End of Year Roundup

December 6, 2018

Welcome
End of Year Roundup

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Ralf Brandstätter
Chief Operating Officer of the Volkswagen Brand
The Volkswagen strategy has three phases

1. **Radical restructuring**
   - Optimize profitability
   - Major SUV offensive: 30 new models
   - Restructuring and strategic realignment brand and regions
   - Platform-oriented plant assignment

2. **Leading e-company**
   - Full connectivity
   - Fully-connected vehicles
   - Leading digital mobility ecosystem
   - World market leader in e-mobility

3. **Major transformation**
   - New mobility
   - Business model for autonomous driving
   - Profitable offering for new mobility solutions and emission-free driving

Timeline:
- 2020
- 2025
Touareg: the brand flagship

Statement in design, technology, driving dynamics and comfort
Tharu: the powerful family SUV from China

Impressive space
Tayron: addition to the SUV family in China

The mid-size model serves the fast-growing SUV market.
T-Cross: rounds off the SUV offering

Combination of diversity, Connectivity and outstanding Design
Virtus: new model for the South America strategy

Superior package

with emotional design and latest connectivity features
Jetta: the seventh generation of the global bestseller

generous space and efficient drive technology
Volkswagen brand 2018 product highlights

- up! GTI
- Touareg
- Teramont
- Golf GTI TCR
- Polo/Virtus
- Bora
- Tharu
- Jetta
- e-Golf
- ID. R Pikes Peak
- Lavida
- T-Roc LWB
- Tayron WP
- T-Cross WP
We have given our electric offensive a powerful boost

September 2018
ID. Workshop Dresden

November 2018
Transformation Zwickau
2018: a year of contrasts

Record deliveries to Q3

New models presented

Powerful boost to electric offensive

WLTP

Petrol-diesel mix

Political framework
WLTP as the ultimate stress test
All engine-transmission variants again ready to order as planned by the end of December
Levers for the reliable planning for WLTP in 2019

-25% variants in Europa

Optimized processes and IT systems

+ 30% test rig capacity

1. Reduce scope
2. Increase capacity
3. Detail timelines
4. Establish robust processes
5. Improve organization
6. Tools & systems
7. Secure “early phase”
Massive shift in petrol-diesel mix
Western Europe - January - September 2018

- Petrol
- Diesel

Chart showing the percentage of petrol and diesel sales from 2011 to 2018, with a significant shift in the mix favoring petrol in recent years.
Timely plans for expanding petrol engine capacities

Example: EA211 1.5l TSI Evo
Political framework

• Brexit in UK
• Financial crisis in Italy
• Political crisis in Turkey

• Trade war between US and China

• Import duties on German vehicles
Our package of measures for more productivity and efficiency

• Rigorous expansion of platform orientation

• Increase efficiency at our plants

• Reduce complexity – fewer variants for more success

• Optimize material costs to realize target return

• Lean administration and less bureaucracy
Rigorous expansion of platform orientation

MQB share in overall production (percent | rounded)

<table>
<thead>
<tr>
<th>Year</th>
<th>MQB</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>20%</td>
<td></td>
<td>20%</td>
</tr>
<tr>
<td>2017</td>
<td>40%</td>
<td></td>
<td>40%</td>
</tr>
<tr>
<td>2018</td>
<td>60%</td>
<td></td>
<td>60%</td>
</tr>
<tr>
<td>2020</td>
<td>80%</td>
<td></td>
<td>80%</td>
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</tbody>
</table>
Increase efficiency at our plants

**Productivity**
We want to achieve a strong increase in production at our sites worldwide by 2025

**Investments**
We will make massive cuts in factory costs and investments: reduction of more than €1.5 billion compared with today
Reducing variant diversity and complexity
Fewer variants for more success

- Reduce complexity of offering

- Meaningful reductions in engine-transmission variants and equipment lines

- High-variant modules and components will be optimized

<table>
<thead>
<tr>
<th></th>
<th>Golf 7</th>
<th>Golf 8</th>
<th>Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheel rims</td>
<td></td>
<td></td>
<td>- 40%</td>
</tr>
<tr>
<td>Steering wheels</td>
<td></td>
<td></td>
<td>- 60%</td>
</tr>
</tbody>
</table>
Optimize material costs to realize target return

**Efficiency concept**
- Reduce variants
- Simple technical solutions
- Low component complexity
- Region-specific solutions

**Cost effects**
- Increase economies of scale effects
- Use Industry 4.0
- Optimize manufacturing concept

**Value Engineering**
- CO₂
- NCAP
- Digitalization

**Value Sourcing**
- Optimized material costs
Lean administration
Systematic implementation of a flat and agile organization

• Manager-to-staff ration 1:8

• Micro manager-to-staff ratio i.e. 1 < 5

• Optimized hierarchy level
  ➤ max. 60 employees  Manager + 2 Levels
  ➤ max. 500 employees  Manager + 3 Levels
  ➤ more than 500 employees  Manager + 4 Levels

Implementation begins in 2019
Volkswagen is managing two major transformations

Transformation paths

**Modular Transverse Toolkit (MQB)**
- Over 55 million 1st-generation vehicles
- Over 50 2nd-generation vehicles

**Volkswagen OS & One Digital Platform (ODP)**
- Connectivity
- Updates & upgrades
- Autonomous driving
- Digital services

**Modular Electric Toolkit (MEB)**
- Over 15 million vehicles in first project phase
New alliances strengthen Volkswagen’s ability to create a connected car, customer and retail ecosystem.
Excellence in integrity and compliance guides our actions

Holistic compliance & integrity program

1. Win back customer trust
2. Take pride in our working environment
3. Lay the foundation for future generations

T4I – Together for Integrity
ID. family: it’s not an evolution, it’s a revolution

“100% emission-neutral”
### Solid operating performance from January to September 2018

<table>
<thead>
<tr>
<th>Sales ¹)</th>
<th>Sales Revenue</th>
<th>Operating Profit before special items</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.8 million vehicles</td>
<td>€ 62.5 billion</td>
<td>€ 2.3 billion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1-3</th>
<th>Q1-3</th>
<th>Q1-3</th>
<th>Q1-3</th>
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<tbody>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+5%</td>
<td>-6%</td>
</tr>
<tr>
<td></td>
<td>+7%</td>
<td></td>
<td>€ 2.3 billion</td>
</tr>
</tbody>
</table>

¹) These figures do not include sales of our Chinese joint ventures.
Strong earnings improvement in the first half of the year

Operating Profit in H1 before special items (€ billion)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>RoS 2017</th>
<th>RoS 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2017</td>
<td>4.5%</td>
<td></td>
</tr>
<tr>
<td>H1 2018</td>
<td>5.0%</td>
<td>+20%</td>
</tr>
</tbody>
</table>

Product Offensive

- Zukunftspakt
- Turnaround in the regions
WLTP with significant impact on third quarter 2018

### Sales ('000 units)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3</td>
<td>821</td>
<td>822</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3</td>
<td>-42</td>
<td></td>
</tr>
</tbody>
</table>

### Operating Profit (€ billion)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Volume/Mix/Price</th>
<th>Currency Pricing</th>
<th>Exchange Rates</th>
<th>Product Costs</th>
<th>Fixed Costs, others</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2017</td>
<td>-0.2</td>
<td>0.2</td>
<td>-0.4</td>
<td>0.1</td>
<td>-0.1</td>
<td>0.2</td>
</tr>
</tbody>
</table>

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

**ZUKUNFTSPAKT**

**Achievements:**
- Realized cost improvements of more than €2 billion
- > 9,300 early retirement contracts
- Current headcount reduction better than target

#### 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
January to November 2018 vs. 2017

- **Global**
  - 2017: 14%
  - 2018: 19%

- **Europe**
  - 2017: 17%
  - 2018: 26%

- **NAR**
  - 2017: 17%
  - 2018: 37%
Zukunftspakt – On track to deliver

Cost Savings (2018 full year forecast)

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

(net) Headcount reduction

> 5,600 (1,250 better than ZP target)
Since the start of the Zukunftspakt headcount has been reduced by more than 5,600 people (gross reduction ~ 7,500 people)

Early retirements (contracts signed)

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

New jobs

> 1,900
Headcount increase in future oriented business areas (software development, connectivity, new mobility solutions)
Regions – Positive development continues

**NAR**
- US Deliveries
  Jan.-Nov. 2018: +4.1%
- Product highlights:
  Atlas, Tiguan, new Jetta
- Profit: Improved vs. prev. year
- Break-even expected in 2020

**SAM**
- Deliveries
  Jan.-Nov. 2018: +11.7%
- Product highlights:
  New Polo and Virtus
- Profit: Improved vs. prev. year
- Break-even expected in 2019

**Russia**
- Deliveries
  Jan.-Nov. 2018: +19.9%
- Products highlights:
  Tiguan Allspace and new Touareg, Polo
- Profit: Still positive despite devaluation of Ruble
Turnaround in the US with new products from 2017 onwards

Deliveries to US customers (‘000 units)

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td>309</td>
<td>322</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Market Share %

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.0</td>
<td>2.6</td>
<td>2.2</td>
<td>2.0</td>
<td>1.8</td>
</tr>
</tbody>
</table>

SUV offensive #1
- Atlas
- Tiguan
- Refreshed Golf

New Sedans
- Jetta
- Passat
- Arteon

SUV offensive #2
- Midsize SUV 5s
- Compact SUV
- ID Crozz
Our Mission „E-Mobility for All“ requires substantial upfront expenses.

From 2019 - 2023

we will invest €9 billion in Capex and R&D
to realize the leap to the top of electric mobility
**New business areas require increasing resources**

<table>
<thead>
<tr>
<th>E-Mobility</th>
<th>Charging</th>
<th>Digital Ecosystem</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.jpg" alt="E-Mobility Image" /></td>
<td><img src="image2.jpg" alt="Charging Image" /></td>
<td><img src="image3.jpg" alt="Digital Ecosystem Image" /></td>
</tr>
</tbody>
</table>

**Achievements:**
- Ramp up of MEB in Europe, China, and NAR
- SOP of ID. in 2019
- ID. CROZZ, ID. BUZZ and ID. VIZZION to follow on MEB platform

**Achievements:**
- People’s Wallbox
- Foundation of Group Charging Entity
- We Charge App
- Co-Foundation of IONITY

**Achievements:**
- Several applications already launched
- Updates and Upgrades over the air
- User ID
- Operating system vw.OS
Improving the return on sales despite substantial headwinds

Operating Return On Sales (in %)

- Product Offensive
- Zukunftspakt
- Turnaround in the regions
- Electrification and Digitalization
- CO₂/Emission Legislation

RISKS
Economics, trade, raw materials, currencies

![Graph showing improvement from 1.8% in 2016 to 4.0 - 5.0% in 2020](image-url)
We aim to achieve our long term targets earlier than planned

**Operating Return On Sales (in %)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1.8</td>
</tr>
<tr>
<td>2020</td>
<td>4.0–5.0</td>
</tr>
<tr>
<td>2022</td>
<td>≥ 6.0</td>
</tr>
<tr>
<td>2025</td>
<td>&gt; 6.0</td>
</tr>
</tbody>
</table>
End of Year Roundup

December 6, 2018

Jürgen Stackmann
Member of the Volkswagen Brand Board of Management for Sales & Marketing
Volkswagen brand deliveries above previous year despite challenges
Deliveries to customer | Jan - Nov 2018 (YoY)

Europe
524,100 -2.9%

Europe
1,619,100 +4.3%

South America
434,400 +11.7%

China
2,820,100 -0.5%

World
5,704,200 +1.2%
New European dealer contracts – a milestone in our Future Sales Project

Dirk Weddigen von Knapp and Thomas Zahn

Dr. Matti Pörhö and Jürgen Stackmann
Today’s core business with its focus on products

- New cars
- Used cars
- Parts
- Financing
- Leasing
- Service
Our Future Sales Model builds on today’s value chain and expands into a mobility system.
Volkswagen’s all-electric car-sharing service “We Share” starts in Berlin in April 2019
New alliances strengthen Volkswagen’s ability to create a connected car, customer and retail ecosystem.
Product highlights of Volkswagen brand 2019

2019

T-Cross LWB
e-Lavida
e-Golf
Passat
T-Roc Cabrio WP

T-Cross
e-Bora
Polo
Passat
Golf WP
ID. WP
New Golf - the benchmark and icon of compact cars
ID. - the electric car for millions of people
With the ID. starts a new era for Volkswagen

Emission-neutral e-mobility

Up to 550 kilometers*

Fully connected vehicle innovative interface

Updates over the air

*WLTP | Volkswagen prognosis before homologation
Our new cars will boast a radically simplified complexity

Choose your **Model**

Choose your **Range**

Choose your **Colour**

Choose your **Package**

Add **Services**

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e.g. 550 km

Package 1
Package 2
Package 3
2019/2020: “Magic” years of our Transform 2025+ strategy

- Full deployment of SUV range
- Connected car, customer & retail
- Start of e-commerce via ID.
- New Brand Design