



## **End of Year Press Conference 2018** **6<sup>th</sup> of Dezember 2018, Wolfsburg**

### **Statements**

**- Check against delivery -**

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|-------------------|--|
| Ralf Brandstätter | - Chief Operating Officer, Volkswagen Passenger Cars   |
| Dr. Arno Antlitz  | - Chief Financial Officer, Volkswagen Passenger Cars   |
| Jürgen Stackmann  | - Member of the Board of Management for Sales,<br>Marketing and After Sales, Volkswagen Passenger Cars |

## Ralf Brandstätter

### I. Introduction

Ladies and gentlemen,

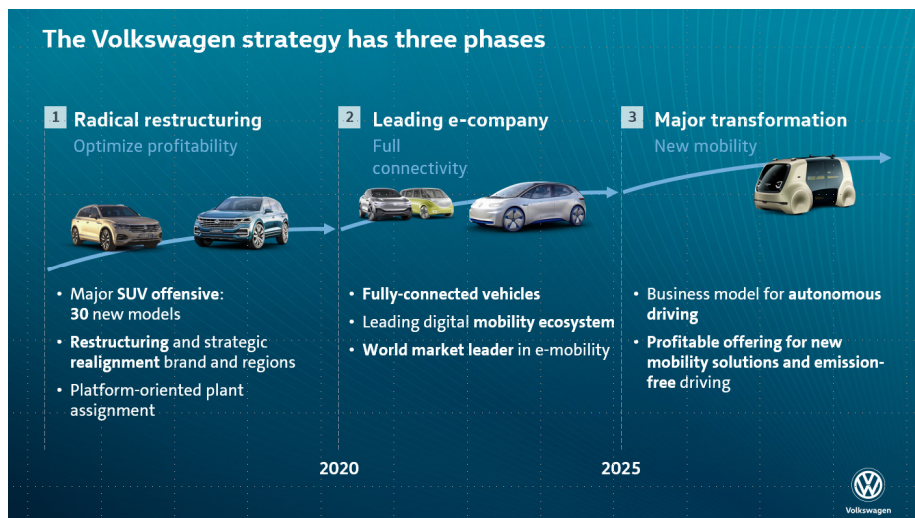


The ID. R Pikes Peak stands for the passion and skill of our team. The car set a new speed record for electric vehicles. In fact, it even bettered the record for cars with conventional drivetrain technology. With the ID. R Pikes Peak, we proved just how charged with emotion an EV can be, that it stands for performance and driving pleasure. That makes the car the perfect ambassador for our ID. family which will be our way of democratizing e-mobility from the end of 2019. That is Volkswagen's brand promise!

Welcome to Wolfsburg, ladies and gentlemen, for our end of year roundup. We look forward to reflecting on 2018 together with you. And, above all of course, to turning our attention to the future, to the tasks that lie ahead in 2019 and beyond. And to the opportunities that lie in store for us.

Volkswagen has made further headway over the last eleven months.

I am delighted to be here with you today for the first time in my new function as brand COO. What motivates everyone here is that we can all feel the difference at Volkswagen. The brand board members and their teams will to continue to tackle this change process with vigor and commitment.



We mapped out our path to becoming the world-leading volume manufacturer with Transform 2025+:

- Phase 1 up to 2020 sees us strengthening our core business. To that end, we launched a major SUV offensive. By 2025, the global SUV portfolio of the Volkswagen Passenger Cars brand alone will have grown from the present eleven to over 30 models. By then, one in every two Volkswagens sold is likely to be an SUV – with a conventional or an electric drive. And we are systematically strengthening our competitiveness: over the last two years, our return on sales has risen from 1.8 to just under 4 percent.
- That is important for Phase 2 of our strategy: our big electric offensive aimed at making us a global market leader in this segment, too. That involves big spending. As early as 2025 Volkswagen intends to be the world’s first manufacturer to sell over one million pure electric vehicles.
- Beginning in 2025 – under Phase 3 of our long-term strategy – we will then also be rolling out autonomous driving: with new services and fields of business based on this technology.

## II. What we have achieved in 2018

The Volkswagen brand continued to renew and expand its product portfolio in 2018. That is one of the key prerequisites for enabling us to achieve the turnaround in the regions.

### Touareg: the brand flagship



The new Touareg – our brand’s new flagship – celebrated its world premiere in China in March. The Touareg has already won the hearts of the media: in Germany alone it beat its competitors in three comparison tests. In China, the Touareg was recently named “Car of the Year 2019”. And our flagship is thrilling customers, too.

### Tharu: the powerful family SUV from China



Just a couple of months ago, in October, we presented two further models in China: The Tharu is an entirely new vehicle concept for young families in China.

### Tayron: addition to the SUV family in China

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



On top of that, we extended our SUV portfolio in China with the Tayron. These new models will cater for customers' wishes in the fast-growing SUV segment.

### T-Cross: rounds off the SUV offering

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



Our T-Cross, which we are launching next year, will be the equivalent of Volkswagen's world car: the model will be produced and sold in Europe, South America and China. The T-Cross rounds off our SUV family – going forward, our customers will find a Volkswagen SUV in every vehicle class.

### Virtus: new model for the South America strategy



The Virtus breathes new life into our brand in South America. It has already become a bestseller in Brazil. And it has helped us win back market shares in South America. Last week the Virtus won the "Car of the Year 2019" award in Brazil.

The good margin from the Virtus is boosting profits in the South America region. So it plays a key role in driving the turnaround in South America.

### Jetta: the seventh generation of the global bestseller



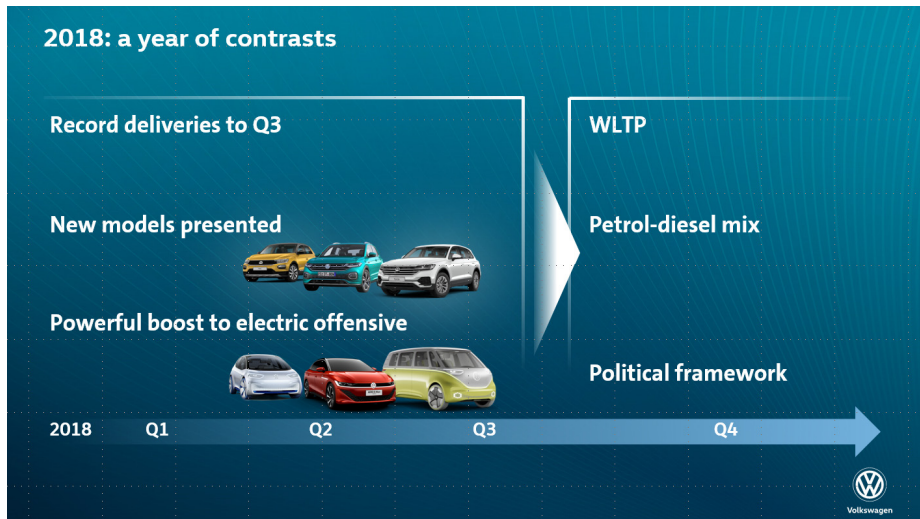
In North America we successfully launched the seventh generation of the Jetta, our global bestseller. The Jetta is our bread and butter in North America.



As you can see from this chart, those are just a few of the highlights. We will continue to impress customers with our models.



The preparations for the second phase of our strategy, the electric offensive, are in full swing. This year, we unveiled the ID. family to the public at the Geneva Motor Show. We organized two ID. media workshops, one in Zwickau and one in Dresden. And we engaged deeply with the political world on this issue. Over 50 representatives from Federal and state politics joined us in Wolfsburg to find out more about our e-mobility strategy and shared an in-depth discussion with us on the right framework for e-mobility. Meantime, conversion work in Zwickau and suppliers' preparations are hotting up. 333 days to go before ID. production gets underway



2018 has been a year of contrasts: we enjoyed three very strong quarters. We reported delivery records for the first nine months of this year and launched a raft of great new models. We also set the course for e-mobility. However, three issues have kept us on our toes in the second half of the year:

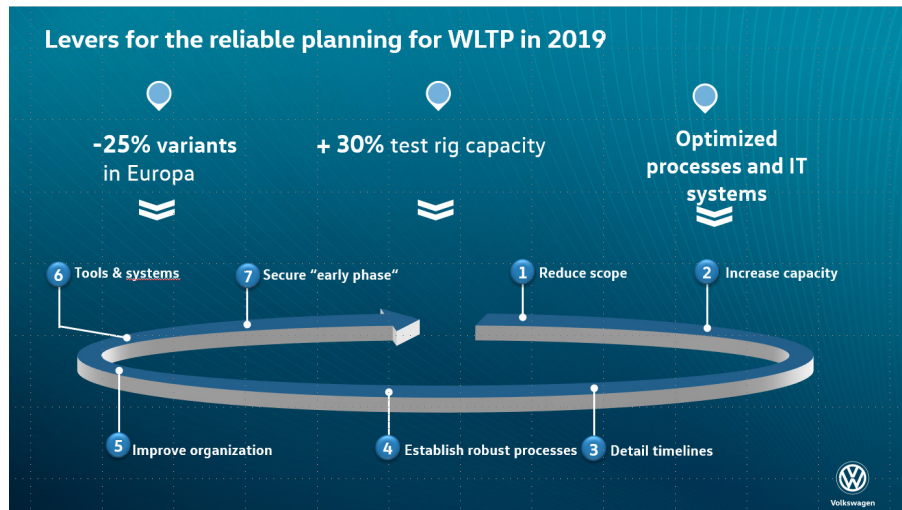
WLTP, customers' lack of enthusiasm for the diesel, and the political framework.



Our deliveries took a knock at the end of the third quarter as a result of WLTP. And that impacted our performance in the third quarter, too.

To be quite frank with you: WLTP was the ultimate stress test for us.





But we have worked hard to sort things out: the majority of the variants for all 14 of our brand's models is now WLTP-certified. Deliveries in November in Europe were therefore significantly less hard hit. We expect this recovery to continue. Jürgen Stackmann will discuss this in more detail a little later.

By the end of the year, then, almost all variants will be available again. The challenges are not of a technical nature, but relate to the number of measurements required. Each vehicle is given an individual WLTP value. That took a great deal of time.

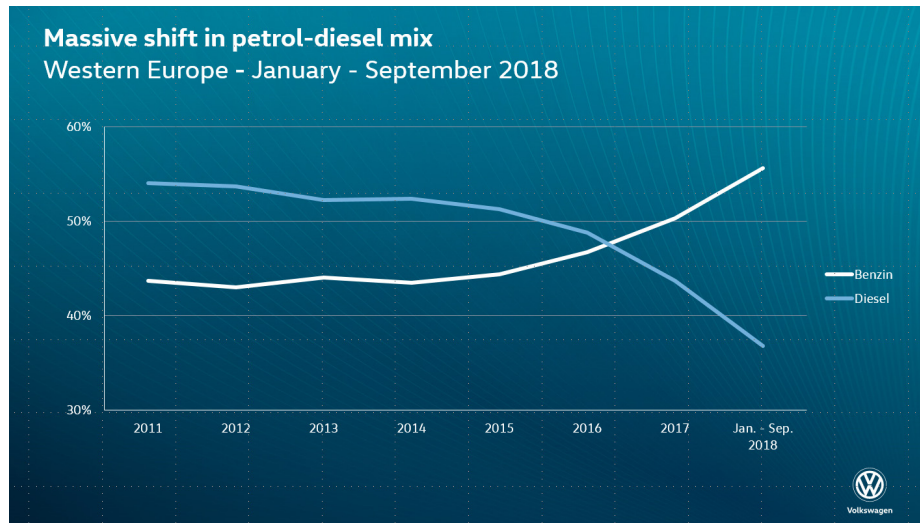
We have learnt our lesson from this. We have put together a comprehensive package of measures for the next stage of WLTP in 2019. One lever under our plans to enhance performance that we can throw ourselves is to improve our handing of the new WLTP test cycle.

We are cutting the number of variants, thereby significantly reducing complexity: we are above all discontinuing variants with very low customer demand. Next year, we will be discontinuing 25 percent of the engine-transmission variants for Europe in our program. We are concentrating on the high-demand variants for the benefit of our customers.

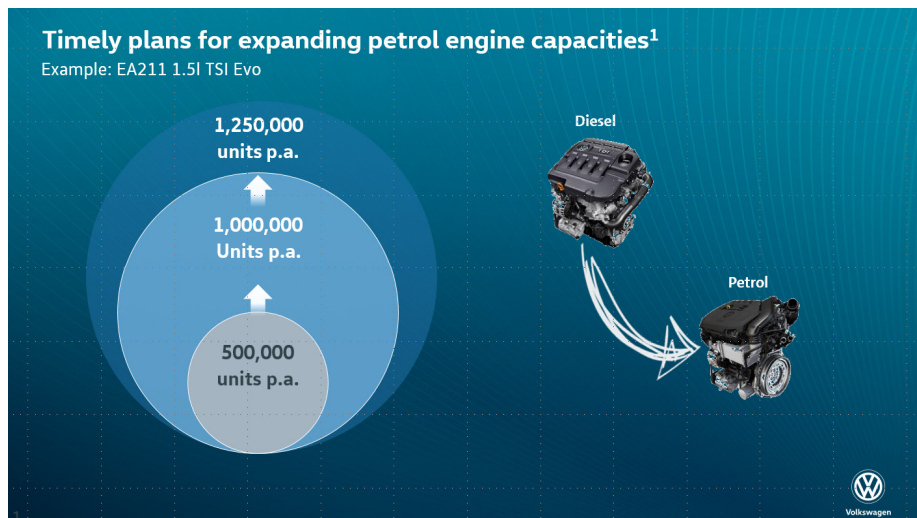
In spite of this reduction our portfolio in the volume segment is still at a competitive level. And it makes things much easier because it represents a major simplification of our process chain from Technical Development right through to TÜV and KBA as well as taking away some of the pressure. We can use our resources meaningfully.

In addition, we have increased our test rig capacity by 30 percent: and brought in manpower reinforcements for the teams.

Moreover, we are harnessing the possibilities of digitalization: with IT tools to steer the certification process more effectively.



Apart from WLTP the other major issue we have had to deal with in Europe is the shift in customers' choice of engine. In Germany, the diesel is under heavy pressure: there has been a strong shift away from diesel towards petrol engines as a result of the diesel crisis and above all the discussion about banning diesel vehicles in cities. The petrol-diesel drive mix stayed at the same level from 2011 to 2015. Since then, though, there has been a sharp decline in customer demand for diesel engines.



In light of the anticipated shift in the drive-volume mix, we gave a huge push to expanding capacity at our plants and at our suppliers. At the end of last year, for example, we very swiftly increased our original planning capacity for the 1.5l TSI Evo engine from 500,000 to

1.5 million units in two stages. However, in isolated cases our supply chain had to deal with undersupply of components manufactured with a high level of technical complexity. We needed to respond swiftly and cushioned this development by introducing temporary short-time work at some sites.



In Europe, developments such as the UK's impending Brexit, the financial crisis in Italy or the political crisis in Turkey are impacting our business. Worldwide, the trade war between the USA and China, the world's two largest economies, is threatening to escalate – even though things may temporarily calm down a little after the G20 summit in Argentina. And US import duties on German vehicles made in Europe are still on the table. We hope the visit to the White House has brought clarity on the issue of future import tariffs.

In terms of our operating business, we have done a pretty good job so far given these geopolitical challenges – unit sales, sales revenue and earnings are very respectable. But it is clear that we must improve our performance further in order to invest faster and more extensively in the electrification and digitalization of our model range. We can only do that if we set ourselves ambitious profitability targets.

### III. What we want to achieve in 2019

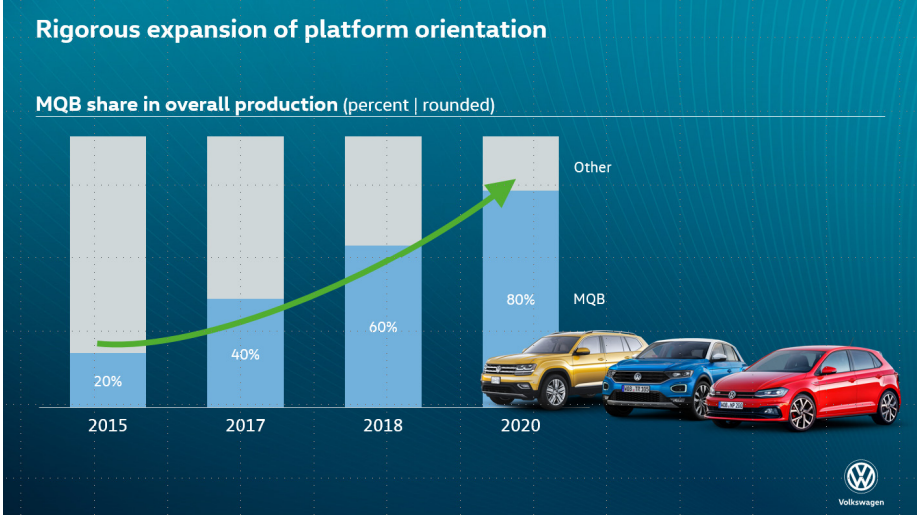


We must, and will, speed up the pace of change at Volkswagen still further in 2019. So that we can finance our future from our own resources.

The technological paradigm shift to e-mobility, to fully-connected, self-driving vehicles needs very high investments. And reducing CO2 does not come for free, either. So far, the pact for the future is having the desired positive effect. Arno Antlitz will give you the details. But we must start planning now for the post-pact period. There will not be another program called "pact for the future 2". But we must keep on working systematically and intensively on our productivity and efficiency.

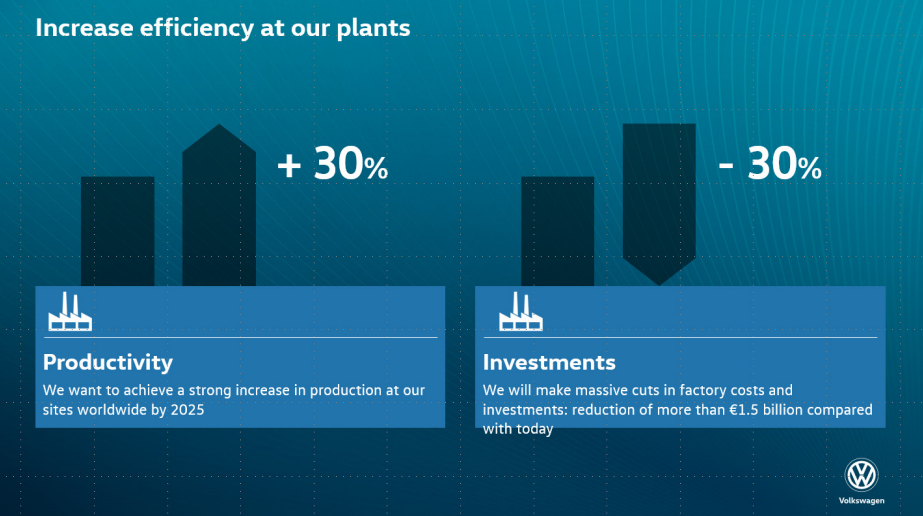
To do that we have drawn up a package of measures for more productivity and efficiency:

- Rigorous expansion of the platform orientation
- Increase in efficiency at our plants
- Comprehensive reduction in complexity. That means more success with fewer variants
- Optimization of material costs – to meet our target return
- Lean administration

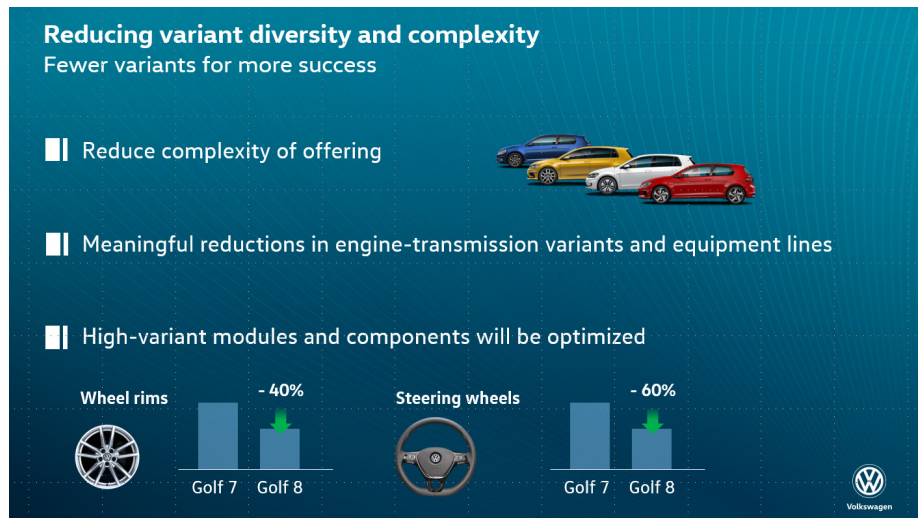


In 2015, roughly 20 percent of our models were based on the Modular Transverse Toolkit, the MQB. This has risen to around 60% in 2018. The target for 2020 is about 80%. That is quite a success story. In total, we have already built over 50 million vehicles on this platform. A similar number is already projected. The grand total in the coming years will be over 100 million vehicles – throughout the entire Group.

We are continuing this success story with the MEB, the Modular Electric Toolkit, developed by the Volkswagen brand as the basis for electrifying our volume models. The entire Group will benefit from this, too: we will start building the first wave of up to 15 million VW, Audi, Skoda and SEAT from 2019.



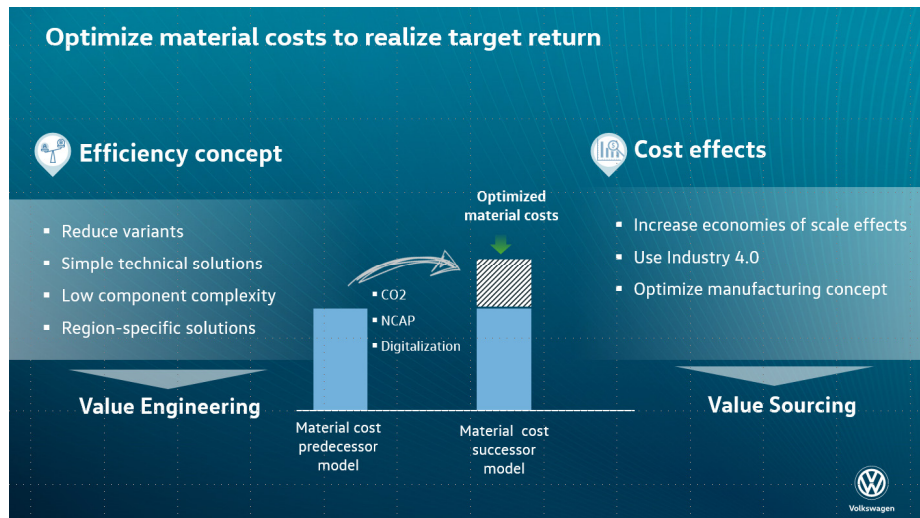
Step by step, we will close the present productivity gap between us and the best competitors. Production has a key role to play in achieving that: we are targeting an average 30 percent increase in productivity at our plants by 2025 while simultaneously making massive reductions in investments. We will be reducing factory costs and investments by €1.5 billion compared with today's level. That will not be at the expense of the environmental balance: at the same time we intend to improve our key environmental performance indicators by 45 percent.



Complexity is too high, so we need to reduce that to boost productivity at our plants. Let me give you an example: we sold almost 84,000 Golf in Germany in 2017. More than 58,000 of these models had different configurations. A mere 400 Golf were identical – to say nothing of the different colors. In other words: we build one-of-a-kind cars.

We intend to change that. And we will be using three levers:

- Reducing the complexity of our portfolio through a customized product range.
- A meaningful reduction in engine-transmission variants and equipment variants. Low-demand variants will be discontinued and there will be intelligent equipment packages.
- In addition, we will be critically reviewing and optimizing every component family. Such measures reduce the storage space needed in production and simplify the entire supply chain. Ultimately customers also benefit because ordering their vehicle via the Configurator is easier.

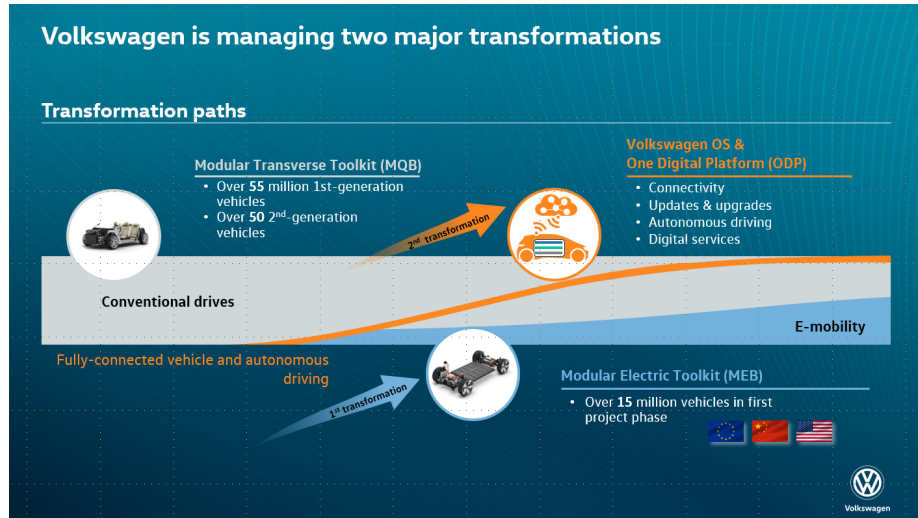


Optimizing our material costs is one starting point for more efficiency. There will be more digitalization, connectivity, safety standards and CO<sub>2</sub> measures in our next generations of vehicles. That will significantly increase both the value of our models and the material costs. To make sure these additional features do not send the price of our cars soaring we are working very hard on optimizing our material costs further. One thing, though is clear: optimizing material costs must not be at the expense of product substance.



We are also systematically addressing lean administration. One example is flat hierarchies, which we are now implementing. We have set ourselves clear rules and are realigning our organization on this basis, thus becoming more agile.

So much as regards our planned efficiency increases and our planned performance improvements. What do we have lined up in terms of products and technologies? In a nutshell, the answer is: our fleet is going electric – and connected!

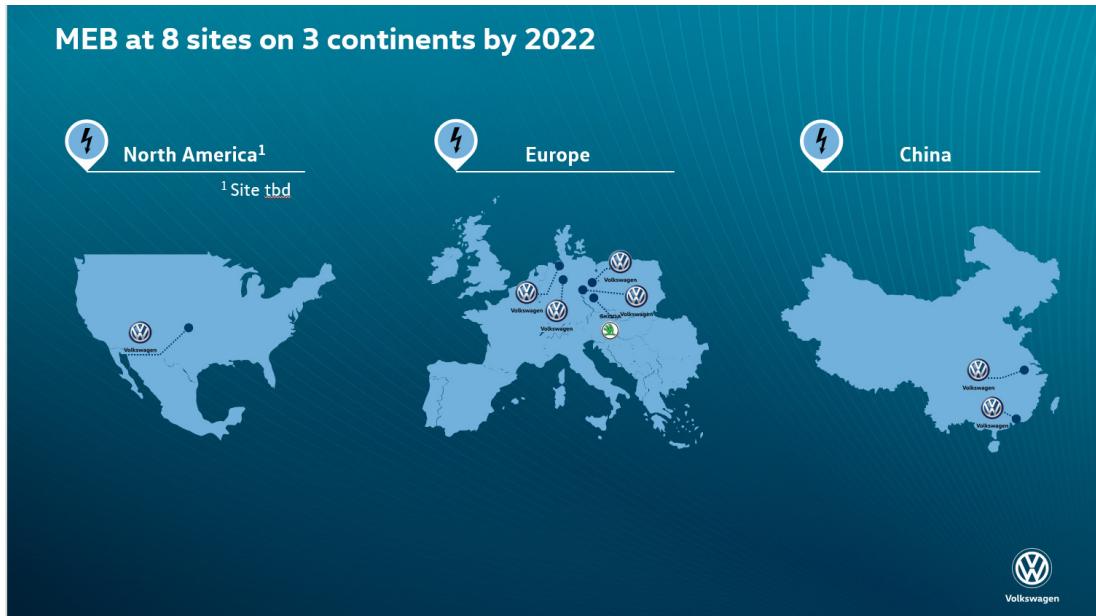


Under its Planning Round 67 the Group decided to invest some €44 billion from 2019 to 2023 in the major technologies of the future for our industry. Some €30 billion alone has been earmarked for the electrification of our fleet. Today, I can tell you that the Volkswagen brand alone will be spending over €11 billion on future technologies. Over €9 billion of that sum will be spent on e-mobility.

We currently have two fully-electric cars in our program – the Golf und up!: we will be increasing that figure to about 20 by 2025. In order to make e-mobility less expensive, we have to produce high volumes. For the ID. family, our first cars built on the new electric platform, we anticipate unit sales of some 100,000 during the first full production year.

That is why we must also make sure we increase battery capacities further. With LG Chem, SK Innovation, Samsung and CATL we have found strong partners for long-term supplies for our EVs. And you are also aware that we are taking a very close look at a participation in battery production.





We are installing the MEB at eight sites on three continents. A truly global platform. That means we can scale production worldwide and harness efficiencies. Work on converting the Zwickau plant to be run as an e-mobility site is in full swing. In addition, we announced a few weeks ago that Emden and Volkswagen Commercial Vehicles in Hanover would switch to the production of electric vehicles from 2022. Collectively, these three sites will become Europe's largest e-production network. Two EV plants are also taking shape in Anting and Foshan in China, with MEB-SOP scheduled for 2020. For North America, we plan to make a decision on an EV production location soon.

With the fully-electric ID. made in Zwickau, Volkswagen is putting a new generation of vehicles on the road that also sets standards for digitalization and connectivity. That is the second mega topic for our industry and for Volkswagen.



The Volkswagen Automotive Cloud lays the groundwork for offering an ever-growing range of digital services in fully-connected vehicles via our “We” ecosystem.

We are building up our strengths with further partners; we recently welcomed on board Microsoft and diconium – acknowledged experts in digital business models. And we are confident more partners will be joining us soon. The aim is to create the world’s largest automotive ecosystem that links up all our customers, cars and dealers.



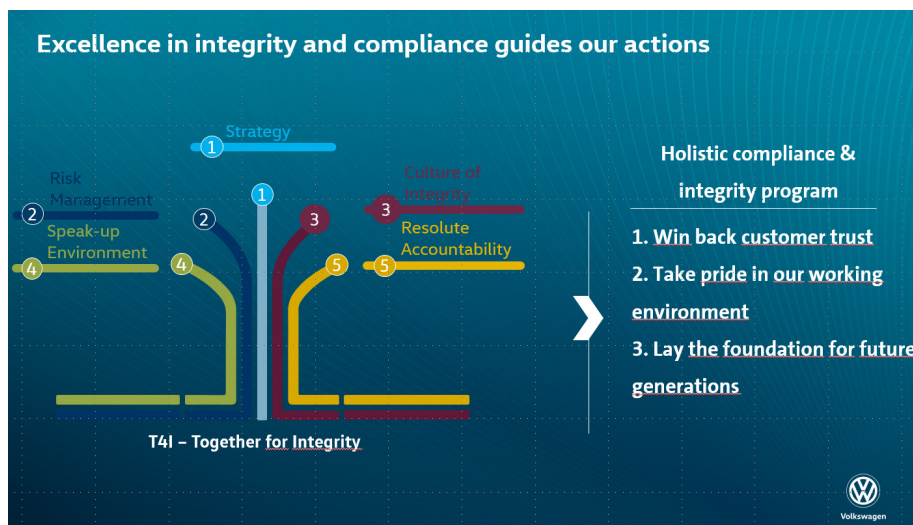
#### IV. Conclusion

Ladies and gentlemen, when it comes to products, technologies and efficiency, 2019 will be the year in which we step up the pace of Volkswagen's transformation even further.

However, it is clear that we will not be able to achieve our goals without the oft-cited and above all urgently needed cultural change towards a more open, less hierarchical, agile Volkswagen. We have adapted our structures accordingly. We are creating a lean organization through fewer hierarchy levels.

This is not a nice-to-have; bearing in mind the changes facing our industry, it is essential for our long-term survival. For that reason, we are intensifying our integrity and compliance activities in all processes and corporate units still further. To that end, we have established a holistic compliance and integrity program. As the Board of Management, that has top priority for us.

Our industry is in transition. Today, we do not know exactly how the future will unfold. But we do know the shape of Volkswagen's future.

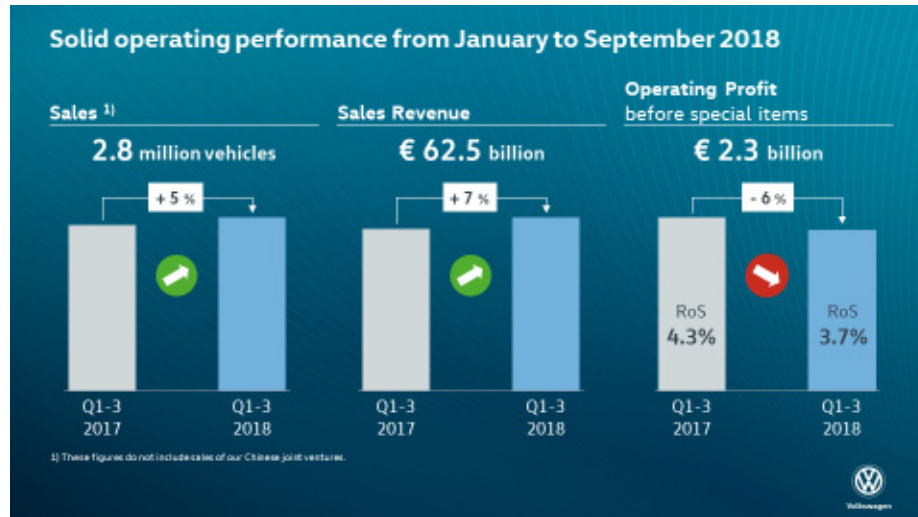


We want to keep the thrill of individual mobility alive – not just with attractive products and services, but also by proactively engaging in innovative transport concepts. We are convinced that if we get it right, the best is yet to come for the automobile. Volkswagen is fully committed to the Paris Climate Agreement. That is why we are already taking the first steps towards our goal of putting 100% emission-neutral cars on the road – and are starting with the ID. made in Zwickau.

Arno Antlitz will now take you through the figures.

## Dr. Arno Antlitz

Many thanks, Ralf.



Ladies and gentlemen,

The automotive industry is in the midst of the most severe transformation process in its history. In the course of this process, the Volkswagen brand is consistently implementing its Transform 2025+ strategy. We are well on the way to:

- positioning Volkswagen in a way which safeguards its future viability,
- making Volkswagen sustainably profitable, and
- shaping the transformation in our industry.

Despite the many economic challenges we face, we have also made financial progress this year:

- After nine months, we were able to increase our sales by 5 percent,
- to boost sales revenue to €62.5 billion.
- and therefore to record an operating profit before special effects of €2.3 billion. That corresponds to an operating return on sales of 3.7percent.
- In 2018, special effects as a result of the diesel issue amounted to €1.8 billion.
- However, the operating profit and return on sales after nine months were also below the figures for the previous year before special effects.

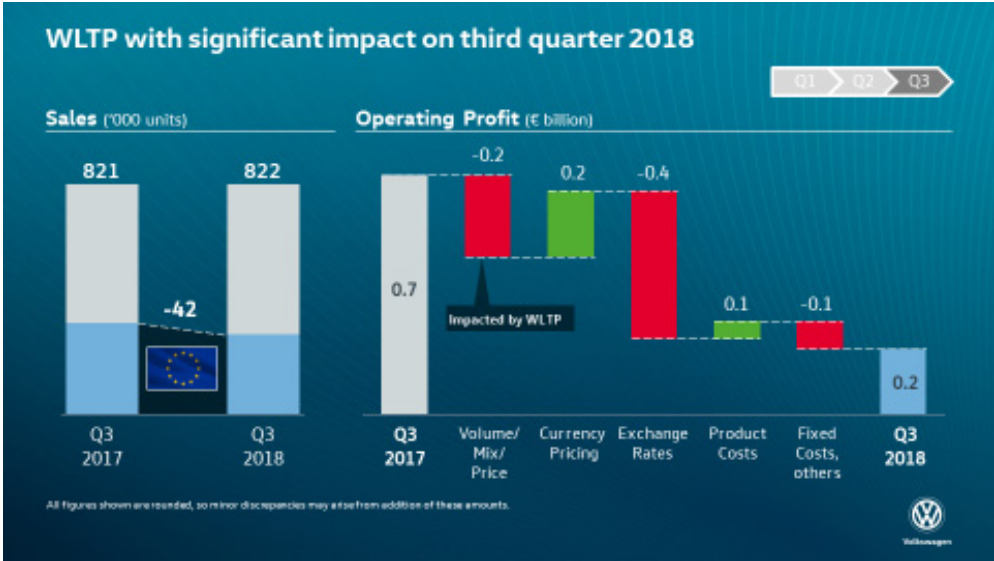
Especially in the third quarter, the changeover to the new WLTP test procedure posed significant challenges for us and had an impact on financial figures.



In the first half of the year, our financial progress could clearly be seen.

- The impact of the product offensive became apparent.
- The Zukunftspakt (pact for the future) had a positive financial effect.
- The turnaround measures in the regions started to take effect.

As a result, we were able to improve the operating profit for the first half by 20 percent and to increase the operating return on sales to 5 percent – despite immense advance investments in our modular electric toolkit, the MEB.



These positive developments also continued in the third quarter. However, they were offset by the negative impact of the changeover to the WLTP test procedure as well as exchange rate effects.

Exchange rate effects, mainly from South America, Russia and Turkey, had a negative impact of €400 million in the third quarter. However, this was partly offset by appropriate price increases in these markets.

On the other hand, as expected, the changeover to the new WLTP standard had negative effects on our business operations. In Western Europe, we sold 42,000 fewer vehicles to customers in the third quarter than in the third quarter of the previous year. Closure days at our plants and higher logistics expenses also impacted on our operating profit.

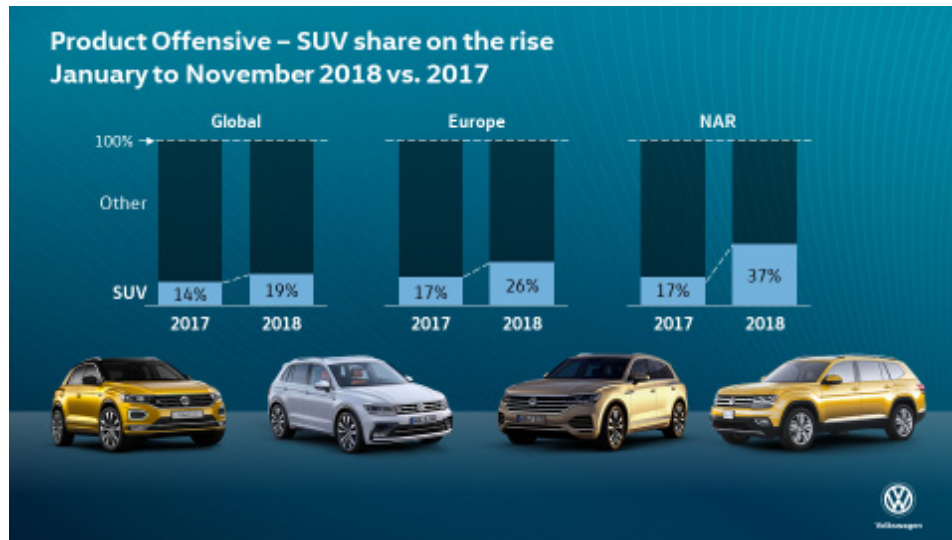
As a result, our operating profit for the third quarter was about half a billion euros below the figure for the corresponding prior-year period.

**Key levers for improving the result: Status update**

Product Offensive	Zukunftspakt	Turnaround in the regions
		
<p><b>Achievements:</b></p> <ul style="list-style-type: none"> <li>• SUV portfolio widened: T-Roc, Tiguan, Tiguan Allspace, Touareg, Atlas</li> <li>• Another SUV coming soon: T-Cross</li> <li>• Increase of MQB share to 60% in 2018</li> </ul>	<p><b>Achievements:</b></p> <ul style="list-style-type: none"> <li>• Realized cost improvements of more than €2 billion</li> <li>• &gt; 9,300 early retirement contracts</li> <li>• Current headcount reduction better than target</li> </ul>	<p><b>Achievements:</b></p> <ul style="list-style-type: none"> <li>• Break even in Russia already achieved in 2017</li> <li>• SAM to break even in 2019</li> <li>• Improvement in NAR continues</li> </ul>

 Volkswagen

Despite the negative developments in the third quarter, we are continuously making progress with our product offensive and the pact for the future, as well as in the regions:



We are steadily increasing our sales of attractive, high-margin SUVs.

In the meantime, every fifth vehicle we sell is an SUV. In Europe, the SUV share is one quarter and in the USA even one third.



The pact for the future is making its planned contribution to improving the brand's profitability.

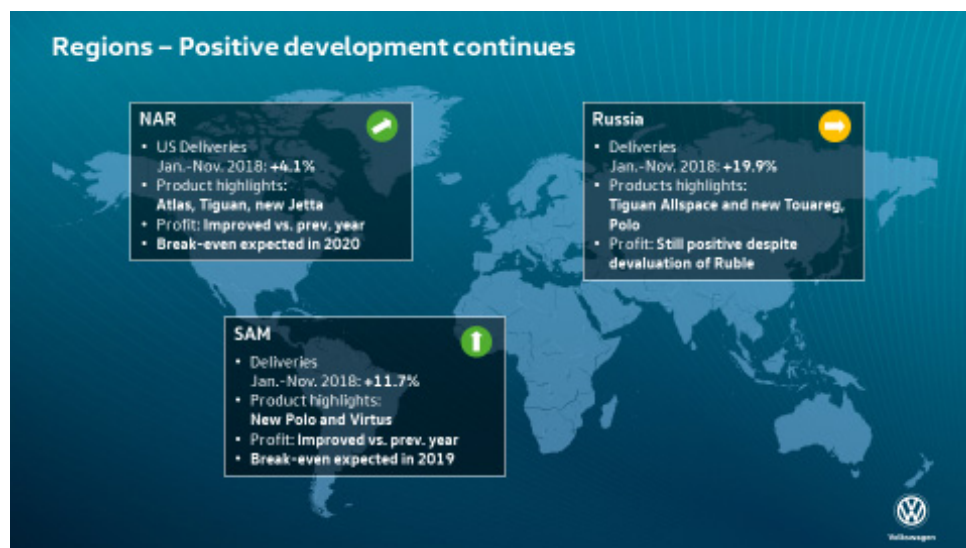
- By the end of this year, we will already have realized cost savings amounting to €2.2 billion.

- By 2020, we will have implemented the pact for the future in full and will have realized the planned total savings of €3 billion
- We were able to maintain our fixed costs largely at the same level as in 2017:
  - despite the expansion of our capacities and the resulting volume increase; and
  - despite huge advance investments in our electric toolkit.

Since the launch of the pact for the future, we have achieved a net headcount reduction of 5,600, compared with the total of 14,000 jobs which are planned. We have therefore made rather more rapid progress than we had expected.

The 9,300 early retirement contracts already signed are a key element in this approach.

At the same time, we have created almost 2,000 new jobs in key future-oriented fields. The new colleagues are providing support in the areas of software development, user experience, autonomous driving and new mobility offerings.



Our third lever is also having an effect. This year, we were able to significantly improve the profitability situation in the regions of Russia, North America and South America

In Russia, we recorded a profit despite the negative impact of a significant devaluation of the ruble. We have therefore given an impressive demonstration of our robust business model.

In South America too, we have experienced positive impetus with respect to sales and operating profit. By next year at the latest, we will re-enter the profit zone in this region thanks to the new locally produced SUV.



In North America, we have

- expanded our product range,
- further increased volume, and
- therefore significantly improved the profit situation.



In 2019, the new Passat is to be launched and the Arteon is to appear on the market for the first time. After that, one model is to be launched in each of the high-volume A-SUV and B-SUV segments.

In addition, we will also be starting our MEB offensive in North America.

As a result, we will boost market presence and significantly improve capacity deployment in the region.

Break-even is planned for 2020.

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



**From 2019 - 2023  
we will invest €9 billion in Capex and R&D  
to realize the leap to the top of electric mobility**



With our electric offensive, we are focusing the Volkswagen brand even more strongly on future-oriented mobility:

- Over the next five years, the Volkswagen brand will be investing about €9 billion in the expansion of e-mobility.
- We are bringing new, attractive MEB models onto the market at affordable prices and with competitive ranges.

**New business areas require increasing resources**

E-Mobility	Charging	Digital Ecosystem
		
<p><b>Achievements:</b></p> <ul style="list-style-type: none"> <li>• Ramp up of MEB in Europe, China, and NAR</li> <li>• SOP of ID. in 2019</li> <li>• ID. CROZZ, ID. BUZZ and ID. VIZZION to follow on MEB platform</li> </ul>	<p><b>Achievements:</b></p> <ul style="list-style-type: none"> <li>• People's Wallbox</li> <li>• Foundation of Group Charging Entity</li> <li>• We Charge App</li> <li>• Co-Foundation of IONITY</li> </ul>	<p><b>Achievements:</b></p> <ul style="list-style-type: none"> <li>• Several applications already launched</li> <li>• Updates and Upgrades over the air</li> <li>• User ID</li> <li>• Operating system vw.OS</li> </ul>



In addition to the expansion of our electric fleet, we are also stepping up investments in other future-oriented areas:

- We are investing in charging infrastructure.
- We are also developing a comprehensive digital ecosystem for our vehicle fleet.
- And we are working intensively on new mobility services.

We will be investing a further €2 billion in these areas.



The upfront expenditure on e-mobility, charging infrastructure and digitalization represents key investments in the future.

We must earn the funds required for these investments in our core business.

In addition, enormous investments will be required by 2020 for compliance with CO<sub>2</sub> fleet targets and vehicle emission limits.

The growing demand for SUVs and the falling share of diesel vehicles has made the situation even more tense.

Apart from these two structural issues, discussions concerning tariff barriers, the less-than-clear effects of Brexit and the resulting uncertainties for the global economy are increasingly having a negative impact on our business.

We will therefore need to make tremendous efforts, especially in 2019 and 2020, to reach our target of an operating return on sales of 4 to 5 percent by 2020.



Ladies and gentlemen, we are well on the way to significantly improving our financial competitiveness. However, in order to make the Volkswagen brand sustainably profitable and to finance the challenges faced after 2020, we will need to redouble our efforts.

This is why we are currently working on a profitability improvement program which will

- safeguard the full implementation of the pact for the future,
- supplement the topics of the pact, and
- set the right course for 2025.

In addition, the brand will also exploit the benefits offered by the Group volume. The production of vehicles on the same platform at multi-brand plants will reduce costs and improve capacity deployment.

With these measures, we are confident that we will be able to reach our target of an operating return of 6 percent in 2022, three years earlier than originally planned.

Ladies and gentlemen,

We intend to and will

- shape the future of our industry,
- offer our customers innovative, attractive vehicles and mobility solutions, and,
- and in doing so, protect the environment and resources.

We want to

- again become a model of a modern, transparent, values-based company,
- and set standards for our industry in e-mobility, including software and the ecosystem as well as the electric vehicle.

Thank you very much. And I give the floor to Jürgen Stackmann.

## Jürgen Stackmann



Many thanks, Arno.

Ladies and gentlemen,

Deliveries by the Volkswagen Passenger Cars brand in the current 2018 fiscal year continued to develop well in a challenging market environment with a headwind in some regions.

From September, our performance in **Europe** was significantly affected by WLTP; this followed excellent delivery figures up to August. Meantime, we are making good progress with the WLTP changeover for our model portfolio. We are over the worst and deliveries are picking up again. From January to November, Volkswagen delivered 1.62 million passenger cars to customers in this region, 4.3 percent more than in the corresponding prior-year period. We expect this to continue to the end of the year.

The home market of **Germany** is recovering slightly more slowly following the difficult months of September and October. With 501,800 vehicles delivered from January to November, the brand exceeded the figure for the corresponding prior-year period by 2.5 percent thanks to the outstanding results up to the summer.

**China** very much continues to feel the impact of the trade war with the USA. The entire economy and therefore also the automobile market are faced by strong reluctance to purchase on the part of customers. After years of steady growth in China, this is a completely new situation – for all market players. Consequently, Volkswagen's growth has slowed down, too. However, it is gratifying to note that the brand is succeeding in expanding its market share in a shrinking overall market thanks to a young, attractive product range. At 2.8 million, our deliveries from January to November remained virtually stable compared with the corresponding prior-year period

At 524,100 units, Volkswagen deliveries in **North America** fell by 2.9 percent from January to November. The main factor for this is the ongoing challenging economic situation in Mexico. In the **USA**, our successful SUVs are still keeping sales ahead of 2017 – at 322,000, the deliveries in this market increased by 4.1 percent.

Brazil remains the main driver in **South America**, the **Brazilian market** is in overdrive this year, +26.7 percent year-on-year so far – a fantastic result. Argentina is putting a damper on developments in the region overall; the country's automobile market, and therefore our deliveries, are still stalling due to the ongoing difficult economic situation. In South America, Volkswagen delivered 434,400 vehicles to customers from January to November, corresponding to a rise of 11.7 percent.

All in all, that means we delivered **5.7 million vehicles worldwide** from January to November. Given the conditions, that is a very good result. This means we are 1.2 percent above the prior-year period. Our performance for the full year hinges on deliveries in December. We need to deliver around 530,000 vehicles this month to repeat last year's record (6.23 million). My latest calculation indicates we could manage that, in fact deliveries could even be slightly higher.



In operating terms, then, things continue to run very smoothly. One strategically important issue of the last twelve months (and the previous year as well) was restructuring our brand's sales model.

Primarily driven by the digital transformation and vehicle connectivity, we are working very hard on the shape of vehicle purchase in the future.

What role will dealers play going forward, how can dealers earn money? Where are the challenges – and the opportunities? We asked ourselves these questions.

The European Dealer Council (EDC) and the Deutsche Händlerverband (German dealer association) played an important role in this context. We were in constant dialog with both on the new dealer contracts, guidelines and supplementary agreements. Both gave us intensive support with their constructive feedback on the new contracts.

Our motto was "Act as One". We recognized that joining forces is the only way to answer questions of such significance for both the manufacturer and the dealer.

In my personal experience, I have never yet encountered another manufacturer who has cooperated so closely with its dealer organizations. Volkswagen demonstrated an entirely new culture which met with a very positive reception from the dealers.

These two photos document the successful conclusion to an extremely constructive cooperation: the signing of our new dealer contracts that form the basis of our new sales model.

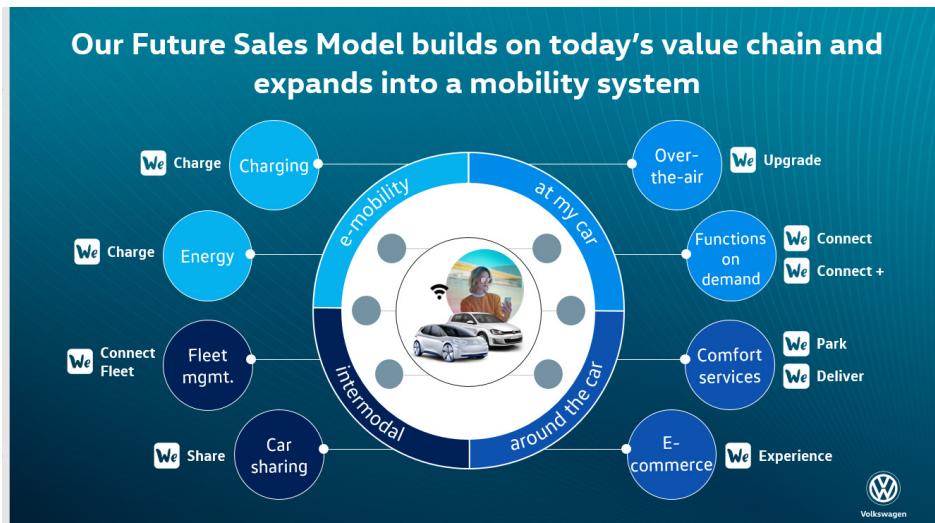
A new era begins at Volkswagen in April 2020. That is when we will be bringing the new sales model to life as the new contracts come into effect. From then, the brand will move forward step by step, breaking new ground in the sale of automobiles, workshop and mobility services.

In essence the new sales model is based on higher productivity and an even stronger customer focus – at the same time, it creates greater entrepreneurial freedom for dealers in order to respond flexibly to the new market requirements. It is about leaner structures, new simplified standards and processes for dealers.

New services that are only possible through direct networking, such as charging and billing services for EVs, fleet management and car-sharing services, e-commerce applications and many more, are being added to the traditional core business relating to all aspects of sales such as financing, maintenance and service.



Our current traditional core business is vehicle-focused to a large extent and revolve around selling cars including financing, maintenance and service.



For the first time, the new sales model gives Volkswagen the opportunity to make direct contact with its customers in its role as a manufacturer – throughout the vehicle’s lifecycle. The aim is round-the-clock seamless individual customer contact extending well beyond the actual purchase based on the unique Volkswagen customer ID number. Going forward, the customer will become part a key part of Volkswagen’s digital ecosystem that connects the customer, the car, the dealer and the manufacturer.

Vehicle-customer connectivity will significantly increase the number of possible touchpoints. The traditional core business will be supplemented by new services that will become available only through direct connectivity.

This will bring major benefits for the customers. For example, over-the-air updates, which have long been a feature for smartphones, are of key importance. These updates are implemented direct by the OEM. Another example is the predictive maintenance app, which automatically books the vehicle’s next service with the dealer.

In addition, vehicle-related services such as functions on demand, are being planned; with these digital services customers will be able to buy and enable functions for their vehicles post-purchase.

And, of course, services from the Volkswagen We digital ecosystem, which is already successfully up and running, can be accessed. These include We Park, We Deliver or We Experience, for example. And there are services not related to the customer’s own vehicle such as We Share – the car-sharing offering planned by Volkswagen.



We plan to introduce 5 million customers per year to this new mobility world.

The more attractive we make the Volkswagen ecosystem, the greater the number of new customers and the broader the scope of business opportunities for us as the manufacturer and for our dealers.



With "We Share", Volkswagen is developing a comprehensive, all-electric car-sharing offering for the major metropolitan cities in Germany and other countries.

This service is to start in Berlin in April 2019.

Volkswagen will then be the first service provider to offer a 100% electric fleet. We will kick off with 1,500 e-Golf and 500 e-Up! and successively expand the fleet from 2020 to include the first models from the new Volkswagen ID. family.

Following the debut in Berlin, "We Share" is to be rolled out in further major cities in Germany. European core markets and selected cities in the USA and Canada will follow from 2020.



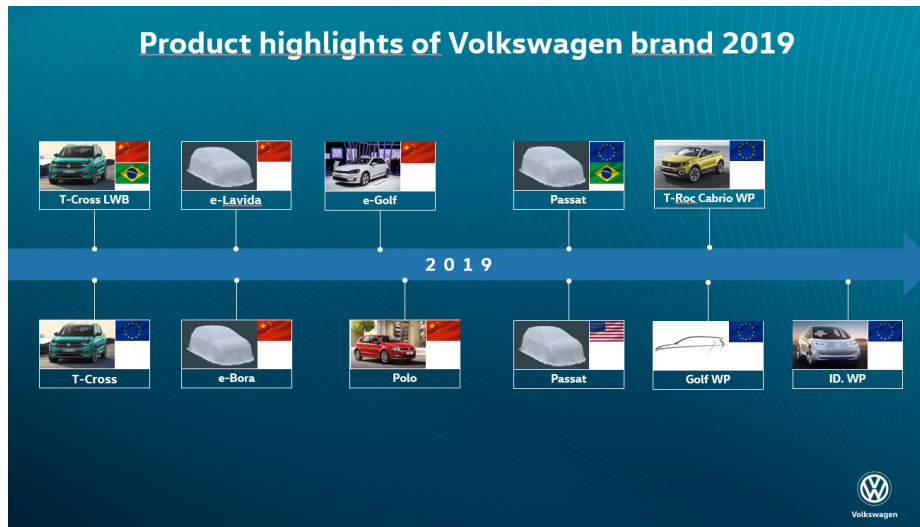
The technical foundation for all these services and offerings is our One Digital Platform that Volkswagen customers can use to buy and manage all “We” services as well as on-demand functions for connected vehicles.

We are building this platform together with the digital specialist diconium as part of our connected car, customer and retail ecosystem. Our partnership with diconium was sealed a fortnight ago. The company has substantial experience and considerable competence in the development of digital sales solutions. Our customers will be able to access tailor-made digital value-added services quickly and easily, either direct to their fully-connected car or to their mobile device.

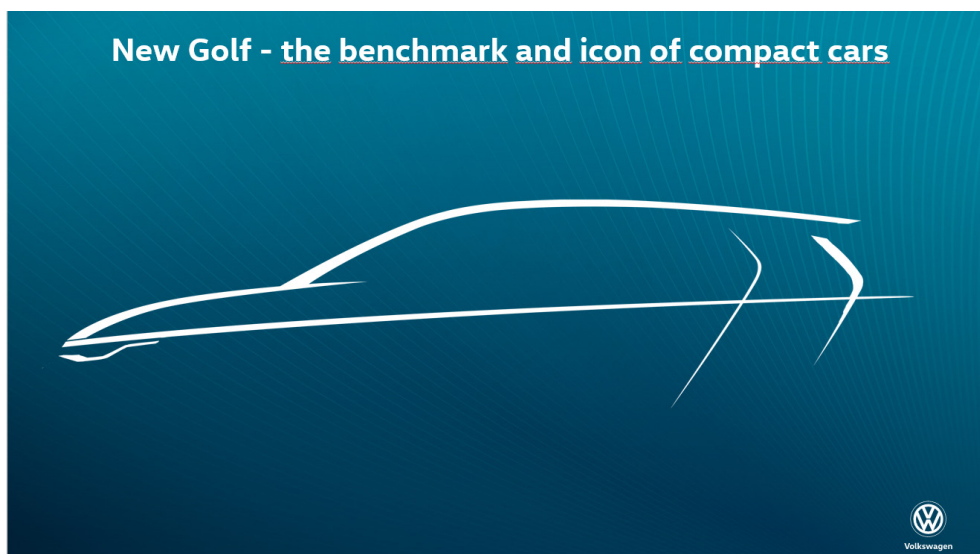
Our fully-connected vehicles thus become the “hardware” for buying or hiring the “software” in a virtual department store. This “software” is the offerings and services of the “We” platform as well as on-demand functions, automatic payment for refueling, charging and parking – for private and fleet customers.

The software will also be available from the store on our new fully customizable Volkswagen website. Going forward, Volkswagen will be able to offer its customers products via its new e-commerce platform (in addition to the products from our dealers).

We began setting up a powerful competence network with Microsoft a few weeks ago. Together with Microsoft we are spearheading development of the Automotive Cloud in the Group. This automotive cloud will link the connected vehicle, cloud-based platform and digital services. Further partnerships are being planned.



Ladies and gentlemen, we vigorously continued our model offensive in 2019. With vehicles such as a T-Cross long-wheel base for China and South America and the market introduction of the T-Cross in Europe. With the Golf, Bora and Lavida, we will bring three full electric vehicles to the Chinese market in the middle of next year that will also be produced locally, followed by the new Polo. We will also launch the Passat successor in Europe and the USA. The second half of the year will mark two world premieres, firstly the T-Roc Cabrio for the European market, followed by the new Golf and the first representative of the new ID. Family.



The eighth-generation Golf and the ID. Are the first vehicles to mark the start of our future. They are some of the key product highlights in the coming year.

The Golf, our brand's most important and familiar model for over forty years, will not only feature all those proven characteristics loved and cherished by our customers, but will in addition be fully connected, opening up all the opportunities for our customers I have just described. You could say that the new Golf opens the door on the new digital world of Volkswagen.



The Golf will be followed by the ID., marking the start of a new era for Volkswagen. For the first time, Phase 2 – the dawning of the e-mobility era and connectivity for our brand – becomes tangible for our customers. The ID. will be the first fully-connected, fully-electric car and will be a symbol of the “New Volkswagen”. It will be the beginning of an entirely new, exciting story.

We intend to democratize e-mobility with the ID. family. Just as Volkswagen brought individual mobility to people decades ago, we are now seeking to make e-mobility accessible and affordable for everyone.

With the ID. starts a new era for Volkswagen

**Emission-neutral**  
e-mobility

Up to **550 kilometers\***

**Fully connected vehicle**  
innovative interface

**Updates** over the air



\*WLTP | Volkswagen prognosis before homologation



The ID. has a range of up to 550 km and the price level of a current Golf diesel. The ID. will be launched as a 100% emission-neutral electric car. We take care of that throughout the entire value chain: we are making production in Zwickau CO<sub>2</sub>-neutral. Battery cell manufacturers have committed to using green power from renewable sources. And climate-neutral power will be available for charging the ID. during the use phase. We will offset unavoidable emissions through certified climate protection projects.

**Our new cars will boast a radically simplified complexity**

Choose your **Model**

Choose your **Range**

Choose your **Colour**

Choose your **Package**

Add **Services**





The ID. will also be our trailblazer when it comes to reducing complexity.

My colleagues have already talked about reducing complexity at our plants and in our logistics.

We also want to reduce complexity for our customers when configuring their dream car.

In future customers will be able to select a model, range, color and equipment package with just a few clicks (tailored to personal habits, everyday requirements and preferences). Customers will find configuration easier and more straightforward – and will save time as well. Additional service can be booked when purchasing or later on. Our aim is to be more customer-centric and less focused on engineering.

This new era kicks off next year, when customers can pre-book an early slot for their ID. This is new territory for Volkswagen. Some time in the first half of next year, customers will be able to pay a deposit and secure an early production slot for their ID.



For my part I am looking forward to the next two years – I believe they will be “magic” years for Volkswagen. Vehicles, customers and our dealers will be fully connected, creating a seamless customer experience, and the “Volkswagen identification number” will enable us to address our customers’ needs with greater efficiency and individuality.

We will be debuting pre-booking for the ID,, marking the beginning of e-commerce for us.

In addition to the realignment and technical innovations, next year will also see the launch of our new brand design which will give the brand a more modern, fresher and more personal look.

Thank you.