

**VOLKSWAGEN**

AKTIENGESELLSCHAFT

# Shaping the transformation together.

## **Volkswagen Group**

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Crédit Agricole CIB's Auto Credit Day, Paris, 4<sup>th</sup> October 2018

## 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.

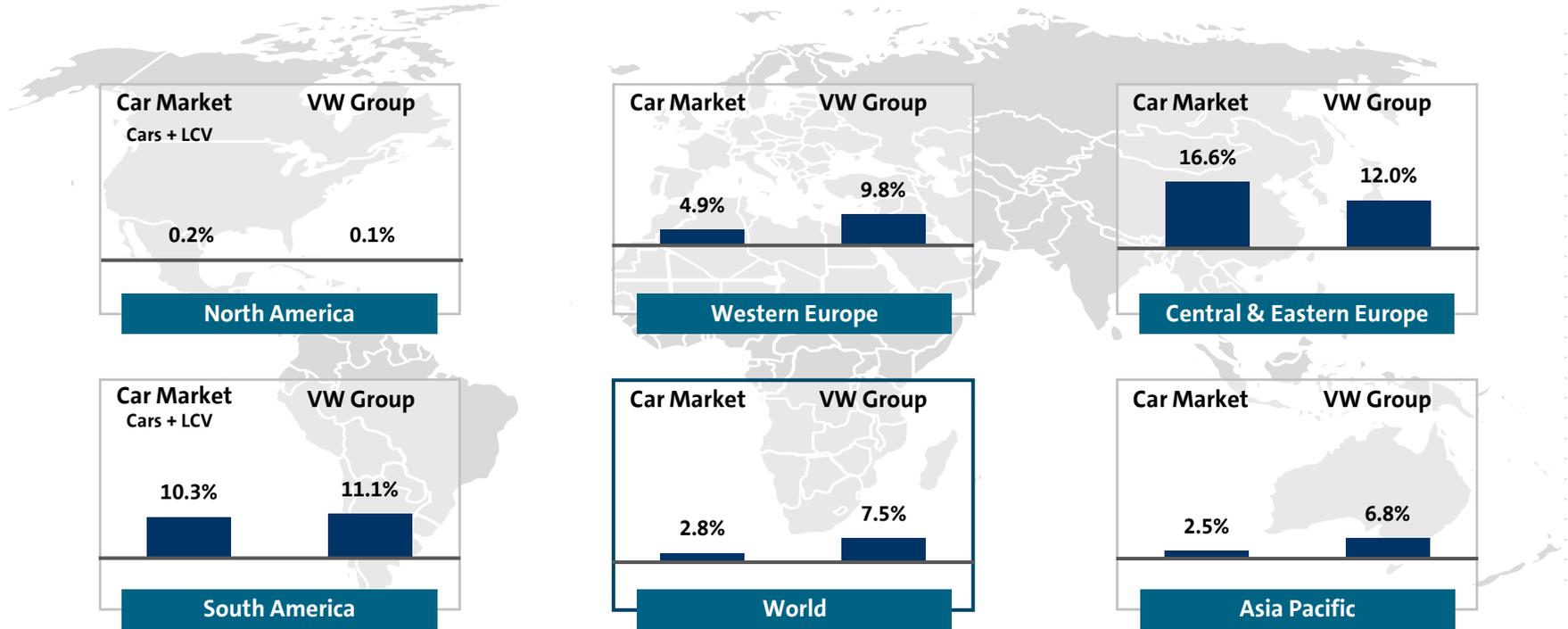
Consequently, a negative impact relating to ongoing claims or investigations, any unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, will have a corresponding impact on the development of our business. The same applies in the event of a significant shift in current exchange rates in particular relative to the US dollar, sterling, yen, Brazilian real, Chinese renminbi and Czech koruna.

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 Such statements are valid on the date of publication and can be superseded.

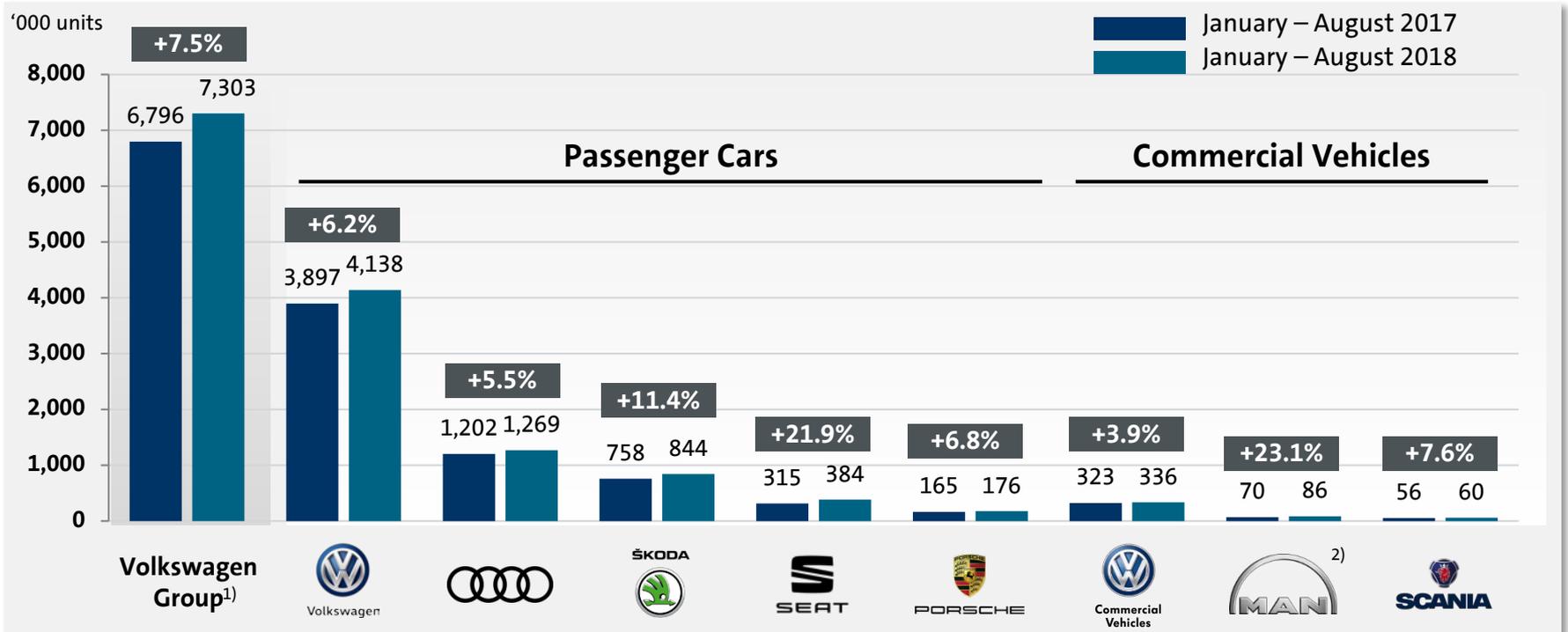
This information does not constitute an offer to exchange or sell or an offer to exchange or buy any securities.

## Development World Car Market vs. Volkswagen Group Car Deliveries to Customers<sup>1)</sup> (Growth y-o-y in deliveries to customers, January to August 2018 vs. 2017)



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

## Volkswagen Group – Deliveries to Customers by Brands (January to August 2018 vs. 2017)

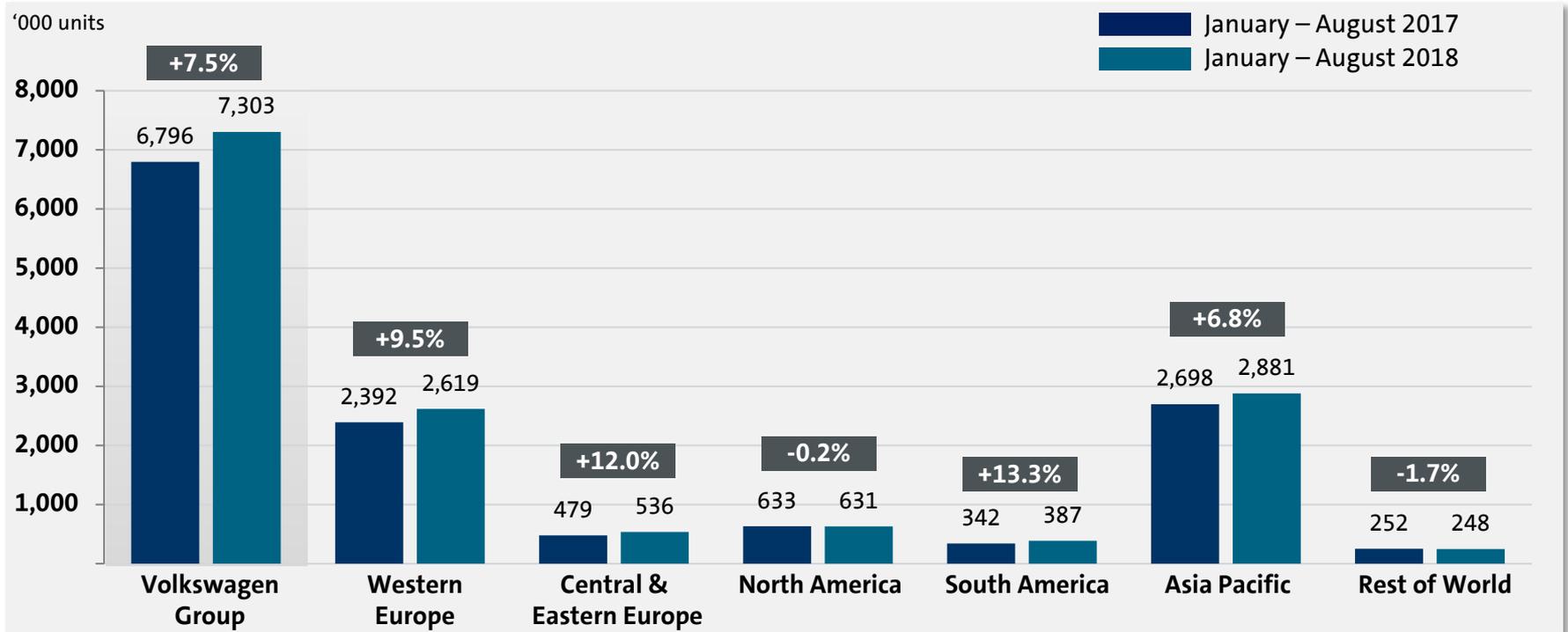


<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +7.5% excl. Volkswagen Commercial Vehicles, Scania and MAN.

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

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

(January to August 2018 vs. 2017)



<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +7.5% excl. Volkswagen Commercial Vehicles, Scania and MAN.

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

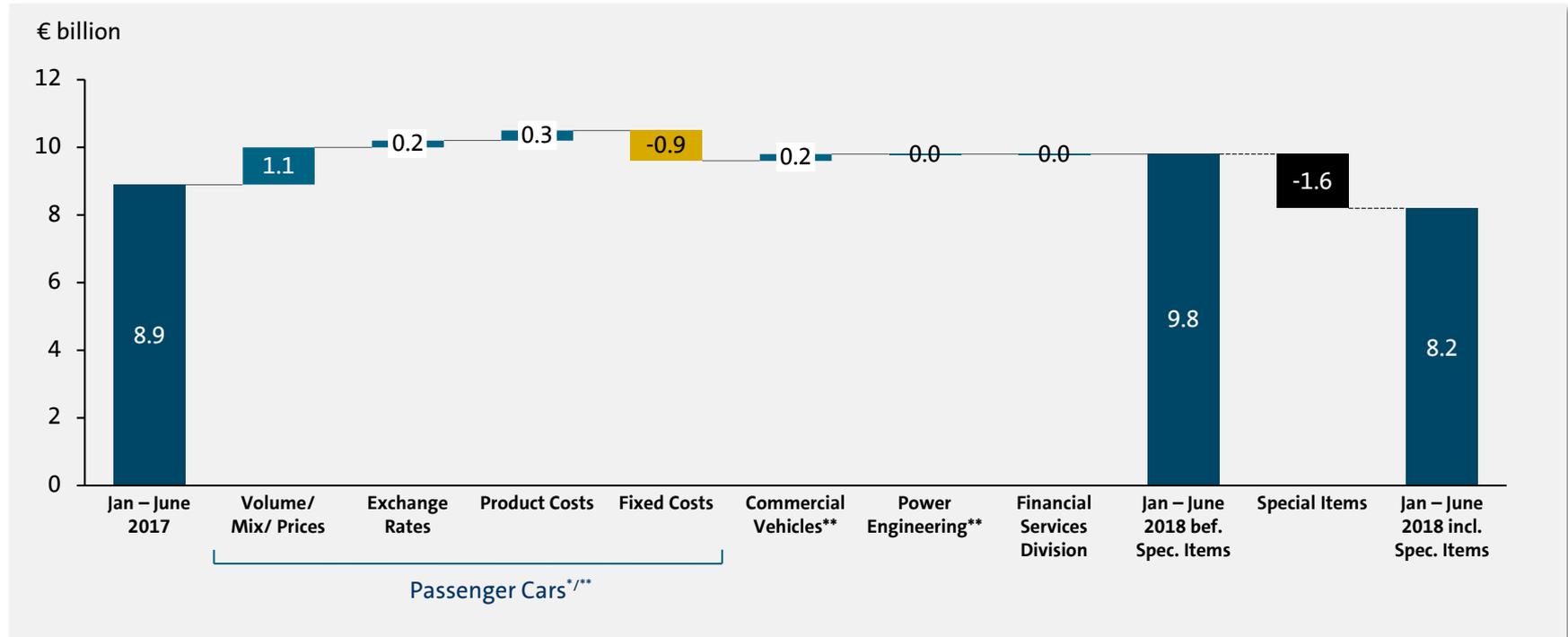
(January to June 2018 vs. 2017)

thousand vehicles / € million	2018	2017 <sup>2)</sup>	+/- (%)
Vehicle Sales <sup>3)</sup>	5,575	5,270	+5.8
Sales revenue	119,377	115,349	+3.5
Operating profit before Special Items	9,794	8,916	+9.8
<i>% of sales revenue</i>	8.2	7.7	
Operating profit	8,160	8,916	-8.5
<i>% of sales revenue</i>	6.8	7.7	
Financial result	813	-117	x
of which: At-equity result <sup>3)</sup>	1,680	1,635	2.8
of which: Other financial result	-867	-1,753	-50.5
Profit before tax	8,972	8,799	+2.0
<i>% Return on sales before tax</i>	7.5	7.6	
Profit after tax	6,613	6,474	+2.1

<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

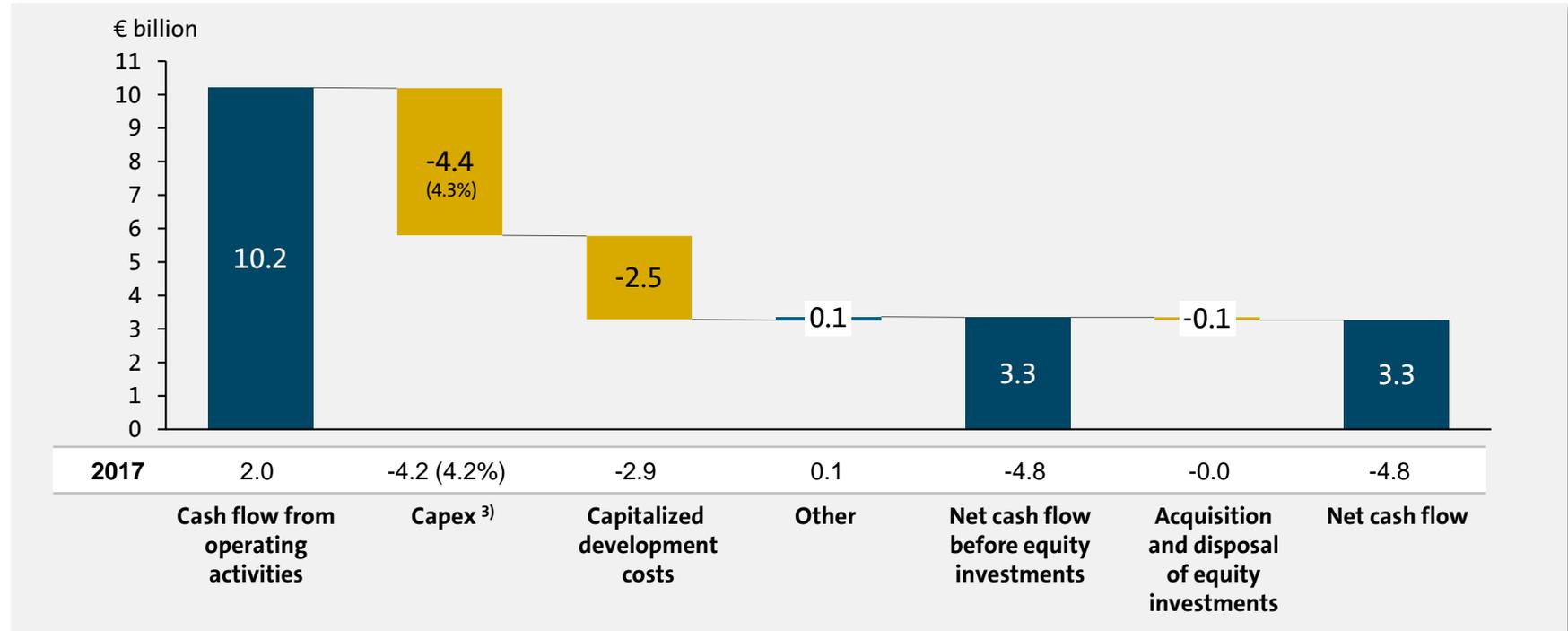
<sup>3)</sup> Volume data including the unconsolidated Chinese joint ventures. The joint venture companies in China are accounted for using the equity method and recorded an operating profit (proportionate) of €2,318 million (€2,135 million).

## Volkswagen Group – Analysis of Operating Profit<sup>1)</sup> (January to June 2018 vs. 2017)



<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 2018)

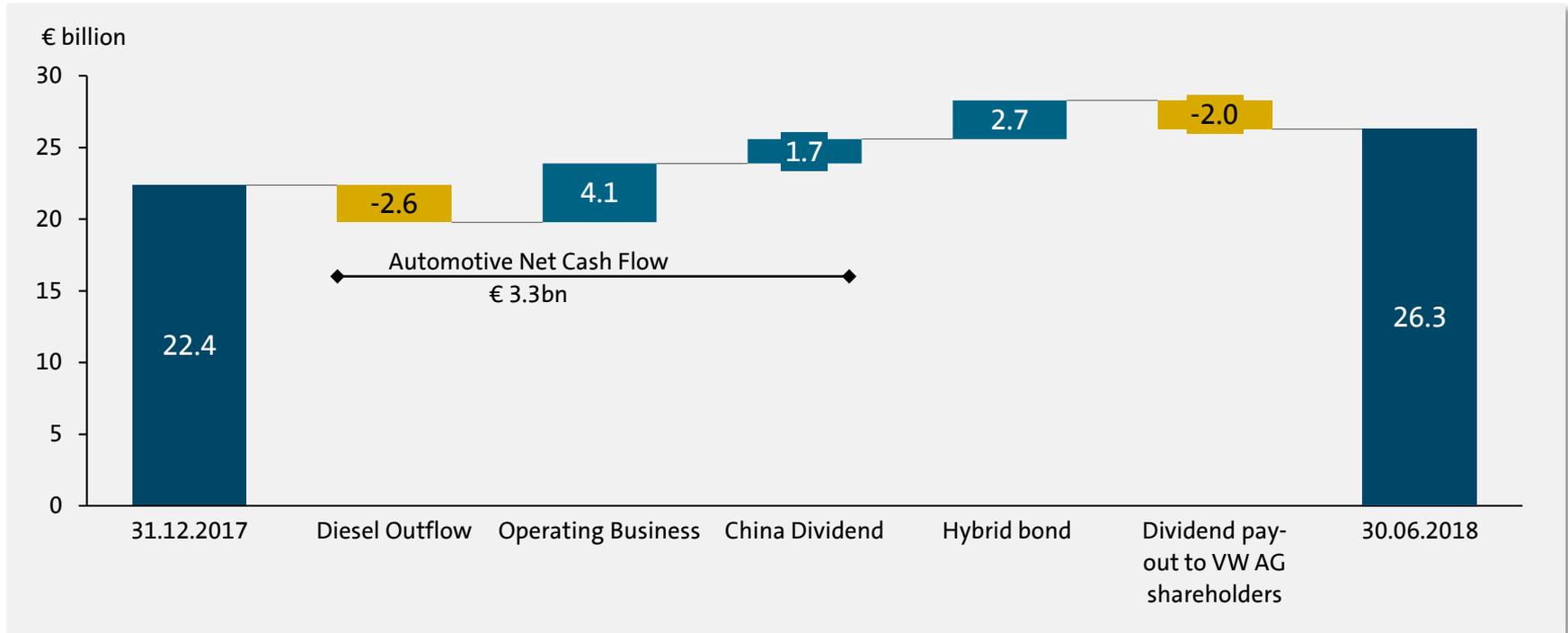


<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

<sup>3)</sup> Capital expenditure for property, plant and equipment in % of Automotive sales revenue.

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

(January to June 2018)



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

## Volkswagen Group – Analysis by Business Line<sup>1)</sup> (January to June 2018 vs. 2017)

thousand vehicles/ € million / in percentage	Vehicle sales		Sales revenue		Operating profit		Margin	
	2018	2017	2018	2017	2018	2017	2018	2017
Volkswagen Passenger Cars	1,931	1,812	42,704	39,661	2,130	1,776	5.0	4.5
Audi	812	783	31,183	30,011	2,761	2,680	8.9	8.9
ŠKODA	511	501	9,161	8,720	821	860	9.0	9.9
SEAT	347	304	5,786	5,054	212	130	3.7	2.6
Bentley	5	5	757	867	-80	13	-	1.5
Porsche Automotive <sup>2)</sup>	123	124	11,231	10,841	2,064	2,056	18.4	19.0
Volkswagen Commercial Vehicles	248	244	6,324	5,927	567	448	9.0	7.6
Scania <sup>3)</sup>	47	44	6,515	6,307	684	673	10.5	10.7
MAN Commercial Vehicles	65	53	5,814	5,297	258	193	4.4	3.6
MAN Power Engineering	-	-	1,637	1,579	68	73	4.2	4.6
VW China <sup>4)</sup>	1,999	1,870	-	-	-	-	-	-
Other <sup>5)</sup>	-512	-469	-18,399	-14,915	-921	-1,152	-	-
Volkswagen Financial Services	-	-	16,664	15,999	1,231	1,165	7.4	7.3
<b>Volkswagen Group before Special Items</b>	-	-	-	-	9,794	8,916	8.2	7.7
Special Items	-	-	-	-	-1,635	-	-	-
<b>Volkswagen Group</b>	<b>5,575</b>	<b>5,270</b>	<b>119,377</b>	<b>115,349</b>	<b>8,160</b>	<b>8,916</b>	<b>6.8</b>	<b>7.7</b>
Automotive Division <sup>6)</sup>	5,575	5,270	101,715	98,388	6,866	7,651	6.8	7.8
of which: Passenger Cars	5,219	4,930	81,766	79,557	5,649	6,654	6.9	8.4
of which: Commercial Vehicles	357	340	18,312	17,252	1,275	1,043	7.0	6.0
of which: Power Engineering	-	-	1,637	1,579	-58	-46	-3.5	-2.9
Financial Services Division	-	-	17,662	16,961	1,294	1,265	7.3	7.5

<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 €12,287 (11,778) million, operating profit €2,154 (2,131) million. <sup>3)</sup> Including financial services. <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 € 2,318 (2,135) 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 for Scania, Porsche Holding Salzburg, MAN and Porsche. <sup>6)</sup> Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

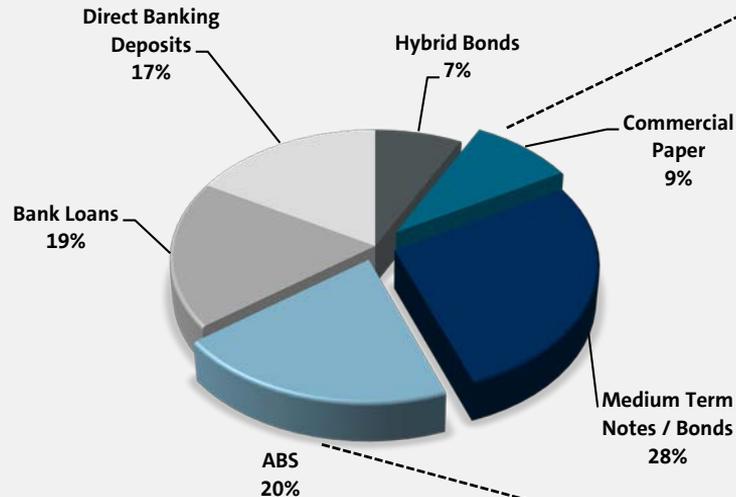
# Volkswagen Group – Funding Programs & Outstandings

June 30, 2018 in € billion

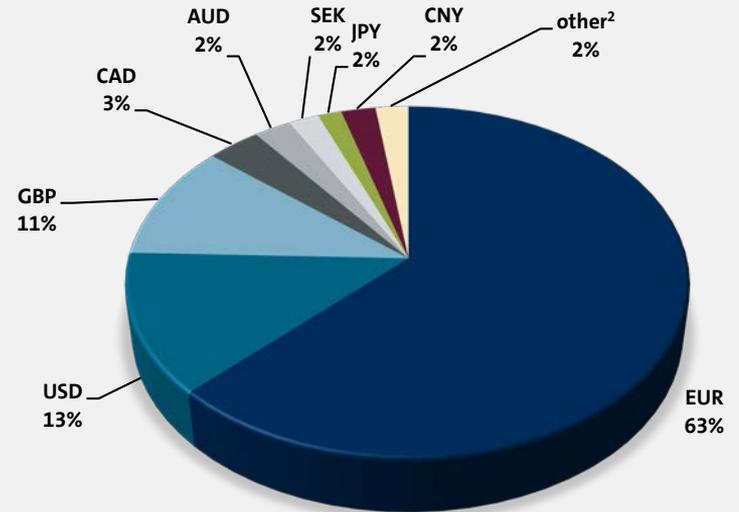
Money and Capital Markets		Utilization
Commercial Papers		16.8
Medium Term Notes / Bonds		64.4
<i>thereof: Hybrid Bonds</i>		<i>13.8</i>
ABS		37.3
<b>Borrowings</b>	<b>Frame</b>	
Committed Lines	18.5	3.4
Uncommitted Lines	27.0	10.2
Supranationals, development banks, government, other	20.4	20.4
Direct Banking Deposits	./.	30.5

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

### Diversification of Funding Sources



### Currencies – Breakdown



<sup>1)</sup> as of June 30, 2018

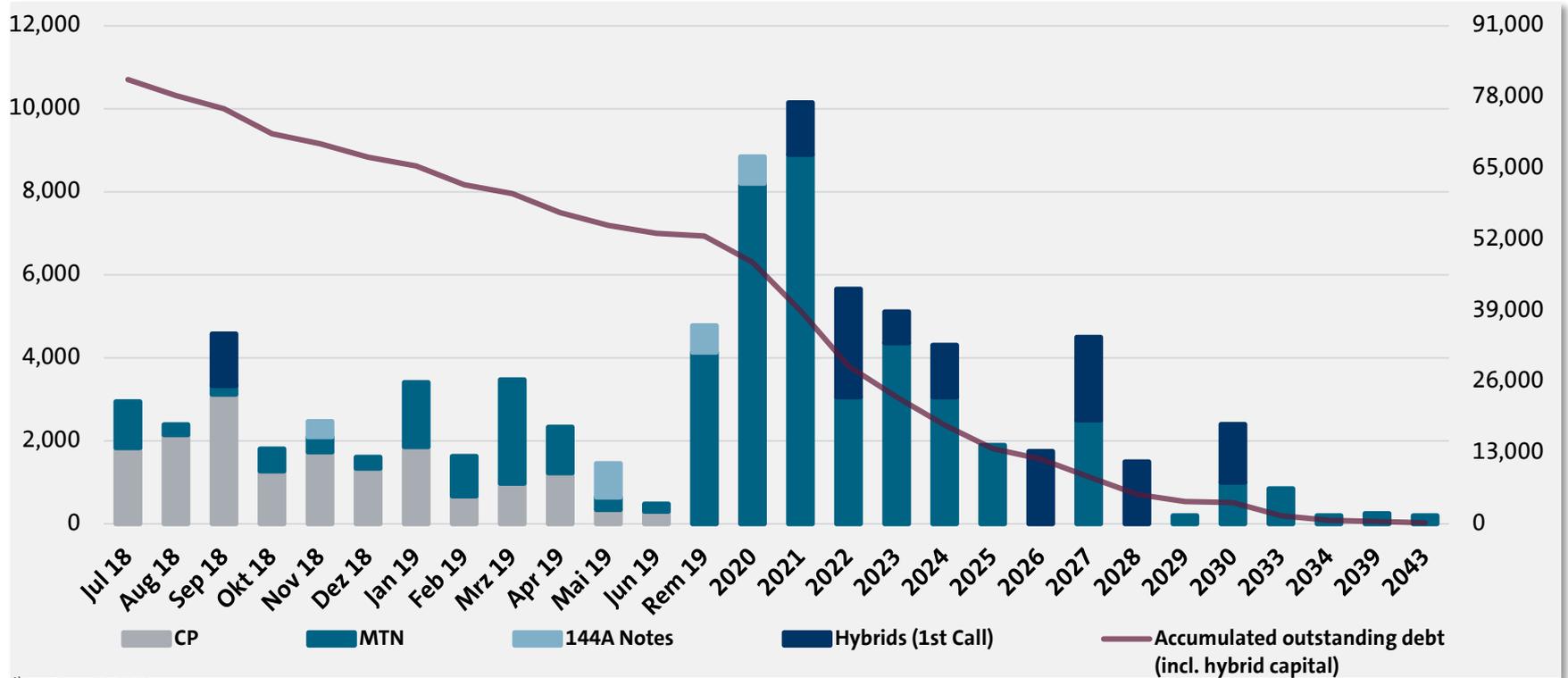
<sup>2)</sup> BRL, CZK, HKD, INR, MXN, NOK, NZD, RUB, TRY

## Volkswagen Group Funding Strategy – Major Issuances in 2017 / 2018\*

March:	EUR 8bn Volkswagen International Finance N.V.
April:	GBP 850mn Volkswagen Financial Services N.V.
May:	EUR 3.5bn Volkswagen International Finance N.V. - Hybrid Bond
June:	EUR 3.5bn Volkswagen Leasing GmbH
September:	EUR 2.25bn Volkswagen Leasing GmbH
December:	EUR 3.0bn Volkswagen Bank GmbH
March:	CAD 1.5bn Volkswagen Credit Canada, Inc.
April:	EUR 2.25bn Volkswagen Financial Services AG
June:	EUR 2.00bn Volkswagen Bank GmbH
	EUR 2.75bn Volkswagen International Finance N.V. - Hybrid Bond
August	EUR 2.5bn Volkswagen Leasing GmbH

\*as per August 31st 2018

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



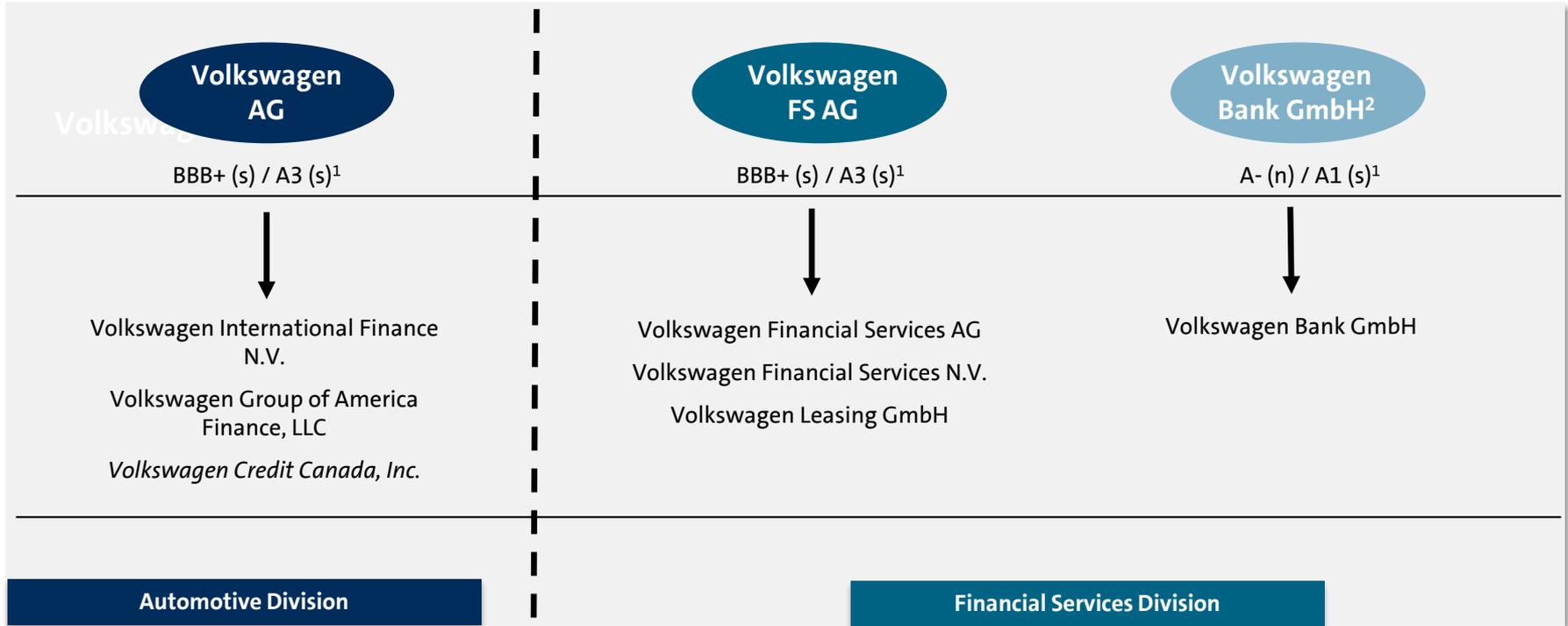
<sup>1)</sup> as of June 30, 2018

# Volkswagen Group – Main Ratings as of 31 August 2018

	S&P Global		MOODY'S	
	Long Term	Short Term	Long Term	Short Term
Volkswagen AG	BBB+	A-2	A3	P-2
Volkswagen Financial Services AG	BBB+	A-2	A3	P-2
Volkswagen Bank GmbH*	A-**	A-2	A1**	P-1
Outlook	Stable (*Negative)		Stable	

\*\*S&P: BBB+ Senior Subordinated Rating; Moody's: A3 Junior Senior Unsecured Rating

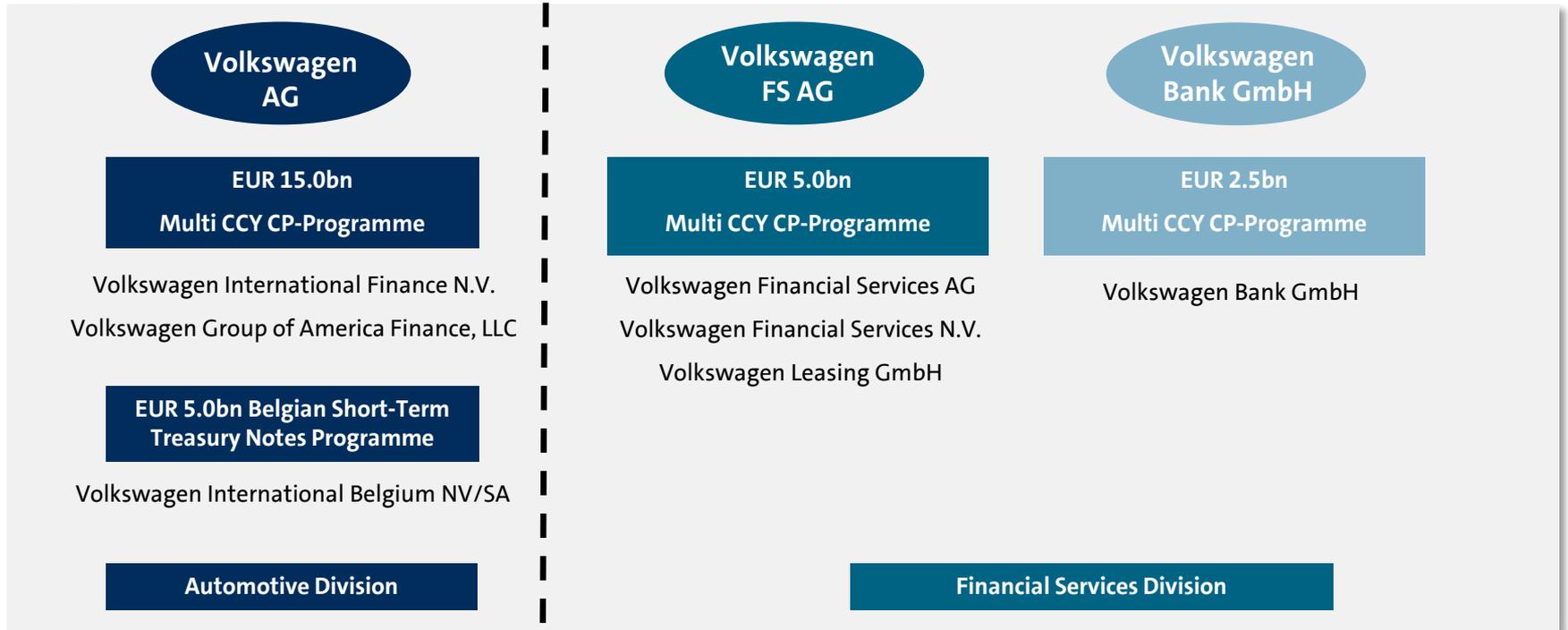
# Volkswagen Group Funding Strategy – Main Guarantors and Issuers



<sup>1</sup>Credit Ratings from Standard&Poors / Moody's as per 31 Aug 2018; (s) Outlook stable; (n) Outlook negative

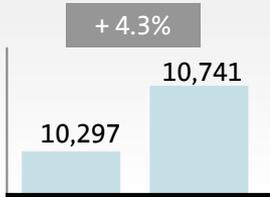
<sup>2</sup>S&P: BBB+ Senior Subordinated Rating; Moody's: A3 Junior Senior Unsecured Rating

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



# Volkswagen Group – Outlook for 2018

## Deliveries to customers (‘000 vehicles)



## Sales revenue (€ billion)



## Operating return on sales (%)



## Deliveries to customers

moderately above prior year



## Sales revenue

by as much as 5% year-on-year



## Operating return on sales

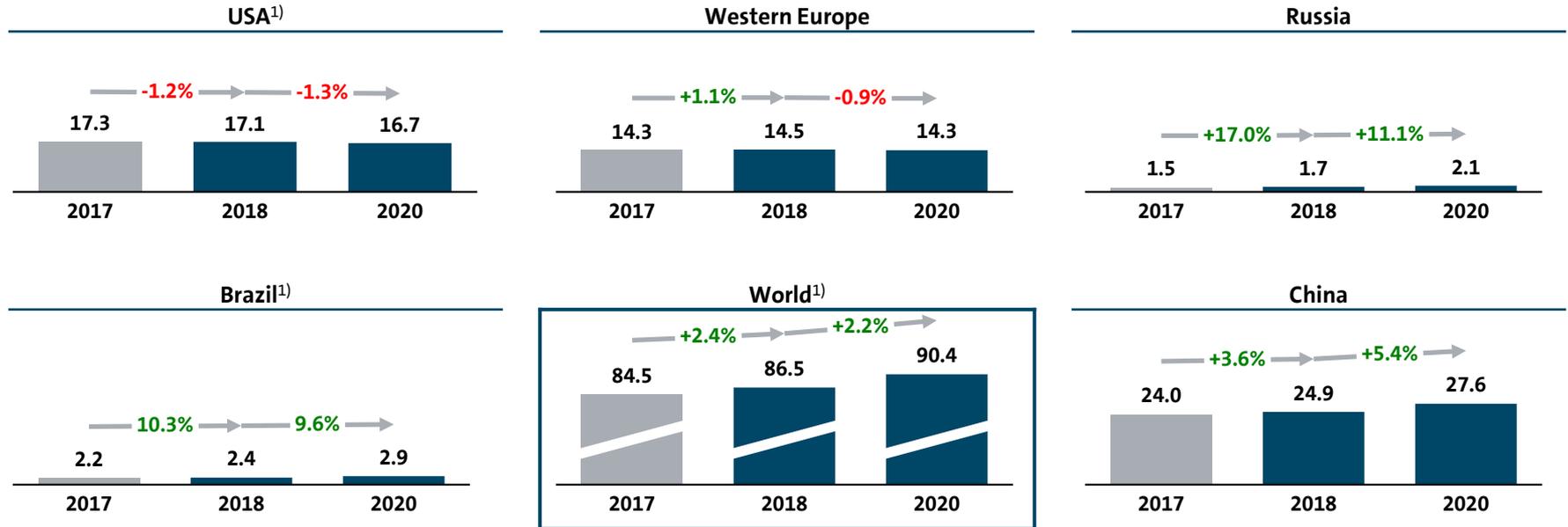
between 6.5% to 7.5% before Special Items <sup>2)</sup>

<sup>1)</sup> before Special Items. <sup>2)</sup> Operating return on sales after Special Items is expected to be moderately below that range.

## Global Passenger Car Market 2017/2018/2020

Slowdown in Western Europe due to falling demand in UK; Stagnation in USA at a high level; Recovery in Brazil and Russia from a low level; China remains largest driver of passenger car demand

million units



Actuals Forecast

Data source: IHS Automotive (08.2018)

<sup>1)</sup> Volume for North & South America includes light commercial vehicles (definition 'Light Vehicles') growth 2018-2020 = Compound Annual Growth Rate / yearly average

## Upcoming Premium and Luxury models enhancing our portfolio offer



Q1



A7 Sportback



911 Carrera T



Aventador S Roadster



RS 4 Avant

Q2



Urus



Huracán Performante  
Spyder



Continental GT



911 GT3 RS

Q3



Q8



A6 Avant



Bentayga Hybrid

Q4



Q3



Q2 LWB (China)



A1 Sportback



Macan Facelift

## Strong product momentum continues in Volume segments



Volkswagen



ŠKODA



Commercial Vehicles

Q1



up! GTI



Polo GTI



Virtus (SAM)



Karoq LWB (China)

Q2



Touareg



Jetta (US)



Lavida (China)



Kodiaq (Russia)

Q3



Fabia



Bora (China)



T-Roc LWB (China)



e-Crafter

Q4



Cupra Ateca



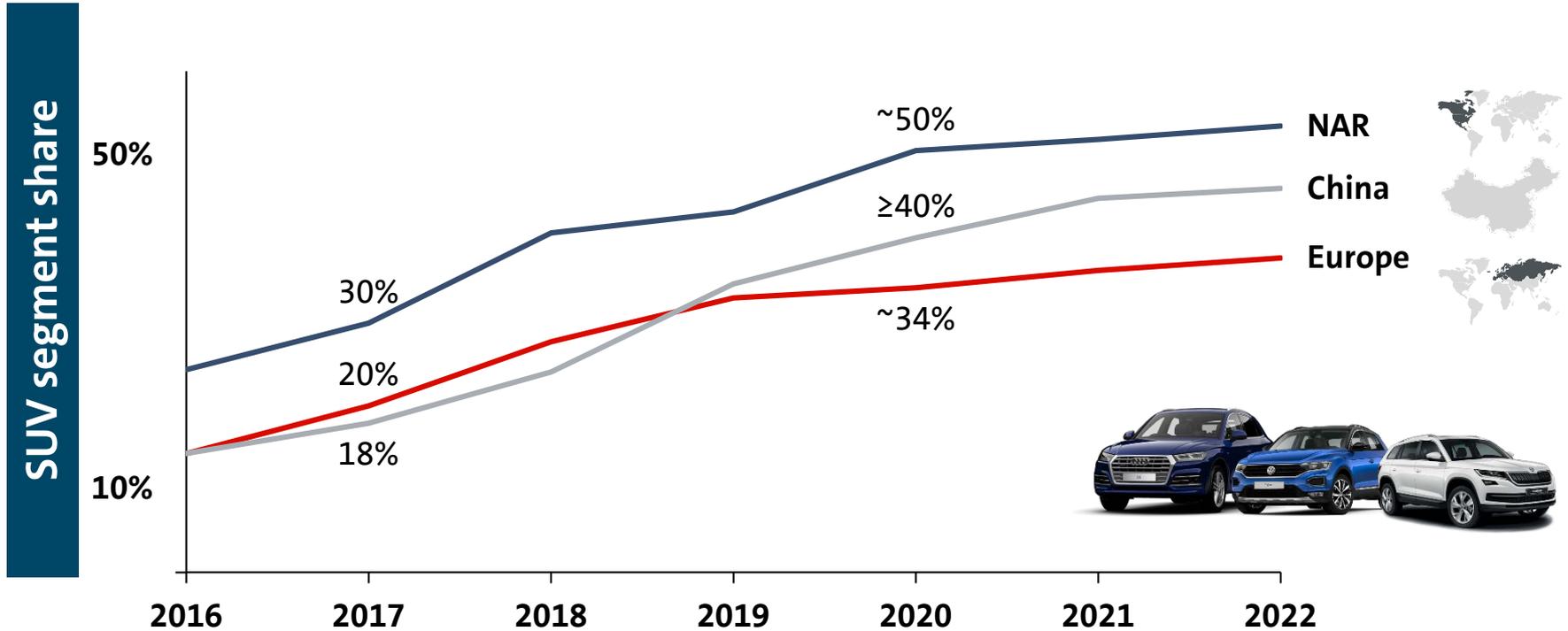
Compact SUVs (China)



Kamiq (China)

# Strong Increase in our SUV mix

SUV mix by region based on expected regional Group sales



## WLTP – Worldwide Harmonized Light Vehicles Test Procedure

### SCOPE

- In EU-28 States + 6 countries (Norway, Switzerland, Iceland, Turkey, Israel and Liechtenstein) <sup>1)</sup>
- Legally binding registration requirements for all OEM´s
- Effects taxation:
  - EU recommendation crossover from Jan. 1, 2019



### IMPACT

- CO<sub>2</sub> / exhaust emissions and fuel consumption figures are calculated under more realistic conditions
- CO<sub>2</sub>-values vehicle-specific and therefore very precise
- Should close tolerances regarding different test conditions



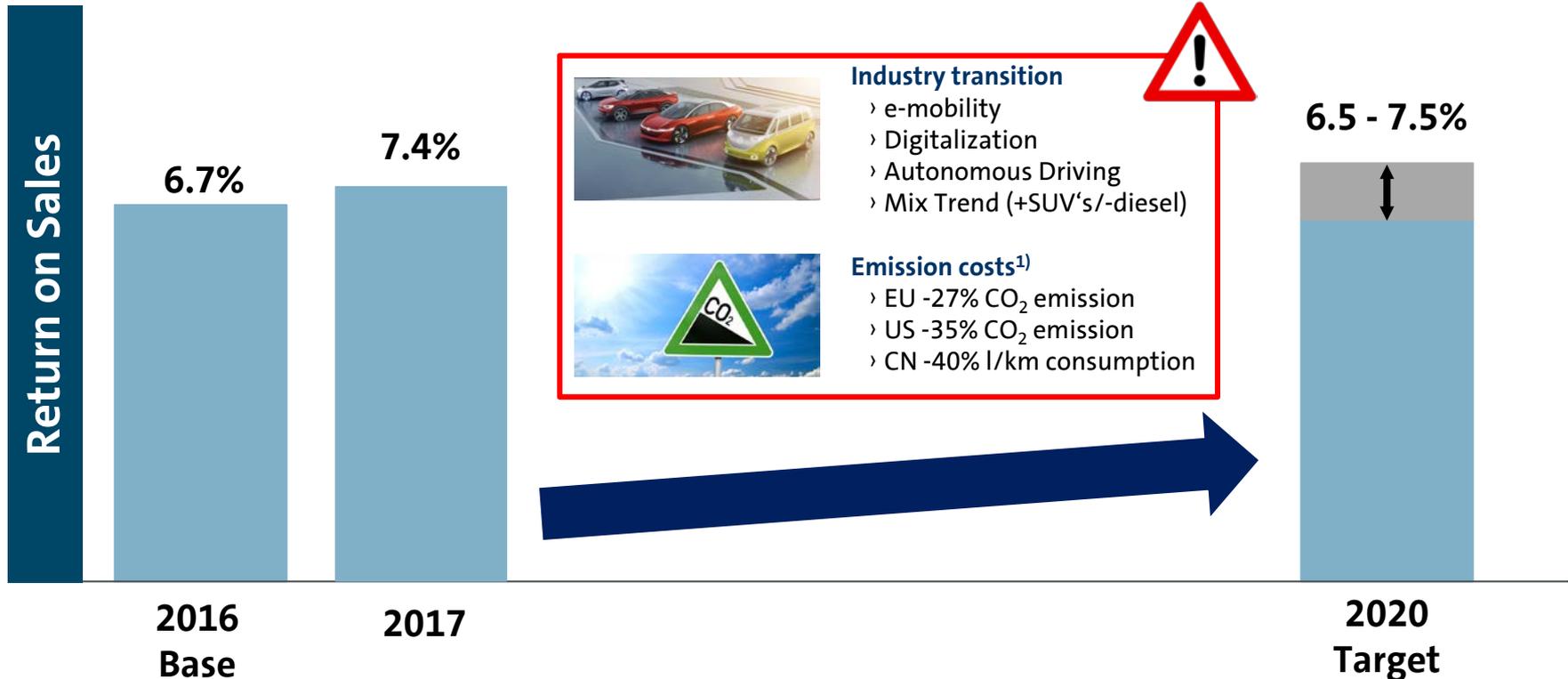
<sup>1)</sup> Different implementation of timelines between countries <sup>2)</sup> NEDC: New European Driving Cycle

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

Key financial targets	2016 Actual	2017 Actual	2018 Outlook	2020 Targets	2025 Targets
<b>Operating return on sales</b> <u>Before</u> Special Items	6.7%	7.4%	6.5-7.5%	6.5-7.5%	7-8%
<b>Return on investment</b> Automotive Division <u>before</u> Special Items	13.9%	14.4%	12-14%	13-15%	> 15%
<b>Capex ratio</b> Automotive Division	6.9%	6.4%	6.5-7%	6%	6%
<b>R&amp;D cost ratio</b> Automotive Division	7.3%	6.7%	6.5-7%	6%	6%
<b>Cash</b> <b>a) Net Cashflow<sup>2)</sup></b> Automotive Division	€ 7.2 bn	€ 10.1bn	≥ € 9 bn	≥ € 10 bn	> € 10 bn
<b>b) Net Liquidity</b>	€ 27.2 bn	€ 22.4 bn	> € 20 bn	> € 20 bn	~10% of Group turnover

<sup>1)</sup> As of 1<sup>st</sup> August, 2018. <sup>2)</sup> Ex diesel payments; cash outflows of around € 3 bn in 2016, € 16.1 bn in 2017 and € 2.6 bn in H1 2018.

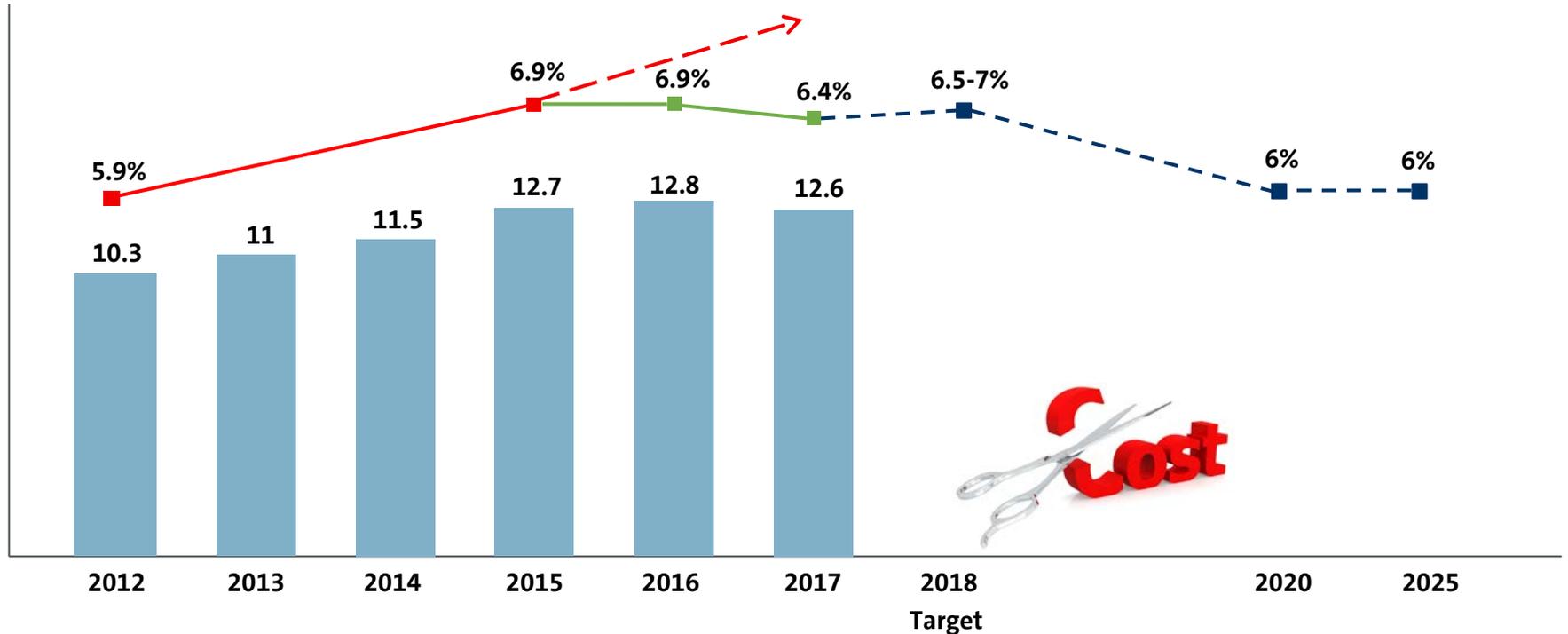
# Improving Group results despite significant challenges<sup>1)</sup>



<sup>1)</sup> Calculation based on 2016 figures.

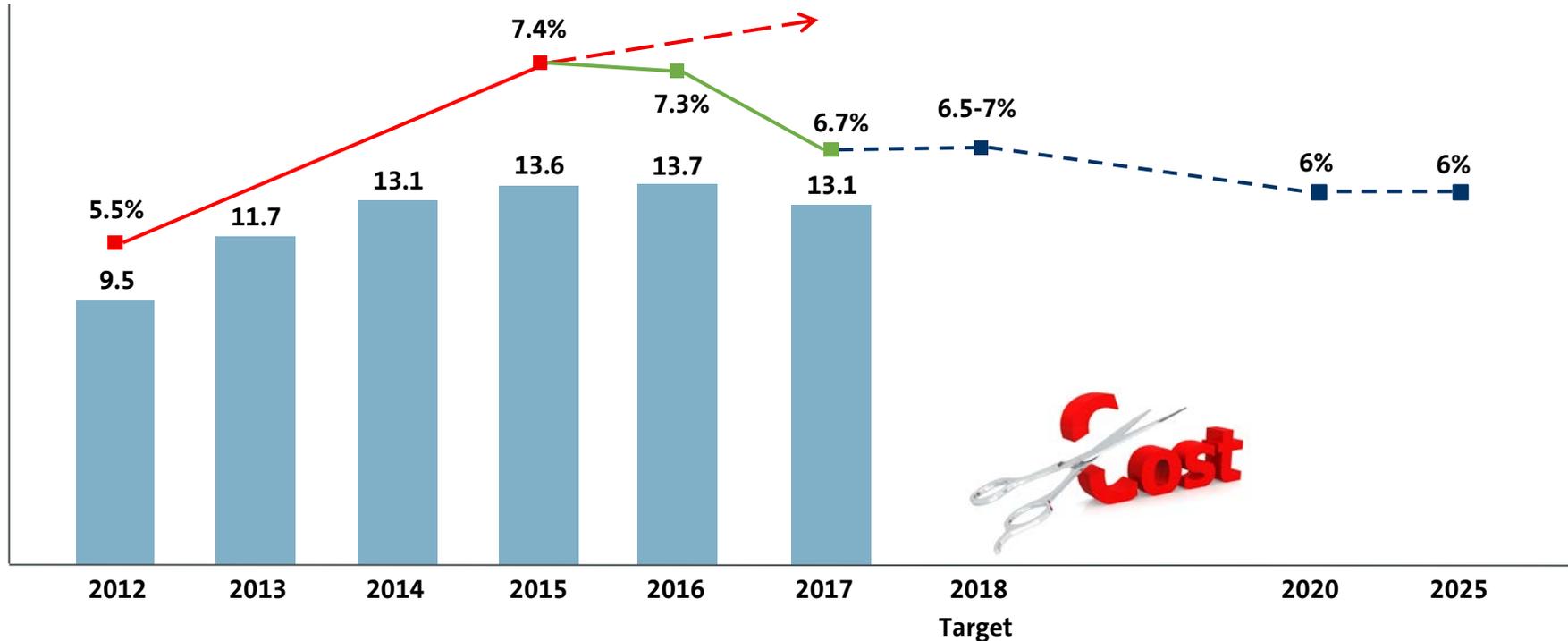
## CAPEX Automotive Division

(€ billion, as % of sales revenue)



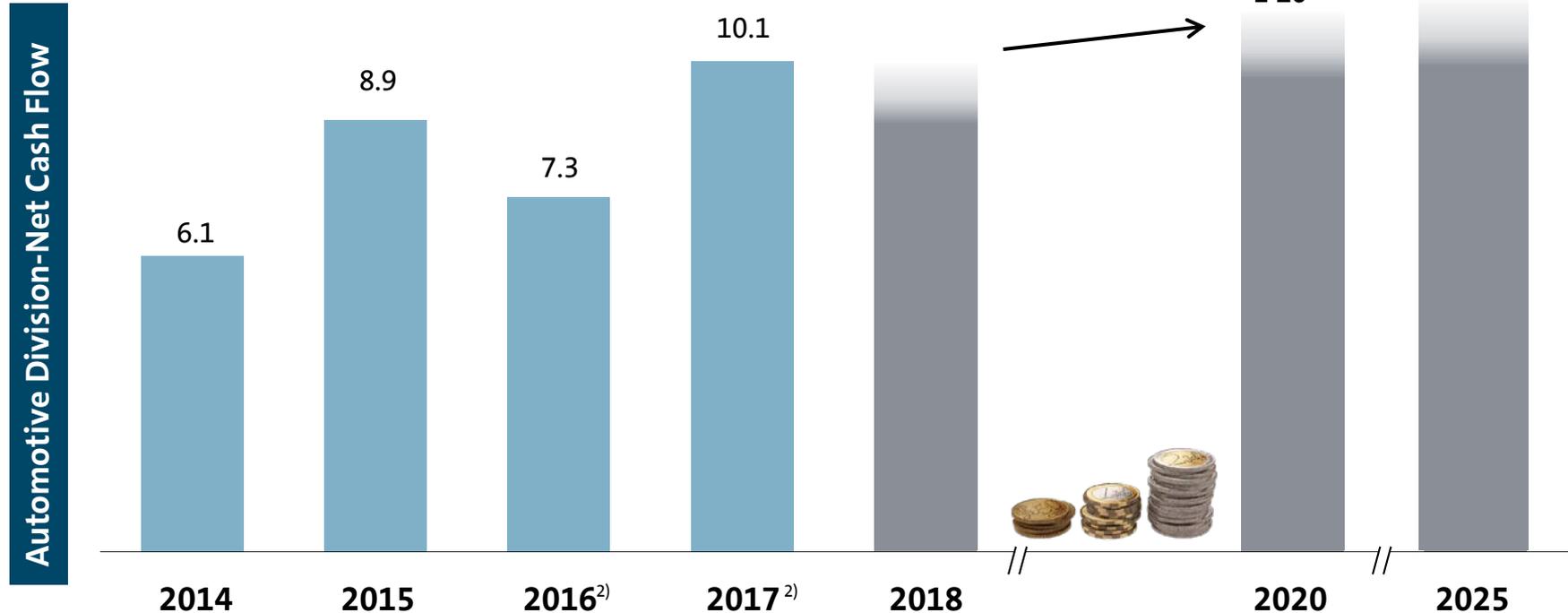
## R&D Costs Automotive Division

(€ billion, as % of sales revenue)



# Automotive Division-Net Cash Flow (ex Diesel payments)<sup>1)</sup>

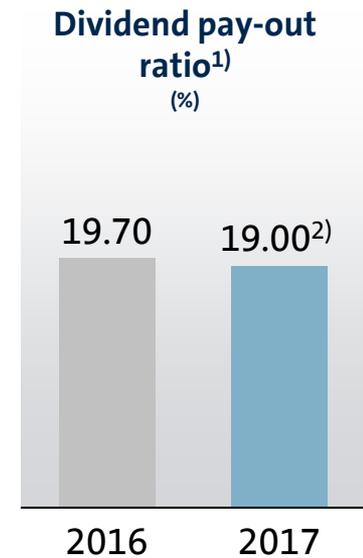
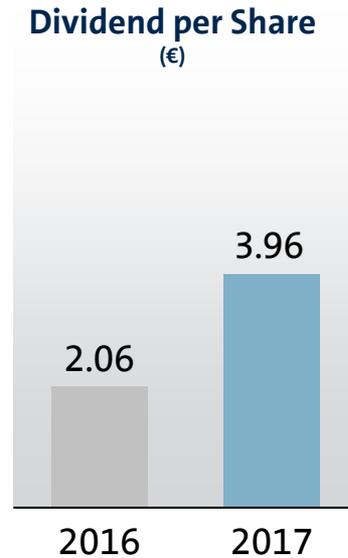
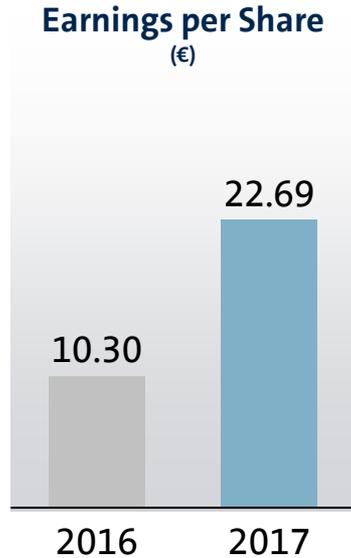
in € billion



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

<sup>2)</sup> Before around € 3 bn in 2016 and € 16.1 bn in 2017 Diesel related outflow.

# Volkswagen AG – Attractive Dividend for Preferred Shares; almost doubled<sup>1)</sup>



**Target EPS 2020**  
over € 25

**Within current planning round / next 5 years**  
30% Dividend pay-out ratio<sup>1)</sup>

<sup>1)</sup> Total dividend in percent of net income attributable to shareholders of Volkswagen AG.  
<sup>2)</sup> Business year 2017 adjusted for non-recurring effects related to the tax reform in the USA of € 1 bn.

## STRATEGY 2025 – Initiatives at a glance

GROW PROFITABLY

- 1 Sharpen positioning of brands
- 2 Develop winning vehicle and drivetrain portfolio
- 3 Streamline modular architectures
- 4 Partner with regional players to win in economy segment
- 5 Develop self-driving system for autonomous vehicles and artificial intelligence in-house
- 6 Develop battery technology as new core competency
- 7 Develop best-in-class user experience across brands and customer touchpoints
- 8 Implement model line organization
- 9 Realign "Components" business



Transform core business

DEVELOP STRATEGIC CAPABILITIES

ENHANCE ENTREPRENEURIAL SPIRIT

- 10 Build mobility solutions business
- 11 Develop and expand attractive and profitable smart mobility offering



Build mobility solutions business

- 12 Improve operational excellence
- 13 Optimize business portfolio



Secure funding

- 14 Drive digital transformation

- 15 Create organization 4.0



Strengthen innovation power

- 16 Better integrated and strategic planning process

# The Volkswagen Group is speeding up its transformation with the organizational realignment

## Distributed Group Functions

### Group steering

Lean and effective Group steering by transferring responsibilities to Group BoM members

### Focusing

Group BoM focuses on strategic challenges

### „All for one and one for all“

Shared goals

## Brand Groups

### Strong brands

Use and develop core competences of each individual brand

### Synergies

Closer cooperation between brands by bundling in brand groups

### High maturity level

More intensive exchange, synchronization and harmonization on strategy issues

## Subsidiarity

### Independence

Maximum subsidiarity for responsibility at all levels

### Decision-making

Efficient decision-making through swifter processing in committees, etc. and use of fewer resources

### Stability

Strategy process with clear targets, content and workflows

## Creation of Brand Groups will reduce the complexity of the Group structure

Volume	Premium	Sport & Luxury	Truck & Bus	Procurement/ Components	Finance & IT	China
<b>VW</b>  Volkswagen	<b>Audi</b> 	<b>Porsche</b>  PORSCHE	<b>MAN</b> 	<b>Procurement</b>	 VOLKSWAGEN FINANCIAL SERVICES THE KEY TO MOBILITY	<b>Region China</b>
<b>Škoda</b>  ŠKODA	<b>Lamborghini*</b> 	<b>Bentley</b>  BENTLEY	<b>Scania</b> 	<b>Components**</b>		
<b>SEAT</b>  SEAT	<b>Ducati*</b> 	<b>Bugatti</b> 	<b>Power Engineering*</b>			
<b>VW LCV</b>  Commercial Vehicles						
<b>MOIA</b> 						

\* Allocation will be verified

\*\* Temporarily responsibility of Group CEO, will be a combined Board of Management function

## Focus on strategy: Resolutely making progress toward sustainable mobility



### Sustainable mobility



Efficient  
combustion  
engines and  
alternative  
drives



Battery  
technology



Charging  
infrastructure

MOIA  
NEW MOBILITY MODEL

Mobility  
services



Self-driving  
system (SDS)

E-mobility

## Paving the way for sustainable mobility

Up to the end of **2022**: We will be putting more than **€34 bn** into e-mobility, digitalization, autonomous driving and mobility services – thereof in 2018: **€6.6 bn**



Up to the end of **2022**: 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.



Also putting more than **€90 bn** into the **conventional vehicle and drive portfolio** – thereof in 2018: **€19.8 bn**



# Efficient combustion engines and alternative powertrains play a major role for the future of sustainable mobility

- Significant improvements in consumption and emissions of gasoline engines
- All new gasoline engines will be equipped with a particulate filter
- Working on synthetic fuels produced from renewable sources
- The latest Euro 6 diesel engines deliver above-average performance in the new WLTP<sup>1)</sup> cycle
- Significantly expanding the range of CNG<sup>2)</sup> vehicles



# Responsibilities for Electric Toolkit Architecture

## PPE

Premium  
Platform  
Electric



- Common modules and scale effects save up to 30% development costs (compared to brand excl. developments)
- Flexibility: Architecture open for other brands to be used in the future

## MEB

Modular  
Electrification  
Kit



Volkswagen



- Economies of scale from use of MEB across entire Group
- Higher productivity and shorter manufacturing time
- Lower material and distribution costs

# Audi e-tron and Porsche Taycan will change the premium electric game



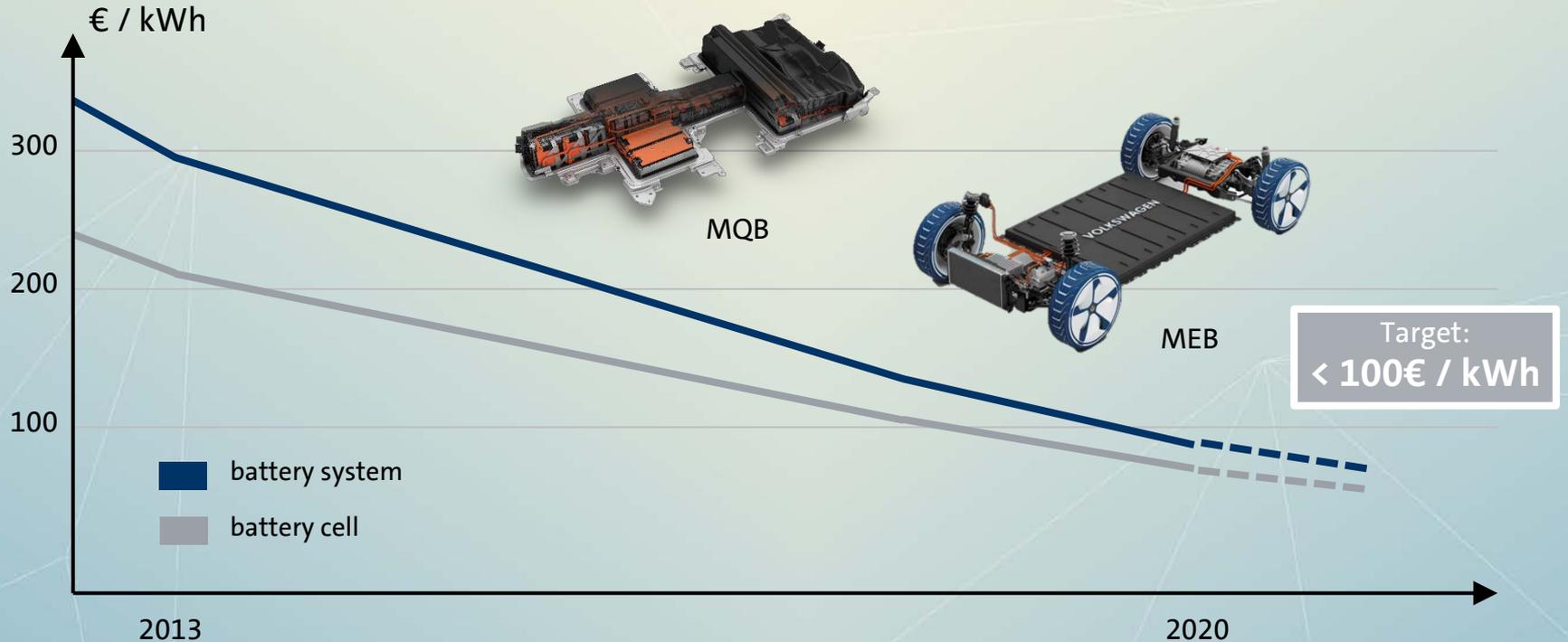
# The Volkswagen Brand's I.D. family sets the new BEV benchmark in the volume segment



# Advances in battery technology will improve range, weight and costs



# Battery costs will decrease significantly by 2020



## Roadmap E - E-mobility model offensive of the Volkswagen Group



- 50 BEVs + 30 PHEVs
- 2-3m expected units or 20–25% Group sales intended to be purely battery-powered
- Own e-fleet requirements over 150 GWh of battery capacity
- MEB: € 50 bn battery cell procurement volume up to 2025, of which € 40 bn has already been awarded to suppliers



2025

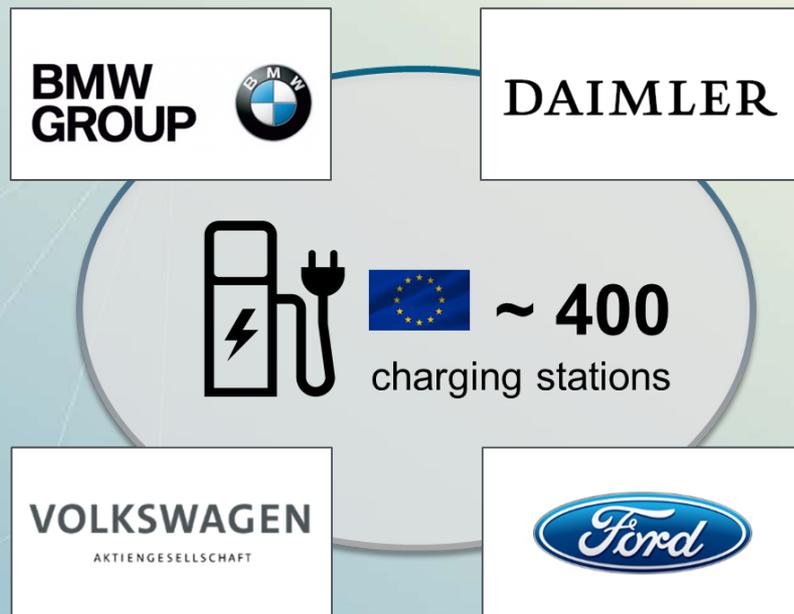
2030



- At least one electrified version for each of the Group's 300 or so models

# Launch of Pan-European High-Power Charging Network IONITY<sup>1)</sup>

## IONITY



- Joint Venture of automotive manufacturers enables electric mobility on long-distance journeys
- Building of a High-Power-Charging (HPC) Network for electric vehicles starts operation
- 20 stations in multiple European countries started in 2017
- IONITY will implement and operate about 400 fast charging stations across European major thoroughfares until 2020
- A charging capacity of up to 350 kW enables to reduce charging time significantly when compared to existing systems
- Multi-brand compatibility with current and future generations of electric vehicles through Combined Charging System (CCS)

<sup>1)</sup> The founding partners, BMW Group, Daimler AG, Ford Motor Company and the Volkswagen Group, have equal shares in the joint venture, while other automotive manufacturers are invited to help expand the network.

# Electrify America - Powering electric mobility

**Investment of \$2 billion over 10 years** in Zero Emission Vehicle (ZEV) infrastructure and education programs in the U.S.

**Open network** for all (even group external) OEMs and business partners

Highway sites every 70 miles on average, but **no more than 120 miles apart**, so shorter range ZEVs available today will be able to use this network



1st cycle:  
We will establish a **network of ~4.700+** non-proprietary electric vehicle chargers in **17 metros** and **on highways in 39 states**

**Public access** for all ZEV drivers will be ensured through **multiple technologies (Level 2 and DC fast charging: CCS Combo and Chademo connectors)**

Station chargers will be **extremely powerful**, capable of delivering **150 kW or 350 kW** to vehicles

## Successful launch of MOIA Shuttle at end of 2017, customers show a high demand for this alternative form of mobility



- Test phase in Hanover with **2,000 users** under way
- **Project start** in Hamburg at **end-2018**: fleet will be expanded to **200 vehicles** in the first phase
- **Further cities** planned

## Intensified efforts to develop autonomous vehicles

Autonomous Audi TTS  
"Shelley" climbs Pikes Peak



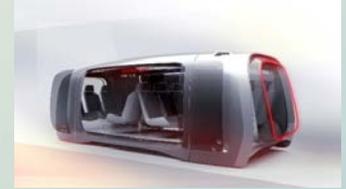
SEDRIC is Volkswagen Group's first Level 5 vehicle



Strategic partnership with Aurora

AURORA

Urban Shuttle/Carrier/Pod



2005



"Stanley" Winner Darpa Grand Challenge



2010



Volkswagen Group >200 AV related patents

Foundation AID GmbH



2017



MOIA Battery Electric Special Purpose Shuttle



2018



Personal Autonomous Vehicles



2021+



# Driving forward Strategy 2025: Implementation is accelerating I

ROADMAP E launched



Center of Excellence for battery technology established



Joint venture for rapid charging network in place



SEDRIC developed and presented



Joint venture with JAC created for e-mobility



STRATEGY 2025

MOIA pilot started and shuttle presented



New technology partnerships agreed



Realignment of Group Components approved



Positioning of Group brands sharpened



Board Digitalization Committee established



# Driving forward Strategy 2025: Implementation is accelerating II

Autonomy for Truck & Bus making good progress

**TRATON**  
GROUP



Volkswagen Components becomes independent entity from January 2019



Components



Fuel cell technology partnership agreed



Product & technology offensive in China agreed



**TOGETHER**  
STRATEGY 2025

Strategic cooperation in discussion



Turnaround in South America initiated



INDIA 2.0 project launched



Volkswagen



ŠKODA



Volkswagen becomes largest shareholder



# Volkswagen AG and Ford to explore Strategic Alliance, extend Capabilities, strengthen Competitiveness and better serve Customers



Commercial  
Vehicles



Volkswagen AG and Ford Motor Company announced a Memorandum of Understanding<sup>1)</sup>

## Explore Strategic Alliance

Volkswagen AG and Ford are exploring a strategic alliance.

## Extend Capabilities & Better Serve Customers

The companies are investigating several joint projects – including joint development of a range of commercial vehicles to better serve the evolving needs of customers globally.

## Strengthen Competitiveness

Potential projects aim to strengthen each company's competitiveness; the companies will share updates as talks progress.

## Equity Arrangements not involved

Volkswagen AG and Ford said any strategic alliance would not involve equity arrangements, including cross ownership stakes.

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

## Why our Value Proposition is one of the best in the Industry?

1. Unique and Compelling **Brands and Products** and **Scale Potential**
2. Convincing holistic **TOGETHER – Strategy 2025** with embedded financial **KPI Targets**
3. Comprehensive **E-Strategy**
4. Optimal **Toolkit Infrastructure** for conventional and alternative power trains
5. We intend to deliver **Self-driving** at the touch of a button and become **Software** leaders
6. Upside Potential in **Core and Developing Markets**
7. Lead Position in **China**
8. **TRATON** Global Champion Potential and clear plan to achieve **Capital Market Readiness**
9. **Culture** of willingness to change: agile, innovative and integral backed by committed management and employees
10. Priority to work on protecting our **Society** and **Environment** for future generations also focusing on **Sustainable Supplier Relations**



Overarching vision is to become a  
**World-leading Provider of Sustainable Mobility**

## Overview Brand Targets (RoS, RoE)

<b>Return on Sales in %<sup>1)</sup></b>	<b><u>2016</u></b>	<b><u>Target 2017</u></b>	<b><u>2017</u></b>	<b><u>Target 2018</u></b>	<b><u>2020</u></b>	<b><u>2025</u></b>
Volkswagen Group	6.7	6-7 moderately exceed	7.4	6.5-7.5	6.5-7.5	7.0-8.0
Volkswagen Brand	1.8	3-5 moderately exceed	4.1	4-5	4-5	≥6
Audi	8.2	8-10	8.4	8-10	8-10	8-10
Porsche Automotive	17.4	>15	18.5	>15	>15	>15
ŠKODA	8.7	7-8	9.7	8-9	6-7	≥7
Volkswagen Commercial Vehicles	4.1	3-4	7.2	5-6	4-5	>6
Truck & Bus Business <sup>2)</sup>						
• Scania	9.5	6-7	6.9	6-7	9 <sup>3)</sup>	9 <sup>3)</sup>
• MAN Commercial Vehicles	2.3					
<b>Return on Equity (norm. 8%)</b>	<b><u>2016</u></b>	<b><u>Target 2017</u></b>	<b><u>2017</u></b>	<b><u>Target 2018</u></b>	<b><u>2020</u></b>	<b><u>2025</u></b>
Volkswagen Financial Services	15.6%	14-16%	15.8%	14-16%	14-16%	20%

<sup>1)</sup> Before special items. <sup>2)</sup> For peer-group analysis: Truck & Bus Business RoS is calculated as the sum of Scania and MAN Commercial Vehicles. <sup>3)</sup> Through-cycle Target.

# Starting point „TRANSFORM 2025+“ STRATEGY will put the Volkswagen Brand to the top of the automotive industry

## STRENGTHEN CORE BUSINESS

2% RoS<sup>1)</sup>

- SUV Offensive
- Turnaround in the Regions
- Brand Positioning
- Productivity / Costs
- New Skills

2015

## LEAP TO THE TOP OF ELECTRIC MOBILITY

≥ 4% RoS

- Electric Offensive
- Digital Ecosystem
- Operational Excellence

2020

## MAJOR TRANSFORMATION

≥ 6% RoS

- New Business Models
- New Mobility solutions
- Autonomous Driving

2025

## GLOBAL MARKET LEADER IN AUTOMOBILITY

> 6% RoS

2030

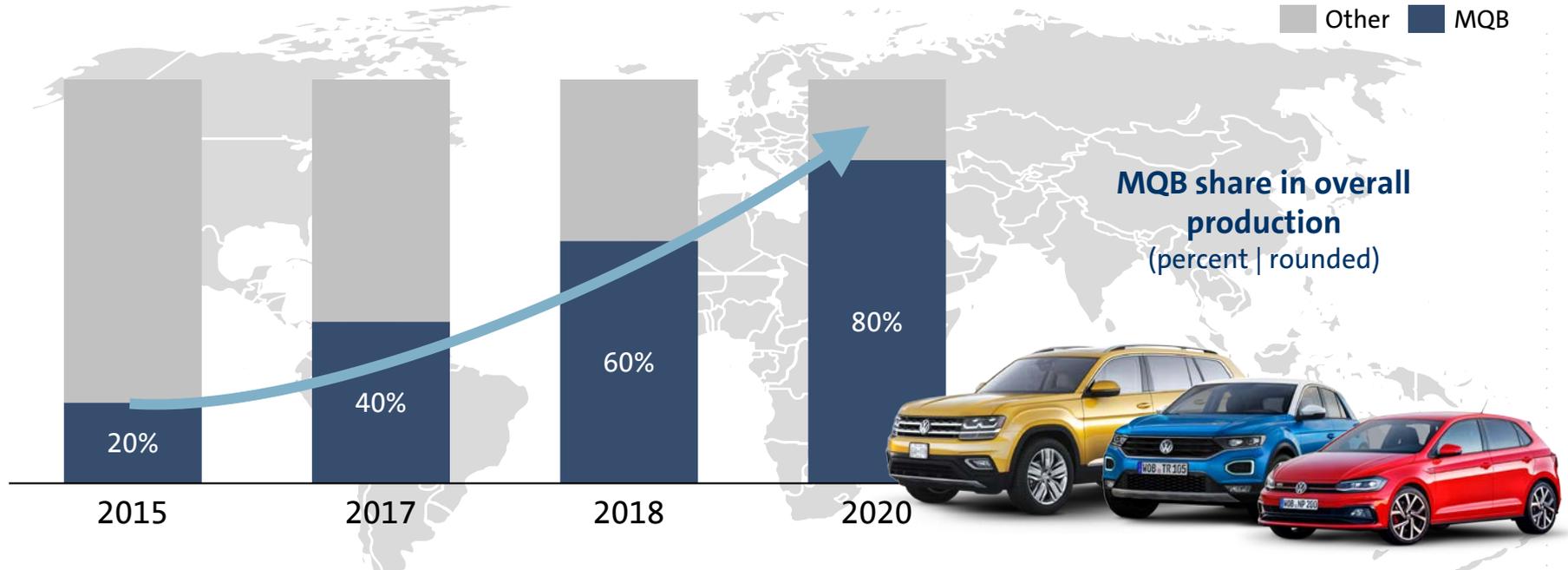
<sup>1)</sup> Before special items.

## Volkswagen Brand Clear Financial Targets and updated Milestones

	Forecast 2018	Target 2020	Target 2025
<b>Sales revenue</b>	up to +10 %	-	-
<b>Operating return on sales</b>	4–5 %	4–5 %	≥ 6 %
<b>Capex ratio</b>	4–5 %	4–5 %	4–5 %
<b>R&amp;D ratio</b>	~4 %	4 %	4 %
<b>Free cash flow</b>	Positive operating cash flow <sup>1)</sup>	> € 1 bn	>> € 1 bn

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

# Further roll-out of MQB offers substantial benefits for Volkswagen Brand



# Increase in competitiveness and safeguarding the future are the focus points of the Future Pact agreement

## Working Group 1 Production

- Increase of productivity by 25%
- Reduction of plant costs

## Working Group 2 Components

- Increase of productivity by 25%
- Discontinuation of unprofitable products

## Working Group 3 Technical Development

- Reduction of hardware-oriented development work
- Increased efficiency in development processes

## Working Group 4 Administration

- Reduction of bureaucracy

## Secure the Future

- 4 additional models:  
2 conventional and 2 MEB vehicles
- Investments in:
  - Electric drive trains
  - Pilot facility battery cell
  - Battery system
- Competency/capacity increase in autonomous driving, electrification, connectivity etc.
- Creation of employment in new business segments

Reduction in workforce based on demographic curve<sup>1)</sup>

<sup>1)</sup> ~ 9,350 early retirement contracts signed in 2017.

## Core challenges in the commercial vehicle industry

### Cyclical markets



Strong correlation to GDP in developed world  
Not all regions hit by economic downturns at the same time

### Further globalization



The megatrend of globalization has a direct influence on future developments in freight transportation and the commercial vehicle industry

### Emission regulations



Europe with aggressive regulations, focus shifting to e-mobility and alternative fuels  
Emerging Markets also have ambitious roadmap

### Connectivity & digitalization



Platooning and partly-autonomous driving as transition solutions  
Data management for customers and traffic of broad interest (e.g. RIO for digital solutions)

### After sales and future business models



After sales increasingly important as alternative source of revenues  
Future business models (e.g. connectivity, clean driving) to actively shape the future of transportation

# Shaping the future of the Commercial Vehicles business



## Global Champion strategy

- Goal is becoming the Global Champion of the Commercial Vehicles sector: Leader in profitability, global presence and innovation.
- Further enhancement of brands' performance with individual identities, strengths and profiles.
- Increase cooperation and leverage synergies between brands.
- Further global expansion to leverage scale and be ahead of competition (e.g. Navistar in the USA, Sinotruk in China, Hino Motors in Japan and Asia).
- Also develop solutions for Commercial Vehicles in such areas as autonomous driving, electrification and connectivity.
- RIO covers logistics solutions for all transportations sectors.

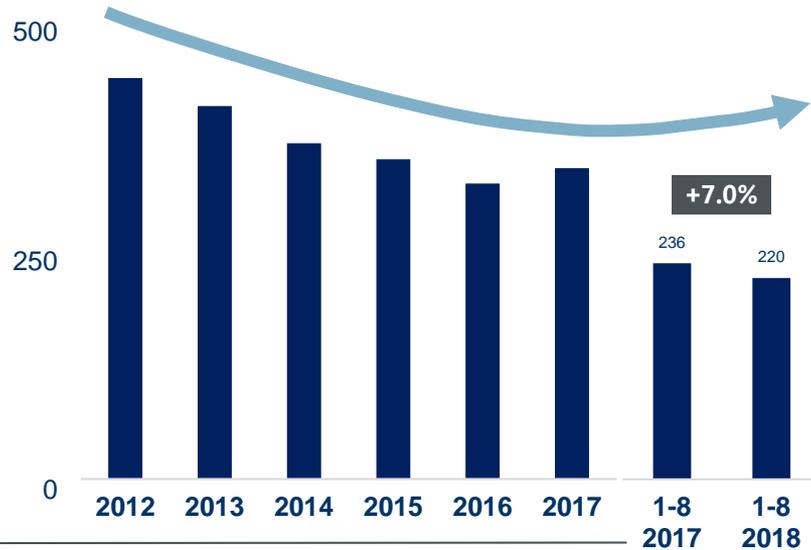
## Project "Next Level"

- Further increase the company's matureness, efficiency and innovativeness.
- Achievement of capital market readiness: meet technical and structural requirements of the capital market; complex scope.
  - Change of legal structure of Volkswagen Truck & Bus GmbH to a German stock corporation (AG) and in a second step into a Societas Europaea (SE).
  - Changed name to TRATON Group.
  - Focus on Commercial Vehicles.<sup>1)</sup>
  - IPO is just one of several options.
  - Dependent on capital market conditions & Volkswagen Group strategy.
  - Minority interests legal case closed.

<sup>1)</sup> Allocation will be verified as part of creation of new Volkswagen Group structure.

# Volkswagen Brand – Turnaround in the US with new products from 2017 onwards

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

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

# A product offensive is initiating a new growth phase in South America

## Product offensive in South America



Polo G



Virtus



Small SUV Global

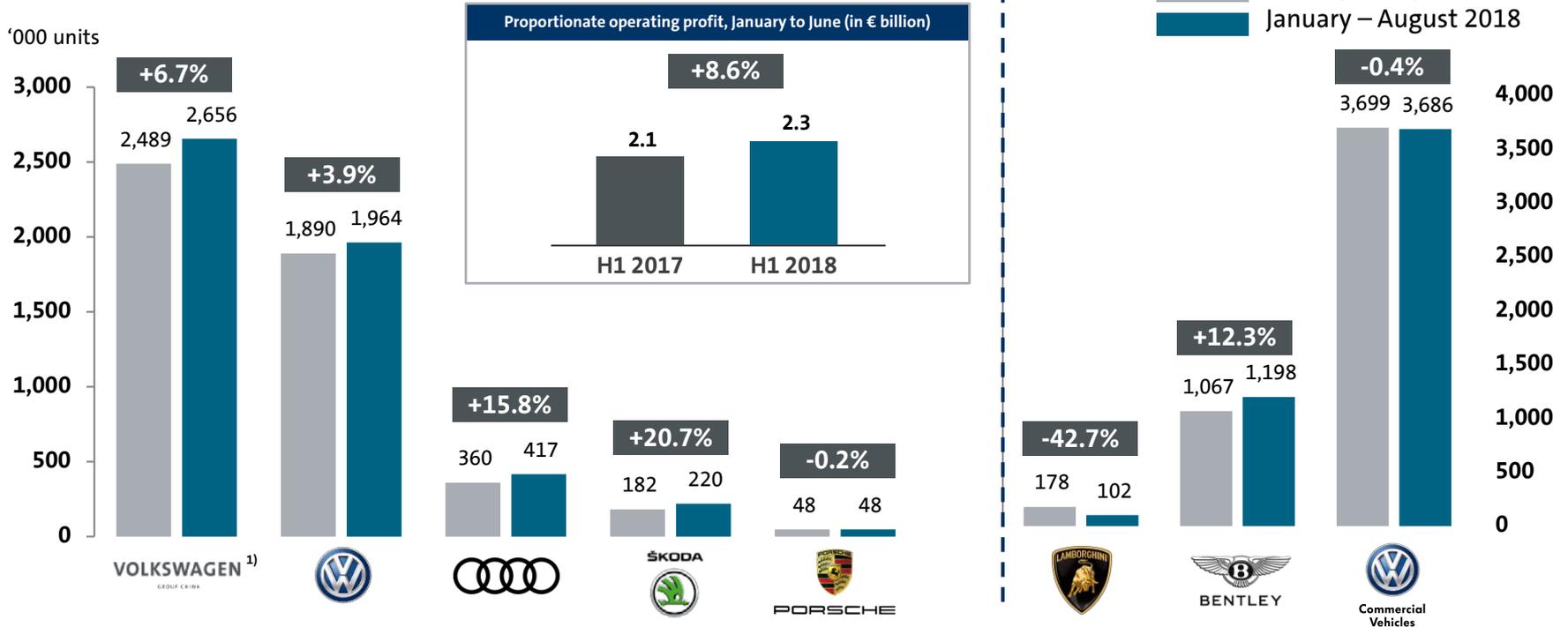
## Key measures

- Restructuring: reduce capacities and fixed costs
- Increase productivity, align products to local requirements
- Product offensive, €2.5bn investment
- New brand positioning
- New growth strategy for Latin America



# Volkswagen Group China performance

(January to August 2018 vs. 2017)



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



# Regulatory environment for NEV and Fuel Consumption Credits in China

## CAFC<sup>1)</sup> and NEV Credit System

- Independent calculation of CAFC<sup>1)</sup> and NEV credits
- Companies need to fulfill **both requirements**

### CAFC<sup>1)</sup> Credits:

- Transfer between affiliated companies only
- Credit carry-over to next 3 years with depreciation
- Negative results can be offset by NEV credits (own or free trading in market)

### NEV Credits:

- No transfer from CAFC<sup>1)</sup> credits to NEV credits
- No Carry-over except for year 2016 and 2019
- Free Trading of NEV credits allowed

## MIIT<sup>2)</sup> for NEV Credit Calculation

$$\text{min. NEV credit points} = \text{ICE}^3 \text{ Volume} \times \text{NEV credit point ratio}$$

2018	2019	2020
None	10%	12%



### NEV Credit Point Attribution per NEV Type

**BEV<sup>4)</sup>:** Basic credit =  $0.012 \times \text{Range} + 0.8$  (max. 5 basic credits)  
BEV additional factor for low electric consumption up to 1.2

**PHEV<sup>5)</sup>:** Basic credit = 2 (min. e-Range 50km)  
PHEV credit = 1 if e-range 50-80km and consumption under B-Test  $\geq 70\%$  ICE; or e-range  $\geq 80$ km but high electric consumption

<sup>1)</sup> CAFC – Corporate Average Fuel Consumption <sup>2)</sup> MIIT – Ministry of Industry and Information Technology <sup>3)</sup> ICE – Internal Combustion Engine <sup>4)</sup> BEV – Battery Electric Vehicle <sup>5)</sup> PHEV – Plug-in Hybrid Electric Vehicle



# Volkswagen Group China will be prepared to deliver around 1.5 million zero emission cars to Chinese customers by 2025

## Introduction of locally produced NEV

## Mass market BEV cooperation

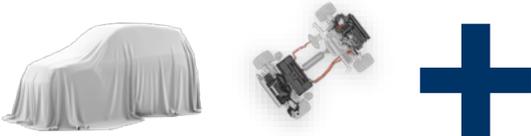
### Phase 1

Plug-in hybrids based on current toolkits



### Phase 2

Pure electric vehicles based on current toolkits



### Phase 3 (start 2020/21)

Pure electric vehicles based on scalable electric toolkit



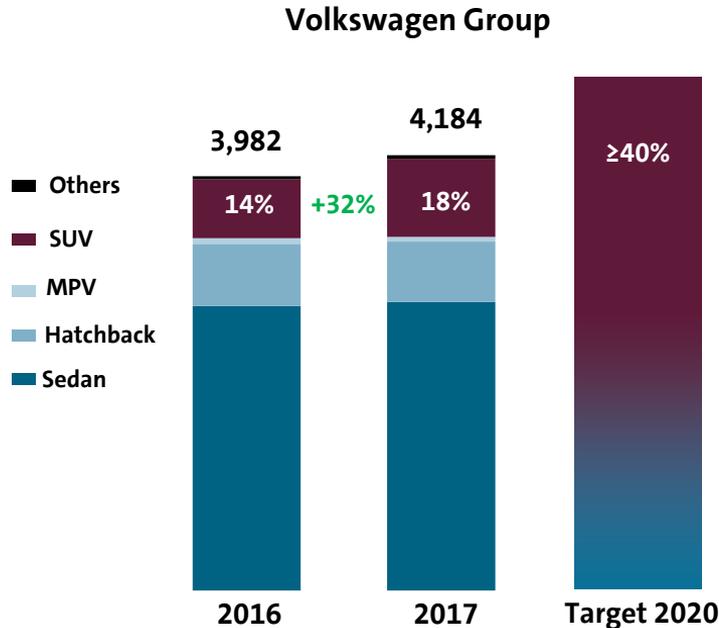
VOLKSWAGEN **JAC** 江淮汽车  
GROUP CHINA





# New product offering with an expanded SUV line-up<sup>1)</sup>

## China deliveries by bodystyle (in '000 units)



## SUV offensive of Volkswagen Group China

**4** Volkswagen brand SUVs in 2018 3 of which are new models

T-Roc LWB    Touareg

**6** additional Audi SUVs in the next 2-3 years

Q2L

**3** new ŠKODA SUVs in 2018

Kamiq    Karoq

<sup>1)</sup> Source: IHS. <sup>2)</sup> Schematic overview – does not show all models.

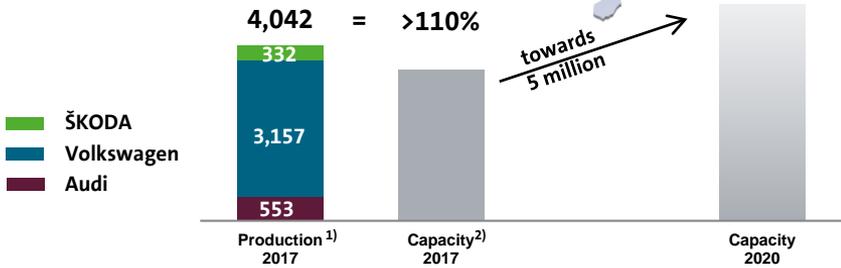


# Volkswagen Group China opens new factories to strengthen SUV offensive and e-Mobility

## Production capacity will increase

## Factories starting in 2018

- New vehicle plants
- Vehicle plants expansions
- New component plants
- Component plant expansion
- Existing plants



**Tianjin** Start in August

**Qingdao** Opening ceremony on May 28  
New Bora & 2 Audi models on MQB platform  
ICE & EV production on one production line  
Production of battery systems

**Hefei** First production model unveiled May 25  
Production of JAC Volkswagen's SOL brand

**Foshan** Start in June  
Focus on the SUVs (Audi and Volkswagen)  
Additional factory at the production site  
MQB platform will be electrified  
Battery system assembly and MEB to follow

<sup>1)</sup> Actual production volume in '000 vehicles <sup>2)</sup> Available capacity on the basis of 250 working days.

## Special Items: Diesel related and other

€ (bn)	Diesel	Other	Total
2015	Legal	7.0	16.9
	Other items	9.2	
2016	Mainly legal risks	Restructuring:	7.5
		Truck Business	
2017	Buyback/retrofit program	Passenger Cars South America	3.2
		Airbags Takata	
2018	Legal	Scania Anti-Trust Proceedings	1.6
		Others	
Total to date			29.2

A significant amount of the Diesel Dollar-related provisions are hedged and a further substantial amount of the provisions have been utilized. Cash outflows of around € 3 bn in 2016, € 16.1 bn in 2017 and € 2.6 bn in H1 2018.

## Resolving the diesel crisis: Substantial progress in all markets



### Worldwide recall/service campaigns driven forward:

Software Flashes in Germany currently 96% complete;  
Substantial progress also in Europe (77%) and  
worldwide (71%)

### Major progress in modifications in North America:

Around 90 percent of the 2.0l and 3.0l TDI vehicles affected in the U.S.  
have already been retrofitted, bought back, or otherwise remediated (as  
of June 2018)

We have reached the targets set by EPA and Carb for the 2.0L settlement  
and are on track to achieve the targets in the 3.0L settlement within the  
specified timeframe.

### Group environmental incentive made significant contribution to improving air quality in German cities:

More than 240,000 customers decided to switch to  
environmentally friendly vehicles (terminated by 30.06.2018)

### Electrify America underway:

Investment plan for zero emissions vehicles (ZEV) approved  
by authorities and implementation has already started

**Timeframe of legal proceedings expected to be long !**

# With “Together4Integrity” we have launched a Group-wide integrity and compliance program

## RISK MANAGEMENT

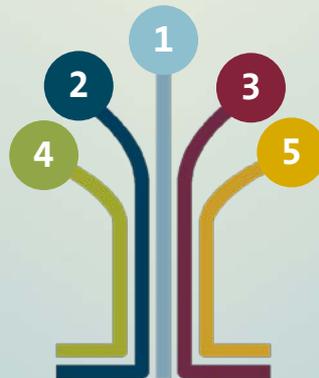
Ethics and compliance risks are identified, owned, managed and mitigated

## SPEAK-UP ENVIRONMENT

The organization encourages, protects and values the reporting of concerns and suspected wrongdoing

## STRATEGY

Ethics and compliance is central to business strategy



INTEGRITY & COMPLIANCE  
PROGRAM  
TOGETHER FOR INTEGRITY

## 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

# We need to foster and live a new culture



**Fair  
competition**  
instead of war



**Brand  
collaboration**  
instead of  
internal rivalry



**Open and  
honest** instead  
of backdoor  
approach



**Transparent  
communication**  
instead of  
corral mentality



**Multicultural**  
instead of  
“Mittellandkanal”



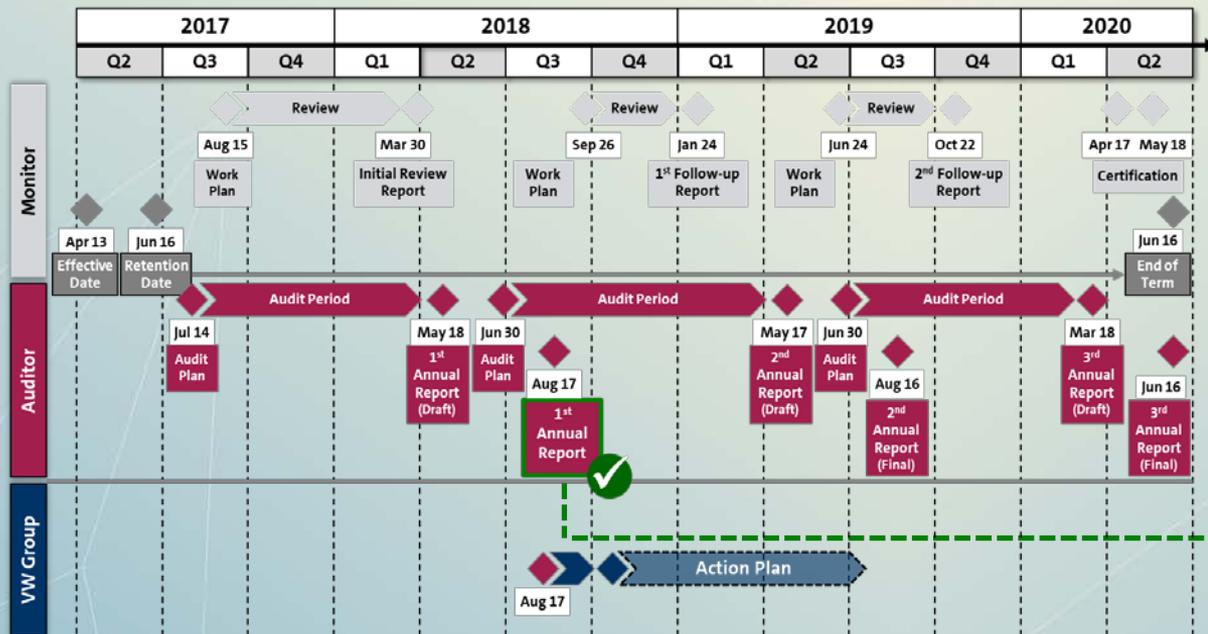
**Decentralized**  
instead of  
centralistic



More **Pikes Peak**  
instead of **Le Mans**

# NEW CULTURE

## Overview of timeline and 1<sup>st</sup> Monitor Audit-Report



### Structure

- 50 pages, 14 chapters + 1 Appendix
- two violations are referenced
- seven “recommended actions to achieve compliance” with the Consent Decrees are separately embedded



	Volkswagen AG	Audi AG	VW GoA
Audit Date	Nov 2017 Dec 2017 (Wolfsburg)	Nov 2017 Dec 2017 (Ingolstadt)	Dec 2017 (Auburn Hills) Feb 2018 (Oxnard)
Number of Deviations	Minor	3	1
	Major	0	0
Number of Corrective Actions	3	1	2
Implementation completion	✓	✓	✓

# Upcoming tasks to master challenges and make use of opportunities



## Continue to resolve the diesel crisis

- Conclude worldwide recall campaigns and service actions
- Manage legal proceedings worldwide



## Improving the Core Business

- Profitability in NAR / SAM / Russia
- Drive Future Pact Brand Volkswagen further
- Cash Generation and Capex/R&D discipline



## Transformation towards more E-Mobility

- CO<sub>2</sub> Compliance / WLTP implementation
- Profitability of Electric Vehicles
- Governance / Compliance / Culture



## Strengthen Innovation Power

- Digitalization & Connectivity
- Profitable Mobility Services

## Investor Relations Team

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



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**VOLKSWAGEN**

AKTIENGESELLSCHAFT

# Shaping the transformation together.

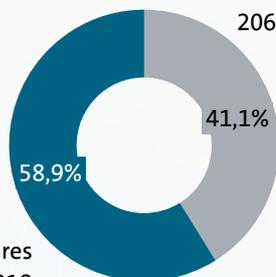
**Appendix**

# The Shareholder Structure, Supervisory and Management Board

## Shareholder Structure of Volkswagen AG

### Number of Outstanding Shares

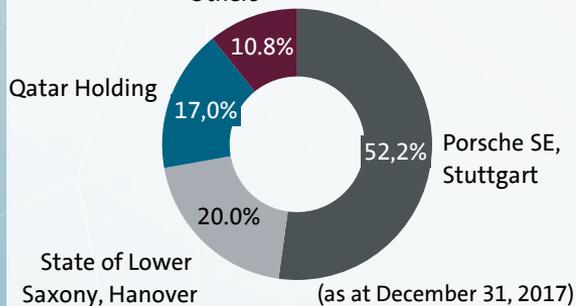
Preferred shares  
206,205,445



Ordinary shares  
295,089,818

### Current Voting Rights Distribution

Others



## Supervisory Board of Volkswagen AG

<b>Chairman</b>	Hans Dieter Pötsch
<b>Porsche Automobil Holding SE</b>	Dr. Louise Kiesling Dr. jur. Hans Michel Piëch Dr. jur. Ferdinand Oliver Porsche Dr. rer. comm. Wolfgang Porsche
<b>State of Lower Saxony</b>	Dr. Bernd Althusmann Stephan Weil
<b>Qatar Holding</b>	Dr. Hussain Ali Al Abdulla Dr. Hessa Sultan Al Jaber
<b>Others</b>	Marianne Heiß
<b>Works Council</b>	Bernd Osterloh Birgit Dietze Dr. Hans-Peter Fischer Jörg Hofmann Uwe Hück Johan Järvklo Ulrike Jakob Peter Mosch Bertina Murkovic Athanasios Stimoniaris

## Board of Management of Volkswagen AG<sup>1)</sup>

<b>Chairman of VW AG and VW Passenger Cars brand</b>	Dr. Herbert Diess
<b>Porsche AG</b>	Dr. Oliver Blume
<b>China</b>	Prof. Dr. rer. pol. Dr.-Ing. E. h. Jochem Heizmann
<b>Human Resources</b>	Gunnar Kilian
<b>TRATON Group and Power Engineering</b>	Andreas Renschler
<b>Audi AG (interim)</b>	Abraham Schot
<b>Integrity and Legal Affairs</b>	Hiltrud Dorothea Werner
<b>Finance and IT</b>	Frank Witter
<b>Components and Procurement</b>	Dr. Stefan Sommer

<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.

# Volkswagen Group – Key Credit Ratings

**S&P Global**

**MOODY'S**

## Current Ratings<sup>1)</sup>

	Long Term	Short Term	Long Term	Short Term
<b>Volkswagen AG</b>	<b>BBB+</b>	<b>A-2</b>	<b>A3</b>	<b>P-2</b>
<b>Volkswagen Financial Services AG</b>	<b>BBB+</b>	<b>A-2</b>	<b>A3</b>	<b>P-2</b>
<b>Volkswagen Bank GmbH*</b>	<b>A-**</b>	<b>A-2</b>	<b>A1**</b>	<b>P-1</b>
<b>Outlook</b>	<b>Stable (*Negative)</b>		<b>Stable</b>	

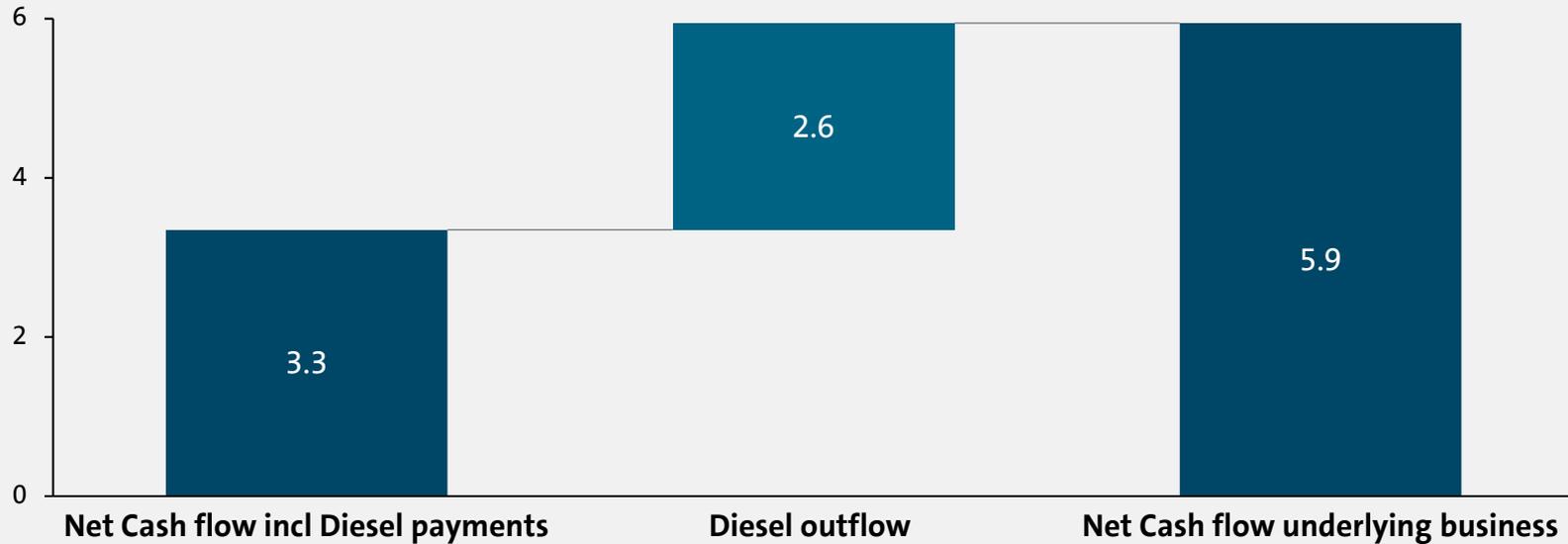
<sup>1)</sup> as of August 31, 2018

\*\*S&P: BBB+ Senior Subordinated Rating; Moody's: A3 Junior Senior Unsecured Rating

# Automotive Division Net Cash Flow (ex Diesel payments)<sup>1)</sup>

(January to June 2018)

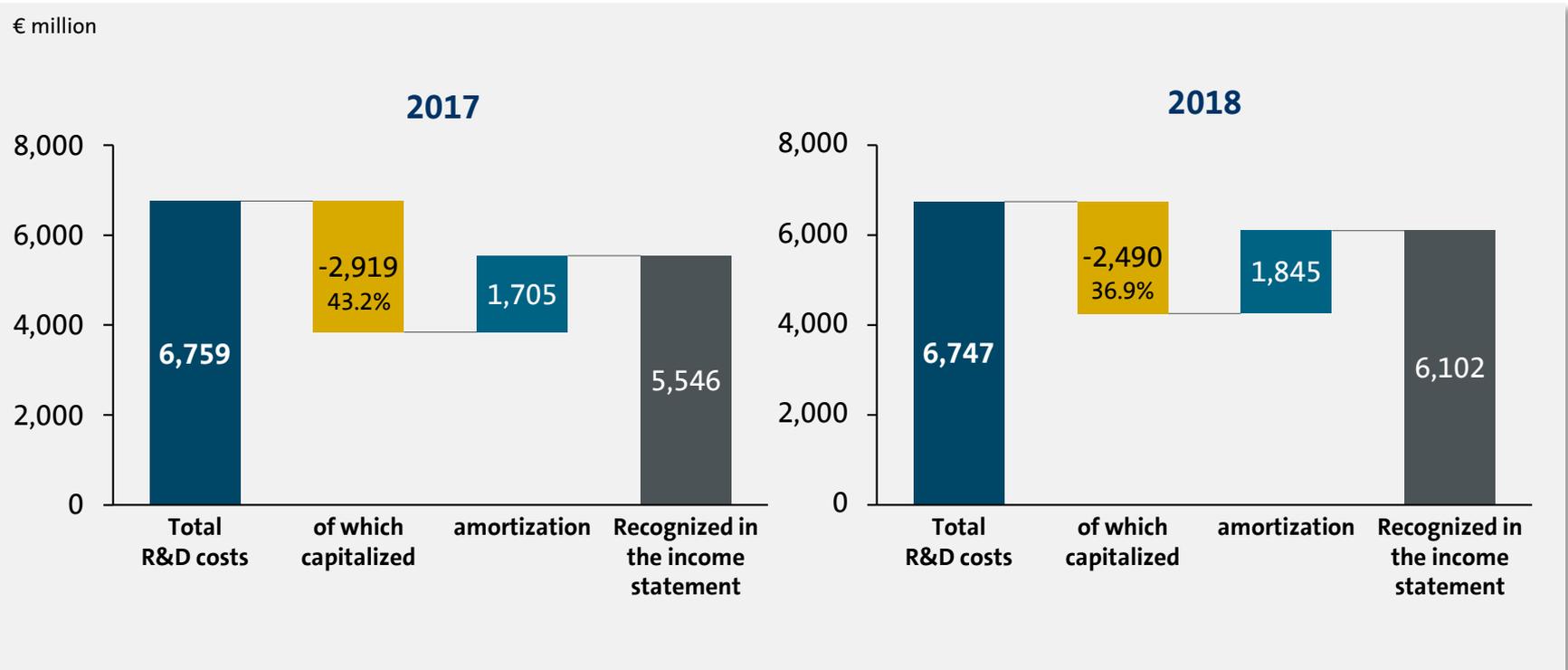
€ billion



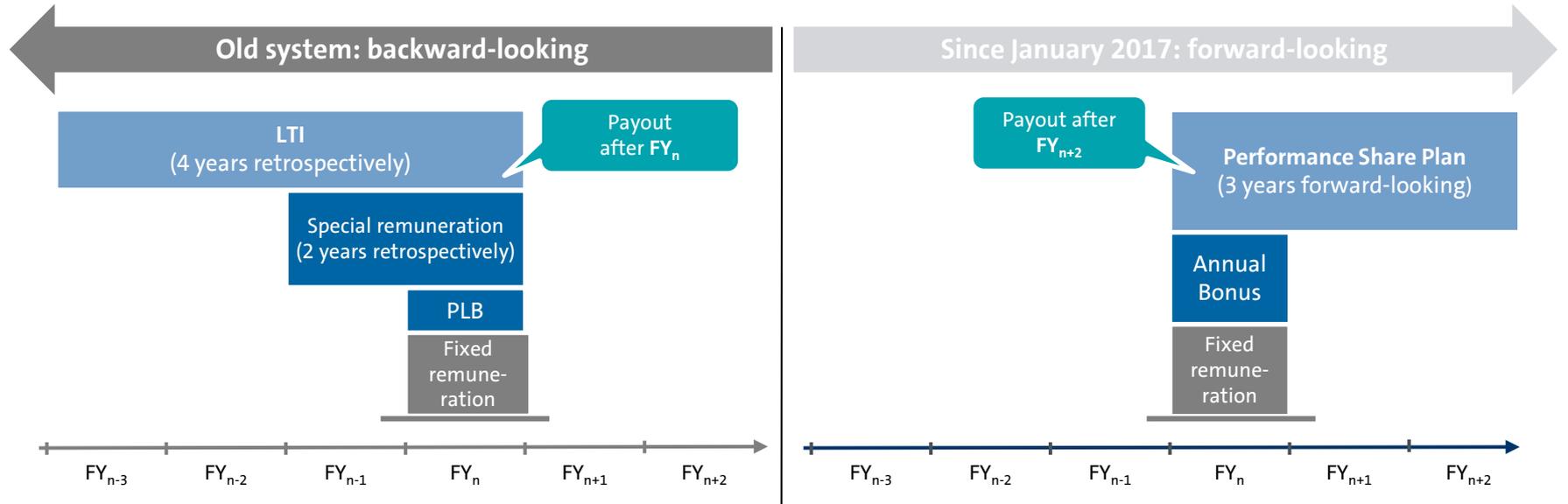
<sup>1)</sup> Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

## Automotive Division – Research and Development Costs

(January to June 2018 vs. 2017)



# The remuneration system is designed to be completely forward-looking



# What's new with WLTP?



more realistic driving behaviour



higher average and maximum speeds



stricter car set-up and measurement conditions



a greater range of driving situations (urban, suburban, main road, motorway)



higher average and maximum drive power



optional equipment: CO<sub>2</sub> values and fuel consumption have to be provided for individual vehicles as built



longer test distances



shorter stops



instead of average values, WLTP can give best and worst-case figures – better representing highly diverging driving styles



more dynamic and representative accelerations and decelerations



more realistic ambient temperatures, closer to the European average

## Volkswagen Touareg



Audi e-tron



ŠKODA Kamiq



SEAT Tarraco



Porsche Cayenne E-Hybrid



**Bentley Continental GT**



Lamborghini Urus



## Volkswagen Crafter Combi



**MAN TGX 18.500**

**MAN TGE 5.180**



## Scania G 450 XT 8x4



# VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY



## **The Key to Mobility**

## **Creating Value with Financial Services**

Investor Update –

Volkswagen Financial Services

## 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, 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.

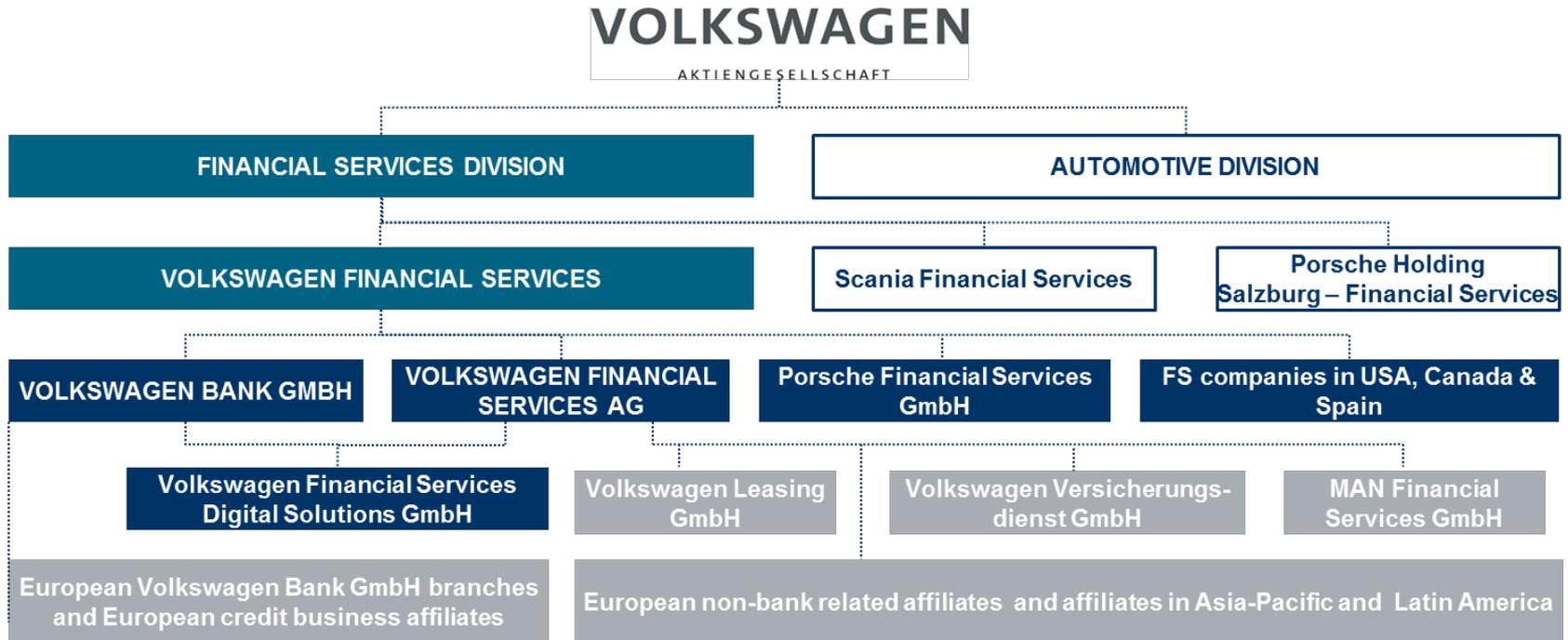
Under the brand “Volkswagen Financial Services – the key to mobility“ the subsidiaries of Volkswagen Financial Services AG as well as its sister company Volkswagen Bank GmbH render various services under the joint brand "Volkswagen Financial Services". Such services are banking services (through Volkswagen 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.

## Volkswagen Group Structure

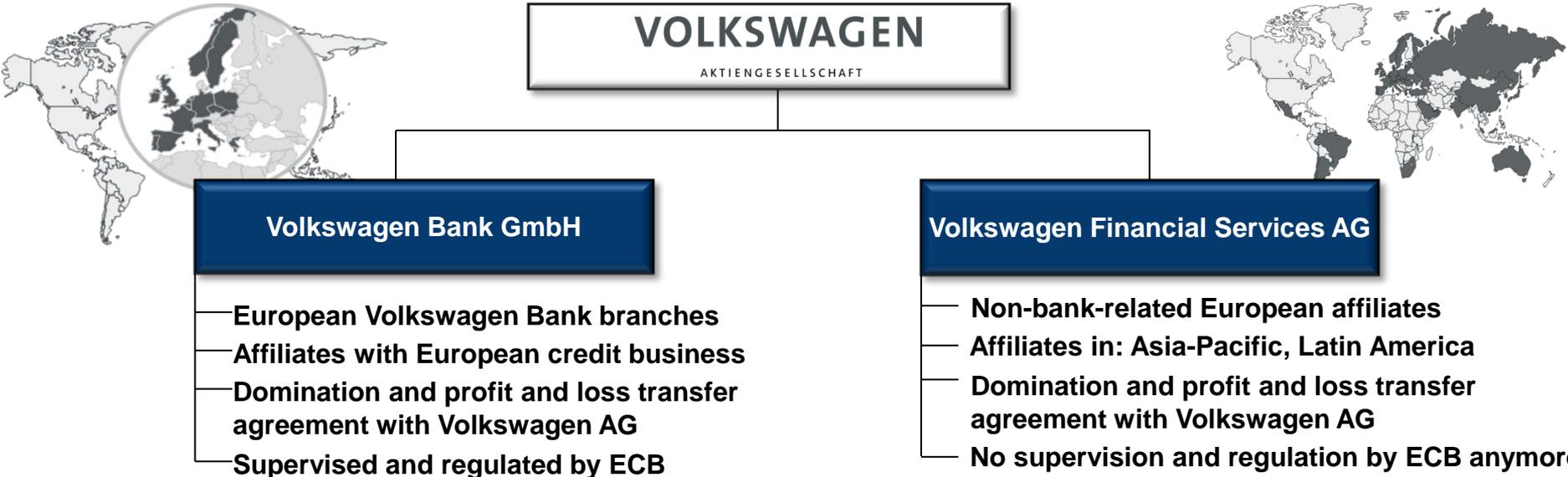
Volume	Premium	Sport & Luxury	Truck & Bus	Procurement/ Components	Finance & IT	China
VW  Volkswagen	Audi 	Porsche 	MAN 	Procurement	VOLKSWAGEN FINANCIAL SERVICES THE KEY TO MOBILITY	Region China
Škoda 	Lamborghini* 	Bentley 	Scania 	Components**		
SEAT 	Ducati* 	Bugatti 	Power Engineering*			
VW LCV 						
MOIA 						

\* Allocation will be verified  
 \*\* Temporarily responsibility of Group CEO, will be a combined Board of Management function

# Volkswagen Group – Group structure of Volkswagen Financial Services



# Optimized Structure for Financial Services Business (starting 01.09.2017) Substantial Effects



**Advantages:**

- Optimized capital requirement
- Reduced complexity & improved transparency
- Agile for new business models

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

### Volkswagen Financial Services

BANK		LEASING	INSURANCE	MOBILITY				PAYMENT	
Bank	Direct Bank	Leasing	Insurance	Services	Fleet Management	Charge & Fuel	Rental	Parking	Payment
									
<ul style="list-style-type: none"> <li>Retail Financing</li> <li>Wholesale Financing</li> <li>Factoring</li> </ul>	<ul style="list-style-type: none"> <li>Deposits</li> <li>Instalment Credit</li> <li>Investment Products</li> </ul>	<ul style="list-style-type: none"> <li>Finance Lease</li> <li>Operating Lease</li> </ul>	<ul style="list-style-type: none"> <li>Motor Insurance</li> <li>Warranty Insurance</li> <li>GAP Insurance</li> <li>Credit Protection Insurance</li> <li>Industry</li> </ul>	<ul style="list-style-type: none"> <li>Service &amp; Full and Limited Maintenance</li> <li>Tyres</li> </ul>	<ul style="list-style-type: none"> <li>Multi-brand capability</li> <li>Reporting</li> <li>Fleet Consulting</li> <li>Telematics</li> <li>LifeCycle Services</li> </ul>	<ul style="list-style-type: none"> <li>Fuel and Service Cards</li> <li>Charge &amp; Fuel Card</li> </ul>	<ul style="list-style-type: none"> <li>Long-term Rental</li> <li>Short-term Rental</li> <li>Micro Rental</li> <li>Car sharing</li> </ul>	<ul style="list-style-type: none"> <li>Payment for parking space</li> <li>Services around parking</li> <li>On- and off-street solution</li> </ul>	<ul style="list-style-type: none"> <li>Payment platform</li> <li>Mobile Payments</li> <li>Mobile Wallet</li> </ul>

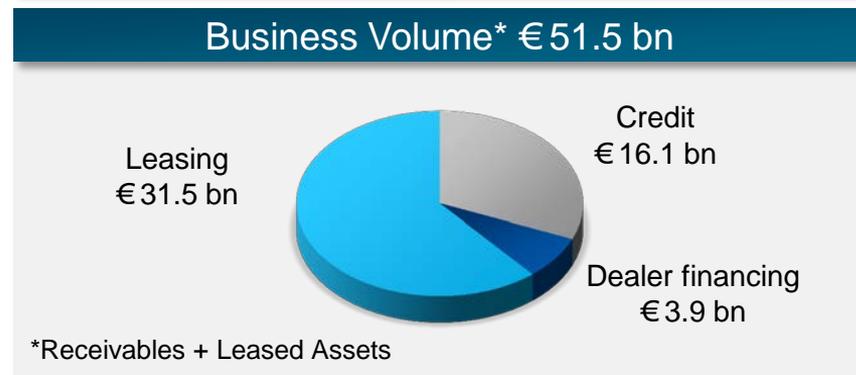
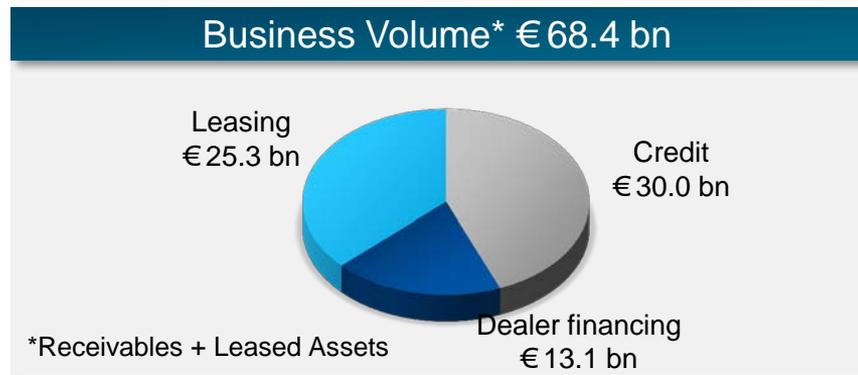
\*Displayed portfolio depends on the market; products offered or mediated by different operative subsidiaries.

Frequency of customer contact

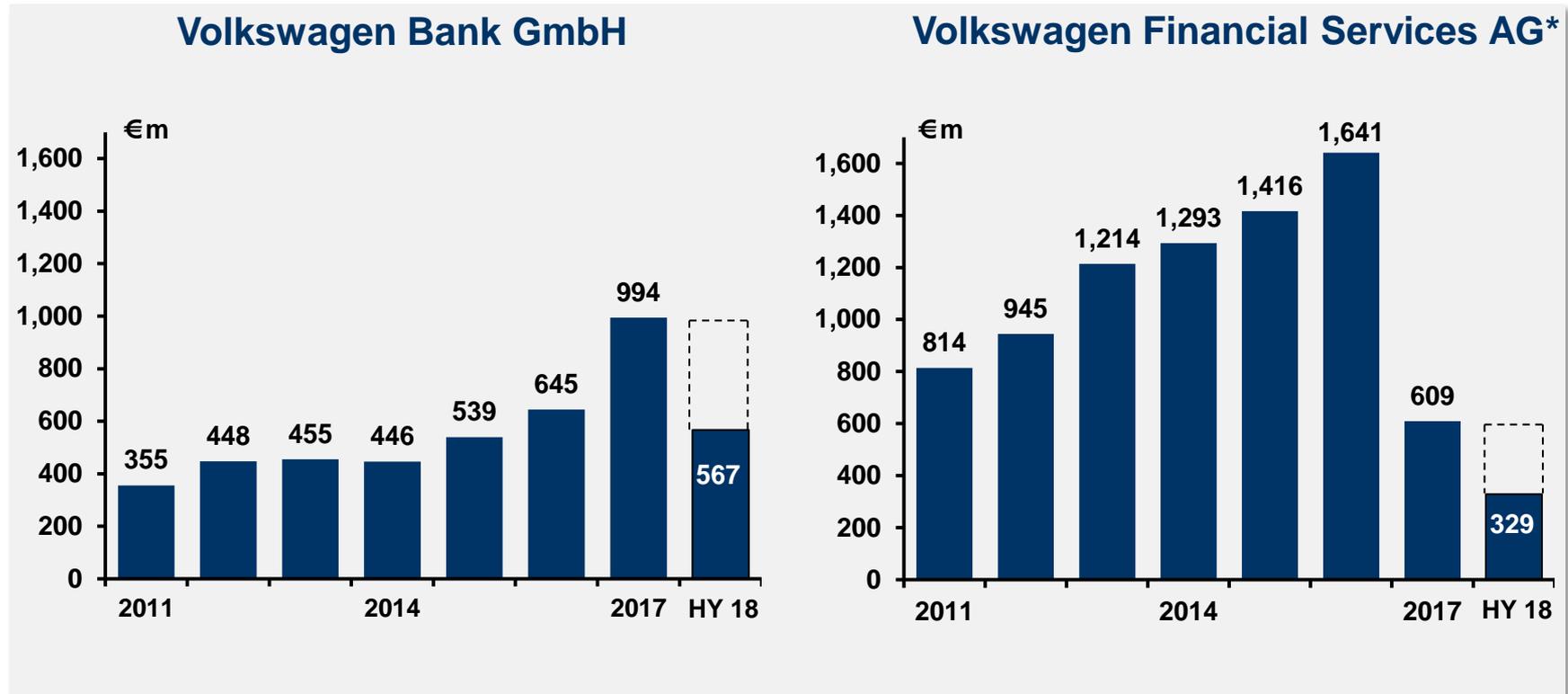
## At a Glance (06/30/2018)

Volkswagen Bank GmbH	
Total assets	€ 84.3 bn
Equity	€ 11.4 bn
Customer deposits	€ 33.7 bn
Operating profit	€ 567 m
Employees	3,584
Contracts (units)	5.7 m

Volkswagen Financial Services AG	
Total assets	€ 73.6 bn
Equity	€ 8.0 bn
Customer deposits	68.5 m
Operating profit	€ 329 m
Employees	8,449
Contracts (units)	8.4 m



## Operating Income



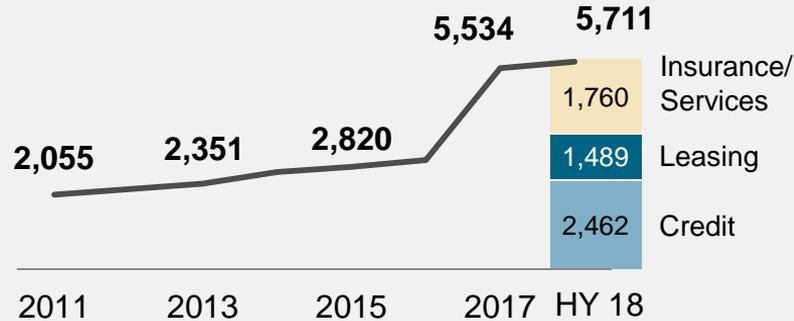
\* Figures of Volkswagen Bank GmbH consolidated within Volkswagen Financial Services AG until 2016

# Contract Portfolio

## Continuous portfolio expansion

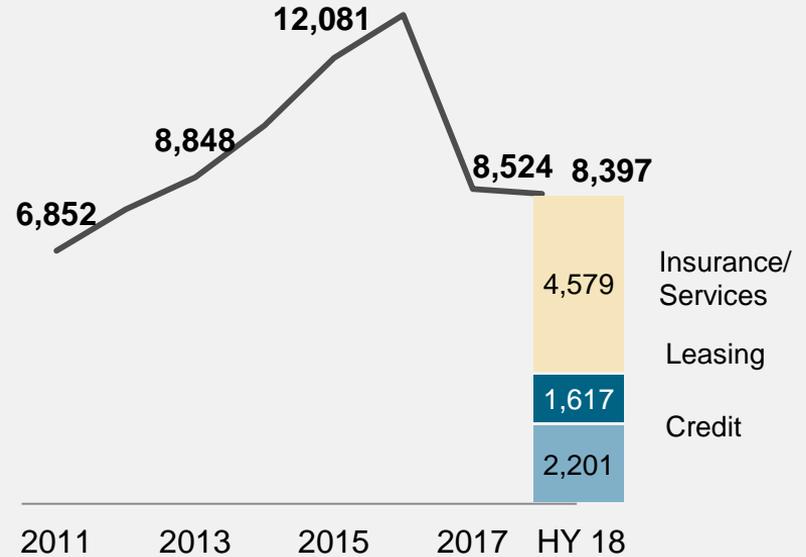
### Volkswagen Bank GmbH

in '000 units



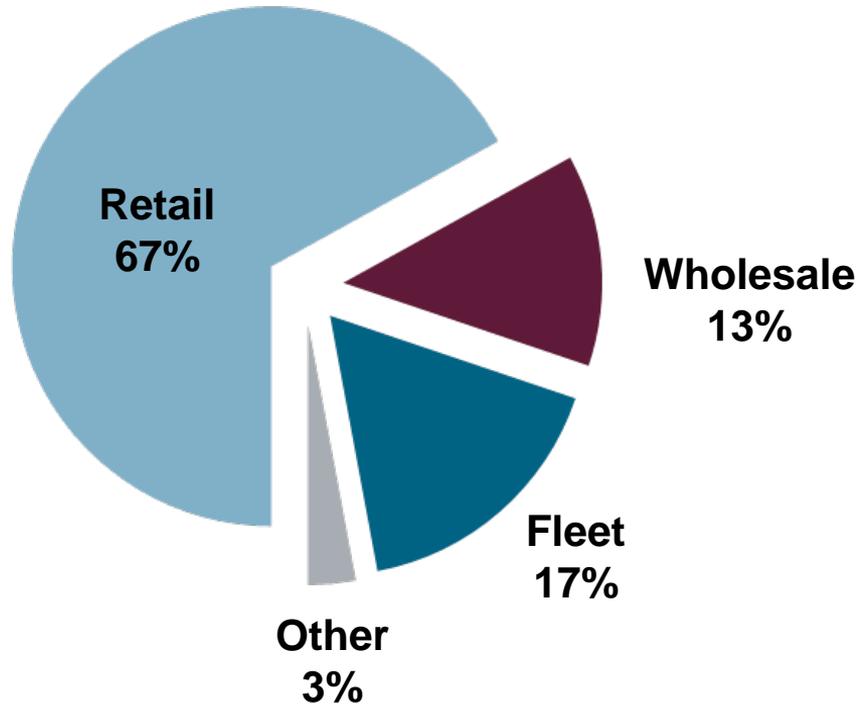
### Volkswagen Financial Services AG\*

in '000 units



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

## Portfolio Structure VWFS



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

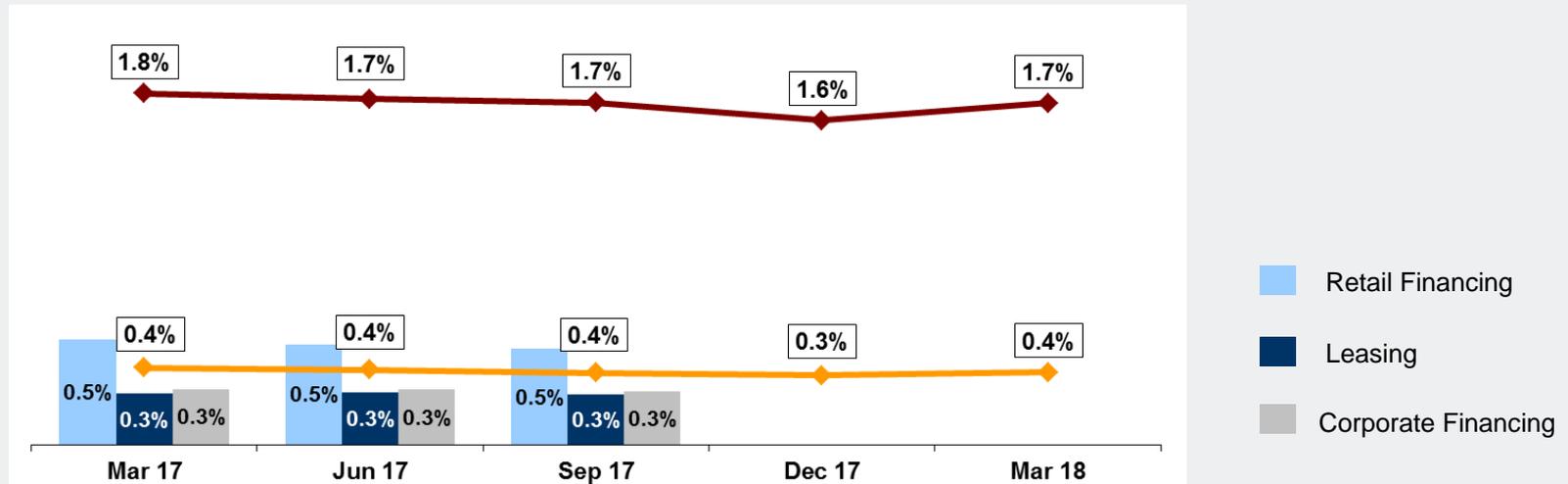
**Other relevant risk types:**

- Residual Value Risk
- Earning Risk
- Operational Risk
- Marketprice Risk
- Shareholder Risk

as of 12/31/2017

# Volkswagen Financial Services – Credit Risks as of 31.03.2018

## Credit risk remains at low level despite challenging market environment



Total Provision Ratio

Total Provision Ratio = total provisions in proportion to the total receivables' volume at reporting date according to IAS 39



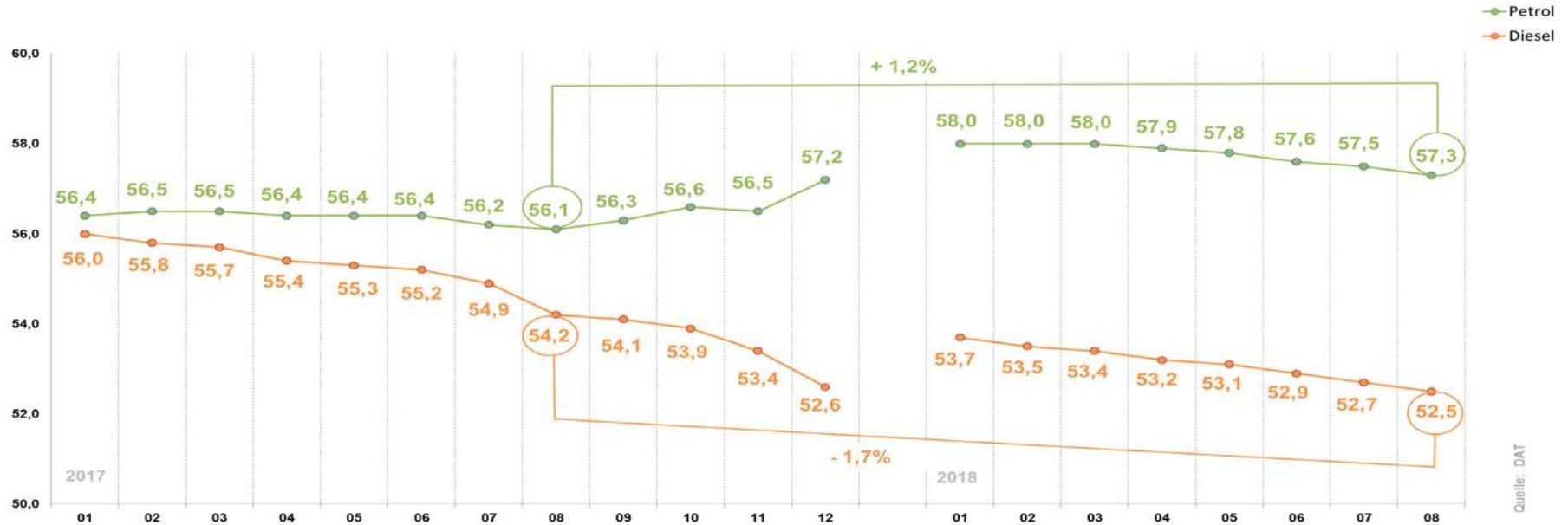
Ø Dynamic Loss Ratio

Dynamic Loss Ratio = drawings on provisions including direct write-offs relative to the average volume of receivables (last four quarters)

# Report by Deutsche Automobil Treuhand (August 18)

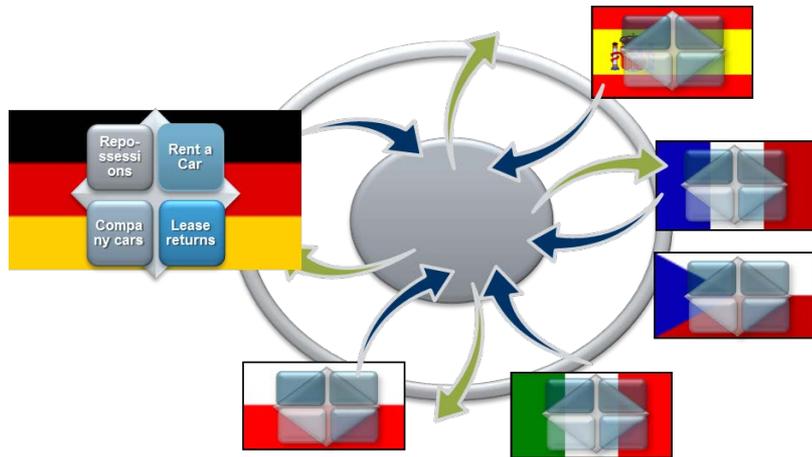
## Residual Value Development from list price in %

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



- 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.

## The International Used Car Broker is the additional and international channel in remarketing, implemented in several European countries



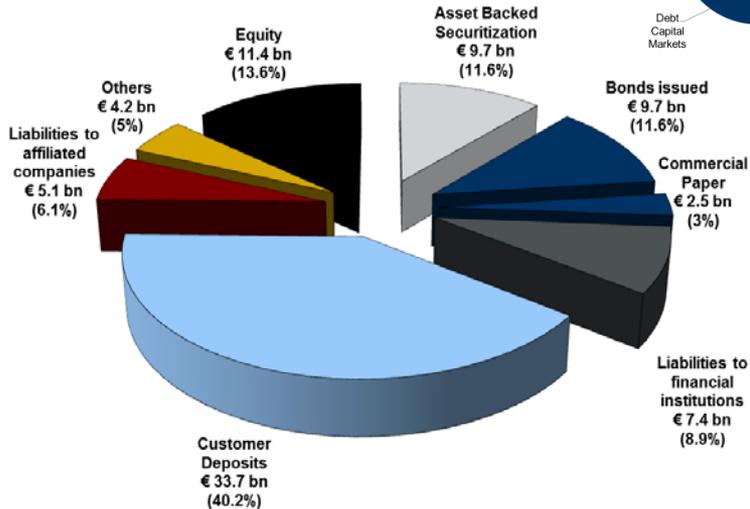
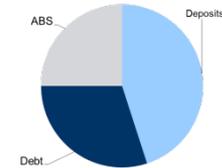
- Currently 8 VW FS AG countries participating
- 2 additional countries in discussion

# Strategic Funding Allocation as of June 30, 2018

## Volkswagen Bank GmbH

Total €84.3 bn

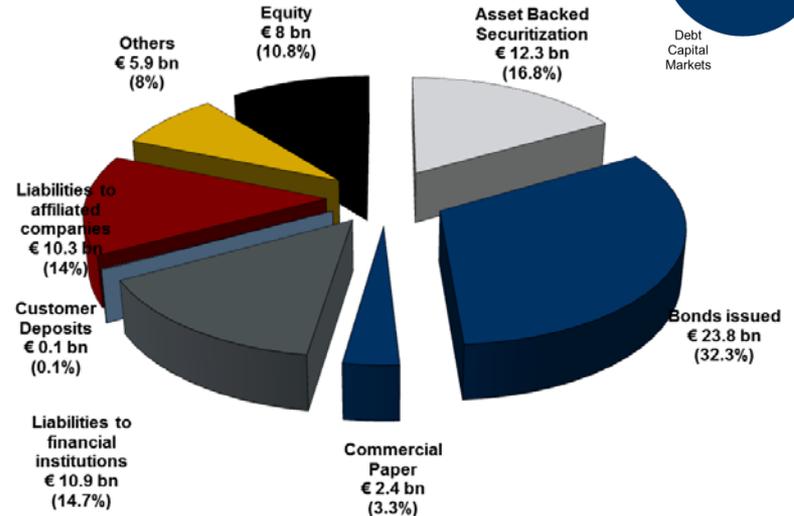
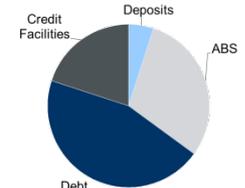
Strategic Funding Mix



## Volkswagen Financial Services AG

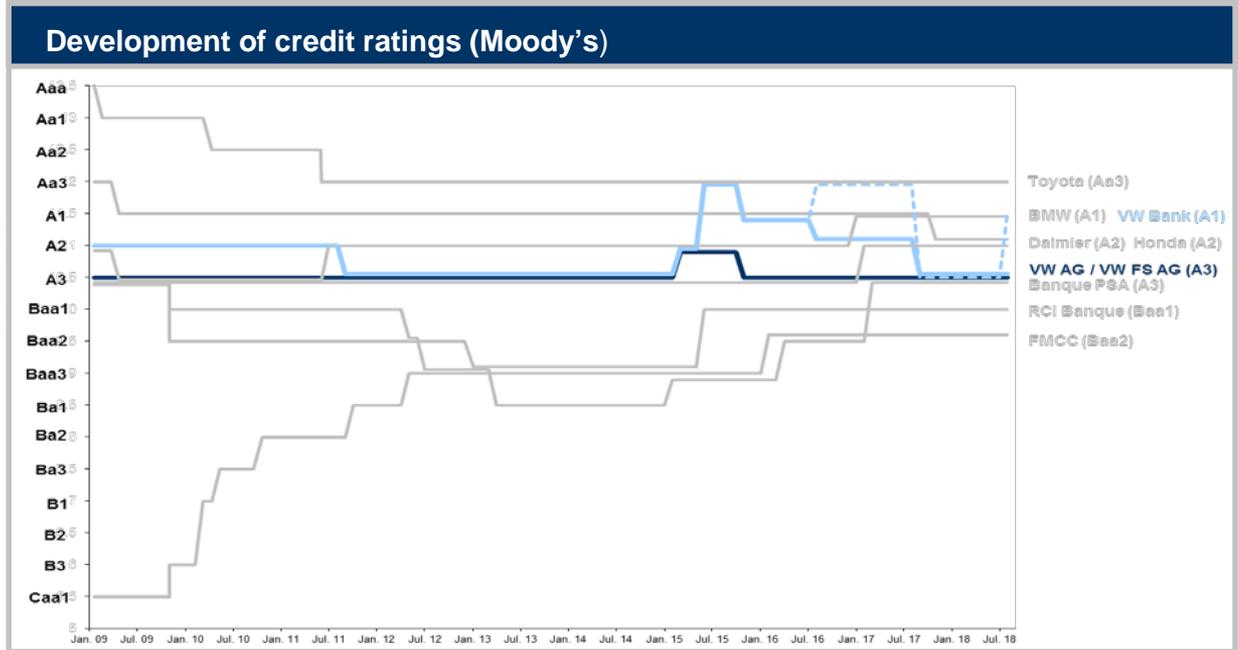
Total €73.7 bn

Strategic Funding Mix



# Rating History (09/15/2018)

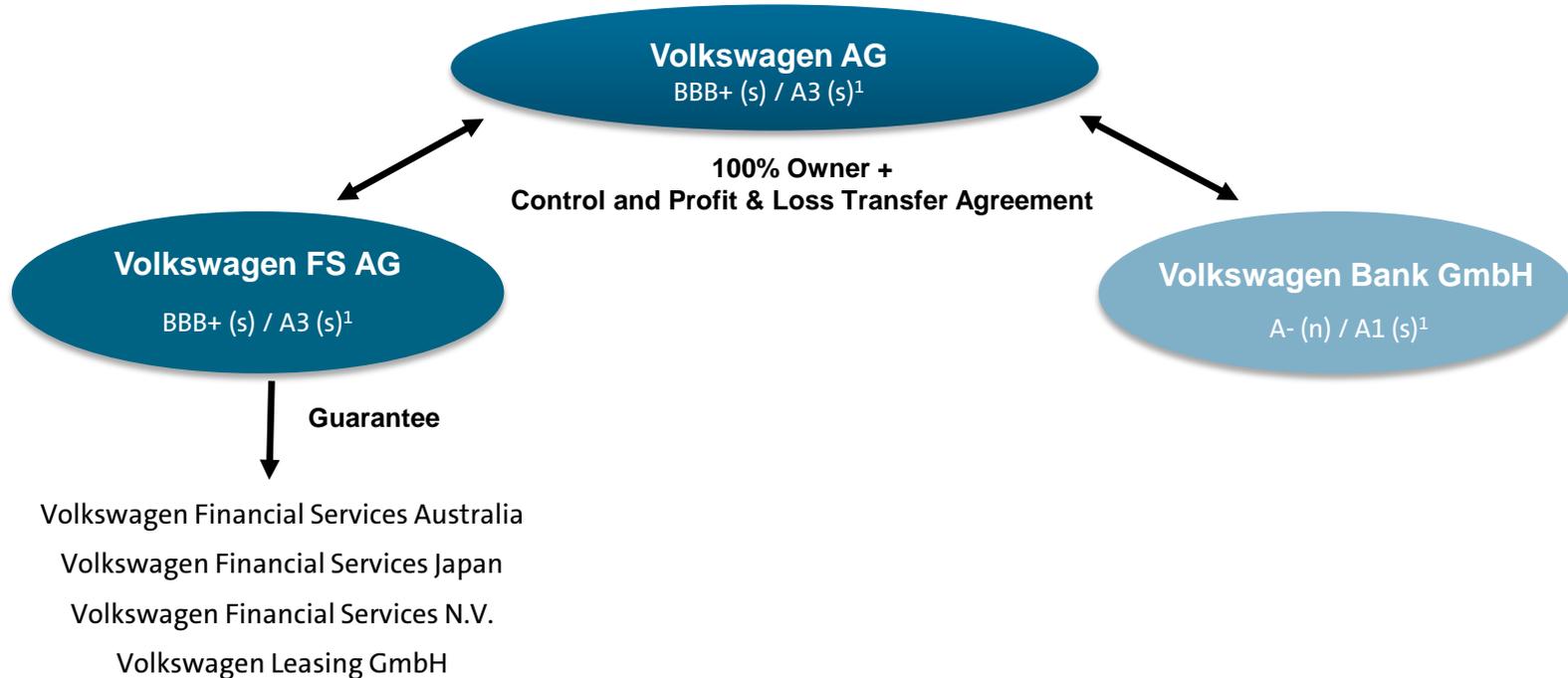
	Moody's	S&P
Toyota	Aa3	AA-
Honda	A2	A+
BMW	A1	A+
VW AG	A3 <sup>2)</sup>	BBB+ <sup>2)</sup>
VW FS AG	A3 <sup>2)</sup>	BBB+ <sup>2)</sup>
VW Bank GmbH	A1 <sup>2) 3)</sup>	A- <sup>1) 3)</sup>
Scania	--	BBB+ <sup>2)</sup>
Daimler	A2	A
RCI Banque	Baa1	BBB
FMCC	Baa2	BBB
Banque PSA	A3	-*



<sup>1)</sup> Outlook: negative <sup>2)</sup> Outlook: stable <sup>3)</sup> Bonds are rated senior subordinated BBB+ (S&P) and junior senior unsecured A3 (Moody's) \* withdrawn at bank's request

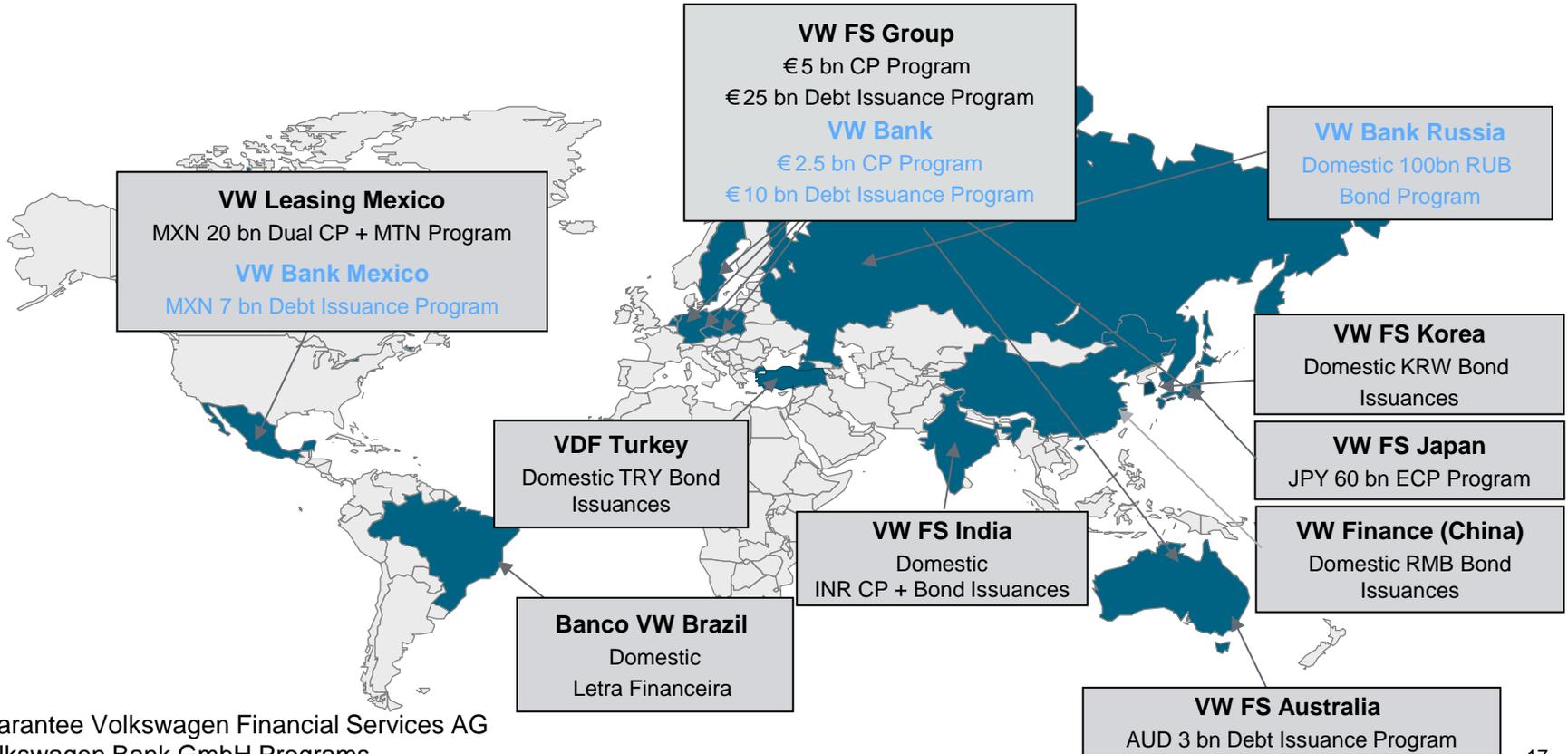
Volkswagen Financial Services has a solid and stable rating history.

# Volkswagen Financial Services organisational structure and guarantee scheme



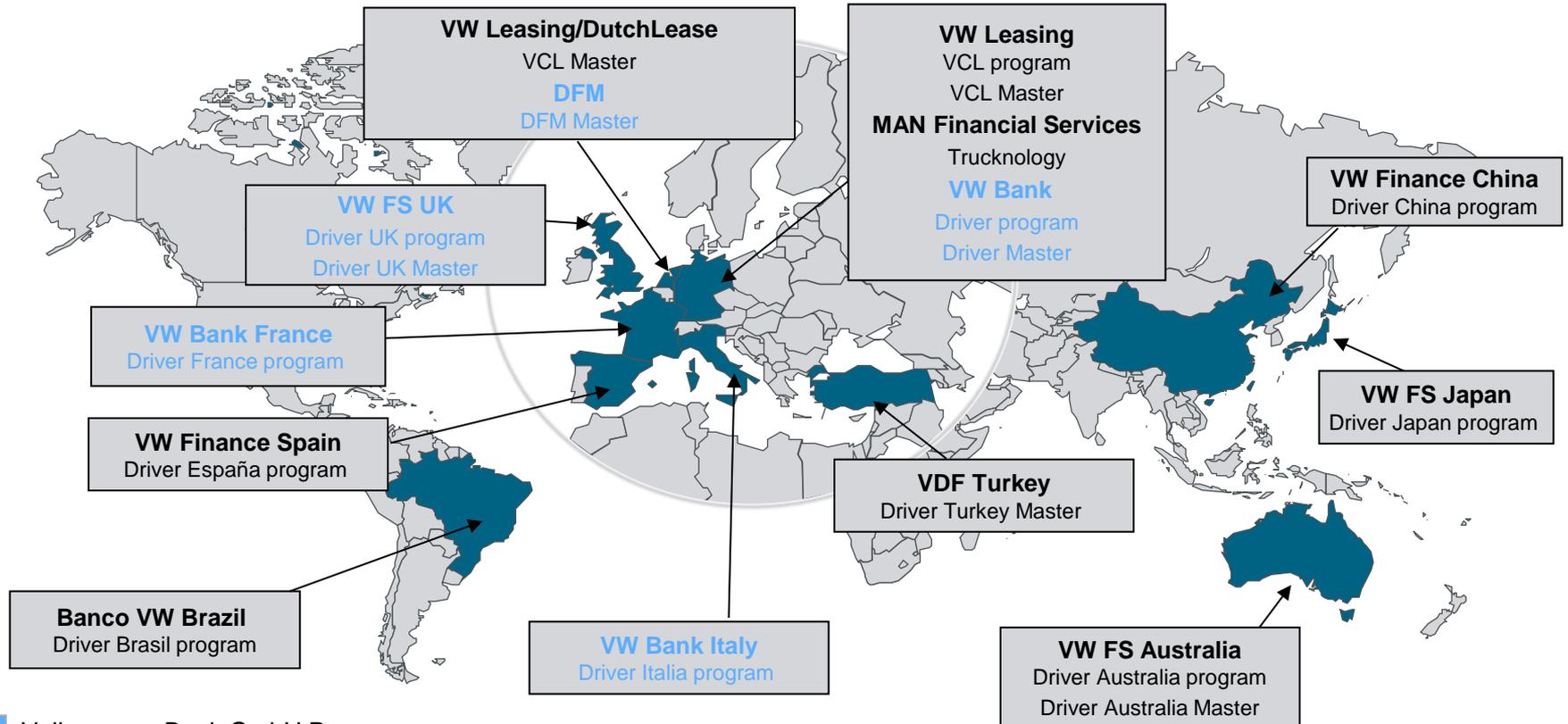
<sup>1</sup>Credit Ratings from Standard&Poors / Moody's as per 13 August 2018; (n) Outlook negative, (s) Outlook stable

# Worldwide Capital Market Activities



\* Guarantee Volkswagen Financial Services AG  
 Volkswagen Bank GmbH Programs

## Worldwide ABS Activities



## Recent Public DCM Deals 2018 (Volkswagen Financial Services AG and Volkswagen Bank GmbH)

### Volkswagen Bank GmbH

- Volkswagen Bank GmbH: 06/2018 EUR 2bn, due 09/2021, 12/2021, 06/2024
- Volkswagen Bank GmbH: 12/2017 EUR 2bn, due 06/2021, 06/2023, 12/2025

### Volkswagen Financial Services AG

- Volkswagen Financial Services N.V.: GBP 300m 02/2018, due 06/2022
- Volkswagen Financial Services AG: EUR 2.25bn 04/2018, due 10/19, 04/21 & 04/23
- Volkswagen Financial Services N.V.: NOK 500m 04/2018, due 04/2021
- Volkswagen Financial Services Australia PTY LTD: AUD 400m 04/2018, due 04/2021
- Banco Volkswagen S.A.: BRL 489.2m 06/2018, due 06/2020
- Volkswagen Financial Services AG: EUR 500m 07/2018, due 07/2020
- Volkswagen Leasing GmbH: EUR 2.5bn 08/2018, due 02/2021 & 02/2023 & 08/2025
- Volkswagen Financial Services N.V.: GBP 500m 08/2018, due 09/2021
- OOO Volkswagen Bank RUS: RUB 5bn 08/2018, due 08/2021
- Volkswagen Financial Services Australia PTY LTD: AUD 350m 08/2018, due 02/2022
- Volkswagen Leasing Mexico S.A. de C.V.: MXN 2.5bn 09/2018, due 09/2021
- Volkswagen Financial Services N.V.: SEK 500m 09/2018, due 09/2021

## Recent Public ABS Deals 2018 (Volkswagen Financial Services AG and Volkswagen Bank GmbH)

### Volkswagen Bank GmbH

- Driver Espania five (Volkswagen Finance S.A.): EUR 1.0bn (02/2018)
- Driver fourteen (Volkswagen Bank GmbH): EUR 900m (03/2018)
- Driver Italia one (Volkswagen Bank GmbH): EUR 500m (04/2018)
- Driver fifteen (Volkswagen Bank GmbH): EUR 750m (08/2018)

### Volkswagen Financial Services AG

- Driver China eight (Volkswagen Finance (China) Co.): RMB 3.2 bn (12/2017)
- Driver Japan seven (Volkswagen Financial Services Japan): JPY 55 bn (02/2018)
- Driver Turkey Master (Volkswagen Dogus Finansman S.A.): TRY 1.1 bn (02/2018)
- VCL 26 (Volkswagen Leasing GmbH): EUR 1.5 bn (03/2018)
- Driver Australia five (Volkswagen Financial Services Australia Pty Ltd.): AUD 750m (04/2018)

# Volkswagen Financial Services follows consequently its vision and the targets of Route2025



# ROUTE 2025 | Our Focus Topics

**Digitalization**



**Operational Excellence**



**Mobility Services**



**Used Car Business**



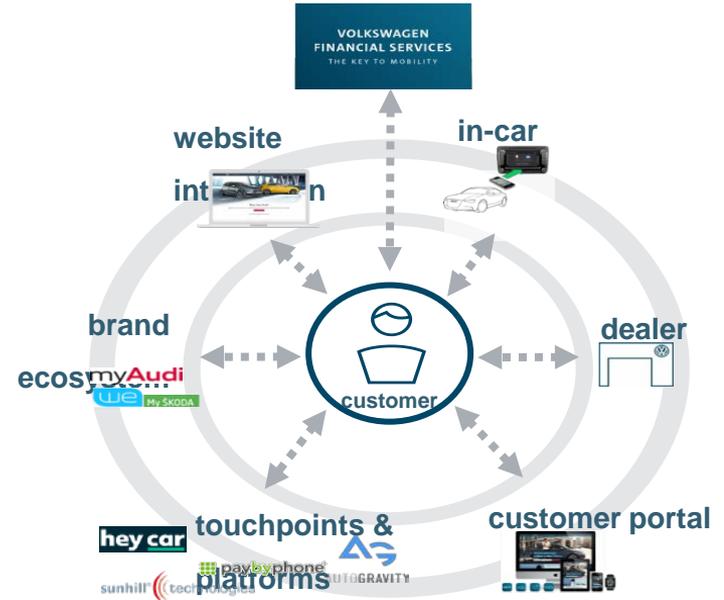
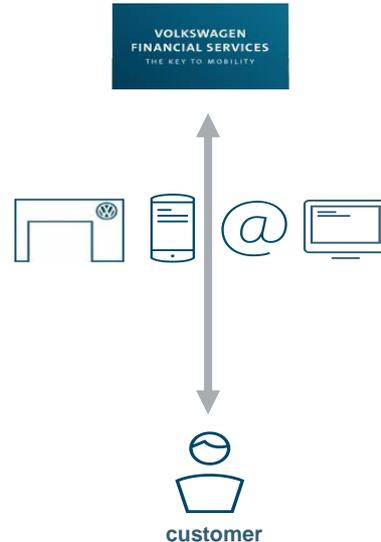
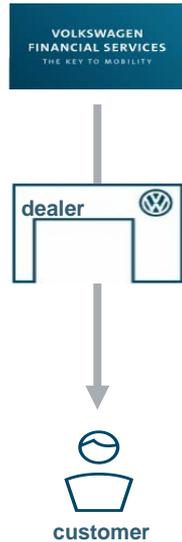


# Volkswagen Financial Services will digitalize all core products by 2020 and extends its distribution channels

Past: single channel

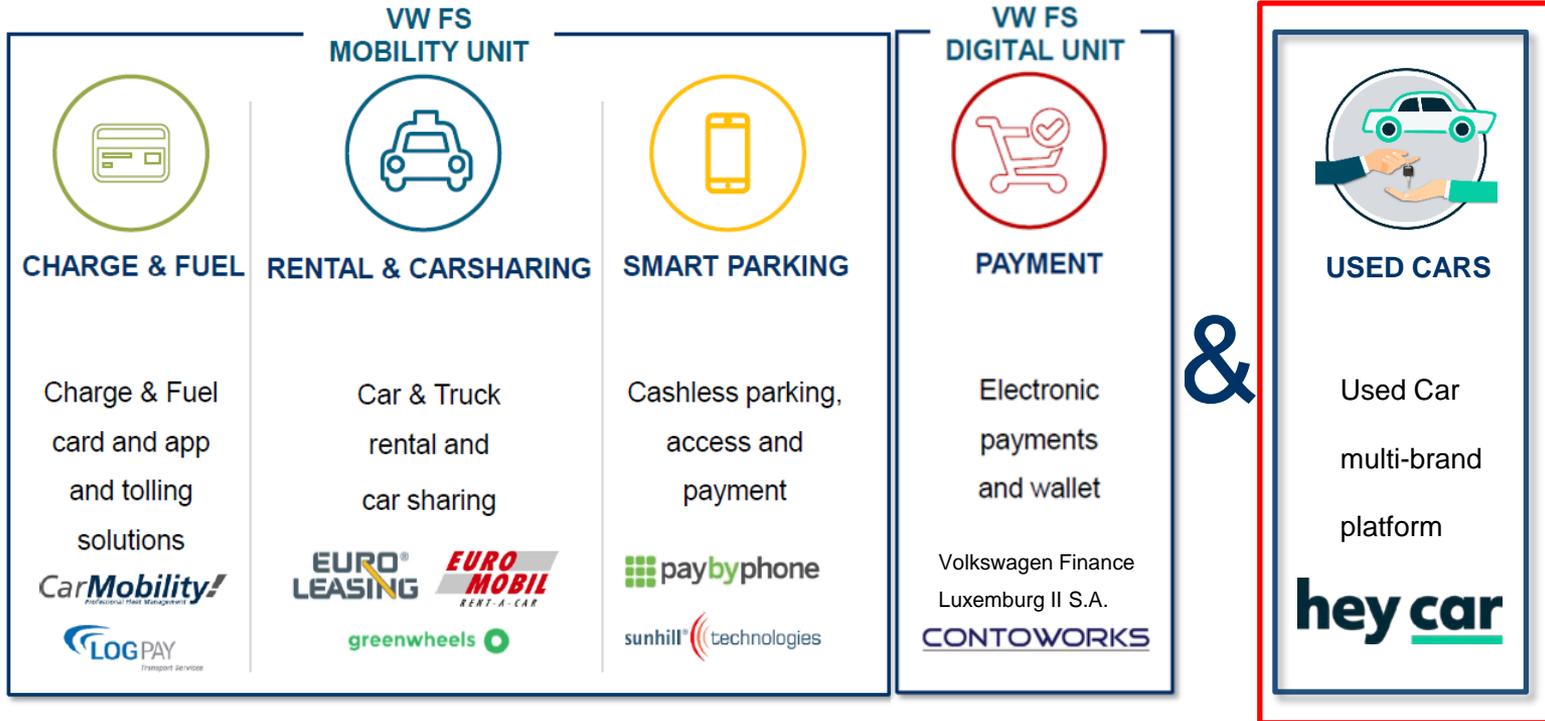
By 2020: multi channel

By 2025: omni channel





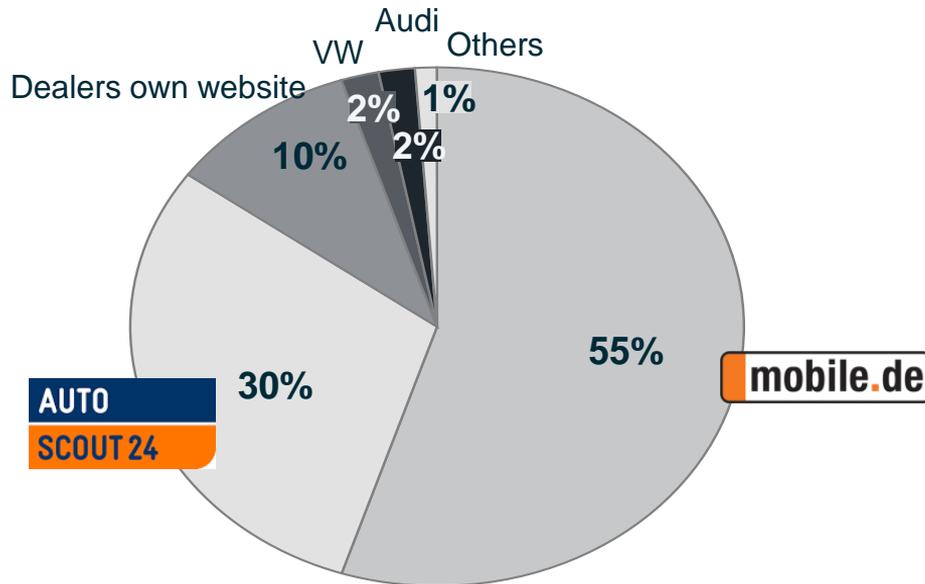
# Growing business with leading companies per business segment





# Used Car Business - Hey Car: development of a real alternative to the current duopoly

Online share of trades



- **mobile.de** and **AUTO SCOUT 24** 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 acquire 20% stake\*

**Thank You.**

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Volkswagen Financial Services

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We are stepping on the gas in terms of profitability,  
innovative power and sustainability

# VOLKSWAGEN GROUP

