Volkswagen Group: On the Road to Success

Christian Klingler
Member of the Board of Management, Volkswagen AG, Group Sales & Marketing
Exane BNP Paribas 14th European CEO Seminar, Paris 14 June 2012
Disclaimer

This presentation contains 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 relating to the development of the economies of individual countries, and in particular of the automotive industry, 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. The estimates given involve a degree of risk, and the actual developments may differ from those forecast.

Consequently, 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, 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 relative to the US dollar, sterling, yen, Brazilian real, Chinese renminbi and Czech koruna.

If any of these or other risks occur, or if the assumptions underlying any of these statements prove incorrect, the actual results may significantly differ from those expressed or implied by such statements.

We do not update forward-looking statements retrospectively. Such statements are valid on the date of publication and can be superceded.

This information does not constitute an offer to exchange or sell or an offer to exchange or buy any securities.
World car market vs. Volkswagen Group Deliveries to Customers \(^1\) (vs. previous year)

\(^1\) Figures excluding MAN and Scania
World car markets and Volkswagen Group Deliveries to Customers
January to May 2012 vs. 2011

1) Figures excluding MAN and Scania

World: Car market: 7.6%  VW Group: 8.4%

North America

- Car market: 12.7%
- VW Group: 21.9%

Western Europe

- Car market: -8.2%
- VW Group: -2.8%

Central & Eastern Europe

- Car market: 11.6%
- VW Group: 29.8%

South America

- Car market: -0.6%
- VW Group: 0.0%

Rest of World

- Car market: 6.0%
- VW Group: 14.7%

Asia Pacific

- Car market: 15.2%
- VW Group: 17.8%

1) Figures excluding MAN and Scania
Volkswagen Group - Deliveries to Customers by Market\(^1\)
January to May 2012 vs. 2011

\(^1\) Incl. Scania (Jan – Mar) and MAN (Jan – Mar 2012, since 9th November 2011); Volkswagen Group: 8.4% excl. Scania and MAN
Volkswagen Group – Deliveries to Customers by Brands\(^1\)

January to May 2012 vs. 2011

\(^1\) Incl. Scania (Jan – Mar) and MAN (Jan – Mar 2012, since 9th November 2011); Volkswagen Group: 8.4% excl. Scania and MAN
Outlook Passenger Car Market 2012
Delta vs. 2007 in %

Source: IHS (12/06/08)
Outlook 2012 – Volkswagen Group

- Deliveries to customers are expected to increase year-on-year
- Sales revenue will exceed the prior-year figure
- 2012 will be dominated by the start of production for new, high-volume models and the need to convert our plant and equipment for use with the Modular Transverse Toolkit
- The earnings contribution of MAN SE will be limited because of the write-downs that will be required for purchase price allocation
- Our goal for operating profit in 2012 is to match the 2011 level

1) Incl. Trucks & Busses (until February 2009); incl. MAN from 9 November 2011
Outlook on Megatrends

**Customer Structure**
- Aging societies
- New sustainability
- Shift in purchasing power

**Digitalization**
- Working environment
- Merger on-/offline

**Regulation / Industry Policy**
- Shortage of resources
- Climate change
- Urbanization
Outlook on Megatrends – Key Challenges for the Automotive Industry

- Customer Structure
  - Market shifts
  - Downsizing + Derivatization
  - Alternative Drivetrains / E-Mobility
  - Lightweight Manufacturing
  - Connectivity
  - Digital Business
  - Mobility Concepts

- Digitalization

- Regulation / Industry Policy
"With our commitment to innovation, perfection and responsible action by 2018 we want to transform the Volkswagen Group into the world’s leading automaker – economically and ecologically."

Prof. Dr. Martin Winterkorn
Chairman of the Board of Management
Volkswagen Group follows a clear Strategy 2018
Sustainable growth combined with sustainable profitability

Volkswagen Group
Vision: Most profitable, fascinating and sustainable automotive company in the world

- Leading in customer satisfaction and quality
- Top employer
- Volkswagen Group profit before tax margin > 8%
- Volumes > 10 million units p.a.

Note: All stated Volkswagen Group figures represent financial targets for 2018, excluding Porsche and MAN
Substantial Growth Opportunities in Key Sales Markets (Cars and LCVs)
Market Growth 2011 – 2018 (Million Units)

North America
- 2011: 15.3
- 2014: 18.4
- 2018: 19.3

+27%

Western Europe
- 2011: 14.4
- 2014: 14.8
- 2018: 15.8

+9%

Eastern Europe
- 2011: 4.0
- 2014: 4.7
- 2018: 6.0

+48%

South America
- 2011: 5.5
- 2014: 6.5
- 2018: 8.4

+51%

India
- 2011: 3.0
- 2014: 4.1
- 2018: 5.8

+9%

World
- 2011: 75.6
- 2014: 88.9
- 2018: 103.2

+37%

China
- 2011: 17.6
- 2014: 23.2
- 2018: 29.2

+66%

Japan
- 2011: 4.1
- 2014: 4.6
- 2018: 4.4

+8%

Source: IHS Automotive, Cars and LCV; status June 2012
Volkswagen Group has already improved it’s Balance in Global Footprint and Segment Exposure

- Regional derivatives closer to customer needs
- Minimising import tariffs through localisation
- High localisation rate
- Reducing currency exposure

### Deliveries

- Western Europe: 50%
- Central & Eastern Europe: 14%
- North America: 12%
- Asia-Pacific: 2%
- South America: 2%
- Rest of World: 6%

2007

### Production

- Western Europe: 48%
- Central & Eastern Europe: 12%
- North America: 6%
- Asia-Pacific: 2%
- South America: 15%
- Rest of World: 17%

2007

### Segments

- Station wagon: 33%
- Hatchback: 39%
- Sedan: 14%
- SUV: 10%
- Other: 3%

2007

2011

2011
Creating Profitable Growth in the US Market through targeted Models, locally sourced and locally produced

- Silao Plant (SOP 2012)
- Chattanooga Plant
- Puebla Plant
- Herndon Headquarters
- + Audi Plant (SOP 2016, location still to be selected)

Production of the 100,000th Passat in the Chattanooga plant

Local Content
- High proportion of local content for Passat, Jetta and Beetle
- Basis for profitability

Sales success
- Best May in sales since 1973
- 224,000 VW Group deliveries Jan. – May 2012 (+30% vs. previous year)
Strong Profitability in China
Expanding Local Capacity and Model Portfolio to capture further Growth

- Expanding activities to South and Western China
- Investments 2012-2016: €14bn, fully self-funded
- Recent decision on New Group Board of Management function for “China”
- Operating profit (proportionate):
  - €2.6bn Jan-Dec 2011 (€1.9bn Jan-Dec 2010)
  - €0.8bn Jan-Mar 2012 (€0.6bn Jan-Mar 2011)

Already today China is the largest sales market for the Volkswagen Group

- China 28% of total deliveries 2011

New Volkswagen Lavida
- Specifically designed for Chinese customers
- Local production

SEAT market launch
- State-of-the-art showrooms officially opened in 04/2012
- Hand over of 1st SEAT Leon

1) SEAT market launch April 2012
Meeting local Customer Requirements and Creating Synergies
i.e. Volkswagen Passat: Special Design Elements for Chinese Customers

Success in the US market

Success in the Chinese market
Broad Product and Segment Mix highlights opportunity to capture further Profitable Growth across all Passenger Car Segments (world 2012)

<table>
<thead>
<tr>
<th>World 2012</th>
<th>Hatchback</th>
<th>Limousine</th>
<th>Estate</th>
<th>MPV</th>
<th>SUV</th>
<th>Coupé</th>
<th>Convertible</th>
<th>Roadster</th>
<th>City Van / Transporter</th>
<th>Pick-Up</th>
</tr>
</thead>
<tbody>
<tr>
<td>E</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Segments > 1 Mio. cars  
New product launch 2012

1) 49.9% stake since December 2009
The Volkswagen Group continues its Product Firework
Most important Passenger Vehicles in 2012

### Highlights 2012

- **VW:** Golf (MQB), up! (5d), Beetle Cabrio, Jetta hybrid, Passat alltrack
- **VW China:** Sagitar, New Lavida
- **ŠKODA:** Citigo (5d), Rapid
- **SEAT:** Leon (MQB), Mii (5d), Toledo
- **Audi:** A3 (MQB, 3d), A6/A8 hybrid, A1 Sportback, S6/S8, S7 Sportback
- **Luxury:** Bentley Continental GT / GTC V8, Continental GT Speed, Porsche 911 Cabrio, Bugatti Grand Sport Vitesse,

---

1) 49.9% stake since December 2009
Driving the Future – On the Way to E-Mobility

<table>
<thead>
<tr>
<th>Year</th>
<th>Hybrid</th>
<th>E-vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>VW Touareg</td>
<td>Audi R8 e-tron</td>
</tr>
<tr>
<td></td>
<td>Porsche* Cayenne S</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>Audi Q5</td>
<td>VW up! blue-e-motion</td>
</tr>
<tr>
<td></td>
<td>Porsche* Panamera S</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>VW Jetta</td>
<td>VW Golf blue-e-motion</td>
</tr>
<tr>
<td></td>
<td>Audi A6</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>VW XL1</td>
<td>VW Caddy blue-e-motion</td>
</tr>
<tr>
<td></td>
<td>Porsche 918 Spyder</td>
<td></td>
</tr>
<tr>
<td>2014/2015</td>
<td>VW Passat</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Audi A4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Audi Q7</td>
<td></td>
</tr>
</tbody>
</table>

* 49.9% stake since December 2009
MQB Toolkit: Driving forward Significant Economies of Scale in Unit Cost and Investment – Audi A3 already Successfully Launched

MQB provides substantial efficiency gains
- Reduction of unit costs
- Lower one-off expenditure
- Less engineered hours per vehicle
- Significant weight and emission reduction

Toolkit affords
- Flexibility in length, height, width
- Significant economies of scale
- Regional variations
- Opportunity for low volume niche models
- Alternative powertrain concepts

1) MQB: Modularer Querbaukasten/ modular transversal toolkit
Strategic Benefit from a Captive

<table>
<thead>
<tr>
<th>Equipment</th>
<th>Turnover</th>
<th>Brand Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equipment Level</strong></td>
<td><strong>Holding Period</strong></td>
<td><strong>Switch to Competitor</strong></td>
</tr>
<tr>
<td>Cash Payer</td>
<td>Cash Payer</td>
<td>Cash Payer</td>
</tr>
<tr>
<td>100%</td>
<td>7.2 years</td>
<td>36%</td>
</tr>
<tr>
<td>Captive Leasing-Customer</td>
<td>Captive Customer</td>
<td>Captive Customer</td>
</tr>
<tr>
<td>148%</td>
<td>4.8 years</td>
<td>24%</td>
</tr>
</tbody>
</table>

EU5 Markets
Volkswagen Group is well on Track to become the Leading Automotive Group Globally in 2018

- Improved Balance in Global Sales
- Global Production Footprint and Localization
- Benchmarking Product Portfolio and Technology
- Efficiencies by Modular Toolkit Strategy
- Strong Financial Services
- Successful Multi-Brand Strategy
- Economic and Environmental Leadership
Volkswagen Group: On the Road to Success

Christian Klingler
Member of the Board of Management, Volkswagen AG, Group Sales & Marketing
Exane BNP Paribas 14th European CEO Seminar, Paris 14 June 2012