Volkswagen Brand
Financial Results January – June 2018
Conference Call and Webcast
The following presentations contain 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. The Volkswagen Group currently faces additional risks and uncertainty related to pending claims and investigations of Volkswagen Group members in a number of jurisdictions in connection with findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The degree to which the Volkswagen Group may be negatively affected by these ongoing claims and investigations remains uncertain.

Consequently, a negative impact relating to ongoing claims or investigations, 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 Such statements are valid on the date of publication and can be superseded.

This information does not constitute an offer to exchange or sell or an offer to exchange or buy any securities.
Solid operating performance from January to June 2018

1.9 million vehicles +7%

H1 2017 H1 2018

SALES¹)

€ 42.7 billion +8%

H1 2017 H1 2018

SALES REVENUE

€ 2.1 billion +20%

H1 2017 H1 2018

OPERATING PROFIT
before special items

RoS 4.5%  RoS 5.0%

1) These figures do not include sales of our Chinese joint ventures.
## Volkswagen Brand Deliveries to Customers

**January to June 2018 vs. 2017**

<table>
<thead>
<tr>
<th>Region</th>
<th>Jan.-Jun. cum. 2018</th>
<th>∆ 2017 (in %)</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>997,000</td>
<td>+8.7</td>
<td></td>
</tr>
<tr>
<td>Western Europe</td>
<td>827,000</td>
<td>+8.3</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>299,000</td>
<td>+7.4</td>
<td></td>
</tr>
<tr>
<td>Central &amp; Eastern Europe</td>
<td>140,000</td>
<td>+11.3</td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>48,200</td>
<td>+21.5</td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>277,300</td>
<td>-0.7</td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>172,900</td>
<td>+7.2</td>
<td></td>
</tr>
<tr>
<td>South America</td>
<td>224,000</td>
<td>+11.3</td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>145,900</td>
<td>+20.0</td>
<td></td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>1,569,000</td>
<td>+6.0</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>1,483,200</td>
<td>+6.3</td>
<td></td>
</tr>
<tr>
<td>World</td>
<td>3,118,700</td>
<td>+6.3</td>
<td></td>
</tr>
</tbody>
</table>
Future Sales Model Europe
A remarkable success is the contractual readiness for the launch of the ID. in 2020

Framework of Future Sales Model

Profitability, Efficiency & Sales Cost Reduction
Customer-Centricity »Act as ONE«
Strengthen Entrepreneurship

Timeline of Future Sales Model

- 31.03.2018: Cancellation of old contracts + dispatch of LOI
- 04.07.2018: Successful conclusion of negotiations with German Dealer Council
- 31.08.2018: Conclusion of contracts with other EU-markets
- 30.11.2018: Deadline for dealers to sign new contracts
- 01.04.2020: New EU-retail contracts become valid

Preparation phase of OEM for new retail contracts with EU and national dealer councils
### Development of operating profit from January to June 2018

#### OPERATING PROFIT [€ billion]

<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Volume/Mix/Prices</td>
<td>0.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Exchange Rates</td>
<td>-0.1</td>
<td>-1.6</td>
</tr>
<tr>
<td>Product Costs</td>
<td>0.2</td>
<td>-0.1</td>
</tr>
<tr>
<td>Fixed Costs, others</td>
<td>-0.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Special Items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(before special items)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
R&D costs and capex from January to June 2018

€ billion/percentage of sales revenue

1.6

Recognized in the income statement

3,6%

Total R&D Costs

0.5

of which capitalized

30%

amortization

0.5

1.6

3,7%

Capex

1.6

Jan.-Jun. 2017:

1.7

0.7

41%

0.4

1.3

1.4

All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
Positive cash flow before special items from January to June 2018

OPERATING PROFIT [€ billion]

Cash flow from operating activities: €2.1 billion
Investing activities: -€2.0 billion
Net operating cash flow H1 2018: €0.1 billion
Special items/mainly Diesel: -€1.8 billion
Net cash flow H1 2018: -€1.7 billion

Target 2020: >€1 bn free cash flow*

* 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**

Achievements:
- SUV portfolio widened: T-Roc, Tiguan, Tiguan Allspace, Touareg, Atlas
- Another SUV coming soon: T-Cross
- Increase of MQB share to 60% in 2018

**ZUKUNFTSPAKT**

Achievements:
- Realized cost improvements of more than €2 billion
- > 9,300 early retirement contracts
- On track with headcount reduction

**TURNAROUND IN THE REGIONS**

Achievements:
- Break even in Russia already achieved in 2017
- SAM to break even in 2019
- Improvement in NAR continues
Product Offensive – SUV share on the rise

**Global**
- 2017: 13%
- 2018: 18%

**Europe**
- 2017: 17%
- 2018: 25%

**NAR**
- 2017: 10%
- 2018: 38%
Zukunftspakt – On track to deliver

**Cost Savings (2018 full year forecast)**

€ 2.2bn

More than € 2.2 bn expected to be realized at the end of the year (2020 target for Germany: € 3 bn)

**Early retirements (contracts signed)**

9,300

More than 9,300 people signed early retirement contracts and will leave the company until 2020 at latest

**Headcount reduction**

> 5,000

Since the start of the Zukunftspakt headcount has been reduced by more than 5,000 people

**New jobs**

> 1,500

Headcount increase in future oriented business areas (software development, connectivity, new mobility solutions)
Regions – Positive development continues

NAR:
- US Deliveries H1 2018: +7.2%
- Products: Full-year availability of Atlas, strong Tiguan sales, new Jetta with impact in the second half of 2018
- Profit: Improved vs. prev. Year
- Break-even expected in 2020

SAM:
- Deliveries H1 2018: +11.3%
- Products: New Polo and Virtus created positive momentum
- Profit: Improved vs. prev. year
- Break-even expected already in 2019

Russia:
- Deliveries H1 2018: +21.5%
- Products: SUV Offensive with Tiguan Allspace and new Touareg, also Polo enjoying strong demand
- Profit: Still positive despite devaluation of Ruble
New business areas require increasing resources

E-Mobility

Charging

Digital Ecosystem
## Financial forecast and targets

<table>
<thead>
<tr>
<th></th>
<th>Forecast 2018</th>
<th>Target 2020</th>
<th>Target 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>up to +10 %</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating return on sales</td>
<td>4–5 %*</td>
<td>4–5 %</td>
<td>≥ 6 %</td>
</tr>
<tr>
<td>Capex ratio</td>
<td>4–5 %</td>
<td>4–5 %</td>
<td>4–5 %</td>
</tr>
<tr>
<td>R&amp;D ratio</td>
<td>~4 %</td>
<td>4 %</td>
<td>4 %</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>Positive operating cash flow*</td>
<td>&gt; €1 billion</td>
<td>&gt;&gt; €1 billion</td>
</tr>
</tbody>
</table>

* before special items