

**VOLKSWAGEN**

AKTIENGESELLSCHAFT

# Leading the Transformation.

UniCredit - 10th Automotive Credit Conference, London, 5<sup>th</sup> -6<sup>th</sup> June 2019

## **Volkswagen Investor Update**

### **Volkswagen AG**

**Ulrich Hauswaldt – Group Investor Relations**  
**Bjoern Reinecke – Head of Financial Markets**

### **Volkswagen Financial Services**

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

## Disclaimer

The following presentations contain forward-looking statements and information on the business development of the Volkswagen Group. These statements may be spoken or written and can be recognized by terms such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will” or words with similar meaning. These statements are based on assumptions, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. These assumptions relate in particular to the development of the economies of individual countries and markets, the regulatory framework and the development of the automotive industry. Therefore the estimates given involve a degree of risk, and the actual developments may differ from those forecast. The Volkswagen Group currently faces additional risks and uncertainty related to pending claims and investigations of Volkswagen Group members in a number of jurisdictions in connection with findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The degree to which the Volkswagen Group may be negatively affected by these ongoing claims and investigations remains uncertain.

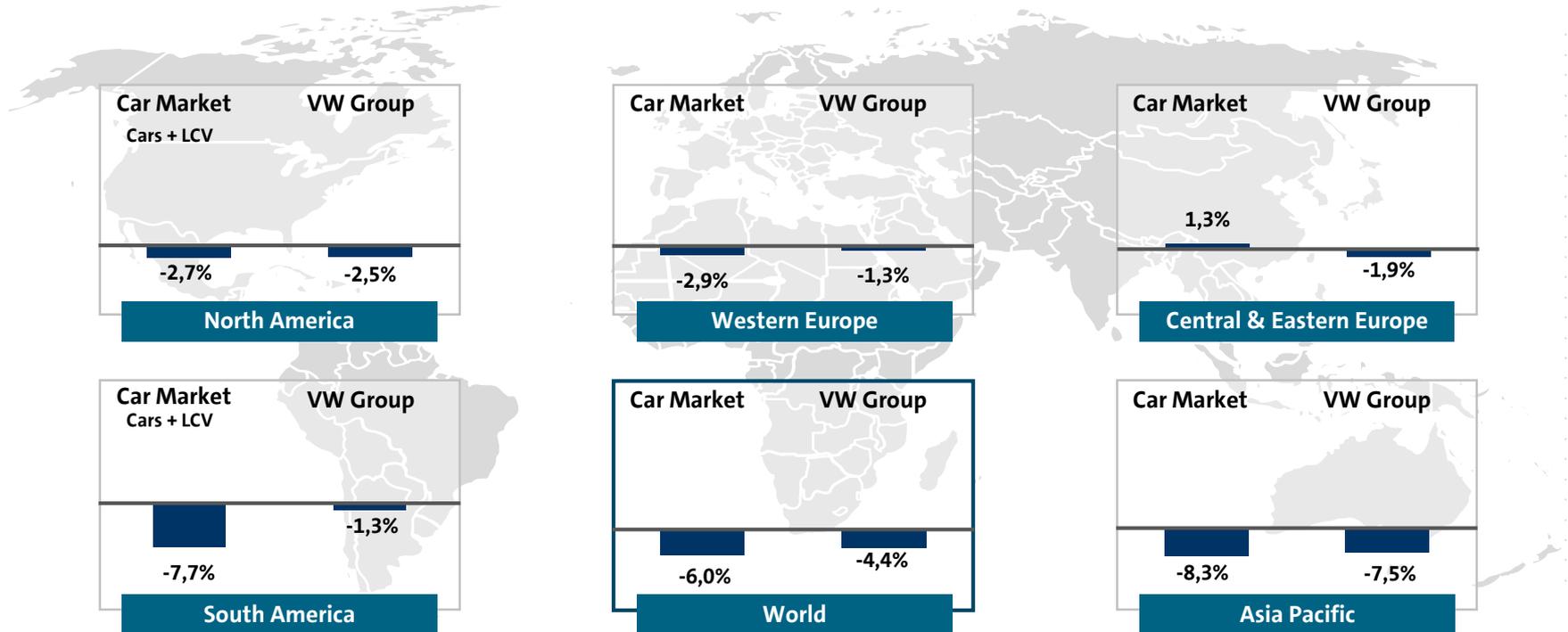
Consequently, a negative impact relating to ongoing claims or investigations, any unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, and trade disputes among major trading partners will have a corresponding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

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

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

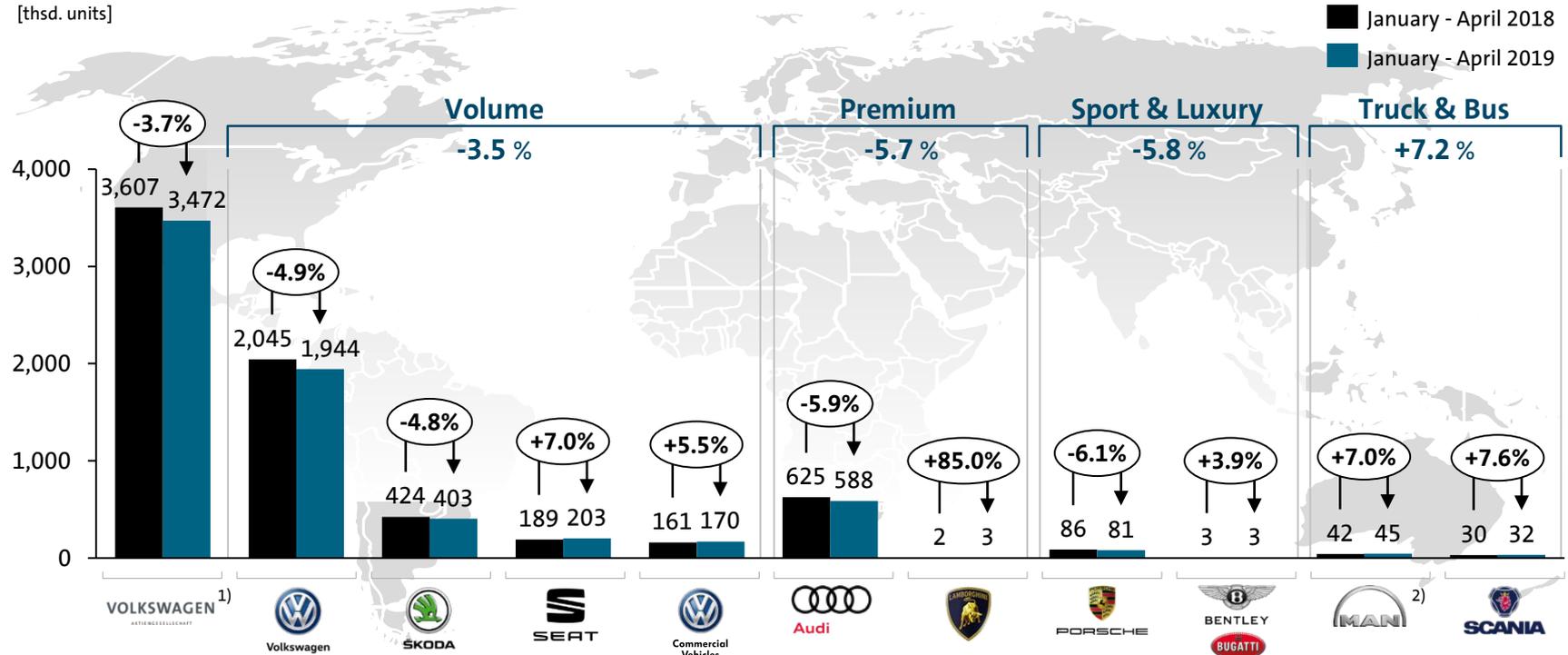


<sup>1)</sup> Figures including Volkswagen Commercial Vehicles in North and South America, excluding Scania and MAN.

## Volkswagen Group – Deliveries to Customers by Brands

(January to April 2019 vs. 2018)

[thsd. units]



<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -4.4% incl. Volkswagen Commercial Vehicles in North and South America, excl. Scania and MAN.

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

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

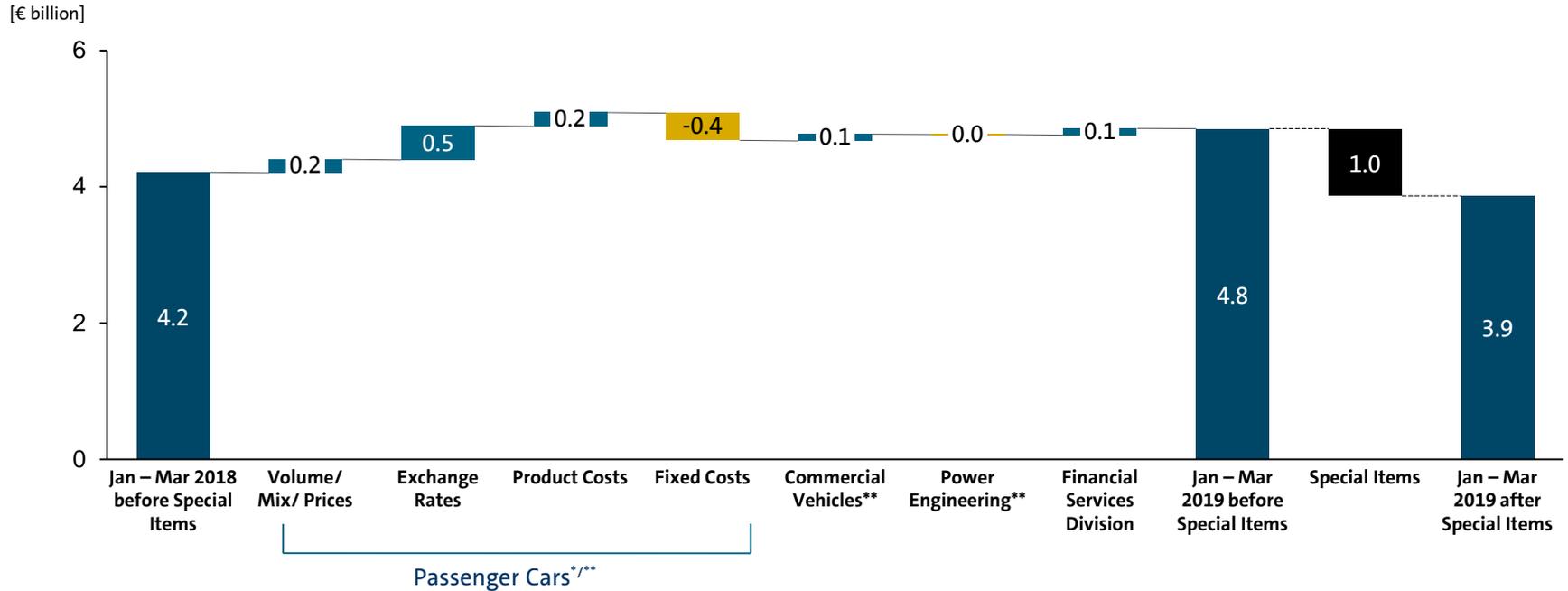
(January to March 2019 vs. 2018)

thousand vehicles / € million	2019	2018 <sup>2)</sup>	+/- (%)
Vehicle Sales <sup>3)</sup>	2,583	2,769	-6.7
Sales revenue	60,012	58,228	+3.1
Operating profit before Special Items	4,849	4,211	+15.2
<i>% of sales revenue</i>	8.1	7.2	
Operating profit	3,868	4,211	-8.2
<i>% of sales revenue</i>	6.4	7.2	
Financial result	203	266	-23.7
of which: At-equity result <sup>4)</sup>	808	829	-2.5
of which: Other financial result	-605	-562	-7.7
Profit before tax	4,071	4,477	-9.1
<i>% Return on sales before tax</i>	6.8	7.7	
Profit after tax	3,053	3,300	-7.5

<sup>1)</sup> All figures shown are rounded, so minor discrepancies may arise from addition of these amounts. Including allocation of consolidation adjustments between the Automotive and Financial Services divisions. <sup>2)</sup> Prior-year figures were adjusted due to IFRS

<sup>3)</sup> Volume data including the unconsolidated Chinese joint ventures. <sup>4)</sup> The joint venture companies in China are accounted for using the equity method and recorded an operating profit (proportionate) of €1,074 million (€1,163 million).

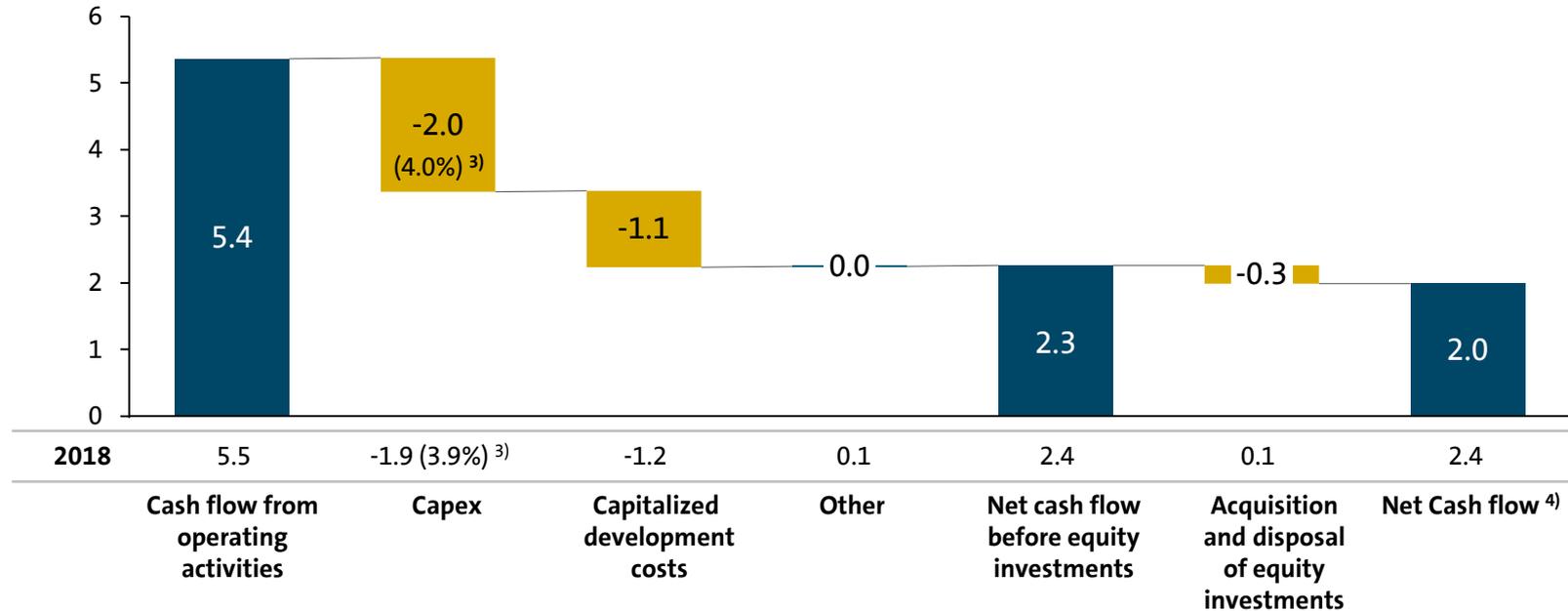
## Volkswagen Group – Analysis of Operating Profit <sup>1)</sup> (January to March 2019 vs. 2018)



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

# Automotive Division Net Cash Flow Development <sup>1) 2)</sup> (January to March 2019)

[€ billion]



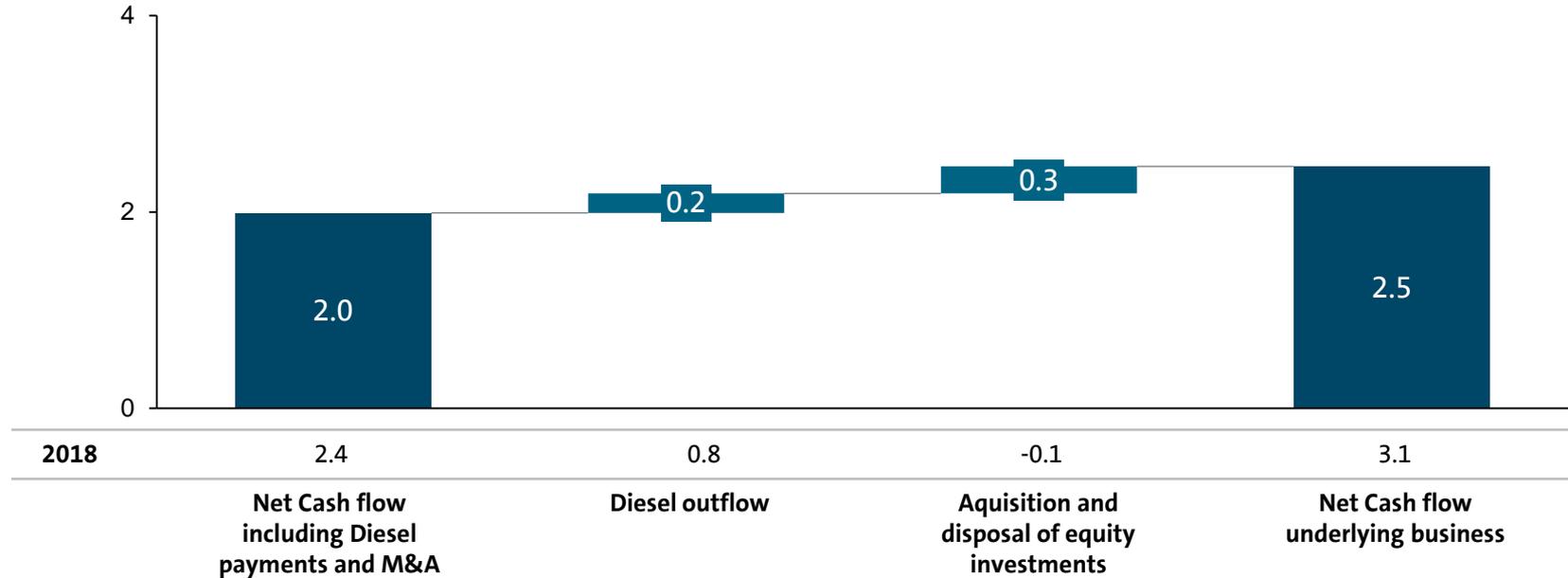
<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

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

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

(January to March 2019)

[€ billion]

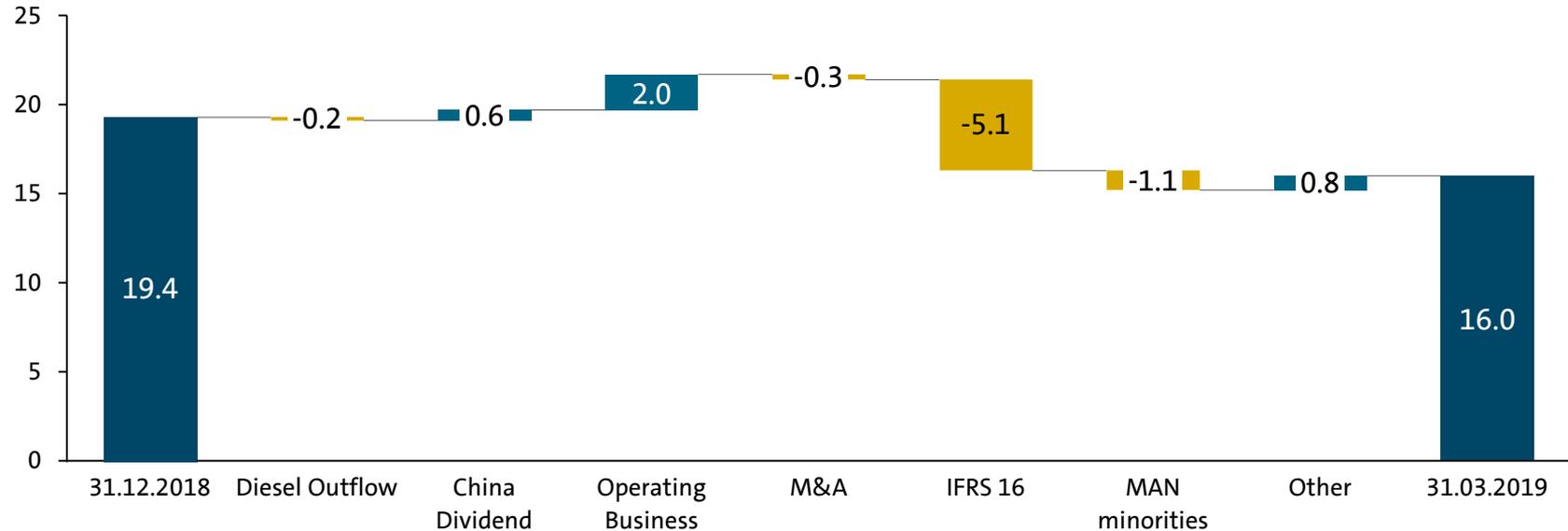


<sup>1)</sup>Including allocation of consolidation adjustments between Automotive and Financial Services divisions

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

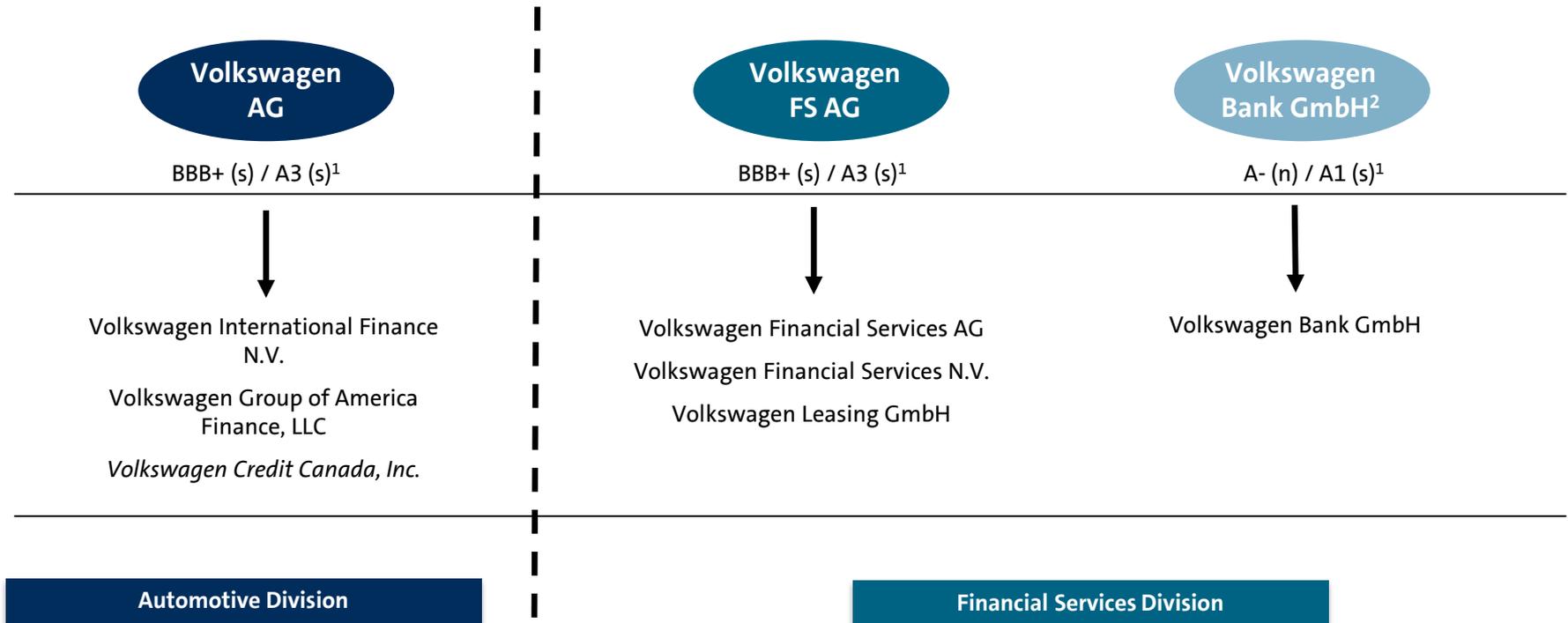
(January to March 2019)

[€ billion]



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

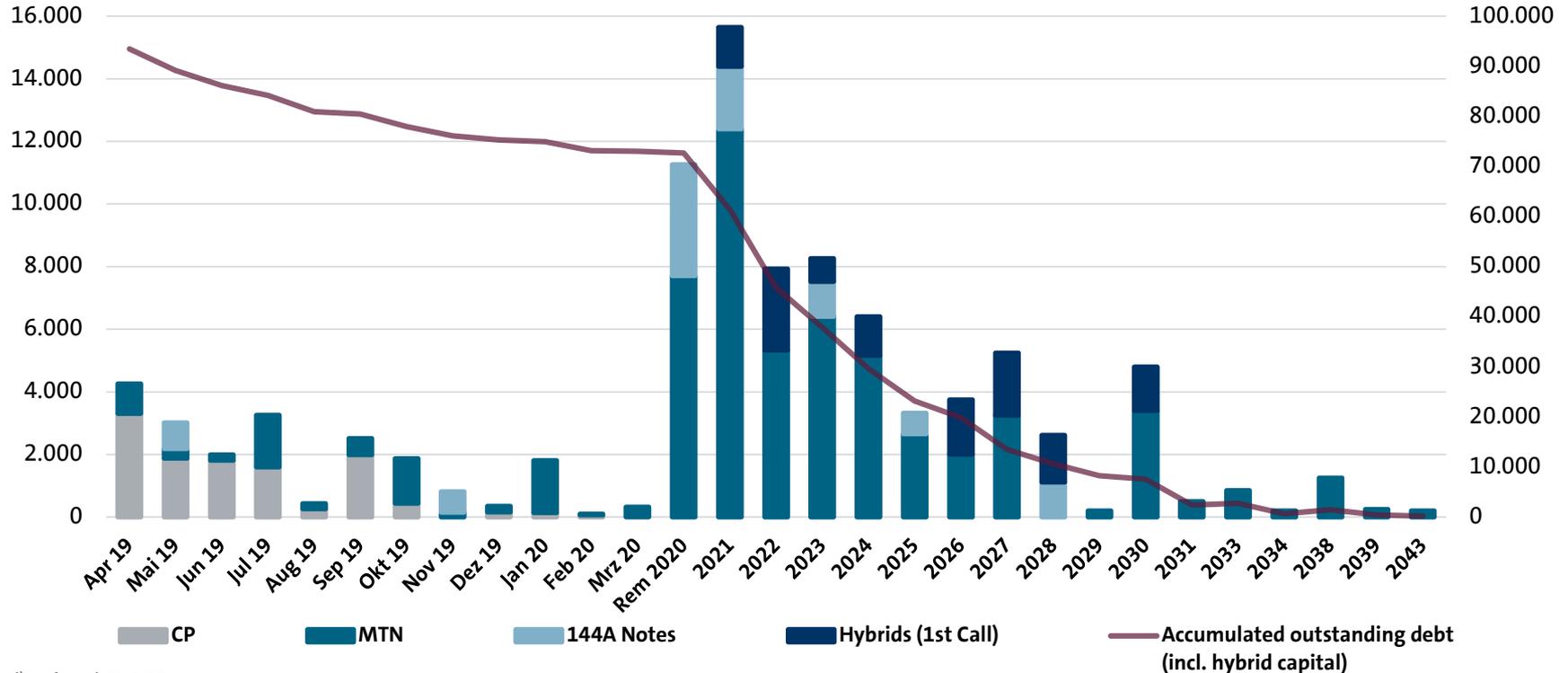
# Volkswagen Group Funding Strategy – Main Guarantors and Issuers



<sup>1</sup>Credit Ratings from Standard&Poors / Moody's as per 31. March 2019; (s) Outlook stable; (n) Outlook negative

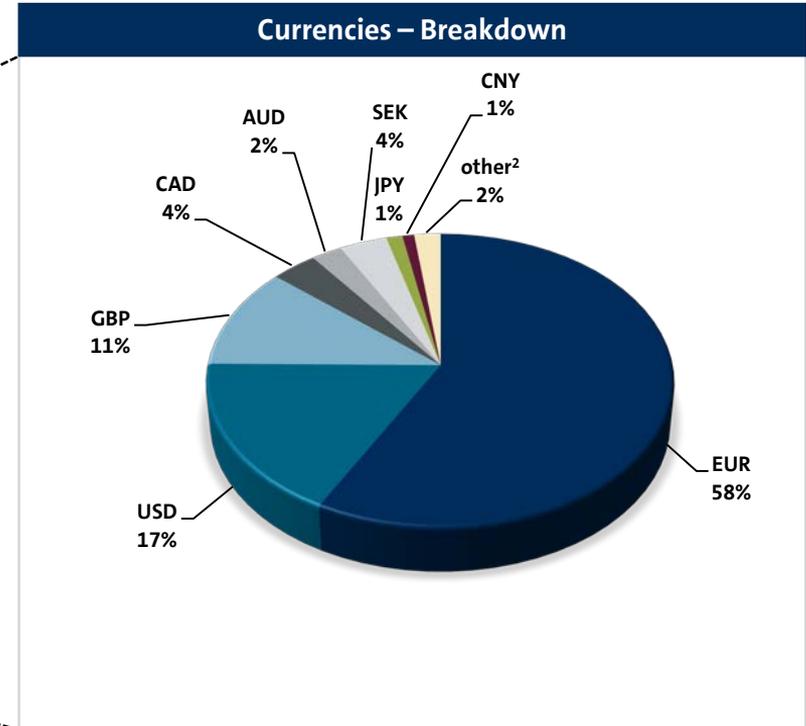
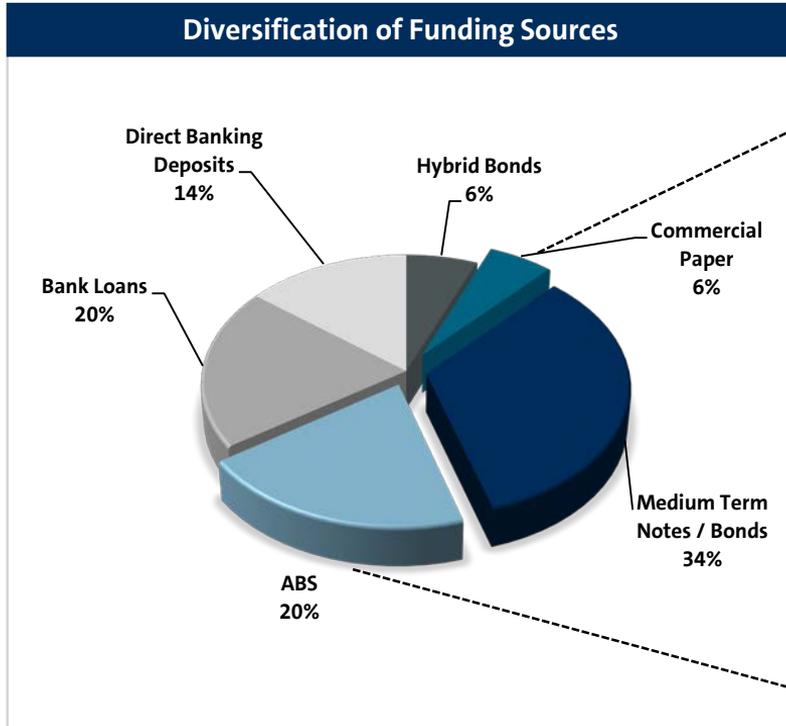
<sup>2</sup>S&P: BBB+ Senior Subordinated Rating; Moody's: A3 Junior Senior Unsecured Rating

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



<sup>1)</sup> as of March 31, 2019  
Source: Volkswagen Group

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

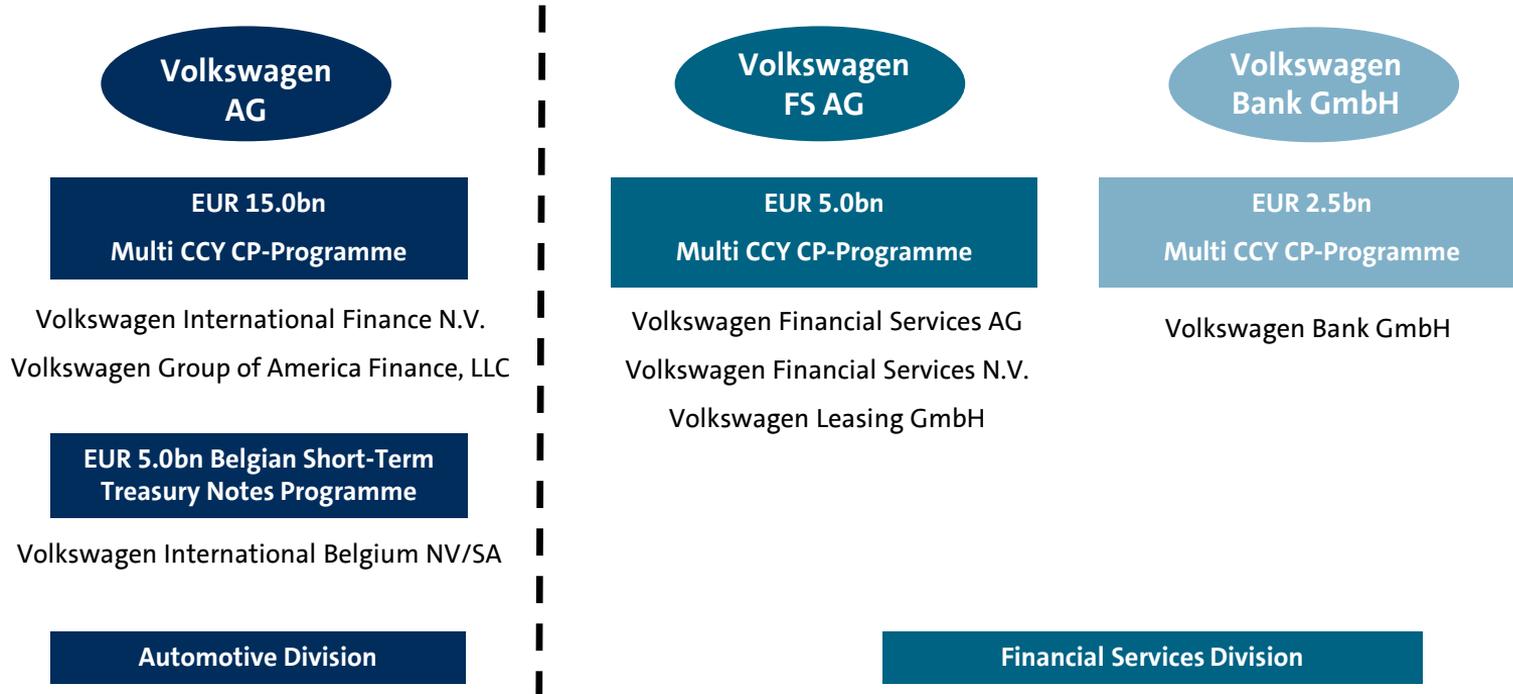


<sup>1)</sup> as of March 31, 2019

Source: Volkswagen Group

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

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



# Volkswagen Group – Funding Programs & Outstandings

March 31, 2019 in € billion

Money and Capital Markets		Utilization
Commercial Papers		11.6
Medium Term Notes / Bonds		80.8
<i>thereof: Hybrid Bonds</i>		12.5
ABS		41.1
<b>Borrowings</b>	<b>Frame</b>	
Committed Lines	19.4	3.8
Uncommitted Lines	28.1	10.3
Supranationals, development banks, government, other	27.2	27.2
Direct Banking Deposits	./.	29.1

## Volkswagen Group Funding Strategy – Major Issuances in 2018 and Q1 2019

March:	CAD 1.50bn 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 2.50bn Volkswagen Leasing GmbH
October	EUR 2.80bn Volkswagen Financial Services AG
November	USD 8.00bn Volkswagen Group of America Finance, LLC CAD 0.75bn Volkswagen Credit Canada, Inc. EUR 4.25bn Volkswagen International Finance N.V. GBP 0.80bn Volkswagen International Finance N.V.
January	EUR 2.50bn Volkswagen Bank GmbH
March	EUR 2.75bn Volkswagen Financial Services AG

## Volkswagen Group – Main Ratings

	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	

As of 31 March 2019

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

# Volkswagen Group – Outlook for 2019



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

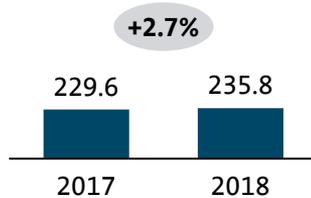


slightly exceed the prior-year

2019



**Sales revenue**  
(€ billion)

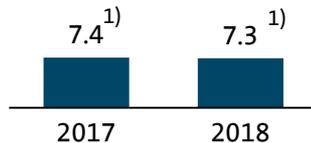


grow by as much as 5%

2019



**Operating return on sales**  
(%)



in the range of 6.5 – 7.5% before Special Items

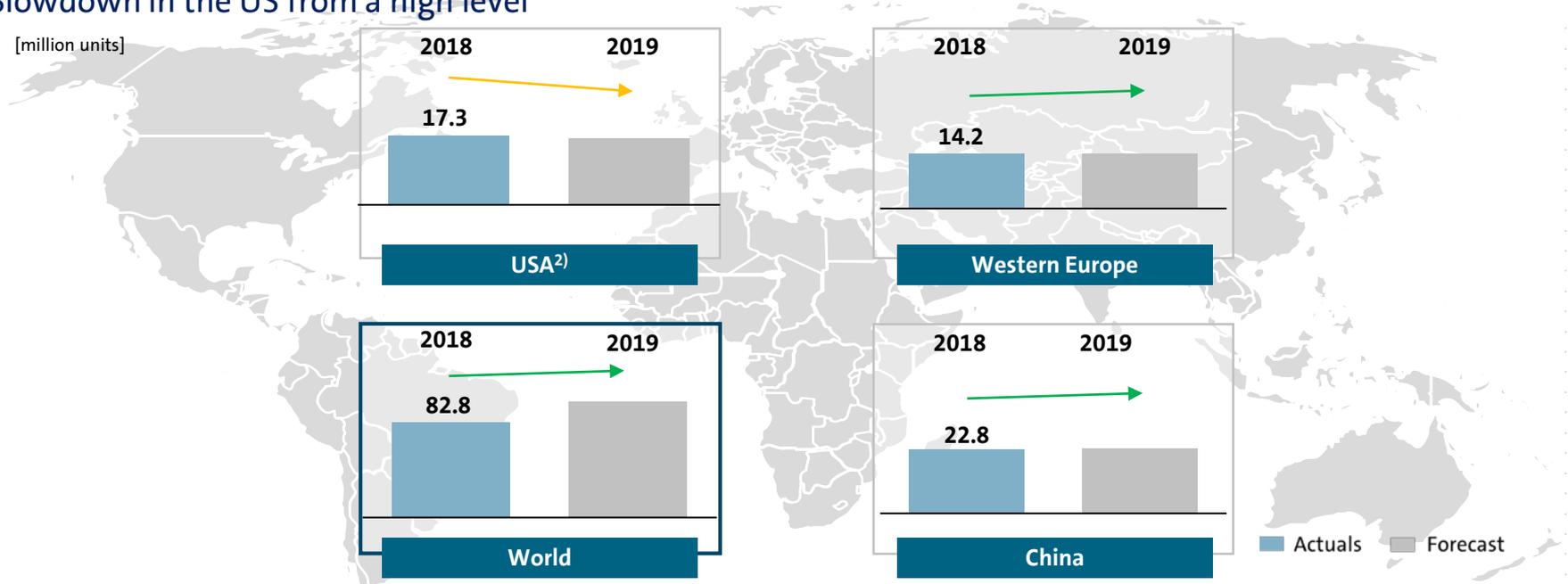
2019

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

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

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

[million units]



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

<sup>1)</sup> Internal forecast; as of 12th March, 2019. <sup>2)</sup> Volume for North & South America includes light commercial vehicles (definition 'Light Vehicles')

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



Volkswagen



Audi



ŠKODA



SEAT



PORSCHE



BENTLEY



Commercial  
Vehicles

### Portfolio expansion and successor models ICE



T-Cross



Sagitar



B-SUV 5-Seater (US/CH)



A1 City Carver



Q3



Octavia Combi



ŠKODA Scala



Tarraco



Leon



911 Carrera



Cayenne Coupé



Flying Spur

### Portfolio expansion BEV



Bora BEV (CH)



Laida BEV (CH)



e-tron



e-tron Sportback



Citigo BEV

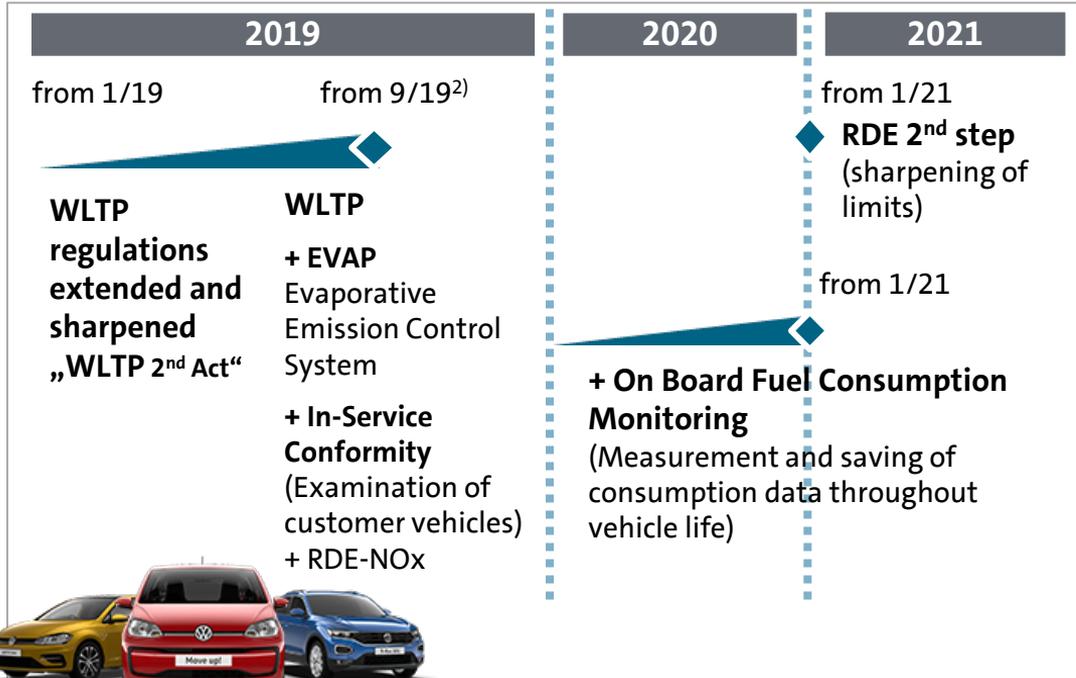


Taycan

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

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

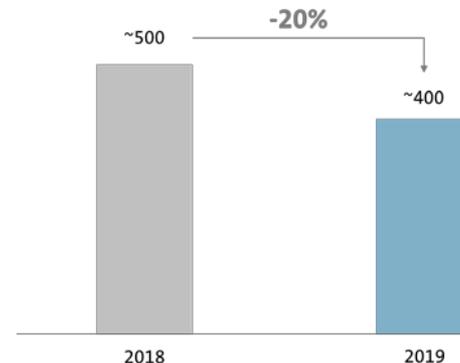
## Homologation Deadlines



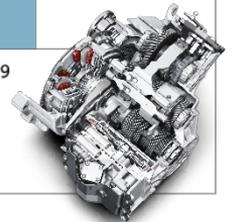
## Complexity Reduction

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

Volkswagen Volume Brands already acted:



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



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

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

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

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

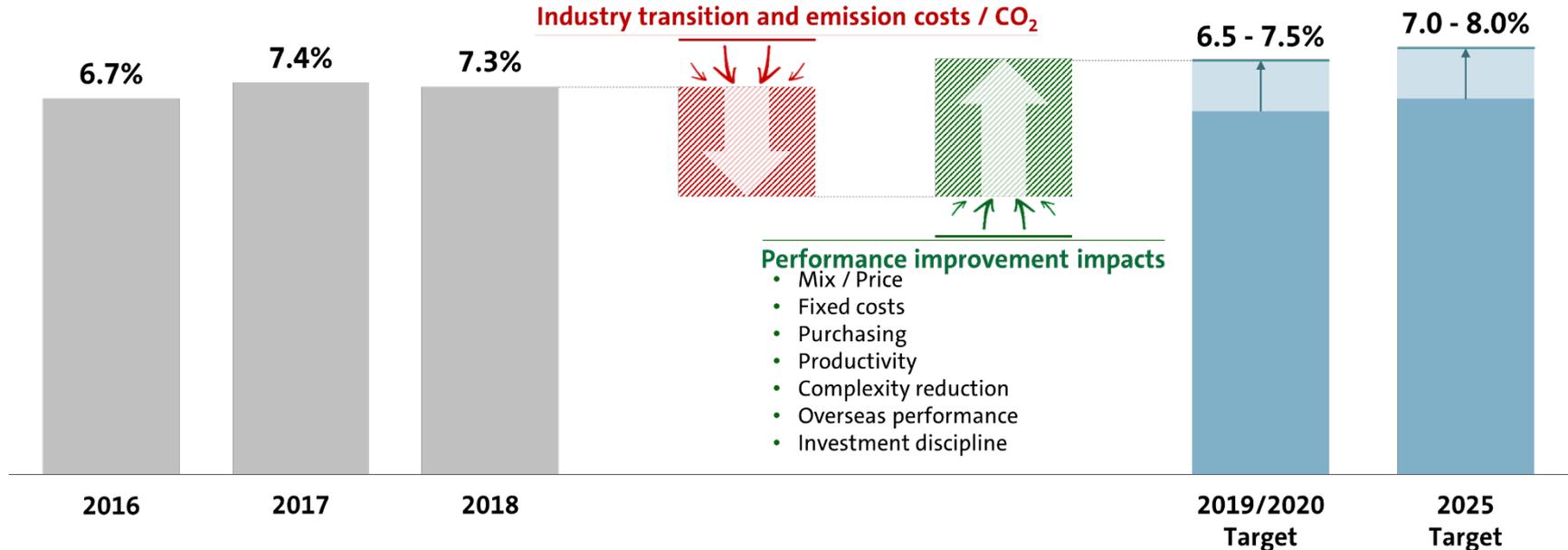
## Overview Brand Targets (RoS, RoE)

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

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

# Improving Group Return on Sales despite significant headwinds

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



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

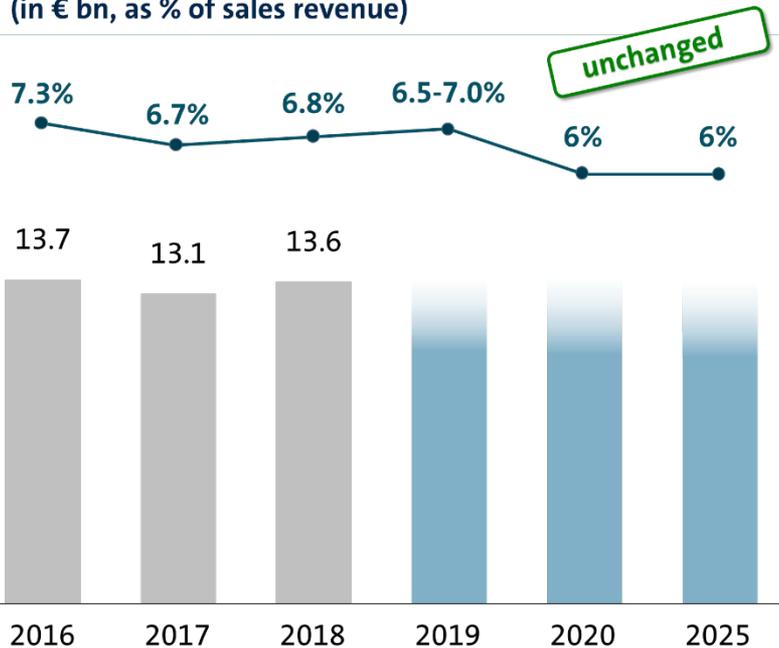
## Securing Group KPI's: Profit Improvement programs

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

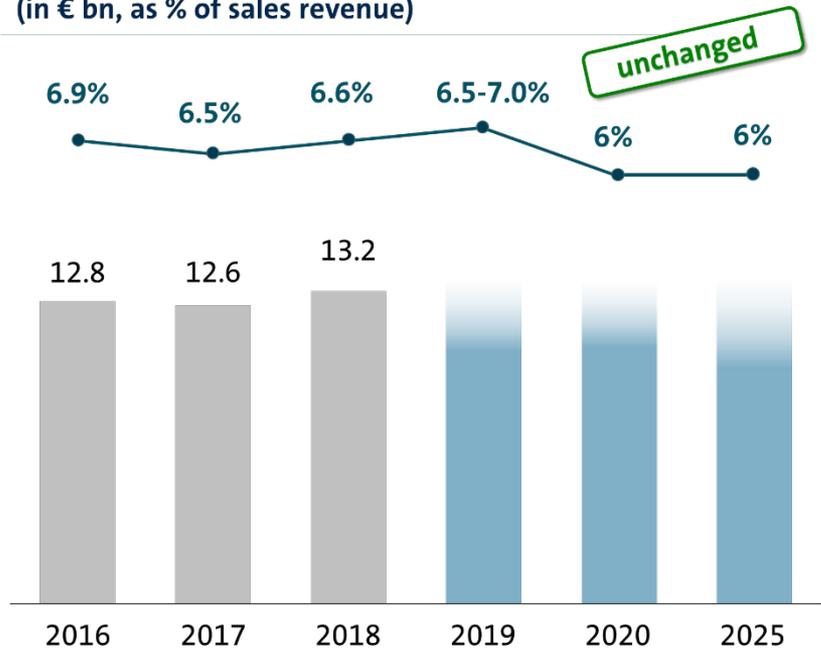


# Discipline: Maintaining R&D and CAPEX Targets

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

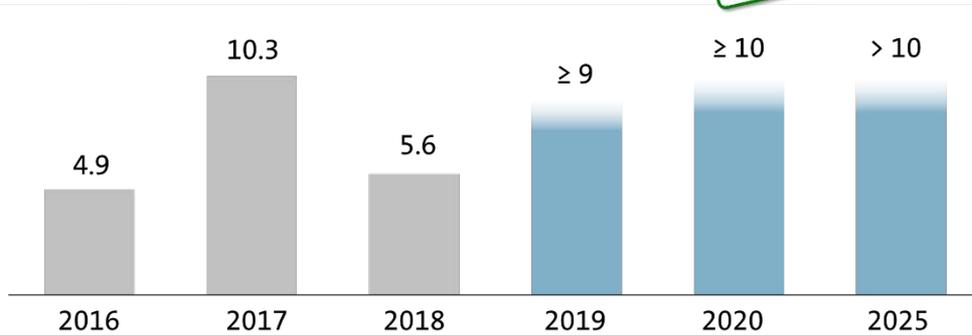


CAPEX Automotive Division  
(in € bn, as % of sales revenue)



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

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



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

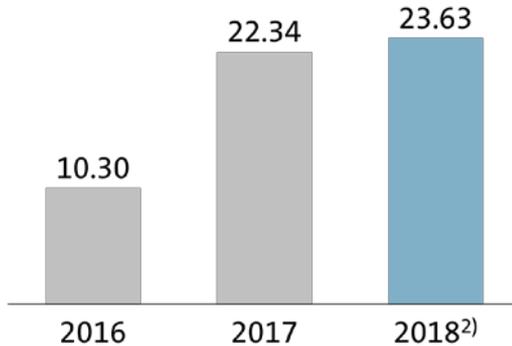


<sup>1)</sup> Incl. allocation of consolidation adjustments between Automotive and Financial Services divisions.

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

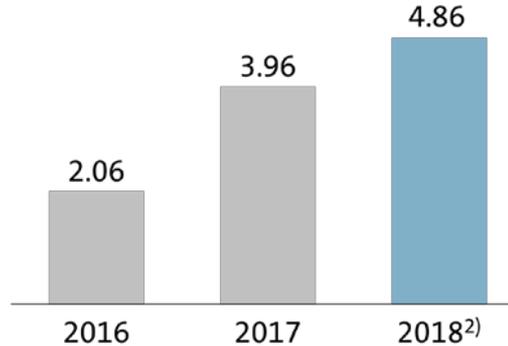
## Generate Cash (2): Attractive Dividend

Earnings per Preference Share  
(€)



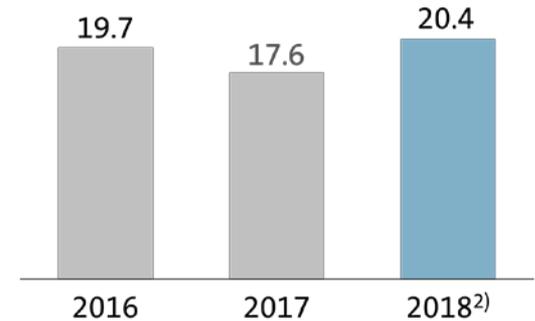
Target EPS:  $\geq 30$  € by 2020

Dividend per Preference Share  
(€)



Target Dividend Pay-Out Ratio: 30%

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



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

# 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  
ENTREPRE-  
NEURIAL 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

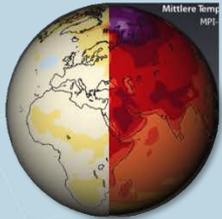
16 Better integrated and  
strategic planning process

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

Volume	Premium	Sport & Luxury	Truck & Bus	Procurement/ Components	Finance & IT	China
<p>VW  Volkswagen</p> <hr/> <p>Škoda  SKODA</p> <hr/> <p>SEAT  SEAT</p> <hr/> <p>VW LCV  Commercial Vehicles</p> <hr/> <p>MOIA  MOIA</p>	<p>Audi </p> <hr/> <p>Lamborghini<sup>1)</sup> </p> <hr/> <p>Ducati<sup>1)</sup> </p>	<p>Porsche  PORSCHE</p> <hr/> <p>Bentley  BENTLEY</p> <hr/> <p>Bugatti </p>	<p>MAN </p> <hr/> <p>Scania  SCANIA</p> <hr/> <p>Power Engineering<sup>1)</sup></p>	<p>Procurement</p> <hr/> <p>Components</p>	<p>VOLKSWAGEN FINANCIAL SERVICES THE KEY TO MOBILITY</p>	<p>Region China</p>

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

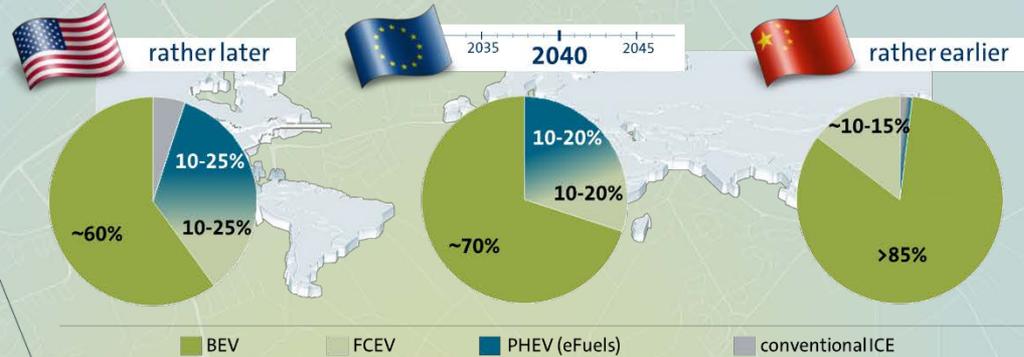
# E-mobility is the only way forward to achieve climate targets



COP21 · CMP11  
**PARIS 2015**  
UN CLIMATE CHANGE CONFERENCE



- Our Target:  
**CO<sub>2</sub> neutral fleet by 2050**



- Increase share of **future technologies** – Focus E-Mobility
- Implementation of further measures to become **CO<sub>2</sub> neutral**

## Investing heavily in our transformation



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

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

As of 19th November, 2018.



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



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

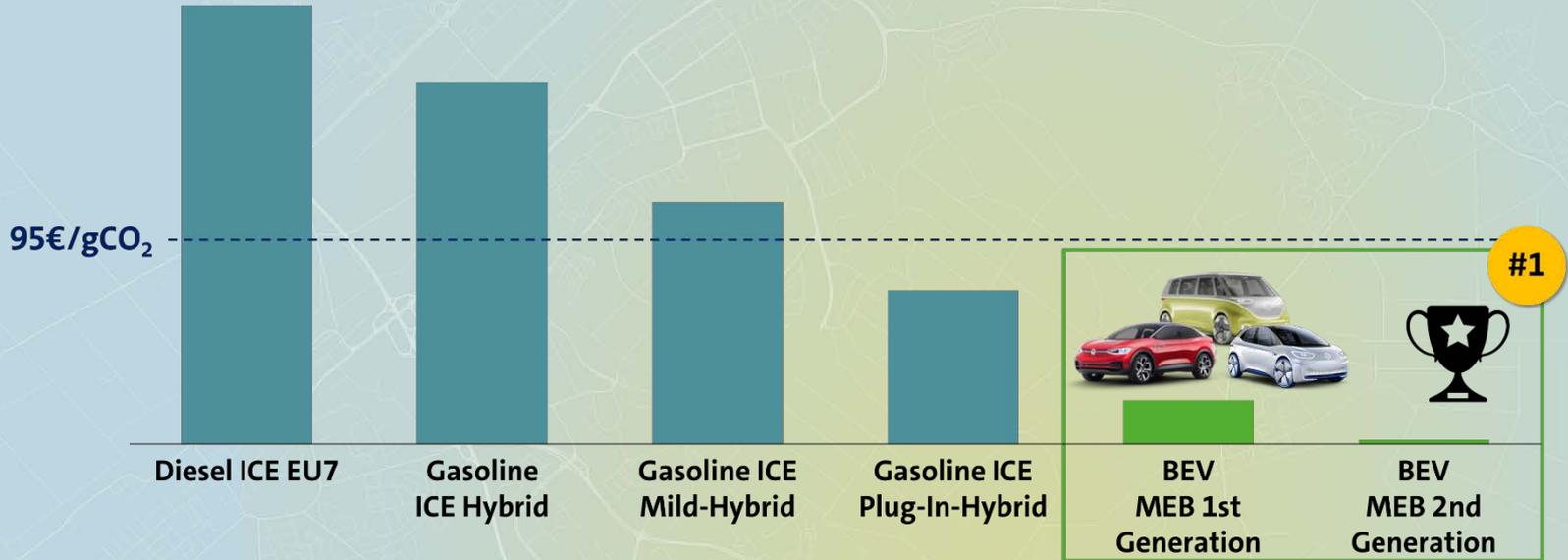


Investments of around **€1 bn** planned to set up **battery cell production** facility with partner in Lower Saxony.

As of 3rd May, 2019.

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

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



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



Long wheelbase  
short overhangs



Spacious interior for  
driver & passengers



No center tunnel



Various  
bodystyles



Big wheels



Rear-wheel  
& four-wheel drive



Central  
computing unit



Trunk volume  
~ ICE



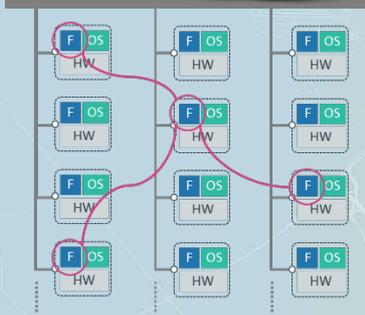
New Design



# The car becomes the most complex internet device



Car



distributed customer functions

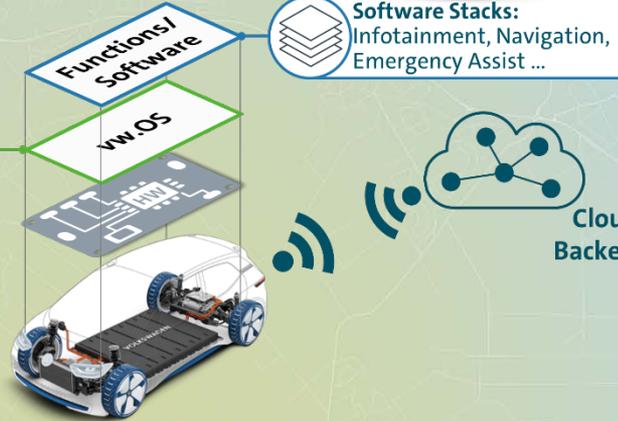
Control units: approx. **70**

No own Software stacks

Fully connected car



vw.OS Basic Software: Operating System



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

High Performance Computers **3-5**

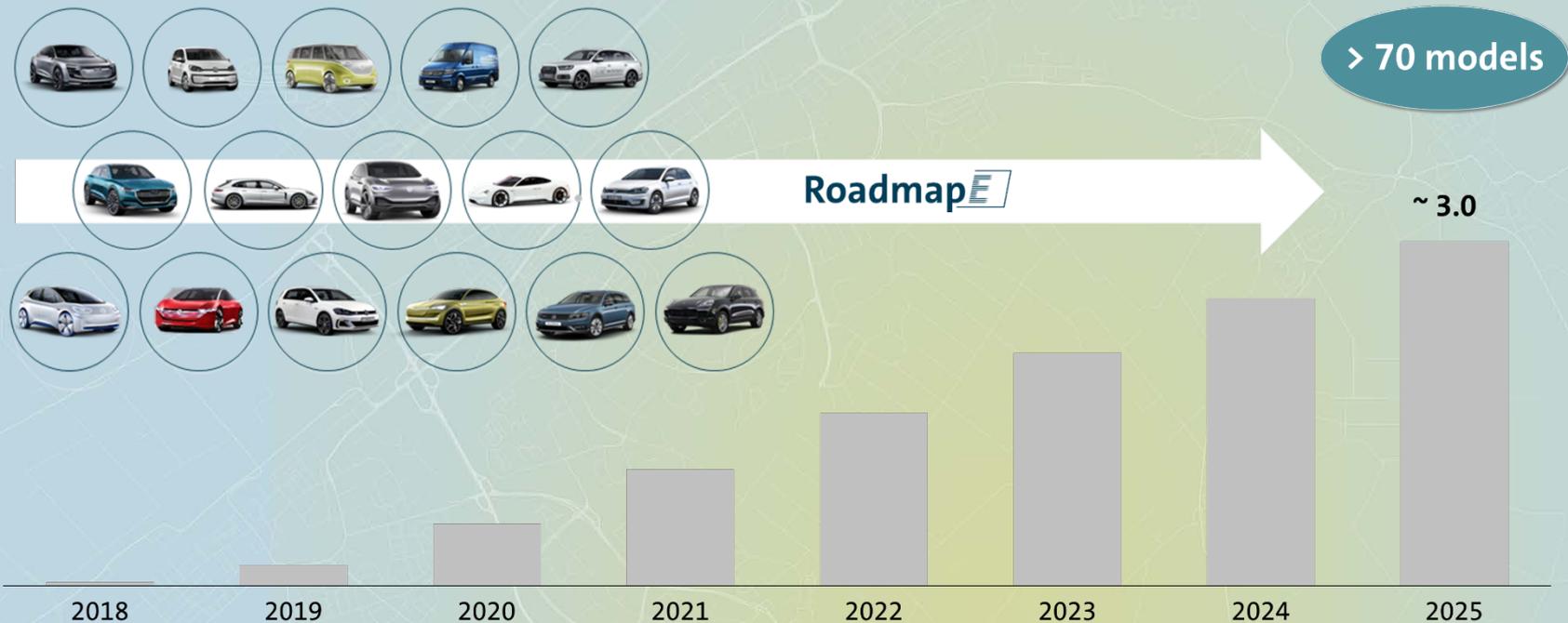
+ Further control units for safety relevant functions

Development of Volkswagen's own Software stacks

Today Tomorrow

# Enormous increase worldwide in BEV deliveries by 2025 across all brands<sup>1)</sup>

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



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

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

A new era begins

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

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

Already more than 10,000 registrations with an excellent customer response

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



## Our e-mobility strategy comes top down

PREMIUM



VOLUME



Elli  
IONITY

HOLISTIC APPROACH with GREEN ENERGY

# BEV challenges addressed by three key elements

## Usability / Range



e-Golf

up to 231 km (WLTP)



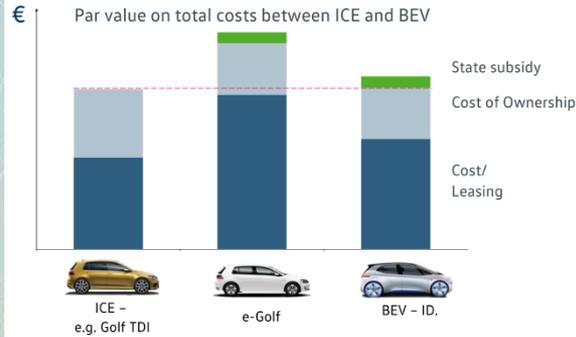
MEB-platform

330 km (WLTP)

up to 550 km (WLTP)

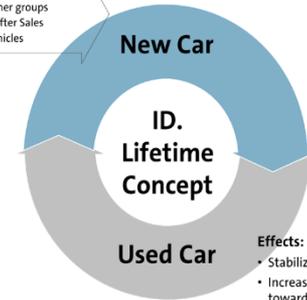


## Total Cost of Ownership



## Systematic Sales Approach

- "Rate instead of price":**
- Leasing for all customer groups
  - Package offers incl. After Sales
  - For new and used vehicles



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

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



~ 61.000



5.000 (2020)



~ 160.000



2.400 (2020)



~ 330.000  
(2020)



@ Home



@ Work



@ Public



@ Highway

11kW AC / 22kW DC

125kW DC / 11kW AC

## Driving forward Strategy: New collaborative approach

### Market/ Product



### E-Mobility services



### Software



### Technology



**New Scale dimensions**

## Key Messages

1.

**Leading the transformation to e-mobility**

2.

**Cost effective transformation path**

3.

**First in transforming into software OEM**

4.

**Increased focus on value creation**



# TRATON Group – Creating a Global Champion in the Transportation Industry

## Global Champion



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

## Growth



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

## Profitability



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

## Execution

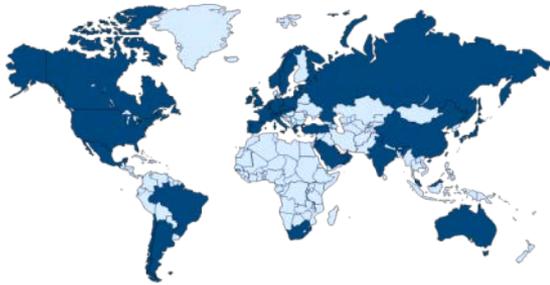


- Strong team with industry-leading track record
- Committed to Global Champion strategy

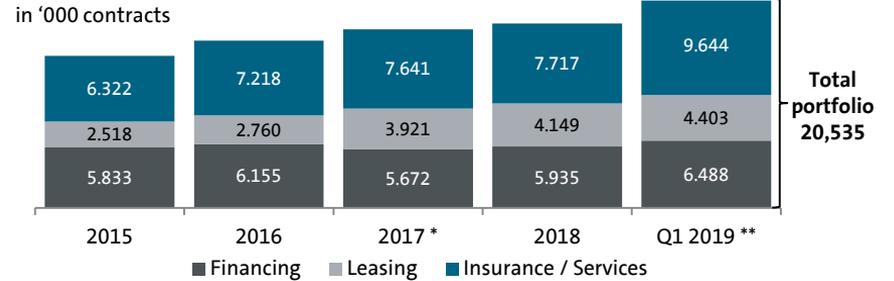
Volkswagen AG decided in principle to carry out an IPO of TRATON SE, aimed for before the summer break 2019

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

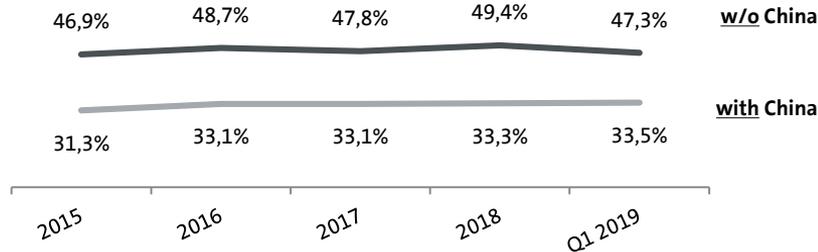
## Strong global presence



## Continuous portfolio expansion



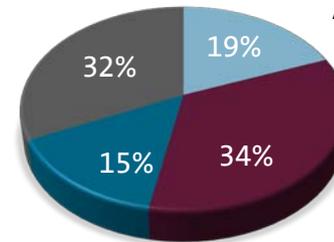
## Rising penetration rates



## Diversified funding structure

Equity, liabilities to affiliated companies, other

Customer deposits



Asset backed securitization

Bonds, Commercial Paper, liabilities to financial institutions

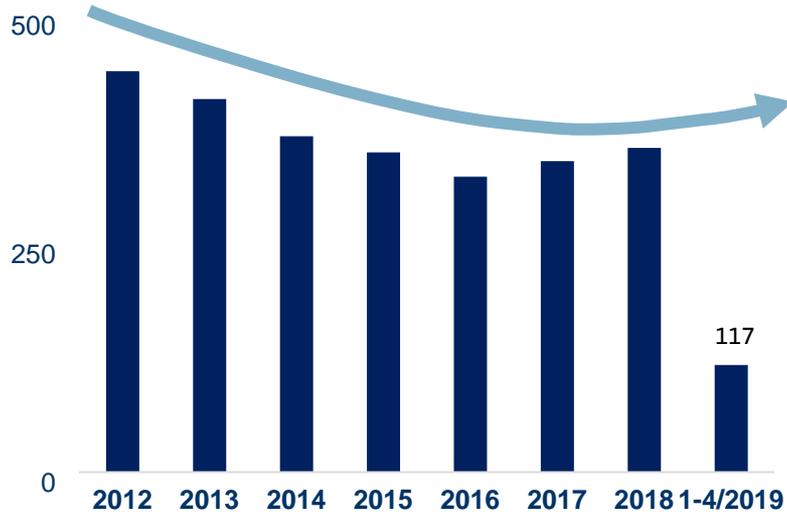
31.03.2019: € 210.2 bn

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



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

Deliveries to US customers, '000' units



Year	Market Share %
2012	3.0
2013	2.6
2014	2.2
2015	2.0
2016	1.8
2017	2.0
2018	2.0
1-4/2019	-

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

## Volkswagen Group China looks forward to a successful year 2019



	2018	2019
Total Market Growth	22.7m (-4.6%)	
Volkswagen Group China Deliveries	4.2m (+0.5%)	
Prop. Operating Profit	€ 4.6bn (-2.5%)	

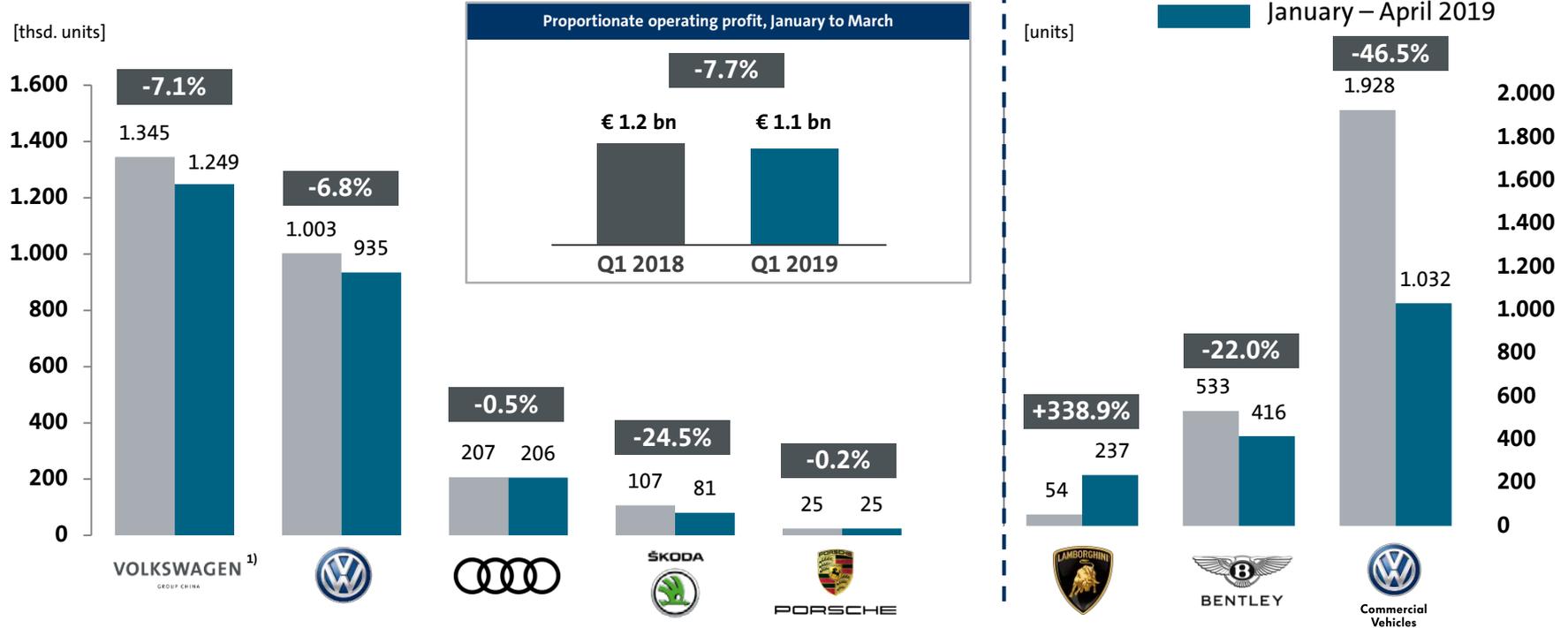


We, together with our Joint Venture partners,  
plan investments of more than **EUR 4 billion in 2019!**



## Volkswagen Group China performance

(January to April 2019 vs. 2018)



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

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

## STRATEGY

Ethics and compliance is central to business strategy

## RISK MANAGEMENT

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

## SPEAK-UP ENVIRONMENT

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



## CULTURE OF INTEGRITY

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

## RESOLUTE ACCOUNTABILITY

The organization takes action and holds itself accountable when wrongdoing occurs

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

## Group Compliance action plan for 2019

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

## Investor Relations Team

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



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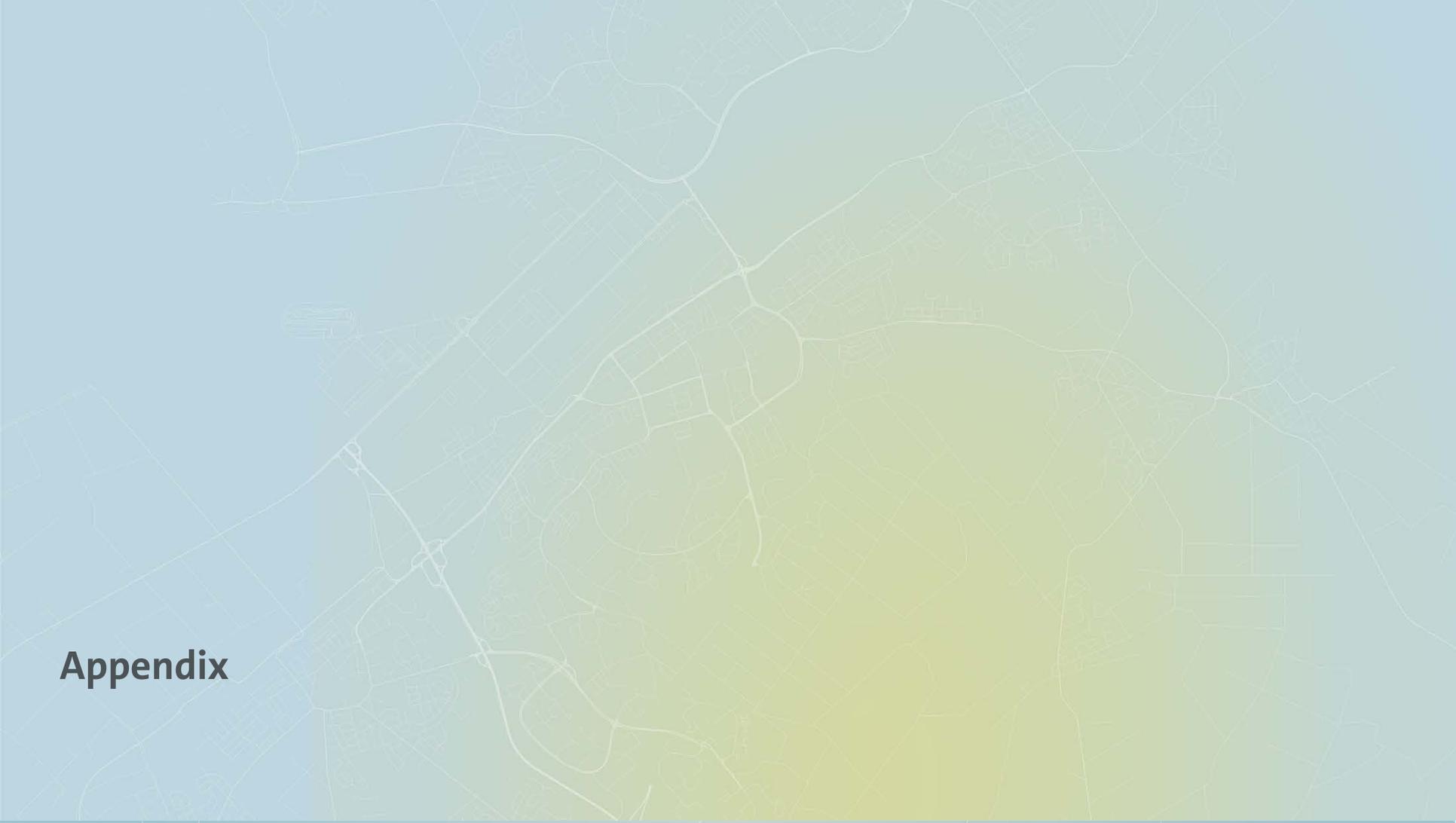
**Andreas Kowalczyk (Wolfsburg office)**

Investor Relations Officer  
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Telephone: +49 5361 9 23183



**Monika Kowalski (Wolfsburg office)**

Investor Relations  
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Telephone: +49 5361 9 31106

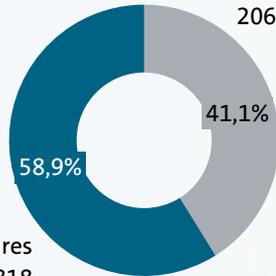


# Appendix

# The Shareholder Structure, Supervisory and Management Board

## Shareholder Structure of Volkswagen AG

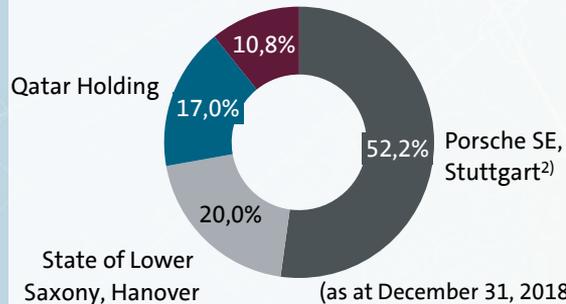
**Number of Outstanding Shares** Preferred shares  
206,205,445



Ordinary shares  
295,089,818

## Current Voting Rights Distribution

Others



## Supervisory Board of Volkswagen AG

<b>Chairman</b>	Hans Dieter Pötsch
<b>Members</b>	Jörg Hofmann Dr. Hussain Ali Al-Abdulla Dr. Hessa Sultan Al-Jaber Dr. Bernd Althusmann Birgit Dietze Dr. jur. Hans-Peter Fischer Marianne Heiß Johan Järvklo Ulrike Jakob Dr. Louise Kiesling Peter Mosch Bertina Murkovic Bernd Osterloh Dr. jur. Hans Michel Piëch Dr. jur. Ferdinand Oliver Porsche Dr. rer. comm. Wolfgang Porsche Athanasios Stimoniariis Stephan Weil Werner Weresch

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

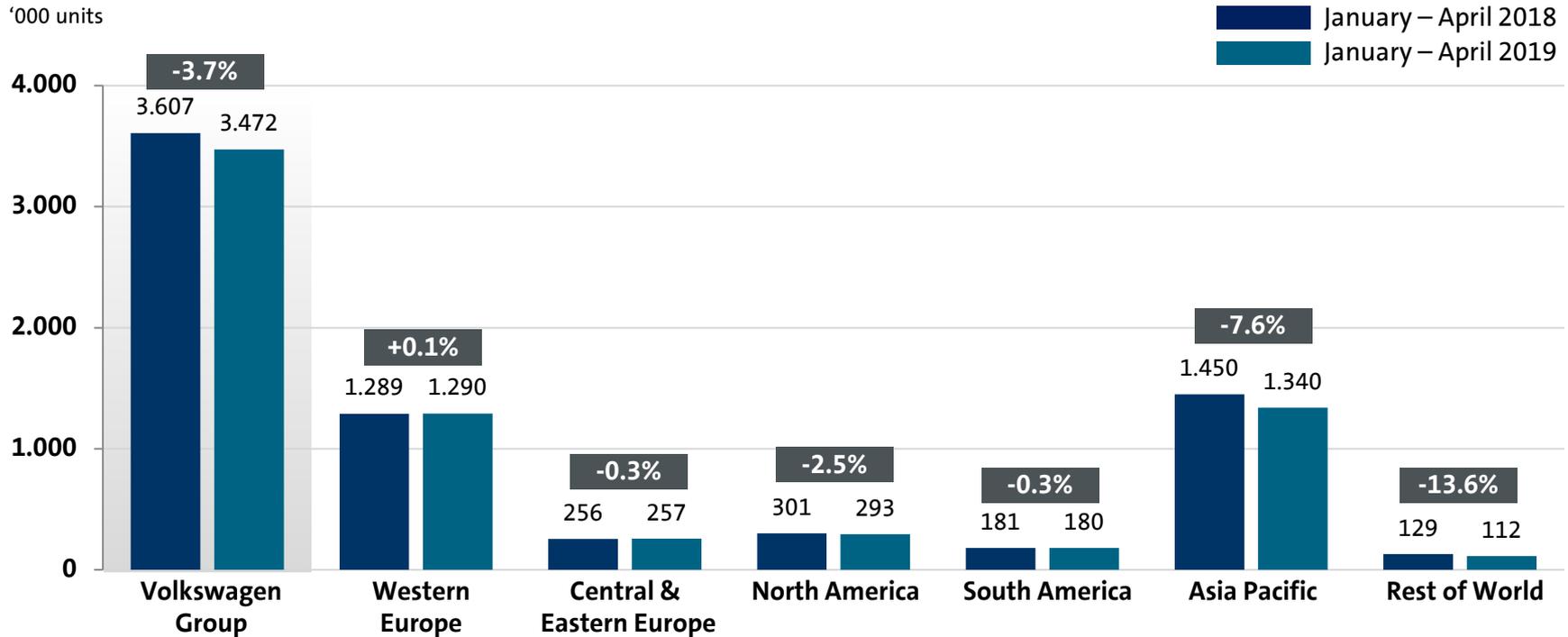
<b>Chairman of VW AG and VW Passenger Cars brand</b>	Dr. Herbert Diess
<b>Porsche AG</b>	Dr. Oliver Blume
<b>Human Resources</b>	Gunnar Kilian
<b>TRATON Group</b>	Andreas Renschler
<b>Audi AG</b>	Abraham Schot
<b>Integrity and Legal Affairs</b>	Hiltrud Dorothea Werner
<b>Finance and IT</b>	Frank Witter
<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. <sup>2)</sup> On March 13 2019, Porsche SE announced increase in voting rights to 53.1%.

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

(January to April 2019 vs. 2018)

'000 units

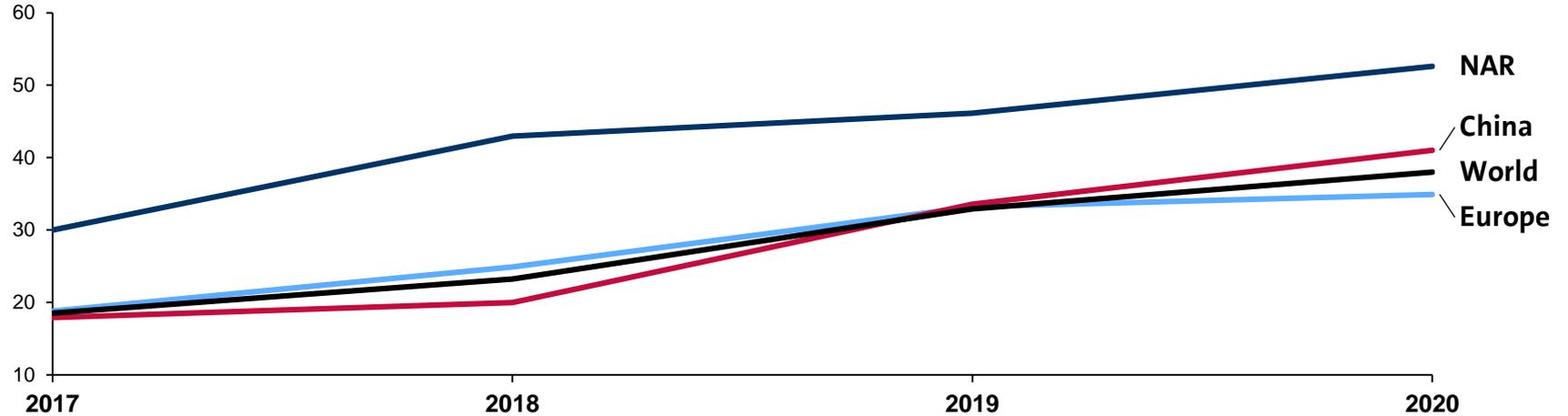


<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -4.4% incl. Volkswagen Commercial Vehicles in North and South America, excl. Scania and MAN.

## Strongly growing SUV trend <sup>1)</sup>

SUV mix by region based on expected Group deliveries to customers

[SUV share in %]



Touareg  
Tayron  
Tharu



Q8  
Q3  
Urus



Tarraco  
T-Cross  
Teramont X



e-tron  
Macan FL  
Cayenne Coupé

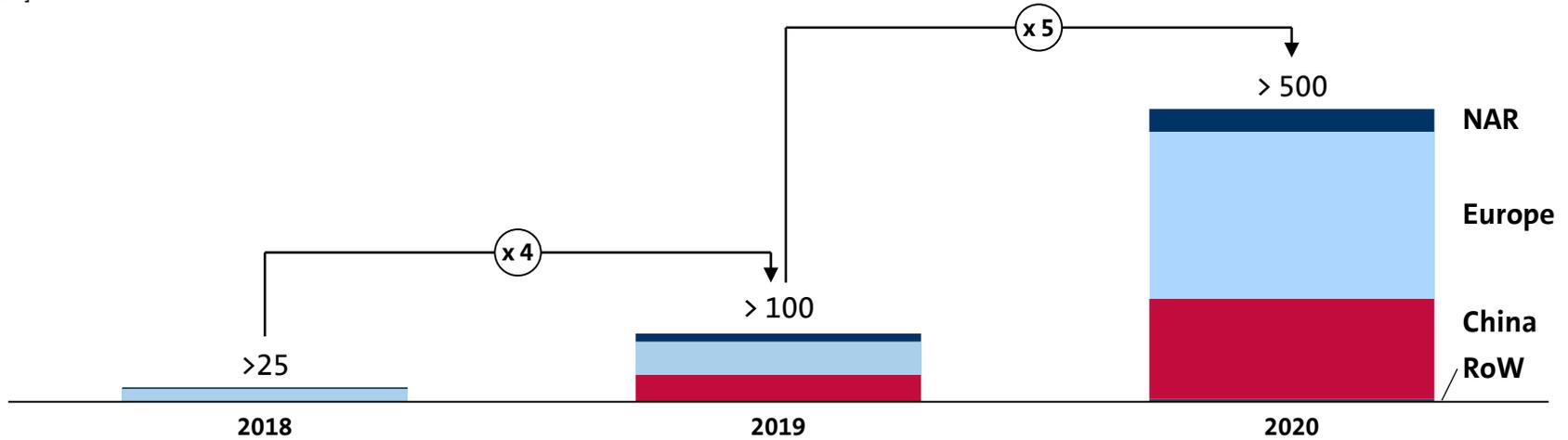


<sup>1)</sup> As of 2nd May, 2019.

## Strongly growing BEV trend <sup>1)</sup>

Sales by region based on expected Group deliveries to customers

[thsd. units]



e-Crafter  
e-Golf  
e-up!



e-tron  
Taycan  
Q2L e-tron



e-Bora  
e-Lavida  
e-Transporter

e-TGE  
e-Caddy  
Moia Shuttle

ID.  
ID. Crozz  
e-tron Spb



e-Mii  
e-Citigo

<sup>1)</sup> As of 2nd May, 2019.

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

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

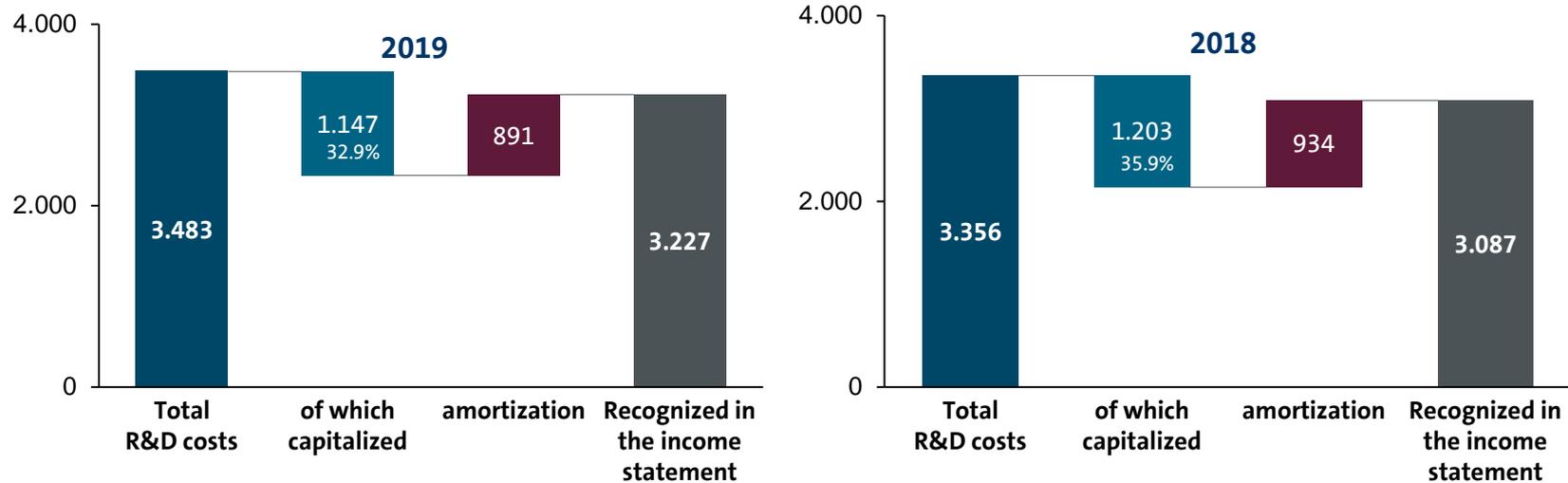
2020 Updated		
CMD March 2017	PR 66	PR 67
+ > 20 % 	+ > 25 % 	+ > 25 %
+ 25 % 	+ ≥ 25 % 	+ > 30 %
+ ≥ 25 % 	+ ≥ 30 % 	+ ≥ 40 %
+ ≥ 25 % 	+ > 25 € 	+ ≥ 30 €

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

# Automotive Division – Research and Development Costs

January to March 2019 vs. 2018

[€million]



## Diesel issue: Special Items & payments

€ (bn)	Diesel special items	Payments
2015	Legal 7.0	
	Other items 9.2	
	<b>16.2</b>	
2016	Mainly legal risks 6.4	~3.0
2017	Buyback/retrofit program 2.2	
	Legal 1.0	
	<b>3.2</b>	
2018	Mainly legal risks 3.2	~5.3
2019 <sup>1)</sup>	Mainly legal risks 1.0	Expected ~2.4
Total	<b>30.0</b>	Payments made ~24.6

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

## Volkswagen Group – Analysis by Business Line <sup>1)</sup> (January to March 2019 vs. 2018)

thousand vehicles / € million	Vehicle sales		Sales revenue		Operating profit		Margin	
	2019	2018	2019	2018	2019	2018	2019	2018
Volkswagen Passenger Cars	910	912	21,538	20,115	921	879	4.3%	4.4%
Audi	305	394	13,812	15,320	1,100	1,300	8.0%	8.5%
ŠKODA	275	256	4,920	4,547	410	437	8.3%	9.6%
SEAT	176	167	3,053	2,782	89	85	2.9%	3.1%
Bentley	3	2	456	351	49	-44	10.7%	-12.5%
Porsche Automotive <sup>2)</sup>	57	61	5,224	5,438	829	939	15.9%	17.3%
Volkswagen Commercial Vehicles	129	117	3,294	2,945	291	224	8.8%	7.6%
Scania <sup>3)</sup>	24	23	3,350	3,029	370	301	11.0%	9.9%
MAN Commercial Vehicles	34	31	2,988	2,771	115	83	3.8%	3.0%
Power Engineering	-	-	891	766	9	21	1.0%	2.7%
VW China <sup>4)</sup>	901	1,040	-	-	-	-	-	-
Other <sup>5)</sup>	-229	-233	-8,220	-7,834	28	-622	-	-
Volkswagen Financial Services	-	-	8,706	7,999	638	608	7.9%	7.6%
<b>Volkswagen Group before Special Items</b>	-	-	-	-	4,849	4,211	<b>8.1%</b>	<b>7.2%</b>
Special Items	-	-	-	-	-981	-	-	-
<b>Volkswagen Group</b>	<b>2,583</b>	<b>2,769</b>	<b>60,012</b>	<b>58,228</b>	<b>3,868</b>	<b>4,211</b>	<b>6.4%</b>	<b>7.2%</b>
Automotive Division <sup>6)</sup>	2,583	2,769	50,777	49,743	3,166	3,572		
of which: Passenger Cars <sup>7)</sup>	2,526	2,716	43,581	43,243	2,803	3,301		
of which: Commercial Vehicles <sup>7)</sup>	57	53	6,305	5,734	420	312		
of which: Power Engineering	-	-	891	766	-56	-42		
Financial Services Division	-	-	9,236	8,485	701	639		

<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 € 5,799 (5,936) million, operating profit € 868 (976) million. <sup>3)</sup> Scania (Automotive and Financial Services): sales revenue € 3,458 (3,118) million, operating profit € 402 (331) million. <sup>4)</sup> The sales revenue and operating profits of the joint venture companies in China are not included in the figures for the Group. These Chinese companies are accounted for using the equity method and recorded a proportionate operating profit of € 1,074 (1,163) 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. <sup>7)</sup> Since 1st January 2019 Volkswagen Commercial Vehicles is reported in the Automotive division, prior year figures have been adjusted.

## Volkswagen Investor Update

### Volkswagen AG

Ulrich Hauswaldt – Group Investor Relations  
Bjoern Reinecke – Head of Financial Markets

### Volkswagen Financial Services

Bernd Bode – Head of Group Treasury and Investor Relations  
Katja Hauer – Investor Relations

# Volkswagen Financial Services is a strong pillar within the Volkswagen Group

Volume	Premium	Sport & Luxury	Truck & Bus	Procurement/ Components	Financial Services	China
<p>VW  Volkswagen</p> <hr/> <p>ŠKODA  ŠKODA</p> <hr/> <p>SEAT  SEAT</p> <hr/> <p>VW LCV  Commercial Vehicles</p> <hr/> <p>MOIA </p>	<p>Audi  Audi</p> <hr/> <p>Lamborghini<sup>1)</sup>  Lamborghini</p> <hr/> <p>Ducati<sup>1)</sup>  Ducati</p>	<p>Porsche  PORSCHE</p> <hr/> <p>Bentley  BENTLEY</p> <hr/> <p>Bugatti  BUGATTI</p>	<p>MAN  MAN</p> <hr/> <p>Scania  SCANIA</p> <hr/> <p>Power Engineering<sup>1)</sup></p>	<p>Procurement</p> <hr/> <p>Components</p>	<p>Volkswagen Financial Services</p> <hr/> <p>VOLKSWAGEN FINANCIAL SERVICES <small>ARTIFIZIELLE GESELLSCHAFT</small></p> <hr/> <p>VOLKSWAGEN BANK <small>GMBH</small></p> <hr/> <p>Porsche Financial Services</p> <hr/> <p>Financial Services USA / Canada / Spain</p> <hr/> <p>Scania Financial Services</p> <hr/> <p>Porsche Holding Financial Services</p>	<p>Region China</p>

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

# VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

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

VOLKSWAGEN  
FINANCIAL SERVICES  
THE KEY TO MOBILITY

### BANKING



#### BANK

- Retail Financing
- Wholesale Financing
- Factoring
- Deposits

### LEASING



#### LEASING

- Finance Lease
- Operating Lease

### INSURANCE & SERVICE



#### INSURANCE

- Motor incl. Telematics
- Warranty
- GAP & CPI
- Commercial Lines



#### SERVICES

- Service & Inspection
- Full and Limited Maintenance
- Tyres



#### FLEET

- Multi-brand capability
- Reporting
- Telematics
- Life-Cycle-Services
- Consulting



#### HEYCAR

- Used Car Platform

### MOBILITY



#### CHARGE & FUEL

- Fuel & Service Cards
- Charge & Fuel Card
- Tolling



#### RENTAL

- Long-term Rental
- Short-term Rental
- Micro Rental | Car sharing



#### PARKING

- Payment for parking space
- Services around parking
- On- and off-street



#### PAYMENT

- In-Car-Payment
- Mobile Payment
- Wallet

PROFITABILITY

CONTACT FREQUENCY

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

## At a glance as of 31.12.2018

### Volkswagen Bank GmbH

Total assets	€83.0 billion
Equity	€11.6 billion
Customer deposits	€32.4 billion
Operating profit	€952 million
Employees	3,454
Contracts (units)	6.4 million



\*Receivables + Leased Assets

### Volkswagen Financial Services AG

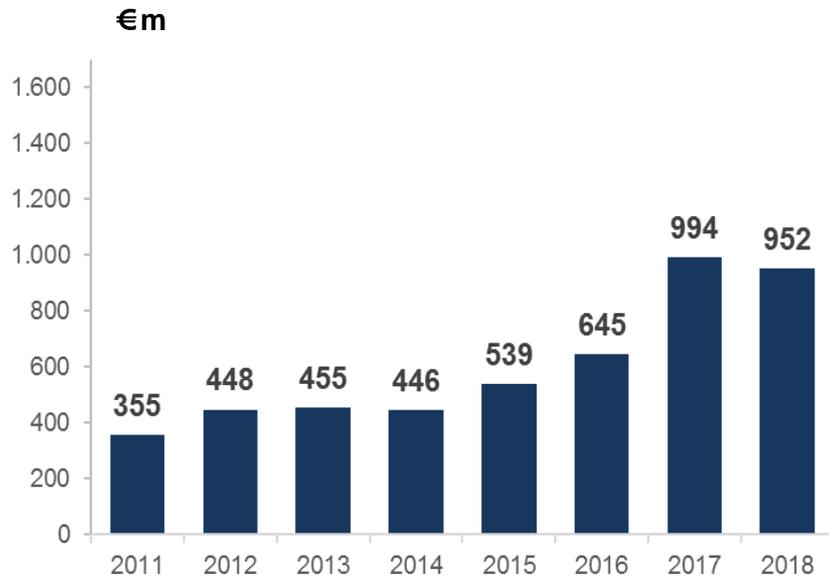
Total assets	€80.5 billion
Equity	€8.0 billion
Customer deposits	€75 million
Operating profit	€844 million
Employees	8,603
Contracts (units)	10.2 million



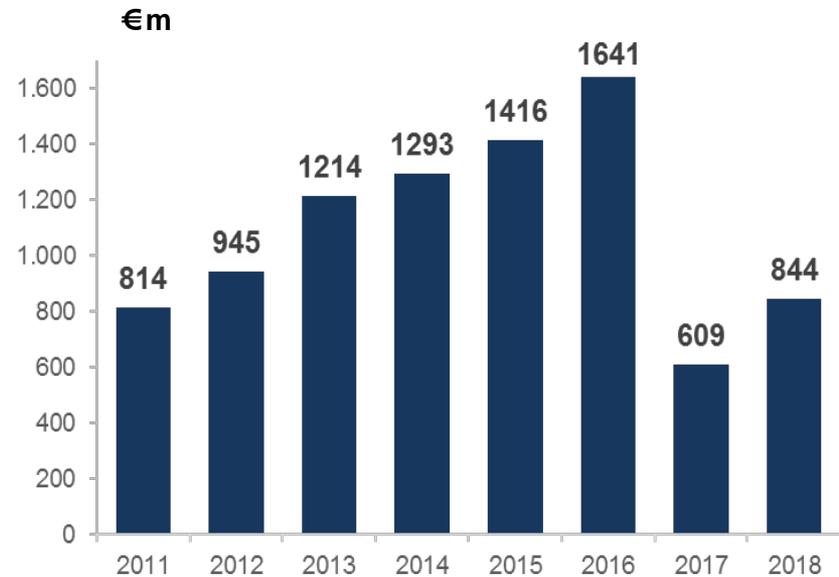
\*Receivables + Leased Assets

# Operating Income

## Volkswagen Bank GmbH



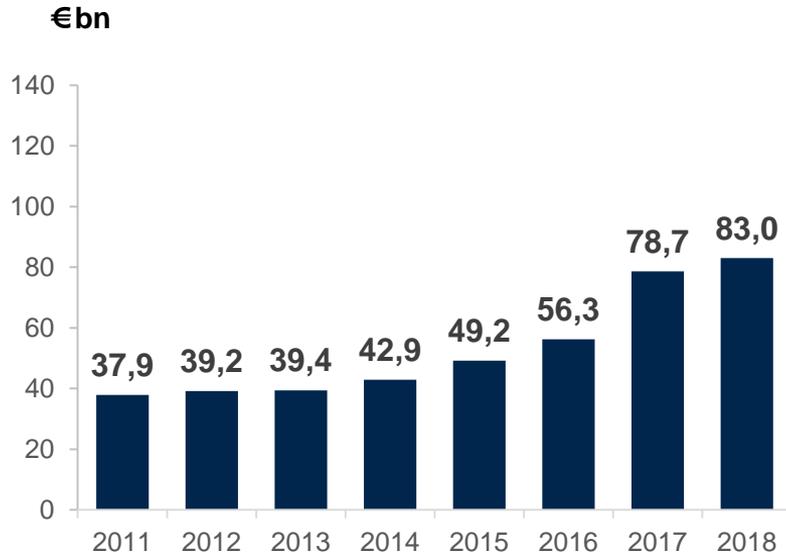
## Volkswagen Financial Services AG\*



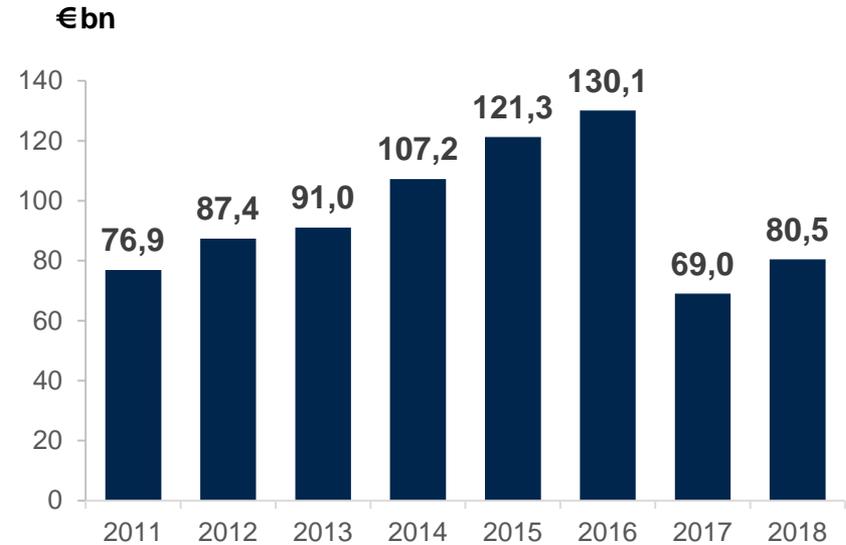
\* Figures of Volkswagen Bank GmbH consolidated within Volkswagen Financial Services AG until 2016

## Balance Sheet

### Volkswagen Bank GmbH

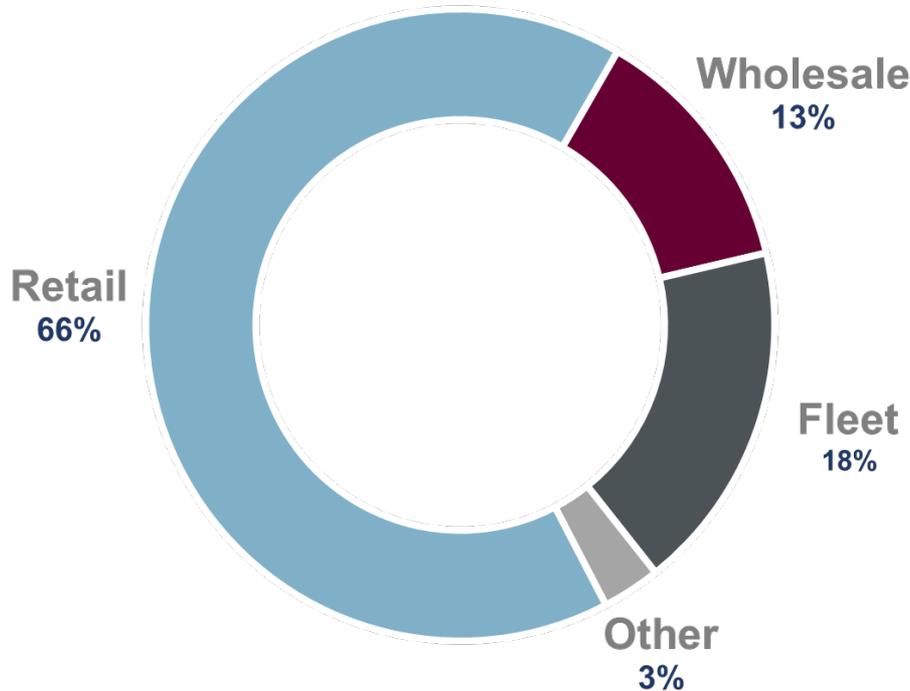


### Volkswagen Financial Services AG\*



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

## Portfolio structure Volkswagen Financial Services



### Credit Risk

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

### Residual Value Risk

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

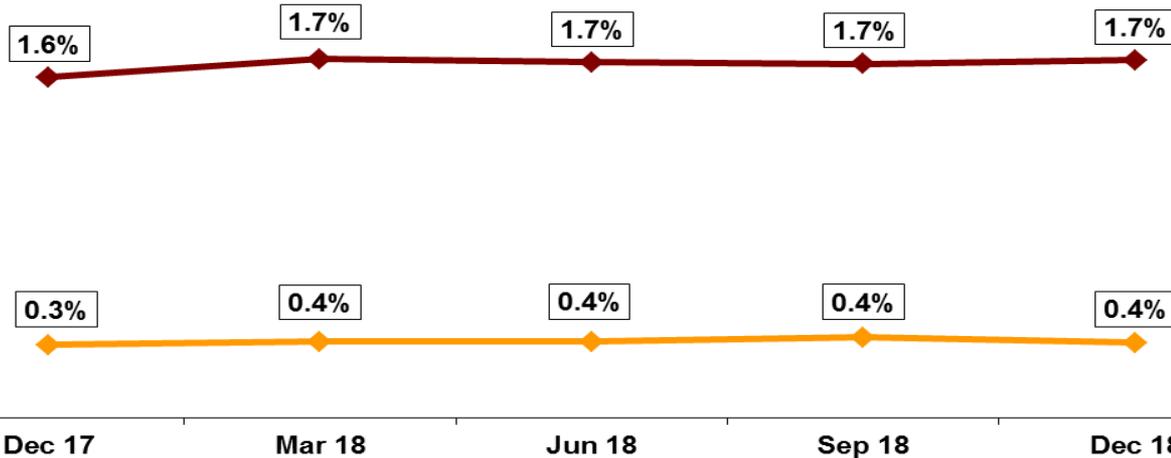
### Other substantial risk types:

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

as of 12/31/2018

# Volkswagen Financial Services – credit risks as of 31.12.2018

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



Total Provision Ratio

Total Provision Ratio according to IAS 39 =

total provisions in proportion to the total receivables' volume at reporting date



Ø Dynamic Loss Ratio

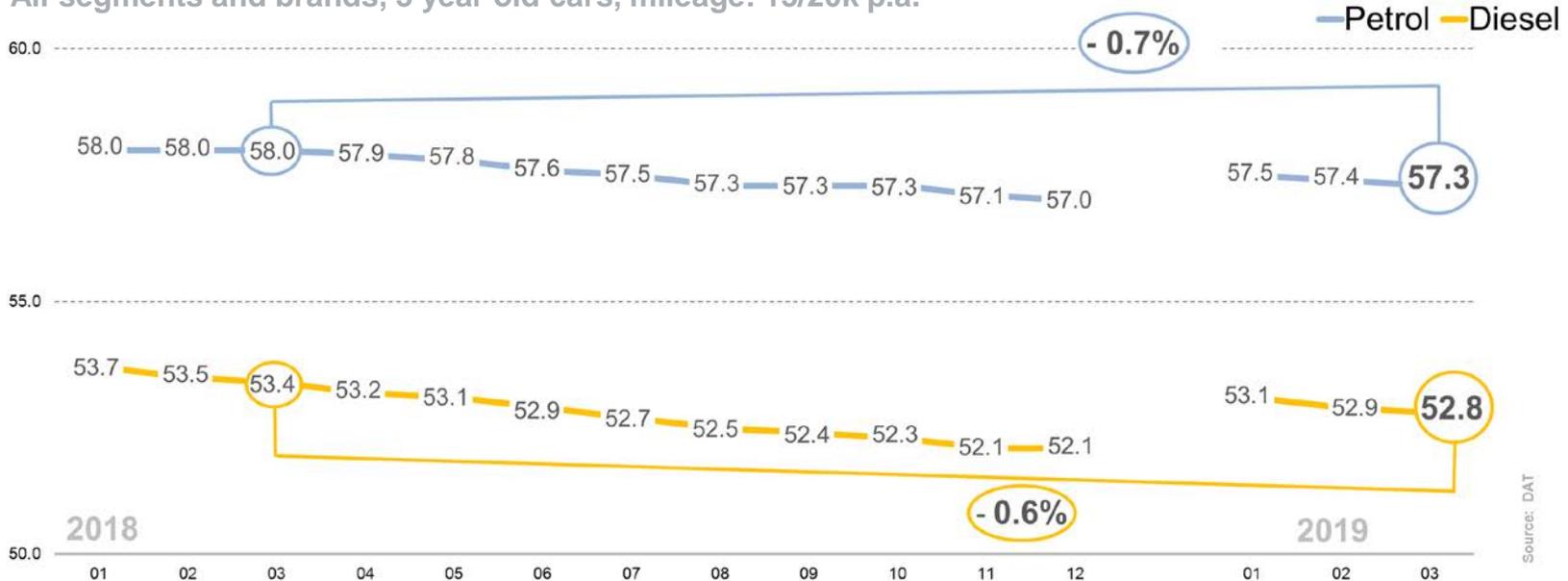
Dynamic Loss Ratio =

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

# Report by Deutsche Automobil Treuhand (March 2019)

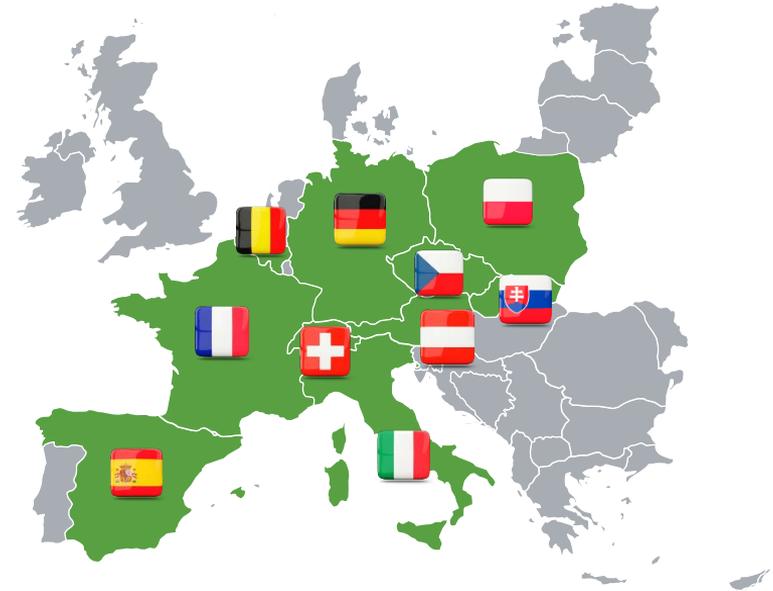
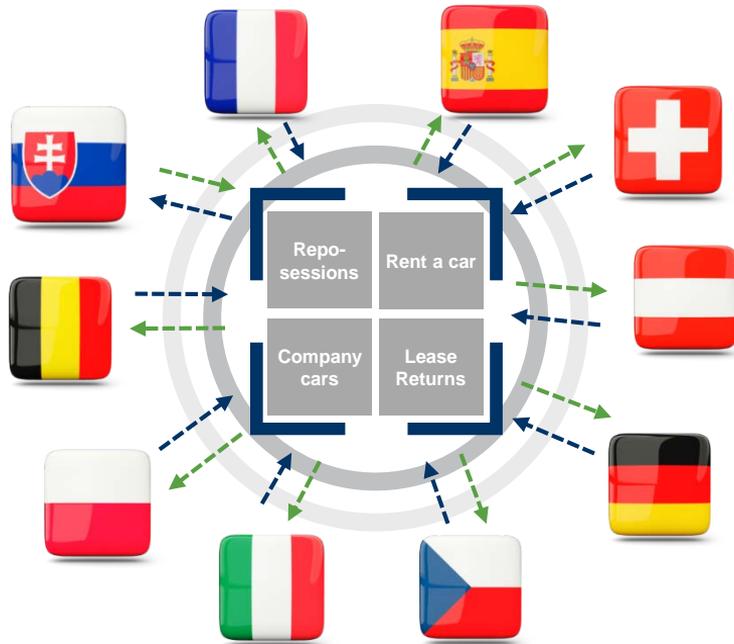
## Residual Value Development from list price in %

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



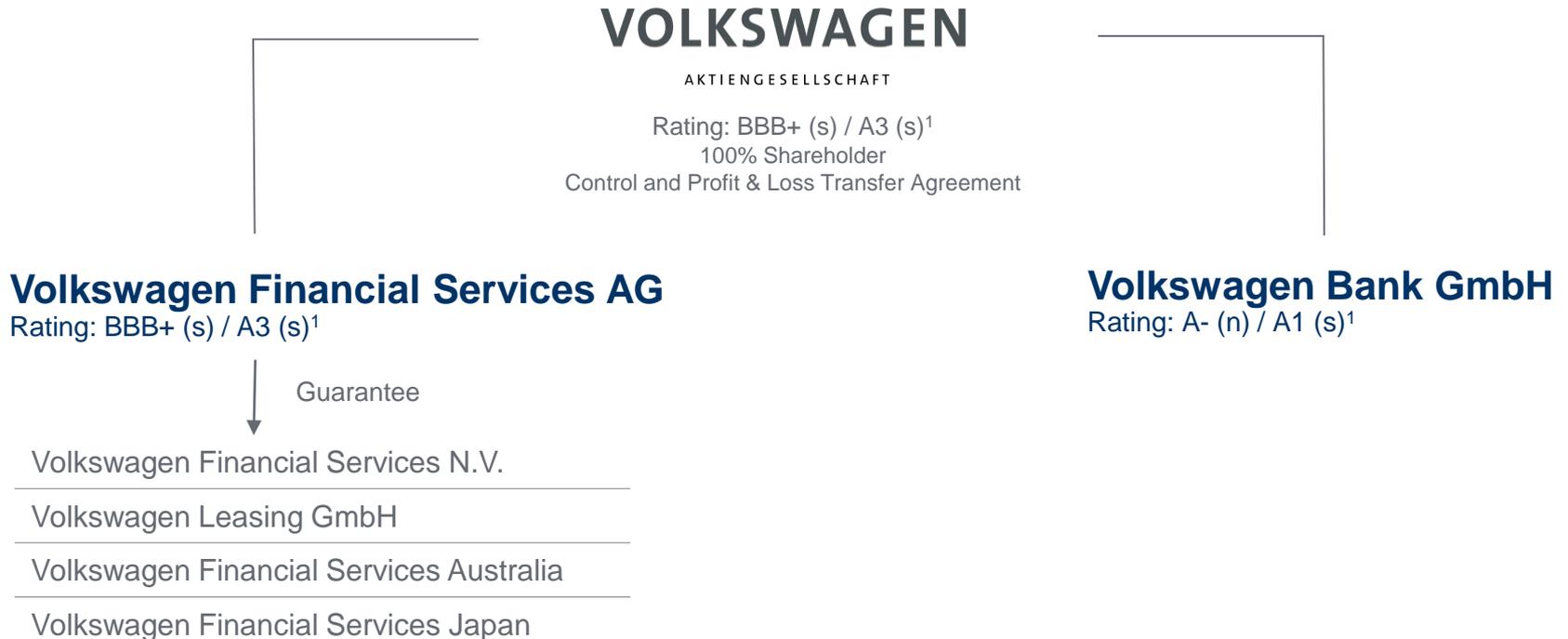
- Generally, Automotive and Financial Services Division are operating “at Arms Length” when setting residual values. Adequate provisioning for our existing portfolio is done on the basis of a regular portfolio assessment.
- All residual value risks are completely covered by provisions and equity according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

## International used car brokerage safeguards residual values



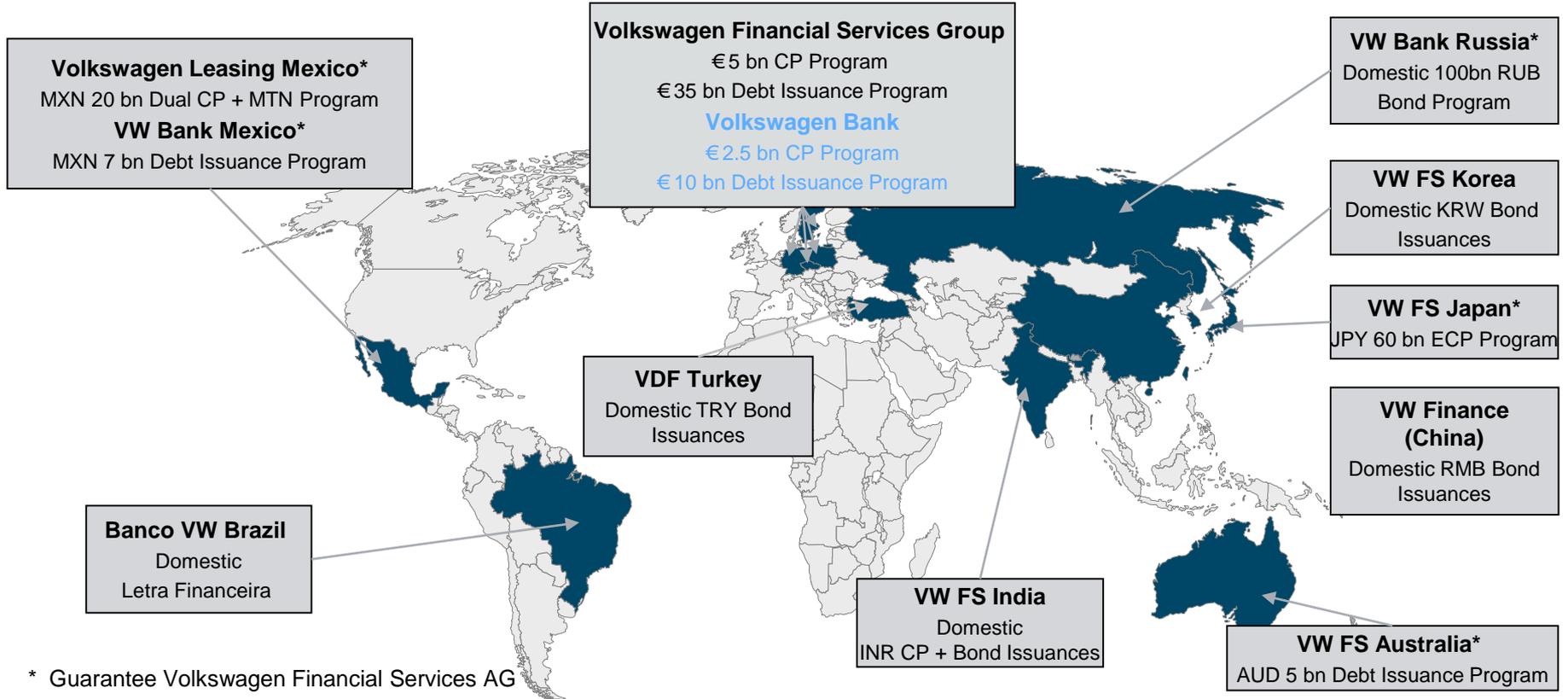
**Currently 10 Volkswagen Financial Services AG countries participating  
1 additional country in discussion**

# Volkswagen Financial Services organisational structure and guarantee scheme



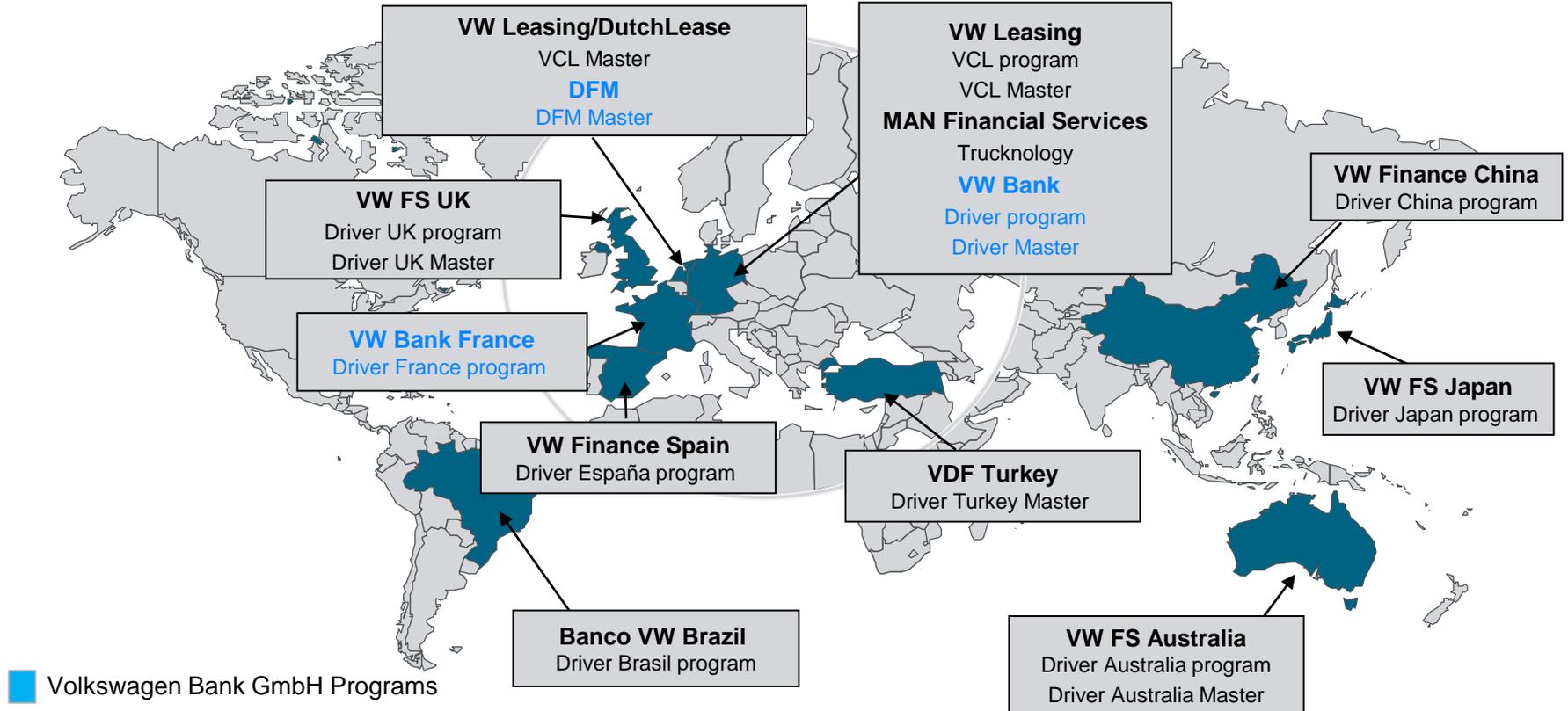
<sup>1</sup>Credit Ratings from Standard&Poors / Moody's as per 16 May 2019; (n) Outlook negative, (s) Outlook stable

## Worldwide Capital Market Activities



\* Guarantee Volkswagen Financial Services AG

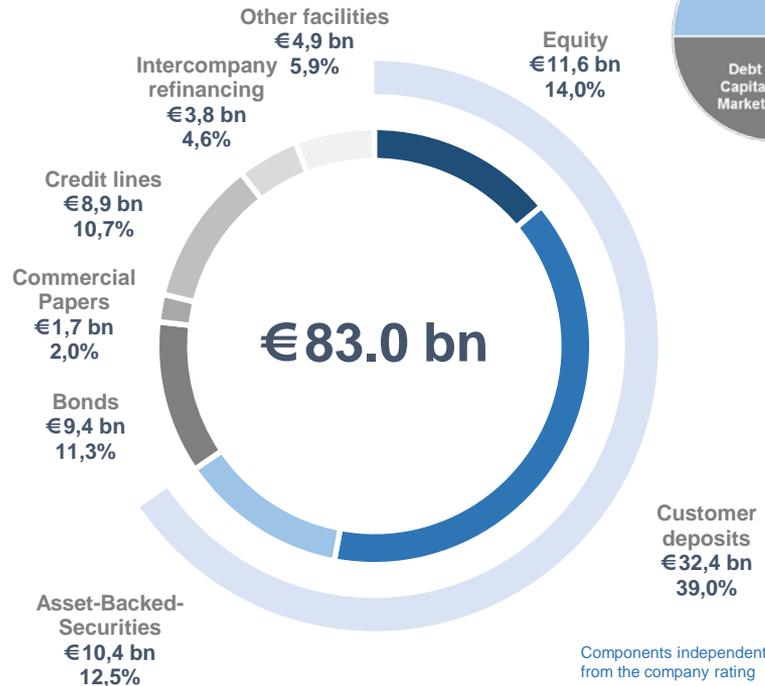
## Worldwide ABS Activities



## Strategic Funding Allocation as of 31.12.2018

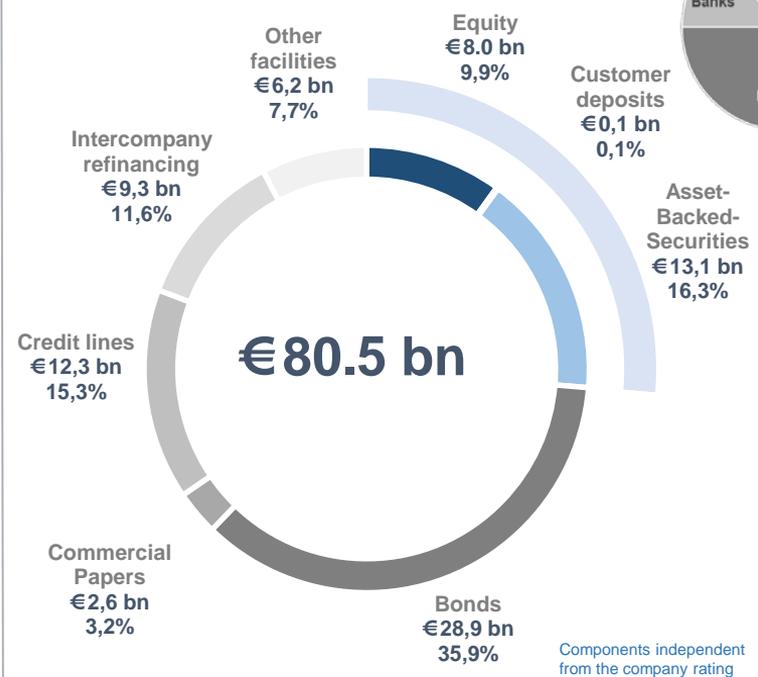
### Volkswagen Bank GmbH

#### Strategic Funding Mix

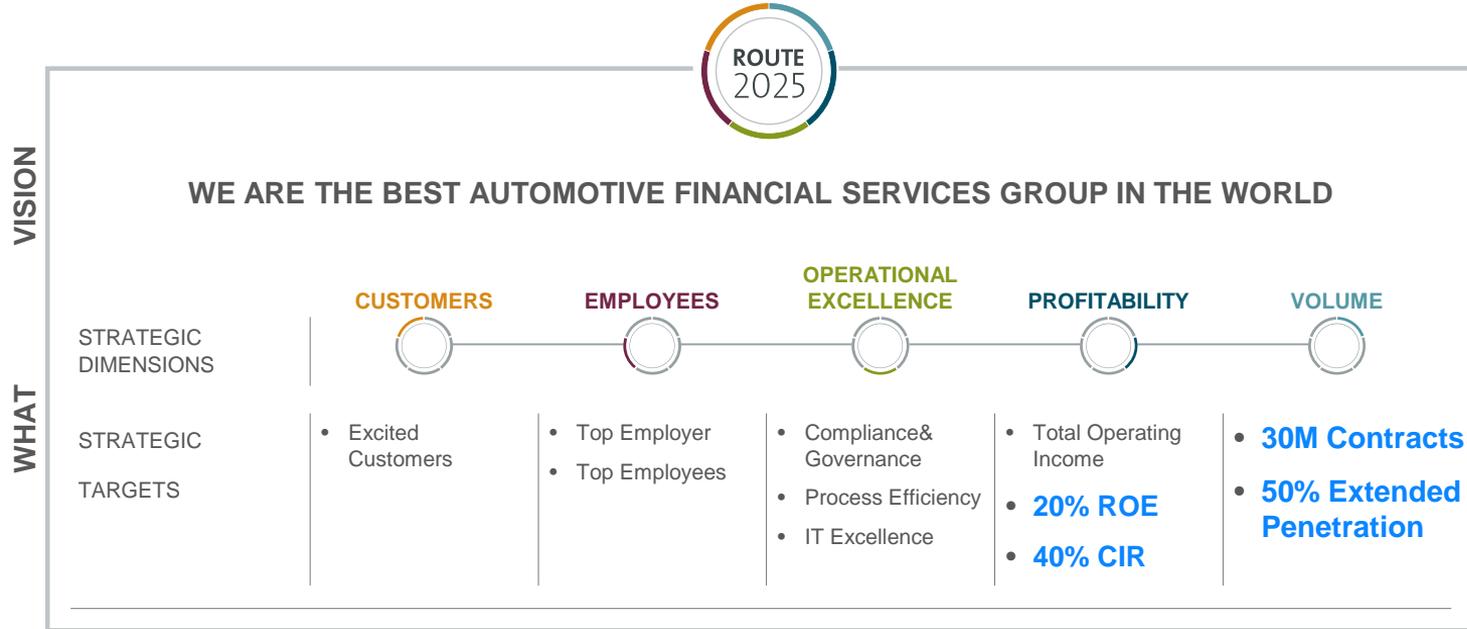


### Volkswagen Financial Services AG

#### Strategic Funding Mix

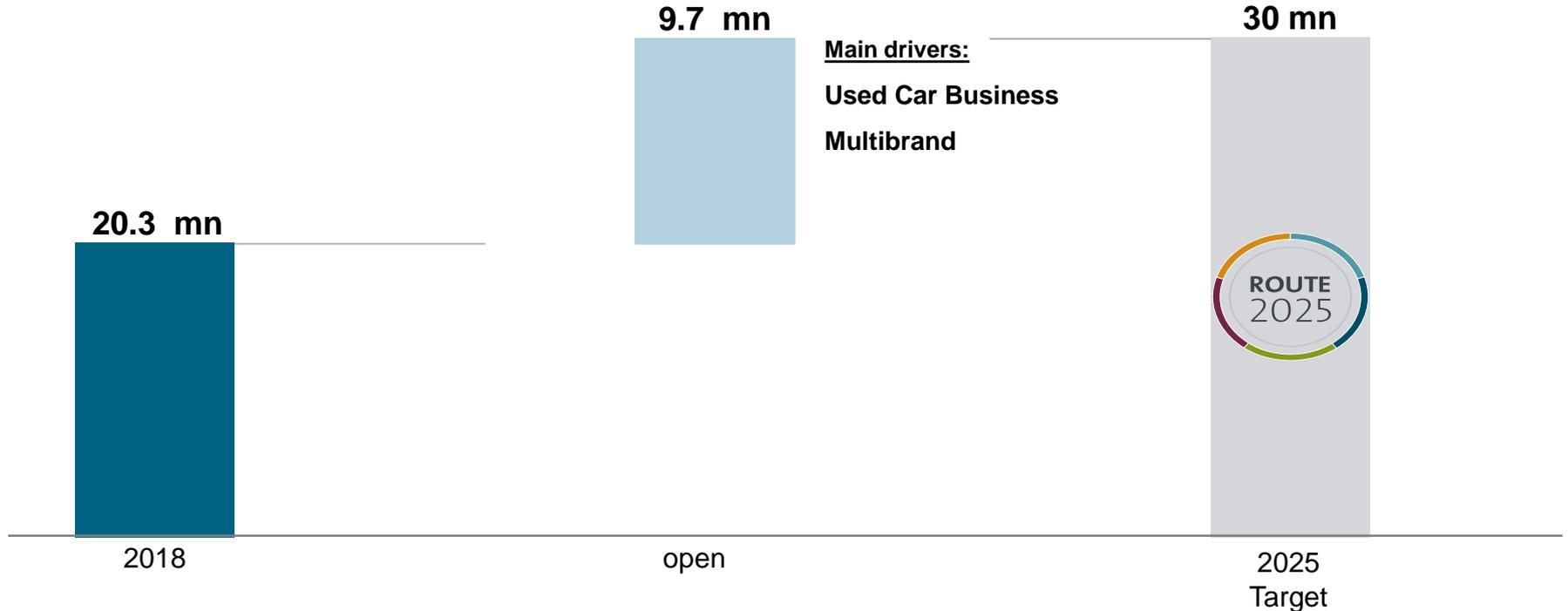


# Vision and targets of Route2025



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

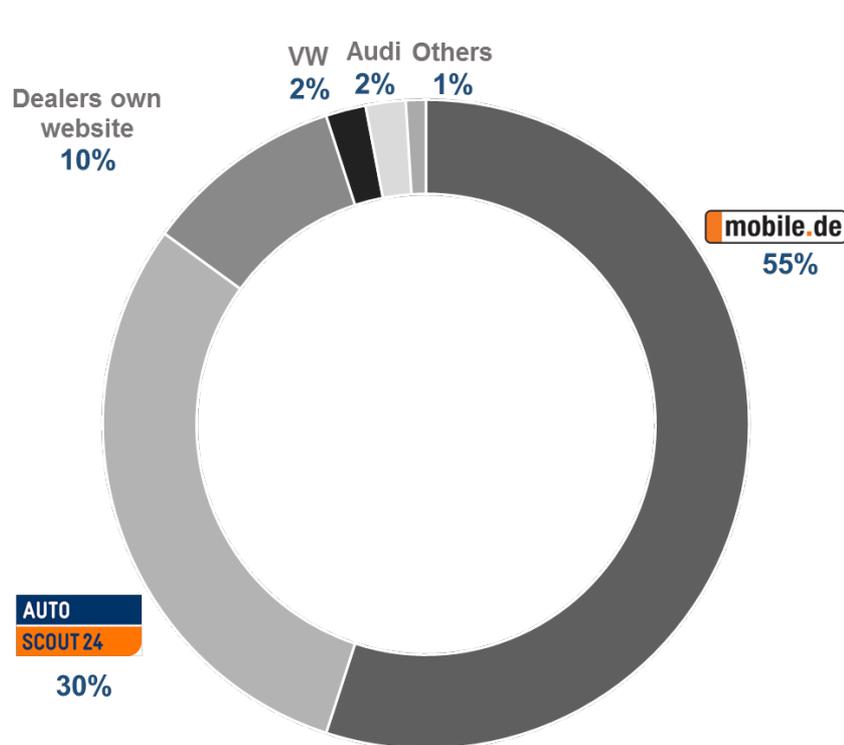
## Major driver: used cars



\* Contract portfolio including contracts of non-consolidated companies

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

## Online share of trades



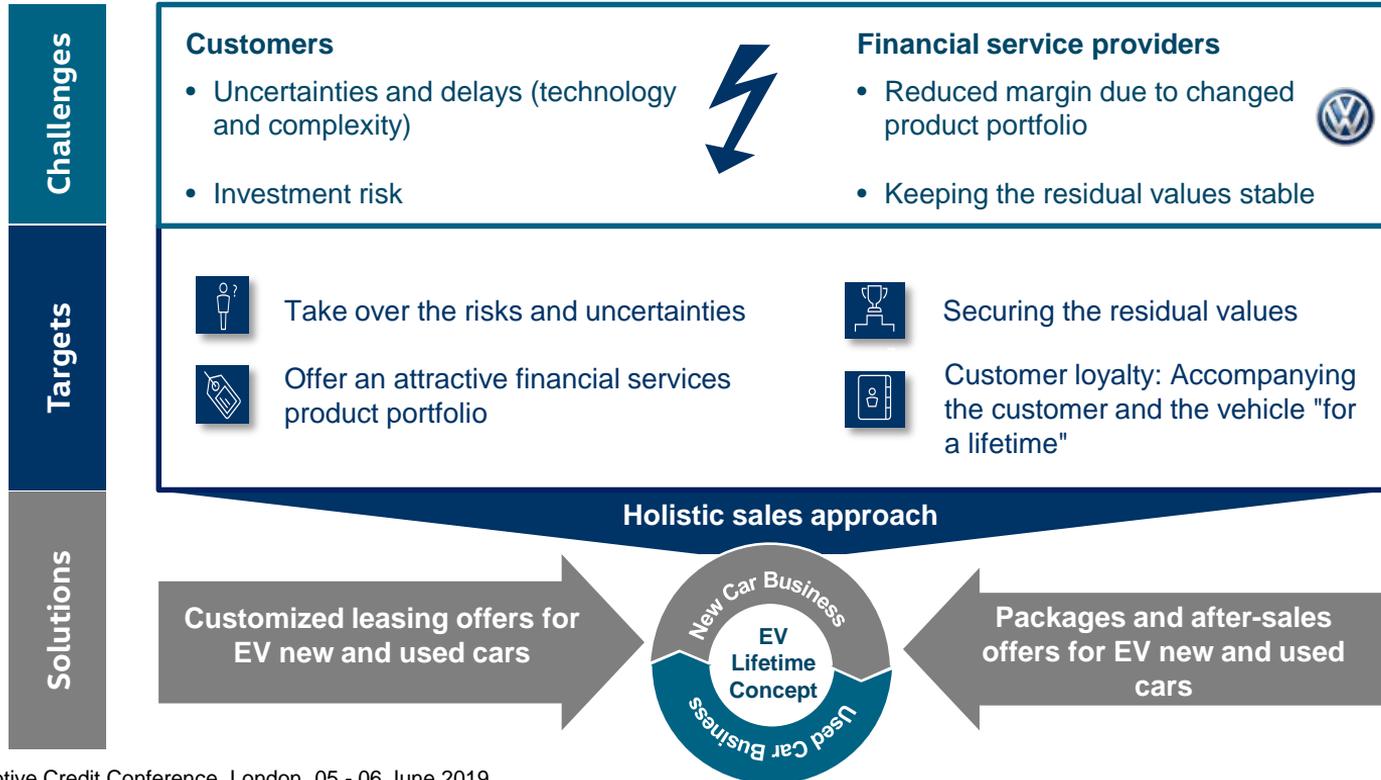
- **mobile.de** and **AUTO SCOUT24** counts for 85% of the Market
- **Constant price increase** for both platforms
- Dominant platforms **controlled by American tech companies**



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

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

# Electrification creates new challenges for automotive financial service providers





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## Thank You.

Volkswagen Financial Services  
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38112 Braunschweig  
Germany  
[www.vwfsag.de/en](http://www.vwfsag.de/en)

# VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

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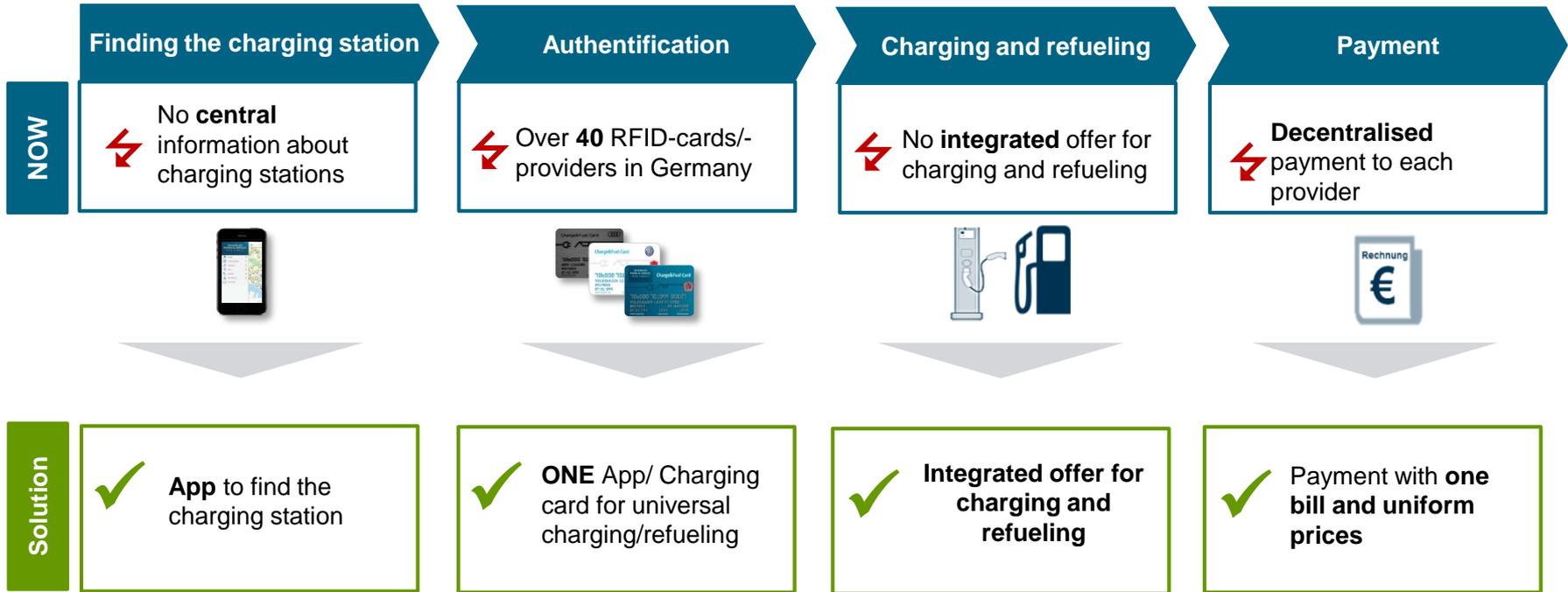
**Thank You.**

Volkswagen Bank GmbH

Gifhorner Str. 57

38112 Braunschweig

Germany



▶ New customer experience "Everything from one source" - integrated process for public charging



### Rental



- MAN Rental, EUROLEASING:

Rental of **heavy commercial vehicles and trailers** for **1 day to 60 months**

- VW FS Rent a Car, EUROMOBIL:

Rental of **passanger cars and light commercial vehicles** from 1 day till 12 months.



### Carsharing

- Greenwheels:

Station-based carsharing of **passenger cars** and **light commercial vehicles** for short-time rental (by **hours, days or weeks**).





### Key Facts



- Active in **7 countries**
- ~**1,4 million parking places** in over **400 cities**
- about **80 million transactions** per year with the target of **250 million transactions in 2020**

### Product



**Access / Payment (Comfort)**

### Role in the Group

- VW FS as platform provider for cashless **parking for all brands of the Volkswagen Group**



### Relevant coverage



**On-Street**  
(municipal,  
unlimited)



**Off-Street**  
(limited)

# Volkswagen Financial Services e-charging solutions provides access to public charging



## Focus VW FS



## Recent Public DCM Deals 2019 (Volkswagen Financial Services AG and Volkswagen Bank GmbH)

### Volkswagen Bank GmbH

- Volkswagen Bank GmbH: 01/2019 EUR 2.5bn, due 08/2022, 01/2024, 07/2026

### Volkswagen Financial Services AG

- Volkswagen Financial Services N.V.: EUR 520m 01/2019, due 01/2022
- Volkswagen Financial Services N.V.: GBP 350m GBP, 02/2019, due 07/2023
- Volkswagen Financial Services AG: EUR 500m 02/2019, due 02/2021
- Banco Volkswagen S.A.: BRL 500m 02/2019, due 02/2021
- Volkswagen Financial Services AG: EUR 2.75bn 03/2019, due 04/2022, 10/2024 and 10/2027
- Volkswagen Financial Services N.V.: NOK 500m 04/2019, due 04/2022
- Volkswagen Financial Services N.V.: NOK 500m 04/2019, due 04/2022
- Volkswagen Financial Services N.V.: SEK 1.0bn 04/2019, due 04/2021
- Volkswagen Financial Services Australia Pty Ltd.: AUD 500m 04/2019, due 04/2023

## Recent Public ABS Deals 2018 and 2019 (Volkswagen Financial Services AG and Volkswagen Bank GmbH)

### Volkswagen Bank GmbH

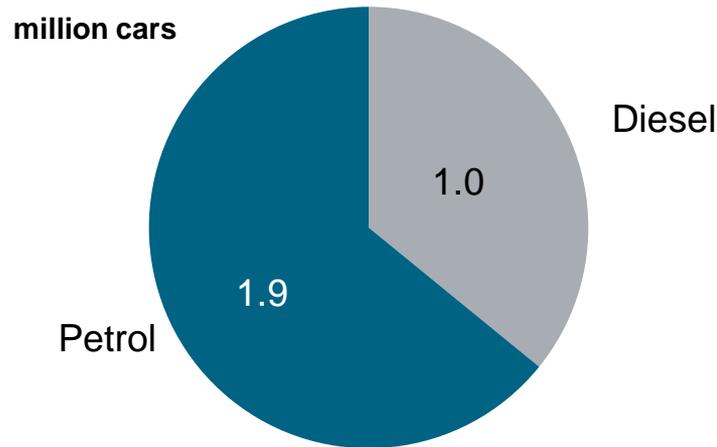
- Driver España five (Volkswagen Finance S.A.): EUR 1.0bn (02/2018)
- Driver fourteen (Volkswagen Bank GmbH): EUR 900m (03/2018)
- Driver Italia one (Volkswagen Bank GmbH): EUR 500m (05/2018)
- Driver fifteen (Volkswagen Bank GmbH): EUR 750m (09/2018)

### Volkswagen Financial Services AG

- Driver Australia five (Volkswagen Financial Services Australia Pty Ltd.): AUD 750m (04/2018)
- VCL 27 (Volkswagen Leasing GmbH): EUR 957m (11/2018)
- Driver Japan eight (Volkswagen Financial Services Japan Ltd.): JPY 69.5 bn (02/2019)
- VCL 28 (Volkswagen Leasing GmbH): EUR 1.0 bn (04/2019)

## Residual value situation of Volkswagen Financial Services as of 31.03.2019

### Vehicles in direct residual value portfolio



**Total: 2.9 m cars**

- **Vehicle stock** increased in Q1 2019
- Declining **risk per vehicle** in Q1 2019
- All **residual value risks** are fully covered by risk provisions and equity.

# The Volkswagen Financial Services offer must adapt to market changes

## Classic business model



INCOME

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



RISK

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



PARTNER

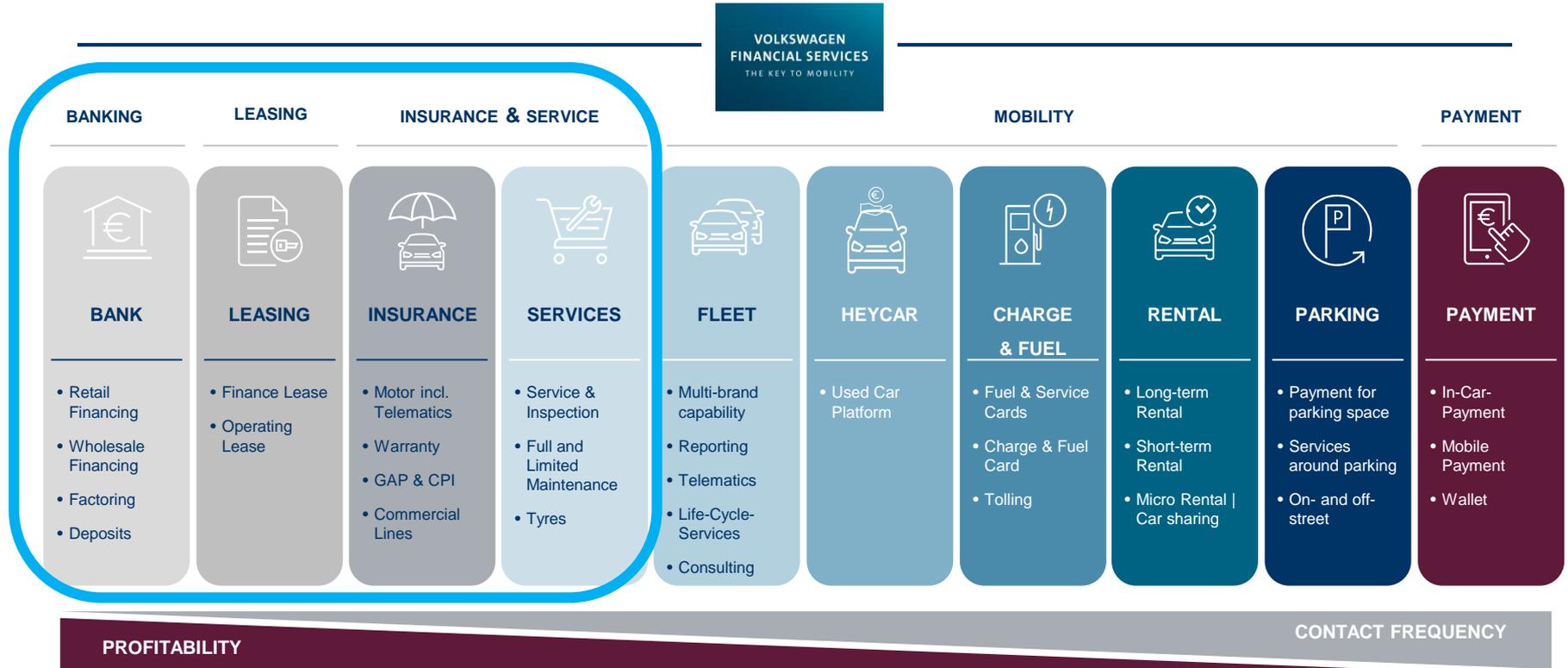
- ✓ Retail customer (1:1)
- ✓ Dealers
- ✓ BaFin, ECB



# VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

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



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

# The Volkswagen Financial Services offer must adapt to market change

## New mobility concepts



**INCOME**

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



**RISK**

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



**PARTNER**

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

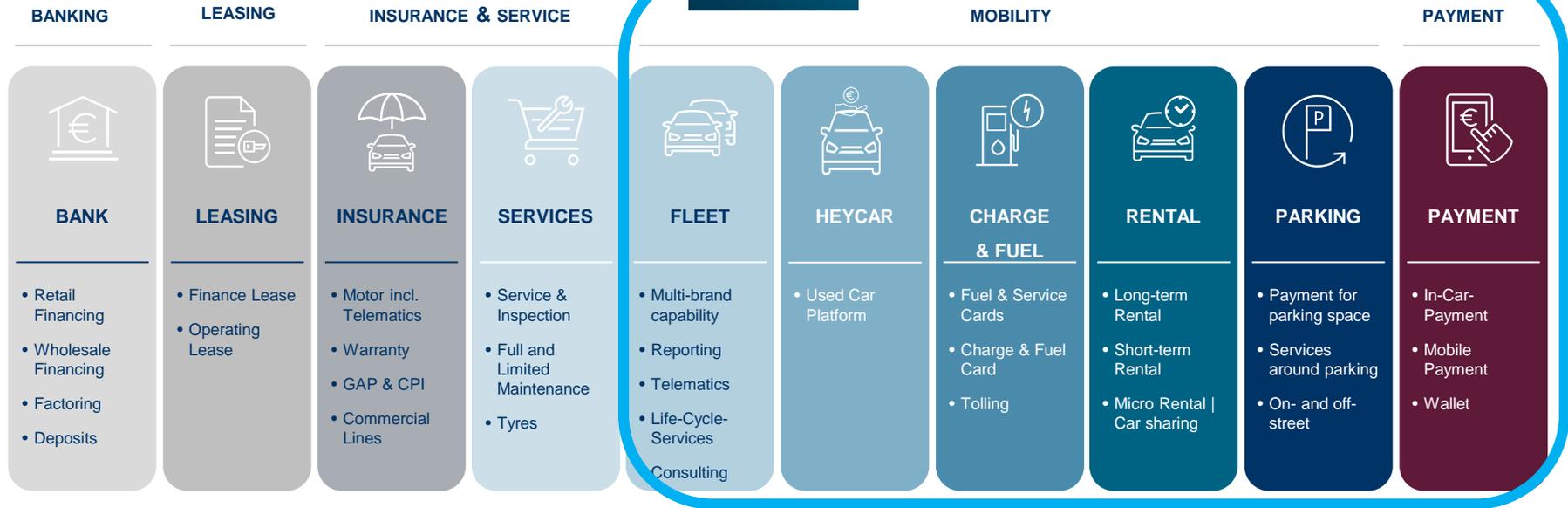


# VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

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

VOLKSWAGEN  
FINANCIAL SERVICES



PROFITABILITY

CONTACT FREQUENCY

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

# The Volkswagen Financial Services offer must adapt to market changes

## Digital products



**INCOME**

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



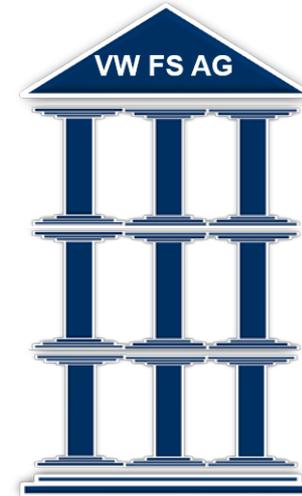
**RISK**

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

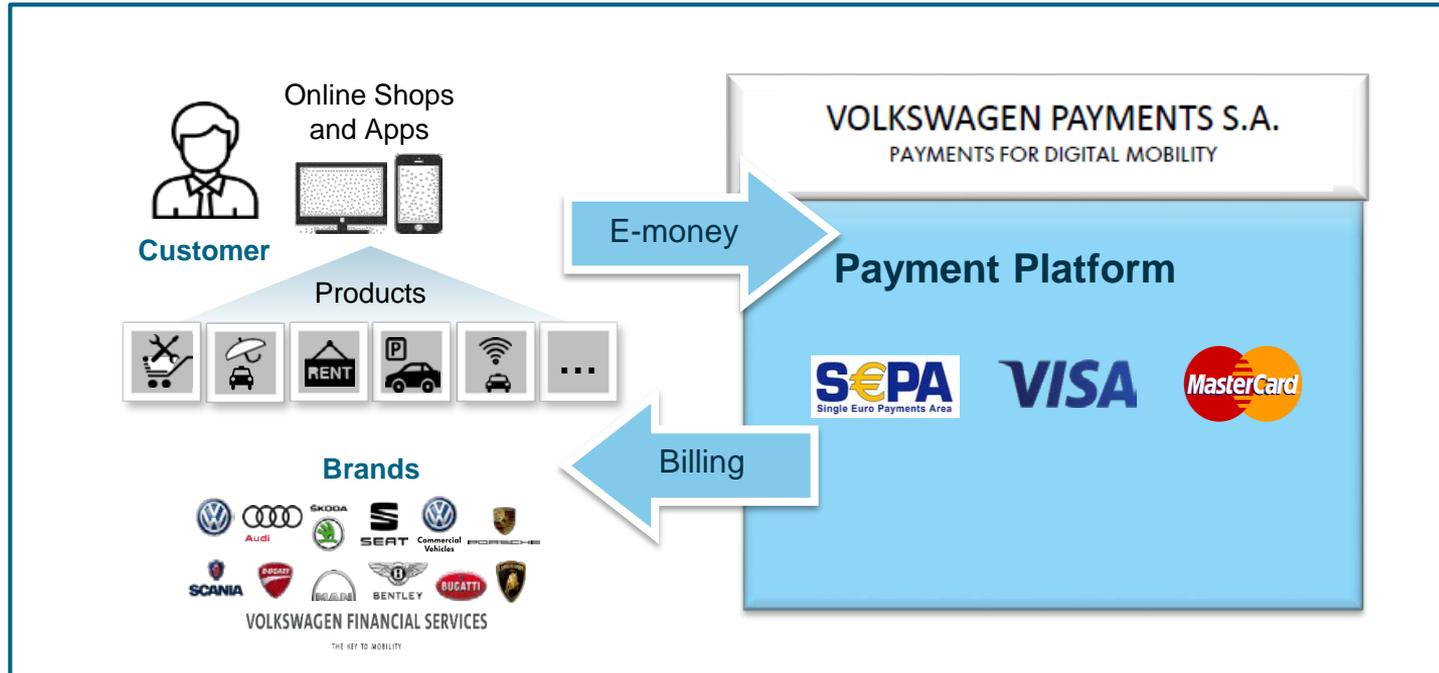


**PARTNER**

- + Digital-savvy customers
- + Digital companies



# Payment Platform | Volkswagen Financial Services provides global payment solutions for digital-based business models within the Volkswagen group



# The Volkswagen Financial Services offer must adapt to market changes

## Electrification



INCOME

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



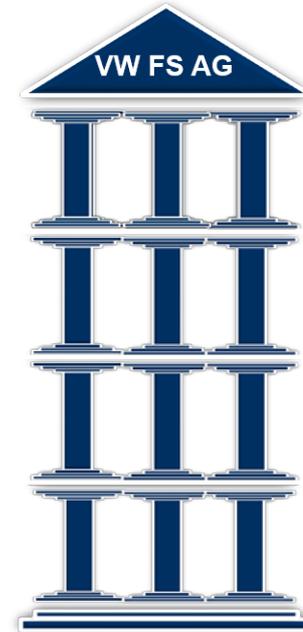
RISK

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



PARTNER

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

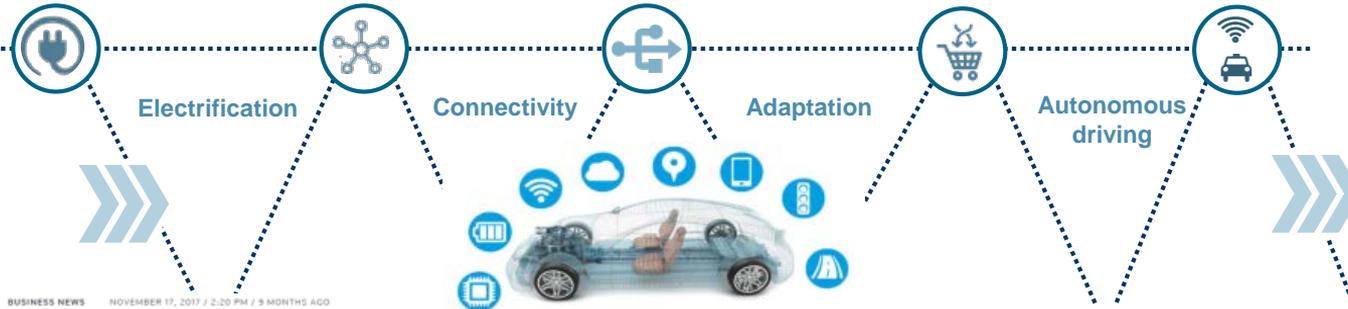


# Electrification and digitalization change the automotive industry

Launches



Investments



BUSINESS NEWS NOVEMBER 17, 2017 / 2:20 PM / 9 MONTHS AGO

Volkswagen accelerates push into electric cars with €30 billion spending plan

The world's most valuable resource is no longer oil, but data 

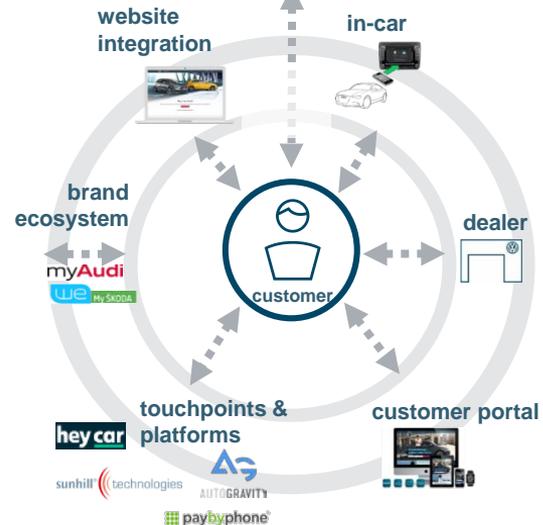
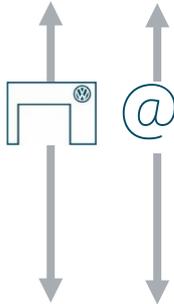
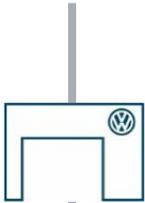
# ROUTE2025 | Our Focus Topics

**Digitalization**

**Operational Excellence**

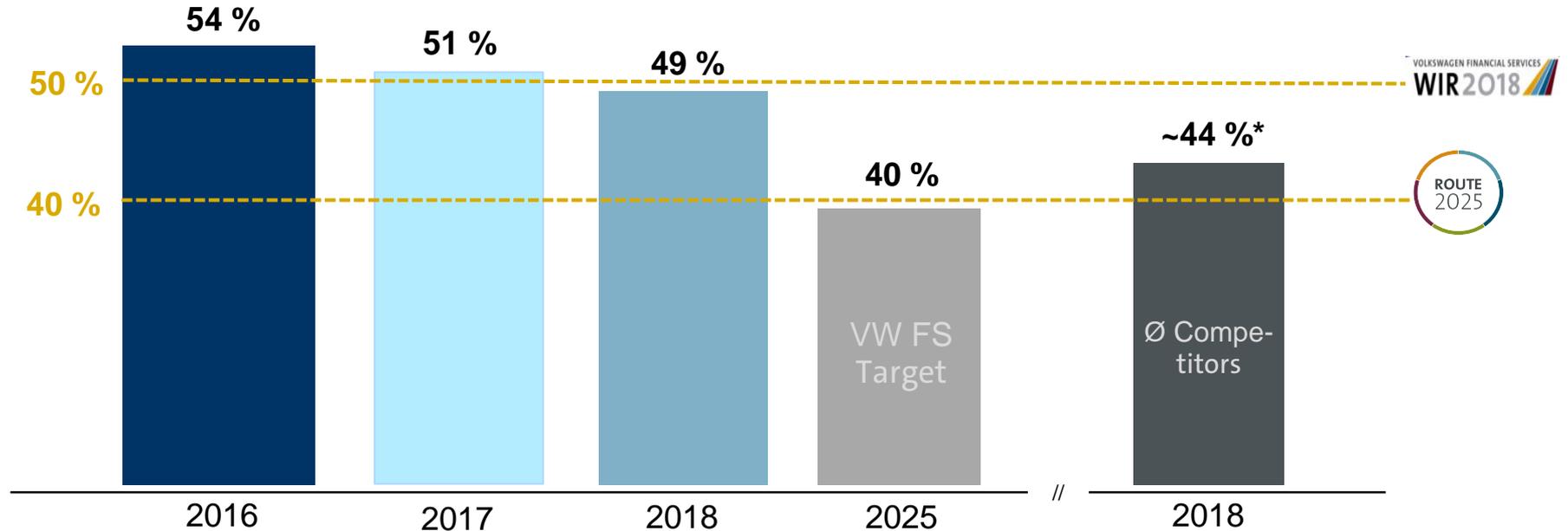


# Volkswagen Financial Services will digitalize all core products by 2020 and extends it's distribution channels



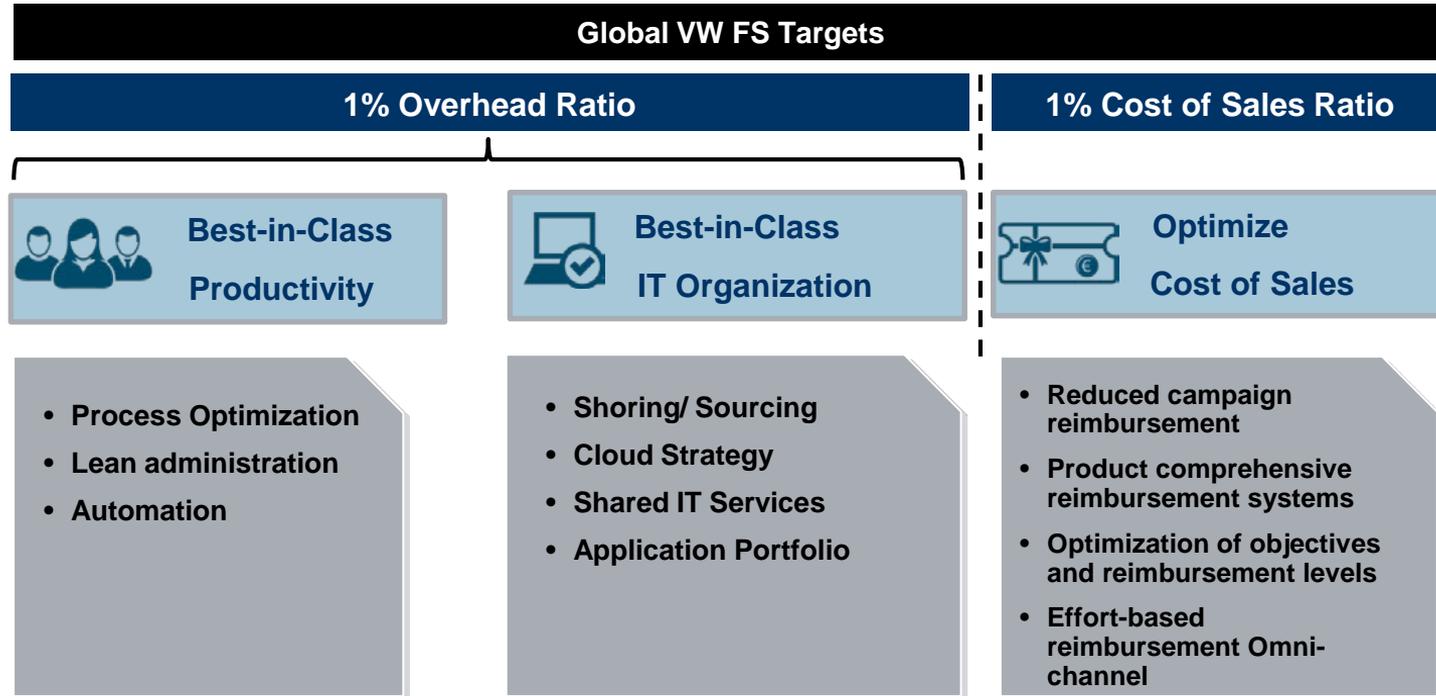
# Operational Excellence | Cost efficiency has been continuously improved but we are still behind our competitors

Development Cost Income Ratio



\* Sources: Annual Reports

# The main drivers of Volkswagen Financial Services' expenses are IT, HR and Sales - Right at these points OpEx will have its effects



**VOLKSWAGEN**

AKTIENGESELLSCHAFT

We are speeding up the transformation and becoming the leading provider of sustainable mobility.

**VOLKSWAGEN**

GROUP

