

**VOLKSWAGEN**

AKTIENGESELLSCHAFT

# Leading the Transformation.

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**Björn Bätge** Group Treasury  
**Ulrich Hauswaldt** Investor Relations

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Volkswagen Debt Investor Day with Commerzbank, Frankfurt, 10 September 2019

## Disclaimer

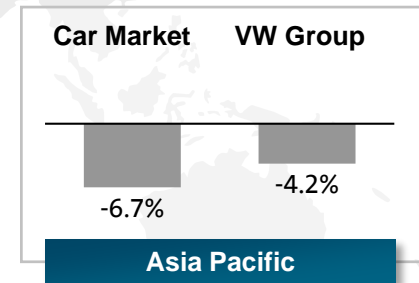
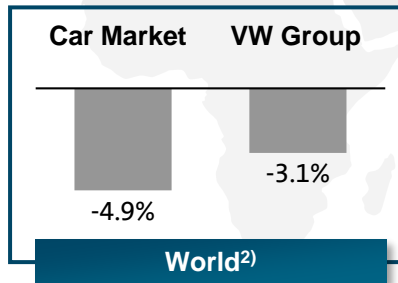
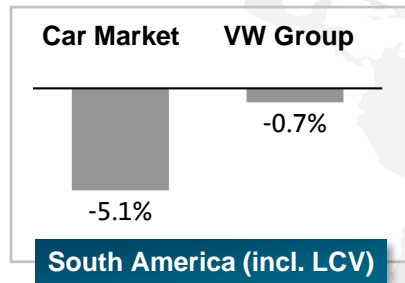
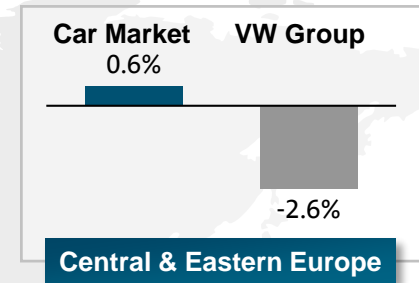
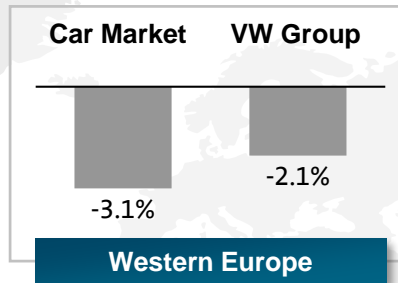
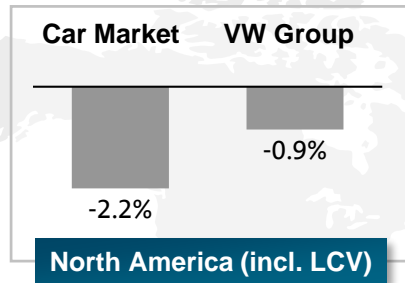
The following presentations contain forward-looking statements and information on the business development of the Volkswagen Group. These statements may be spoken or written and can be recognized by terms such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will” or 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.

If any of these or other risks occur, or if the assumptions underlying any of these statements prove incorrect, the actual results may significantly differ from those expressed or implied by such statements.

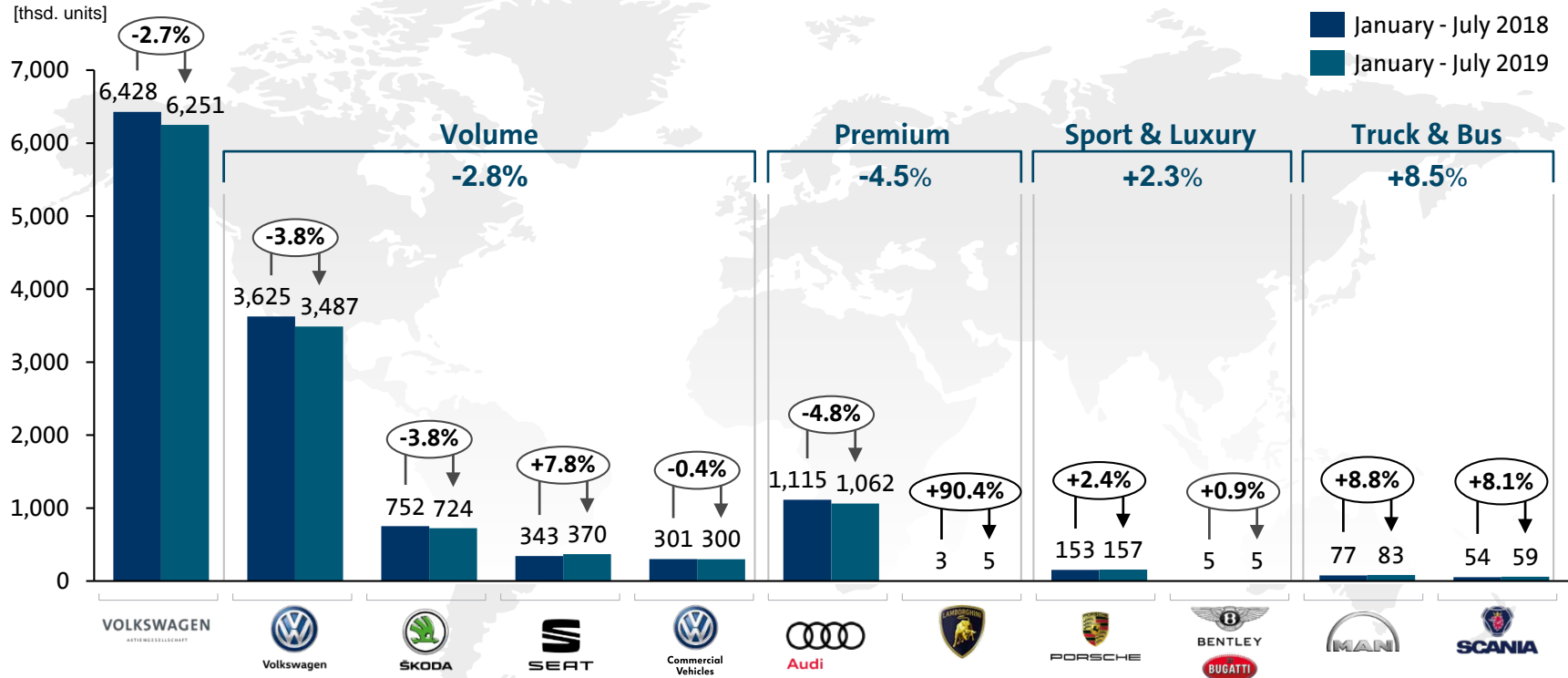
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## Development World Car Market vs. Volkswagen Group Car Deliveries to Customers <sup>1)</sup> (Growth y-o-y in deliveries to customers, January to July 2019 vs. 2018)



<sup>1)</sup> Volkswagen Group Passenger Cars excl. Volkswagen Commercial Vehicles <sup>2)</sup> incl. LCV in North America & South America

## Volkswagen Group – Deliveries to Customers by Brands <sup>1)</sup> (January to July 2019 vs. 2018)



<sup>1)</sup> Volkswagen Group excl. Ducati



## Volkswagen Group – Key Financial Figures <sup>1)</sup>

(January to June 2019 vs. 2018)

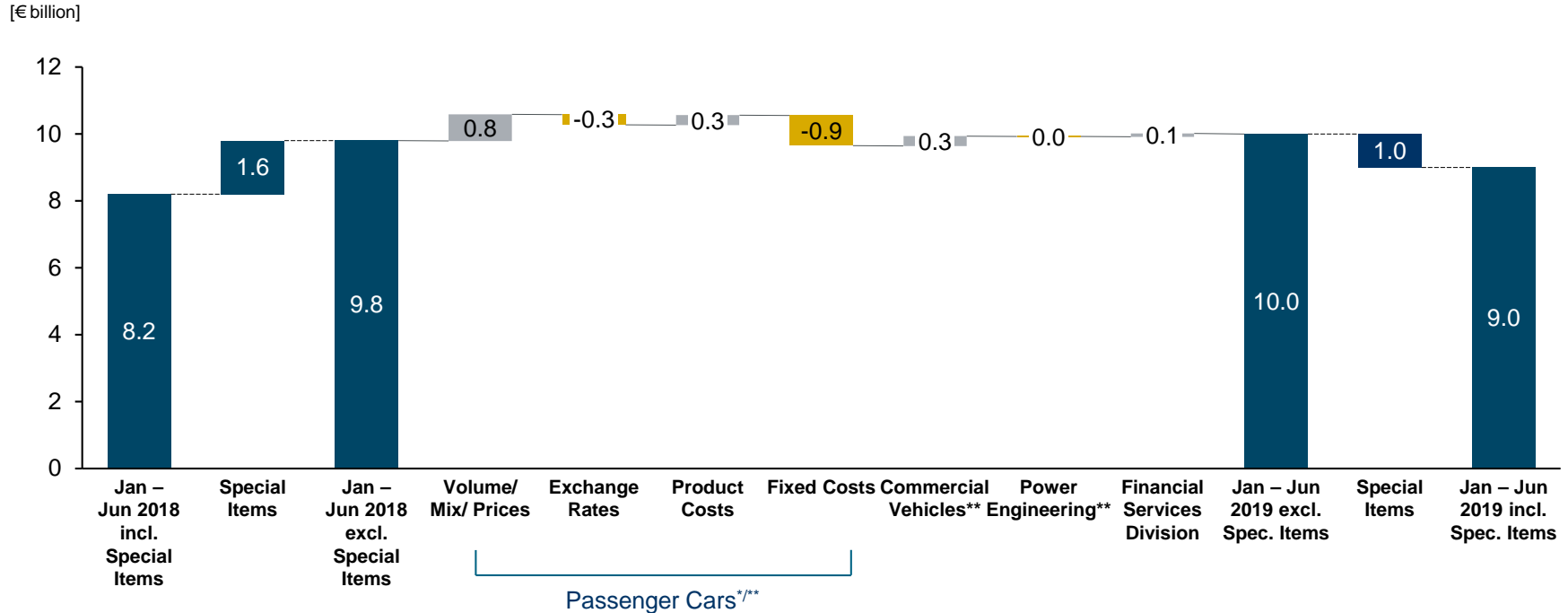
thousand vehicles / € million	2019	2018 <sup>2)</sup>	+/- (%)
Vehicle Sales <sup>3)</sup>	5,339	5,575	-4.2
Sales revenue	125,197	119,377	+4.9
Operating profit before Special Items	9,979	9,794	+1.9
<i>% of sales revenue</i>	8.0	8.2	
Operating profit	8,997	8,160	+10.3
<i>% of sales revenue</i>	7.2	6.8	
Financial result	560	813	-31.1
of which: At-equity result <sup>4)</sup>	1,599	1,680	-4.9
of which: Other financial result	-1,039	-867	-19.8
Profit before tax	9,557	8,972	+6.5
<i>% Return on sales before tax</i>	7.6	7.5	
Profit after tax	7,168	6,613	+8.4

<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> Prior-year figures were adjusted due to IFRS

<sup>3)</sup> Volume data including the unconsolidated Chinese joint ventures. <sup>4)</sup> The joint venture companies in China are accounted for using the equity method and recorded an operating profit (proportionate) of €2,103 million (€2,318 million).

# Volkswagen Group – Analysis of Operating Profit <sup>1)</sup>

(January to June 2019 vs. 2018)

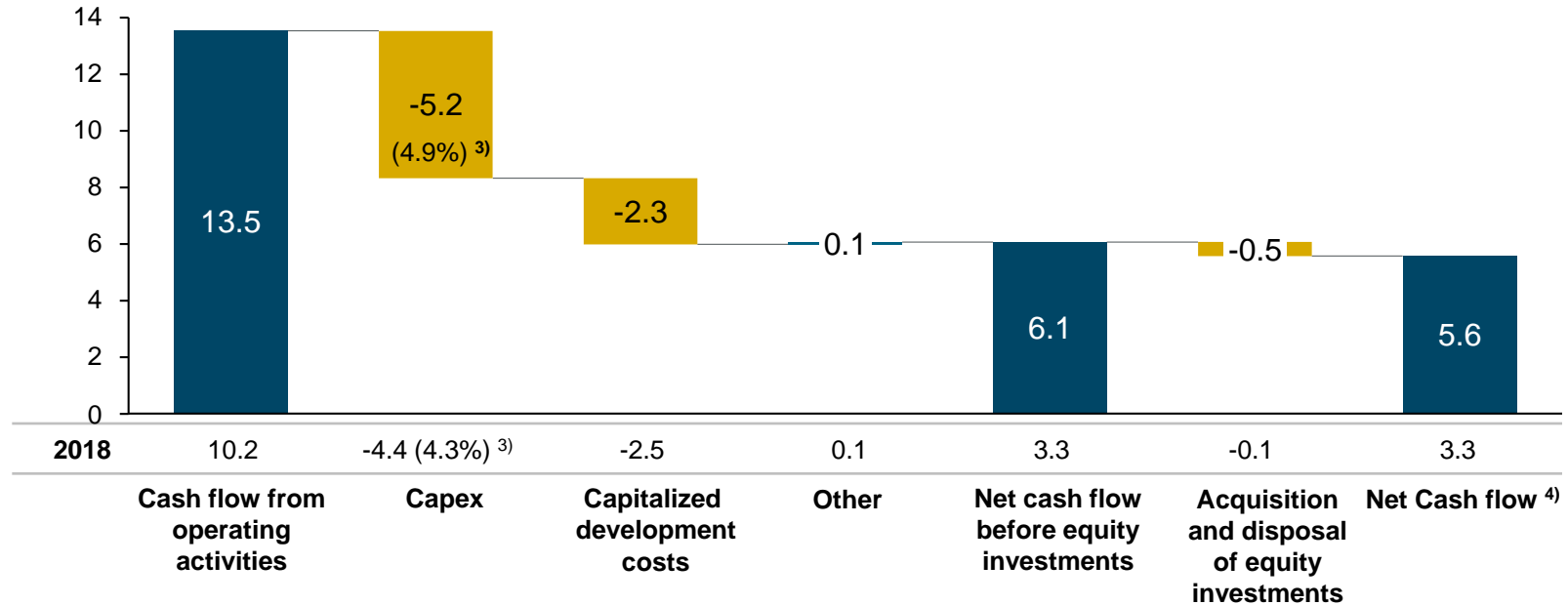


<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. \*) without FS \*\*) including PPA

# Automotive Division – Net Cash Flow Development <sup>1) 2)</sup>

(January to June 2019)

[€ billion]



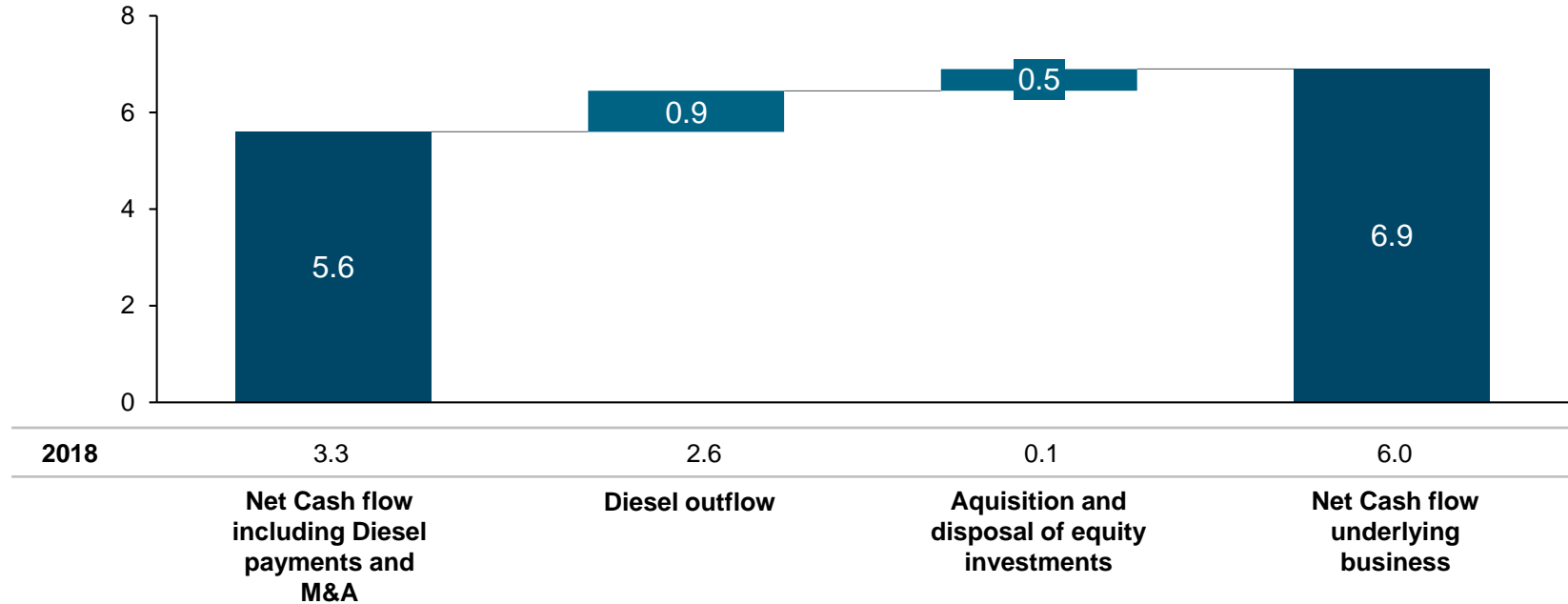
<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

<sup>3)</sup> Capital expenditure for property, plant and equipment in% of Automotive sales revenue. <sup>4)</sup> Including Diesel payments and M&A.

# Automotive Division – Net Cash Flow <sup>1)</sup>

(January to June 2019)

[€ billion]

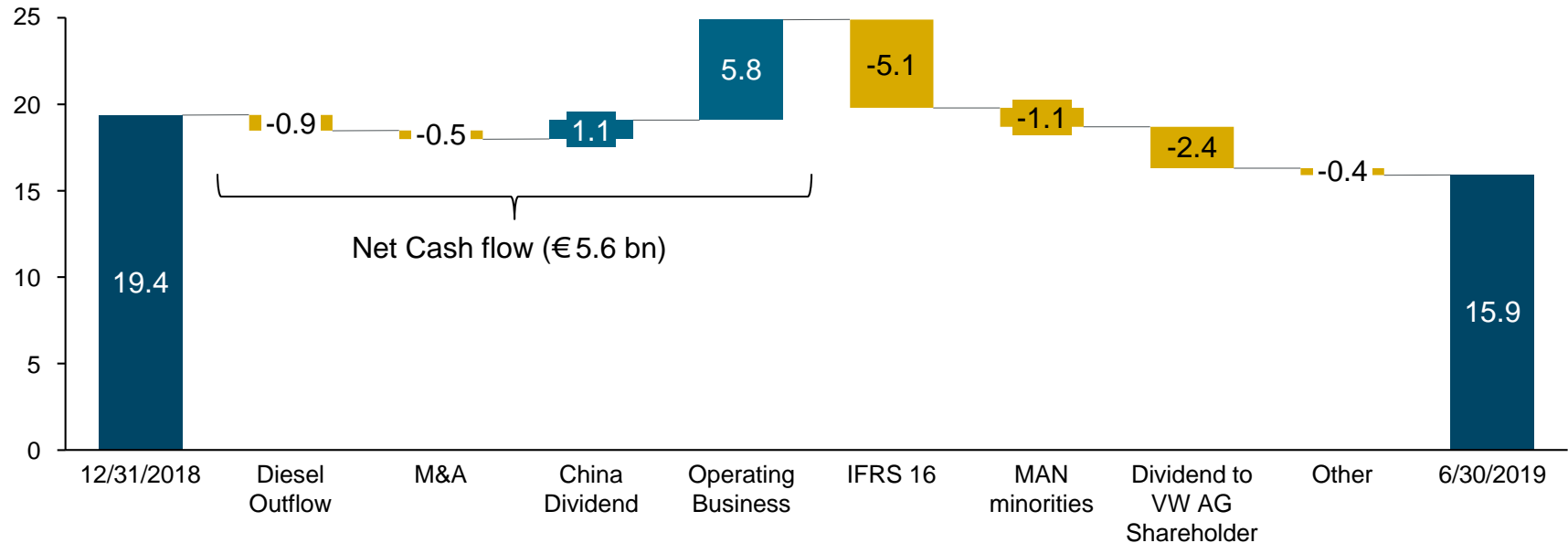


<sup>1)</sup> Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

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

(January to June 2019)

[€ billion]

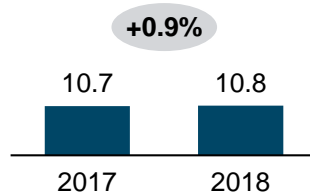


<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts.

# Volkswagen Group – Outlook for 2019



**Deliveries to customers**  
(‘000 vehicles)

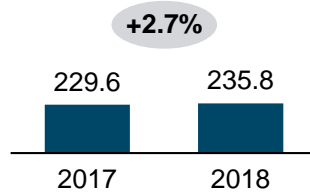


slightly exceed the prior-year

2019



**Sales revenue**  
(€ billion)

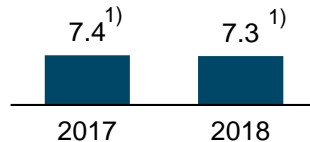


grow by as much as 5%

2019



**Operating return on sales**  
(%)



in the range of 6.5 – 7.5%  
before Special Items

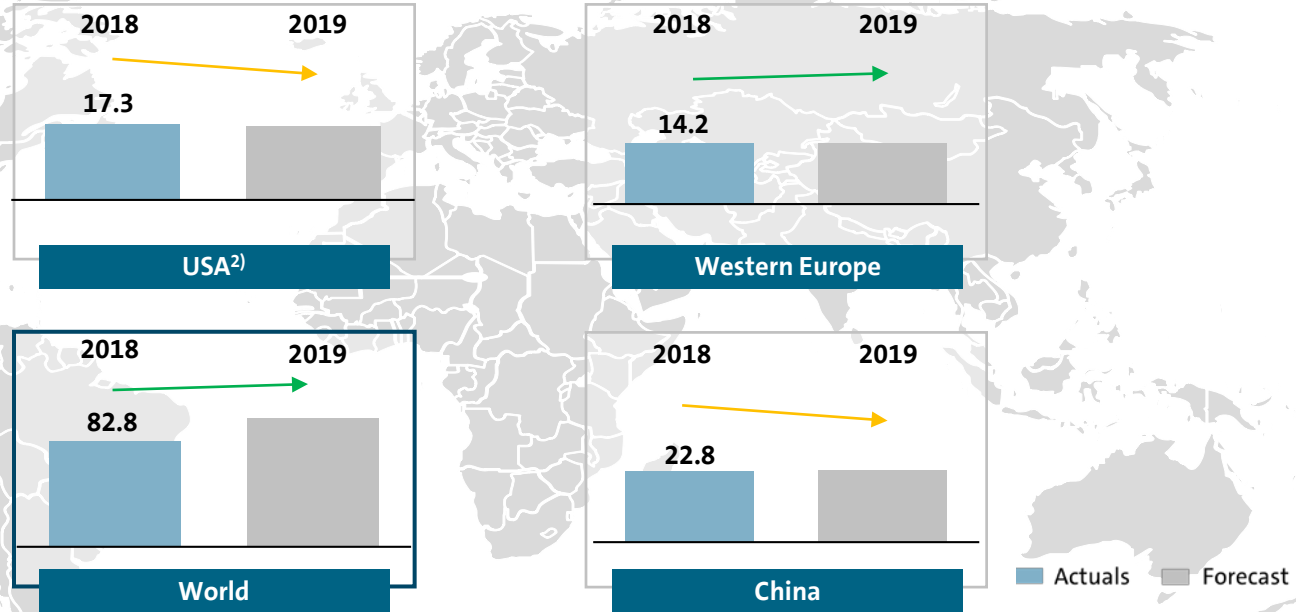
2019

<sup>1)</sup> before Special Items.

# Global Passenger Car Market 2018 – 2019 <sup>1)</sup>

China remains largest driver of passenger car demand, Western Europe stable  
 Slowdown in the US from a high level

[million units]



► Deliveries to customers of the Volkswagen Group in 2019 will still grow moderately amid continuously challenging market conditions.

<sup>1)</sup> Internal forecast; as of June, 2019. <sup>2)</sup> Volume for North & South America includes light commercial vehicles (definition 'Light Vehicles')

## New and Forthcoming Product Highlights in 2019 <sup>1)</sup>



Volkswagen



Audi



ŠKODA



SEAT



PORSCHE



BENTLEY



Commercial  
Vehicles

### Portfolio expansion and successor models ICE



T-Cross



Sagitar



B-SUV 5-Seater (US/CH)



A1 City Carver



Q3



Octavia Combi



ŠKODA Scala



Tarraco



Leon



911 Carrera



Cayenne Coupé



Flying Spur

### Portfolio expansion BEV



Bora BEV (CH)



Laida BEV (CH)



e-tron



e-tron Sportback



Citigo BEV



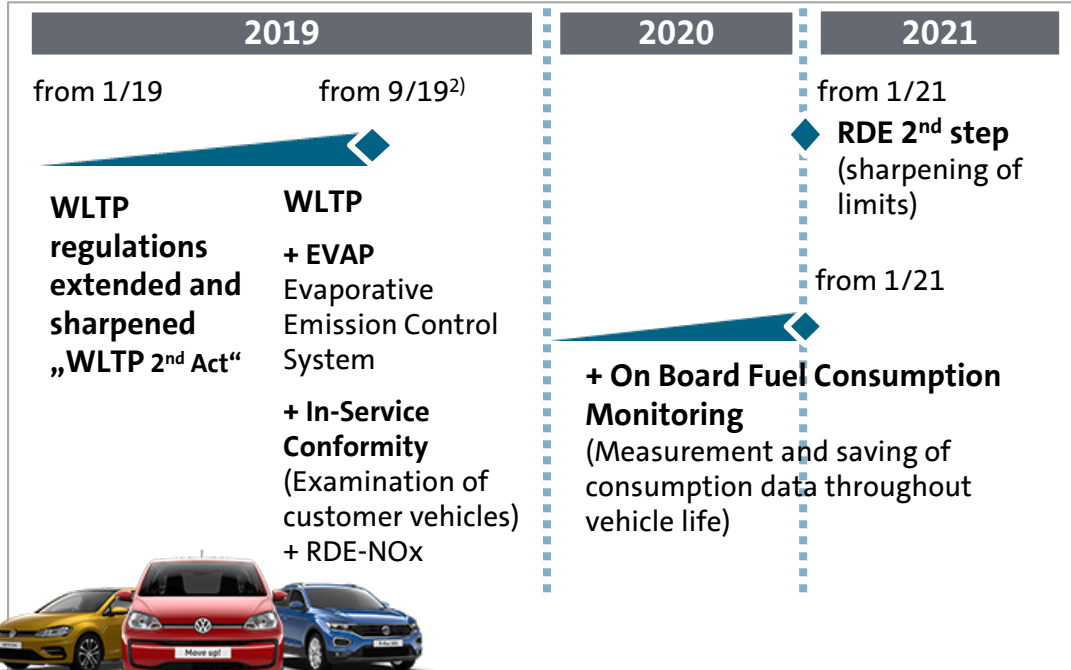
Taycan

<sup>1)</sup> Selected models planned.



# Emission requirements: WLTP<sup>1)</sup> is the “new normal”

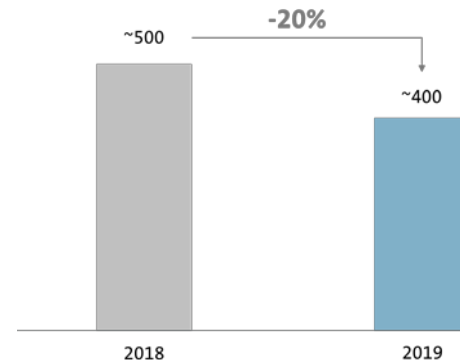
## Homologation Deadlines



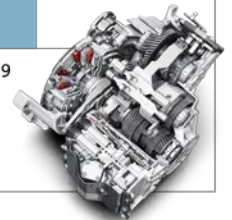
## Complexity Reduction

The majority of **engine/transmission combinations** need to be re-homologated and newly approved.

Volkswagen Volume Brands already acted:



► **Further complexity reduction in 2019 is under way.**



<sup>1)</sup> Worldwide Harmonized Light Vehicles Test Procedure <sup>2)</sup> Extended to Light Commercial Vehicles all new registrations .

## Clear Financial Targets and Milestones <sup>1)</sup>

Key financial targets	2016	2017	2018	2019 Targets	2020 Targets	2025 Targets
<b>Operating return on sales</b> <small>Before Special Items</small>	6.7%	7.4%	7.3%	6.5-7.5%	6.5-7.5%	7-8%
<b>Return on investment</b> <small>Automotive Division <u>before</u> Special Items</small>	13.9%	14.4%	13.1%	12-14%	13-15%	> 15%
<b>Capex ratio</b> <small>Automotive Division</small>	6.9%	6.4%	6.6%	6.5-7.0%	6%	6%
<b>R&amp;D cost ratio</b> <small>Automotive Division</small>	7.3%	6.7%	6.8%	6.5-7.0%	6%	6%
<b>Cash</b>						
<small>Automotive Division</small>						
<b>a) Net Cashflow<sup>2)</sup></b>	€ 4.9 bn	€ 10.3bn	€ 5.6 bn	≥ € 9bn	≥ € 10 bn	> € 10 bn
<b>b) Net Liquidity</b>	€ 27.2 bn	€ 22.4 bn	€ 19.4 bn	≥ € 15bn <sup>3)</sup>	> € 20 bn	~10% of Group turnover

<sup>1)</sup> As of 19th March, 2019. <sup>2)</sup> Ex diesel payments and M&A; cash outflows of around € 3 bn in 2016, € 16.1 bn in 2017 and € 5.3 bn in 2018. <sup>3)</sup> Including the negative one-off IFRS 16 impact, effective from 1st January, 2019.

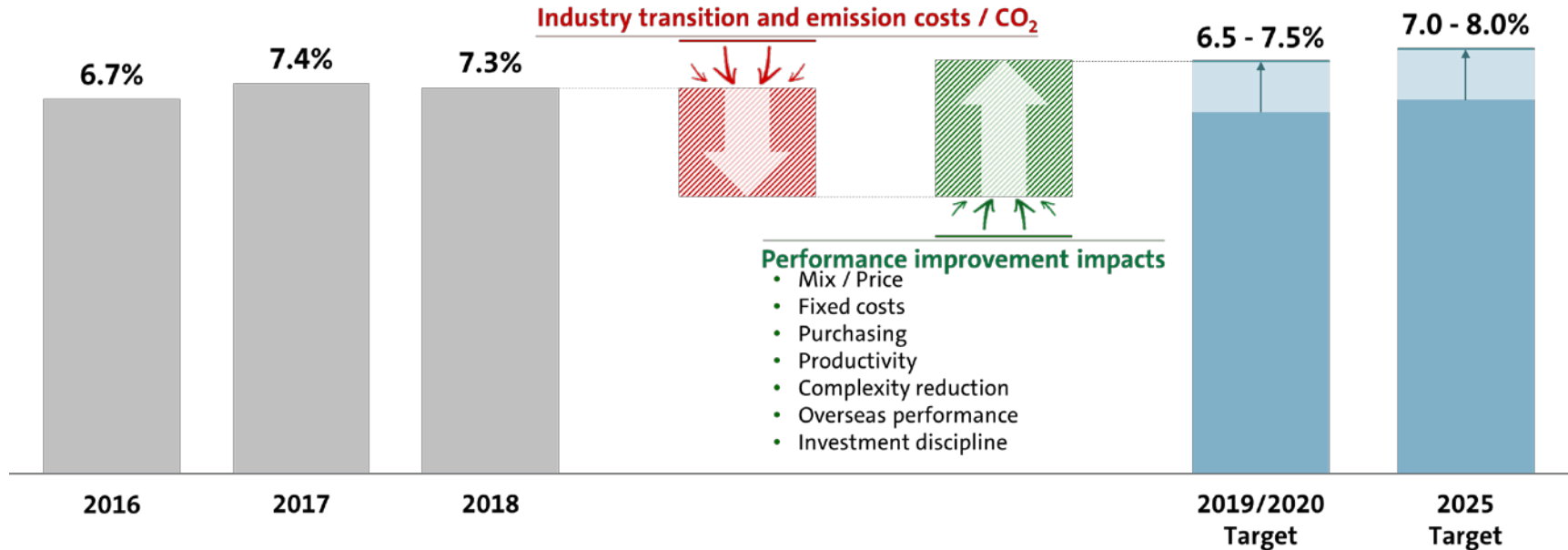
## Overview Brand Targets (RoS, RoE)

Return on Sales in % <sup>1)</sup>	<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 <sup>2)</sup>	9-11 <sup>2)</sup>	9-11 <sup>2)</sup>
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 <sup>3)</sup>	5.4	6.0	-	6.4	6.5-7.5	Over the cycle target of 9% <sup>4)</sup>	
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

<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.











# Improving Group Return on Sales despite significant headwinds

Operating margin<sup>1)</sup>  
(% of sales revenue)



<sup>1)</sup> Before special items.

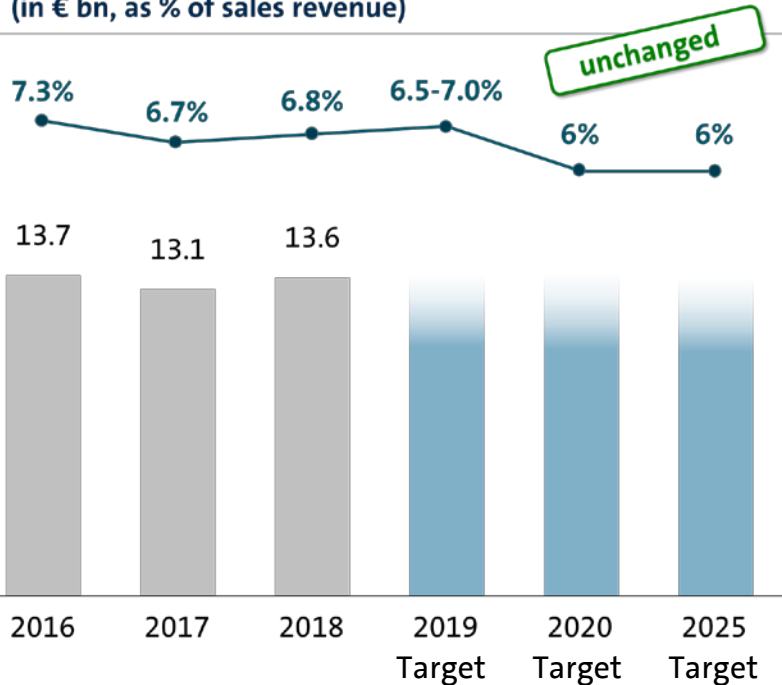
## Securing Group KPI's: Profit Improvement programs

Volume	 <b>Future Pact/ Profit Improv. Program</b>	 <b>Included in ,Grip 2025+‘</b>
	 <b>Attack Plan</b>	 <b>100+/ Full Cost Optim.</b>
Premium	 <b>Transformation Plan</b>	
Sport & Luxury	 <b>Profit Improv. Program</b>	 <b>Transformation Plan</b>
Financial Services	 <b>Opex</b>	
Commercial Vehicles	 <b>Focus on synergies</b>	
Group	 <b>Lean and focused (GI 12)</b>	

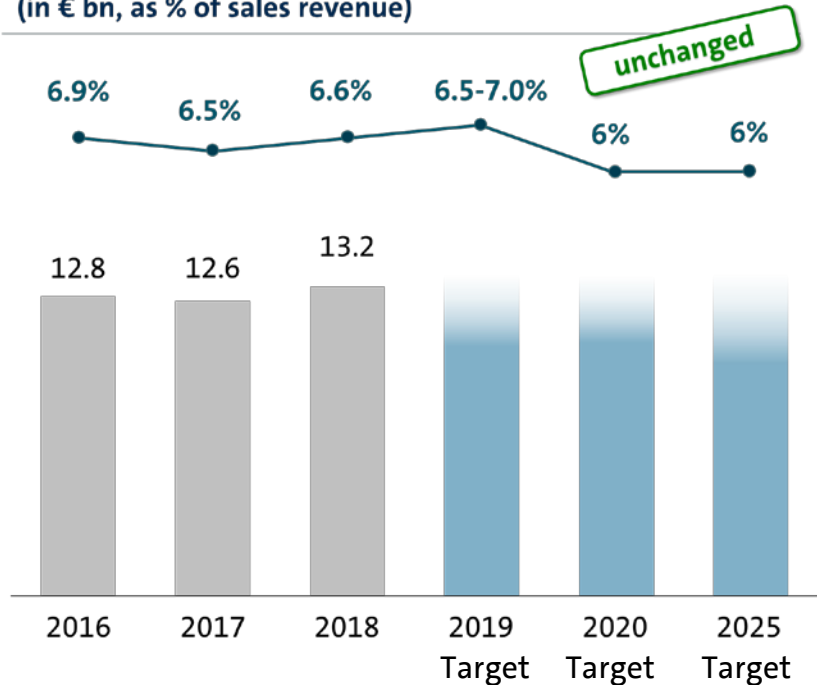


# Discipline: Maintaining R&D and CAPEX Targets

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

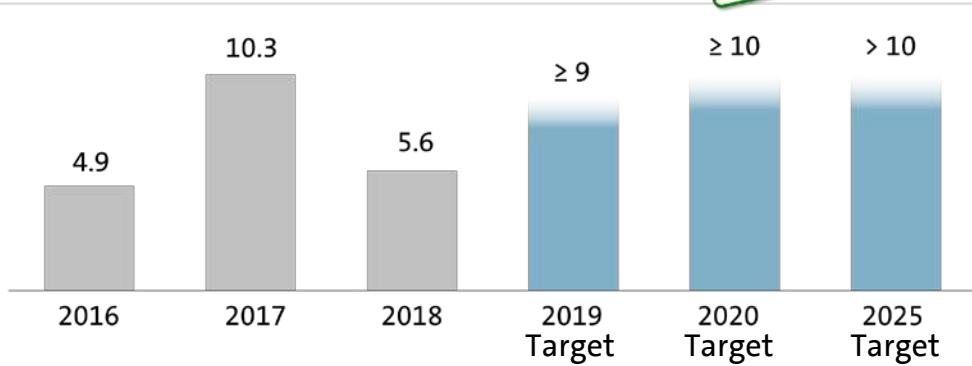


CAPEX Automotive Division  
(in € bn, as % of sales revenue)



## Generate cash (1): Self funding <sup>1)</sup>

Automotive Net Cash Flow<sup>2)</sup>  
(in € bn)



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

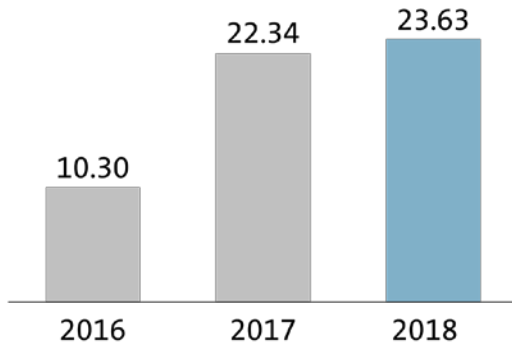


<sup>1)</sup> Incl. allocation of consolidation adjustments between Automotive and Financial Services divisions.

<sup>2)</sup> Before Diesel related outflows and M&A.

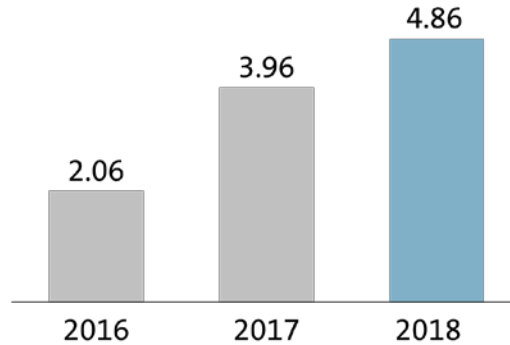
## Generate Cash (2): Attractive Dividend

Earnings per Preference Share  
(€)



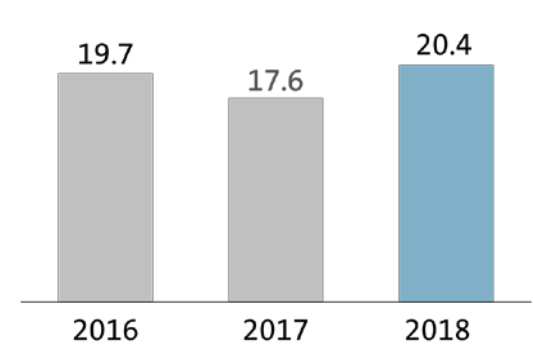
**Target EPS: ≥ 30 € by 2020**

Dividend per Preference Share  
(€)



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

Dividend pay-out ratio<sup>1)</sup>  
(%)



<sup>1)</sup> Total dividend in percent of net income attributable to shareholders of Volkswagen AG.



## Enhanced Strategy: Together 2025+

- Accelerating industry changes
- New Group structure
- Leadership changes on board level

Together 2025



2016



2018



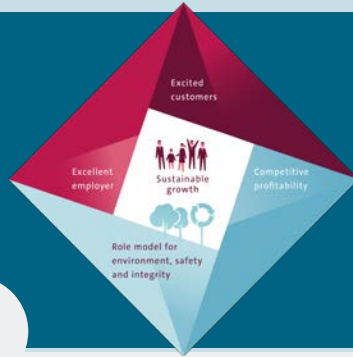
2019

**Continuation of strategic direction**

- Increase **focus and speed**
- New **purpose-driven vision**:  
Shaping mobility – for generations to come

# Together 2025+ : Increased focus and speed towards a purpose-driven vision

Our new vision



## Shaping mobility – for generations to come.

Our updated action plan



Best Governance



Best Performance



Best Brand Equity



Software-enabled car company



Excellent Leadership



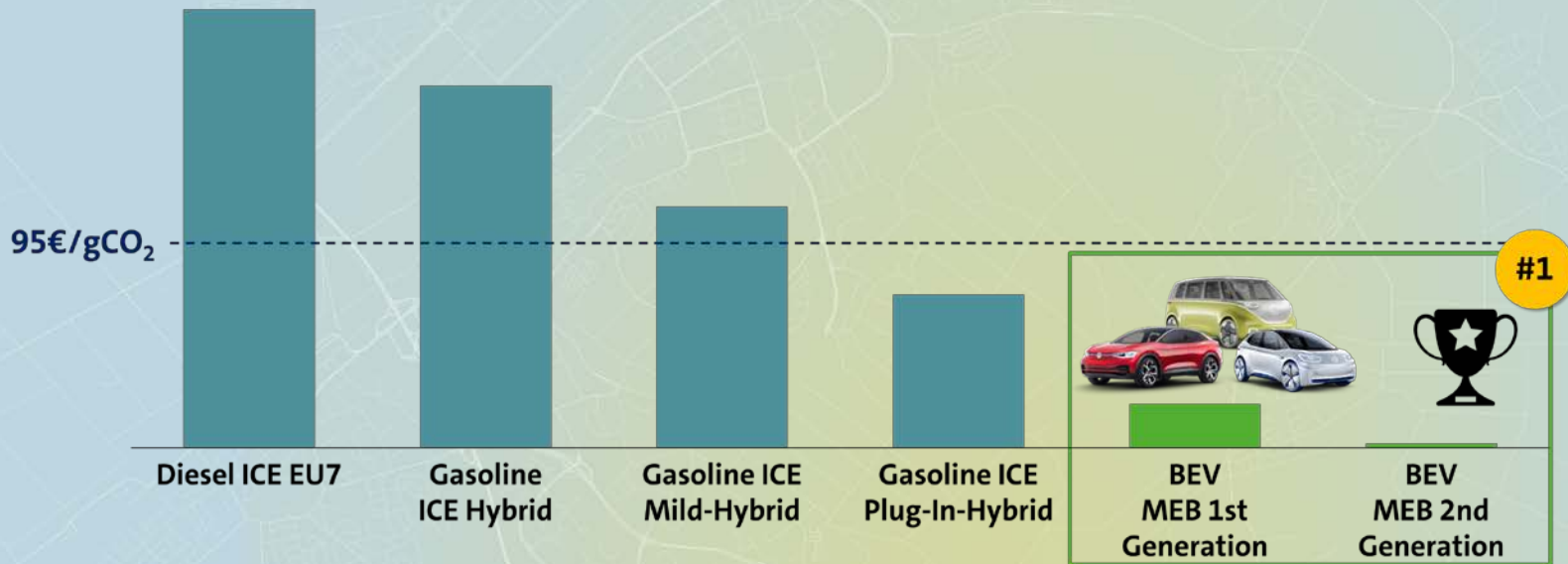
Functional strategies

Our belief

Values and integrity

# BEVs are First choice as the most cost efficient solution for CO<sub>2</sub> reduction

MEASURES FOR CO<sub>2</sub> REDUCTION IN €/G CO<sub>2</sub>



## Scalable Technology: The dedicated platforms (MEB/PPE) guarantee superior customer experience, scale and versatility



Long wheelbase  
short overhangs



Spacious interior for  
driver & passengers



No center tunnel



Various  
bodystyles



Big wheels



Rear-wheel  
& four-wheel drive



Central  
computing unit



Trunk volume  
~ ICE



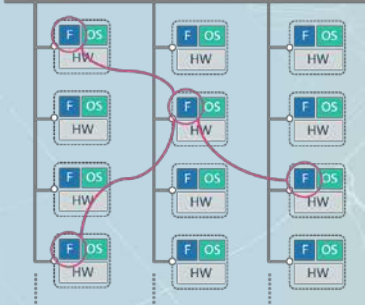
New Design



# The car becomes the most complex internet device



Car



distributed customer functions

Control units: approx. **70**

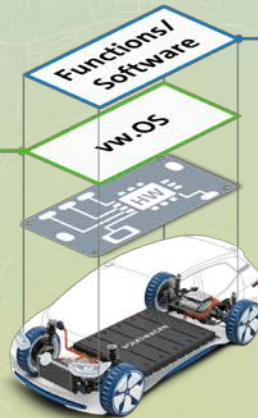
No own Software stacks

Today

Fully connected car



vw.OS Basic Software: Operating System



Software Stacks: Infotainment, Navigation, Emergency Assist ...



High Performance Computers **3-5**

Development of Volkswagen's own Software stacks

+ Further control units for safety relevant functions

Tomorrow



## Expanding production of electric vehicles worldwide on a massive scale by the end of 2022



NORTH AMERICA



EUROPE



CHINA



# Huge worldwide BEV offensive on the way to CO2 neutrality by 2050

BEV worldwide (in million) based on expected Group deliveries to customers

Roadmap **E**

PREMIUM

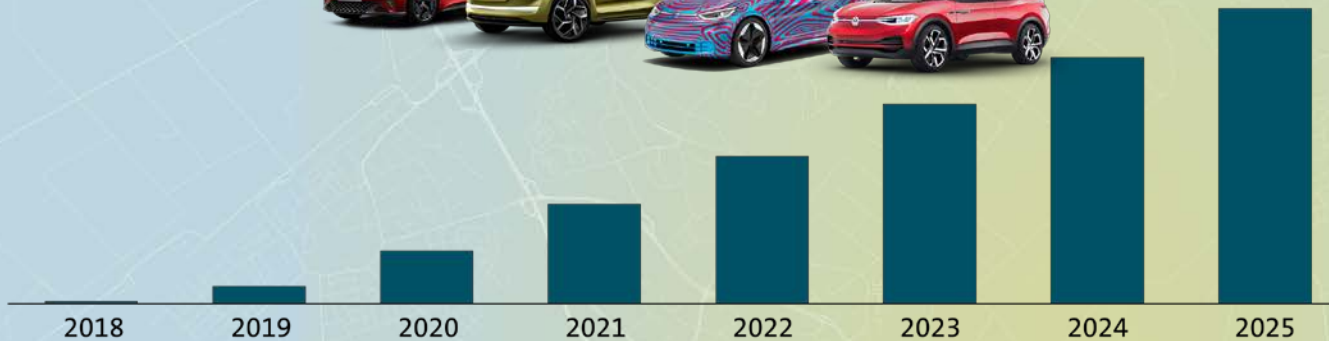


VOLUME



> 70 models

~ 3.0



„Zero Emission“  
in the existing fleet



COP21 - CMP11  
PARIS 2015  
UN CLIMATE CHANGE CONFERENCE



CO<sub>2</sub> NEUTRAL

2050

# Volkswagen is gathering momentum with the first MEB vehicle ID.3

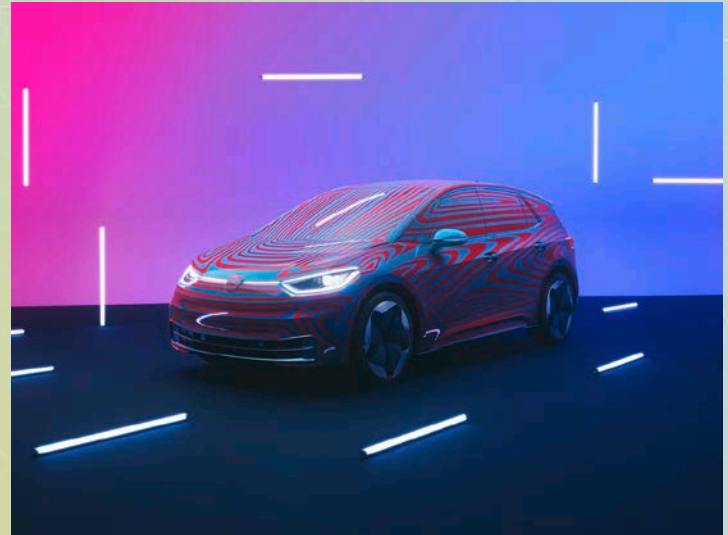
A new era begins

**ID.3 will come with ranges from 330 to 550 kilometers (WLTP) and starting price of under €30,000 in Germany**

## Pre-booking of special edition ID.3 1st:

Already ca. 30,000 registrations with an excellent customer response

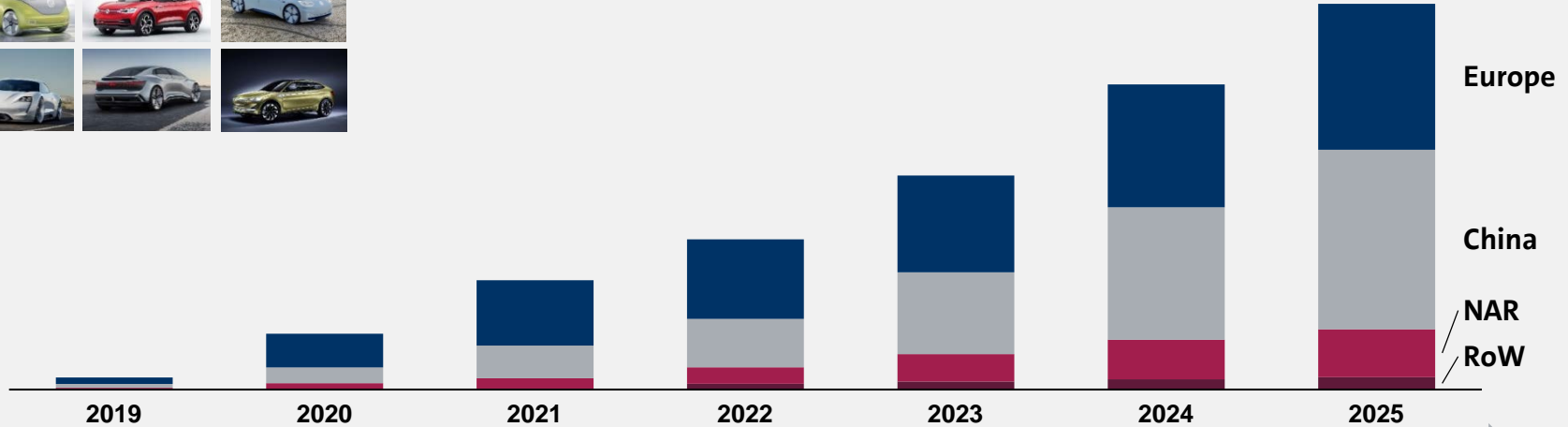
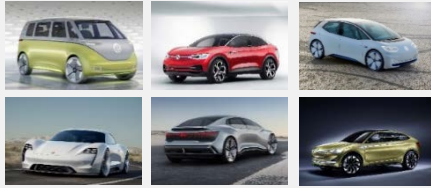
- limited to 30,000 vehicles
- range of 420 km (WLTP)
- starting price of less than €40,000 in Germany
- including charging of electric power for a year at no cost up to a maximum of 2,000 kWh
- Registration deposit is €1,000





# Volkswagen Group electrification offensive to boost in 2020

Volkswagen Group\* – BEV Volume by Region (2019-2025)



BEV share in % of total deliveries

BEV ≈ 1%

≈ 4%

> 20%

\* excl. Ducati

## BEV challenges addressed by three key elements

### Usability / Range



e-Golf

up to 231 km (WLTP)



MEB-platform

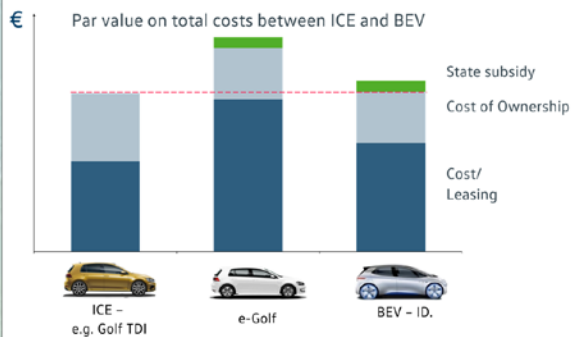
330 km (WLTP)

up to 550 km (WLTP)

scalable



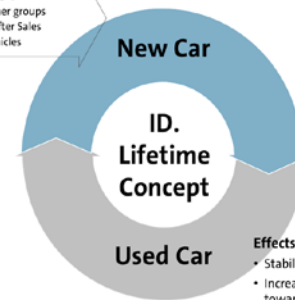
### Total Cost of Ownership



### Systematic Sales Approach

**"Rate instead of price":**

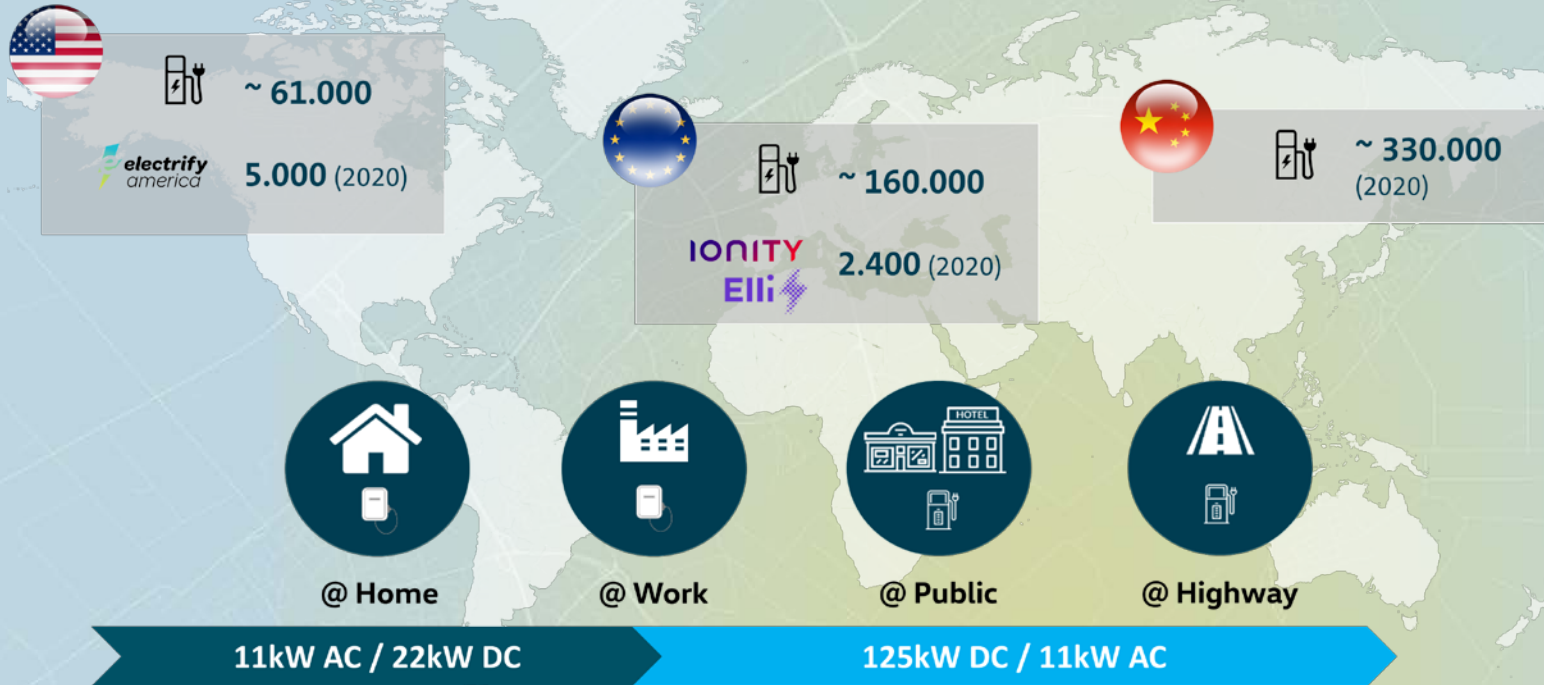
- Leasing for all customer groups
- Package offers incl. After Sales
- For new and used vehicles



**Effects:**

- Stabilization of residual values
- Increase of customer loyalty towards dealers & brand

# The charging infrastructure: An enabler for the transformation to e-mobility



<sup>1)</sup> As of 12th March, 2019.

## Driving forward Strategy: New collaborative approach

### Market/ Product



### E-Mobility services



### Software



### Technology



**New Scale dimensions**

# Ford and Volkswagen extend global alliance, Volkswagen simultaneously invests in Argo AI

ANNOUNCED 2019

VOLKSWAGEN TO SUPPLY  
MEB PLATFORM TO FORD

EQUAL SHAREHOLDER WITH FORD;  
TRANSACTION REPRESENTS  
\$7.25B VALUATION\*  
NEW COLLABORATION

COMMERCIAL  
VAN  
AND PICKUP

FULLY ELECTRIC  
VEHICLES

VOLKSWAGEN  
MAKES  
AUTONOMOUS  
DRIVING  
INVESTMENT



VOLKSWAGEN  
AKTIENGESELLSCHAFT





## Key Messages

1.

Leading the transformation to e-mobility

2.

Cost effective transformation path

3.

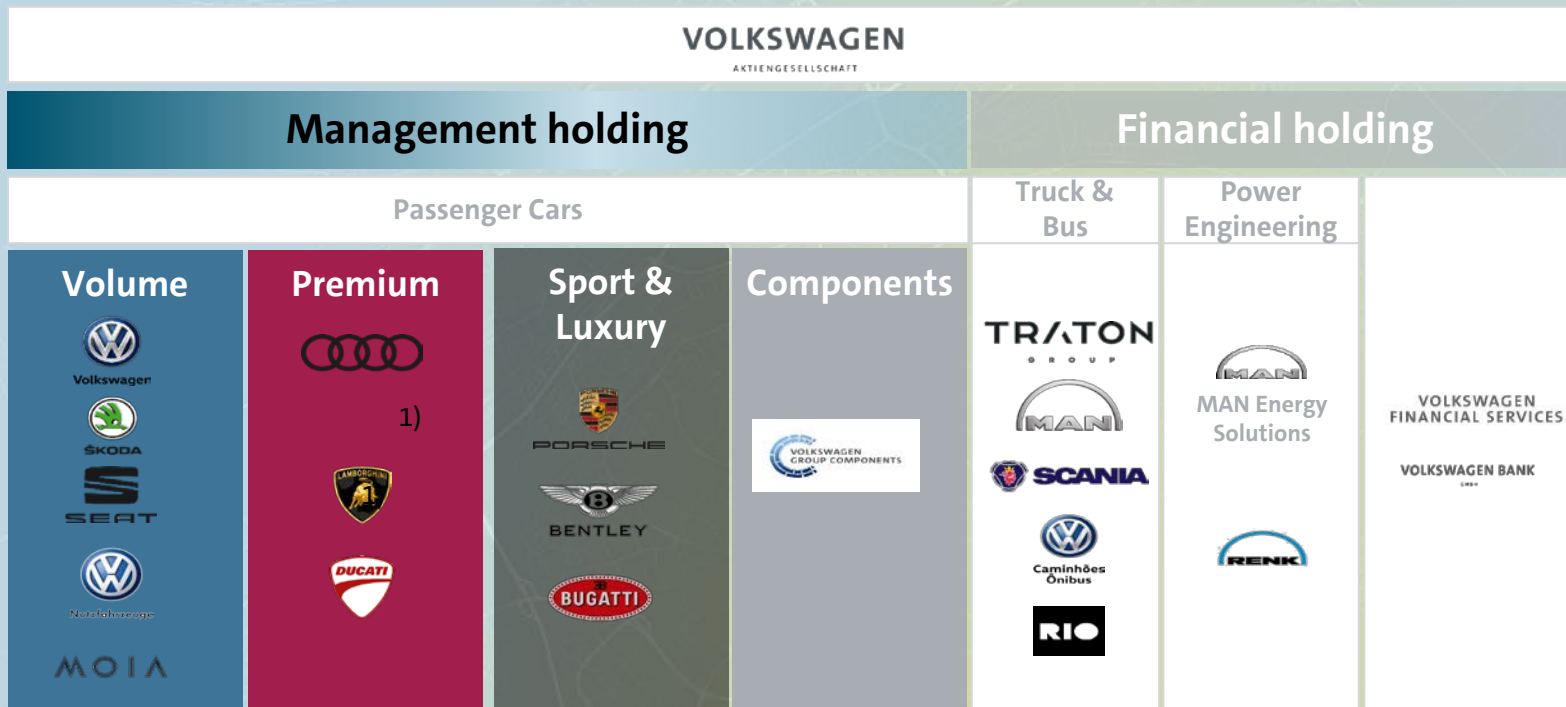
First in transforming into software OEM

4.

Increased focus on value creation



## Creation of Brand Groups reduces the complexity of the Group structure



Stand: 04.09.2019

<sup>1)</sup> Allocation to be verified.

## Investing heavily in our transformation



Up to the end of **2023**: We will be putting more than **€44 bn** into our mobility for the future: there of € 30bn in e-mobility and rest in digitalization, autonomous driving and mobility services.

Amounts to roughly one third of total expenditure for the years 2019-2023.

As of 19th November, 2018.



Up to the end of **2023**: Two thirds of total expenditure are being put into the **conventional vehicle and drive portfolio** in order to meet the CO2 requirements.



On top, up to the end of **2023**: Volkswagen Group and its **joint-venture partners in China** will be making around **€15 bn** available for e-mobility, autonomous driving, digitalization and new mobility services.



Investments of around **€1 bn** planned to set up **battery cell production** facility with partner in Lower Saxony.

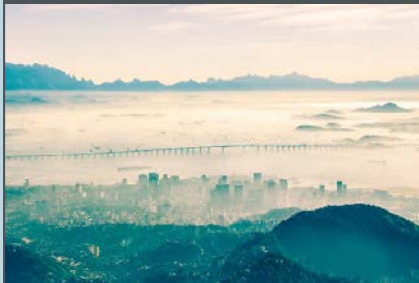
As of 3rd May, 2019.



## TRATON Group – New Era for TRATON with IPO

- TRATON shares began trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard) and the regulated market of Nasdaq Stockholm (Large Cap Segment) in June 2019.
- Significant step to create additional value for all stakeholders and drive the Global Champion strategy.

### Global Champion



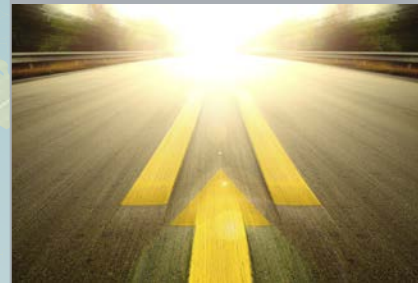
- Scale and global reach through leading brands and strategic alliance partners
- Unique platform enabling growth and positioning for best-in-class profitability

### Growth



- Customer value focused product and service offering
- New product generations
- Further expansion in key geographies

### Profitability



- Concrete path to profitability improvement
- Stand-alone brand performance and synergies
- Earnings growth and cash generation potential

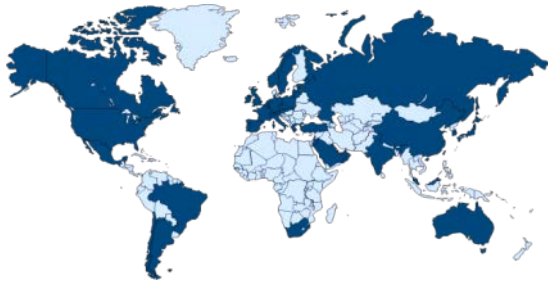
### Execution



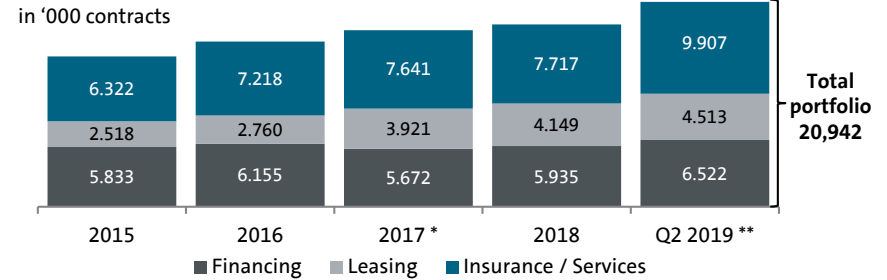
- Strong team with industry-leading track record
- Committed to Global Champion strategy

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

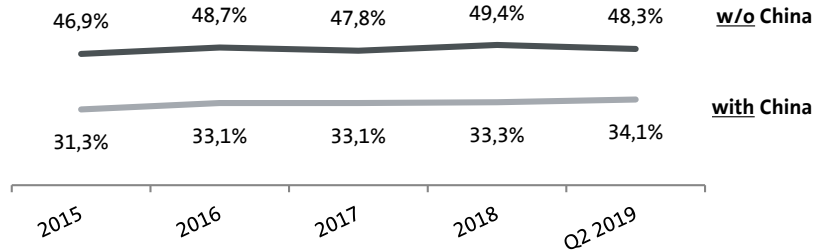
## Strong global presence



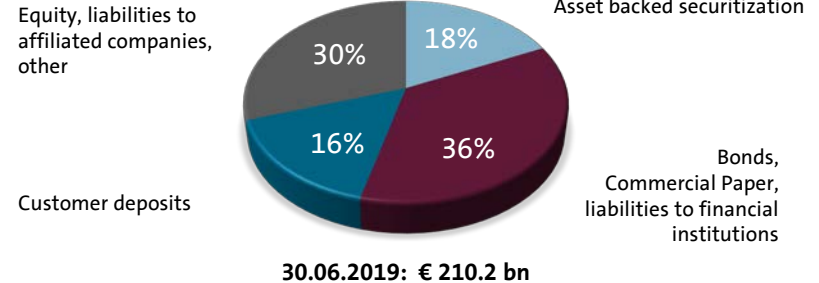
## Continuous portfolio expansion



## Rising penetration rates



## Diversified funding structure

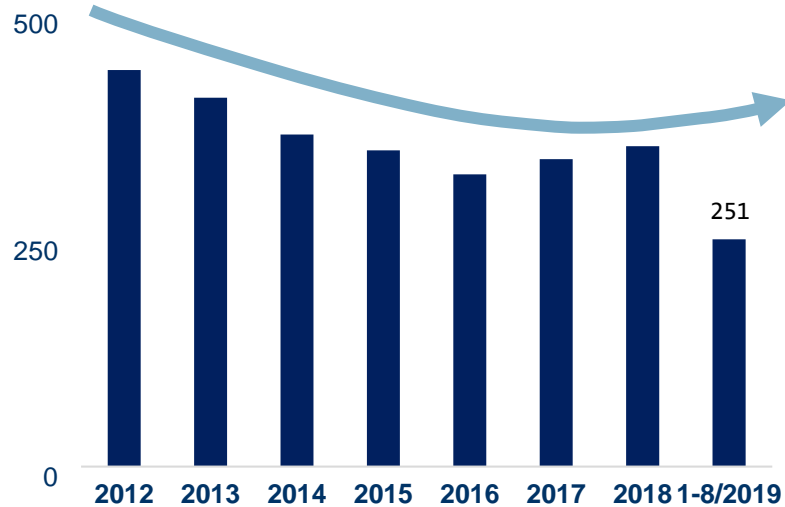


<sup>1)</sup> Excl. activities of Scania and Porsche Holding Salzburg; incl. Financial Services of Porsche AG and MAN Financial Services.



## Volkswagen Brand – Pushing the Turnaround in the US with new products

Deliveries to US customers, '000' units

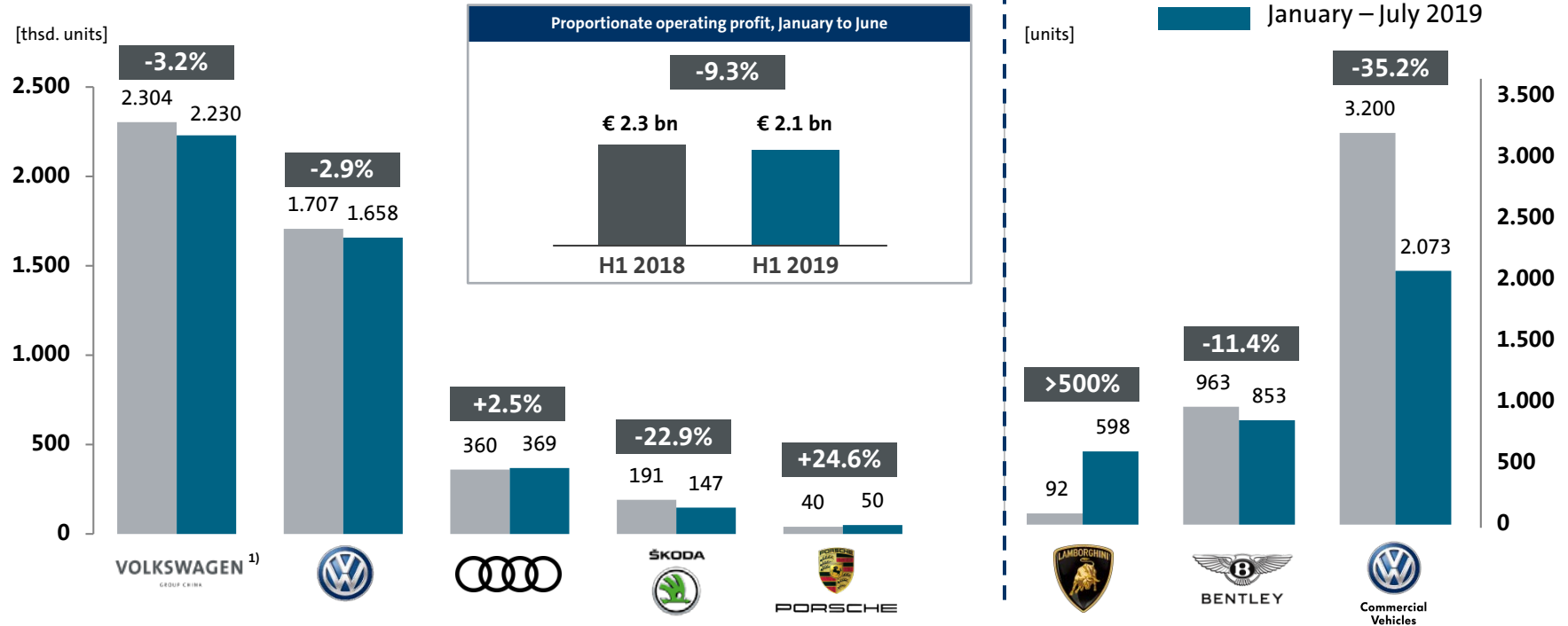


Year	Market Share %
2012	3.0
2013	2.6
2014	2.2
2015	2.0
2016	1.8
2017	2.0
2019	-

SUV offensive #1	Sedans	SUV offensive #2
<p><b>2017</b></p>  <p><b>Atlas</b></p>  <p><b>Tiguan</b></p>  <p><b>Refreshed Golf</b></p>	<p><b>2018-19</b></p>  <p><b>Jetta</b></p>  <p><b>Passat</b></p>  <p><b>Arteon</b></p>	<p><b>2019-21</b></p>  <p><b>Midsize SUV 5s</b></p>  <p><b>Compact SUV</b></p>  <p><b>ID Crozz</b></p>



## Volkswagen Group China performance (January to July 2019 vs. 2018)



<sup>1)</sup> Incl. Hong Kong, excl. Ducati. Group numbers incl. Volkswagen Commercial Vehicles, Scania and MAN.

# Together4Integrity: Group-wide integrity and compliance program in full swing

## 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

<sup>1)</sup> Group entities covered; as of 12th March, 2019.

## Group Compliance action plan for 2019

Standards, Organization	1	Whistleblower Group Guideline
	2	Staffing of Group Compliance
Processes & Tools	3	Strengthening the group-wide Compliance Organization
	4	Consistent Compliance Risk Assessment
	5	Worldwide Anti-Money Laundering System
	6	Risk-based revision of group guidelines
Business partner	7	New Business partner approval process for suppliers and sales organization
	8	Compliance in M&A transactions and post merger integration for non-controlled shareholdings
Certification	9	Support Monitorship + implementation of Monitor Recommendations

## Investor Relations Team

We are pleased to answer your inquiries regarding Volkswagen shares and other capital market related questions.



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Interim Head of Group Investor Relations

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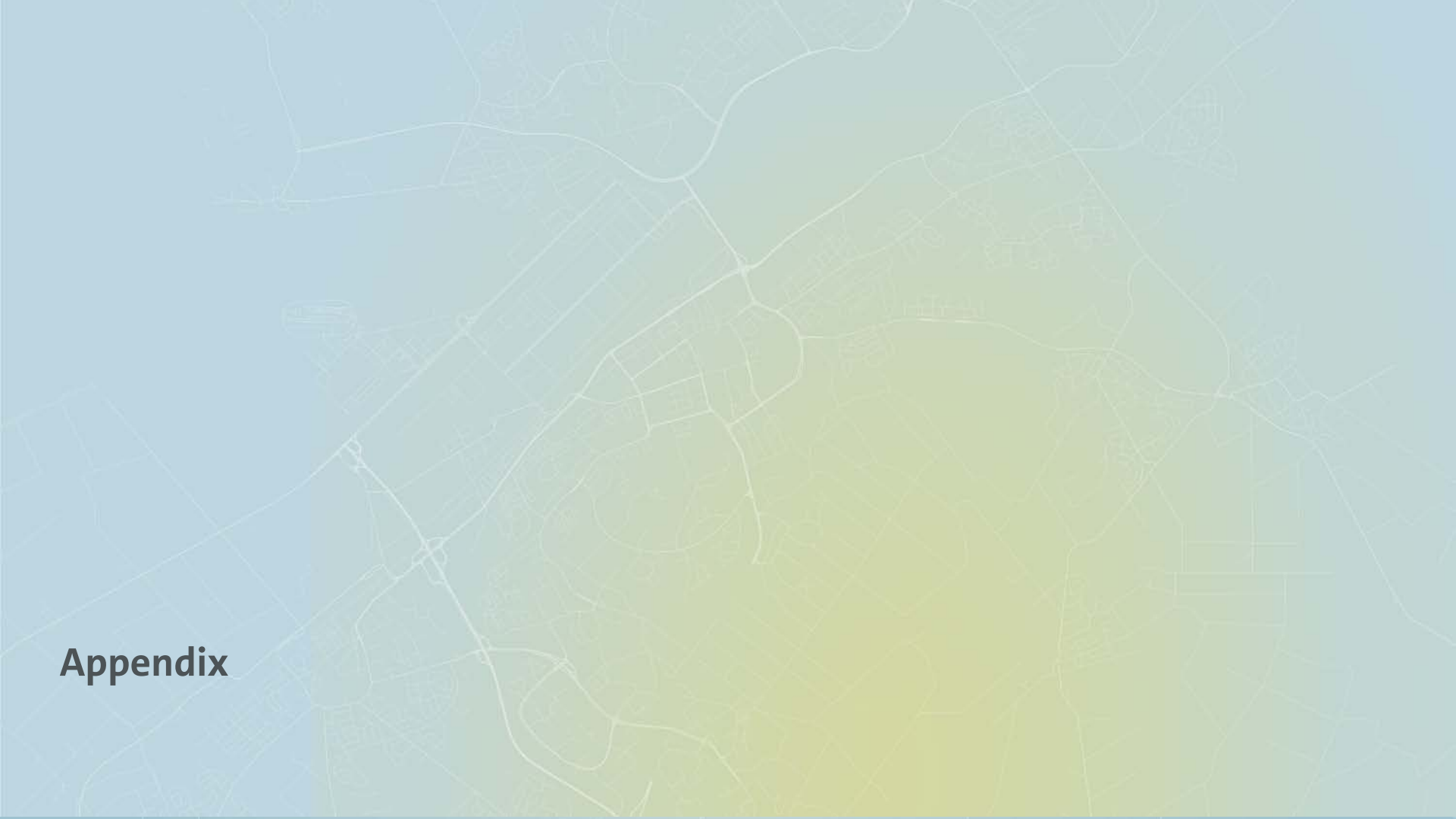


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The background of the slide is a stylized map of a city grid. The map is rendered in a light, semi-transparent white or light blue color against a background that transitions from a light blue on the left to a light green on the right. The grid lines represent streets and are more prominent in some areas than others. The word "Appendix" is written in a bold, black, sans-serif font in the lower-left corner of the slide.

# Appendix



# The Shareholder Structure, Supervisory and Management Board

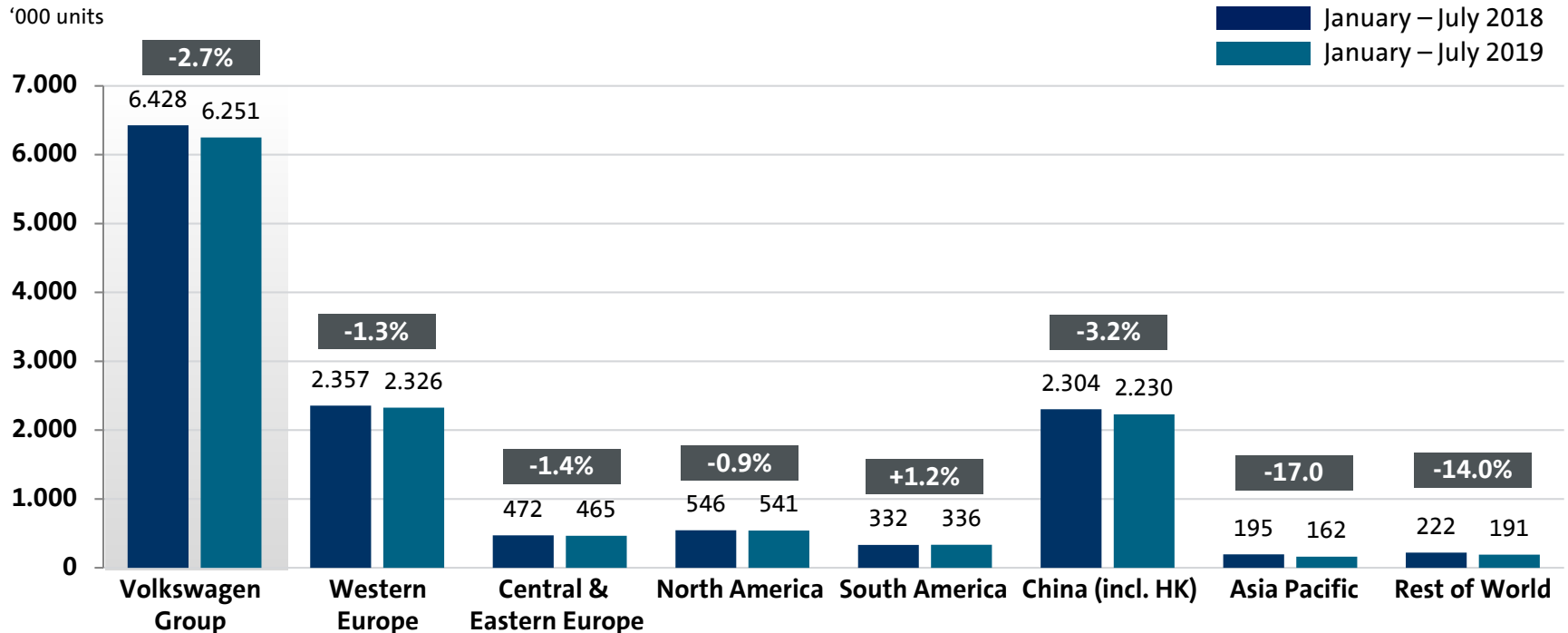
Shareholder Structure of Volkswagen AG	Supervisory Board of Volkswagen AG	Board of Management of Volkswagen AG <sup>1)</sup>
<p><b>Number of Outstanding Shares</b></p> <p>Preferred shares 206,205,445</p> <p>Ordinary shares 295,089,818</p> <p><b>Current Voting Rights Distribution</b></p> <p>Others</p> <p>Qatar Holding</p> <p>State of Lower Saxony, Hanover</p> <p>Porsche SE, Stuttgart<sup>2)</sup></p> <p>(as at December 31, 2018)</p>	<p><b>Chairman</b> Hans Dieter Pötsch</p> <p><b>Members</b></p> <p>Dr. Hussain Ali Al Abdulla Dr. Hessa Sultan Al Jaber Dr. Bernd Althusmann Dr. Hans-Peter Fischer Marianne Heiß Jörg Hofmann Johan Järvklo Ulrike Jakob Dr. Louise Kiesling Peter Mosch Bertina Murkovic Bernd Osterloh Dr. jur. Hans Michel Piëch Dr. jur. Ferdinand Oliver Porsche Dr. rer. comm. Wolfgang Porsche Conny Schönhardt Athanasios Stimoniaris Stephan Weil Werner Weresch</p>	<p><b>Chairman of VW AG and VW Passenger Cars brand</b> Dr. Herbert Diess</p> <p><b>Porsche AG</b> Dr. Oliver Blume</p> <p><b>Human Resources</b> Gunnar Kilian</p> <p><b>TRATON Group</b> Andreas Renschler</p> <p><b>Audi AG</b> Abraham Schot</p> <p><b>Integrity and Legal Affairs</b> Hiltrud Dorothea Werner</p> <p><b>Finance and IT</b> Frank Witter</p> <p><b>Components and Procurement</b> Dr. Stefan Sommer</p>

<sup>1)</sup> Each Board Member is responsible for one or more functions within the Volkswagen Group. The work of the Board of Management of Volkswagen AG is supported by the boards of the brands and regions as well as by the other group business units and holdings. <sup>2)</sup> On March 13 2019, Porsche SE announced increase in voting rights to 53.1%.

# Volkswagen Group – Deliveries to Customers by Markets<sup>1)</sup>

(January to July 2019 vs. 2018)









'000 units



<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -3.1% incl. Volkswagen Commercial Vehicles in North and South America, excl. Scania and MAN.

## Better Earnings Quality & EPS growth <sup>1)</sup>

	Basis: Result 2016
Sales revenue (€ bn)	217.3
Operating profit (€ bn) before Special Items	14.6
Profit before tax (€ bn)	14.8
Earnings per Pref. Share before Special Items	~20 €

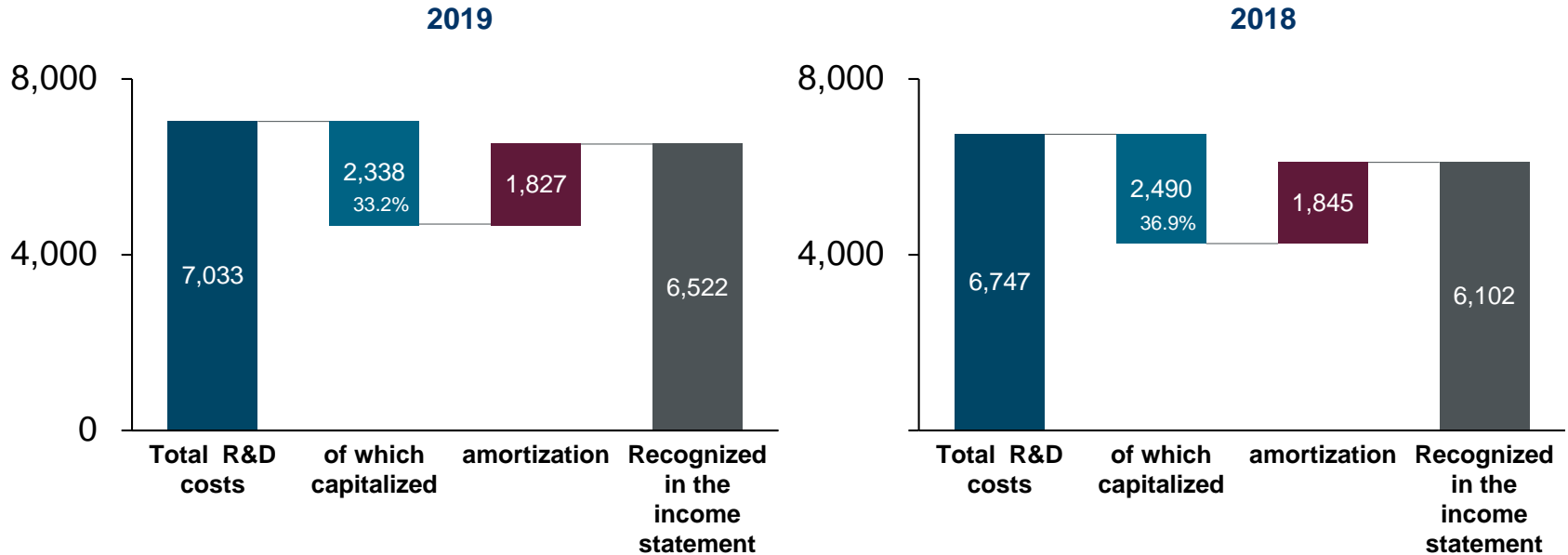
2020 Updated Targets		
CMD March 2017	PR 66	PR 67
+ > 20 % 	+ > 25 % 	+ > 25 %
+ 25 % 	+ ≥ 25 % 	+ > 30 %
+ ≥ 25 % 	+ ≥ 30 % 	+ ≥ 40 %
+ ≥ 25 % 	+ > 25 € 	+ ≥ 30 €

<sup>1)</sup> As of 19th November, 2018.

# Automotive Division – Research and Development Costs

(January to June 2019 vs. 2018)

[€ million]



## Diesel issue: Special Items & payments

€ (bn)	Diesel special items	Payments
2015	Legal 7.0	
	Other items 9.2	
	<b>16.2</b>	
2016	Mainly legal risks 6.4	~3.0
2017	Buyback/retrofit program 2.2	
	Legal 1.0	
	<b>3.2</b>	
2018	Mainly legal risks 3.2	~5.3
2019 <sup>1)</sup>	Mainly legal risks 1.0	Expected ~2.0
Total	<b>30.0</b>	Payments made until 2018 ~24.6

<sup>1)</sup> In Q1 Special Items of 981 million € were booked for diesel related legal risks, of which 535 million € related to Porsche and 400 million € to Volkswagen Passenger Cars.

## Volkswagen Group – Analysis by Business Line <sup>1)</sup>

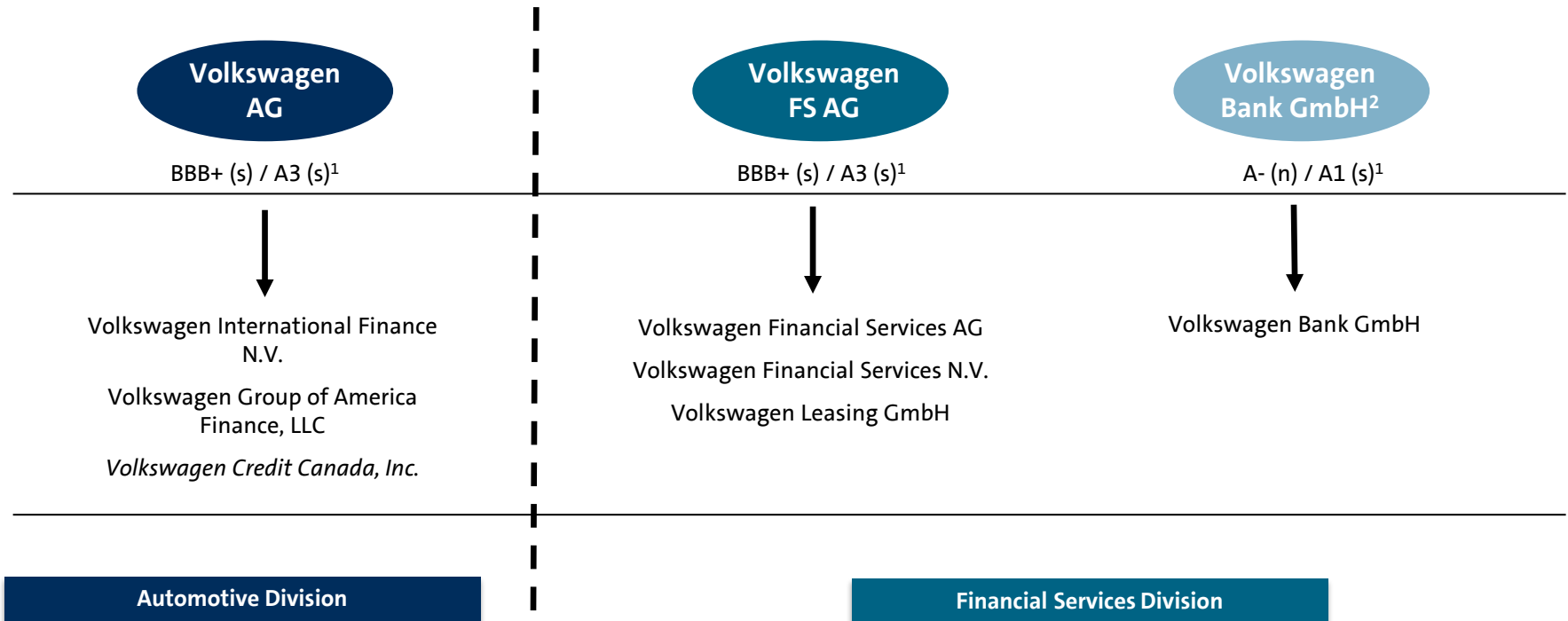
(January to June 2019 vs. 2018)

thousand vehicles / € million	Vehicle sales		Sales revenue		Operating profit	
	2019	2018	2019	2018	2019	2018
Volkswagen Passenger Cars	1,886	1,931	44,146	42,704	2,286	2,130
Audi	632	812	28,761	31,183	2,300	2,761
ŠKODA	560	511	10,154	9,161	824	821
SEAT	370	347	6,266	5,768	216	212
Bentley	5	5	835	757	57	-80
Porsche Automotive <sup>2)</sup>	136	123	12,212	11,231	2,117	2,064
Volkswagen Commercial Vehicles	256	248	6,489	6,324	506	567
Scania <sup>3)</sup>	52	47	7,115	6,322	828	618
MAN Commercial Vehicles	72	65	6,283	5,814	248	258
Power Engineering	-	-	1,864	1,637	42	68
VW China <sup>4)</sup>	1,789	1,999	-	-	-	-
Other <sup>5)</sup>	-418	-512	-16,919	-18,206	-727	-856
Volkswagen Financial Services	-	-	17,992	16,664	1,281	1,231
<b>Volkswagen Group before Special Items</b>	-	-	-	-	9,979	9,794
Special Items	-	-	-	-	-981	-1,635
<b>Volkswagen Group</b>	<b>5,339</b>	<b>5,575</b>	<b>125,197</b>	<b>119,377</b>	<b>8,997</b>	<b>8,160</b>
Automotive Division <sup>6)</sup>	5,339	5,575	106,126	101,715	7,589	6,866
of which: Passenger Cars <sup>7)</sup>	5,215	5,463	90,942	88,090	6,693	6,217
of which: Commercial Vehicles <sup>7)</sup>	124	113	13,320	11,988	959	707
of which: Power Engineering	-	-	1,864	1,637	-63	-58
Financial Services Division	-	-	19,071	17,662	1,409	1,294

<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> Porsche (Automotive and Financial Services): sales revenue €13,405 (12,287) million, operating profit before special items €2,209 (2,154) million. <sup>3)</sup> Scania (Automotive and Financial Services): sales revenue €7,336 (6,515) million, operating profit €95 (684) million.

<sup>4)</sup> The sales revenue and operating profits of the joint venture companies in China are not included in the figures for the Group. These Chinese companies are accounted for using the equity method and recorded a proportionate operating profit of €2,103 (2,318) million. <sup>5)</sup> In operating profit, mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; the figure includes depreciation and amortization of identifiable assets as part of purchase price allocation as well as companies not allocated to the brands. <sup>6)</sup> Including allocation of consolidation adjustments between the Automotive and Financial Services divisions. <sup>7)</sup> The Volkswagen Commercial Vehicles brand has been reported as part of the Passenger Cars Business Area since January 1, 2019. The prior-year figures have been adjusted.

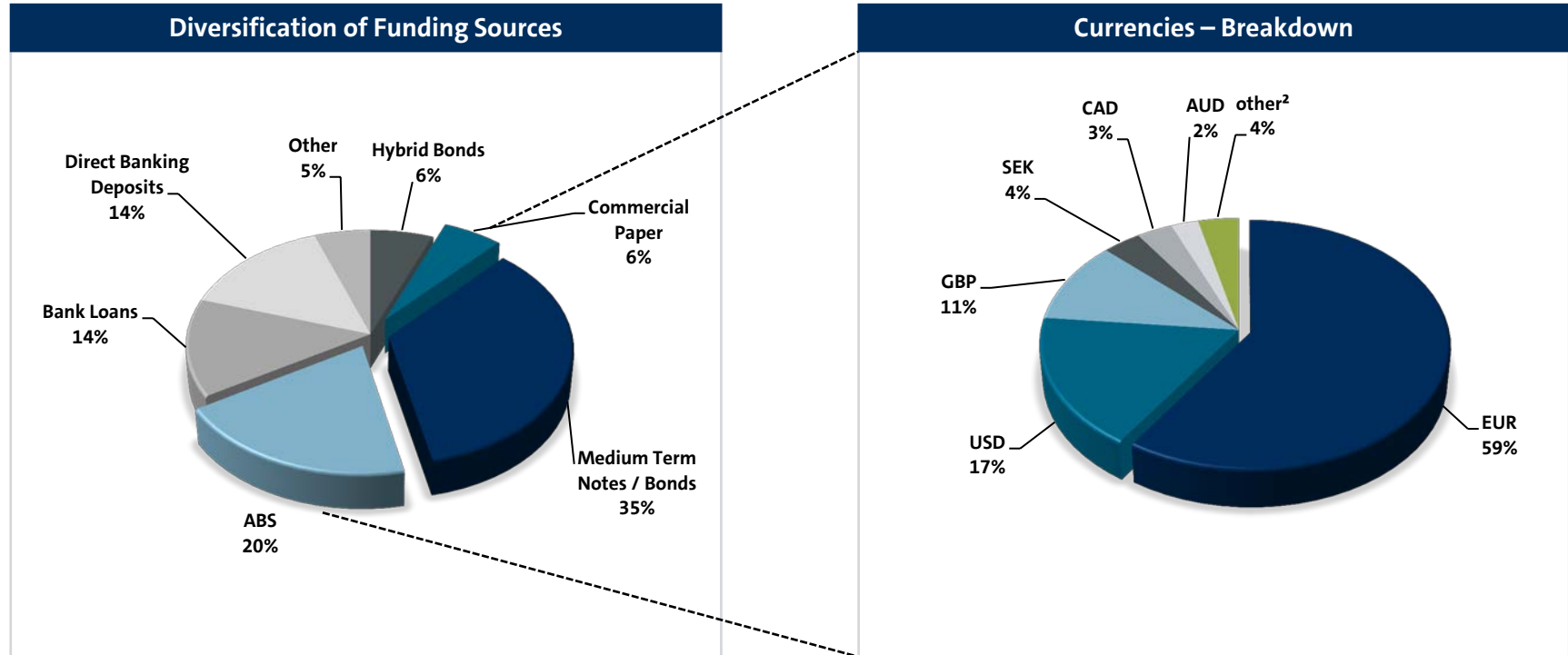
## Volkswagen Group Funding Strategy – Main Guarantors and Issuers



<sup>1</sup>Credit Ratings from Standard&Pooors / Moody's as per June 30, 2019; (s) Outlook stable; (n) Outlook negative

<sup>2</sup>S&P: BBB+ Senior Subordinated Rating; Moody's: A3 Junior Senior Unsecured Rating

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



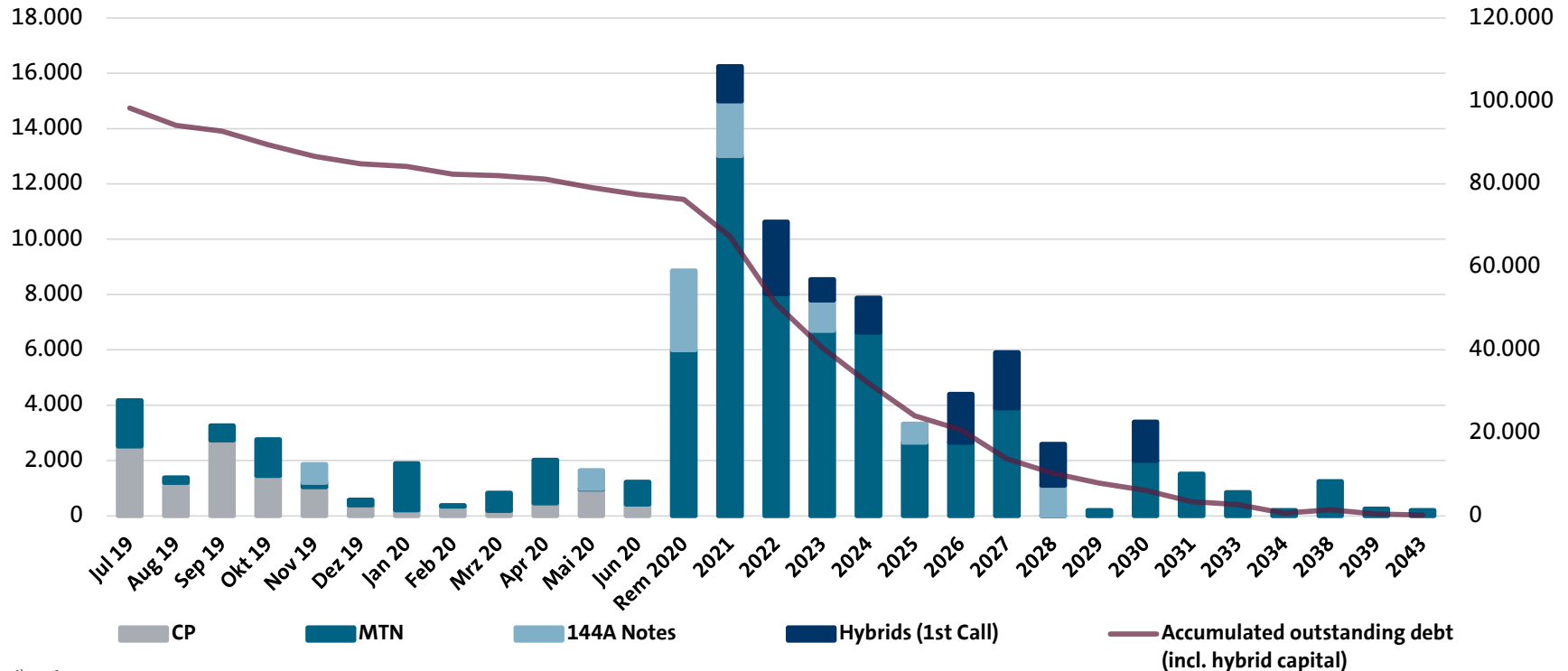
<sup>1)</sup> as of June 30, 2019

Source: Volkswagen Group

<sup>2)</sup> JPY, MXN, CNY, NOK, BRL, INR, RUB, TRY, NZD, CZK



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



<sup>1)</sup> as of June 30, 2019  
Source: Volkswagen Group

## Volkswagen Group Funding Strategy – Outstandings

June 30, 2019

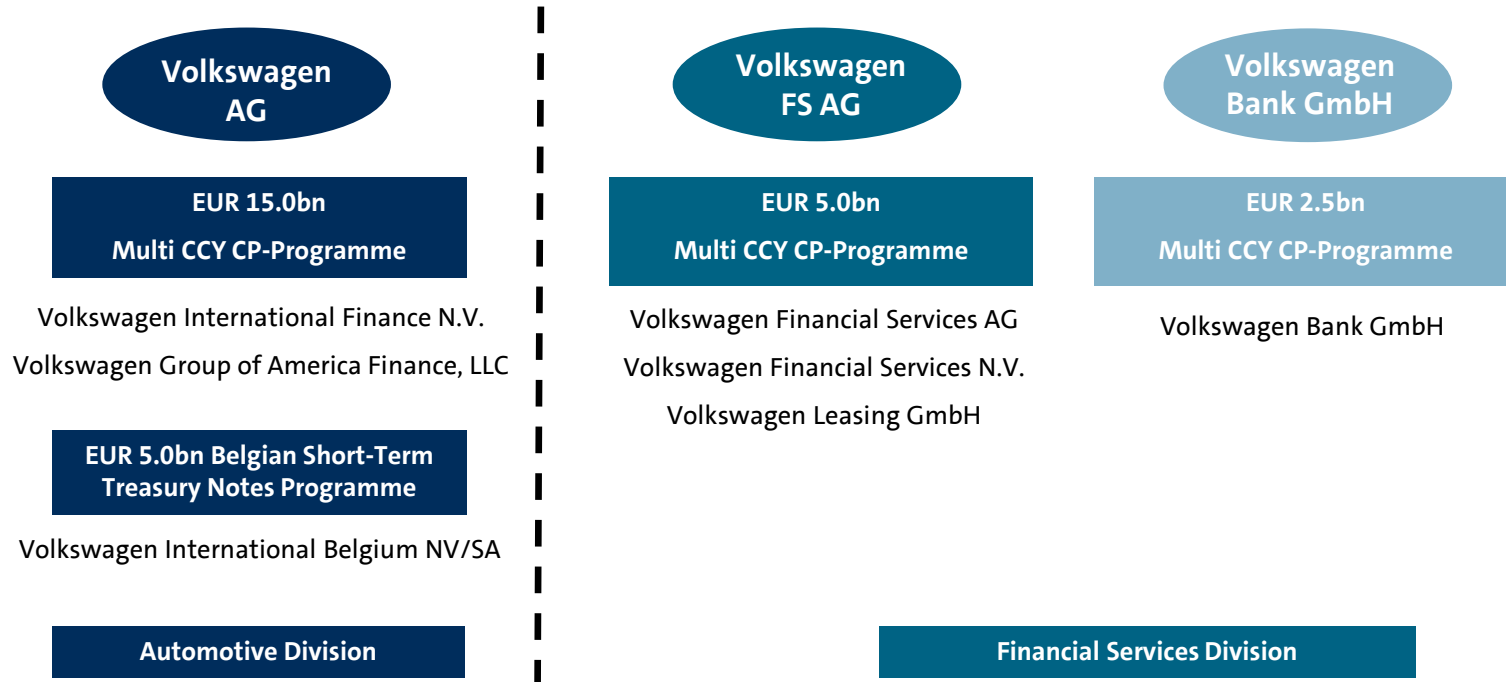
### Money and Capital Markets

	<i>€ billion</i>
<b>Commercial Papers</b>	<b>12.0</b>
<b>Medium Term Notes / Bonds</b>	<b>85.3</b>
thereof: Hybrid Bonds	12.5
<b>ABS</b>	<b>41.1</b>

### Borrowings

	<i>€ billion</i>
<b>Bank Borrowings</b>	<b>28.6</b>
<b>Direct Banking Deposits</b>	<b>30.4</b>
<b>Financial Leases</b>	<b>5.4</b>
<b>Other</b>	<b>5.9</b>

## Volkswagen Group Funding Strategy – Major Commercial Paper Programmes in Europe



# VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY



## **Creating Value with Financial Services**

**Katja Hauer**

Volkswagen Financial Services AG and Volkswagen Bank GmbH

IAA, Frankfurt, 10 September 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.

If any of these or other risks occur, or if the assumptions underlying any of these statements prove incorrect, the actual results may significantly differ from those expressed or implied by such statements.

We do not update forward-looking statements retrospectively. Such statements are valid on the date of publication and can be superseded.

This information does not constitute an offer to exchange or sell or an offer to exchange or buy any securities.

Under the brand “Volkswagen Financial Services – the key to mobility“ the subsidiaries of Volkswagen Financial Services AG as well as its sister company Volkswagen Bank GmbH render various services under the joint brand "Volkswagen Financial Services". Such services are banking services (through Volkswagen Bank GmbH), leasing services (through Volkswagen Leasing GmbH), insurance services (through Volkswagen Versicherung AG, Volkswagen Autoversicherung AG) as well as mobility services (inter alia through Volkswagen Leasing GmbH). In addition, insurance products of other providers are offered.

## Agenda



**Role of Volkswagen  
Financial Services within  
the Volkswagen Group  
and the current  
Business Model**



**New  
Business Models  
of Volkswagen  
Financial Services**



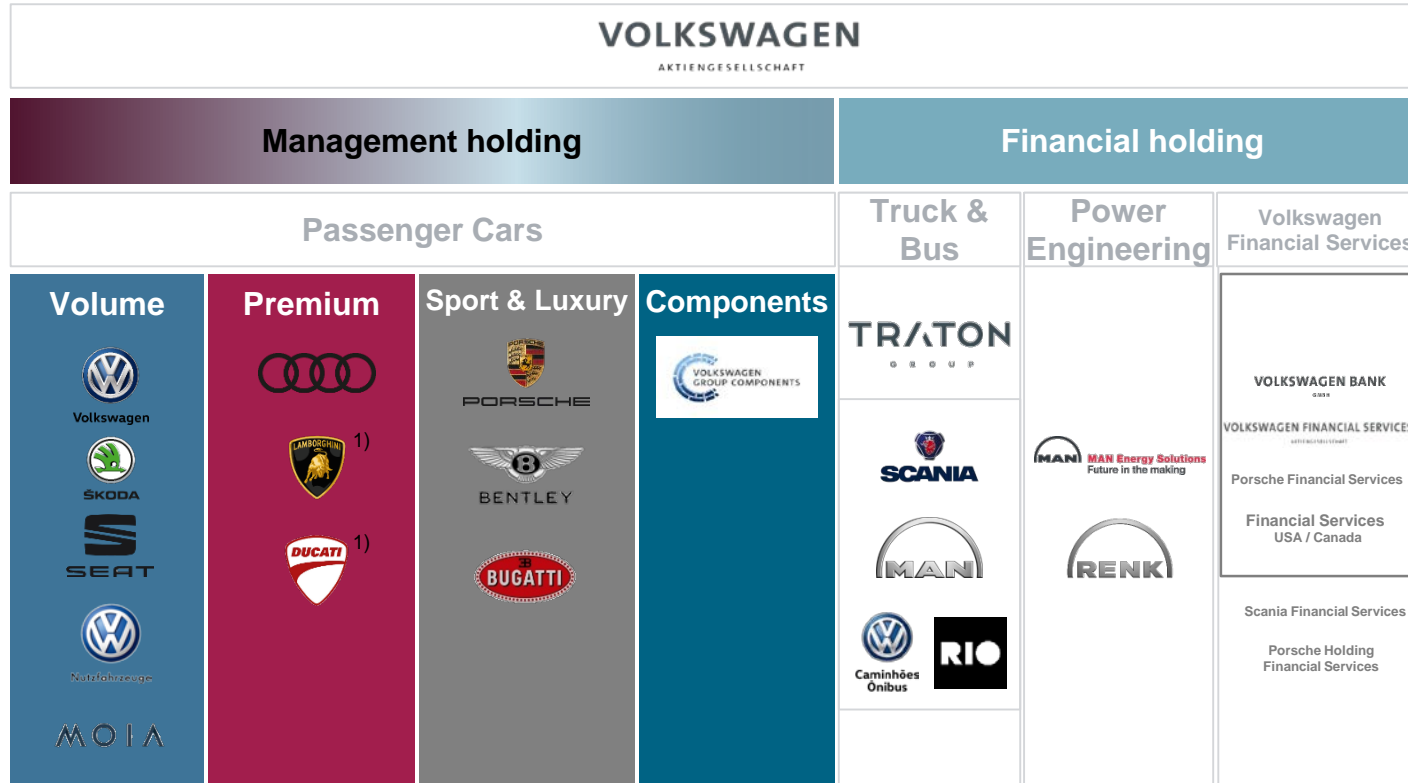
**Vision and Targets of  
Route2025**



## Role of Volkswagen Financial Services within the Volkswagen Group and the current Business Model



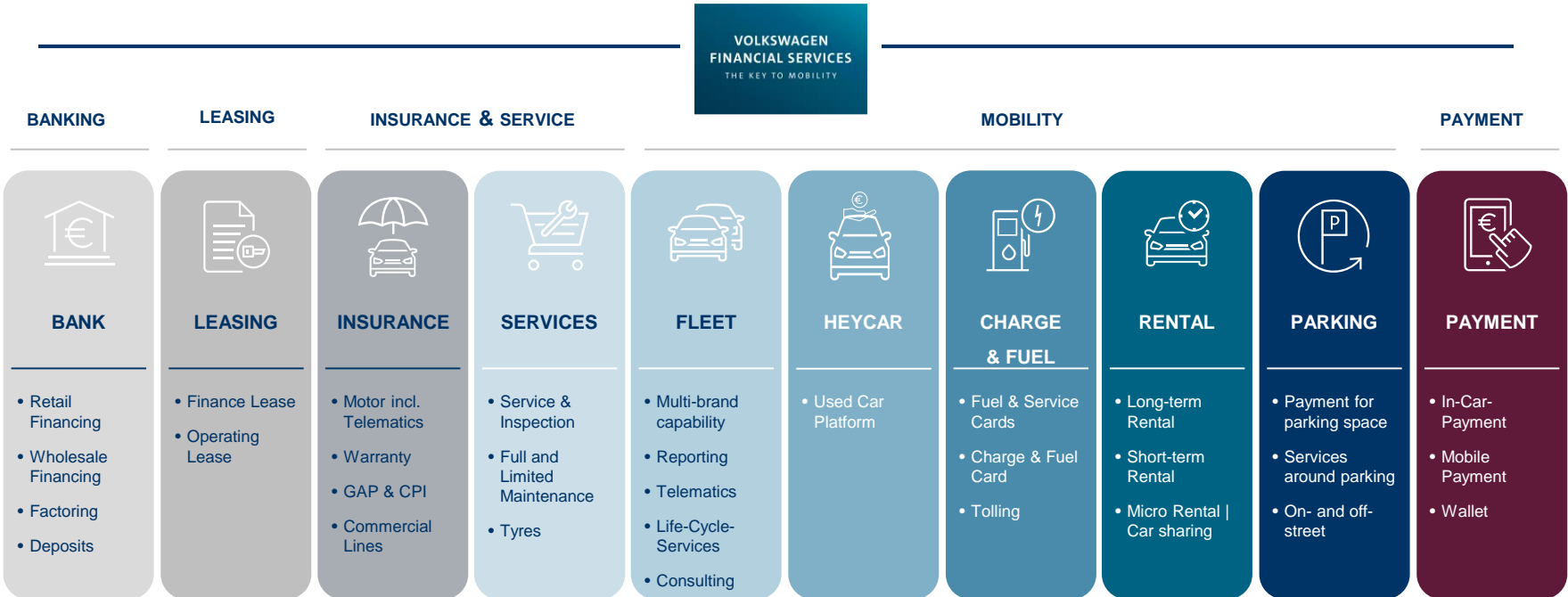
## Volkswagen Konzern: Steuerungsmodell



1) Allocation to be verified  
 Stand: 04.09.2019



## We offer the whole range of services under one roof\*



PROFITABILITY

CONTACT FREQUENCY

\* Displayed portfolio depends on the market; products offered or mediated by different operative subsidiaries.

## At a glance as of 30.06.2019

### Volkswagen Bank GmbH

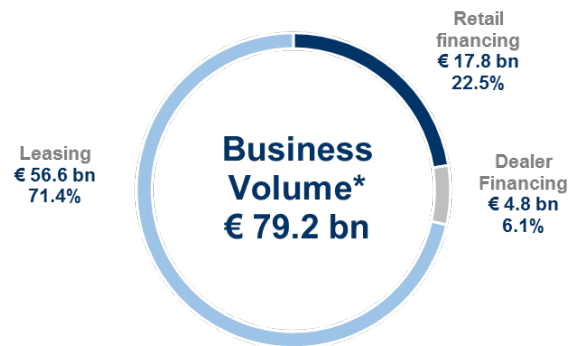
Total assets	€73.6 billion
Equity	€10.4 billion
Customer deposits	€33.8 billion
Operating profit	€339 million
Employees	2,128
Contracts (units)	4.7 million



\* Receivables + Leased Assets

### Volkswagen Financial Services AG

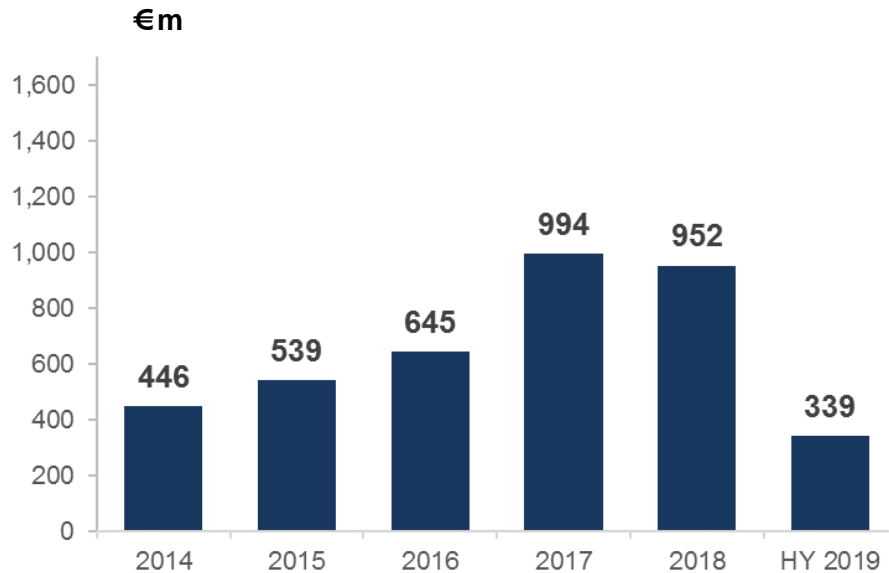
Total assets	€103.7 billion
Equity	€10.7 billion
Customer deposits	€77.5 million
Operating profit	€369 million
Employees	9,916
Contracts (units)	13.7 million



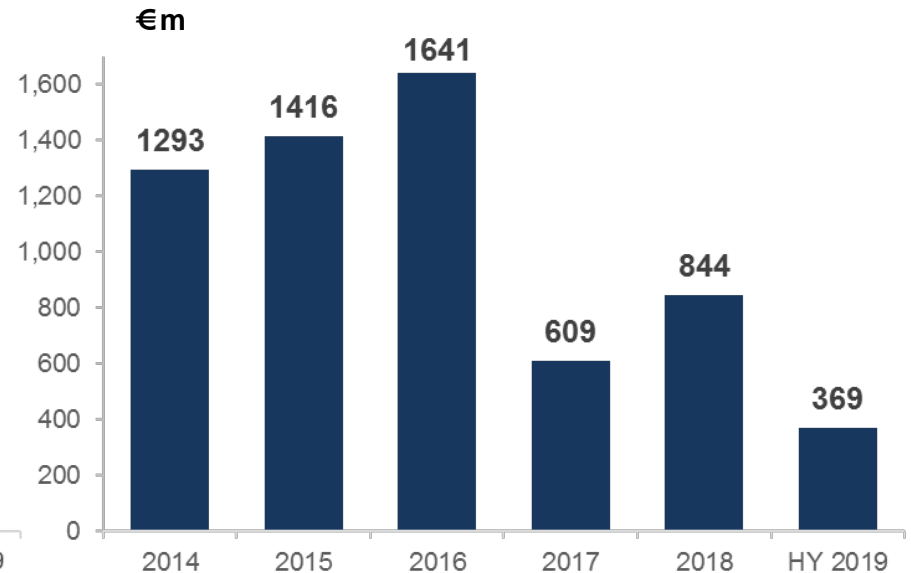
\* Receivables + Leased Assets

# Operating Income

## Volkswagen Bank GmbH

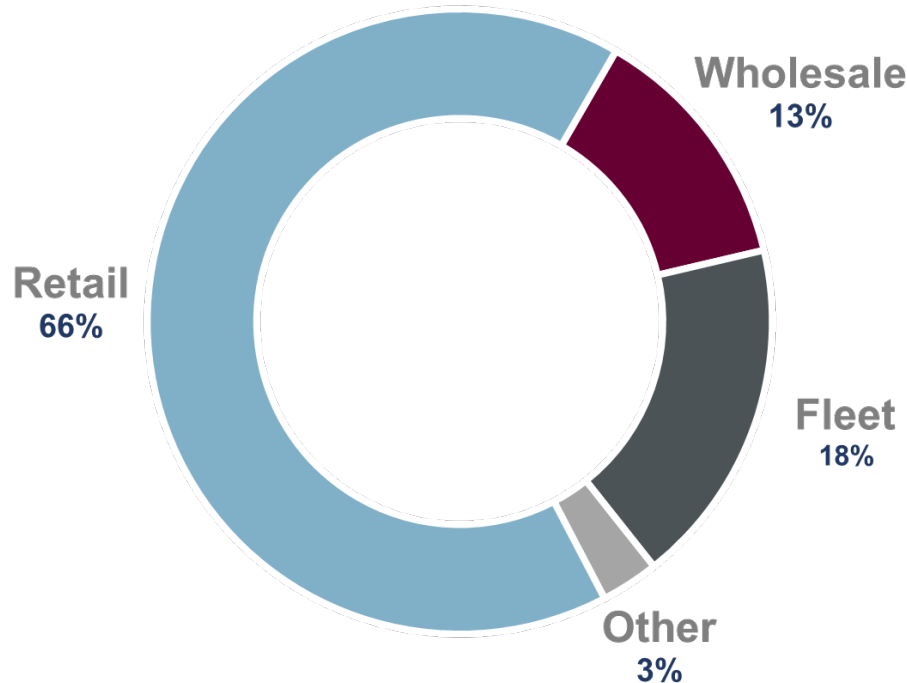


## Volkswagen Financial Services AG\*



\* Figures of Volkswagen Bank GmbH consolidated within Volkswagen Financial Services AG until 2016

## Portfolio structure Volkswagen Financial Services



### Credit Risk

The predominant risk type whereof the major share is originated from well diversified retail business with a low risk profile.

### Residual Value Risk

Residual values are monitored closely and regularly adjusted to the current market situation for new business. Completely covered by provisions and equity according to IAS 36.

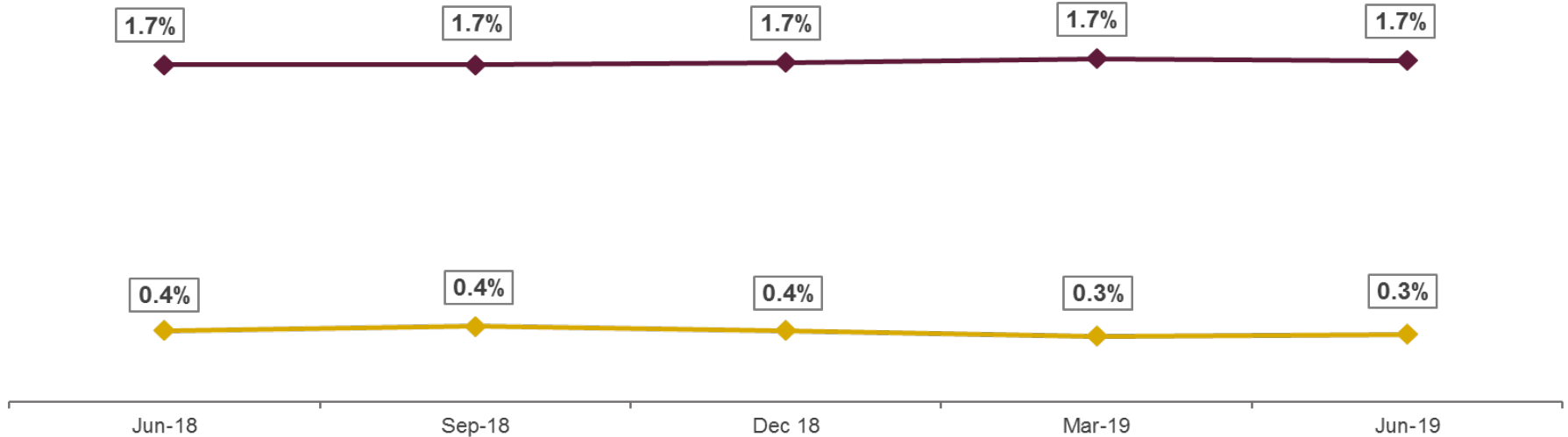
### Other substantial risk types:

- Earnings Risk
- Operational Risk
- Marketprice Risk
- Shareholder Risk

as of 12/31/2018

# Volkswagen Financial Services – Credit Risks as of 30.06.2019

Credit risk remains at low level despite challenging market environment



◆ Total Provision Ratio  
 ◆ Ø Dynamic Loss Ratio

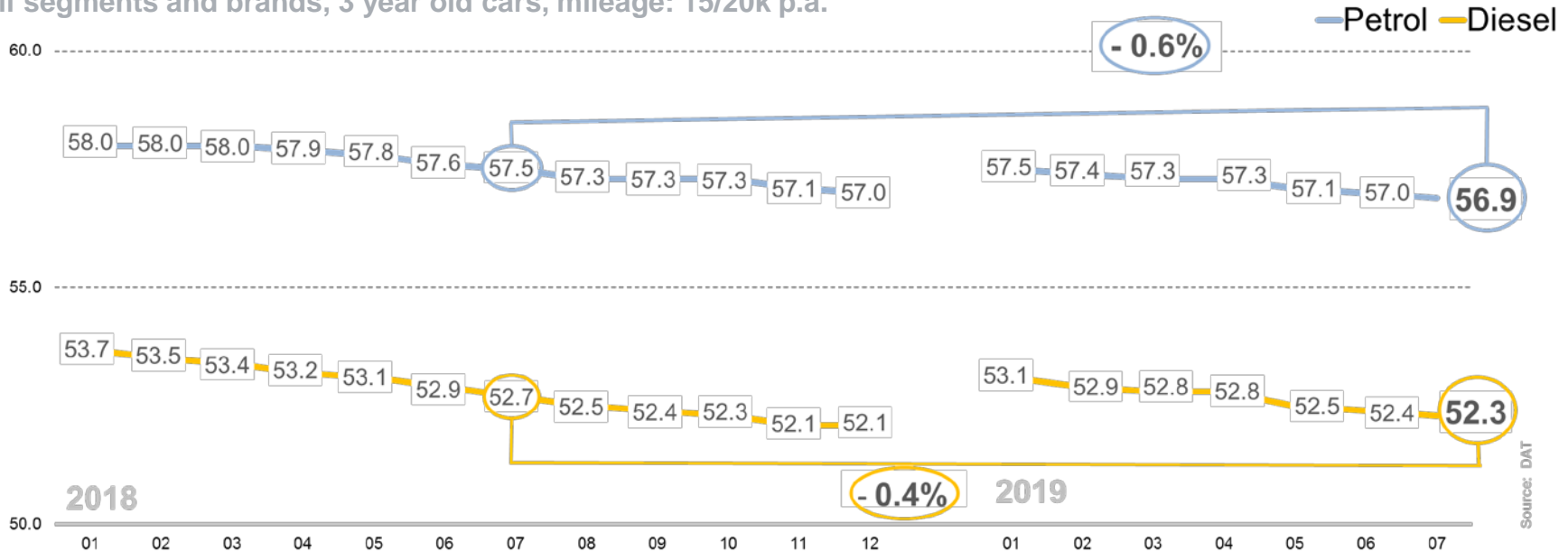
Total Provision Ratio according to IAS 39  
 Dynamic Loss Ratio

= total provisions in proportion to the total receivables' volume at reporting date  
 = drawings on provisions including direct write-offs relative to the average volume of receivables (last four quarters)

# Report by Deutsche Automobil Treuhand (July 2019)

## Residual Value Development from list price in %

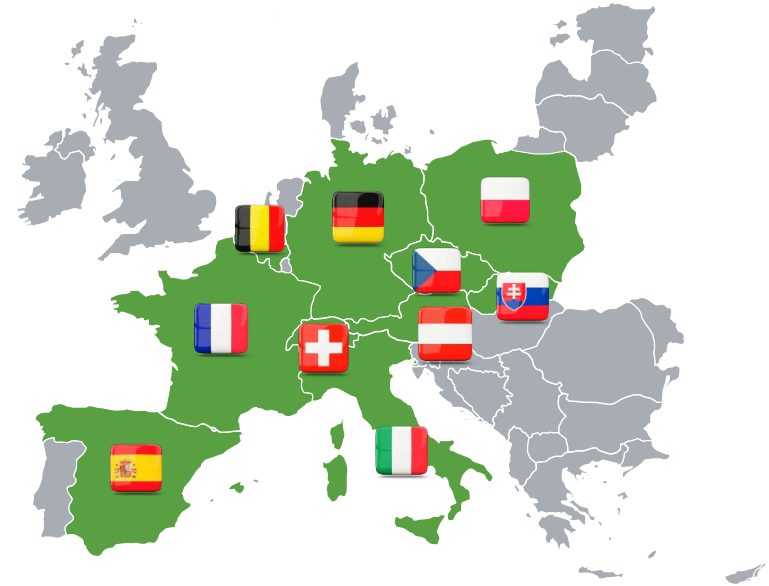
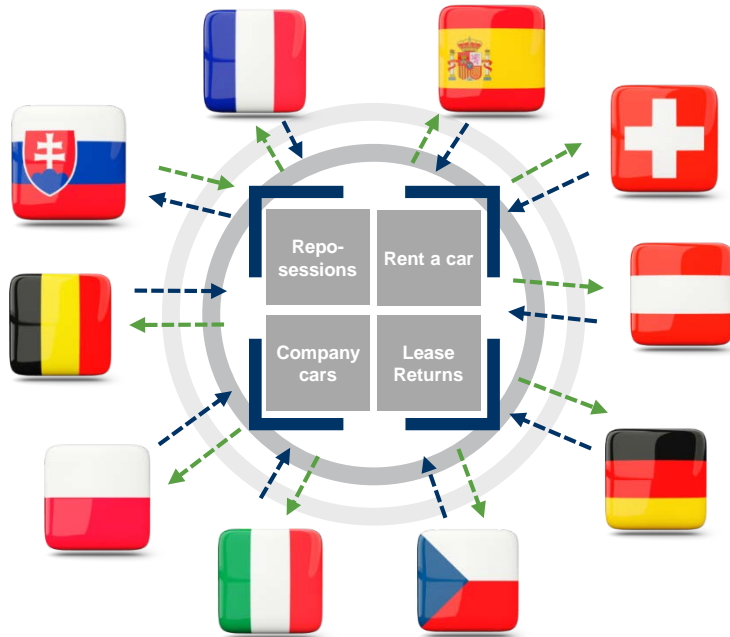
All segments and brands, 3 year old cars, mileage: 15/20k p.a.



Source: DAT

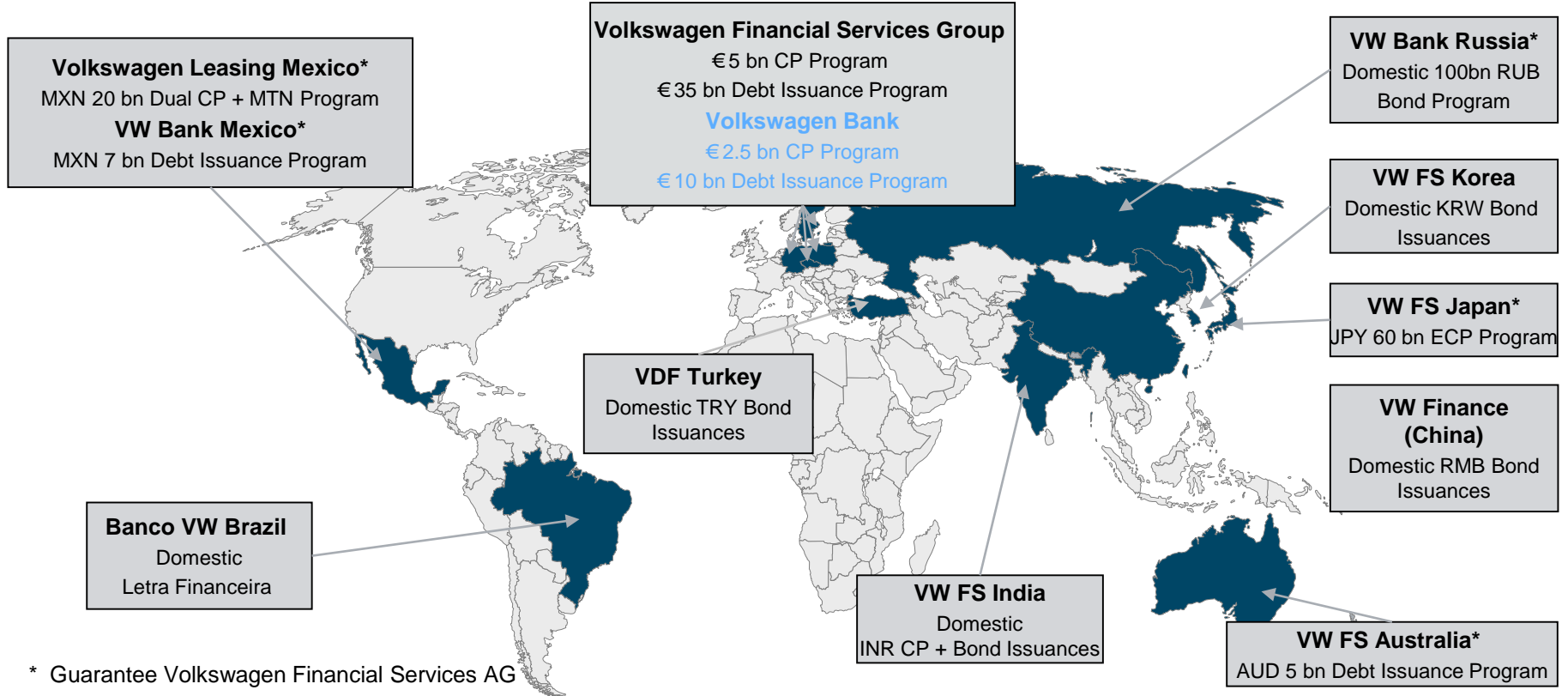
- Generally, Automotive and Financial Services Division are operating “at Arms Length” when setting residual values. Adequate provisioning for our existing portfolio is done on the basis of a regular portfolio assessment.
- All residual value risks are completely covered by provisions and equity according to IAS 36.

## International used car brokerage safeguards residual values



**Currently 10 Volkswagen Financial Services AG countries participating  
1 additional country in discussion**

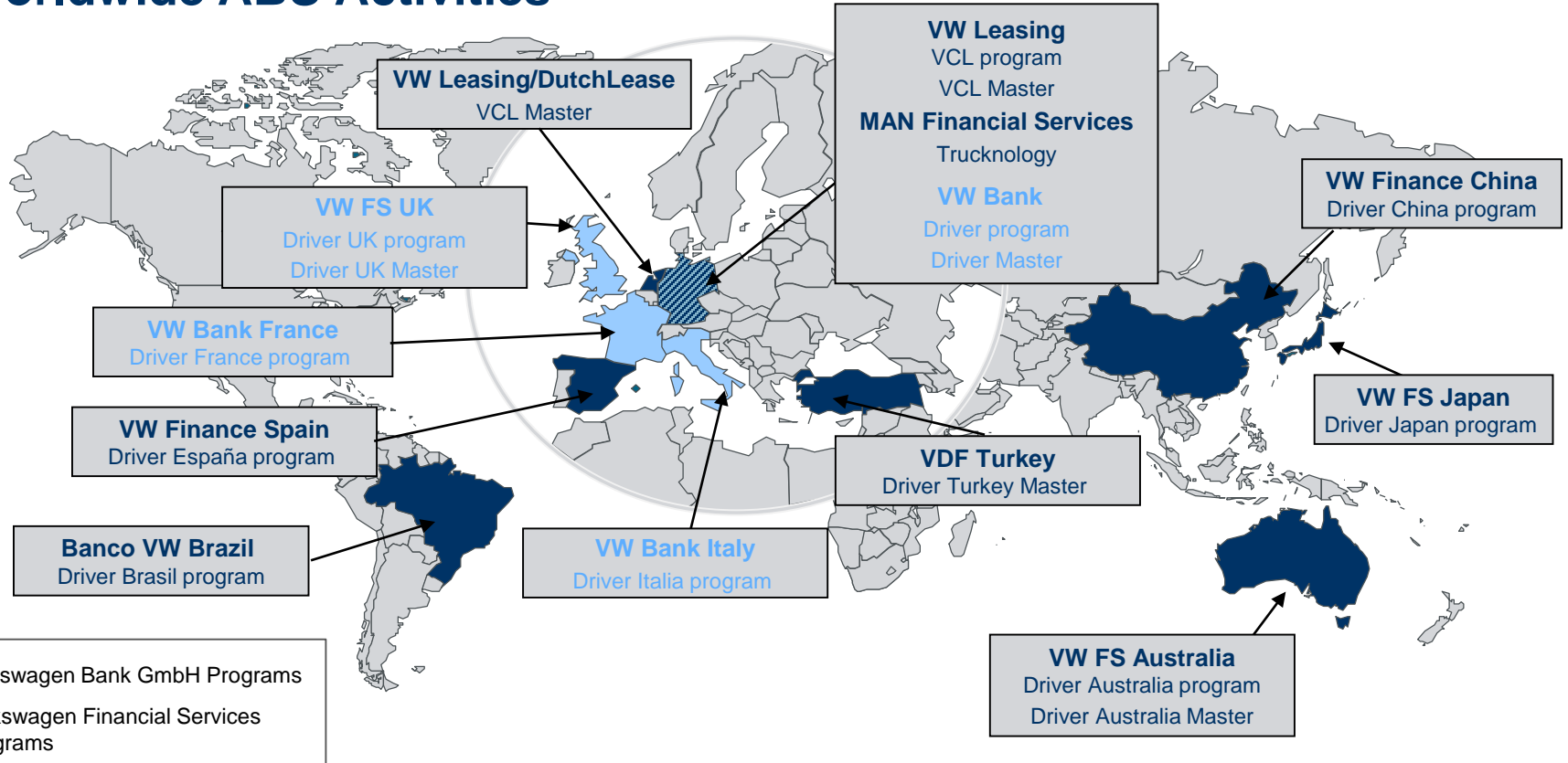
# Worldwide Capital Market Activities



\* Guarantee Volkswagen Financial Services AG



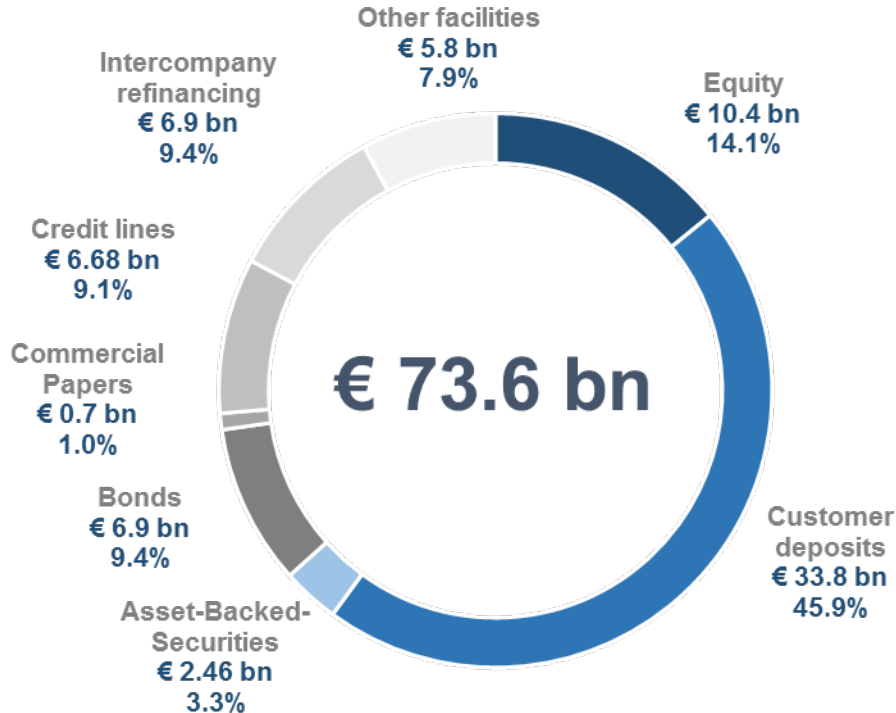
## Worldwide ABS Activities



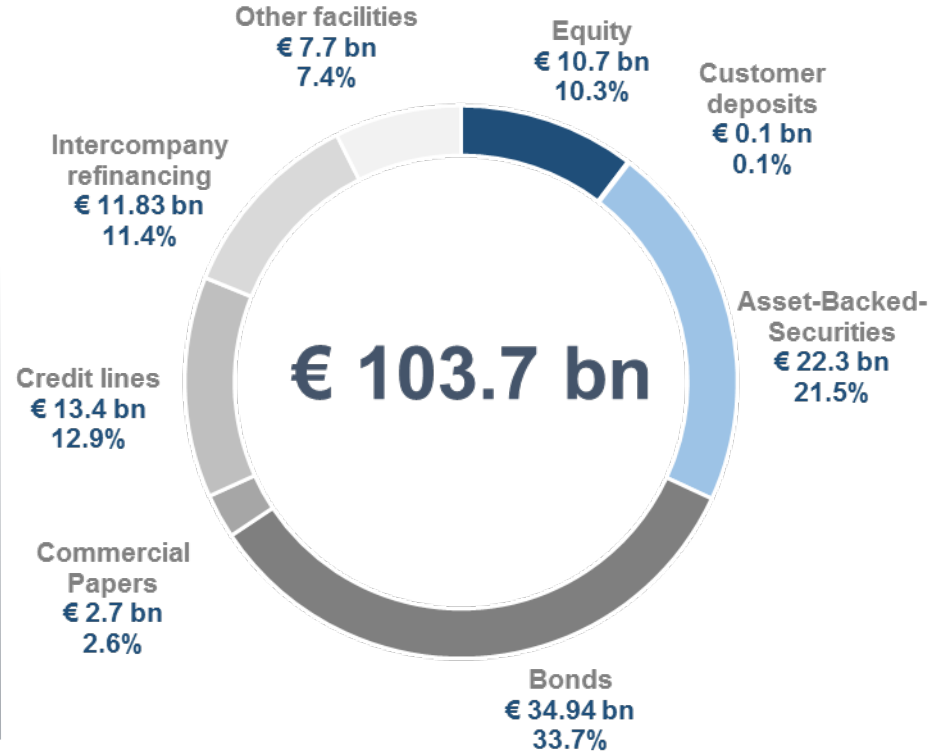


# Funding Allocation as of 30.06.2019

## Volkswagen Bank GmbH



## Volkswagen Financial Services AG





## New Business Models of Volkswagen Financial Services

# Impacts on our business model

## New Channels



## New Products

# The Volkswagen Financial Services offer must adapt to market changes

## Classic business model



INCOME

- ✓ Car financing
- ✓ Dealer financing
- ✓ Leasing
- ✓ Insurance
- ✓ Services



RISK

- ✓ Interest and liquidity risk
- ✓ Default risk
- ✓ Residual value risk

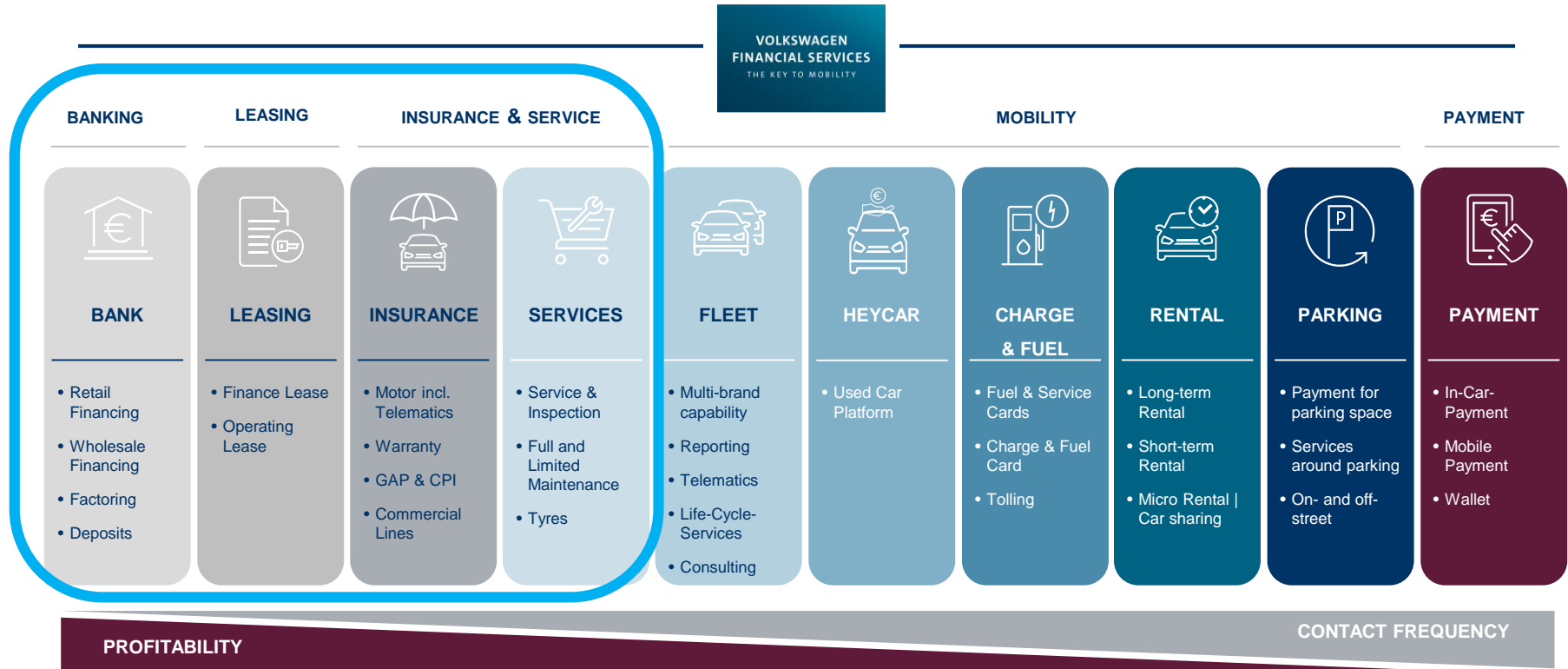


PARTNER

- ✓ Retail customer (1:1)
- ✓ Dealers
- ✓ BaFin, ECB



## We offer the whole range of services under one roof\*



\* Displayed portfolio depends on the market; products offered or mediated by different operative subsidiaries.



# The Volkswagen Financial Services offer must adapt to market change

## New mobility concepts



**INCOME**

- + Rental products
- + Fleet business
- + Parking, Fuel, Toll



**RISK**

- + Revenue risk
- + Utilisation risk
- + Operating risk (own operations)

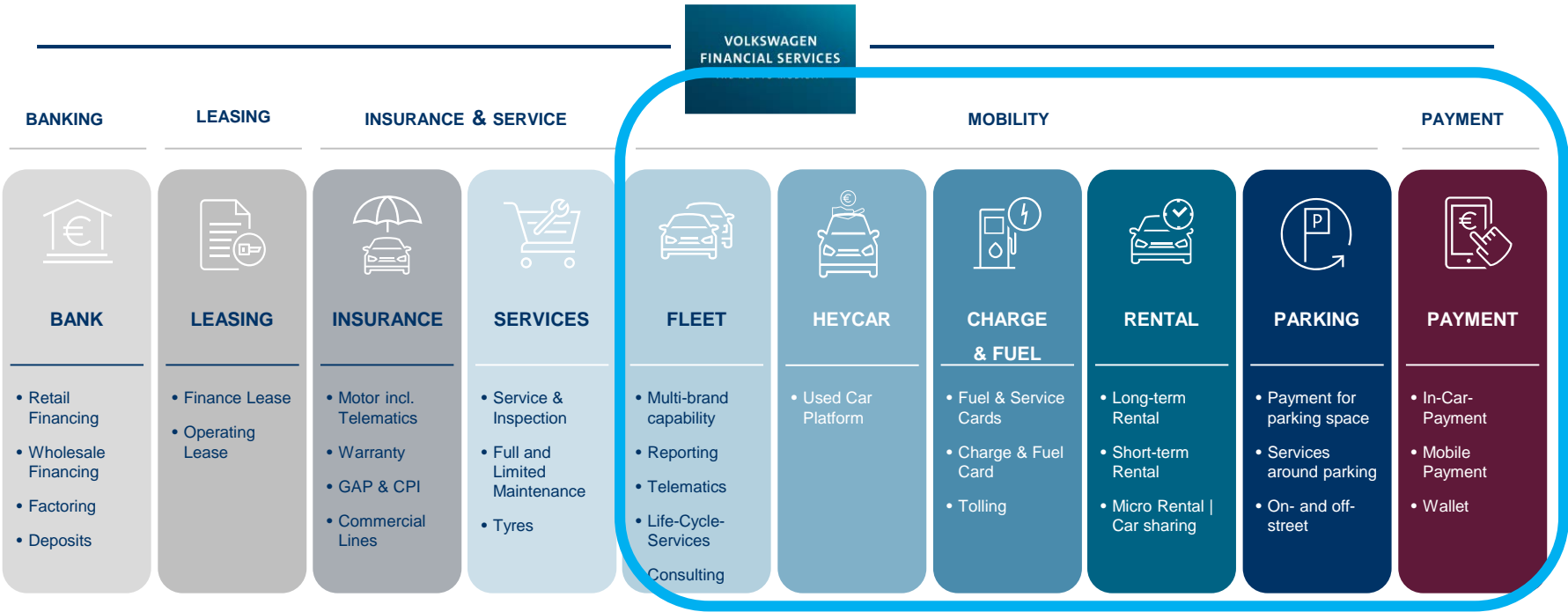


**PARTNER**

- + Mobility customers (1:n)
- + Municipal authorities
- + Public transport



## We offer the whole range of services under one roof\*



PROFITABILITY

CONTACT FREQUENCY

\* Displayed portfolio depends on the market; products offered or mediated by different operative subsidiaries.



# The Volkswagen Financial Services offer must adapt to market changes

## Digital products



**INCOME**

- + Payment-Services
- + Cyber-insurance
- + Functions on Demand



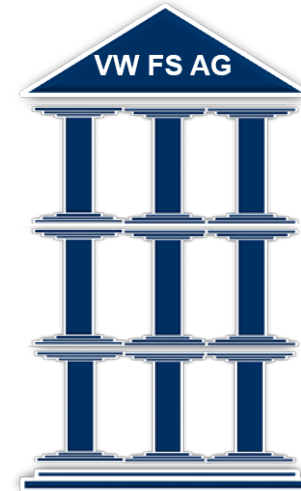
**RISK**

- + Cyber risks
- + Traffic law risks (autonomous driving)



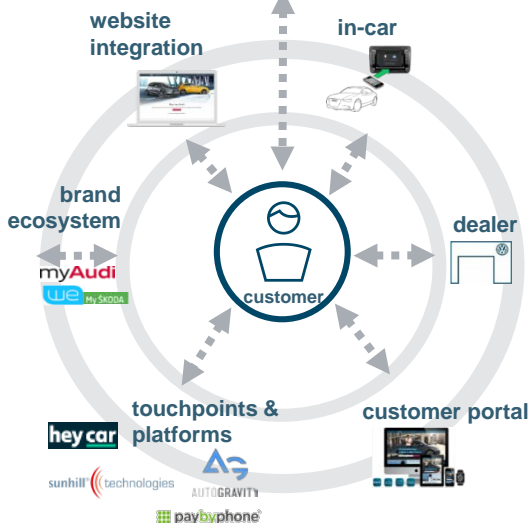
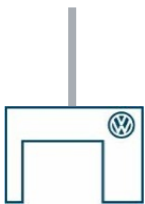
**PARTNER**

- + Digital-savvy customers
- + Digital companies





# Volkswagen Financial Services will digitalize all core products by 2020 and extends it's distribution channels



# The Volkswagen Financial Services offer must adapt to market changes

## Electrification



**INCOME**

- + Classic business, new mobility concepts and digital products for e-cars
- + Charging-products



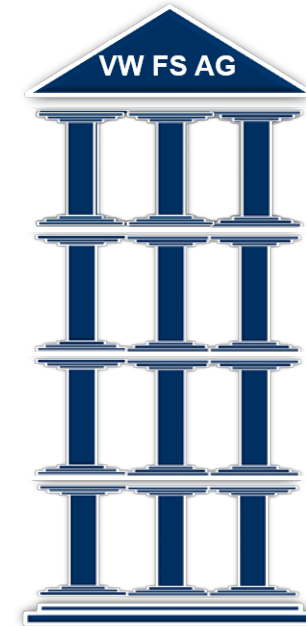
**RISK**

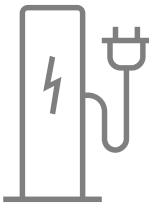
- + Revaluation of classic risks, especially residual value risk (internal combustion engine vs. electric motor)



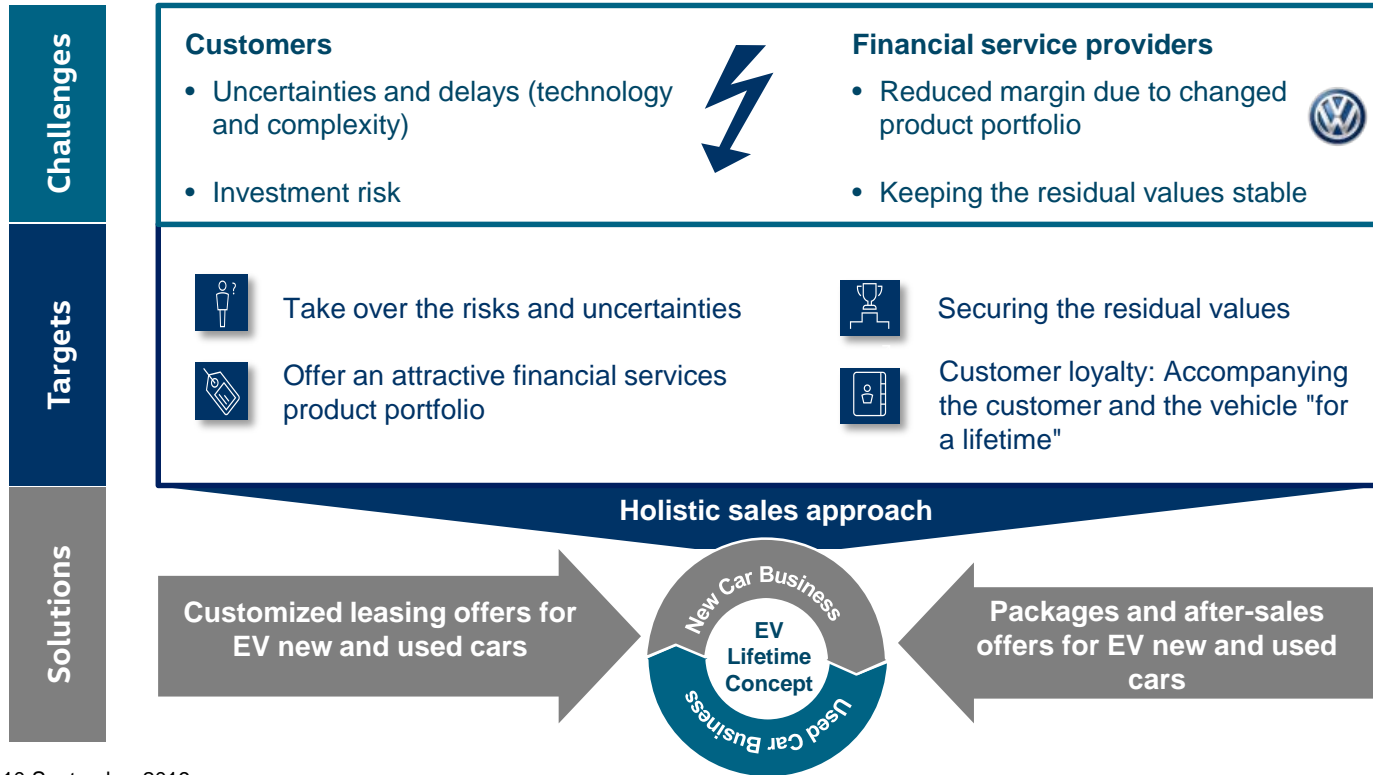
**PARTNER**

- + Environmentally aware customers
- + Energy providers
- + Battery producers
- + Providers of charging infrastructure





# Electrification creates new challenges for automotive financial service providers

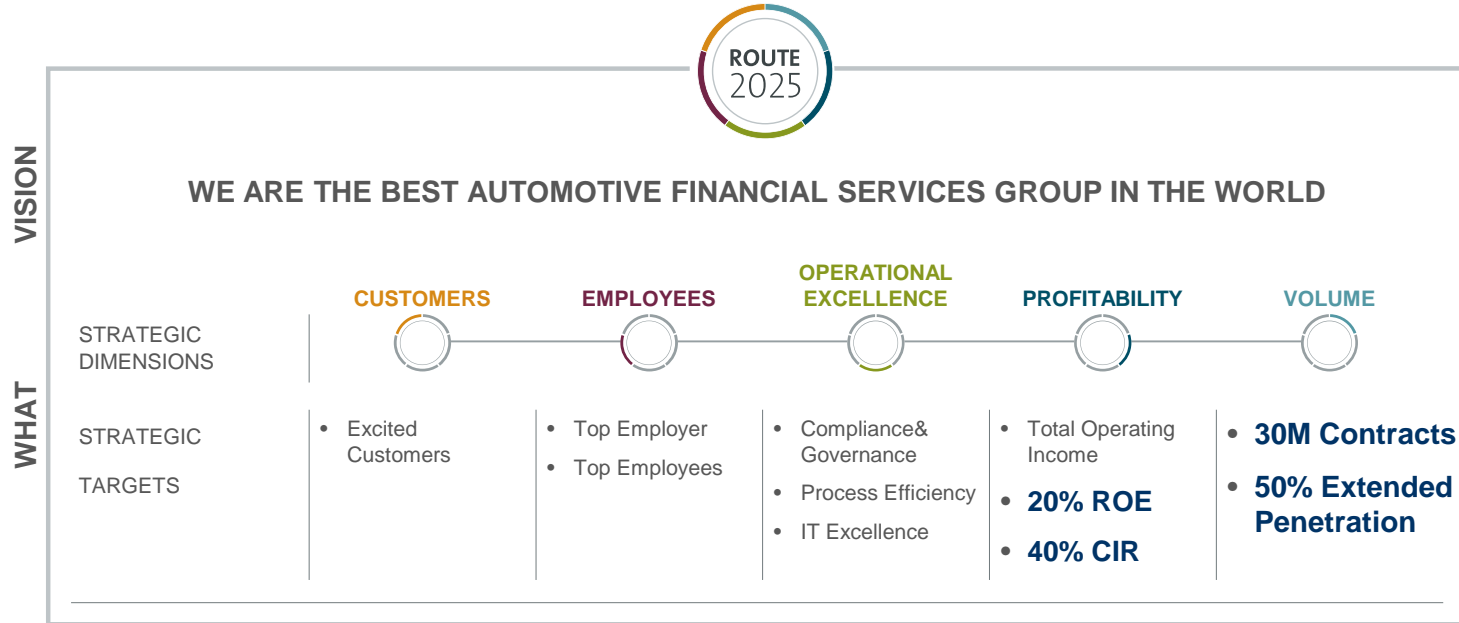




## Vision and Targets of Route2025



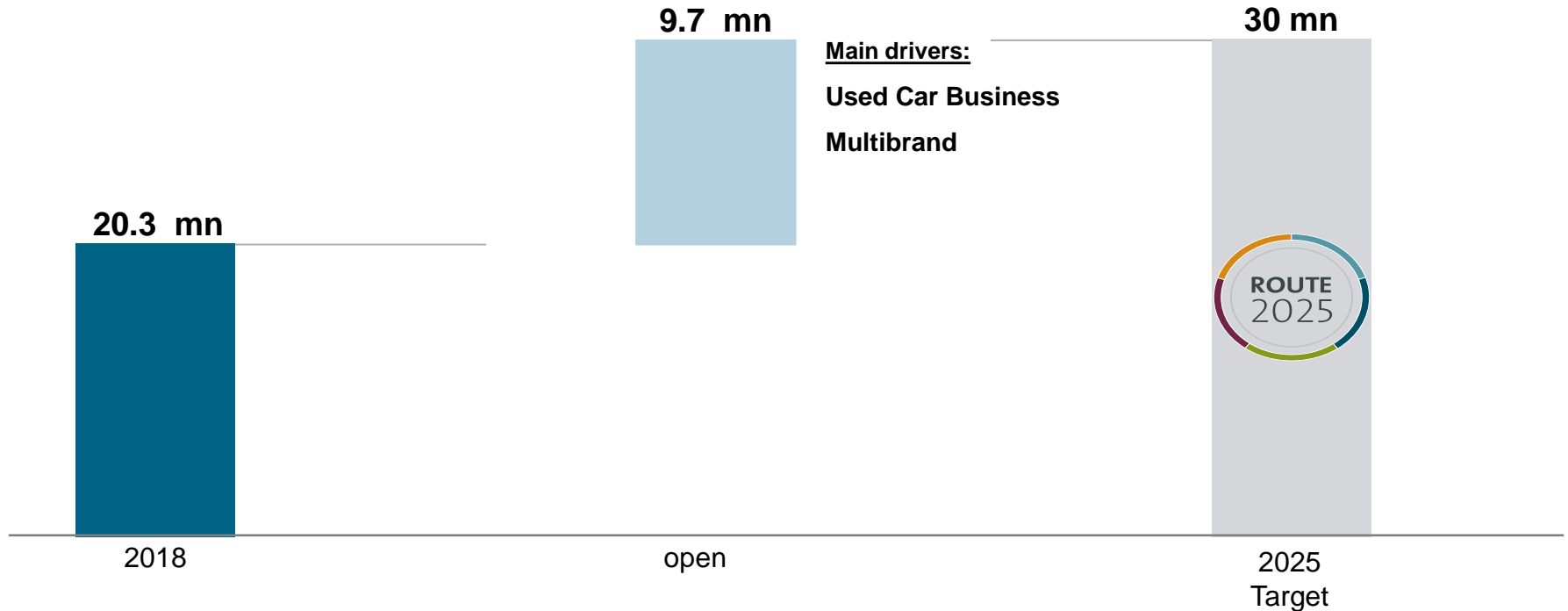
# Vision and targets of Route2025





# ROUTE2025 - Target of 30 mn contracts\* in portfolio in 2025

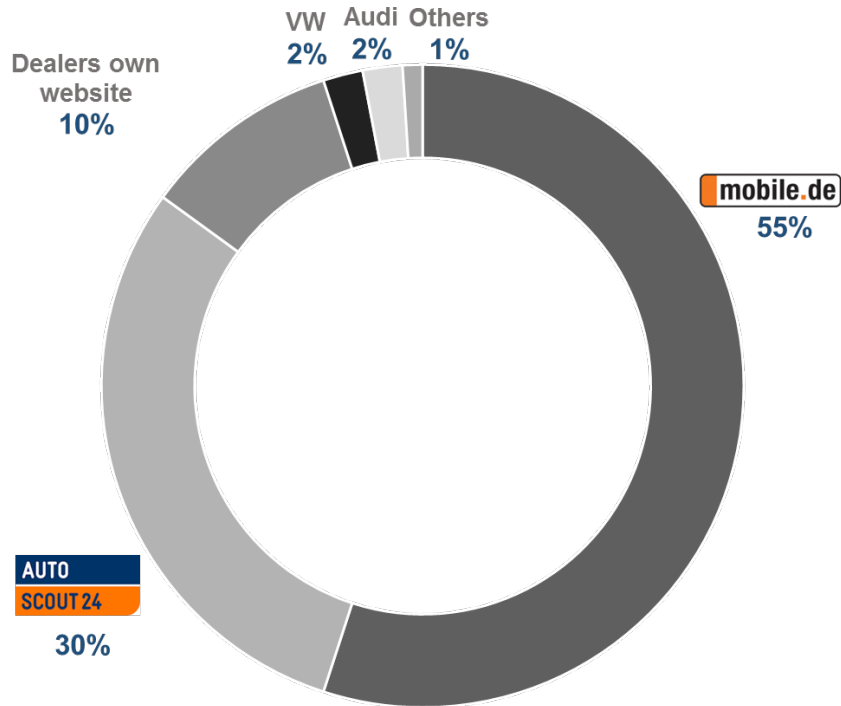
## Major driver: used cars



\* Contract portfolio including contracts of non-consolidated companies

# hey car | development of a real alternative to the current duopoly

## Online share of trades



- **mobile.de** and **AUTO SCOUT24** counts for 85% of the Market
- **Constant price increase** for both platforms
- Dominant platforms **controlled by American tech companies**

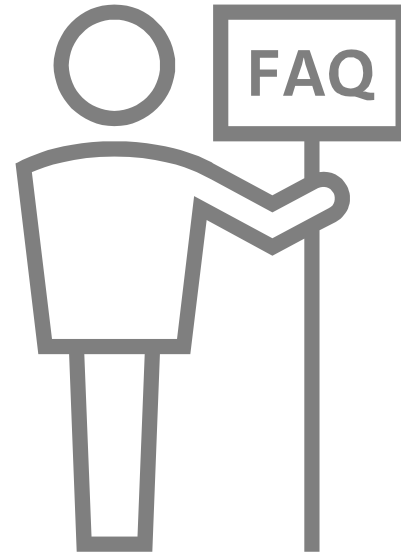
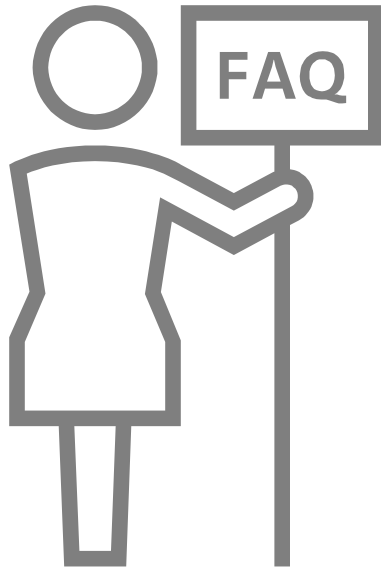


▶ **hey car is being developed as an alternative in close cooperation with dealers**

▶ **Daimler Financial Services acquired 20% stake**



## Questions?





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# VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

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**Thank You.**

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