

**VOLKSWAGEN**

AKTIENGESELLSCHAFT

# Shaping the transformation together.

**Oliver Larkin**, Group Head of Investor Relations

UniCredit KeplerCheuvreux 18th German Corporate Conference, Frankfurt,  
22nd January 2019

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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.

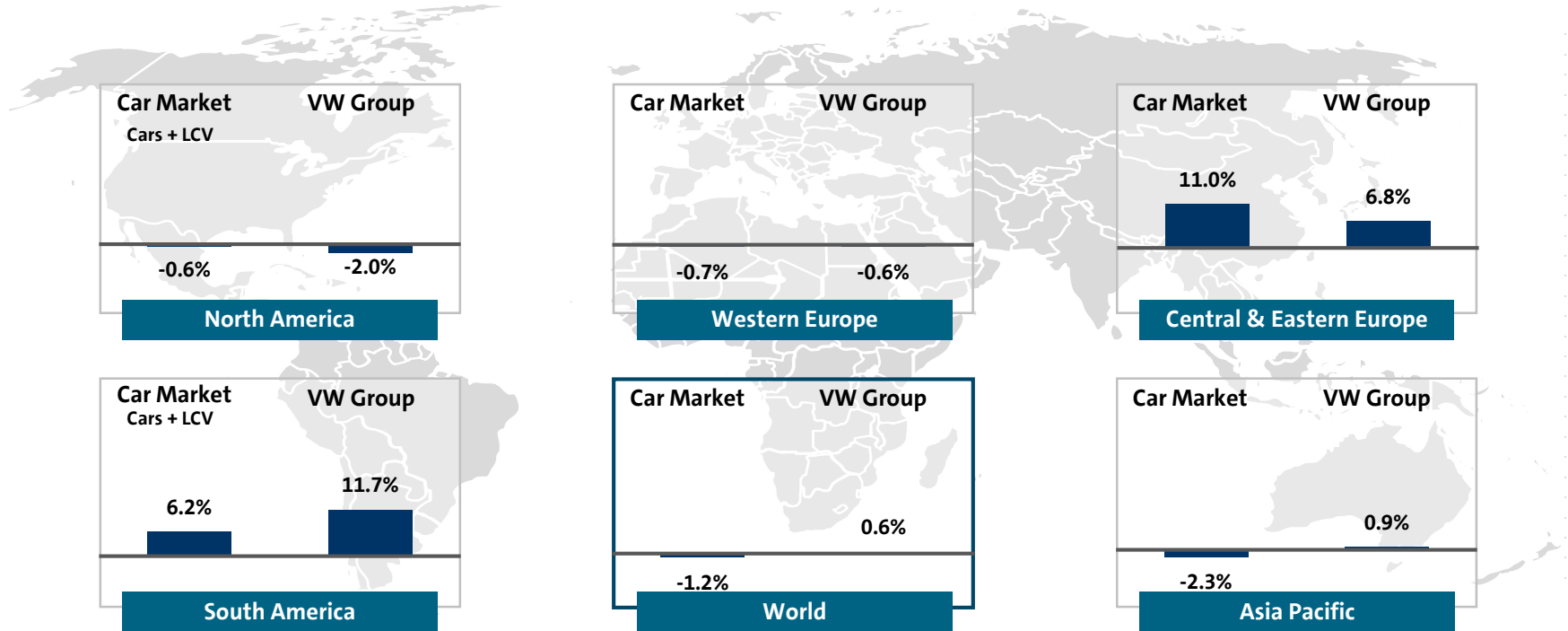
Consequently, a negative impact relating to ongoing claims or investigations, any unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, and trade disputes among major trading partners will have a corresponding 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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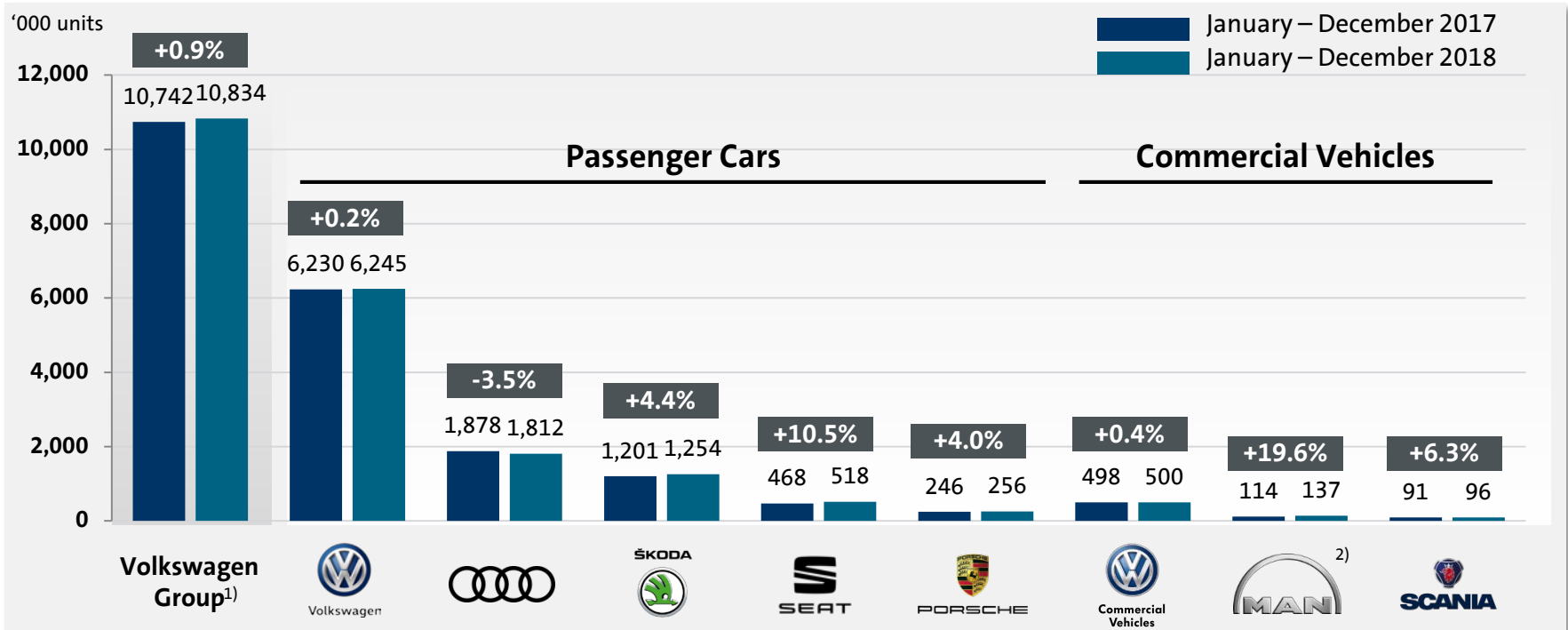
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## Development World Car Market vs. Volkswagen Group Car Deliveries to Customers<sup>1)</sup> (Growth y-o-y in deliveries to customers, January to December 2018 vs. 2017)



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

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

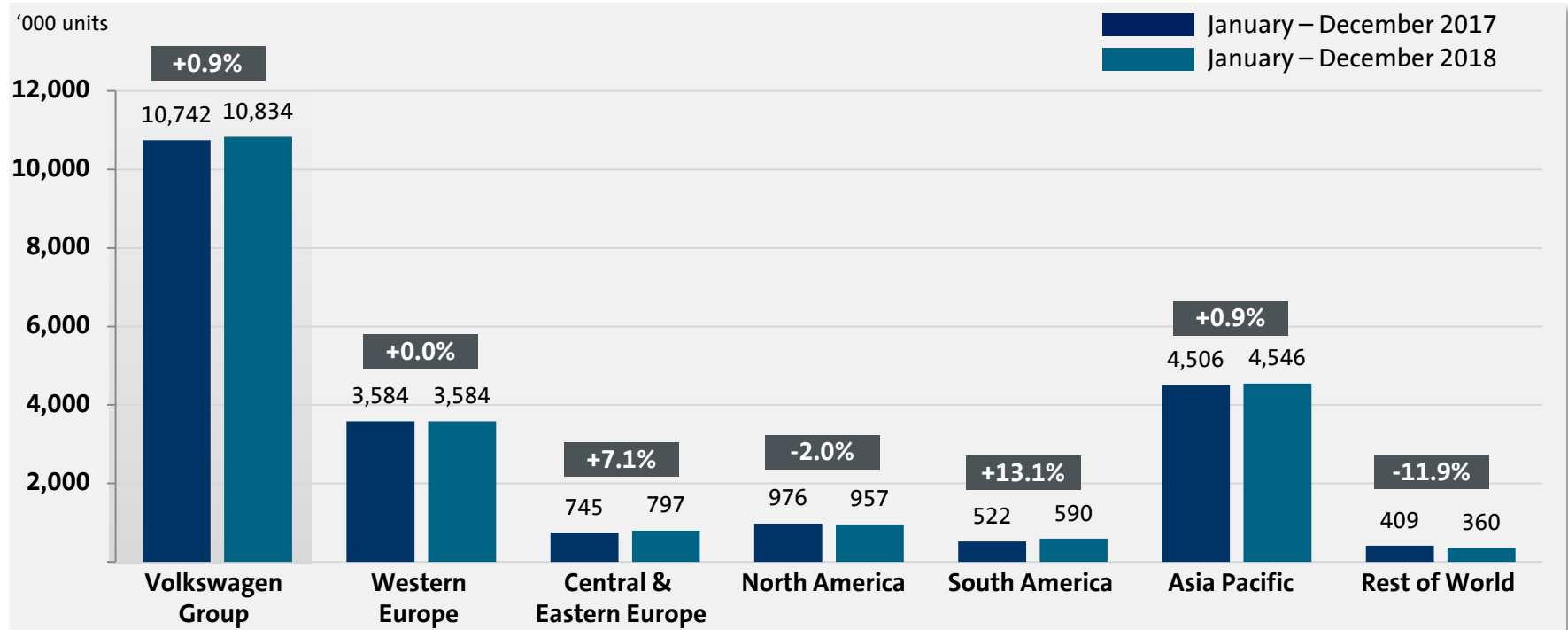


<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +0.6% excl. Volkswagen Commercial Vehicles, Scania and MAN.

<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>

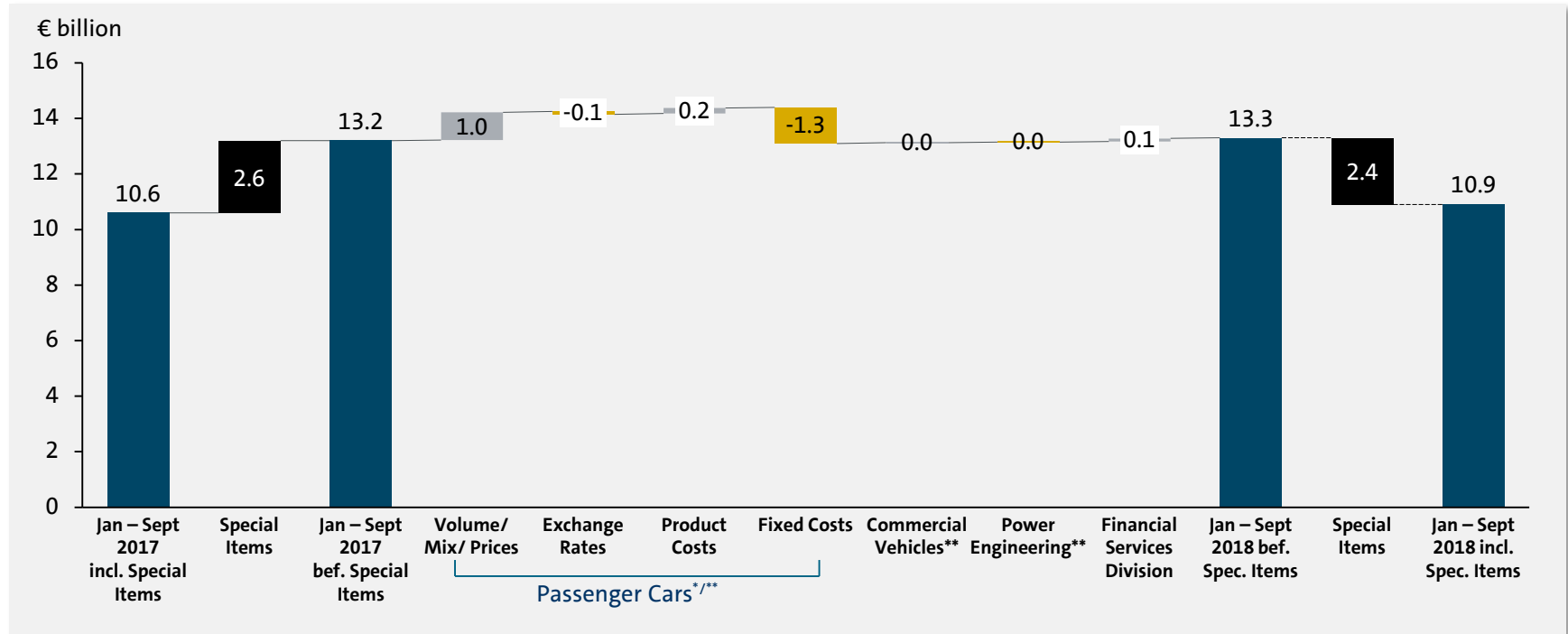
(January to September 2018 vs. 2017)

thousand vehicles / € million	2018	2017 <sup>2)</sup>	+/- (%)
Vehicle Sales <sup>3)</sup>	8,123	7,913	+2.7
Sales revenue	174,577	170,065	+2.7
Operating profit before Special Items	13,306	13,231	+0.6
<i>% of sales revenue</i>	7.6	7.8	
Operating profit	10,871	10,636	+2.2
<i>% of sales revenue</i>	6.2	6.3	
Financial result	1,647	-347	x
of which: At-equity result <sup>3)</sup>	2,448	2,378	+2.9
of which: Other financial result	-800	-2,725	+70.6
Profit before tax	12,518	10,290	+21.7
<i>% Return on sales before tax</i>	7.2	6.1	
Profit after tax	9,376	7,543	+24.3

<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

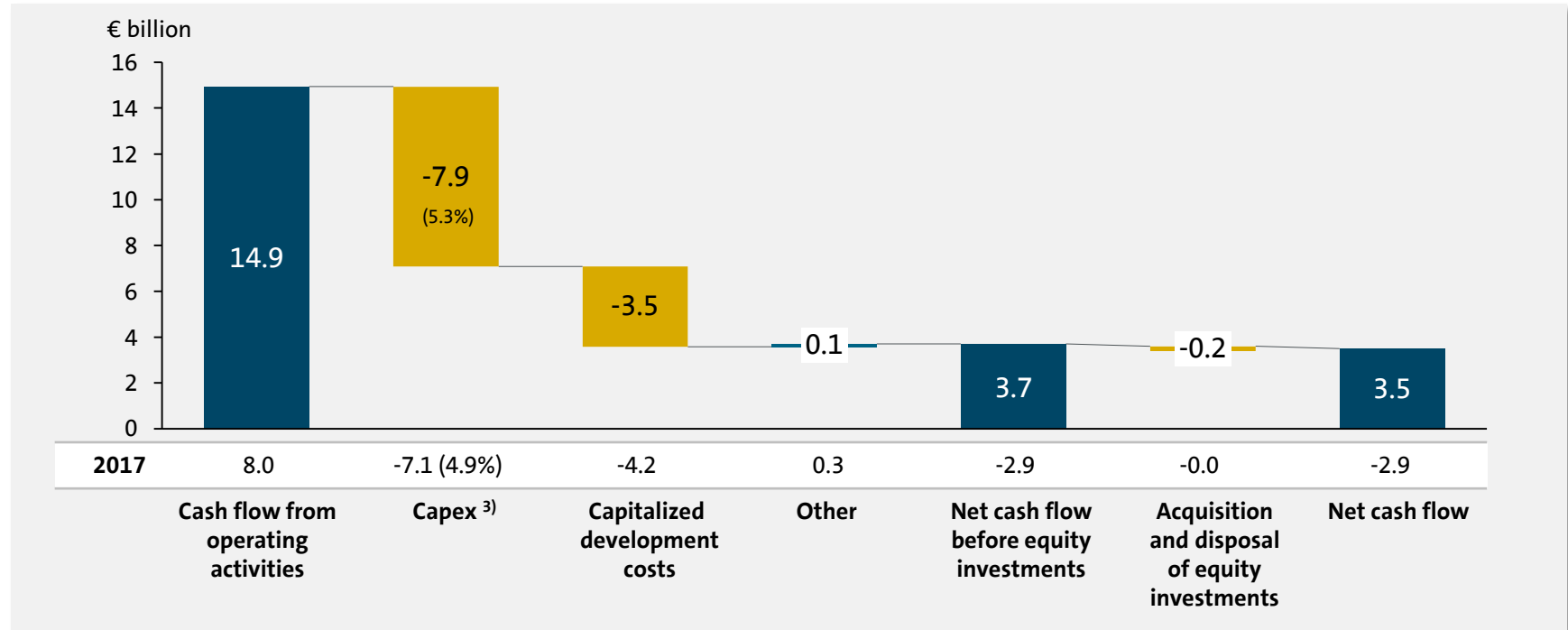
<sup>3)</sup> Volume data including the unconsolidated Chinese joint ventures. The joint venture companies in China are accounted for using the equity method and recorded an operating profit (proportionate) of €3,330 million (€3,305 million).

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



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

## Automotive Division Net Cash Flow Development<sup>1)2)</sup> (January to September 2018)

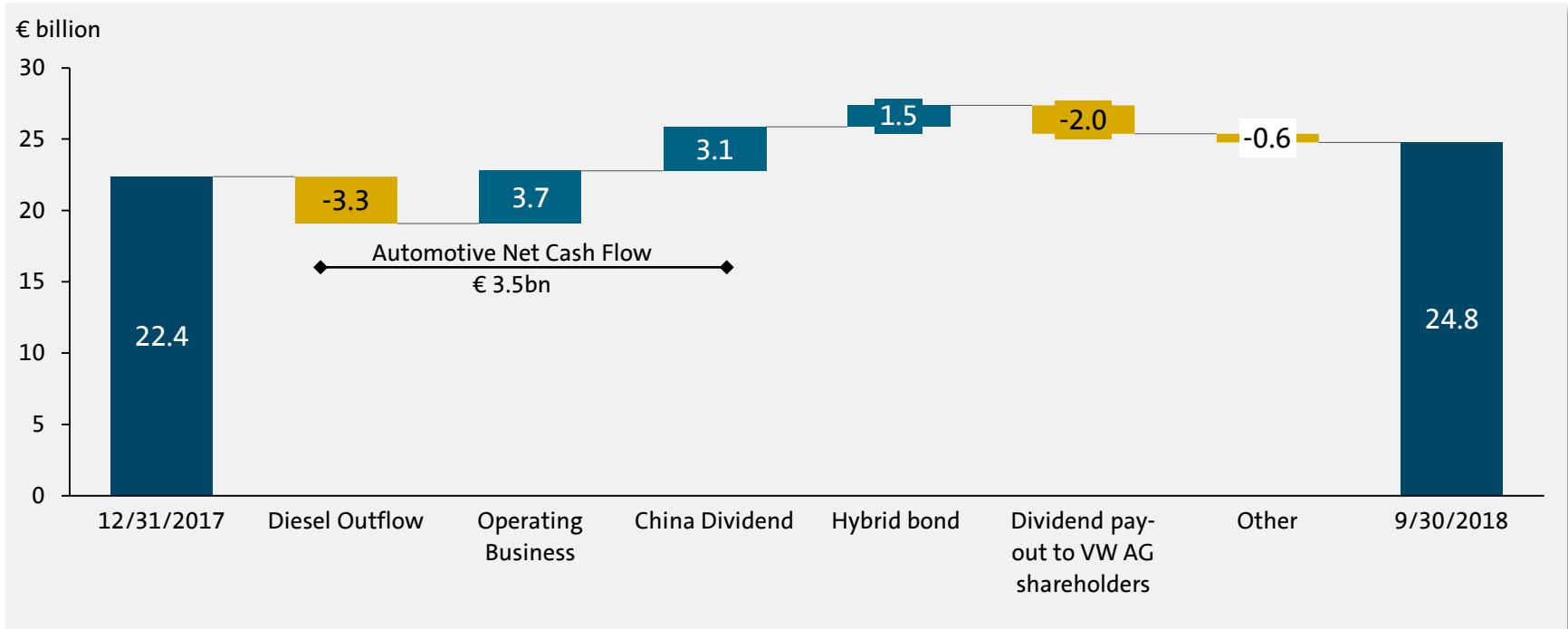


<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

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



## Automotive Division – Net Cash Flow drives solid Net Liquidity<sup>1)</sup> (January to September 2018)



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

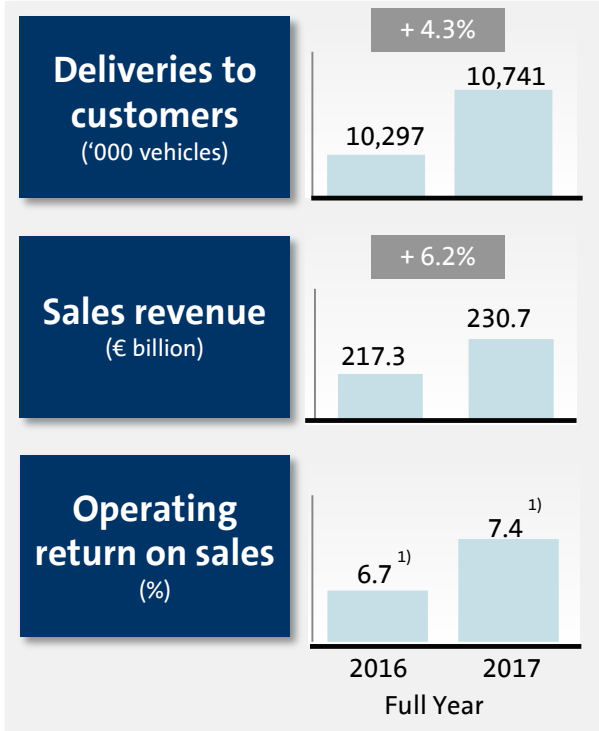
# Volkswagen Group – Analysis by Business Line<sup>1)</sup>

## (January to September 2018 vs. 2017)

thousand vehicles / € million	Vehicle sales		Sales revenue		Operating profit	
	2018	2017	2018	2017 <sup>7)</sup>	2018	2017
Volkswagen Passenger Cars	2,753	2,632	62,508	58,278	2,330	2,504
Audi	1,107	1,147	44,257	44,028	3,671	3,941
ŠKODA	698	700	12,598	12,338	1,083	1,206
SEAT	462	436	7,744	7,255	237	154
Bentley	7	7	1,092	1,321	-137	31
Porsche Automotive <sup>2)</sup>	190	180	17,507	15,703	3,197	2,890
Volkswagen Commercial Vehicles	337	371	8,572	8,919	628	698
Scania <sup>3)</sup>	69	65	9,634	9,304	991	947
MAN Commercial Vehicles	98	80	8,599	7,970	222	269
MAN Power Engineering	-	-	2,489	2,355	142	107
VW China <sup>4)</sup>	3,021	2,917	-	-	-	-
Other <sup>5)</sup>	-619	-623	-25,059	-21,272	-974	-1,277
Volkswagen Financial Services	-	-	24,635	23,864	1,915	1,763
<b>Volkswagen Group before Special Items</b>	-	-	-	-	13,306	13,231
Special Items	-	-	-	-	-2,435	-2,595
<b>Volkswagen Group</b>	<b>8,123</b>	<b>7,913</b>	<b>174,577</b>	<b>170,065</b>	<b>10,871</b>	<b>10,636</b>
Automotive Division <sup>6)</sup>	8,123	7,913	148,424	144,754	8,832	8,717
of which: Passenger Cars	7,625	7,400	119,646	116,642	7,393	7,308
of which: Commercial Vehicles	498	513	26,289	25,757	1,486	1,484
of which: Power Engineering	-	-	2,489	2,355	-46	-75
Financial Services Division	-	-	26,153	25,311	2,039	1,919

<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> Porsche (Automotive and Financial Services): sales revenue € 19,117 (17,120) million, operating profit € 3,329 (3,006) million. <sup>3)</sup> Including financial services. <sup>4)</sup> The sales revenue and operating profits of the joint venture companies in China are not included in the figures for the Group. These Chinese companies are accounted for using the equity method and recorded a proportionate operating profit of € 3,330 (3,305) million. <sup>5)</sup> In operating profit mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; the figure includes depreciation and amortization of identifiable assets as part of purchase price allocation for Scania, Porsche Holding Salzburg, MAN and Porsche. <sup>6)</sup> Including allocation of consolidation adjustments between the Automotive and Financial Services divisions. <sup>7)</sup> Adjusted; see disclosures about the application of new International Financial Reporting Standards on page 15 of the Interim Report.

# Volkswagen Group – Outlook for 2018





## Deliveries to customers

moderately above prior year





## Sales revenue

by as much as 5% year-on-year



## Operating return on sales

between 6.5% to 7.5% before Special Items<sup>2)</sup>

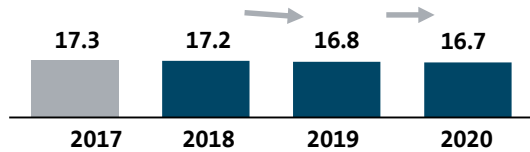
<sup>1)</sup> before Special Items. <sup>2)</sup> Operating return on sales after Special Items is expected to be moderately below that range.

## Global Passenger Car Market 2017 – 2020

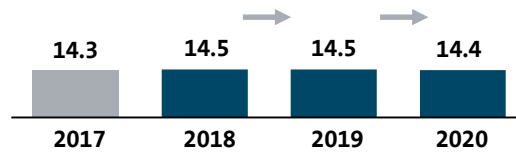
China remains largest driver of passenger car demand, Western Europe stable, Slowdown in the US from a high level, Recovery in Brazil and Russia from a low level

million units

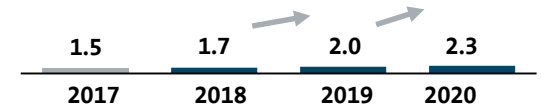
USA<sup>1)</sup>



Western Europe



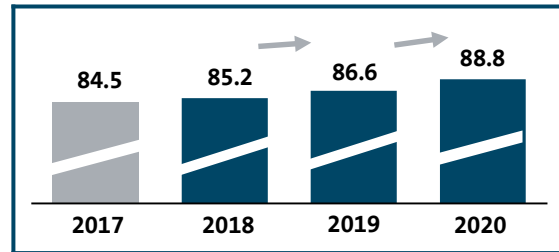
Russia



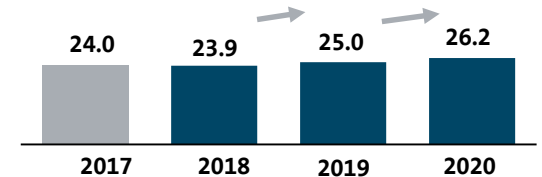
Brazil<sup>1)</sup>



World<sup>1)</sup>



China



■ Actuals ■ Forecast

Data source: IHS Automotive (11.2018)

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

## New and Forthcoming Product Highlights<sup>1)</sup>



Volkswagen



Audi



ŠKODA



SEAT



PORSCHE



BENTLEY



Nutzfahrzeuge

### Portfolio expansion and successor models ICE



T-Cross



Sagitar (NF)



B-SUV 5-Seater (US/CH)



A1 City Carver



Q3



Octavia Combi (NF)



ŠKODA Scala



Tarraco



Leon (NF)



911 Carrera (NF)



Cayenne Coupé



Flying Spur (NF)

### Portfolio expansion BEV



Bora BEV (CH)



Laida BEV (CH)



e-tron



e-tron Sportback



Citigo BEV



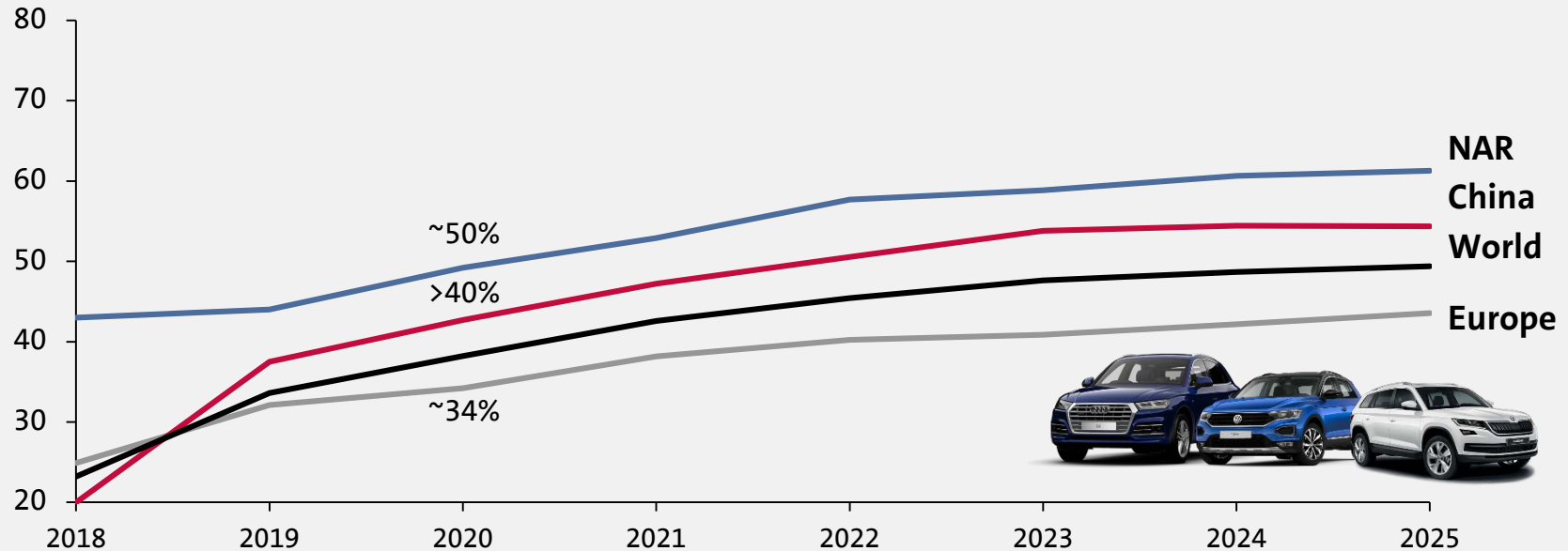
Taycan

<sup>1)</sup> Selected models.

# Strong Increase in our Worldwide SUV Mix<sup>1)</sup>

SUV mix by region based on expected Group deliveries to customers

SUV share in %



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

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









Key financial targets	2016 Actual	2017 Actual	2018 Outlook	2020 Targets	2025 Targets
<b>Operating return on sales</b> Before Special Items	6.7%	7.4%	6.5-7.5%	6.5-7.5%	7-8%
<b>Return on investment</b> Automotive Division <u>before</u> Special Items	13.9%	14.4%	12-14%	13-15%	> 15%
<b>Capex ratio</b> Automotive Division	6.9%	6.4%	6.5-7%	6%	6%
<b>R&amp;D cost ratio</b> Automotive Division	7.3%	6.7%	6.5-7%	6%	6%
<b>Cash</b>					
a) Net Cashflow <sup>2)</sup> Automotive Division	€ 7.2 bn	€ 10.1bn	≥ € 9 bn	≥ € 10 bn	> € 10 bn
b) Net Liquidity	€ 27.2 bn	€ 22.4 bn	> € 20 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 € 3.3 bn in Q1-Q3 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**

<b>Sales revenue (€ bn)</b>	<b>217.3</b>
<b>Operating profit (€ bn)</b> before Special Items	<b>14.6</b>
<b>Profit before tax (€ bn)</b>	<b>14.8</b>
<b>Earnings per Pref. Share</b> before Special Items	<b>~20 €</b>

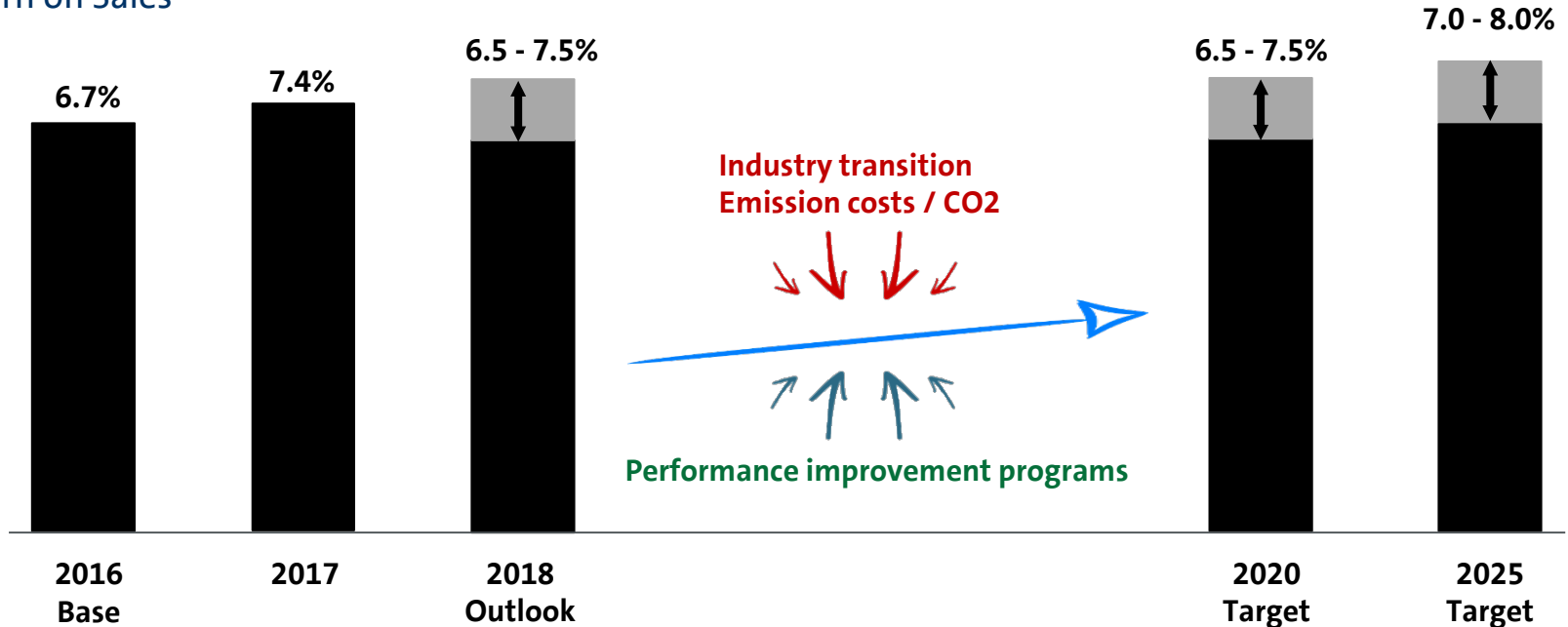
2020 Updated		
CMD March 2017	PR 66	PR 67
+ > 20 % 	+ > 25 % 	+ > 25 %
+ 25 % 	+ ≥ 25 % 	+ > 30 %
+ ≥ 25 % 	+ ≥ 30 % 	+ ≥ 40 %
+ ≥ 25 % 	+ > 25 € 	+ ≥ 30 €

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



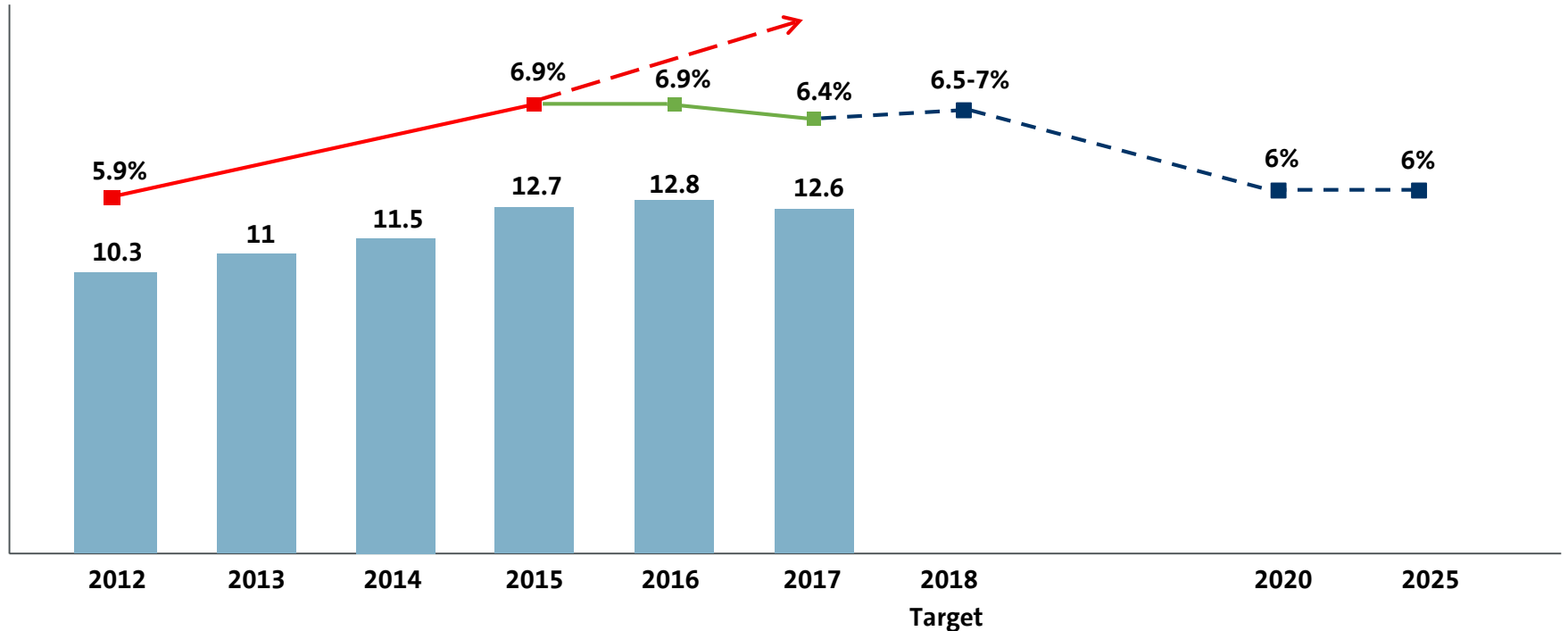
# Improving Group Return on Sales despite significant headwinds

## Return on Sales



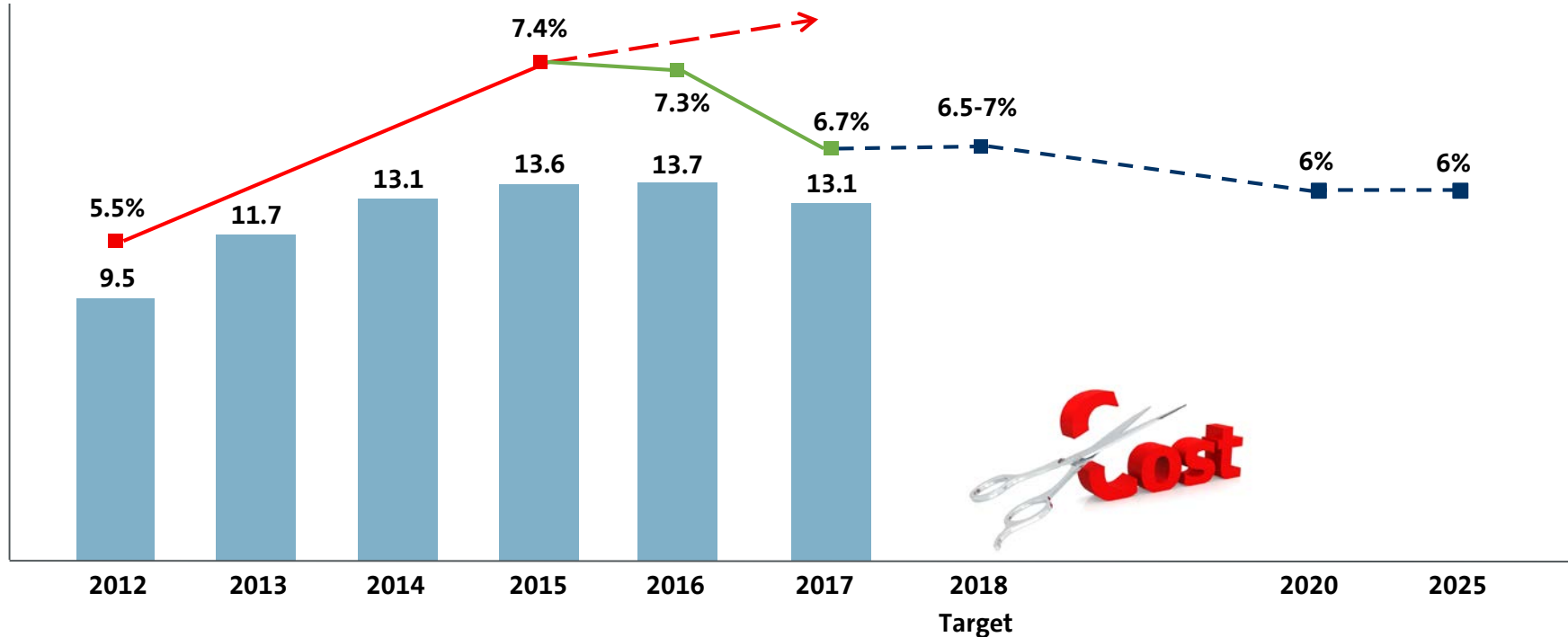
# CAPEX Automotive Division

(€ billion, as % of sales revenue)



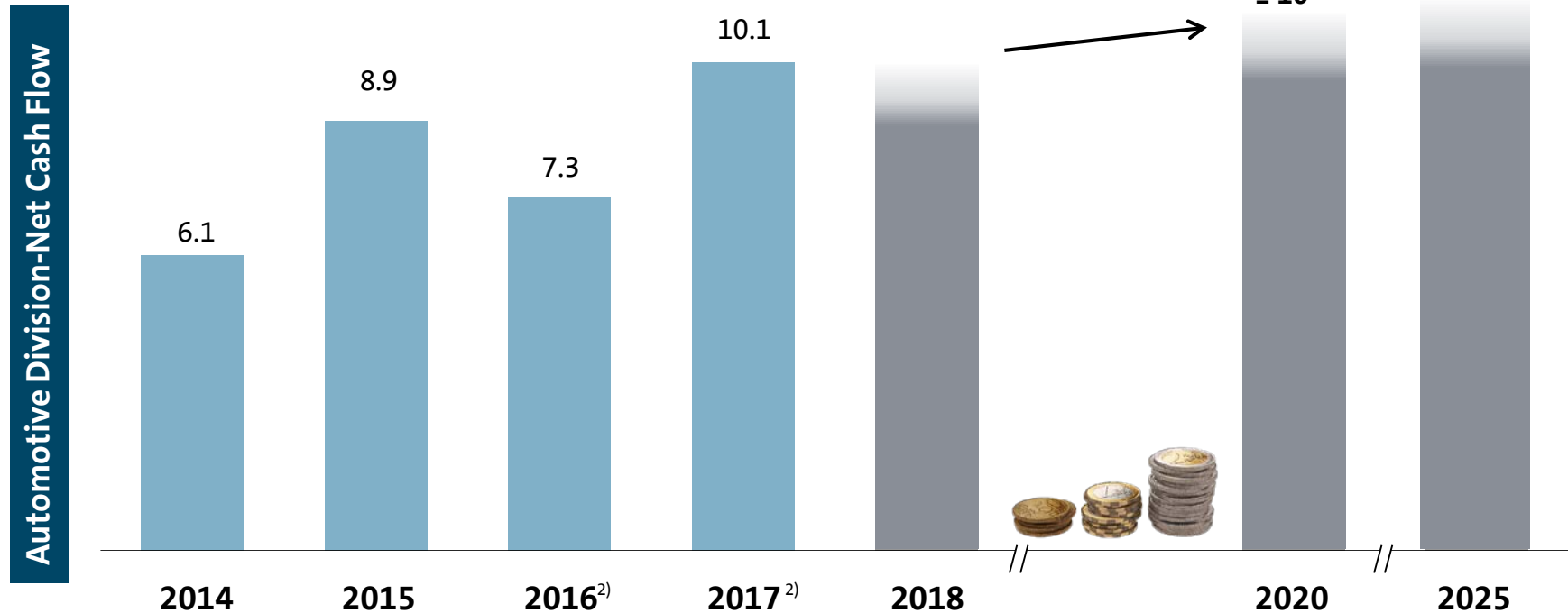
# R&D Costs Automotive Division

(€ billion, as % of sales revenue)



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

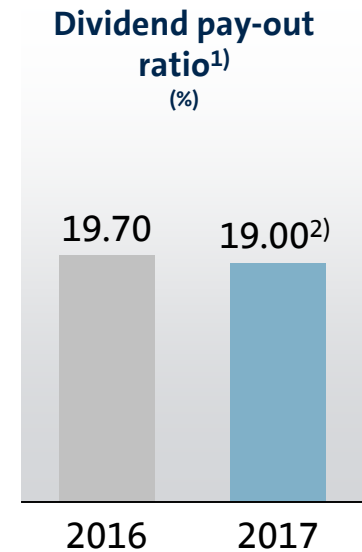
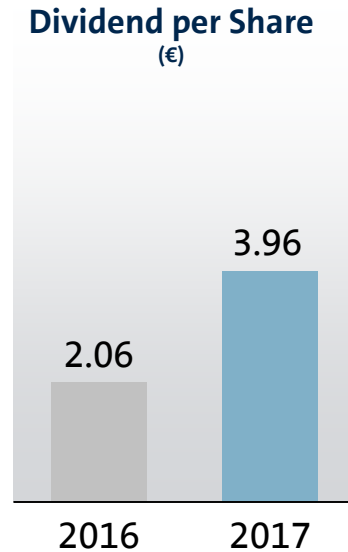
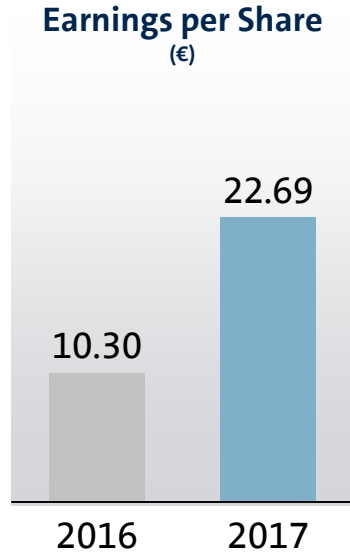
in € billion



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

<sup>2)</sup> Ex diesel payments; cash outflows of around € 3 bn in 2016, € 16.1 bn in 2017 and € 3.3 bn in Q1-Q3 2018.

# Volkswagen AG – Attractive Dividend<sup>1)</sup>



**Target EPS: ≥ 30 € by 2020**

**Target Dividend Pay-Out Ratio: 30% by 2022**

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

<sup>2)</sup> Business year 2017 adjusted for non-recurring effects related to the tax reform in the USA of € 1 bn.

## STRATEGY 2025 – Initiatives at a glance

GROW PROFITABLY

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

# The Volkswagen Group is speeding up its transformation through organizational realignment

## Distributed Group Functions

### Group steering

Lean and effective Group steering by transferring responsibilities to Group BoM members

### Focusing

Group BoM focuses on strategic challenges

### „All for one and one for all“

Shared goals

## Brand Groups

### Strong brands

Use and develop core competences of each individual brand

### Synergies

Closer cooperation between brands by bundling in brand groups

### High maturity level

More intensive exchange, synchronization and harmonization on strategy issues

## Subsidiarity

### Independence

Maximum subsidiarity for responsibility at all levels














### Decision-making

Efficient decision-making through swifter processing in committees, etc. and use of fewer resources

### Stability

Strategy process with clear targets, content and workflows

## Creation of Brand Groups reduces the complexity of the Group structure

Volume	Premium	Sport & Luxury	Truck & Bus	Procurement/ Components	Finance & IT	China
<b>VW</b>  Volkswagen	<b>Audi</b> 	<b>Porsche</b> 	<b>MAN</b> 	<b>Procurement</b>	<b>VOLKSWAGEN FINANCIAL SERVICES</b> THE KEY TO MOBILITY	<b>Region China</b>
<b>Škoda</b> 	<b>Lamborghini<sup>1)</sup></b> 	<b>Bentley</b> 	<b>Scania</b> 	<b>Components</b>		
<b>SEAT</b> 	<b>Ducati<sup>1)</sup></b> 	<b>Bugatti</b> 	<b>Power Engineering<sup>1)</sup></b>			
<b>VW LCV</b> 						
<b>MOIA</b> 						

<sup>1)</sup> Allocation to be verified.



## Focus on strategy: Resolutely making progress toward sustainable mobility



### Sustainable mobility



Efficient  
combustion  
engines and  
alternative  
drives



Battery  
technology



Charging  
infrastructure

MOIA  
NEW MOBILITY MODEL

Mobility  
services



Self-driving  
system (SDS)

E-mobility

# Paving the way for sustainable mobility 2019 – 2023

More than €44 bn in e-mobility (€ 30 bn), 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

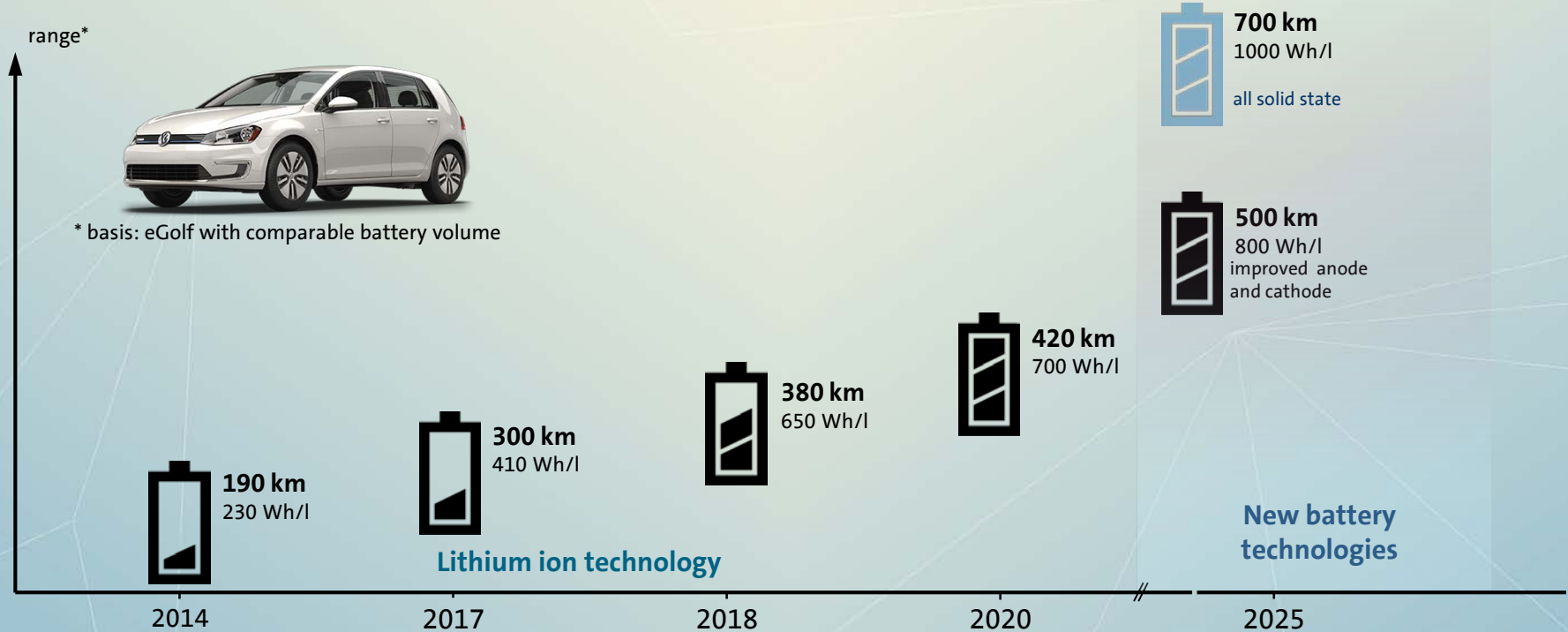


- Economies of scale from use of MEB across entire Group
- Higher productivity and shorter manufacturing time
- Lower material and distribution costs

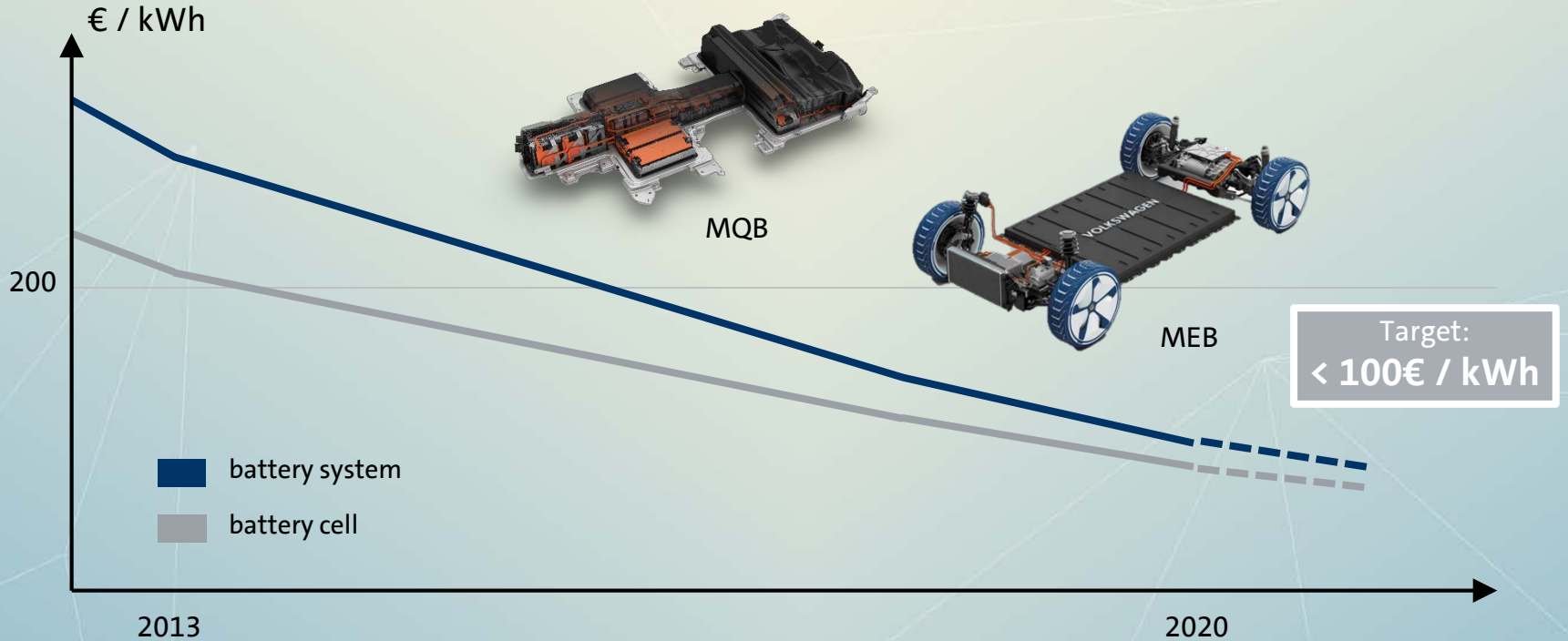
# The Volkswagen Brand's I.D. family sets the new BEV benchmark in the volume segment



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



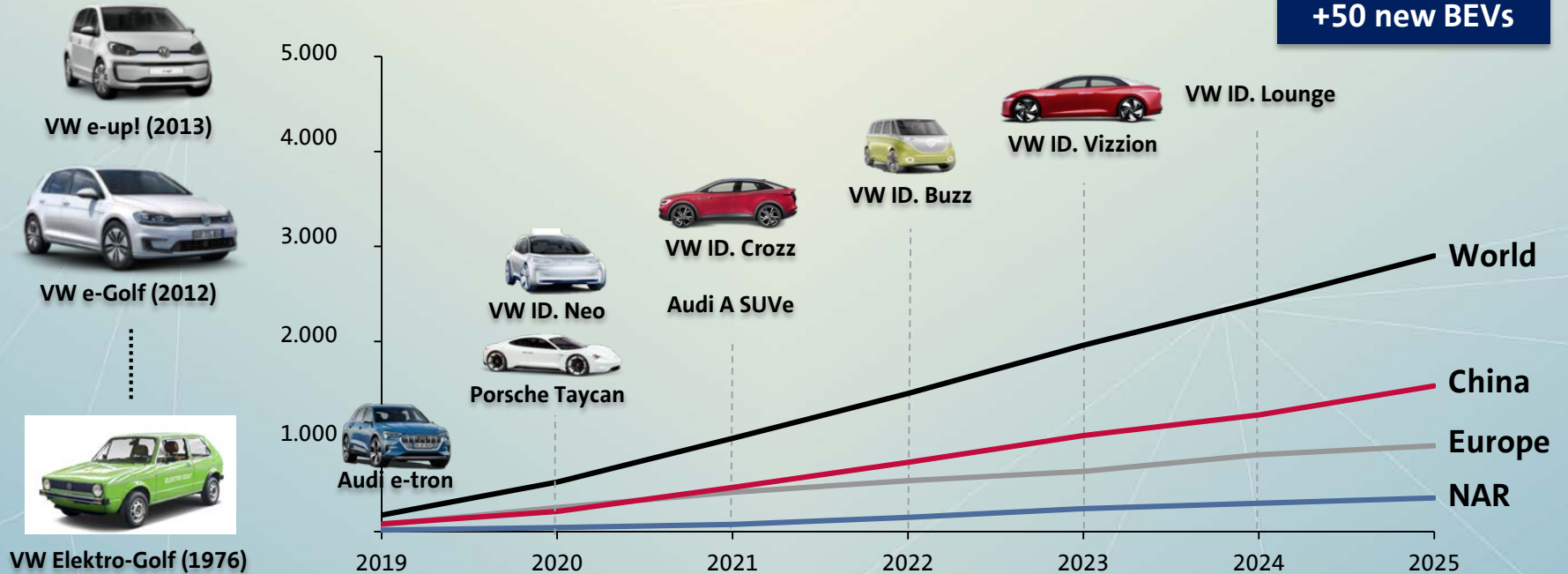
# Battery costs will decrease significantly by 2020



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

**Until 2025:  
+50 new BEVs**

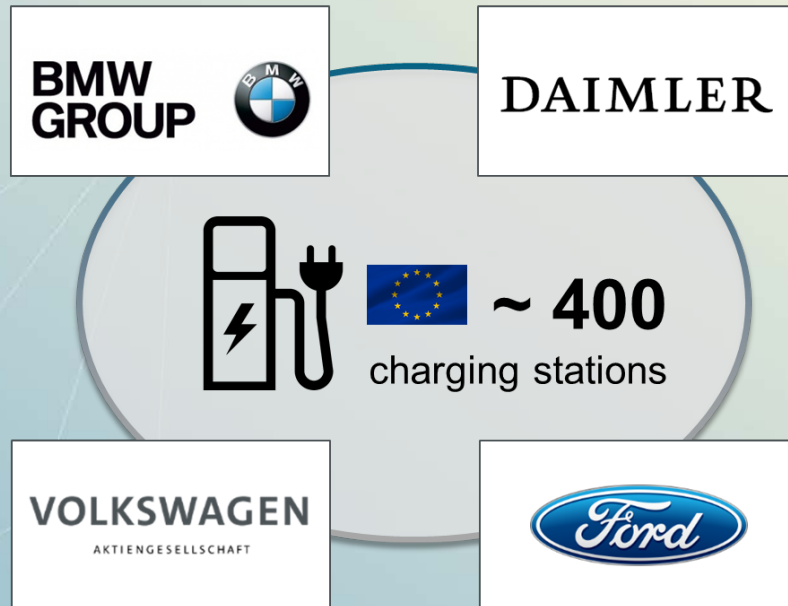
BEV volume per region in thousand units



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

# 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 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**

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

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

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



- Test phase in Hanover with 2,000 users under way
- Project started in Hamburg on 9 January, 2019: fleet will be expanded to 500 vehicles in the first phase
- Further cities planned

## Intensified efforts to develop autonomous vehicles

Autonomous Audi TTS  
"Shelley" climbs Pikes Peak



2005



"Stanley" Winner Darpa  
Grand Challenge



2010



SEDRIC is Volkswagen  
Group's first Level 5 vehicle



2017



Volkswagen Group  
>200 AV related patents



Foundation AID GmbH



Strategic partnership  
with Aurora

AURORA

2018



MOIA Battery Electric  
Special Purpose Shuttle



Urban Shuttle/Carrier/Pod



2021+



Personal Autonomous  
Vehicles



# 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



## Driving forward Strategy 2025: Implementation is accelerating II

Autonomy for Truck & Bus making good progress



Volkswagen Components established January 2019



Components

Fuel cell technology partnership agreed



Product & technology offensive in China agreed



Global Alliance with Ford agreed first project



Turnaround in South America initiated



INDIA 2.0 project launched



Volkswagen becomes largest shareholder



# Volkswagen AG and Ford Motor Company launch Global Alliance



**VOLKSWAGEN**  
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## Global Alliance

Alliance leverages the two global automakers' strengths to better compete, innovate and serve customers

## Equity Arrangements not involved

Alliance does not involve cross-ownership between the two companies

## Commercial Van and Pickup Cooperation

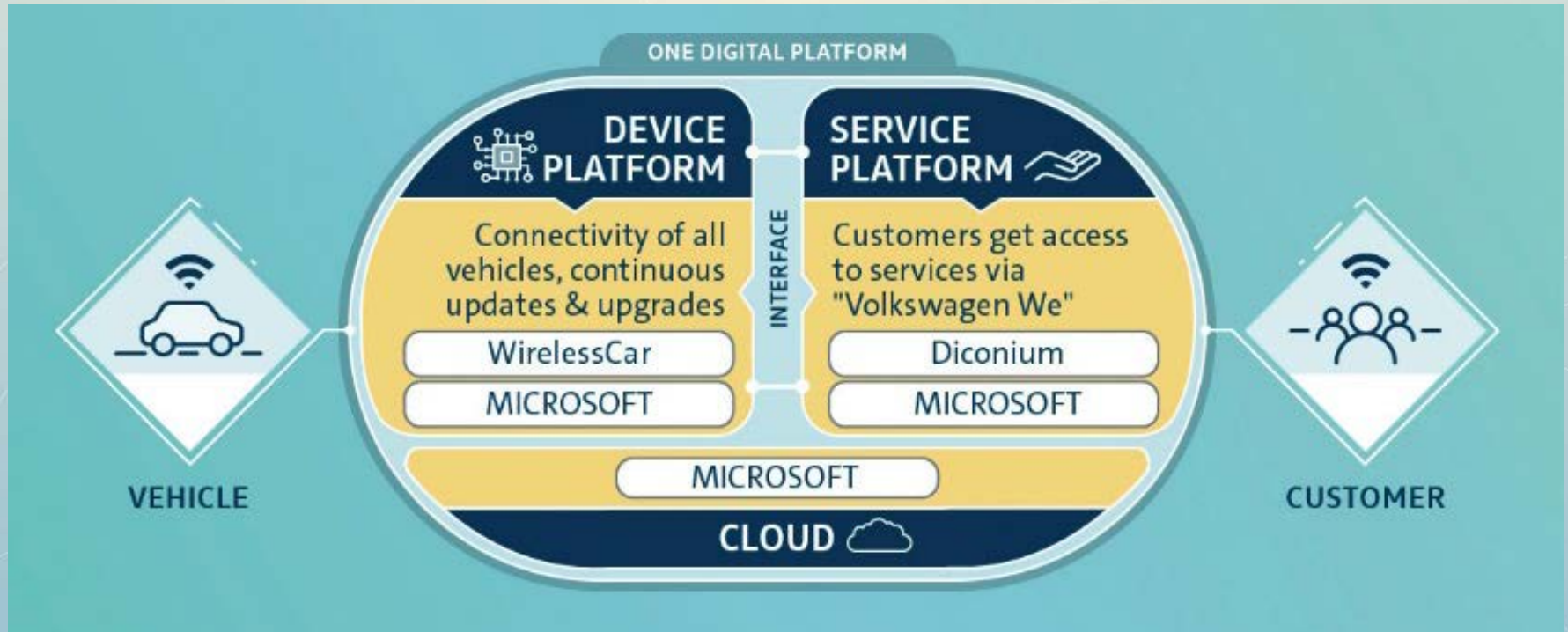
Companies to first deliver medium pickup trucks for global customers, aiming to start in 2022, and intend to follow with commercial vans in Europe

## Exploring further Collaborations

Volkswagen and Ford also are committed to exploring potential collaboration on EVs, autonomous vehicles and mobility services

## Volkswagen Brand Automotive Cloud

Building digital ecosystem with technology partners



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

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



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



## Overview Brand Targets (RoS, RoE)

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

<sup>1)</sup> Before special items. <sup>2)</sup> For peer-group analysis: Truck & Bus Business RoS is calculated as the sum of Scania and MAN Commercial Vehicles. <sup>3)</sup> Strategic target the Truck and Bus Business wants to achieve over the cycle

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

## STRENGTHEN CORE BUSINESS

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



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

2015

## LEAP TO THE TOP OF ELECTRIC MOBILITY

≥ 4% RoS



- Electric Offensive
- Digital Ecosystem
- Operational Excellence

2020

## MAJOR TRANSFORMATION

≥ 6% RoS



- New Business Models
- New Mobility solutions
- Autonomous Driving

2025

## GLOBAL MARKET LEADER IN AUTOMOBILITY

> 6% RoS

2030

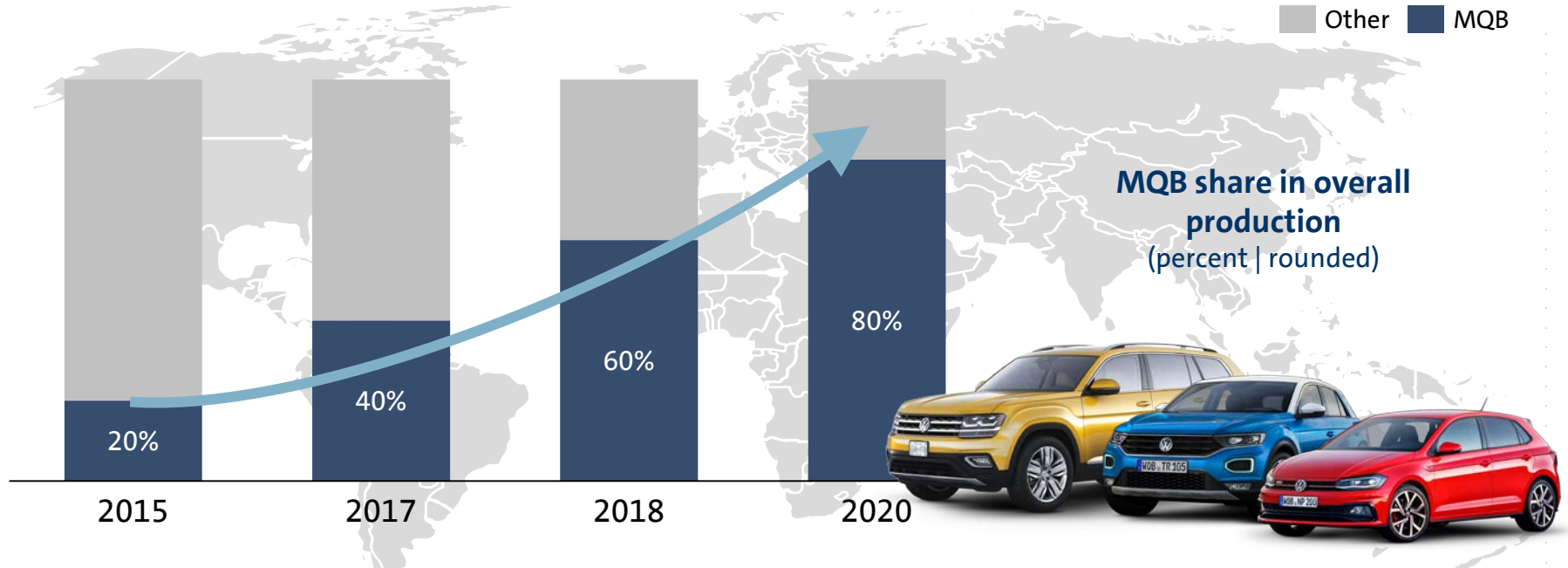
<sup>1)</sup> Before special items.

## Volkswagen Brand Clear Financial Targets and updated Milestones

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

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

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



## Core challenges in the commercial vehicle industry

### Cyclical markets



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

### Further globalization



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

### Emission regulations



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

### Connectivity & digitalization



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

### After sales and future business models



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

# Shaping the future of the Commercial Vehicles business



## Global Champion Strategy

- 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"

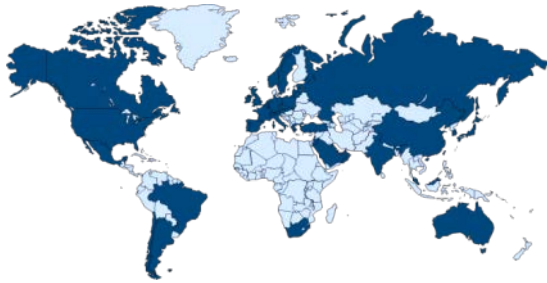
- Further increase the company's maturity, efficiency and innovativeness.
- Achievement of capital market readiness: meet technical and structural requirements of the capital market.
- Changed name and legal structure from Volkswagen Truck & Bus GmbH to TRATON AG and transformation into TRATON SE (Societas 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.

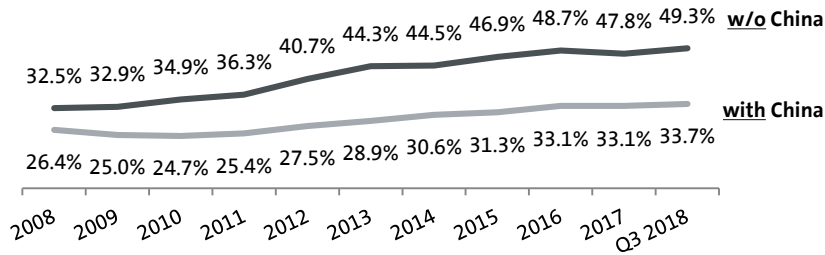


## Volkswagen Financial Services<sup>1)</sup>: global, well diversified and successful

### Strong global presence

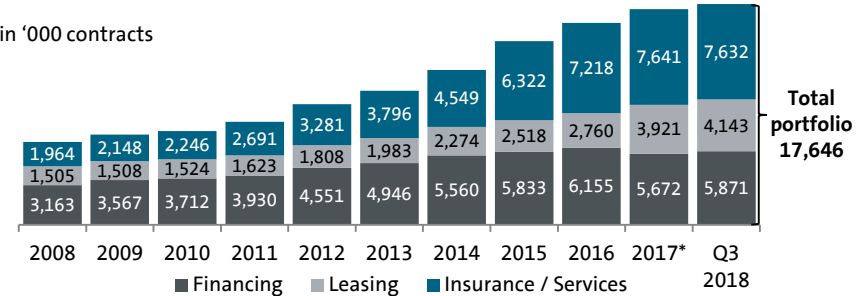


### Rising penetration rates



### Continuous portfolio expansion

in '000 contracts

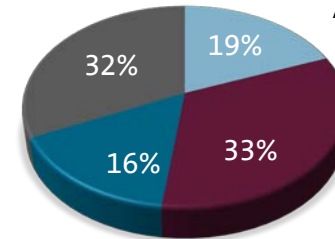


\* Reclassification Finance / Lease contracts

### Diversified funding structure

Equity, liabilities to affiliated companies, other

Customer deposits



30.09.2018: € 200.8 bn

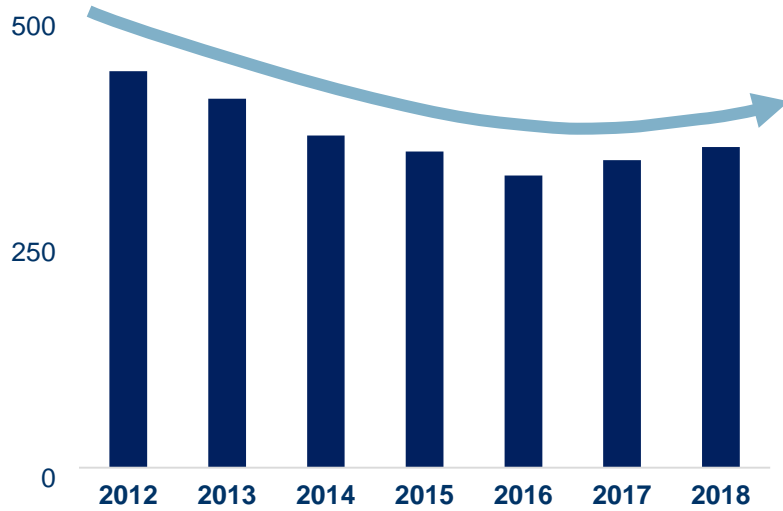
Asset backed securitization

Bonds, Commercial Paper, liabilities to financial institutions

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

## Volkswagen Brand – Pushing the Turnaround in the US with new products

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
2018	2.0

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



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

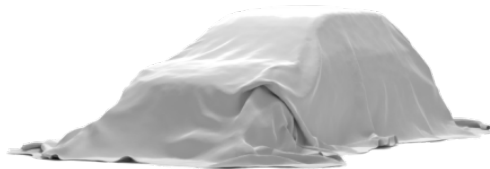
## Product offensive in South America



Polo G



Virtus



Small SUV Global

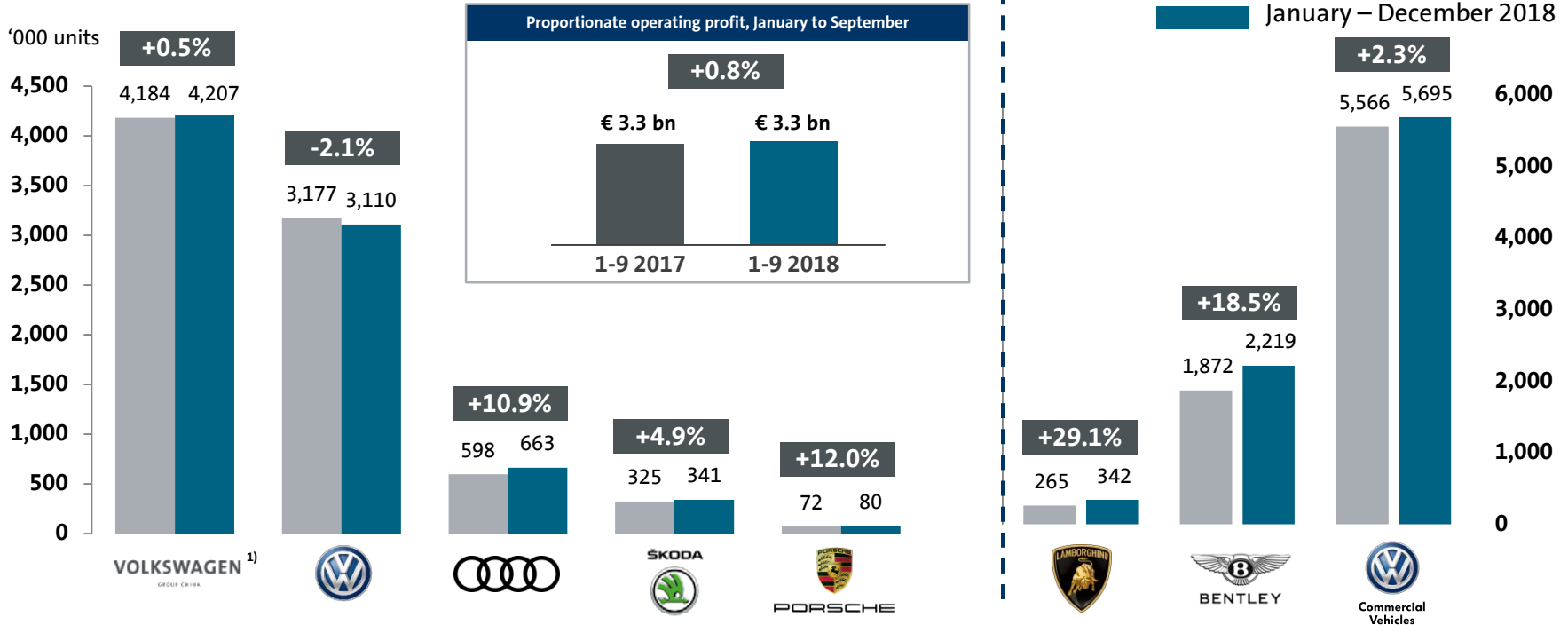
## Key measures

- 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 2018 vs. 2017)



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



# Regulatory environment for NEV and Fuel Consumption Credits in China

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

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

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

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

### NEV Credits:

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

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

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

2018	2019	2020
None	10%	12%



## NEV Credit Point Attribution per NEV Type

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

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

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

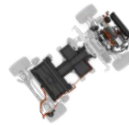


# Volkswagen Group China will be prepared to deliver around 1.5 million zero emission cars to Chinese customers by 2025

## Introduction of locally produced NEV

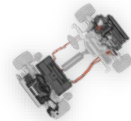
### Phase 1

Plug-in hybrids based on current toolkits



### Phase 2

Pure electric vehicles based on current toolkits



### Phase 3 (start 2020/21)

Pure electric vehicles based on scalable electric toolkit



## Mass market BEV cooperation

VOLKSWAGEN **JAC** 江淮汽车  
GROUP CHINA

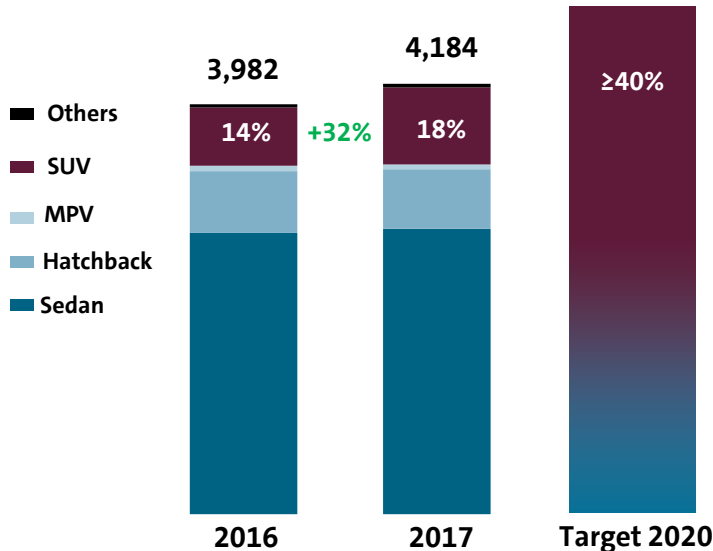




# New product offering with an expanded SUV line-up<sup>1)</sup>

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

### Volkswagen Group



## SUV offensive of Volkswagen Group China

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

T-Roc LWB    Touareg

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

Q2L

**3** new ŠKODA SUVs in 2018

Kamiq    Karoq

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



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

## Production capacity will increase

## Factories started in 2018

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

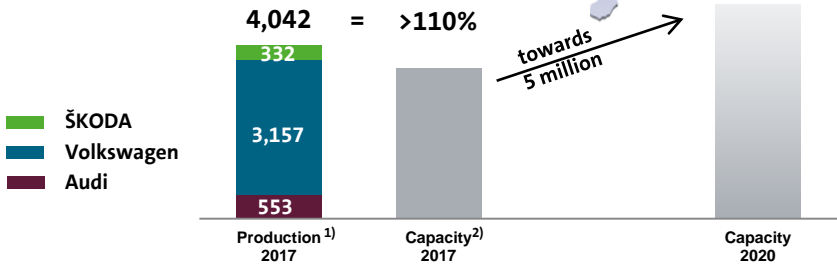


**Tianjin** Started in August

**Qingdao** Went into production on May 28, 2018  
New Bora & 2 Audi models on MQB platform  
ICE & EV production on one production line  
Production of battery systems

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

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



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

## Special Items: Diesel related and other

€ (bn)	Diesel	Other	Total
2015	Legal	7.0	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	2.4	2.4
Total to date		<b>28.2</b>	<b>30.0</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 € 3.3 bn in Q1-Q3 2018.

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



### Worldwide recall/service campaigns driven forward:

Software Flashes in Germany currently 96% complete;  
Substantial progress also in Europe (77%) and  
worldwide (71%)

### Major progress in modifications in North America:

Around 90 percent of the 2.0l and 3.0l TDI vehicles affected in the U.S.  
have already been retrofitted, bought back, or otherwise remediated (as  
of June 2018)

We have reached the targets set by EPA and Carb for the 2.0L settlement  
and are on track to achieve the targets in the 3.0L settlement within the  
specified timeframe.

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

More than 240,000 customers decided to switch to  
environmentally friendly vehicles (terminated by 30.06.2018)

### Electrify America underway:

Investment plan for zero emissions vehicles (ZEV) approved  
by authorities and implementation has already started

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



# 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

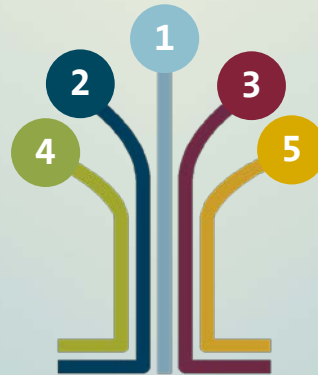
Ethics and compliance is central to business strategy

## 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



INTEGRITY & COMPLIANCE  
PROGRAM  
TOGETHER FOR INTEGRITY

# We need to foster and live a new culture



**Fair  
competition**  
instead of war



**Brand  
collaboration**  
instead of  
internal rivalry



**Open and  
honest** instead  
of backdoor  
approach



**Transparent  
communication**  
instead of  
corral mentality



**Multicultural**  
instead of  
“Mittellandkanal”

## NEW CULTURE

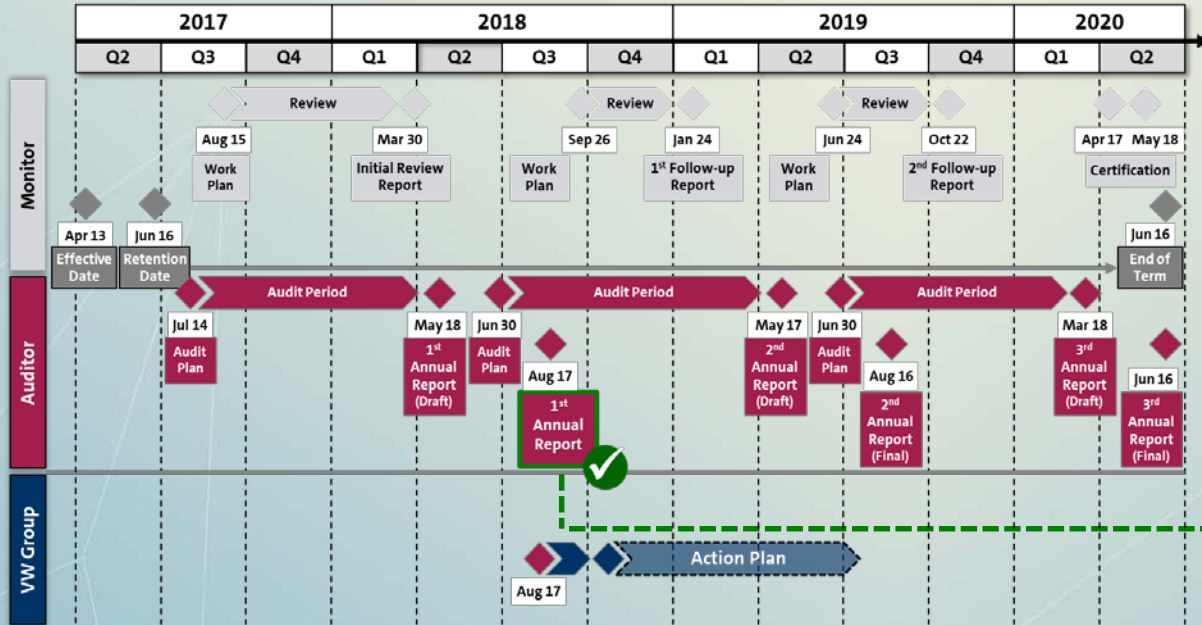


**Decentralized**  
instead of  
centralistic



More **Pikes Peak**  
instead of **Le Mans**

## Overview of timeline and 1<sup>st</sup> Monitor Audit-Report



### Structure

- 50 pages, 14 chapters + 1 Appendix
- two violations are referenced
- seven “recommended actions to achieve compliance” with the Consent Decrees are separately embedded



	Volkswagen AG	Audi AG	VW GoA
Audit Date	Nov 2017 Dec 2017 (Wolfsburg)	Nov 2017 Dec 2017 (Ingolstadt)	Dec 2017 (Auburn Hills) Feb 2018 (Oxnard)
Number of Deviations	Minor	3	1
	Major	0	0
Number of Corrective Actions	3	1	2
Implementation completion	✓	✓	✓

## Risks and Opportunities



### Economics



- Trade-terms turmoil
- Currency volatility

### Emissions & Testing



- CO2 challenge & risk of penalties
- Resources
- WLTP, RDE ...

### E-Mobility



- Margin pressure
- Battery cell supply
- Infrastructure

### Powertrain



- Diesel demand
- Cost impacts
- Mix issues






### Digitalization



- Connectivity & autonomous
- Resources & cost
- Agility

## Tasks and Counter-Measures



Tasks	Counter-measures	
	<p>Close the Gaps in Operating Profit, CapEx, R&amp;D !</p>	<p>Push efficiency programs, discipline vs. securing the future</p>
	<p>Cash is King !</p>	<p>Stick rigorously to cash generation targets</p>
	<p>Sustain ICE margins &amp; secure EV margins !</p>	<p>Reach CO2 requirements Timely launches, attractive products and pricing strategies</p>
	<p>Reduce Complexity !</p>	<p>Delete certain derivatives and engine combustion combinations</p>
	<p>RoI does matter, too !</p>	<p>Prioritisation of projects, platform discipline and multi-brand factories</p>

## Investor Relations Team

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**VOLKSWAGEN**

AKTIENGESELLSCHAFT

# Shaping the transformation together.

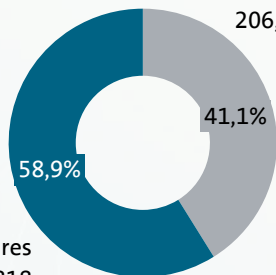
**Appendix**

# The Shareholder Structure, Supervisory and Management Board

## Shareholder Structure of Volkswagen AG

### Number of Outstanding Shares

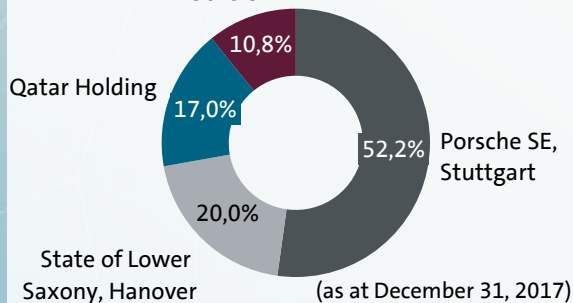
Preferred shares  
206,205,445



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>

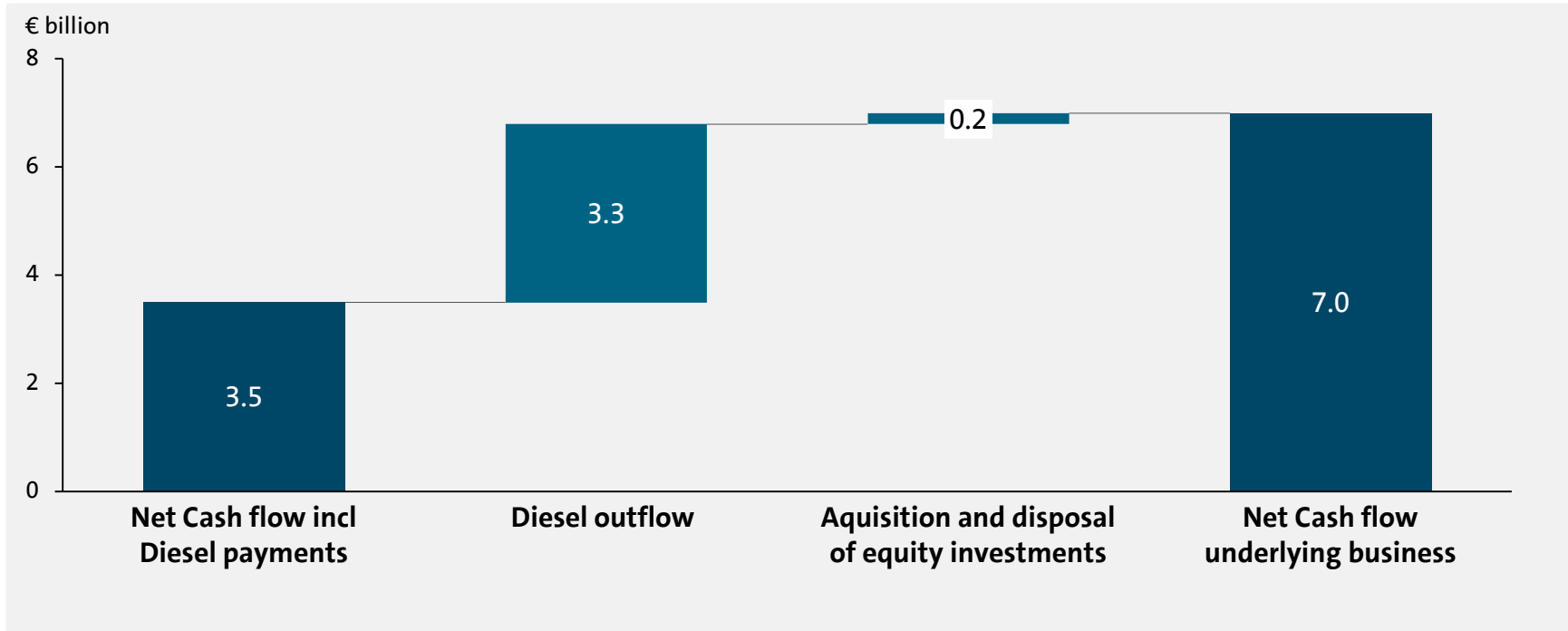
	Long Term	Short Term	Long Term	Short Term
<b>Volkswagen AG</b>	<b>BBB+</b>	<b>A-2</b>	<b>A3</b>	<b>P-2</b>
<b>Volkswagen Financial Services AG</b>	<b>BBB+</b>	<b>A-2</b>	<b>A3</b>	<b>P-2</b>
<b>Volkswagen Bank GmbH*</b>	<b>A-**</b>	<b>A-2</b>	<b>A1**</b>	<b>P-1</b>
<b>Outlook</b>	<b>Stable (*Negative)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

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

(January to September 2018)

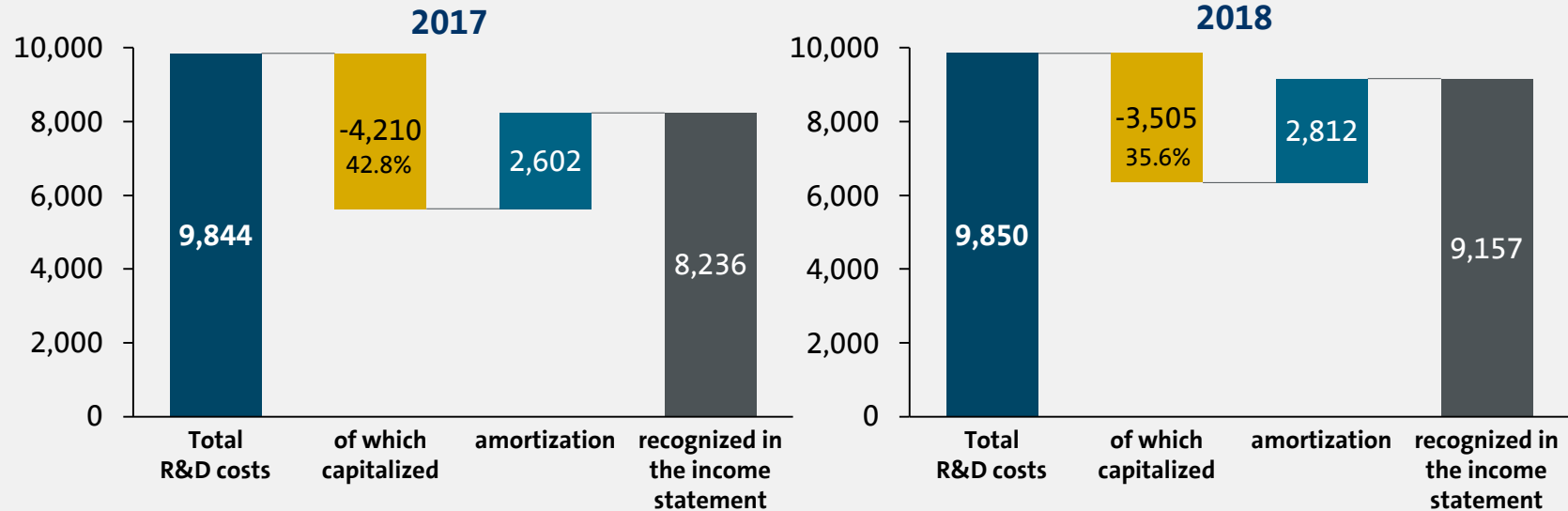


<sup>1)</sup> Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

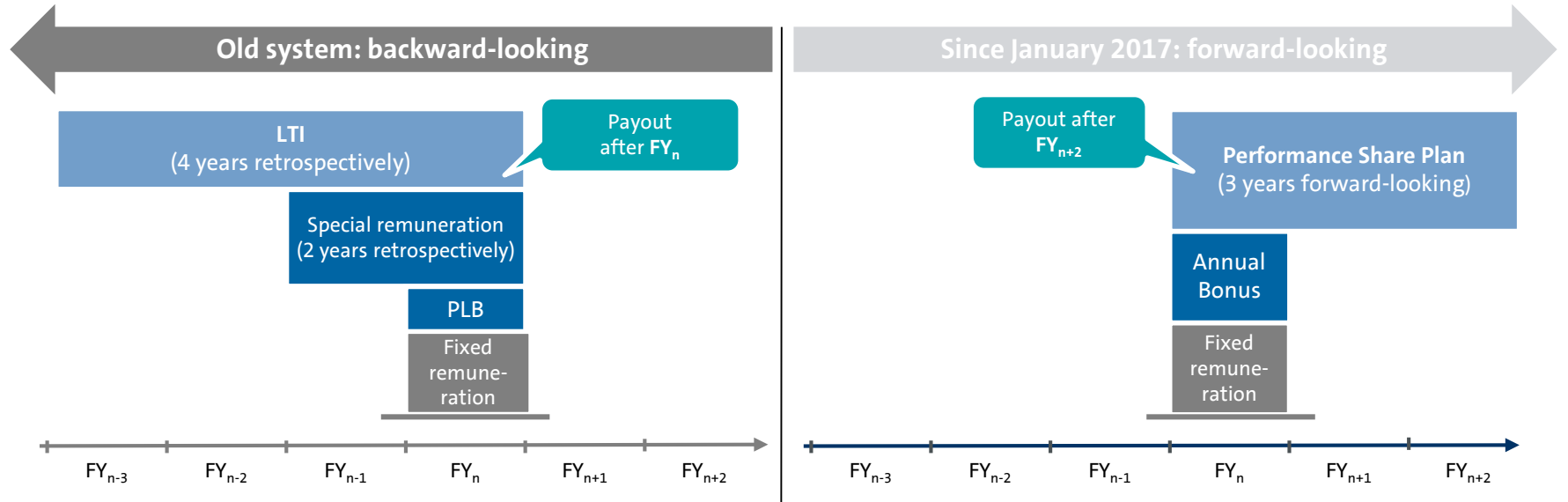
## Automotive Division – Research and Development Costs

(January to September 2018 vs. 2017)

€ million



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



## WLTP – Worldwide Harmonized Light Vehicles Test Procedure

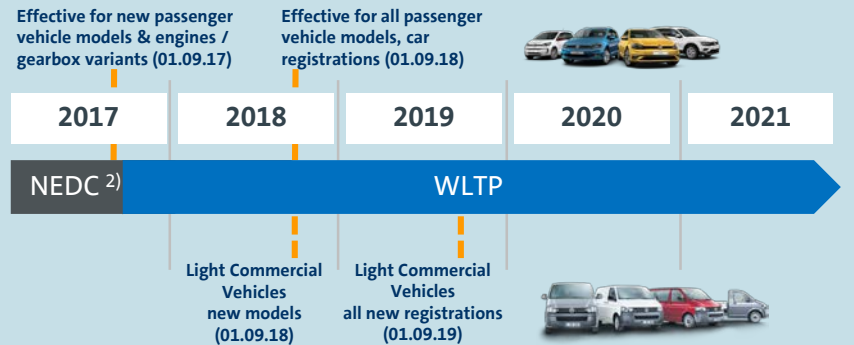
### SCOPE

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



### IMPACT

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



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

## What's new with WLTP?



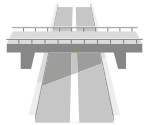
more realistic driving behaviour



higher average and maximum speeds



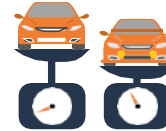
stricter car set-up and measurement conditions



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



higher average and maximum drive power



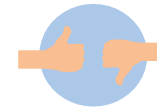
optional equipment: CO<sub>2</sub> values and fuel consumption have to be provided for individual vehicles as built



longer test distances



shorter stops



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



more dynamic and representative accelerations and decelerations



more realistic ambient temperatures, closer to the European average

Volkswagen T-Cross



**Audi e-tron**





ŠKODA Kamiq



**SEAT Tarraco**



## Porsche Macan Facelift



## Bentley Bentayga Hybrid



Lamborghini Urus



## Volkswagen Crafter Combi



**MAN TGX 18.500**

**MAN TGE 5.180**



## Scania G 450 XT 8x4





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

# VOLKSWAGEN GROUP

