

VOLKSWAGEN

AKTIENGESELLSCHAFT

Leading the Transformation.

Frank Witter

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

CAPITAL MARKETS DAY 2019

DISCLAIMER

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, 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. These assumptions relate in particular to the development of the economies of individual countries and markets, the regulatory framework and the development of the automotive industry. Therefore 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.

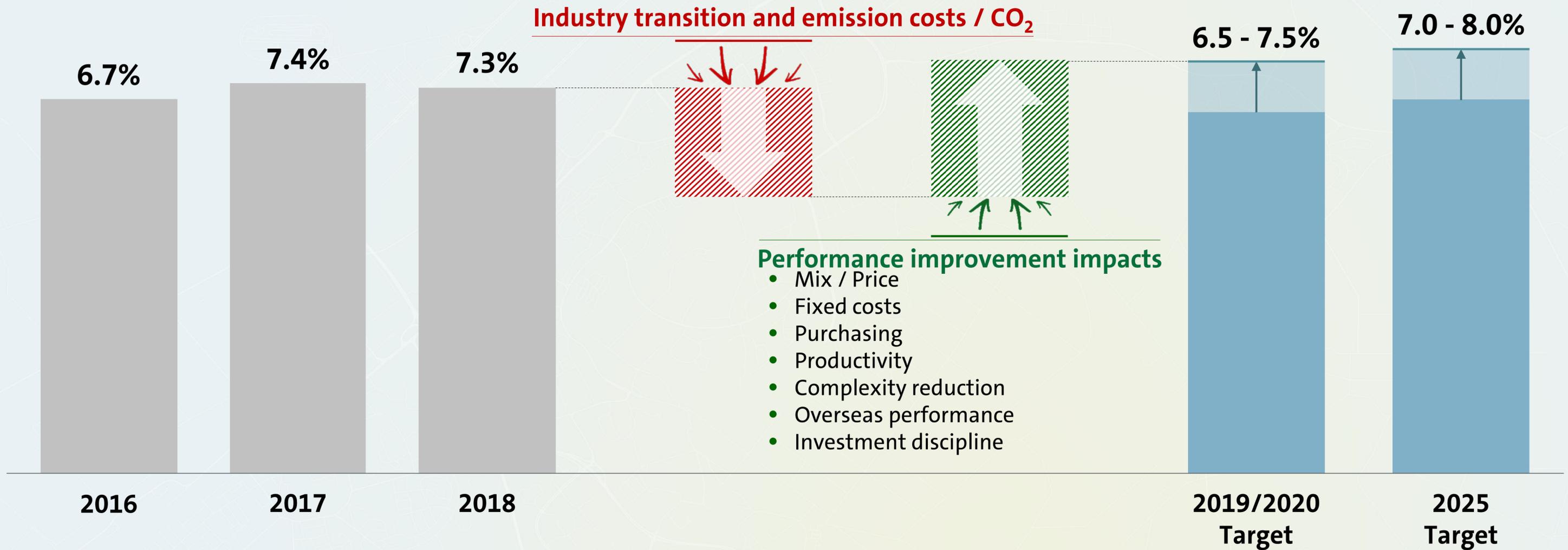
Consequently, a negative impact relating to ongoing claims or investigations, any unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, and trade disputes among major trading partners will have a corresponding 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)



MARGIN TARGETS: STICKING TO OUR PROMISES

Return on Sales in % ¹⁾	<u>2016</u>	<u>2017</u>	<u>Target 2018</u>	<u>2018</u>	<u>Target 2019</u>	<u>Target 2020</u>	<u>Target 2025</u>
Volkswagen Group	6.7	7.4	6.5-7.5	7.3	6.5-7.5	6.5-7.5	7.0-8.0
Volkswagen Brand	1.8	4.1	4-5	3.8	4-5	4-5	≥6
Audi	8.2	8.4	8-10	7.9	7.0-8.5 ²⁾	9-11 ²⁾	9-11 ²⁾
Porsche Automotive	17.4	18.5	>15	17.4	>15	>15	>15
ŠKODA	8.7	9.7	8-9	8.0	6-7	6-7	≥7
Volkswagen Commercial Vehicles	4.1	7.2	5-6	6.6	4-5	4-5	>6
TRATON Group ³⁾	5.4	6.0	-	6.4	6.5-7.5	Over the cycle target of 9% ⁴⁾	
Return on Equity (norm. 8%)	<u>2016</u>	<u>2017</u>	<u>Target 2018</u>	<u>2018</u>	<u>Target 2019</u>	<u>Target 2020</u>	<u>Target 2025</u>
Volkswagen Financial Services	15.6	15.8	14-16	15.8	14-16	14-16	20

unchanged

¹⁾ Before special items. ²⁾ Effective 01/2019, operating return based on adjusted sales revenue without turnover from multi-brand sales companies. ³⁾ Incl. Scania Financial Services | Adj. Return on Sales for 2016 / 2017 / 2018 ⁴⁾ Strategic target TRATON GROUP wants to achieve over-the-cycle, incl. holding costs and consolidation effects.

SECURING GROUP KPI'S: PROFIT IMPROVEMENT PROGRAMS

	 Volkswagen Future Pact/ Profit Improv. Program	 Commercial Vehicles Included in ,Grip 2025+‘
Volume	 ŠKODA Attack Plan	 SEAT 100+/ Full Cost Optim.
Premium	 Transformation Plan	
Sport & Luxury	 PORSCHE Profit Improv. Program	 BENTLEY Transformation Plan
Financial Services	VOLKSWAGEN FINANCIAL SERVICES Opex	
Commercial Vehicles	TRATON Focus on synergies	
Group	VOLKSWAGEN AKTIENGESELLSCHAFT Lean and focused (GI 12)	



GOVERNANCE: STEERING THE GROUP, IMPROVING RESULTS



VOLKSWAGEN AKTIENGESELLSCHAFT



- 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

...

COSTS

A hand holding a blue pen with a white arrow pointing down, connected to a white curved line that points towards the 'COSTS' text.

PRODUCTION: PLATFORM ORIENTED

Škoda production facility

Kvasiny

ŠKODA



Karoq



Ateca



Passat



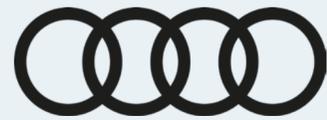
Superb

MEB Entry
Family



Optimization of
Expenditures | Complexity | Efficiency

R&D / CAPEX: ONE PREMIUM ELECTRIC PLATFORM



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



PORSCHE



PPE

Premium Platform Electric

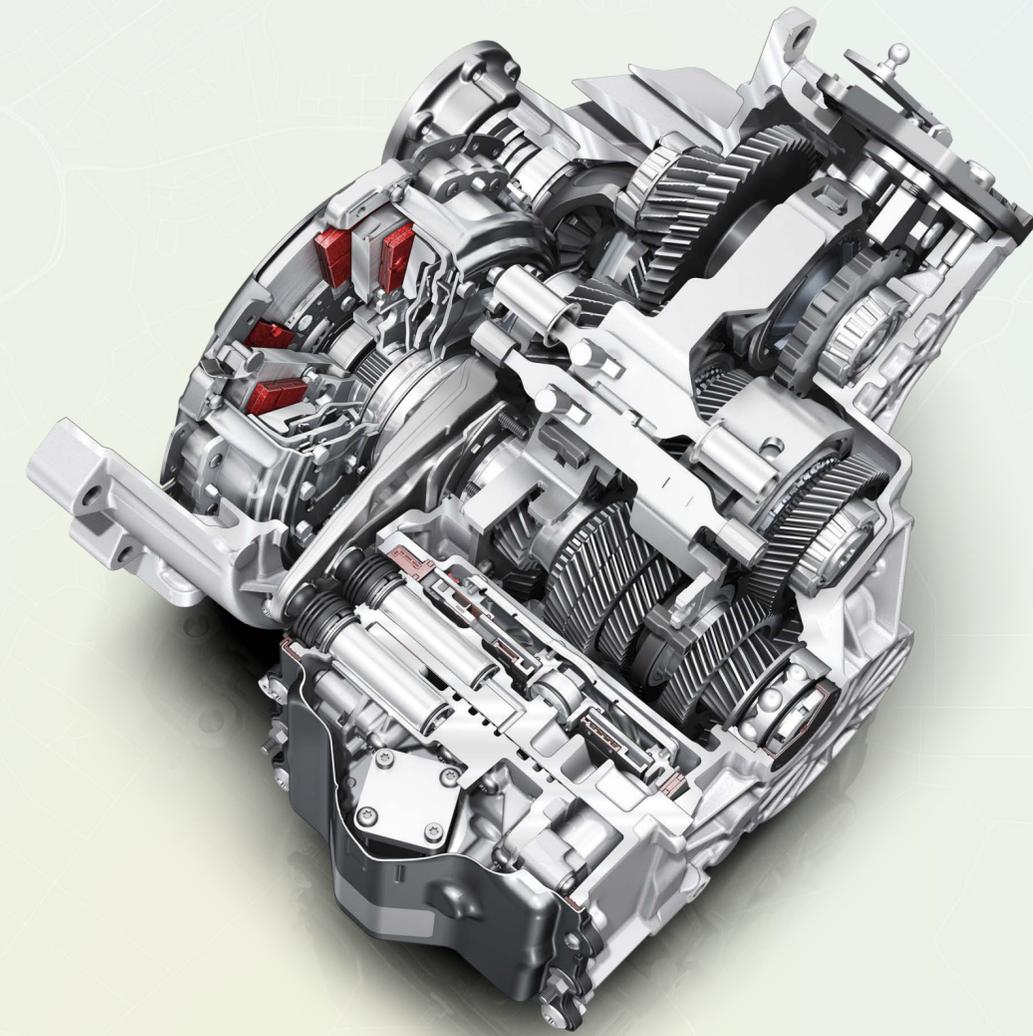
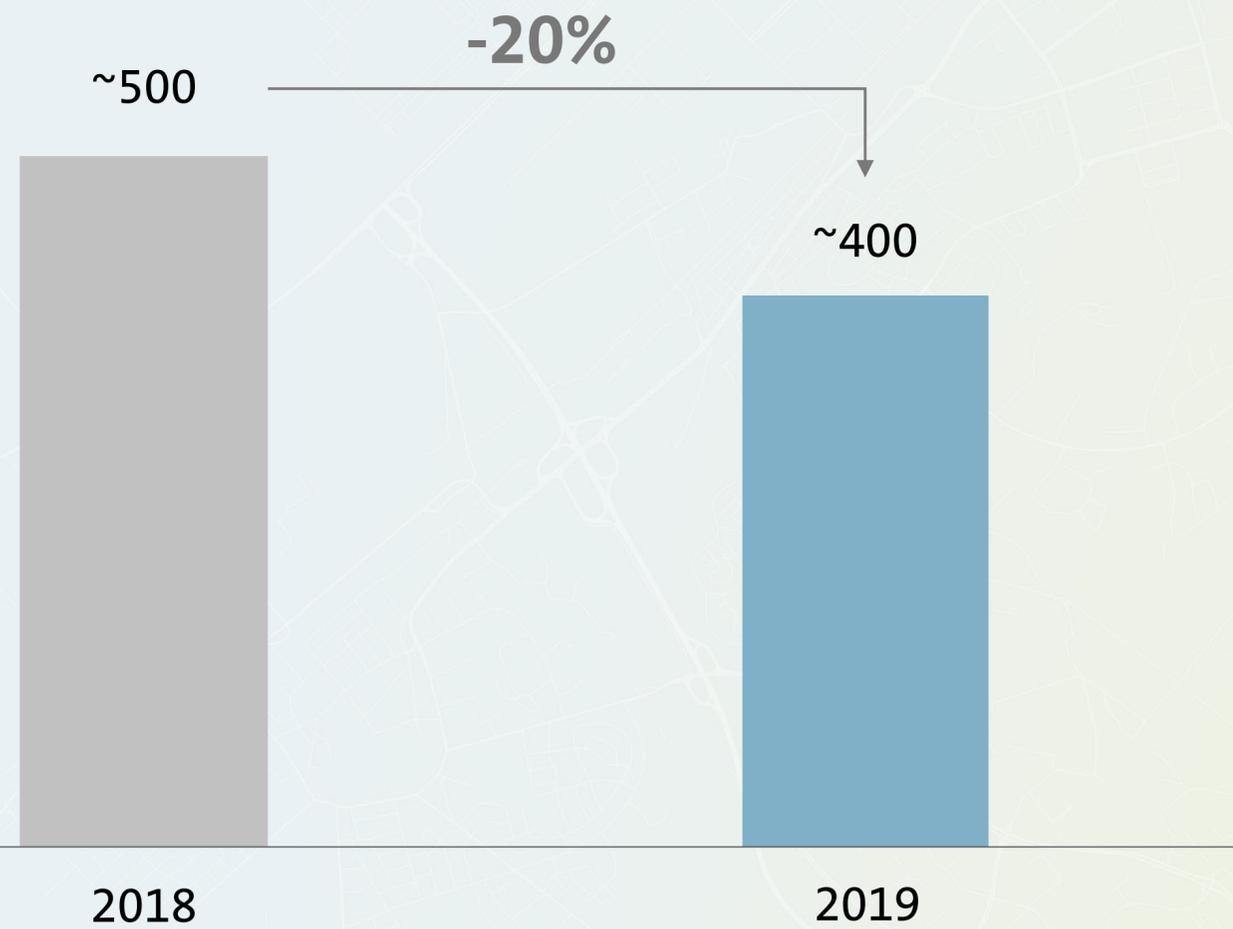
Common modules and scale effects save **up to 30%** development costs
(compared to stand alone)

Architecture open for other brands



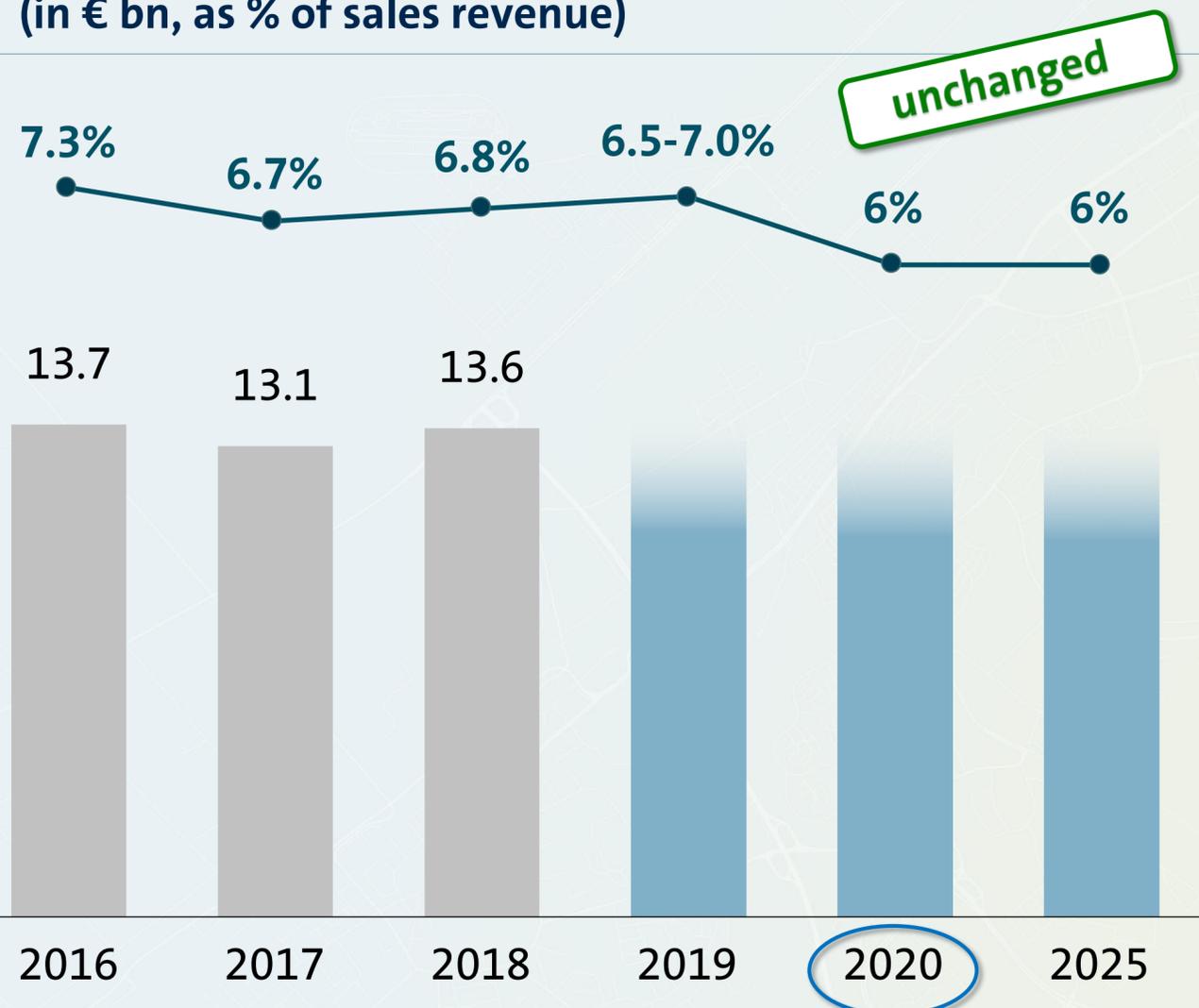
COMPLEXITY: REDUCTION OF ENGINE-GEARBOX COMBINATIONS

Volume Brands

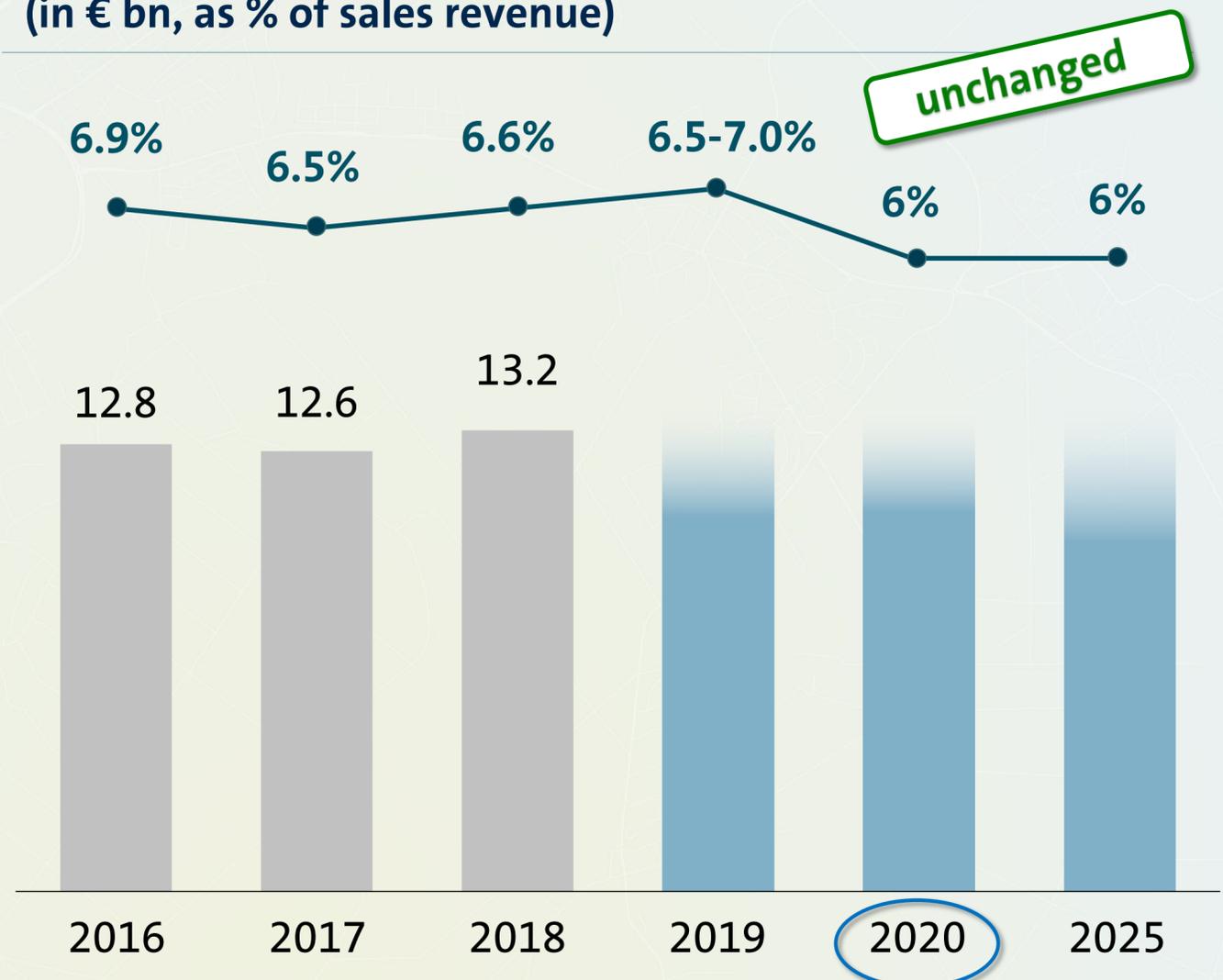


DISCIPLINE: MAINTAINING R&D AND CAPEX TARGETS

R&D Automotive Division
(in € bn, as % of sales revenue)



CAPEX Automotive Division
(in € bn, as % of sales revenue)



BUSINESS: FOCUS ON THE CORE



Board
perspective



Capital market
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 Flow¹⁾
(in € bn)



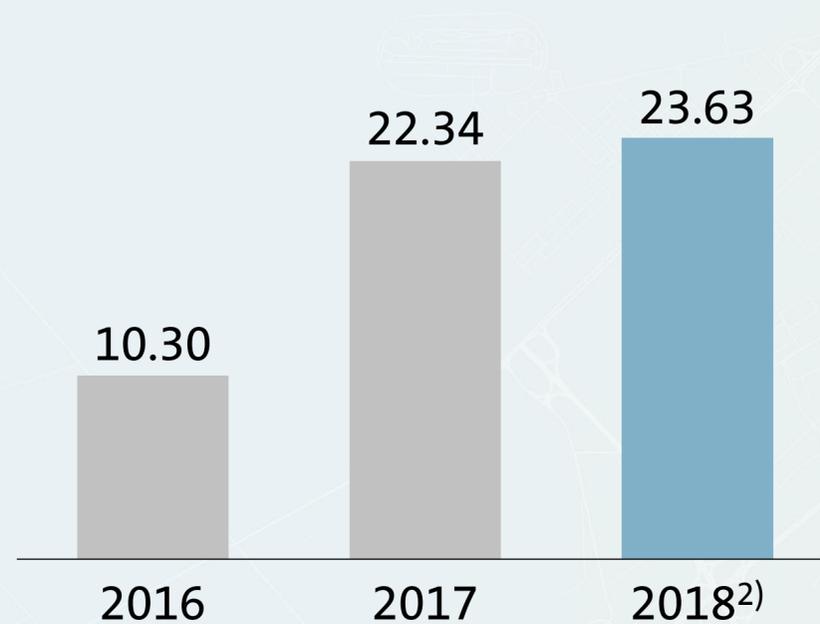
- ✓ Improving working capital management
- ✓ Robust China dividends
- ✓ Cash is King!



¹⁾ Before Diesel related outflows and M&A.

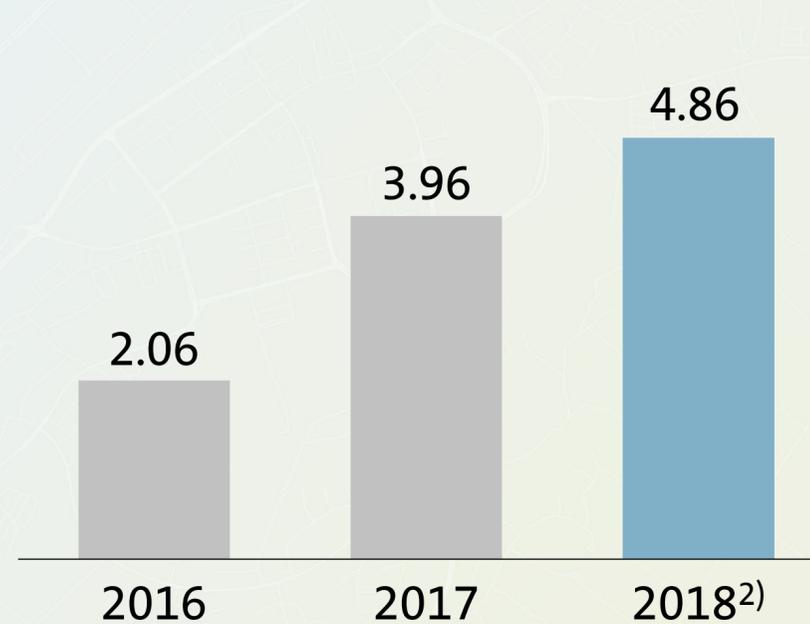
GENERATE CASH (2): ATTRACTIVE DIVIDEND

Earnings per Preference Share
(€)



Target EPS: \geq 30 € by 2020

Dividend per Preference Share
(€)



Target Dividend Pay-Out Ratio: 30%

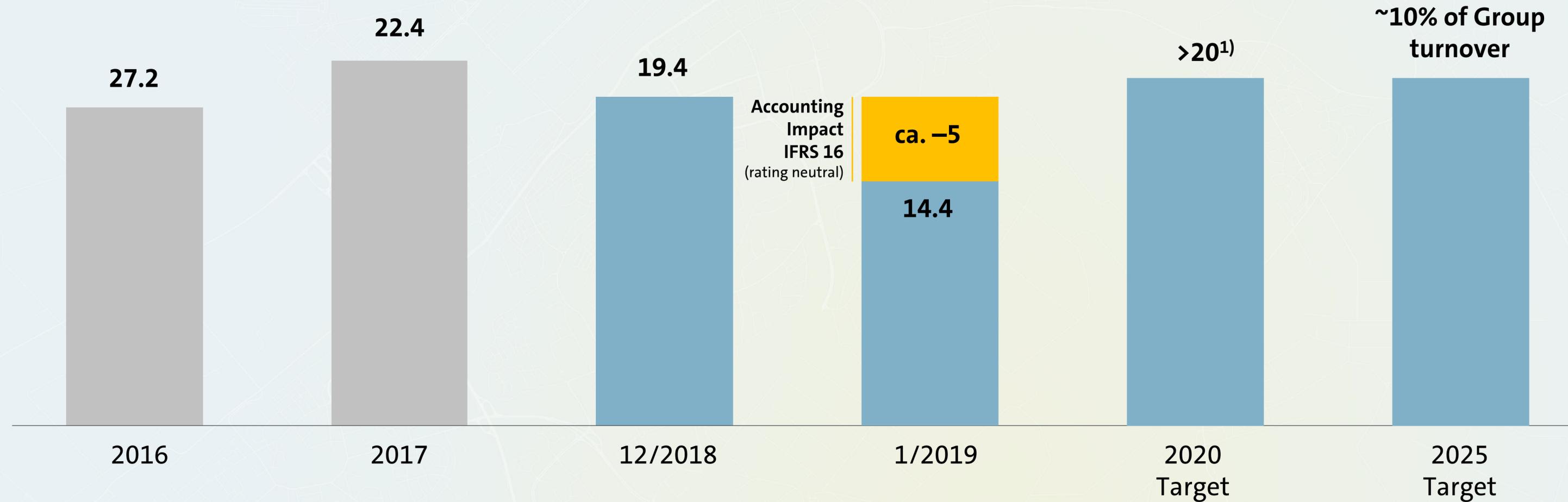
Dividend pay-out ratio¹⁾
(%)



¹⁾ Total dividend in percent of net income attributable to shareholders of Volkswagen AG. ²⁾ Dividend proposal.

AUTOMOTIVE NET LIQUIDITY: ROBUST BASE

(in € bn)



¹⁾ Including the negative IFRS 16 impact, effective from 1st January, 2019.

FUNDING: SOLID RATING, WELL DIVERSIFIED

Broad access to all relevant funding sources

Current Ratings

S&P Global

MOODY'S

LONG TERM

SHORT TERM

LONG TERM

SHORT TERM

Volkswagen AG

BBB+ (s)

A-2

A3 (s)

P-2

Volkswagen Financial Services AG

BBB+ (s)

A-2

A3 (s)

P-2

Volkswagen Bank GmbH

A- (n)

A-2

A1 (s)

P-1

Outlook (s) = stable, (n) = negative

STAKEHOLDER: ESG PRINCIPLES¹⁾ INTEGRAL TO “TOGETHER-4-INTEGRITY”

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

STRATEGY

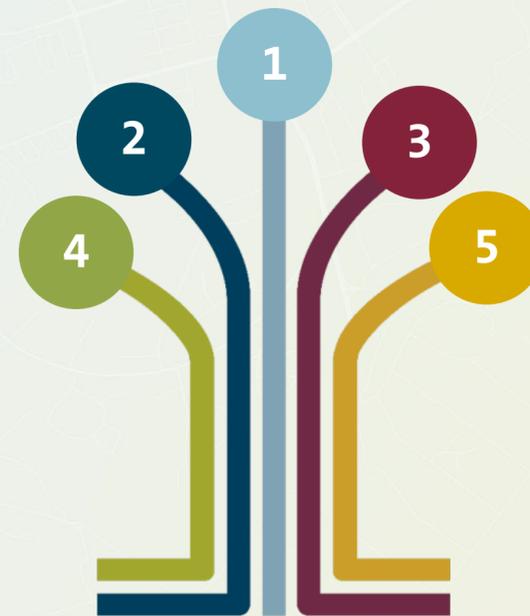
Ethics and compliance is central to business strategy

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



INTEGRITY & COMPLIANCE
PROGRAM
TOGETHER FOR INTEGRITY

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 !**