



**VOLKSWAGEN**

AKTIENGESELLSCHAFT

**We are  
redefining  
mobility.**

## **Volkswagen Group**

Exane BNP Paribas 5<sup>th</sup> Motor Show Conference Geneva on 6<sup>th</sup> – 7<sup>th</sup> March 2018

**Frank Witter**, Member of the Board of Management

## 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.

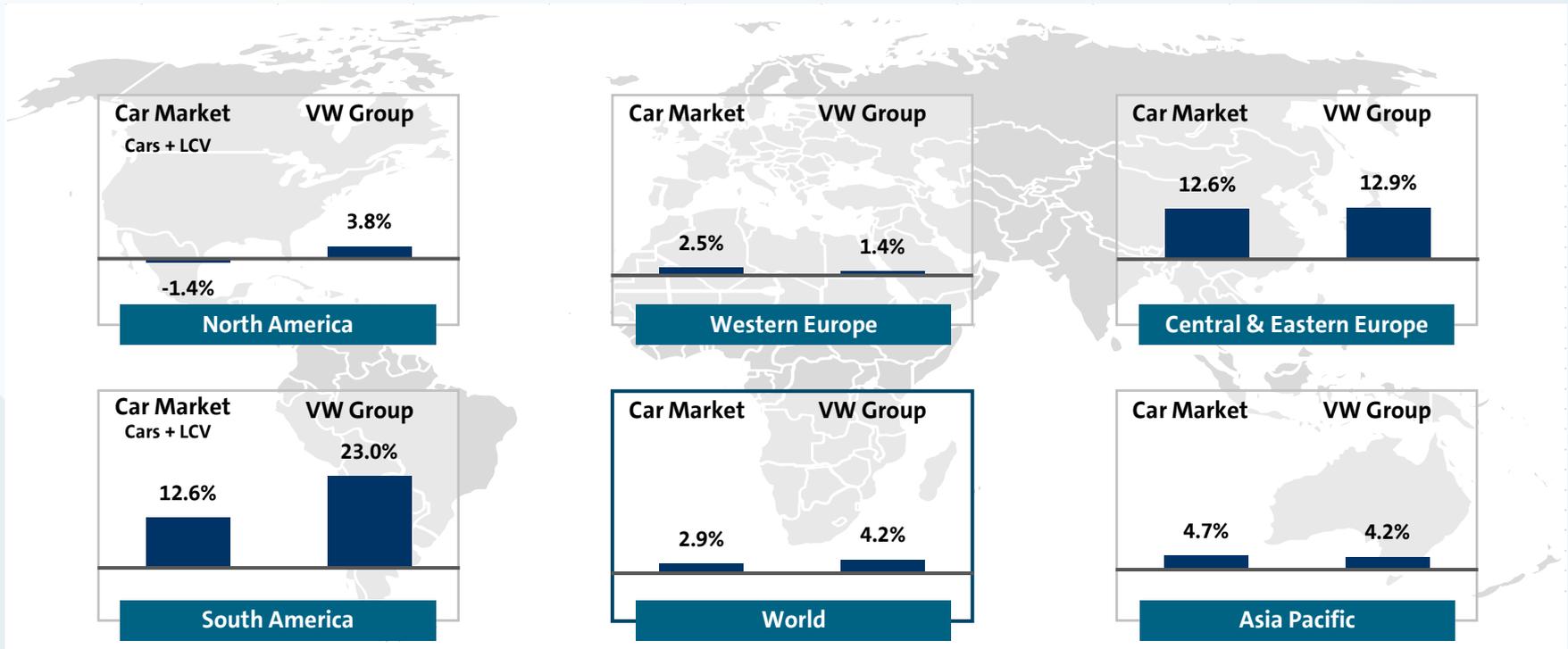
Consequently, a negative impact relating to ongoing claims or investigations, any unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, will have a corresponding impact on the development of our business. 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.

If any of these or other risks occur, or if the assumptions underlying any of these statements prove incorrect, the actual results may significantly differ from those expressed or implied by such statements.

We do not update forward-looking statements retrospectively. Such statements are valid on the date of publication and can be superseded.

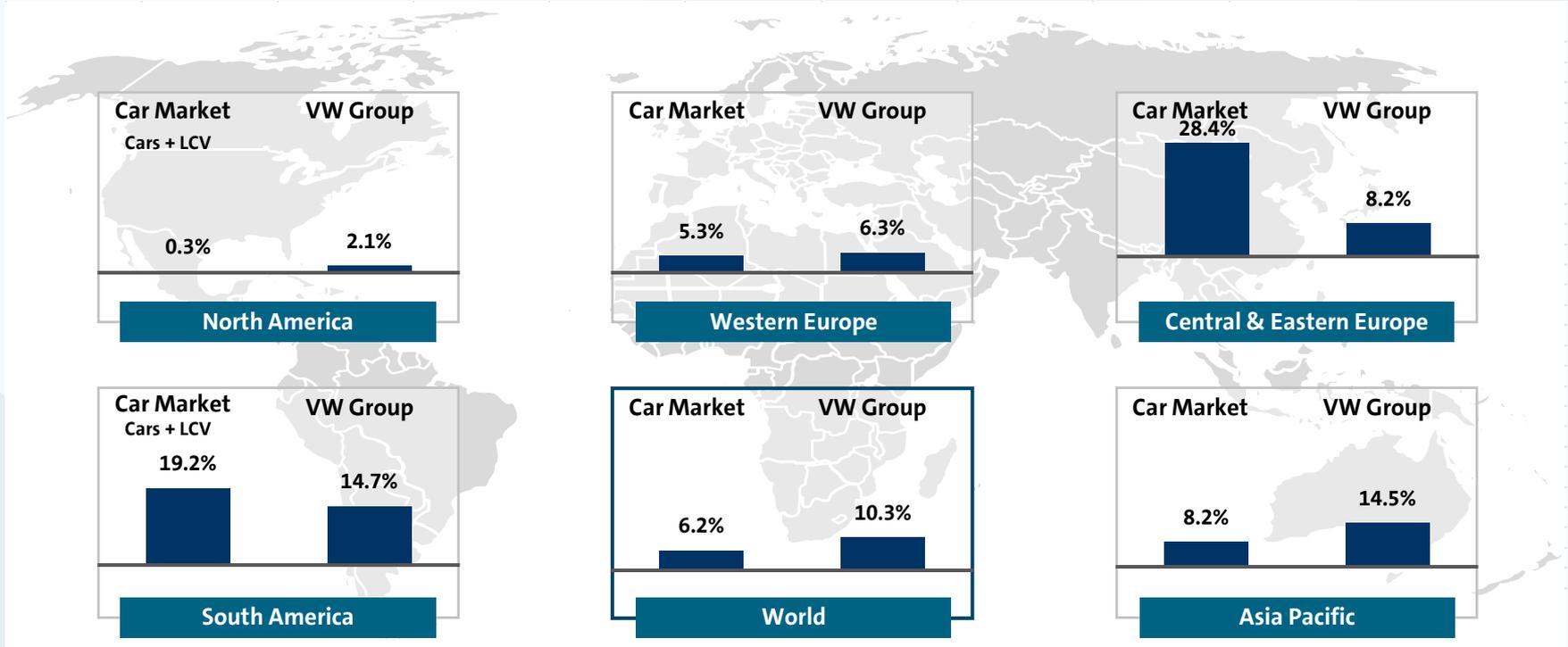
This information does not constitute an offer to exchange or sell or an offer to exchange or buy any securities.

# Development World Car Market vs. Volkswagen Group Car Deliveries to Customers<sup>1)</sup> (Growth y-o-y in deliveries to customers, January to December 2017 vs. 2016)



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

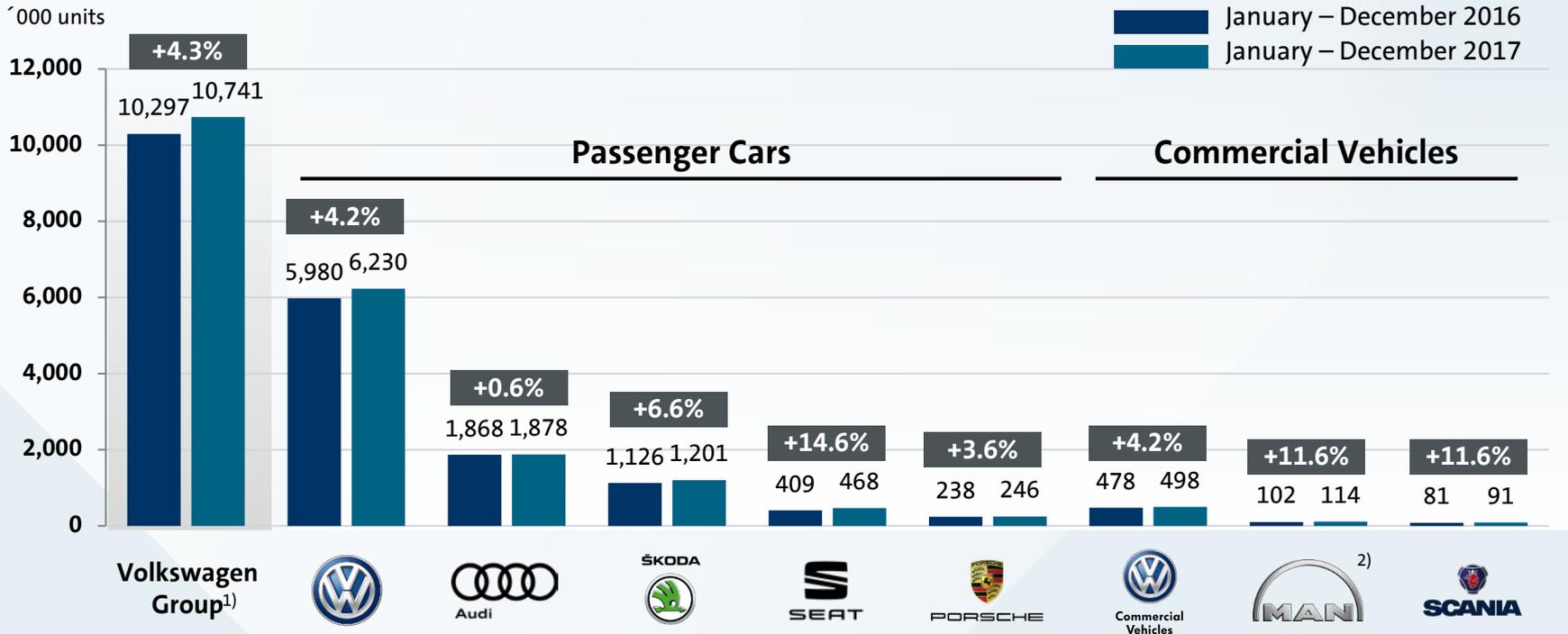
# Development World Car Market vs. Volkswagen Group Car Deliveries to Customers<sup>1)</sup> (Growth y-o-y in deliveries to customers, January 2018 vs. 2017)



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

# Volkswagen Group – Deliveries to Customers by Brands

(January to December 2017 vs. 2016)

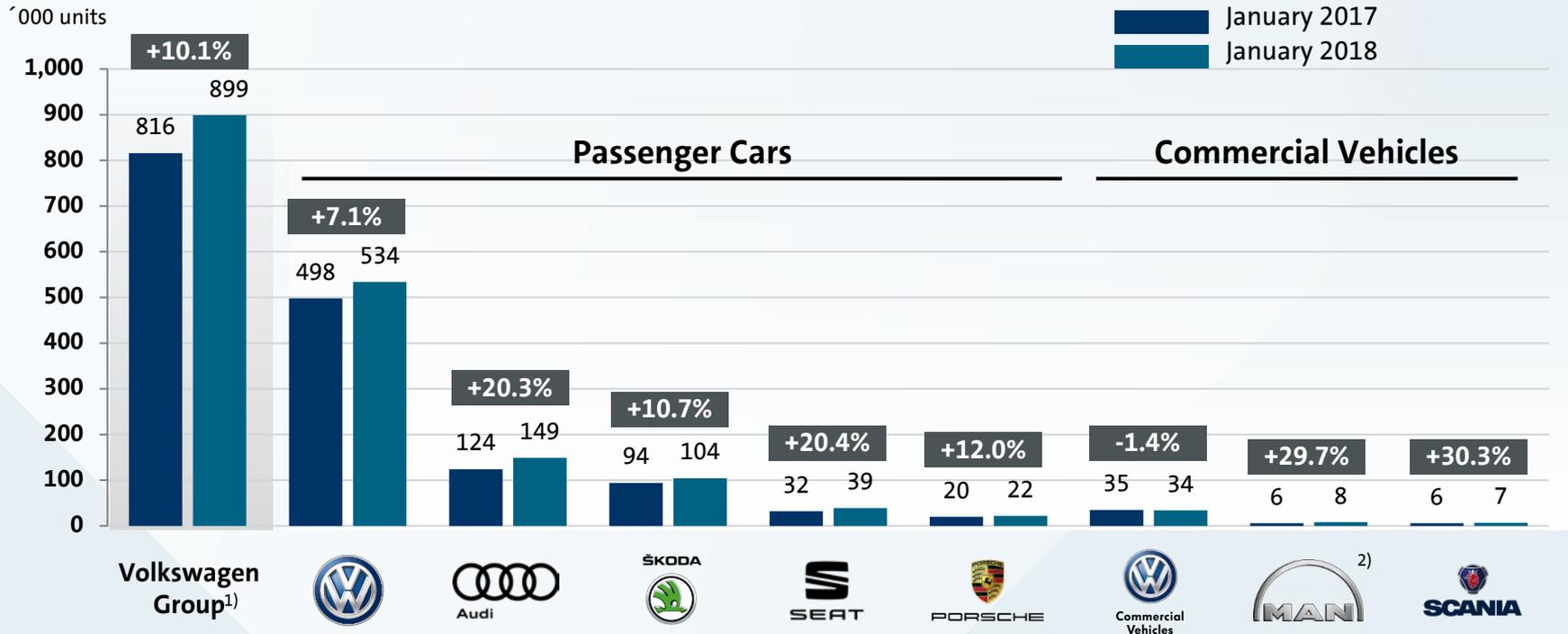


<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +4.2% excl. Volkswagen Commercial Vehicles, Scania and MAN.

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

# Volkswagen Group – Deliveries to Customers by Brands

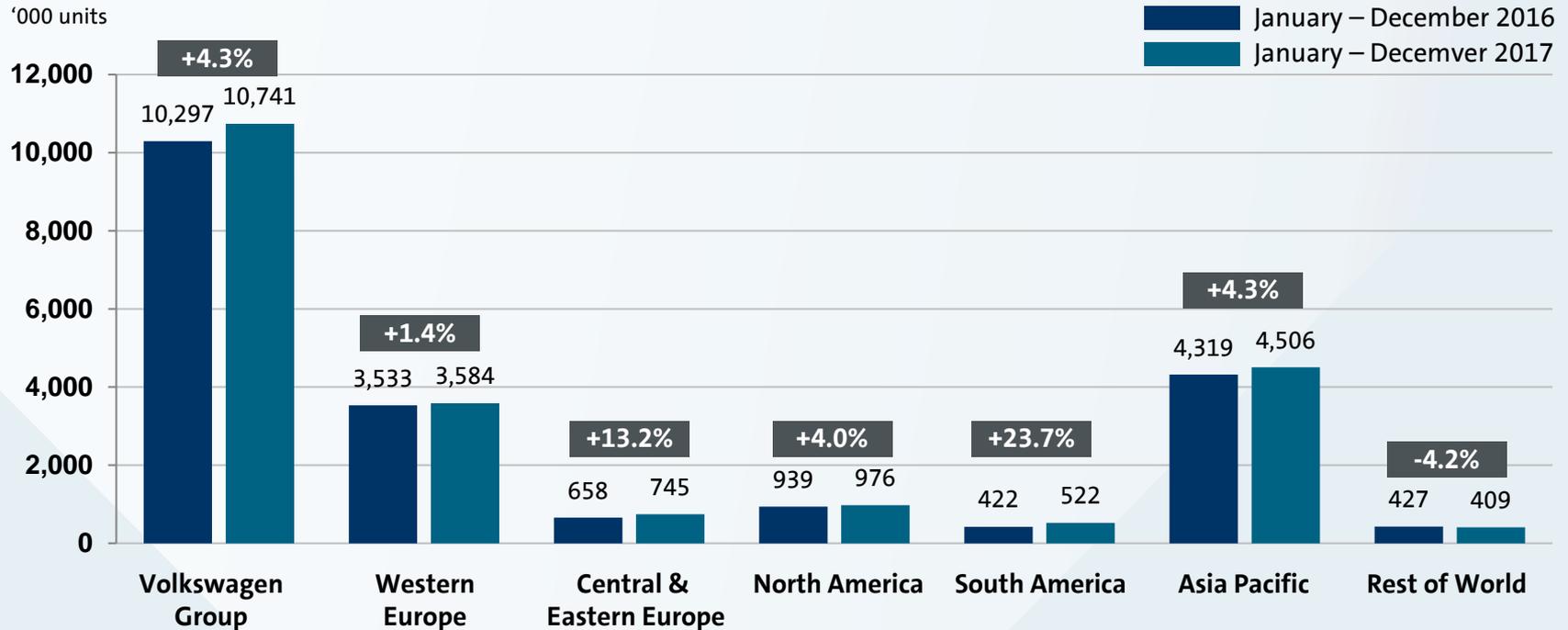
(January 2018 vs. 2017)



<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +10.3% excl. Volkswagen Commercial Vehicles, Scania and MAN.

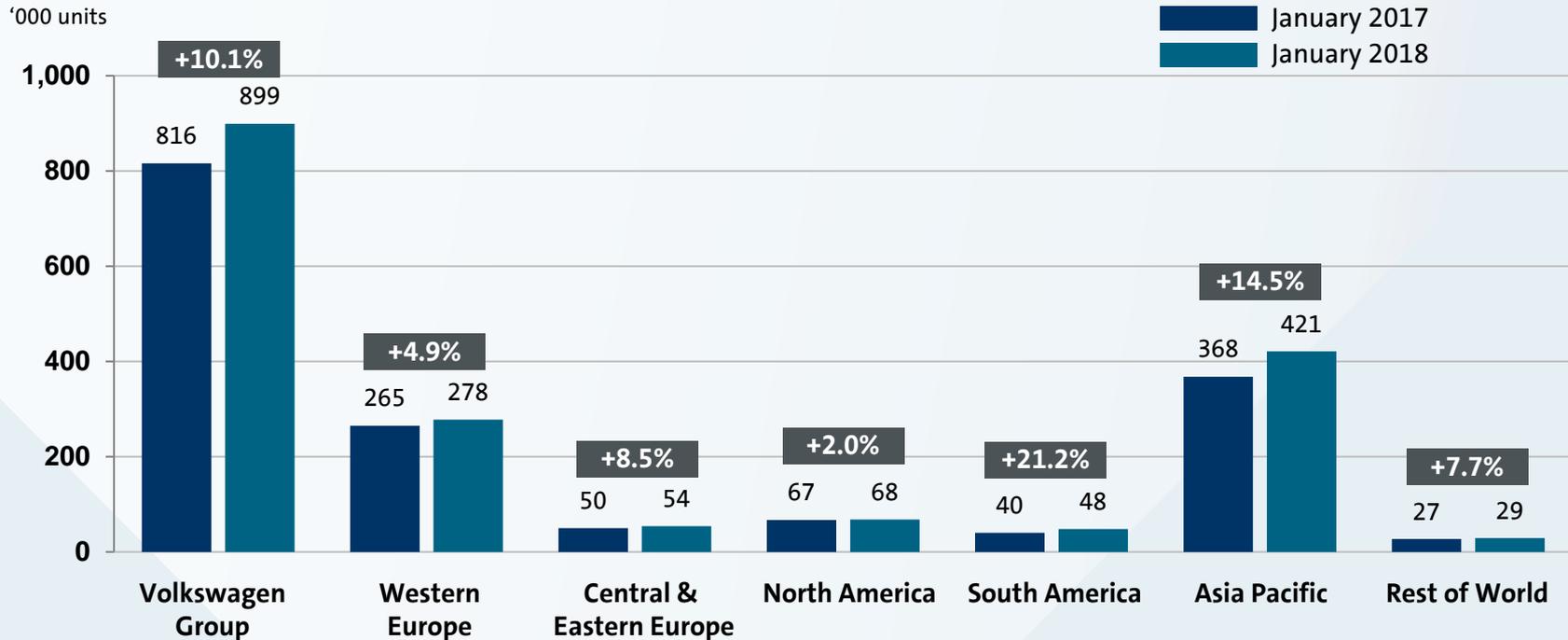
<sup>2)</sup> MAN incl. MAN Latin America Trucks and Busses GVW > 5t.

## Volkswagen Group – Deliveries to Customers by Markets<sup>1)</sup> (January to December 2017 vs. 2016)



<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +4.2% excl. Volkswagen Commercial Vehicles, Scania and MAN.

## Volkswagen Group – Deliveries to Customers by Markets<sup>1)</sup> (January 2018 vs. 2017)



<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +10.3% excl. Volkswagen Commercial Vehicles, Scania and MAN.

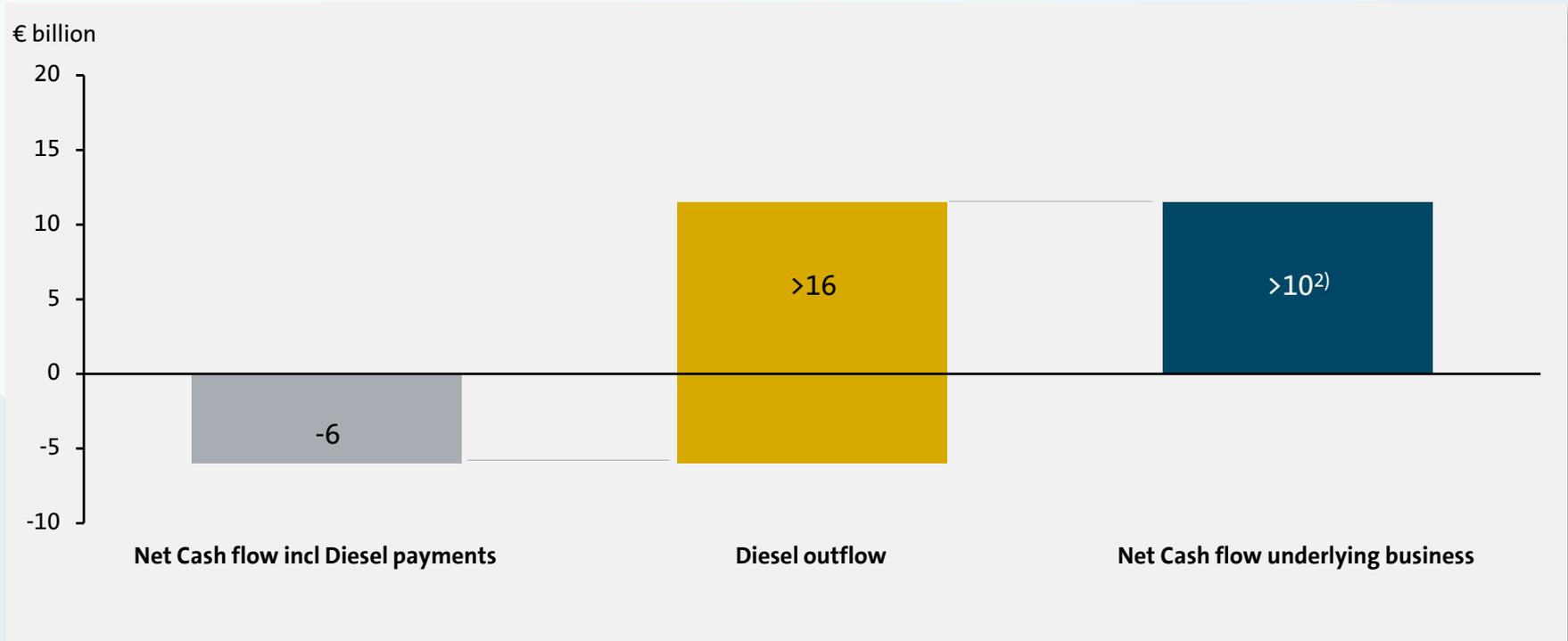
## Volkswagen Group – Key Financial Figures<sup>1)</sup> (January to December 2017 vs. 2016)

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>	95	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).

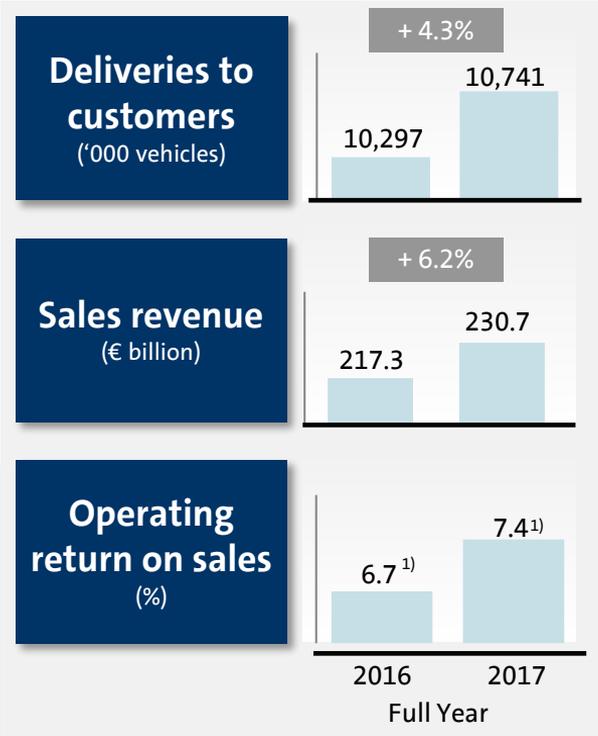
## 'Best ever' Automotive Division Net Cash Flow (ex Diesel payments)<sup>1)</sup> (January to December 2017)



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

<sup>2)</sup> Incl. Chinese dividends.

## Volkswagen Group – Outlook for 2018

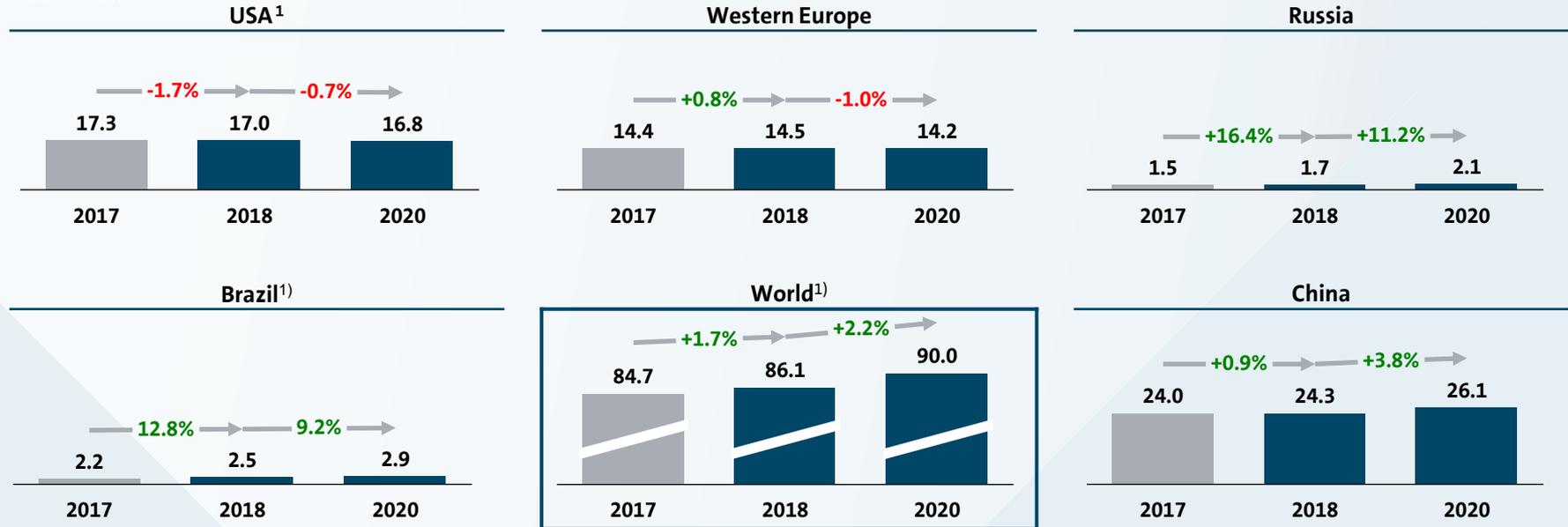


<sup>1)</sup> before Special Items.

## 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



Actuals Forecast

[Data source: IHS Automotive (02.2018) | <sup>1)</sup> Volume for North & South America includes light commercial vehicles (definition 'Light Vehicles') | growth 2017-2020 = CAGR

# Upcoming Premium and Luxury models enhancing our portfolio offer

Premium / Luxury models:



Cayenne



A8 / A8L



Continental GT



Urus



A6



RS 4 Avant

Q4  
2017

2018



Panamera Sport Turismo



A7 Sportback



Q8



A1 Sportback



SQ2



Q3

Dates: Market introduction of selected models / schematic overview

# Strong product momentum continues in Volume segments

Volume models:



T-Roc

Q4  
2017



up! GTI



Polo GTI



Touareg

2018



Arona



Karoq



Tiguan LWB



Virtus (SAM)



Jetta (NAR)

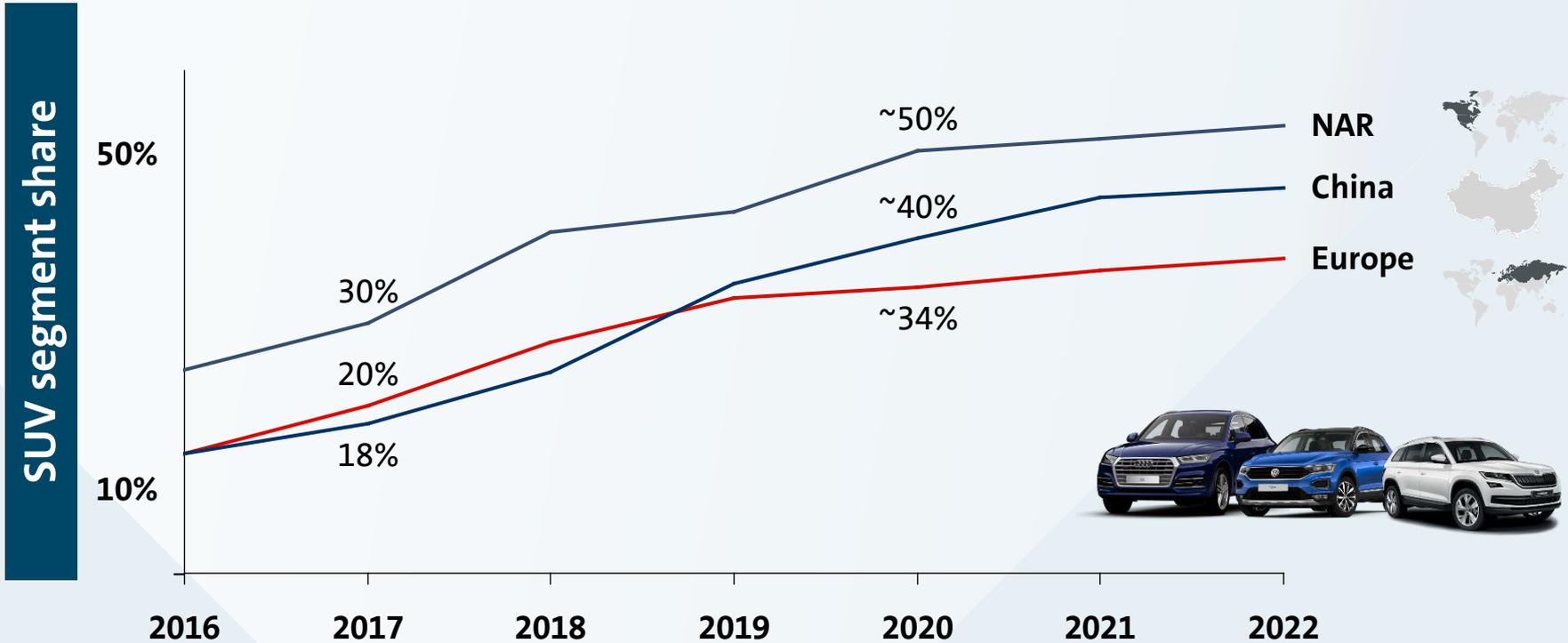


SEAT  
Tarraco

Dates: Market introduction of selected models / schematic overview

## Strong Increase in our SUV mix

SUV mix by region based on expected regional Group sales



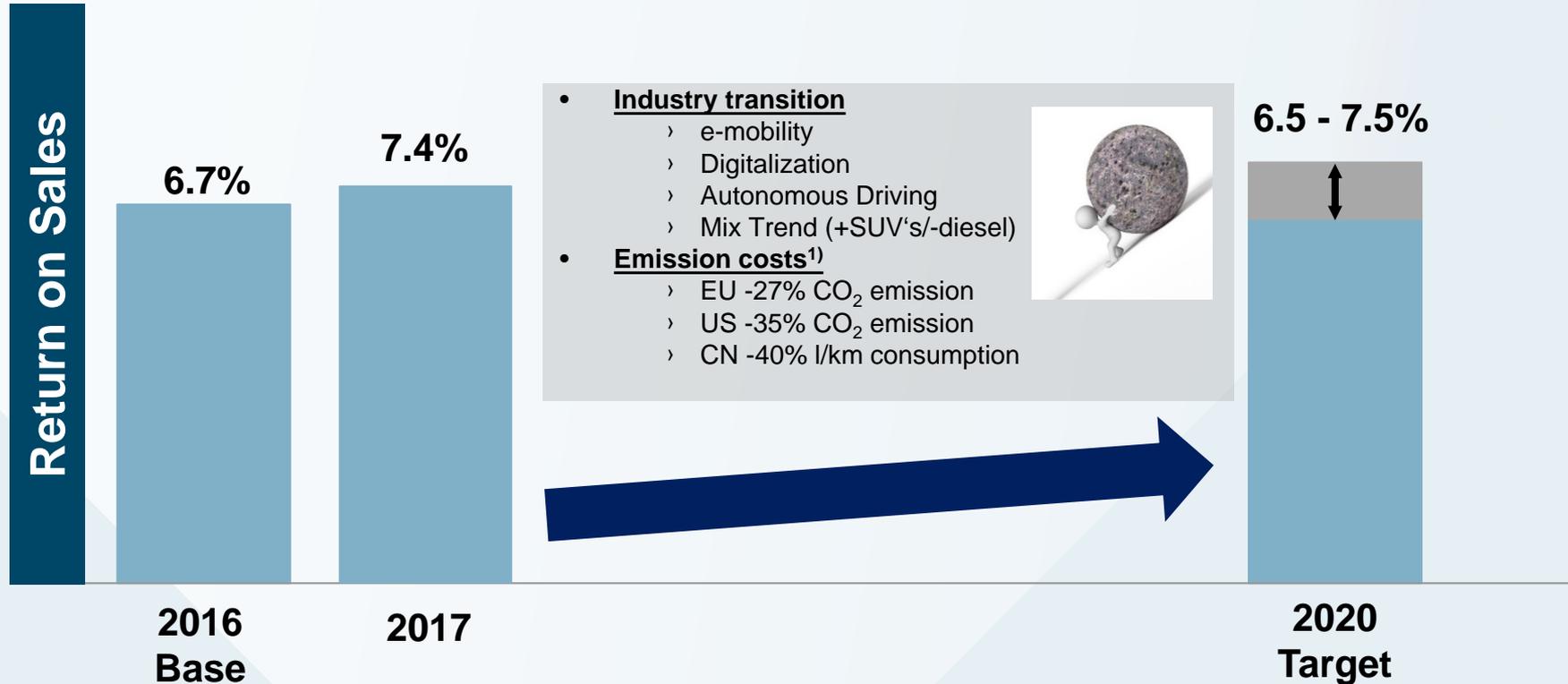
## Clear Financial Targets and Milestones

Key financial targets	2016 Actual	2017 Outlook	2017 Actual	2018 Outlook	2020 Targets	2025 Targets
<b>Operating return on sales</b> <i>Before</i> Special Items	6.7%	moderately exceed 6-7%	7.4%	6.5-7.5%	6.5-7.5%	7-8%
<b>Return on investment</b> Automotive Division <i>before</i> Special Items	13.9%	moderately exceed 11-13%	12.1%	1)	13-15%	> 15%
<b>Capex ratio</b> Automotive Division	6.9%	~6.6%	1)	1)	6%	6%
<b>R&amp;D cost ratio</b> Automotive Division	7.3%	~6.7%	1)	1)	6%	6%
<b>Cash</b> Automotive Division						
<b>a) Net Cashflow</b>	€ 4.3 bn	negative	≥ € 10 bn <sup>1)2)</sup>	positive	≥ € 10 bn	> € 10 bn
<b>b) Net Liquidity</b>	€ 27.2 bn	> € 20 bn	€ 22.4 bn	> € 20 bn	> € 20 bn	~10% of Group turnover

<sup>1)</sup> The exact figures for 2017 and guidance for 2018 will be published on March 13th during the Annual Press Conference.

<sup>2)</sup> Excl. Diesel payments.

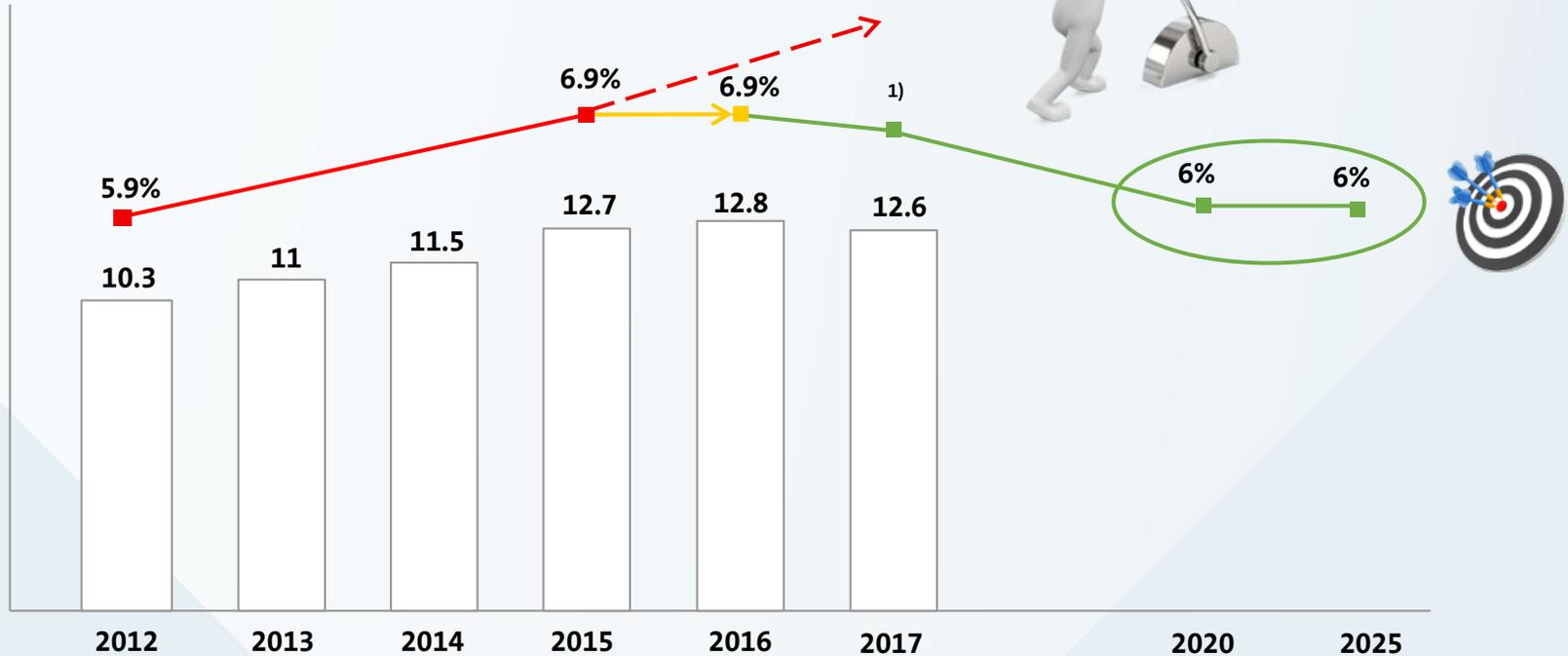
# Improving Group results despite significant challenges



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

# CAPEX Automotive Division

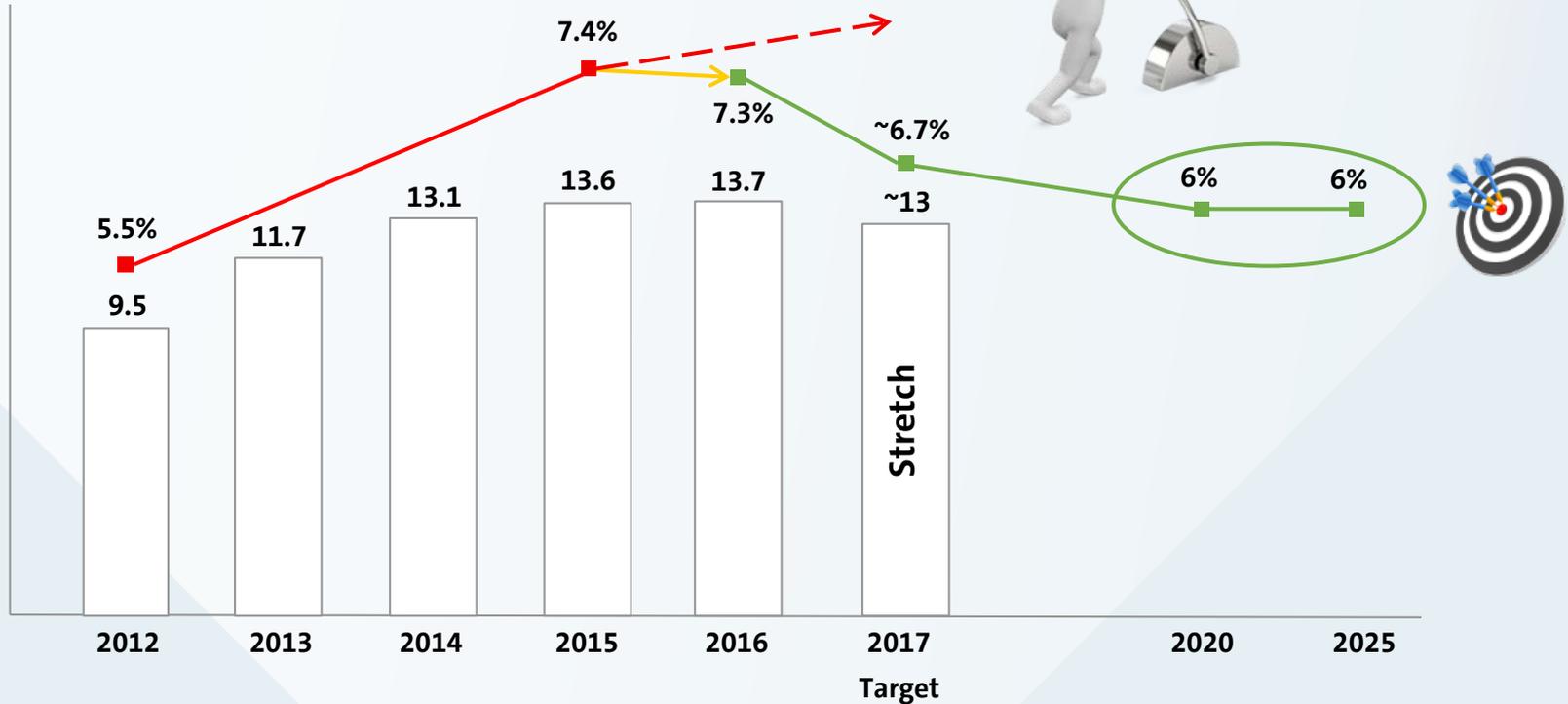
(€ billion, as % of sales revenue)



<sup>1)</sup> The exact figures for 2017 will be published in March 13th during the Annual Press Conference.

# R&D Cost Automotive Divison

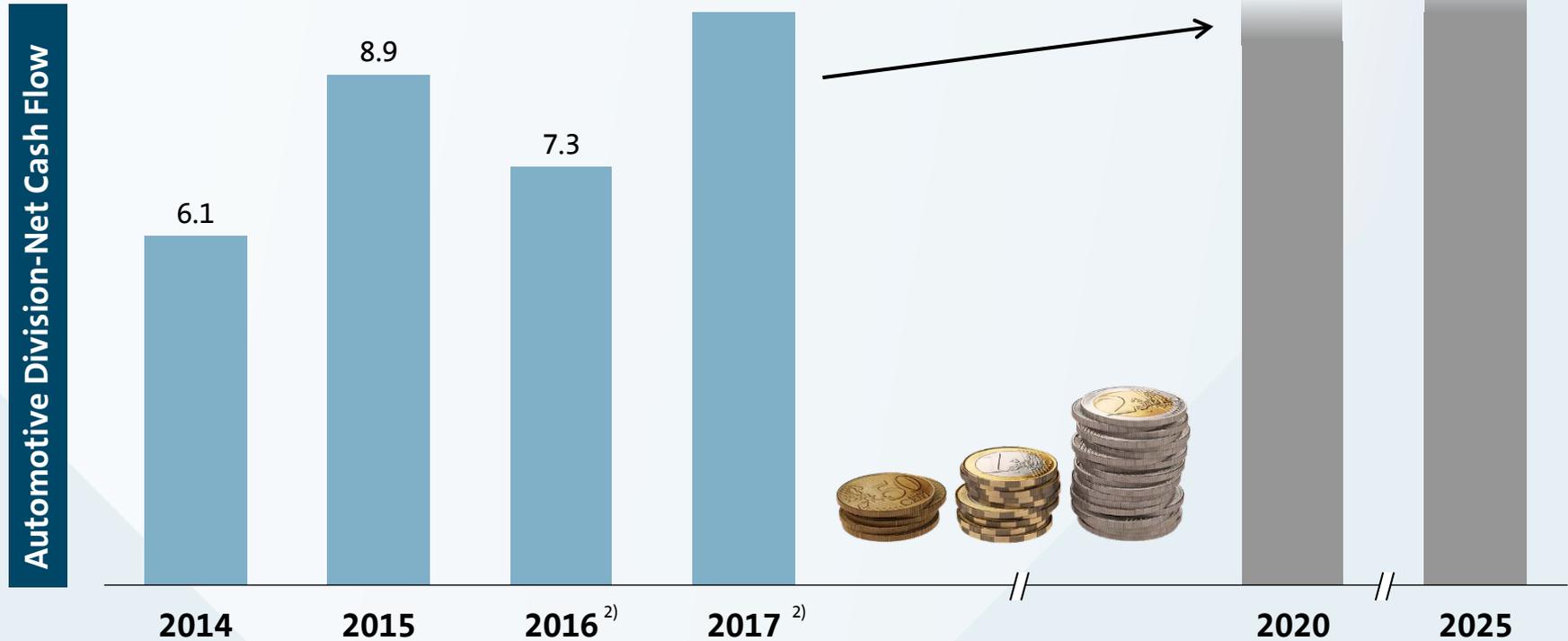
(€ billion, as % of sales revenue)



The exact figures for 2017 will be published in March 13th during the Annual Press Conference.

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

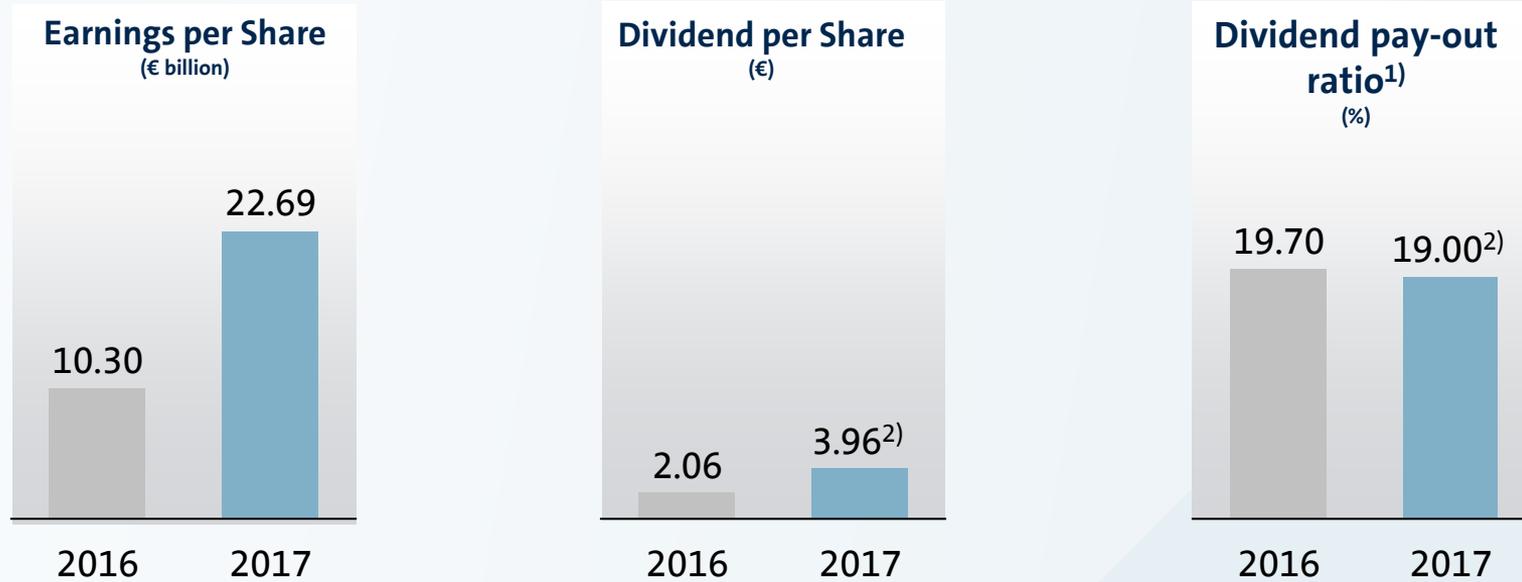
in € billion



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

<sup>2)</sup> Before around € 3 bn in 2016 and expected € 17 bn in 2017 Diesel related outflow. The exact figures for 2017 will be published in March 13th during the Annual Press Conference.

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



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

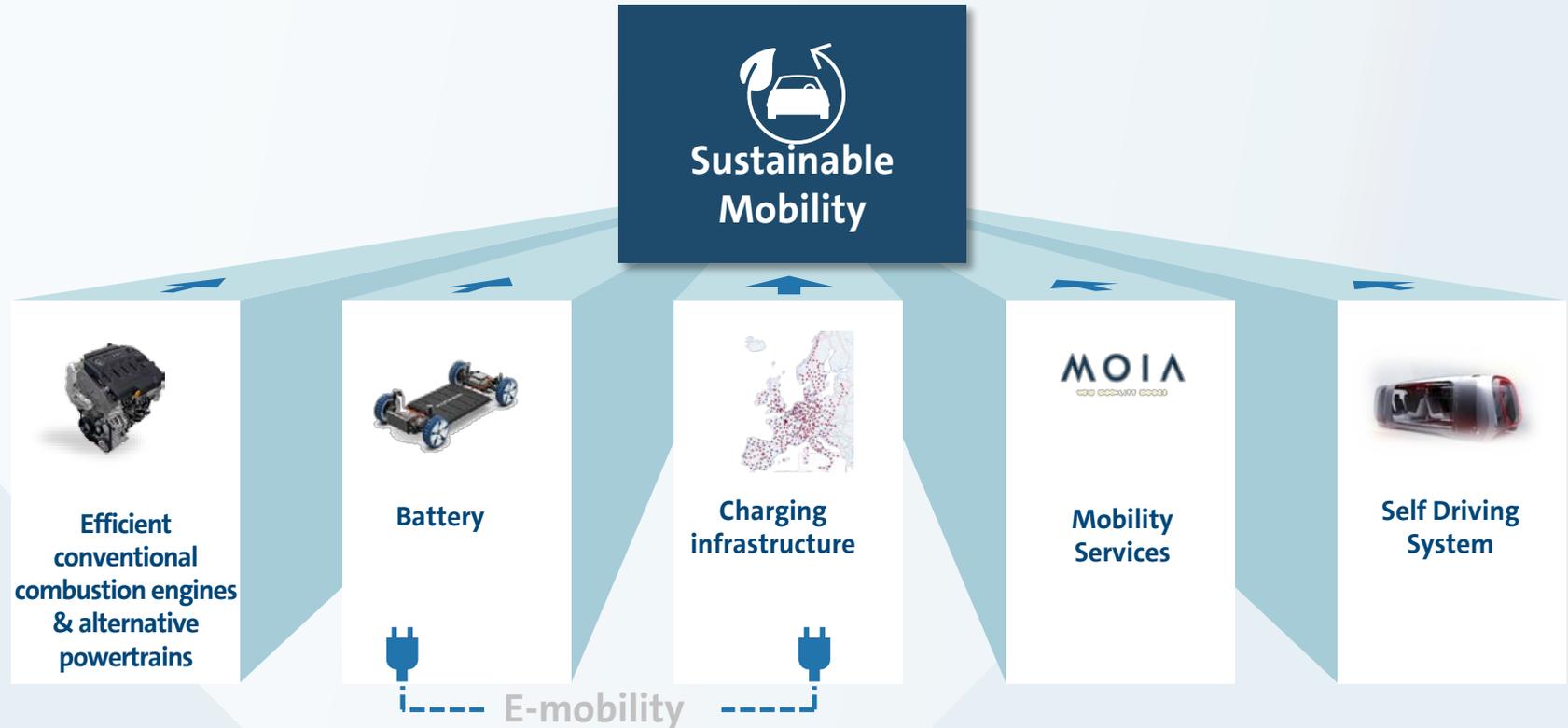
<sup>1)</sup> Total dividend in percent of net income attributable to shareholders of Volkswagen AG.

<sup>2)</sup> Proposal for the business year 2017 (adjusted for non-recurring effects related to the tax reform in the USA of € 1 bn) to be approved at the Annual General Meeting on May 3rd.

# STRATEGY 2025 – Initiatives at a glance

<p><b>GROW PROFITABLY</b></p> <ul style="list-style-type: none"> <li>1 Sharpen positioning of brands</li> <li>2 Develop winning vehicle and drivetrain portfolio</li> <li>3 Streamline modular architectures</li> <li>4 Partner with regional players to win in economy segment</li> </ul> <p><b>DEVELOP STRATEGIC CAPABILITIES</b></p> <ul style="list-style-type: none"> <li>5 Develop self-driving system for autonomous vehicles and artificial intelligence in-house</li> <li>6 Develop battery technology as new core competency</li> <li>7 Develop best-in-class user experience across brands and customer touchpoints</li> </ul> <p><b>ENHANCE ENTREPRENEURIAL SPIRIT</b></p> <ul style="list-style-type: none"> <li>8 Implement model line organization</li> <li>9 Realign "Components" business</li> </ul>	 <p>Transform core business</p> <ul style="list-style-type: none"> <li>10 Build mobility solutions business</li> <li>11 Develop and expand attractive and profitable smart mobility offering</li> </ul>  <p>Build mobility solutions business</p>	<ul style="list-style-type: none"> <li>12 Improve operational excellence</li> <li>13 Optimize business portfolio</li> </ul>  <p>Secure funding</p>	
<ul style="list-style-type: none"> <li>14 Drive digital transformation</li> </ul>	<ul style="list-style-type: none"> <li>15 Create organization 4.0</li> </ul>	 <p>Strengthen innovation power</p>	<ul style="list-style-type: none"> <li>16 Better integrated and strategic planning process</li> </ul>

## Building blocks to provide sustainable mobility solutions



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

### The future is electric and green.

- 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

### 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

### PPE Premium Platform Electric

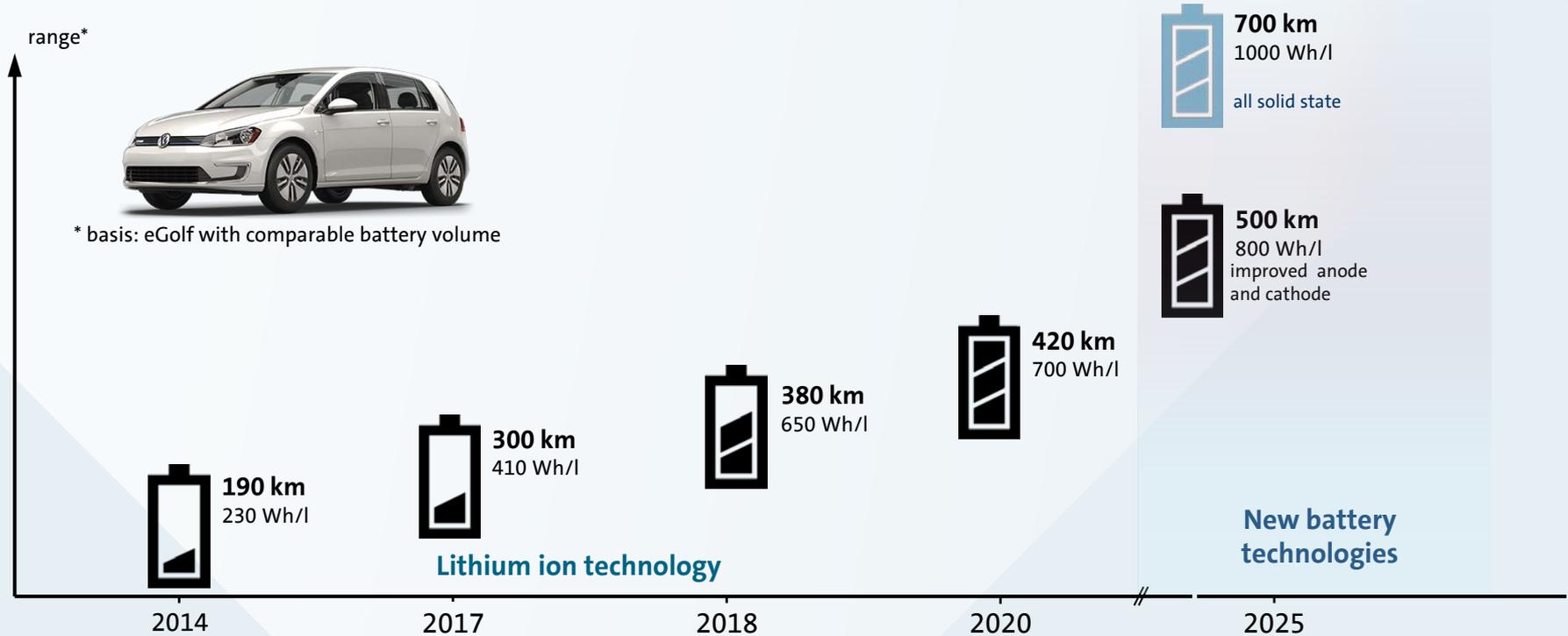


- Common modules and scale effects save up to 30% development costs (compared to brand excl. developments)
- Flexibility: Architecture open for other brands to be used in the future

## Three models of Volkswagen's "Starting Five" for the Electric Age

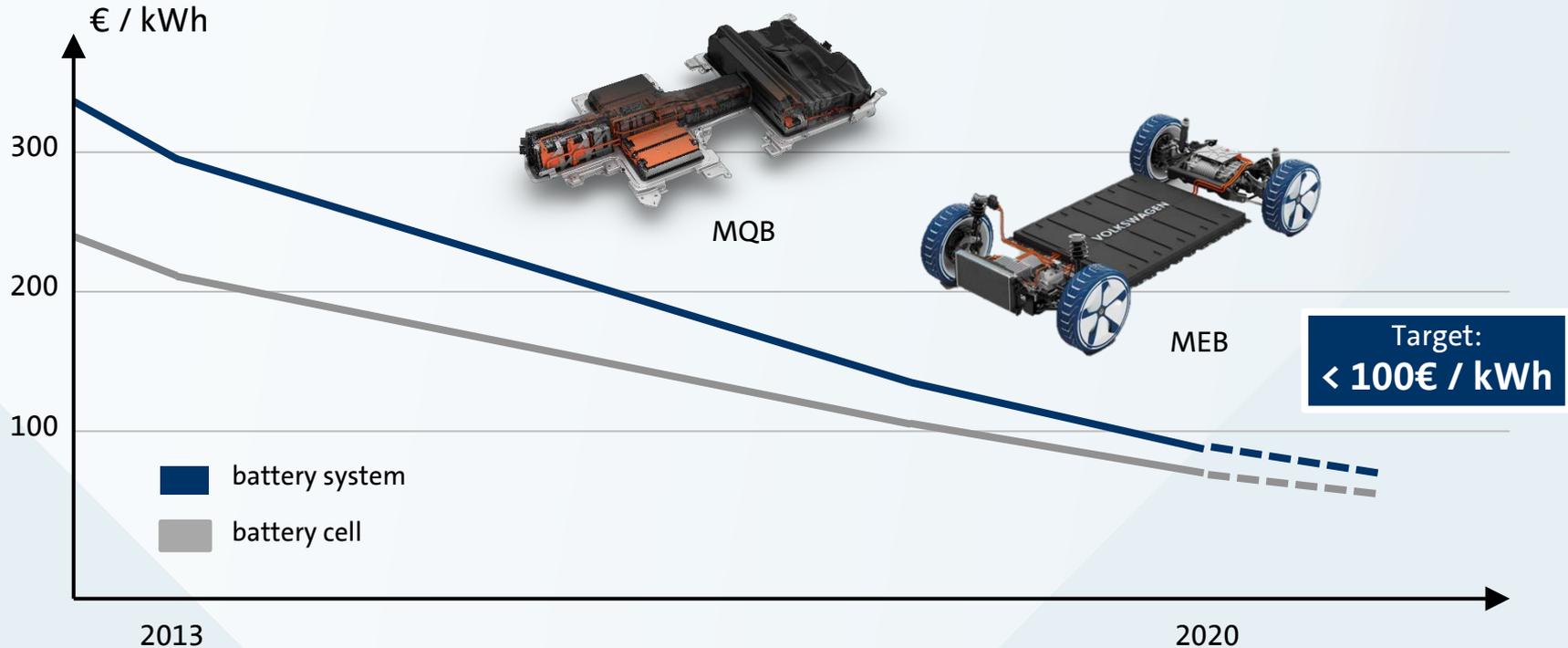


# Advances in battery technology will improve range, weight and costs



Energy density, or volumetric energy density, reflects volume in liters (Wh/l).

# 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
- € 50bn battery cell procurement volume up to 2025



2025

2030

2017



- 3 BEVs, 8 PHEVs



- € 20bn Capex to be ramped up
- At least one electrified version for each of the Group's 300 or so models

# Successful launch of MOIA Shuttle at the “TechCrunch” and customers show a high demand for a “Special Purpose Vehicle”



Connected to backend



Customized interior with high comfort/ connectivity



Prepared for Shadow/ security driver mode



6 passenger seats with high privacy



MOIA branded



Electric door concept



Unique recognizable design



BEV with > 300 km real range



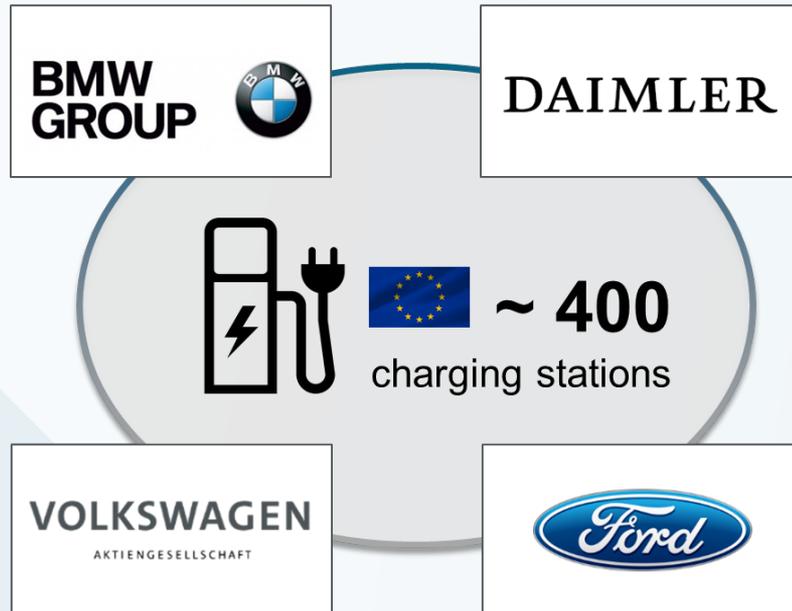
< 6 m



< 3,5 t

## 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)

# 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



Urban Shuttle/Carrier/Pod



2005

2010

2017

2018

2021+

"Stanley" Winner Darpa Grand Challenge



Volkswagen Group >200 AV related patents

Foundation AID GmbH

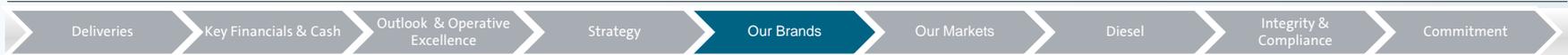


MOIA Battery Electric Special Purpose Shuttle



Personal Autonomous Vehicles

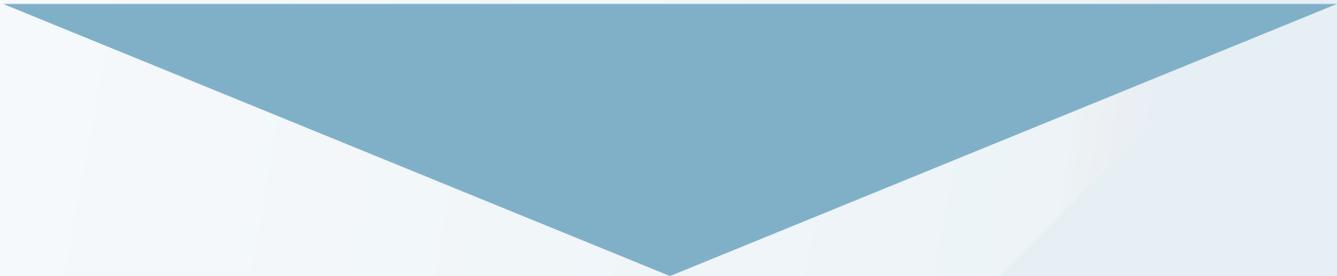




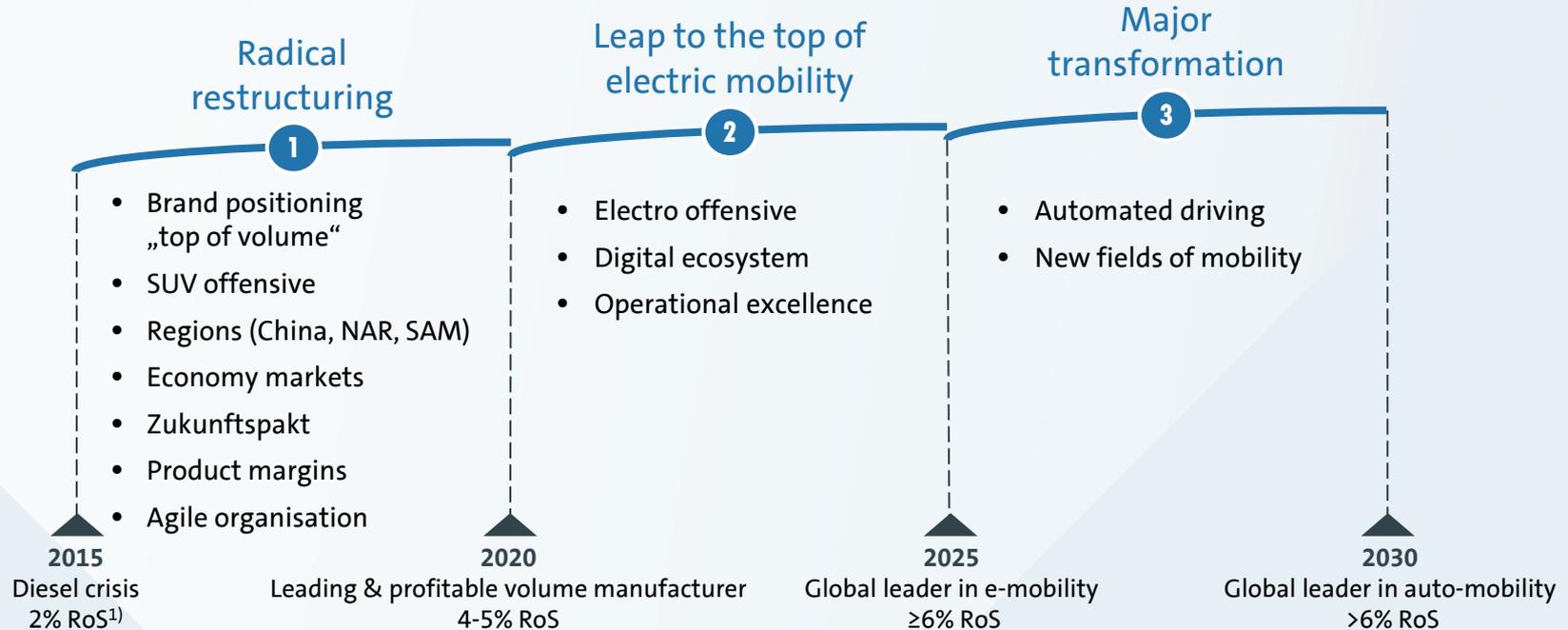
## Cascading Group Targets to Brands



Commitment

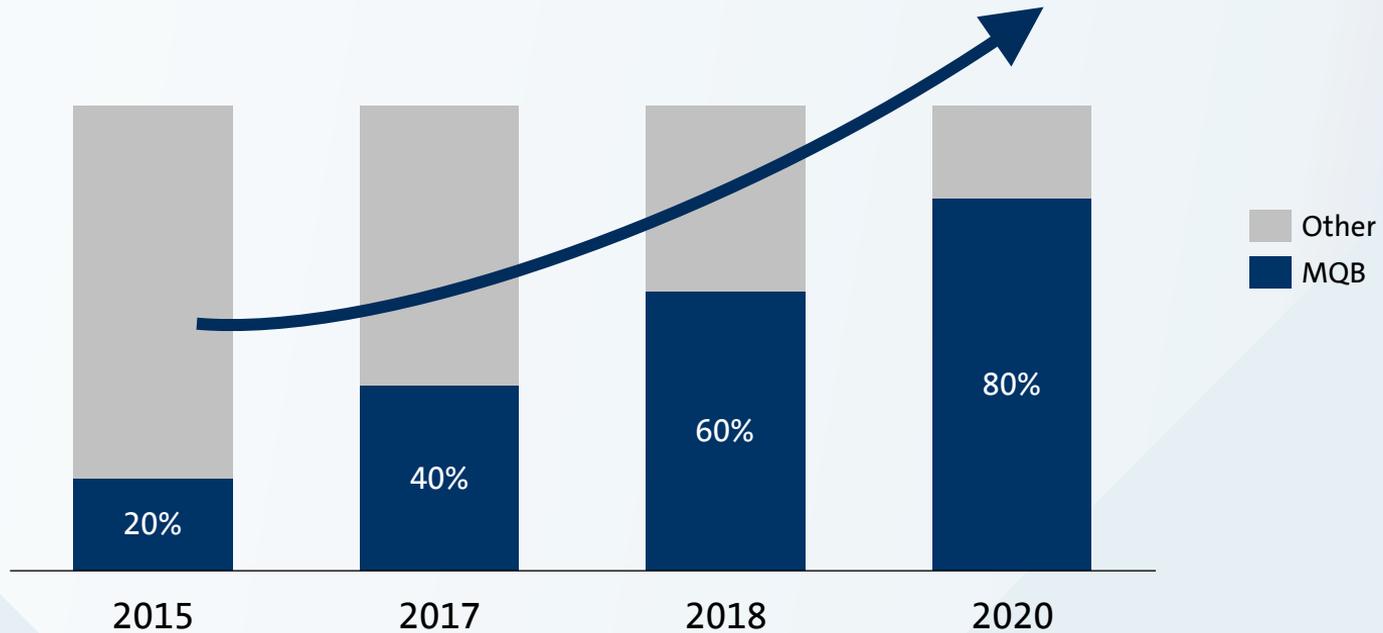


# „TRANSFORM 2025+“ strategy will put the Volkswagen Brand to the top of the automotive industry



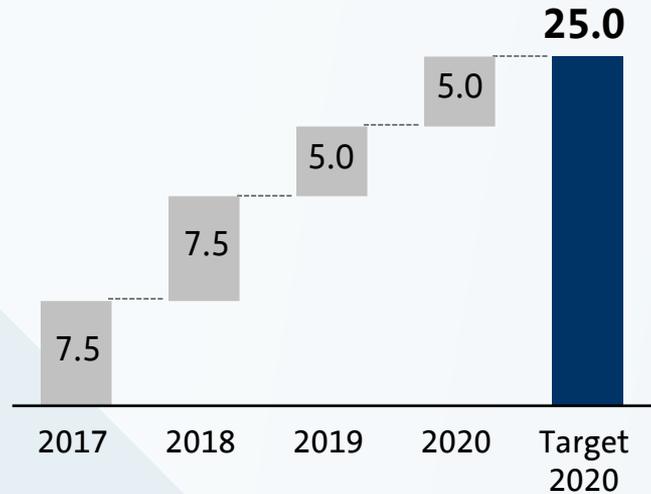
<sup>1)</sup> Before special items

## Further roll-out of MQB offers substantial benefits

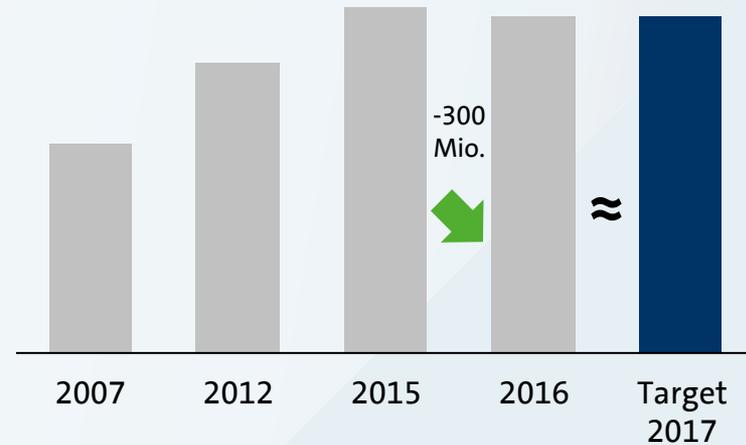


# Volkswagen brand: Productivity will increase by 7.5 percent in 2017<sup>1)</sup>

## PRODUCTIVITY IMPROVEMENT (percent | Targets)



## FIXED COSTS IN GERMANY (€ billion)



<sup>1)</sup> An update for actuals 2017 will be given on March 14th during the Annual Press Conference of the 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

## Current Performance

### Sales Figures

- 1.7 million deliveries worldwide (as of Nov)
- One-offs in China at the beginning of 2017 had a negative impact on deliveries
- However since June Audi is gaining back its leading position in the Chinese premium market
- 83rd record-breaking month in a row in the US
- For full year slight increase is expected

### Model Launches

- New compact SUV Q2 sold 86.000 units in his first full year
- New version of the A5 family with 96.000 units up 53%
- FBU version of the new Q5 generation provides fresh impetus for the already strong SUV Portfolio (SUV ratio ~ 37%)
- New Audi A8 sets milestones with 48V/Mild Hybrid, Audi AI and is developed for Level 3 SAE
- Lamborghini SUV Urus introduces a new era of luxury

### Financial Figures

Key financial targets	Q1-Q3 2015	Q1-Q3 2016	Q1-Q3 2017
Revenue	€ 43,695	€ 44,017 m	€ 44,235 m
Operating Result <sup>1)</sup>	€ 4,024	€ 3,033 m	€ 3,941 m
Return on Sales <sup>1)</sup>	9.2%	6.9%	8.9%
Net-Cash-Flow <sup>2)</sup>	€ 2,061 m	€ 3,086 m	€ 2,489 m
CAPEX	4.6%	4.6%	4.2%
R&D	7.4%	7.6%	6.8%

### Highlights

- Strategic Realignment in China (05/2017) sets course for future growth
- New design philosophy by Marc Lichte delights Audi customers
- Audi Summit (07/2017) – Vorsprung as a promise
- Audi Aicon concept car (Frankfurt IAA) – autonomous on course for the future

<sup>1)</sup> Q1-Q3 2016 Operating Result incl. special items of € 885 m (Diesel issue, Takata); Return on Sales adjusted for special items 8.9%.

<sup>2)</sup> Q1-Q3 2017 incl. cash outflow of approx. € 1 bn in the context of the Diesel issue.

# Outlook and Strategic Position

## Product Outlook

- Further impetus from latest and upcoming product launches: new A8, A7, A6 will excite our high-end customers
- 2nd generation Audi A1 will capture young customers
- SUV portfolio: all new Audi Q8 and next generation of our bestseller Audi Q3 will boost our SUV-ratio additionally
- Audi e-tron will change the electric game in 2018 - from 2020 move towards 100% use of Group EV-platforms PPE and MEB

## Production and Efficiency

- We enhance efficiency by using synergies with the VW Group strategically - Audi and Porsche team up for future premium electric mobility with the joint **Premium Platform Electric (PPE)**
- **“Angriffsplan”** will create €10 bn. headroom for Audi’s transformation path: optimize processes, reduce costs, set clear focusses
- Unlocking potential 30% from revenue growth, 70% from cost savings

## Financial Targets

Key financial targets	2017	2025
Revenue	slight increase	n.a.
Operating Return on Sales	8 – 10%	8 – 10%
Return on Investment	15 – 18%	21%
Net-Cash-Flow	positive, significantly below the previous year due to diesel issue	positive
CAPEX	moderately above 5.0 – 5.5%	5.0 – 5.5%
R&D	slightly above 6.0 – 6.5%	6.0 – 6.5%

## Industry Transformation

- **Autonomous driving** – Audi is leading a dual approach towards development of Level 4/5 SAE focusing on scale effects for the group
- **Digitalization** – effortless us, commercial success; e.g. „function on demand“ starting with the Audi e-tron, Online Used-car platform
- **Sustainability** – creating value with electric and new energy vehicles but also leveraging VW Group synergies for EV batteries
- **g-tron and 48V/mild hybrid technology** - unique strength in CNG and electrification of ICE as potential diesel “bridging”

Deliveries

Key Financials & Cash

Outlook & Operative  
Excellence

Strategy

Our Brands

Our Markets

Diesel

Integrity &  
Compliance

Commitment

## 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



Local OEMs dominating in BRIC markets  
Improving infrastructure, stronger regulations open opportunities for Volkswagen

### Emission regulations



Europe with aggressive regulations, focus shifting to diesel lock-outs  
BRIC trailing behind, but with ambitious roadmap

### Connectivity & digitalization



Platooning and partly-autonomous driving as transition solutions  
Data management for customers and traffic of broad interest

### After sales and new business opportunities

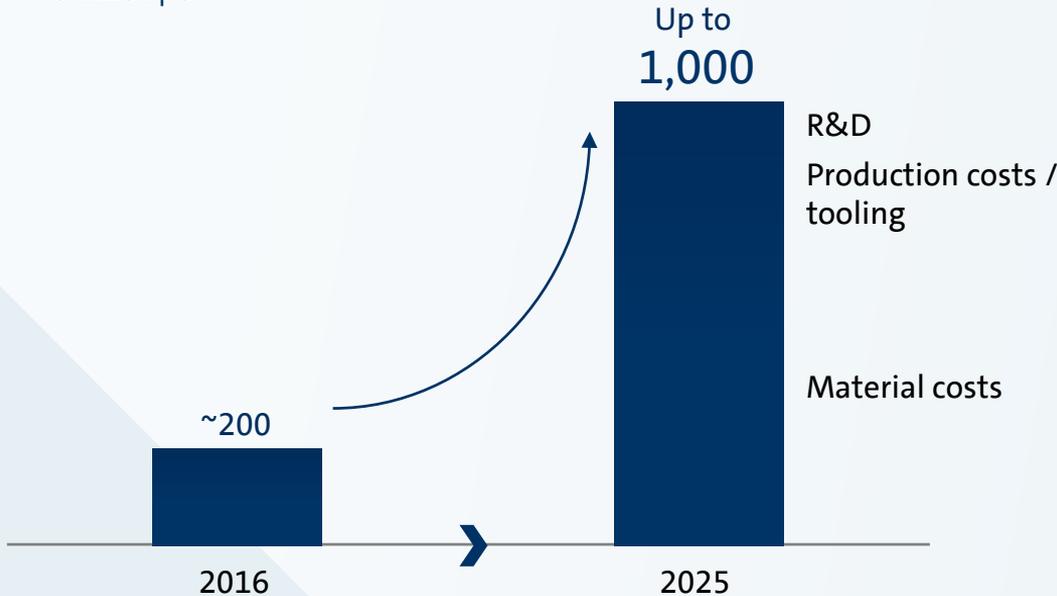


After sales increasingly important as alternative source of revenues  
New business models (e.g. enhanced telematics) can stabilize revenues

# Long-term synergy potential will enable savings of up to €1 bn p.a.

## Synergy potential from brand collaboration and expanded platform strategy

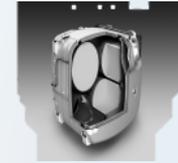
€ million p.a.



## Key common powertrain platforms



Base engine



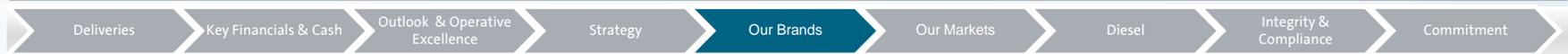
After-treatment



Transmission



Axles



## Global expansion on track with Navistar alliance

1	Equity investment		16.9% equity stake in Navistar by way of capital increase <sup>1)</sup>
2	Strategic technology and supply cooperation		Companies to collaborate on technology for powertrain systems, as well as other advanced technologies
3	Procurement joint venture		Procurement joint venture is pursuing joint global sourcing opportunities
4	Governance		2 VW T&B representatives nominated to Navistar Board of Directors. Joint Alliance Board to govern overall alliance

<sup>1)</sup>As at 30.09.2017.

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

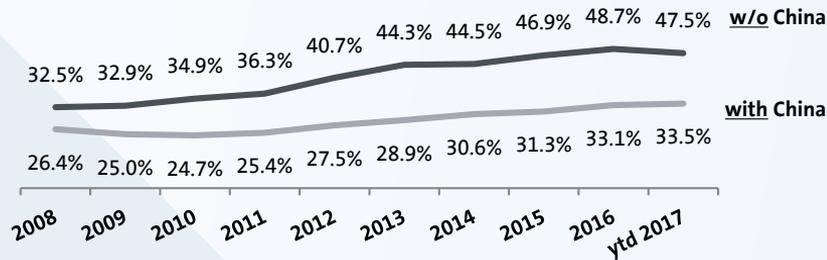
## Strong global presence



## Continuous portfolio expansion



## Rising penetration rates



## Diversified funding structure



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

# Rollout of MQB in the North American region to realize economies of scale and efficiencies

Local MQB production is increasing from around 10% to > 80% midterm,

positive impacts:

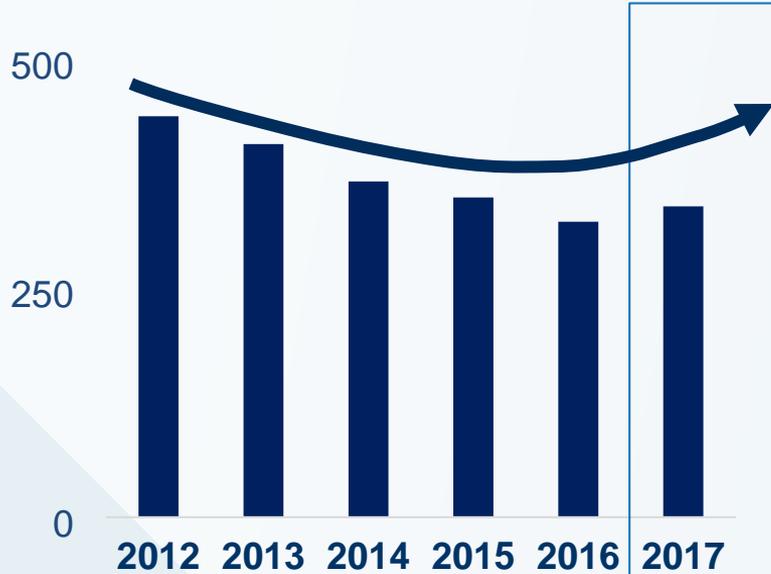
- Increasing capacity utilization
- Improving fix costs
- Higher investment efficiency as MQB basic investments are already complete



— NAR production volume using MQB (units)

# 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

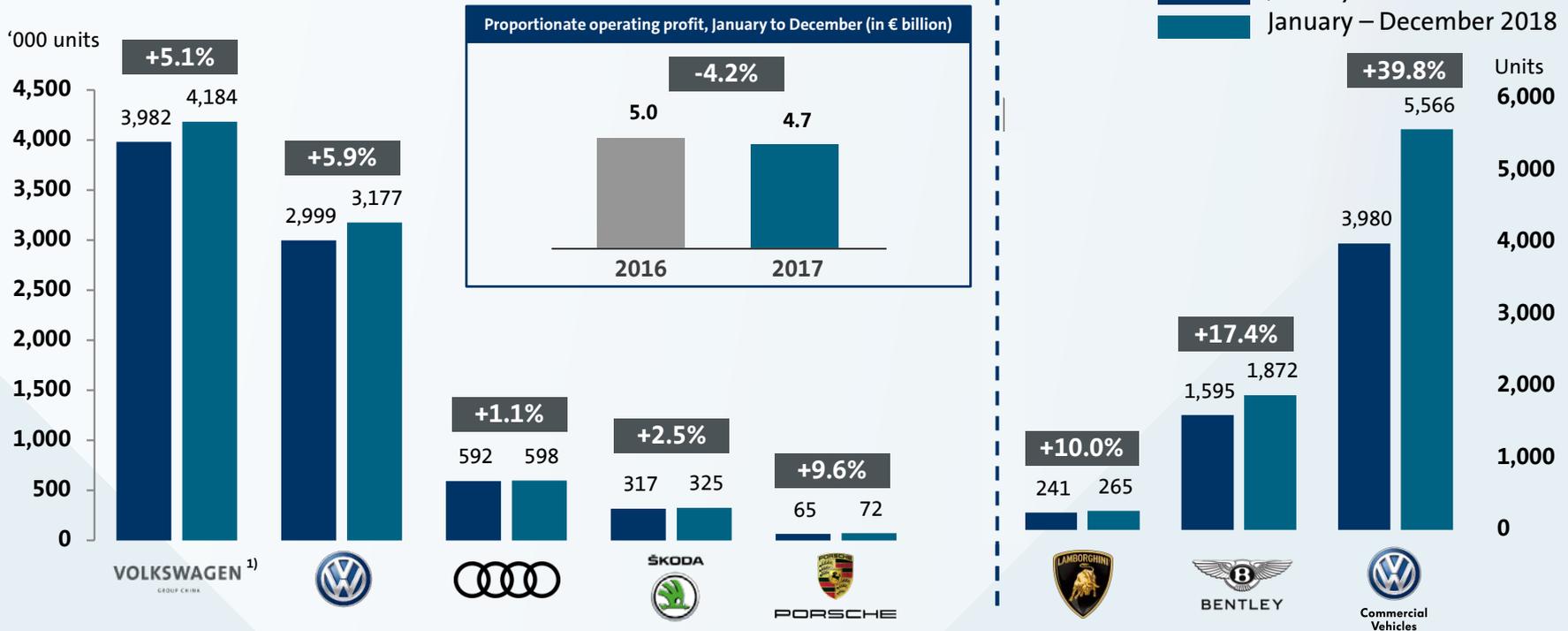
### Key measures

- 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 December 2017 vs. 2016)

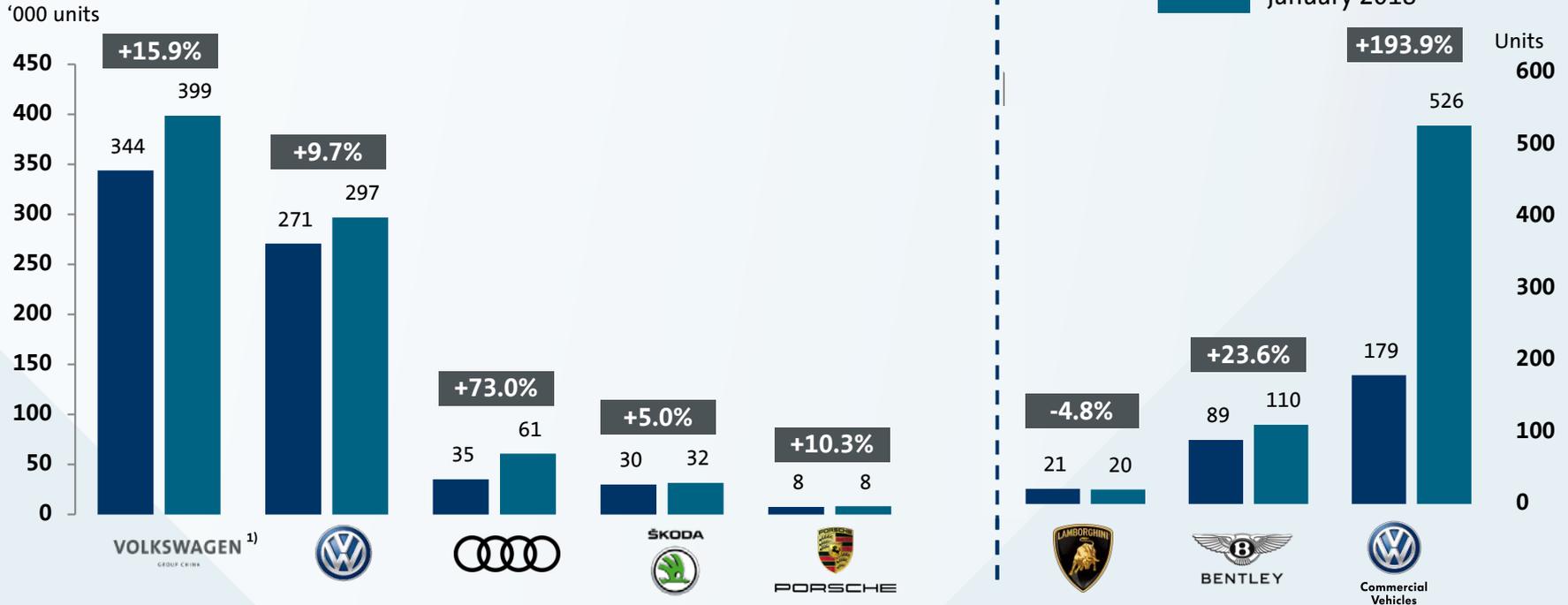


<sup>1)</sup> Incl. Hong Kong, excl. Ducati. Group numbers incl. Volkswagen Commercial Vehicles, Scania and MAN.



# Volkswagen Group China performance

(January 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 and NEV Credit System

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

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

- Transfer between affiliated companies
- Credit carry-over to next 3 years with depreciation
- Option to use positive NEV credits

### NEV Credits:

- No transfer from CAFC credits to NEV credits
- Carry-over of positive and negative NEV credits from 2019 to 2020
- Trading of NEV credits allowed

**The rules will be further supplemented.**

## MIIT<sup>2)</sup> draft 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  $\geq 70\%$  ICE

<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.



# We will be prepared to deliver around 400,000 NEVs by 2020 and 1,500,000 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

Pure electric vehicles based on scalable electric toolkit



VOLKSWAGEN  
GROUP CHINA

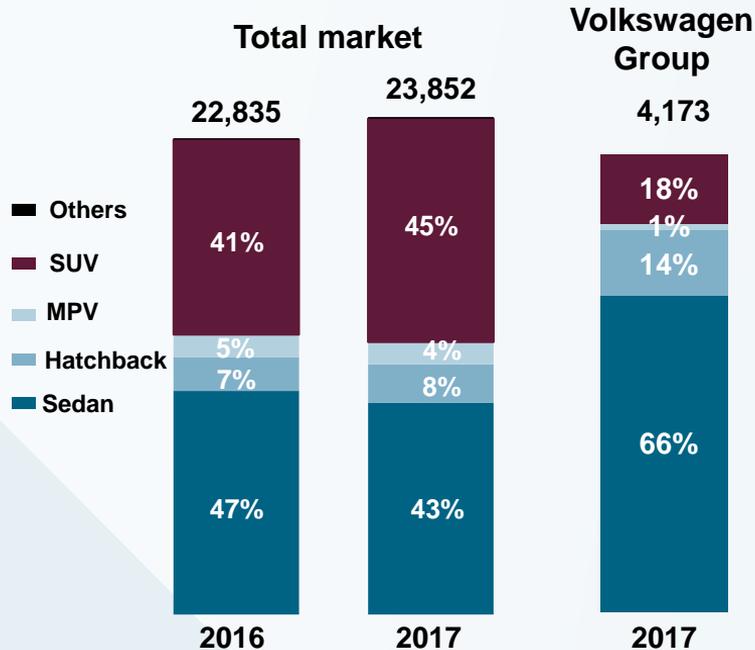
JAC 江淮汽车





# 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 SUV in 2018**  
3 of which are new models

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

**3 new ŠKODA SUVs in 2018**  
KAROQ

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

## 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	
		16.9	
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	3.2
	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 as we had cash outflows of around € 3 bn in 2016 and expected € 17 bn in 2017. The exact figures for 2017 will be published in March 13th during the Annual Press Conference.

## Technical solution in Europe/RoW simple and relatively easy to implement



### Predominantly software-only solution

### Update status



Around 7m units have been updated (end of February 2018)

- Technical solution already generally confirmed for all concepts by KBA<sup>1)</sup>
- Gradual approval of clusters after cluster-specific KBA inspection<sup>1)</sup>
- Software update in < 30 min. for 2.0L and 1.2L TDI; also simple, very cost-effective hardware solution “flow rectifier” for 1.6L TDI in < 60 min.

<sup>1)</sup> KBA approval relevant for EU28 and ECE user states (e.g., Turkey).

# Integrity, Compliance & Culture: a selection of three current activity areas

## 1. Implementation of Holistic Integrity Programme:



Six action fields form the basis for a holistic integrity programme:



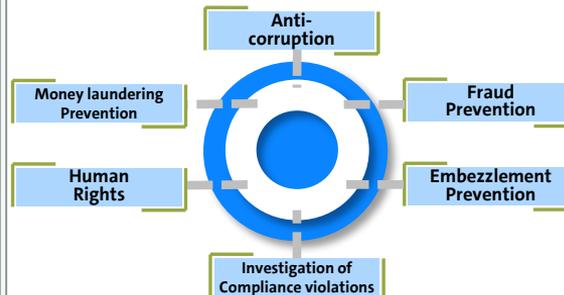
## 2. Evolution of Group Compliance:



Three areas were defined:

1. Development of Group Compliance Values
2. Clear definition of Group Compliance Objectives
3. Adjustment of Group Compliance structure

### Compliance scope:



## 3. Development of Code of Cooperation:



Mutual rules and guidelines of working together were developed:

- Cross functional
- Aims at corporate culture
- Includes all brands



# The Volkswagen Convention – Integrity, Culture and Compliance<sup>1)</sup>

## Highlights

- Experience-based discussions with self- reflection by all managers to enable mindset change and common understanding
- ~ 7.800 Managers through all levels from Board Member to Production Managers
- 25 „Working Labs“ in each convention
- Accompanied by Web-Based-Training on Integrity , Culture und Compliance
- Cascade of learnings from managers to all employees

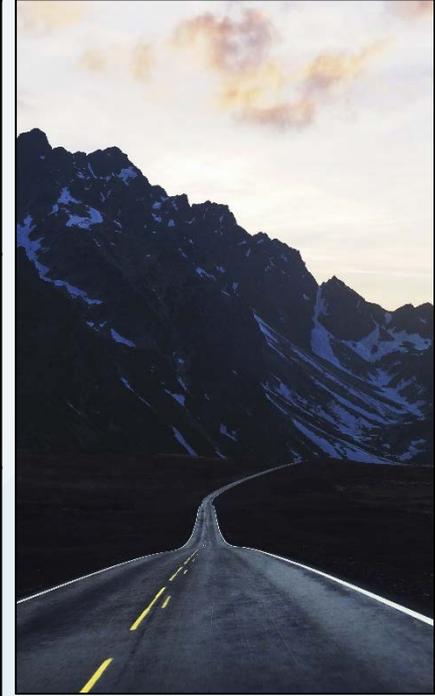


## Managers as Role Models

- Taking on responsibility
- Building trust
- Becoming more agile and flexible in thinking and doing

<sup>1)</sup> Held in Nov/Dec 2017.

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

	<p><b><u>Improving the Core Business</u></b></p> <ul style="list-style-type: none"> <li>• Profitability in NAR / SAM / Russia</li> <li>• Implementation Future Pact Brand Volkswagen</li> <li>• Cash Generation and Capex/R&amp;D discipline</li> </ul>	
	<p><b><u>Transformation towards more E-Mobility</u></b></p> <ul style="list-style-type: none"> <li>• CO<sub>2</sub> Compliance / WLTP implementation</li> <li>• Profitability of Electric Vehicles</li> <li>• Governance / Compliance / Culture</li> </ul>	
	<p><b><u>Strengthen Innovation Power</u></b></p> <ul style="list-style-type: none"> <li>• Digitalization &amp; Connectivity</li> <li>• Profitable Mobility Services</li> </ul>	

## Investor Relations Team



**Oliver Larkin (Wolfsburg / London office)**

*Group Head of Investor Relations*  
*E-Mail: [Oliver.Larkin1@volkswagen.de](mailto:Oliver.Larkin1@volkswagen.de)*  
*Telephone: +49 5361 9 49840*



**Helen Beckermann (Wolfsburg office)**

*Senior Investor Relations Manager*  
*E-Mail: [Helen.Beckermann@volkswagen.de](mailto:Helen.Beckermann@volkswagen.de)*  
*Telephone: +49 5361 9 49015*



**Alexander Hunger (Wolfsburg office)**

*Senior Investor Relations Officer*  
*E-Mail: [Alexander.Hunger@volkswagen.de](mailto:Alexander.Hunger@volkswagen.de)*  
*Telephone: +49 5361 9 47420*



**Andreas Kowalczyk (Wolfsburg office)**

*Investor Relations Officer*  
*E-Mail: [Andreas.Kowalczyk@volkswagen.de](mailto:Andreas.Kowalczyk@volkswagen.de)*  
*Telephone: +49 5361 9 23183*



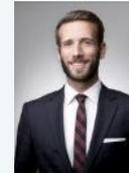
**Andreas Buchta (Wolfsburg office)**

*Investor Relations Manager*  
*E-Mail: [Andreas.Buchta@volkswagen.de](mailto:Andreas.Buchta@volkswagen.de)*  
*Telephone: + 49 5361 9 40765*



**Ulrich Hauswaldt (Wolfsburg office)**

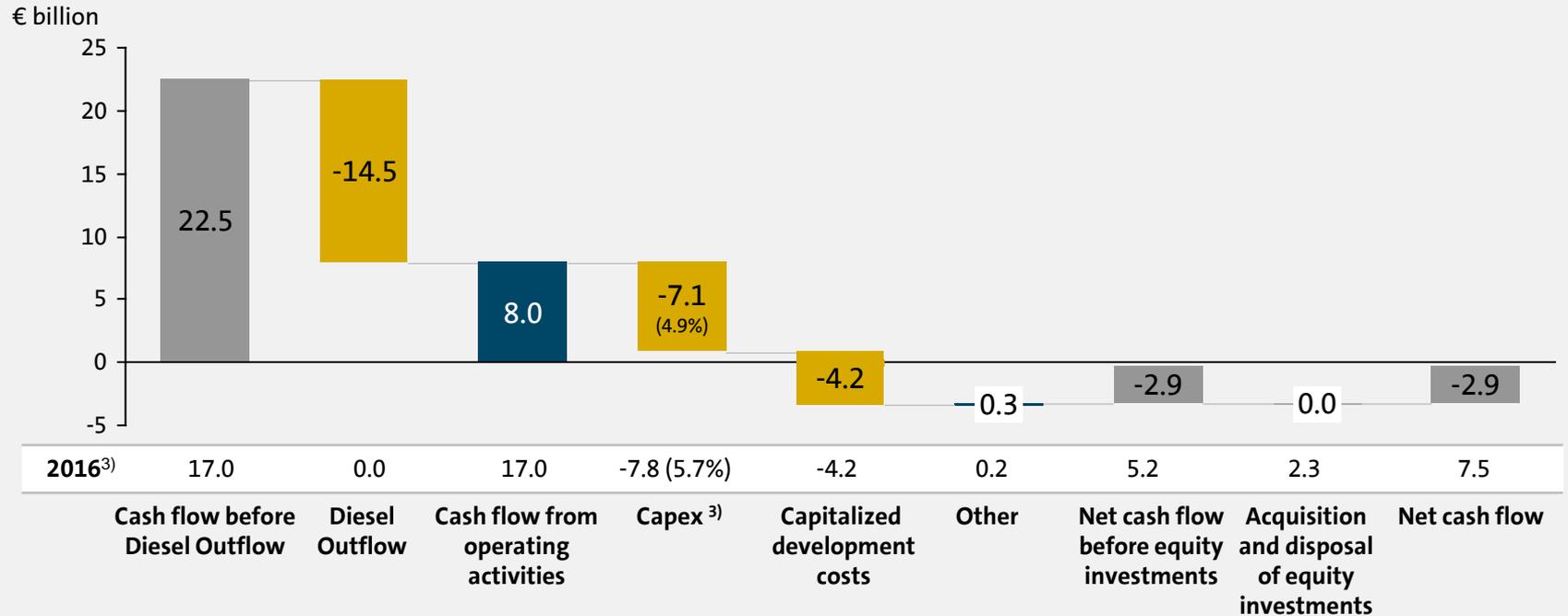
*Investor Relations Officer*  
*E-Mail: [Ulrich.Hauswaldt@volkswagen.de](mailto:Ulrich.Hauswaldt@volkswagen.de)*  
*Telephone: +49 5361 9 42224*



**Lennart Schmidt (China office)**

*Investor Relations Manager*  
*E-Mail: [Lennart.Schmidt@volkswagen.com.cn](mailto:Lennart.Schmidt@volkswagen.com.cn)*  
*Telephone: + 86 10 6531 4732*

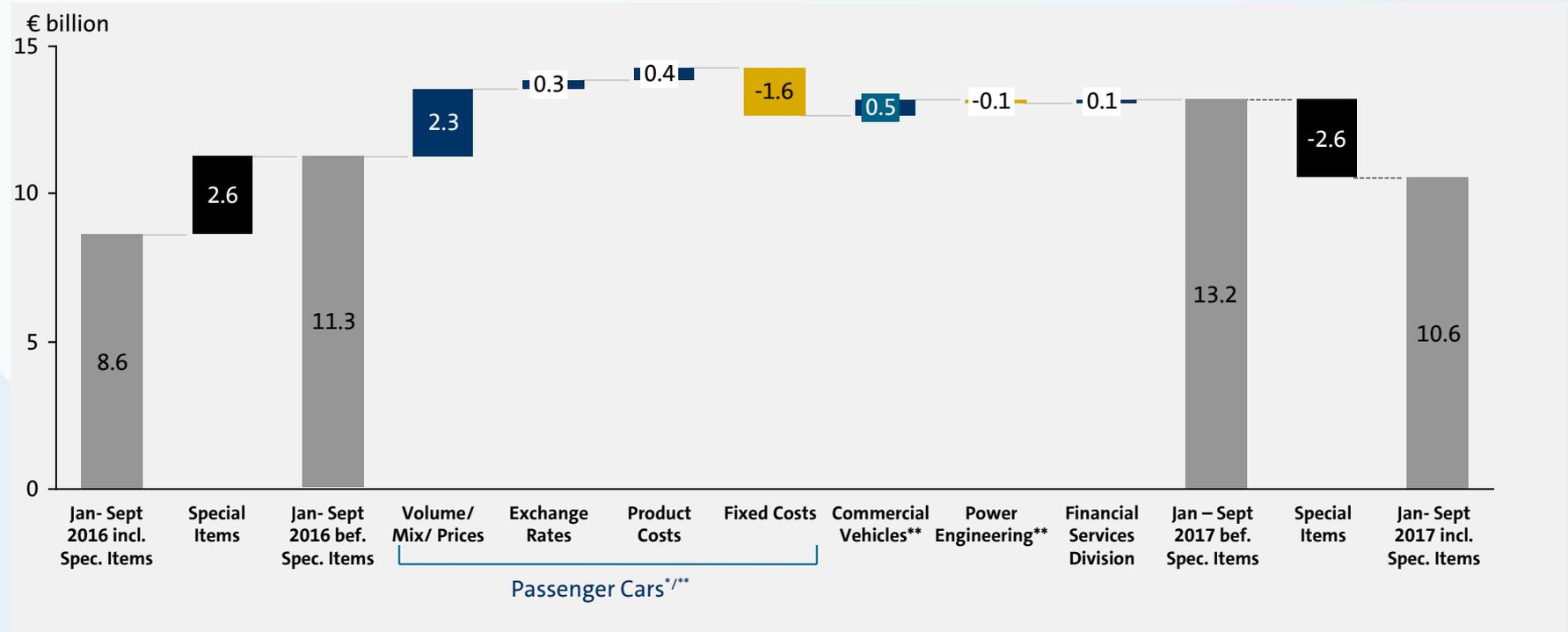
## Automotive Division Net Cash Flow Development<sup>1)2)</sup> (January to September 2017)



<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> Incl. 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.

## Volkswagen Group – Analysis of Operating Profit<sup>1)</sup> (January to September 2017 vs. 2016)



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

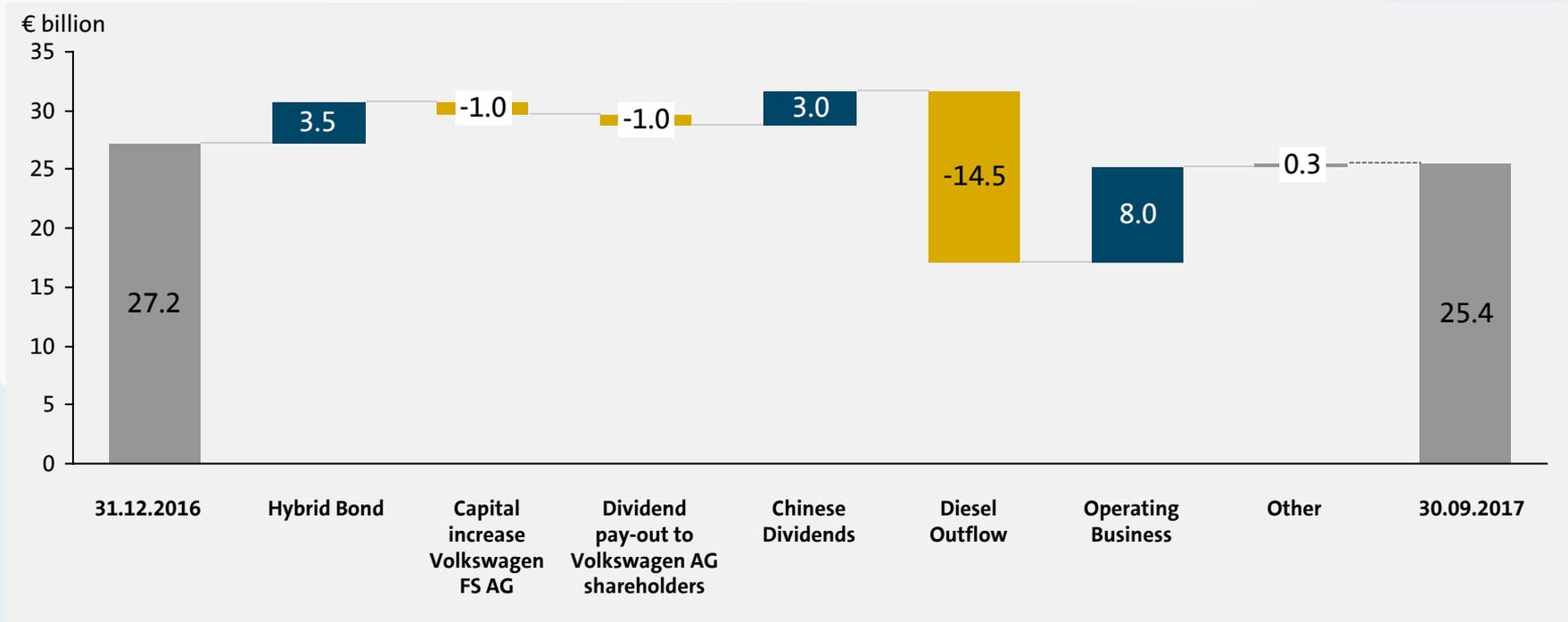
## Volkswagen Group – Analysis by Business Line<sup>1)</sup>

(January to September 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>	2,632	3,234	58,871	77,725	2,504	1,244	4.3%	1.6%
Audi	1,147	1,166	44,235	44,017	3,941	3,918	8.9%	8.9%
ŠKODA	700	606	12,338	10,113	1,206	940	9.8%	9.3%
SEAT	436	400	7,255	6,535	154	137	2.1%	2.1%
Bentley	7	8	1,321	1,411	31	54	2.3%	3.8%
Porsche Automotive <sup>3)</sup>	180	177	15,703	15,291	2,890	2,760	18.4%	18.0%
Volkswagen Commercial Vehicles	371	342	8,919	8,045	698	392	7.8%	4.9%
Scania <sup>4)</sup>	65	60	9,304	8,272	947	802	10.2%	9.7%
MAN Commercial Vehicles	80	74	7,970	7,213	269	204	3.4%	2.8%
MAN Power Engineering	-	-	2,355	2,567	107	176	4.5%	6.9%
VW China <sup>5)</sup>	2,917	2,803	-	-	-	-	-	-
Other <sup>6)</sup>	-623	-1,217	-21,272	-41,592	-1,277	-896	-	-
Volkswagen Financial Services <sup>7)</sup>	-	-	23,864	20,337	1,763	1,534	-	-
<b>Volkswagen Group before Special Items</b>	-	-	-	-	<b>13,231</b>	<b>11,267</b>	<b>7.7%</b>	<b>7.0%</b>
Special Items	-	-	-	-	-2,595	-2,620	-	-
<b>Volkswagen Group</b>	<b>7,913</b>	<b>7,653</b>	<b>170,864</b>	<b>159,932</b>	<b>10,636</b>	<b>8,647</b>	-	-
Automotive Division <sup>8)</sup>	7,913	7,653	145,553	136,889	8,717	6,841	-	-
of which: Passenger Cars	7,400	7,178	117,441	111,044	7,308	6,359	-	-
of which: Commercial Vehicles	513	475	25,757	23,278	1,484	491	-	-
of which: Power Engineering	-	-	2,355	2,567	-75	-9	-	-
Financial Services Division	-	-	25,311	23,042	1,919	1,806	-	-

<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 €17,120 (16,470) million, operating profit €3,006 (2,858 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 €3,305 (3,594) 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.

## Automotive Division - Net Liquidity on a robust level at September 30<sup>th</sup> 1)



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

## Overview Brand Targets (RoS, RoE)

<b>Return on Sales in %</b>	<b><u>2016</u></b>		<b><u>2017</u></b>		<b><u>2020</u></b>		<b><u>2025</u></b>
Volkswagen Group	6.7	moderately exceed	6-7		6.5-7.5		7.0-8.0
Volkswagen Brand	1.8	moderately exceed	3.5		4-5		≥6
Audi	8.2		8-10		8-10		8-10
Porsche	17.4		>15		>15		>15
ŠKODA	8.7		7-8		6-7		≥7
Volkswagen Commercial Vehicles	4.1		3-4		4-5		>6
Truck & Bus Business <sup>1)</sup>							
• Scania	9.5						
• MAN Commercial Vehicles	2.3		6-7		9 <sup>2)</sup>		9 <sup>2)</sup>
<b>Return on Equity (norm. 8%)</b>	<b><u>2016</u></b>		<b><u>2017</u></b>		<b><u>2020</u></b>		<b><u>2025</u></b>
Volkswagen Financial Services	15.6%		14-16%		14-16%		20%

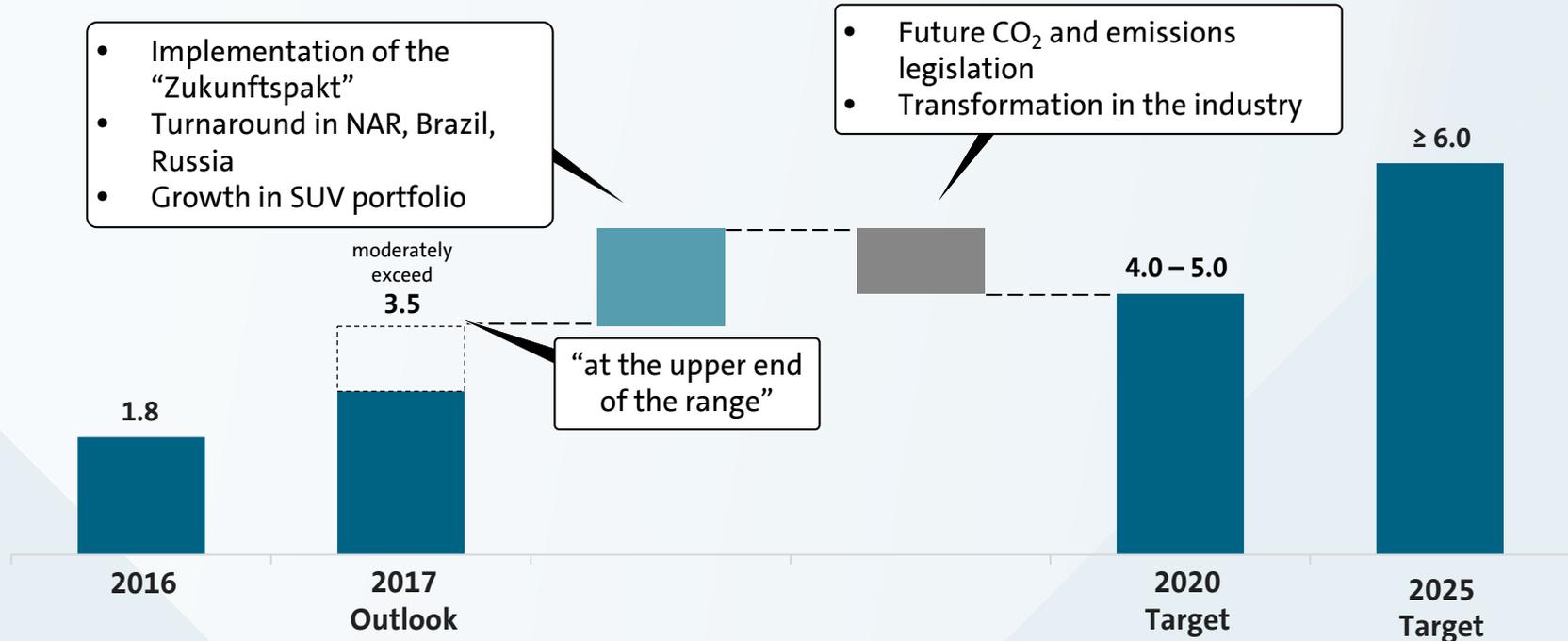
<sup>1)</sup> For peer-group analysis: Truck & Bus Business RoS is calculated as the sum of Scania and MAN Commercial Vehicles (equals ~6.1% in 2016).

<sup>2)</sup> Through-cycle Target.

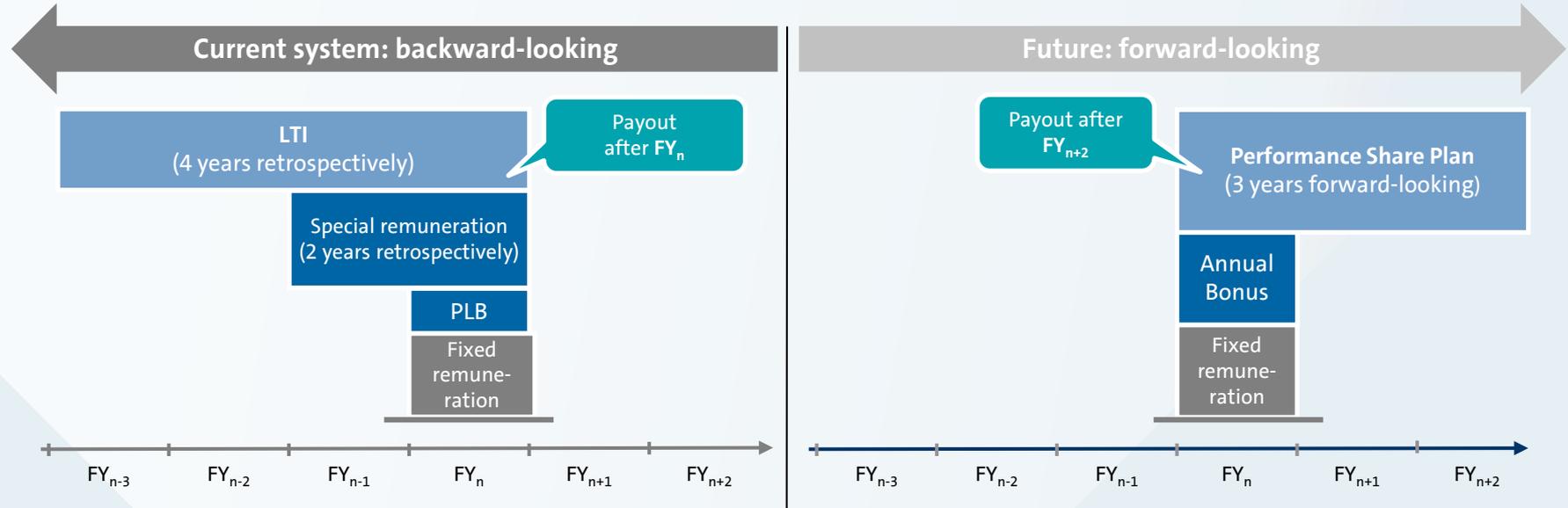
## Volkswagen Brand Clear Financial Targets and Milestones

	Outlook 2017	Target 2020	Target 2025
<b>Operating return on sales</b> <u>Before</u> Special Items	moderately exceed 3.5 %	4 - 5 %	≥ 6 %
<b>Capex ratio</b>	4.7 %	4 - 5 %	4 - 5 %
<b>R&amp;D cost ratio</b>	4.3 %	4 %	4 %
<b>Net Cashflow</b>	negative	> € 1 bn	>> € 1 bn

## Result outlook for 2017 follows TRANSFORM 2025+ strategy path (Growth in operating return on sales as % of net earnings)



## 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.**”

## The new remuneration system harmonizes the interests of different stakeholder groups

- ✓ ... is based on **clear remuneration policy guidelines**
- ✓ ... constitutes a **core element of the realignment** of the Group
- ✓ ... integrates strategic objectives of the **TOGETHER strategy 2025**
- ✓ ... is **capital market-oriented** and reflects human resource-related transformation objectives
- ✓ ... sets ambitious objectives for **sustainable corporate development**
- ✓ ... incorporates a **higher long-term orientation**
- ✓ ... reflects no past events and is therefore **completely forward-looking**
- ✓ ... is based on a **transparent target remuneration** approach
- ✓ ... incorporates a **total cap noticeably lower** than the individual caps
- ✓ ... is **transparent** and is easy to comprehend
- ✓ ... is **common market practice** and conforms to regulatory requirements

## Volkswagen SEDRIC



## Volkswagen T-Roc



## Audi A7 Sportback



ŠKODA Karoq



## SEAT Arona



## Porsche Cayenne



## Bentley Continental GT



## Lamborghini Aventador S Roadster



## Volkswagen Amarok



**MAN TGX 18.500**

**MAN TGE 5.180**



Scania G 450 XT 8x4





**VOLKSWAGEN**

AKTIENGESELLSCHAFT

**We are  
redefining  
mobility.**

## **Volkswagen Group**

Exane BNP Paribas 5<sup>th</sup> Motor Show Conference Geneva on 6<sup>th</sup> – 7<sup>th</sup> March 2018

**Frank Witter**, Member of the Board of Management