

Full speed ahead to the future.

INVESTOR AND ANALYST CONFERENCE CALL AND WEBCAST ON FULL YEAR RESULTS 2019



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Speakers



Ralf Brandstätter

COO (Chief Operating Officer)
Member of the Volkswagen Brand
Board of Management



Dr. Arno Antlitz

Member of the Volkswagen Brand
Board of Management for
Controlling and Accounting

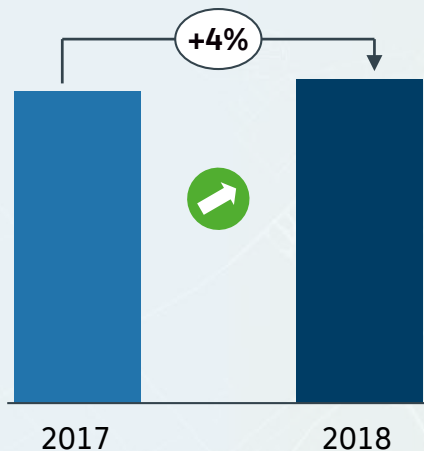


Jürgen Stackmann

Member of the Volkswagen Brand
Board of Management for Sales,
Marketing and After Sales

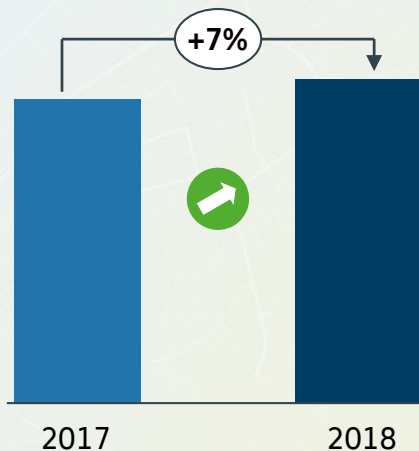
Operating performance from January to December 2018

3.7 million vehicles



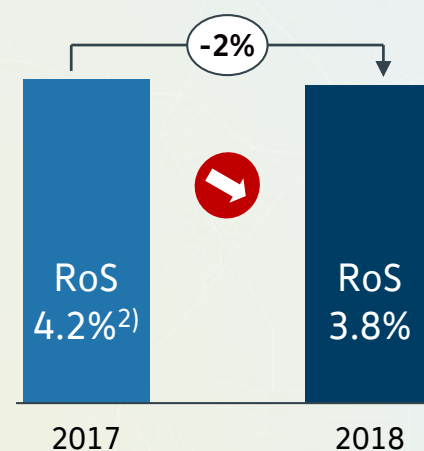
Sales¹⁾

€ 84.6 billion



Sales revenue

€ 3.2 billion



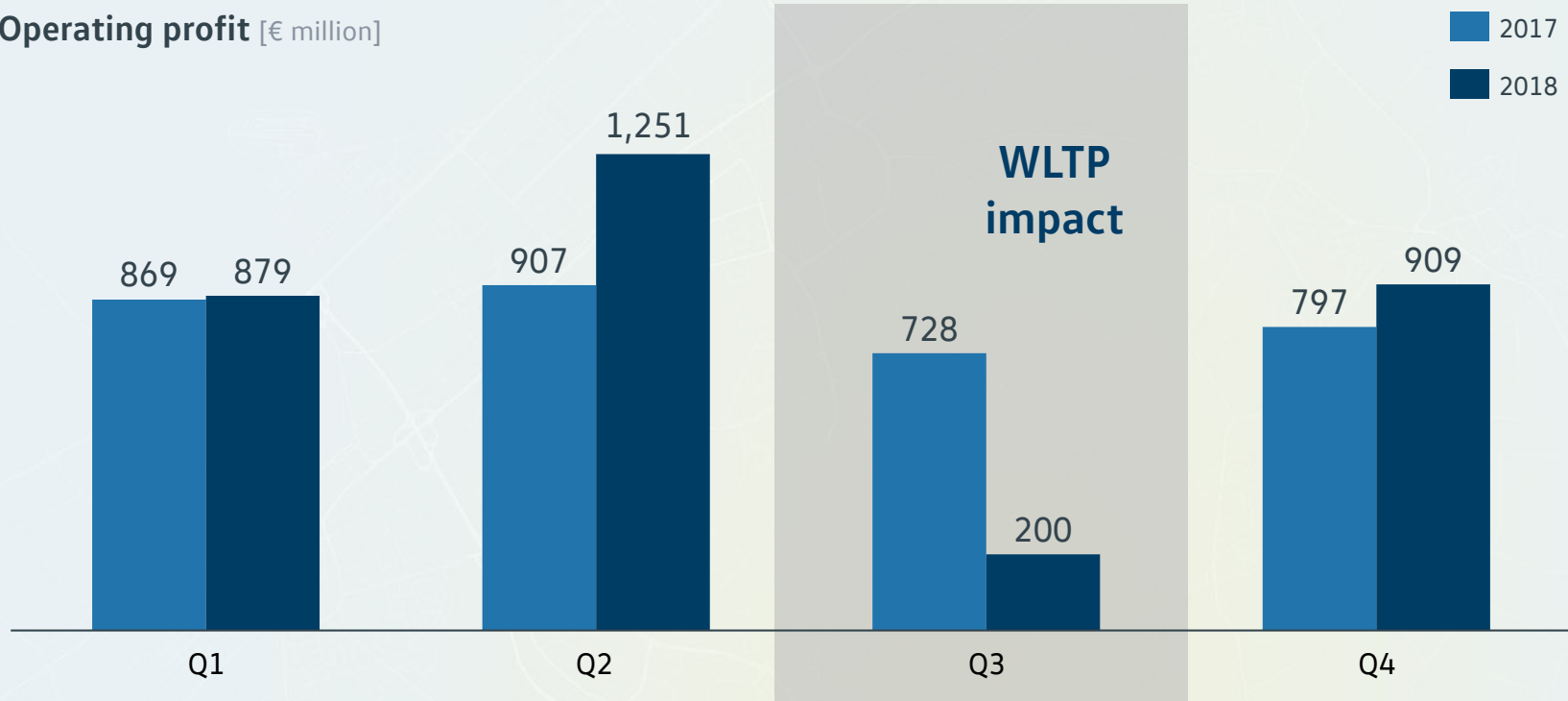
Operating profit
before special items

1) These figures do not include sales of our Chinese joint ventures.

2) restated

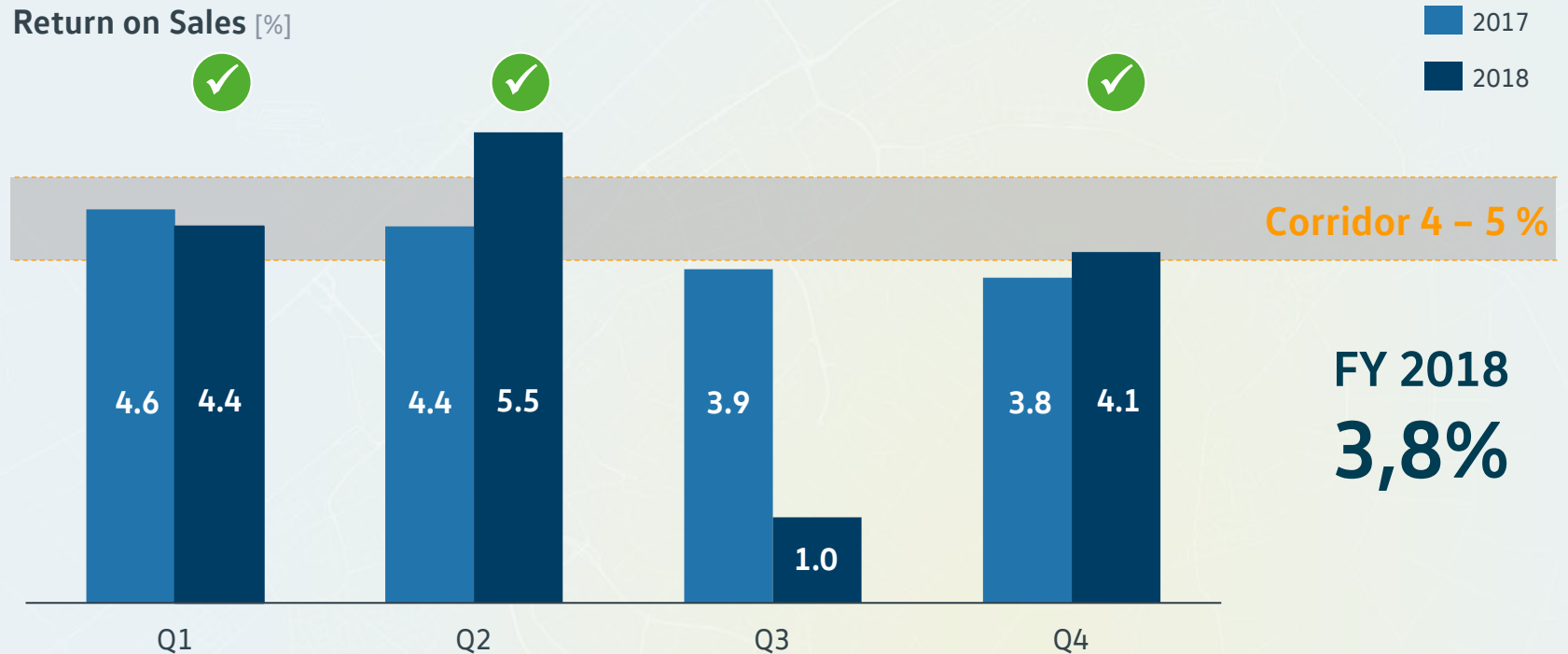
Operating Profit impacted by WLTP especially in Q3

Operating profit [€ million]



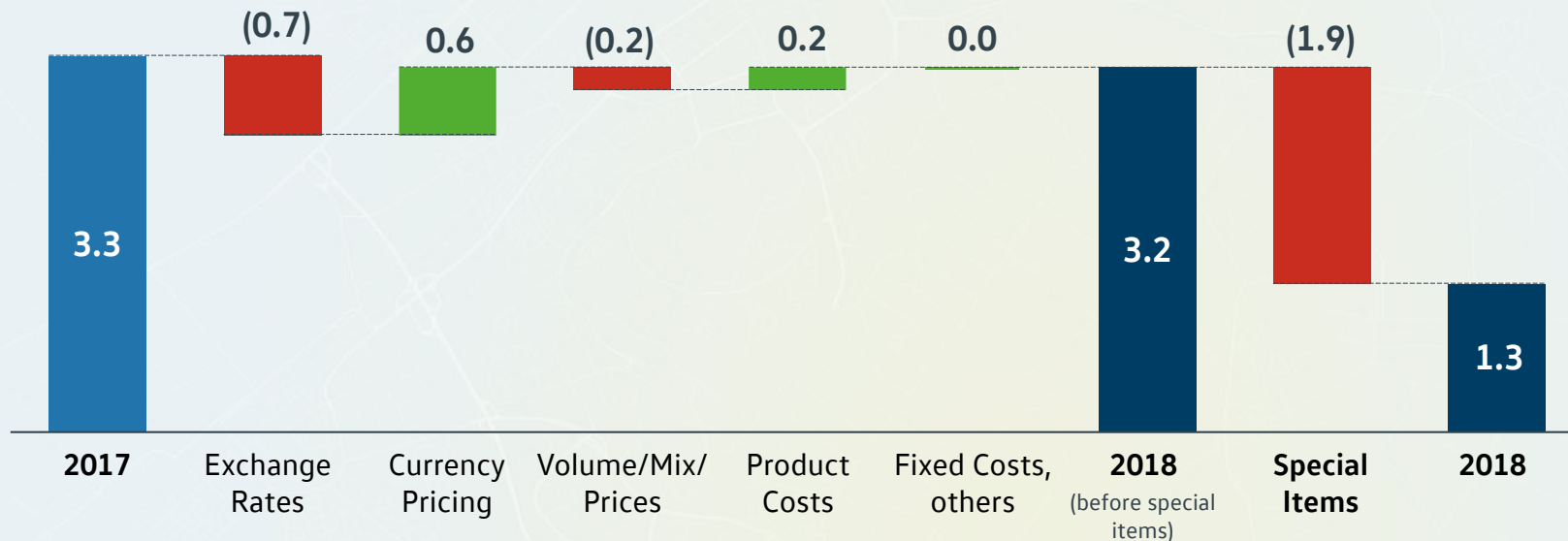
In the 4th quarter we returned to our targeted RoS-corridor

Return on Sales [%]



Development of operating profit from January to December 2018

Operating profit [€ billion]



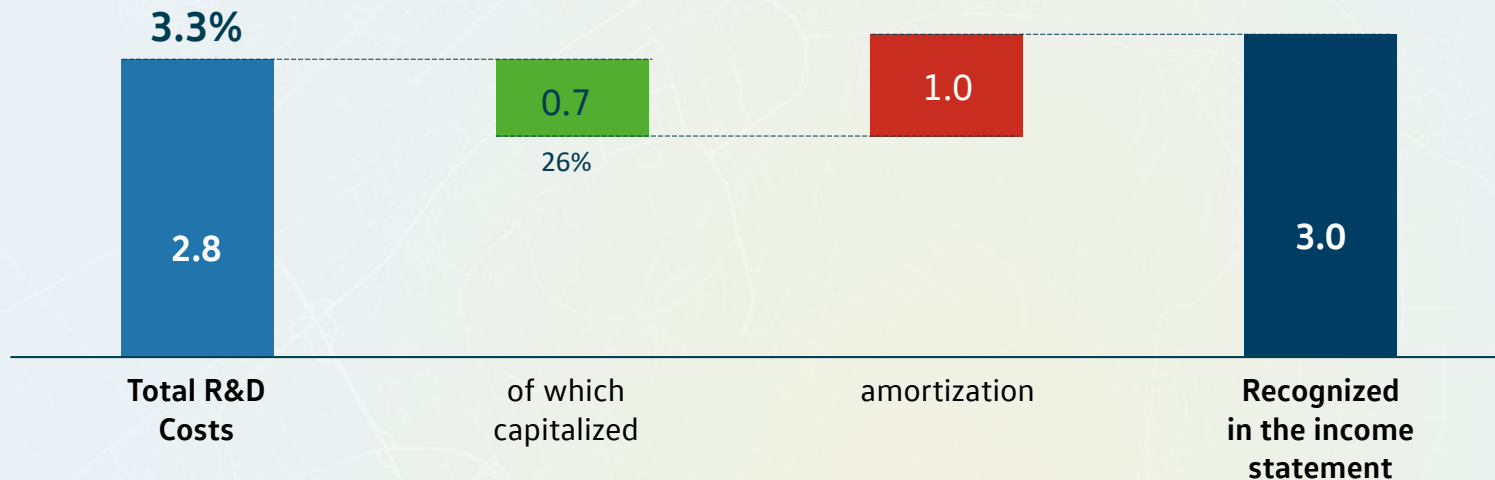
All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

R&D costs from January to December 2018

€ billion/percentage of sales revenue

strategic target

~4%



Jan.-Dec.
2017:

3.3

1.3
40%

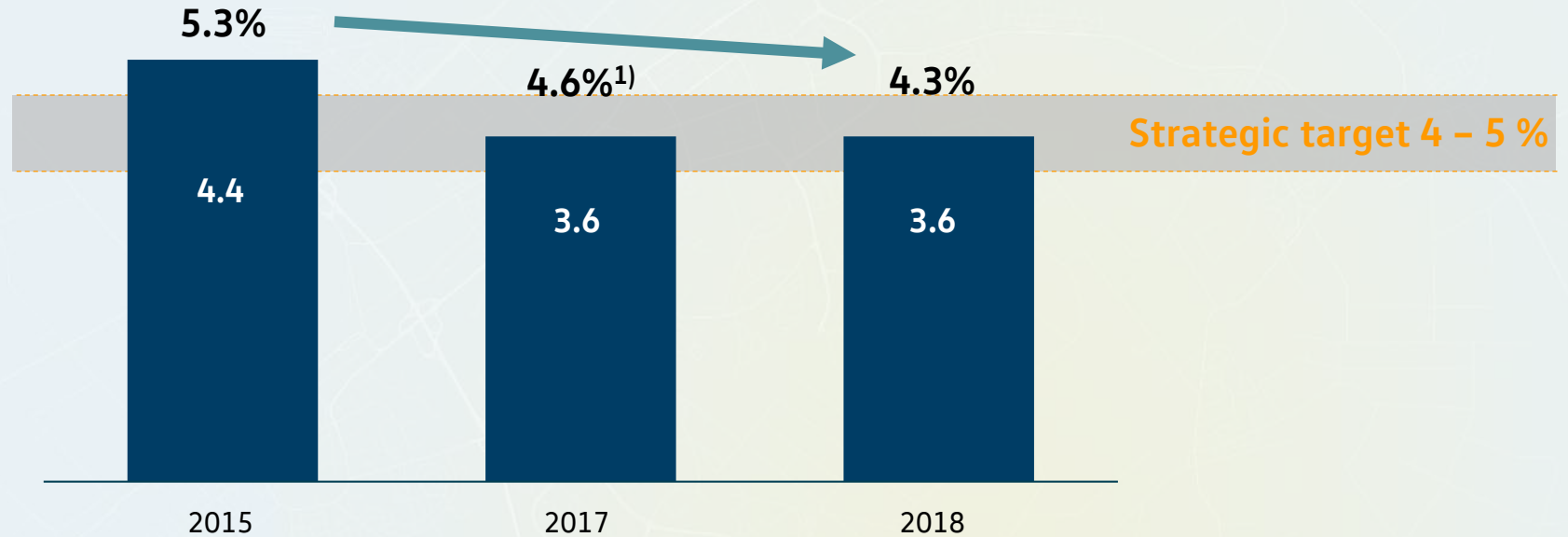
0.8

2.8

All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

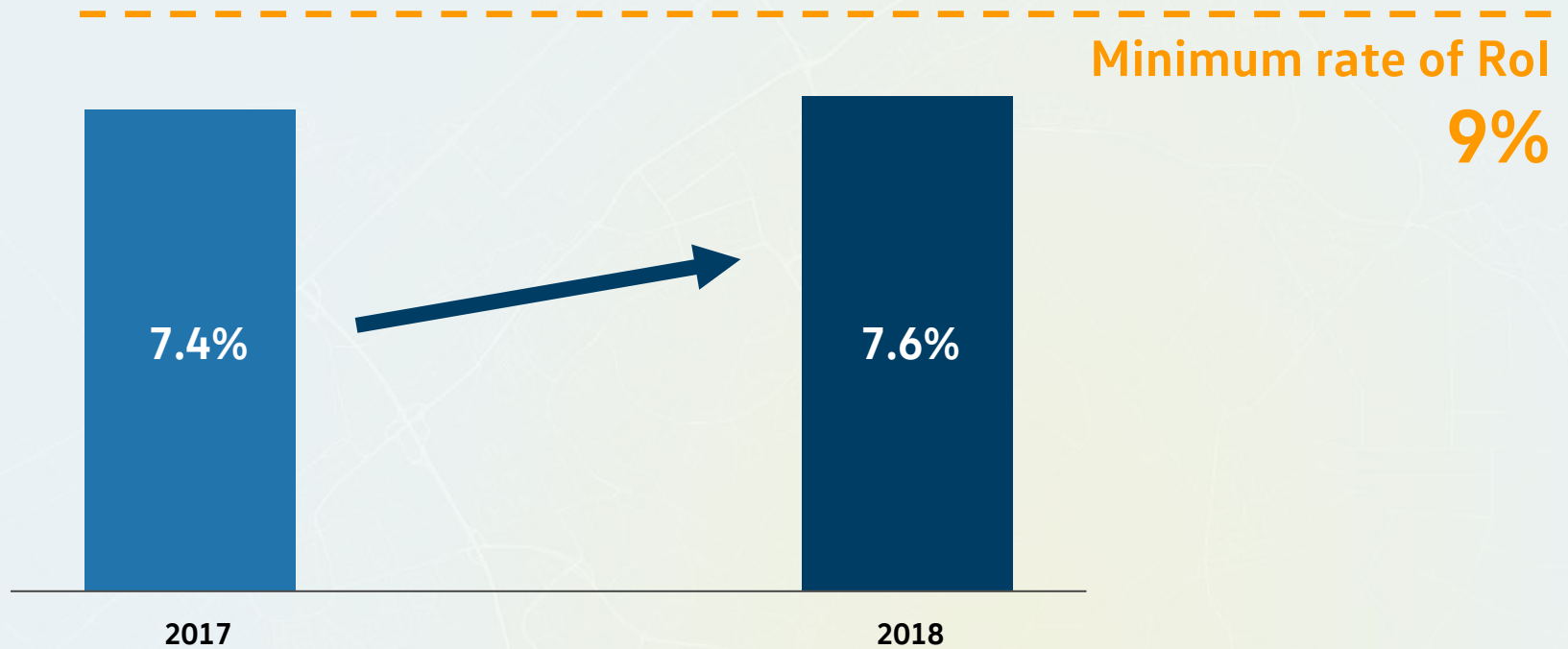
Capex from January to December 2018

€ billion/percentage of sales revenue



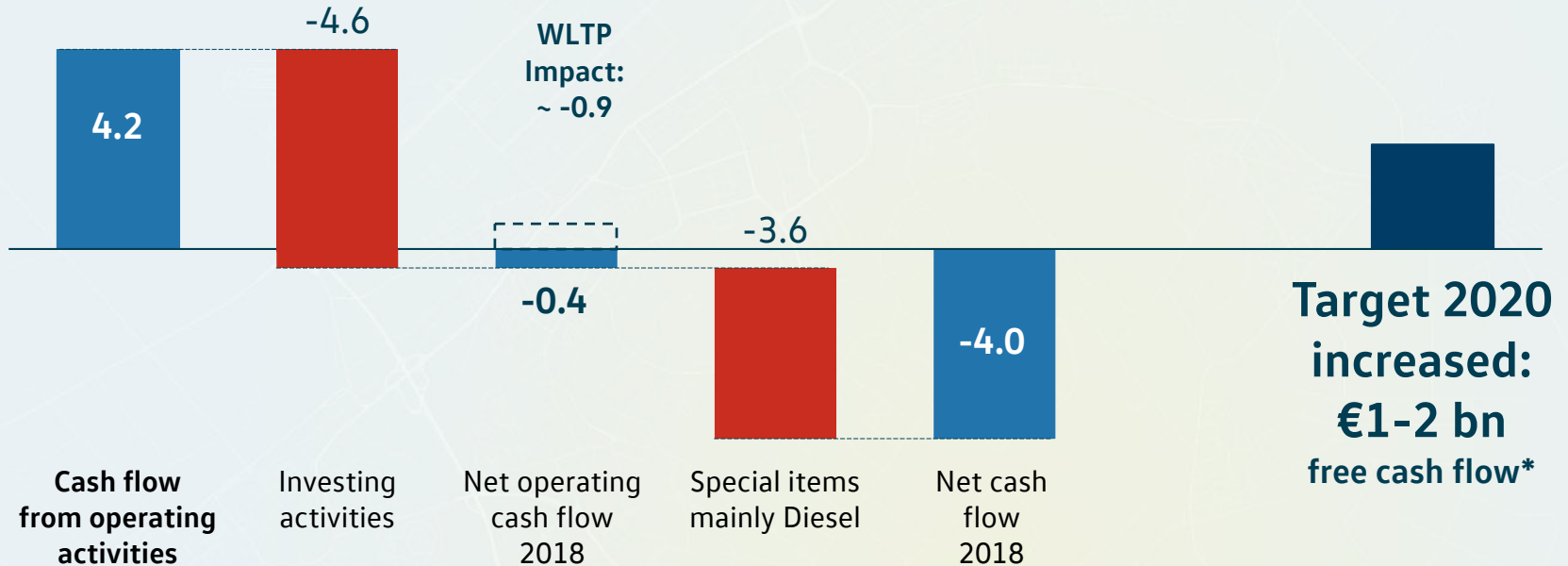
1) restated

Return on Investment from January to December 2018



Negative cash flow from January to December 2018

[€ billion]



* 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 2018:

- SUV portfolio widened: T-Roc, Tiguan, Tiguan Allspace, Touareg, Atlas
- Increase of MQB share to 60%

Outlook 2019:

- More SUVs coming: T-Cross, 5-seater B-SUV (US)
- Increase of MQB share to 80%



Turnaround in the regions



Achievements 2018:

- Positive result in Russia maintained
- NAR better than 2017
- SAM with strong progress

Outlook 2019:

- SAM to break even
- Further improvements in NAR, Turnaround planned for 2020



Zukunftspakt



Achievements 2018:

- Realized cost improvements of more than €2.4 billion
- > 9,000 early retirement contracts
- Headcount reduction ahead of target

Outlook 2019:

- Further improvements on costs and productivity



Regions – Positive development continues

NAR



- US Deliveries
Jan.-Dec. 2018: **+4.2%**
- Product highlights:
Atlas, Tiguan, new Jetta
- Profit: **Improved vs. prev. year**
- **Break-even expected in 2020**

Russia



- Deliveries
Jan.-Dec. 2018: **+18.5%**
- Products highlights:
Tiguan Allspace and new Touareg, Polo
- Profit: **Still positive despite devaluation of Ruble**

SAM



- Deliveries
Jan.-Dec. 2018: **+13.1%**
- Product highlights:
New Polo, Tiguan and Virtus
- Profit: **Improved vs. prev. year**
- **Break-even expected in 2019**

Total operating profit improvement
of the regions in 2018 vs. 2017
~ € 0.5bn





Zukunftspakt on track to deliver

Cost Savings (2018 full year effect)

€ 2.4bn

Target 2018 of more than € 2.2 bn overachieved
(2020 target for Germany: € 3 bn)

Early retirements (contracts signed)

>9,000

More than 9,000 people signed early retirement contracts and will leave the company by 2020 at latest

(net) Headcount reduction

> 6,300

Since the start of the Zukunftspakt headcount has been reduced by more than 6,300 people (gross reduction ~ 9,700 people)



New jobs

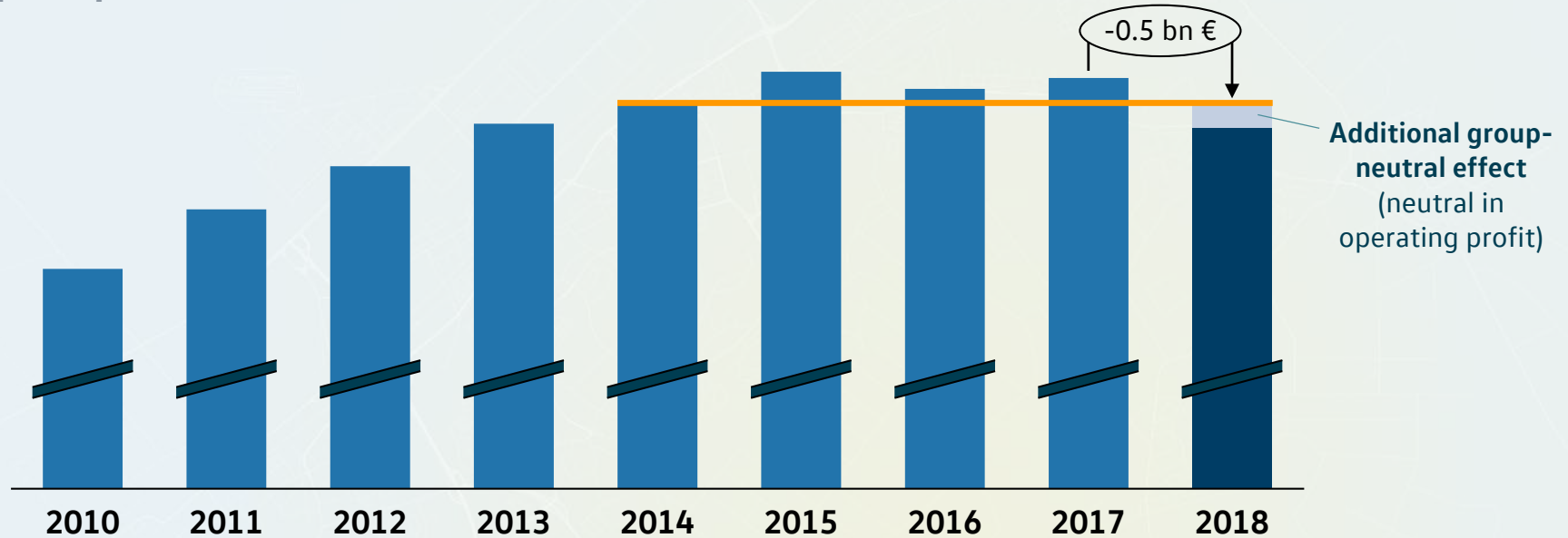
> 2,700

Headcount increase in future oriented business areas (e.g. software development, connectivity, new mobility solutions) on target



Fixed costs VW AG (PC) in 2018 on 2014 level^{*)}

[€ billion]

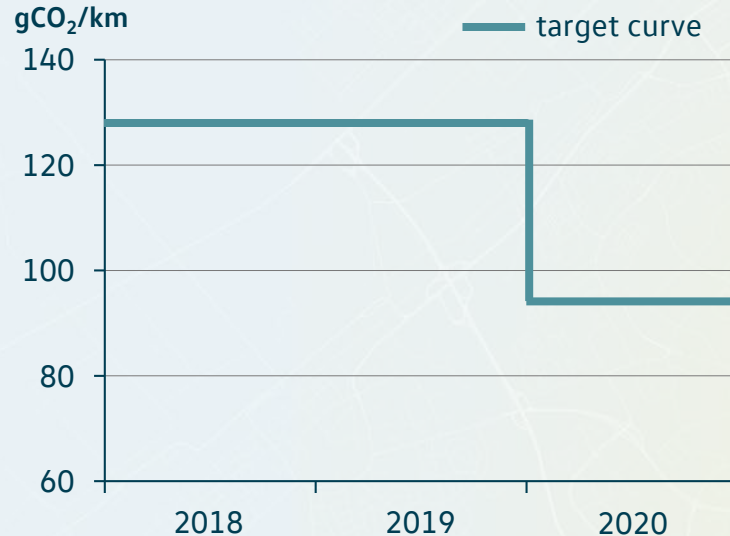


^{*)} Overhead of Brand Volkswagen PC in Germany + indirect areas of the five German plants of VW AG PC

Further efforts required to prepare Volkswagen for the future

Compensating additional costs

CO₂ Compliance

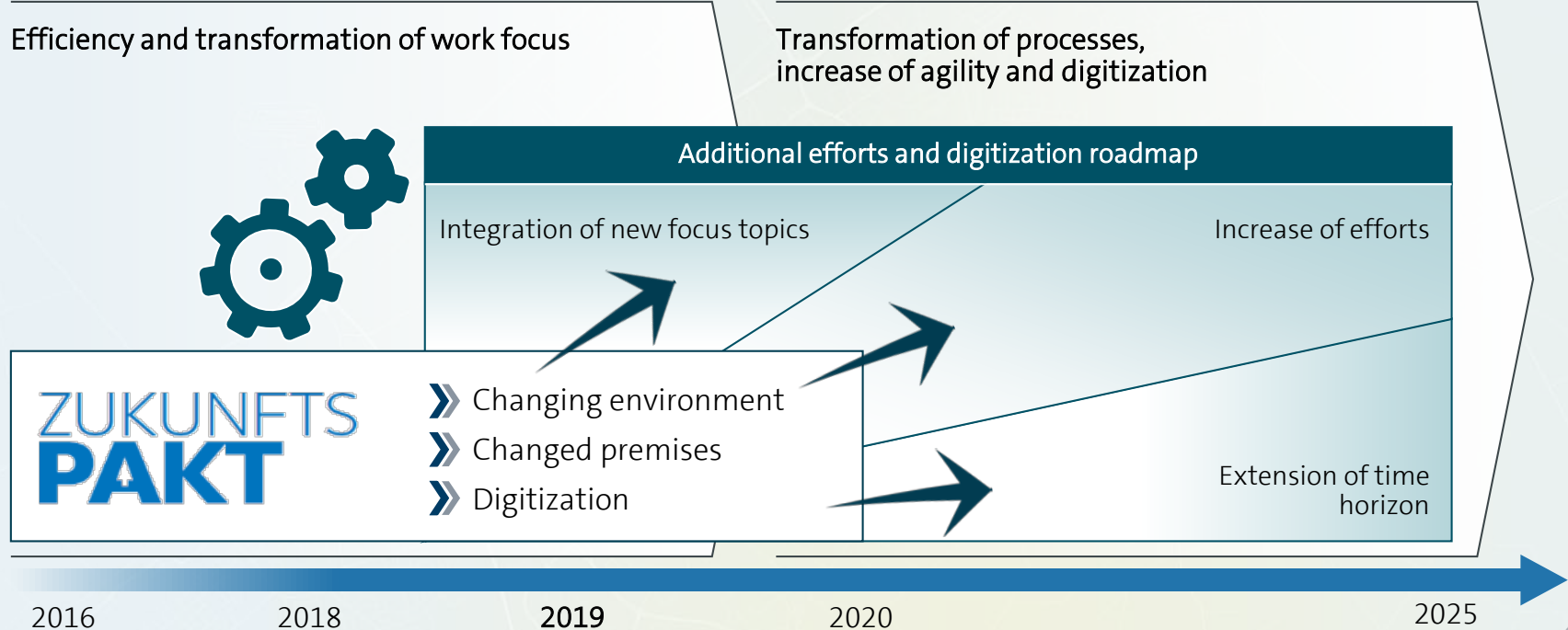


Increasing investment needs



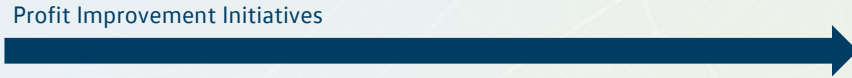
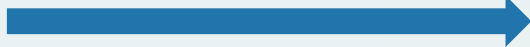
⚡
Disruption
automotive
industry

Further efforts on top of "Zukunftspakt" are necessary in order to prepare Volkswagen for the digital Age



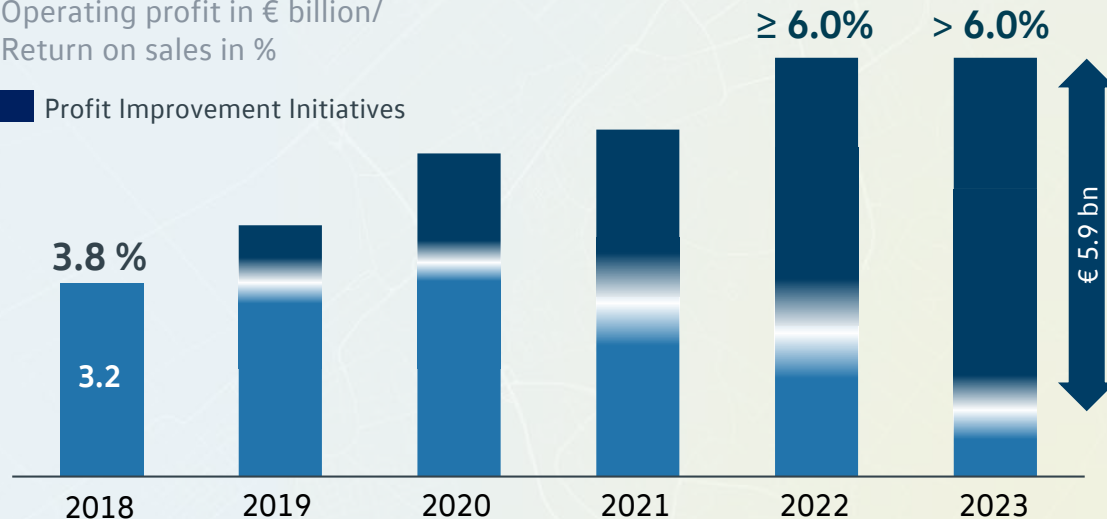
Profit improvement initiatives to secure 6% operating margin in 2022

Zukunftspakt



Operating profit in € billion/
Return on sales in %

■ Profit Improvement Initiatives



MAIN LEVERS

- Margin improvement € 2.9bn
 - Material cost
 - Cost improvement overhead
 - Productivity improvements in the plants
- € 3bn

Schematic illustration

Financial forecast and targets

	Forecast 2019	Target 2020	Target 2022	Target 2025
Sales revenue	up to +5 %	tbd	tbd	tbd
Operating return on sales	4-5 %	4-5 %	≥ 6 %	> 6 %
Capex ratio	4-5 %	4-5 %	4-5 %	4-5 %
R&D ratio	~4 %	4 %	4 %	4 %
Free cash flow	Positive operating cash flow	€1-2 billion	> €2 billion	> €2 billion