

**Volkswagen Group**  
**5-Year Planning Round: Groundwork to Deliver Strategy 2025**

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## 5-Year Planning Round: Groundwork to Deliver Strategy 2025



**Frank Witter**

Member of the Board of  
Management, Volkswagen AG  
Finance and Controlling



**Fred Kappler**

Head of Group Sales  
Volkswagen AG

## Setting the Stage

**Core Strategy remains unchanged**

**Worldwide emissions regulations updated for new more stringent rules**

**Increased headwinds fully compensated by improved operational performance**

**Positive 2017 Financial indicators as springboard**

**Net liquidity as robust foundation**

## Group Milestones: Quick Refresh

<b>Key financial targets</b>	<b>2016 Actual</b>	<b>2017 Targets CMD March</b>	
<b>Operating return on sales</b> <u>Before</u> Special Items	6.7%	6-7%	
<b>Return on investment</b> Automotive Division <u>before</u> Special Items	13.9%	11-13%	
<b>Capex ratio</b> Automotive Division	6.9%	6.6%	
<b>R&amp;D cost ratio</b> Automotive Division	7.3%	6.7%	
<b>Cash</b>			
Automotive Division			
<b>a) Net Cashflow</b>	€ 4.3 bn	negative	
<b>b) Net Liquidity</b>	€ 27.2 bn	> € 15 bn	

## Group Milestones: Updated Outlook Q3 2017

Key financial targets	2016 Actual	2017 Targets CMD March	2017 Outlook	
<b>Operating return on sales</b> <u>Before</u> Special Items	6.7%	6-7%	moderately exceed 6-7%	
<b>Return on investment</b> Automotive Division <u>before</u> Special Items	13.9%	11-13%	moderately exceed 11-13%	
<b>Capex ratio</b> Automotive Division	6.9%	6.6%	~6.6%	
<b>R&amp;D cost ratio</b> Automotive Division	7.3%	6.7%	~6.7%	
<b>Cash</b>				
Automotive Division				
<b>a) Net Cashflow</b>	€ 4.3 bn	negative	negative	
<b>b) Net Liquidity</b>	€ 27.2 bn	> € 15 bn	> € 20 bn	

## Group Milestones: Updating 2020 and 2025

Key financial targets	2016 Actual	2017 Targets CMD March	2017 Outlook	2020 Targets	2025 Targets
<b>Operating return on sales</b> <small>Before Special Items</small>	6.7%	6-7%	moderately exceed 6-7%	6.5-7.5% ✓	7-8% ✓
<b>Return on investment</b> <small>Automotive Division <u>before</u> Special Items</small>	13.9%	11-13%	moderately exceed 11-13%	13-15% ✓	> 15% ✓
<b>Capex ratio</b> <small>Automotive Division</small>	6.9%	6.6%	~6.6% ⚡	6% ✓✓	6% ✓
<b>R&amp;D cost ratio</b> <small>Automotive Division</small>	7.3%	6.7%	~6.7% ⚡	6% ✓✓	6% ✓
<b>Cash</b> <small>Automotive Division</small>					
<b>a) Net Cashflow</b>	€ 4.3 bn	negative	negative		
<b>b) Net Liquidity</b>	€ 27.2 bn	> € 15 bn	> € 20 bn	> € 20 bn ✓	~10% of Group turnover ✓





## Group Milestones: Updating 2020 and 2025

Key financial targets	2016 Actual	2017 Targets CMD March	2017 Outlook	2020 Targets	2025 Targets
<b>Operating return on sales</b> <u>Before</u> Special Items	6.7%	6-7%	moderately exceed 6-7%	6.5-7.5% ✓	7-8% ✓
<b>Return on investment</b> Automotive Division <u>before</u> Special Items	13.9%	11-13%	moderately exceed 11-13%	13-15% ✓	> 15% ✓
<b>Capex ratio</b> Automotive Division	6.9%	6.6%	~6.6% ⚡	6% ✓✓	6% ✓
<b>R&amp;D cost ratio</b> Automotive Division	7.3%	6.7%	~6.7% ⚡	6% ✓✓	6% ✓
<b>Cash</b> Automotive Division					
<b>a) Net Cashflow</b>	€ 4.3 bn	negative	negative	≥ 10	> 10
<b>b) Net Liquidity</b>	€ 27.2 bn	> € 15 bn	> € 20 bn	> € 20 bn ✓	~10% of Group turnover ✓



## Updating Guidance Group Financial Performance 2020

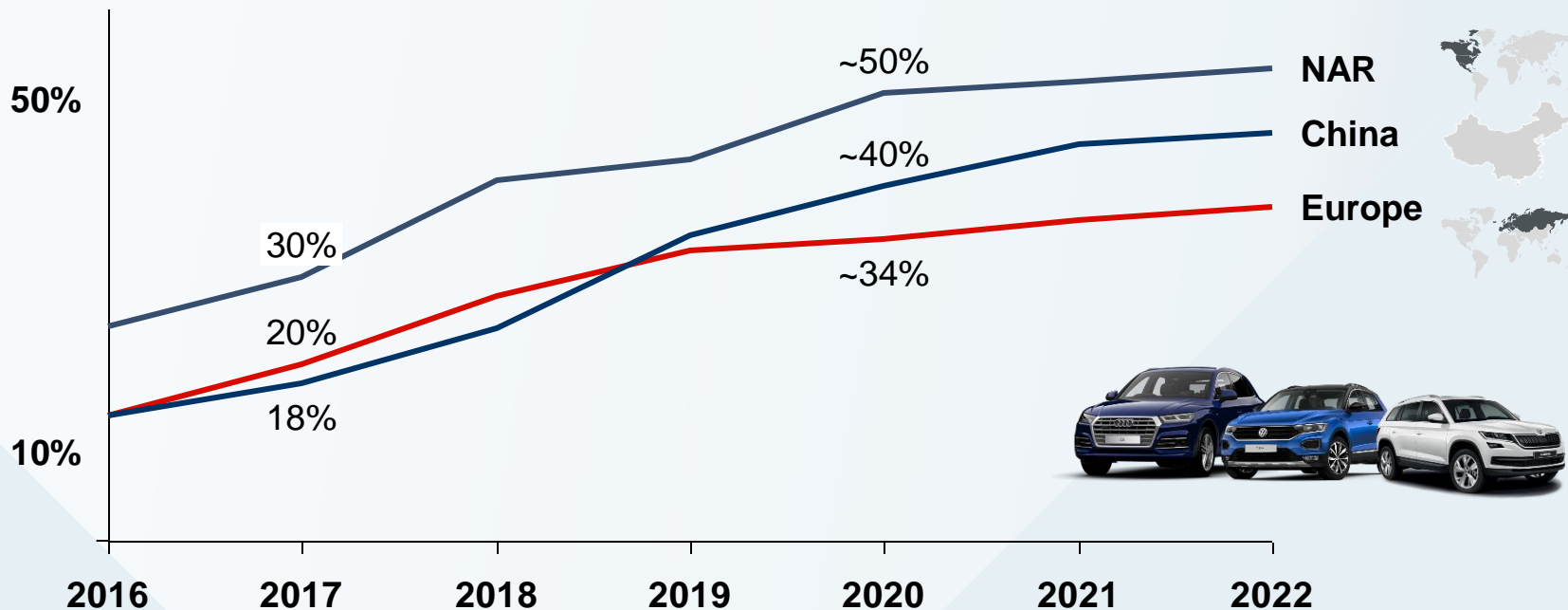
	Result 2016	
Sales revenue (€ bn)	217.3	
	after Special Items	before Special Items
Operating profit (€ bn)	7.1	14.6
Profit before tax (€ bn)	7.3	14.8
Earnings per Pref. Share	10.3 €	

2020 Update	
CMD March	PR 66
+ > 20 % 	+ > 25 %
+ 25 % 	+ ≥ 25 %
+ ≥ 25 % 	+ ≥ 30 %
+ ≥ 25 % 	+ > 25 €

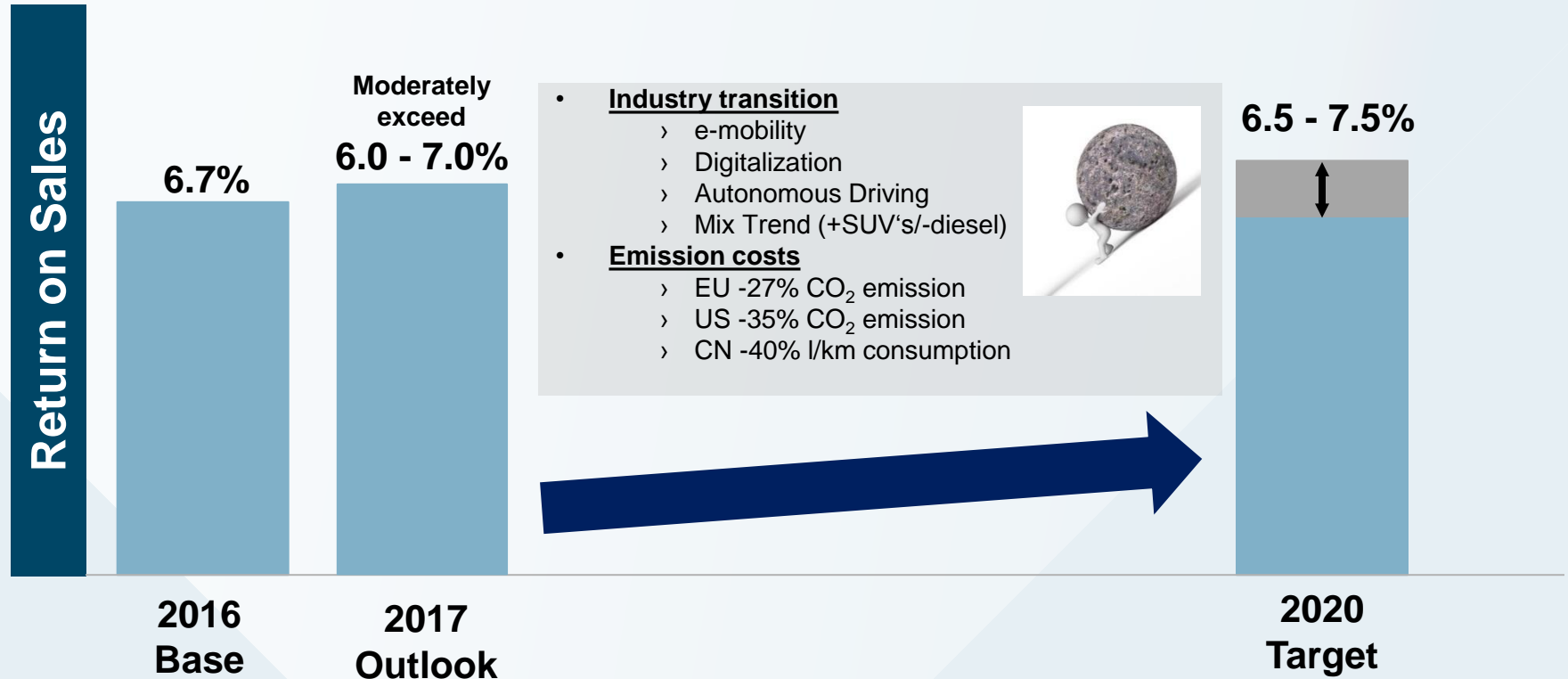
## Strong Increase in our SUV mix

SUV mix by region based on expected regional Group sales

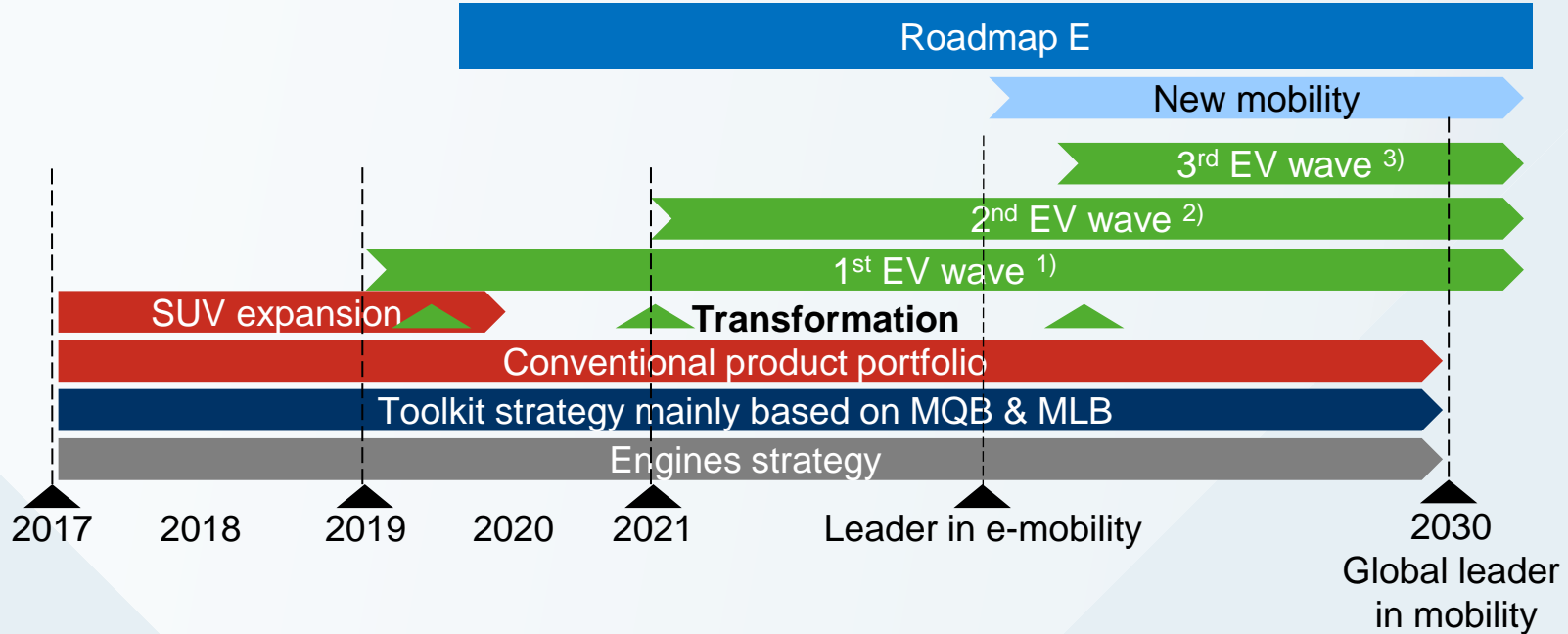
SUV segment share



## Improving Group results despite significant headwinds

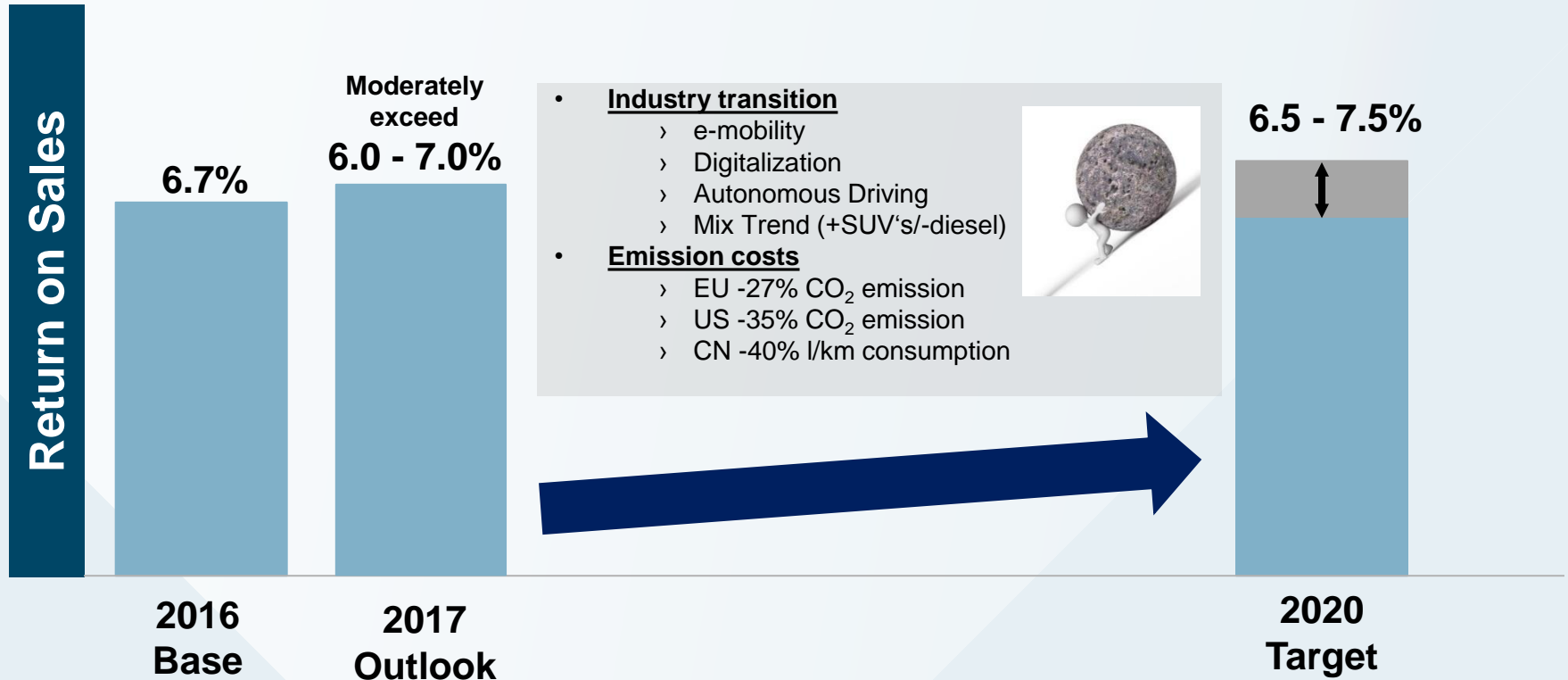


# Key to profitability and delivery of our electric vehicle strategy

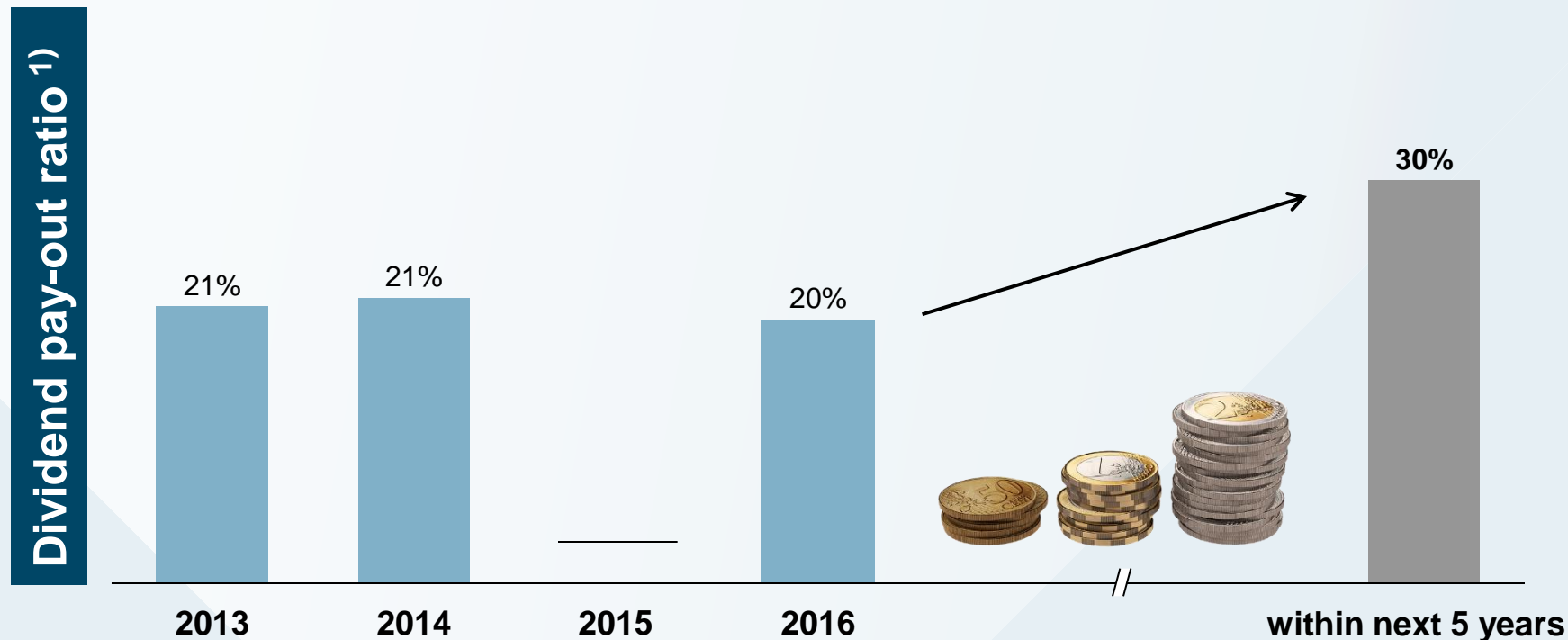


1) mainly based on MEB  
 2) based on PPE (dedicated Architecture for premium segment)  
 3) based on SPE (dedicated Architecture for sport segment)

## Improving Group results despite significant headwinds



## Sufficient Net Liquidity as a basis for increasing payout toward target



1) Total dividend in percent of net income attributable to shareholders

# Upcoming tasks to master challenges and make use of opportunities



## Improving the core business

- Safeguarding the profitability in core regions; ongoing recovery in NAR/SAM/Russia
- Future pact continues to be implemented
- Strong cash generation and capex/R&D discipline as a precondition



## Transformation towards more E-Mobility

- Working on CO<sub>2</sub> Compliance / WLTP implementation
- Profitability of Electric Vehicles



## Strengthen innovation power

- Be software leaders in Digitalization & Connectivity
- Deliver profitable Mobility Services



# VOLKSWAGEN

AKTIENGESELLSCHAFT



Volkswagen



Audi



SEAT



ŠKODA



PORSCHE



BENTLEY



SCANIA



Commercial  
Vehicles



VOLKSWAGEN  
FINANCIAL SERVICES

THE KEY TO MOBILITY