

**VOLKSWAGEN**

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## **Volkswagen Group: Stability in Volatile Times**

Lennart Schmidt, Kai Otto, Ulrich Hauswaldt, Nils Allnoch

Volkswagen AG, Volkswagen Financial Services

Commerzbank Investorday, Frankfurt, 16 September 2015

## 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 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.

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## Volkswagen Investor Update

Volkswagen AG

**Lennart Schmidt – Group Investor Relations**

**Kai Otto – Head of Capital Markets, Asset Management and Bank Policy**

Volkswagen Financial Services

**Ulrich Hauswaldt – Investor Relations**

**Nils Allnoch – Debt Capital Markets and Rating**

## Volkswagen Investor Update

Volkswagen AG

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## Highlights January – June 2015

Sales revenue increased partly due to positive influences from exchange rates and mix

Operating result, before and after special items, improved in a regionally very mixed market environment

Profit before tax lower despite slightly higher at-equity earnings from Chinese joint ventures due to significantly negative fair value measurement of derivatives

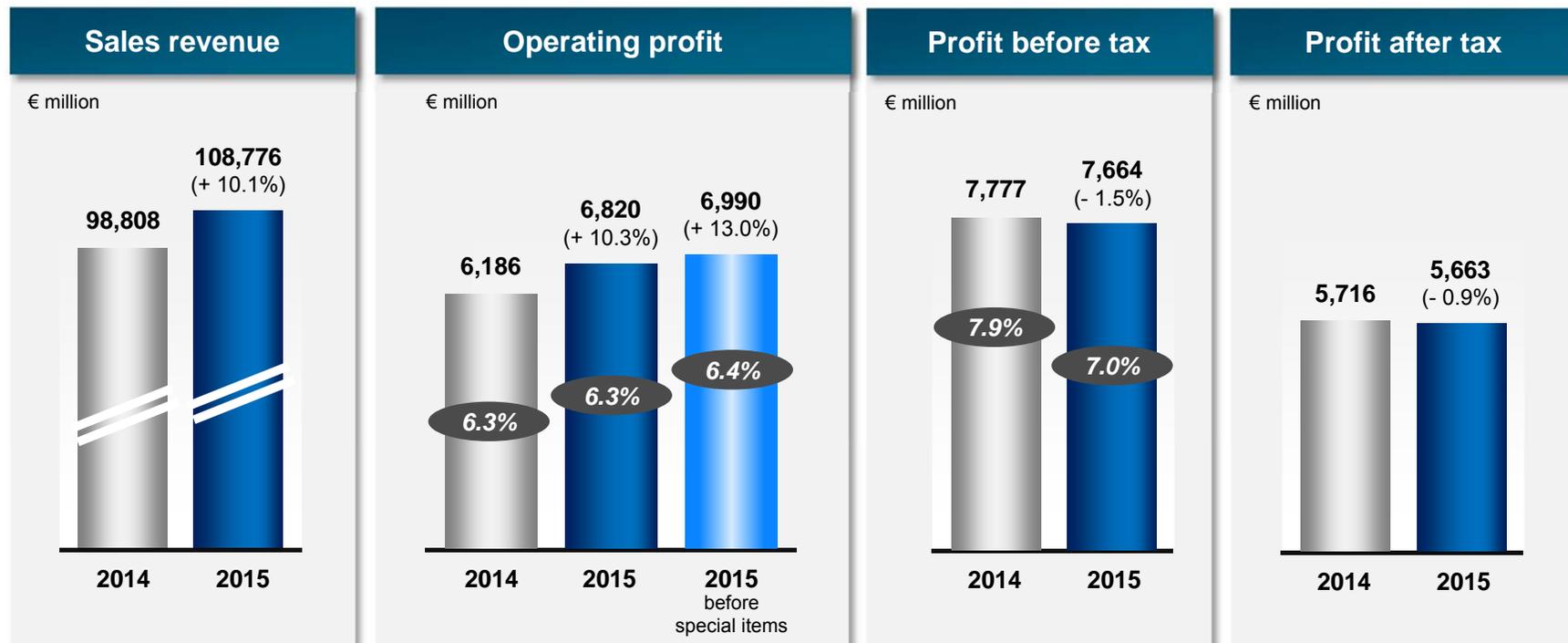
Strong net cash flow generation facilitates robust automotive net liquidity

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## Financial Highlights – Volkswagen Group (January to June 2015 vs. 2014)



x.x% Operating profit / profit before tax in % of sales revenue

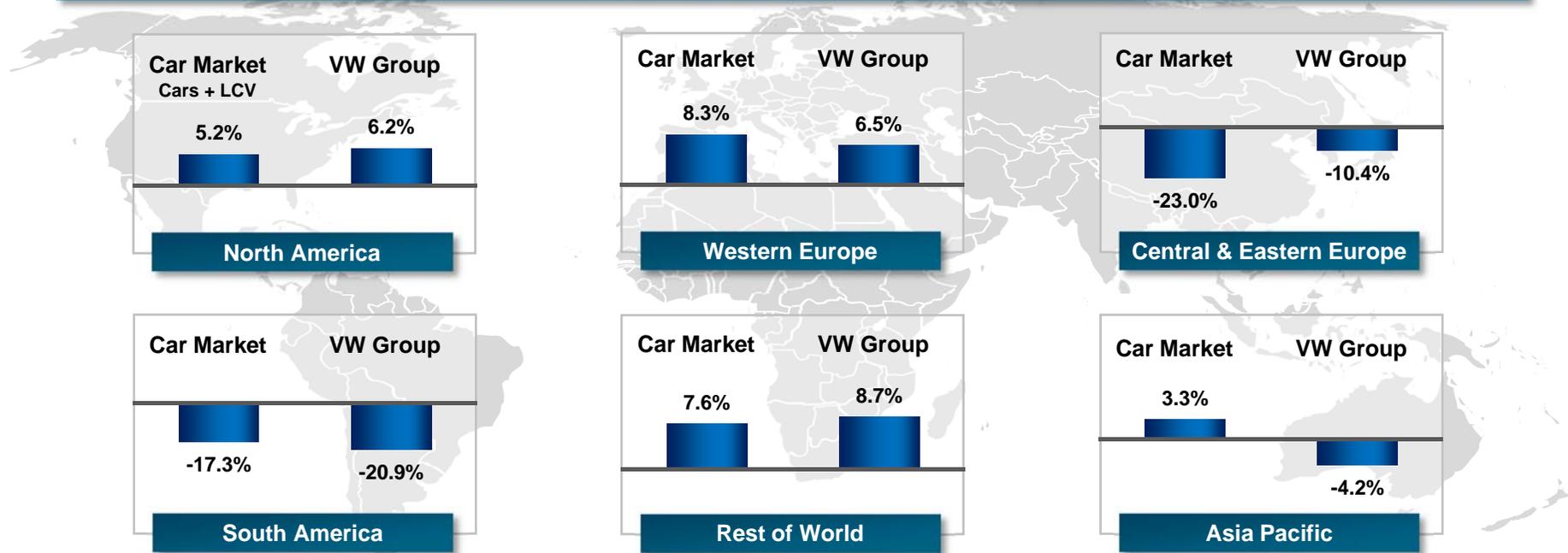
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## Development World Car Market vs. Volkswagen Group Car Deliveries to Customers<sup>1)</sup> (Growth y-o-y in deliveries to customers, January to July 2015 vs. 2014)

**World: Car Market: 2.5% Volkswagen Group: -0.9%**



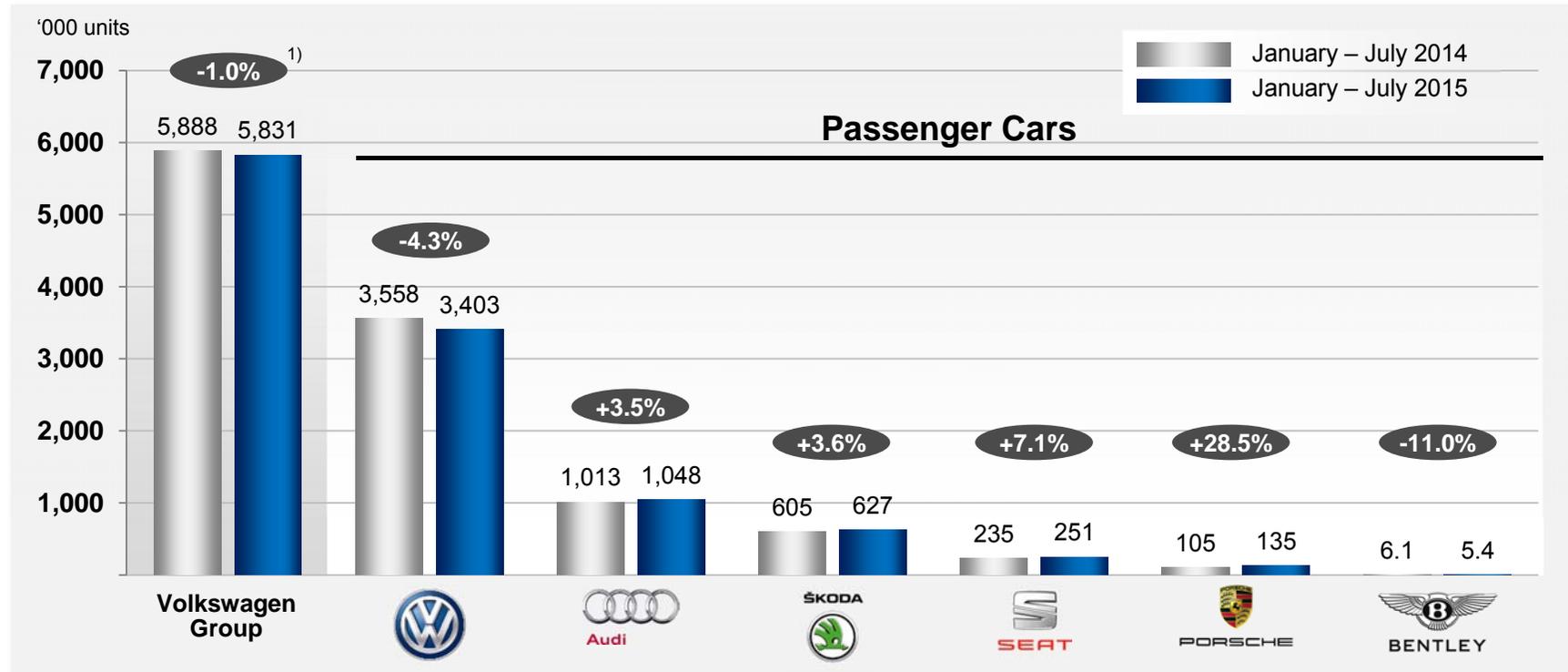
<sup>1)</sup> Figures excl. Volkswagen Commercial Vehicles, Scania and MAN

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## Volkswagen Group – Deliveries to Customers by Brands (January to July 2015 vs. 2014)



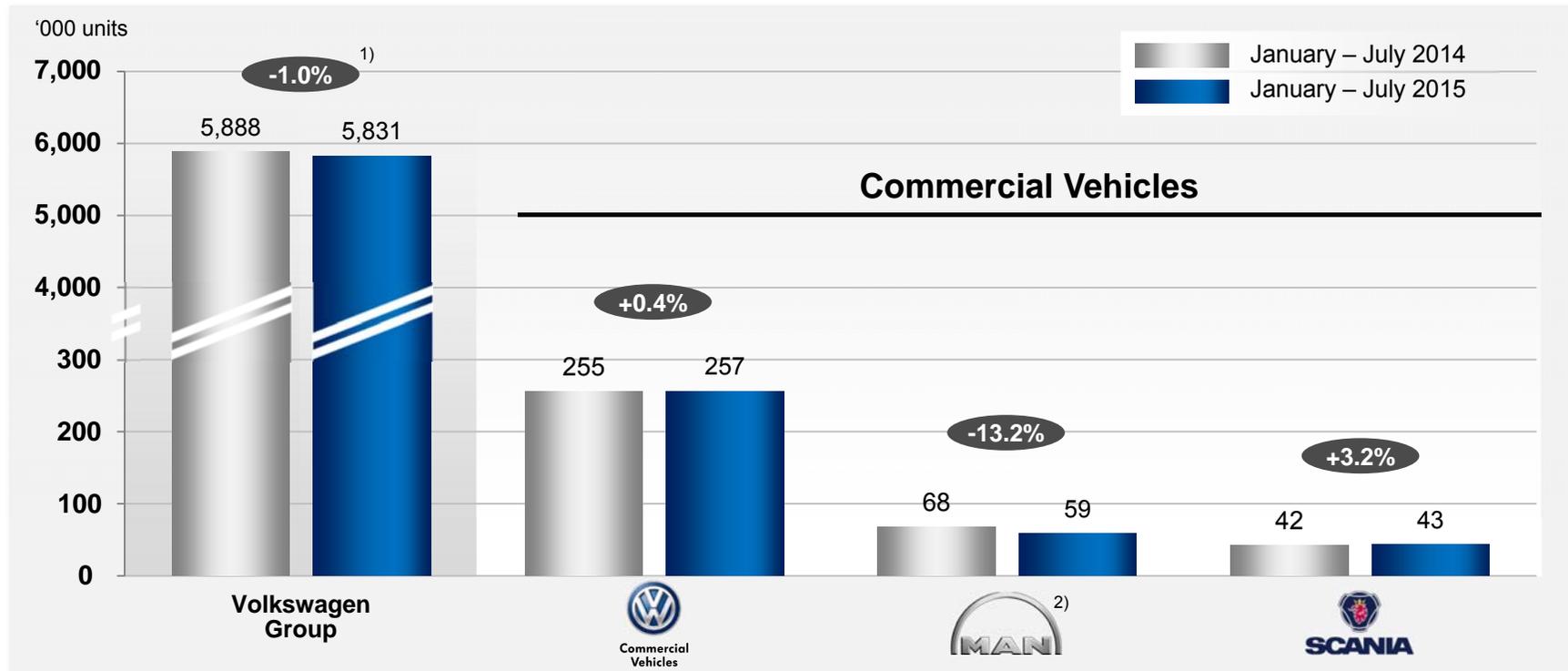
<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -0.9% excl. Volkswagen Commercial Vehicles, Scania and MAN.

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## Volkswagen Group – Commercial Vehicles Deliveries to Customers by Brands (January to July 2015 vs. 2014)



<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -0.9% excl. Volkswagen Commercial Vehicles, Scania and MAN.

<sup>2)</sup> MAN incl. MAN Latin America Trucks and Buses GVW > 5t

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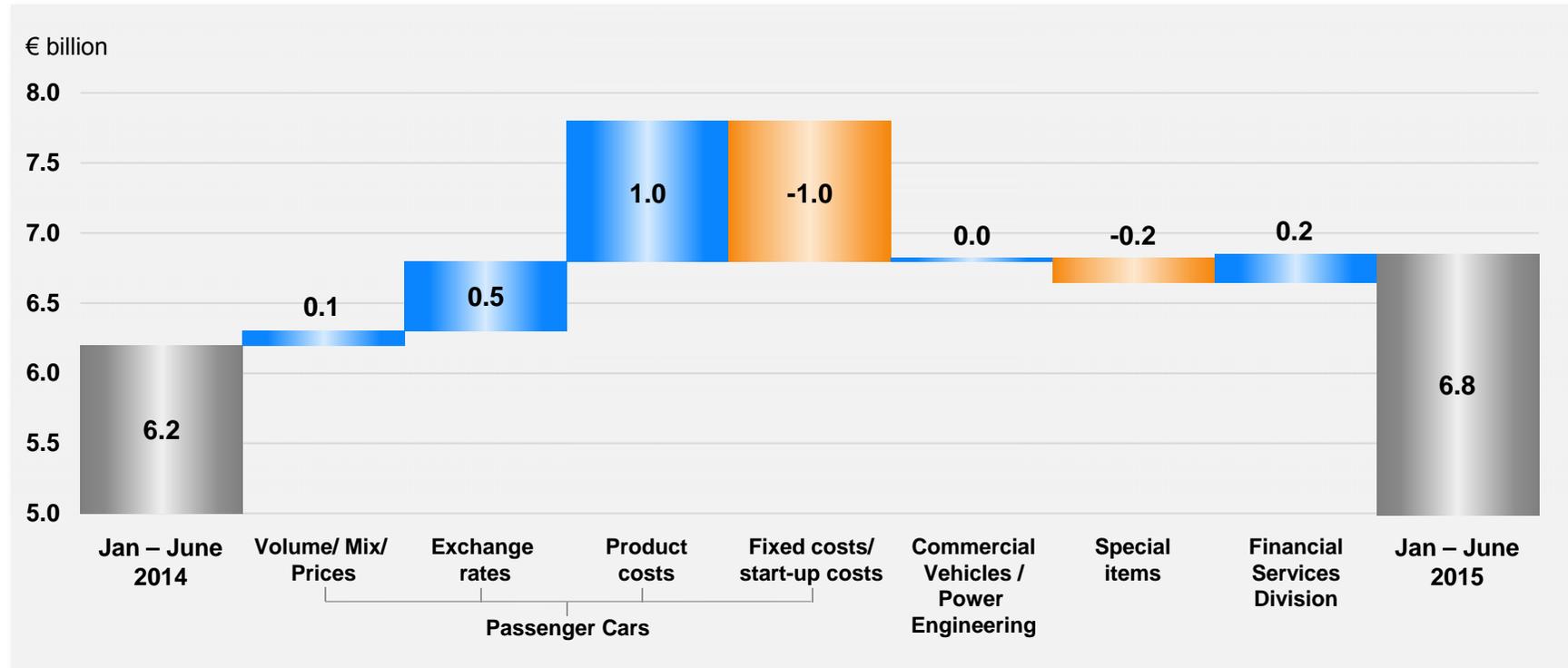
## Volkswagen Group – Analysis by Division<sup>1)</sup> (January to June 2015 vs. 2014)

thousand vehicles / € million	Volkswagen Group		Automotive Division		Financial Services Division	
	2015	2014	2015	2014	2015	2014
Vehicle sales	5,090	5,207	5,090	5,207	-	-
Sales revenue	108,776	98,808	94,093	87,044	14,683	11,764
Operating profit before special items	6,990	6,186	5,870	5,262	1,120	924
% of sales revenue	6.4	6.3	6.2	6.0	7.6	7.9
Special items	-170	-	-170	-	-	-
Operating profit	6,820	6,186	5,700	5,262	1,120	924
% of sales revenue	6.3	6.3	6.1	6.0	7.6	7.9
Financial result	843	1,591	785	1,520	58	71
of which: At-equity result <sup>2)</sup>	2,241	2,143	2,222	2,127	19	16
of which: Other financial result	-1,397	-552	-1,437	-608	39	56
Profit before tax	7,664	7,777	6,485	6,782	1,179	995
% Return on sales before tax	7.0	7.9	6.9	7.8	8.0	8.5
Profit after tax	5,663	5,716	4,882	4,974	781	742

<sup>1)</sup> All figures shown are rounded, so minor discrepancies may arise from addition of these amounts. Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

<sup>2)</sup> The joint venture companies in China are accounted for using the equity method and recorded an operating profit (proportionate) of €2,744 million (€2,622 million).

## Volkswagen Group – Analysis of Operating Profit<sup>1)</sup> (January to June 2015 vs. 2014)



<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts.

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## Volkswagen Group – Analysis by Business Line<sup>1)</sup> (January to June 2015 vs. 2014)

thousand vehicles/ € million	Vehicle sales		Sales revenue		Operating profit	
	2015	2014	2015	2014	2015	2014
Volkswagen Passenger Cars	2,251	2,302	53,578	49,259	1,428	1,012
Audi	784	750	29,784	26,690	2,914	2,671
ŠKODA	421	426	6,421	5,974	522	425
SEAT	286	258	4,469	3,948	52	-37
Bentley	5	6	939	887	54	95
Porsche <sup>2)</sup>	109	89	10,850	8,162	1,698	1,398
Volkswagen Commercial Vehicles	231	221	5,223	4,724	268	280
Scania <sup>2)</sup>	38	38	5,182	5,067	503	476
MAN	50	58	6,719	6,699	185	222
VW China <sup>3)</sup>	1,743	1,847	-	-	-	-
Other	-827	-788	-27,407	-23,026	-1,605 <sup>4)</sup>	-1,132 <sup>4)</sup>
Volkswagen Financial Services	-	-	13,018	10,423	970	776
<b>Volkswagen Group before special items</b>	-	-	-	-	<b>6,990</b>	<b>6,186</b>
Special items	-	-	-	-	-170	-
<b>Volkswagen Group</b>	<b>5,090</b>	<b>5,207</b>	<b>108,776</b>	<b>98,808</b>	<b>6,820</b>	<b>6,186</b>
Automotive Division <sup>5)</sup>	5,090	5,207	94,093	87,044	5,700	5,262
of which: Passenger Cars	4,772	4,890	77,129	70,711	5,346	4,748
of which: Commercial Vehicles, Power Engineering	318	317	16,964	16,333	354	514
Financial Services Division	-	-	14,683	11,764	1,120	924

<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> Incl. financial services. <sup>3)</sup> Sales revenue and operating profit of the JV's in China are not included in the Group figures. The Chinese companies are accounted for using the equity method and recorded an operating profit (proportionate) of €2,744 million (€2,622 million). <sup>4)</sup> Mainly intragroup items, in particular from elimination of intercompany profits; incl. depreciation and amortization of identifiable assets as part of the PPA for Scania, Porsche Holding Salzburg, MAN and Porsche. <sup>5)</sup> Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

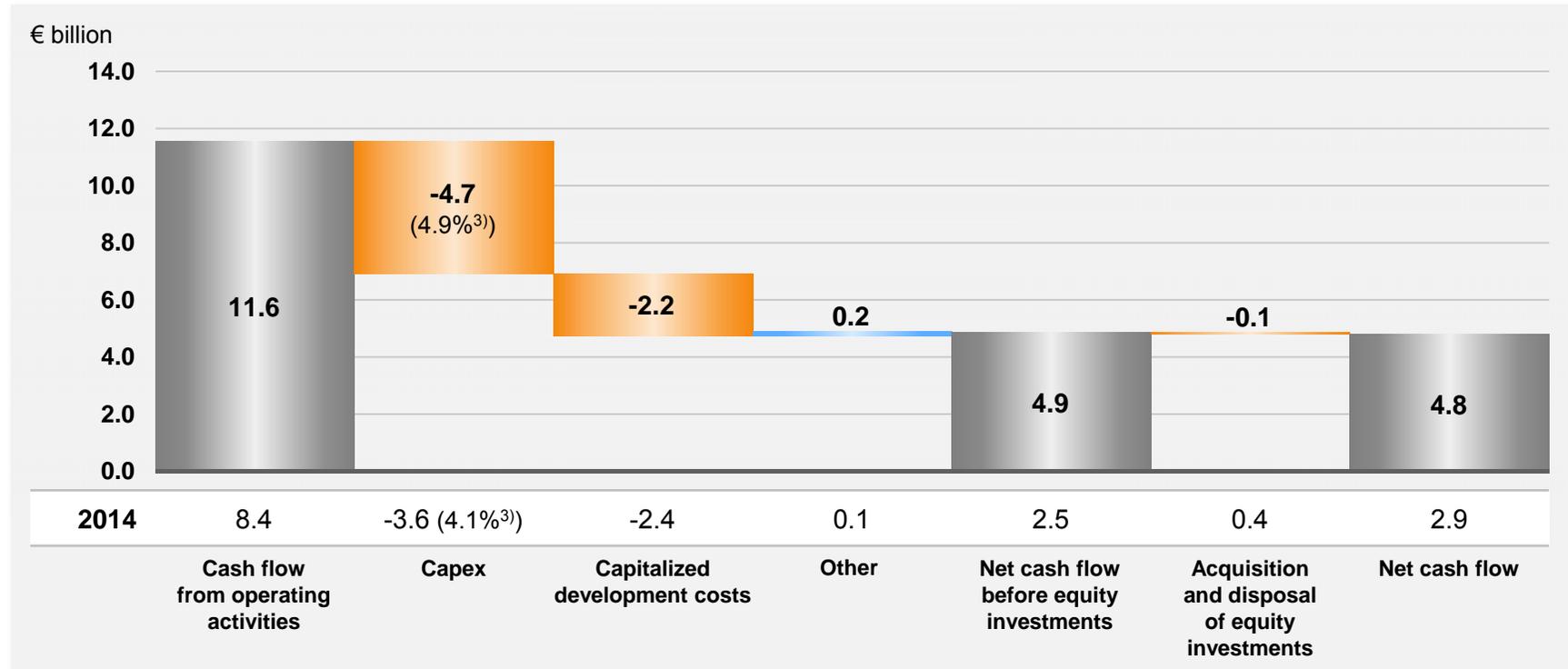
## Volkswagen Group – Analysis of Earnings per Share Development (January to June 2015 vs. 2014)



- Key driving factors for EPS**
- + Increase of Group operating profit
  - + Slightly improved at-equity result, mainly from Chinese joint venture companies
  - Significantly more negative other financial results, mainly due to significantly negative fair value measurement effects
  - Slightly increased average number of shares outstanding following issuance of equity capital in 2014

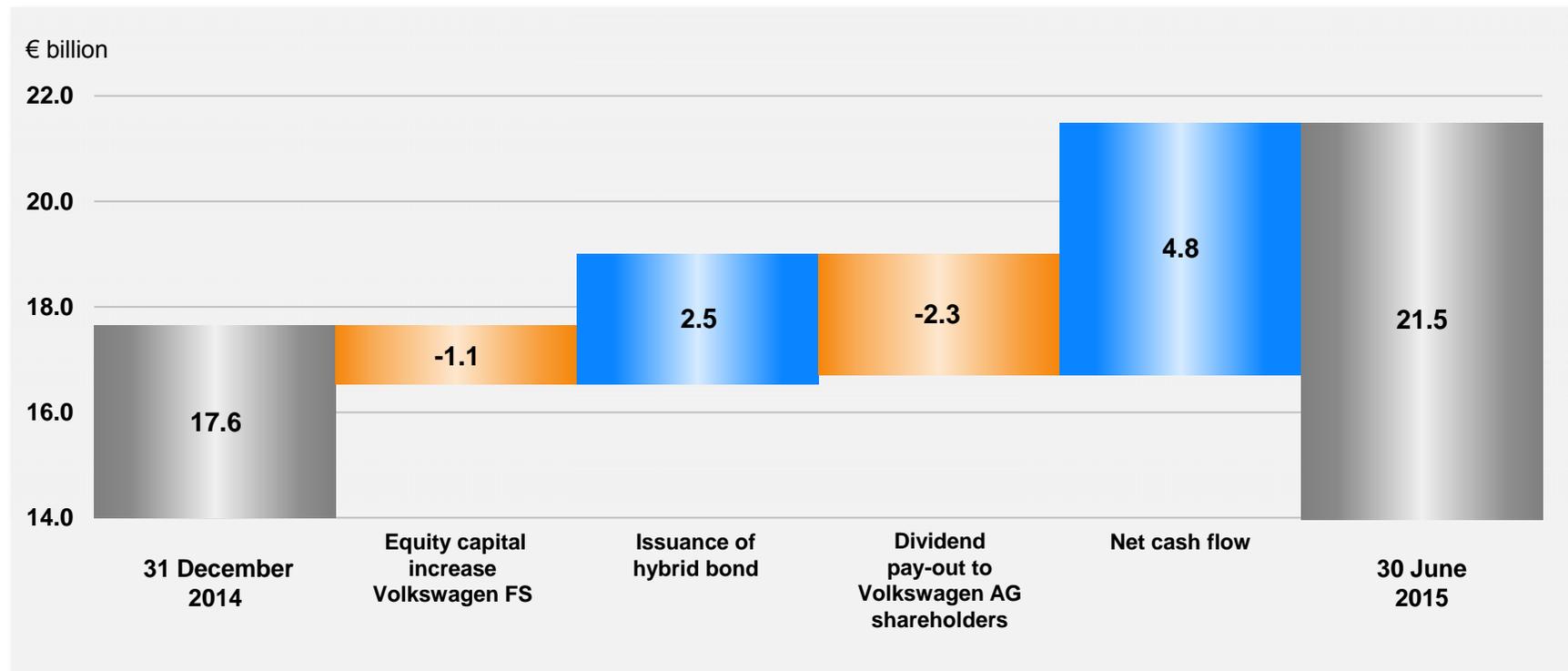
<sup>1)</sup> Prior-year figures adjusted to reflect application of IAS 33.26.

## Automotive Division – Strong Cash Generation<sup>1) 2)</sup> (January to June 2015)



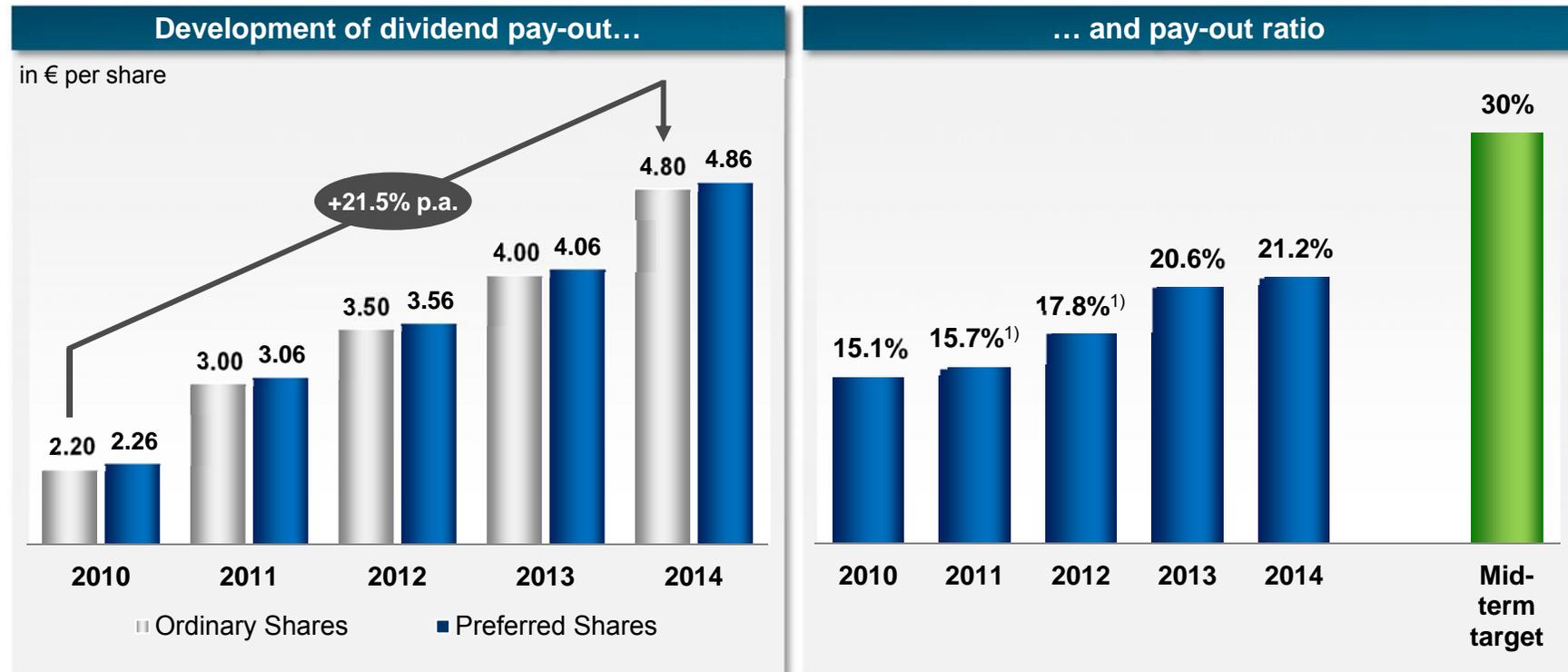
<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> Including allocation of consolidation adjustments between Automotive and Financial Services divisions. <sup>3)</sup> Capital expenditure for property, plant and equipment in % of Automotive sales revenue.

## Automotive Division – Analysis of Net Liquidity<sup>1)</sup>



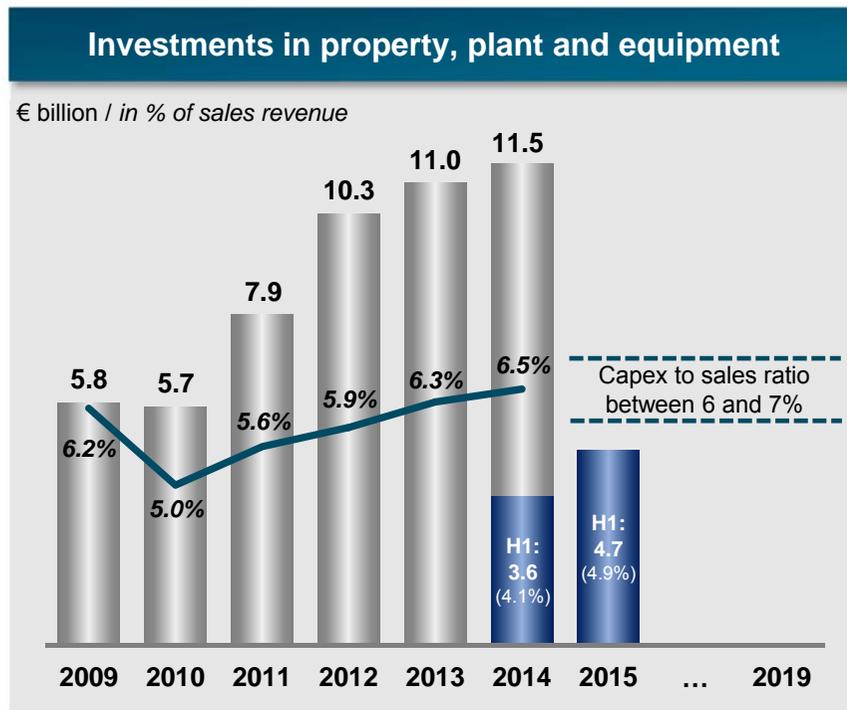
<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts.

## Continuous dividend development on a sustainable basis



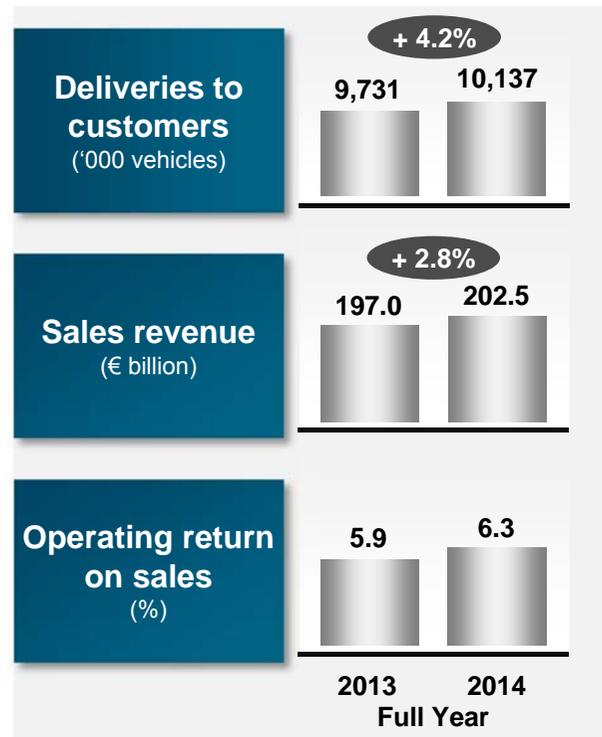
<sup>1)</sup> Total dividend in percent of net income attributable to shareholders adjusted for noncash income mainly from the updated measurement of the put/call rights relating to the acquisition of the stake in Porsche AG indirectly held by Porsche SE, as well as the remeasurement of the existing stake held at the contribution date.

## Volkswagen's Automotive Division continues to invest in new products, innovative technologies and its global production footprint



Note: All figures shown are rounded.

## Volkswagen Group – Outlook for 2015



We expect ...

- deliveries to customers for the Volkswagen Group in 2015 to remain on a level with the previous year in a persistently challenging market environment.
- 2015 sales revenue for the Volkswagen Group and its business areas to increase by up to 4% above the prior-year figure, depending on the economic conditions. However, economic trends in Latin America and Eastern Europe will need to be continuously monitored in the Commercial Vehicles/Power Engineering Business Area.

In terms of operating profit ...

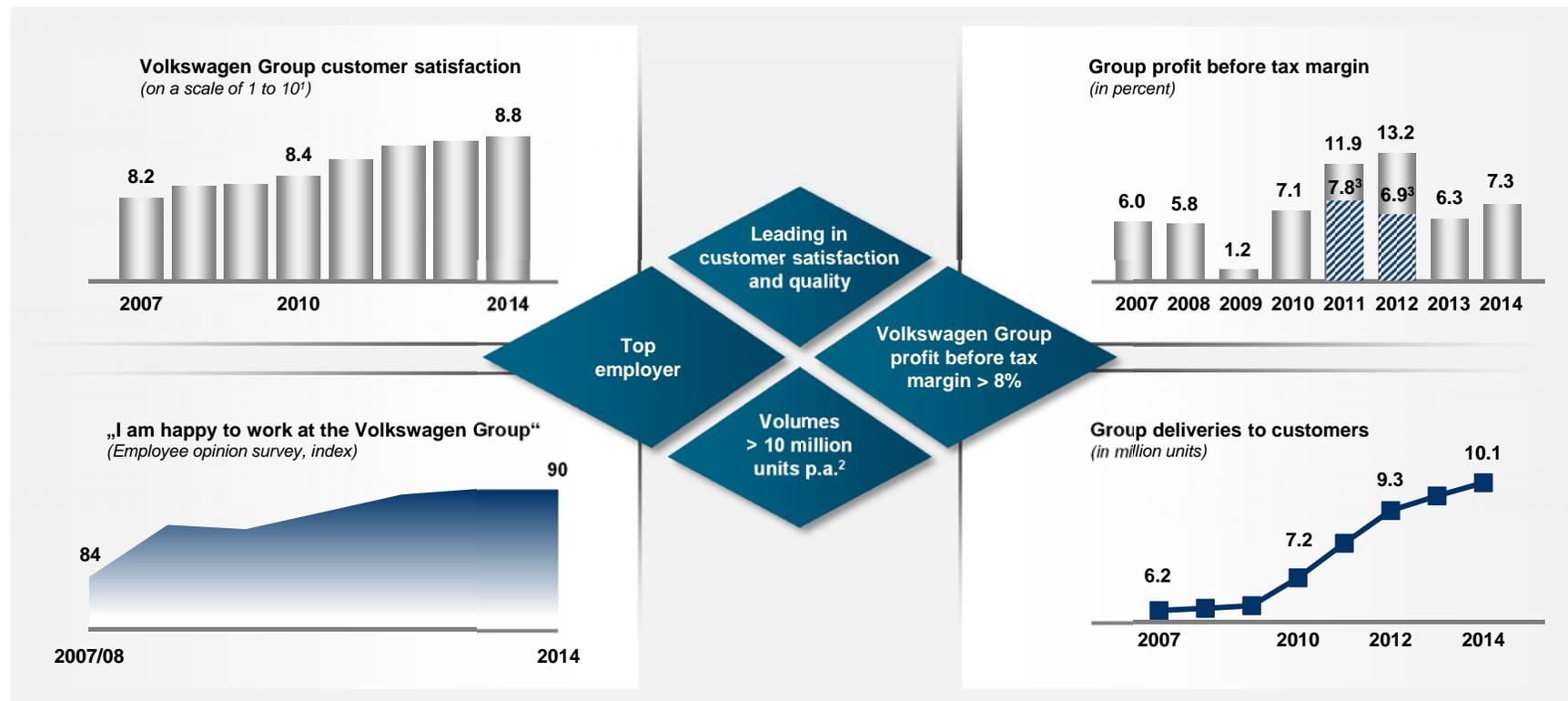
- we anticipate a Group operating return on sales of between 5.5% and 6.5% in 2015 in light of the challenging economic environment.
- The operating return on sales is expected to be in the 6.0% to 7.0% range in the Passenger Cars Business Area and between 2.0% and 4.0% in the Commercial Vehicles/Power Engineering Business Area.
- For the Financial Services Division, we are forecasting an operating profit at the prior-year level.

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## Volkswagen Group – Well on track to achieve targets under Strategy 2018



<sup>1</sup> Own calculation based on key industry studies on customer satisfaction with dealers, after sales and new vehicles. <sup>2</sup> Including China.

<sup>3</sup> Group profit before tax margin excluding the nonrecurring effect from the remeasurement of the Porsche put/call options and from remeasurement at the contribution date of the shares already held.

## Volkswagen Group – Key sustainable achievements

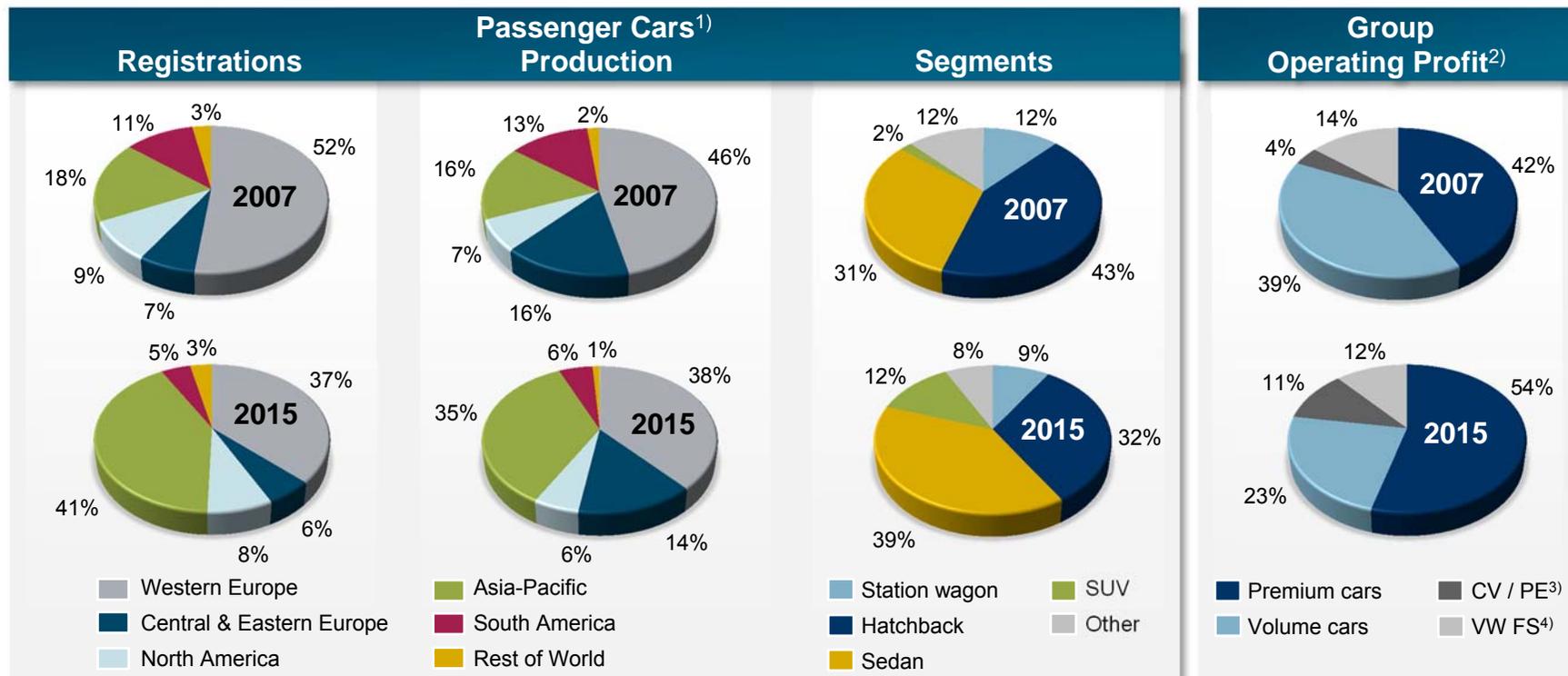
Superior products	
Continued market leadership in Europe and China	
Positioning and cooperation clearly strengthened in the premium segment	
Creation of a leading truck business	
Successful toolkit implementation	

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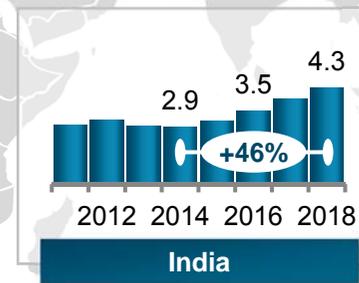
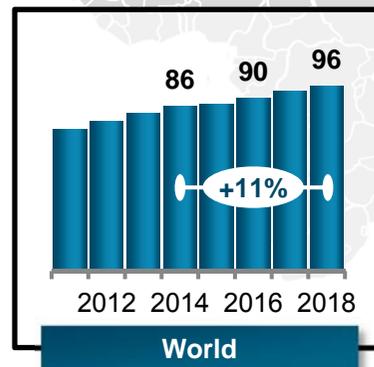
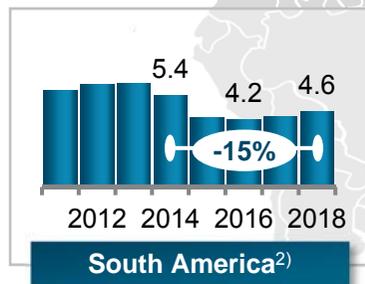
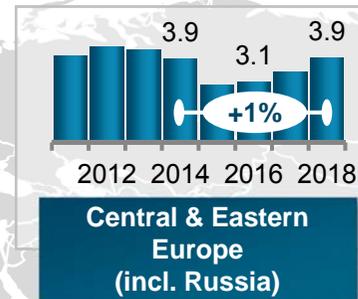
## Improved segment and market exposure provides stable earnings platform



<sup>1)</sup> Source: Polk; Jan - Jun 2015 vs. FY 2007, figures excl. Volkswagen Commercial Vehicles, MAN and Scania, Porsche fully consolidated as from 1 August 2012 <sup>2)</sup> Split of Group Operating Profit excl. Other / Consolidation and PPA, Jan - Jun 2015 vs. FY 2007 <sup>3)</sup> Commercial Vehicles / Power Engineering, H1 2015 Operating Profit before special items <sup>4)</sup> VW Financial Services figures do not include financial service activities of Scania, Porsche AG and Porsche Holding Salzburg

## Key sales markets offer substantial growth opportunities

Market growth 2014 – 2018 (million units)



<sup>1)</sup> Includes Cyprus and Malta

<sup>2)</sup> Includes Central America and Caribbean

Source: IHS Automotive (data status: September 2015), rounded

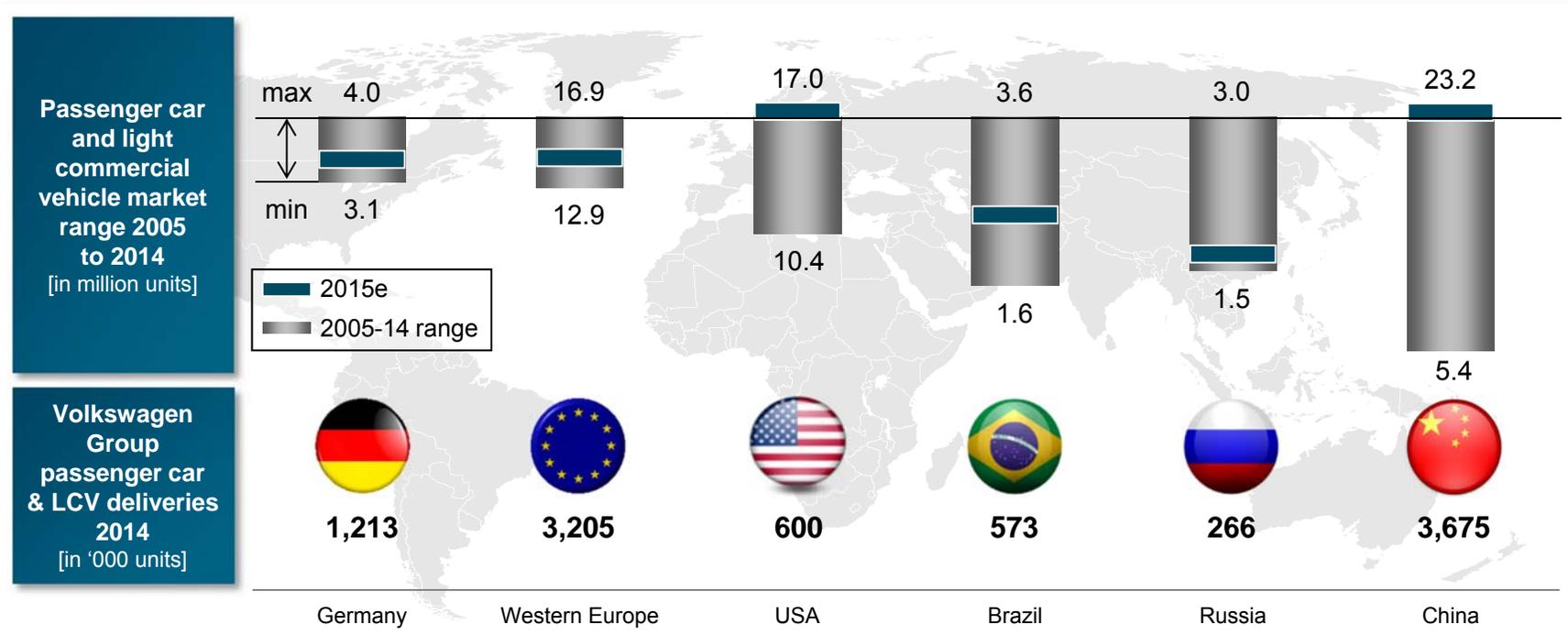
Note: Market = Cars and LCVs

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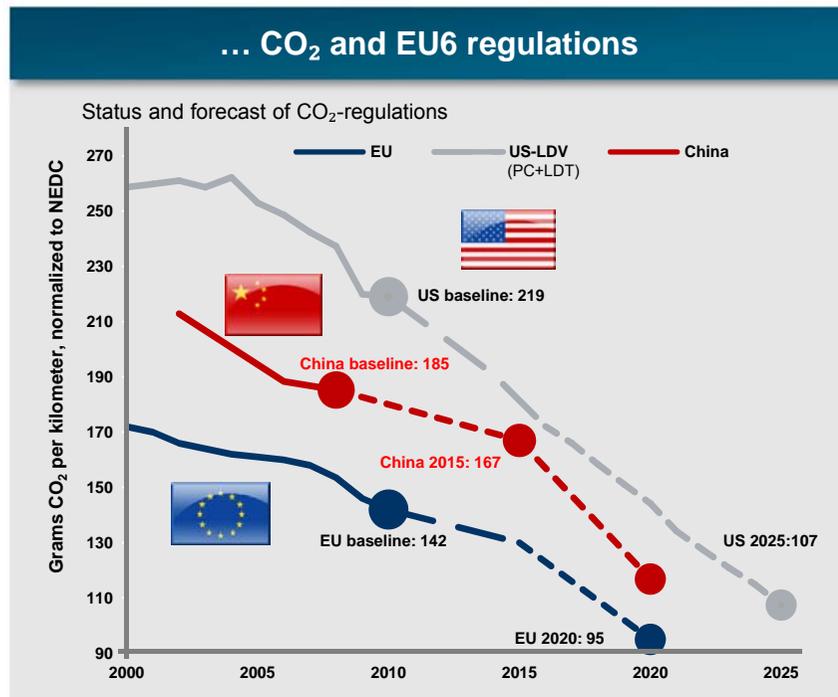
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## While some major markets are near peak levels, core regions of the Volkswagen Group are still significantly below historical sales levels



Source: IHS Automotive and company data; Western Europe incl. Germany, China incl. Hong Kong

# Tightening environmental regulation and major trends driving substantially higher investment and engineering needs today



Source: based on ICCT

### ... Market / consumer trends

<b>Digitalization</b> 	<b>Shorter lifecycles</b> 
<b>E-mobility</b> 	<b>SUV trend</b> 
<b>Automated driving</b> 	<b>Shift in priorities</b> 

# Future Tracks – Paving the way to the future

## Strategy for the time beyond 2018



Future trends

Profitability

Revenues



Costs

Economic uncertainty



Trade barriers



Currencies



Economic development



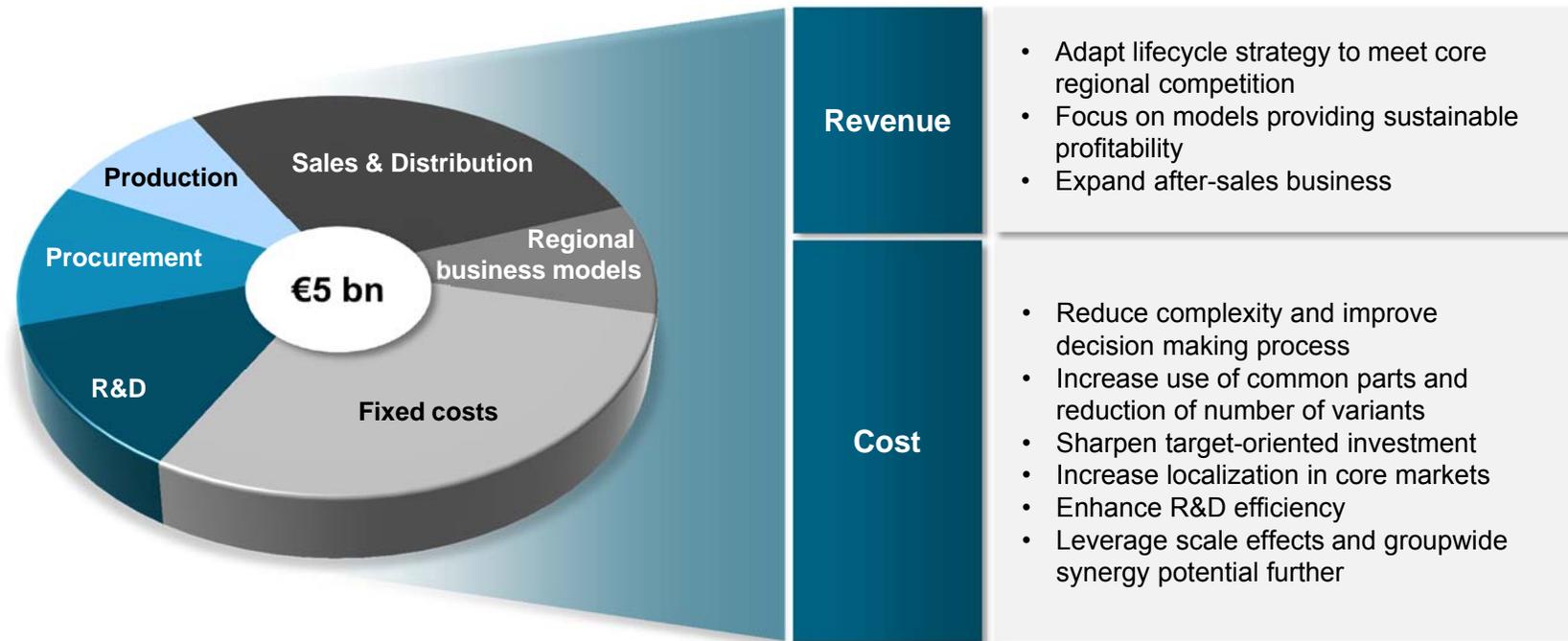
Regulations



## Volkswagen Group 2018 Strategy



## Volkswagen Brand: Substantial efficiency measures across all business areas to ensure > 6% target return before 2018

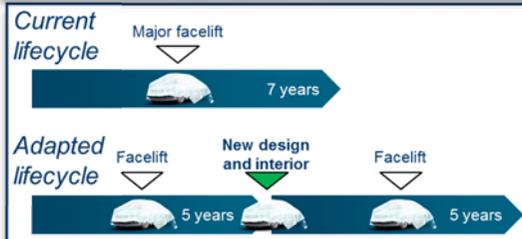


## Volkswagen Brand: Three focus areas to improve competitiveness



### Efficiency Program

#### Model Portfolio & Cycle Plan



- Continually adapt product lifecycles to the specific regional and competitive requirement
- Challenge every model regarding growth prospects and sustainable profit contribution

#### Strengthen Regions



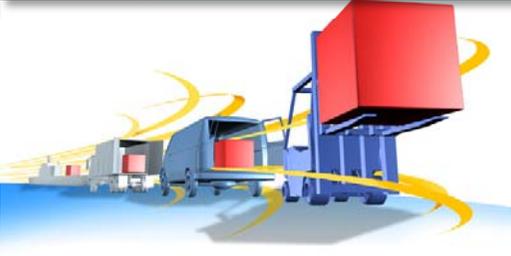
- Improve operational and financial robustness of regional business models
- Increase localization of products, production and components as well as research and development

#### Cost Discipline & Productivity

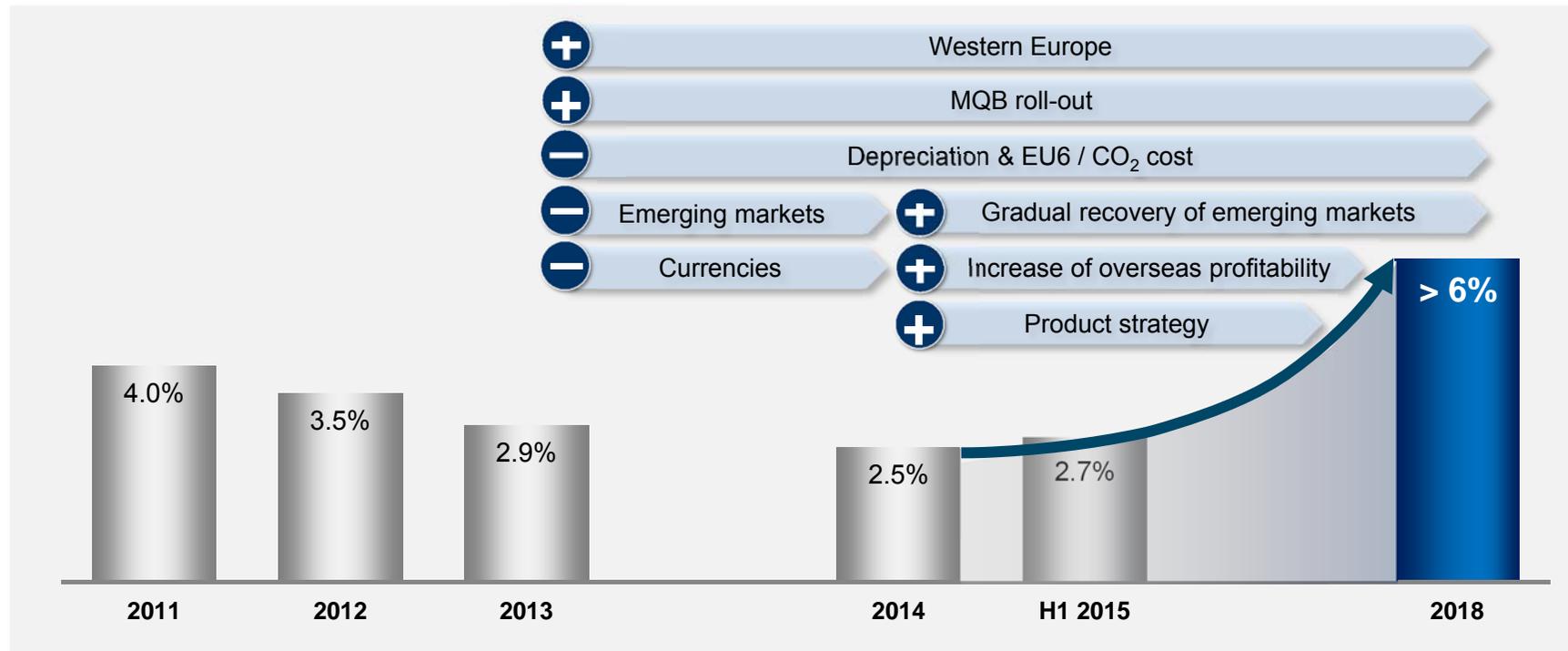


- Strong focus on cost and investment discipline
- Roll-out of efficiency program in order to secure/improve cost efficiency and quality of results

## Efficiency program well on the way in all business areas

<p><b>Revenue enhancement through increased sales of Golf R and R-line-packages</b></p> 	<p><b>Logistics cost optimization</b></p> 	<p><b>Test fleet vehicle efficiencies</b></p> 												
<p><b>Factory 4.0</b></p> 	<p><b>Complexity reduction</b></p> <table border="1"> <thead> <tr> <th>Touran current model</th> <th>Touran successor</th> <th>Golf 7: Batteries</th> <th>Golf 7: Interior lamps</th> </tr> </thead> <tbody> <tr> <td> <p><b>Complexity drivers</b></p> <ul style="list-style-type: none"> <li>■ Drivers assistant systems</li> <li>■ Legal requirements</li> <li>■ Seating options</li> <li>■ ...</li> </ul> </td> <td> <p><b>Variant reduction</b></p> <ul style="list-style-type: none"> <li>■ Steering wheels</li> <li>■ Trunk lining</li> <li>■ Mirrors</li> <li>■ ...</li> </ul> </td> <td>  <p>~50%</p> </td> <td>  <p>~50%</p> </td> </tr> <tr> <td>  </td> <td>  </td> <td>  <p>&gt;30%</p> </td> <td>  <p>&gt;30%</p> </td> </tr> </tbody> </table>		Touran current model	Touran successor	Golf 7: Batteries	Golf 7: Interior lamps	<p><b>Complexity drivers</b></p> <ul style="list-style-type: none"> <li>■ Drivers assistant systems</li> <li>■ Legal requirements</li> <li>■ Seating options</li> <li>■ ...</li> </ul>	<p><b>Variant reduction</b></p> <ul style="list-style-type: none"> <li>■ Steering wheels</li> <li>■ Trunk lining</li> <li>■ Mirrors</li> <li>■ ...</li> </ul>	 <p>~50%</p>	 <p>~50%</p>			 <p>&gt;30%</p>	 <p>&gt;30%</p>
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		 <p>&gt;30%</p>	 <p>&gt;30%</p>											

## Improving operating returns at Volkswagen Passenger Cars<sup>1)</sup> the latest by 2018 is a core objective



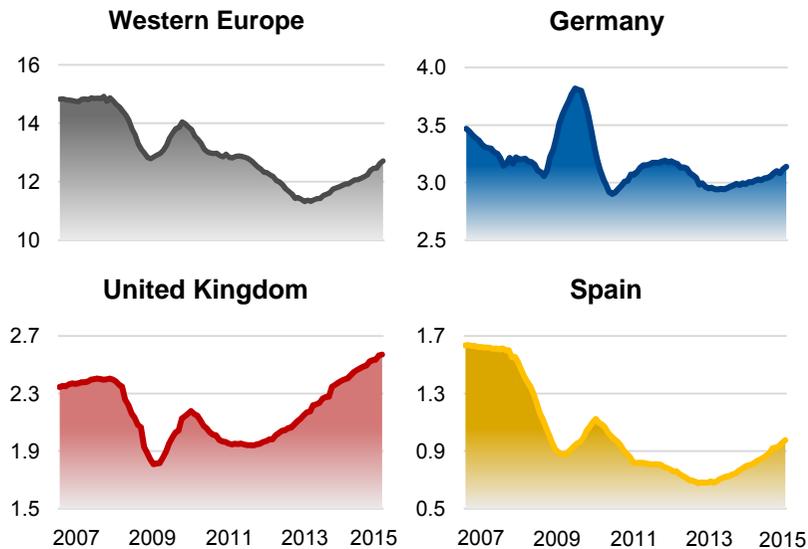
<sup>1)</sup> The joint venture companies in China are accounted for using the equity method and thus are not included in the operating profit of Volkswagen Passenger Cars.



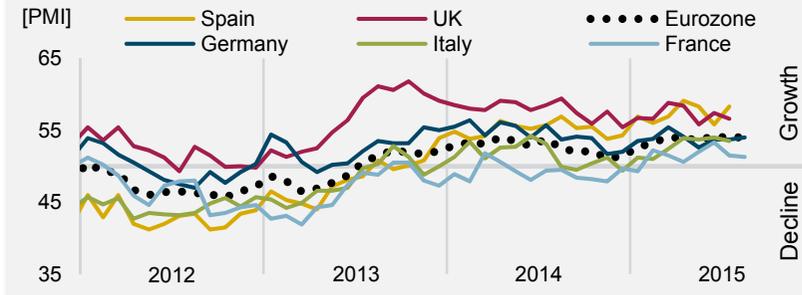
## Western European car markets are recovering on a solid basis, but most markets are still below historical levels

### Key Western European Passenger Car Markets

[Seasonally-adjusted-annual rate, Dec 2006 – Jul 2015, in m units]



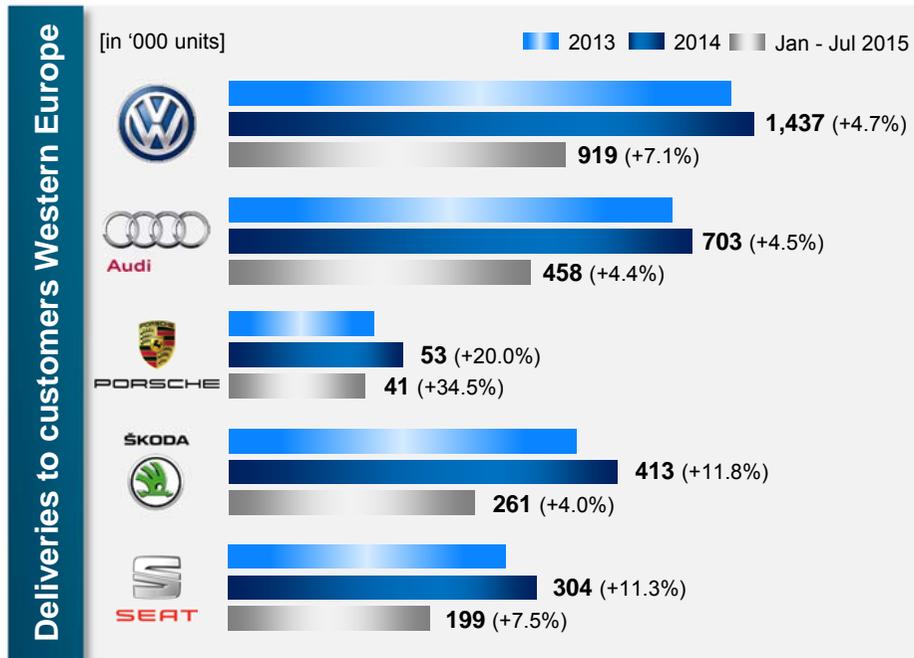
### Purchasing Managers Index (as per July 2015)



- Since mid-2013 the Western European passenger car market is steadily recovering from lows
- Key drivers include recovering economic performance and sound growth expectations as well as low financing rates
- However, most markets are still below pre-crisis levels
- Further continuation of positive development supported by robust growth expectations



## Western European recovery – mix effects provide substantial stimulus to Group operating profit performance in addition to volume impact



- Positive overall volume impact**, driven by market growth as well as attractive product
- Supportive country mix**
- Positive model & segment mix**
- Improving content**

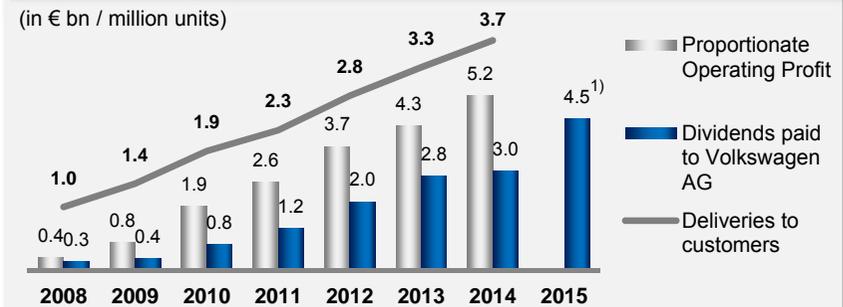
# Deep roots and strong market position combined with further growth potential assures continued profitable growth in China



## Production network and implementation of MQB



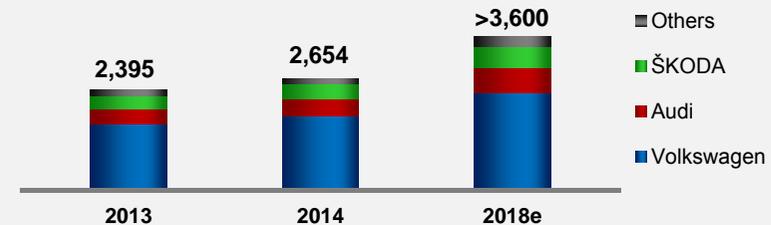
## Strong operational & financial track record



## Significant extension of product portfolio



## Continuous expansion of dealer network



<sup>1)</sup> Dividend proposal

**'New Normal' has arrived in the Chinese market requiring a different focus**



### Challenging framework conditions...

**Slowing GDP growth**

+10.4%

2010 2011 2012 2013 2014 2015 ytd

**Stock market volatility**

**Car purchase restrictions**

**Growth moving to lower Tier cities with more price sensitive customers**

**Pressure on vehicle prices**

### ...requires more focus on qualitative growth

**More focus on synergies, efficiencies and costs**

**Flexible and prudent capacity planning**

**Conservative planning of sales targets**

**Product portfolio refreshment and development**

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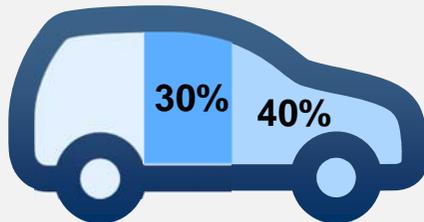
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**In 2015/16 Volkswagen Group is updating up to 70% of its models in China, including the launch of more than 30 entirely new models to the market**



## Model relaunches and facelifts in % of total portfolio



2016 total portfolio: ~160 models

-  % share of models introduced in 2015
-  % share of models introduced in 2016

## Vehicles carrying substantial volume potential to be updated in 2015/16 (examples)<sup>1)</sup>



**Lavida (SVW)**  
(>350,000 units)



**Audi A4L (FAW-VW)**  
(>100,000 units)



**Passat NMS (SVW)**  
(>200,000 units)



**Audi Q7 (FBU)**  
(>20,000 units)



**Magotan (FAW-VW)**  
(>200,000 units)



**ŠKODA Superb (SVW)**  
(>30,000 units)



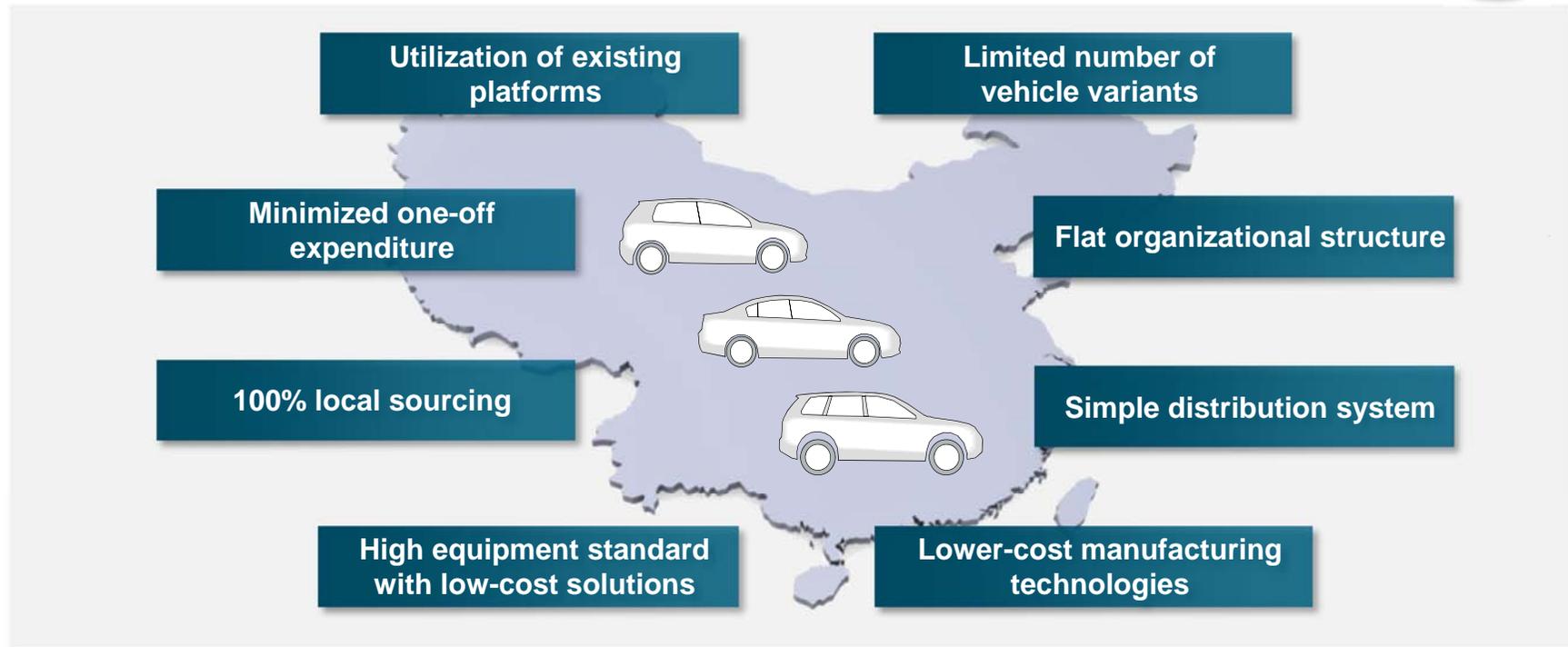
**Tiguan<sup>2)</sup> (SVW)**  
(>200,000 units)



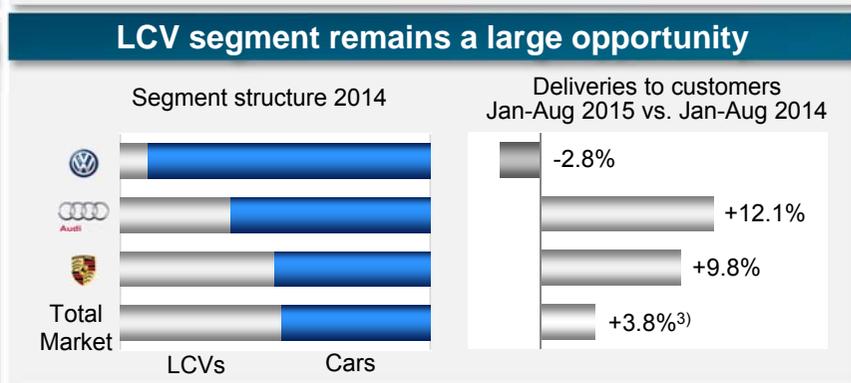
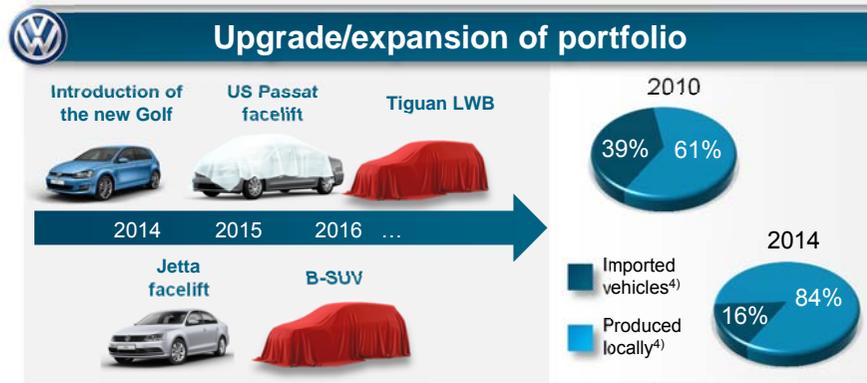
**Porsche 911 Coupé (FBU)**  
(>1,000 units)

<sup>1)</sup> Volume data as per full year 2014 <sup>2)</sup> incl. LWB version

## Volkswagen Group's 360° business model for the Budget Car Family



# USA – Extending the business



<sup>1)</sup> Production of global volumes of new Audi Q5 from 2016    <sup>2)</sup> Figures including Porsche as from 1 August 2012  
<sup>4)</sup> Imported and locally produced vehicles in % of total deliveries (Volkswagen Passenger cars)

<sup>3)</sup> Thereof Passenger Cars -3.1%, Light Commercial Vehicles +10.4%

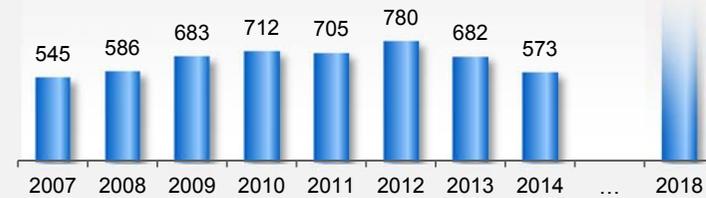
# Brazil – Short-term challenge, mid-term opportunity



## Highly localized passenger car production

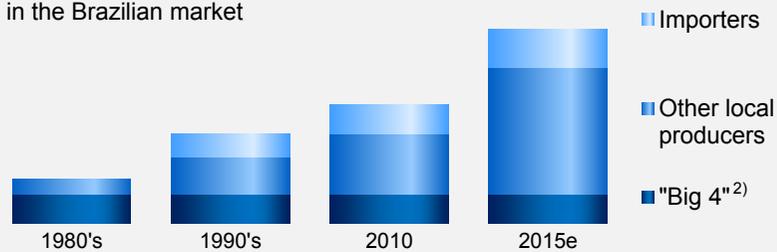


## Deliveries to customers ('000 units)



## A rapidly changing competitive landscape

Number of automotive companies in the Brazilian market



Source: Anfavea, own research

## Expansion & upgrade of locally produced portfolio



<sup>1)</sup> Audi to start production of A3 Sedan in São José dos Pinhais in 2015, Q3 to be produced from 2016

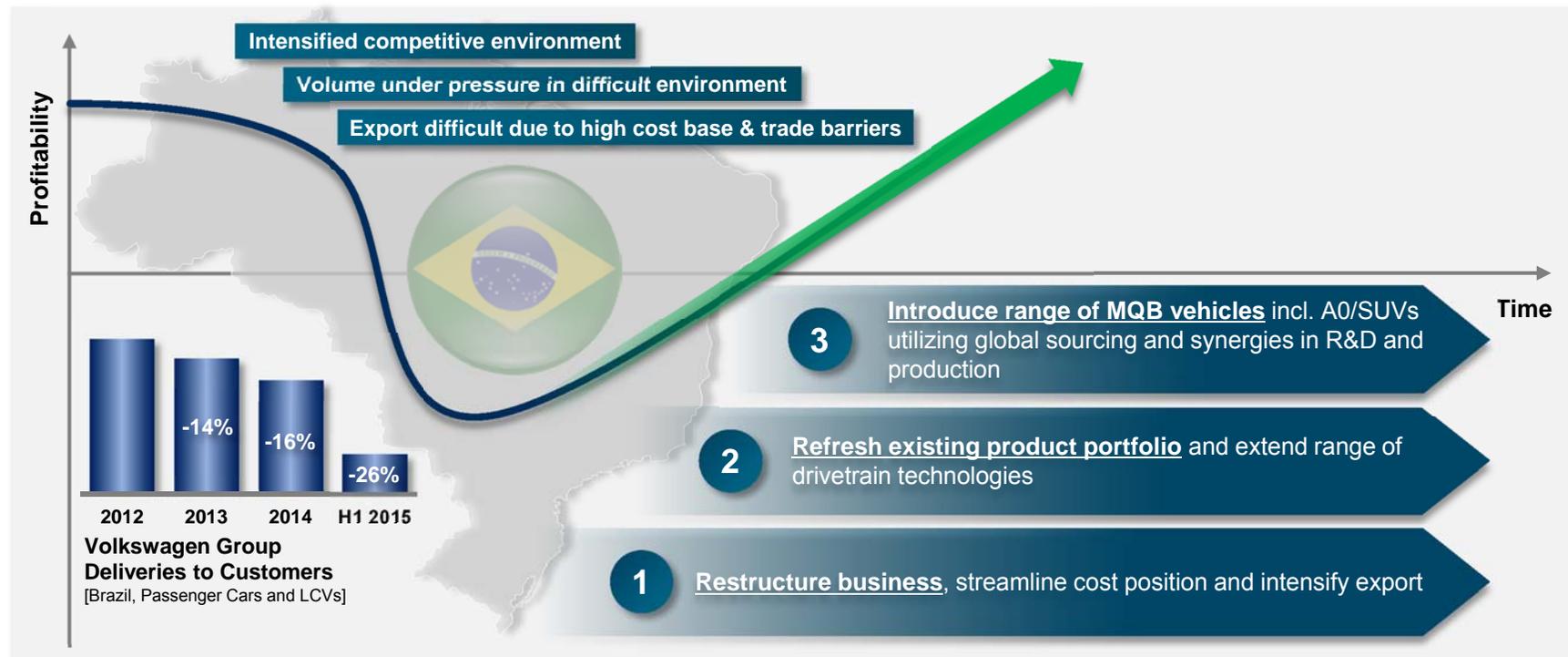
<sup>2)</sup> Volkswagen, Fiat, General Motors, Ford

# VOLKSWAGEN

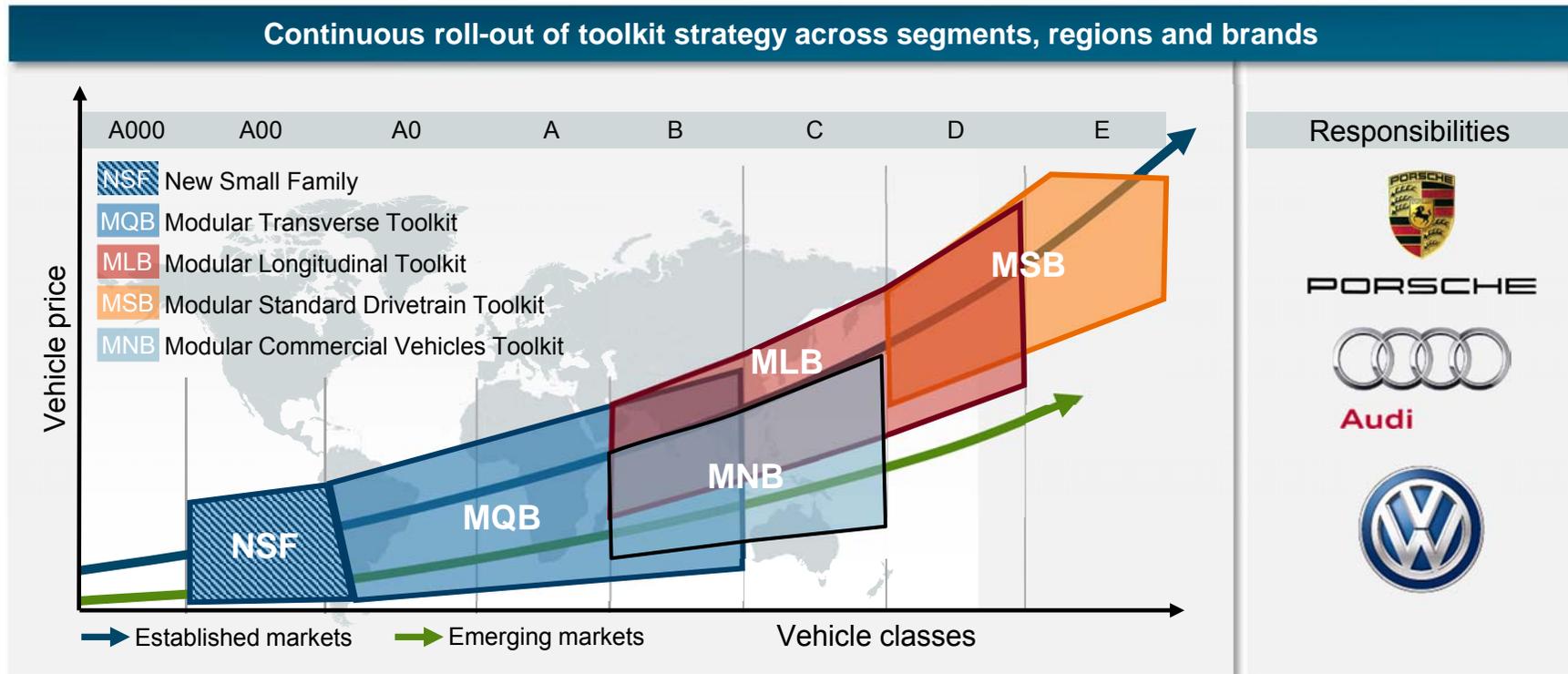
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## Product innovation and cost reduction are the key pillars of Volkswagen's strategy to cope with challenges in emerging markets



## Volkswagen Group toolkit strategy and responsibilities

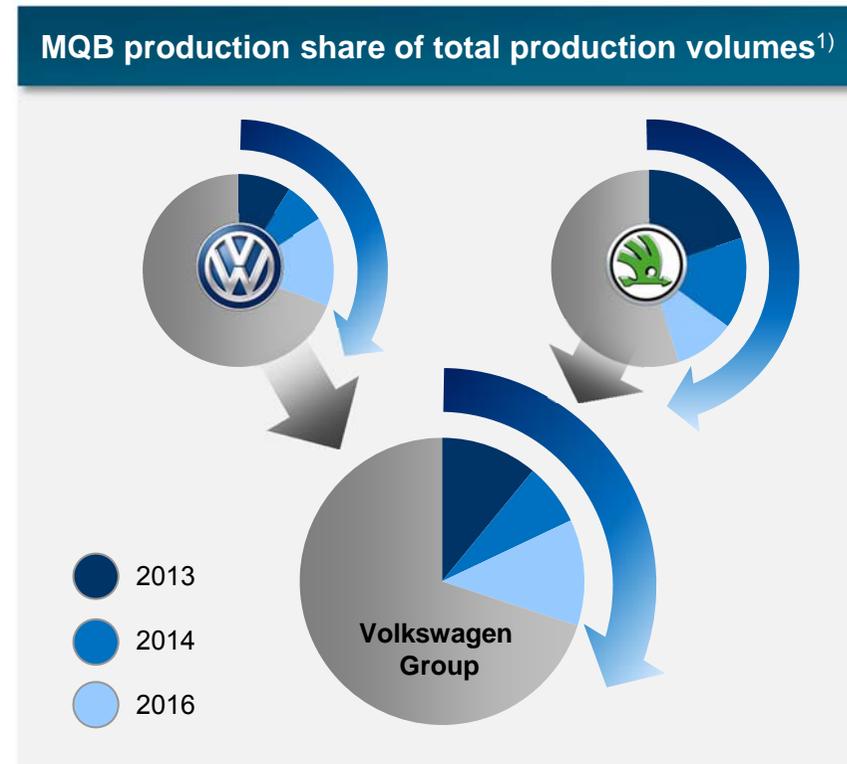
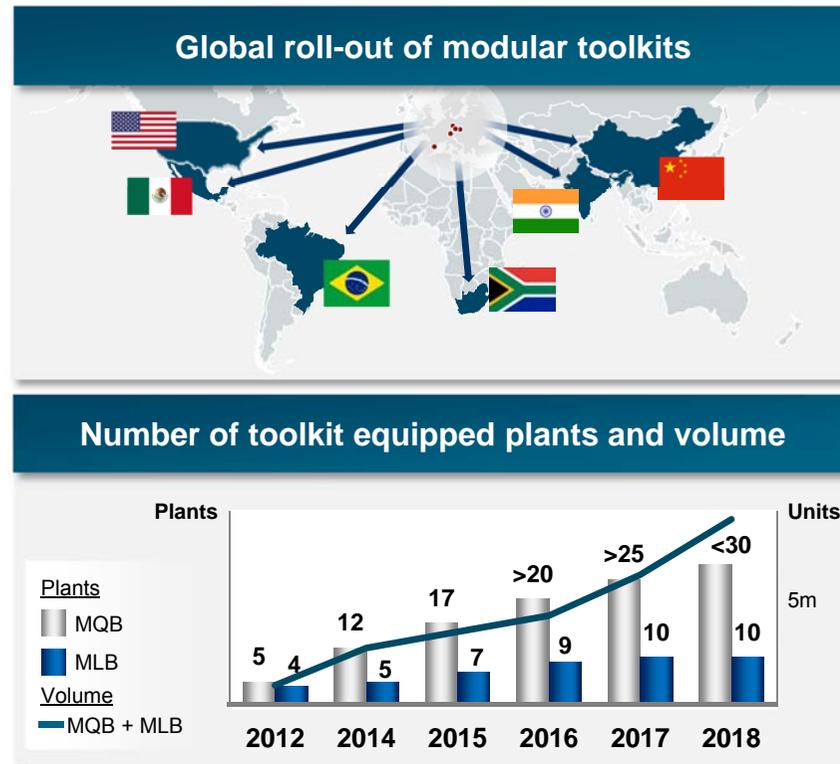


# MQB – Driving forward economies of scale in unit cost, investment and supporting achievement of emission targets



<sup>1)</sup> Engineered Hours per Vehicle

## Sustainable success secured through the roll-out of modular toolkits



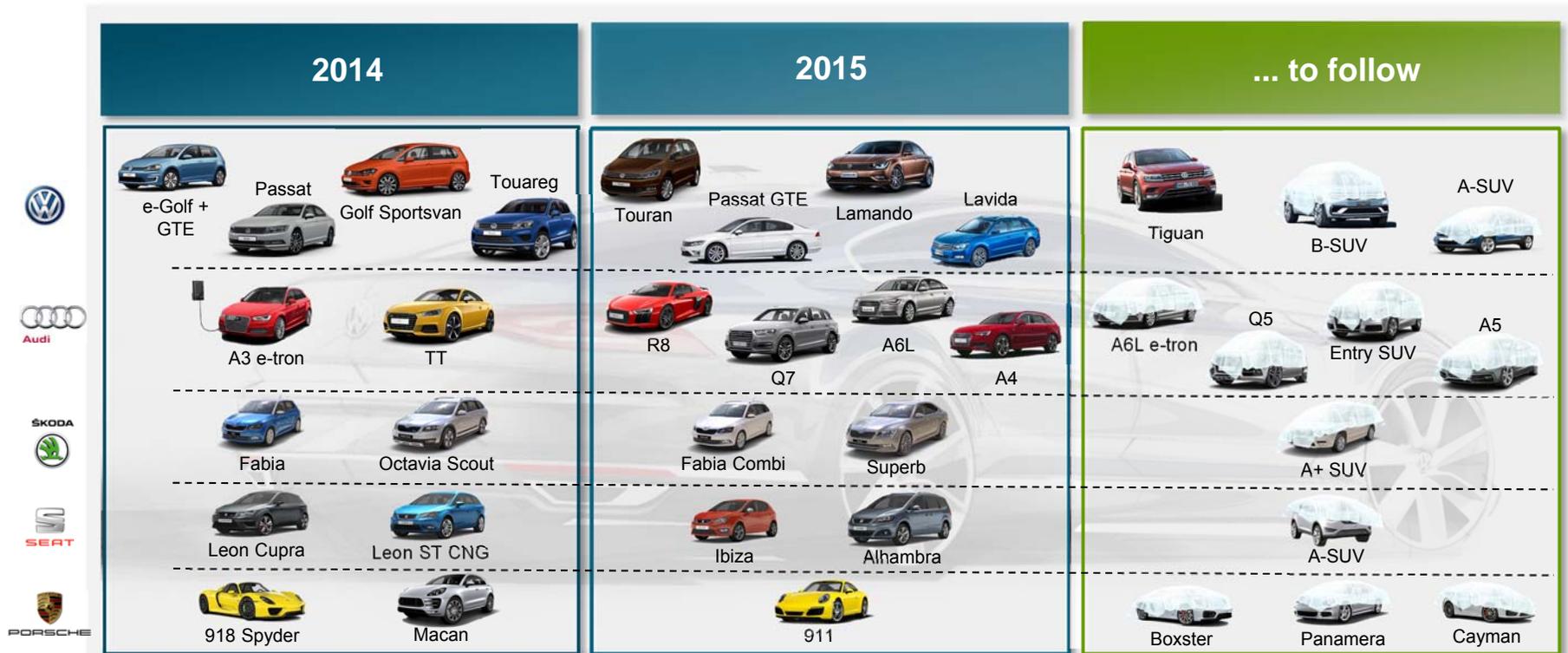
<sup>1)</sup> Including China; the Chinese share in the global MQB volume amounted to around one fifth in 2014 and is expected to increase to more than one third in 2018

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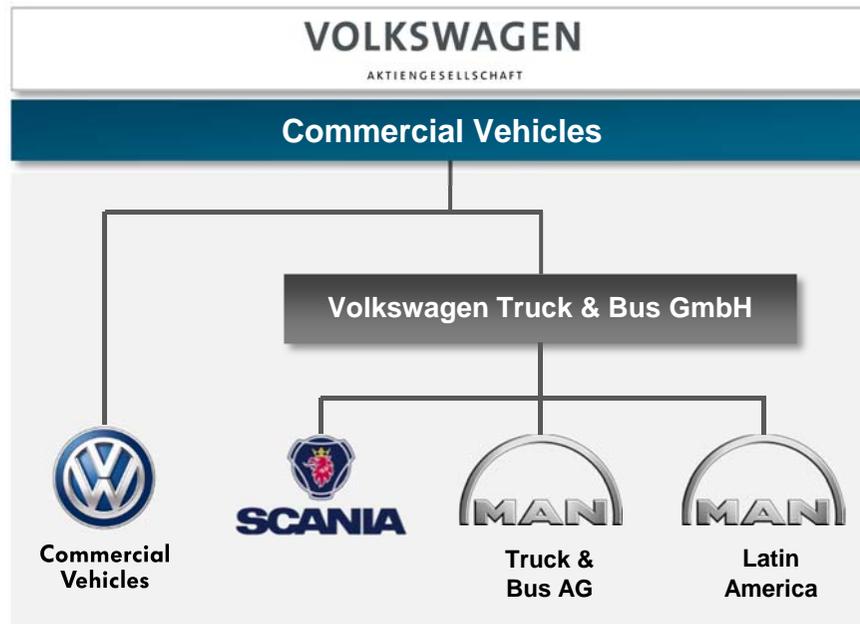
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## Volkswagen Group brands product firework<sup>1)</sup> across the world



<sup>1)</sup> Schematic overview – does not show all models

## Structured framework<sup>1)</sup> for business with mid-sized and heavy trucks and buses



**Objective is to foster close cooperation to ...**



... implement internal processes specifically designed for the truck & bus business at VW



... bundle financial resources while preserving independence of brands as part of Volkswagen



... leverage synergies to create effective and efficient commercial vehicles unit

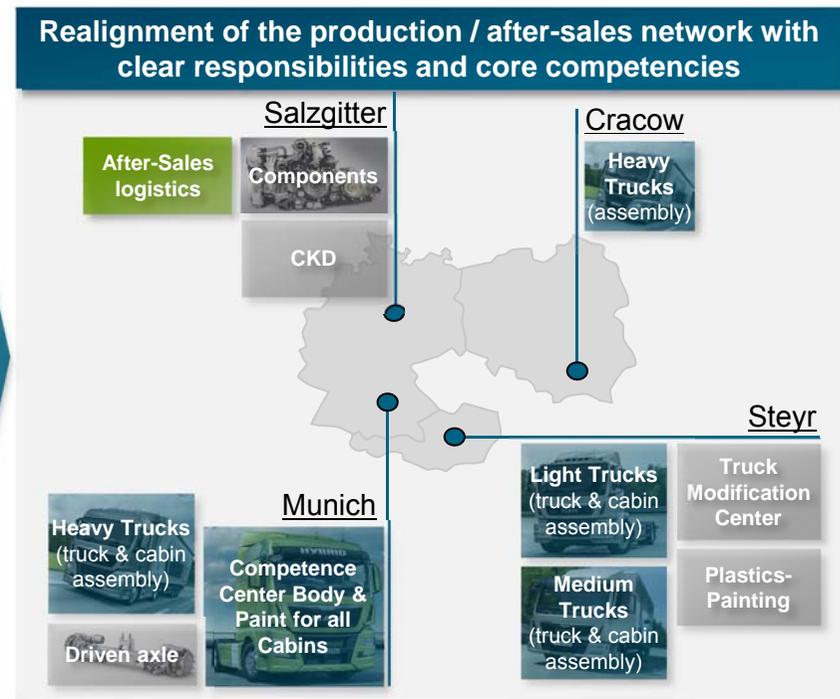
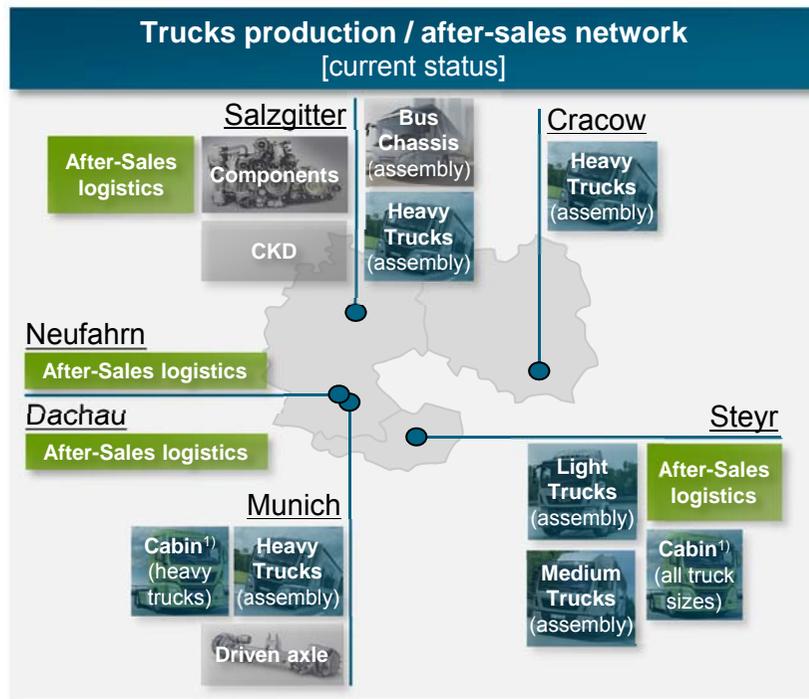


... bring together know-how from brands to ensure cutting-edge product development

<sup>1)</sup> Operational steering structure

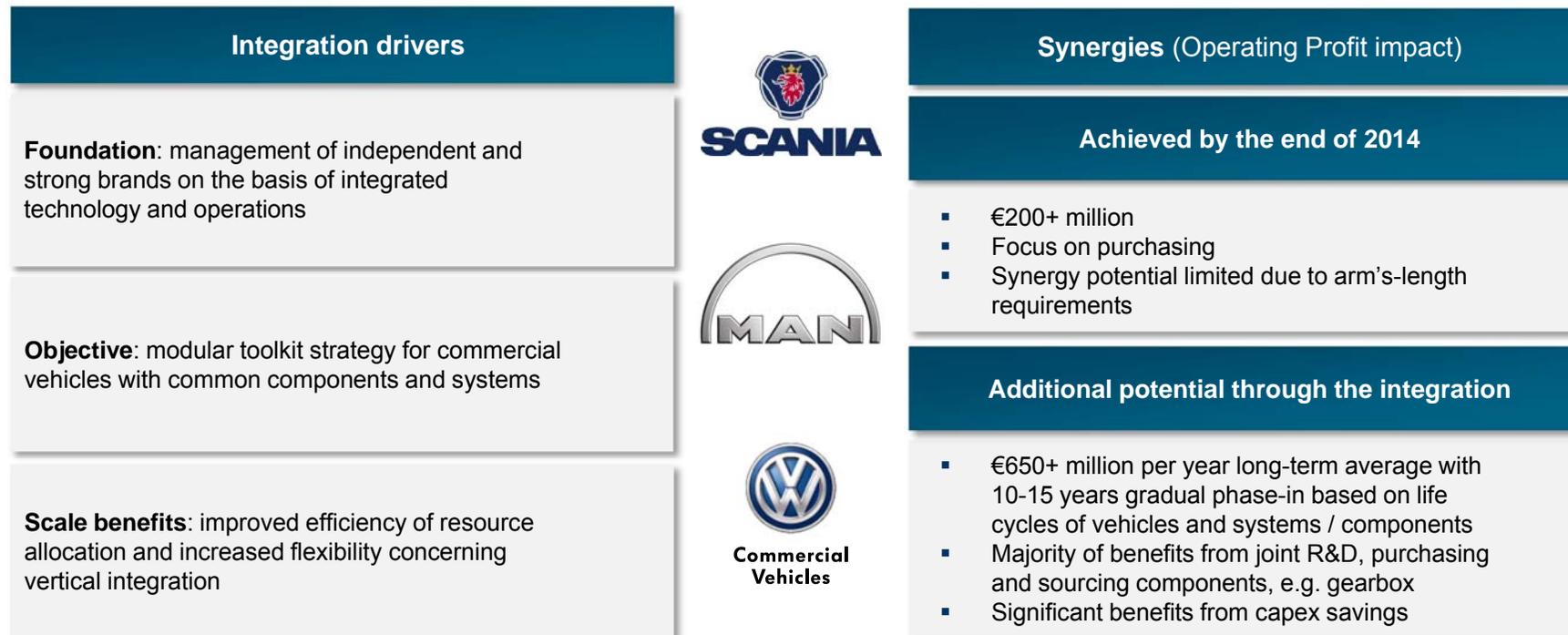
# MAN Truck & Bus – program to strengthen sustainable competitiveness

(New structure for production network Trucks Central Europe)



<sup>1)</sup> Body-in-white, painting and assembly

## Structural changes to improve competitiveness and efficiency based on integration of Volkswagen's truck businesses



## New registrations of mid-sized and heavy trucks in markets relevant for the Volkswagen Group are set to drop noticeably in 2015

### Western Europe

Demand **expected to rise modestly** with economic recovery; pull-forward effects in 2013 related to Euro 6 emission standard negatively affected 2014

### Germany

GDP growth in 2015 expected to **slightly increase** over the year with positive effect on truck sales

### Russia

Sanctions and sluggish macroeconomic development will have **continuing negative effect on truck demand** in 2015

### Brazil

Negative macroeconomic development with adjustment of FINAME-Program have a **significantly negative impact** on Brazilian market

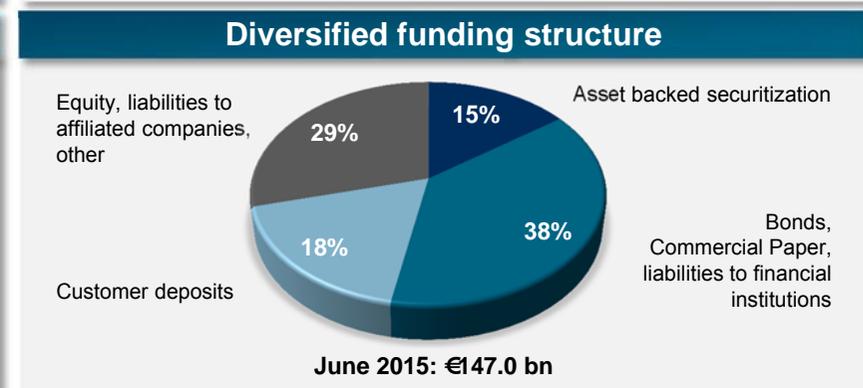
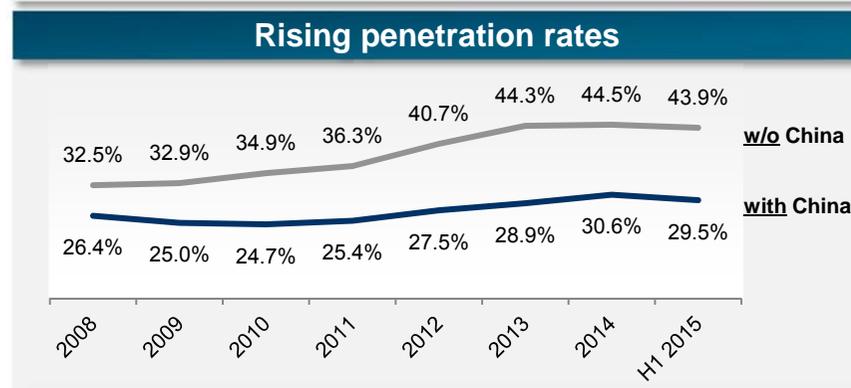
### India

- Government change 2014 provides further investment incentives
- **Substantial increase** in truck sales expected

### China

Sales in China expected to be **almost on the same level** as 2014 despite positive macroeconomic development

# VW Financial Services<sup>1)</sup>: A global, well diversified and successful business



<sup>1)</sup> All shown figures show VW Financial Services as of 30 June 2015, excluding financial service activities of Scania, Porsche AG and Porsche Holding Salzburg; MAN financial services activities are included from 1 January 2014

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## Volkswagen Group: Global automotive leader 2018

### Economic and environmental leadership in the global automotive industry

Economic leadership	Environmental leadership
Excellent and custom-tailored product portfolio	Diversified portfolio of drivetrain technologies
Increasing global footprint and emerging markets presence	Continuous improvements in internal combustion engines
Realization of cost savings, toolkit modularization and localization of products	Leadership in alternative powertrain technologies
Creation of sustainable value	25 percent less energy and water consumption, waste and emissions in Group production



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## Volkswagen Investor Update

Volkswagen AG

**Lennart Schmidt – Group Investor Relations**

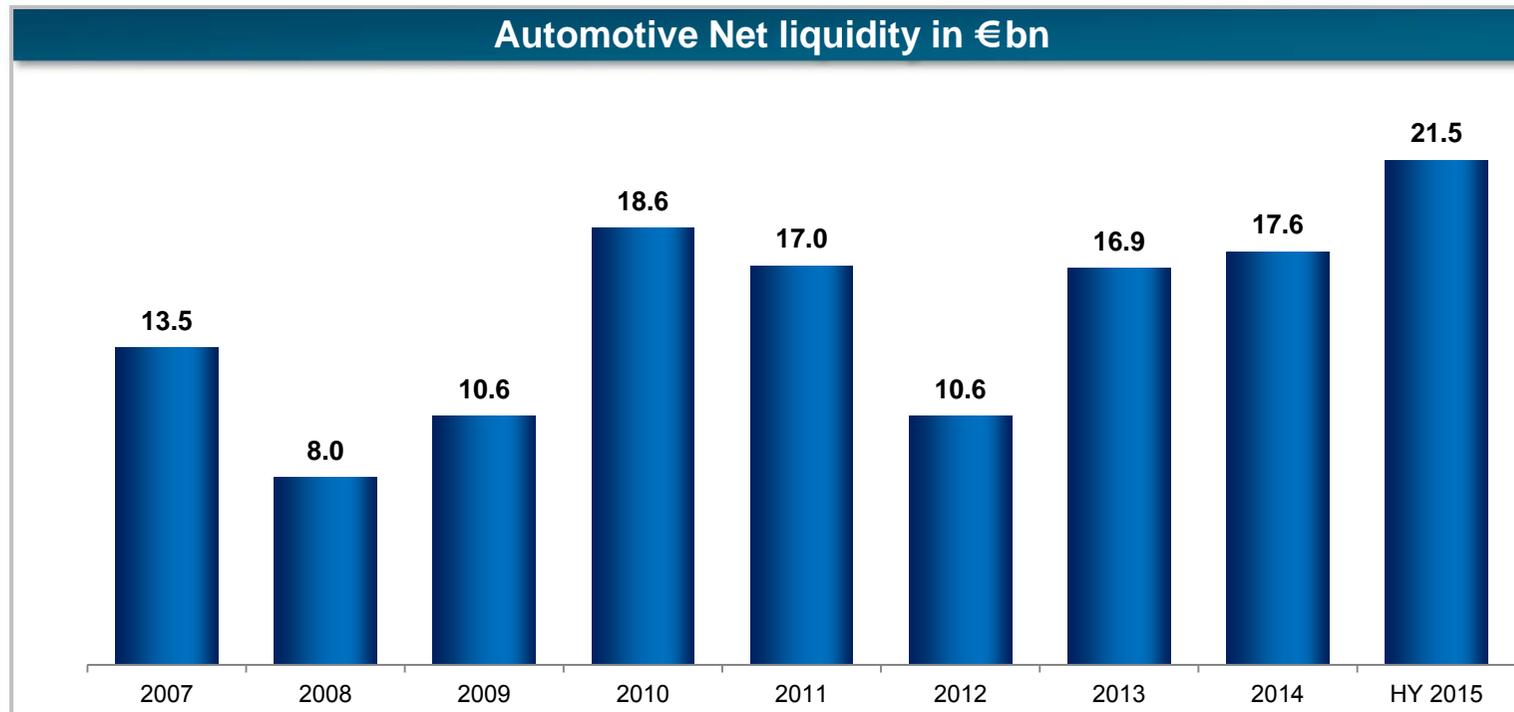
**Kai Otto – Head of Capital Markets**

Volkswagen Financial Services

**Ulrich Hauswaldt – Investor Relations**

**Nils Allnoch – Debt Capital Markets and Rating**

## Volkswagen Group's financial stability is backed by a strong liquidity position...



Source: Volkswagen Group

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### Volkswagen Group – Main Ratings

Current Ratings	S&P		Moody's	
	Long Term	Short Term	Long Term	Short Term
<b>Volkswagen AG</b>	A stable	A-1 stable	A2 stable	P-1 stable
<b>Volkswagen Financial Services AG</b>	A stable	A-1 stable	Aa3 stable	P-1 stable
<b>Volkswagen Bank GmbH</b>	A stable	A-1 stable	Aa3 stable	P-1 stable

## Volkswagen Group – Financial Activities

### Liquidity Management and Refinancing

- Strong Automotive net liquidity position of € 21.5bn
- Global funding portfolio of € 139.9bn

### Global Hedging

- Foreign currency hedging mainly in USD, GBP, RMB, CHF, KRW, JPY, SEK
- Commodity hedging mainly in base and precious metals

### Bank Partners

- Bank lines globally around € 31.2bn<sup>1)</sup>
- Relationships with over 150 banking groups
- Centralized Risk Management with closely monitored position limits per bank

### Subsidiary Finance

- Service function for more than 1,300 VW Group companies
- Group Treasury sets global guidelines and policies
- Regional Treasury Centers with local responsibilities

<sup>1)</sup> Committed lines; excluding Porsche, MAN and Scania  
As of June 30, 2015  
Source: Volkswagen Group

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### Volkswagen Group – Funding Programs & Outstandings<sup>1)</sup>

June 30, 2015 in € billion

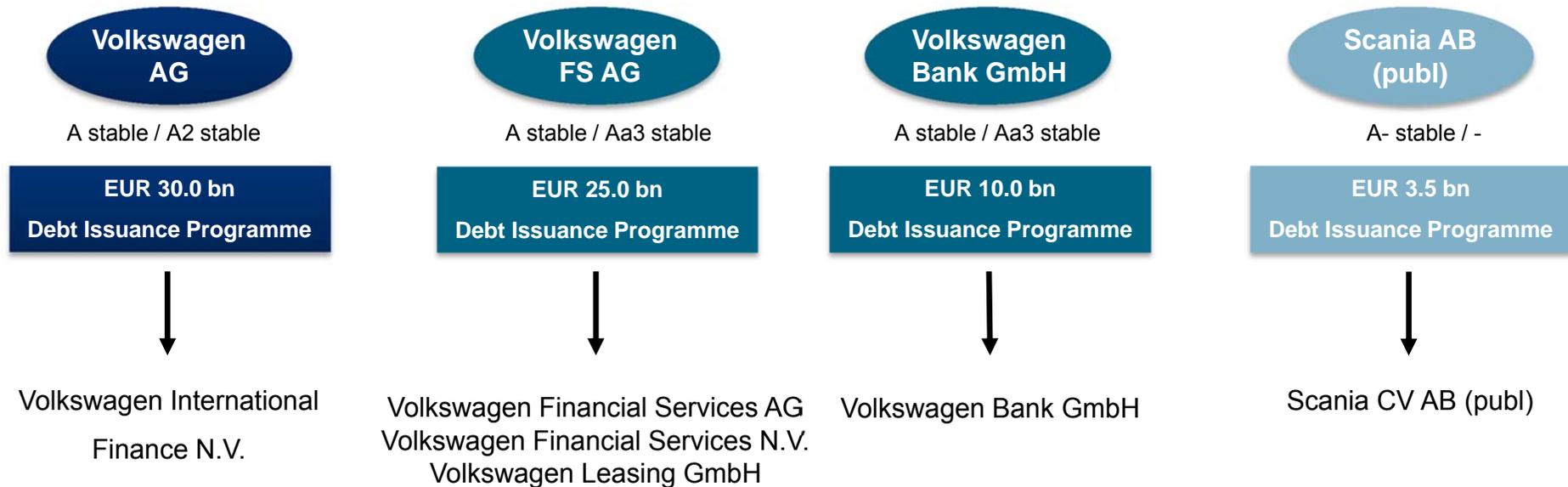
<b>Money and Capital Markets</b>	<b>Authorization</b>	<b>Utilization</b>
<b>Commercial Papers</b>	24.6	4.3
<b>Medium Term Notes / Bonds</b>	117.9	61.9
<i>thereof: Hybrid Bonds</i>		7.5
<b>ABS<sup>2)</sup></b>	52.4	27.1
<b>Borrowings</b>		
<b>Committed Lines</b>	17.7	2.4
<b>Uncommitted Lines</b>	26.0	6.7
<b>Supranationals, development banks, government, other</b>	13.5	13.5
<b>Direct Banking Deposits</b>	./.	24.0
<b>Total Amount</b>	./.	139.9

1) excluding Porsche, MAN, Scania

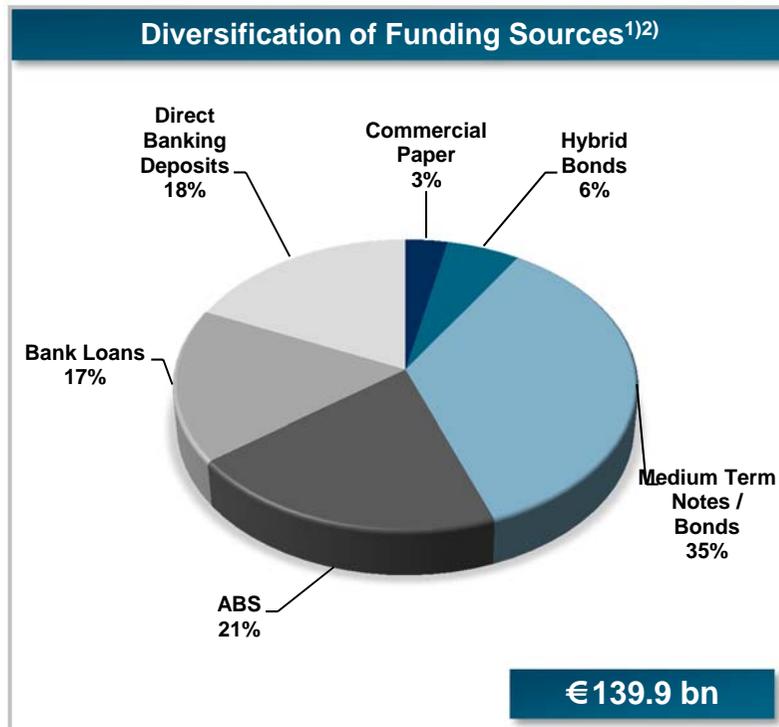
2) Including Porsche, MAN

Source: Volkswagen Group

## Volkswagen Group Funding Strategy – Major Funding Vehicles / Guarantors in Europe

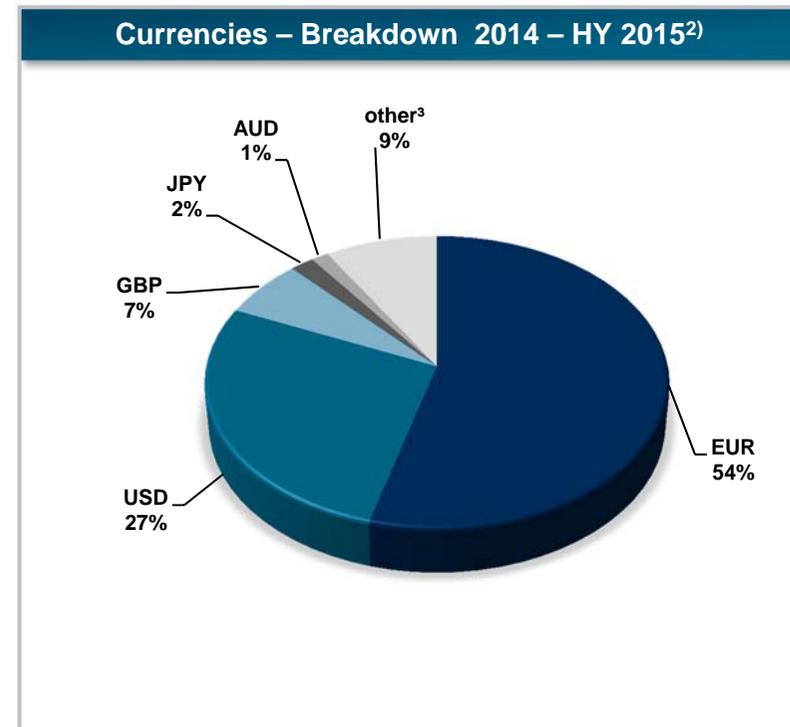


## Volkswagen Group Funding Strategy – Overview



<sup>1)</sup> as of June 30, 2015

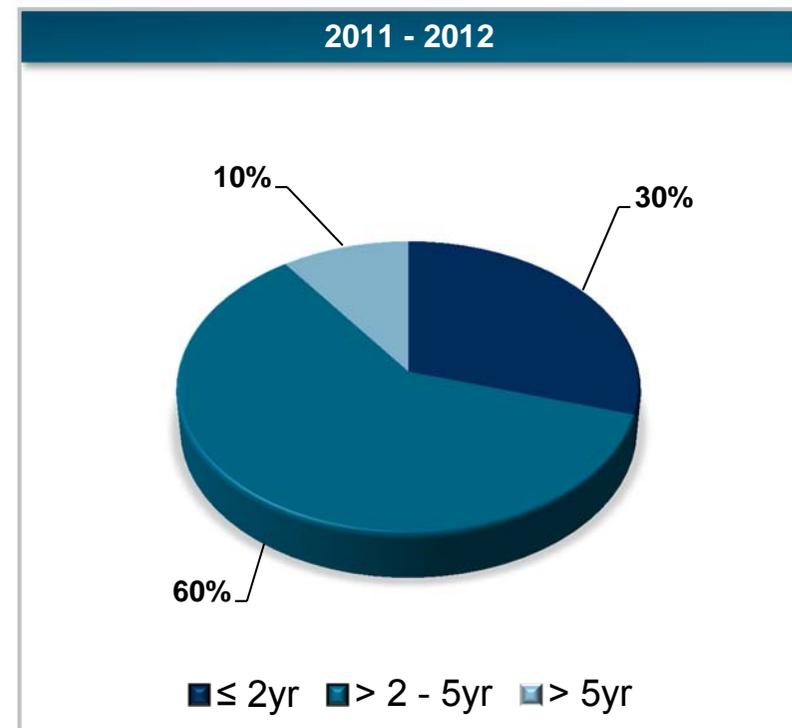
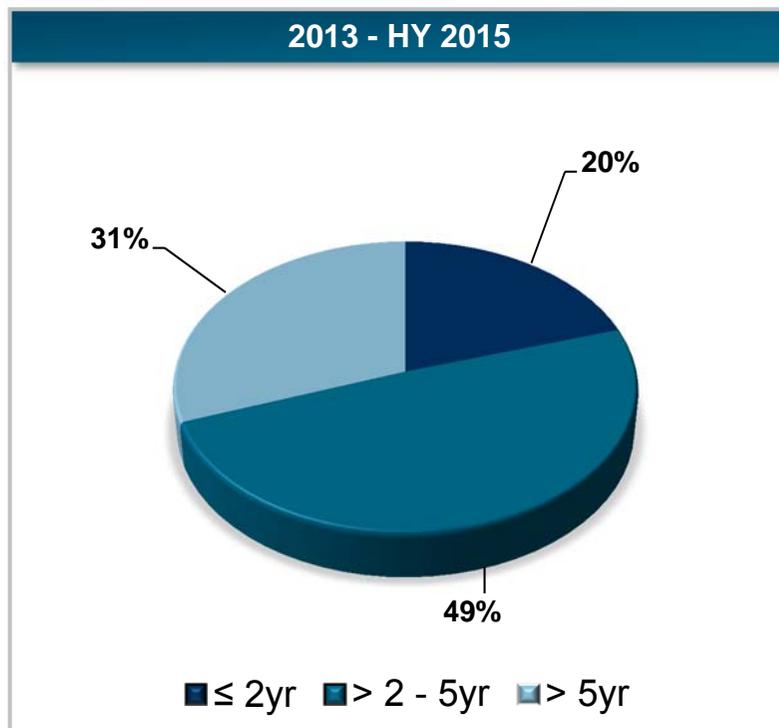
Source: Volkswagen Group



<sup>2)</sup> MTN, Bonds, excl. Porsche, MAN, Scania; ABS incl. MAN, Porsche

<sup>3)</sup> SEK, CAD, MXN, RUB, NOK, BRL, RMB, KRW, NZD, INR, TRY, CZK

## Volkswagen Group Funding Strategy – Tenor Split<sup>1)</sup>

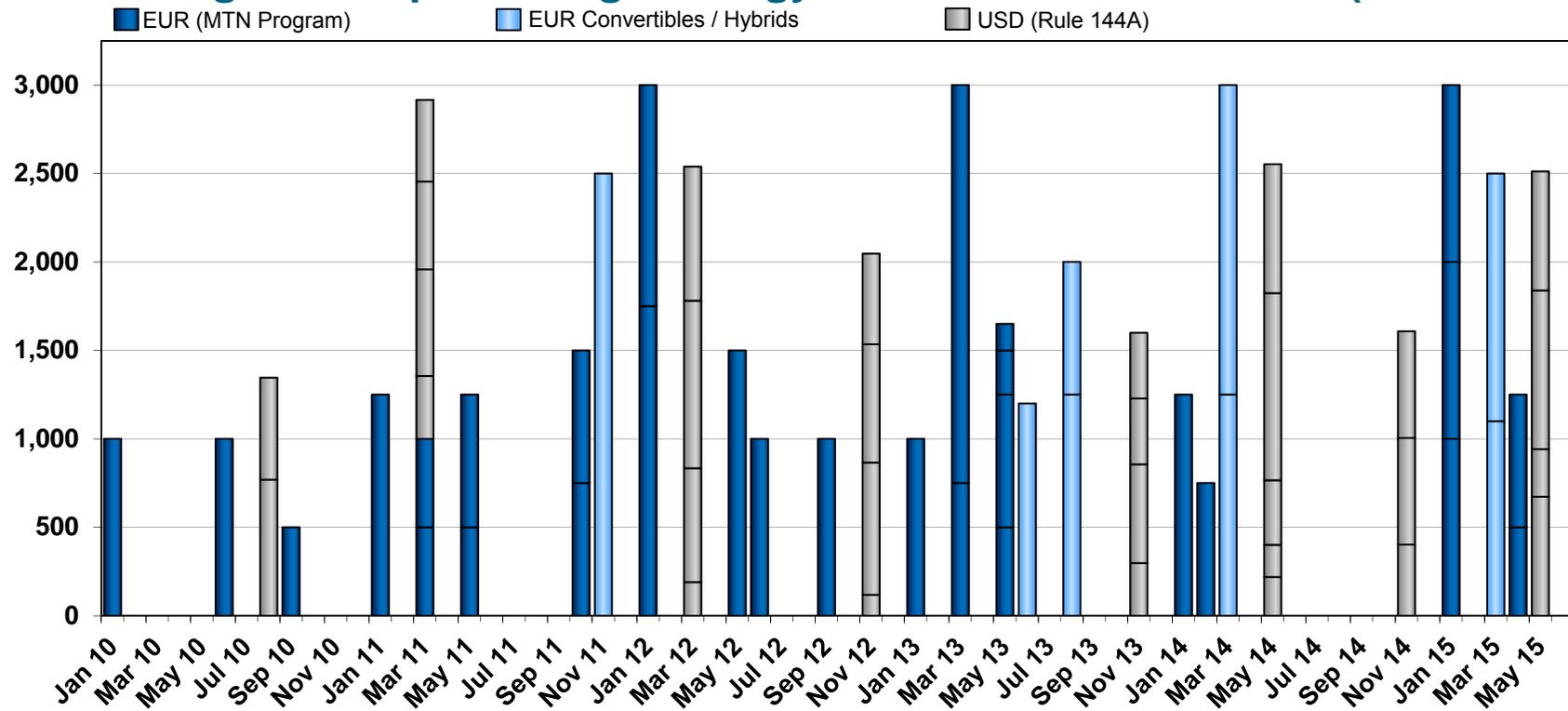


1) As of June 30, 2015, MTN, Bonds, including Hybrids; excluding Porsche, MAN, Scania  
Source: Volkswagen Group

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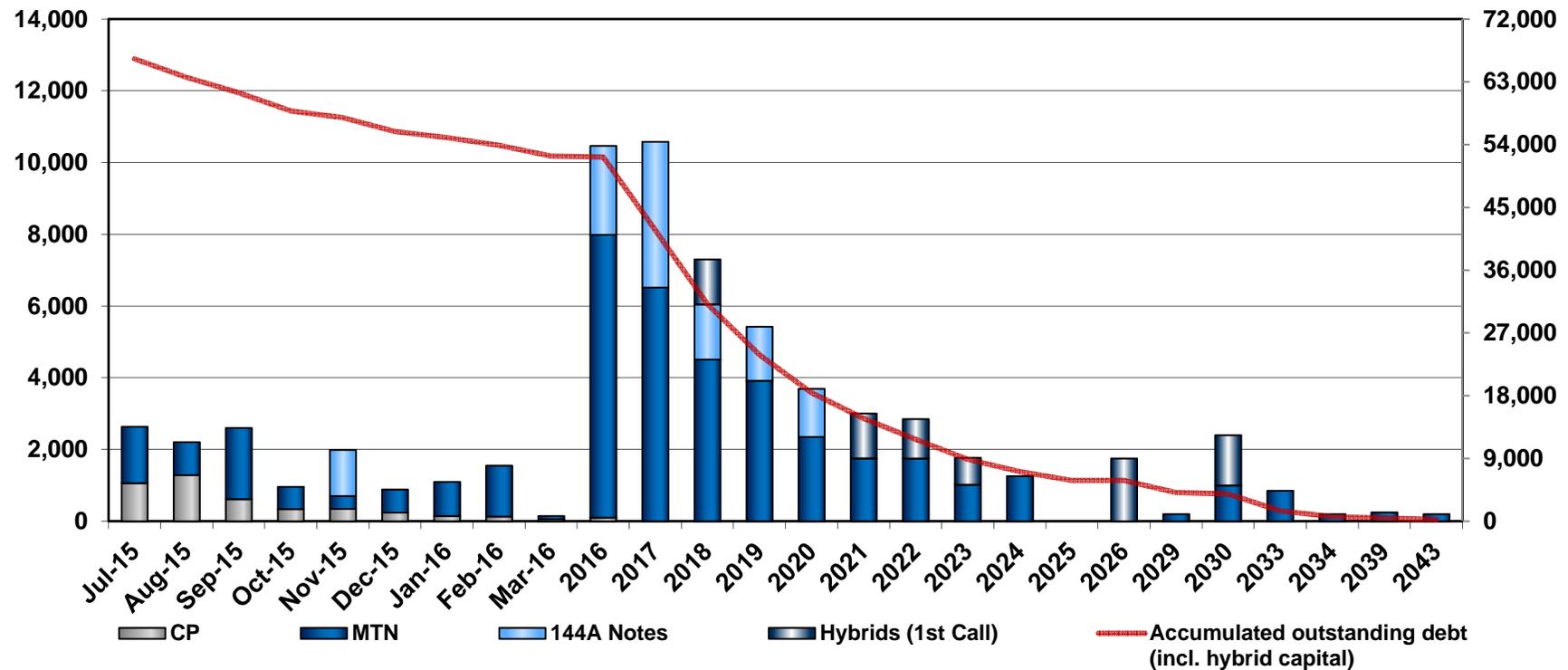
## Volkswagen Group Funding Strategy – Benchmark Issuances (in € million)<sup>1)</sup>



<sup>1)</sup> as of June 30, 2015; excluding Porsche, MAN, Scania  
Source: Volkswagen Group

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## Volkswagen Group Funding Strategy – Maturity Profile (in € million)<sup>1)</sup>



<sup>1)</sup> as of June 30, 2015, excluding Porsche, MAN, Scania  
Source: Volkswagen Group

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## Volkswagen Investor Update

Volkswagen AG

Lennart Schmidt – Group Investor Relations

Kai Otto – Head of Capital Markets, Asset Management and Bank Policy

Volkswagen Financial Services

**Ulrich Hauswaldt – Investor Relations**

**Nils Allnoch – Debt Capital Markets and Rating**

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## Volkswagen Group – Leveraging the strength of the three pillars



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## Volkswagen Financial Services at a Glance (06/30/2015)

### Worldwide presence



Volkswagen Financial Services  
conducts business in **51 countries**

### Key company figures

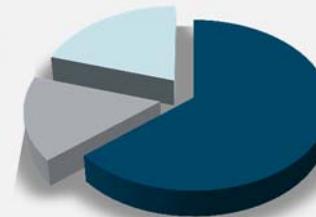
Total assets	€ 147.0 bn
Equity	€ 17.3 bn
Customer deposits	€ 25.7 bn
Operating profit	€ 970 m
Employees	13,174
Contracts (units)	12.6 m

### Receivables

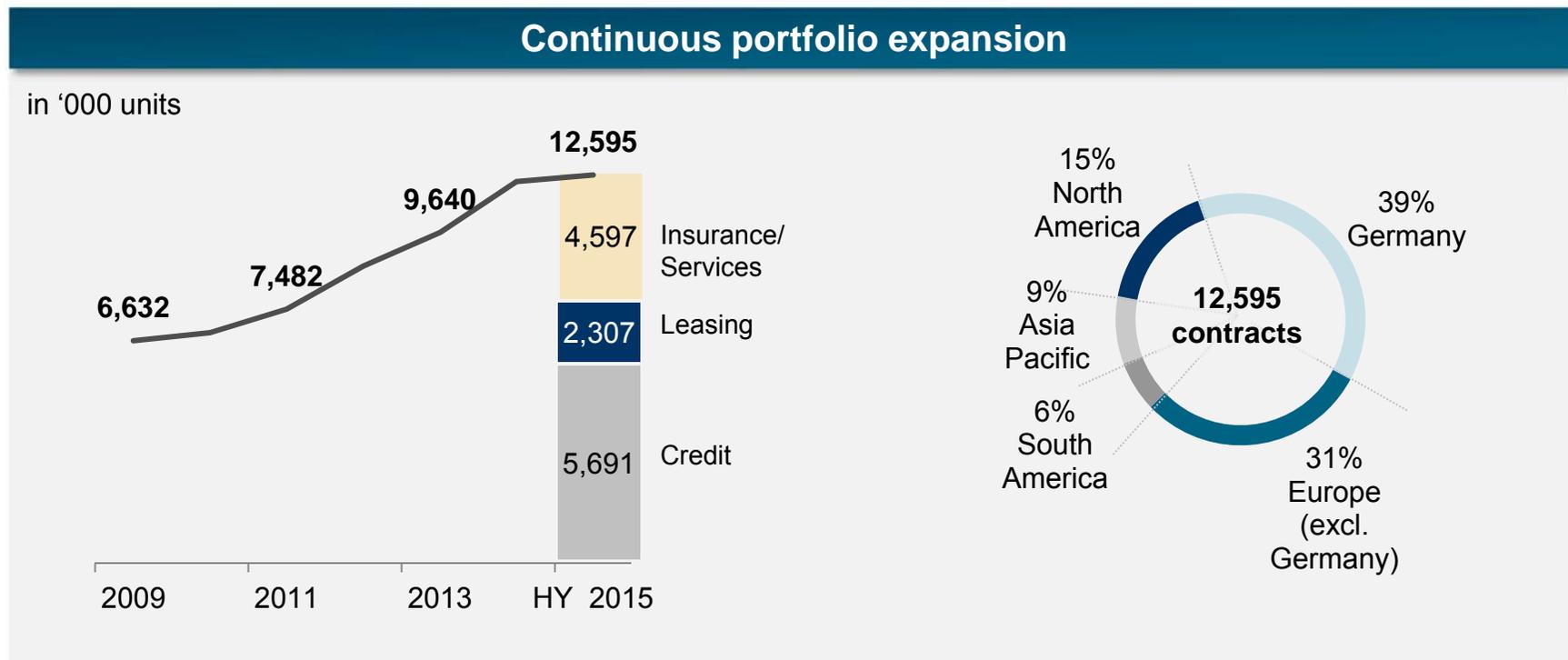
Leasing  
20.1 %

Credit  
63.4 %

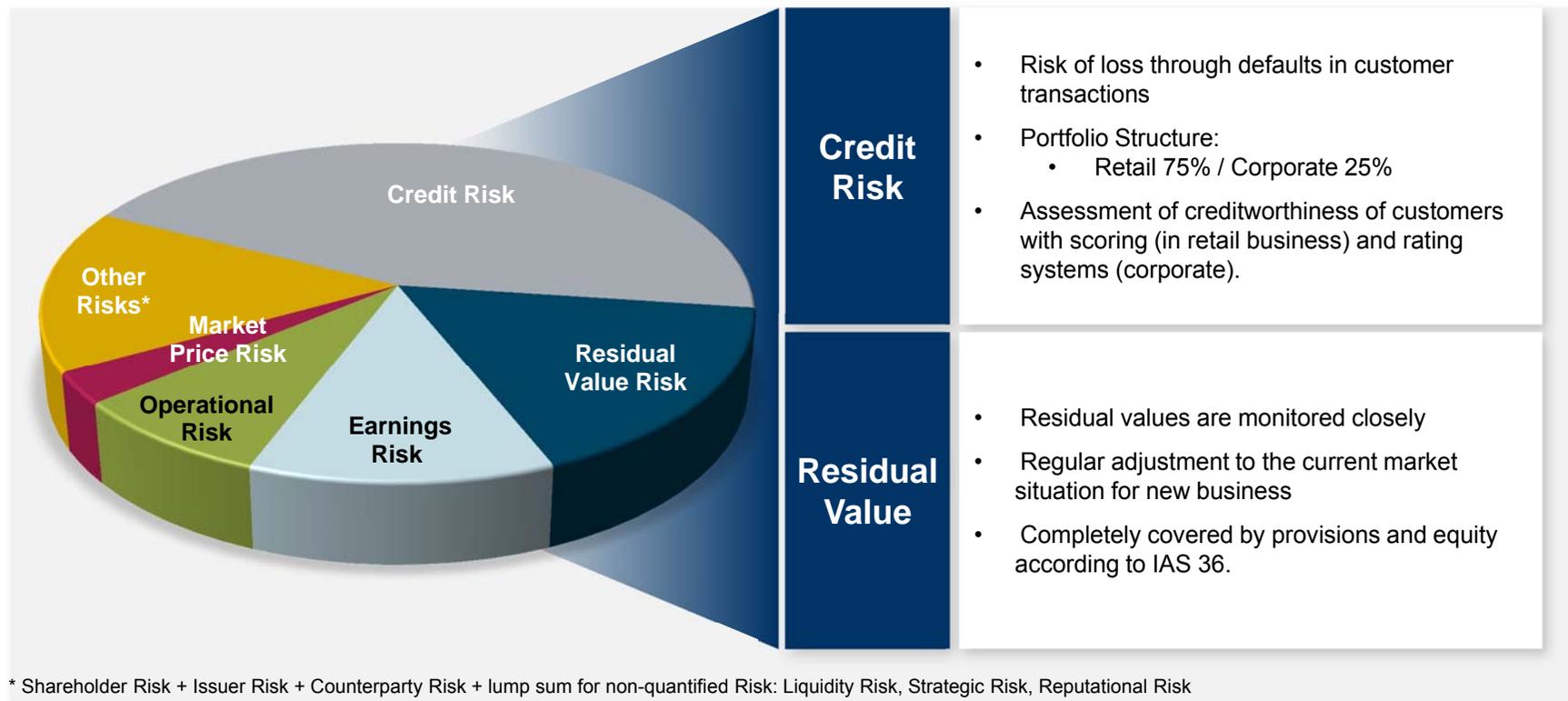
Wholesale  
16.5 %



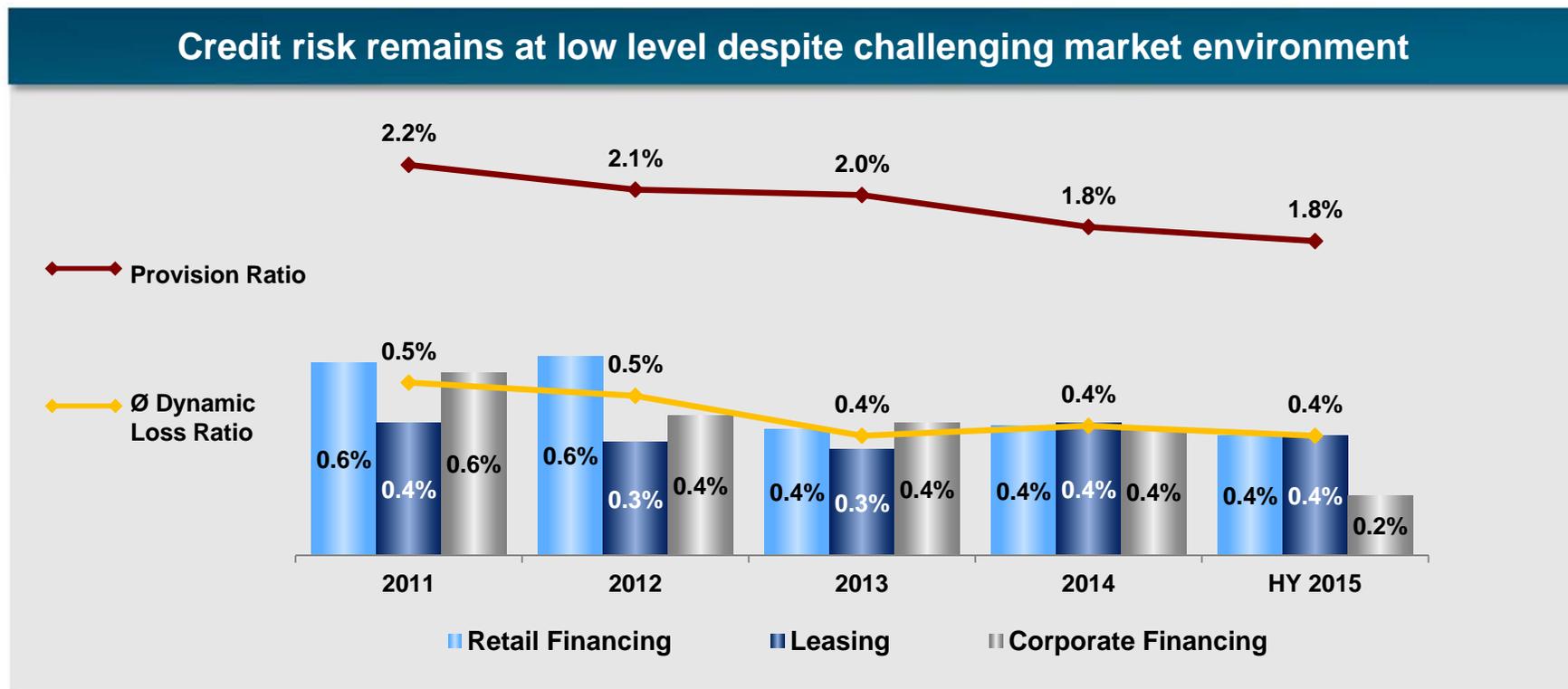
## Contract portfolio Volkswagen Financial Services



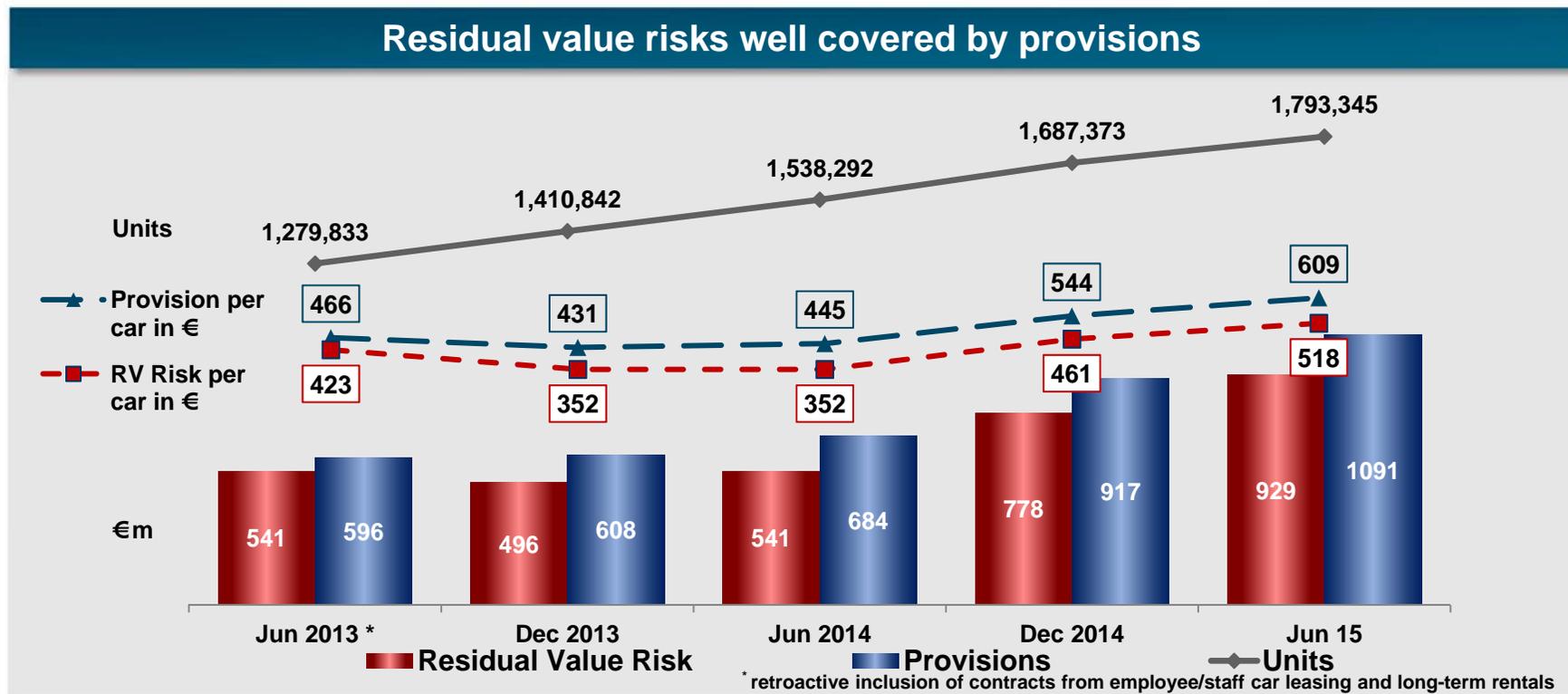
## Risk management



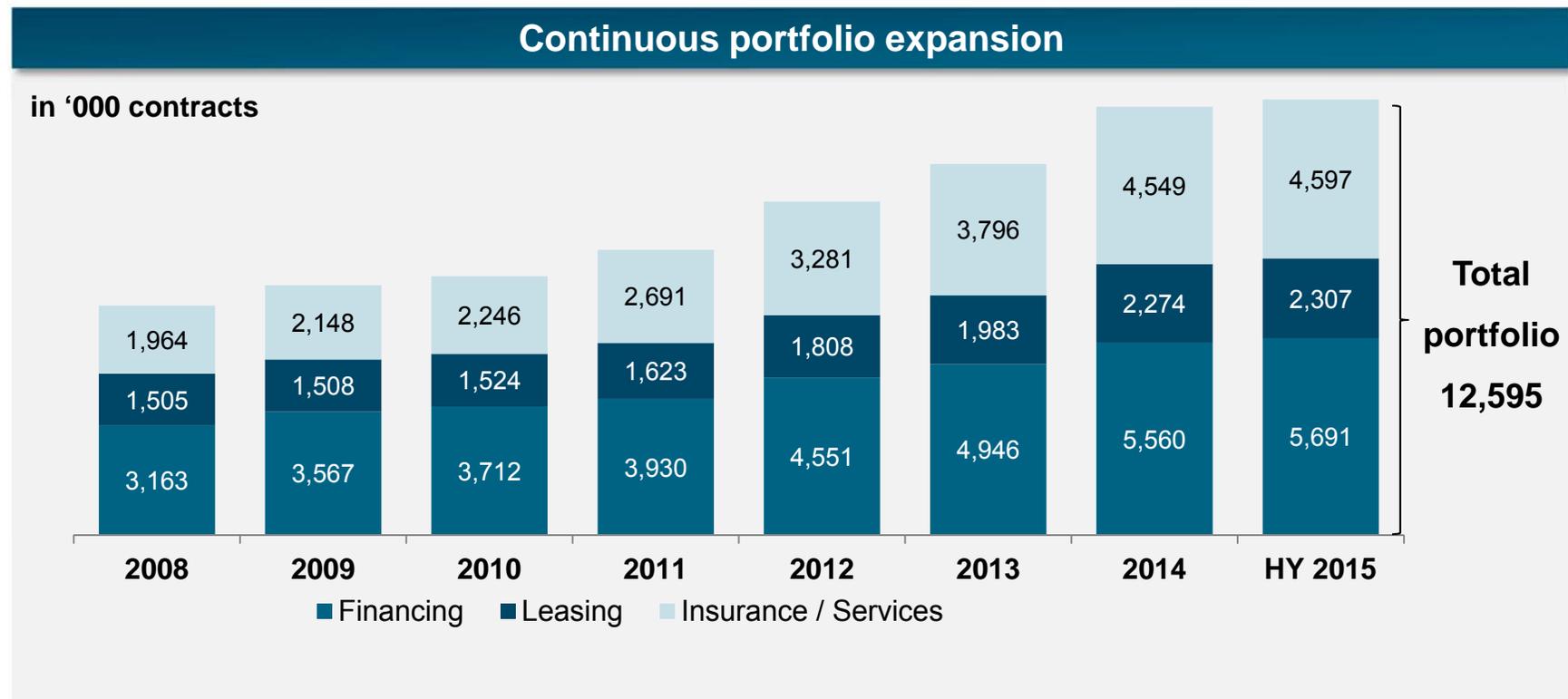
## VW Financial Services – Credit risks



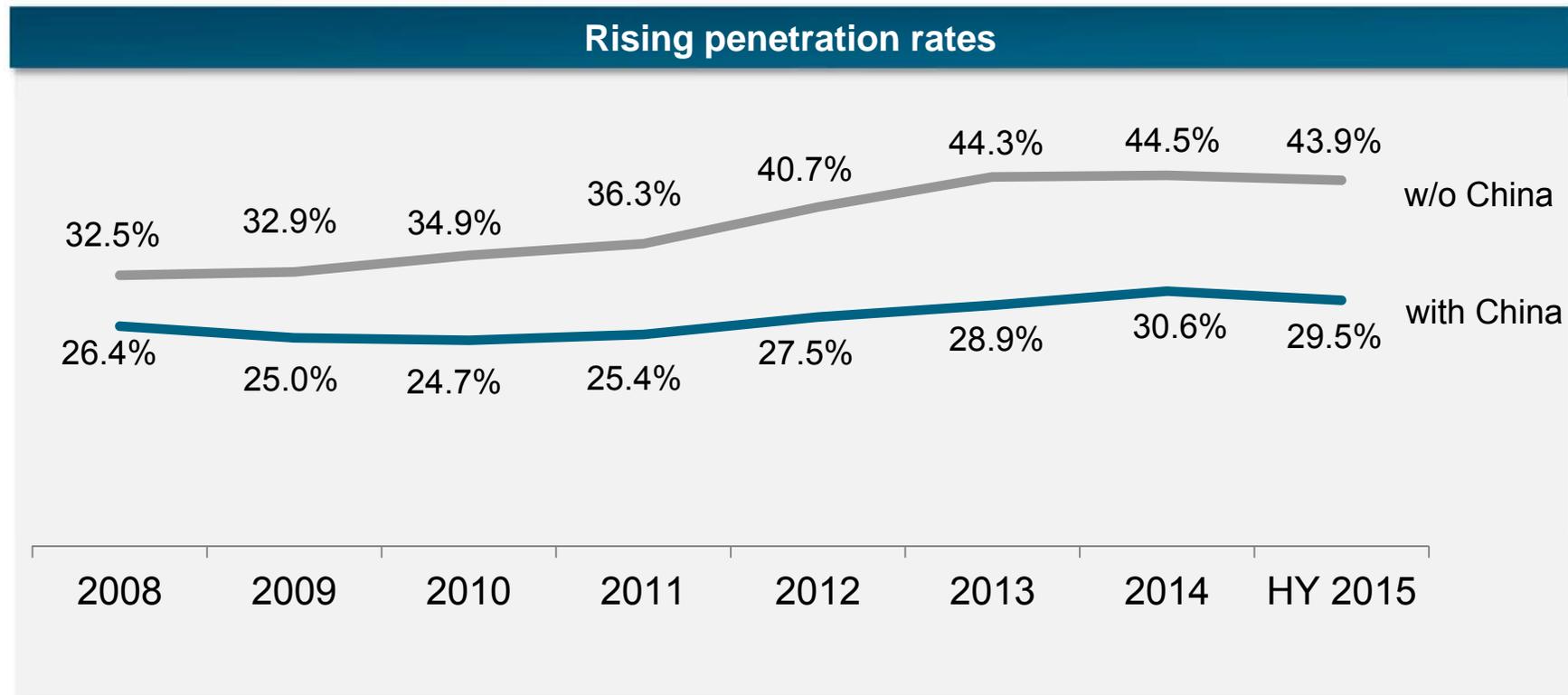
## VW Financial Services – Residual value



## Contract portfolio Volkswagen Financial Services



## Penetration VW FS



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## Volkswagen FS offers the whole Range of Services under one roof

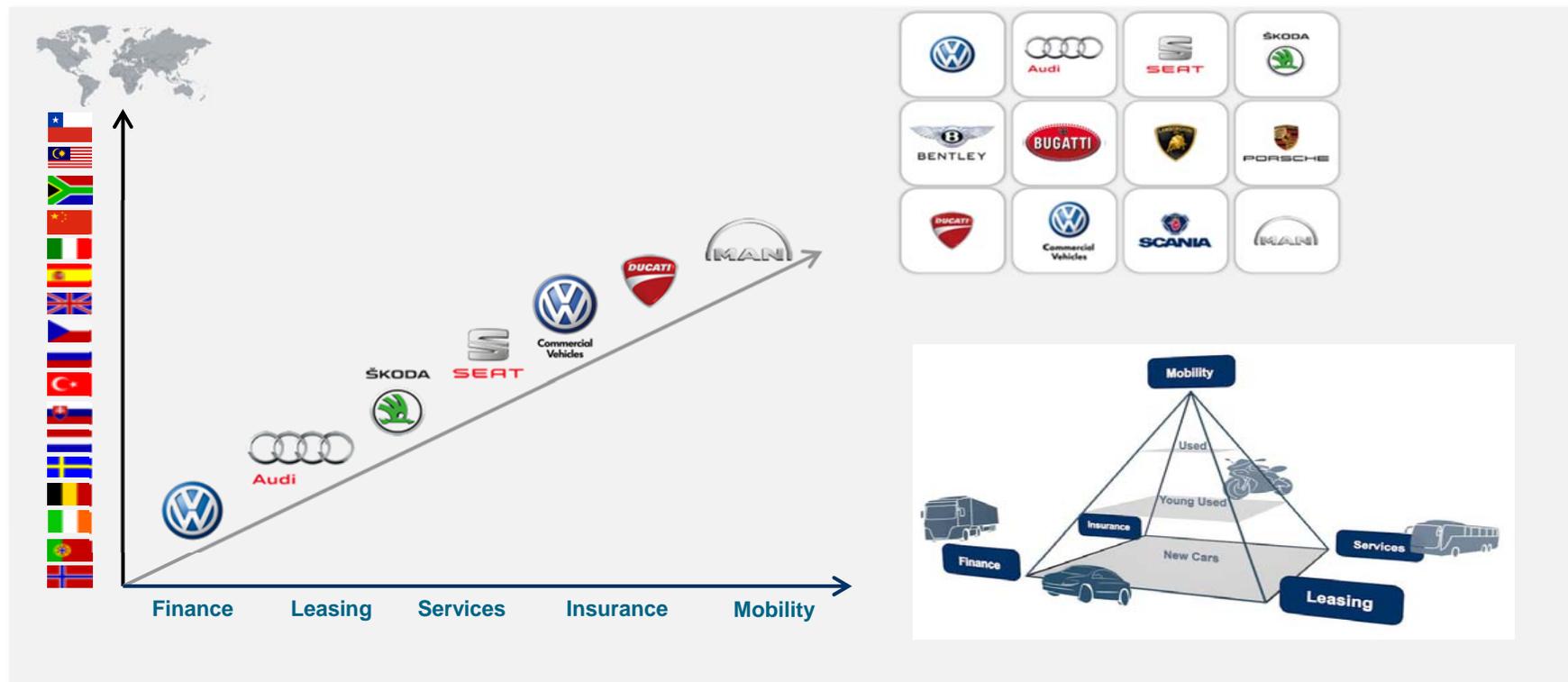
BANK		LEASING	INSURANCE	MOBILITY	
					
<ul style="list-style-type: none"><li>• Retail Finance</li><li>• Dealer Finance</li><li>• Factoring</li></ul>	<ul style="list-style-type: none"><li>• Deposits</li><li>• Instalment Loans</li><li>• Investment Products</li></ul>	<ul style="list-style-type: none"><li>• Finance Lease</li><li>• Operating Leasing</li></ul>	<ul style="list-style-type: none"><li>• Automotive</li><li>• Payment Protection</li><li>• Industry</li></ul>	<ul style="list-style-type: none"><li>• Fleet Management</li><li>• Service &amp; Maintenance</li><li>• Tyres</li></ul>	<ul style="list-style-type: none"><li>• Long-term rent</li><li>• Short-term rent</li><li>• Carsharing</li></ul>

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## Growth dimensions



## Brands: Fleet Management and Trucks & Bus: Customer focus

### What the customers have in common

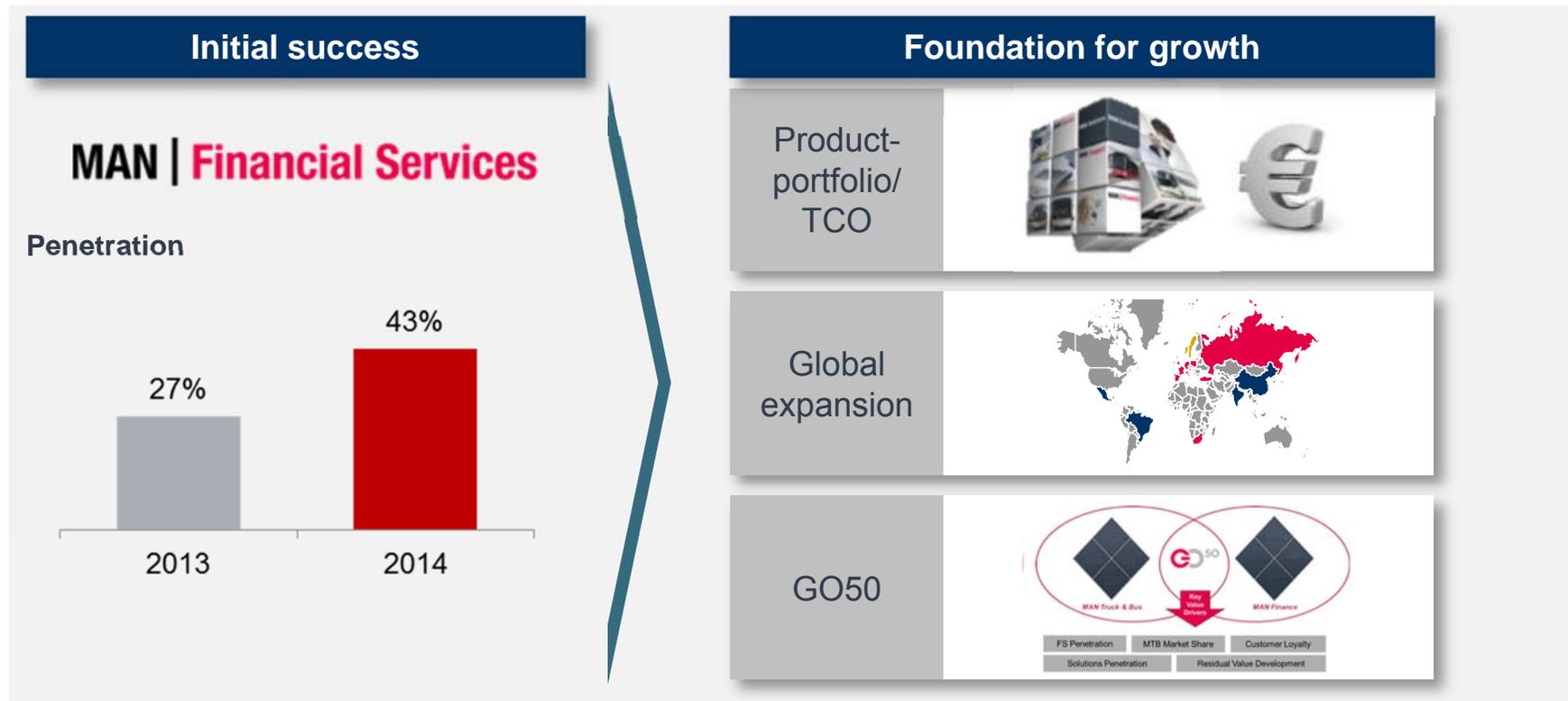
- Corporate customers focusing on TCO
- Truck and Fleet is an investment decision, not emotional driven. The vehicle is a tool for the customer.
- Buying holistic TCO solutions and services, not financing only
- Need for reporting, telematics or comprehensive services (technical and monetary)
- International tender processes



### Where the customers differ

- A truck goes cross-boarder – a fleet customer sources cross-boarder, but does not drive cross board
- Lifecycle costs : 100 T€ p.a. truck vs 10 T€ p.a. car
- Risk Management principles: Area of use and specs for truck vs Balance Sheet of fleet customer
- Different services are required: e.g. toll collect, sophisticated fuel solutions

## MAN Finance Initial Success – Foundation for Growth



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## Volkswagen Financial Services in China – A true VOLKSWAGEN company

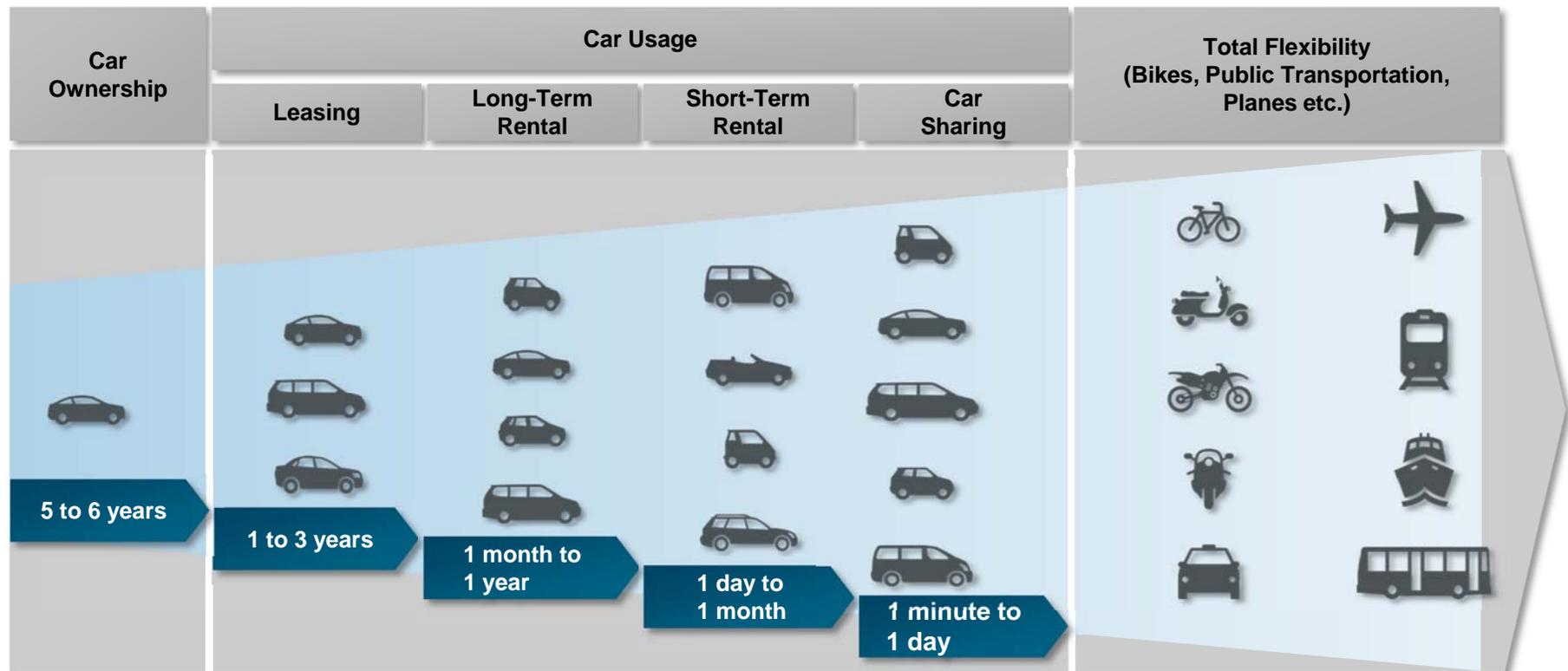


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## Growth dimension - Product



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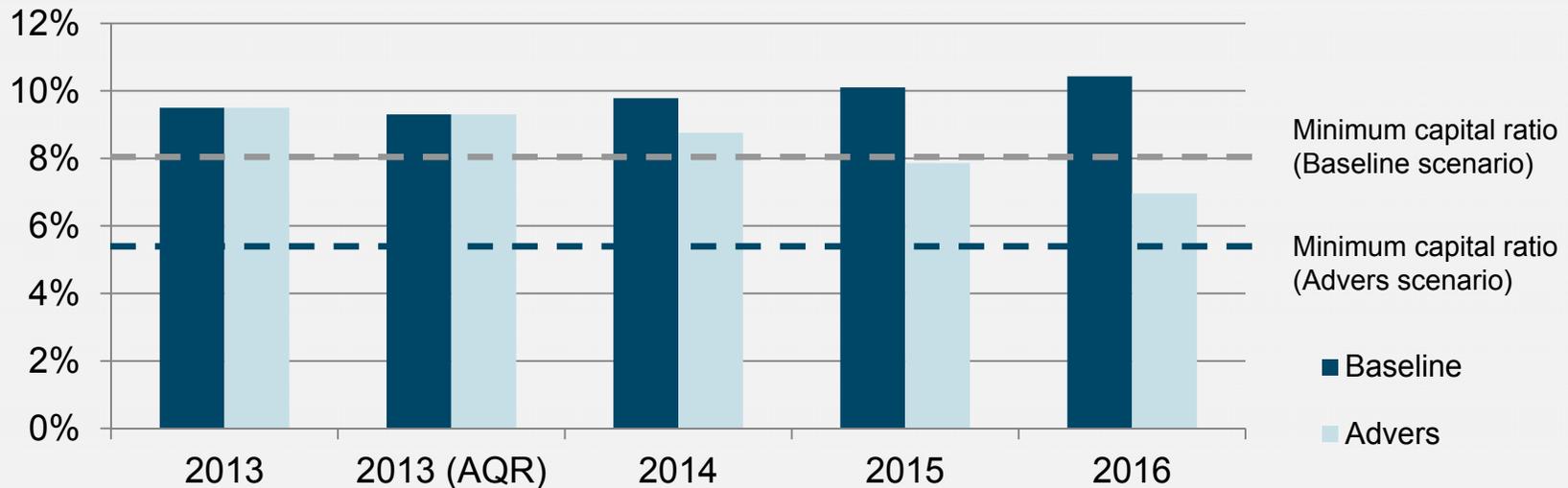
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## Volkswagen Financial Services follows Route 2025



## VW Financial Services AG – Asset Quality Review

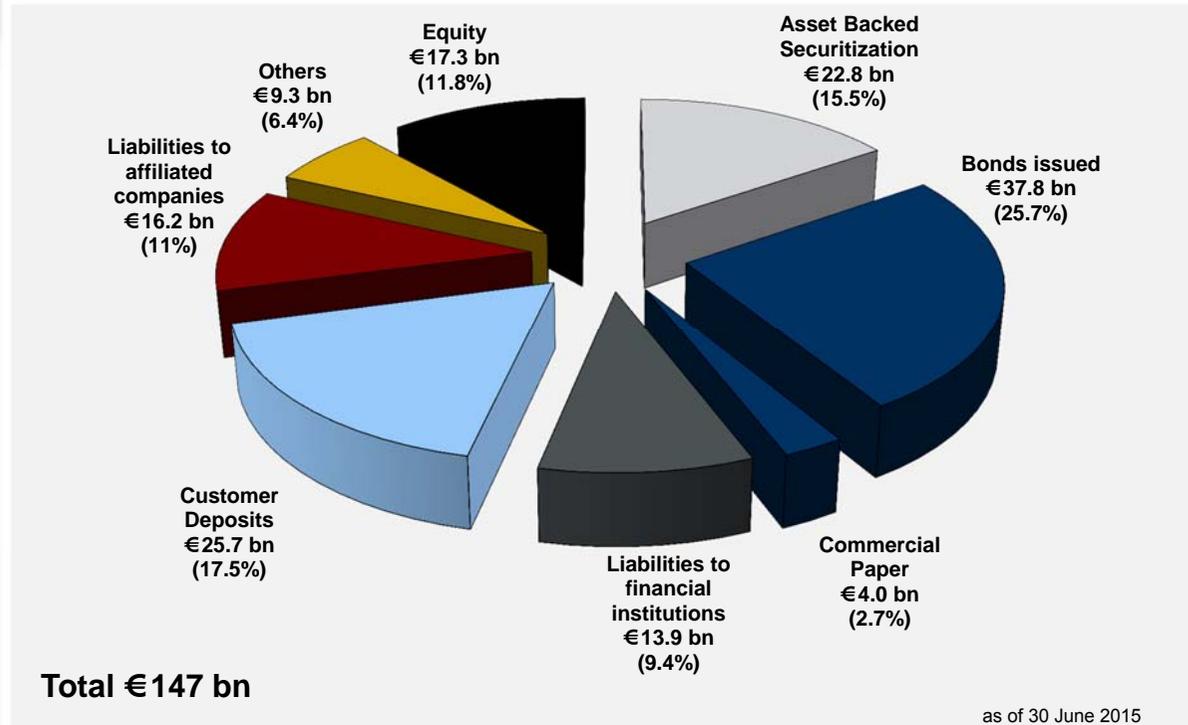
### The Comprehensive Assessment was successfully passed



Volkswagen Financial Services AG achieved a capital ratio (CET 1) of 7% (6.96%) in the stress test and exceeded the supervisory threshold (pass mark) of 5.5% by a significant extent

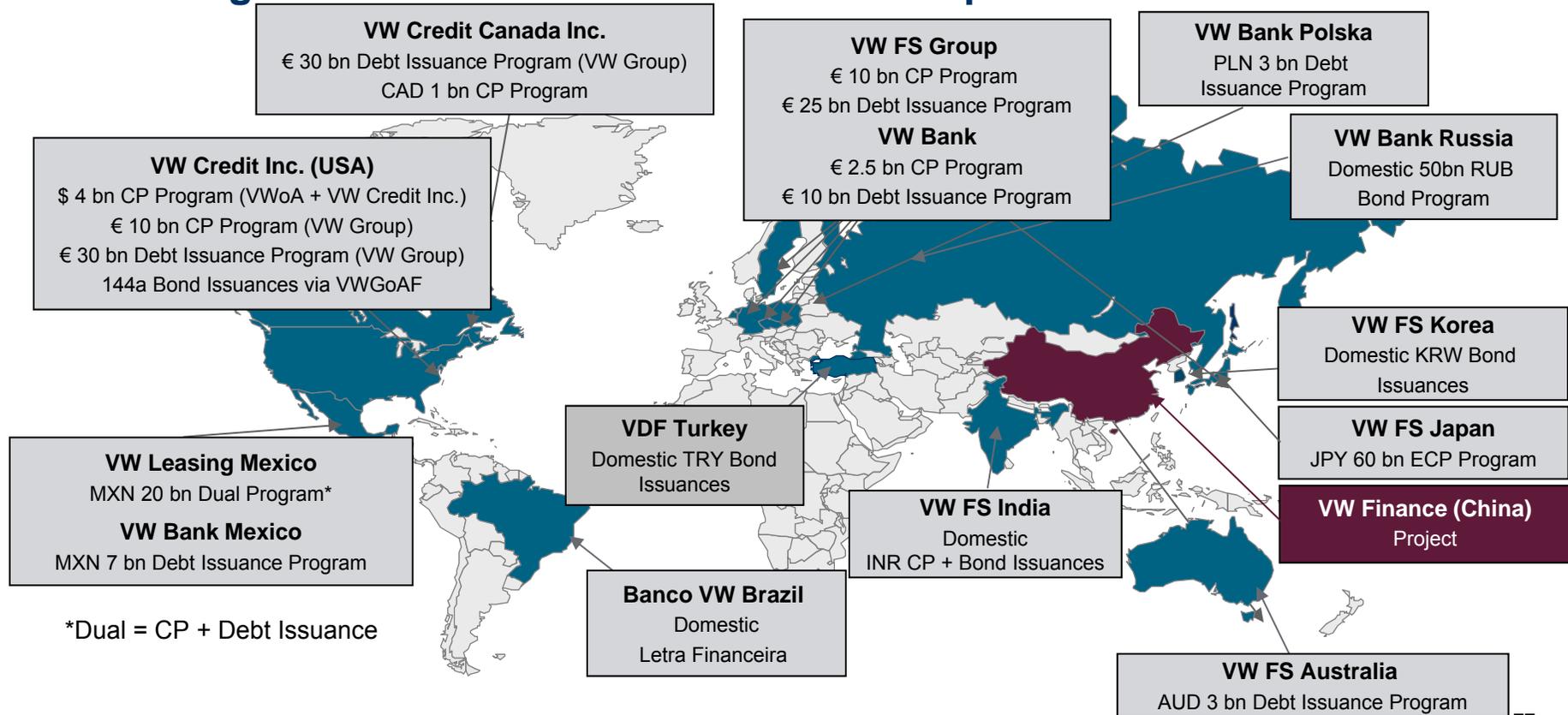
## Funding Structure Volkswagen Financial Services

### Strategic Funding Sources



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## Volkswagen Financial Services' Worldwide Capital Market Activities



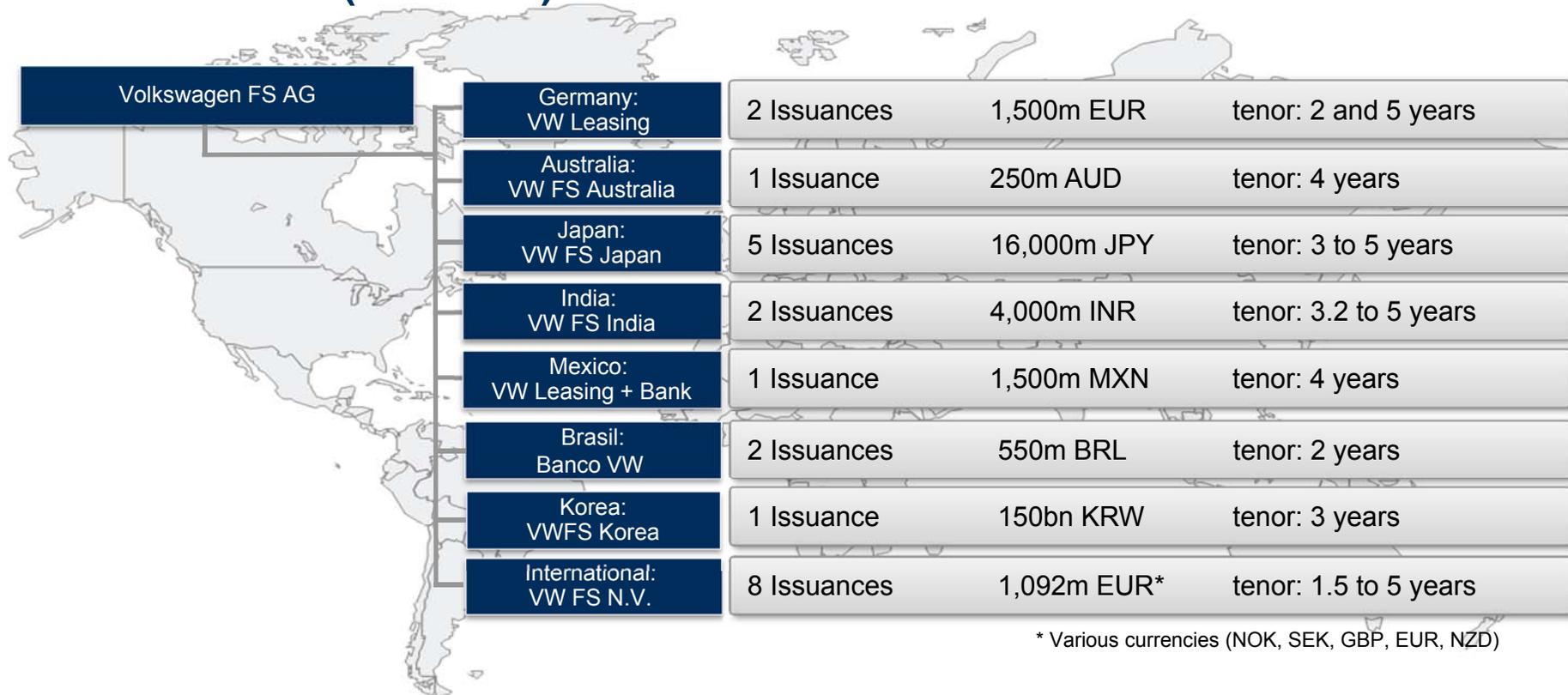
\*Dual = CP + Debt Issuance

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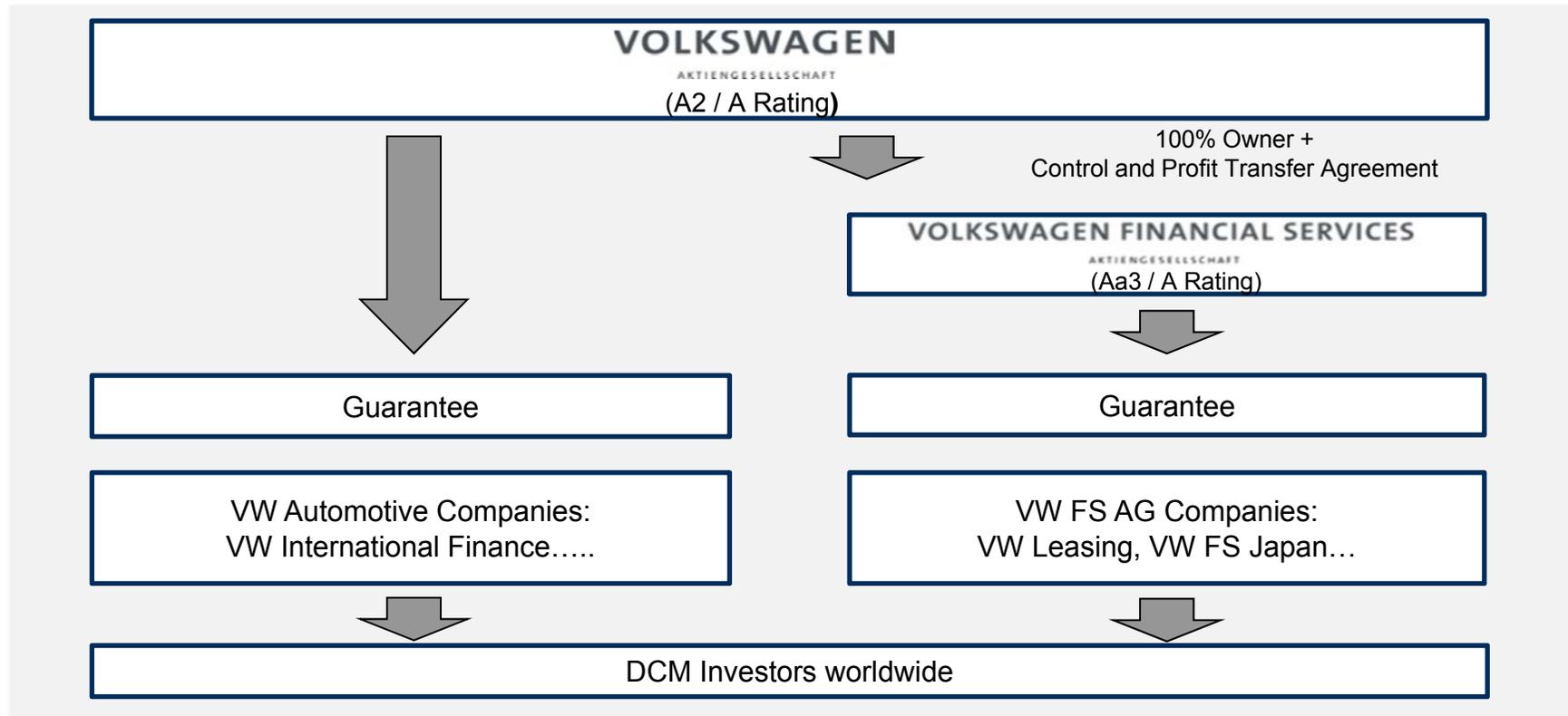
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## DCM Activities (2015 YTD)



\* Various currencies (NOK, SEK, GBP, EUR, NZD)

## DCM Strategy VW Automotive and VW Financial Services



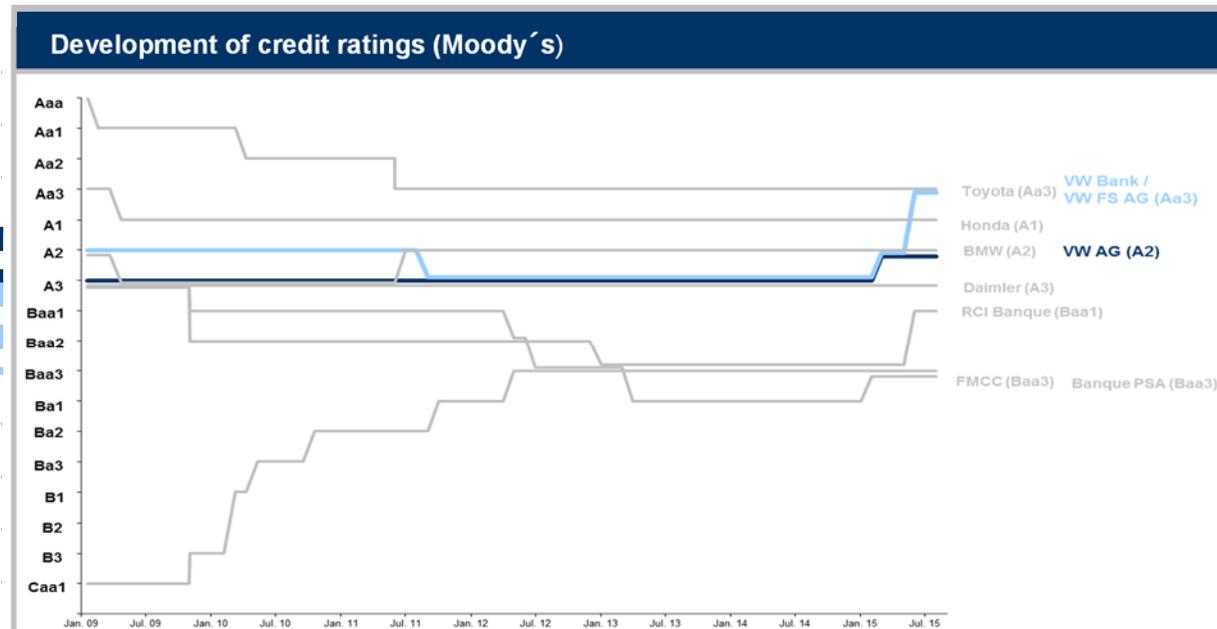
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## Rating History (08/31/2015)

	Moody's	S&P
Toyota	Aa3	AA-
Honda	A1	A+
BMW	A2	A+
VW AG	A2 <sup>1)</sup>	A <sup>1)</sup>
VW Bank GmbH / VW FS AG	Aa3 <sup>1)</sup>	A <sup>1)</sup>
Scania	--	A-
Daimler	A3	A-
RCI Banque	Baa1	BBB
FMCC	Baa3	BBB-
Banque PSA	Ba1	BB



<sup>1)</sup> Outlook: stable

Volkswagen Financial Services AG has a solid and stable rating history.

Data Source: Reuters

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### S&P and Moody's value VWFS's strategic position within VW Group

*S&P: "We consider VW FS to be core to its ultimate parent, VW AG, and equalize our ratings on VW FS with those on VW AG."*

*Moody's: "VW FS AG benefits from a domination and profit-and-loss transfer agreement with Volkswagen that reflects the entity's core strategic role for Volkswagen."*

*S&P: "We consider VW FS' corporate strategy to be prudent, well-executed, and focused on its core business, in which it has expertise."*

*Moody's: "Because of the strength of the contractual and strategic links between Volkswagen and its subsidiaries, Moody's expects both VW FS AG and VW Bank to benefit from "affiliate backing", the highest degree of affiliate support (...)."*

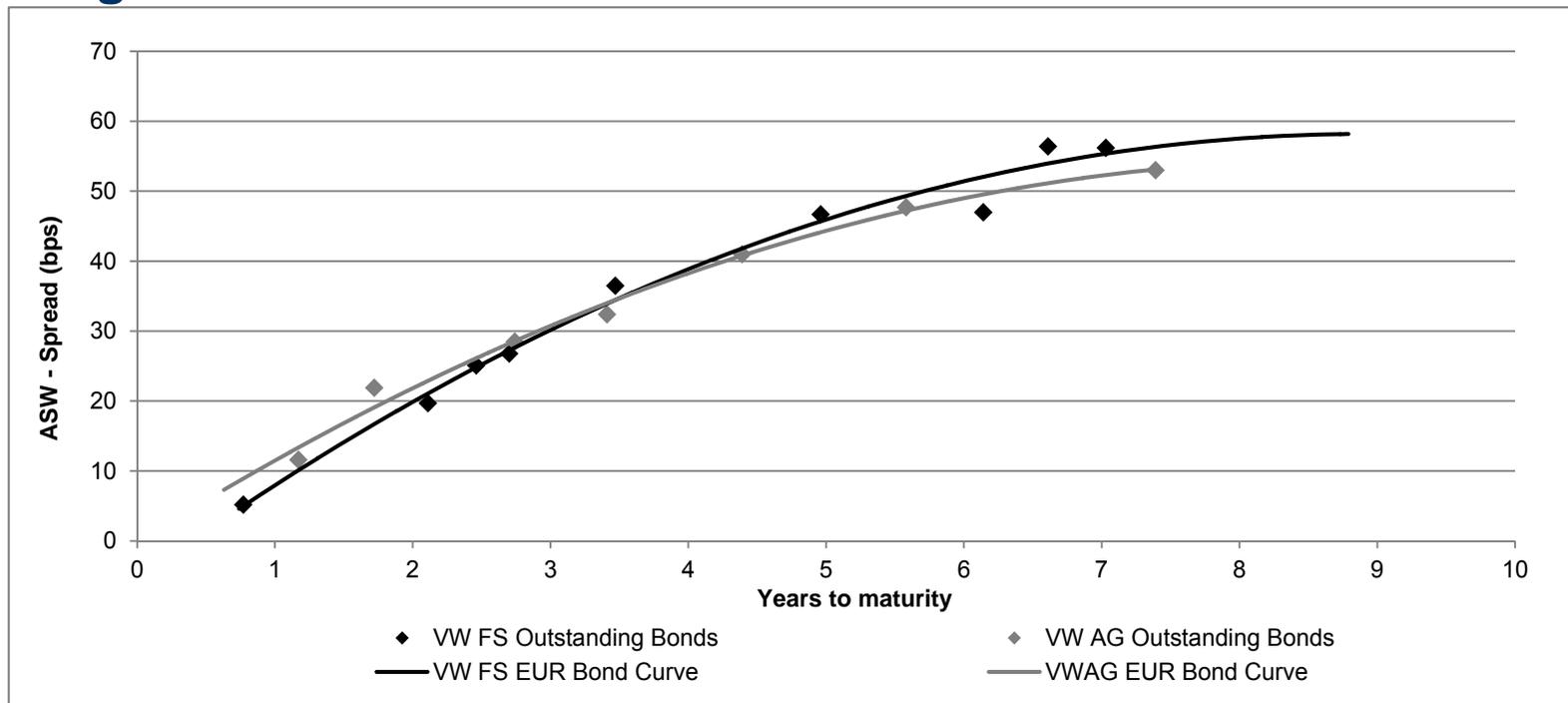
*S&P: "(...) reflects our view that captive finance operations will remain integral to the VW group's overall corporate strategy."*

*"S&P: We believe that VW FS will preserve its current conservative capital and risk management, and that its asset mix and growth trends are unlikely to change materially in the short to medium term."*

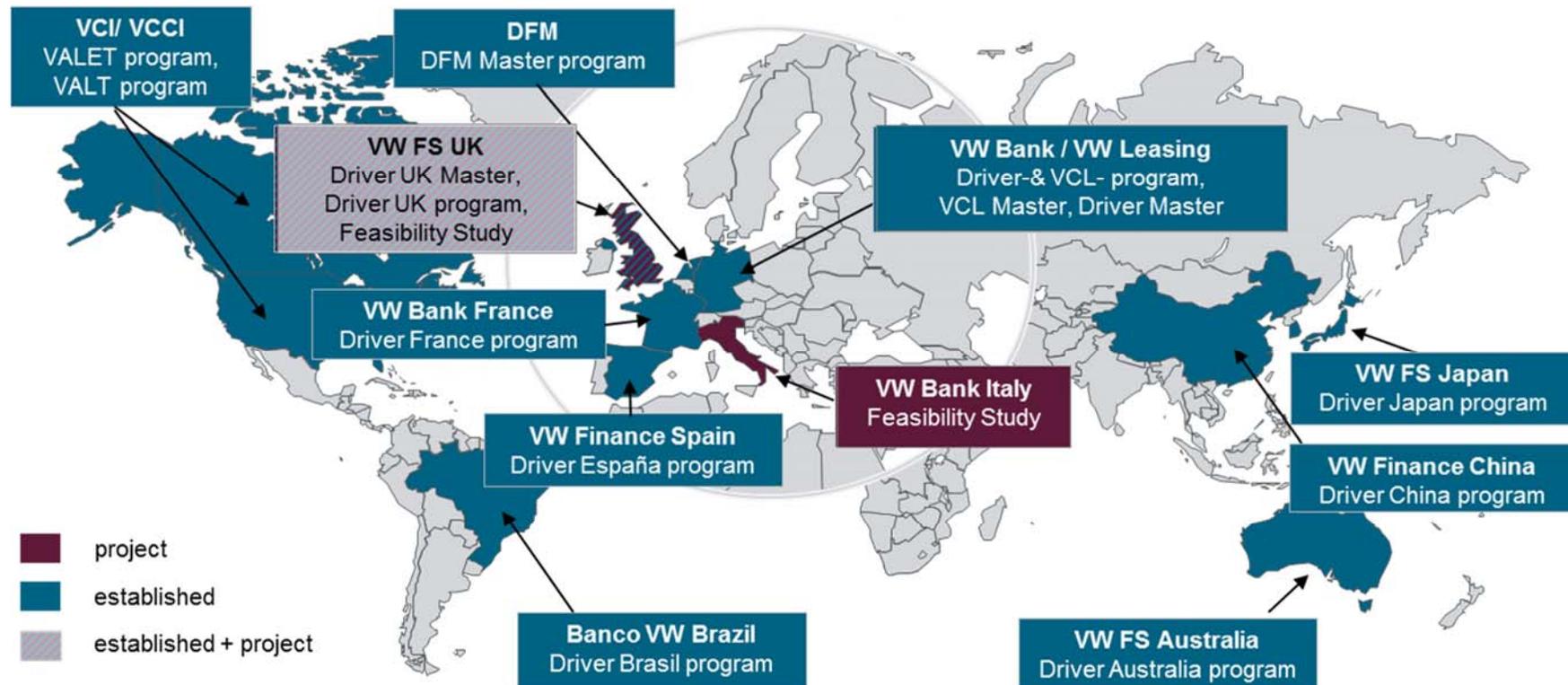
Source: S&P Research, July 31, 2014 and Moody's Global Credit Research, March 20, 2015.

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## Investor's Risk Evaluation – EUR Bond Curve Volkswagen AG compared to Volkswagen Financial Services AG



## VW Financial Services' worldwide ABS activities



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## **Volkswagen Group: Stability in Volatile Times**

**Lennart Schmidt, Kai Otto, Ulrich Hauswaldt, Nils Allnoch**

Volkswagen AG, Volkswagen Financial Services

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