

**VOLKSWAGEN**

AKTIENGESELLSCHAFT

# Shaping the transformation together.

ANNUAL MEDIA CONFERENCE 2018

## DISCLAIMER

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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.

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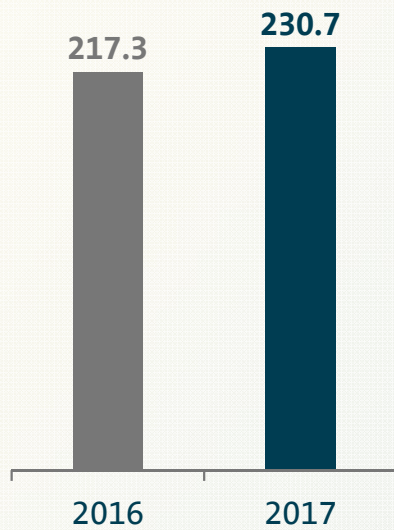
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## VOLKSWAGEN GROUP EXCEEDS THE PRIOR-YEAR FIGURES

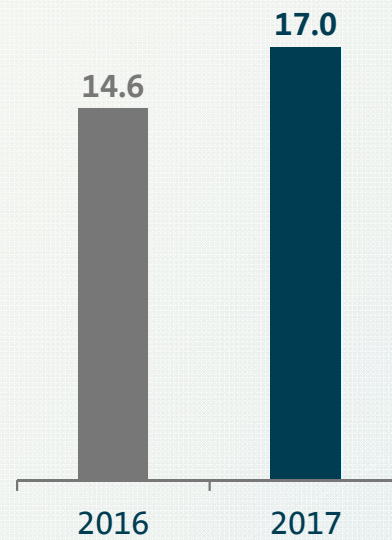
### SALES REVENUE

€ billion



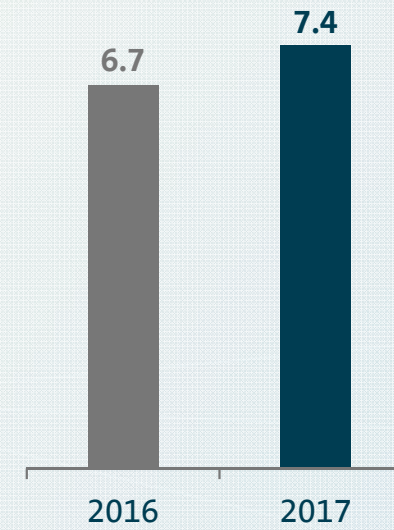
### OPERATING PROFIT BEFORE SPECIAL ITEMS

€ billion

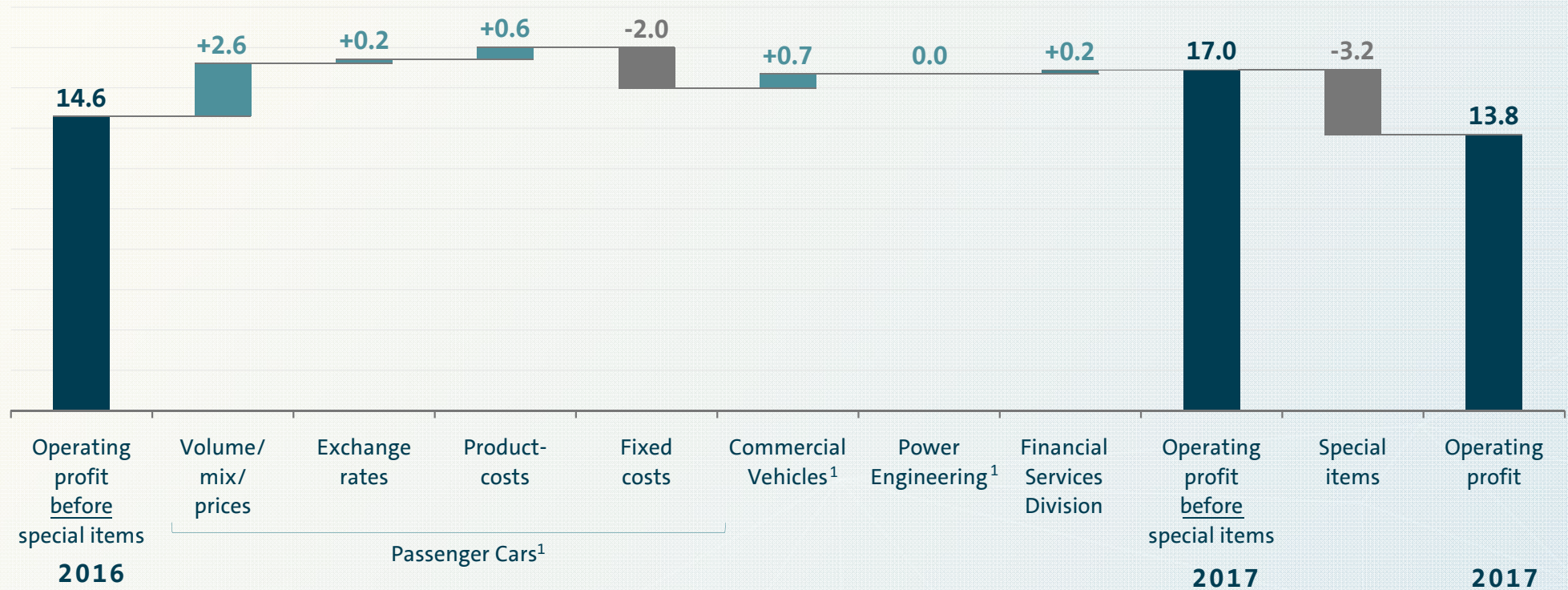


### OPERATING PROFIT BEFORE SPECIAL ITEMS AS A PERCENTAGE OF SALES

%



**OPERATING PROFIT BEFORE SPECIAL ITEMS INCREASES BY €2.4 BILLION TO €17.0 BILLION**  
€ billion



<sup>1</sup>Including PPA

## **2017 – FINANCIAL HIGHLIGHTS**

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Group sales revenue of € 230.7 (€ 217.3) billion significantly higher than prior-year due to volume-related factors

Operating profit before special items improves by € 2.4 billion to € 17.0 billion

Special items in connection with the diesel issue amounted to – € 3.2 billion

Operating profit increases by € 6.7 billion to € 13.8 billion; even after special items the best operating profit ever achieved in the history of the Volkswagen Group

## VOLKSWAGEN PASSENGER CARS

Strategy “Transform 2025+” is being systematically driven forward and operating profit significantly improved

### OPERATING PROFIT BEFORE SPECIAL ITEMS

€ million

2017		3,301	+ € 1,432 million
2016		1,869	+ 76.6 %



Volkswagen



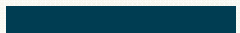
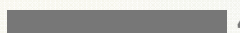
2017 operating profit takes account of the reclassification of companies; prior-year figures were not adjusted.

## AUDI

*Another sales record, 1.9 million vehicles delivered to customers*

### OPERATING PROFIT BEFORE SPECIAL ITEMS

€ million

2017		<b>5,058</b>	+ € 212 million
2016		<b>4,846</b>	+ 4.4 %



Including Lamborghini and Ducati.

## ŠKODA

*SUV initiative continued with the new Karoq and new records achieved*

### OPERATING PROFIT

€ million

2017		<b>1,611</b>	+ € 414 million
2016		<b>1,197</b>	+ 34.6 %



ŠKODA





## SEAT

*Prior year's positive development continued impressively in 2017*

### OPERATING PROFIT

€ million

2017		<b>191</b>	+ € 38 million
2016		<b>153</b>	+ 24.8 %



## BENTLEY

*World premiere of the third generation of best-selling model Continental GT Coupé*

### OPERATING PROFIT

€ million

2017	55	– € 57 million
2016	112	– 50.8 %




## PORSCHE

*New records in terms of unit sales, sales revenue and profit*

### OPERATING PROFIT PORSCHE AUTOMOTIVE

€ million

2017		<b>4,003</b>	+ € 269 million
2016		<b>3,733</b>	+ 7.2 %



Operating profit Porsche (Automotive and Financial Services): €4,144 million (€3,877 million).

## VOLKSWAGEN COMMERCIAL VEHICLES

*Record profit in 2017*

### OPERATING PROFIT

€ million

2017		<b>853</b>	+ € 398 million
2016		455	+ 87.6 %



Commercial  
Vehicles

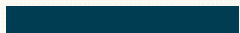
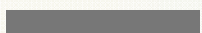


## SCANIA

*New trucks generation extended, operating profit as a percentage of sales improved to 10.1%*

### OPERATING PROFIT

€ million

2017		<b>1,289</b>	+ € 217 million
2016		<b>1,072</b>	+ 20.3 %



Operating profit includes financial services, before special items in the prior-year.

## MAN COMMERCIAL VEHICLES

*MAN TGE – first light commercial vehicle*

## MAN POWER ENGINEERING

*New high-performance diesel engine*

### OPERATING PROFIT

€ million



### OPERATING PROFIT

€ million



Operating profit each before special items in the previous year.

## VOLKSWAGEN FINANCIAL SERVICES

*New profit record*

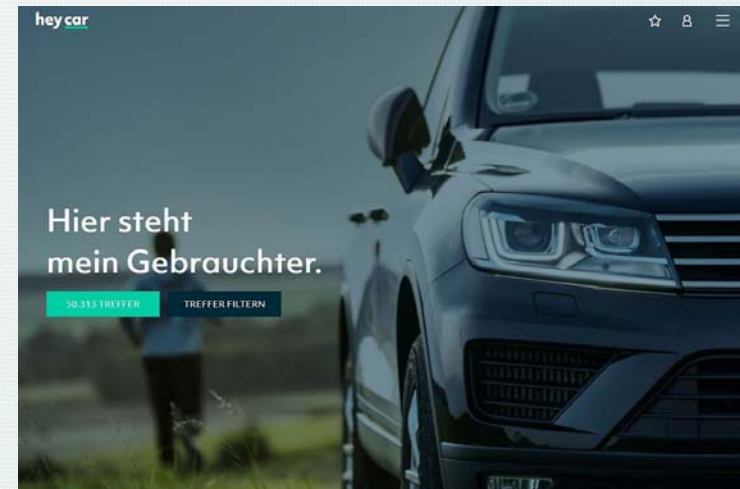
### OPERATING PROFIT

€ million

2017	<b>2,460</b>	+ € 355 million
2016	2,105	+ 16.9 %

### VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY



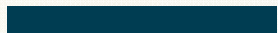
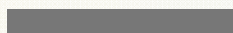
Operating profit 2017 includes Porsche Financial Services, prior-year figures not adjusted.

## VOLKSWAGEN GROUP BEFORE SPECIAL ITEMS

*Strong brands drive profit*

### OPERATING PROFIT BEFORE SPECIAL ITEMS

€ million

2017		<b>17,041</b>	+ € 2,418 million
2016		<b>14,623</b>	+ 16.5 %

## VOLKSWAGEN

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VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

The operating profit of the joint venture companies in China is not included in the Group figures; they are accounted for using the equity method and recorded proportionate operating profit of €4,746 million (€4,956 million).



## GROUP OPERATING PROFIT BY BRAND

€ million

	January – December		Change	
	2016	2017	absolute	%
Volkswagen Passenger Cars <sup>1</sup>	1,869	3,301	1,432	76.6
Audi	4,846	5,058	212	4.4
ŠKODA	1,197	1,611	414	34.6
SEAT	153	191	38	24.8
Bentley	112	55	-57	-50.8
Porsche Automotive	3,733	4,003	269	7.2
Volkswagen Commercial Vehicles	455	853	398	87.6
Scania <sup>2</sup>	1,072	1,289	217	20.3
MAN Commercial Vehicles	230	362	132	57.6
MAN Power Engineering	194	193	-2	-0.9
Other <sup>3</sup>	-1,343	-2,335	-992	-73.8
Volkswagen Financial Services <sup>4</sup>	2,105	2,460	355	16.9
<b>Volkswagen Group <u>before</u> special items</b>	<b>14,623</b>	<b>17,041</b>	<b>2,418</b>	<b>16.5</b>

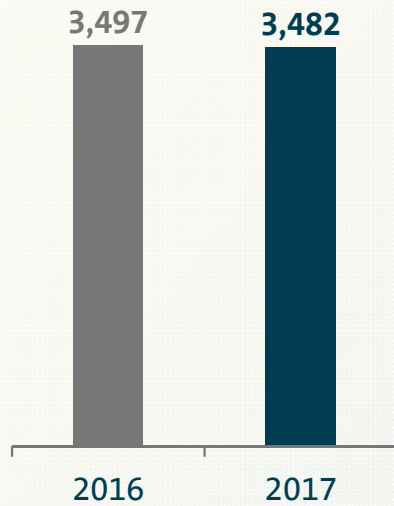
<sup>1</sup> 2017 figures take account of the reclassification of companies; prior-year figures were not adjusted. <sup>2</sup> Including financial services. <sup>3</sup> Prior-year figures adjusted.

<sup>4</sup> 2017 includes Porsche Financial Services.

## FINANCIAL RESULT

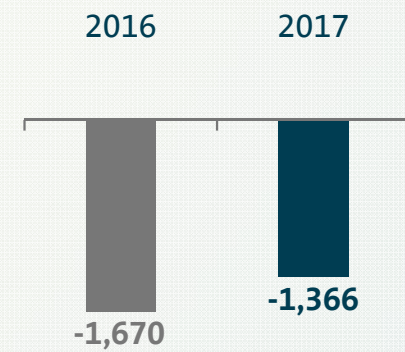
### SHARE OF PROFITS AND LOSSES OF EQUITY- ACCOUNTED INVESTMENTS

€ million



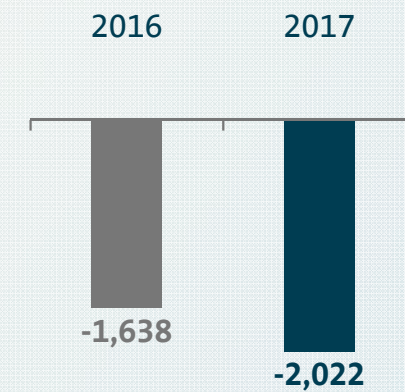
### INTEREST RESULT

€ million



### OTHER FINANCIAL RESULT

€ million



## **2017 – FINANCIAL HIGHLIGHTS**

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Financial result amounts to € 0.1 billion (prior-year: € 0.2 billion); equity-accounted income on a level with the previous year

Profit before tax of € 13.9 billion exceeds the prior-year figure by € 6.6 billion

Positive non-cash measurement effects arising from the US tax reform amounting to € 1.0 billion lead to a non-recurring tax rate reduction

Profit after tax amounts to € 11.6 billion (prior-year: € 5.4 billion)

## OPERATING PROFIT 2017 EVEN AFTER SPECIAL ITEMS AT RECORD LEVEL

€ million

	January – December		Change	
	2016	2017	absolute	in %
Sales revenue	217,267	230,682	13,415	6.2
Operating profit before special items	14,623	17,041	2,418	16.5
as a percentage of sales revenue	6.7	7.4	-	0.7 <sup>1</sup>
Special items	-7,520	-3,222	4,298	57.1
<b>Operating profit</b>	<b>7,103</b>	<b>13,818</b>	<b>6,715</b>	<b>94.5</b>
as a percentage of sales revenue	3.3	6.0	-	2.7 <sup>1</sup>
Financial result	189	94	-94	-50.0
<b>Profit before tax</b>	<b>7,292</b>	<b>13,913</b>	<b>6,621</b>	<b>90.8</b>
Income tax expense	-1,912	-2,275	-362	-18.9
<b>Profit after tax</b>	<b>5,379</b>	<b>11,638</b>	<b>6,259</b>	<b>x</b>

<sup>1</sup>Percentage points

## VOLKSWAGEN GROUP INCOME STATEMENT

€ million

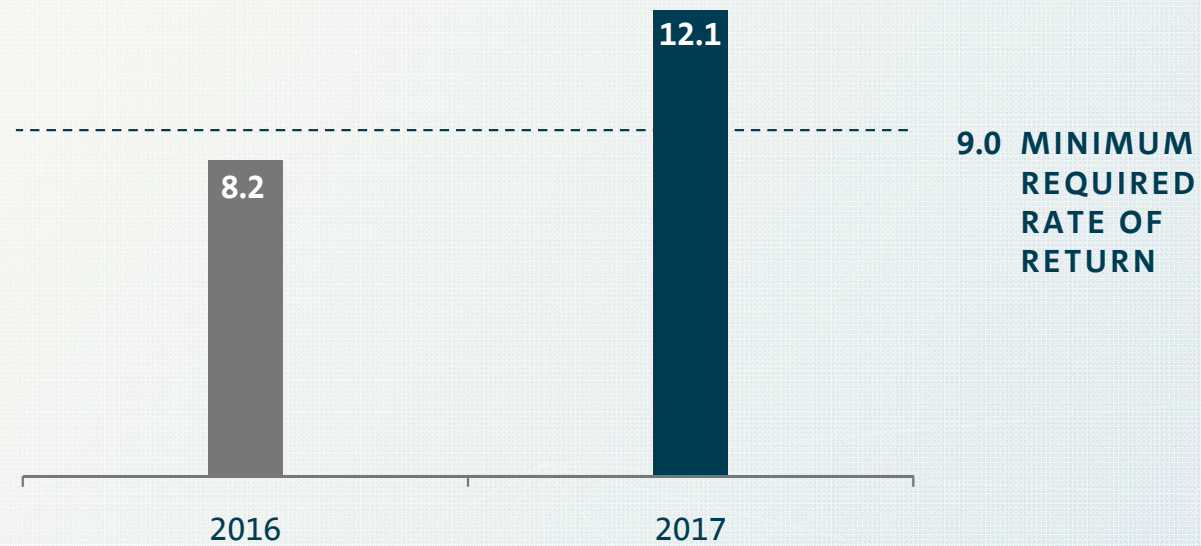
	2016	%	2017	%
<b>Sales revenue</b>	<b>217,267</b>	<b>100.0</b>	<b>230,682</b>	<b>100.0</b>
Cost of sales	-176,270	-81.1	-188,140	-81.6
<b>Gross profit</b>	<b>40,997</b>	<b>18.9</b>	<b>42,542</b>	<b>18.4</b>
Distribution expenses	-22,700	-10.4	-22,710	-9.8
Administrative expenses	-7,336	-3.4	-8,254	-3.6
Net other operating result	-3,858	-1.8	2,240	1.0
<b>Operating profit</b>	<b>7,103</b>	<b>3.3</b>	<b>13,818</b>	<b>6.0</b>
Financial result	189	0.1	94	0.0
<b>Profit before tax</b>	<b>7,292</b>	<b>3.4</b>	<b>13,913</b>	<b>6.0</b>
Income tax expenses	-1,912	-0.9	-2,275	-1.0
<b>Profit after tax</b>	<b>5,379</b>	<b>2.5</b>	<b>11,638</b>	<b>5.0</b>
Earnings attributable to Volkswagen AG shareholders	5,144	2.4	11,354	4.9

## AUTOMOTIVE DIVISION RETURN ON INVESTMENT (ROI)<sup>1</sup> EXCEEDS MINIMUM REQUIRED RATE OF RETURN

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### RETURN ON INVESTMENT AFTER TAX

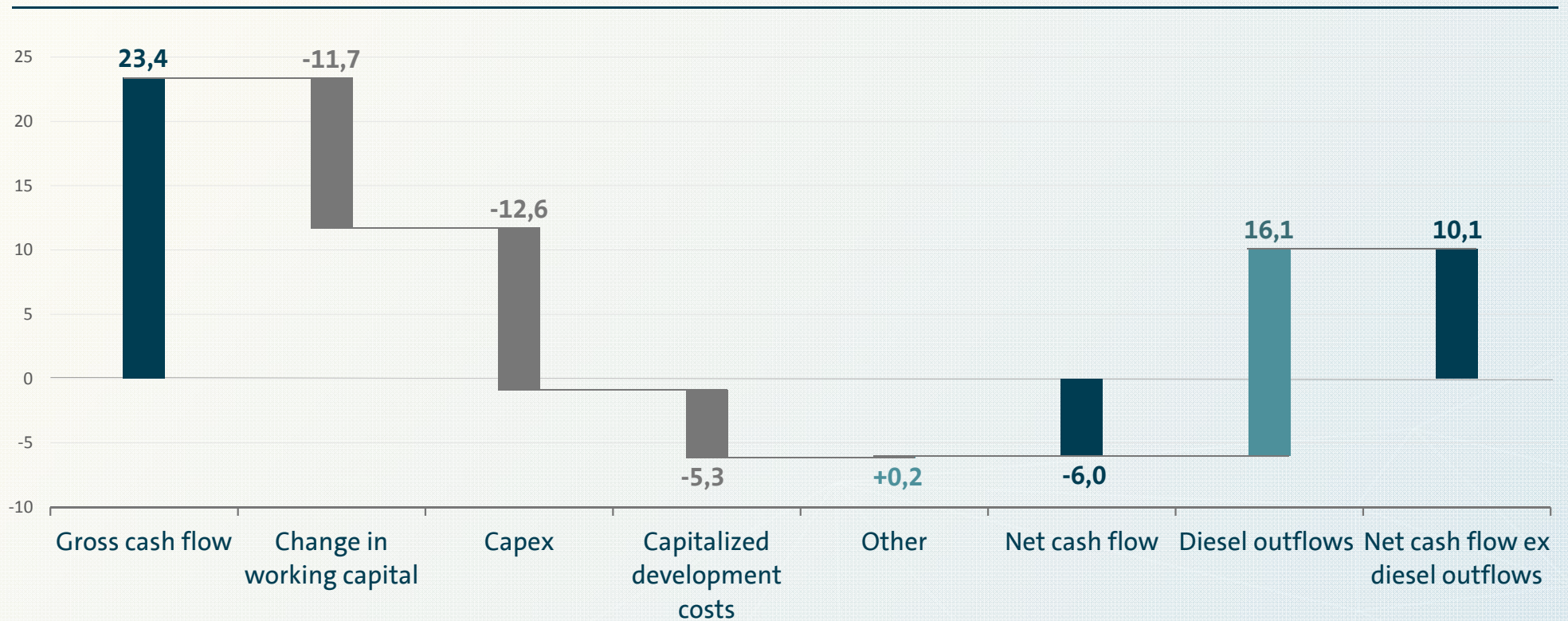
%



<sup>1</sup>Including proportionate inclusion of the Chinese joint ventures (incl. sales and component companies) and allocation of consolidation adjustments between the Automotive and Financial Services divisions.

## AUTOMOTIVE DIVISION NET CASH FLOW 2017: SIGNIFICANT CASH OUTFLOWS RESULTING FROM THE DIESEL ISSUE

€ billion

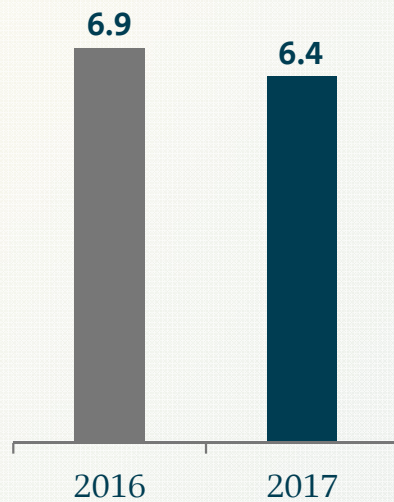


## AUTOMOTIVE DIVISION'S RESEARCH & DEVELOPMENT RATIO AND CAPEX RATIO IMPROVED

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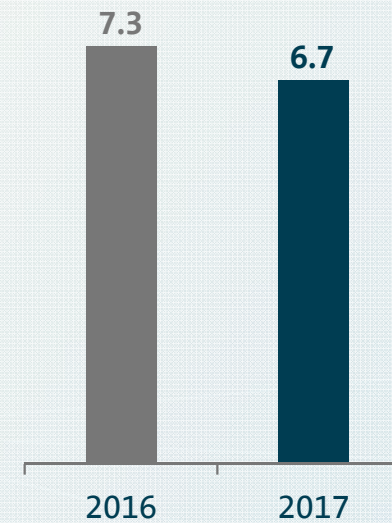
### CAPEX RATIO

*in % of revenue*



### R&D RATIO

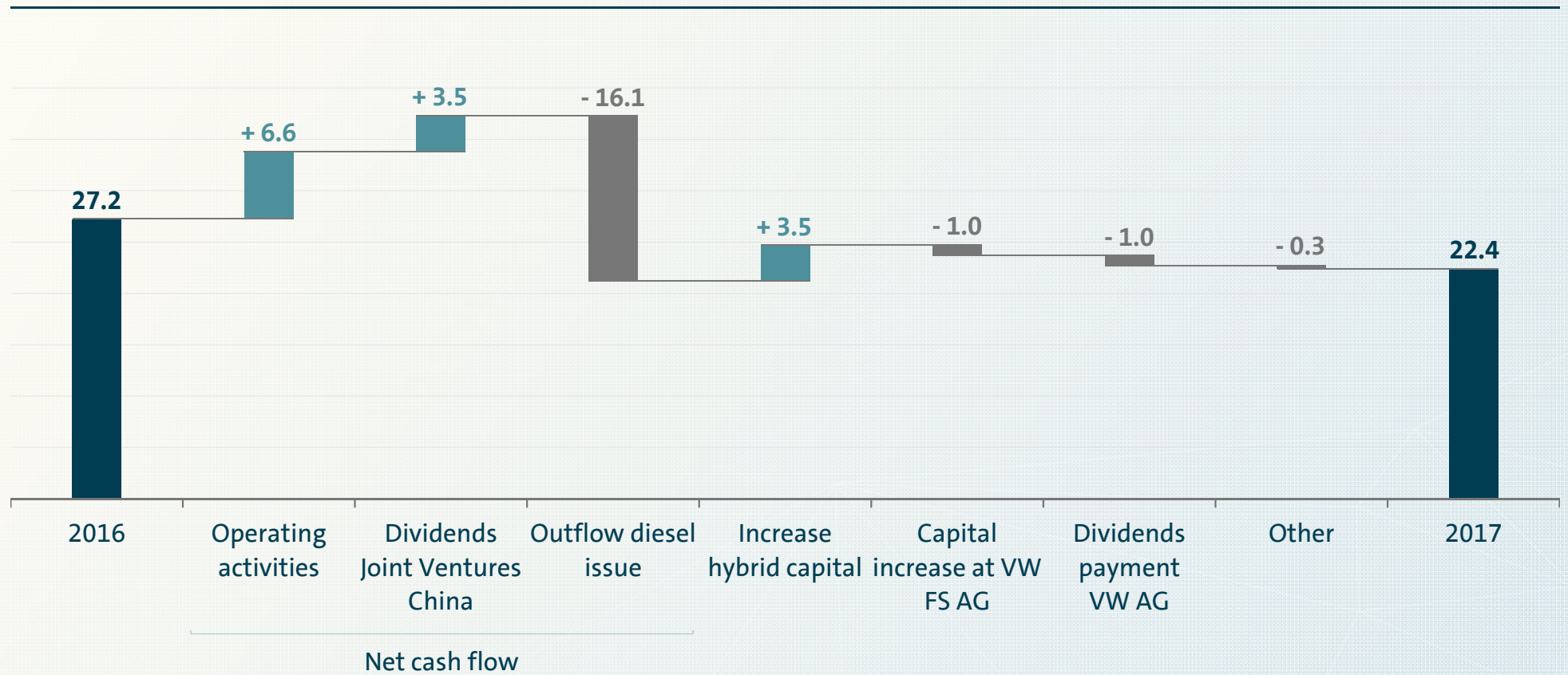
*in % of revenue*





## AUTOMOTIVE DIVISION NET LIQUIDITY ON A SOLID LEVEL

€ billion



## 2017 – FINANCIAL HIGHLIGHTS

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R&D ratio (total research and development expenditure as a percentage of the Automotive Division's sales revenue) improved to 6.7 % (prior-year: 7.3 %)

Ratio of capex to sales revenue was also reduced to 6.4 % (prior-year: 6.9 %)

Net cash flow in the Automotive Division reflects strong operating business, but totals € –6.0 billion after the expected high cash outflows resulting from the diesel issue

Net liquidity in the Automotive Division of € 22.4 billion still at a solid level (prior-year: € 27.2 billion)

## AUTOMOTIVE DIVISION NET LIQUIDITY

€ million

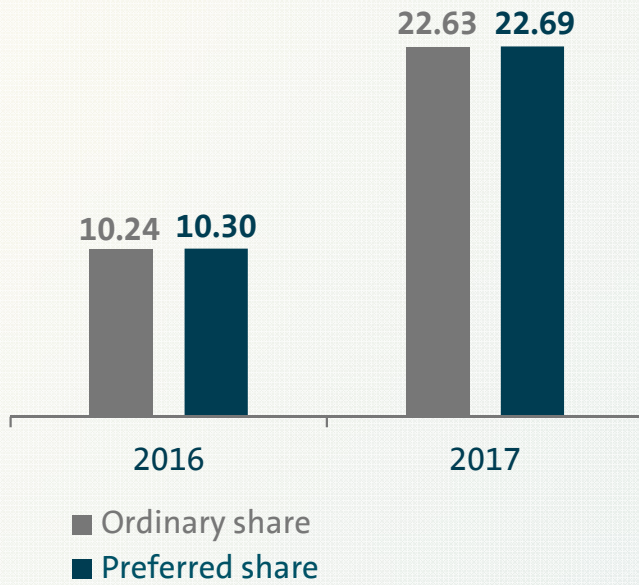
	January – December		Change	
	2016	2017	absolute	in %
<b>Gross cash flow</b>	<b>16,468</b>	<b>23,418</b>	<b>6,950</b>	<b>42.2</b>
Change in working capital	3,803	-11,732	-15,535	x
<b>Cash flows from operating activities</b>	<b>20,271</b>	<b>11,686</b>	<b>-8,585</b>	<b>-42.4</b>
<b>Cash flows from investing activities attributable to operating activities</b>	<b>-15,941</b>	<b>-17,636</b>	<b>-1,695</b>	<b>-10.6</b>
of which: capex	-12,795	-12,631	163	1.3
as % of sales revenue	6.9	6.4	-	0.5 <sup>1</sup>
Additions to capitalized development costs	-5,750	-5,260	490	8.5
Acquisition/disposal of equity investments	2,283	-124	-2,406	x
<b>Net cash flow</b>	<b>4,330</b>	<b>-5,950</b>	<b>10,280</b>	<b>x</b>
Capital increases due to hybrid notes	-	3,473	3,473	x
Capital increase Financial Services Division	-1,454	-1,073	381	26.2
Acquisition of shares MAN/Scania	-21	-3	18	86.5
<b>Net liquidity at December 31</b>	<b>27,180</b>	<b>22,378</b>	<b>-4,802</b>	<b>-17.7</b>

<sup>1</sup> Percentage points

## DIVIDEND INCREASES ONCE AGAIN

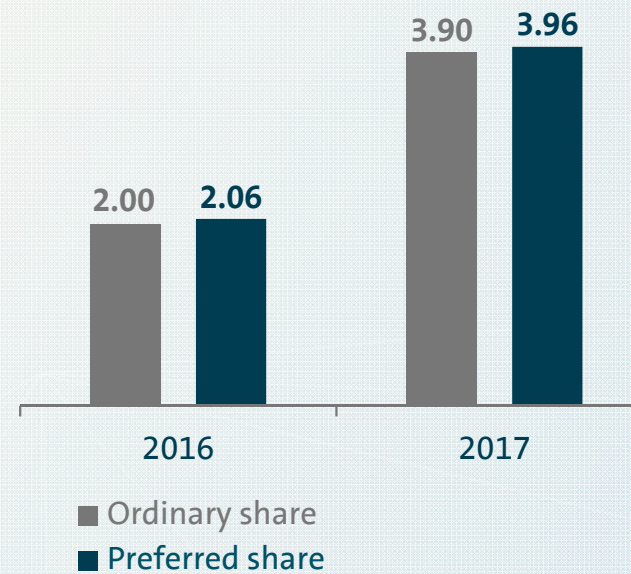
### EARNINGS PER SHARE

€



### DIVIDEND PER SHARE

€



## **2018 – GENERAL MEETING**

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The Board of Management and Supervisory Board propose to increase the dividend per ordinary share to € 3.90 (prior-year: € 2.00) and per preferred share to € 3.96 (prior-year: € 2.06)

General Meeting: May 3, 2018 at the CityCube Berlin

# VOLKSWAGEN

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## FORECAST VERSUS ACTUAL FIGURES

	Actual 2016	Original Forecast for 2017	Adjusted Forecast for 2017	Actual 2017
<b>Volkswagen Group</b>				
Deliveries to customers	10.3 million	moderate increase	moderate increase	10.7 million
Sales revenue	€ 217.3 billion	increase up to 4 % within the forecast range	> 4 % within the forecast range	€ 230.7 billion
Operating profit	€ 7.1 billion	within the forecast range	within the forecast range	€ 13.8 billion
Operating profit before special items	€ 14.6 billion	within the forecast range	within the forecast range	€ 17.0 billion
Operating return on sales before special items	6.7 %	6.0 – 7.0 %	moderately above 7,0 %	7.4 %
<b>Automotive Division</b>				
Return on investment (ROI)	8.2 %	noticeable increase, > 9 %	noticeable increase, > 9 %	12.1 %
Capex/sales revenue	6.9 %	6.0 – 7.0 %	6.0 – 7.0 %	6.4 %
R&D ratio	7.3 %	6.0 – 7.0 %	6.0 – 7.0 %	6.7 %
Net cash flow	€ 4.3 billion	significant decline, negative	significant decline, negative	€ -6.0 billion
Net liquidity	€ 27.2 billion	significant decline	significant decline	€ 22.4 billion