

Volkswagen Annual Media Conference 2018



„Realignment is taking hold“

March, 14th 2018



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Volkswagen

Annual Media Conference 2018

March, 14th 2018 | Wolfsburg

Speech

The spoken word applies

1. Herbert Diess

Chairman of the Board of Management of Volkswagen Brand

2. Arno Antlitz

Member of the Volkswagen Brand Board of Management for Controlling and Accounting

3. Charts

Dr. Herbert Diess

Annual Media Conference – Review 2017

Good morning ladies and gentlemen,
Welcome to the Markenhochhaus, our Brand Tower.

You have been on the road for Volkswagen a lot recently. Many of you were in Berlin yesterday for the Group's annual press conference. Today, we have invited you to Wolfsburg, into the heart of the Volkswagen brand.

We have a very good year behind us, and a decisive phase for our brand. We are here today to talk to you about the progress we have made with our strategy and where our journey is taking us.

You are aware of our plan of how we are leading Volkswagen into the future: The first step involves restoring our core business. By 2020, we aim to position our brand as top of volume and become the leading volume manufacturer. To reach this goal, we are investing in new products, repositioning the regions, increasing our efficiency and expanding our expertise in the technology of the future. In the second step, we are launching our electric offensive. We aim to be the global leader in e-mobility by 2025 at the latest. At the same time, we are making steady progress in our preparation for autonomous driving. And the final step in the plan is our transformation from an automobile manufacturer to a provider of holistic mobility solutions.

What did we do in the past fiscal year?

In 2017, we made important progress. The implementation of our strategy TRANSFORM 2025+ delivers results. From the Zukunftspakt to the model and technology offensive and regional strategies, all initiatives are helping Volkswagen move forward.

Our customers also see us as fit for the future again. In the latest image survey by auto motor sport, Volkswagen has once again gained in popularity in terms of the question regarding which automotive brand is the latest trend. The downturn seems to have passed – and we will continue our concerted efforts to regain the lasting trust of our customers and the general public.

My thanks goes out to all employees around the world – in Germany, China, Latin America, the USA, Mexico and many other countries. They have all done an extraordinary job last year. And they have demonstrated how strong this team is, under difficult circumstances. I am proud of them!

Ladies and gentlemen,

We have improved in all our key financial performance indicators, and in some cases significantly. Last year we delivered a total 6.23 million vehicles to our customers – more than ever before. In China alone, our largest single market, we delivered 3.2 million vehicles. Never before in China – or in

another market for that matter – has an automotive brand sold more vehicles. And as many as three Volkswagen vehicles including the Golf, Tiguan and Polo are among the ten best-selling vehicles in the world.

We were also able to improve sales and earnings. Revenue was around 8 percent higher than the previous year at 80 billion euros. Operating profit improved by 77 percent to 3.3 billion euros before special items. With this, earnings increased again for the first time in five years and we make a significant contribution to the Groups improvements.

With an operating return on sales of 4.1 percent, we are right on target. We are aiming for at least 6 percent return on sales in the long term to be well prepared for the future on a sustainable basis. This all demonstrates that our strategy TRANSFORM 2025+ is working.

Our new models are the key driver of this upward trend. Over the past year, we put 19 new vehicles on the road – and determined model rollouts on a monthly basis for the upcoming years. By 2020, we will have almost completely renewed our product range and expanded in key areas. Our development team is currently working on 55 new models.

At the forefront of our model range is the Arteon, representing the new flagship of Volkswagen in terms of technology and design. It even stood up to the premium competition at the “Goldenes Lenkrad” awards.

The Arteon will also be launched in the USA and in China this year. We will also offer the Arteon as a shooting brake option – which is a coupe with hatchback and even more usable space.

With the new sixth-generation Polo based on the MQB toolkit, we are setting the standard in the small vehicle segment. In particular the design, technology and smooth handling performance have been well received. The Polo is currently sweeping up one test victory after another. In Brazil, it was recently awarded the Car of the Year trophy. And at the end of January, the Polo was recognized in the Best Cars award in auto motor sport.

In addition to the normal variants, we also offer the Polo as a GTI. Based on the MQB toolkit, the Polo is now a real GTI – with a rigid body, dynamic suspension and delivering more than 200 PS.

The up! GTI is a new member of the GTI family. In terms of size and performance, it almost mirrors the original GTI – but now with modern TSI technology and intelligent connectivity. The up! GTI is also the first vehicle of our brand to be type approved based on the new WLTP test cycle. I am pleased that with these three models, we now have a strong GTI offering in the small and compact vehicle segment.

We have launched into a new segment with the T-Roc. Our new lifestyle SUV is highly acclaimed and is making its debut at the right time: By 2027, the market for small and compact SUVs is expected to double to 11 million

vehicles worldwide, and with the T-Roc, we are well prepared. The demand is already so high that we are expanding production to run on a four-shift schedule. This will make the manufacturing plant in Palmela, Portugal one of the most productive plants of our brand.

The Tiguan plays a leading role among our SUVs, with an increase in sales by 200,000 units within one year. With a total of 720,000 deliveries, the Tiguan has undoubtedly become a global best seller, sitting among the top 3 SUVs globally. The Tiguan is now produced in Germany, China, Mexico, Russia, India and Malaysia – and demand is increasing. In markets such as Canada, the Tiguan is already the best-selling Volkswagen.

Ladies and gentlemen,

SUVs are a key driver of growth for our brand in terms of unit sales and earnings. That is why we are expanding our offering substantially.

Last year we increased the SUV share of our portfolio from 10 to 14 percent. Every seventh Volkswagen sold is now an SUV. As of February, this share is already 54 percent in the USA. By 2020, we will have 19 SUV models in our lineup – from small vehicles the size of the Polo to large full-sized models.

Our excellent products are also a source of the significant upward trend in the regions. In 2017, we repeatedly outperformed the market – underpinned also through our turnaround program.

In the USA, our brand grew by 5 percent in an overall shrinking market – the new Atlas is one example that performed very well in these circumstances. With this SUV, we occupy a core segment in which we previously did not have a presence. The Atlas has been very well received – and was recently voted the best vehicle in the USA. With this, we are setting an important stage for our comeback in the States. In the medium term, we intend to become a leading volume provider and aim for around 5 percent market share.

On a global scale, our aim is to position Volkswagen at the top of volume in all major regions of the world. This means that every model will strengthen our resolve to hold the leading position in the volume segment in terms of quality and technology.

Our progress towards this goal is demonstrated by the achievements in Brazil. After successful completion of our restructuring efforts, we have grown by almost 20 percent in the most important market in South America – double the growth of the overall market.

The new Polo has become the fourth best seller in Brazil within only a few months. It's making an impact on the market – also thanks to its superior technology. We have equally high expectations for the Virtus. Like the Polo, the fastback model is also based on the MQB toolkit and will soon be introduced.

Up to 2020, we are investing around 1.75 billion euros in renewing our product range in Brazil. Our aim is to regain our leading position with a rejuvenated portfolio. In 2018, we anticipate a further boost in unit sales and an increasing market share.

Looking at the global markets, China plays a particularly key role for Volkswagen.

Here, in the largest automotive market in the world, we remain in the top position with a market share of around 13 percent. And during 2017, we again expanded our market share in a tough competitive environment and a growing local automotive industry.

SUVs are also in high demand in China, where we delivered 400,000 units last year. Of these, almost every seventh SUV was a Teramont. The twin-sister of the Atlas celebrated as large a success in China as in the USA.

Ladies and gentlemen,

We are very pleased with the achievement in sales in 2017. It is, however, crucial that we are profitable with our vehicles. As you know, we had some catching up to do in this regard, and still do.

That is why we signed the Zukunftspakt. One of the things we have agreed with the Works Council is a positive impact on earnings of

3.7 billion euros by 2020, of which, Germany will account for 3 billion euros. As of today, we have already achieved 2 billion.

In addition, we have significantly improved productivity at our sites, whereby Salzgitter, Kassel and the Tiguan production at the Wolfsburg plant have all exceeded their agreed annual targets. This is a positive interim result.

Nevertheless, there is still work to be done. By 2020, we intend to improve productivity by a total 25 percent. This year, we are headed towards another 7.5 percent, and in 2019 and 2020 another 5 percent each year.

At the same time, we are optimizing value creation at our sites. This entails shutting down areas of business that are not compatible with future trends – such as the production of industrial engines and combined heat and power plants in Salzgitter or of plastic parts in Brunswick – and instead, investing in new areas of expertise.

We have already created 115 jobs through the pilot manufacturing of battery cells and with electric vehicles. The aim is for 300. Likewise, we are adding 400 jobs – mainly internal staff – in Braunschweig, where the battery system for our new electric architecture will be manufactured.

We have made good progress so far in this area thanks to the support of our employees. The Zukunftspakt ensures our sites are at capacity and secures jobs long term.

We have also addressed costs with the same level of discipline. Even though we are in the midst of the largest model offensive in Volkswagen's history, we have largely kept fixed costs stable as envisaged for the second year in a row. Product costs were even reduced – despite offsetting effects such as the higher steel price. An example here is the Wolfsburg plant, which reduced costs related to the Golf by 100 euros per vehicle – for the first time in many years and under significant quantities.

Our modular assembly matrix is becoming an increasingly important driver of efficiency and competitiveness. With the MQB toolkit, we are executing outstanding technology solutions at good production costs – and using innovations in our vehicles more quickly and more cost efficiently than the competition.

Last year, around 40 percent of all brand vehicles delivered were based on the MQB toolkit – that is twice as many as in 2015. The best example is the new Polo. Around the world, the Polo is based on the MQB toolkit.

This year, our share of MQB-based vehicles will already be around 60 percent. By 2020, our quota is set to increase to around 80 percent. Considerable economies of scale and thus cost savings are still up for grabs – which will have a positive impact on earnings for our brand.

We are also utilizing the modular assembly matrix approach with our future electric vehicles. Two years ago, we set out to develop the new MEB, our

modular electric drive matrix. The MEB leverages the advantages of the electric drive system in terms of fuel range, functionality, design and cost – and sets a new standard in e-mobility.

Development is underway at full speed, and we are currently right on schedule. We intend to use the MEB throughout the Group and rapidly scale its application. As planned today, we will use it for 27 models from four brands. China will be the volume base for our electric architecture. For this purpose, in November, we signed agreements with our joint venture partners in China.

And now, ladies and gentlemen, I'd like to hand over to Arno Antlitz, who will present the financial figures on fiscal 2017 in more detail.

Dr. Arno Antlitz

2018 Annual Media Conference – Financial Situation

Dear Ladies and Gentlemen,

We significantly improved the financial competitiveness of the Volkswagen brand in the past fiscal year 2017. Our business figures bear impressive testimony to that:

- We generated sales revenue of around €80 billion in fiscal year 2017.
- Our operating profit – before special items – was €3.3 billion.
- The operating return on sales stood at 4.1%.

However, we had to recognize provisions for resolving the diesel issue in the amount of €2.8 billion in the third and fourth quarters. As in the past, this expense is carried as a special item.

As some of you might remember, the reporting structure of the Volkswagen brand was adapted at the beginning of last year. Our books now only show those activities directly connected with the brand's performance.

After adjustment for this effect, we increased sales revenue by around 8% to €80 billion. We have sold more vehicles and benefited from positive product-mix effect. In addition, we also benefited from the fact that a number of markets recovered sharply.

Especially our new models contributed to this development. In addition some of our main markets recovered significantly, which we also benefited from.

Positive volume- and product-mix related factors are also the main drivers behind the strong rise in the brand's operating profit. These effects contributed a total of €1.4 billion in earnings year on year. Exchange rate effects increased earnings by around €400 million.

We were also able to improve product costs by €400 million, although commodity prices were on the rise throughout 2017. Initial successes in increasing productivity at the plants also had a positive impact here. Fixed costs in 2017 were only insignificantly higher than in the previous year, despite a sharp increase in sales revenue and continuation of our product offensive and despite massive upfront expenditures on our all-electric architecture, alongside further development of our vehicles with conventional powertrains

Non-recurring effects had a negative impact, such as costs for early retirement contracts. The new reporting structure had a slightly negative effect totaling around €300 million. All in all, however, we increased operating profit before special items by about €1.4 billion year on year. The Volkswagen brand's operating profit after special items was around half a billion euros.

We have made further significant progress in cost discipline in 2017. Our research and development costs in 2017 were €3.3 billion, or 4.2% of sales revenue, and so at an absolutely competitive level. Sharp increases in technical development helped improve that performance indicator. We are using state-of-the-art virtual technologies to a greater extent in testing, for example. Our capex was €3.6 billion and so likewise on track. The capex ratio was 4.5%, meaning we achieved our strategic range of 4-5% of sales revenue already in 2017.

Ladies and gentlemen,

These figures confirm our clear focus on cost and investment discipline. This focus will also lead to an improved cash flow for the Volkswagen brand in the future. We already generated a positive operating cash flow in 2017 (approx. €1 billion). However, cash outflows due to the diesel issue meant that the net cash flow was deep in the red.

As you know, a positive operating cash flow is not an end in itself. We have to earn enough from our operating business so that we can afford the investments required for the future. By 2020 at the latest, we aim to achieve a robust and sustainable cash flow of over €1 billion per year.

Ladies and gentlemen,

Our performance in 2017 proves: The three keys to improving our brand's financial competitiveness are having an effect:

Our product offensive has picked up speed: Two new vehicles – the Atlas and Tiguan Allspace – are on the U.S. market in the high-margin SUV segment. We have launched a further attractive SUV in Europe in the shape of the T-Roc. And in 2018, we will follow suit with the Touareg and the T-Cross.

The second key, the Zukunftspakt, has not only resulted in a good performance in terms of fixed costs, but also initial positive boosts from higher productivity at our German sites. Along with measures from the efficiency program that was launched in 2014, costs have been cut by around €2 billion to date. We currently have around 9,350 signed early retirement contracts, so you can assume that this will have a positive impact in future in the shape of gains in productivity.

We have also made progress in the third key area, the turnaround in the regions. Improvements in the regions North America, Russia and South Africa and resurgent exports of vehicles to China made a significant contribution to an improvement in earnings last year of €1.4 billion. We expect these positive trends in the regions to continue in 2018. In South America, we launched the first MQB vehicle – the Polo – last year. Moreover, with the launch there of the Virtus in 2018 we expect significantly positive boosts in market position, image, revenue and operating profits. Our clear objective is to achieve break even in all regions by 2020 at the latest.

Ladies and gentlemen,

The Volkswagen brand is on the right path. In 2017 we increased our operating return on sales significantly. In 2018, we aim to consolidate that level and, ideally, increase it further.

- We want to increase sales revenue again by up to 10%
- And expect an operating return on sales of between 4% and 5%.

The SUV offensive and the Zukunftspakt will also continue to improve our operating profits during the years 2018-2020. The planned improvement in sales revenue and earnings in North and South America will likewise have a positive impact on operating profit.

However, I also would like to recall the considerable challenges that will make heavy financial demands on us. From September 2018, the Europe-wide conversion to the new approval procedure according to WLTP will take place. We expressly welcome this new procedure, which leads to more realistic fuel consumption data for vehicles. However, this change will be extremely demanding for us and the industry as a whole.

Until 2020 we will further modernize our vehicle fleet with regard to increasingly strict CO₂ and emissions regulations worldwide:

- By further optimization of our conventional diesel- and gasoline-powered engines.
- And by shifting value creation toward electric mobility.
- At the same time, we will significantly strengthen our products as regards connectivity and digitalization.

Ladies and gentlemen,

We are sticking to our targets for 2025, namely an operating return on sales of at least 6% and a free cash flow well in excess of €1 billion. We are rigorously implementing our Strategy 2025: We want to and will contribute to shape the future of our industry, offer our customers innovative, attractive vehicles and mobility solutions and protect the environment in the process. And do so around the world with products that are precisely tailored to meet the needs of local customers. We will thus set an industry standard in electric mobility, which will cover not only the electric car, but also the software and the ecosystem.

Thank you.

Dr. Herbert Diess

Annual Media Conference 2018 – Outlook

Ladies and gentlemen,

We are guided by our strategy, which is why we continue to pick up the pace with its implementation. Our focus in 2018 is on our model and technology offensive, the turnaround in the regions and further improvement in our competitiveness.

A total of 22 new vehicles will be launched this year, 9 of which in China alone. On the chart you can see a few of these. The focus is on SUVs and electric vehicles.

In China, the long Tiguan will be introduced as a plug-in version. Other vehicles include the new Bora as a fully electric vehicle. The e-Golf, which we previously imported from Europe, is produced locally as of this year.

In the USA, we already introduced the Jetta at the beginning of the year. As an addition to the sedan segment, in the spring we are introducing our luxury sedan in the USA, the Arteon.

The redesigned Passat is on the starting blocks for Europe. As usual, the Passat will also be available as Variant and hybrid models. And at the end of the year, our compact city SUV, the T-Cross, is to follow.

Next week, we are introducing our brand's flagship SUV, the new Touareg. For the first time, a vehicle will be debuted in China. The first motoring journalists recently had an opportunity to drive the vehicle, and they were impressed with its technology, design and handling. For its size, the vehicle has become very easy to handle and thus emphasizes our commitment to high-quality, innovative and dynamic vehicles of the luxury class.

In August, a new compact SUV will be introduced in China that has been developed together with our joint venture partner SAIC. We have high expectations for that vehicle. The people's SUV – currently the working title – is expected to be an important part of our SUV offer next to the Tiguan. On that basis, we are rolling out the people's SUV worldwide. From 2020, we are expanding production to Argentina, Mexico and Russia. We anticipate an annual sales volume of around 400,000 vehicles in total per year.

The T-Roc is set to become a family of models. You are already familiar with the SUV model. Added to that, we are now bringing out a convertible model, with market launch planned for the beginning of 2020. Development is underway, and the location for production is also set. Our new convertible will be produced in Osnabrück. This will allow the staff to fully utilize their many years of experience with convertibles.

The key project is and remains of course the preparation of our electric offensive.

Ladies and gentlemen,

It is clear to us all that electric vehicles are essential for the protection of the environment.

We take this responsibility seriously – and go one step further. Last week, we decided to convert our Volkswagen power plant from coal to gas. By doing so, we will save around 1.5 million tons of CO₂, which amounts to approximately 870,000 vehicles per year.

In spite of all efforts, the fleet CO₂ targets remain a major challenge for our company. The regulations require that we sell a high volume of electric cars in 2020.

In order to master the transformation to electric mobility and the launch of our electric offensive, we have once again strengthened our organizational structure. Since February, the brand has its own board-level management function for e-mobility. Our previous Board Member responsible for Production, Thomas Ulbrich, handles the responsibility for the product line and the production of our e-vehicles centrally in this department.

An important task will be the preparation of our electric offensive launch. Against this backdrop, we are converting the Zwickau plant to be the largest center for e-mobility in Europe. Retrofitting the first production facilities to MEB is already underway. From the middle of 2019, we will progressively change over to electric vehicle production. At the end of 2020, only MEB

electric vehicles will roll off the assembly line – up to 1,500 Volkswagen I.D. and I.D. Crozz vehicles per day, as well as models from the group.

The experience from the past months has shown that our customers want to drive electric vehicles. In 2017 alone, three times more electric vehicles were sold in Germany and Europe than in the previous year. The e-Golf – in January the most popular electric vehicle in Western Europe – has nearly sold out.

Here we are seeing the benefit from the scrapping premium, which we have offered since August 2017. We have experienced that customers are willing to switch over to electric vehicles, when the price is right. We therefore also have faith in the I.D. It will cost just as much as a comparable diesel model. Combined with low operating costs, we can create a package that will make e-mobility especially attractive.

Ladies and gentlemen,

With the I.D. family based on the MEB, we have a superior technology concept.

Through its unique design, we create an exceptionally high amount of interior space given the exterior dimensions. The I.D. is just as compact as a Golf and has just as much room as a Passat. What's more, it is fully connected, has fast charging functionality, and depending on the conditions under which it is operated, has a range of 400 and 500 kilometers. In terms of technology, the I.D. offers features and assistance systems that were previously reserved for

the premium segment – for example a head-up display with augmented reality functionality.

We are fully on track with the development of our I.D. family. The first wave includes the I.D. and then the I.D. Crozz – the electric counterpart to the Tiguan. In April, the first pre-production prototypes will be rolled out, with the intensive start-up phase beginning from September.

A new focus in the development of our e-vehicles is the user experience. The enjoyment of the driving experience will soon not only mean horsepower, but also an intuitive operating system, services and infotainment system, as well as interaction with the vehicle. We are creating a separate business division, headed by Matthias Erb, to address this topic. Mr. Erb will join us from Volkswagen of America where he was responsible for all engineering activities.

Our aim is to make driving electric vehicles as simple, comfortable and clean as possible. Towards this goal, we are investing in infrastructure – by 2020, there will be around 400 fast-charging stations added to the network across Europe. We will supply private households with charging solutions – our wall box for home use at 300 euros will be affordable for everyone. We are committed to green energy. And, we are making our I.D.s so intelligent that every vehicle will become a moving credit card. You will be able to recharge without thinking about paying. The vehicle will do it for you.

The countdown for our I.D. vehicles has begun. The next technological leap to follow is autonomous driving – for me the greatest revolution in 130 years of automotive history. Autonomous e-vehicles offer a range of advantages: more comfort, more potential uses – and greater safety in road traffic. This means that individual mobility will practically lose all criticisms we are debating today.

Last week in Geneva, we showcased how we at Volkswagen imagine such a vehicle. From 2022, the I.D. Vizzion will be the new luxury sedan of the I.D. family. From the outside, it is as large as a Passat, but it offers as much space in the interior as a Phaeton. It will initially have level 3 autonomous driving capability. It will gradually take on more and more tasks from the driver, as desired.

Many people will want to own such a car. Those who would like can also share it – with family, friends or acquaintances. One thing is certain: In the future, we will also be driving customized, appealing and emotionally-charged vehicles – and not identical tin cans.

The technological upheaval will renew and enrich the vehicle – and open up new prospects. It is exciting to be shaping this electric evolution.

Ladies and gentlemen,

The results demonstrate that we are on the right track. And I am confident that 2018 will again be a very good year for Volkswagen.

We have already had a successful start: In the first two months, deliveries increased by around 6 percent worldwide. In Germany in particular we experienced a significant boost in sales of 14 percent. Brazil has experienced a turnaround. And in terms of orders received, we are 110,000 vehicles above the previous year.

We are, however, keeping a close eye on all potential risks. This includes the switch to the new worldwide harmonized light vehicles test procedure, or WLTP. The large number of launches in China. The partly biased debate about diesel. And of course the trade barriers in the USA. Despite these issues, we remain confident. For the year as a whole, we expect further improvements in unit sales, revenue and earnings. In terms of operating profit, we have set ourselves a target range of 4 to 5 percent.

Ladies and gentlemen,

In summary, Volkswagen is well on course. The realignment is taking hold – and customers have put their trust in us.

We are committed to our goal: We aim to and will shape the transformation of mobility – and the transformation of the automotive industry – from the front line. But Volkswagen is well-positioned for the challenge.

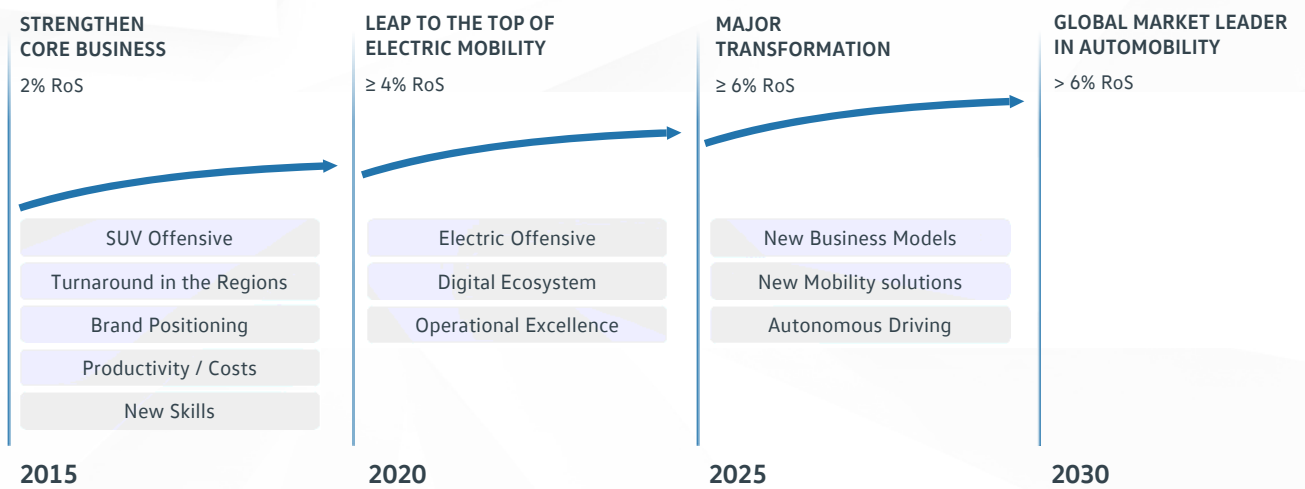
Thank you very much!

Volkswagen Brand ANNUAL MEDIA CONFERENCE 2018

Dr. Herbert Diess – Review 2017



The strategic realignment is being executed in three steps



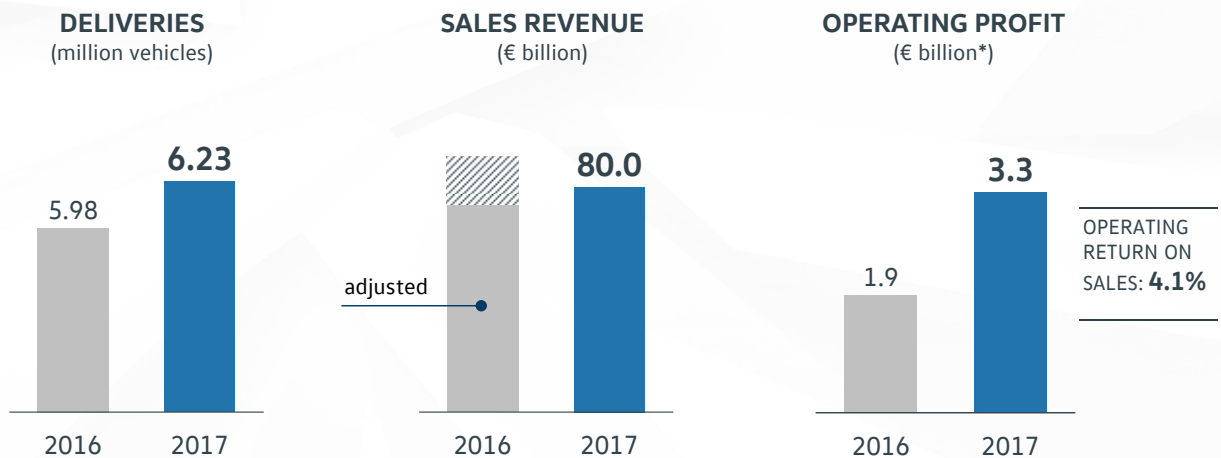
Volkswagen

Turnaround in 2017: The realignment is taking hold

- The biggest model offensive in the company's history is delivering results
- Productivity increased, key financial indicators improved
- Brand's target for operating return on sales raised



Volkswagen had an excellent 2017



* before special items



The new models are persuasive



Polo GTI: Kraftstoffverbrauch, l/100 km: innerorts 7,7 / außerorts 4,9 / kombiniert 5,9; CO₂-Emission kombiniert, g/km: 134; Effizienzklasse: C



The Arteon is the brand's new flagship



Auszeichnung „Das Goldene Lenkrad“ 2017 für den Arteon in der Kategorie „Mittel- und Oberklasse“ von AUTO BILD und BILD AM SONNTAG



The Polo sets a new standard in the small car segment



Auszeichnung „Best Cars 2018“ für den Polo in der Kategorie „Kleinwagen“ von AUTO MOTOR UND SPORT



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The up! complements the GTI family



Golf GTI: Kraftstoffverbrauch, l/100 km: innerorts 8,2 - 7,8 / außerorts 5,5 - 5,3 / kombiniert 6,4 - 6,3; CO₂-Emission kombiniert, g/km: 148 - 145; Effizienzklasse: D
Polo GTI: Kraftstoffverbrauch, l/100 km: innerorts 7,7 / außerorts 4,9 / kombiniert 5,9; CO₂-Emission kombiniert, g/km: 134; Effizienzklasse: C
up! GTI: Kraftstoffverbrauch, l/100 km: innerorts 6,0 / außerorts 4,1 / kombiniert 4,8; CO₂-Emission kombiniert, g/km: 110; Effizienzklasse: C



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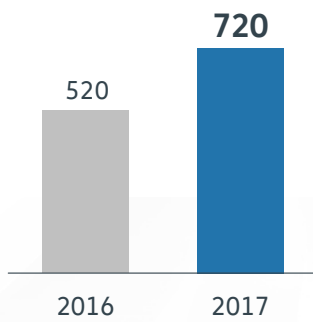
The T-Roc taps the smaller compact SUV segment



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The Tiguan has become a global bestseller

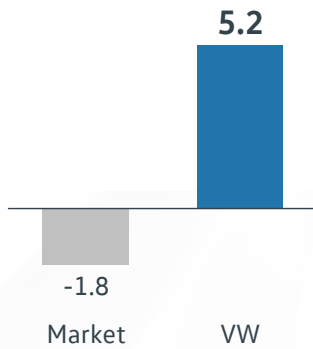
TIGUAN DELIVERIES
(thousand vehicles)



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Volkswagen is bucking the market trend and growing in the U.S.

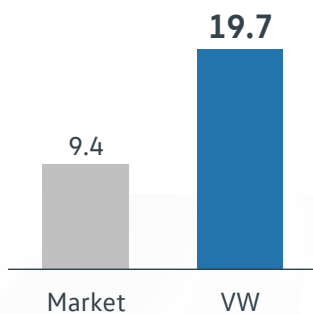
GROWTH IN THE U.S.
(percent)



Volkswagen

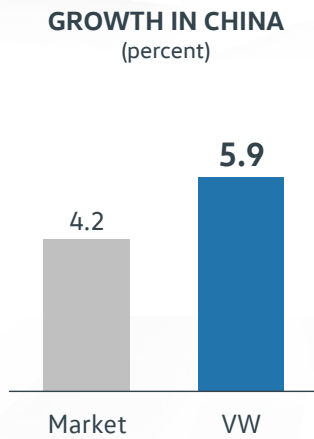
We are refreshing the entire product portfolio in South America

GROWTH IN BRAZIL
(percent)



Volkswagen

China remains the growth driver for Volkswagen



Volkswagen

The Zukunftspakt contributes to Volkswagen's good performance

**ZUKUNFTS
PAKT**

2017 RESULTS

COMPETITIVENESS

- Efficiency measures of €2 billion
- Exit from industrial engine production and combined heat and power plants

SECURING THE FUTURE

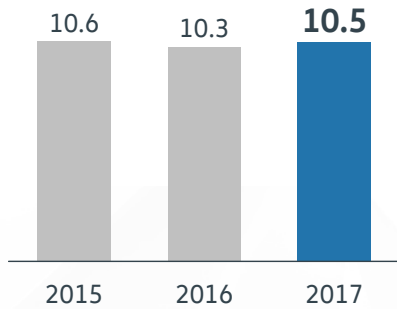
- Establishment of battery cell pilot manufacturing
- Establishment of battery system manufacturing



Volkswagen

Fixed costs were kept stable, despite the model offensive

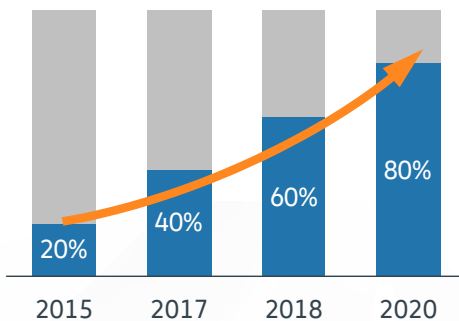
FIXED COSTS IN GERMANY
(€ billion)



Volkswagen

The new MQB models strengthen competitiveness

MQB SHARE IN OVERALL SALES
(percent | rounded)

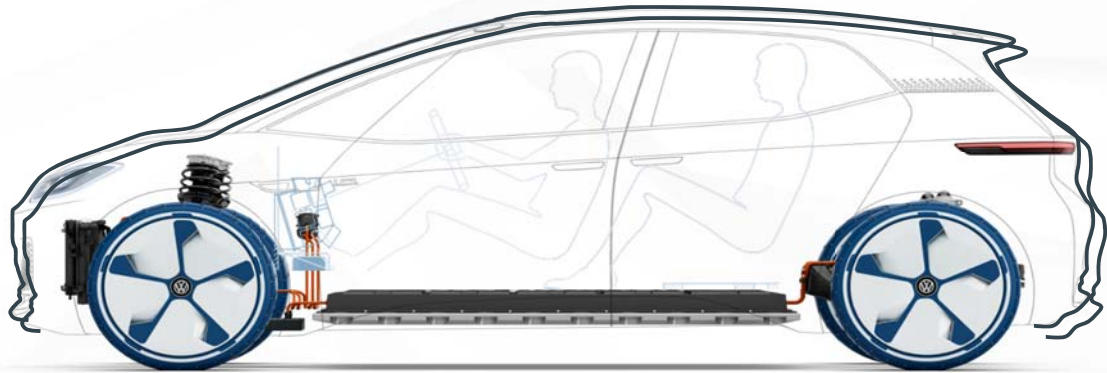


Polo GTI: Kraftstoffverbrauch, l/100 km: innerorts 7,7 / außerorts 4,9 / kombiniert 5,9; CO₂-Emission kombiniert, g/km: 134; Effizienzklasse: C



Volkswagen

Work on our new electric architecture is in full swing

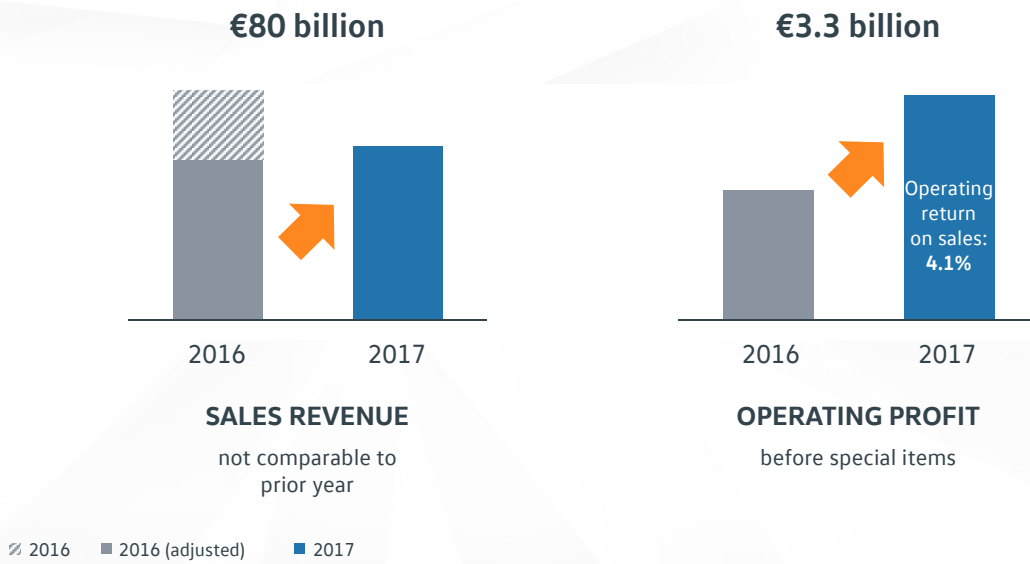


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Dr. Arno Antlitz – Financial situation

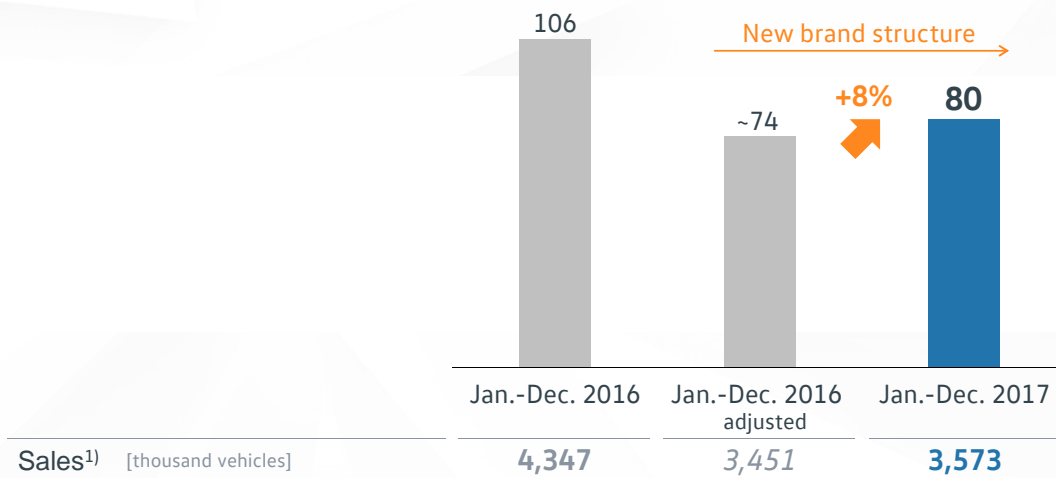


Successful operational performance in 2017



Year-on-year increase in sales revenue

SALES REVENUE [€ billion]

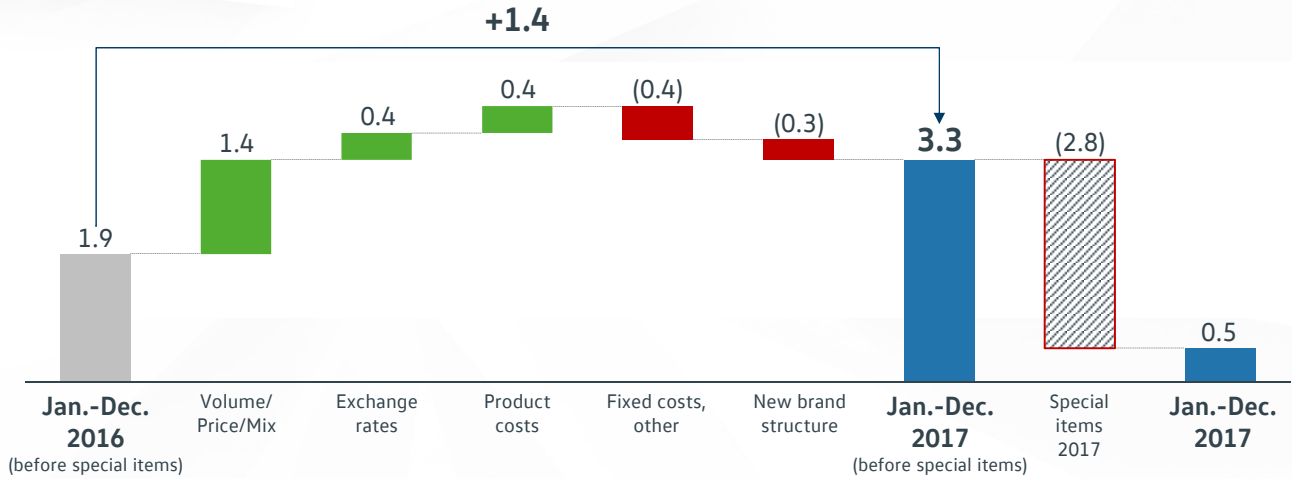


1) These figures do not include sales of our Chinese joint ventures.



Significantly improved operating profit

OPERATING PROFIT [€ billion]

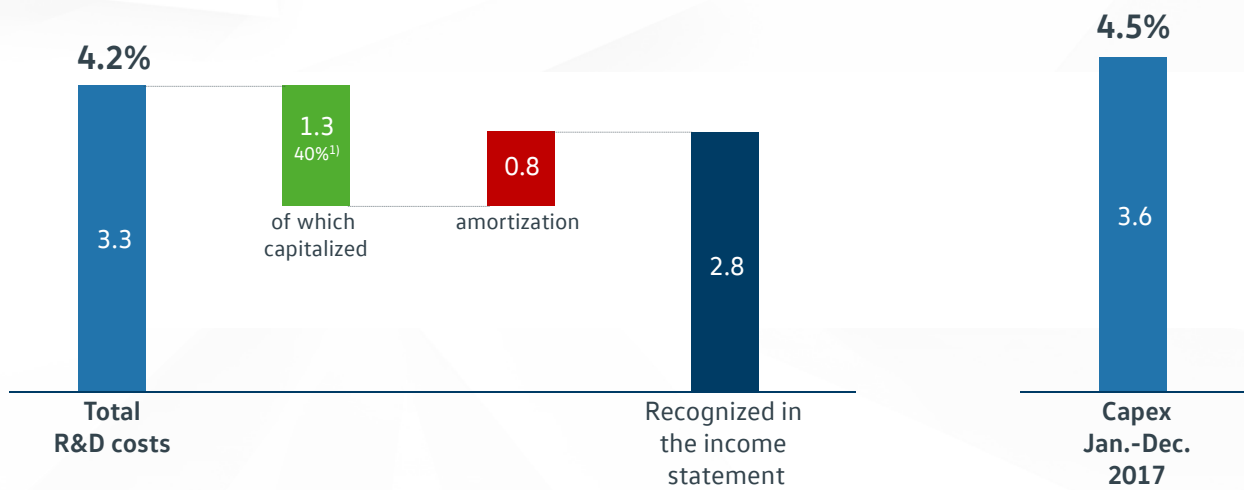


All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.



R&D costs and capex from January to December 2017

R&D EXPENSES AND CAPEX [€ billion/percentage of sales revenue]

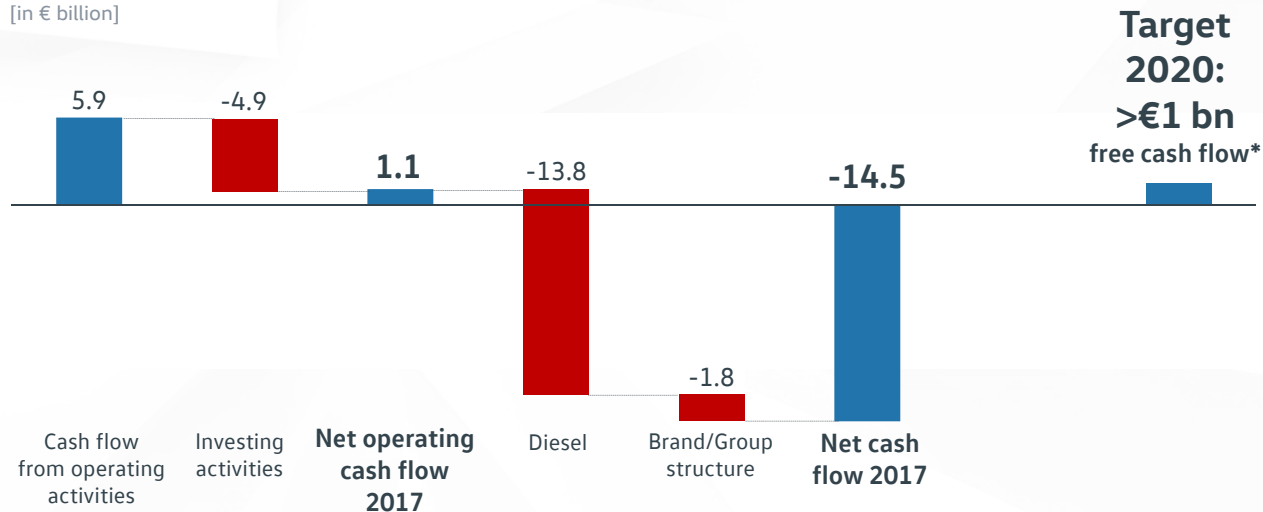


1) R&D capitalization rate



Positive cash flow before special items in 2017

[in € billion]



* Net cash flow not including acquisition and disposal of equity investments
All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.



Key levers for improving the result: Status update

PRODUCT OFFENSIVE



2017:

- SUVs: Atlas, Tiguan Allspace, T-Roc
- Share of MQB: 40%

2018:

- SUVs: Touareg, Compact SUV China, T-Cross, etc.
- Increase of MQB share to 60%

ZUKUNFTSPAKT



2017:

- Realized cost improvements of €2 billion
- Increase in productivity
- -9,350 early retirement contracts

2018:

- Further improvements in costs and productivity

TURNAROUND IN THE REGIONS



2017:

- Break even in Russia
- Results in NAR improved
- New products and restructuring in SAM

2018:

- Improvement of results in NAR and SAM



Medium-term target for operating return on sales

Effects
2017-2020:

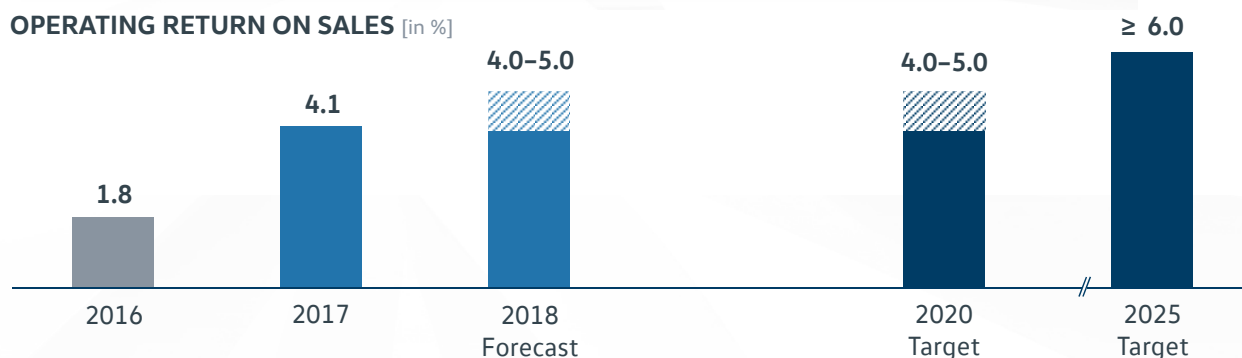


- Growth of SUV portfolio
- Implementation Zukunftspakt
- Turnaround in NAR, Brazil, Russia



- Future CO₂/emissions legislation
- Transformation of the industry
- Upfront expenditures in digital ecosystem (Volkswagen We)

OPERATING RETURN ON SALES [in %]



Volkswagen

Financial forecast and targets

	Forecast 2018	Target 2020	Target 2025
Sales revenue	up to +10 %	-	-
Operating return on sales	4-5 %	4-5 %	≥ 6 %
Capex ratio	4-5 %	4-5 %	4-5 %
R&D ratio	~4 %	4 %	4 %
Free cash flow	Positive operating cash flow*	> €1 billion	>> €1 billion

* before special items



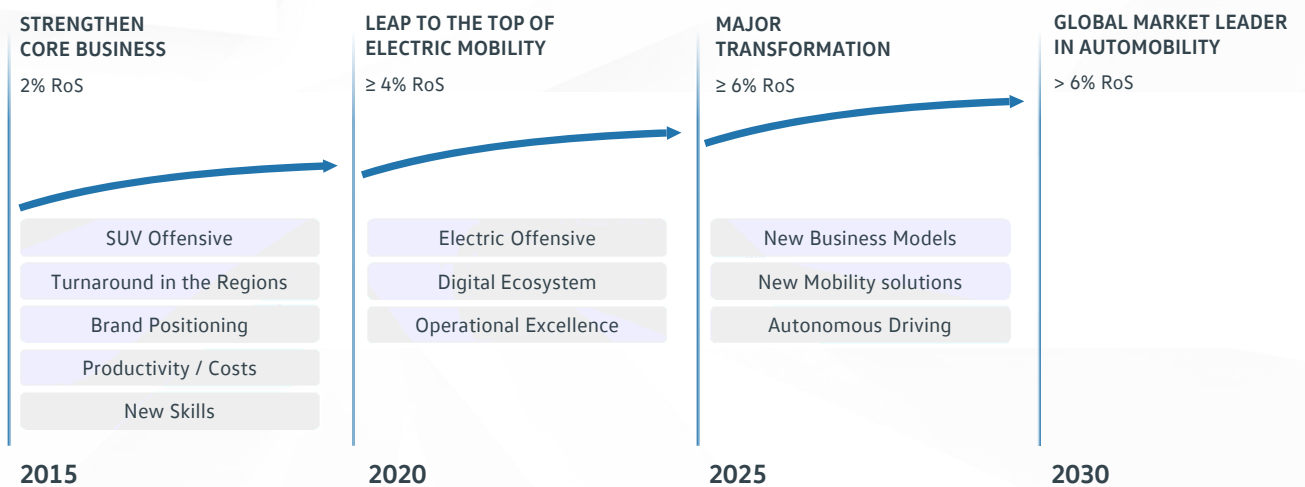
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Dr. Herbert Diess – Outlook



The strategic realignment is being executed in three steps



Volkswagen

22 new models will be introduced in 2018

Sedans



Arteon
(China / USA)



Passat
(EU)



Lavida
(China)



Passat NMS
(China)



Bora
(China)

2018

SUVs



Touareg
(EU)



Kompakt SUV
(China)



Kompakt SUV
(China)



T-Cross
(EU)



T-ROC LWB
(China)



Tiguan LWB PHEV
(China)

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Start of Production | Selection



Volkswagen

The new Touareg will be Volkswagen's frontrunner SUV



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Volkswagen

A new people's SUV is being launched worldwide from China

DETAILS

- Compact SUV
- Production: China
- SOP: 2018
- Global roll-out 2020 (Production in Russia, Mexico, Argentina)
- Volume: ~400,000 vehicles per year



Volkswagen

The T-Roc convertible makes the brand younger and more emotional

DETAILS

- Convertible based on the T-Roc
- Production: Osnabrück
- SOP: 2020
- Volume: ~20,000 vehicles per year
- Investments: > €80 million



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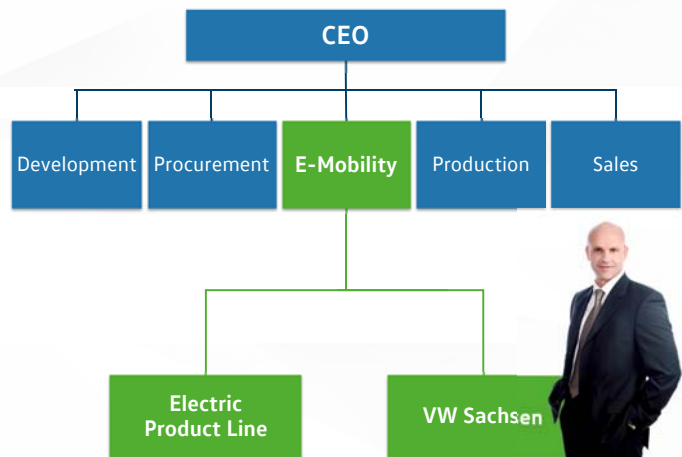


Volkswagen

Volkswagen is strengthening its organization for e-mobility

BOARD DIVISION E-MOBILITY

- Centralizes development and production of e-vehicles
- Accelerates the e-Strategy



Volkswagen

Zwickau will become Europa's largest competence center for e-mobility

ZWICKAU MEB FACTORY

- Conversion ongoing
- From 2019: Production is to be converted
- End of 2020: pure electric site
- Volume: ~330,000 vehicles per year



Volkswagen

The I.D. family sets the new BEV benchmark



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We are working on autonomous driving with greater intensity



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2018 could surpass the good results of the previous year

DELIVERIES TO CUSTOMERS

SALES REVENUE

OPERATING PROFIT

OPERATING RETURN ON SALES

FORECAST 2018

above the previous year

up to +10 percent

above the previous year

4,0–5,0 percent



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Thank you!



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