The new Passat: Defining the future
Prof. Dr. Martin Winterkorn
Chairman of the Board of Management, Volkswagen Aktiengesellschaft
Sardinia, 13 October 2014
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The Passat redefines premium in the business class

- Sharp lines create a sporty and elegant appearance
- Premium interior characteristics
- Generous space with intuitively controlled features
- Powerful and efficient drives
- State of the art connectivity
- Innovative assistance systems

VOLKSWAGEN
Substantial weight reduction and improved fuel economy

New Passat: up to 85 kg lighter than the previous model

- Body: -33 kg
- Engine: -40 kg
- Drivetrain: -9 kg
- Electronics: -3 kg

Up to 20% lower fuel consumption and CO₂ emissions

<table>
<thead>
<tr>
<th>Fuel consumption (l/100 km)</th>
<th>CO₂ emissions (g/km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passat 1.4 TSI ACT BMT (110 kW)</td>
<td>4.9</td>
</tr>
<tr>
<td>Predecessor</td>
<td>-20%</td>
</tr>
</tbody>
</table>

1 Model dependent
Passat GTE plug-in hybrid to be launched in 2015

- System output of **218 hp**\(^1\)
- Up to **50 km** in electric mode
- Total driving range of more than **1,000 km**
- Standard fuel consumption **<2.0 l/100 km** (equivalent to **<45 g/km CO\(_2\)**\(^2\)

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\(^1\) 1.4-litre TSI engine (115 kW/156 hp) combined with an electric engine (85 kW/115 hp); fusion of the two drive units generates a system power of 160 kW/218 hp

\(^2\) Preliminary numbers, the vehicle is not yet offered for sale
Strong history of introducing innovative features is continued

1973 Passat I
- Front-wheel Drive
- Water Cooling
- Large Rear Hatch
- Fuel Injection Engine

2005 Passat VI
- Front-wheel Drive
- Water Cooling
- Large Rear Hatch
- Fuel Injection Engine
- DSG
- Electronic Parking Brake
- Keyless Access / Start
- BlueMotion Technology
- Common Rail TDI
- ACC
- DVD Navigation, Touchscreen

2010 Passat VII
- Front-wheel Drive
- Water Cooling
- Large Rear Hatch
- Fuel Injection Engine
- DSG
- Electronic Parking Brake
- Keyless Access / Start
- BlueMotion Technology
- Common Rail TDI
- ACC
- DVD Navigation, Touchscreen

2014 Passat VIII
- Front-wheel Drive
- Water Cooling
- Large Rear Hatch
- Fuel Injection Engine
- DSG
- Electronic Parking Brake
- Keyless Access / Start
- BlueMotion Technology
- Common Rail TDI
- ACC
- DVD Navigation, Touchscreen
- Panorama Sunroof
- Park Assist
- City Emergency Braking
- Lane Assist
- Rear View Camera
- Harddrive
- LED Daytime Lights
- Tyre Pressure Monitoring System
- ACC with Front Assist
- Proactive Occupant Protection
- Rear Traffic Alert (Parking)
- City Emergency Braking with Pedestrian Monitoring
- MirrorLink
- Easy Close Light
- Park Assist 3.0
- Trailer Assist
- Emergency Assist
- Traffic Jam Assist
- Area View with Obstacle Detection
- Active Info Display
- Driving Mode Selection
- LED Headlights with Cornering Light
- Car-Net Mobile Online Services
- Proactive Occupant Protection
- Rear Traffic Alert (Parking)
- City Emergency Braking with Pedestrian Monitoring
- MirrorLink
The new Passat offers high value retention and superior efficiency

<table>
<thead>
<tr>
<th>Volume competitors</th>
<th>Core competitors</th>
<th>Premium competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peugeot 508</td>
<td>Opel Insignia</td>
<td>BMW 3 series</td>
</tr>
<tr>
<td>Renault Laguna</td>
<td>Ford Mondeo</td>
<td>Mercedes C-Class</td>
</tr>
<tr>
<td></td>
<td>Toyota Avensis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mazda 6</td>
<td></td>
</tr>
</tbody>
</table>

Source: DAT – Schwacke CCE / own calculation on basis of 36 months age and 30,000 km p.a., Passat Variant 2.0 TDI BlueMotion Technology compared to selected competitors Opel / Vauxhall Insignia 2.0 CDTI Sports Tourer ecoFLEX Start/Stop, Ford Mondeo Turnier 2.0 TDCi ECOnetic, Toyota Avensis Combi 2.2 D-4D, Mazda 6 2.2 Kombi SKYACTIV-D, Hyundai i40 cw 1.7 CRDi blue, BMW 318d Touring, Mercedes-Benz C200 T CDI DPF (BlueEFFICIENCY)
Global Passat family sharing the same genes
The new Passat: Solid operating profit performance while complying with all environmental regulations

1 Schematic illustration
## Volkswagen Group – Key sustainable achievements

<table>
<thead>
<tr>
<th>Superior products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continued market leadership in Europe and China</td>
</tr>
<tr>
<td>Positioning and cooperation clearly strengthened in the premium segment</td>
</tr>
<tr>
<td>Creation of a leading truck business</td>
</tr>
<tr>
<td>Successful toolkit implementation</td>
</tr>
</tbody>
</table>
Volkswagen Group – Well on track to achieve targets under Strategy 2018

**Volkswagen Group customer satisfaction (on a scale of 1 to 10)**
- 2007: 8.2
- 2010: 8.4
- 2013: 8.7

**Volkswagen Group profit before tax margin (in percent)**
- 2007: 6.0
- 2008: 5.8
- 2009: 1.2
- 2010: 7.1
- 2011: 7.8
- 2012: 13.2
- 2013: 6.3

**Volkswagen Group deliveries to customers (in million units)**
- 2007: 6.0
- 2008: 5.8
- 2009: 6.3
- 2010: 7.2
- 2012: 9.7

**Group profit before tax margin**
- 2007: 6.0
- 2008: 5.8
- 2009: 1.2
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**Group deliveries to customers**
- 2007: 6.0
- 2008: 5.8
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**Leading in customer satisfaction and quality**
- Top employer

**Volumes**
- > 10 million units p.a. \(^2\)

**Group deliveries to customers**
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**Volkswagen Group customer satisfaction**
- (Employee opinion survey)
- 2007/08: 84%
- 2013: 90%

**“I am happy to work at the Volkswagen Group”**
- (Employee opinion survey)

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1. Own calculation based on key industry studies on customer satisfaction with dealers, after sales and new vehicles.
2. Including China.
3. Group profit before tax margin excluding the nonrecurring effect from the remeasurement of the Porsche put/call options and from remeasurement at the contribution date of the shares already held.
Growth in many major markets, excluding China, below expectations

GDP growth remains behind forecasts - but recovery expected until 2018

GDP growth p.a. 2010 – 2018 (%)

Volume projections for global car markets (ex China) reduced significantly

in million units

Source: IHS Economics
Additional challenges from substantial global volatility ...

... in the political and economical situation

- Brazilian economy weak
- Argentina default
- Ukraine crisis
- Iraq/Syria conflicts

... in exchange rates

- Brazil
- Argentina
- South Africa
- India
- Turkey
- Russia
- Ukraine
Tightening environmental regulation and major trends driving substantially higher investment and engineering needs today

**... CO₂ and EU6 regulations**

- **Status and forecast of CO₂ regulations**
  - **EU**
  - **US-LDV (PC+LDT)**
  - **China**

- **EU baseline**: 142
- **EU 2020**: 95
- **US baseline**: 219
- **US 2025**: 107
- **China baseline**: 185
- **China 2015**: 167
- **EU 2020**: 95
- **US 2025**: 107

**Source**: based on ICCT

**... Market / consumer trends**

- **Connectivity**
- **E-mobility**
- **Automated driving**
- **Shorter lifecycles**
- **SUV trend**
- **Shift in priorities**
Future Tracks – Paving the way to the future

Volkswagen Group 2018 Strategy

Strategy for the time beyond 2018

Future trends

Profitability

Economic uncertainty

Costs

Revenues

E-mobility

Connectivity

Business models

Product cycles

Automated driving

Future tracks

Economic development

Trade barriers

Currencies

Regulations

Sustainability

Innovative leadership

Innovative leadership

Volkswagen Group 2018 Strategy
Volkswagen Brand: Substantial efficiency measures across all business areas to ensure > 6% target return before 2018

- Adapt lifecycle strategy to meet core regional competition
- Focus on models providing sustainable profitability
- Expand after-sales business

Revenues
- Reduce complexity and improve decision making process
- Increase use of common parts and reduction of number of variants
- Sharpen target-oriented investment
- Increase localization in core markets
- Enhance R&D efficiency
- Leverage scale effects and groupwide synergy potential further
Volkswagen Brand: Three focus areas to improve competitiveness

Efficiency Program

Model Portfolio & Cycle Plan
- Continually adapt product lifecycles to the specific regional and competitive requirement
- Challenge every model regarding growth prospects and sustainable profit contribution

Strengthen Regions
- Improve operational and financial robustness of regional business models
- Increase localization of products, production and components as well as research and development

Cost Discipline & Productivity
- Strong focus on cost and investment discipline
- Roll-out of efficiency program in order to secure/improve cost efficiency and quality of results
Volkswagen Brand: Strong product momentum

Regional focus with highly localized models
- MQB enables large spectrum of possible powertrain specifications
- Broad customer segment coverage

Product Portfolio

- Selected Volkswagen models, including new products, facelifts as well as localized models
The new Passat: Defining the future
Hans Dieter Pötsch
Member of the Board of Management, Volkswagen Aktiengesellschaft
Sardinia, 13 October 2014
Leveraging engineering excellence across the Group

Before
- Technology development focus by segment
- Overlap of individual work in the same core technologies

Afterwards
- Reduction of R&D costs – cross-segment development teams
- More transparency through clear distribution of core technologies
- Eliminate overlaps
- Efficient technology transfer throughout Volkswagen Group
- Technology network
Strong resources support innovation and technology leadership as industry manages the move to EU6, low CO₂ and electric engines.

Research and Development Costs

(recognized in the income statement)

Volkswagen Group, total

Excl. MAN, Ducati, Porsche

2010 2013

(in € million)

6,866 10,186

~ +50%

~ +20%

Research & Development and Capex ratios

(total costs in € billion / in % of automotive sales revenue)

Capital expenditure

2007 2008 2009 2010 2011 2012 2013

4.6 6.8 5.8 5.7 7.9 10.3 11.0

4.6% 6.6% 6.2% 5.0% 5.6% 5.9% 6.3%

4.7% ~ +50%

~ +20%

Research & Development

2007 2008 2009 2010 2011 2012 2013

4.9 5.9 5.8 6.3 7.2 9.5 11.7

5.0% 5.6% 6.2% 5.5% 5.1% 5.5% 6.7%

5.6% 5.9% 5.5%

6.3% 6.7%

Note: All figures shown are rounded.
USA - Commitment to achieving sustainable profitability through enhanced, locally adapted product portfolio

Key steps towards sustainable profitability

- Profitable volume manufacturer
- Thorough knowledge of customer DNA
- Coverage of core segments, incl. SUVs
- Profitable dealer network
- Adjusted lifecycles and product features
- Localized models and components with reduced complexity
- Deeply localized supplier network
- Competitive Financial Services and active residual value management
- Local empowerment
- Local structures and processes

Upgrade and expansion of US portfolio

- Introduction of the new Golf
- Jetta facelift
- US Passat facelift
- B-SUV

2014 2015 2016

New US product lifecycle

- Current lifecycle
  - Major facelift
  - Facelift
  - New design and interior
  - Facelift
  - 7 years
- Adapted lifecycle
  - 5 years
  - 5 years
Brazil – Sustained local success in key overseas markets

Demanding framework conditions ...

- Changing market structure
  - Passenger car market share
    - 100%
    - 75%
    - 50%
    - New entrants
    - “Big Four”
    - -13pp
  - 2009
  - 9m 2014

- Soft Brazilian market
  - (in m units)
  - 2012: 3
  - 2013: 2
  - 2014: 1
  - -3%
  - -12%

... being countered with aggressive actions in strategic areas

- Market focus
  - Brand Positioning
  - Cycle Plan and Investments
  - Distribution Network
  - Sales Strategy
  - Short-Term Running Measures
  - Operations/Processes
  - Cost Position
  - Organizational Structure

Brazil – Sustained local success in key overseas markets

Demanding framework conditions ...

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  - Short-Term Running Measures
  - Operations/Processes
  - Cost Position
  - Organizational Structure
Deep roots and strong market position combined with further growth potential assures continued profitable growth in China

Production network and implementation of MQB

Production capacity (250 working days)
- 2013: 2.4 million
- 2018: > 4 million

Continuous expansion of dealer network

Significant extension of product portfolio

<table>
<thead>
<tr>
<th>Locally produced</th>
<th>Import</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013: 22</td>
<td>41</td>
<td>63</td>
</tr>
<tr>
<td>2018e: &gt;35</td>
<td>&gt;65</td>
<td>&gt;100</td>
</tr>
</tbody>
</table>

Strong financial track record

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivers to customers</td>
<td>0.4</td>
<td>0.8</td>
<td>0.8</td>
<td>1.2</td>
<td>2.0</td>
<td>2.8</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>1.0</td>
<td>1.4</td>
<td>1.9</td>
<td>2.6</td>
<td>2.8</td>
<td>3.3</td>
</tr>
<tr>
<td>Dividend paid to Volkswagen AG</td>
<td>0.8</td>
<td>1.9</td>
<td>2.3</td>
<td>2.8</td>
<td>4.3</td>
<td></td>
</tr>
</tbody>
</table>

Proportionate Operating Profit

2013: 2.4 million
2018: > 4 million

Deliveries to customers

Locally produced
- 2013: 22 + 41 = 63
- 2018e: >35 + >65 = >100

Import

Total

Others
ŠKODA
Audi
Volkswagen
Further increasing localization in major regions is at the centre of Volkswagen Passenger Cars’ strategy.

Substantial progress has been made with high localization rates achieved today in North America and China. However, local content in key regions, such as Russia or India, needs to be increased further:

- to create a natural hedge and reduce transactional currency risks
- to avoid import duties, trade barriers and sales taxes
- to secure profitability of locally produced models
- to make the regional business model more robust.
Sustainable success secured through the roll-out of modular toolkits

Global roll-out of modular toolkits

Number of toolkit equipped plants until 2016

MQB production share of total production volumes¹

1 Including China; the Chinese share in the global MQB volume is expected to amount to around one fifth in 2014 and more than one third in 2018
From Golf to Passat – Leveraging toolkit efficiency
From Golf to Passat – Leveraging toolkit efficiency
From Golf to Passat – Leveraging toolkit efficiency
Innovative technical flexibility made simple

**Flexibility of volume**

„Turntable“ („Drehscheibe“)

WOLFSBURG   ZWICKAU

EMDEN

**Integrated production across three sites** (Schematic illustration)

- Additional demand for Volkswagen Passat
- Additional Passat volume due to customer demand

- Wolfswagen Passat
- Tiguan
- Golf
- Passat

**Capacity**

**Organizational flexibility**
Improving operating returns at Volkswagen Passenger Cars, the latest by 2018 is a core objective of Future Tracks.

1 The joint venture companies in China are accounted for using the equity method and thus are not included in the operating profit of Volkswagen Passenger Cars.
We expect ...

- to moderately increase deliveries to customers year-on-year in 2014 in a still challenging market environment.
- 2014 sales revenue for the Volkswagen Group and its business areas to move within a range of 3 percent around the prior-year figure, depending on the economic condition.

In terms of Group operating profit...

- we are expecting an operating return on sales of between 5.5 percent and 6.5 percent in 2014 in light of the challenging economic environment, and the same range for the Passenger Cars Business Area.
- The Commercial Vehicles/Power Engineering Business Area is likely to moderately exceed the 2013 figure.
- The operating return on sales in the Financial Services Division is expected to be between 8.0 percent and 9.0 percent.
## Development World Car Market vs. Volkswagen Group Car Deliveries to Customers

(Growth y-o-y in deliveries to customers, January to September 2014 vs. 2013)

<table>
<thead>
<tr>
<th>Region</th>
<th>Car Market</th>
<th>VW Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>World: Car Market</td>
<td>4.2%</td>
<td>5.7%</td>
</tr>
<tr>
<td>World: VW Group Car</td>
<td></td>
<td></td>
</tr>
<tr>
<td>World: VW Group Cars</td>
<td></td>
<td></td>
</tr>
<tr>
<td>World: VW Group LCV</td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>5.5%</td>
<td>-1.8%</td>
</tr>
<tr>
<td>South America</td>
<td>-12.8%</td>
<td>-18.6%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>5.2%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Rest of World</td>
<td>-0.3%</td>
<td>-4.0%</td>
</tr>
<tr>
<td>Central &amp; Eastern Europe</td>
<td>-8.8%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>8.2%</td>
<td>13.9%</td>
</tr>
</tbody>
</table>

1 Figures excl. Volkswagen Commercial Vehicles, Scania and MAN.
Volkswagen Group – Deliveries to Customers by Brand
(January to September 2014 vs. 2013)

1 Figures incl. Volkswagen Commercial Vehicles, excluding Scania and MAN.
2 The Saveiro model, previously Volkswagen Commercial Vehicles, is reported in the Volkswagen Passenger Cars brand retrospectively as of January 1, 2013.
The new Passat: Defining the future

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