Leading the Transformation.

Frank Witter
Member of the Board of Management, Volkswagen AG
Finance and IT

CAPITAL MARKETS DAY 2019
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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, and trade disputes among major trading partners 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 in particular relative to the US dollar, sterling, yen, Brazilian real, Chinese renminbi and Czech koruna.

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INDUSTRY HEADWINDS: IMPROVING DISCIPLINE AND REALIZING GROUP SYNERGIES TO MEET MARGIN TARGETS

Operating margin (% of sales revenue)

<table>
<thead>
<tr>
<th>Year</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>6.7%</td>
</tr>
<tr>
<td>2017</td>
<td>7.4%</td>
</tr>
<tr>
<td>2018</td>
<td>7.3%</td>
</tr>
</tbody>
</table>

Industry transition and emission costs / CO₂

- 6.5 - 7.5%

Performance improvement impacts
- Mix / Price
- Fixed costs
- Purchasing
- Productivity
- Complexity reduction
- Overseas performance
- Investment discipline

- 7.0 - 8.0%

2019/2020 Target

2025 Target
### MARGIN TARGETS: STICKING TO OUR PROMISES

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>Target 2018</th>
<th>2018</th>
<th>Target 2019</th>
<th>Target 2020</th>
<th>Target 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Return on Sales in %</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volkswagen Group</td>
<td>6.7</td>
<td>7.4</td>
<td>6.5-7.5</td>
<td>7.3</td>
<td>6.5-7.5</td>
<td>6.5-7.5</td>
<td>7.0-8.0</td>
</tr>
<tr>
<td>Volkswagen Brand</td>
<td>1.8</td>
<td>4.1</td>
<td>4-5</td>
<td>3.8</td>
<td>4-5</td>
<td>4-5</td>
<td>≥6</td>
</tr>
<tr>
<td>Audi</td>
<td>8.2</td>
<td>8.4</td>
<td>8-10</td>
<td>7.9</td>
<td>7.0-8.5&lt;sup&gt;2&lt;/sup&gt;</td>
<td>9.11&lt;sup&gt;2&lt;/sup&gt;</td>
<td>9.11&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>Porsche Automotive</td>
<td>17.4</td>
<td>18.5</td>
<td>&gt;15</td>
<td>17.4</td>
<td>&gt;15</td>
<td>&gt;15</td>
<td>&gt;15</td>
</tr>
<tr>
<td>ŠKODA</td>
<td>8.7</td>
<td>9.7</td>
<td>8-9</td>
<td>8.0</td>
<td>6-7</td>
<td>6-7</td>
<td>≥7</td>
</tr>
<tr>
<td>Volkswagen Commercial Vehicles</td>
<td>4.1</td>
<td>7.2</td>
<td>5-6</td>
<td>6.6</td>
<td>4-5</td>
<td>4-5</td>
<td>&gt;6</td>
</tr>
<tr>
<td>TRATON Group&lt;sup&gt;3&lt;/sup&gt;</td>
<td>5.4</td>
<td>6.0</td>
<td>-</td>
<td>6.4</td>
<td>6.5-7.5</td>
<td>Over the cycle target of 9%&lt;sup&gt;4&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td><strong>Return on Equity (norm. 8%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volkswagen Financial Services</td>
<td>15.6</td>
<td>15.8</td>
<td>14-16</td>
<td>15.8</td>
<td>14-16</td>
<td>14-16</td>
<td>20</td>
</tr>
</tbody>
</table>

<sup>1</sup> Before special items. <sup>2</sup> Effective 01/2019, operating return based on adjusted sales revenue without turnover from multi-brand sales companies. <sup>3</sup> Incl. Scania Financial Services I Adj. Return on Sales for 2016 / 2017 / 2018 <sup>4</sup> Strategic target TRATON GROUP wants to achieve over-the-cycle, incl. holding costs and consolidation effects.
## SECURING GROUP KPI’S: PROFIT IMPROVEMENT PROGRAMS

<table>
<thead>
<tr>
<th>Volume</th>
<th>Premium</th>
<th>Sport &amp; Luxury</th>
<th>Financial Services</th>
<th>Commercial Vehicles</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen</td>
<td>Škoda</td>
<td>Audi</td>
<td>volkswagen</td>
<td>traton</td>
<td>volkswagen</td>
</tr>
<tr>
<td>Future Pact/ Profit Improv. Program</td>
<td>Attack Plan</td>
<td>Transformation Plan</td>
<td>Future Pact/ Profit Improv. Program</td>
<td>Profit Improv. Program</td>
<td>Lean and focused (GI 12)</td>
</tr>
<tr>
<td>Included in 'Grip 2025+'</td>
<td>100+/ Full Cost Optim.</td>
<td>Transformation Plan</td>
<td>Opex</td>
<td>Focus on synergies</td>
<td></td>
</tr>
</tbody>
</table>

### Key Programs:
- **Future Pact/ Profit Improv. Program**
- **Attacks Plan**
- **Full Cost Optim.**
- **Transformation Plan**
- **Focus on synergies**

### Financial Services
- **Opex**

### Future Pact/ Profit Improv. Program
- Included in ‘Grip 2025+’

### Transformation Plan
- Focus on synergies

### 2018 - 2025 RoS Target
- 7.0 - 8.0%

### All Group KPIs
- 2020/2025 confirmed!
GOVERNANCE: STEERING THE GROUP, IMPROVING RESULTS

- Financial Steering
- IT and Processes
- Standards and Compliance
- Synergies
- KPI Targets
GOAL: ACHIEVING BENCHMARK PERFORMANCE

- Administrative expenses
- Material costs
- Factory costs
- Distribution costs
- Incentives
- Productivity

...
PRODUCTION: PLATFORM ORIENTED

Škoda production facility
Kvasiny

Optimization of
Expenditures | Complexity | Efficiency
R&D / CAPEX: ONE PREMIUM ELECTRIC PLATFORM

The Audi e-tron and Porsche Taycan are their first electric models.

PPE
Premium Platform Electric
Common modules and scale effects save up to 30% development costs (compared to stand alone)

Architecture open for other brands
COMPLEXITY: REDUCTION OF ENGINE-GEARBOX COMBINATIONS

Volume Brands

2018 ~500

-20%

2019 ~400
DISCIPLINE: MAINTAINING R&D AND CAPEX TARGETS

R&D Automotive Division (in € bn, as % of sales revenue)
- 2016: 7.3%
- 2017: 6.7%
- 2018: 6.8%
- 2019: 6.5-7.0%
- 2020: unchanged
- 2025: 6%

CAPEX Automotive Division (in € bn, as % of sales revenue)
- 2016: 6.9%
- 2017: 6.5%
- 2018: 6.6%
- 2019: 6.5-7.0%
- 2020: unchanged
- 2025: 6%
BUSINESS: FOCUS ON THE CORE

Board perspective

Complexity reduction of the Volkswagen Group

Getting rid of the conglomerate discount of Volkswagen AG

We want to deliver!
**GENERATE CASH (1): SELF FUNDING**

Automotive Net Cash Flow\(^1\) (in € bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>4.9</td>
<td>10.3</td>
<td>5.6</td>
<td>≥ 9</td>
<td>≥ 10</td>
<td>&gt; 10</td>
</tr>
</tbody>
</table>

- Improving working capital management
- Robust China dividends
- Cash is King!

\(^1\) Before Diesel related outflows and M&A.
**GENERATE CASH (2): ATTRACTIVE DIVIDEND**

<table>
<thead>
<tr>
<th>Earnings per Preference Share (€)</th>
<th>Dividend per Preference Share (€)</th>
<th>Dividend pay-out ratio(^1) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 10.30</td>
<td>2016 2.06</td>
<td>2016 19.7</td>
</tr>
<tr>
<td>2017 22.34</td>
<td>2017 3.96</td>
<td>2017 17.6</td>
</tr>
<tr>
<td>2018(^2) 23.63</td>
<td>2018(^2) 4.86</td>
<td>2018(^2) 20.4</td>
</tr>
</tbody>
</table>

**Target EPS: ≥ 30 € by 2020**

**Target Dividend Pay-Out Ratio: 30%**

\(^1\) Total dividend in percent of net income attributable to shareholders of Volkswagen AG. \(^2\) Dividend proposal.
# Automotive Net Liquidity: Robust Base

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (in € bn)</th>
<th>Accounting Impact IFRS 16 (rating neutral)</th>
<th>Target 2020</th>
<th>Target 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>27.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>22.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12/2018</td>
<td>19.4</td>
<td>ca. −5</td>
<td>&gt;20(^1)</td>
<td></td>
</tr>
<tr>
<td>1/2019</td>
<td>14.4</td>
<td></td>
<td>~10% of Group turnover</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Including the negative IFRS 16 impact, effective from 1st January, 2019.
FUNDING: SOLID RATING, WELL DIVERSIFIED

Broad access to all relevant funding sources

<table>
<thead>
<tr>
<th>Current Ratings</th>
<th>S&amp;P Global</th>
<th>Moody’s</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LONG TERM</td>
<td>SHORT TERM</td>
</tr>
<tr>
<td>Volkswagen AG</td>
<td>BBB+ (s)</td>
<td>A-2</td>
</tr>
<tr>
<td>Volkswagen Financial Services AG</td>
<td>BBB+ (s)</td>
<td>A-2</td>
</tr>
<tr>
<td>Volkswagen Bank GmbH</td>
<td>A- (n)</td>
<td>A-2</td>
</tr>
</tbody>
</table>

Outlook (s) = stable, (n) = negative
STAKEHOLDER: ESG PRINCIPLES 1) INTEGRAL TO “TOGETHER-4-INTEGRITY”

**STRATEGY**
Ethics and compliance is central to business strategy

**RISK MANAGEMENT**
Ethics and compliance risks are identified, owned, managed and mitigated

**SPEAK-UP ENVIRONMENT**
The organization encourages, protects and values the reporting of concerns and suspected wrongdoing

**CULTURE OF INTEGRITY**
Leaders at all levels across the organization build and sustain a culture of integrity

**RESOLUTE ACCOUNTABILITY**
The organization takes action and holds itself accountable when wrongdoing occurs

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1) Environmental, Social and Governance.
VOLKSWAGEN GROUP: FIT FOR THE FUTURE!

Cash is King!

Implementing TOGETHER Strategy 2025!

Delivering on the Promises!

We have the Potential – it’s all about us!