VOLKSWAGEN

AKTIENGESELLSCHAFT

# Shaping the transformation together.

UniCredit Automotive Credit Conference, London, 6.-7. June 2018

Volkswagen AG

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# 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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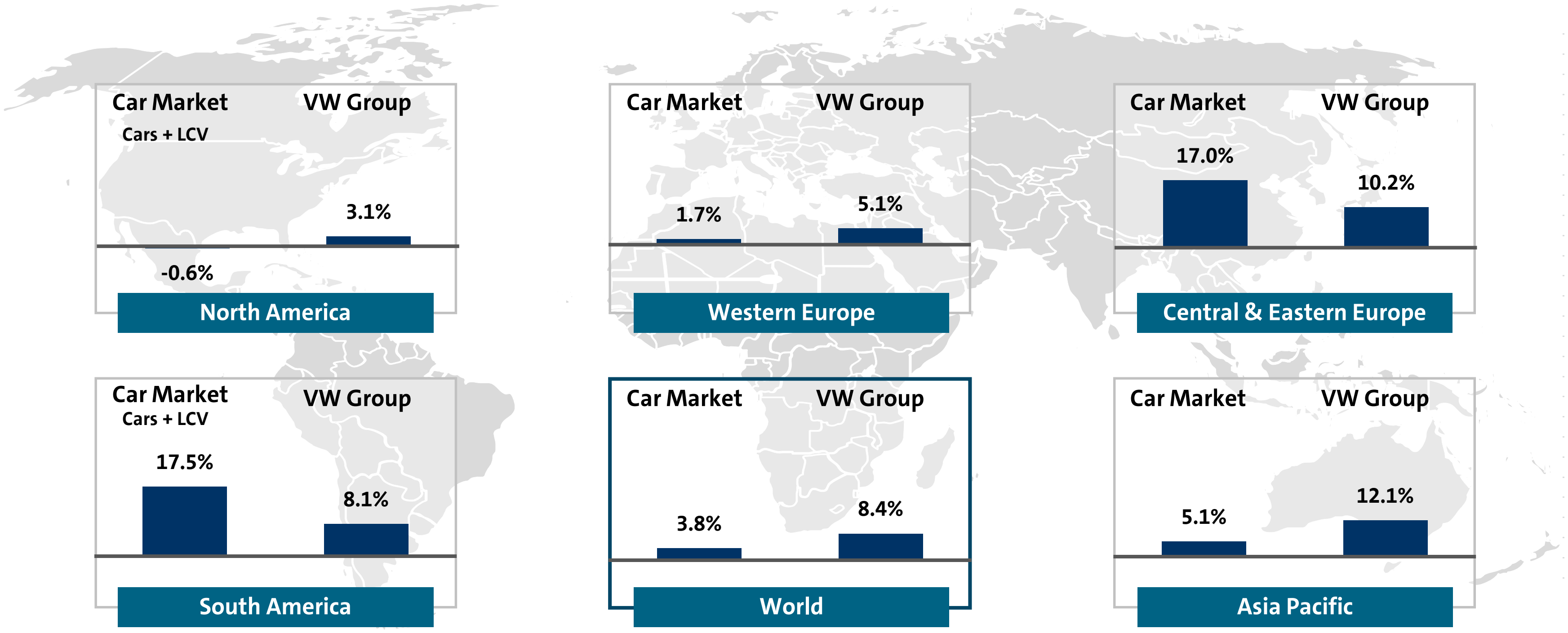
# Development World Car Market vs. Volkswagen Group Car Deliveries to Customers[1)]

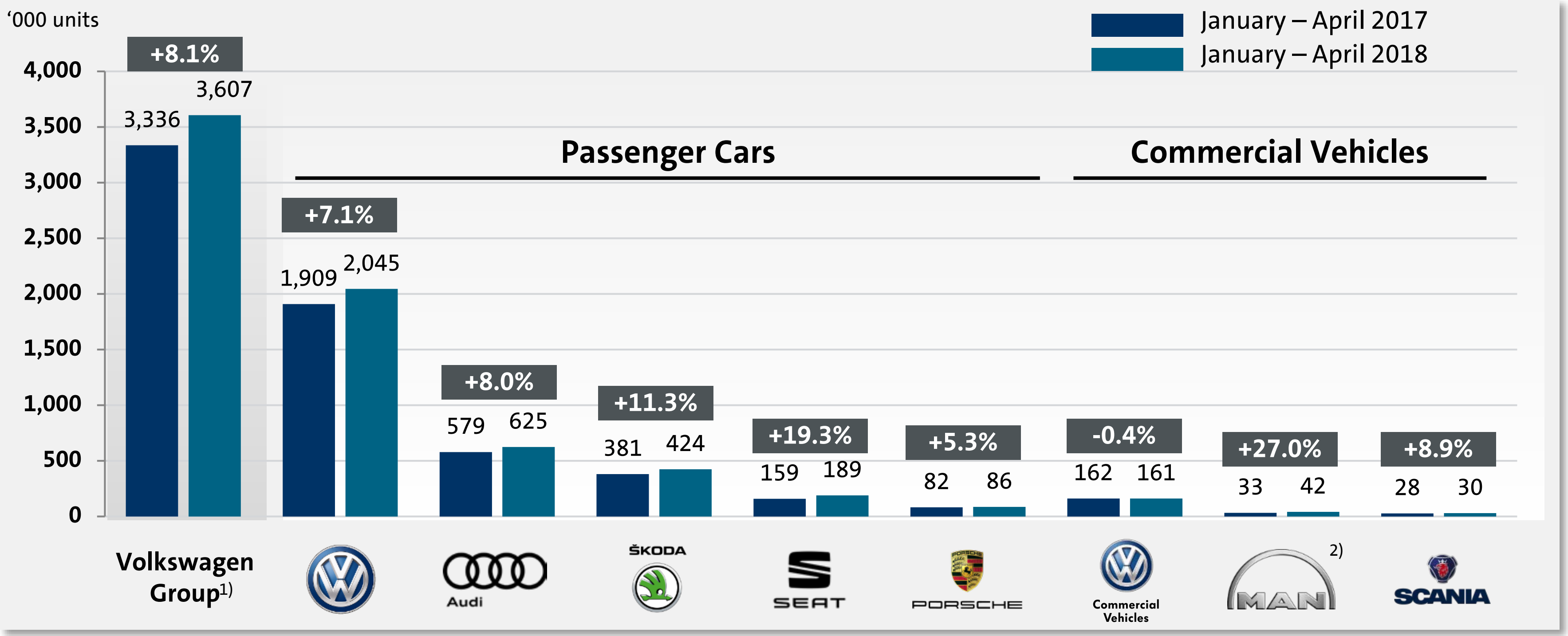
(Growth y-o-y in deliveries to customers, January to April 2018 vs. 2017)




[1)] Figures excl. Volkswagen Commercial Vehicles, Scania and MAN.

# Volkswagen Group – Deliveries to Customers by Brands

## (January to April 2018 vs. 2017)

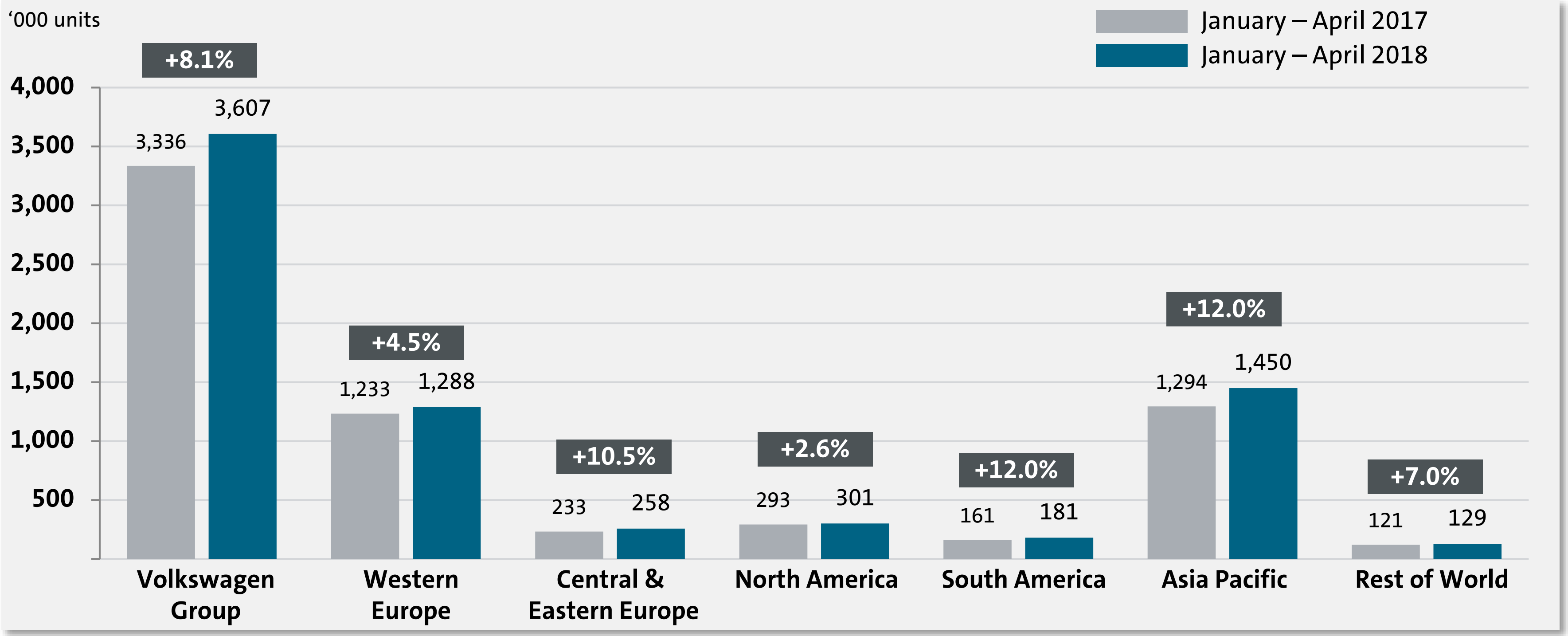



1) Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +8.4% excl. Volkswagen Commercial Vehicles, Scania and MAN.

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

# Volkswagen Group – Deliveries to Customers by Markets[1)]

(January to April 2018 vs. 2017)




1) Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +8.4% excl. Volkswagen Commercial Vehicles, Scania and MAN.

# Volkswagen Group – Key Financial Figures[1)]

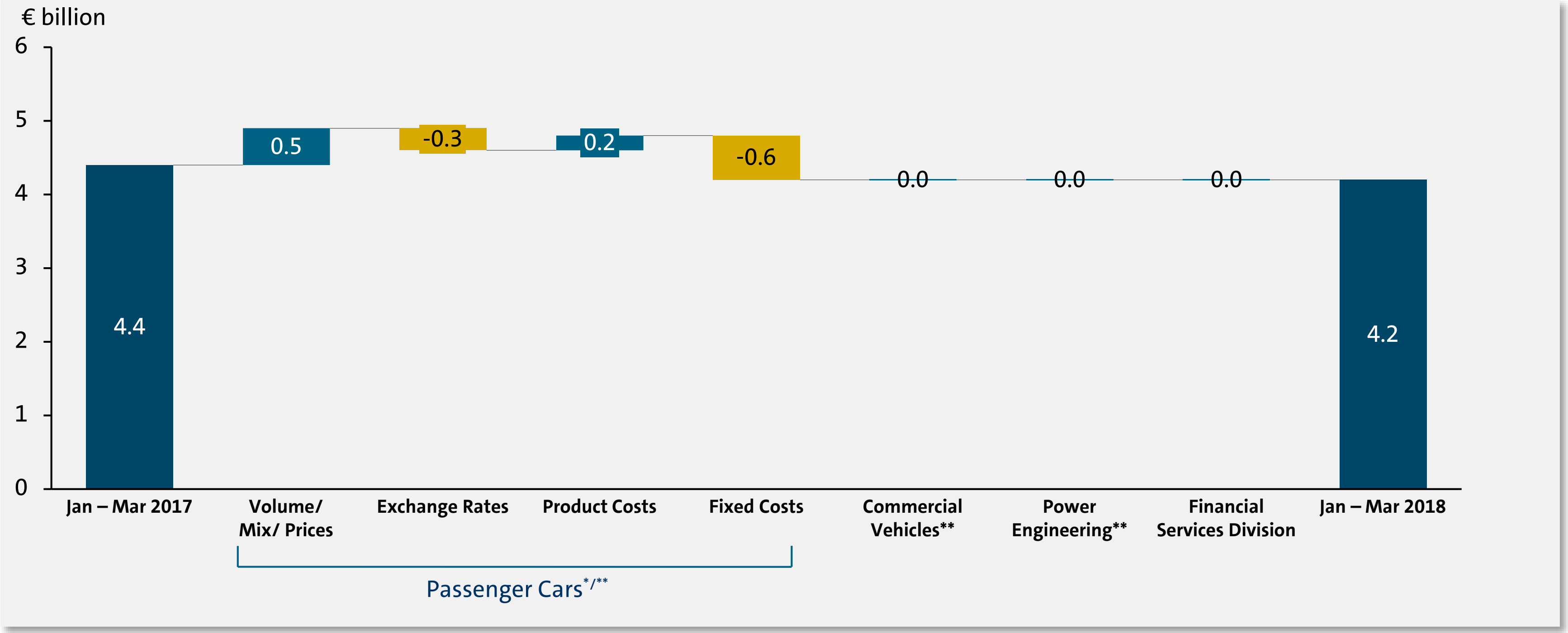
## (January to March 2018 vs. 2017)

| thousand vehicles / € million | 2018 | 2017 [2)] | +/- (%) |
|---|---|---|---|
| Vehicle Sales [3)] | 2,769 | 2,610 | +6.1 |
| Sales revenue | 58,228 | 56,197 | +3.6 |
| Operating profit | 4,211 | 4,367 | -3.6 |
| *% of sales revenue* | 7.2 | 7.8 | |
| Financial result | 266 | 224 | +18.8 |
| of which: At-equity result [3)] | 829 | 936 | -11.5 |
| of which: Other financial result | -562 | -712 | -21.1 |
| Profit before tax | 4,477 | 4,592 | -2.5 |
| *% Return on sales before tax* | 7.7 | 8.2 | |
| Profit after tax | 3,300 | 3,373 | |

[1)] 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.
[2)] Prior-year figures were adjusted due to IFRS [3)] 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 €1,163 million (€1,112 million).

# Volkswagen Group – Analysis of Operating Profit[1)]

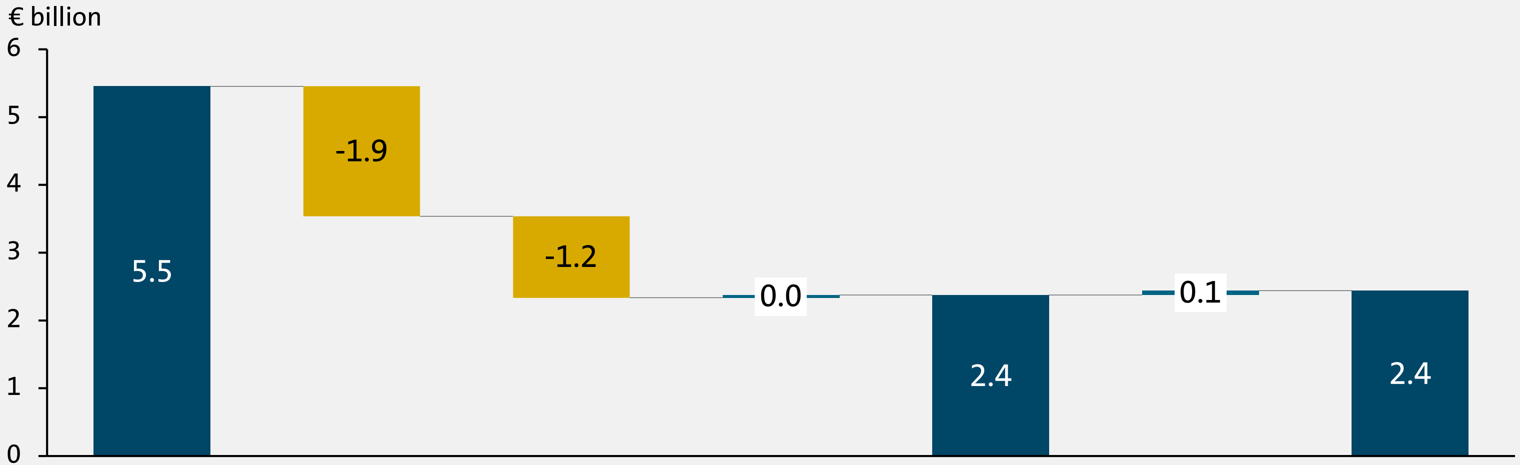
## (January to March 2018 vs. 2017)




[1)] All figures shown are rounded, minor discrepancies may arise from addition of these amounts. *) without FS **) including PPA

# Automotive Division Net Cash Flow Development[1][2]

## (January to March 2018)

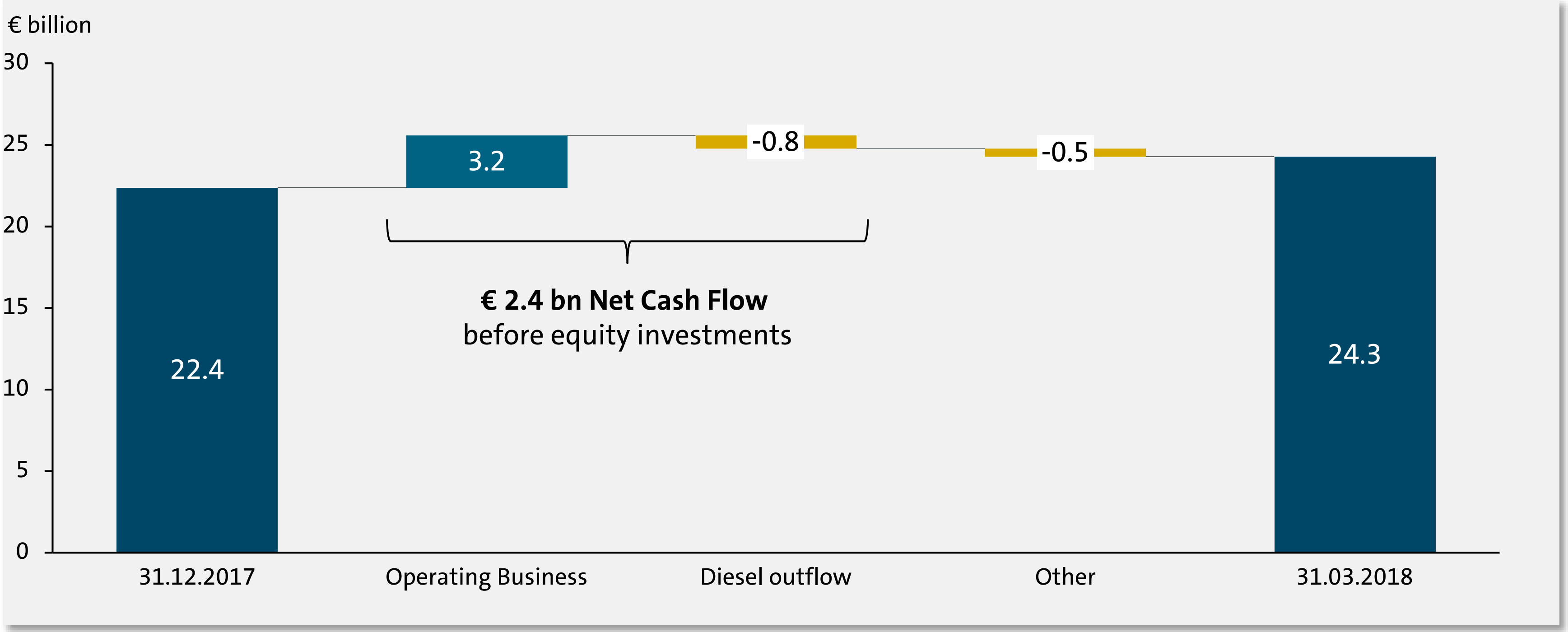



| | Cash flow from operating activities | Capex [3] | Capitalized development costs | Other | Net cash flow before equity investments | Acquisition and disposal of equity investments | Net cash flow |
|---|---|---|---|---|---|---|---|
| **2017** [3] | 0.8 | -1.8 | -1.4 | 0.1 | -2.3 | -0.3 | -2.6 |

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

# Automotive Division – Net Cash Flow drives solid Net Liquidity[1)]

## (January to March 2018)




[1)] All figures shown are rounded, minor discrepancies may arise from addition of these amounts.

# Volkswagen Group – Analysis by Business Line[1)]

## (January to March 2018 vs. 2017)

| thousand vehicles/ € million | Vehicle sales 2018 | Vehicle sales 2017 | Sales revenue 2018 | Sales revenue 2017 | Operating profit 2018 | Operating profit 2017 | Margin 2018 | Margin 2017 |
|---|---|---|---|---|---|---|---|---|
| Volkswagen Passenger Cars | 912 | 862 | 20,115 | 19,040 | 879 | 869 | 4.4% | 4.6% |
| Audi | 394 | 375 | 15,320 | 14,378 | 1,300 | 1,244 | 8.5% | 8.7% |
| ŠKODA | 256 | 252 | 4,547 | 4,334 | 437 | 415 | 9.6% | 9.6% |
| SEAT | 167 | 148 | 2,782 | 2,487 | 85 | 56 | 3.0% | 2.3% |
| Bentley | 2 | 2 | 351 | 361 | -44 | -30 | -12.5% | -8.3% |
| Porsche Automotive [2)] | 61 | 57 | 5,438 | 5,035 | 939 | 932 | 17.3% | 18.5% |
| Volkswagen Commercial Vehicles | 117 | 119 | 2,945 | 2,875 | 224 | 205 | 7.6% | 7.1% |
| Scania [3)] | 23 | 21 | 3,118 | 3,084 | 331 | 324 | 10.4% | 10.4% |
| MAN Commercial Vehicles | 31 | 25 | 2,771 | 2,572 | 83 | 93 | 3.0% | 2.3% |
| MAN Power Engineering | - | - | 766 | 783 | 21 | 26 | 2.7% | 3.3% |
| VW China [4)] | 1,040 | 971 | - | - | - | - | - | |
| Other [5)] | -233 | -223 | -7,923 | -6,628 | -652 | -319 | - | |
| Volkswagen Financial Services | - | - | 7,999 | 7,876 | 608 | 551 | - | |
| **Volkswagen Group before Special Items** | - | - | - | - | **4,211** | **4,367** | 7.2% | 7.8% |
| Special Items | - | - | - | - | - | - | - | |
| **Volkswagen Group** | **2,769** | **2,610** | **58,228** | **56,197** | **4,211** | **4,367** | - | |
| Automotive Division [6)] | 2,769 | 2,610 | 49,743 | 47,825 | 3,572 | 3,768 | - | |
| of which: Passenger Cars | 2,600 | 2,445 | 40,298 | 38,640 | 3,077 | 3,299 | - | |
| of which: Commercial Vehicles | 169 | 165 | 8,679 | 8,402 | 536 | 499 | - | |
| of which: Power Engineering | - | - | 766 | 783 | -42 | -30 | - | |
| Financial Services Division | - | - | 8,485 | 8,372 | 639 | 600 | - | |

[1)] All figures shown are rounded, minor discrepancies may arise from addition of these amounts. [2)] Porsche (Automotive and Financial Services): sales revenue €5,936 (5,489) million, operating profit €976 (967 million). [3)] Including financial services. [4)] 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 € 1,163 (1,112) million. [5)] 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. [6)] Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

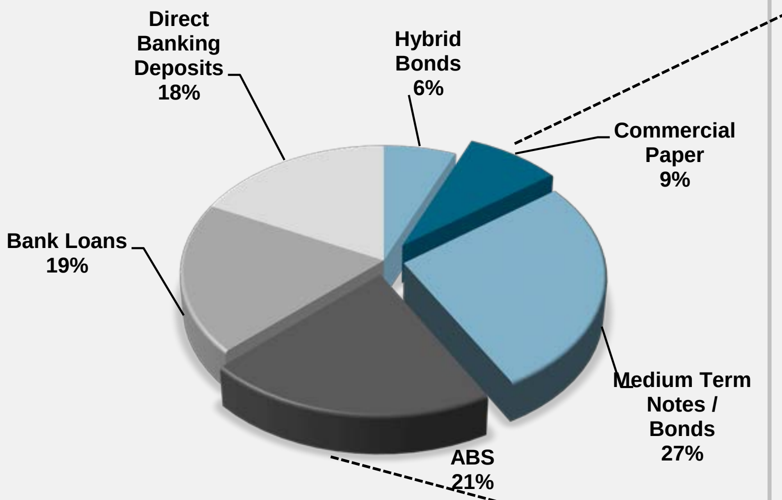
# Volkswagen Group – Funding Programs & Outstandings

## March 31, 2018 in € billion

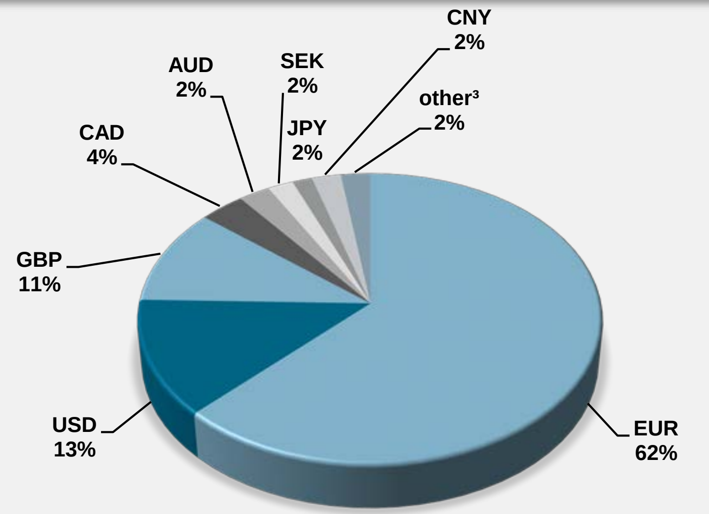
| Money and Capital Markets | | Utilization |
|---|---|---|
| Commercial Papers | | 14.7 |
| Medium Term Notes / Bonds | | 58.8 |
| *thereof: Hybrid Bonds* | | *11.0* |
| ABS | | 37.2 |
| **Borrowings** | **Frame** | |
| Committed Lines | 18.1 | 3.5 |
| Uncommitted Lines | 28.1 | 9.6 |
| Supranationals, development banks, government, other | 20.8 | 20.8 |
| Direct Banking Deposits | ./. | 30.8 |

# Volkswagen Group Funding Strategy – Overview[1)]

## Diversification of Funding Sources




## Currencies – Breakdown[1)]




[1)] as of March 31, 2018

Source: Volkswagen Group

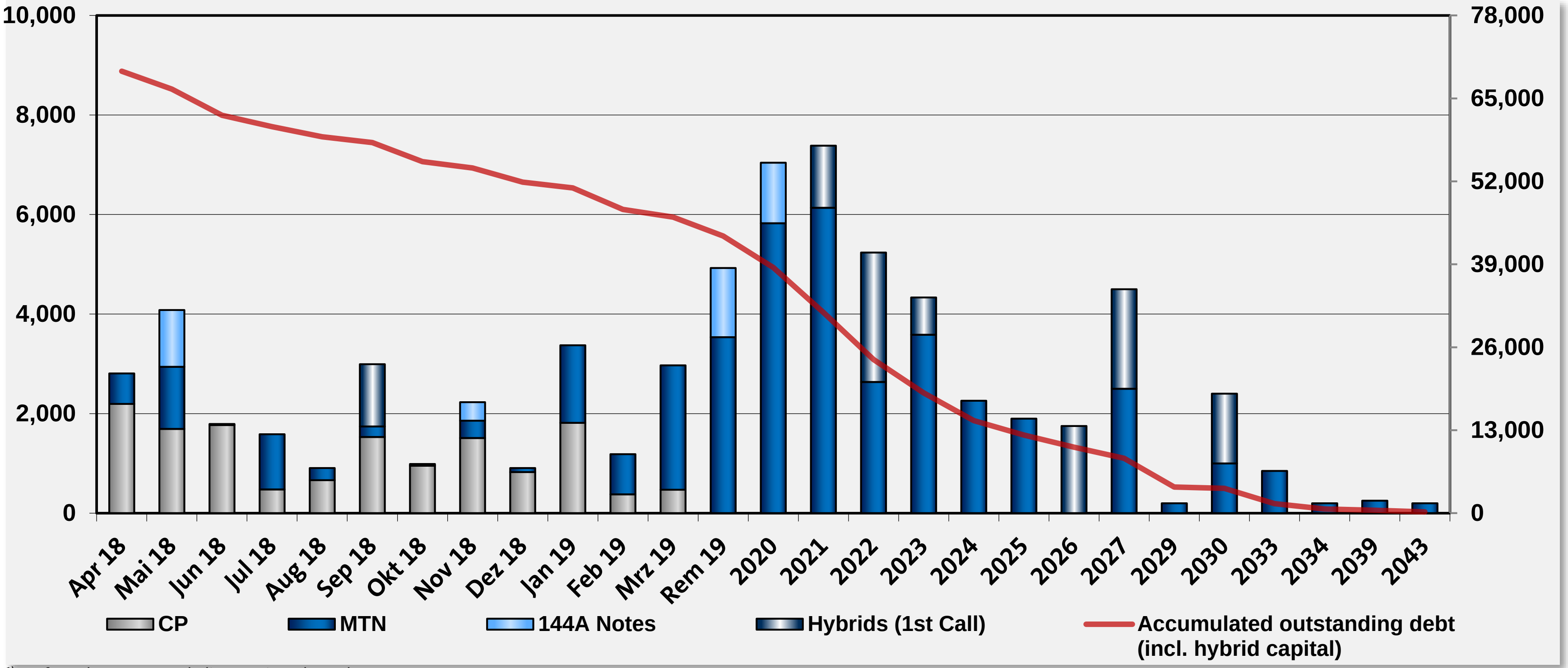
[1)] without Scania
[2)] BRL, CZK, HKD, INR, KRW, MXN, NOK, NZD, RUB, TRY

# 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 2.0bn Volkswagen Bank GmbH |
| March: | CAD 1.5bn Volkswagen Credit Canada, Inc. |
| April: | EUR 2.25bn Volkswagen Financial Services AG |

*as of May 31, 2018

# Volkswagen Group Funding Strategy – Maturity Profile (in € million) 1)




1) as of March 31, 2018, excluding Scania and Porsche FS
Source: Volkswagen Group

# Volkswagen Group – Key Credit Ratings

**Current Ratings[1)]**

| | S&P Global Long Term | S&P Global Short Term | Moody's Long Term | Moody's 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 | A3 | P-1 |
| | Outlook[2)] Stable (*Negative) | | Outlook[2)] Stable | |

[1)] as of May 16, 2018
[2)] Outlook change from Negative to Stable: S&P November 6 2017 (excluding VW Bank GmbH); Moody's March 19 2018

# Volkswagen Group Funding Strategy – Main Guarantors and Issuers

**Volkswagen AG**

BBB+ (s) / A3 (s)[1]

Volkswagen International Finance N.V.

Volkswagen Group of America Finance, LLC

*Volkswagen Credit Canada, Inc.*

**Automotive Division**

**Volkswagen FS AG**

BBB+ (s) / A3 (s)[1]

Volkswagen Financial Services AG

Volkswagen Financial Services N.V.

Volkswagen Leasing GmbH

**Volkswagen Bank GmbH**

A- (n) / A3 (s)[1]

Volkswagen Bank GmbH

**Financial Services Division**

[1)] Credit Ratings from S&P / Moody's as of 31 May, 2018; (s) Outlook stable

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

**Volkswagen AG**

**EUR 15.0 bn**
**Multi CCY CP-Programme**

Volkswagen International Finance N.V.
Volkswagen Group of America Finance, LLC

**EUR 5.0 bn Belgian Short-Term Treasury Notes Programme**

Volkswagen International Belgium NV/SA

**Automotive Division**

**Volkswagen FS AG**

**EUR 5.0 bn**
**Multi CCY CP-Programme**

Volkswagen Financial Services AG
Volkswagen Financial Services N.V.
Volkswagen Leasing GmbH

**Volkswagen Bank GmbH**

**EUR 2.5 bn**
**Multi CCY CP-Programme**

Volkswagen Bank GmbH

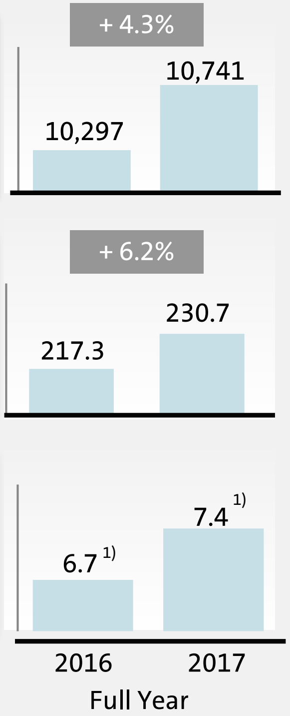
**Financial Services Division**

# 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

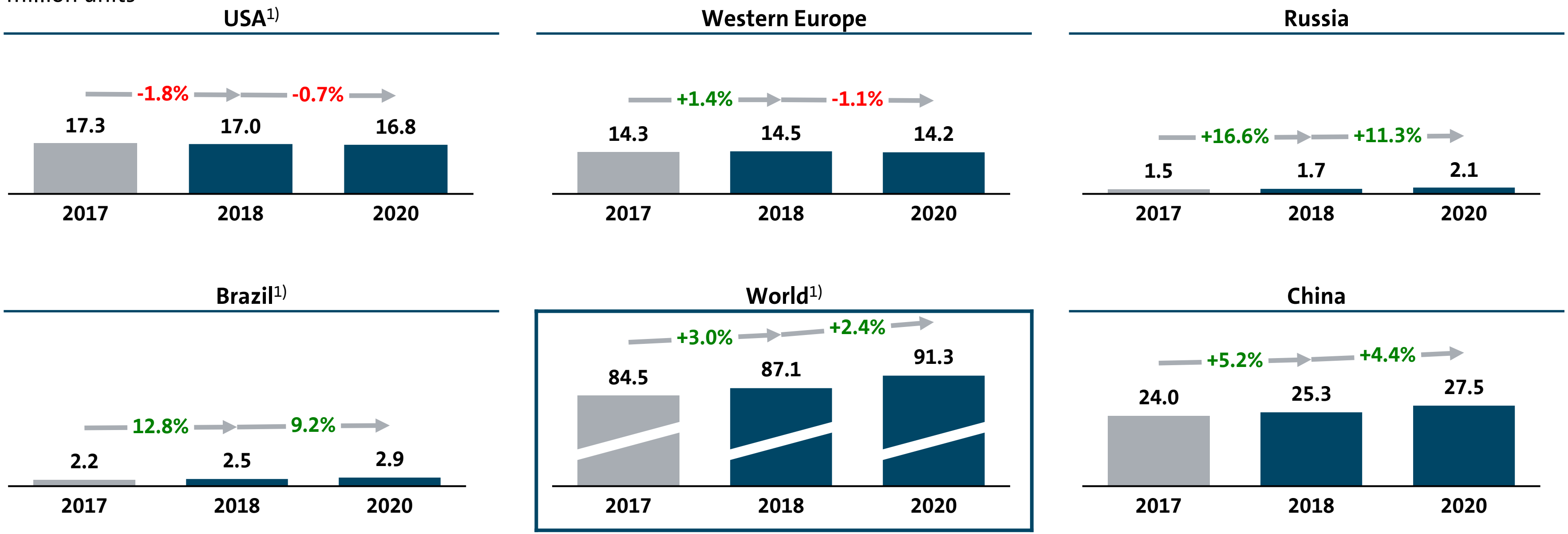
between 6.5% to 7.5%

[1] before Special Items.

# Global Passenger Car Market 2017/2020

## 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 (05.2018)

1) 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

Audi | PORSCHE | BENTLEY | LAMBORGHINI | BUGATTI

## 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

Source: Internal planning.

# Strong product momentum continues in Volume segments

Volkswagen | ŠKODA | SEAT | 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

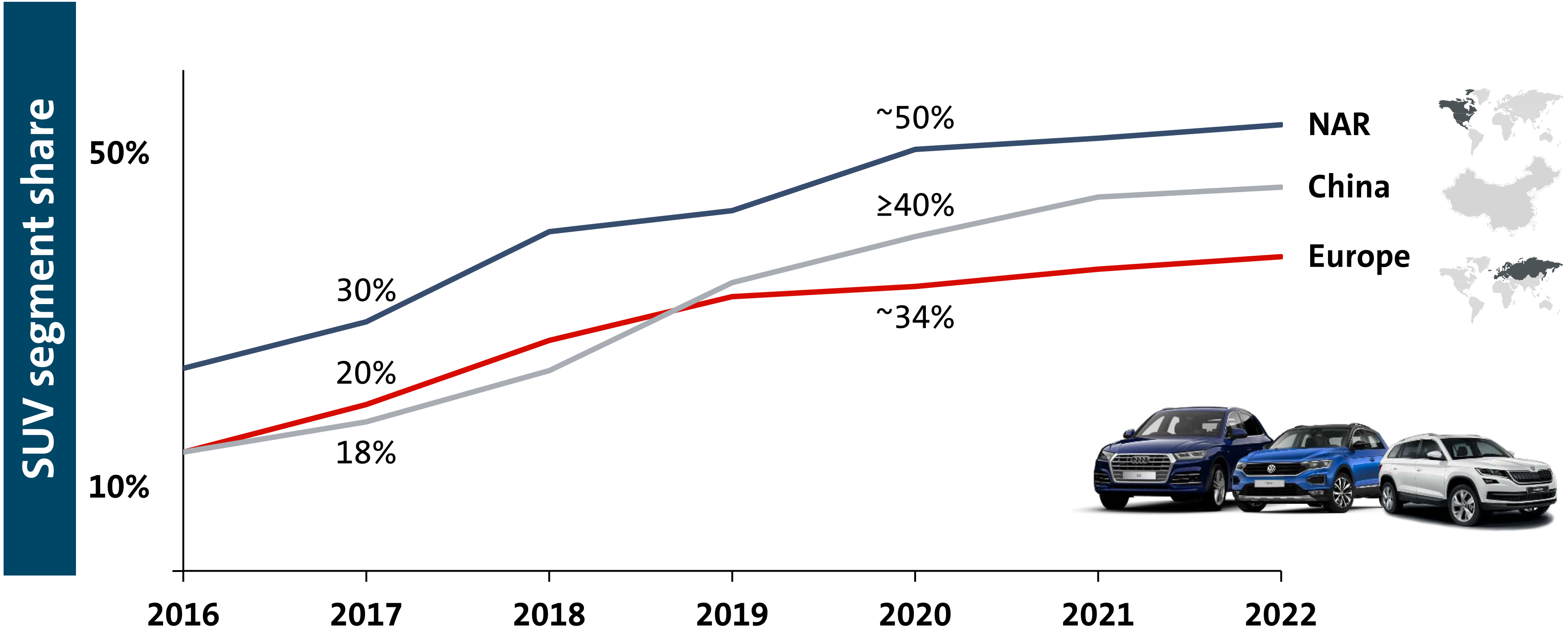

Compact SUVs (China)


Kamiq (China)

Source: Internal planning.

# Strong Increase in our SUV mix

## SUV mix by region based on expected regional Group sales




Source: Internal planning.

# WLTP – Worldwide Harmonized Light Vehicles Test Procedure

## SCOPE

- In EU-28 States + 6 countries (Norway, Switzerland, Iceland, Turkey, Israel and Liechtenstein) [1)]
- Legally binding registration requirements for all OEM´s
- Effects communication to customers
- Effects taxation:
  - EU recommendation crossover from Jan 1st 2019

## IMPACT

- $CO_2$ / exhaust emissions and fuel consumption figures are calculated under more realistic conditions
- $CO_2$-values vehicle-specific and therefore very precise
- Should close tolerances regarding different test condition

Effective for new passenger vehicle models & engines / gearbox variants (01.09.17)

Effective for all passenger vehicle models, car registrations (01.09.18)

| 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|

NEDC [2)] → WLTP

Light Commercial Vehicles new models (01.09.18)

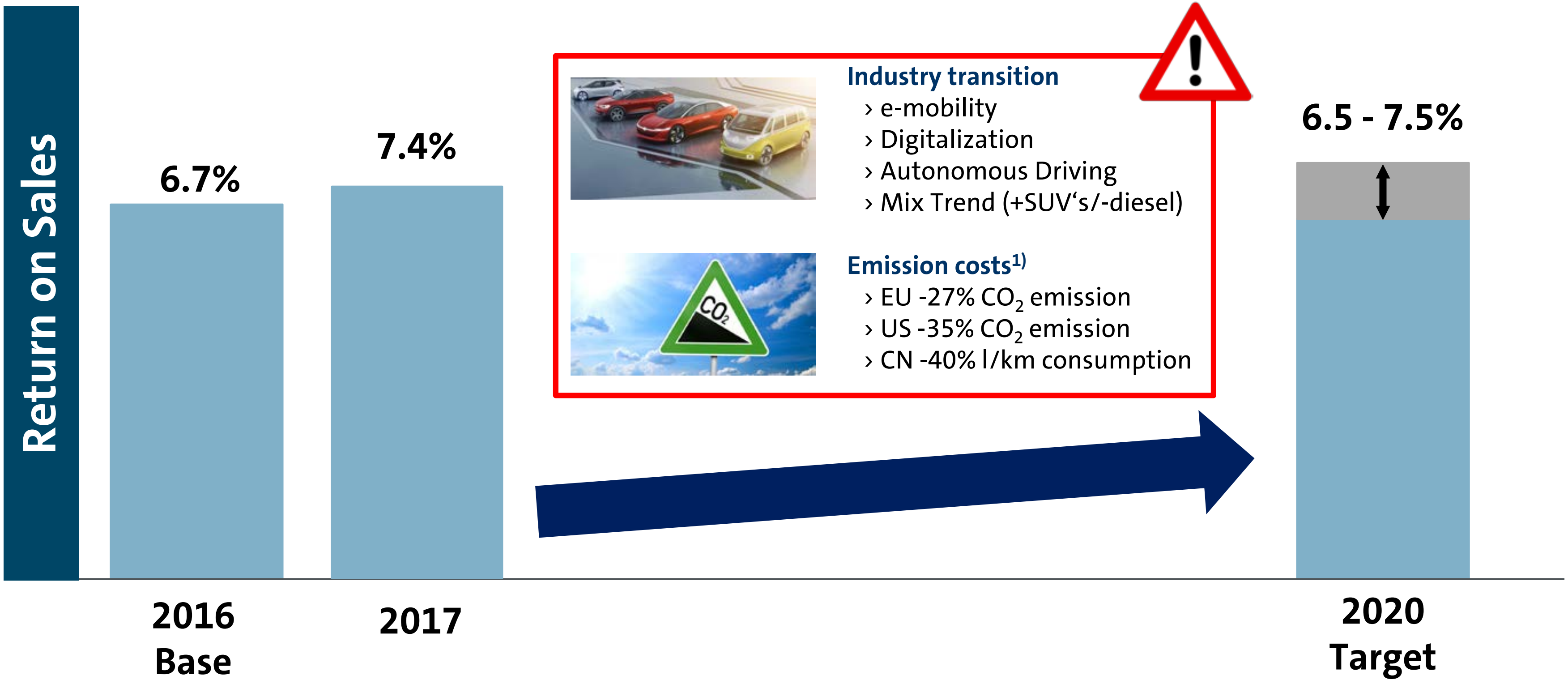
Light Commercial Vehicles all new registrations (01.09.19)


[1)] Different implementation of timelines between countries [2)] NEDC: New European Driving Cycle

# Clear Financial Targets and Milestones

| Key financial targets | 2016 Actual | 2017 Actual | 2018 Outlook | 2020 Targets | 2025 Targets |
|---|---|---|---|---|---|
| **Operating return on sales**<br>Before Special Items | 6.7% | 7.4% | 6.5-7.5% | 6.5-7.5% | 7-8% |
| **Return on investment**<br>Automotive Division before Special Items | 13.9% | 14.4% | 12-14% | 13-15% | > 15% |
| **Capex ratio**<br>Automotive Division | 6.9% | 6.4% | 6.5-7% | 6% | 6% |
| **R&D cost ratio**<br>Automotive Divison | 7.3% | 6.7% | 6.5-7% | 6% | 6% |
| **Cash** Automotive Division **a) Net Cashflow** | € 4.3 bn | € -6.0 bn | ≥ € 5 bn | ≥ € 10 bn | > € 10 bn |
| **b) Net Liquidity** | € 27.2 bn | € 22.4 bn | > € 20 bn | > € 20 bn | ~10% of Group turnover |

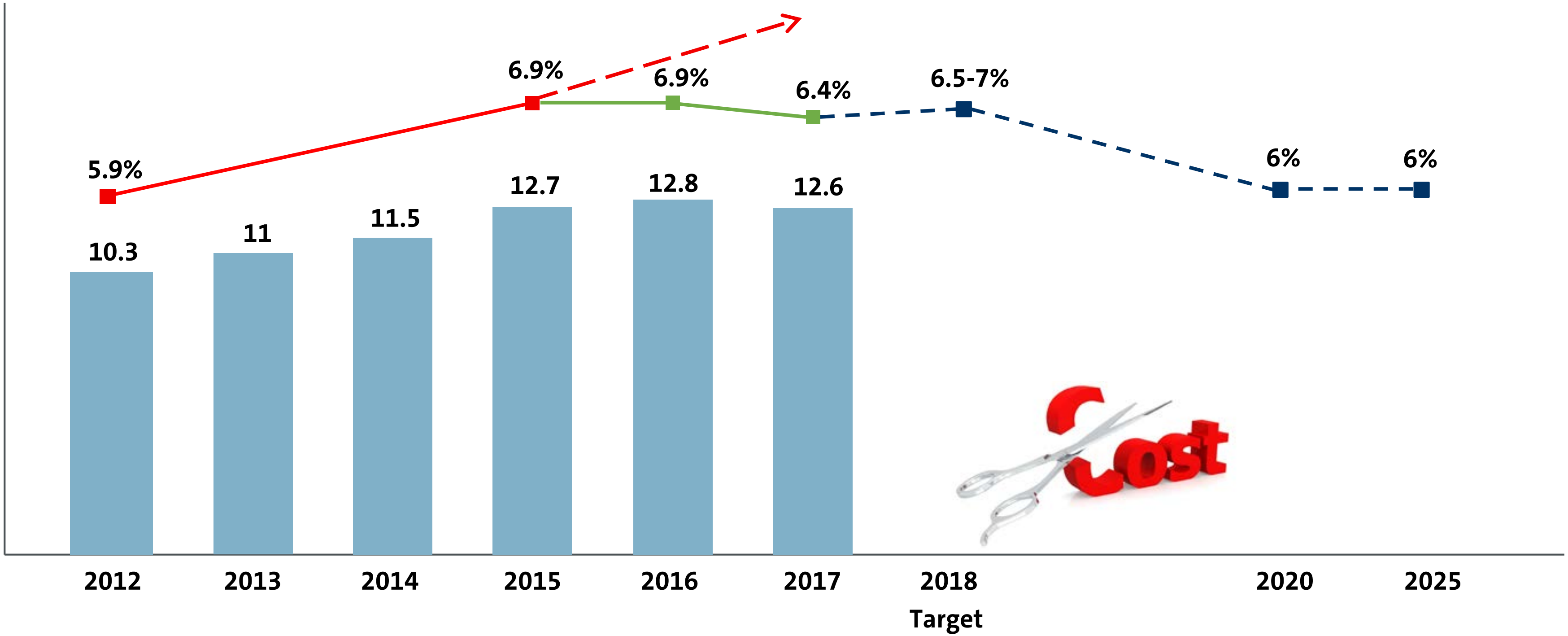
# Improving Group results despite significant challenges[1)]




[1)] Calculation based on 2016 figures.

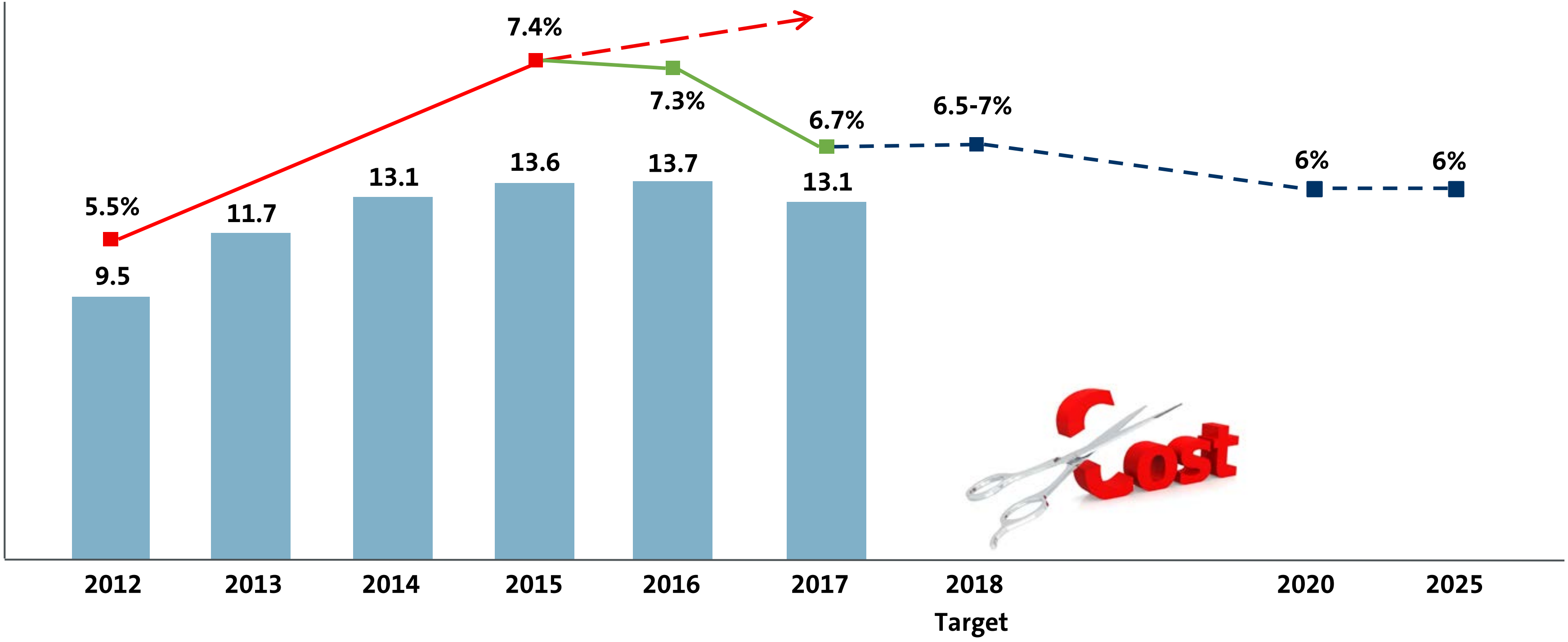
# CAPEX Automotive Division

(€ billion, as % of sales revenue)



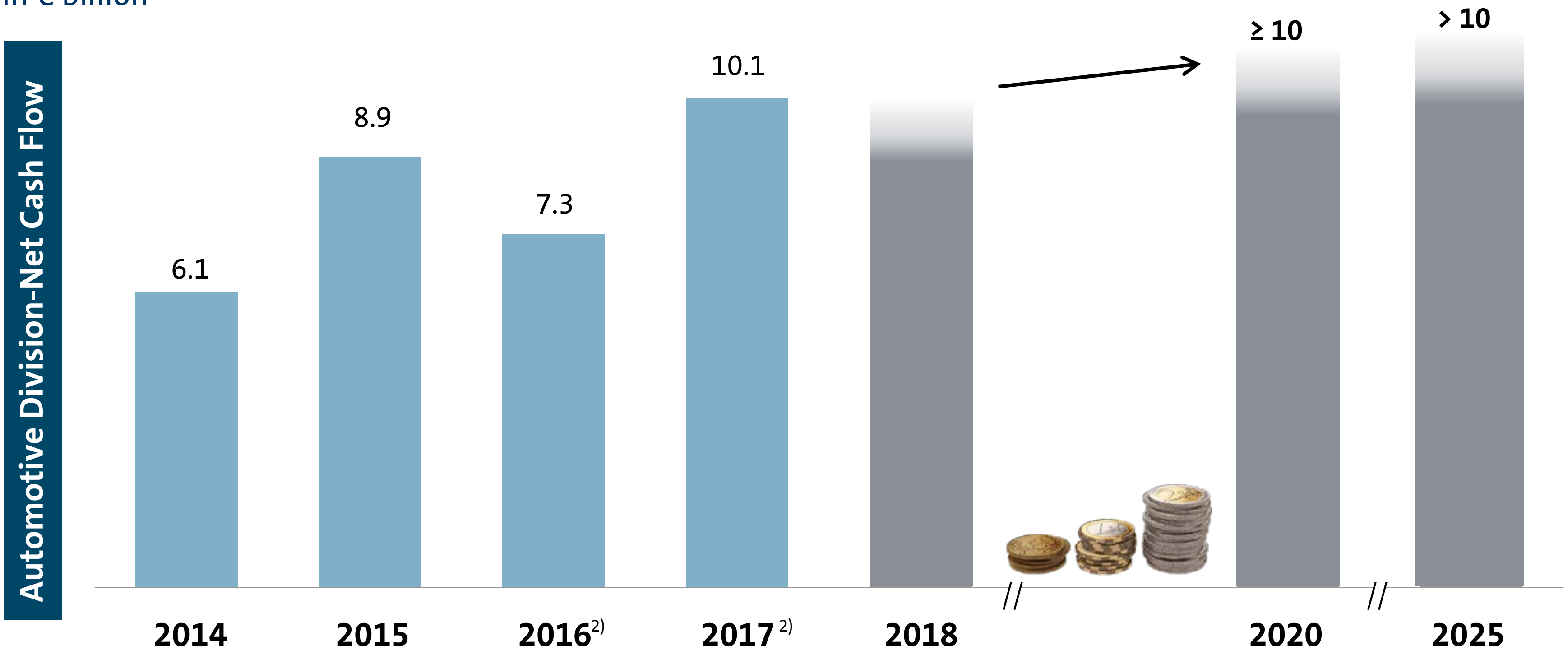
# R&D Costs Automotive Divison

(€ billion, as % of sales revenue)



# Automotive Division-Net Cash Flow (ex Diesel payments)[1)]

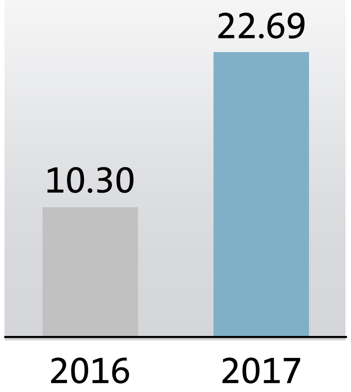
in € billion



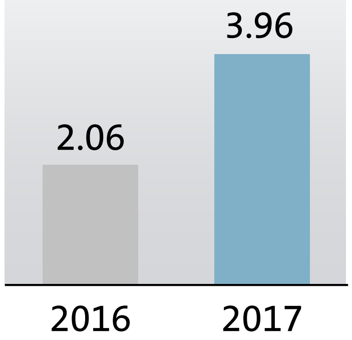

1) Incl. allocation of consolidation adjustments between Automotive and Financial Services divisions.
2) Before around € 3 bn in 2016 and € 16.1 bn in 2017 Diesel related outflow.

# Volkswagen AG – Attractive Dividend for Preferred Shares; almost doubled[1)]

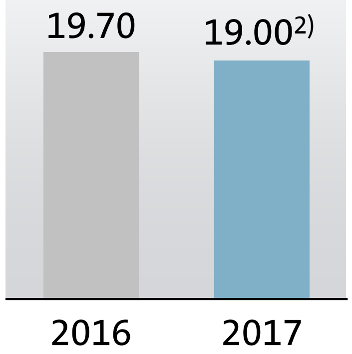
## Earnings per Share
(€)




## Dividend per Share
(€)




## Dividend pay-out ratio[1)]
(%)




**Target EPS 2020**
**over € 25**

**Within current planning round / next 5 years**
**30% Dividend pay-out ratio[1)]**

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

## Transform core business

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

DEVELOP STRATEGIC CAPABILITIES
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

ENHANCE ENTREPRENEURIAL SPIRIT
8. Implement model line organization
9. Realign "Components" business

## Build mobility solutions business

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

## Secure funding

12. Improve operational excellence
13. Optimize business portfolio

## Strengthen innovation power

14. Drive digital transformation
15. Create organization 4.0
16. Better integrated and strategic planning process

# Goals of the Revised Management Structure – April 2018

**With the realignment, Volkswagen Group presses its transformation ahead.**

## Leadership
Secure the Group’s leadership over the long-term in a phase of dynamic changes

## Group Management
Create a simple, lean and effective Group management structure

## Responsibilities
Maximize subsidiarity and establish clear-cut responsibilities

## Capabilities
Make optimum use of the capabilities and economies of scale available in the Group

## Synergies
Harness further synergies within the Group

## Profitability
Further increase profitability and competitiveness of future investments

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

| Volume | Premium | Super Premium | Truck & Bus | Procurement/ Components | Financial Services | China |
|---|---|---|---|---|---|---|
| VW | 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

# Focus on strategy: Resolutely making progress toward sustainable mobility

**Sustainable mobility**

**Efficient com-bustion engines and alternative drives**

**Battery technology**

**Charging infrastructure**

MOIA

**Mobility services**

**Self-driving system (SDS)**

**E-mobility**

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

- The latest Euro 6 diesel engines deliver above-average performance in the new WLTP[1)] cycle
- Significantly expanding the range of CNG[2)] vehicles
- Working on synthetic fuels produced from renewable sources

[1)] Worldwide Harmonized Light-Duty Vehicles Test Procedure . [2)] Compressed Natural Gas

# 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**

- 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 Mission E will change the premium electric game



Concept

Market launch in August 2018.

Market launch in the second half of next year.

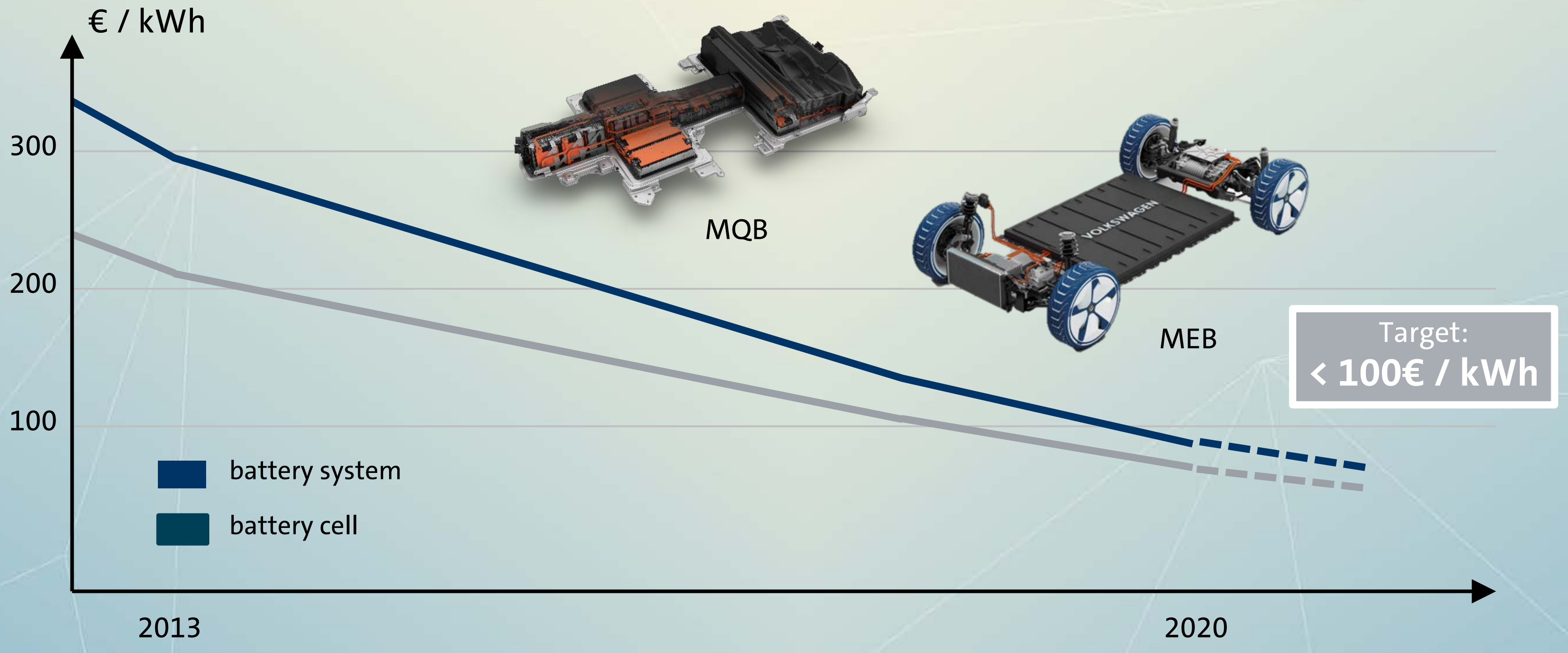
# The Volkswagen Brand's I.D. family sets the new BEV benchmark in the volume segment

Market launch early 2020 and onwards.

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


Energy density, or volumetric energy density, reflects volume in liters (Wh/l).

# 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

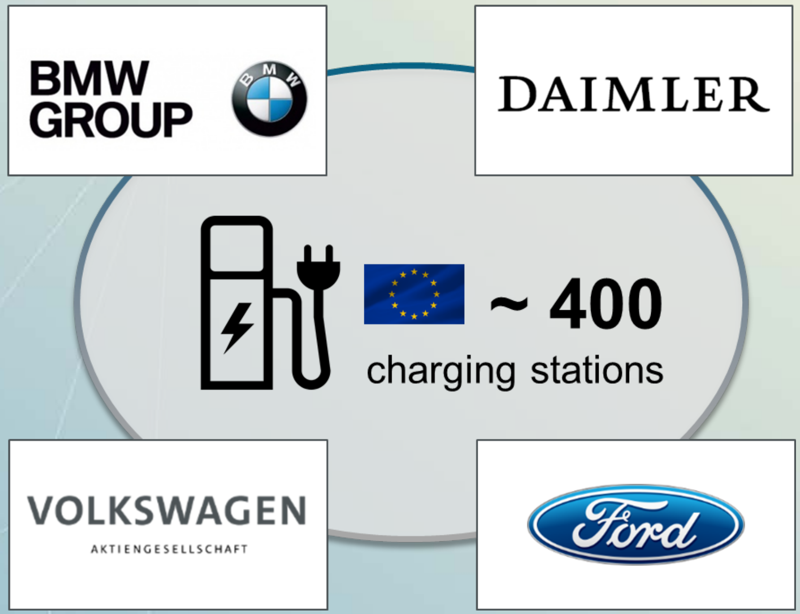
**2025**

**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[1)]

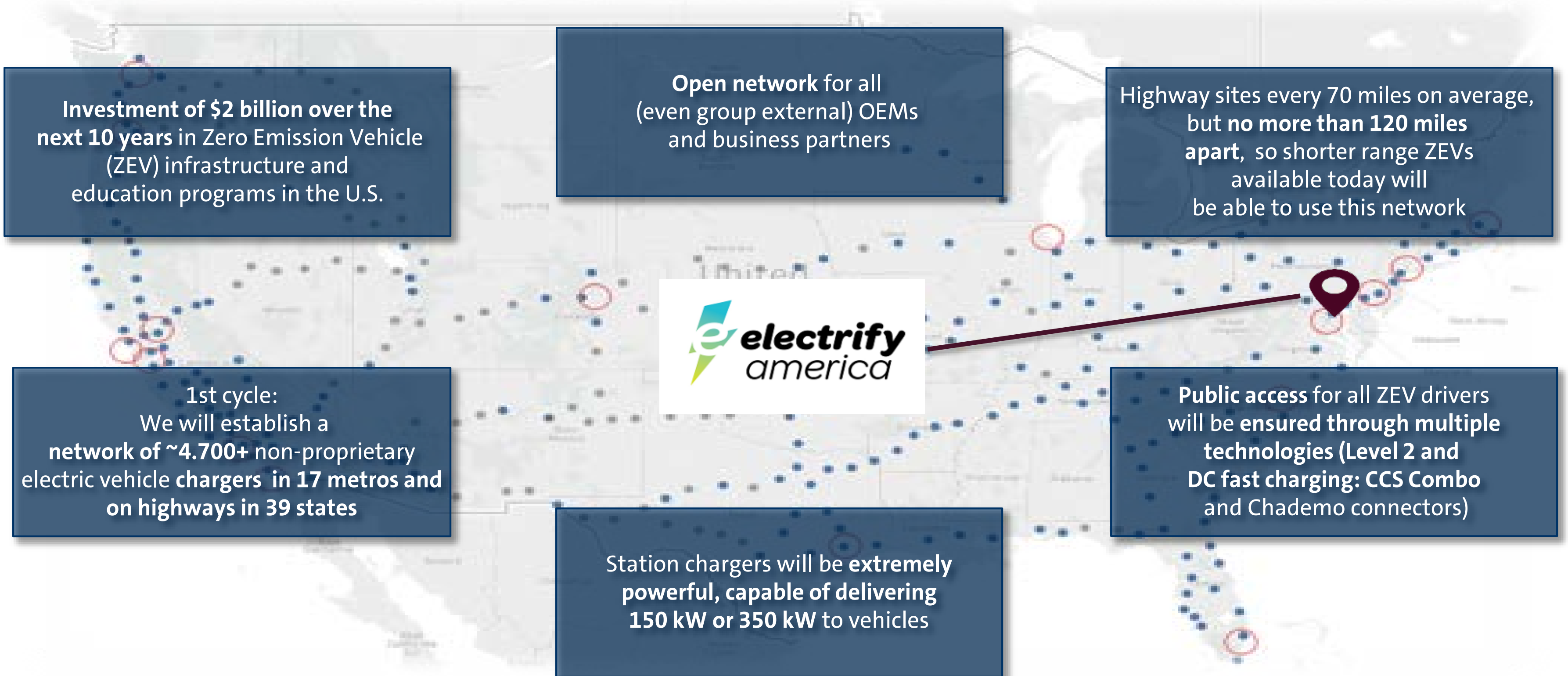
IONITY




- 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)

[1)] 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 the next 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

electrify america

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

Source: Electrify America

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

Connected to backend

Customized interior with high comfort/ connectivity

Prepared for Shadow/ security driver mode

App-based ride pooling service 6 passenger seats with high privacy

MOIA branded

Electric door concept

Unique recognizable design

BEV with > 300 km real range


<6 m

< 3,5 t

- 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

**2005**

"Stanley" Winner Darpa Grand Challenge

**2010**

Autonomous Audi TTS "Shelley" climbs Pikes Peak

**2017**

SEDRIC is Volkswagen Group´s first Level 5 vehicle

Volkswagen Group >200 AV related patents

Foundation AID GmbH

AUTONOMOUS INTELLIGENT DRIVING

**2018**

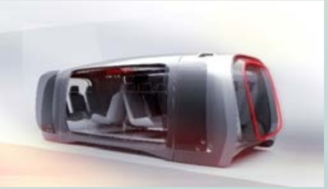
Strategic partnership with Aurora

AURORA

MOIA Battery Electric Special Purpose Shuttle

**2021+**

Urban Shuttle/Carrier/Pod



Personal Autonomous Vehicles

# Driving forward Strategy 2025: Implementation is accelerating

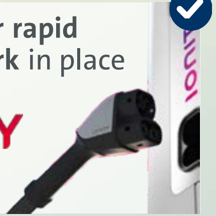
**ROADMAP E** launched

Roadmap E

**Center of Excellence** for battery technology established

**Joint venture for rapid charging network** in place

IONITY



**SEDRIC** developed and presented

**Joint venture with JAC** created for e-mobility

JAC MOTORS

TOGETHER
STRATEGY 2025

**MOIA** pilot started and shuttle presented

**New technology partnerships** agreed

**Realignment of Group Components** approved

GROUPCOMPONENTS

**Positioning of Group brands** sharpened

**Board Digitalization Committee** established

# 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 **Strategy**
3. Conclusive **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. **Truck & Bus** Global Champion Potential
9. **Culture** of willingness to change: agile, innovative and integral backed by committed management and employees
10. Priority to work on protecting our **Environment** for future generations

**Overarching vision is to become a**

**World-leading Provider of Sustainable Mobility**









# Successful operating business: Strong contribution by all Group brands in 2017 – “We’re back on the offensive.”

VOLKSWAGEN
AKTIENGESELLSCHAFT

| | |
|---|---|
| Volkswagen | • “TRANSFORM 2025+” strategy driven forward consistently<br>• Clear improvement in operating profit and margin, successful product initiatives |
| Audi | • Prior-year sales record again exceeded<br>• A8 as first series car in the world developed for conditional automated driving |
| PORSCHE | • One millionth 911 rolls off production line, new Cayenne well received<br>• New records for unit sales, sales revenue and profit |
| ŠKODA | • Success story continues with record unit sales, sales revenue and profit<br>• SUV initiative reinforced by the new Karoq |
| SEAT | • Record sales revenue and significant increase in profit<br>• Powerful model initiative continues with the new Ibiza and Arona |
| VOLKSWAGEN TRUCK & BUS | • Further key steps on the way to becoming global champion<br>• Pioneering role in digitalization reinforced by launch of RIO platform |
| VOLKSWAGEN FINANCIAL SERVICES | • Further record profit makes key contribution to Group’s success<br>• Successful return to the primary market for euro bonds |

# Overview Brand Targets (RoS, RoE)

| Return on Sales in % | 2016 | Target 2017 | | 2017 | Target 2018 | 2020 | 2025 |
|---|---|---|---|---|---|---|---|
| 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[1)] | | 6-7 | | 6.9 | 6-7 | 9[2)] | 9[2)] |
| • Scania | 9.5 | | | | | | |
| • MAN Commercial Vehicles | 2.3 | | | | | | |
| **Return on Equity** (norm. 8%) | **2016** | **Target 2017** | | **2017** | **Target 2018** | **2020** | **2025** |
| Volkswagen Financial Services | 15.6% | 14-16% | | 15.8% | 14-16% | 14-16% | 20% |

[1)] For peer-group analysis: Truck & Bus Business RoS is calculated as the sum of Scania and MAN Commercial Vehicles. [2)] 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[1)]

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

### LEAP TO THE TOP OF ELECTRIC MOBILITY

≥ 4% RoS

- Electric Offensive
- Digital Ecosystem
- Operational Excellence

### MAJOR TRANSFORMATION

≥ 6% RoS

- New Business Models
- New Mobility solutions
- Autonomous Driving

### GLOBAL MARKET LEADER IN AUTOMOBILITY

> 6% RoS

2015 | 2020 | 2025 | 2030

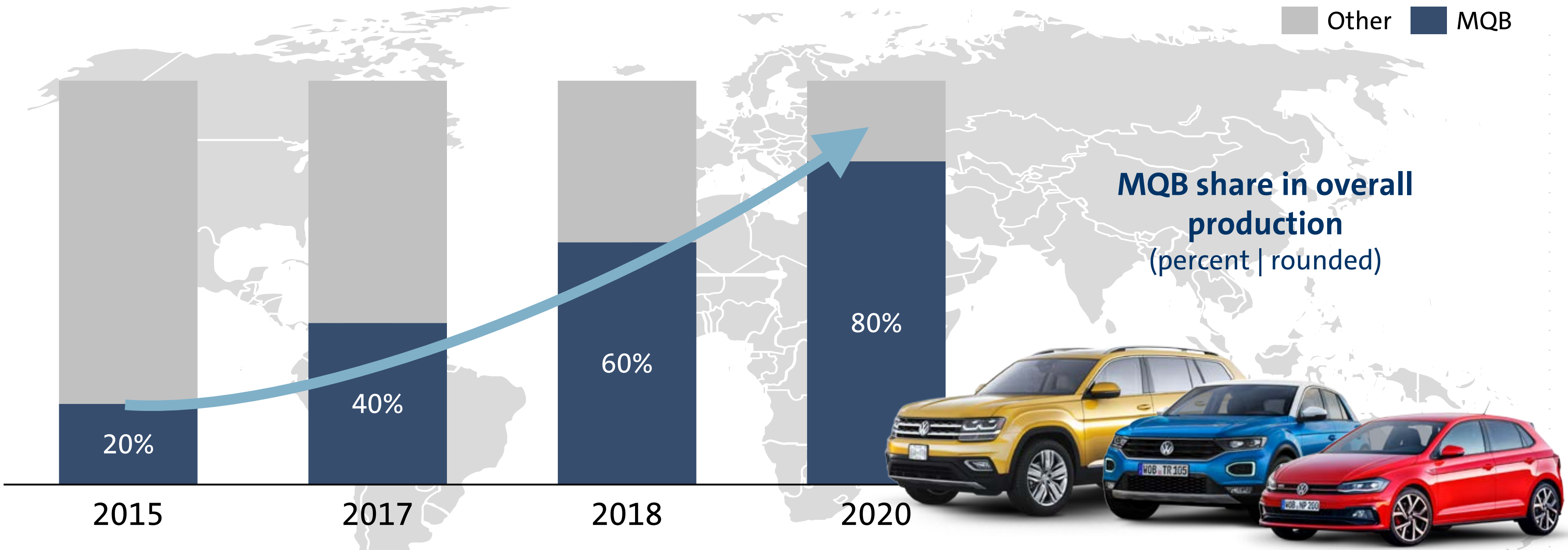
1) Before special items.

# Volkswagen Brand Clear Financial Targets and updated Milestones

| | Forecast 2018 | Target 2020 | Target 2025 |
|---|---|---|---|
| **Sales revenue** | up to +10 % | - | - |
| **Operating return on sales** | 4–5 % | 4–5 % | ≥ 6 % |
| **Capex ratio** | 4–5 % | 4–5 % | 4–5 % |
| **R&D ratio** | ~4 % | 4 % | 4 % |
| **Free cash flow** | Positive operating cash flow[1)] | > € 1 bn | >> € 1 bn |

[1)] 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

| | | Secure the Future |
|---|---|---|
| Working Group 1<br>Production | • Increase of productivity by 25%<br>• Reduction of plant costs | • 4 additional models:<br>2 conventional and 2 MEB vehicles |
| Working Group 2<br>Components | • Increase of productivity by 25%<br>• Discontinuation of unprofitable products | • Investments in:<br>  • Electric drive trains<br>  • Pilot facility battery cell<br>  • Battery system |
| Working Group 3<br>Technical Development | • Reduction of hardware-oriented development work<br>• Increased efficiency in development processes | • Competency/capacity increase in autonomous driving, electrification, connectivity etc. |
| Working Group 4<br>Administration | • Reduction of bureaucracy | • Creation of employment in new business segments |

**Reduction in workforce based on demographic curve[1)]**

[1)] ~ 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.

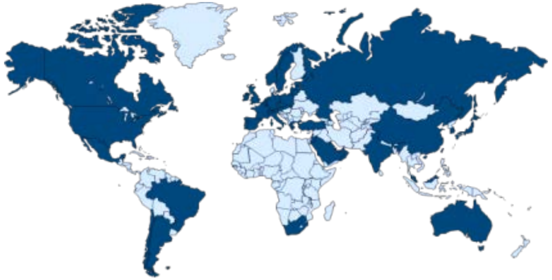
## Project "Next Level"

- 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).
  - Focus on Commercial Vehicles.[1)]
  - IPO is just one of several options.
  - Dependent on capital market conditions & Volkswagen Group strategy.
  - Minority interests legal case outstanding.

[1)] Allocation will be verified as part of creation of new Volkswagen Group structure.

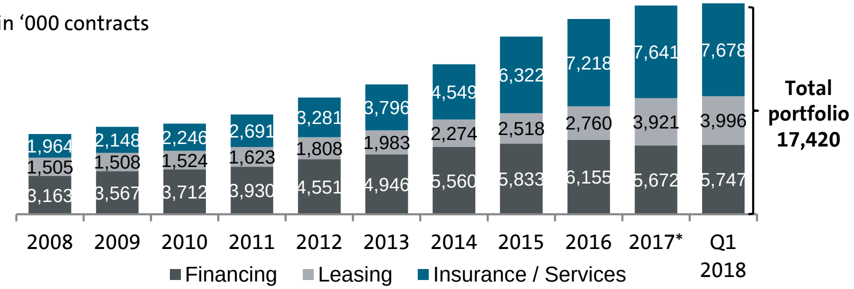
# Volkswagen Financial Services[1]: global, well diversified and successful

## Strong global presence



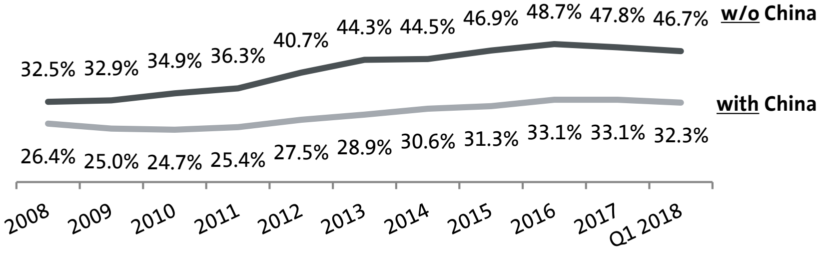
## Continuous portfolio expansion

in '000 contracts

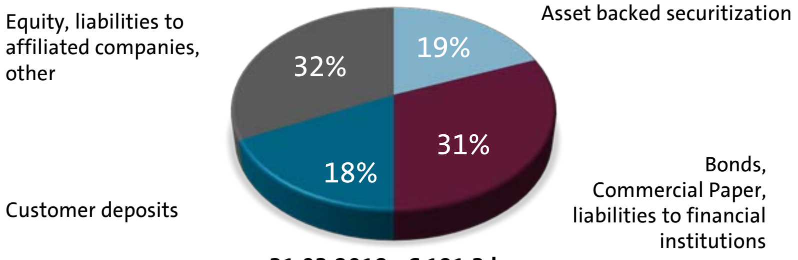



*) Reclassification Finance / Lease contracts

## Rising penetration rates




## Diversified funding structure

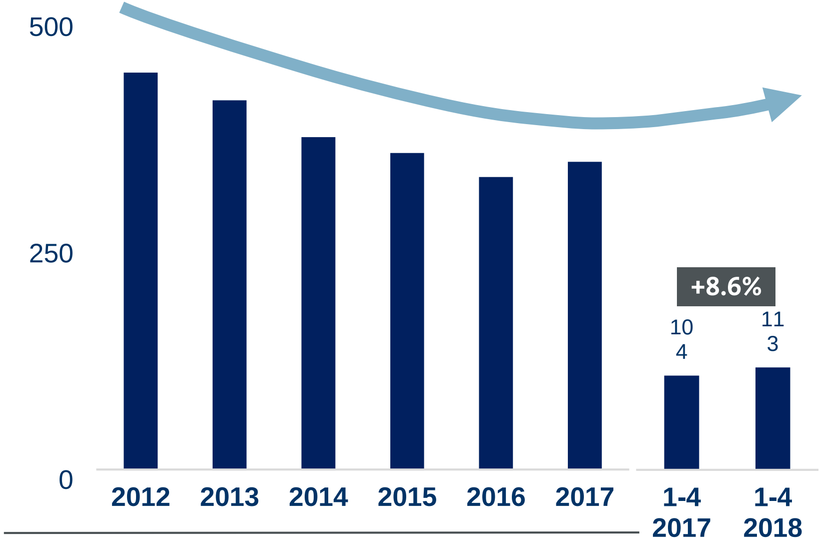



**31.03.2018: € 191.3 bn**

[1] Excl. activities of Scania and Porsche Holding Salzburg; incl. Financial Services of Porsche AG and MAN Financial Services.

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

## Deliveries to US customers, '000' units




| Market Share % | 3.0 | 2.6 | 2.2 | 2.0 | 1.8 | 2.0 |
|---|---|---|---|---|---|---|

**SUV offensive #1** — **2017**


Atlas


Tiguan


Refreshed Golf

**New Sedans** — **2018-19**


Jetta


Passat


Arteon

**SUV offensive #2** — **2019-21**


Midsize SUV 5s


Compact SUV


ID Crozz

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

## Product offensive in South America

Polo G

Virtus

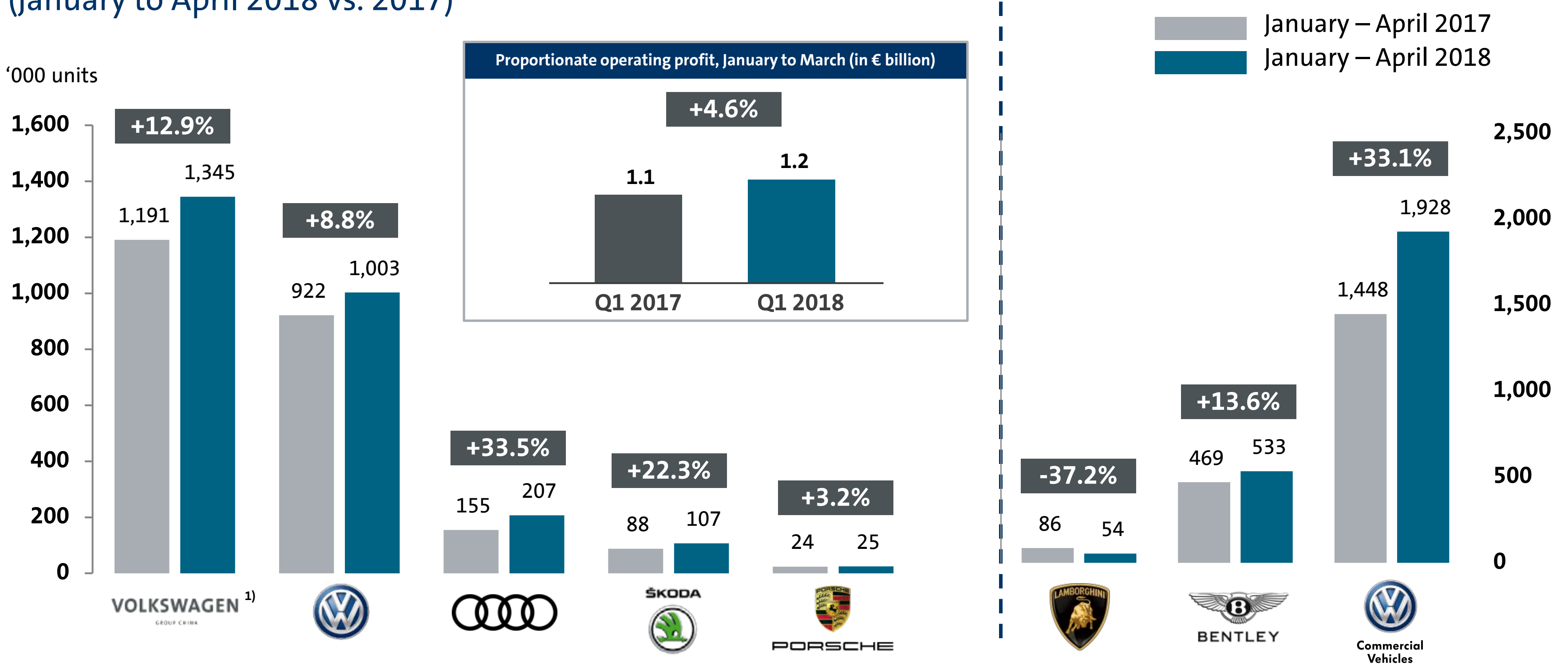
Small SUV Global

## 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 April 2018 vs. 2017)




1) 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[1] and NEV Credit System

- Independent calculation of **CAFC[1] and NEV credits**
- Companies need to fulfill **both requirements**

**CAFC[1] 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[1] credits to NEV credits
- No Carry-over except for year 2016 and 2019
- Free Trading of NEV credits allowed

## MIIT[2] for NEV Credit Calculation

**min. NEV credit points = ICE[3] Volume x NEV credit point ratio**

| 2018 | 2019 | 2020 |
|---|---|---|
| None | 10% | 12% |


**Example 2019:**
**1 million ICEs need 100,000 NEV credit points**

**NEV Credit Point Attribution per NEV Type**

**BEV[4]: Basic credit = 0.012 x Range + 0.8 (max. 5 basic credits)**
BEV additional factor for low electric consumption up to 1.2

**PHEV[5]: Basic credit = 2 (min. e-Range 50km)**
PHEV credit = 1 if e-range 50-80km and consumption under B-Test ≥70% ICE; or e-range ≥ 80km but high electric consumption

[1] CAFC – Corporate Average Fuel Consumption [2] MIIT – Ministry of Industry and Information Technology [3] ICE – Internal Combustion Engine [4] BEV – Battery Electric Vehicle [5] 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

### 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

+

+

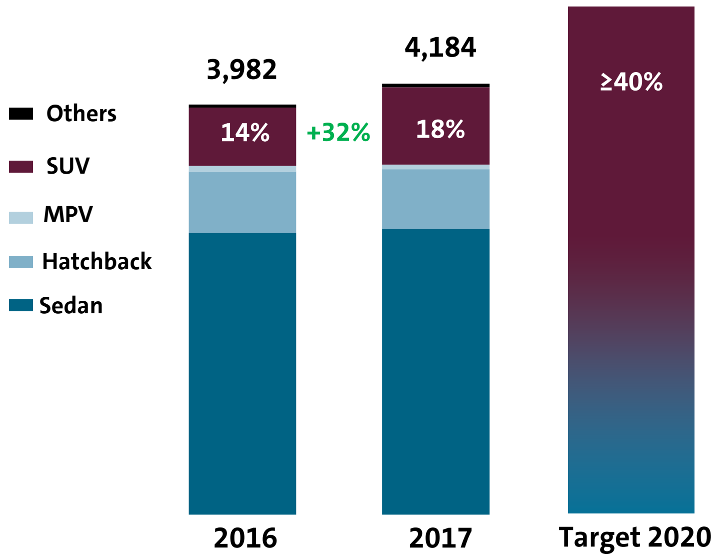
## Mass market BEV cooperation

VOLKSWAGEN GROUP CHINA JAC 江淮汽车

# New product offering with an expanded SUV line-up 1)

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

### Volkswagen Group




## SUV offensive of Volkswagen Group China


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


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

ŠKODA


**3** new ŠKODA SUVs **in 2018**

1) Source: IHS. 2) Schematic overview – does not show all models.

# Special Items: Diesel related and other

| (€ bn) | Diesel | | Other | | Total |
|---|---|---|---|---|---|
| 2015 | Legal | 7.0 | Restructuring: | | |
| | Other items | 9.2 | Truck Business | 0.2 | |
| | | | Passenger Cars South America | 0.2 | |
| | | | Airbags Takata | 0.3 | |
| | | **16.2** | | **0.7** | **16.9** |
| 2016 | | | Scania Anti-Trust Proceedings | 0.4 | |
| | Mainly legal risks | **6.4** | Others | 0.7 | |
| | | | | **1.1** | **7.5** |
| 2017 | Buyback/retrofit program | 2.2 | | | |
| | Legal | 1.0 | | | |
| | | **3.2** | | | **3.2** |
| Total to date | | **25.8** | | **1.8** | **27.6** |

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 € 0.8 bn in Q1 2018.

# Resolving the diesel crisis: Substantial progress in all markets

**Worldwide recall/service campaigns driven forward:**

Software Flashes in Germany currently 94% complete; Substantial progress also in Europe (76%) and worldwide (69%)

**Major progress in modifications in North America:**

On target for modifications/buybacks for 2.0 liter TDI engines; field fix started for 3.0 liter TDI engines

**Group environmental incentive makes significant contribution to improving air quality in German cities:**

More than 200,000 customers already decided to switch to environmentally friendly vehicles

**Electrify America underway:**

Investment plan for zero emissions vehicles (ZEV) approved by authorities

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

Status: 3rd May 2018

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

## Strategy

**Principle 1**
Integrity and compliance is central to business strategy

## Risk Management

**Principle 2**
Integrity and compliance risks are identified, owned, managed and mitigated

## Culture of Integrity

**Principle 3**
Leaders at all levels across the organization build and sustain a culture of integrity

## Speak-up Environment

**Principle 4**
The organization encourages, protects and values the reporting of concerns and suspected wrong-doing

## Resolute Accountability

**Principle 5**
The organization takes action and holds itself accountable when wrongdoing occurs

INTEGRITY & COMPLIANCE
PROGRAM

# New corporate culture: Change is happening

**Sustainable strengthening of compliance systems taking effect**

- Substantial progress in improving processes, structures and policies
- Zero tolerance of violations of values

**Focus on values, integrity and Code of Collaboration becoming firmly rooted in corporate culture**

- Volkswagen Convention: Training for 7,600 managers and works council members on integrity, culture and compliance
- Group-wide management development with new requirement profiles launched
- Role model program helps to implement change by example

# 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
- Implementation Future Pact Brand Volkswagen
- Cash Generation and Capex/R&D discipline

## Transformation towards more E-Mobility

- $CO_2$ Compliance / WLTP implementation
- Profitability of Electric Vehicles
- Governance / Compliance / Culture

## Strengthen Innovation Power

- Digitalization & Connectivity
- Profitable Mobility Services

# Investor Relations Team

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The official website of Volkswagen Group Investor Relations. Company topics, brandchannels, innovation and informations.

VOLKSWAGEN

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# Shaping the transformation together.

## Appendix

# Volkswagen Group – Key Credit Ratings

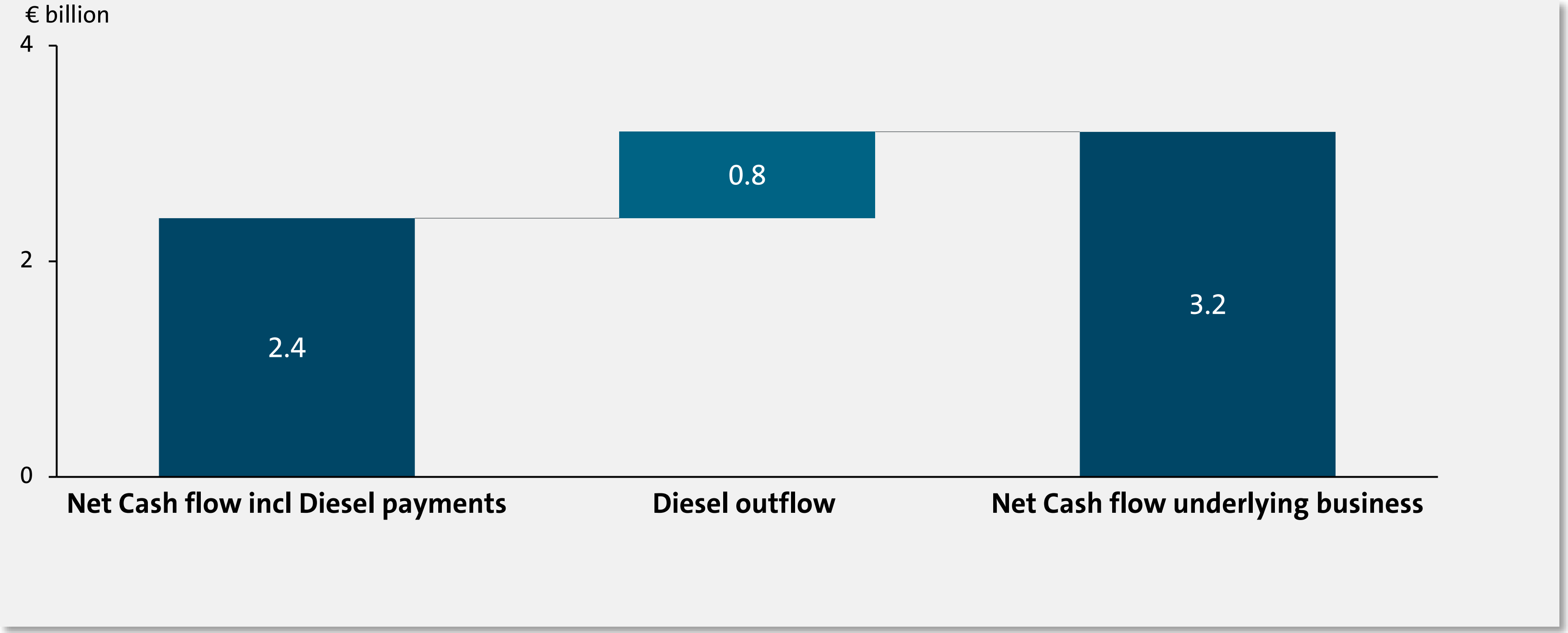
**Current Ratings[1)]**

| | S&P Global Long Term | S&P Global Short Term | Moody's Long Term | Moody's 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 | A3 | P-1 |
| | Outlook[2)] Stable (*Negative) | | Outlook[2)] Stable | |

[1)] as of May 16, 2018
[2)] Outlook change from Negative to Stable: S&P November 6 2017 (excluding VW Bank GmbH); Moody's March 19 2018

# ‘Best ever’ Automotive Division Net Cash Flow (ex Diesel payments)[1)]

## (January to March 2018)




[1)] Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

# Volkswagen Group – Key Financial Figures[1)]

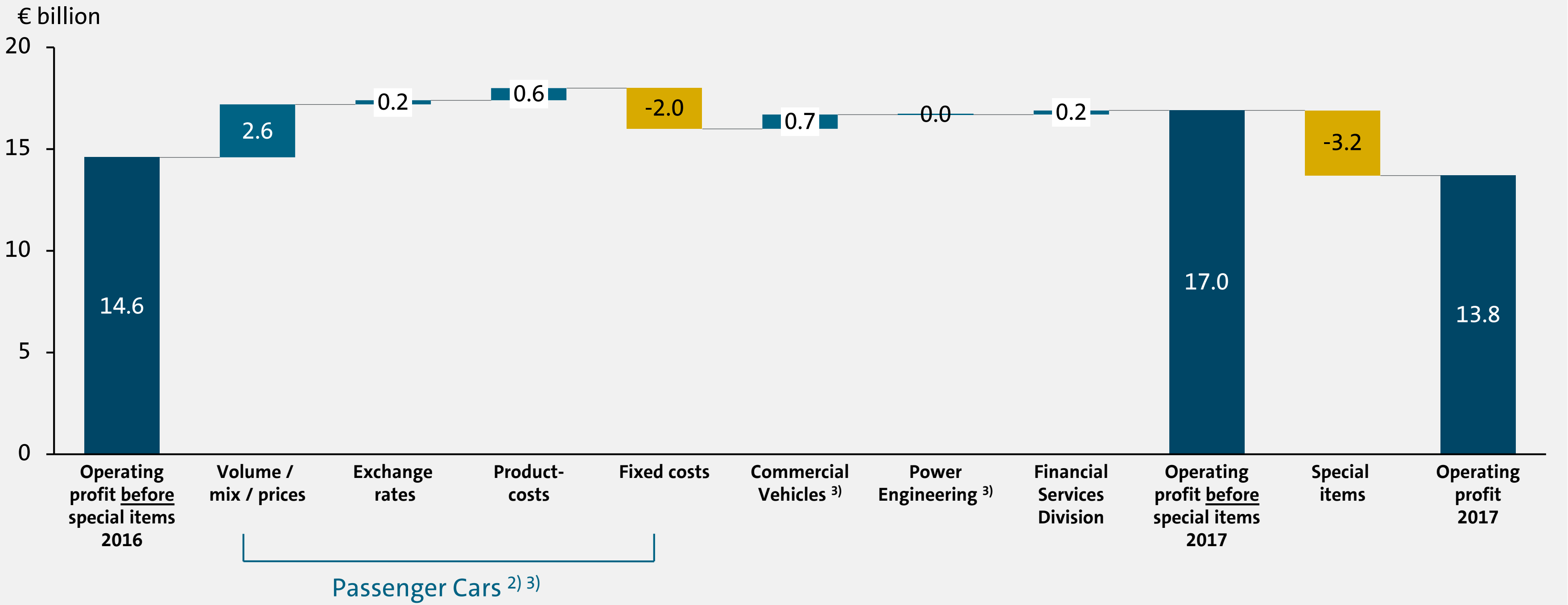
## (January to December 2017 vs. 2016)

| Thousand vehicles / € million | 2017 | 2016 | +/- (%) |
|---|---|---|---|
| Vehicle Sales[2)] | 10,777 | 10,391 | +3.7 |
| Sales revenue | 230,682 | 217,267 | +6.2 |
| Operating profit before Special Items | 17,041 | 14,623 | +16.5 |
| *% of sales revenue* | *7.4* | *6.7* | |
| Operating profit | 13,818 | 7,103 | +94.5 |
| *% of sales revenue* | *6.0* | *3.3* | |
| Financial result[2)] | 94 | 189 | X |
| Profit before tax | 13,913 | 7,292 | +90.8 |
| *% Return on sales before tax* | *6.0* | *3.4* | |
| Profit after tax | 11,638 | 5,379 | X |

[1)] All figures shown are rounded, so minor discrepancies may arise from addition of these amounts. Incl. allocation of consolidation adjustments between the Automotive and Financial Services divisions.
[2)] Volume data incl. 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 €4.7 billion (€5.0 billion).

# Volkswagen Group – Analysis of Operating Profit[1)]

## (January to December 2017 vs. 2016)




1) All figures shown are rounded, minor discrepancies may arise from addition of these amounts. 2) without FS. 3) incl.PPA.

# Volkswagen Group – Analysis by Business Line[1)]

## (January to December 2017 vs. 2016)

| Thousand vehicles/ € million | Vehicle sales | | Sales revenue | | Operating profit | | Margin | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Volkswagen Passenger Cars[2)] | 3,573 | 4,347 | 79,979 | 105,651 | 3,301 | 1,869 | 4.1% | 1.8% |
| Audi | 1,530 | 1,534 | 60,128 | 59,317 | 5,058 | 4,846 | 8.4% | 8.2% |
| ŠKODA | 937 | 814 | 16,559 | 13,705 | 1,611 | 1,197 | 9.7% | 8.7% |
| SEAT | 595 | 548 | 9,892 | 8,894 | 191 | 153 | 1.9% | 1.7% |
| Bentley | 11 | 11 | 1,843 | 2,031 | 55 | 112 | 3.0% | 5.5% |
| Porsche Automotive[3)] | 248 | 239 | 21,674 | 20,710 | 4,003 | 3,733 | 18.5% | 18.0% |
| Volkswagen Commercial Vehicles | 498 | 478 | 11,909 | 11,120 | 853 | 455 | 7.2% | 4.1% |
| Scania[4)] | 92 | 83 | 12,789 | 11,303 | 1,289 | 1,072 | 10.1% | 9.5% |
| MAN Commercial Vehicles | 114 | 102 | 11,087 | 10,005 | 362 | 230 | 3.3% | 2.3% |
| MAN Power Engineering | - | - | 3,283 | 3,593 | 193 | 194 | 5.9% | 5.4% |
| VW China[5)] | 4,020 | 3,873 | - | - | - | - | - | |
| Other[6)] | -840 | -1,638 | -30,288 | -56,617 | -2,335 | -1,343 | - | |
| Volkswagen Financial Services[7)] | - | - | 31,826 | 27,554 | 2,460 | 2,105 | - | |
| **Volkswagen Group before Special Items** | - | - | - | - | **17,041** | **14,623** | **7.4%** | **6.7%** |
| Special Items | - | - | - | - | -3,222 | -7,520 | - | |
| **Volkswagen Group** | **10,777** | **10,391** | **230,682** | **217,267** | **13,818** | **7,103** | **-** | |
| Automotive Division[8)] | 10,777 | 10,391 | 196,949 | 186,016 | 11,146 | 4,668 | - | |
| of which: Passenger Cars | 10,077 | 9,729 | 158,466 | 150,343 | 9,309 | 4,167 | - | |
| of which: Commercial Vehicles | 700 | 662 | 35,200 | 32,080 | 1,892 | 718 | - | |
| of which: Power Engineering | - | - | 3,283 | 3,593 | -55 | -217 | - | |
| Financial Services Division | - | - | 33,733 | 31,251 | 2,673 | 2,435 | - | |

[1)] All figures shown are rounded, minor discrepancies may arise from addition of these amounts. [2)] 2017 figures take account of the reclassification of companies; prior-year figures were not adjusted. [3)] Porsche (Automotive and Financial Services): sales revenue €23,491 (22,318) million, operating profit €4,144 (3,877 million). [4)] Incl. financial services. [5)] 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 €4,746 (4,956) million. [6)] Prior year adjusted. 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. [7)] Starting January 1, 2017, Porsche's financial services business is reported as part of Volkswagen Financial Services. Prior-year figures were not adjusted. [8)] Incl. allocation of consolidation adjustments between the Automotive and Financial Services divisions.

# What‘s new with WLTP?

more realistic driving behaviour

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

longer test distances

more dynamic and representative accelerations and decelerations

higher average and maximum speeds

higher average and maximum drive power

shorter stops

more realistic ambient temperatures, closer to the European average

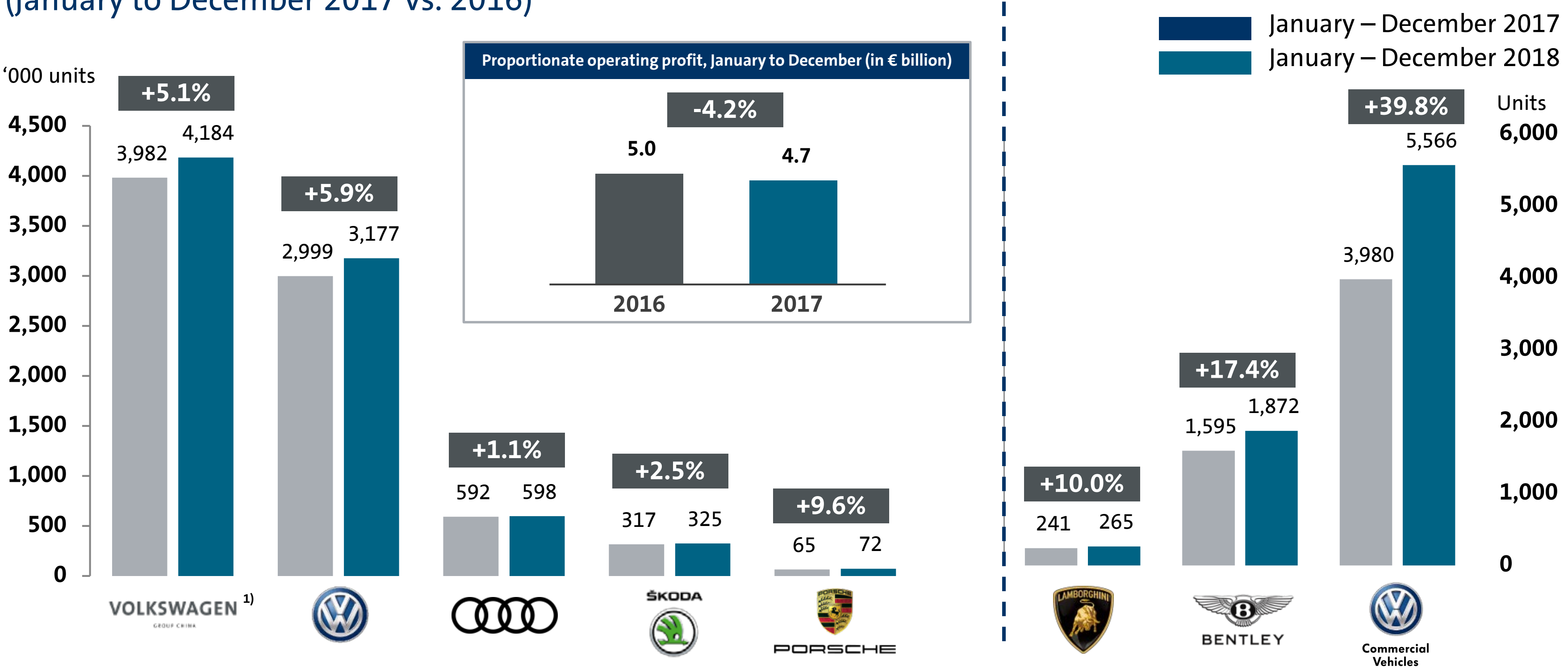
stricter car set-up and measurement conditions

optional equipment: $CO_2$ values and fuel consumption have to be provided for individual vehicles as built

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

# Volkswagen Group China performance

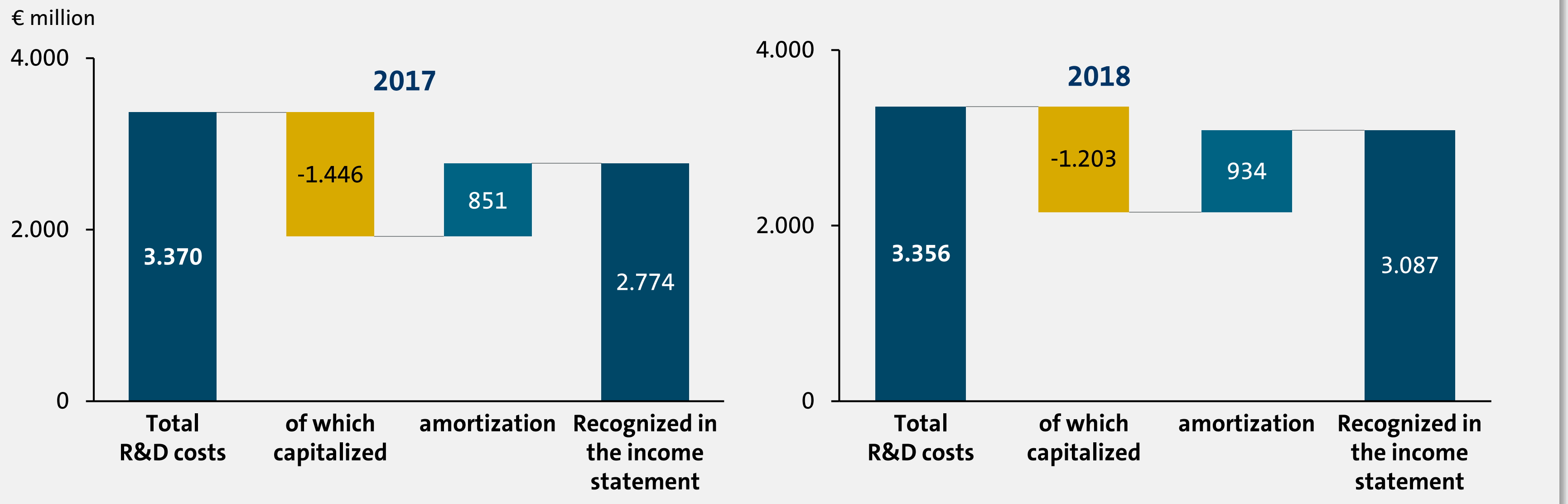
## (January to December 2017 vs. 2016)



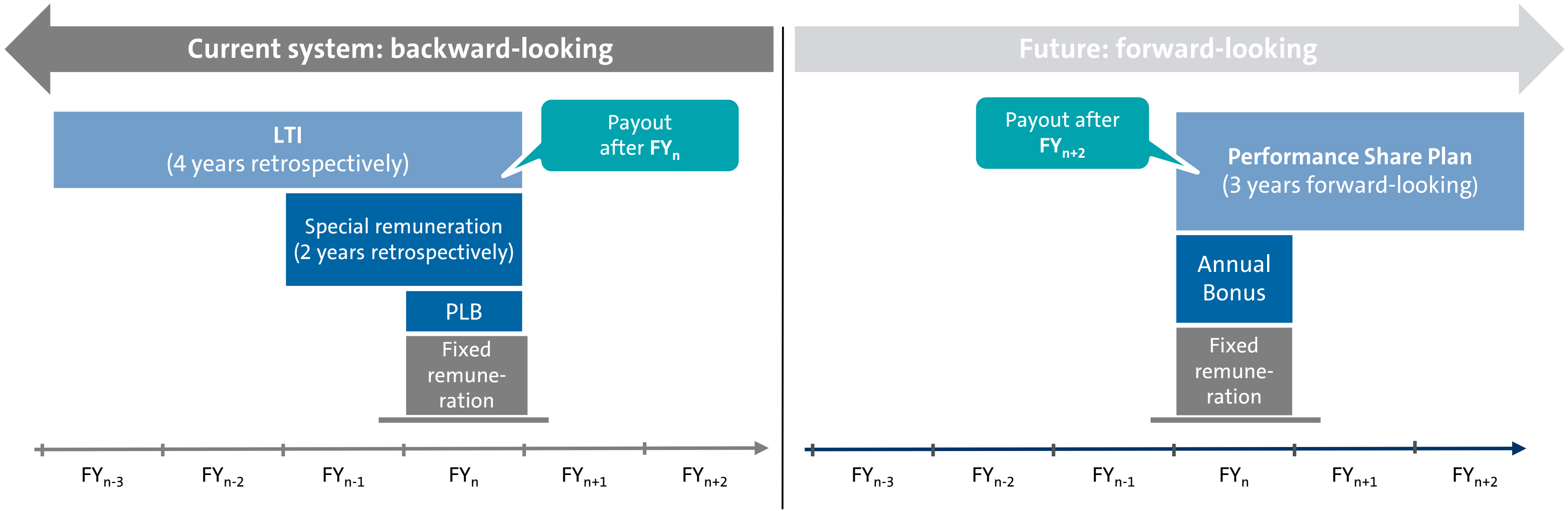

1) Incl. Hong Kong, excl. Ducati. Group numbers incl. Volkswagen Commercial Vehicles, Scania and MAN.

# Automotive Division – Research and Development Costs

## (January to March 2018 vs. 2017)



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




**Adjusted recommendation of no. 4.2.3 sec. 2 German Corporate Governance Code**

"Variable remuneration components shall generally be based on a multi-year assessment, **which shall be materially related to the future.**"

Volkswagen AG

**Ulrich Hauswaldt – Group Investor Relations**
**Martin Büdke – Capital Markets & Rating**

Volkswagen Financial Services

**Bernd Bode – Head of Group Treasury and Investor Relations**

**Katja Hauer – Investor Relations**

VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

# Creating Value with Financial Services


## Bernd Bode

Volkswagen Financial Services


UniCredit Automotive Credit Conference, London, 06 - 07 June 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 relating to the development of the economies of individual countries, and in particular of the automotive industry, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. The estimates given involve a degree of risk, and the actual developments may differ from those forecast. 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 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.

Volkswagen Financial Services are a business division of the Volkswagen AG group of companies and comprise as at 01.09.2017 Volkswagen Financial Services AG along with its associated companies, Volkswagen Bank GmbH, Porsche Financial Services, and the financial services companies in the USA, Canada, and Spain that belong directly or indirectly to Volkswagen AG – with the exception of the financial services of the Scania brand and Porsche Holding Salzburg.

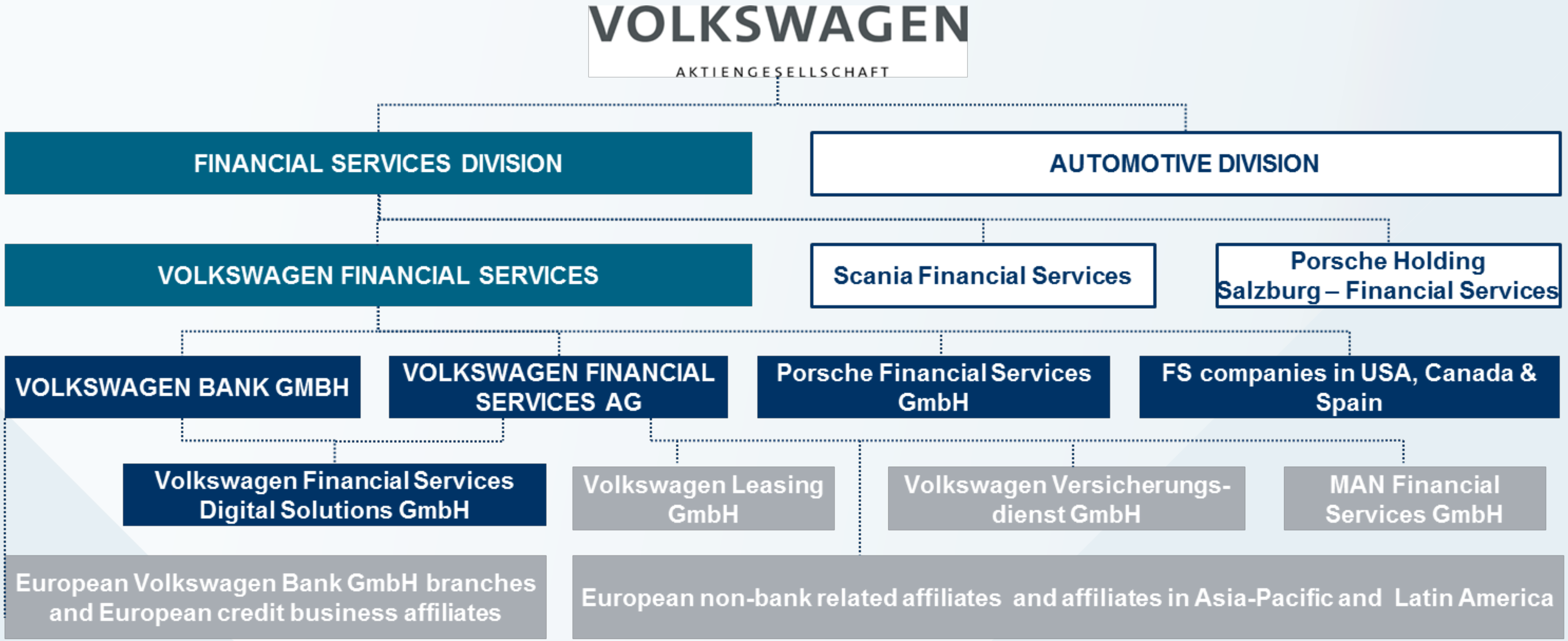
Under the brand “Volkswagen Financial Services – the key to mobility“ the subsidiaries of Volkswagen Financial Services AG as well as its sister company Volkswagen Bank GmbH render various services under the joint brand "Volkswagen Financial Services". Such services are banking services (through Volkswagen 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 | Super Premium | Truck & Bus | Procurement/ Components | Financial Services | China |
|---|---|---|---|---|---|---|
| VW | Audi | Porsche | MAN | Procurement | VOLKSWAGEN FINANCIAL SERVICES | 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

# Group Structure of Volkswagen Financial Services



# At a Glance (12/31/2017)

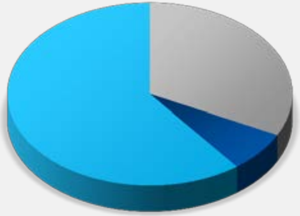
| Volkswagen Bank GmbH | |
|---|---|
| Total assets | € 78.7 bn |
| Equity | € 11.3 bn |
| Customer deposits | € 33.6 bn |
| Operating profit | € 994 m |
| Employees | 3,645 |
| Contracts (units) | 5.5 m |

## Business Volume* € 64.7 bn


*Receivables + Leased Assets

| Volkswagen Financial Services AG | |
|---|---|
| Total assets | € 69.0 bn |
| Equity | € 7.6 bn |
| Customer deposits | € 69 m |
| Operating profit | € 609 m |
| Employees | 5,023 |
| Contracts (units) | 8.5 m |

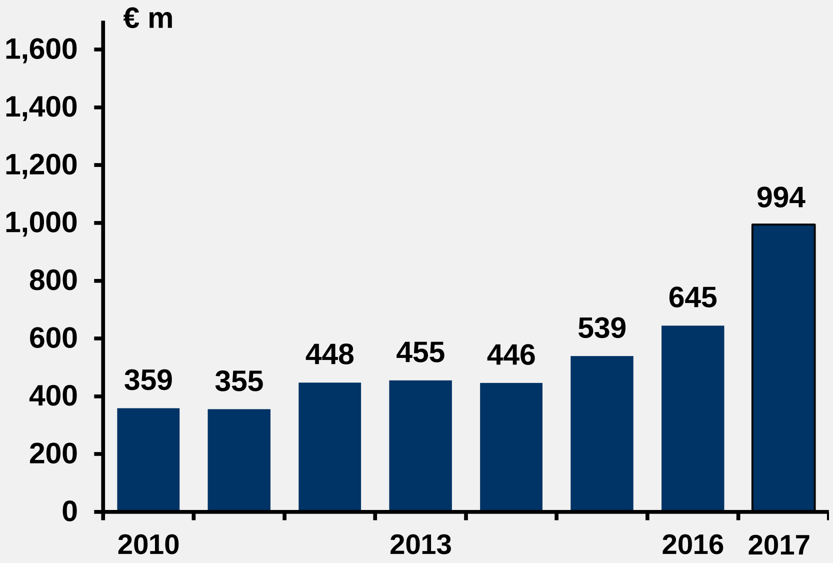
## Business Volume* € 50.3 bn



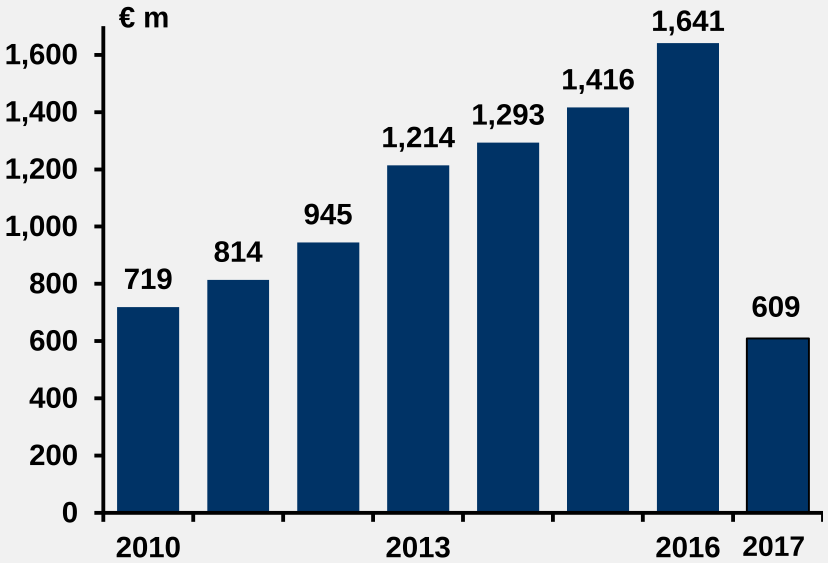

*Receivables + Leased Assets

# Operating income

## Volkswagen Bank GmbH




## Volkswagen Financial Services AG*

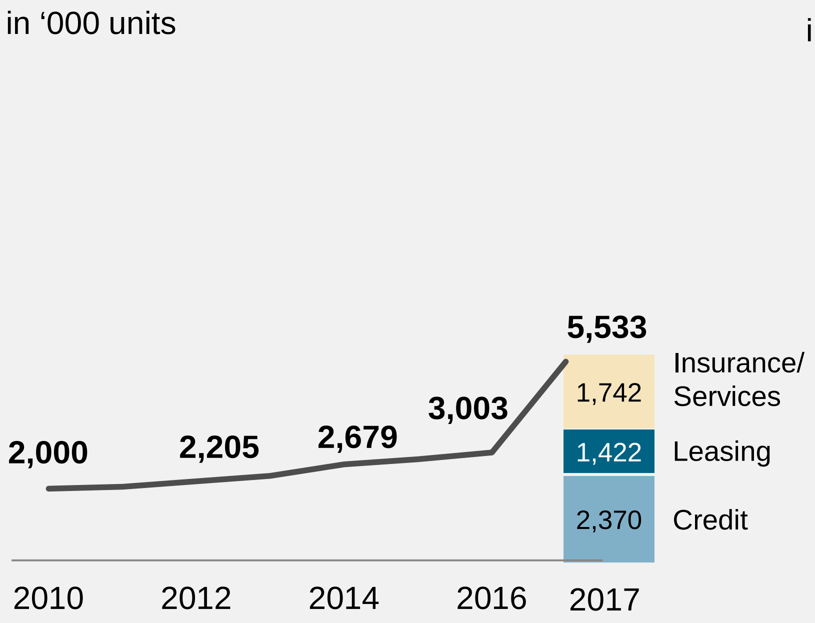



* Figures of Volkswagen Bank GmbH consolidated within Volkswagen Financial Services AG until 2016

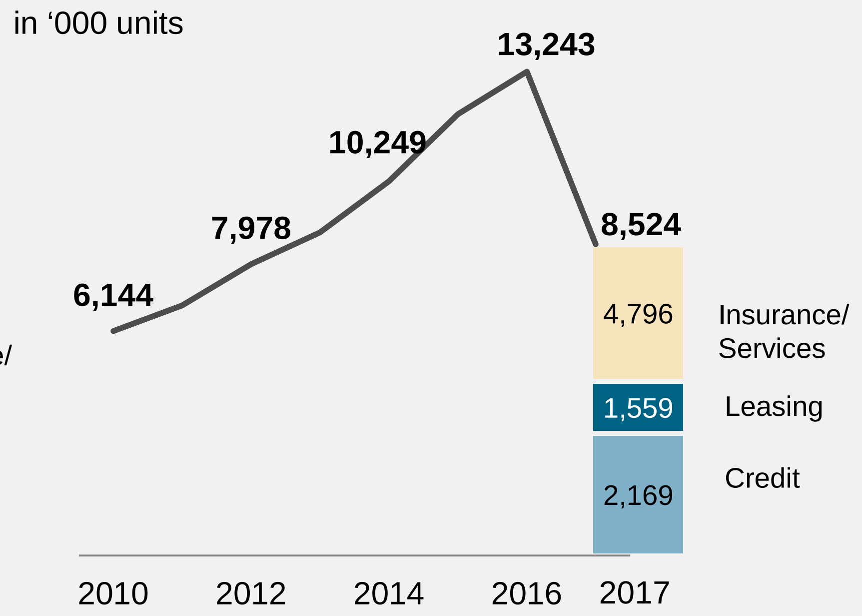
# Contract Portfolio

## Continuous portfolio expansion

### Volkswagen Bank GmbH




### Volkswagen Financial Services AG*




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

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

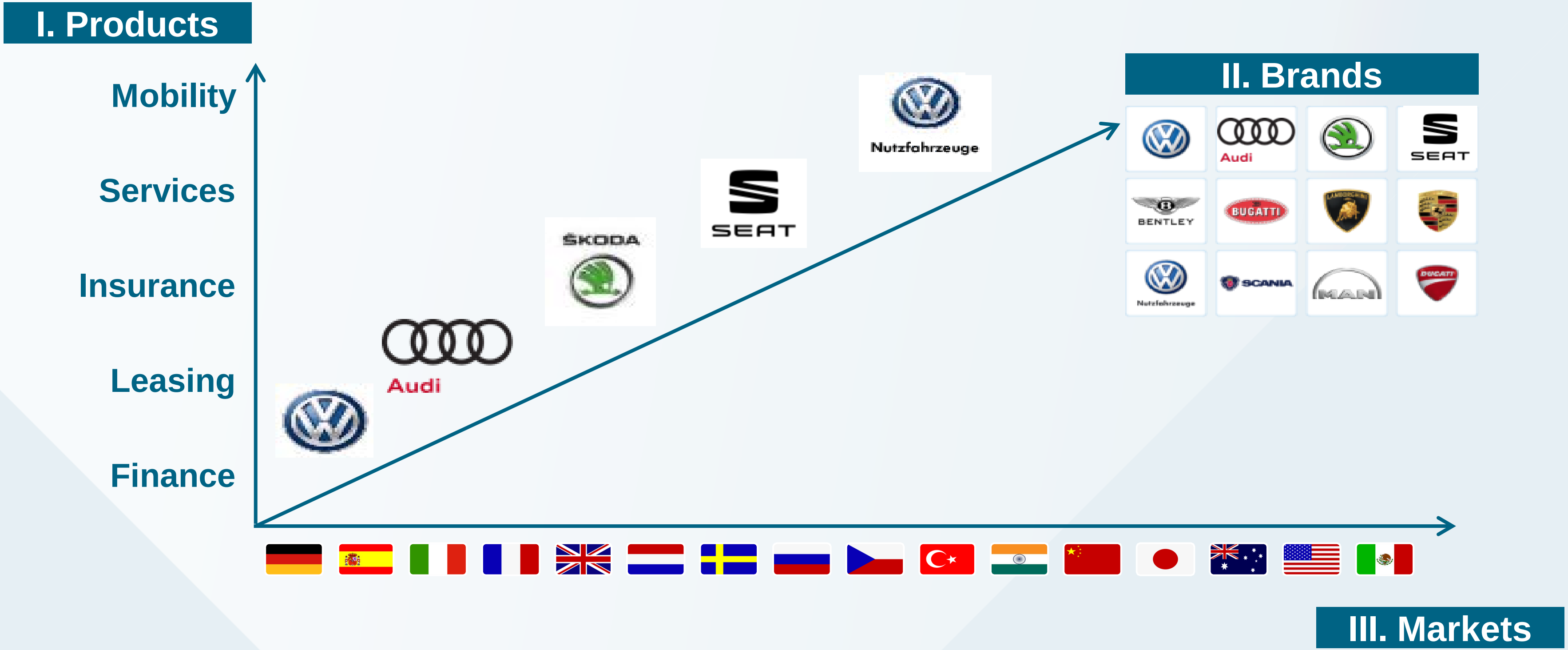
## Volkswagen Financial Services

| BANK | | LEASING | INSURANCE | MOBILITY | | | | | PAYMENT |
|---|---|---|---|---|---|---|---|---|---|
| **Bank** | **Direct Bank** | **Leasing** | **Insurance** | **Services** | **Fleet Management** | **Charge & Fuel** | **Rental** | **Parking** | **Payment** |
| • Retail Financing<br>• Wholesale Financing<br>• Factoring | • Deposits<br>• Instalment Credit<br>• Investment Products | • Finance Lease<br>• Operating Lease | • Motor Insurance<br>• Warranty Insurance<br>• GAP Insurance<br>• Credit Protection Insurance<br>• Industry | • Service & Full and Limited Mainte-nance<br>• Tyres | • Multi-brand capability<br>• Reporting<br>• Fleet Consulting<br>• Telematics<br>• LifeCycle Services | • Fuel and Service Cards<br>• Charge & Fuel Card | • Long- term Rental<br>• Short-term Rental<br>• Micro Rental<br>• Car sharing | • Payment for parking space<br>• Services around parking<br>• On- and off-street solution | • Payment platform<br>• Mobile Payments<br>• Mobile Wallet |

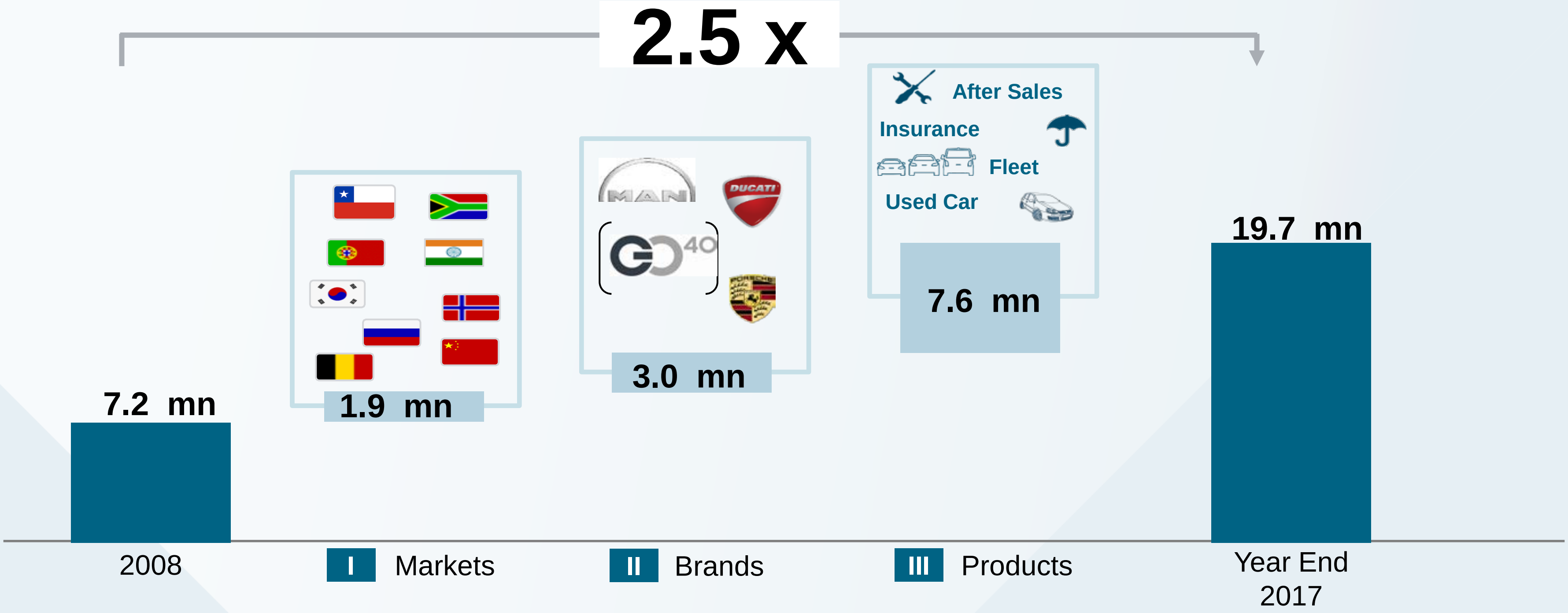
*Displayed portfolio depends on the market; products offered or mediated by different operative subsidiaries.

**Frequency of customer contact**

# Over the last years we have consequently implemented our growth strategy

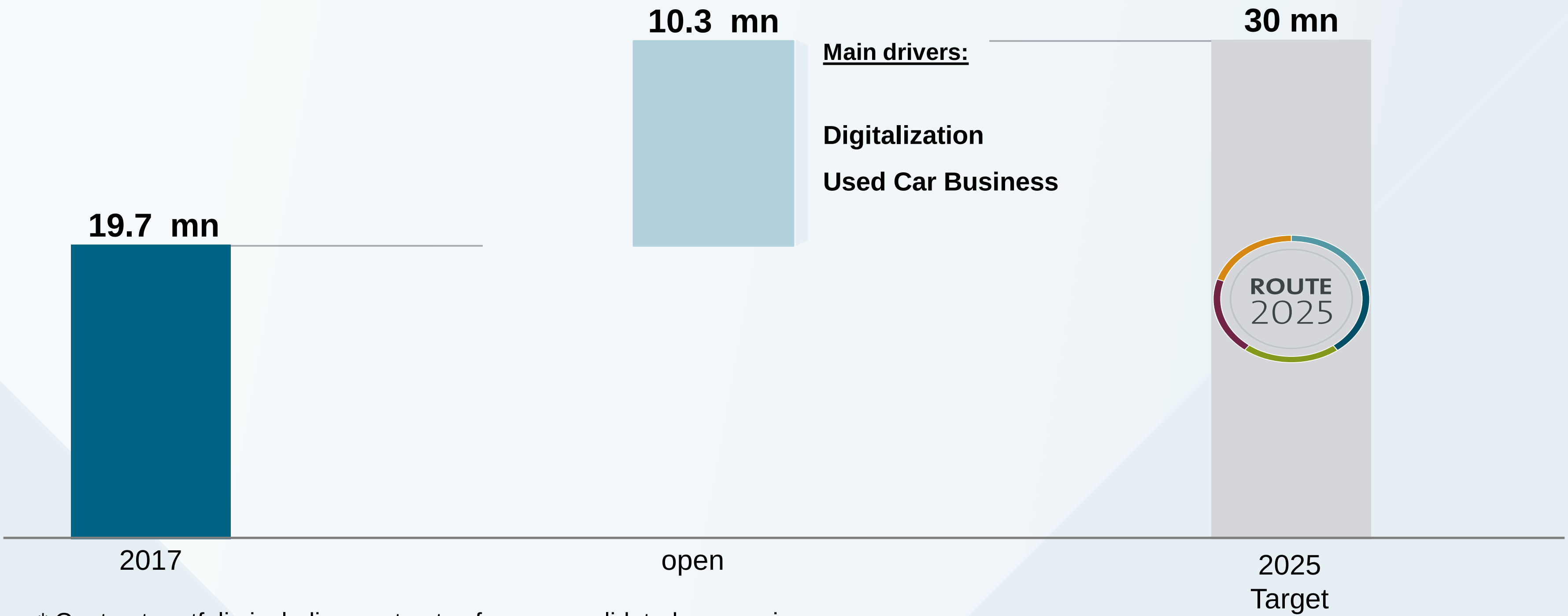


# With amazing results: Volkswagen Financial Services has more than doubled its contract portfolio* since 2008!




* Contract portfolio including contracts of non-consolidated companies

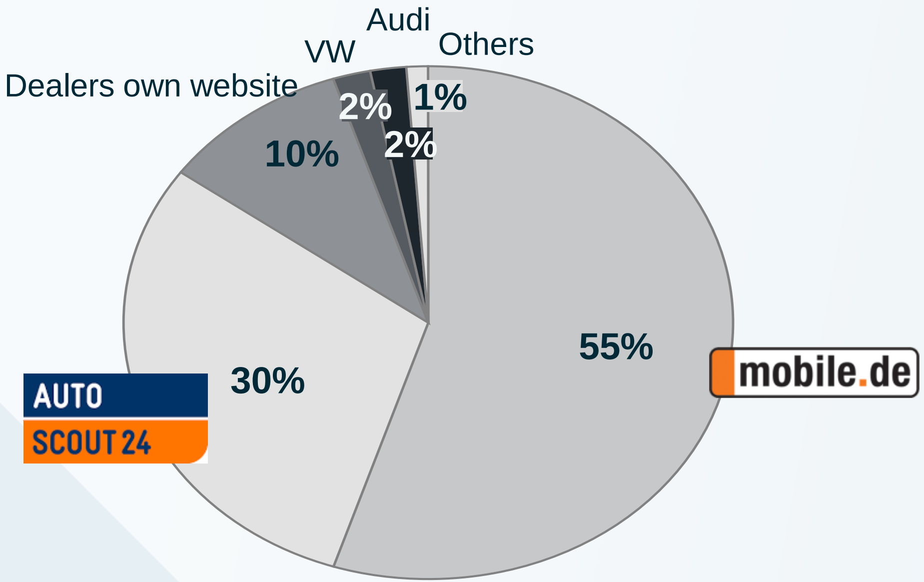
# ROUTE 2025 - Target of 30 mn contracts* in portfolio in 2025




* Contract portfolio including contracts of non-consolidated companies

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

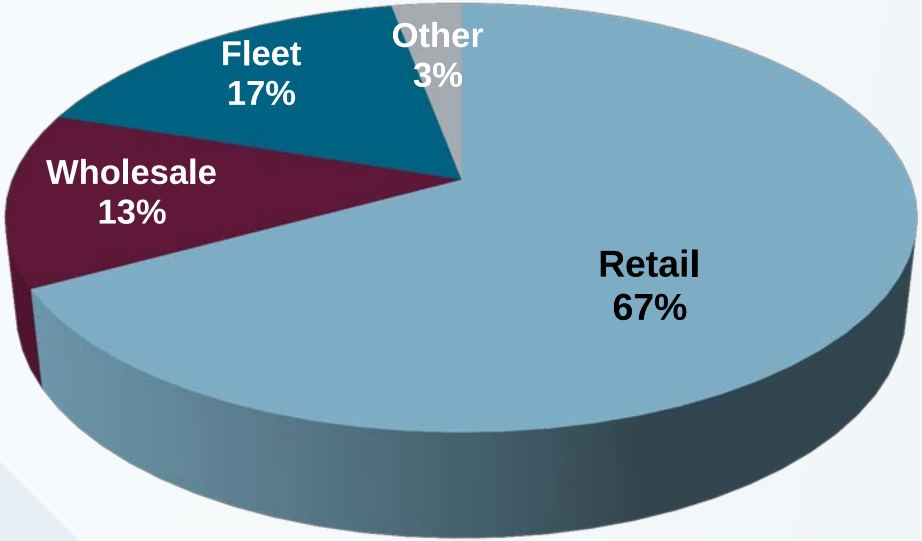
## Online share of trades




- 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**

# Portfolio Structure and Risk Types of Volkswagen Financial Services




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

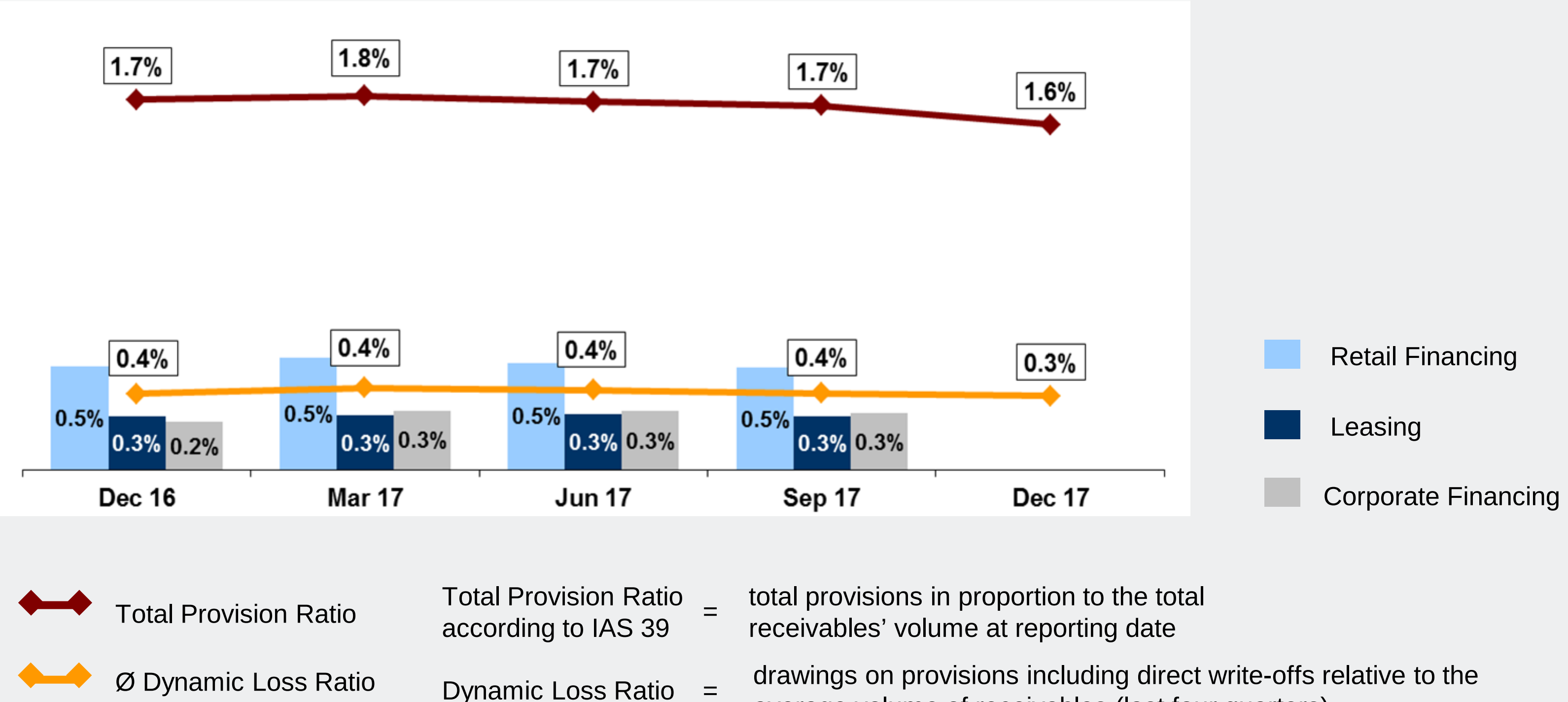
**Other substantial risk types:**

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

**… focused business model, conservative risk profile, no adventures.**

as of 12/31/2017

# Volkswagen Financial Services – Credit risks as of 31.12.2017




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

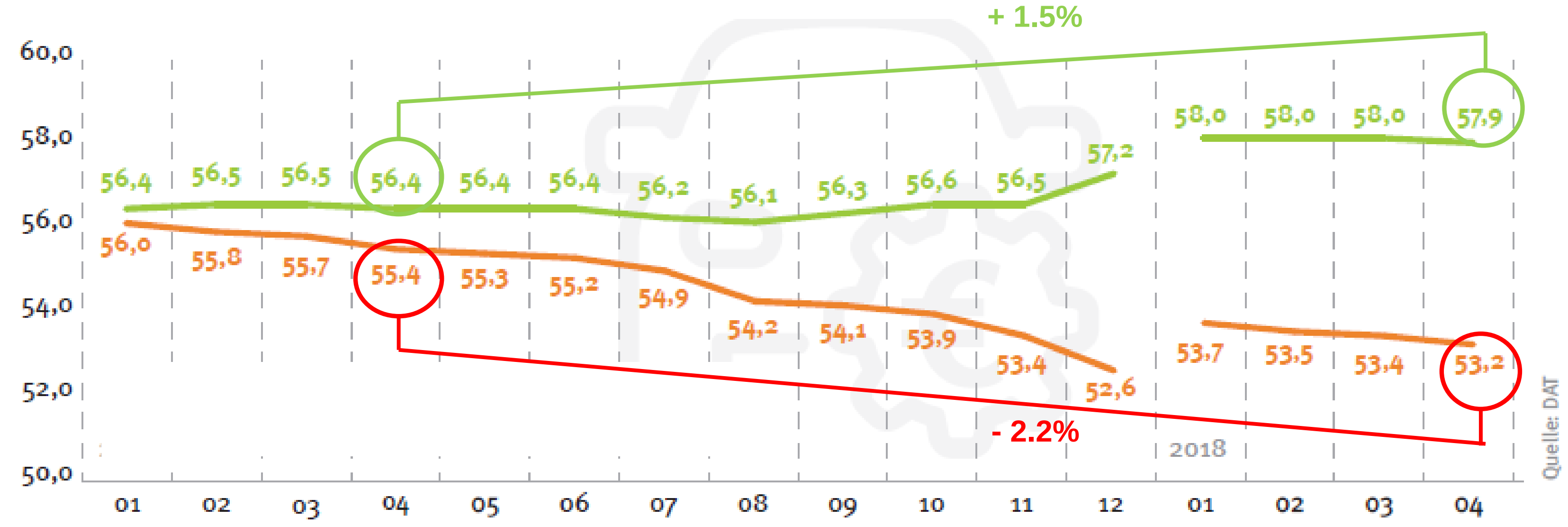
Dynamic Loss Ratio = drawings on provisions including direct write-offs relative to the average volume of receivables (last four quarters)

# Report by Deutsche Automobil Treuhand (April 18)

## Residual Value Development from list price in %

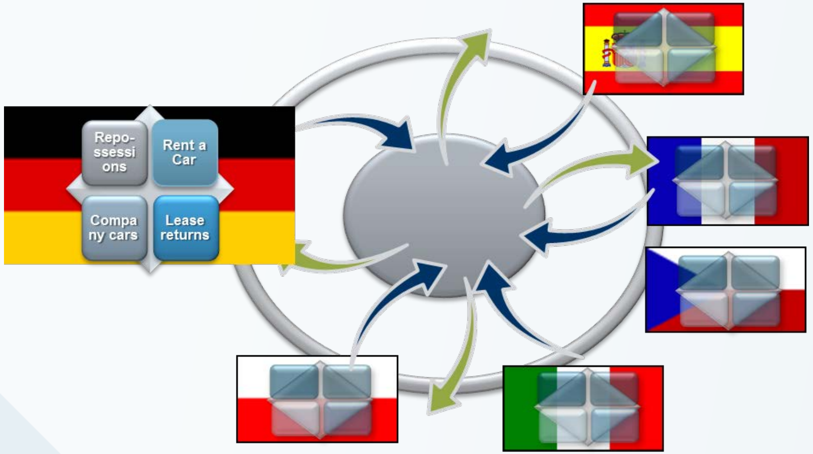
All segments and brands, 3 year old cars, mileage: 15/20k p.a.

Petrol Diesel




- Residual values of three year old used cars with diesel engine slightly decreased by -2.2% yoy.
- Residual values of three year old used cars with petrol engine increased by +1.5 % yoy.

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



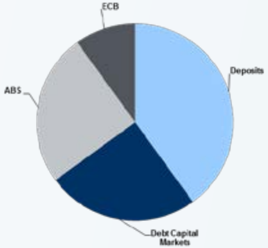

- Currently 8 VW FS AG countries participating
- 2 additional countries in discussion

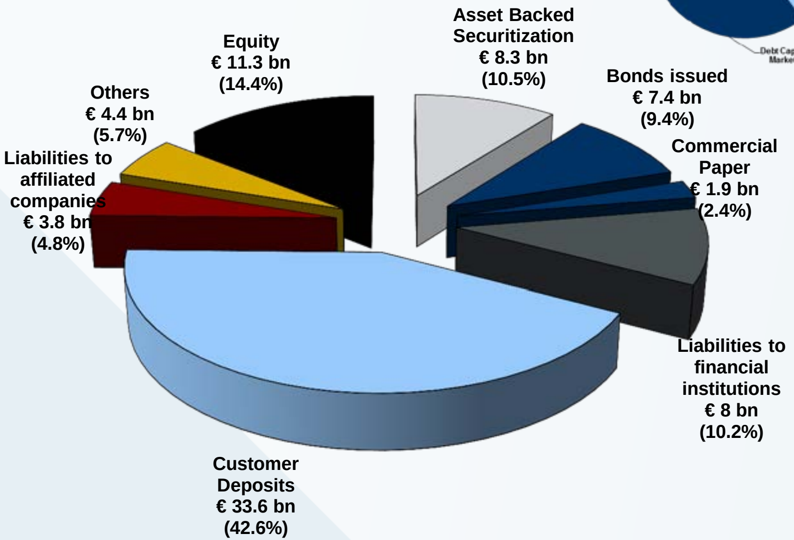
# Strategic Funding Allocation as of 31 December 2017

## Volkswagen Bank GmbH

### Total € 78.7 bn

### Strategic Funding Mix

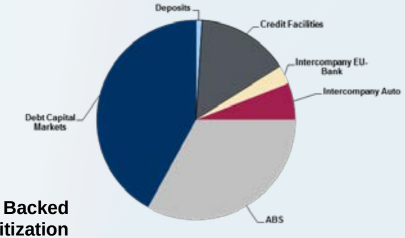


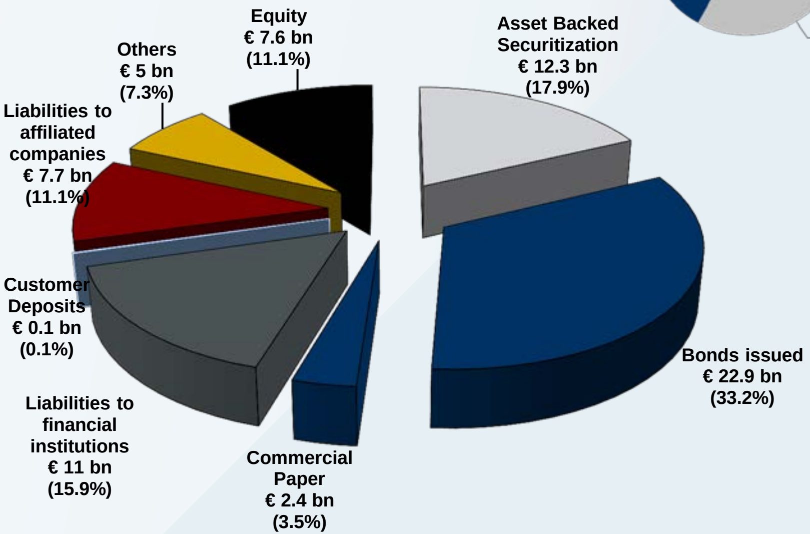




## Volkswagen Financial Services AG

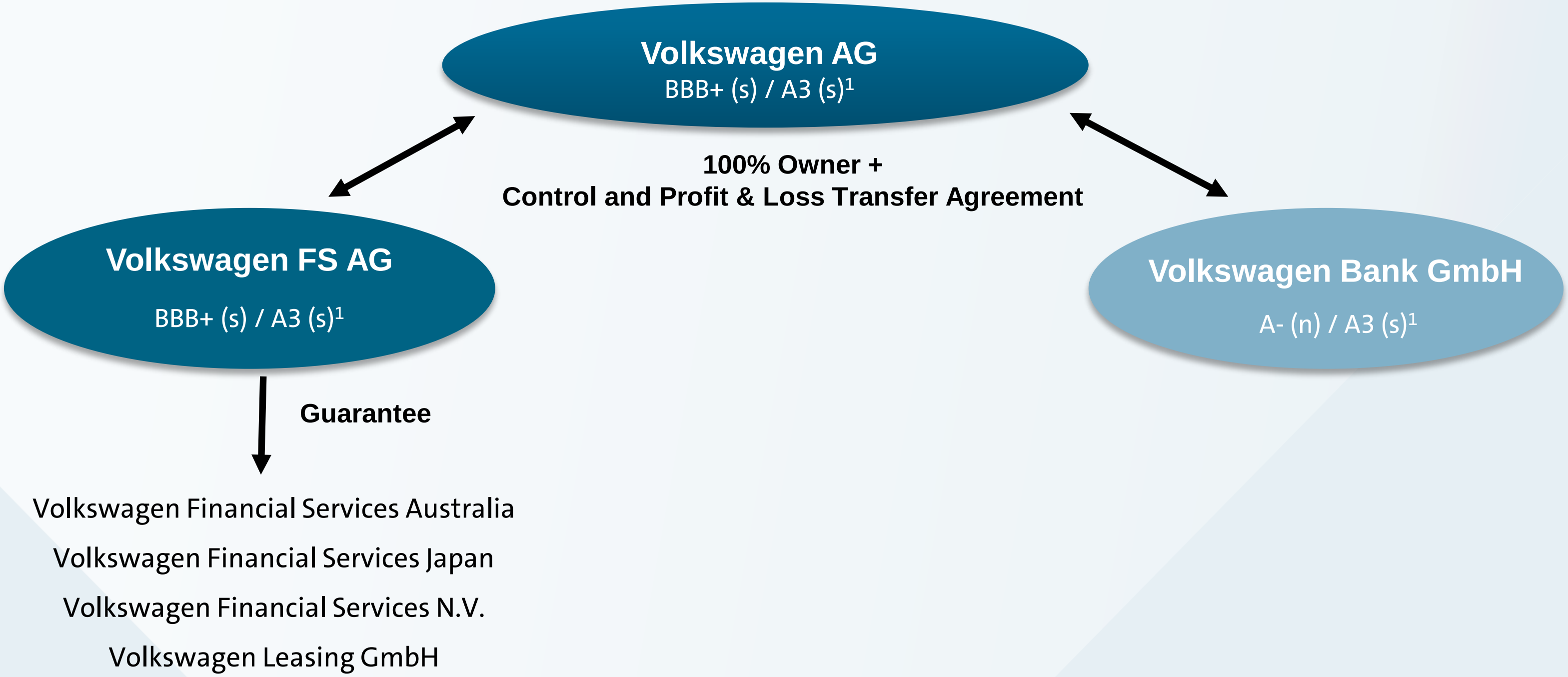
### Total € 69.0 bn

### Strategic Funding Mix



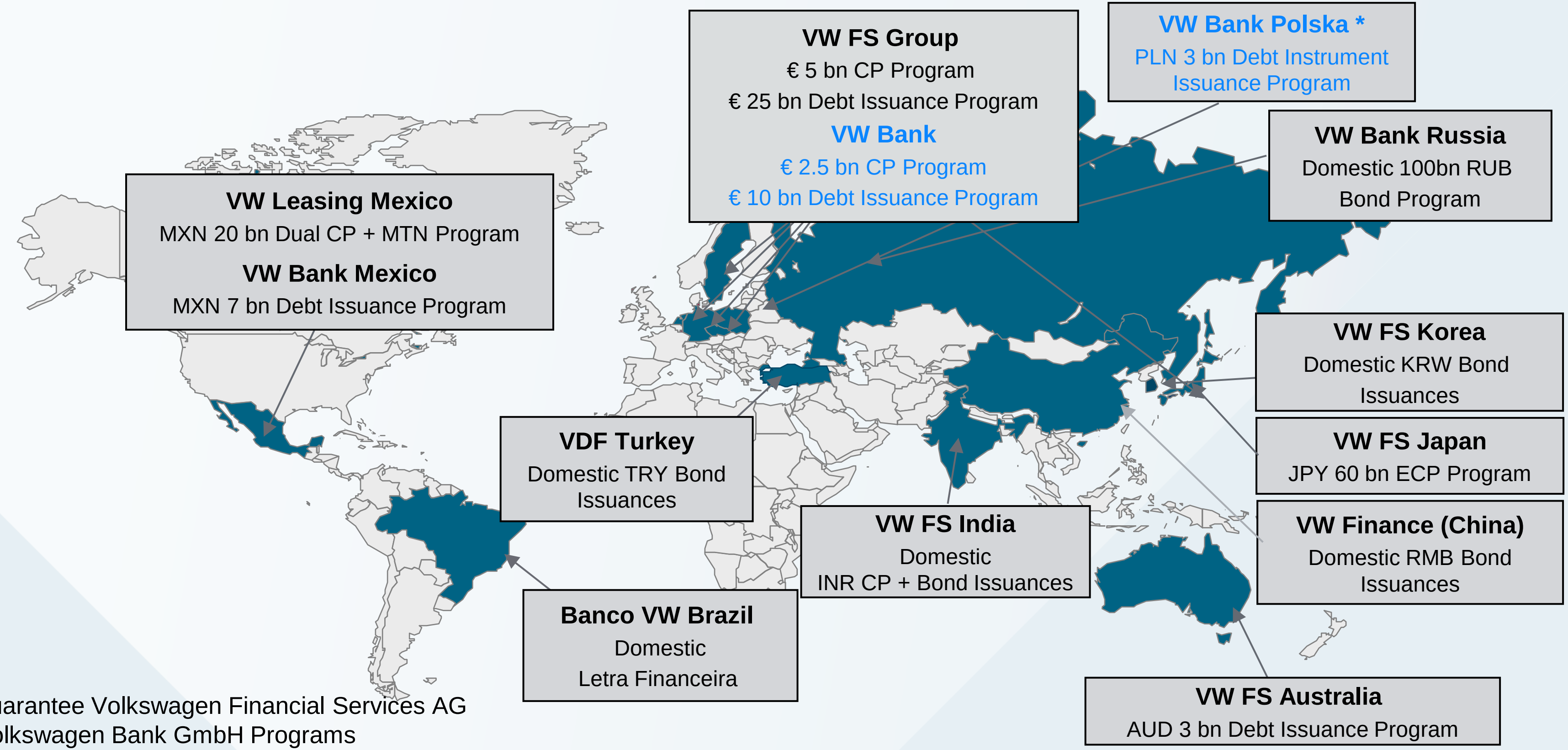



# Volkswagen Financial Services organisational structure and guarantee scheme




1) Credit Ratings from Standard&Poors / Moody's as per 21 March 2018; (n) Outlook negative, (s) Outlook stable

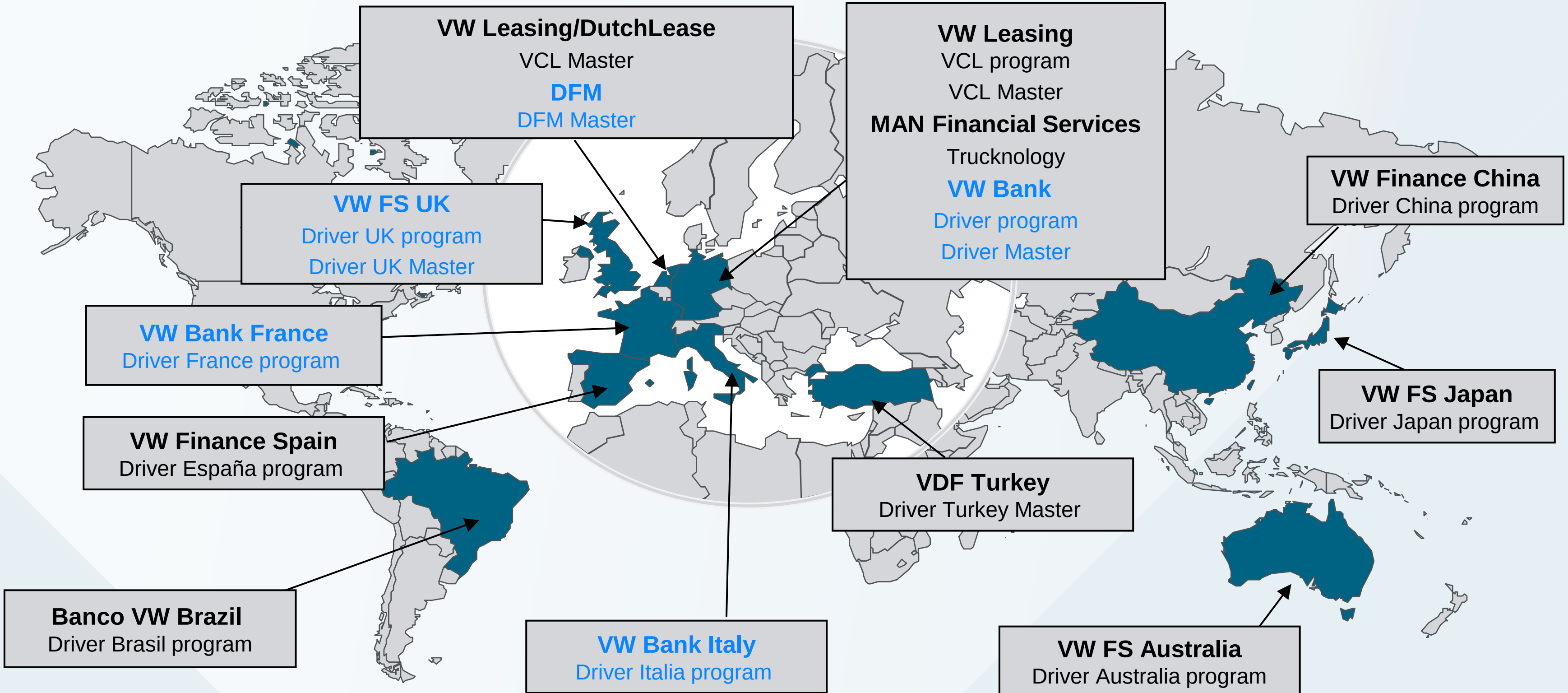
# Worldwide Capital Market Activities




* Guarantee Volkswagen Financial Services AG

Volkswagen Bank GmbH Programs

# Worldwide ABS Activities




Volkswagen Bank GmbH Programs

# Outlook

## Volkswagen Financial Services AG (Annual Report 2017)

Our earnings expectations assume a slight increase in funding costs, greater levels of cooperation with the individual Group brands, increased investment in digitalization for the future and continued uncertainty about macroeconomic conditions in the real economy and the impact of this uncertainty on factors such as risk costs, as well as the potential effects of geopolitical upheaval. Assuming that margins remain stable in the coming year, the operating profit in fiscal year 2018 is expected to be at the level achieved in fiscal year 2017.

(This forecast is based on the current corporate structure of Volkswagen Financial Services AG and does not take into account any future changes that may result from the restructuring program that has been initiated.)

## Volkswagen Bank GmbH (Annual Report 2017)

We expect the operating profit for fiscal year 2018 to be moderately below the level achieved in fiscal year 2017 because of the positive nonrecurring items recognized in 2017.

(This forecast is based on the current corporate structure of Volkswagen Bank GmbH and does not take into account any future changes that may result from the restructuring program that has been initiated.)

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# Thank You.

Volkswagen Financial Services AG
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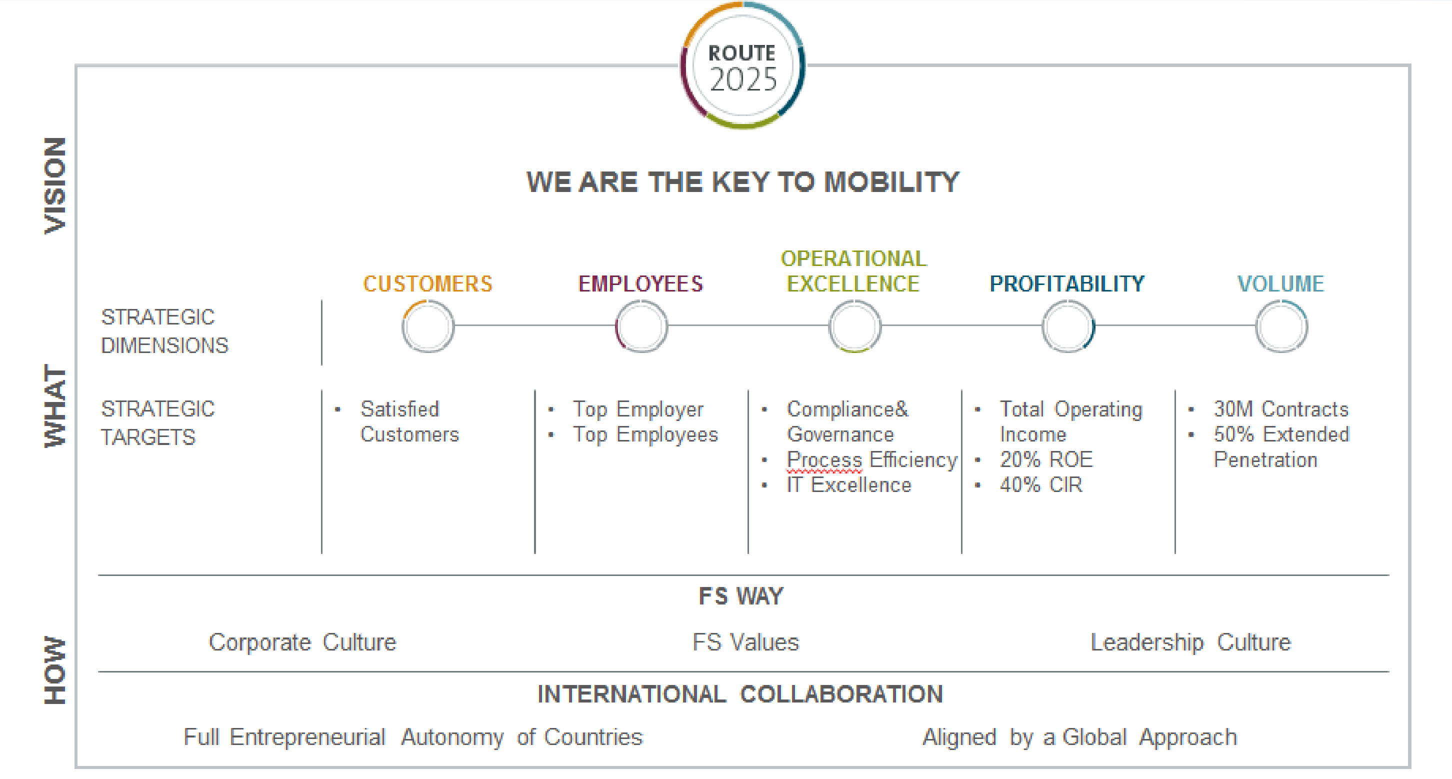
38112 Braunschweig
Germany

www.vwfsag.de/en

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



# The world keeps turning | Focus on additional topics

**Digitalisation**

**Used Car Business**

**Operational Excellence**

**Growth Market China**

# Digitalization | Our target

**ROUTE2025**

**Digitalisation**

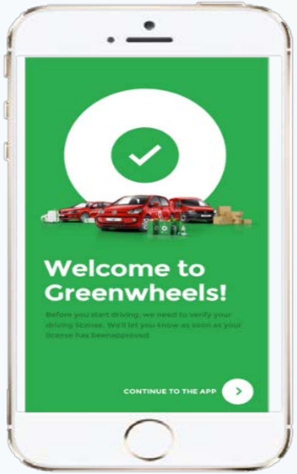

Until 2020 all relevant products can be sold online and offline

**Customer**

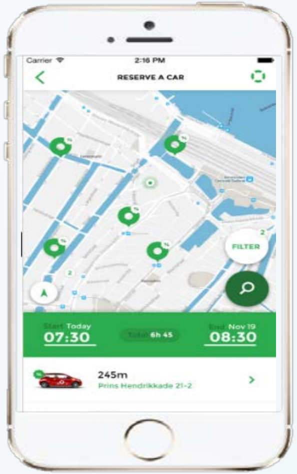
**Customer**

**Offline** **Online**

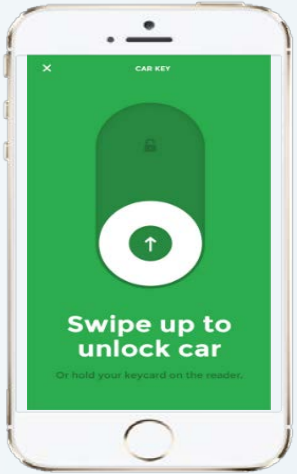
# Greenwheels focuses on customer friendliness through digitalization



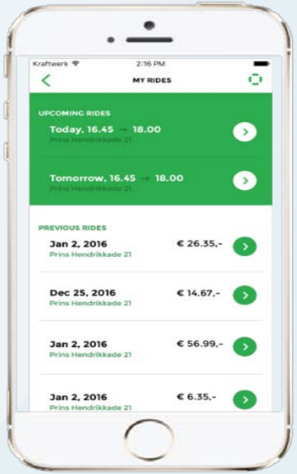

Register




Book




Drive




Own Data

# Volkswagen Financial Services has the lead for developing a parking solution within the Volkswagen Group



- VWFS is developing a **digital parking solution** allowing **central access** and **cashless payment** for parking
- This service will improve the customer journey by:
  - Displaying available parking spaces
  - Allowing seamless access & payment (depending on country)
  - Offering relevant coverage on an international scale
  - Car Integration

**VWFS will provide this service independently and to all Group Brands** (**example WE Park**) **via a growing portfolio of parking operators**

# Volkswagen Bank GmbH Key data 2013 – 2017 (IFRS)

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Portfolio (‘000) | 2,351 | 2,565 | 2,767 | 3,002 | 5,533 |
| Retail + Leasing receivables (€ mn) | 22,220 | 23,887 | 25,814 | 27,954 | 52,316 |
| Dealer financing (€ mn) | 7,973 | 8,928 | 10,302 | 10,538 | 12,430 |
| Customer deposits (€ mn) | 23,140 | 25,252 | 27,877 | 35,666 | 33,583 |
| Employees | 1,241 | 1,123 | 1,185 | 1,293 | 3,549 |
| IFRS profit before tax (€ mn) | 459 | 464 | 575 | 669 | 992 |

# Volkswagen Financial Services AG

## Key data 2013 – 2017 (IFRS)

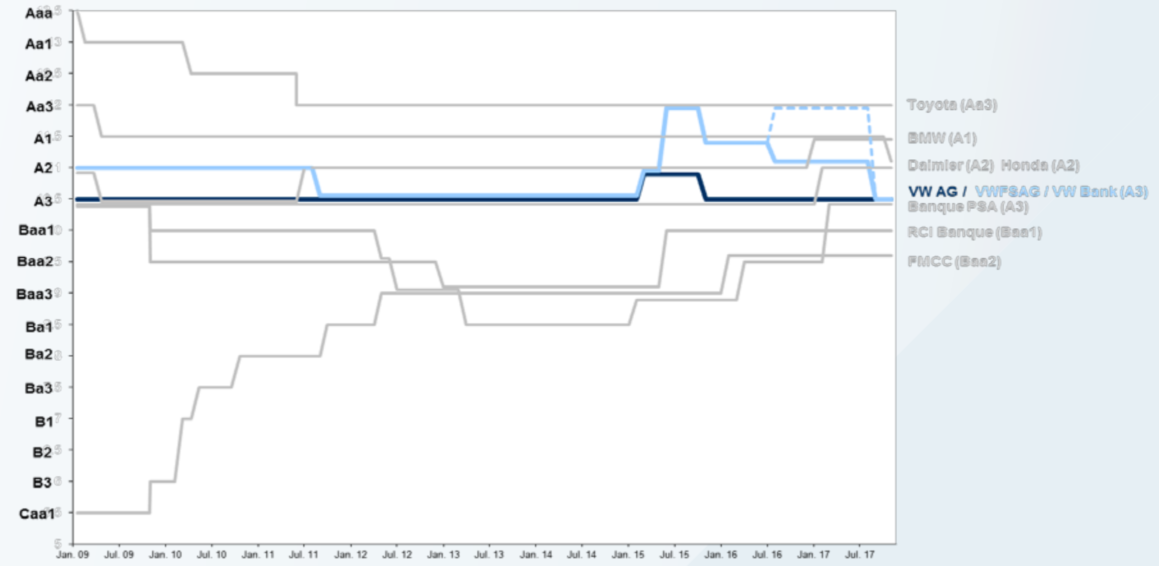
| | 2013 | 2014 | 2015 | 2016 | 2017* |
|---|---|---|---|---|---|
| Portfolio ('000) | 8,848 | 10,249 | 12,081 | 13,244 | 8,524 |
| Retail + Leasing receivables (€ mn) | 65,127 | 76,749 | 83,351 | 90,666 | 46,649 |
| Dealer financing (€ mn) | 11,082 | 12,625 | 13,967 | 14,638 | 3,584 |
| Customer deposits (€ mn) | 24,286 | 26,224 | 28,109 | 36,149 | 69 |
| Employees | 9,498 | 11,305 | 11,746 | 11,819 | 5,023 |
| IFRS profit before tax (€ mn) | 1,315 | 1,317 | 1,513 | 1,650 | 643 |

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

# Rating History (05/28/2018) – Moody's

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

## Development of credit ratings (Moody's)




1) Outlook: negative 2) Outlook: stable 3) Bonds are senior subordinated rated BBB+ * withdrawn at bank's request

Volkswagen Financial Services AG has a solid rating history.

Data Source: Moody's, Standard and Poor's

# VW Two Strong Brands in the Automobile Securitisation Market

**Driver**

- Securitisation Programme of VW Bank GmbH/ VW FS AG
- Portfolio of auto loans
- Program established in 2004
- 49 public transactions placed in the market so far
- Volume of public transactions: € 31.2bn

**VCL**

- Securitisation Programme of VW FS AG
- Portfolio of auto leases
- Program established in 1996
- 26 public transactions placed in the market so far
- Volume of public transactions: € 26.2bn

- Highly granular risk profile
- International roll out (2008 UK, 2011 Spain, 2012 Japan and Brazil, 2013 France and Australia, 2014 China, 2016 Netherlands, 2018 Turkey)
- Stable and diversified investor base

Source: VW Bank GmbH

# Recent Public DCM and ABS Deals 2017+2018
## (Volkswagen Financial Services AG and Volkswagen Bank GmbH)

| | | |
|---|---|---|
| Capital Market | Volkswagen Bank GmbH | ■ Volkswagen Bank GmbH: 12/2017 EUR 2bn, due 2021, 2023, 2025 |
| | Volkswagen Financial Services AG | ■ Volkswagen Financial Services AG (SSD): 02/2017 EUR ~900m, due 2020, 2022, 2024<br>■ Volkswagen Financial Services Australia Pty: 04/2017, AUD 500m, due 04/2020<br>■ Volkswagen Financial Services N.V.: GBP 850m, 04/2017, due 04/2021 & 04/2025<br>■ Volkswagen Finance (China): 05/2017, RMB 4bn, due 05/2020<br>■ Volkswagen FPL (India): 06/2017, INR 1.5bn, due 06/2019 & due 06/2020<br>■ Volkswagen Leasing S.A., Mexico: 06/2017, MXN 2bn, due 06/2020<br>■ Banco Volkswagen S.A., Brasilien: 05/2017, BRL 500m, due 05/2019<br>■ Volkswagen Leasing GmbH: EUR 3.5bn 06/2017, due 06/19, 06/21 & 12/24<br>■ Volkswagen Leasing GmbH: EUR 2.25bn 09/2017, due 09/2020 & 03/2024<br>■ Volkswagen Financial Services AG: EUR 2.25bn 04/2018, due 10/19, 04/21 & 04/23 |
| Asset-Backed Securities | Volkswagen Bank GmbH | ■ Driver UK six (Volkswagen Financial Services UK): GBP 450m (09/2017)<br>■ Driver France three (Volkswagen Bank GmbH): EUR 470m (04/2017)<br>■ Driver Espania five (Volkswagen Finance S.A.): EUR 1.0bn (02/2018)<br>■ Driver fourteen (Volkswagen Bank GmbH): EUR 900m (03/2018)<br>■ Driver Italia one (Volkswagen Bank GmbH): EUR 500m (04/2018) |
| | Volkswagen Financial Services AG | ■ VCL 25 (Volkswagen Leasing GmbH): EUR 1.6 bn (11/2017)<br>■ Driver China eight (Volkswagen Finance (China) Co.): RMB 3.2 bn (12/2017)<br>■ Driver Japan seven (Volkswagen Financial Services Japan): JPY 55 bn (02/2018)<br>■ Driver Turkey Master (Volkswagen Dogus Finansman S.A.): TRY 1.1 bn (02/2018)<br>■ VCL 26 (Volkswagen Leasing GmbH): EUR 1.5 bn (03/2018)<br>■ Driver Australia five (Volkswagen Financial Services Australia Pty Ltd.): AUD 750m (04/2018) |

# Volkswagen Touareg

# Audi Q5L

# ŠKODA Fabia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8310 ATC
CUPRA

# Porsche 911 Carrera T

# Bentley Continental GT

# Lamborghini Urus

# Volkswagen Amarok


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MAN TGE 5.180
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# Scania G 450 XT 8x4

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