

**VOLKSWAGEN**

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**Webcast**  
**Volkswagen Group Deliveries to Customers 2018**  
**January 11, 2019**

**Statement**

**- Check against delivery -**

Dr. Christian Dahlheim – Head of Volkswagen Group Sales

## I. Introduction

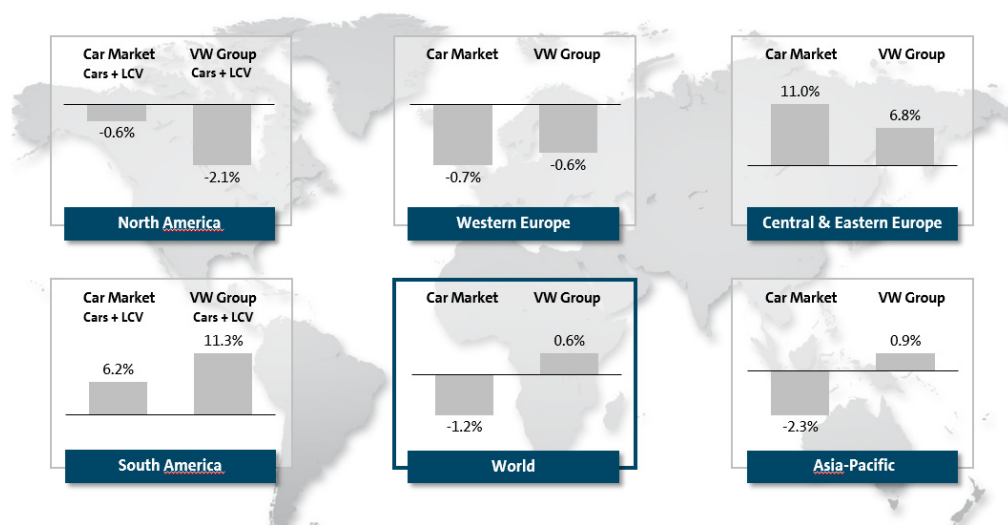
Ladies and Gentlemen,

Welcome to today's webcast about Volkswagen Group deliveries to customers in 2018. We appreciate your interest and would like to begin by wishing you a happy and prosperous New Year!

## II. Deliveries in 2018

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



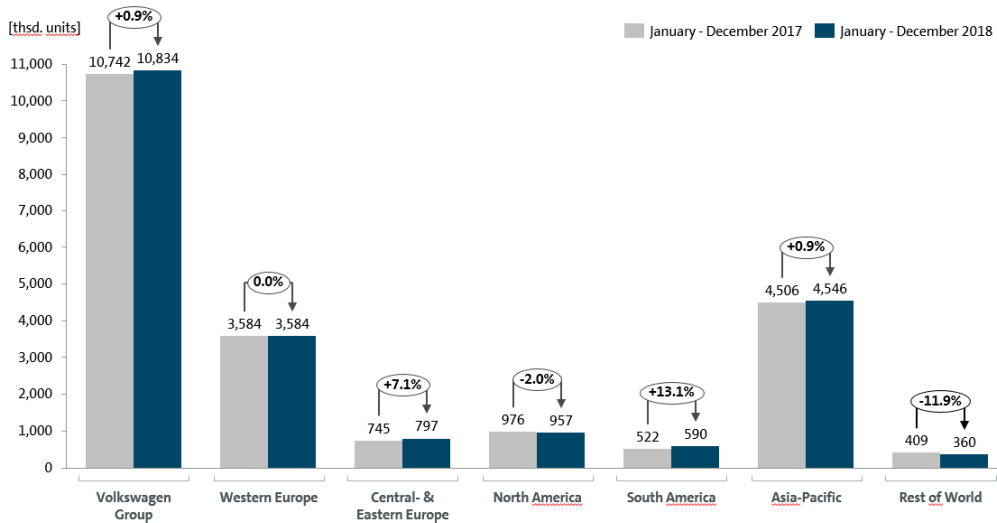
<sup>1)</sup> Figures excl. Volkswagen Commercial Vehicles, Scania and MAN

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2018 was a year of big challenges for the entire automotive industry. The 1.2 percent year-on-year decrease in the global passenger car market is proof of that. The Volkswagen Group's passenger car brands put up a pleasing performance in this difficult market environment, with global vehicle deliveries 0.6 percent higher than the previous year.

We outperformed the overall market trend in many important markets and expanded our market shares. This was the case in the Asia-Pacific region with China, our largest single market, as well as the USA and South America.

## 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), excl. Ducati; +0,6% excl. Volkswagen Commercial Vehicles, Scania and MAN.

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Ladies and Gentlemen, the Volkswagen Group delivered a total of 10.83 million vehicles to customers in 2018. That is around 90,000 vehicles, or 0.9 percent, more than in 2017. **It means we set a new record in difficult conditions!** We deeply appreciate the great trust shown by our customers all over the world – even though setting new records has not been our primary goal for some time now.

How did deliveries develop in the individual **regions**?

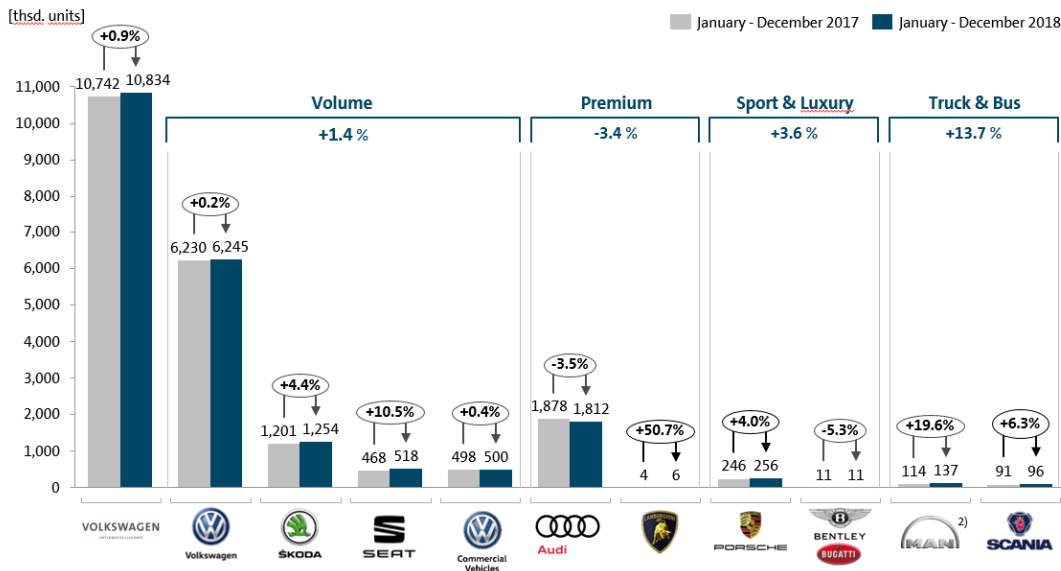
- In **Western Europe**, deliveries were on a par with the previous year in spite of the many difficulties associated with the changeover to WLTP affecting our entire model portfolio.
- In **Central and Eastern Europe**, we reported appreciable growth of 7.1 percent compared with the previous year. One key driver was Russia, where growth was an impressive 19.8 percent.
- In **North America**, deliveries were 2.0 percent down on the previous year in a slightly depressed overall market. It is encouraging to note that the Group continues to win the trust of customers in the USA and Canada. Deliveries rose and market share increased in both markets. However, this could not entirely offset the sharp 15.6 percent drop in Mexico.
- Positive momentum also came from **South America**, where the Volkswagen Group delivered 13.1 percent more vehicles than the previous year, thus clearly

outperforming the overall market. The Group was particularly successful in Brazil, the region's largest market, where deliveries rose 30.4 percent. This more than offset the significant decline in Argentina attributable to difficult economic conditions.

- In the **Asia/Pacific** region, the Group delivered 0.9 percent more vehicles than the previous year and gained market share in a declining overall market. The same applied for China, the Group's largest single market, where growth in an overall market that shrank year-on-year by one million vehicles was 0.5 percent. This trend was primarily due to the trade dispute between China and the USA and the associated reluctance to buy on the part of consumers.

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**Volkswagen Group – Deliveries to Customers by brands<sup>1)</sup>**  
(January to December 2018 vs. 2017)



<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles), excl. Ducati; +0,6% excl. Volkswagen Commercial Vehicles, Scania and MAN.  
<sup>2)</sup> MAN incl. MAN Latin America Trucks and Buses: GVW > 5t.

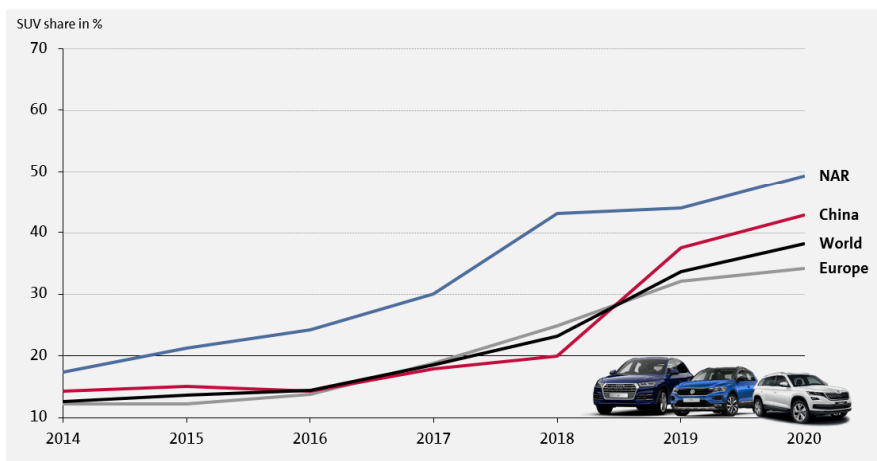
How did the **brands** perform in 2018?

- Nine out of eleven Group brands delivered more vehicles than the previous year and contributed to growth.
- The **passenger car brands** handed over a total of 10.10 million vehicles to customers, 0.6 percent up on the previous year.

- The Volkswagen Passenger Cars, ŠKODA, SEAT, Porsche and Lamborghini brands all set new **delivery records** in 2018.
  - Our core brand, **Volkswagen Passenger Cars**, delivered 6.24 million vehicles, a year-on-year increase of 0.2 percent.
  - At 1.81 million vehicles, **Audi** deliveries were 3.5 percent lower than 2017. One of the main reasons for this was the changeover of the model range to the new WLTP type approval.
  - **ŠKODA** handed over 1.25 million vehicles to customers in 2018, an increase of some 50,000 units or 4.4 percent.
  - **SEAT** also stepped on the gas, delivering 518,000 vehicles, a 10.5 percent increase.
  - **Porsche**, too, is geared up to growth. Some 256,000 vehicles were handed over to customers in 2018, 4.0 percent more than in 2017.
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- The **commercial vehicles brands** delivered a total of 733,000 vehicles last year. That is 4.3 percent more than in 2017.
  - **Volkswagen Commercial Vehicles** handed over just under 500,000 vehicles to customers, a slight rise of 0.4 percent.
  - **MAN** enjoyed significant growth, with deliveries increasing by 19.6 percent to approximately 137,000 units.
  - **Scania** delivered some 96,000 units, an increase of 6.3 percent.

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**Strong Increase in our Worldwide SUV Mix<sup>1)</sup>**  
SUV mix by region based on expected Group deliveries to customers



<sup>1)</sup> Actual figures 2014-2018; 5-Year Planning (PR 67) 2019-2020

Our broad range of SUVs, which are very popular with customers worldwide, is one important factor in this growth. Many Group brands successfully launched completely new SUVs or upgraded successor models last year. This led to a rise in the share of SUVs in Group deliveries.

In 2014, SUVs accounted for a share of 12.6 percent in the Volkswagen Group's global deliveries, while this share had already risen to 23.2 percent in 2018. There are clear regional differences. North America currently has the highest share at 43 percent, while this share is lower in China, where it is 20 percent.

There is, however, a clear upward trend in all regions and the forecasts for this high-margin segment over the coming years indicate a continued upswing. The Volkswagen Group brands are in a very good position with several more interesting models already in the pipeline. Naturally, e-mobility will also make its mark in this segment, enabling local emission-free mobility. The first series-production pure electric SUV, the Audi e-tron, has already been presented, and further SUV models such as the Volkswagen ID. CROZZ will follow.

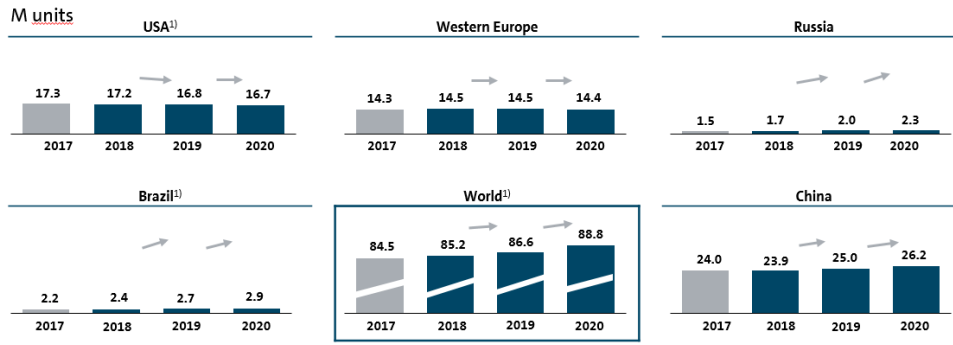
### **III. Sales challenges in 2019**

Ladies and Gentlemen, that concludes our round-up of 2018. Let us turn our attention to the current year. We are facing three important sales challenges:

- Economic development and overall market trends
- The impact of the necessary reduction in fleet CO<sub>2</sub> emissions
- The next stage in WLTP type approval

### 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



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

Actuals Forecast

Data source: IHS Automotive (11.2018)

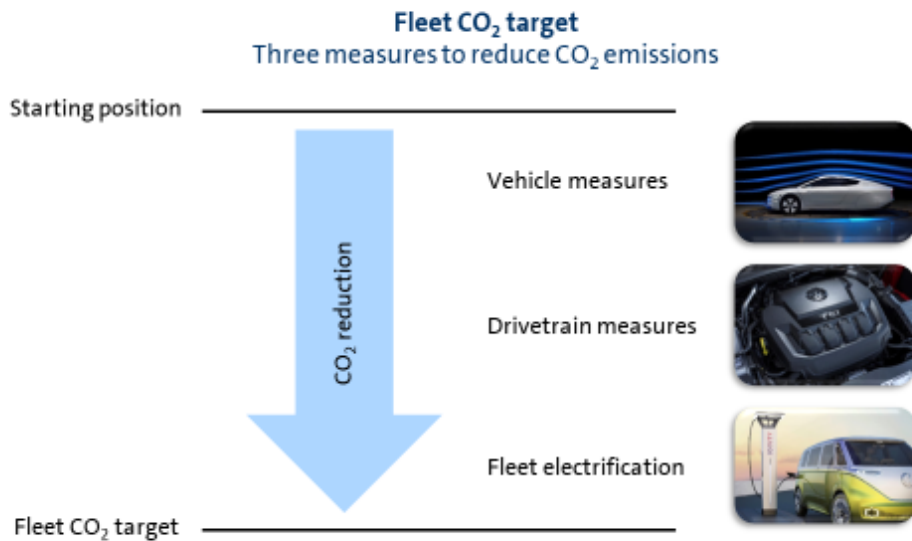
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As usual, we will be taking a more detailed look at the current year during our Annual Press Conference in March. Today, I can give you my initial assessment of the overall markets based on the current external forecasts. By and large, our own forecasts for markets and regions tally with these projections, with the exception of China, where we anticipate a broadly stable overall market compared with 2018. Given our strong products we see further growth potential in 2019 in China, but we do, however, expect the first quarter to be challenging. On a global scale, we predict a slight increase in demand this year.

As you know, the Volkswagen Group has committed to meeting the Paris climate goals and has set its sights on achieving complete CO<sub>2</sub> neutrality for its vehicle fleet by 2050. There are several challenging milestones along the way, and we are already working very hard to meet them. One of these milestones is attaining the fleet CO<sub>2</sub> target of 95g/km in 2020.

We intend to achieve this goal and are using three packages of measures to do so:

- Fleet electrification
- Vehicle measures
- Drivetrain measures



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**Fleet electrification** is the biggest lever for reducing CO<sub>2</sub> emissions. As you are aware, the Volkswagen Group plans to put some 50 pure electric models on the road in the coming seven years under its "Roadmap E" initiative. Key building blocks include our Modular Electric Toolkit (MEB) and our Premium Platform Electric (PPE). They will help us to launch this large number of diverse models from different brands in quick succession, and to do so efficiently.

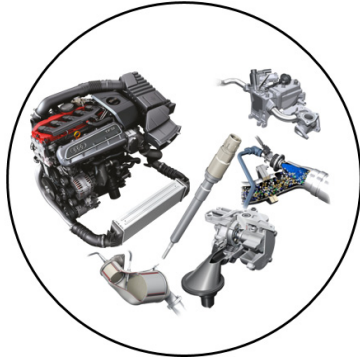
In addition to these pure electric models, the Volkswagen Group will be offering further plug-in hybrids which will also make an important contribution to climate protection. These models represent a key bridging technology; their conventional drive technology enables them to travel long distances, but they also run locally emission-free in the city.

**Vehicle measures** are the second important lever. This category includes, for example, further optimizing aerodynamics or further reducing rolling resistance.

**Drivetrain measures** for vehicles with conventional drive technology are the third key factor for reducing CO<sub>2</sub>. Far-reaching measures such as significantly more complex exhaust treatment or what is known as mild hybridization will be needed to comply with future exhaust standards such as Euro 7.



## Impact of necessary reduction in fleet CO<sub>2</sub> emissions Additional material costs will not be completely compensated



- Euro 7 requires far-reaching measures like significantly more complex exhaust treatment or mild hybridization
- Significant increase of material costs expected
- Small vehicles particularly affected by considerable price increases

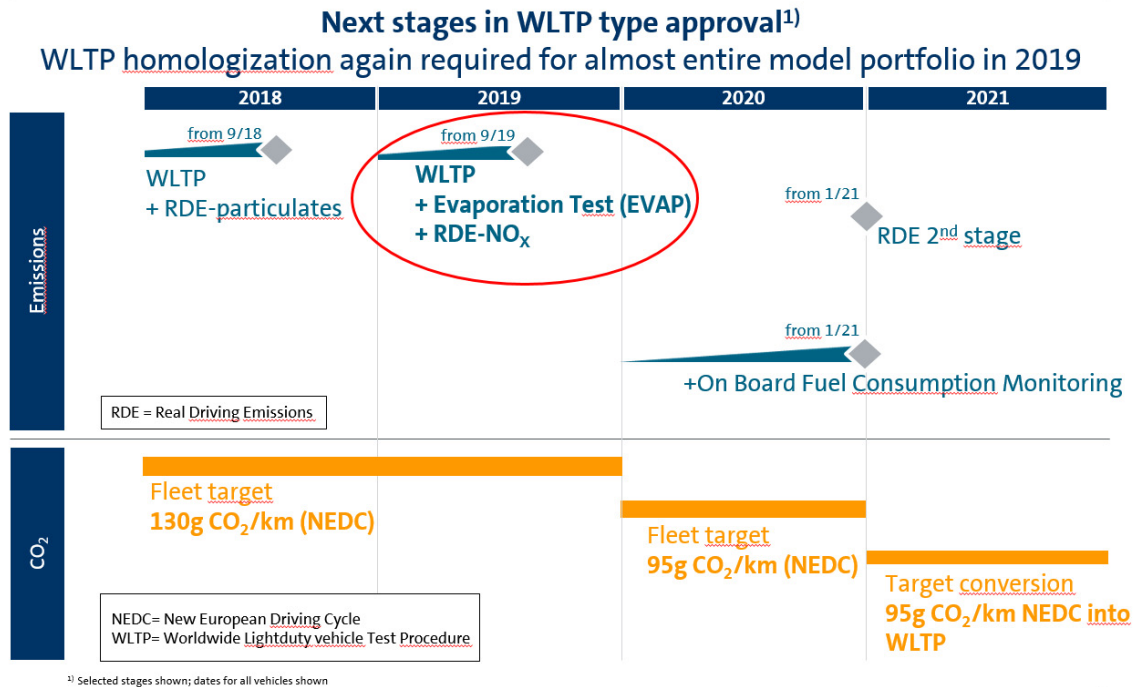
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All the CO<sub>2</sub> measures mentioned have one thing in common: they bring a substantial increase in material costs. A further factor is the continuous rise in safety requirements, for example under the European NCAP test.

Volkswagen is using various resources to counteract rising costs: reducing complexity is one important keyword in this context, another is improving efficiency in production. Nevertheless, it is clear that it will not be possible to completely offset the higher material costs. Consequently, the cost of producing the relevant classes of vehicles will rise in the short and medium term.

In order to meet all future requirements, material costs are expected to increase significantly in the medium term. This will necessitate price increases, some of them quite significant. In percentage terms, it therefore follows that the more economically-priced vehicles will be particularly affected.

In light of this, the Volkswagen Group will constantly monitor the range of model and engine variants and make adjustments in line with the relevant market conditions. In the medium term, this will probably mean that we will see a fall in volumes in selected segments in the event that certain options cannot be continued for the reasons mentioned. Obviously, this issue affects the entire automotive industry, not just the Volkswagen Group.



Another important topic that will continue to demand our attention in 2019 and beyond is emission and consumption legislation. The next stage of WLTP type approval comes into effect for all vehicles on September 1, 2019. This stage includes what is known as the “Evaporation Test” (EVAP). This 48-hour test is carried out in a test chamber and measures the evaporative emissions of stationary vehicles with the engine shut off. Specific threshold limits may not be exceeded. Furthermore, from September the Real Driving Emissions test that measures NO<sub>x</sub> emitted by cars while driven on the road (RDE NO<sub>x</sub>) comes into force for all vehicles.

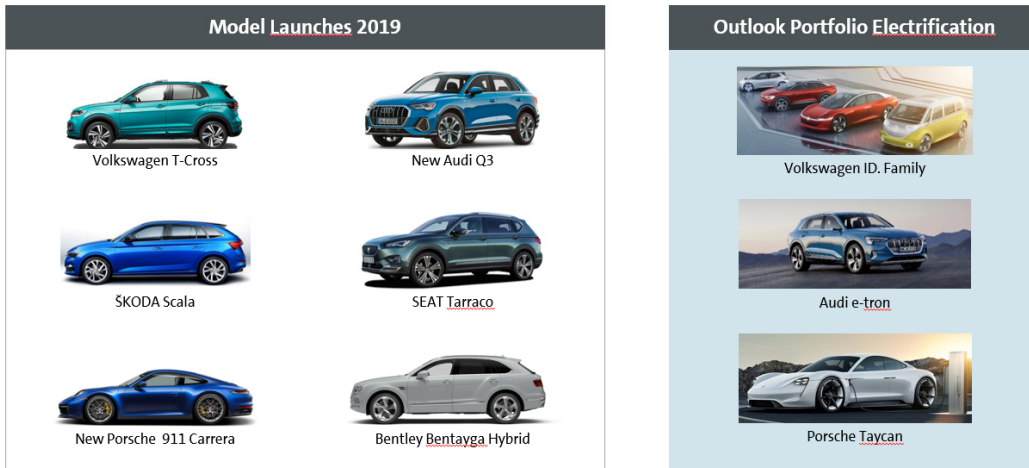
To comply with this and other requirements, almost all engine-transmission variants must once again undergo the complex WLTP certification. We already learnt a great deal about this process in 2018 and have as a result significantly reduced the complexity of our portfolio, optimized numerous processes and increased capacities, for example with regard to test rigs and manpower. We are therefore optimistic that we will be able to manage the effects of the next WLTP stage much more effectively than in 2018. Nevertheless, we cannot at the present time rule out the possibility of temporary restrictions for some model variants in the second half of this year.

## IV. New models in 2019

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### Portfolio expansion continuous

Launch of numerous new models in 2019; portfolio electrification is key focus of the Volkswagen Group in the upcoming years



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Ladies and Gentlemen, we anticipate positive momentum in 2019 from the launch of numerous new models. Some of these models will be the first in important segments and will give us additional tailwind. This chart presents some of the 90-plus new models we will be presenting to customers this year.

Portfolio electrification is a key focus. The Audi e-tron made its debut last year as the first all-electric Audi and will enter dealers' showrooms this year ready for customers. The Porsche Taycan will also be launched this year, thrilling customers with the unique combination of typical Porsche driving performance coupled with zero local emissions. In addition, Volkswagen will be presenting the series-production version of the new ID. this year, and the model will go on sale in 2020.

We are looking forward to these and other highlights in 2019. The Volkswagen Group is well prepared to face the upcoming challenges and is looking to the future with optimism.

Thank you for your attention!