Powering electric mobility

Investment of **\$2 billion** over the next **10 years** in Zero Emission Vehicle (ZEV) infrastructure and education programs in the U.S.

Open network for all (even group external) OEMs and business partners

Highway sites every 70 miles on average, but **no more than 120 miles apart**, so shorter range ZEVs available today will be able to use this network



1st cycle:  
We will establish a network of **~4.700+** non-proprietary electric vehicle chargers in **17 metros** and on highways in **39 states**

Station chargers will be extremely powerful, capable of delivering **150 kW** or **350 kW** to vehicles

Public access for all ZEV drivers will be ensured through multiple technologies (Level 2 and DC fast charging: CCS Combo and Chademo connectors)

## Successful launch of MOIA Shuttle at end of 2017, customers show a high demand for this alternative form of mobility



- Test phase in Hanover with **2,000 users** under way
- **Project start** in Hamburg at **end-2018**: fleet will be expanded to **200 vehicles** in the first phase
- **Further cities** planned

## Intensified efforts to develop autonomous vehicles

Autonomous Audi TTS  
"Shelley" climbs Pikes Peak



SEDRIC is Volkswagen Group's first Level 5 vehicle



Strategic partnership with Aurora

AURORA

Urban Shuttle/Carrier/Pod



2005



"Stanley" Winner Darpa Grand Challenge



2010



2017



Volkswagen Group >200 AV related patents



Foundation AID GmbH



2018



MOIA Battery Electric Special Purpose Shuttle



2021+



Personal Autonomous Vehicles



# Driving forward Strategy 2025: Implementation is accelerating

ROADMAP E launched



Center of Excellence for battery technology established



Joint venture for rapid charging network in place



SEDRIC developed and presented



Joint venture with JAC created for e-mobility



STRATEGY 2025

MOIA pilot started and shuttle presented



New technology partnerships agreed



Realignment of Group Components approved



Positioning of Group brands sharpened



Board Digitalization Committee established



## Why our Value Proposition is one of the best in the Industry?

1. Unique and Compelling **Brands and Products** and **Scale Potential**
2. Convincing holistic **TOGETHER – Strategy 2025** with embedded financial **KPI Targets**
3. Comprehensive **E-Strategy**
4. Optimal **Toolkit Infrastructure** for conventional and alternative power trains
5. We intend to deliver **Self-driving** at the touch of a button and become **Software** leaders
6. Upside Potential in **Core and Developing Markets**
7. Lead Position in **China**
8. **Truck & Bus** Global Champion Potential and clear plan to achieve **Capital Market Readiness**
9. **Culture** of willingness to change: agile, innovative and integral backed by committed management and employees
10. Priority to work on protecting our **Society** and **Environment** for future generations also focusing on **Sustainable Supplier Relations**



Overarching vision is to become a  
**World-leading Provider of Sustainable Mobility**

## Successful operating business: Strong contribution by all Group brands in 2017 – “We’re back on the offensive.”



Volkswagen

- “TRANSFORM 2025+” strategy driven forward consistently
- Clear improvement in operating profit and margin, successful product initiatives



Audi

- Prior-year sales record again exceeded
- A8 as first series car in the world developed for conditional automated driving



PORSCHE

- One millionth 911 rolls off production line, new Cayenne well received
- New records for unit sales, sales revenue and profit



ŠKODA

- Success story continues with record unit sales, sales revenue and profit
- SUV initiative reinforced by the new Karoq



SEAT

- Record sales revenue and significant increase in profit
- Powerful model initiative continues with the new Ibiza and Arona

VOLKSWAGEN  
TRUCK & BUS

- Further key steps on the way to becoming global champion
- Pioneering role in digitalization reinforced by launch of RIO platform

VOLKSWAGEN FINANCIAL SERVICES  
AKTIENGESELLSCHAFT

- Further record profit makes key contribution to Group’s success
- Successful return to the primary market for euro bonds

## Overview Brand Targets (RoS, RoE)

<b>Return on Sales in %</b>	<u>2016</u>	<u>Target 2017</u>	<u>2017</u>	<u>Target 2018</u>	<u>2020</u>	<u>2025</u>
Volkswagen Group	6.7	6-7 moderately exceed	7.4	6.5-7.5	6.5-7.5	7.0-8.0
Volkswagen Brand	1.8	3-5 moderately exceed	4.1	4-5	4-5	≥6
Audi	8.2	8-10	8.4	8-10	8-10	8-10
Porsche Automotive	17.4	>15	18.5	>15	>15	>15
ŠKODA	8.7	7-8	9.7	8-9	6-7	≥7
Volkswagen Commercial Vehicles	4.1	3-4	7.2	5-6	4-5	>6
Truck & Bus Business <sup>1)</sup>						
• Scania	9.5	6-7	6.9	6-7	9 <sup>2)</sup>	9 <sup>2)</sup>
• MAN Commercial Vehicles	2.3					
<b>Return on Equity (norm. 8%)</b>	<u>2016</u>	<u>Target 2017</u>	<u>2017</u>	<u>Target 2018</u>	<u>2020</u>	<u>2025</u>
Volkswagen Financial Services	15.6%	14-16%	15.8%	14-16%	14-16%	20%

<sup>1)</sup> For peer-group analysis: Truck & Bus Business RoS is calculated as the sum of Scania and MAN Commercial Vehicles. <sup>2)</sup> Through-cycle Target.

# Starting point „TRANSFORM 2025+“ STRATEGY will put the Volkswagen Brand to the top of the automotive industry

## STRENGTHEN CORE BUSINESS

2% RoS<sup>1)</sup>

- SUV Offensive
- Turnaround in the Regions
- Brand Positioning
- Productivity / Costs
- New Skills

2015

## LEAP TO THE TOP OF ELECTRIC MOBILITY

≥ 4% RoS

- Electric Offensive
- Digital Ecosystem
- Operational Excellence

2020

## MAJOR TRANSFORMATION

≥ 6% RoS

- New Business Models
- New Mobility solutions
- Autonomous Driving

2025

## GLOBAL MARKET LEADER IN AUTOMOBILITY

> 6% RoS

2030

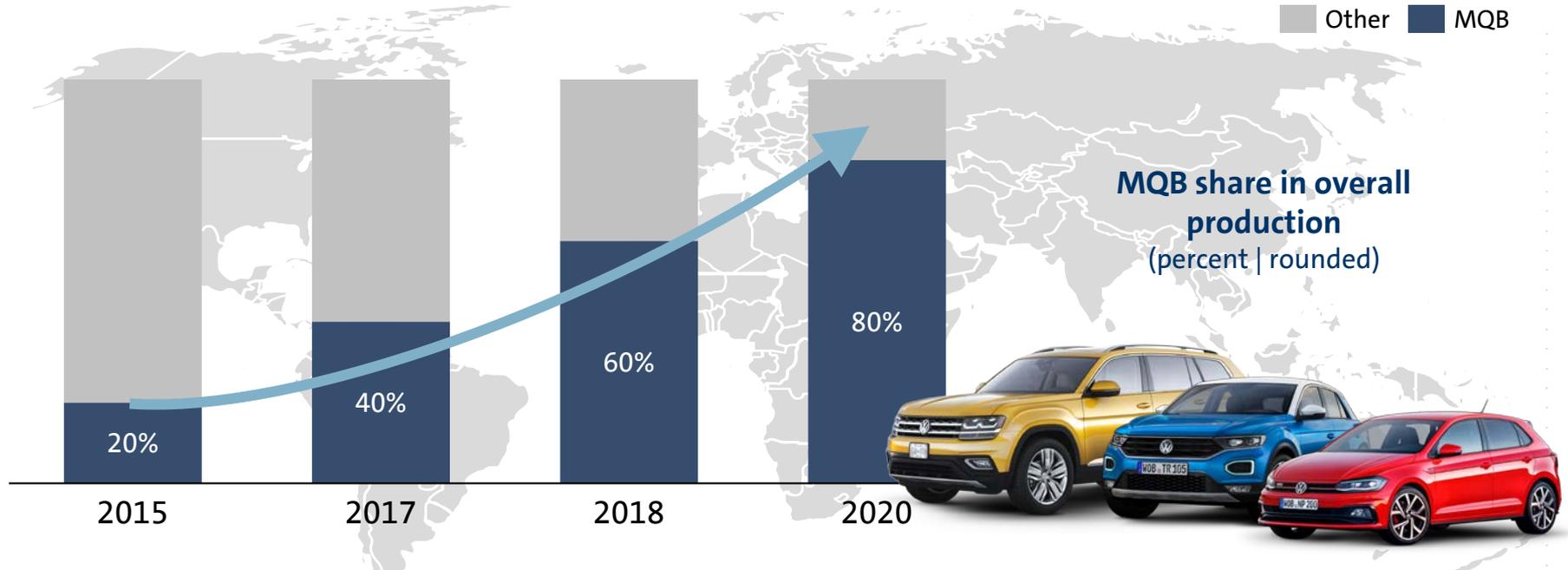
<sup>1)</sup> Before special items.

## Volkswagen Brand Clear Financial Targets and updated Milestones

	Forecast 2018	Target 2020	Target 2025
<b>Sales revenue</b>	up to +10 %	-	-
<b>Operating return on sales</b>	4–5 %	4–5 %	≥ 6 %
<b>Capex ratio</b>	4–5 %	4–5 %	4–5 %
<b>R&amp;D ratio</b>	~4 %	4 %	4 %
<b>Free cash flow</b>	Positive operating cash flow <sup>1)</sup>	> € 1 bn	>> € 1 bn

<sup>1)</sup> Before special items.

# Further roll-out of MQB offers substantial benefits for Volkswagen Brand



# Increase in competitiveness and safeguarding the future are the focus points of the Future Pact agreement

## Working Group 1 Production

- Increase of productivity by 25%
- Reduction of plant costs

## Working Group 2 Components

- Increase of productivity by 25%
- Discontinuation of unprofitable products

## Working Group 3 Technical Development

- Reduction of hardware-oriented development work
- Increased efficiency in development processes

## Working Group 4 Administration

- Reduction of bureaucracy

## Secure the Future

- 4 additional models:  
2 conventional and 2 MEB vehicles
- Investments in:
  - Electric drive trains
  - Pilot facility battery cell
  - Battery system
- Competency/capacity increase in autonomous driving, electrification, connectivity etc.
- Creation of employment in new business segments

Reduction in workforce based on demographic curve<sup>1)</sup>

<sup>1)</sup> ~ 9,350 early retirement contracts signed in 2017.

## Core challenges in the commercial vehicle industry

### Cyclical markets



Strong correlation to GDP in developed world  
Not all regions hit by economic downturns at the same time

### Further globalization



The megatrend of globalization has a direct influence on future developments in freight transportation and the commercial vehicle industry

### Emission regulations



Europe with aggressive regulations, focus shifting to e-mobility and alternative fuels  
Emerging Markets also have ambitious roadmap

### Connectivity & digitalization



Platooning and partly-autonomous driving as transition solutions  
Data management for customers and traffic of broad interest (e.g. RIO for digital solutions)

### After sales and future business models



After sales increasingly important as alternative source of revenues  
Future business models (e.g. connectivity, clean driving) to actively shape the future of transportation

# Shaping the future of the Commercial Vehicles business



## Global Champion strategy

- Goal is becoming the Global Champion of the Commercial Vehicles sector: Leader in profitability, global presence and innovation.
- Further enhancement of brands' performance with individual identities, strengths and profiles.
- Increase cooperation and leverage synergies between brands.
- Further global expansion to leverage scale and be ahead of competition (e.g. Navistar in the USA, Sinotruk in China, Hino Motors in Japan and Asia).
- Also develop solutions for Commercial Vehicles in such areas as autonomous driving, electrification and connectivity.
- RIO covers logistics solutions for all transportations sectors.

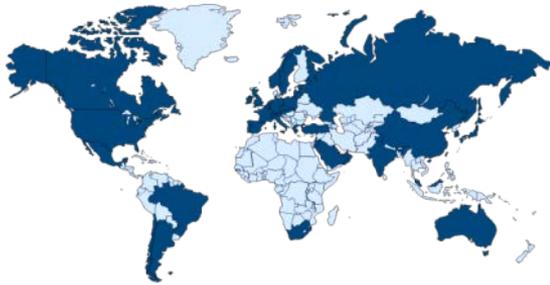
## Project "Next Level"

- Further increase the company's matureness, efficiency and innovativeness.
- Achievement of capital market readiness: meet technical and structural requirements of the capital market; complex scope.
  - Change of legal structure of Volkswagen Truck & Bus GmbH to a German stock corporation (AG) and in a second step into a Societas Europaea (SE).
  - Focus on Commercial Vehicles.<sup>1)</sup>
  - IPO is just one of several options.
  - Dependent on capital market conditions & Volkswagen Group strategy.
  - Minority interests legal case outstanding.

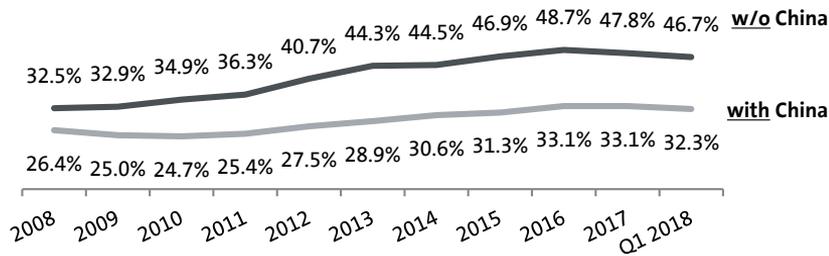
<sup>1)</sup> Allocation will be verified as part of creation of new Volkswagen Group structure.

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

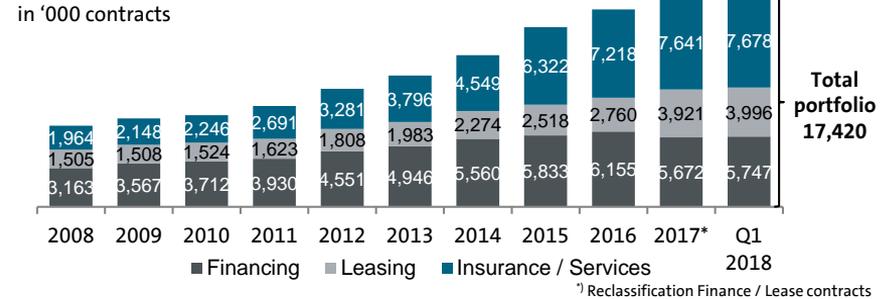
## Strong global presence



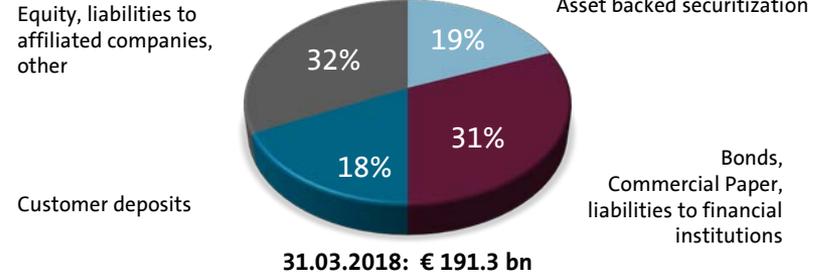
## Rising penetration rates



## Continuous portfolio expansion



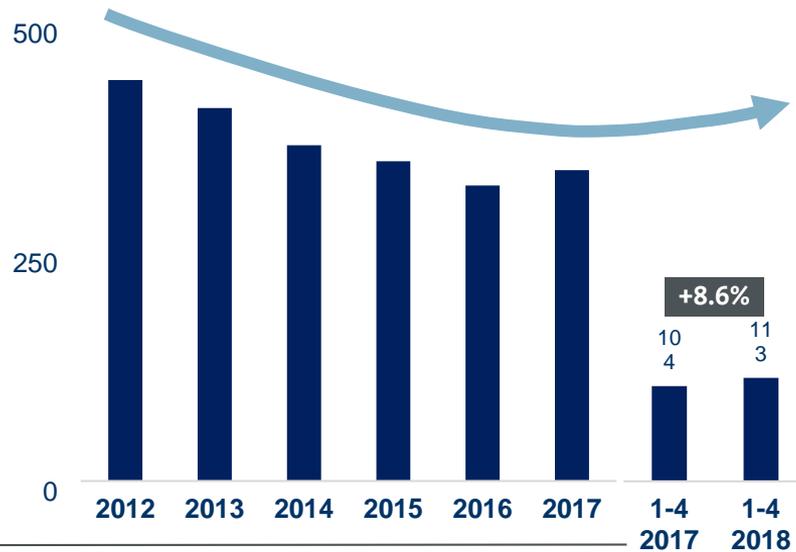
## Diversified funding structure



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

# Volkswagen Brand – Turnaround in the US with new products from 2017 onwards

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

SUV offensive #1	New Sedans	SUV offensive #2
<p><b>2017</b></p> <p>Atlas</p> <p>Tiguan</p> <p>Refreshed Golf</p>	<p><b>2018-19</b></p> <p>Jetta</p> <p>Passat</p> <p>Arteon</p>	<p><b>2019-21</b></p> <p>Midsize SUV 5s</p> <p>Compact SUV</p> <p>ID Crozz</p>

# A product offensive is initiating a new growth phase in South America

## Product offensive in South America



Polo G



Virtus



Small SUV Global

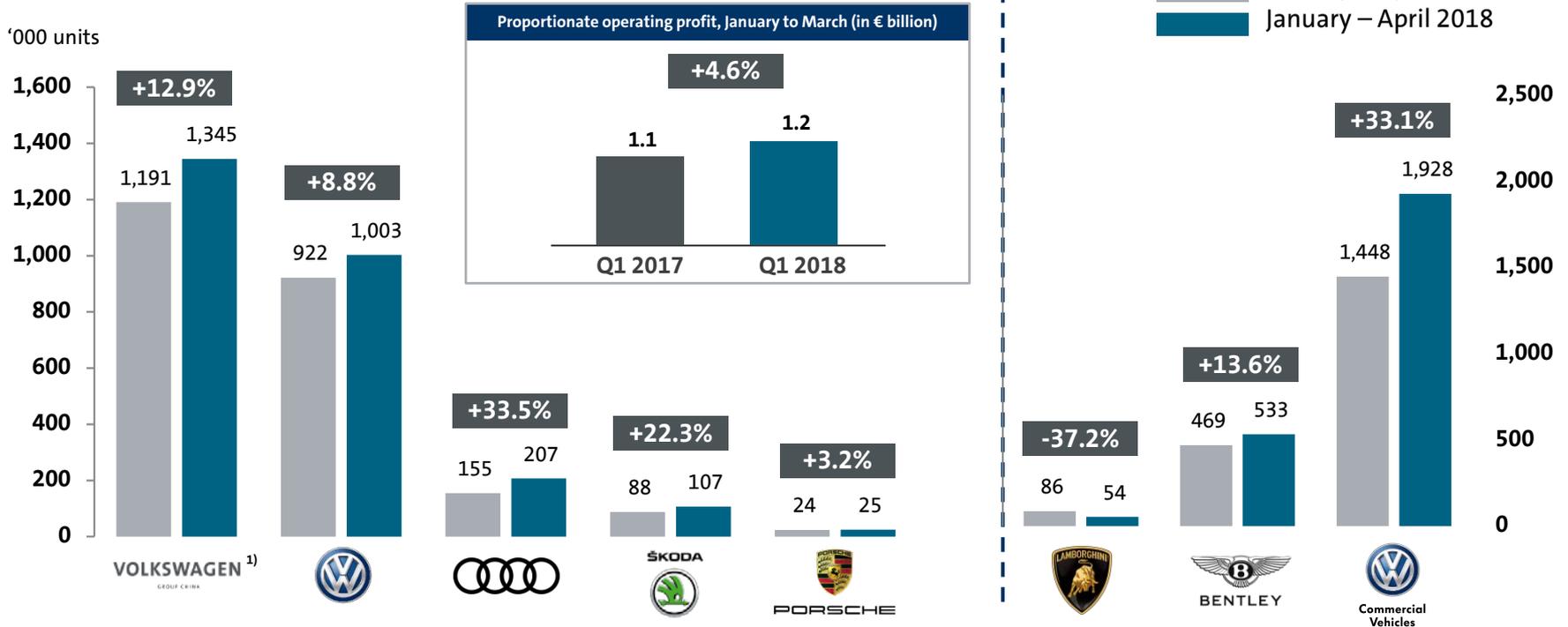
## Key measures

- Restructuring: reduce capacities and fixed costs
- Increase productivity, align products to local requirements
- Product offensive, €2.5bn investment
- New brand positioning
- New growth strategy for Latin America



# Volkswagen Group China performance

(January to April 2018 vs. 2017)



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



# Regulatory environment for NEV and Fuel Consumption Credits in China

## CAFC<sup>1)</sup> and NEV Credit System

- Independent calculation of CAFC<sup>1)</sup> and NEV credits
- Companies need to fulfill **both requirements**

### CAFC<sup>1)</sup> Credits:

- Transfer between affiliated companies only
- Credit carry-over to next 3 years with depreciation
- Negative results can be offset by NEV credits (own or free trading in market)

### NEV Credits:

- No transfer from CAFC<sup>1)</sup> credits to NEV credits
- No Carry-over except for year 2016 and 2019
- Free Trading of NEV credits allowed

## MIIT<sup>2)</sup> for NEV Credit Calculation

$$\text{min. NEV credit points} = \text{ICE}^3 \text{ Volume} \times \text{NEV credit point ratio}$$

2018	2019	2020
None	10%	12%



## NEV Credit Point Attribution per NEV Type

**BEV<sup>4)</sup>:** Basic credit =  $0.012 \times \text{Range} + 0.8$  (max. 5 basic credits)  
BEV additional factor for low electric consumption up to 1.2

**PHEV<sup>5)</sup>:** Basic credit = 2 (min. e-Range 50km)  
PHEV credit = 1 if e-range 50-80km and consumption under B-Test  $\geq 70\%$  ICE; or e-range  $\geq 80$ km but high electric consumption

<sup>1)</sup> CAFC – Corporate Average Fuel Consumption <sup>2)</sup> MIIT – Ministry of Industry and Information Technology <sup>3)</sup> ICE – Internal Combustion Engine <sup>4)</sup> BEV – Battery Electric Vehicle <sup>5)</sup> PHEV – Plug-in Hybrid Electric Vehicle



# Volkswagen Group China will be prepared to deliver around 1.5 million zero emission cars to Chinese customers by 2025

## Introduction of locally produced NEV

## Mass market BEV cooperation

### Phase 1

Plug-in hybrids based on current toolkits



### Phase 2

Pure electric vehicles based on current toolkits



### Phase 3 (start 2020/21)

Pure electric vehicles based on scalable electric toolkit



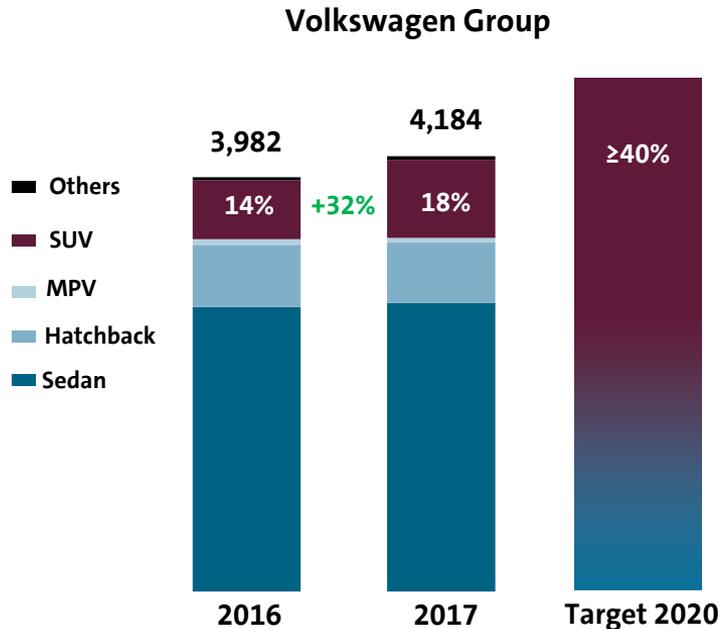
VOLKSWAGEN **JAC** 江淮汽车  
GROUP CHINA





# New product offering with an expanded SUV line-up<sup>1)</sup>

## China deliveries by bodystyle (in '000 units)



## SUV offensive of Volkswagen Group China

**4** Volkswagen brand SUVs in 2018 3 of which are new models

T-Roc LWB    Touareg

**6** additional Audi SUVs in the next 2-3 years

Q2L

**3** new ŠKODA SUVs in 2018

Kamiq    Karoq

<sup>1)</sup> Source: IHS. <sup>2)</sup> Schematic overview – does not show all models.

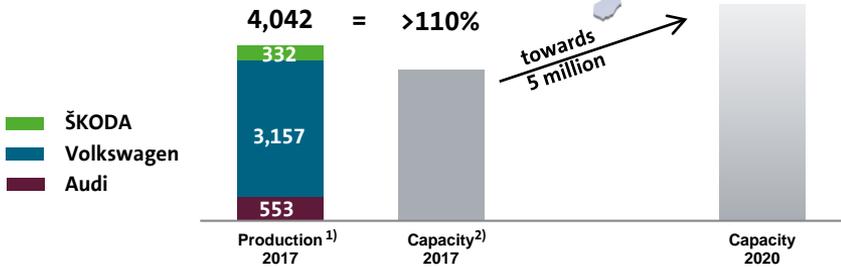


# Volkswagen Group China opens new factories to strengthen SUV offensive and e-Mobility

## Production capacity will increase

## Factories starting in 2018

- New vehicle plants
- Vehicle plants expansions
- New component plants
- Component plant expansion
- Existing plants



**Tianjin** Start in August

**Qingdao** Opening ceremony on May 28  
New Bora & 2 Audi models on MQB platform  
ICE & EV production on one production line  
Production of battery systems

**Hefei** First production model unveiled May 25  
Production of JAC Volkswagen's SOL brand

**Foshan** Start in June  
Focus on the SUVs (Audi and Volkswagen)  
Additional factory at the production site  
MQB platform will be electrified  
Battery system assembly and MEB to follow

<sup>1)</sup> Actual production volume in '000 vehicles <sup>2)</sup> Available capacity on the basis of 250 working days.

## Special Items: Diesel related and other

(€ bn)	Diesel	Other	Total
2015	Legal	7.0	Restructuring: Truck Business 0.2 Passenger Cars South America 0.2 Airbags Takata 0.3 0.7
	Other items	9.2	
		16.2	
2016	Mainly legal risks	6.4	Scania Anti-Trust Proceedings 0.4 Others 0.7 1.1
			7.5
2017	Buyback/retrofit program	2.2	
	Legal	1.0	
		3.2	
Total to date	25.8	1.8	27.6

A significant amount of the Diesel Dollar-related provisions are hedged and a further substantial amount of the provisions have been utilized. Cash outflows of around € 3 bn in 2016, € 16.1 bn in 2017 and € 0.8 bn in Q1 2018.

## Resolving the diesel crisis: Substantial progress in all markets



### Worldwide recall/service campaigns driven forward:

Software Flashes in Germany currently 94% complete;  
Substantial progress also in Europe (76%) and  
worldwide (69%)

### Group environmental incentive makes significant contribution to improving air quality in German cities:

More than 200,000 customers already decided to switch to environmentally friendly vehicles

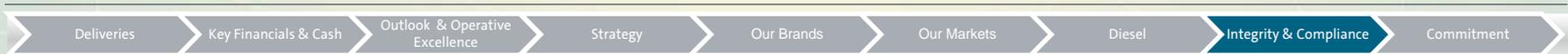
### Major progress in modifications in North America:

On target for modifications/buybacks for 2.0 liter TDI engines; field fix started for 3.0 liter TDI engines

### Electrify America underway:

Investment plan for zero emissions vehicles (ZEV) approved by authorities

**Timeframe of legal proceedings expected to be long !**



# With “Together4Integrity” we have launched a Group-wide integrity and compliance program

## Strategy

**Principle 1**  
Integrity and compliance is central to business strategy

## Risk Management

**Principle 2**  
Integrity and compliance risks are identified, owned, managed and mitigated

## Speak-up Environment

**Principle 4**  
The organization encourages, protects and values the reporting of concerns and suspected wrongdoing

## Culture of Integrity

**Principle 3**  
Leaders at all levels across the organization build and sustain a culture of integrity

## Resolute Accountability

**Principle 5**  
The organization takes action and holds itself accountable when wrongdoing occurs



INTEGRITY & COMPLIANCE  
PROGRAM

## New corporate culture: Change is happening

### Sustainable strengthening of compliance systems taking effect

- Substantial progress in improving processes, structures and policies
- Zero tolerance of violations of values

### Focus on values, integrity and Code of Collaboration becoming firmly rooted in corporate culture

- Volkswagen Convention: Training for 7,600 managers and works council members on integrity, culture and compliance
- Group-wide management development with new requirement profiles launched
- Role model program helps to implement change by example



## Upcoming tasks to master challenges and make use of opportunities



### Continue to resolve the diesel crisis

- Conclude worldwide recall campaigns and service actions
- Manage legal proceedings worldwide



### Improving the Core Business

- Profitability in NAR / SAM / Russia
- Implementation Future Pact Brand Volkswagen
- Cash Generation and Capex/R&D discipline



### Transformation towards more E-Mobility

- CO<sub>2</sub> Compliance / WLTP implementation
- Profitability of Electric Vehicles
- Governance / Compliance / Culture



### Strengthen Innovation Power

- Digitalization & Connectivity
- Profitable Mobility Services

## Investor Relations Team

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



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**VOLKSWAGEN**

AKTIENGESELLSCHAFT

# Shaping the transformation together.

**Appendix**

# Volkswagen Group – Key Credit Ratings

**S&P Global**

**MOODY'S**

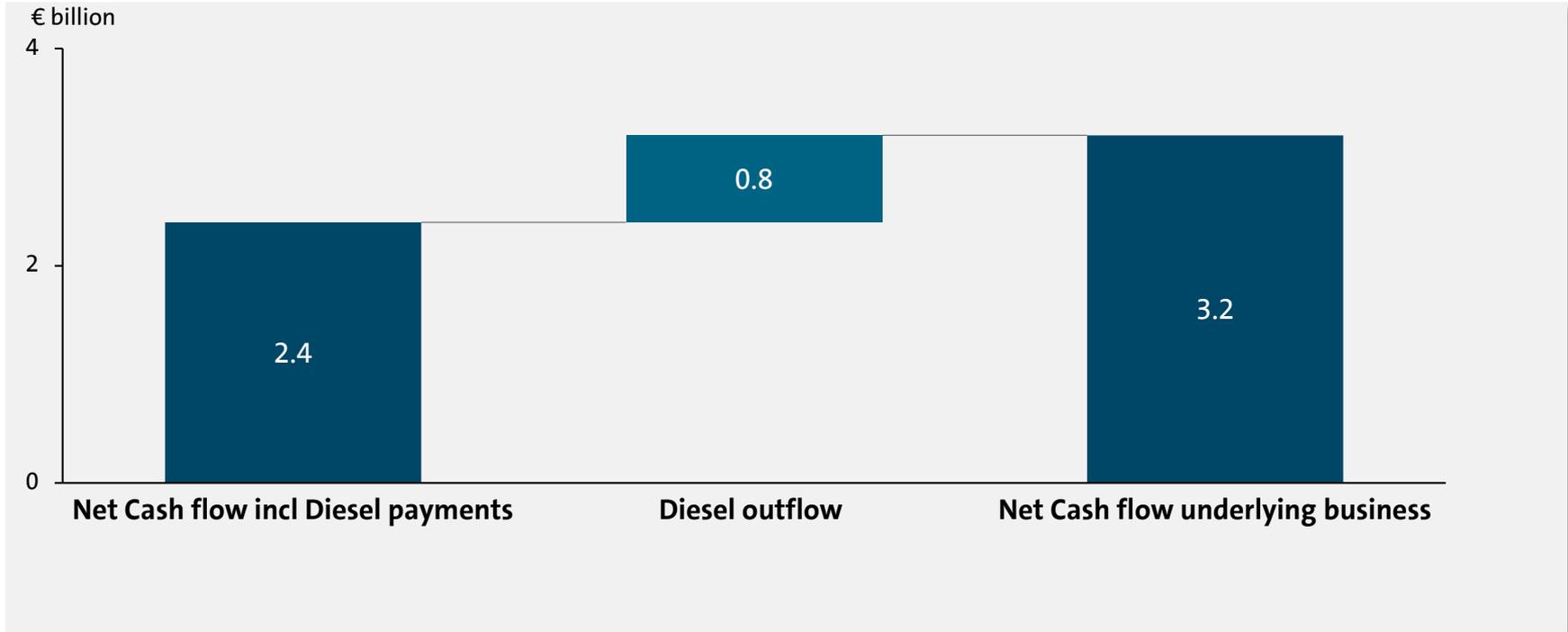
## Current Ratings<sup>1)</sup>

	Long Term	Short Term	Long Term	Short Term
<b>Volkswagen AG</b>	<b>BBB+</b>	<b>A-2</b>	<b>A3</b>	<b>P-2</b>
<b>Volkswagen Financial Services AG</b>	<b>BBB+</b>	<b>A-2</b>	<b>A3</b>	<b>P-2</b>
<b>Volkswagen Bank GmbH*</b>	<b>A-</b>	<b>A-2</b>	<b>A3</b>	<b>P-1</b>
	Outlook <sup>2)</sup> Stable (*Negative)		Outlook <sup>2)</sup> Stable	

<sup>1)</sup> as of May 16, 2018

<sup>2)</sup> Outlook change from Negative to Stable: S&P November 6 2017 (excluding VW Bank GmbH); Moody's March 19 2018

## 'Best ever' Automotive Division Net Cash Flow (ex Diesel payments)<sup>1)</sup> (January to March 2018)



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

# Volkswagen Group – Key Financial Figures<sup>1)</sup>

(January to December 2017 vs. 2016)

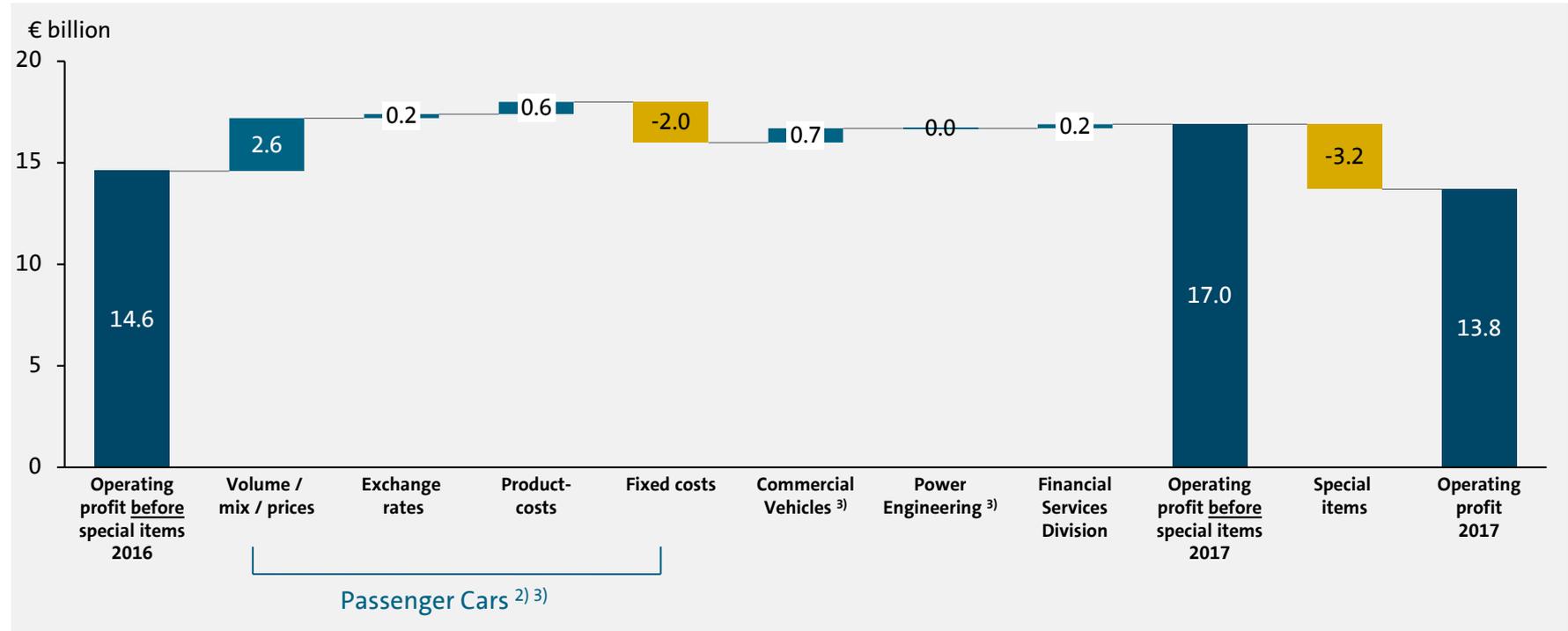
Thousand vehicles / € million	2017	2016	+/- (%)
Vehicle Sales <sup>2)</sup>	10,777	10,391	+3.7
Sales revenue	230,682	217,267	+6.2
Operating profit before Special Items	17,041	14,623	+16.5
<i>% of sales revenue</i>	7.4	6.7	
Operating profit	13,818	7,103	+94.5
<i>% of sales revenue</i>	6.0	3.3	
Financial result <sup>2)</sup>	94	189	X
Profit before tax	13,913	7,292	+90.8
<i>% Return on sales before tax</i>	6.0	3.4	
Profit after tax	11,638	5,379	X

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

<sup>2)</sup> Volume data incl. the unconsolidated Chinese joint ventures. The joint venture companies in China are accounted for using the equity method and recorded an operating profit (proportionate) of €4.7 billion (€5.0 billion).

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

(January to December 2017 vs. 2016)



<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> without FS. <sup>3)</sup> incl.PPA.

## Volkswagen Group – Analysis by Business Line<sup>1)</sup>

(January to December 2017 vs. 2016)

Thousand vehicles/ € million	Vehicle sales		Sales revenue		Operating profit		Margin	
	2017	2016	2017	2016	2017	2016	2017	2016
Volkswagen Passenger Cars <sup>2)</sup>	3,573	4,347	79,979	105,651	3,301	1,869	4.1%	1.8%
Audi	1,530	1,534	60,128	59,317	5,058	4,846	8.4%	8.2%
ŠKODA	937	814	16,559	13,705	1,611	1,197	9.7%	8.7%
SEAT	595	548	9,892	8,894	191	153	1.9%	1.7%
Bentley	11	11	1,843	2,031	55	112	3.0%	5.5%
Porsche Automotive <sup>3)</sup>	248	239	21,674	20,710	4,003	3,733	18.5%	18.0%
Volkswagen Commercial Vehicles	498	478	11,909	11,120	853	455	7.2%	4.1%
Scania <sup>4)</sup>	92	83	12,789	11,303	1,289	1,072	10.1%	9.5%
MAN Commercial Vehicles	114	102	11,087	10,005	362	230	3.3%	2.3%
MAN Power Engineering	-	-	3,283	3,593	193	194	5.9%	5.4%
VW China <sup>5)</sup>	4,020	3,873	-	-	-	-	-	-
Other <sup>6)</sup>	-840	-1,638	-30,288	-56,617	-2,335	-1,343	-	-
Volkswagen Financial Services <sup>7)</sup>	-	-	31,826	27,554	2,460	2,105	-	-
<b>Volkswagen Group before Special Items</b>	-	-	-	-	<b>17,041</b>	<b>14,623</b>	<b>7.4%</b>	<b>6.7%</b>
Special Items	-	-	-	-	-3,222	-7,520	-	-
<b>Volkswagen Group</b>	<b>10,777</b>	<b>10,391</b>	<b>230,682</b>	<b>217,267</b>	<b>13,818</b>	<b>7,103</b>	-	-
Automotive Division <sup>8)</sup>	10,777	10,391	196,949	186,016	11,146	4,668	-	-
of which: Passenger Cars	10,077	9,729	158,466	150,343	9,309	4,167	-	-
of which: Commercial Vehicles	700	662	35,200	32,080	1,892	718	-	-
of which: Power Engineering	-	-	3,283	3,593	-55	-217	-	-
Financial Services Division	-	-	33,733	31,251	2,673	2,435	-	-

<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> 2017 figures take account of the reclassification of companies; prior-year figures were not adjusted. <sup>3)</sup> Porsche (Automotive and Financial Services): sales revenue €23,491 (22,318) million, operating profit €4,144 (3,877 million). <sup>4)</sup> Incl. financial services. <sup>5)</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 €4,746 (4,956) million. <sup>6)</sup> Prior year adjusted. 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>7)</sup> Starting January 1, 2017, Porsche's financial services business is reported as part of Volkswagen Financial Services. Prior-year figures were not adjusted. <sup>8)</sup> Incl. allocation of consolidation adjustments between the Automotive and Financial Services divisions.

## What's new with WLTP?



more realistic driving behaviour



higher average and maximum speeds



stricter car set-up and measurement conditions



a greater range of driving situations (urban, suburban, main road, motorway)



higher average and maximum drive power



optional equipment: CO<sub>2</sub> values and fuel consumption have to be provided for individual vehicles as built



longer test distances



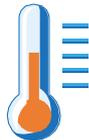
shorter stops



instead of average values, WLTP can give best and worst-case figures – better representing highly diverging driving styles



more dynamic and representative accelerations and decelerations

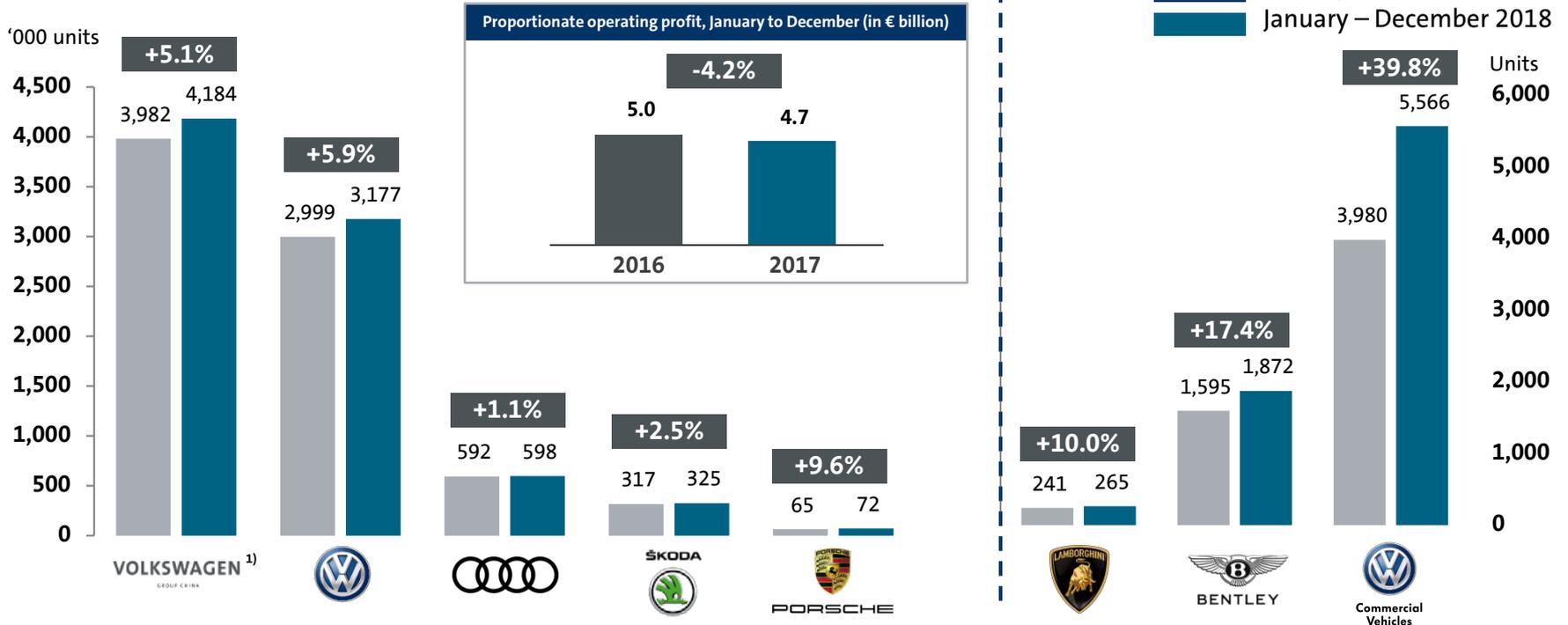


more realistic ambient temperatures, closer to the European average



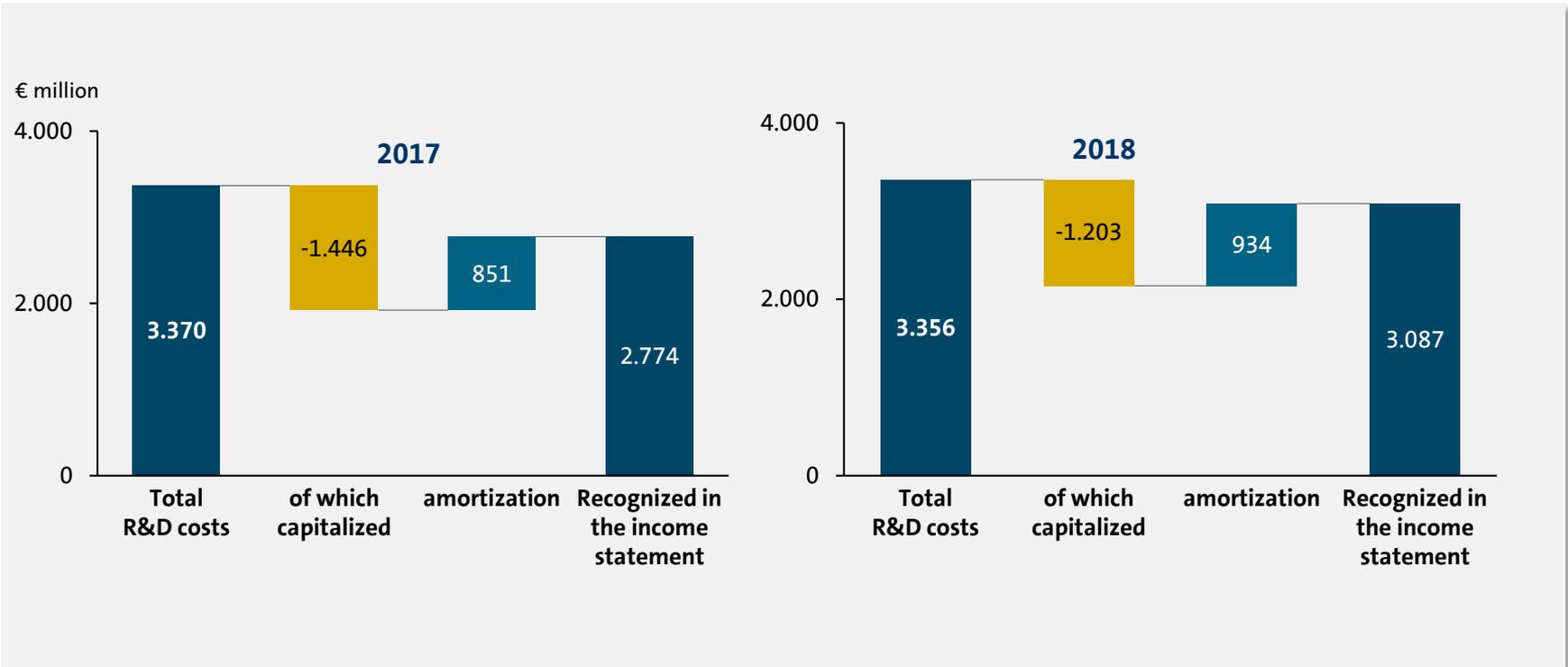
# Volkswagen Group China performance

(January to December 2017 vs. 2016)

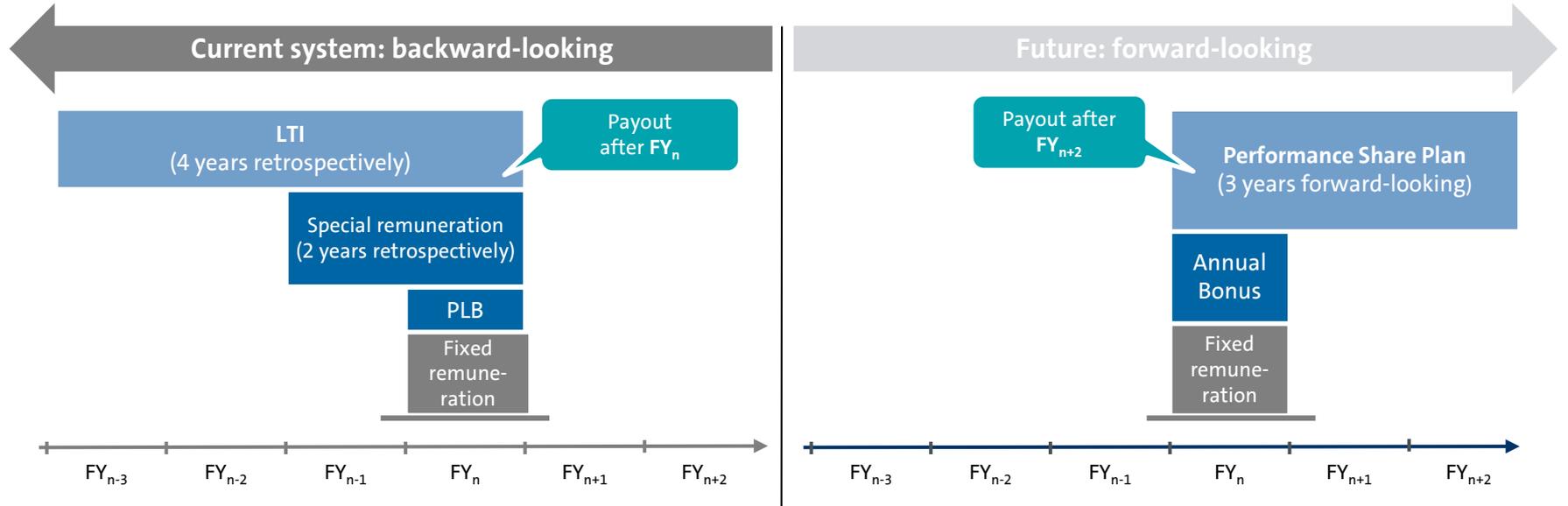


<sup>1)</sup> Incl. Hong Kong, excl. Ducati. Group numbers incl. Volkswagen Commercial Vehicles, Scania and MAN.

## Automotive Division – Research and Development Costs (January to March 2018 vs. 2017)



# The new remuneration system is designed to be completely forward-looking



## Adjusted recommendation of no. 4.2.3 sec. 2 German Corporate Governance Code

“Variable remuneration components shall generally be based on a multi-year assessment, **which shall be materially related to the future.**”

## Volkswagen Touareg



**Audi Q5L**



ŠKODA Fabia



SEAT CUPRA Ateca



**Porsche 911 Carrera T**



**Bentley Continental GT**



Lamborghini Urus



## Volkswagen Amarok



**MAN TGX 18.500**

**MAN TGE 5.180**



## Scania G 450 XT 8x4



We are stepping on the gas in terms of profitability,  
innovative power and sustainability

# VOLKSWAGEN GROUP

