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.

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

Under the brand “Volkswagen Financial Services – the key to mobility” the subsidiaries of Volkswagen Financial Services AG as well as its sister company Volkswagen Bank GmbH render various services under the joint brand “Volkswagen Financial Services”. Such services are banking services (through Volkswagen Bank GmbH), leasing services (through Volkswagen Leasing GmbH), insurance services (through Volkswagen Versicherung AG, Volkswagen Autoversicherung AG) as well as mobility services (inter alia through Volkswagen Leasing GmbH). In addition, insurance products of other providers are offered.
Development World Car Market vs. Volkswagen Group Car Deliveries to Customers\textsuperscript{1)}

(Growth y-o-y in deliveries to customers, January to October 2017 vs. 2016)

<table>
<thead>
<tr>
<th>Region</th>
<th>Car Market Cars + LCV</th>
<th>VW Group</th>
<th>Car Market Cars + LCV</th>
<th>VW Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>-1.0%</td>
<td>4.7%</td>
<td>West Europe</td>
<td>2.9%</td>
</tr>
<tr>
<td>Central &amp; Eastern Europe</td>
<td>-1.0%</td>
<td>4.7%</td>
<td>Central &amp; Eastern Europe</td>
<td>3.1%</td>
</tr>
<tr>
<td>South America</td>
<td>13.0%</td>
<td>24.3%</td>
<td>World</td>
<td>3.1%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>4.8%</td>
<td>13.0%</td>
<td>Asia Pacific</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

\textsuperscript{1)} Figures excl. Volkswagen Commercial Vehicles, Scania and MAN.
Volkswagen Group – Deliveries to Customers by Brands
(January to October 2017 vs. 2016)

\[\text{\textit{\textbf{Volkswagen Group -- Deliveries to Customers by Brands}}}
\]
\[\text{(January to October 2017 vs. 2016)}\]

\begin{itemize}
  \item **Passenger Cars**
  \begin{itemize}
    \item January – October 2016: 8,479
    \item January – October 2017: 8,747
    \item Increase: +3.2%
  \end{itemize}

  \begin{itemize}
    \item January – October 2016: 4,886
    \item January – October 2017: 5,042
    \item Increase: +3.2%
  \end{itemize}

  \begin{itemize}
    \item January – October 2016: 1,560
    \item January – October 2017: 1,540
    \item Decrease: -1.3%
  \end{itemize}

  \begin{itemize}
    \item January – October 2016: 939
    \item January – October 2017: 978
    \item Increase: +4.2%
  \end{itemize}

  \begin{itemize}
    \item January – October 2016: 346
    \item January – October 2017: 395
    \item Increase: +14.4%
  \end{itemize}

  \begin{itemize}
    \item January – October 2016: 198
    \item January – October 2017: 206
    \item Increase: +4.1%
  \end{itemize}

  \begin{itemize}
    \item January – October 2016: 391
    \item January – October 2017: 411
    \item Increase: +5.1%
  \end{itemize}

  \begin{itemize}
    \item January – October 2016: 83
    \item January – October 2017: 91
    \item Increase: +9.9%
  \end{itemize}

  \begin{itemize}
    \item January – October 2016: 66
    \item January – October 2017: 72
    \item Increase: +9.7%
  \end{itemize}

\end{itemize}
Volkswagen Group – Deliveries to Customers by Markets 1) (January to October 2017 vs. 2016)

1) Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +2.9% excl. Volkswagen Commercial Vehicles, Scania and MAN.
Volkswagen Group: Environmental and Future Incentives Program

- Promoting the renewal of the vehicle fleet through the changeover to Euro 6 and e-mobility
- Improve air quality in cities
- Incentives on purchasing a Volkswagen, Volkswagen Commercial Vehicles, Audi, SEAT, ŠKODA or Porsche with Euro 6 Standard

Example Germany:
- Program is available until December 31st, 2017
- Incentives for scrapping an old diesel vehicle of any brand with Euro 4 or older and purchase of a new vehicle (Volkswagen: €2,000 to €10,000; Audi: €3,000 to €10,000; SEAT: €1,750 to €8,000; ŠKODA: €1,750 to €5,000; Porsche: €5,000)
- Additional bonus for the purchase of alternative powertrain (electric, hybrid or natural gas)

Example Incentive Volkswagen Brand¹):

<table>
<thead>
<tr>
<th>Model</th>
<th>„Environmental“ Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>up!</td>
<td>€2,000</td>
</tr>
<tr>
<td>Polo</td>
<td>€3,000</td>
</tr>
<tr>
<td>Golf, Golf Sportsvan, Golf Estate, Tiguan, Tiguán Allspace, Beetle Cabrio</td>
<td>€5,000</td>
</tr>
<tr>
<td>Touran</td>
<td>€6,000</td>
</tr>
<tr>
<td>Passat Sedan/Estate, Arteon, Sharan</td>
<td>€8,000</td>
</tr>
<tr>
<td>Touareg</td>
<td>€10,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Powertrain type</th>
<th>„Future“ Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural gas (e.g. Golf TGI)</td>
<td>€1,000</td>
</tr>
<tr>
<td>Hybrid (e.g. Golf GTE; Passat GTE)</td>
<td>€1,785</td>
</tr>
<tr>
<td>Electric (e.g. e-up!; e-Golf)</td>
<td>€2,380</td>
</tr>
<tr>
<td>State subsidy¹</td>
<td></td>
</tr>
</tbody>
</table>

= Total support available per model

Cost of Programs anticipated to be balanced through higher volumes, benefits of gaining new customers and raising customer loyalty

¹) Germany  ²) existed already, only valid for electric vehicles
Global Passenger Car Market 2017/2020

Slowdown in Western Europe; Stagnation in USA at a high level; Recovery in Brazil though from a low level; Strong growth in India; China remains largest driver of passenger car demand

million units

<table>
<thead>
<tr>
<th></th>
<th>USA¹</th>
<th>Western Europe</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Forecast</td>
<td>Actual</td>
</tr>
<tr>
<td>2016</td>
<td>17.6</td>
<td>14.0</td>
<td>1.3</td>
</tr>
<tr>
<td>2017</td>
<td>17.1</td>
<td>14.4</td>
<td>1.5</td>
</tr>
<tr>
<td>2020</td>
<td>16.9</td>
<td>14.1</td>
<td>2.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Brazil ¹</th>
<th>World ¹</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Forecast</td>
<td>Actual</td>
</tr>
<tr>
<td>2016</td>
<td>2.0</td>
<td>82.0</td>
<td>23.1</td>
</tr>
<tr>
<td>2017</td>
<td>2.1</td>
<td>83.8</td>
<td>23.4</td>
</tr>
<tr>
<td>2020</td>
<td>2.7</td>
<td>89.6</td>
<td>25.8</td>
</tr>
</tbody>
</table>

Data source: IHS Automotive (10.2017)

¹ Volume for North & South America includes light commercial vehicles (definition ‘Light Vehicles’)

growth 2017-2020 = CAGR
### Volkswagen Group – Key Financial Figures 1)
(January to September 2017 vs. 2016)

<table>
<thead>
<tr>
<th>Thousand vehicles / € million</th>
<th>2017</th>
<th>2016</th>
<th>+/- (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicle Sales 2)</td>
<td>7,913</td>
<td>7,653</td>
<td>+3.4</td>
</tr>
<tr>
<td>Sales revenue</td>
<td>170,864</td>
<td>159,932</td>
<td>+6.8</td>
</tr>
<tr>
<td>Operating profit before Special Items</td>
<td>13,231</td>
<td>11,267</td>
<td>+17.4</td>
</tr>
<tr>
<td>% of sales revenue</td>
<td>7.7</td>
<td>7.0</td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>10,636</td>
<td>8,647</td>
<td>+23.0%</td>
</tr>
<tr>
<td>% of sales revenue</td>
<td>6.2</td>
<td>5.4</td>
<td></td>
</tr>
<tr>
<td>Financial result</td>
<td>-84</td>
<td>-488</td>
<td>X</td>
</tr>
<tr>
<td>of which: At-equity result 2)</td>
<td>2,378</td>
<td>2,627</td>
<td>-9.5</td>
</tr>
<tr>
<td>of which: Other financial result</td>
<td>-2,462</td>
<td>-3,116</td>
<td>-21.0</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>10,552</td>
<td>8,159</td>
<td>+29.3</td>
</tr>
<tr>
<td>% Return on sales before tax</td>
<td>6.2</td>
<td>5.1</td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>7,735</td>
<td>5,915</td>
<td>+30.8</td>
</tr>
</tbody>
</table>

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) 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 €3,305 million (€3,594m).
Volkswagen Group – Analysis of Operating Profit\textsuperscript{1)}
(January to September 2017 vs. 2016)

\begin{itemize}
\item $8.6$ (Jan-Sept 2016 incl. Spec. Items)
\item $2.6$ (Special Items)
\item $11.3$ (Jan-Sept 2016 bef. Spec. Items)
\item $2.3$ (Volume/Mix/Prices)
\item $-1.6$ (Fixed Costs)
\item $0.5$ (Commercial Vehicles\textsuperscript{**})
\item $0.1$ (Power Engineering\textsuperscript{**})
\item $13.2$ (Jan-Sept 2017 bef. Spec. Items)
\item $-2.6$ (Special Items)
\item $10.6$ (Jan-Sept 2017 incl. Spec. Items)
\end{itemize}

\textsuperscript{1) All figures shown are rounded, minor discrepancies may arise from addition of these amounts. \textsuperscript{*} without FS \textsuperscript{**} including PPA}
## Volkswagen Group – Analysis by Business Line 1)
(January to September 2017 vs. 2016)

<table>
<thead>
<tr>
<th></th>
<th>Vehicle sales</th>
<th>Sales revenue</th>
<th>Operating profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen Passenger Cars 2)</td>
<td>2,632</td>
<td>3,234</td>
<td>58,871</td>
</tr>
<tr>
<td>Audi</td>
<td>1,147</td>
<td>1,166</td>
<td>44,235</td>
</tr>
<tr>
<td>ŠKODA</td>
<td>700</td>
<td>606</td>
<td>12,338</td>
</tr>
<tr>
<td>SEAT</td>
<td>436</td>
<td>400</td>
<td>7,255</td>
</tr>
<tr>
<td>Bentley</td>
<td>7</td>
<td>8</td>
<td>1,321</td>
</tr>
<tr>
<td>Porsche Automotive 3)</td>
<td>180</td>
<td>177</td>
<td>15,703</td>
</tr>
<tr>
<td>Volkswagen Commercial Vehicles</td>
<td>371</td>
<td>342</td>
<td>8,919</td>
</tr>
<tr>
<td>Scania 4)</td>
<td>65</td>
<td>60</td>
<td>9,304</td>
</tr>
<tr>
<td>MAN Commercial Vehicles</td>
<td>80</td>
<td>74</td>
<td>7,970</td>
</tr>
<tr>
<td>MAN Power Engineering</td>
<td>-</td>
<td>-</td>
<td>2,355</td>
</tr>
<tr>
<td>VW China 5)</td>
<td>2,917</td>
<td>2,803</td>
<td>-</td>
</tr>
<tr>
<td>Other 6)</td>
<td>-623</td>
<td>-1,217</td>
<td>-21,272</td>
</tr>
<tr>
<td>Volkswagen Financial Services 7)</td>
<td>-</td>
<td>-</td>
<td>23,864</td>
</tr>
</tbody>
</table>

**Volkswagen Group before Special Items**
- 13,231 | 11,267

**Special Items**
- - | 2,595 | -2,620

**Volkswagen Group**
- 7,913 | 7,653 | 170,864 | 159,932 | 10,636 | 8,647

**Automotive Division 8)**
- 7,913 | 7,653 | 145,553 | 136,889 | 8,717 | 6,841
- of which: Passenger Cars | 7,400 | 7,178 | 117,441 | 111,044 | 7,308 | 6,359
- of which: Commercial Vehicles | 513 | 475 | 25,757 | 23,278 | 1,484 | 491
- of which: Power Engineering | - | - | 2,355 | 2,567 | -75 | -9

**Financial Services Division**
- - | - | 25,311 | 20,342 | 1,919 | 1,806

---
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 €17,120 (16,470) million, operating profit €3,006 (2,858 million). 4) Including 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 €3,305 (3,594) 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. 8) Starting January 1, 2017, Porsche’s financial services business is reported as part of Volkswagen Financial Services. Prior-year figures were not adjusted.

8) Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
‘Best ever’ Automotive Division Net Cash Flow (ex Diesel payments) \(^1\)
(January to September 2017)

€ billion

-5 -2.9 0 5 10 15

Net Cash flow incl Diesel payments  Diesel outflow  Net Cash flow underlying business

14.5 11.6 \(^2\)

\(^1\) Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

\(^2\) Including Chinese dividends in the amount of €3bn.
Automotive Division Net Cash Flow Development 1) 2)
(January to September 2017)

€ billion

-5 0 5 10 15 20 25

22.5 -14.5 8.0 -7.1 (4.9%) -4.2 0.3 -2.9 0.0 -2.9

2016 3) 17.0 0.0 17.0 -7.8 (5.7%) -4.2 0.2 5.2 2.3 7.5

Cash flow before Diesel Outflow Diesel Outflow 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

3) 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 Liquidity on a robust level at September 30th 1)

€ billion

-1.0  3.0
-1.0
3.5
3.5 3.0


27.2
-1.0  3.0
-1.0
3.5 3.0
25.4
8.0
0.3

1) All figures shown are rounded, minor discrepancies may arise from addition of these amounts.
Volkswagen Group – Outlook for 2017

Deliveries to customers
 Moderately above prior year

Sales revenue
 Up more than 4% above prior year level

Operating return on sales
 Moderately above range of 6.0% to 7.0%

Deliveries & Global Trends
Key Financials & Cash
Strategic Outlook & Milestones
Brands / Regions
Diesel
Remuneration
Integrity & Compliance
Commitment

Deliveries & customers ('000 vehicles)

<table>
<thead>
<tr>
<th>Year</th>
<th>Deliveries to customers ('000 vehicles)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>9,931</td>
</tr>
<tr>
<td>2016</td>
<td>10,297</td>
</tr>
</tbody>
</table>

Sales revenue (€ billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales revenue (€ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>213.3</td>
</tr>
<tr>
<td>2016</td>
<td>217.3</td>
</tr>
</tbody>
</table>

Operating return on sales (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating return on sales (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>6.0*</td>
</tr>
<tr>
<td>2016</td>
<td>6.7*</td>
</tr>
</tbody>
</table>

*)before Special Items
Upcoming Premium and Luxury models enhancing our portfolio offer

Premium / Luxury models:

- **A5 family**
- **Chiron**
- **Panamera 4 E-Hybrid**
- **Cayenne**
- **A8 / A8L**
- **Continental GT**
- **Urus**
- **Panamera Sport Turismo**
- **A7 Sportback**
- **A1 Sportback**
- **A4 Avant g-tron**
- **Panamera 4 E-Hybrid**
- **Panamera Sport Turismo**

Dates: Market introduction of selected models

Q1 2017
Q2 2017
Q3 2017
Q4 2017
Upcoming 2018

Q1 2018
Q2 2018
Q3 2018
Q4 2018

Deliveries & Global Trends
Key Financials & Cash
Strategic Outlook & Milestones
Brands / Regions
Diesel
Remuneration
Integrity & Compliance
Commitment
Strong product momentum continues in Volume segments

Volume models:

- Teramont (CN)
- Leon FL family
- Arteon
- Polo
- Citigo FL
- T-Roc
- up! GTI

Upcoming 2018:

- Touareg
- Polo GTI
- up! FL (SAM)
- Ibiza
- SEAT Large SUV
- Jetta (NAR)
- Virtus (SAM)
- Karoq
- Arona
- Atlas (NAR)
- Tiguan LWB
- Korando
- Kodiaq

Dates: Market introduction of selected models
Improving Group results despite significant challenges

- Industry transition
  - e-mobility
  - Digitalization
  - Autonomous Driving
  - Mix Trend (+SUV's/-diesel)

- Emission costs
  - EU -27% CO₂ emission
  - US -35% CO₂ emission
  - CN -40% l/km consumption

2016
Base

2017
Outlook

Return on Sales

6.7%

6.0 - 7.0%

Moderately exceed

2020
Target

6.5 - 7.5%

Return on Sales

Moderately exceed
## Clear Financial Targets and Milestones

### Key financial targets

<table>
<thead>
<tr>
<th></th>
<th>2016 Actual</th>
<th>2017 Targets (CMD March)</th>
<th>2017 Outlook</th>
<th>2020 Targets</th>
<th>2025 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating return on sales</strong> Before Special Items</td>
<td>6.7%</td>
<td>6-7%</td>
<td>moderately exceed 6-7%</td>
<td>6.5-7.5%</td>
<td>7-8%</td>
</tr>
<tr>
<td><strong>Return on investment</strong> Automotive Division Before Special Items</td>
<td>13.9%</td>
<td>11-13%</td>
<td>moderately exceed 11-13%</td>
<td>13-15%</td>
<td>&gt; 15%</td>
</tr>
<tr>
<td><strong>Capex ratio</strong> Automotive Division</td>
<td>6.9%</td>
<td>6.6%</td>
<td>~6.6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>R&amp;D cost ratio</strong> Automotive Division</td>
<td>7.3%</td>
<td>6.7%</td>
<td>~6.7%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Cash</strong> Automotive Division</td>
<td>a) Net Cashflow</td>
<td>€ 4.3 bn</td>
<td>negative</td>
<td>negative</td>
<td>≥ 10</td>
</tr>
<tr>
<td></td>
<td>b) Net Liquidity</td>
<td>€ 27.2 bn</td>
<td>&gt; € 15 bn</td>
<td>&gt; € 20 bn</td>
<td>&gt; € 20 bn</td>
</tr>
</tbody>
</table>
# Updating Guidance Group Financial Performance 2020

<table>
<thead>
<tr>
<th></th>
<th>Result 2016</th>
<th>2020 Update</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue (€ bn)</td>
<td>217.3</td>
<td><strong>CMD March</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>+ &gt; 20 %</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>PR 66</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>+ &gt; 25 %</td>
</tr>
<tr>
<td>Operating profit (€ bn)</td>
<td>7.1</td>
<td>+ 25 %</td>
</tr>
<tr>
<td></td>
<td>14.6</td>
<td>+ ≥ 25 %</td>
</tr>
<tr>
<td>Profit before tax (€ bn)</td>
<td>7.3</td>
<td>+ ≥ 25 %</td>
</tr>
<tr>
<td></td>
<td>14.8</td>
<td>+ ≥ 30 %</td>
</tr>
<tr>
<td>Earnings per Pref. Share</td>
<td>10.3 €</td>
<td>+ ≥ 25 %</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+ &gt; 25 €</td>
</tr>
</tbody>
</table>
CAPEX Automotive Division
(€ billion, as % of sales revenue)

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Stretch</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>10.3</td>
<td>11.5</td>
</tr>
<tr>
<td>2013</td>
<td>11</td>
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<td>2014</td>
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<tr>
<td>2015</td>
<td>12.7</td>
<td>~13</td>
</tr>
<tr>
<td>2016</td>
<td>12.8</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
R&D Cost Automotive Division
(€ billion, as % of sales revenue)

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Cost (%)</td>
<td>5.5%</td>
<td>11.7</td>
<td>13.1</td>
<td>13.6</td>
<td>13.7</td>
<td>~13%</td>
<td>~6.7%</td>
<td>~6%</td>
</tr>
</tbody>
</table>

Stretch: 6% 6%
Sufficient Net Liquidity as a basis for increasing payout toward target

Dividend pay-out ratio \(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Pay-out Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>21%</td>
</tr>
<tr>
<td>2014</td>
<td>21%</td>
</tr>
<tr>
<td>2015</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>30%</td>
</tr>
</tbody>
</table>

1) Total dividend in percent of net income attributable to shareholders

Within next 5 years
STRATEGY 2025 – Initiatives at a glance

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
10. Build mobility solutions business
11. Develop and expand attractive and profitable smart mobility offering
12. Improve operational excellence
13. Optimize business portfolio
14. Drive digital transformation
15. Create organization 4.0
16. Better integrated and strategic planning process
Modular Architecture: Key to profitability and delivery of our strategy

Roadmap E

- **New mobility**
  - 1st EV wave
  - 2nd EV wave
  - 3rd EV wave

**SUV expansion**

**Transformation**

**Conventional product portfolio**

**Toolkit strategy mainly based on MQB & MLB**

**Engines strategy**

- 2017: SUV expansion
- 2018: Transformation
- 2019: Conventional product portfolio
- 2020: Toolkit strategy
- 2021: Engines strategy
- 2030: Global leader in mobility

1) mainly based on MEB
2) based on PPE (dedicated Architecture for premium segment)
3) based on SPE (dedicated Architecture for sport segment)
Strong Increase in our SUV mix
SUV mix by region based on expected regional Group sales

SUV segment share

- NAR
- China
- Europe


50% 30% 20% 10%

18% ~34% ~40% ~50%
Building blocks to provide sustainable mobility solutions

Efficient conventional combustion engines & alternative powertrains

Mobility Services

Self Driving System

Sustainable Mobility

Battery

Charging infrastructure

E-mobility
All electric platform: The basis for profitable electric cars

- Concept determined by: customer benefit and package for cost-optimized design of e-components
- Economies of scale from use of MEB across entire Group
- “Design for manufacturing“: higher productivity, shorter manufacturing time
- Lower material and distribution costs
- Significant reduction in variants
- Early involvement of suppliers
Three models of Volkswagen’s “Starting Five“ for the Electric Age
Advances in battery technology will improve range, weight and costs.

- **2014**: 190 km, 230 Wh/l (Lithium ion technology)
- **2017**: 300 km, 410 Wh/l
- **2018**: 380 km, 650 Wh/l
- **2020**: 420 km, 700 Wh/l
- **2025**: 700 km, 1000 Wh/l (all solid state)
- **2025**: 500 km, 800 Wh/l (improved anode and cathode)

* basis: eGolf with comparable battery volume
Battery costs will decrease significantly by 2020

Target: < 100€ / kWh
The PPE\(^1\) – Architecture for fully electric Premium Mobility

Three model families and drivetrains from middle to luxury segments

Prepared for highly automated and autonomous driving

Jointly developed by Audi and Porsche

Completely new Electronics, to be updated over the air

Common modules and scale effects save up to 30% development costs (compared to brand exclusive developments)

Flexibility: Architecture open for other brands to be used in the future

\(^1\) PPE = Premium Platform Electric
Roadmap E - E-mobility model offensive of the Volkswagen Group

2017  |  3 BEVs, 8 PHEVs
2025  |  80 new EVs, thereof some 50 purely battery powered vehicles and 30 plug-in-hybrids
      |  €50bn battery cell procurement volume up to 2025
2030  |  >€20bn capex in the period to 2030
Launch of Pan-European High-Power Charging Network IONITY

- Joint Venture of automotive manufacturers enables electric mobility on long-distance journeys
- Joint Venture to build a High-Power-Charging (HPC) Network for electric vehicles starts operation
- IONITY will implement and operate about 400 fast charging stations across European major thoroughfares until 2020
- Build-up of 20 stations in multiple European countries starts already in 2017
- 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: Start to execute the National ZEV plan (Zero Emissions Vehicles)

First cycle network

Key features of Appendix C

Investment
- $2bn total investment over 10 years at $500M per 30-month cycle
  - $1.2bn Nationally (EPA)
  - $800m in California (CARB)

Goal
- Goal to increase EV adoption for US market through brand-neutral and self-sustaining ZEV investments

Plan
- 30-month investment, planning, and reporting cycles allow for changes in technology, customer behavior, and car capabilities

First 30-month investment cycle – focus on EV infrastructure, including highway and community chargers

- Phase 1 long-distance site (initial implementation)
- Phase 2 long-distance site
- Potential metro area
Intensified efforts to develop autonomous vehicles

2005 Winner Darpa Grand Challenge

2010 Autonomous Audi TTS “Shelley” climbs Pikes Peak

2016 Volkswagen Group >200 AV related patents

2017 SEDRIC is Volkswagen Group’s first Level 5 vehicle

2018 Production-ready by 2021: Self-Driving System

2025: More to come...

2016

Volkswagen Group
>200 AV related patents

2018

Battery Electric Special Purpose Shuttle

2021

Production-ready by 2021: Self-Driving System
Cascading Group Targets to Brands

Group KPIs: RoS, RoI, Capex, R&D, CF/Liquidity

Brand KPIs: Top-Down Targets + Committed in Planning

Specific KPIs: Diesel, Key Financials & Cash, Strategic Outlook & Milestones, Brands / Regions, Remuneration, Integrity & Compliance, Commitment

Commitment

Deliveries & Global Trends

Key Financials & Cash

Strategic Outlook & Milestones

Brands / Regions

Diesel

Remuneration

Integrity & Compliance

Commitment
## Overview Brand Targets (RoS, RoE)

### Return on Sales in %

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen Group</td>
<td>6.7</td>
<td>6.0-7.0</td>
<td>6.5-7.5</td>
<td>7.0-8.0</td>
</tr>
<tr>
<td>Volkswagen Brand</td>
<td>1.8</td>
<td>2.5-3.5</td>
<td>≥4</td>
<td>≥6</td>
</tr>
<tr>
<td>Audi</td>
<td>8.2</td>
<td>8-10</td>
<td>8-10</td>
<td>8-10</td>
</tr>
<tr>
<td>Porsche</td>
<td>17.4</td>
<td>&gt;15</td>
<td>&gt;15</td>
<td>&gt;15</td>
</tr>
<tr>
<td>ŠKODA</td>
<td>8.7</td>
<td>7-8</td>
<td>6-7</td>
<td>≥7</td>
</tr>
<tr>
<td>Volkswagen Commercial Vehicles</td>
<td>4.1</td>
<td>3-4</td>
<td>4-5</td>
<td>&gt;6</td>
</tr>
<tr>
<td>Truck &amp; Bus Business(^1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Scania</td>
<td>9.5</td>
<td>6-7</td>
<td>9(^2)</td>
<td>9(^2)</td>
</tr>
<tr>
<td>• MAN Commercial Vehicles</td>
<td>2.3</td>
<td>6-7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Return on Equity (norm. 8%)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2020</th>
<th>2025</th>
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</thead>
<tbody>
<tr>
<td>Volkswagen Financial Services</td>
<td>15.6%</td>
<td>14-16%</td>
<td>14-16%</td>
<td>20%</td>
</tr>
</tbody>
</table>

---

1) For peer-group analysis: Truck & Bus Business RoS is calculated as the sum of Scania and MAN Commercial Vehicles (equals ~6.1% in 2016)

2) Through-cycle Target
The „TRANSFORM 2025+“ strategy will put the brand to the top of the automotive industry

1. Radical restructuring
   - Brand positioning „top of volume”
   - SUV offensive
   - Regions (China, NAR, SAM)
   - Economy markets
   - Zukunftspakt
   - Product margins
   - Agile organisation

2. Leap to the top of electric mobility
   - Electro offensive
   - Digital ecosystem
   - Operational excellence

3. Major transformation
   - Automated driving
   - New fields of mobility

2015
Diesel crisis
2% RoS*

2020
Leading & profitable volume manufacturer
4% RoS

2025
Global leader in e-mobility
6% RoS

2030
Global leader in auto-mobility
>6% RoS

* Before special items
Result outlook for 2017 follows TRANSFORM 2025+ strategy path
(Growth in operating return on sales as % of net earnings)

- Implementation of the “Zukunftspakt”
- Turnaround in NAR, Brazil, Russia
- Growth in SUV portfolio

Future CO₂ and emissions legislation
Transformation in the industry

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017 Outlook</th>
<th>2020 Target</th>
<th>2025 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.8</td>
<td>2.5 – 3.5</td>
<td>≥ 4.0</td>
<td>≥ 6.0</td>
</tr>
</tbody>
</table>

"at the upper end of the range"
Increase in competitiveness and safeguarding the future are the focus points of the Future Pact agreement.

**Increase of productivity by 25%**

**Reduction of plant costs**

**Increase of productivity by 25%**

**Discontinuation of unprofitable products**

**Reduction of hardware-oriented development work**

**Increased efficiency in development processes**

**Reduction of bureaucracy**

**Secure the Future**

**4 additional models:**
- 2 conventional and 2 MEB vehicles

**Investments in:**
- Electric drive trains
- Pilot facility battery cell
- Battery system

**Competency/capacity increase in autonomous driving, electrification, connectivity etc.**

**Creation of employment in new business segments**

Reduction in workforce based on demographic curve
Volkswagen brand: Productivity will increase by 7.5 percent this year

**PRODUCTIVITY IMPROVEMENT**
(percent | Targets)

- 2017: 7.5%
- 2018: 7.5%
- 2019: 5.0%
- 2020: 5.0%
- Target 2020: 25.0%

**FIXED COSTS IN GERMANY**
(€ billion)

- 2007: ~25.0
- 2012: ~25.0
- 2015: ~25.0
- 2016: ~25.0
- Target 2017: ~25.0

Dashed line indicates target achievement.
Focus on US Core Segments

Volkswagen brand is planning a strong comeback in the USA

Key measures

• Extend SUV offering, focus on US core segments (SUVs, sedans)
• Market-oriented pricing
• Market-oriented alignment to local standards and customer expectations
• Reduce material, product and fixed costs
• "Electrify America": infrastructure and locally produced cars from 2021
Rollout of MQB in the North American region to realize economies of scale and efficiencies

Local MQB production is increasing from around 10% to > 80% midterm, positive impacts:

- Increasing capacity utilization
- Improving fix costs
- Higher investment efficiency as MQB basic investments are already complete

NAR production volume using MQB (units)
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
2017 is being shaped by a high product momentum

Atlas (NAR)  Arteon (EU)  Polo (EU)  Phideon PHEV (CN)  Touareg (EU)

Jan  Feb  March  April  May  June  July  Aug  Sept  Oct  Nov  Dec

up! PA (SAM)  Tiguan LWB (NAR)  T-Roc (EU)  Virtus (SAM)  Jetta (NAR)

Dates: Start of Production
Further roll-out of MQB offers substantial benefits
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**
  - Local OEMs dominating in BRIC markets
  - Improving infrastructure, stronger regulations open opportunities for Volkswagen

- **Emission regulations**
  - Europe with aggressive regulations, focus shifting to diesel lock-outs
  - BRIC trailing behind, but with ambitious roadmap

- **Connectivity & digitalization**
  - Platooning and partly-autonomous driving as transition solutions
  - Data management for customers and traffic of broad interest

- **After sales and new business opportunities**
  - After sales increasingly important as alternative source of revenues
  - New business models (e.g. enhanced telematics) can stabilize revenues
Long-term synergy potential will enable savings of up to €1 bn p.a.

Synergy potential from brand collaboration and expanded platform strategy

€ million p.a.

Key common powertrain platforms

- Base engine
- After-treatment
- Transmission
- Axles
Global expansion on track with Navistar alliance

1. **Equity investment**
   - 16.9% equity stake in Navistar by way of capital increase*

2. **Strategic technology and supply cooperation**
   - Companies to collaborate on technology for powertrain systems, as well as other advanced technologies

3. **Procurement joint venture**
   - Procurement joint venture is pursuing joint global sourcing opportunities

4. **Governance**
   - 2 VW T&B representatives nominated to Navistar Board of Directors. Joint Alliance Board to govern overall alliance

---

* As at 30.09.2017
Volkswagen Group China performance
(January to October 2017 vs. 2016)

Proportionate operating profit, January to September (in € million)

-2016
-2017

-8.0%
-4.5%
+9.6%
+3.9%
+2.3%
+49.3%

VOLKSWAGEN
SKODA
PORSCHE
BENTLEY
Commercial Vehicles

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 and NEV Credit System**

- Independent management of CAFC\(^1\) and NEV credits
- Companies need to fulfill **both requirements**

CAFC\(^1\) Credits:
- Transfer between affiliated companies
- Credit carry-over to next 3 years with depreciation
- Option to use positive NEV credits

NEV Credits:
- No transfer from CAFC credits to NEV credits
- Carry-over of positive and negative NEV credits from 2019 to 2020
- Trading of NEV credits allowed

The rules will be further supplemented.

**MIIT\(^2\) draft for NEV Credit Calculation**

\[
\text{min. NEV credit points} = \text{ICE}\(^3\) Volume \times \text{NEV credit point ratio}
\]

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>10%</td>
<td>12%</td>
<td></td>
</tr>
</tbody>
</table>

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 ≥70% ICE

\(^1\)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
We will be prepared to deliver around 400,000 NEVs by 2020 and 1,500,000 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**
  - Pure electric vehicles based on scalable electric toolkit

Mass market BEV cooperation
New product offering with an expanded SUV line-up ¹)

Body style trends until 2020¹)

- Rest: 40% in 2016, 46% in 2020e
- SUV: 53% in 2016, 47% in 2020e
- MPV

New vehicle launches 2017 and to follow²)

SUV
- Teramont
- Q5
- KODIAQ
- Tiguan LWB
- KAROQ

Others
imported
- Panamera Turbo
- A5 Coupé
- TT
- Panamera LWB
- Variant GTE

locally produced
- Q7 e-tron
- R8 Spyder
- Phideon PHEV
- Lavida
- Bora

¹) Source: IHS  
²) Schematic overview – does not show all models
Volkswagen Financial Services\(^1\): global, well diversified and successful

### Strong global presence

![Map of world highlighting Volkswagen Financial Services coverage](image)

### Rising penetration rates

<table>
<thead>
<tr>
<th>Year</th>
<th>Without China</th>
<th>With China</th>
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<tbody>
<tr>
<td>2008</td>
<td>32.5%</td>
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<tr>
<td>2009</td>
<td>32.9%</td>
<td>25.0%</td>
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<td>2010</td>
<td>34.9%</td>
<td>24.7%</td>
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<td>2011</td>
<td>36.3%</td>
<td>25.4%</td>
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<tr>
<td>2012</td>
<td>40.7%</td>
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<tr>
<td>2013</td>
<td>44.3%</td>
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<td>2014</td>
<td>44.5%</td>
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<tr>
<td>2015</td>
<td>46.9%</td>
<td>31.3%</td>
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<tr>
<td>2016</td>
<td>48.7%</td>
<td>33.1%</td>
</tr>
<tr>
<td>YTD 2017</td>
<td>47.5%</td>
<td>33.5%</td>
</tr>
</tbody>
</table>

\(^1\) Excluding activities of Scania and Porsche Holding Salzburg; including Financial Services of Porsche AG and MAN Financial Services.

### Continuous portfolio expansion

<table>
<thead>
<tr>
<th>Year</th>
<th>Financing</th>
<th>Leasing</th>
<th>Insurance / Services</th>
<th>Total portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1,964</td>
<td>1,505</td>
<td>3,163</td>
<td>6,632</td>
</tr>
<tr>
<td>2009</td>
<td>2,148</td>
<td>1,508</td>
<td>3,567</td>
<td>7,218</td>
</tr>
<tr>
<td>2010</td>
<td>2,246</td>
<td>1,524</td>
<td>3,712</td>
<td>7,568</td>
</tr>
<tr>
<td>2011</td>
<td>2,691</td>
<td>1,623</td>
<td>3,930</td>
<td>8,244</td>
</tr>
<tr>
<td>2012</td>
<td>3,281</td>
<td>1,908</td>
<td>4,551</td>
<td>9,740</td>
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<tr>
<td>2013</td>
<td>3,796</td>
<td>1,983</td>
<td>4,946</td>
<td>10,725</td>
</tr>
<tr>
<td>2014</td>
<td>4,549</td>
<td>2,274</td>
<td>5,560</td>
<td>12,383</td>
</tr>
<tr>
<td>2015</td>
<td>5,322</td>
<td>2,518</td>
<td>5,833</td>
<td>13,673</td>
</tr>
<tr>
<td>2016</td>
<td>7,218</td>
<td>2,760</td>
<td>6,155</td>
<td>16,133</td>
</tr>
<tr>
<td>Jan-Sep 2017</td>
<td>7,568</td>
<td>3,016</td>
<td>6,356</td>
<td>16,940</td>
</tr>
</tbody>
</table>

### Diversified funding structure

- **Asset backed securitization**: 19%
- **Bonds, Commercial Paper, liabilities to financial institutions**: 32%
- **Customer deposits**: 18%
- **Equity, liabilities to affiliated companies, other**: 31%

30.09.2017: €181.1 bn
Optimized structure for Volkswagen Financial Services AG
(Effective from 1. September 2017)

Organisational set-up of Volkswagen Financial Services

VOLKSWAGEN Aktiengesellschaft

- Volkswagen Bank GmbH
  - European VW Bank GmbH branches
  - European credit business affiliates

- Volkswagen Financial Services AG
  - European non-bank-related affiliates
  - Affiliates in: Asia-Pacific Latin America

New Corporate Structure

- All the credit and deposit business within the European Economic Area (EEA) is bundled in Volkswagen Bank GmbH
- Volkswagen Bank GmbH is a wholly owned subsidiary of Volkswagen AG
- The credit business outside Europe - excluding NAR, Scania FS and PHS - as well as all other activities, such as the leasing, insurance, service and mobility business, remain with Volkswagen Financial Services AG

Advantages:
- Optimized capital requirements
- Reduced complexity & improved transparency
- Supports future growth path
## Special Items: Diesel related and other

<table>
<thead>
<tr>
<th>(In € bn)</th>
<th>Diesel</th>
<th>Other</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Legal</td>
<td>Restructuring:</td>
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<td></td>
<td>Other items</td>
<td>Truck Business</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>7.0</td>
<td>0.2</td>
<td>16.9</td>
</tr>
<tr>
<td></td>
<td>9.2</td>
<td>Passenger Cars South America</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Airbags Takata</td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Scania Anti-Trust Proceedings</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>6.4</td>
<td></td>
<td>7.5</td>
</tr>
<tr>
<td>Jan-Sept 2017</td>
<td>Buyback/retrofit program</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Legal</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>0.5</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>2.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total to date</td>
<td>25.2</td>
<td>1.8</td>
<td>27.0</td>
</tr>
</tbody>
</table>

A significant amount of the Diesel Dollar-related provisions are hedged and a further substantial amount of the provisions have been utilized as we had cash outflows of around €3bn in Q4 2016, around €5bn in Q1 2017, around €7bn in Q2 and around €2.5bn in Q3.
Technical solution in Europe/RoW simple and relatively easy to implement

- Technical solution already generally confirmed for all concepts by KBA\(^1\)
- Gradual approval of clusters after cluster-specific KBA inspection\(^1\)
- Software update in < 30 min. for 2.0L and 1.2L TDI; also simple, very cost-effective hardware solution “flow rectifier” for 1.6L TDI in < 60 min.

\(^1\) KBA approval relevant for EU28 and ECE user states (e.g., Turkey)

Predominantly software-only solution

Update status

Almost 6.2m units have been updated (status 19 October 2017)
Integrity, Compliance & Culture: a selection of three current activity areas

1. Implementation of Holistic Integrity Programme:
Six action fields form the basis for a holistic integrity programme:

2. Evolution of Group Compliance:
Three areas were defined:
1. Development of Group Compliance Values
2. Clear definition of Group Compliance Objectives
3. Adjustment of Group Compliance structure

Compliance scope:

3. Development of Code of Cooperation:
Mutual rules and guidelines of working together were developed:
• Cross functional
• Aims at corporate culture
• Includes all brands
Upcoming tasks to master challenges and make use of opportunities

**Improving the core business**
- Safeguarding the profitability in core regions; ongoing recovery in NAR/SAM/Russia
- Future pact continues to be implemented
- Strong cash generation and capex/R&D discipline as a precondition

**Transformation towards more E-Mobility**
- Working on CO₂ Compliance / WLTP implementation
- Profitability of Electric Vehicles

**Strengthen innovation power**
- Be software leaders in Digitalization & Connectivity
- Deliver profitable Mobility Services
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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.”
The new remuneration system harmonizes the interests of different stakeholder groups

✓ ... is based on clear remuneration policy guidelines
✓ ... constitutes a core element of the realignment of the Group
✓ ... integrates strategic objectives of the TOGETHER strategy 2025
✓ ... is capital market-oriented and reflects human resource-related transformation objectives
✓ ... sets ambitious objectives for sustainable corporate development
✓ ... incorporates a higher long-term orientation
✓ ... reflects no past events and is therefore completely forward-looking
✓ ... is based on a transparent target remuneration approach
✓ ... incorporates a total cap noticeably lower than the individual caps
✓ ... is transparent and is easy to comprehend
✓ ... is common market practice and conforms to regulatory requirements
### Volkswagen Group – Main Ratings Volkswagen AG

<table>
<thead>
<tr>
<th>Rating Agency</th>
<th>S&amp;P Global</th>
<th>Moody's</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>07 November 2017</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long Term</td>
<td>BBB+</td>
<td>A3</td>
</tr>
<tr>
<td>Short Term</td>
<td>A-2</td>
<td>P-2</td>
</tr>
<tr>
<td>Outlook stable</td>
<td></td>
<td>Outlook negative</td>
</tr>
<tr>
<td><strong>30 June 2015</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long Term</td>
<td>A</td>
<td>A2</td>
</tr>
<tr>
<td>Short Term</td>
<td>A-1</td>
<td>P-1</td>
</tr>
<tr>
<td>Outlook stable</td>
<td></td>
<td>Outlook stable</td>
</tr>
</tbody>
</table>
Automotive Division - Net Liquidity on a robust level at September 30th 1)

1) All figures shown are rounded, minor discrepancies may arise from addition of these amounts.
Volkswagen Group Funding Strategy – Overview as of September 30, 2017

Diversification of Funding Sources

- Direct Banking Deposits: 19%
- Hybrid Bonds: 7%
- Commercial Paper: 8%
- Medium Term Notes / Bonds: 26%
- ABS: 22%
- Bank Loans: 18%

Total: € 163.8 bn

Currencies – Breakdown

- USD: 66%
- EUR: 60%
- GBP: 10%
- CAD: 3%
- JPY: 1%
- AUD: 2%
- SEK: 2%
- CNY: 3%
- other³: 2%

³) BRL, CZK, HKD, INR, KRW, MXN, NOK, NZD, RUB, TRY

Source: Volkswagen Group

1) without Scania and Porsche FS
2) Bank Loans without MAN SE, Porsche AG
3) BRL, CZK, HKD, INR, KRW, MXN, NOK, NZD, RUB, TRY

66
Volkswagen Group Funding Strategy – Funding Programs & Outstandings

September 30, 2017 in € billion

<table>
<thead>
<tr>
<th>Money and Capital Markets</th>
<th>Utilization</th>
<th>Sept 30 2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Papers</td>
<td>14.6</td>
<td>5.5</td>
<td>+9.1</td>
</tr>
<tr>
<td>Medium Term Notes / Bonds</td>
<td>57.3</td>
<td>60.0</td>
<td>-2.7</td>
</tr>
<tr>
<td><strong>thereof: Hybrid Bonds</strong></td>
<td>11.0</td>
<td>7.5</td>
<td>+3.5</td>
</tr>
<tr>
<td>ABS</td>
<td>35.5</td>
<td>26.5</td>
<td>+9.0</td>
</tr>
<tr>
<td><strong>Total Amount</strong></td>
<td><strong>171.3</strong></td>
<td><strong>141.4</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Borrowings</th>
<th>Frame</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Committed Lines</td>
<td>16.2</td>
<td>2.9</td>
<td>+0.7</td>
</tr>
<tr>
<td>Uncommitted Lines</td>
<td>29.9</td>
<td>10.1</td>
<td>+2.4</td>
</tr>
<tr>
<td>Supranationals, development banks, government, other</td>
<td>20.3</td>
<td>20.3</td>
<td>+3.7</td>
</tr>
<tr>
<td>Direct Banking Deposits</td>
<td>./.</td>
<td>30.6</td>
<td>+7.1</td>
</tr>
<tr>
<td><strong>Total Amount</strong></td>
<td><strong>171.3</strong></td>
<td><strong>141.4</strong></td>
<td></td>
</tr>
</tbody>
</table>

1) China JV’s pro rata, 2) excluding Porsche, MAN, Scania

Source: Volkswagen Group
### Volkswagen Group Funding Strategy – Maturity Profile (in € million)\(^1\)

![Graph showing maturity profile of Volkswagen Group's funding strategy with the following details:

- **CP**
- **MTN**
- **144A Notes**
- **Hybrids (1st Call)**
- **Accumulated outstanding debt (incl. hybrid capital)**

\(^1\) as of September 30, 2017, excluding Scania and Porsche FS

Source: Volkswagen Group

<table>
<thead>
<tr>
<th>Year</th>
<th>Maturity Profile (in € million)</th>
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</thead>
<tbody>
<tr>
<td>2017</td>
<td>0</td>
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<tr>
<td>2018</td>
<td>0</td>
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<tr>
<td>2019</td>
<td>0</td>
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<td>2020</td>
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<td>2021</td>
<td>0</td>
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<td>0</td>
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<td>2025</td>
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<td>2038</td>
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</tr>
<tr>
<td>2039</td>
<td>0</td>
</tr>
<tr>
<td>2040</td>
<td>0</td>
</tr>
</tbody>
</table>

\(^1\) as of September 30, 2017, excluding Scania and Porsche FS

Source: Volkswagen Group
Volkswagen Group Funding Strategy – Major Issuances in 2017

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
Volkswagen Group Funding Strategy – Main Guarantors and Issuers

Volkswagen AG
BBB+ (s) / A3 (n)\(^1\)
- Volkswagen International Finance N.V.
- Volkswagen Group of America Finance, LLC
- Volkswagen Credit Canada, Inc.

Volkswagen FS AG
BBB+ (s) / A3 (n)\(^1\)
- Volkswagen Financial Services AG
- Volkswagen Financial Services N.V.
- Volkswagen Leasing GmbH

Volkswagen Bank GmbH
A- (n) / A3 (n)\(^2\)
- Volkswagen Bank GmbH

\(^1\)Credit Ratings from Standard&Poors / Moody's as per 08 Nov 2017; (n) Outlook negative, (s) Outlook stable

Automotive Division

Financial Services Division
The Key to Mobility
Creating Value with Financial Services
Volkswagen Financial Services AG & Volkswagen Bank GmbH
# Volkswagen Group – Leveraging the Power of Two Strong Divisions

## Automotive Division

<table>
<thead>
<tr>
<th>Business Area</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Cars</td>
<td>Volkswagen, Audi, SEAT, Škoda, Bentley, Bugatti, Porsche, Lamborghini, Ducati, Skoda, Seat, Audi, Bentley, Bugatti, Porsche, Lamborghini, Ducati</td>
</tr>
<tr>
<td>Commercial Vehicles</td>
<td>Volkswagen Truck &amp; Bus, MAN, Scania, RIO, MAN, Scania, RIO</td>
</tr>
</tbody>
</table>

## Financial Services Division

<table>
<thead>
<tr>
<th>Business Area</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen Financial Services</td>
<td>Volkswagen Financial Services</td>
</tr>
<tr>
<td>Porsche Financial Services</td>
<td>Porsche Financial Services</td>
</tr>
<tr>
<td>Financial Services</td>
<td>Financial Services USA / Canada / Spain</td>
</tr>
<tr>
<td>Scania Financial Services</td>
<td>Scania Financial Services</td>
</tr>
<tr>
<td>Porsche Holding Financial Services</td>
<td>Porsche Holding Financial Services</td>
</tr>
</tbody>
</table>
Optimized Structure for Financial Services Business (starting 01.09.2017)
Substantial Effects

**Volkswagen Financial Services AG**

- Non-bank-related European affiliates
- Affiliates in: Asia-Pacific, Latin America
- Domination and profit and loss transfer agreement with Volkswagen AG
- No supervision and regulation by ECB anymore

**Volkswagen Bank GmbH**

- European Volkswagen Bank branches
- Affiliates with European credit business
- Domination and profit and loss transfer agreement with Volkswagen AG
- Supervised and regulated by ECB

**Advantages:**
- Optimized capital requirement
- Reduced complexity & improved transparency
- Supports future growth path

73
We Offer the Whole Range of Services Under One Roof*

<table>
<thead>
<tr>
<th>Volkswagen Bank GmbH</th>
<th>Volkswagen Financial Services AG</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BANK</strong></td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td>Leasing</td>
</tr>
<tr>
<td>Direct Bank</td>
<td>INSURANCE</td>
</tr>
<tr>
<td><strong>LEASING</strong></td>
<td>Services</td>
</tr>
<tr>
<td>Leasing</td>
<td>Rental</td>
</tr>
<tr>
<td><strong>INSURANCE</strong></td>
<td>Parking</td>
</tr>
<tr>
<td>Insurance</td>
<td>Payment</td>
</tr>
<tr>
<td><strong>MOBILITY</strong></td>
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<tr>
<td>Services</td>
<td></td>
</tr>
<tr>
<td>Rental</td>
<td></td>
</tr>
<tr>
<td><strong>PAYMENT</strong></td>
<td></td>
</tr>
<tr>
<td>Payment</td>
<td></td>
</tr>
</tbody>
</table>

- Retail Finance
- Dealer Stock Finance
- Factoring
- Deposits
- Instalment Credit
- Investment Products
- Finance Lease
- Operating Lease
- Motor Insurance
- Warranty
- Credit Protection
- GAP Insurance
- Industry
- Fleet Management
- Service & Maintenance
- Tyres
- Fuel & Service Card and Charge & Fuel Card
- Long-term rental
- Short-term rental
- Carsharing
- Payment for parking space
- Services around parking
- On- and off-street solution
- Payment platform
- Mobile Payments
- Mobile Wallet

*Displayed portfolio depends on the market; products offered or mediated by different operative subsidiaries.
At a Glance (06/30/2017)

### Volkswagen Bank GmbH

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>€ 57.9 bn</td>
</tr>
<tr>
<td>Equity</td>
<td>€ 8.1 bn</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>€ 33.65 bn</td>
</tr>
<tr>
<td>Operating profit</td>
<td>€ 401 m</td>
</tr>
<tr>
<td>Employees</td>
<td>1,305</td>
</tr>
<tr>
<td>Contracts (units)</td>
<td>3.1 m</td>
</tr>
</tbody>
</table>

### Business Volume** € 41.2 bn

- **Leasing**: € 4.18 bn
- **Credit**: € 25.84 bn
- **Dealer financing**: € 11.19 bn

**Receivables + Leased Assets

---

### Volkswagen Financial Services AG*

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>€ 134.0 bn</td>
</tr>
<tr>
<td>Equity</td>
<td>€ 18.2 bn</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>€ 34.35 bn</td>
</tr>
<tr>
<td>Operating profit</td>
<td>€ 788 m</td>
</tr>
<tr>
<td>Employees</td>
<td>11,926</td>
</tr>
<tr>
<td>Contracts (units)</td>
<td>13.7 m</td>
</tr>
</tbody>
</table>

### Business Volume** € 109.5 bn

- **Leasing**: € 38.87 bn
- **Credit**: € 55.19 bn
- **Dealer financing**: € 15.49 bn

**Receivables + Leased Assets

---

*Figures of Volkswagen Bank GmbH consolidated within Volkswagen Financial Services AG
Operating Income

Volkswagen Bank GmbH

Volkswagen Financial Services AG*

* Figures of Volkswagen Bank GmbH consolidated within Volkswagen Financial Services AG
Contract Portfolio

Continuous portfolio expansion

Volkswagen Bank GmbH
in '000 units

<table>
<thead>
<tr>
<th>Year</th>
<th>Credit</th>
<th>Leasing</th>
<th>Insurance/Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2,000</td>
<td>2,205</td>
<td>2,679</td>
</tr>
<tr>
<td>2012</td>
<td>2,216</td>
<td>660</td>
<td>2,074</td>
</tr>
<tr>
<td>2014</td>
<td>3,003</td>
<td>246</td>
<td>6,396</td>
</tr>
<tr>
<td>2016</td>
<td>3,122</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Volkswagen Financial Services AG*
in '000 units

<table>
<thead>
<tr>
<th>Year</th>
<th>Credit</th>
<th>Leasing</th>
<th>Insurance/Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>6,144</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>7,978</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>10,249</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>13,243</td>
<td>6,396</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>13,687</td>
<td>2,074</td>
<td></td>
</tr>
</tbody>
</table>

* Figures of Volkswagen Bank GmbH consolidated within Volkswagen Financial Services AG
Strategic Funding Allocation as of 30 June 2017

Volkswagen Bank GmbH

- Customer Deposits €33.7 bn (58.2%)
- Liabilities to affiliated companies €1.2 bn (2%)
- Liabilities to financial institutions €7.5 bn (13%)
- Equity €8.4 bn (13.6%)
- Others €3.2 bn (5.7%)
- Bonds issued €1.6 bn (2.7%)
- Asset Backed Securitization €2.6 bn (4.5%)

Total € 57.9 bn

Volkswagen Financial Services AG*

- Customer Deposits €34.4 bn (25.6%)
- Liabilities to affiliated companies €8.1 bn (6.8%)
- Liabilities to financial institutions €18.6 bn (13.9%)
- Equity €18.2 bn (13.6%)
- Others €9.1 bn (6.6%)
- Bonds issued €21.6 bn (16.1%)
- Asset Backed Securitization €20.6 bn (15.4%)

Total € 134.0 bn

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

- **Risk**
  - Risk of loss through defaults in customer transactions
  - Portfolio Structure: Retail 73% / Corporate 27%
  - Assessment of creditworthiness of customers with scoring (in retail business) and rating systems (corporate).

- **Residual Value**
  - Residual values are monitored closely
  - Regular adjustment to the current market situation for new business
  - Completely covered by provisions and equity according to IAS 36.

* Shareholder Risk + Issuer Risk + Counterparty Risk + Liquidity Risk + Risks of MAN FS subsidiaries and lump sum for non-quantified Risk: Strategic Risk, Reputational Risk
## Residual Value Development in EU 5

<table>
<thead>
<tr>
<th>Flag</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>🇩🇪</td>
<td>Uncertainty about the development of residual values of cars with diesel engines in general across the industry due to several developments. Currently no significant effects out of the normal bandwith.</td>
</tr>
<tr>
<td>🇬🇧</td>
<td>Currently no significant effects out of the normal bandwith.</td>
</tr>
<tr>
<td>🇫🇷</td>
<td>Development of Diesel residual values within the normal range. Diesel market share decreasing.</td>
</tr>
<tr>
<td>🇮🇹</td>
<td>Further decreasing of diesel market share. Diesel used car markets on a stable niveau.</td>
</tr>
<tr>
<td>🇪🇸</td>
<td>Sales values of diesel engines very stable in the last 6 month.</td>
</tr>
</tbody>
</table>

- The market share of Diesel cars is decreasing across Europe.
- As of today a dramatic erosion of diesel residual values cannot be seen. External data providers such as DAT confirm this.
- From today’s perspective it is way too early, to finally determine if this is a short-term effect or a lasting trend.
- Development of residual value risks continues to be closely monitored.
- With respect to new business Volkswagen Financial Services further does not expect longterm effects on residual values.
Credit risk remains at low level despite challenging market environment

- **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)
## Rating History (11/22/2017) – Moody’s

<table>
<thead>
<tr>
<th></th>
<th>Moody's</th>
<th>S&amp;P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota</td>
<td>Aa3</td>
<td>AA-</td>
</tr>
<tr>
<td>Honda</td>
<td>A2</td>
<td>A+</td>
</tr>
<tr>
<td>BMW</td>
<td>A1</td>
<td>A+</td>
</tr>
<tr>
<td>VW AG</td>
<td>A3</td>
<td>BBB+</td>
</tr>
<tr>
<td>VW FS AG</td>
<td>A3</td>
<td>BBB+</td>
</tr>
<tr>
<td>VW Bank GmbH</td>
<td>A3</td>
<td>A-</td>
</tr>
<tr>
<td>Scania</td>
<td>--</td>
<td>BBB+</td>
</tr>
<tr>
<td>Daimler</td>
<td>A2</td>
<td>A</td>
</tr>
<tr>
<td>RCI Banque</td>
<td>Baa1</td>
<td>BBB</td>
</tr>
<tr>
<td>FMCC</td>
<td>Baa2</td>
<td>BBB</td>
</tr>
<tr>
<td>Banque PSA</td>
<td>A3</td>
<td>BB+</td>
</tr>
</tbody>
</table>

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 and stable rating history.
Volkswagen Financial Services Organisational Structure and Guarantee Scheme

Volkswagen AG
BBB+ (s) / A3 (n)

100% Owner +
Control and Profit & Loss Transfer Agreement

Volkswagen AG
BBB+ (s) / A3 (n)

Volkswagen FS AG
BBB+ (s) / A3 (n)

Guarantee

Volkswagen Financial Services Australia
Volkswagen Financial Services Japan
Volkswagen Financial Services N.V.
Volkswagen Leasing GmbH

Volkswagen Bank GmbH
A- (n) / A3 (n)

1Credit Ratings from Standard&Poors / Moody’s as per 08 Nov 2017; (n) Outlook negative, (s) Outlook stable.
Worldwide Capital Market Activities

- **VW Leasing Mexico**
  - MXN 20 bn Dual CP + MTN Program
- **VW Bank Mexico**
  - MXN 7 bn Debt Issuance Program
- **VDF Turkey**
  - Domestic TRY Bond Issuances
- **Banco VW Brazil**
  - Domestic Letra Financeira
- **VW FS Group**
  - € 5 bn CP Program
  - € 25 bn Debt Issuance Program
- **VW Bank**
  - € 2.5 bn CP Program
  - € 10 bn Debt Issuance Program
- **VW FS Korea**
  - Domestic KRW Bond Issuances
- **VW FS Japan**
  - JPY 60 bn ECP Program
- **VW Finance (China)**
  - Domestic RMB Bond Issuances
- **VW FS Australia**
  - AUD 3 bn Debt Issuance Program
- **VW Bank Polska** *
  - PLN 3 bn Debt Instrument Issuance Program
- **VW Bank Russia**
  - Domestic 100bn RUB Bond Program
- **VW FS India**
  - Domestic INR CP + Bond Issuances

* Guarantee Volkswagen Financial Services AG Volkswagen Bank GmbH Programs
Worldwide ABS Activities

- VW Leasing/DutchLease
  - VCL Master
  - DFM
  - DFM Master

- MAN Financial Services
  - Trucknology

- VW Bank
  - Driver program
  - Driver Master

- Volkswagen Bank GmbH Programs

- VW FS UK
  - Driver UK program
  - Driver UK Master

- VW Bank France
  - Driver France program

- VW Finance Spain
  - Driver España program

- Banco VW Brazil
  - Driver Brasil program

- VW FS Australia
  - Driver Australia program
  - Driver Australia Master

- VW Finance China
  - Driver China program

- VW FS Japan
  - Driver Japan program
WE ARE THE KEY TO MOBILITY

VISION

STRATEGIC DIMENSIONS

WHAT

STRATEGIC TARGETS

CUSTOMERS
• Satisfied Customers

EMPLOYEES
• Top Employer
• Top Employees

OPERATIONAL EXCELLENCE
• Compliance & Governance
• Process Efficiency
• IT-Excellence

PROFITABILITY
• Total Operating Income
• 20% ROE
• 50% CIR

VOLUME
• 30M Contracts
• 50% Extended Penetration
The world keeps turning | Focus on additional topics

- Digitalisation
- Used Car Business
- Operational Excellence
- Growth Market China
Digitalisation: Our target

Until 2020 all relevant products can be sold online and offline.
Outlook


It is expected that the operating profit for fiscal year 2017 will reach at least the level of the operating profit achieved in fiscal year 2016 after adjustment for non-recurring items, which included support payments from the Volkswagen Group in connection with the diesel issue.

(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.)


We expect the operating profit (including positive nonrecurring items) for fiscal year 2017 to exceed the level achieved in fiscal year 2016.

(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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Volkswagen T-Roc
Audi A7 Sportback
ŠKODA Karoq
SEAT Arona
Porsche Cayenne
Bentley Continental GT
Lamborghini Aventador S Roadster
Volkswagen Amarok
Scania G 450 XT 8x4
Outlook

The stable outlook on VW reflects our expectation of steady operating performance as well as show improving cash flow generation, with only limited further charges in relation to the diesel emission issue. We expect VW will maintain leverage ratios in line with our forecasts of FFO to adjusted debt and adjusted debt to EBITDA of above 4x and below 2x during the next two years.

Downside scenario

We could lower the ratings if VW continues to bear material additional diesel emissions-related charges to meet fines or litigation damages without taking sufficient offsetting measures. Ongoing negative FOCF would also be a negative factor, as would VW’s leverage metrics sustainably weakening to adjusted FFO to debt below 4x or adjusted debt to EBITDA above 2x.

Upside scenario

We do not expect to raise the ratings during the next two years. To do so, we would need to see VW sustainably demonstrate FFO to adjusted debt above 6x, and healthy positive FOCF. This could occur if the company shows operating results ahead of our current expectations. Additionally, we would need to see improvements in VW’s management and governance framework, without which a rating in the 'A' category is unlikely.
Moody’s Credit Opinion
27 September 2017

Volkswagen Aktiengesellschaft
Update to Discussion of Key Credit Factors

Summary Rating Rationale
VW’s A3 long-term ratings are supported by its strong competitive position with a diverse product range, high market recognition and a generally successful product launches. The group benefits from a good product offering and leading market positions in the major car markets of Europe and China. Technological and product diversity help shield the group’s earnings and cash flows from local or regional demand cycles inherent to the automotive industry. The ratings also incorporate the group’s resilient portfolio of brands and established market positions in Western Europe and China where its main travel Volkswagen Passenger Car unit benefits from a pricing advantage over other vehicle brands. Moreover, we expect Volkswagen will sustain a positive robust free cash flow (Equity for the cash outflow related to the diesel issue), despite high investments.

VW’s ratings are constrained by the stable realisation and remeasurement costs of the company linked to the book valuations of assets and liabilities and the company’s use of derivatives to hedge the adverse impact of changes in environmental rules and our concern this will have an adverse effect on its reputation and stock price within the global passenger car markets. We expect the group’s debt protection ratios, which have been somewhat weaker than those of rival companies in the A rating category, to weaken further in 2017, driven by remeasurement out of the past acquisition of Audi and potential legal claims especially potential shareholder claims which VW notes in their annual report sum up to €9 billion. Nevertheless, the ratings take into account the expectation that VW has established mechanisms that will help offset, at least partly, these cash outlay such as a review of its cost savings, improving existing capital management, and cost cutting measures.

Moreover, the scale of VW within the global car market, its multiple brand and product strategy as well as expanded operations within the global truck market, has created complexity within the group. In this respect we note that the profitability especially of the VW brand is comparatively low (41% vs. 11% VW Group during H2 2015) which is a reflection of a cost structure that appears to be higher than for other car manufacturers, such as Toyota. We also believe that the emissions crisis highlights serious internal control and corporate governance problems which we believe have only partially been addressed so far, such as changes in key management positions.

We are doubtful that announced reorganization efforts of Volkswagen Passenger Cars will lead to meaningful improvements in profitability, despite the anticipated benefits of a further roll out of the group’s platform modular toolkit (especially MEB) strategy. However, these improvements are necessary to seemingly lower operating aid costs in the industry, continued high R&D needs for alternative drivetrains, and a continuing competitive pressure in the industry. Consequently, our ratings reflect the group’s ongoing exposure to risks from regulatory pressures.

Rating Outlook
The negative outlook reflects Moody’s view that the emissions issue will continue to result in significant cash outflows at least through 2017, and possibly affect earnings, although we note that to date these have remained very resilient since the crisis emerged. Moreover, Volkswagen is facing various legal claims including shareholder claims that amount to a total of €9 billion, and other, at this point non-quantifiable claims from European customers which, if successful, will be an additional strain on its cash, though a decision may take several years and is difficult to quantify at this stage.

Factors that Could Lead to an Upgrade
A stabilization of the outlook could occur if there is evidence that the effects of the emissions issue are contained with manageable effects on Volkswagen’s brand image, pricing power, earnings and cash position.

Upward pressure on the ratings could occur if Volkswagen (1) continues to at least protect its market share in the major markets where it operates, especially in Western Europe and in China, regardless of potential changes in global macro-economic conditions; and (2) improve the profitability of the Volkswagen Passenger Cars brand in the US and Brazilian market. Volkswagen would also need to deliver a more consistent earnings pattern across its commercial vehicle brands as a result of the successful execution of its long term plan for the division.

Quantitatively, an upgrade of the ratings would require sustained robust cash flow generation, despite elevated capital expenditure, supported by Moody’s adjusted EBITA margins sustainably above 7% and free cash flow/debt ratio at around 10% (all ratios including Moody’s adjustments).

Factors that Could Lead to a Downgrade
The ratings could come under pressure if Moody’s notes (1) an erosion in Volkswagen’s market share in its core markets; (2) deterioration in the company’s operational performance as a result, for example, of weaker earnings of its premium brands or of its commercial vehicle division; or (3) an inability to enhance the Volkswagen Passenger Cars’ profitability to a sustainably more competitive level and (4) severe pressure on the company’s liquidity profile as a result of fines and legal costs.

Quantitatively, a downgrade could occur if (1) Volkswagen’s Moody’s adjusted EBITA margin drops below 7%; (2) its free cash flow/debt ratio deteriorates below the mid single digit range in percentage terms for a prolonged period of time as a result of an operational weakness or more aggressive financial policies; and (3) leverage (EBITD/A) increases above 2.5x (2.0x in 2016 and around 2.3x expected for 2017) with debt refinancing the payout of fines; all ratios as adjusted by Moody’s.

Moreover, signs of a weakening of Volkswagen’s liquidity coverage could put downward pressure on the ratings.
Development of Customer Deposits

in € bn

- 2013: 21.1
- 2014: 23.8
- 2015: 20.8
- 2016: 30.3
- HY 2017: 28.9

- Term Deposits
- Overnight

About 70% Private Customers
## Volkswagen Financial Services AG

**Key data 2013 – HY 2017 (IFRS)**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>HY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio (‘000)</td>
<td>8,848</td>
<td>10,249</td>
<td>12,081</td>
<td>13,244</td>
<td>13,687</td>
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<tr>
<td>Retail + Leasing receivables (€ mn)</td>
<td>65,127</td>
<td>76,749</td>
<td>83,351</td>
<td>90,666</td>
<td>94,057</td>
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<td>Dealer financing (€ mn)</td>
<td>11,082</td>
<td>12,625</td>
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<td>15,489</td>
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<tr>
<td>Customer deposits (€ mn)</td>
<td>24,286</td>
<td>26,224</td>
<td>28,109</td>
<td>36,149</td>
<td>34,351</td>
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<tr>
<td>Employees</td>
<td>9,498</td>
<td>11,305</td>
<td>11,746</td>
<td>11,819</td>
<td>11,926</td>
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<tr>
<td>IFRS profit before tax (€ mn)</td>
<td>1,315</td>
<td>1,317</td>
<td>1,513</td>
<td>1,650</td>
<td>796</td>
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