

**VOLKSWAGEN**

AKTIENGESELLSCHAFT

# Shaping the transformation together.

**Frank Witter, CFO**

Exane BNP Paribas, 6th Annual Geneva Motor Show Conference

5<sup>th</sup> March 2019

## 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.

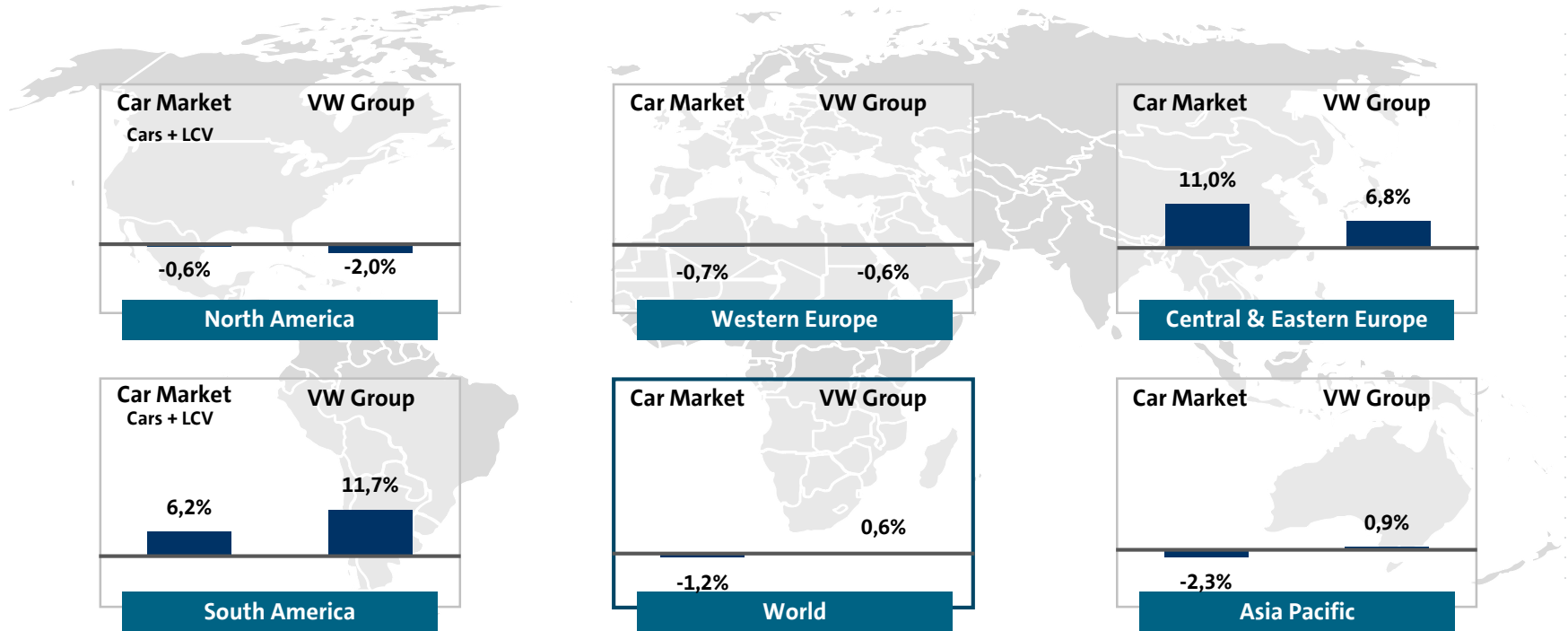
Consequently, a negative impact relating to ongoing claims or investigations, any unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, and trade disputes among major trading partners will have a corresponding impact on the development of our business. The same applies in the event of a significant shift in current exchange rates in particular relative to the US dollar, sterling, yen, Brazilian real, Chinese renminbi and Czech koruna.

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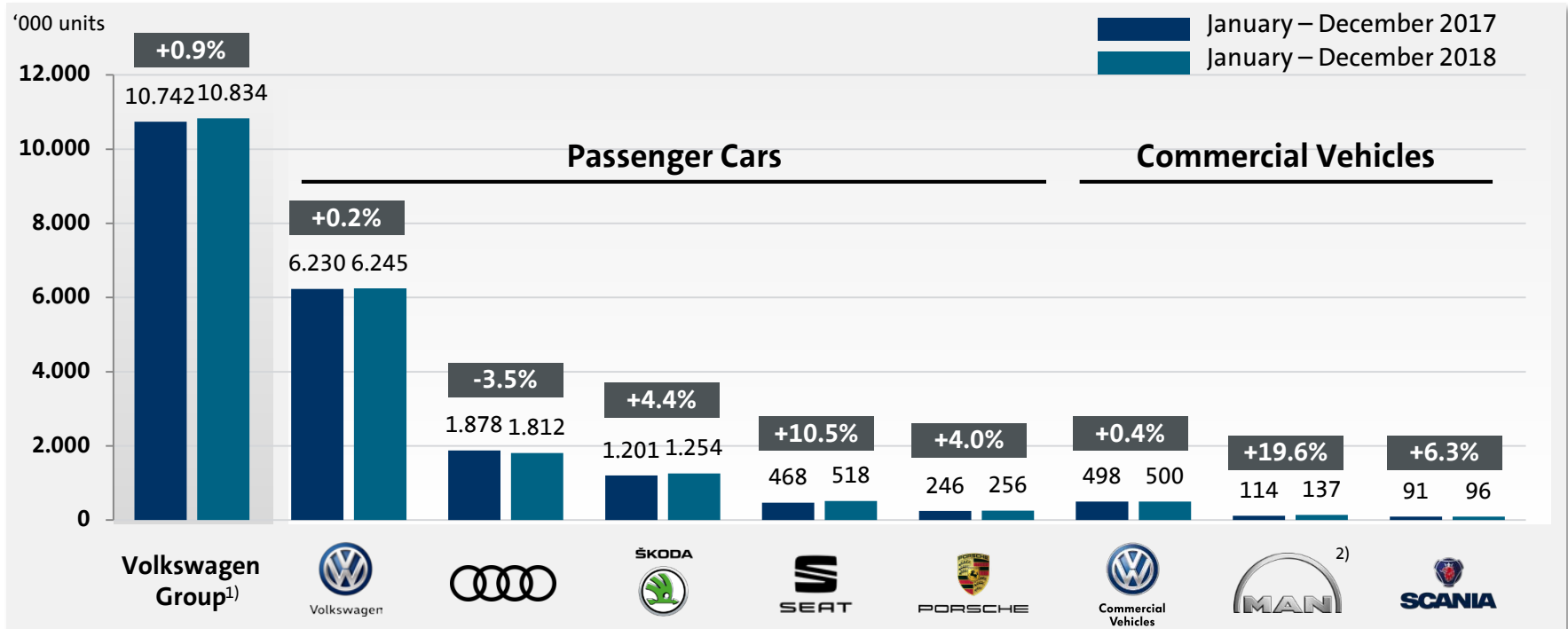
This information does not constitute an offer to exchange or sell or an offer to exchange or buy any securities.

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



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

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

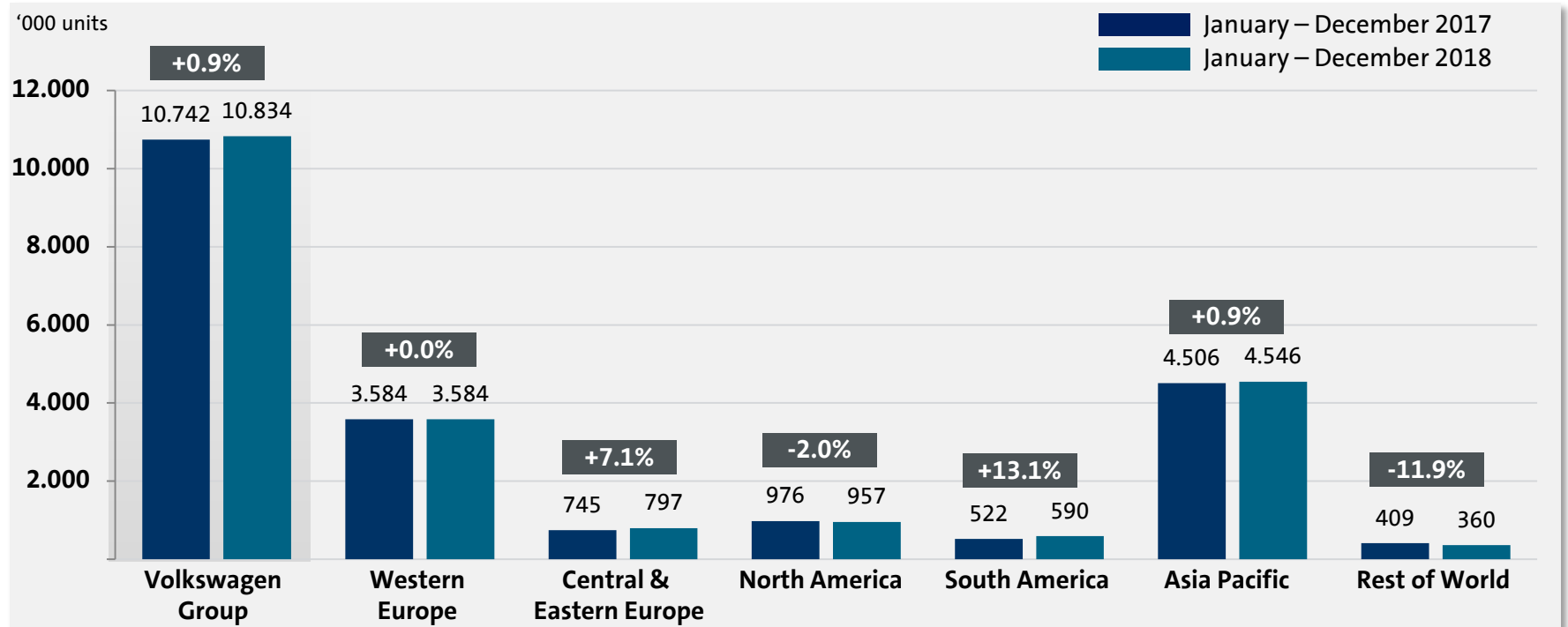


<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +0.6% excl. Volkswagen Commercial Vehicles, Scania and MAN.

<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 2018 vs. 2017)



<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +0.6% excl. Volkswagen Commercial Vehicles, Scania and MAN.

## Volkswagen Group – Key Financial Figures<sup>1)</sup> (January to December 2018 vs. 2017)

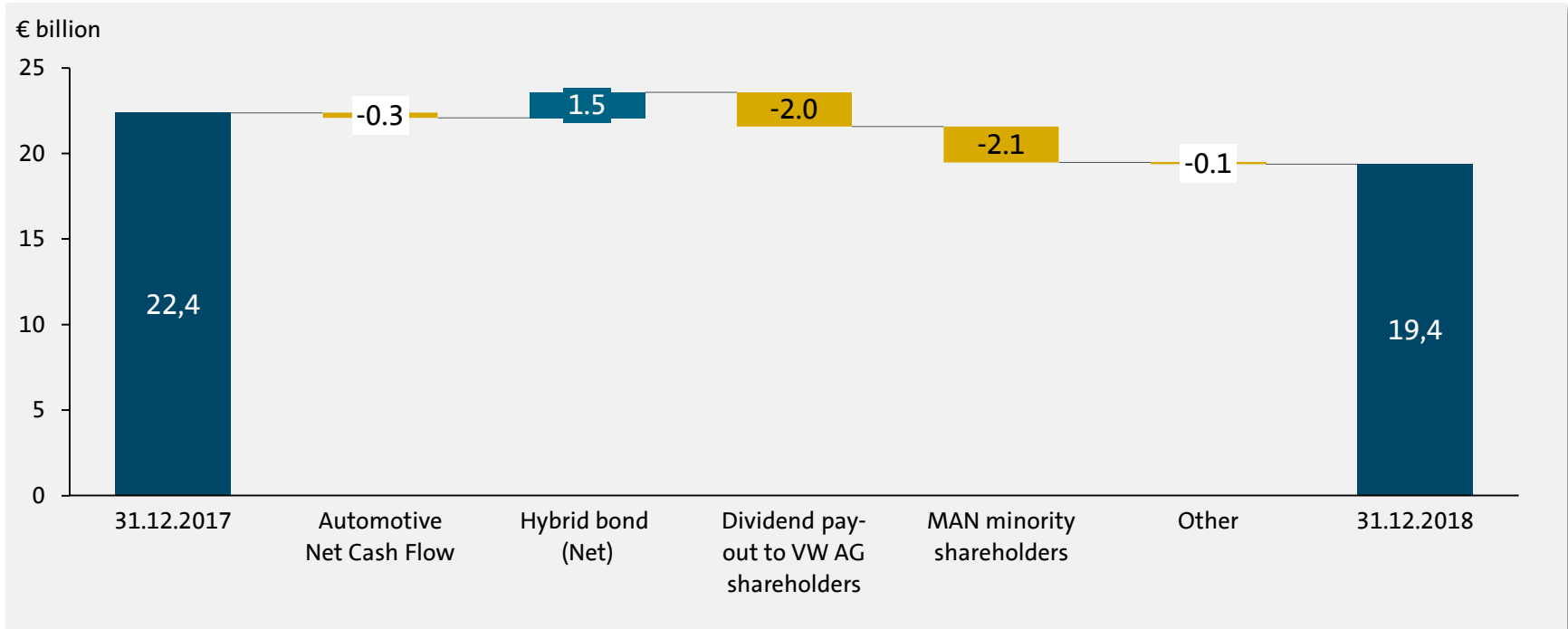
thousand vehicles / € million	2018	2017 <sup>2)</sup>	+/- (%)
Vehicle Sales <sup>3)</sup>	10,900	10,777	+1.1
Sales revenue	235,849	229,550	+2.7
Operating profit before Special Items	17,104	17,041	+0.4
<i>% of sales revenue</i>	7.3	7.4	
Operating profit	13,920	13,818	+0.7
<i>% of sales revenue</i>	5.9	6.0	
Financial result	1,723	-146	x
Profit before tax	15,643	13,673	+14.4
<i>% Return on sales before tax</i>	6.6	6.0	
Profit after tax	12,153	11,463	+6.0

<sup>1)</sup> All figures shown are rounded, so minor discrepancies may arise from addition of these amounts. Including allocation of consolidation adjustments between the Automotive and Financial Services divisions. <sup>2)</sup> Prior-year figures were adjusted due to IFRS

<sup>3)</sup> Volume data including the unconsolidated Chinese joint ventures. The joint venture companies in China are accounted for using the equity method and recorded an operating profit (proportionate) of €4.6 bn (€4.7 bn).

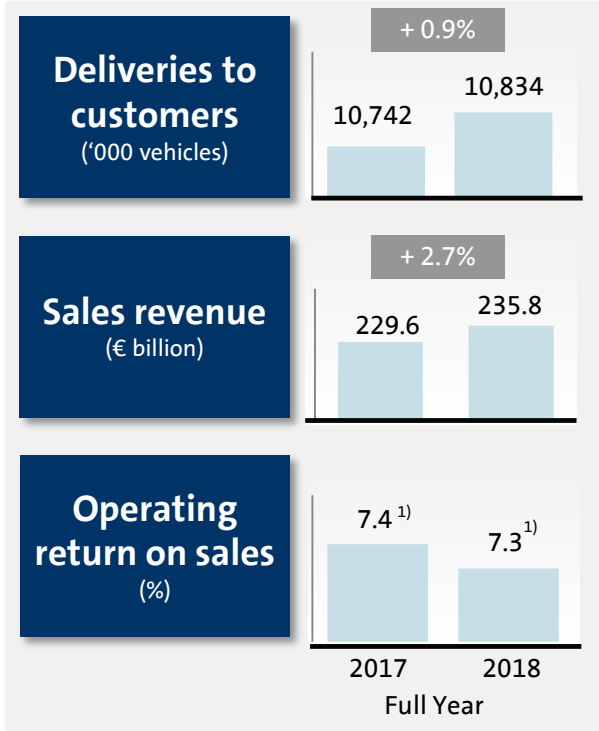
# Automotive Division – Net Cash Flow drives solid Net Liquidity<sup>1)</sup>

(January to December 2018)



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

# Volkswagen Group – Outlook for 2019





## Deliveries to customers

slightly exceed prior year



## Sales revenue

grow by as much as 5% year-on-year



## Operating return on sales

between 6.5% to 7.5%

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

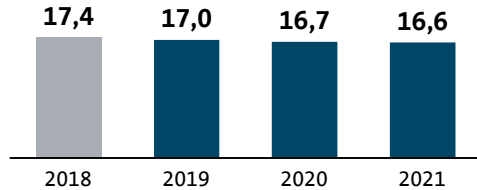


## Global Passenger Car Market 2018 – 2021

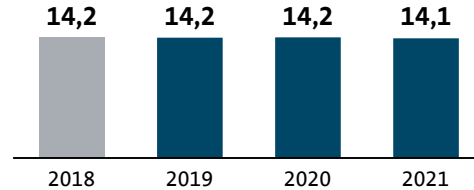
China remains largest driver of passenger car demand, Western Europe stable, Slowdown in the US from a high level, Recovery in Brazil and Russia from a low level

million units

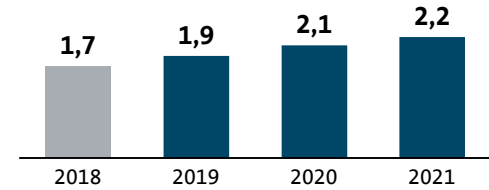
USA<sup>1)</sup>



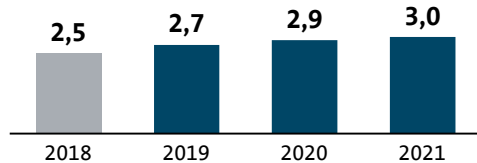
Western Europe



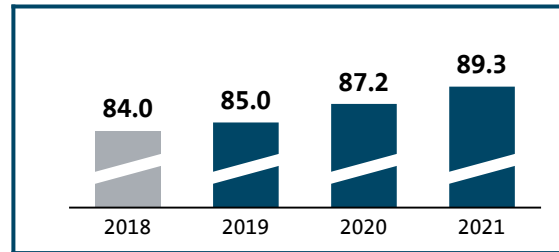
Russia



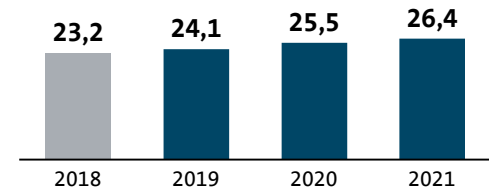
Brazil<sup>1)</sup>



World<sup>1)</sup>



China



■ Actuals ■ Forecast

Data source: IHS Automotive (02.2019)

<sup>1)</sup> Volume for North & South America includes light commercial vehicles (definition 'Light Vehicles')

## Clear Financial Targets and Milestones<sup>1)</sup>

Key financial targets	2016 Actual	2017 Actual	2018 Actual	2020 Targets	2025 Targets
<b>Operating return on sales</b> Before Special Items	6.7%	7.4%	7.3%	6.5-7.5%	7-8%
<b>Return on investment</b> Automotive Division <u>before</u> Special Items	13.9%	14.4%	tba	13-15%	> 15%
<b>Capex ratio</b> Automotive Division	6.9%	6.5%	6.6%	6%	6%
<b>R&amp;D cost ratio</b> Automotive Division	7.3%	6.7%	6.8%	6%	6%
<b>Cash</b>					
Automotive Division					
<b>a) Net Cashflow<sup>2)</sup></b>	€ 7.2 bn	€ 10.1bn	€ 5.0 bn	≥ € 10 bn	> € 10 bn
<b>b) Net Liquidity</b>	€ 27.2 bn	€ 22.4 bn	€ 19.4 bn	> € 20 bn <sup>3)</sup>	~10% of Group turnover

<sup>1)</sup> As of 19th November, 2018. <sup>2)</sup> Ex diesel payments; cash outflows of around € 3 bn in 2016, € 16.1 bn in 2017 and € 5.3 bn in 2018. <sup>3)</sup> Including the negative IFRS 16 impact, effective from 1st January, 2019.

## Better Earnings Quality & EPS growth<sup>1)</sup>

**Basis: Result 2016**









**Sales revenue (€ bn)** **217.3**

**Operating profit (€ bn)**  
before Special Items **14.6**

**Profit before tax (€ bn)** **14.8**

**Earnings per Pref. Share**  
before Special Items **~20 €**

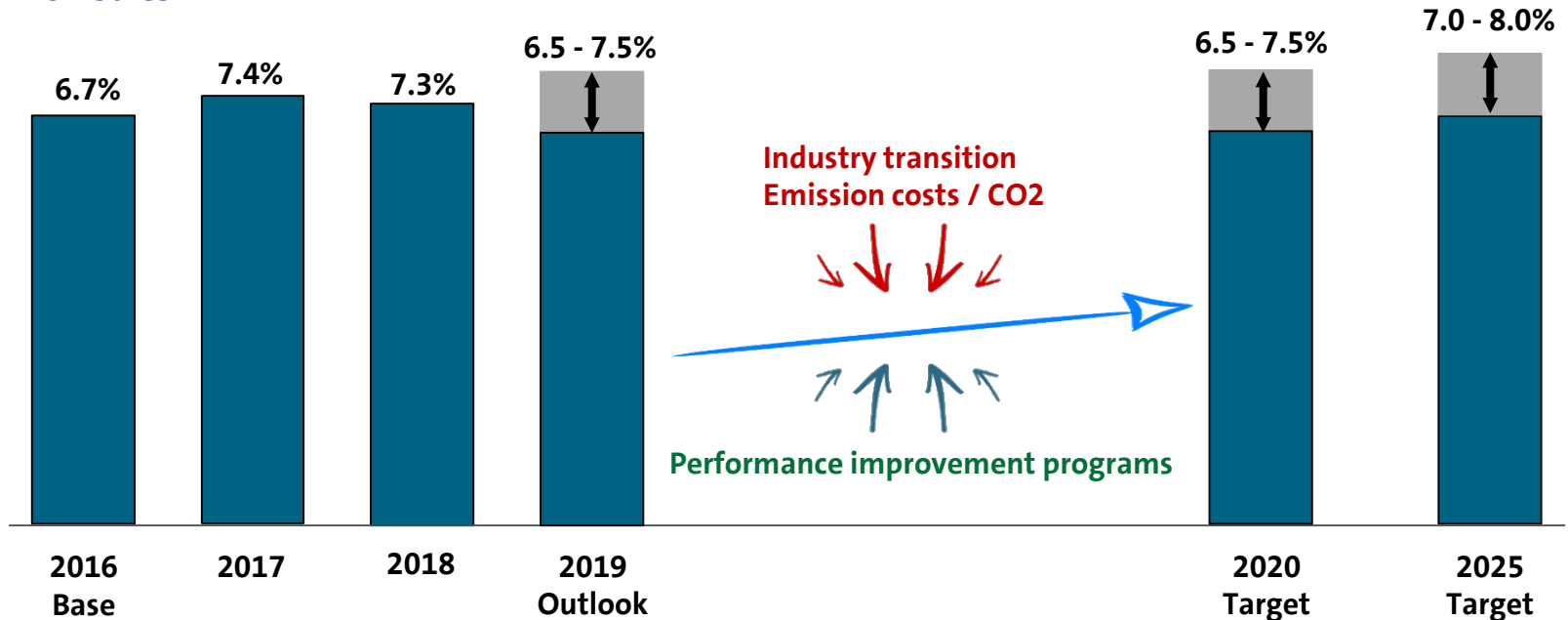
**2020 Updated**

CMD March 2017	PR 66	PR 67
+ > 20 % 	+ > 25 % 	+ > 25 %
+ 25 % 	+ ≥ 25 % 	+ > 30 %
+ ≥ 25 % 	+ ≥ 30 % 	+ ≥ 40 %
+ ≥ 25 % 	+ > 25 € 	+ ≥ 30 €

<sup>1)</sup> As of 19th November, 2018.

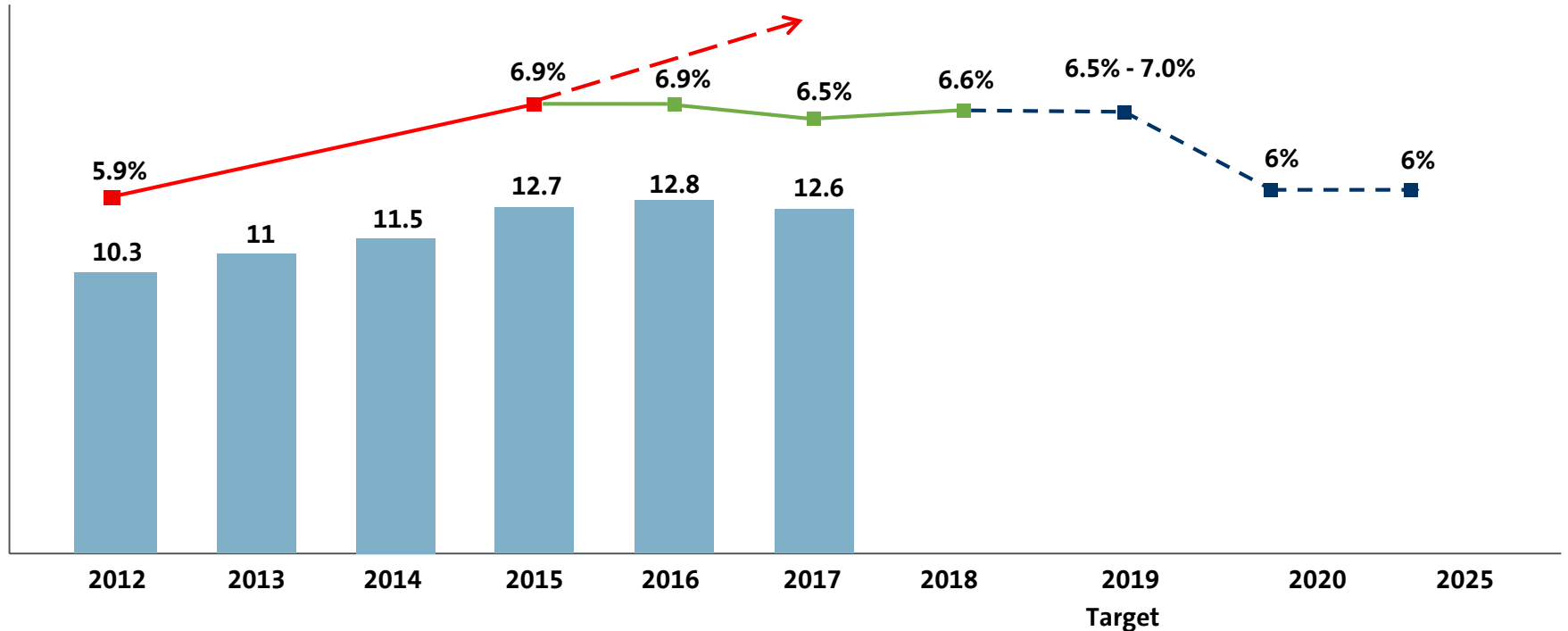
# Improving Group Return on Sales despite significant headwinds

## Return on Sales



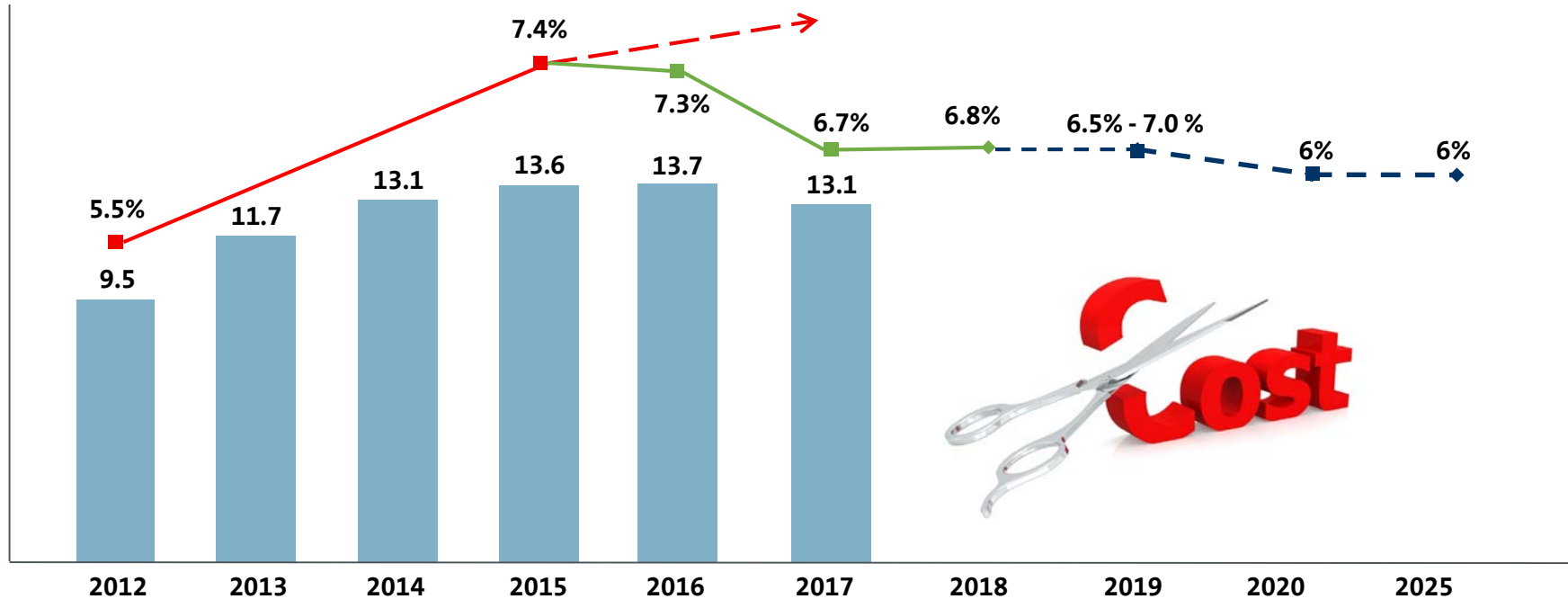
## CAPEX Automotive Division

(€ billion, as % of sales revenue)

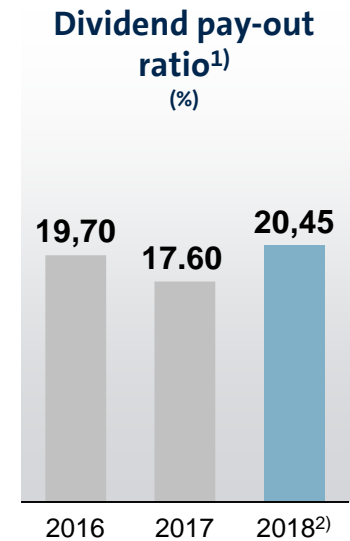
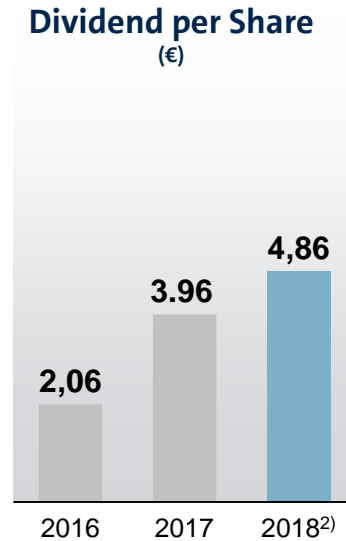
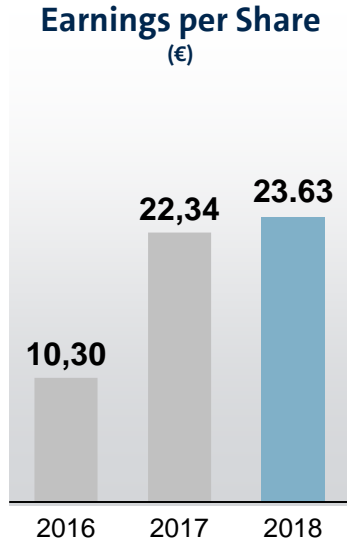


# R&D Costs Automotive Divison

(€ billion, as % of sales revenue)



# Volkswagen AG – Attractive Dividend



**Target EPS: ≥ 30 € by 2020**

**Target Dividend Pay-Out Ratio: 30%**

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

<sup>2)</sup> 2018 Dividend Proposal

## STRATEGY 2025 – Initiatives at a glance

GROW PROFITABLY

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



Transform core business

DEVELOP STRATEGIC CAPABILITIES

ENHANCE ENTREPRENEURIAL SPIRIT

- 10 Build mobility solutions business
- 11 Develop and expand attractive and profitable smart mobility offering



Build mobility solutions business

- 12 Improve operational excellence
- 13 Optimize business portfolio



Secure funding

- 14 Drive digital transformation

- 15 Create organization 4.0



Strengthen innovation power

- 16 Better integrated and strategic planning process



# Paving the way for sustainable mobility 2019 – 2023

More than €44 bn in e-mobility, digitalization, autonomous driving and mobility services; equates one third of total expenditure



Two thirds of total expenditure are therefore dedicated into the conventional vehicle and drive portfolio.



## Responsibilities for Electric Toolkit Architecture

### PPE

Premium  
Platform  
Electric



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

### MEB

Modular  
Electrification  
Kit



Volkswagen



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

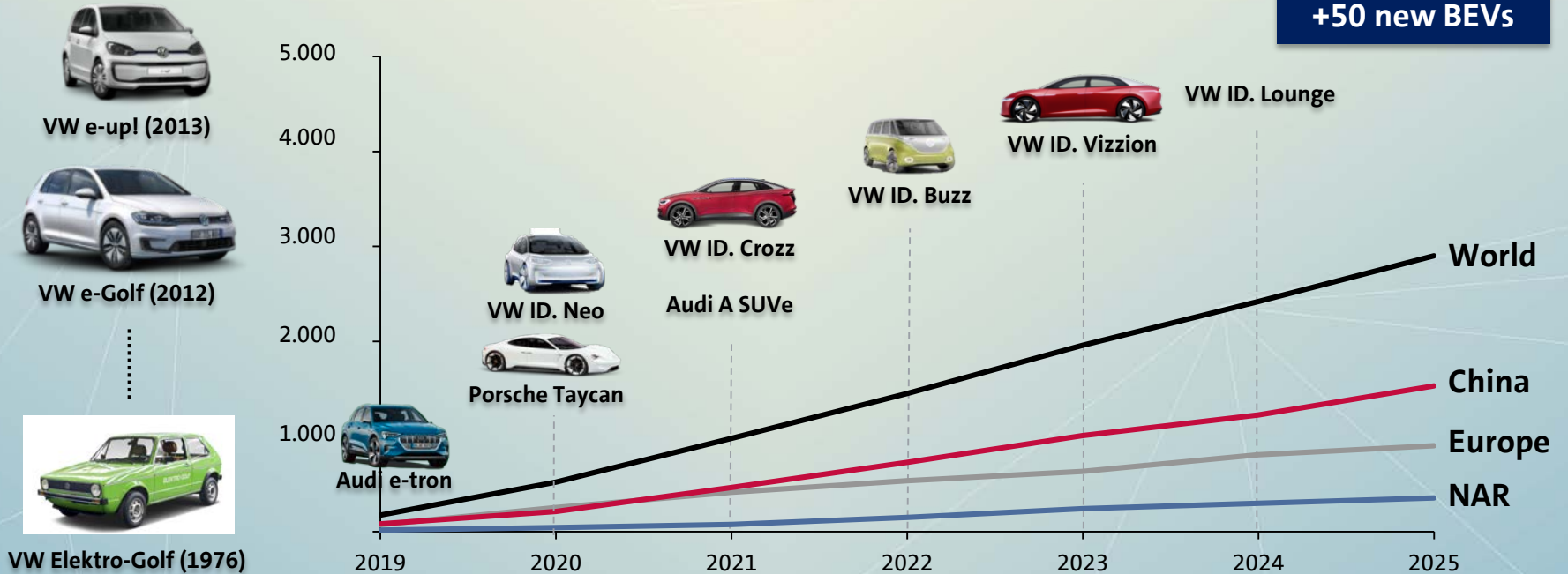
# The Volkswagen Brand's I.D. family sets the new BEV benchmark in the volume segment



## Electrifying the Product Portfolio<sup>1)</sup>

**Until 2025:  
+50 new BEVs**

BEV volume per region in thousand units



<sup>1)</sup> As of 19th November, 2018.

# Driving forward Strategy 2025: Implementation is accelerating I

ROADMAP E launched



Center of Excellence for battery technology established



Joint venture for rapid charging network in place



SEDRIC developed and presented



Powering electric mobility



STRATEGY 2025

MOIA pilot extended to Hamburg



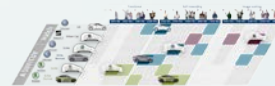
Strategic partnership with Microsoft agreed



Realignment of Group Components



Positioning of Group brands sharpened



Board Digitalization Committee established





# Shaping the future of the Commercial Vehicles business



## Global Champion Strategy

- Striving to become a Global Champion of the truck and transport services industry.
- Further expanding brands' presence and utilizing strong network of strategic partners to access all major profit pools.
- Aiming to realize significant synergies through cooperation between TRATON's brands and strategic partners (e.g. Navistar in the USA, Sinotruk in China, Hino Motors in Japan and Asia).
- Goal is to become an industry leader in terms of profitability.
- Future business model: develop solutions for future transportation (in such areas as autonomous driving, electrification and connectivity).
- RIO, the digital brand, as connectivity environment, coordinating partner services within the Group.

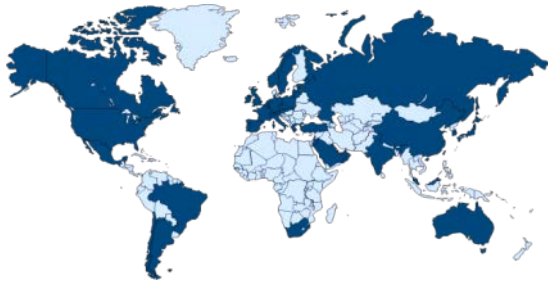
## Project "Next Level"

- Further increase the company's maturity, efficiency and innovativeness.
- Achievement of capital market readiness: meet technical and structural requirements of the capital market.
- Changed name and legal structure from Volkswagen Truck & Bus GmbH to TRATON AG and transformation into TRATON SE (Societas Europaea) resolved by the Annual Shareholders Meeting
- Focus on Commercial Vehicles. Agreement on the sale<sup>1)</sup> of MAN SE's stake in MAN Energy Solutions SE and RENK AG to subsidiary of VW AG.
- IPO is just one of several options. Dependent on the market environment and economic conditions.

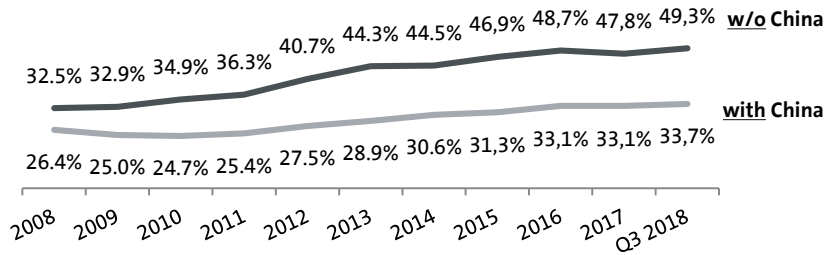
<sup>1)</sup> Sale is intended to be completed by year-end 2018. <sup>2)</sup> Domination and Profit and Loss Transfer Agreement between MAN SE and TRATON AG.

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

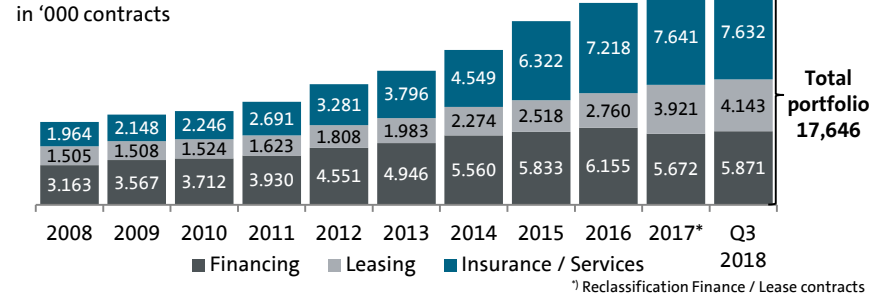
## Strong global presence



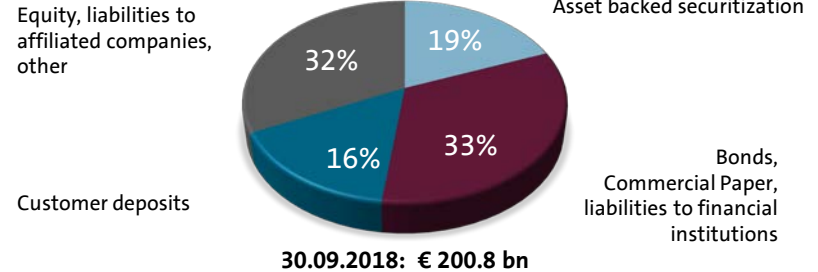
## Rising penetration rates



## Continuous portfolio expansion



## Diversified funding structure



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

## Special Items: Diesel related and other

€ (bn)	Diesel	Other	Total
2015	Legal	7.0	16.9
	Other items	9.2	
		<b>16.2</b>	
2016	Mainly legal risks	6.4	7.5
		<b>1.1</b>	
2017	Buyback/retrofit program	2.2	3.2
	Legal	1.0	
		<b>3.2</b>	
2018	Legal	3.2	3.2
Total to date		<b>29.0</b>	<b>31.8</b>

A significant amount of the Diesel Dollar-related provisions are hedged and a further substantial amount of the provisions have been utilized. Cash outflows of around € 3 bn in 2016, € 16.1 bn in 2017 and € 5.3 bn in 2018.



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

## RISK MANAGEMENT

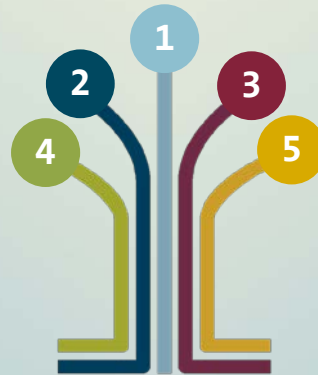
Ethics and compliance risks are identified, owned, managed and mitigated

## SPEAK-UP ENVIRONMENT

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

## STRATEGY

Ethics and compliance is central to business strategy



INTEGRITY & COMPLIANCE  
PROGRAM  
TOGETHER FOR INTEGRITY

## CULTURE OF INTEGRITY

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

## RESOLUTE ACCOUNTABILITY

The organization takes action and holds itself accountable when wrongdoing occurs

## Investor Relations Team

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



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# Shaping the transformation together.

**Appendix**

## Upcoming Events

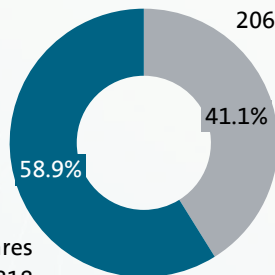
<u>Events</u>	<u>Date</u>
Volkswagen AG Annual Press Conference	12.03.2019
Capital Market Day	12.03.2019
Volkswagen BRAND Media Event & Investor Call	13.03.2019
Audi Annual Press Conference	14.03.2019
Audi Analyst Event	15.03.2019
Porsche Annual Press Conference	15.03.2019
Škoda Annual Press Conference	20.03.2019
SEAT Annual Press Conference	27.03.2019

# The Shareholder Structure, Supervisory and Management Board

## Shareholder Structure of Volkswagen AG

### Number of Outstanding Shares

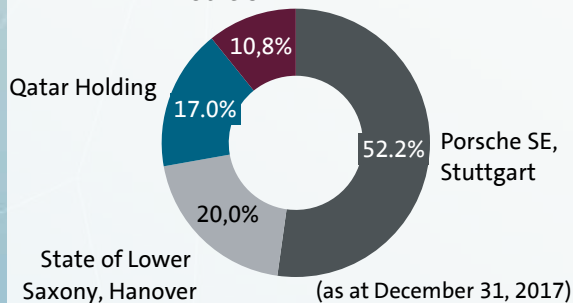
Preferred shares  
206,205,445



Ordinary shares  
295,089,818

### Current Voting Rights Distribution

Others



## Supervisory Board of Volkswagen AG

<b>Chairman</b>	Hans Dieter Pötsch
<b>Porsche Automobil Holding SE</b>	Dr. Louise Kiesling Dr. jur. Hans Michel Piëch Dr. jur. Ferdinand Oliver Porsche Dr. rer. comm. Wolfgang Porsche
<b>State of Lower Saxony</b>	Dr. Bernd Althusmann Stephan Weil
<b>Qatar Holding</b>	Dr. Hussain Ali Al Abdulla Dr. Hessa Sultan Al Jaber
<b>Others</b>	Marianne Heiß
<b>Works Council</b>	Bernd Osterloh Birgit Dietze Dr. Hans-Peter Fischer Jörg Hofmann Uwe Hück Johan Järvklo Ulrike Jakob Peter Mosch Bertina Murkovic Athanasios Stimoniaris

## Board of Management of Volkswagen AG<sup>1)</sup>

<b>Chairman of VW AG and VW Passenger Cars brand</b>	Dr. Herbert Diess
<b>Porsche AG</b>	Dr. Oliver Blume
<b>Human Resources</b>	Gunnar Kilian
<b>TRATON Group</b>	Andreas Renschler
<b>Audi AG</b>	Abraham Schot
<b>Integrity and Legal Affairs</b>	Hiltrud Dorothea Werner
<b>Finance and IT</b>	Frank Witter
<b>Components and Procurement</b>	Dr. Stefan Sommer

<sup>1)</sup> Each Board Member is responsible for one or more functions within the Volkswagen Group. The work of the Board of Management of Volkswagen AG is supported by the boards of the brands and regions as well as by the other group business units and holdings.

# Volkswagen Group – Key Credit Ratings

**S&P Global**

**MOODY'S**

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

	Long Term	Short Term	Long Term	Short Term
<b>Volkswagen AG</b>	<b>BBB+</b>	<b>A-2</b>	<b>A3</b>	<b>P-2</b>
<b>Volkswagen Financial Services AG</b>	<b>BBB+</b>	<b>A-2</b>	<b>A3</b>	<b>P-2</b>
<b>Volkswagen Bank GmbH*</b>	<b>A-**</b>	<b>A-2</b>	<b>A1**</b>	<b>P-1</b>
<b>Outlook</b>	<b>Stable (*Negative)</b>		<b>Stable</b>	

<sup>1)</sup> as of August 31, 2018

\*\*S&P: BBB+ Senior Subordinated Rating; Moody's: A3 Junior Senior Unsecured Rating

# What's new with WLTP?



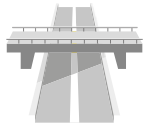
more realistic driving behaviour



higher average and maximum speeds



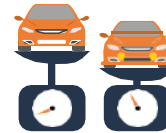
stricter car set-up and measurement conditions



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



higher average and maximum drive power



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



longer test distances



shorter stops



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



more dynamic and representative accelerations and decelerations



more realistic ambient temperatures, closer to the European average

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transformation  
together.