VOLKSWAGEN

AKTIENGESELLSCHAFT

We are redefining mobility.

Volkswagen Group

Volkswagen AG / Volkswagen Financial Services

Investor Roadshow Asia-Pacific

27 November – 05 December 2017

Disclaimer

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

Volkswagen AG

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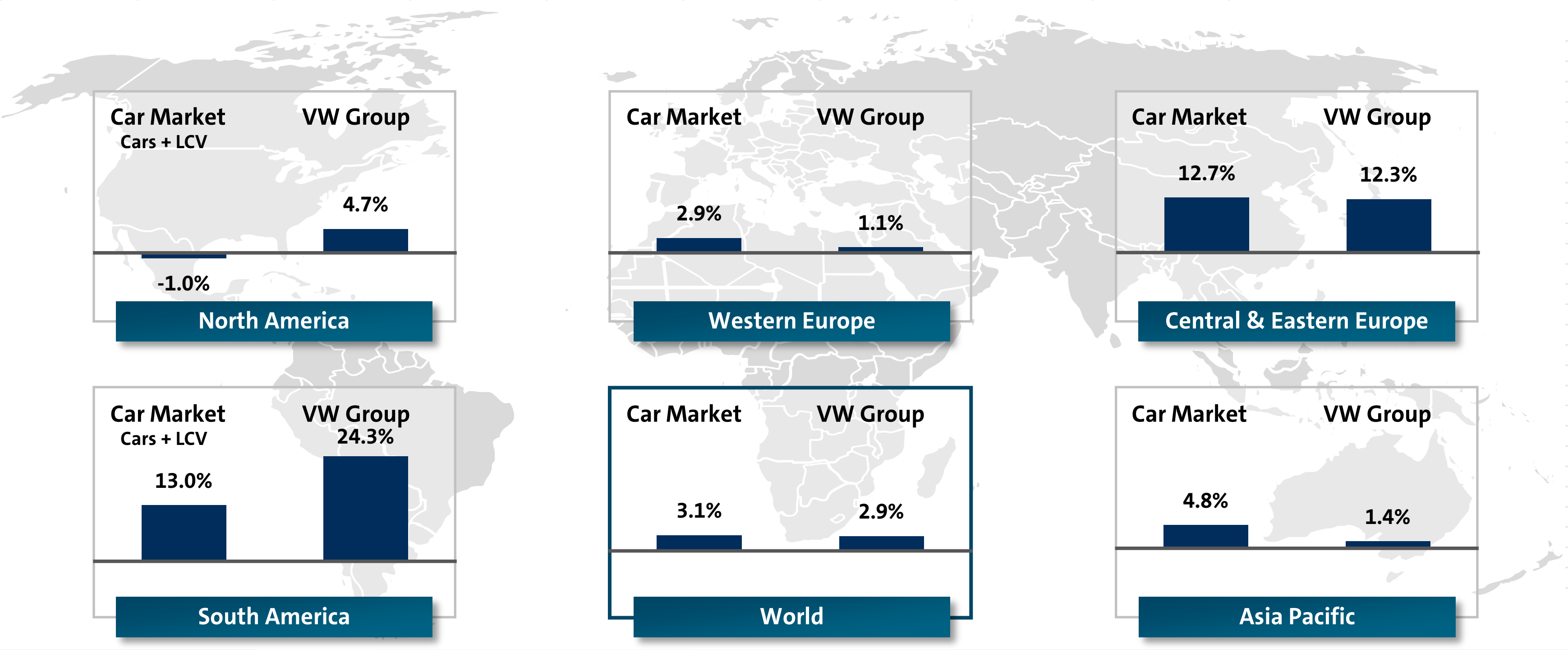
Volkswagen Financial Services

Bernd Bode – Head of Group Treasury and Investor Relations

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

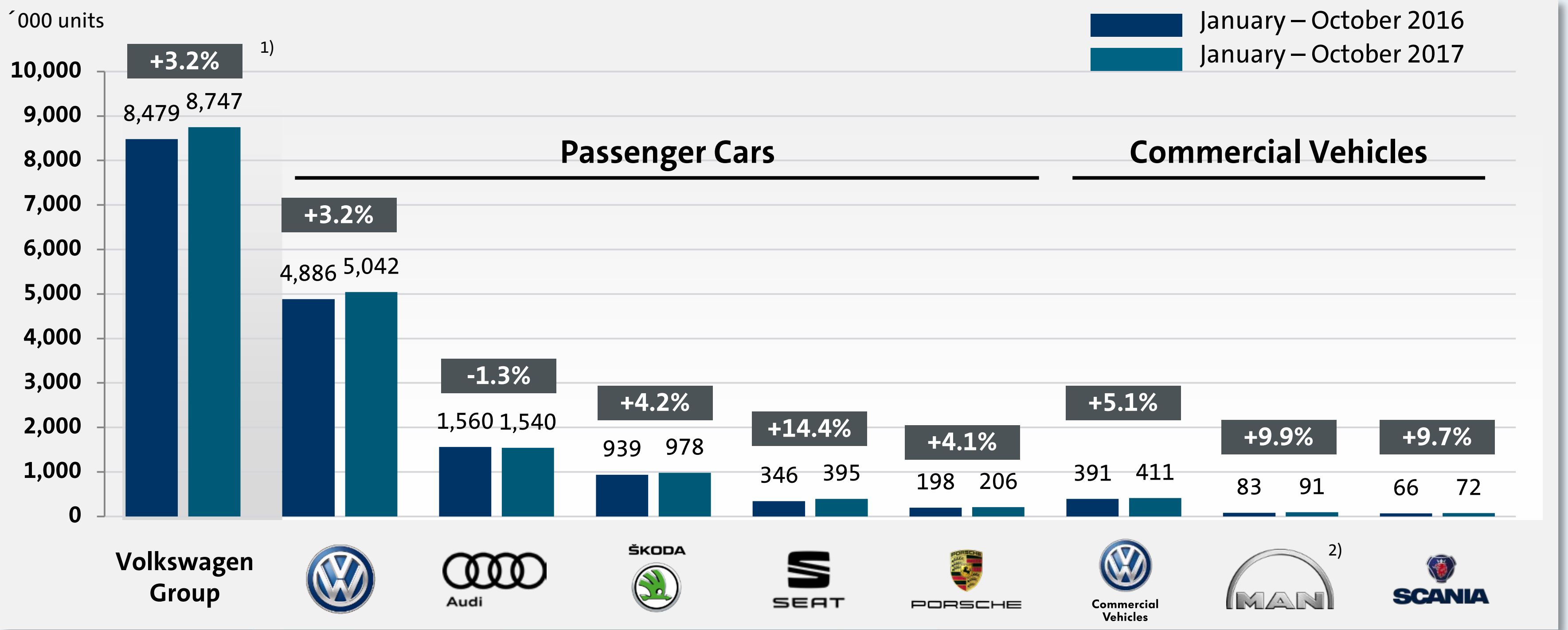
(Growth y-o-y in deliveries to customers, January to October 2017 vs. 2016)



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

Volkswagen Group – Deliveries to Customers by Brands

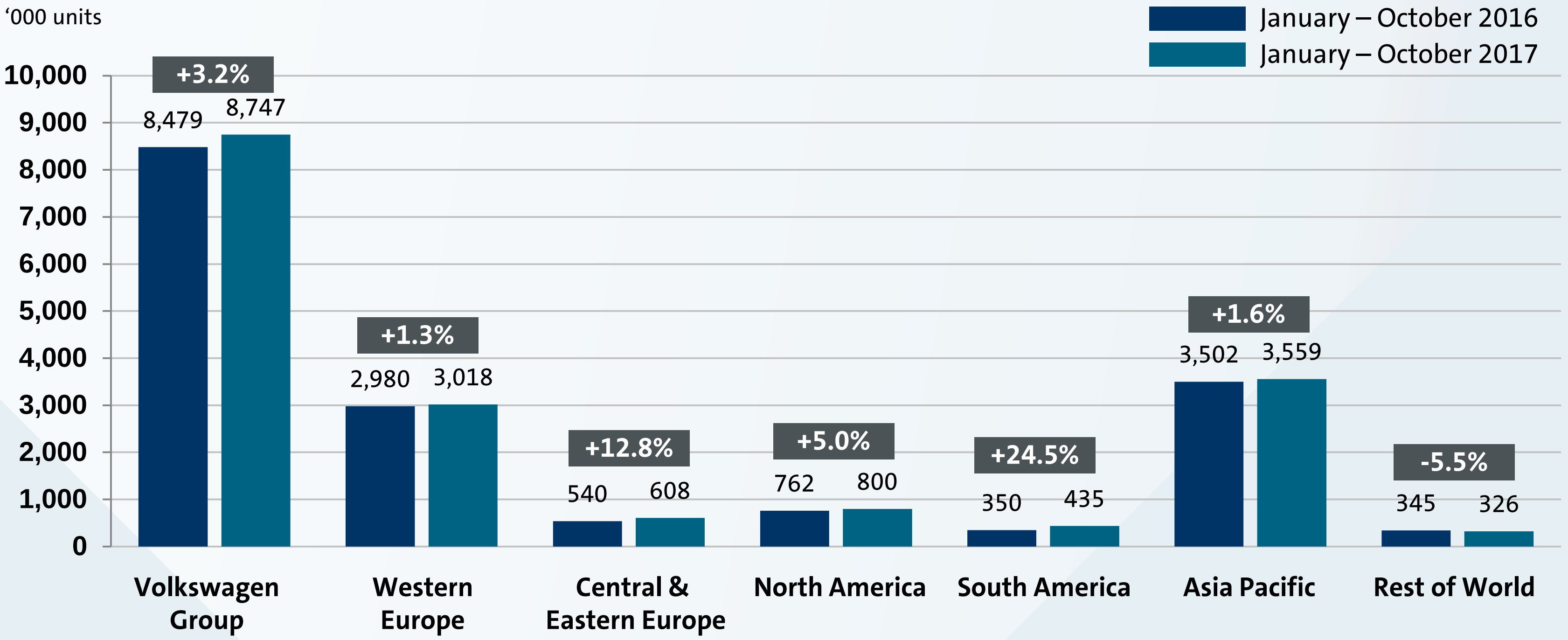
(January to October 2017 vs. 2016)



1) Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +2.9% excl. Volkswagen Commercial Vehicles, Scania and MAN.
2) MAN incl. MAN Latin America Trucks and Busses GVW > 5t

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 Brand[1]:

Model	„Environmental“ Incentive
up!	€2,000
Polo	€3,000
Golf, Golf Sportsvan, Golf Estate, Tiguan, Tiguan Allspace, Beetle Cabrio	€5,000
Touran	€6,000
Passat Sedan/Estate, Arteon, Sharan	€8,000
Touareg	€10,000

\+

Powertrain type	„Future“ Incentive
Natural gas (e.g. Golf TGI)	€1,000
Hybrid (e.g. Golf GTE; Passat GTE)	€1,785
Electric (e.g. e-up!; e-Golf)	€2,380

\+ State subsidy[2]

= Total support available per model

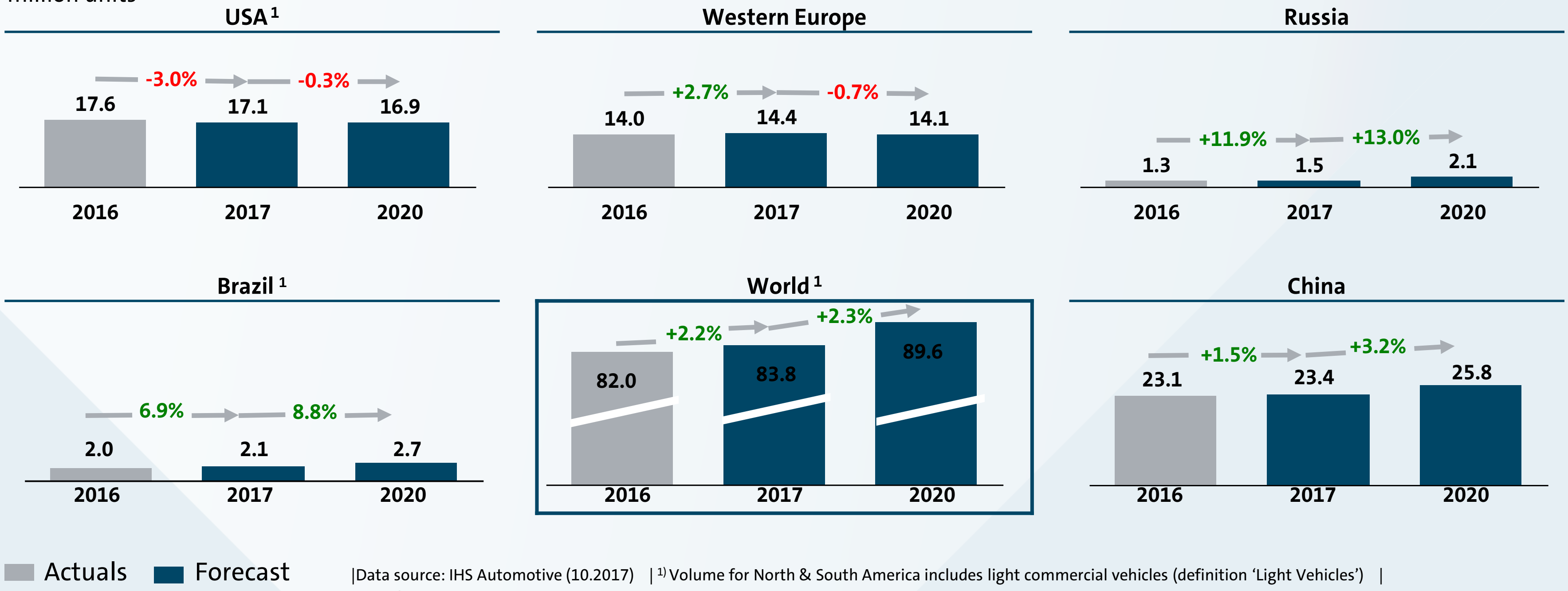
Cost of Programs anticipated to be <u>balanced</u> through <u>higher volumes</u>, benefits of gaining <u>new customers</u> and raising <u>customer loyalty</u>

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



|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)]

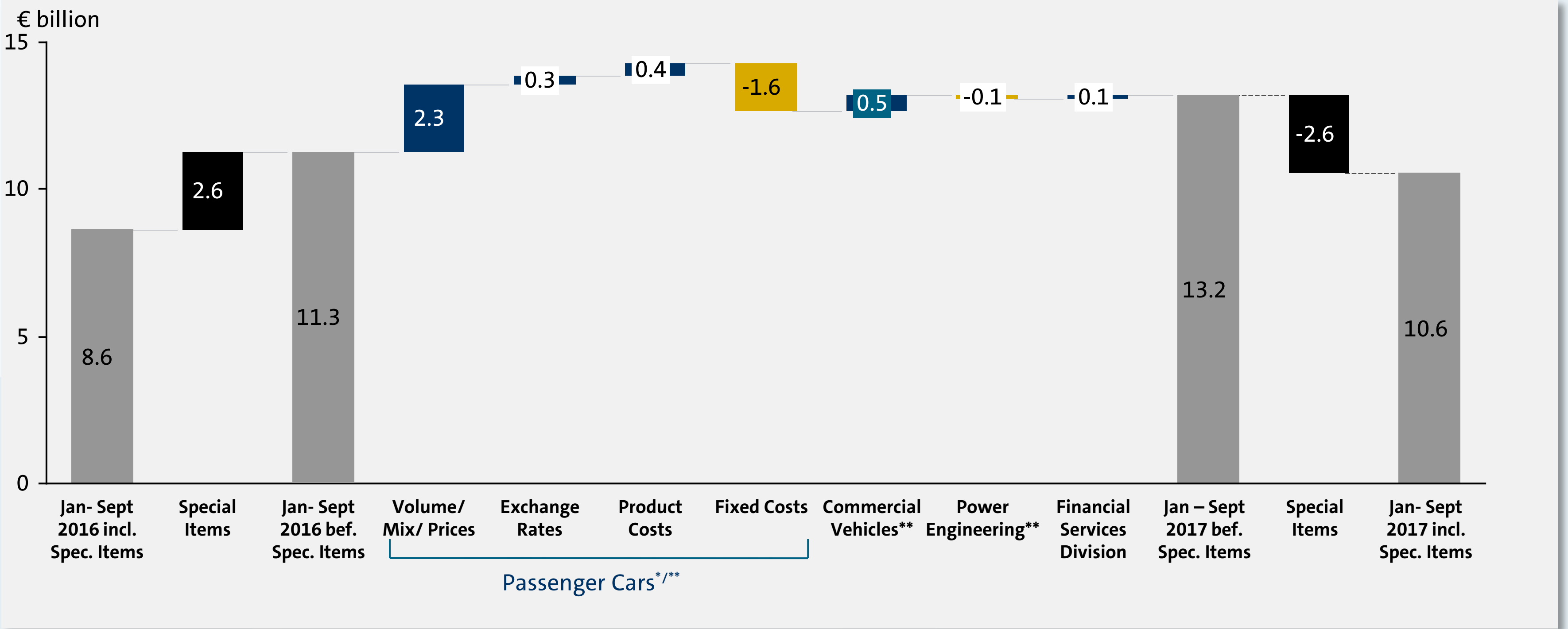
(January to September 2017 vs. 2016)

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

[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[1)]

(January to September 2017 vs. 2016)



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

Volkswagen Group – Analysis by Business Line [1)]

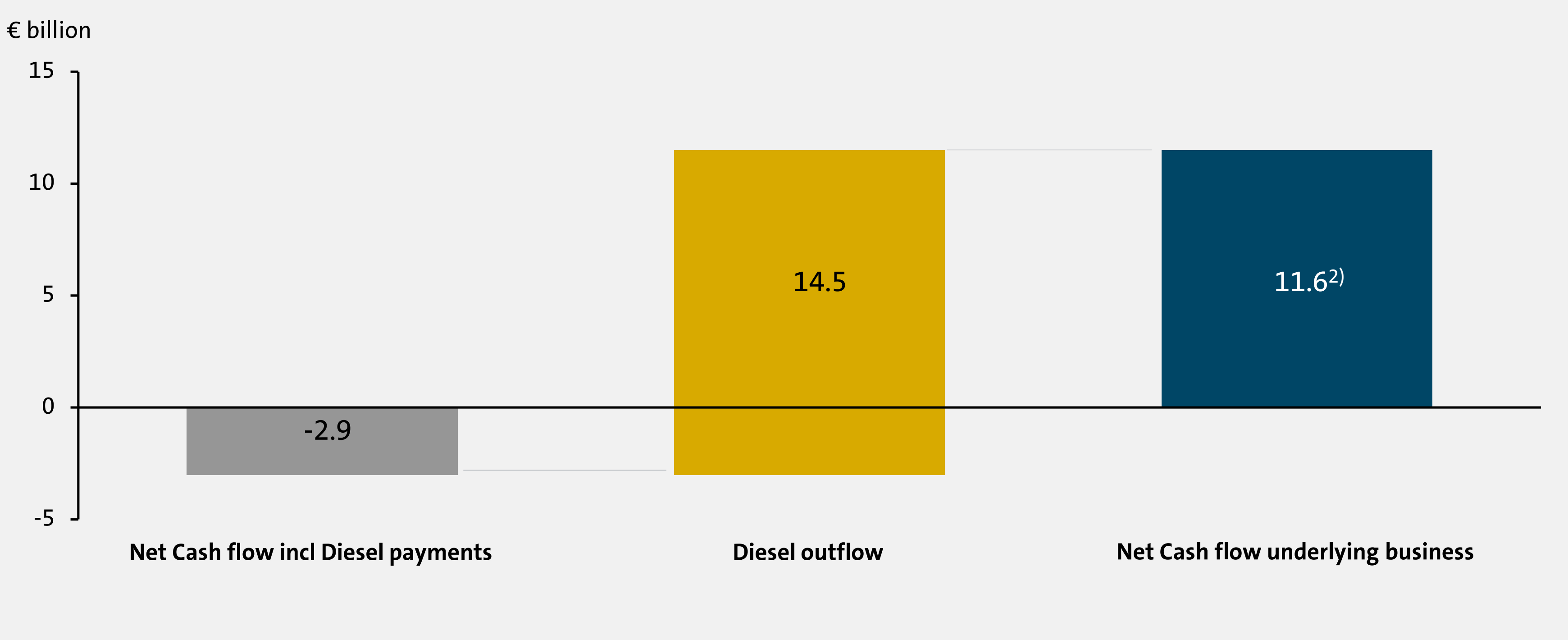
(January to September 2017 vs. 2016)

	Vehicle sales		Sales revenue		Operating profit	
thousand vehicles/ € million	2017	2016	2017	2016	2017	2016
Volkswagen Passenger Cars[2)]	2,632	3,234	58,871	77,725	2,504	1,244
Audi	1,147	1,166	44,235	44,017	3,941	3,918
ŠKODA	700	606	12,338	10,113	1,206	940
SEAT	436	400	7,255	6,535	154	137
Bentley	7	8	1,321	1,411	31	54
Porsche Automotive[3)]	180	177	15,703	15,291	2,890	2,760
Volkswagen Commercial Vehicles	371	342	8,919	8,045	698	392
Scania[4)]	65	60	9,304	8,272	947	802
MAN Commercial Vehicles	80	74	7,970	7,213	269	204
MAN Power Engineering	-	-	2,355	2,567	107	176
VW China[5)]	2,917	2,803	-	-	-	-
Other[6)]	-623	-1,217	-21,272	-41,592	-1,277	-896
Volkswagen Financial Services[7)]	-	-	23,864	20,337	1,763	1,534
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	23,042	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. [7)] Starting January 1, 2017, Porsche's financial services business is reported as part of Volkswagen Financial Services. Prior-year figures were not adjusted.
[8)] Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

'Best ever' Automotive Division Net Cash Flow (ex Diesel payments) [1)]

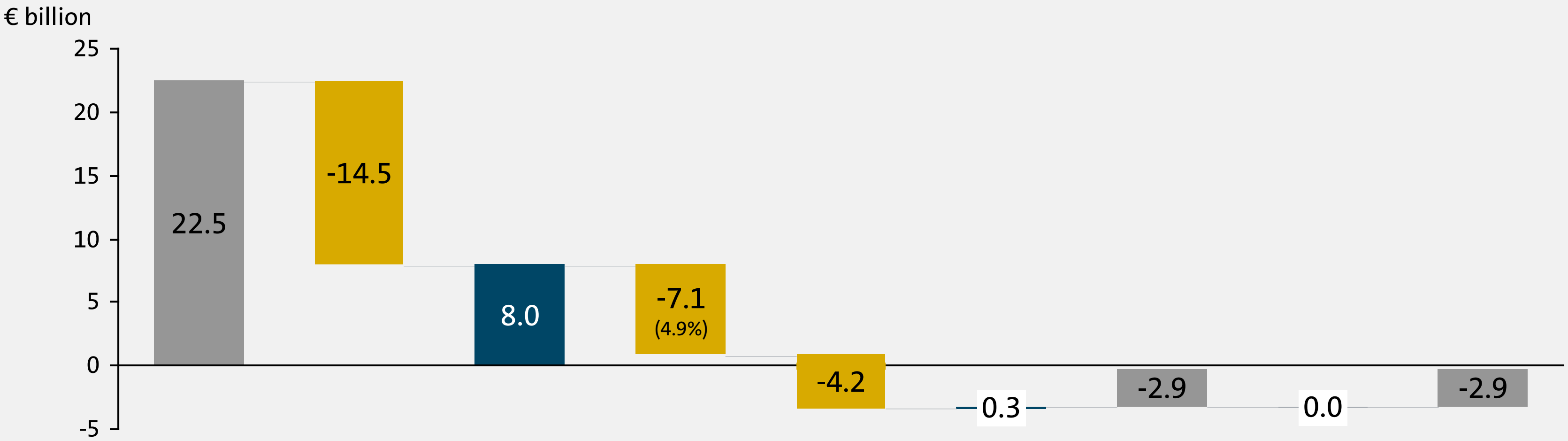
(January to September 2017)



[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)]

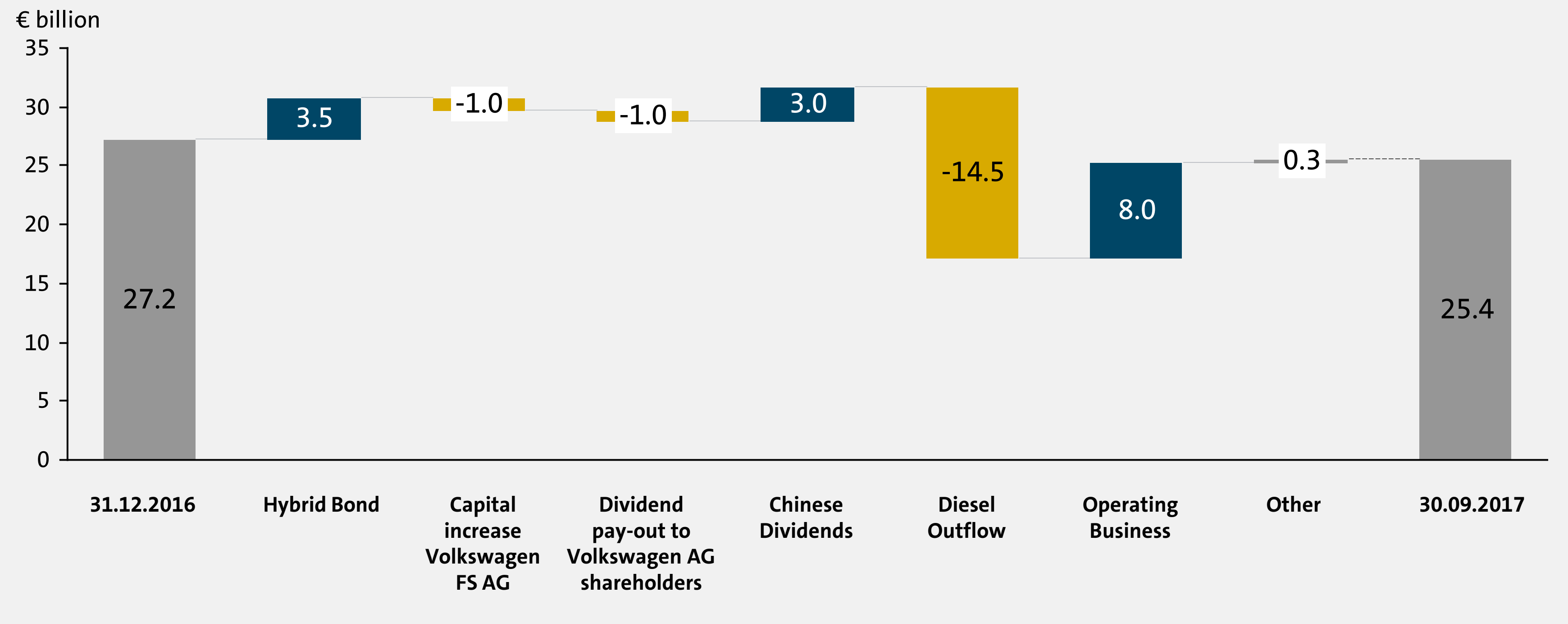
(January to September 2017)



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

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

Automotive Division - Net Liquidity on a robust level at September 30th 1)



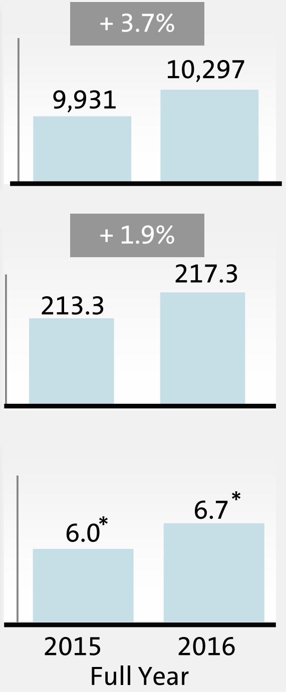
1) All figures shown are rounded, minor discrepancies may arise from addition of these amounts.

Volkswagen Group – Outlook for 2017

Deliveries to customers
('000 vehicles)

Sales revenue
(€ billion)

Operating return on sales
(%)



*)before Special Items

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%

Upcoming Premium and Luxury models enhancing our portfolio offer

Premium / Luxury models:

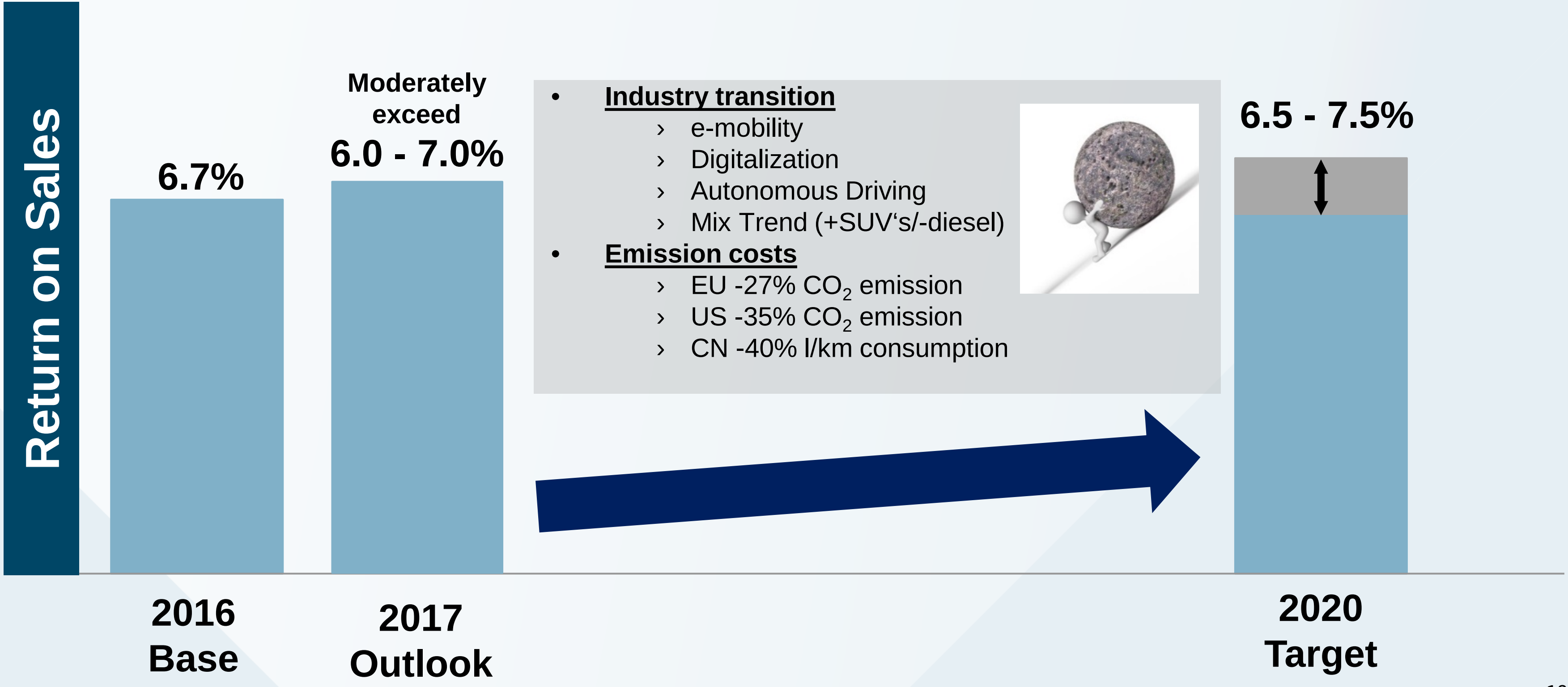
Dates: Market introduction of selected models

Strong product momentum continues in Volume segments

Volume models:

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% CO_2 emission
  - › US -35% CO_2 emission
  - › CN -40% l/km consumption

Clear Financial Targets and Milestones

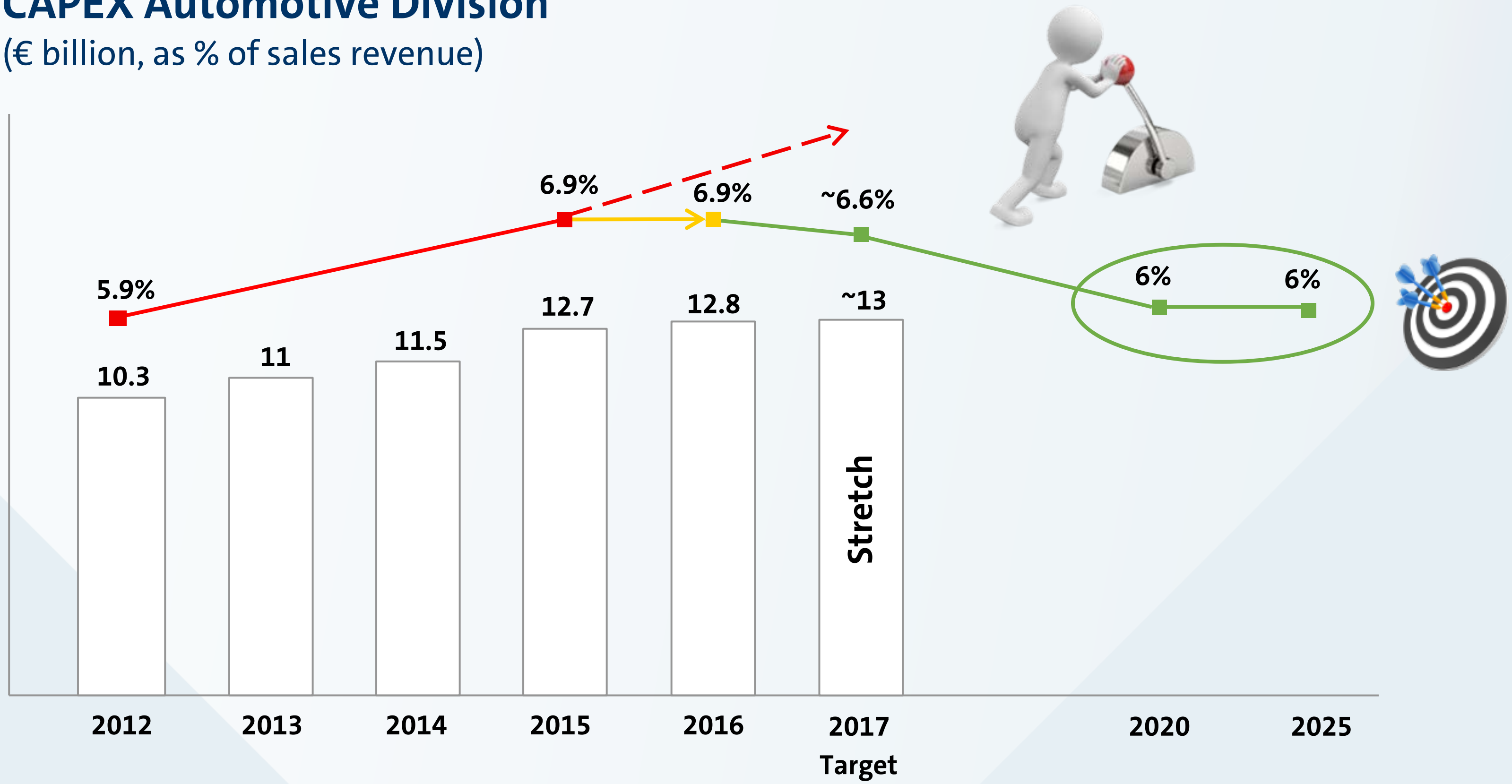
Key financial targets	2016 Actual	2017 Targets CMD March	2017 Outlook	2020 Targets	2025 Targets
Operating return on sales Before Special Items	6.7%	6-7%	**moderately exceed 6-7%**	6.5-7.5%	7-8%
Return on investment Automotive Division before Special Items	13.9%	11-13%	**moderately exceed 11-13%**	13-15%	> 15%
Capex ratio Automotive Division	6.9%	6.6%	**~6.6%**	6%	6%
R&D cost ratio Automotive Divison	7.3%	6.7%	**~6.7%**	6%	6%
Cash Automotive Division **a) Net Cashflow**	€ 4.3 bn	negative	negative	**≥ 10**	**> 10** ~10% of Group turnover
b) Net Liquidity	€ 27.2 bn	> € 15 bn	**> € 20 bn**	> € 20 bn	

Updating Guidance Group Financial Performance 2020

	Result 2016		2020 Update CMD March		2020 Update PR 66
Sales revenue (€ bn)	217.3		+ > 20 %	↗	+ > 25 %
	after Special Items	**before** Special Items			
Operating profit (€ bn)	7.1	14.6	+ 25 %	↗	+ ≥ 25 %
Profit before tax (€ bn)	7.3	14.8	+ ≥ 25 %	↗	+ ≥ 30 %
Earnings per Pref. Share	10.3 €		+ ≥ 25 %	↗	+ > 25 €

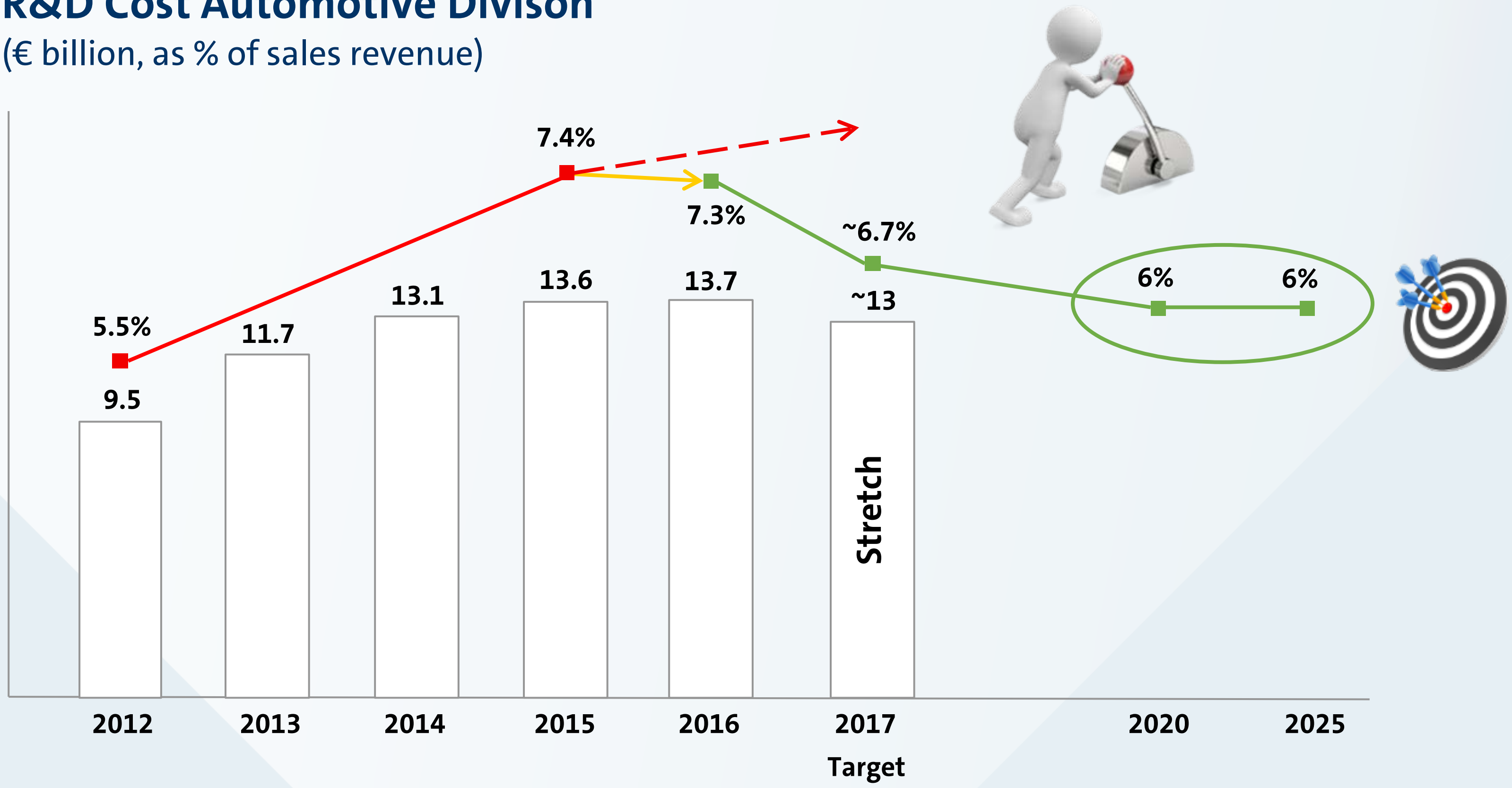
CAPEX Automotive Division

(€ billion, as % of sales revenue)

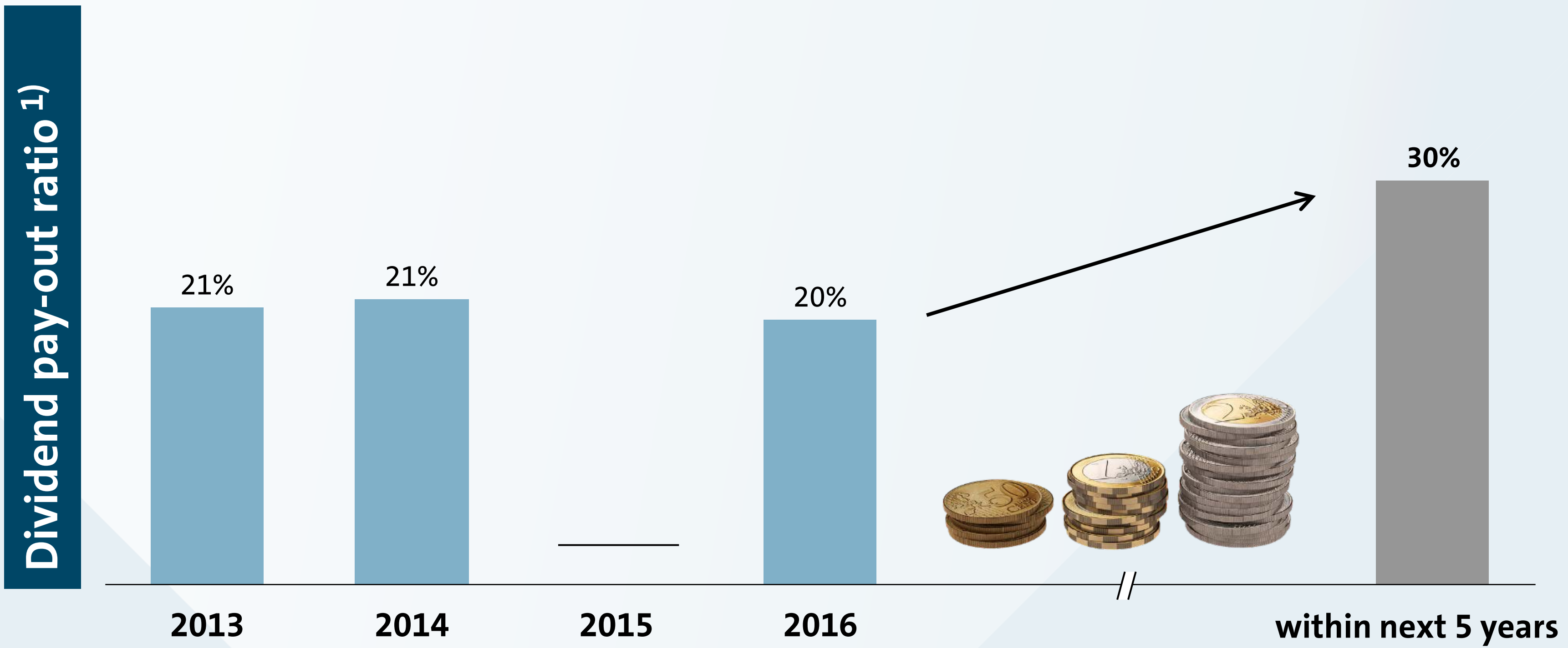


R&D Cost Automotive Divison

(€ billion, as % of sales revenue)



Sufficient Net Liquidity as a basis for increasing payout toward target



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

STRATEGY 2025 – Initiatives at a glance

Transform core business

GROW PROFITABLY

1. Sharpen positioning of brands
2. Develop winning vehicle and drivetrain portfolio
3. Streamline modular architectures
4. Partner with regional players to win in economy segment

DEVELOP STRATEGIC CAPABILITIES

5. Develop self-driving system for autonomous vehicles and artificial intelligence in-house
6. Develop battery technology as new core competency
7. Develop best-in-class user experience across brands and customer touchpoints

ENHANCE ENTREPRE-NEURIAL SPIRIT

8. Implement model line organization
9. Realign "Components" business

Build mobility solutions business

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

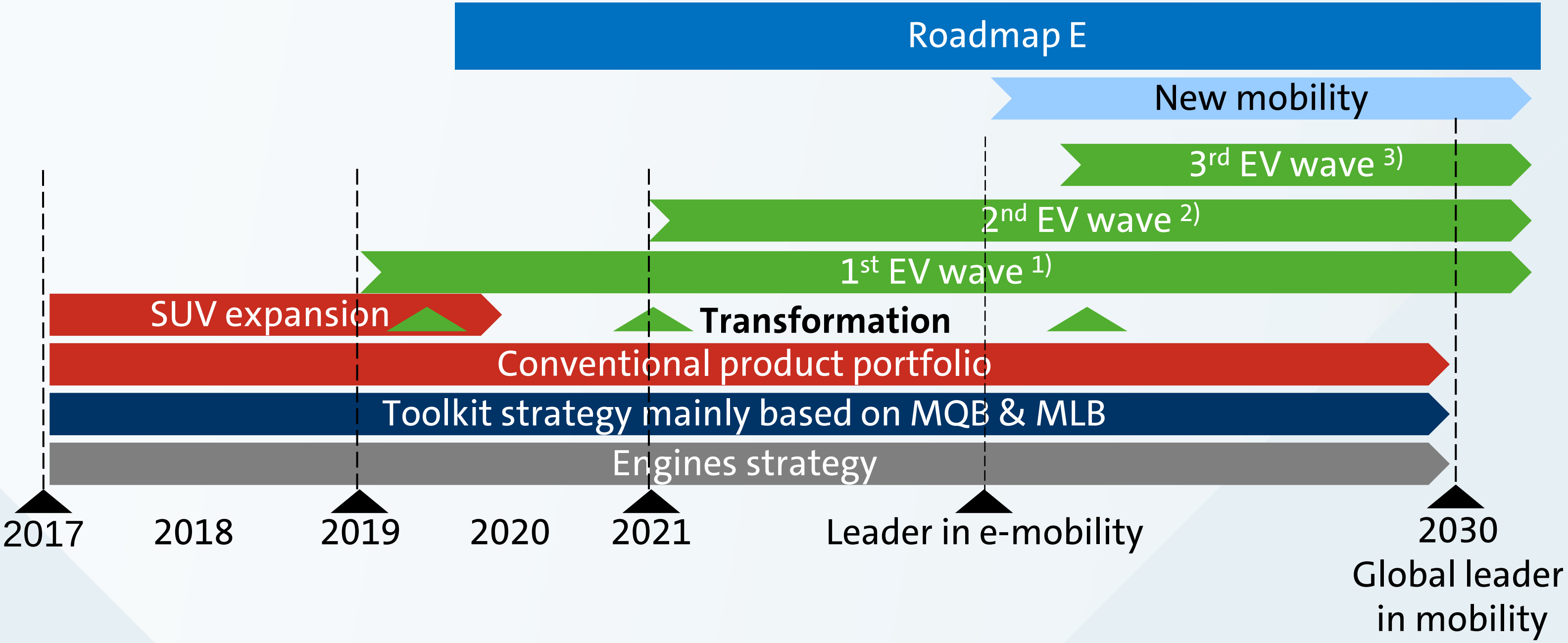
Secure funding

12. Improve operational excellence
13. Optimize business portfolio

Strengthen innovation power

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

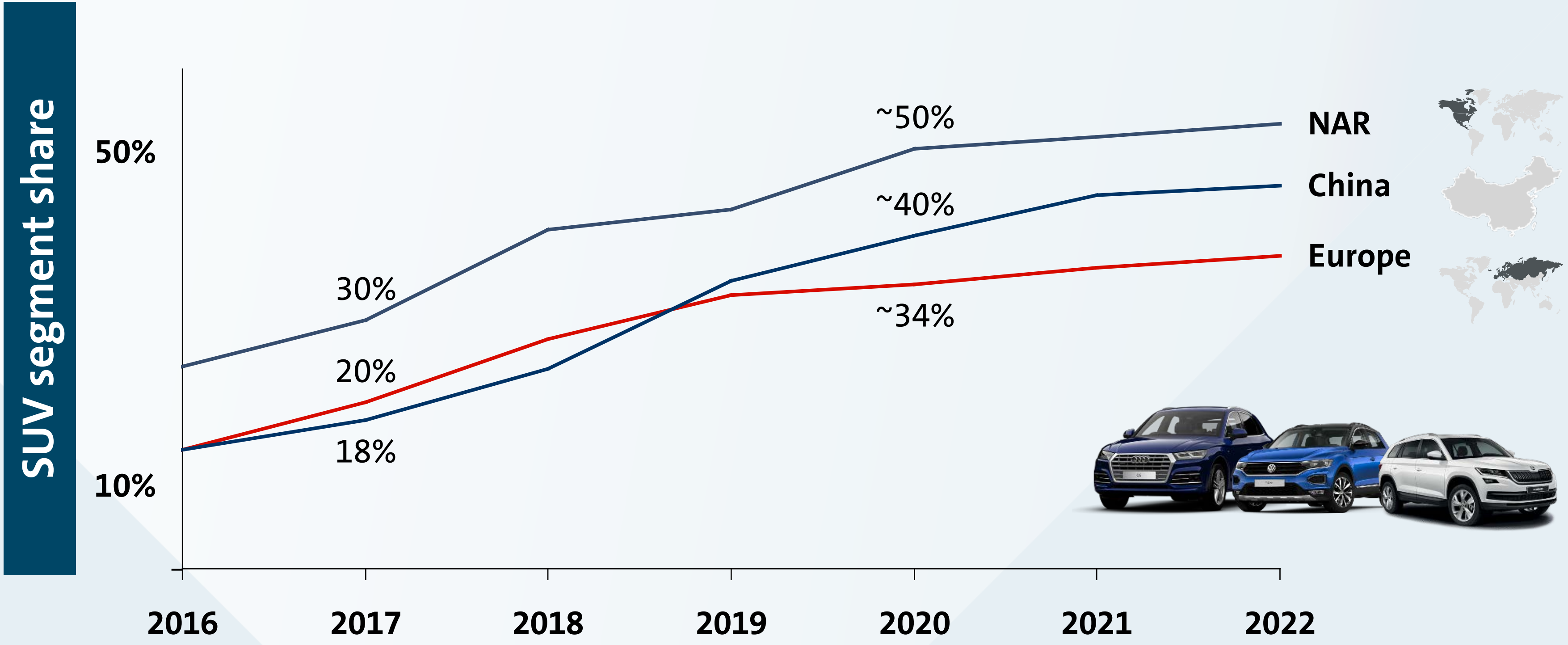
Modular Architecture: Key to profitability and delivery of our strategy



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



Building blocks to provide sustainable mobility solutions

Efficient conventional combustion engines & alternative powertrains

Mobility Services

MOIA

Gett

Battery

Sustainable Mobility

Self Driving System

Charging infrastructure

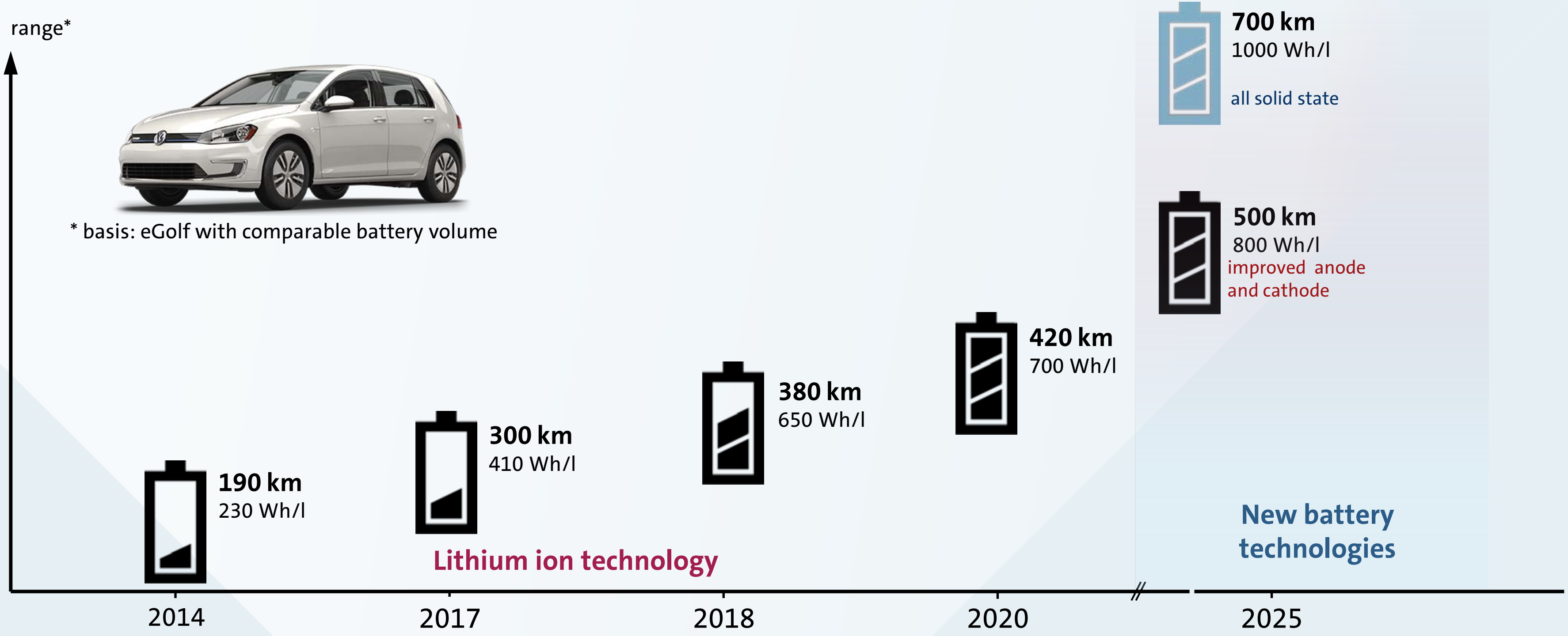
E-mobility

All electric platform: The basis for profitable electric cars

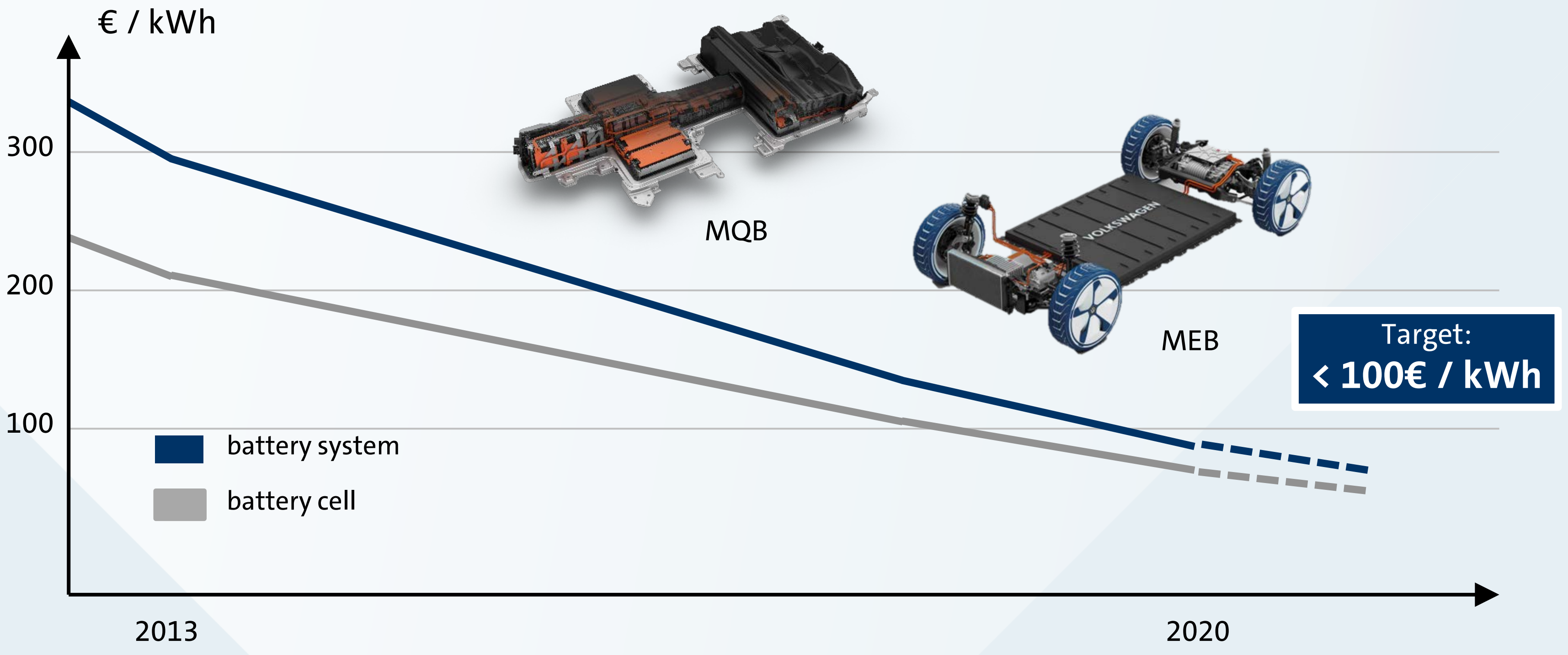
- Concept determined by:
  customer benefit and package for cost-optimized design of e-components
- Economies of scale from use of MEB across entire Group
- “Design for manufacturing“:
  higher productivity, shorter manufacturing
  time
- Lower material and distribution costs
- Significant reduction 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



Battery costs will decrease significantly by 2020



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

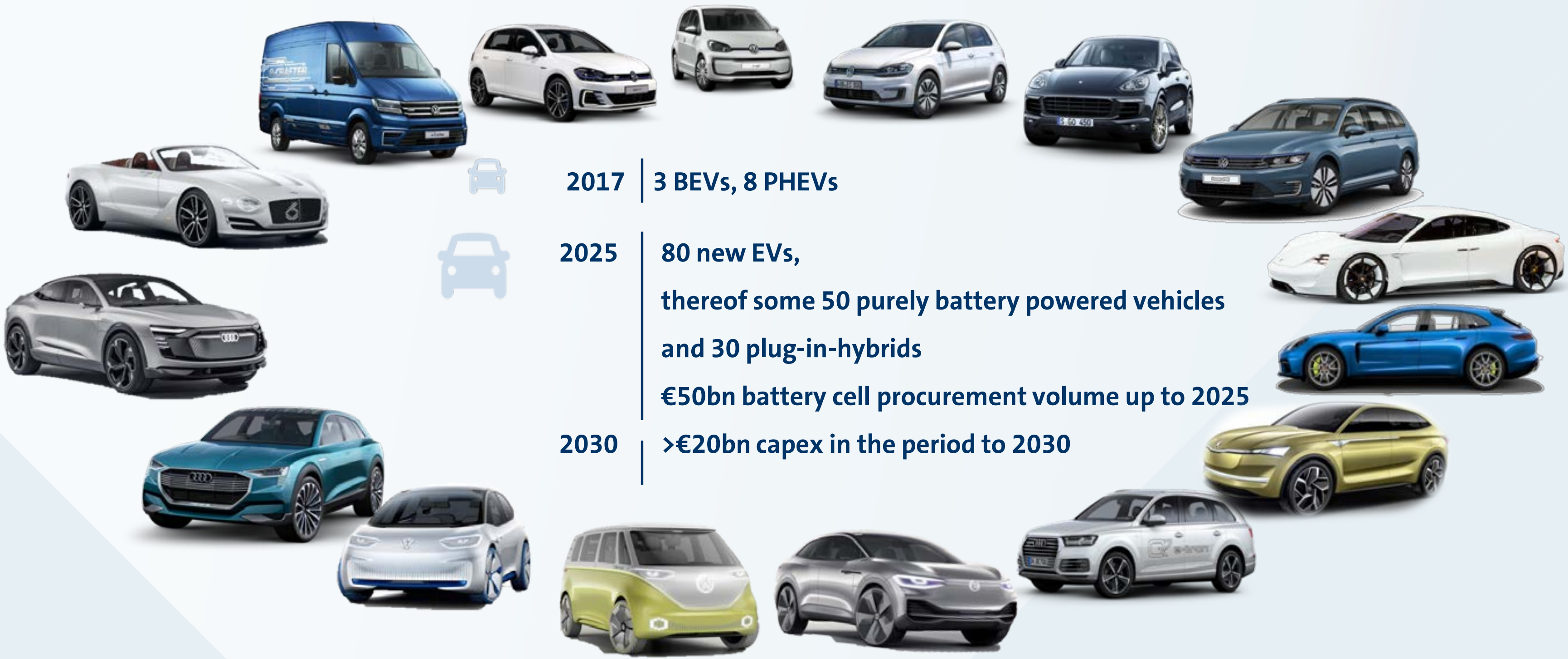
Completely new Electronics, to be updated over the air

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**

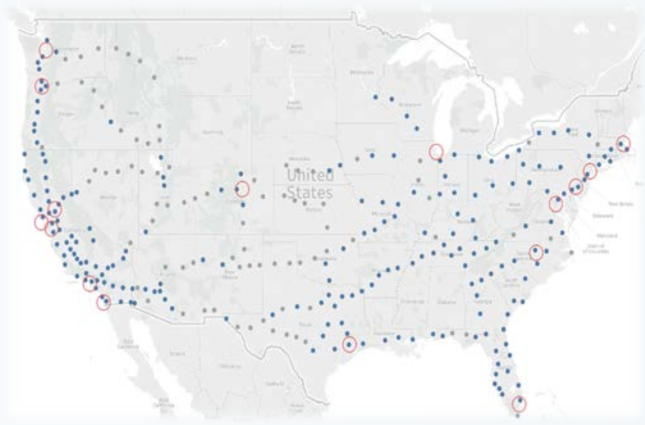
Launch of Pan-European High-Power Charging Network IONITY[1)]

- 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



- Phase 1 long-distance site (initial implementation)
- Phase 2 long-distance site
- Potential metro area

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

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

Intensified efforts to develop autonomous vehicles

2005 Winner Darpa Grand Challenge

2010 Autonomous Audi TTS “Shelley“ climbes Pikes Peak

2016 Volkswagen Group >200 AV related patents

2017 SEDRIC is Volkswagen Group´s first Level 5 vehicle

2018 Battery Electric Special Purpose Shuttle

2021 Production-ready by 2021: Self-Driving System

2025: More to come…

Cascading Group Targets to Brands

Group KPIs

RoS | RoI | Capex | R&D | CF/Liquidity

Commitment

Volkswagen | Audi | SEAT | ŠKODA | BENTLEY | BUGATTI | LAMBORGHINI | PORSCHE | DUCATI | Commercial Vehicles | SCANIA | MAN | VOLKSWAGEN FINANCIAL SERVICES

Specific KPIs

Brand KPIs

Top-Down Targets + Committed in Planning

Overview Brand Targets (RoS, RoE)

Return on Sales in %	2016	2017	2020	2025
Volkswagen Group	6.7	6.0-7.0	6.5-7.5	7.0-8.0
Volkswagen Brand	1.8	2.5-3.5	≥4	≥6
Audi	8.2	8-10	8-10	8-10
Porsche	17.4	>15	>15	>15
ŠKODA	8.7	7-8	6-7	≥7
Volkswagen Commercial Vehicles	4.1	3-4	4-5	>6
Truck & Bus Business[1]				
• Scania	9.5	6-7	9[2]	9[2]
• MAN Commercial Vehicles	2.3			

Return on Equity (norm. 8%)	2016	2017	2020	2025
Volkswagen Financial Services	15.6%	14-16%	14-16%	20%

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

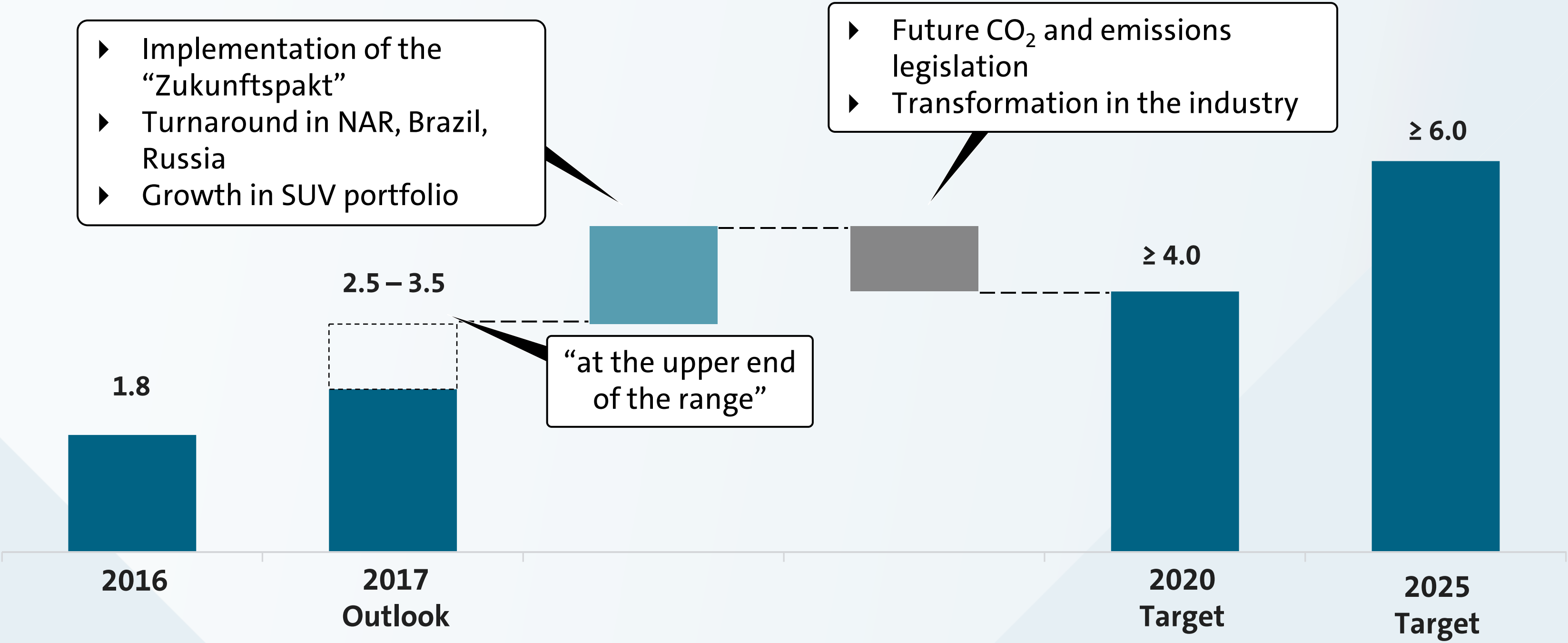
2025
Global leader in e-mobility
6% RoS

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)



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

		Secure the Future
Working Group 1 Production	• Increase of productivity by 25% • Reduction of plant costs	• 4 additional models: 2 conventional and 2 MEB vehicles

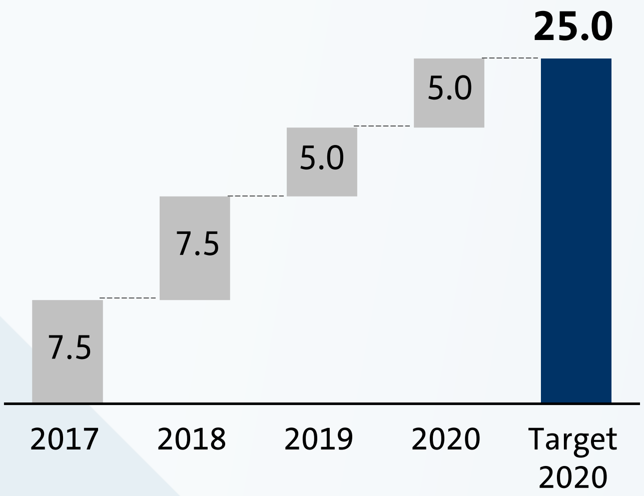
Working Group 2
Components
	• Increase of productivity by 25%
	• Discontinuation of unprofitable products
		• Investments in:
		  • Electric drive trains
		  • Pilot facility battery cell
		  • Battery system

Working Group 3 Technical Development	• Reduction of hardware-oriented development work • Increased efficiency in development processes	• Competency/capacity increase in autonomous driving, electrification, connectivity etc.
Working Group 4 Administration	• Reduction of bureaucracy	• Creation of employment in new business segments

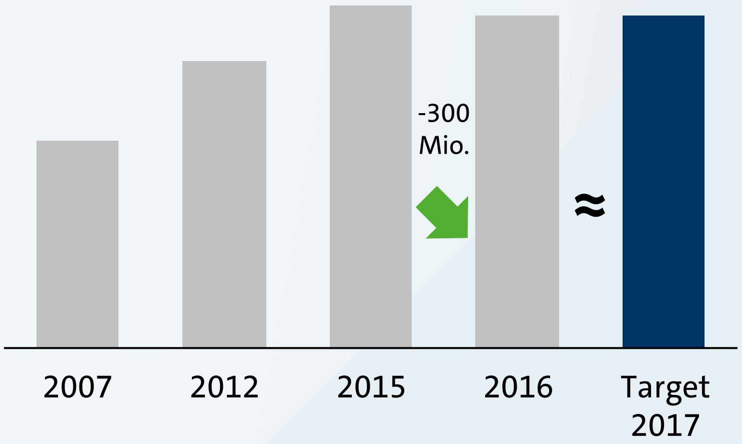
Reduction in workforce based on demographic curve

Volkswagen brand: Productivity will increase by 7.5 percent this year

PRODUCTIVITY IMPROVEMENT
(percent | Targets)



FIXED COSTS IN GERMANY
(€ billion)



Volkswagen brand is planning a strong comeback in the USA

Focus on US Core Segments


Atlas


Tiguan LWB


Jetta


Passat

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)

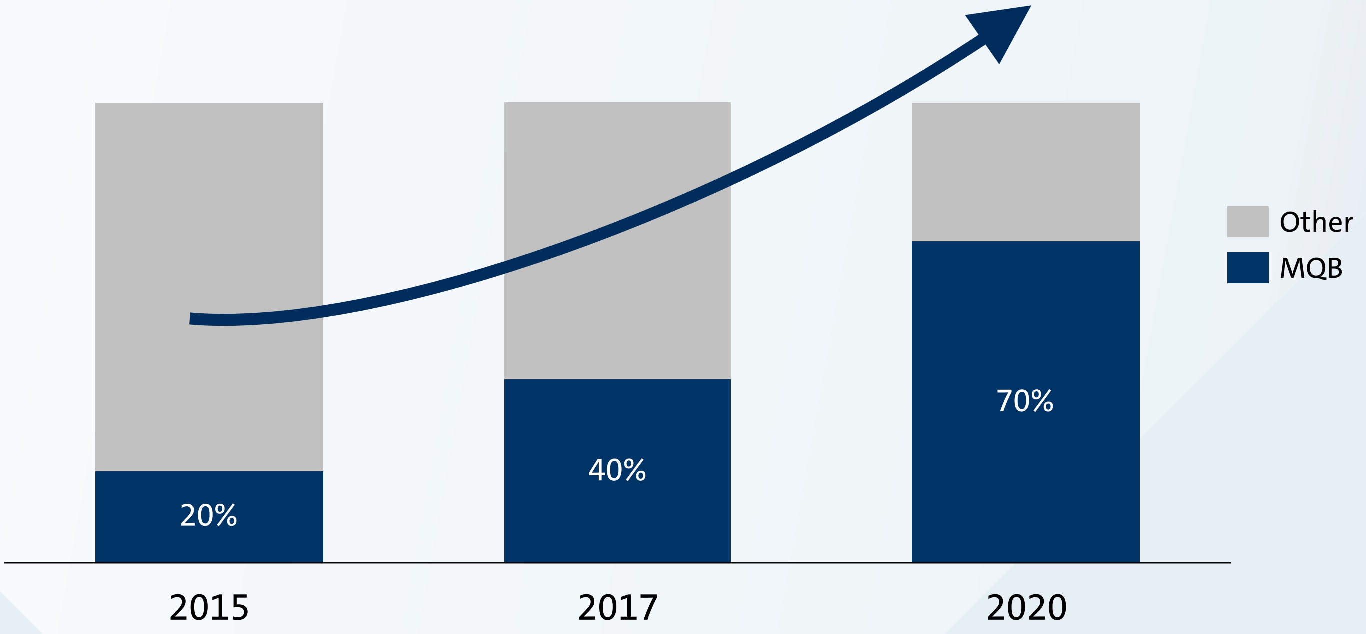
T-Roc (EU)

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

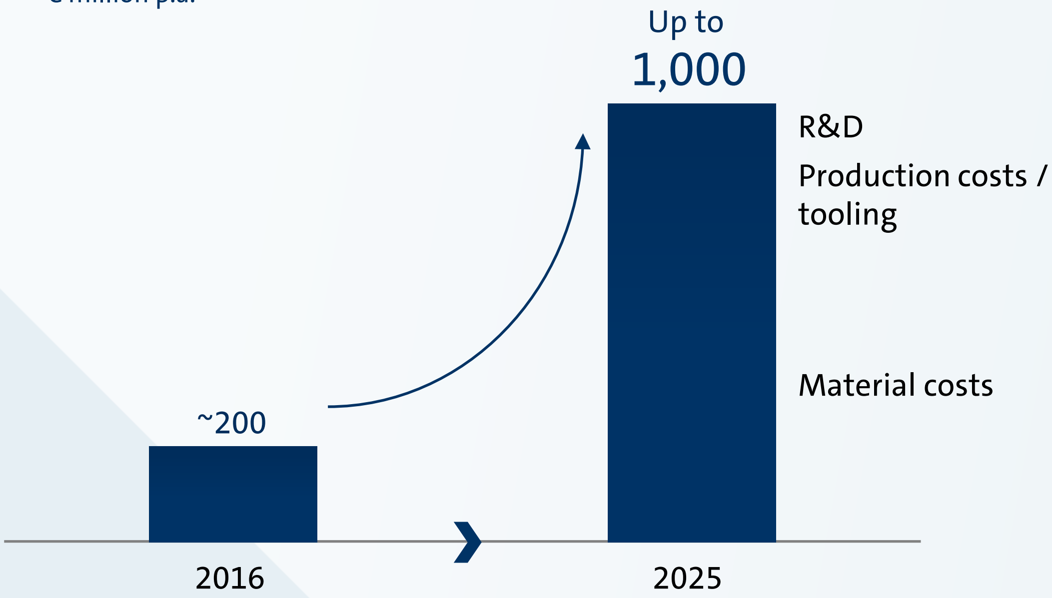
After sales increasingly important as alternative source of revenues

New business models (e.g. enhanced telematics) can stabilize revenues

Long-term synergy potential will enable savings of up to €1 bn p.a.

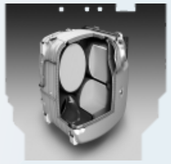
Synergy potential from brand collaboration and expanded platform strategy

€ million p.a.



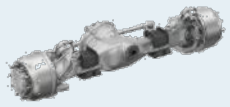
Key common powertrain platforms

Base engine



After-treatment

Transmission



Axles

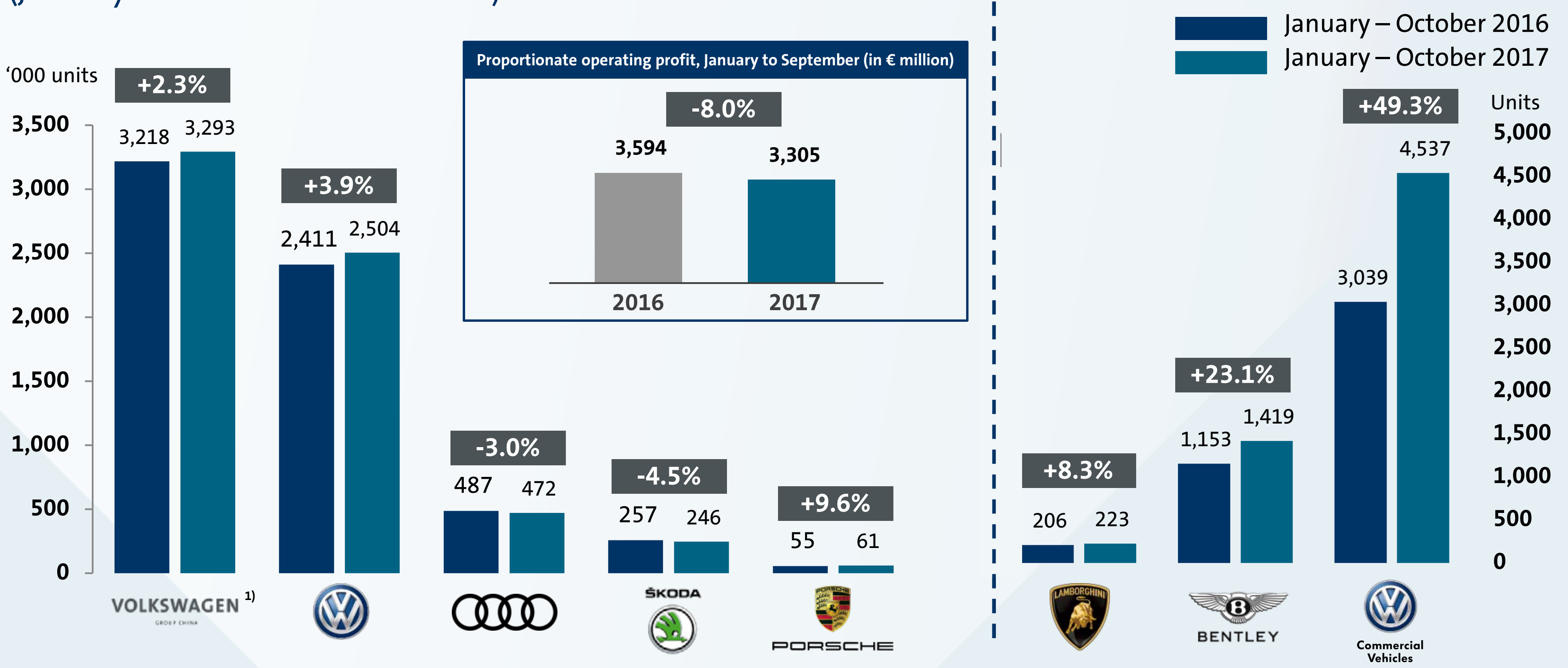
Global expansion on track with Navistar alliance

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)



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

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

2018	2019	2020
None	10%	12%

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

NEV Credit Point Attribution per NEV Type

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

PHEV[5]: Basic credit = 2 (min. e-Range 50km)
PHEV credit = 1 if e-range 50-80km and consumption ≥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

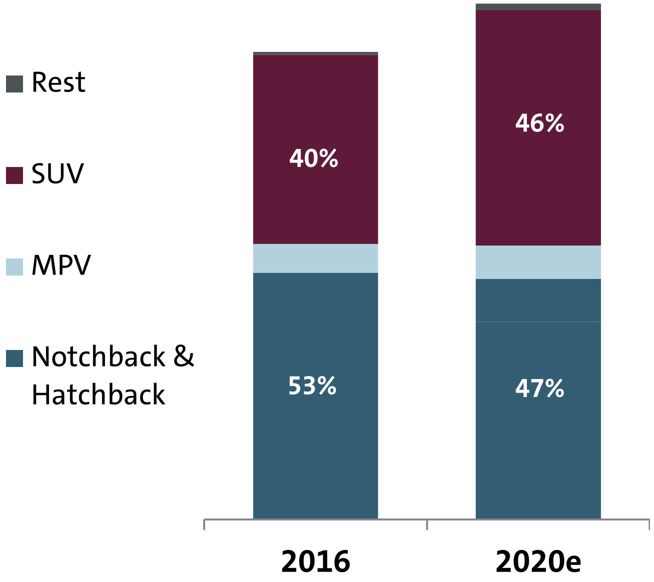
Mass market BEV cooperation

VOLKSWAGEN
GROUP CHINA

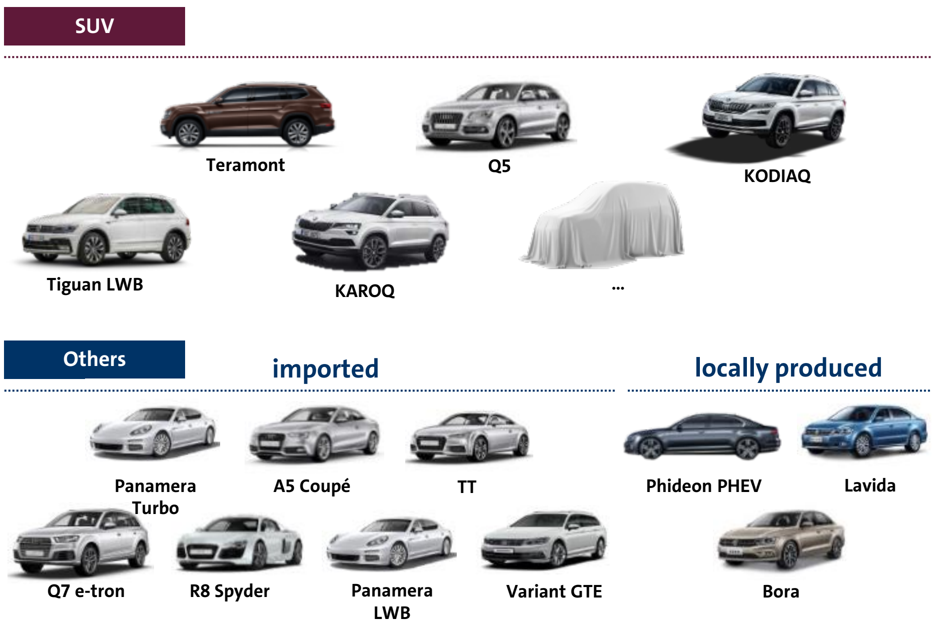
JAC 江淮汽车

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

Body style trends until 2020[1)]



New vehicle launches 2017 and to follow[2)]

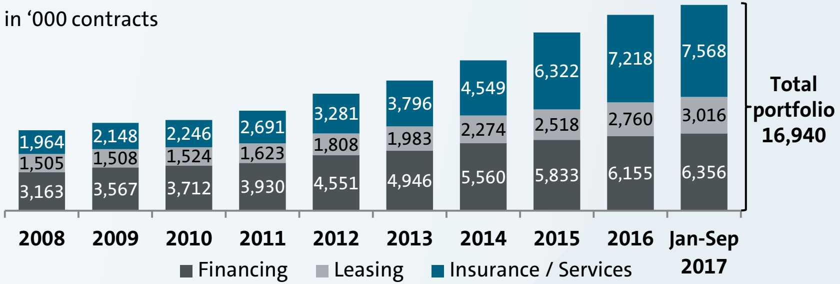


1) Source: IHS 2) Schematic overview – does not show all models

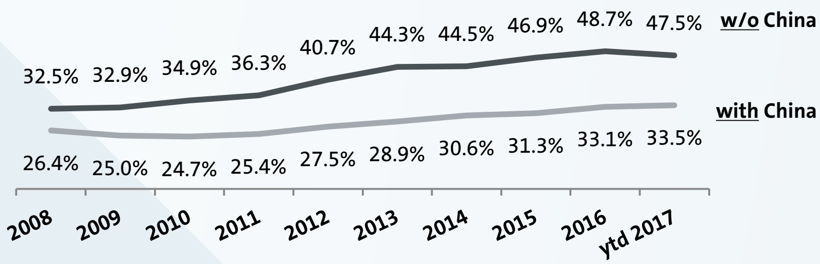
Volkswagen Financial Services[1]: global, well diversified and successful

Strong global presence

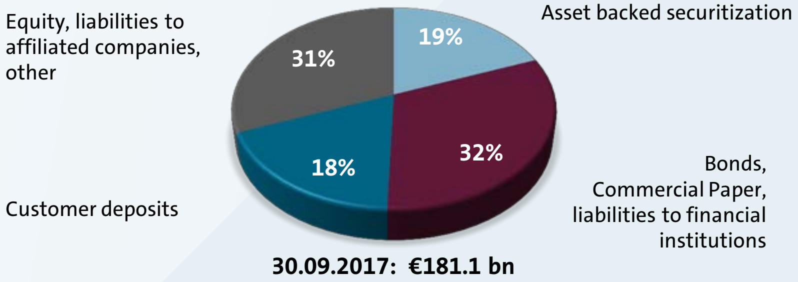
Continuous portfolio expansion



Rising penetration rates



Diversified funding structure

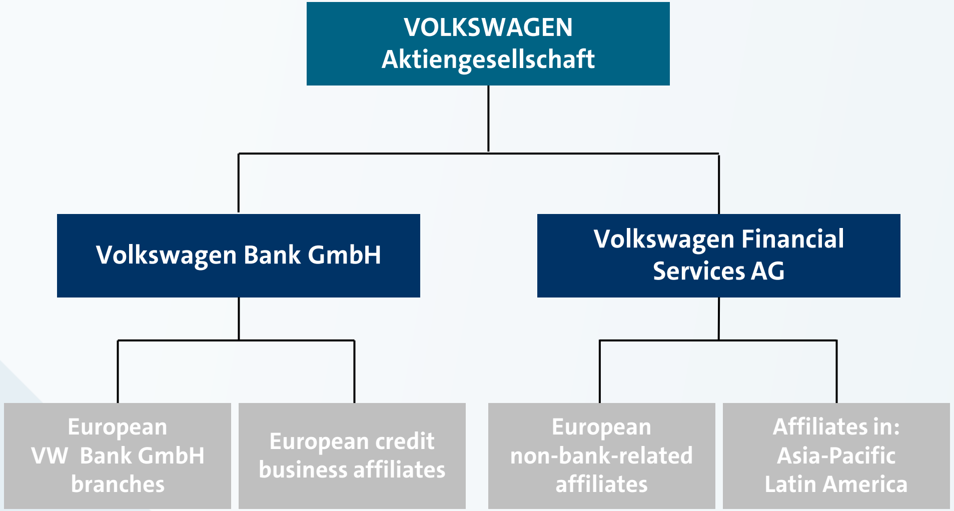


[1] Excluding activities of Scania and Porsche Holding Salzburg; including Financial Services of Porsche AG and MAN Financial Services.

Optimized structure for Volkswagen Financial Services AG

(Effective from 1. September 2017)

Organisational set-up of Volkswagen Financial Services



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

(In € bn)	Diesel		Other		Total
2015	Legal	7.0	Restructuring:		
	Other items	9.2	Truck Business	0.2	
			Passenger Cars South America	0.2	
			Airbags Takata	0.3	
		16.2		**0.7**	**16.9**
2016			Scania Anti-Trust Proceedings	0.4	
	Mainly legal risks	**6.4**	Others	0.7	
				1.1	**7.5**
Jan-Sept 2017	Buyback/retrofit program	2.1			
	Legal	0.5			
		2.6			**2.6**
Total to date		**25.2**		**1.8**	**27.0**

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

Predominantly software-only solution

- 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.

Update status

Almost 6.2m units have been updated (status 19 October 2017)

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

Integrity, Compliance & Culture: a selection of three current activity areas

1. Implementation of Holistic Integrity Programme:

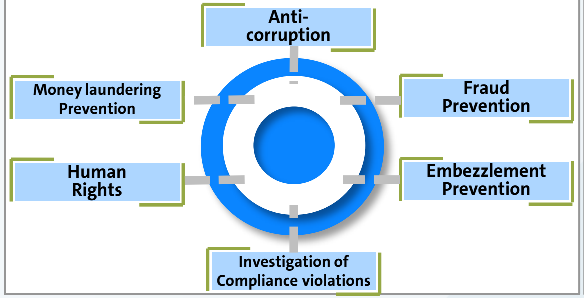
Six action fields form the basis for a holistic integrity programme:

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

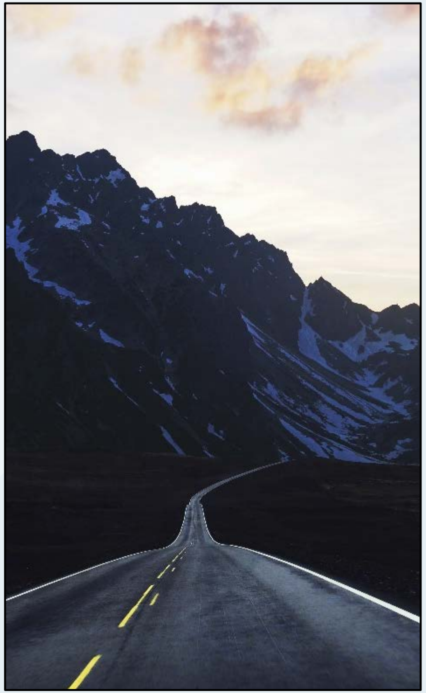
- Safeguarding the profitability in core regions; ongoing recovery in NAR/SAM/Russia
- Future pact continues to be implemented
- Strong cash generation and capex/R&D discipline as a precondition

Transformation towards more E-Mobility

- Working on CO_2 Compliance / WLTP implementation
- Profitability of Electric Vehicles

Strengthen innovation power

- Be software leaders in Digitalization & Connectivity
- Deliver profitable Mobility Services



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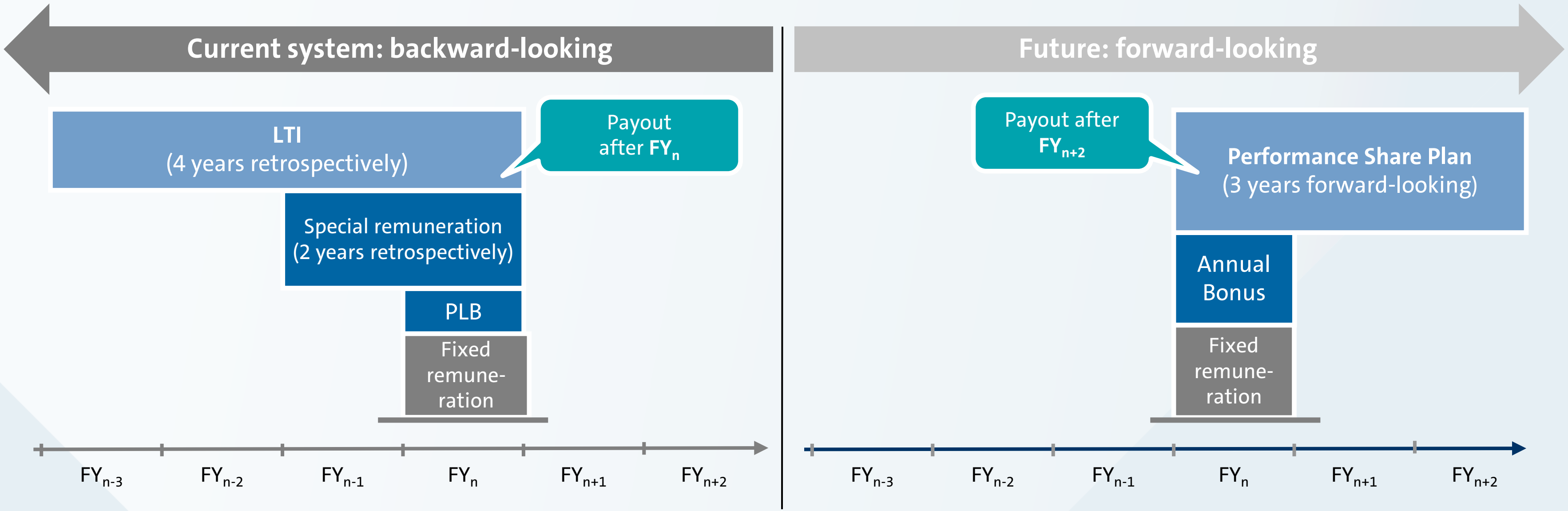
The new remuneration system is designed to be completely forward-looking



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.**”

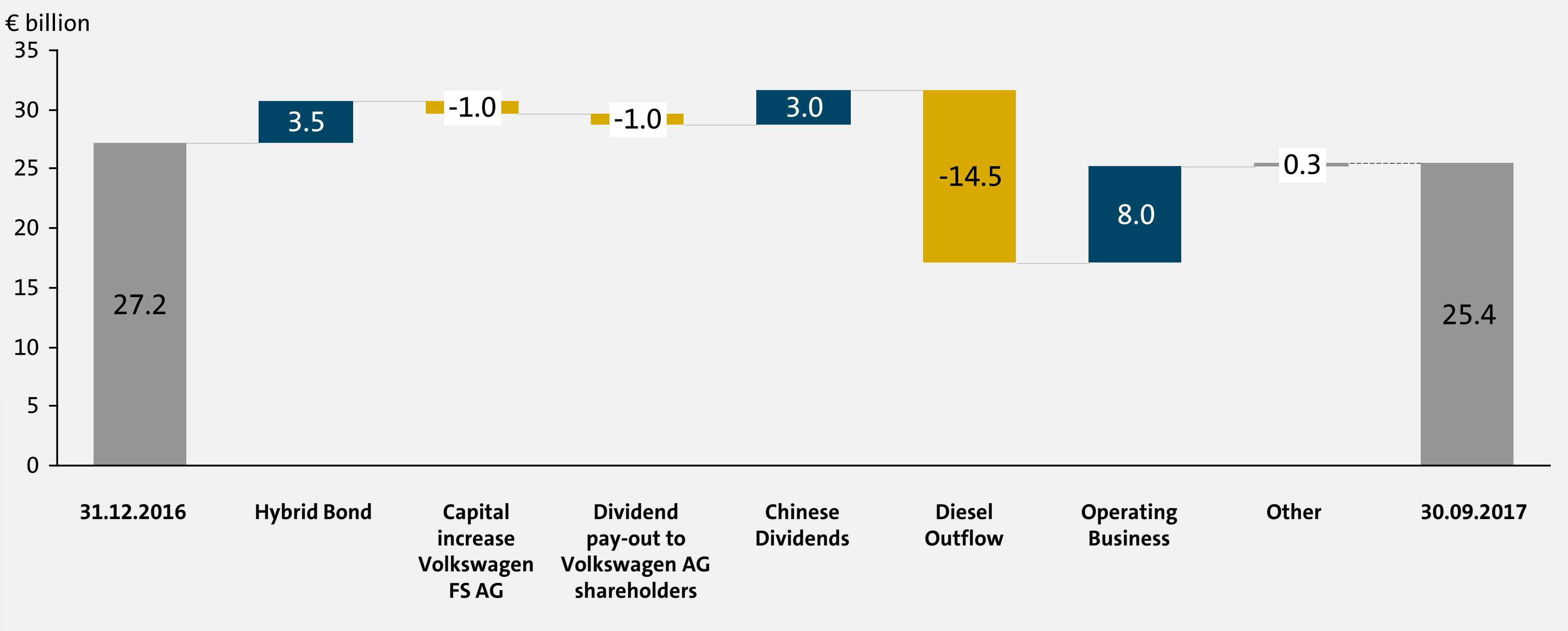
The new remuneration system harmonizes the interests of different stakeholder groups

- ✓ … 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

Rating Agency	S&P Global		Moody's	
	Long Term	Short Term	Long Term	Short Term
07 November 2017	**BBB+**	**A-2**	**A3**	**P-2**
	Outlook stable		Outlook negative	
30 June 2015	**A**	**A-1**	**A2**	**P-1**
	Outlook stable		Outlook stable	

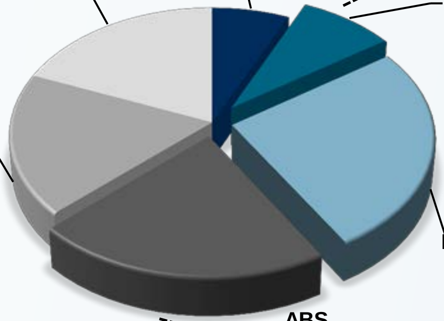
Automotive Division - Net Liquidity on a robust level at September 30th [1)]



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

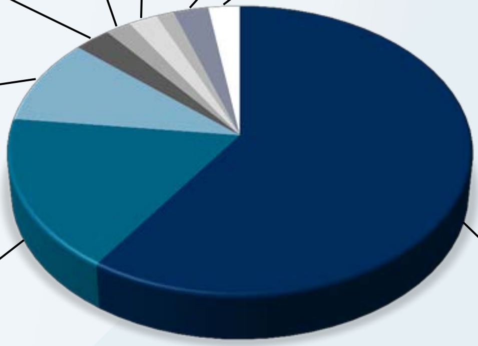
Volkswagen Group Funding Strategy – Overview as of September 30, 2017[1)]

Diversification of Funding Sources[2)]



€ 163.8 bn

Currencies – Breakdown



[1)] without Scania and Porsche FS
[2)] Bank Loans without MAN SE, Porsche AG
Source: Volkswagen Group

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

Volkswagen Group Funding Strategy – Funding Programs & Outstandings[1)]

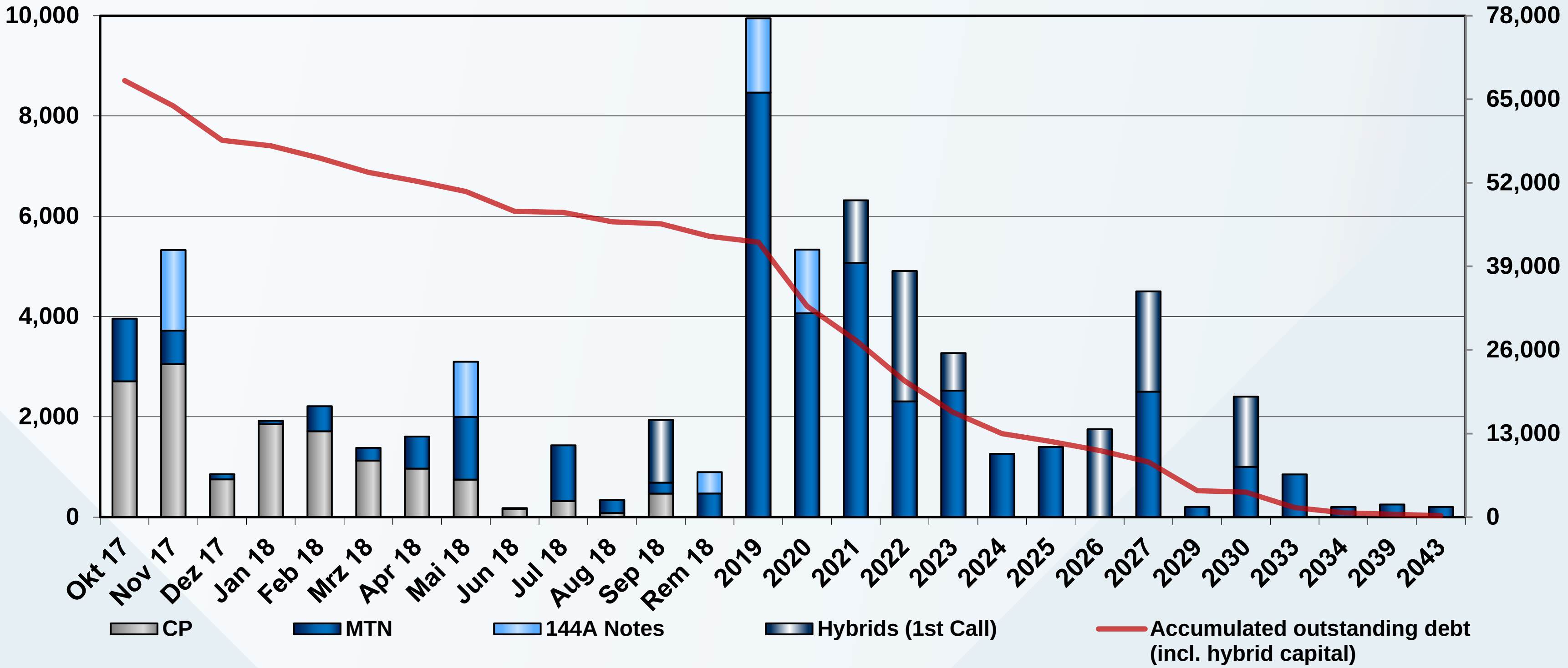
September 30, 2017 in € billion

Money and Capital Markets	Frame	Utilization	Sept 30 2015[2)]	▲
Commercial Papers		14.6	5.5	+9.1
Medium Term Notes / Bonds		57.3	60.0	-2.7
thereof: Hybrid Bonds		*11.0*	*7.5*	*+3.5*
ABS		35.5	26.5	+9.0
Borrowings				
Committed Lines	16.2	2.9	2.2	+0.7
Uncommitted Lines	29.9	10.1	7.7	+2.4
Supranationals, development banks, government, other	20.3	20.3	16.0	+3.7
Direct Banking Deposits	./.	30.6	23.5	+7.1
Total Amount		*171.3*	*141.4*	

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

Source: Volkswagen Group

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



[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.

Automotive Division

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)[1]

Volkswagen Bank GmbH

Financial Services Division

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

VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

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

VOLKSWAGEN
AKTIENGESELLSCHAFT

Automotive Division

Passenger Cars Business Area

Audi, SEAT, ŠKODA, BENTLEY, BUGATTI, PORSCHE, DUCATI

Remaining companies

Commercial Vehicles Business Area

VOLKSWAGEN TRUCK & BUS

MAN, SCANIA, Commercial Vehicles, Caminhões Ônibus, RIO THE LOGISTICS FLOW.

Remaining companies

Power Engineering Business Area

MAN

Financial Services Division

Volkswagen Financial Services

- VOLKSWAGEN FINANCIAL SERVICES AKTIENGESELLSCHAFT
- VOLKSWAGEN BANK GMBH
- Porsche Financial Services
- Financial Services USA / Canada / Spain

- Scania Financial Services
- Porsche Holding Financial Services

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

VOLKSWAGEN
AKTIENGESELLSCHAFT

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

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

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

We Offer the Whole Range of Services Under One Roof*

Volkswagen Financial Services

Volkswagen Bank GmbH

BANK

Bank
- Retail Finance
- Dealer Stock Finance
- Factoring

Direct Bank
- Deposits
- Instalment Credit
- Investment Products

Volkswagen Financial Services AG

LEASING

Leasing
- Finance Lease
- Operating Lease

INSURANCE

Insurance
- Motor Insurance
- Warranty
- Credit Protection
- GAP Insurance
- Industry

MOBILITY

Services
- Fleet Management
- Service & Maintenance
- Tyres
- Fuel & Service Card and Charge & Fuel Card

Rental
- Long-term rental
- Short-term rental
- Carsharing

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

PAYMENT

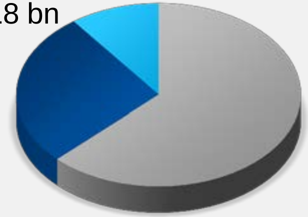
Payment
- Payment platform
- Mobile Payments
- Mobile Wallet

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

At a Glance (06/30/2017)

Volkswagen Bank GmbH	
Total assets	€ 57.9 bn
Equity	€ 8.1 bn
Customer deposits	€ 33.65 bn
Operating profit	€ 401 m
Employees	1,305
Contracts (units)	3.1 m

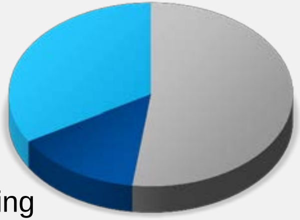
Business Volume** € 41.2 bn



**Receivables + Leased Assets

Volkswagen Financial Services AG*	
Total assets	€ 134.0 bn
Equity	€ 18.2 bn
Customer deposits	€ 34.35 bn
Operating profit	€ 788 m
Employees	11,926
Contracts (units)	13.7 m

Business Volume** € 109.5 bn

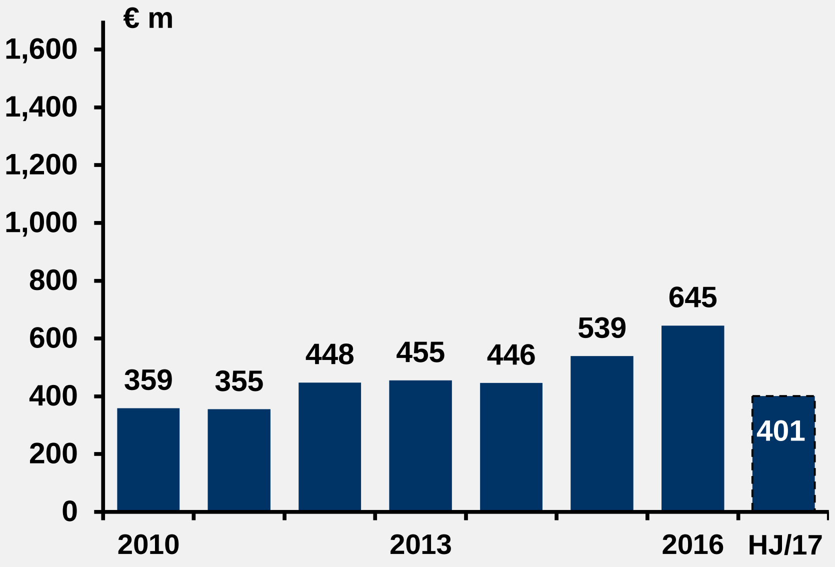


**Receivables + Leased Assets

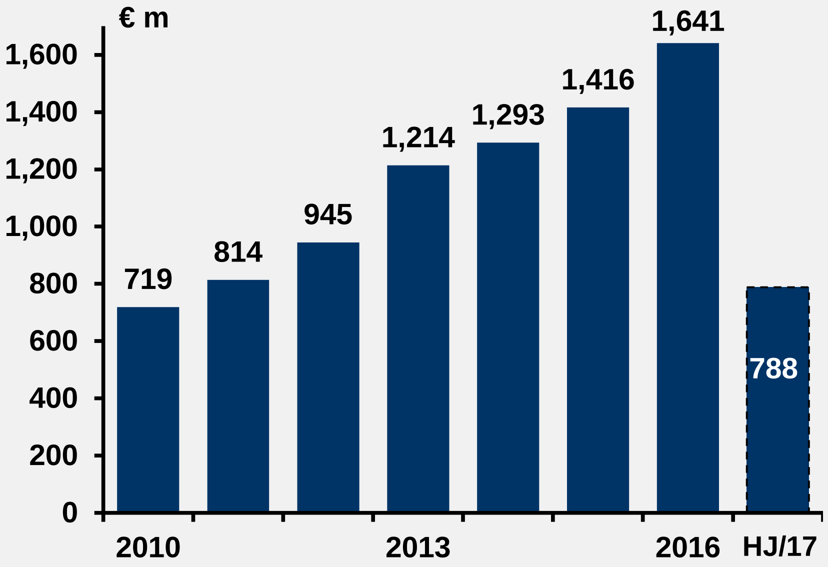
* Figures of Volkswagen Bank GmbH consolidated within Volkswagen Financial Services AG

Operating Income

Volkswagen Bank GmbH



Volkswagen Financial Services AG*



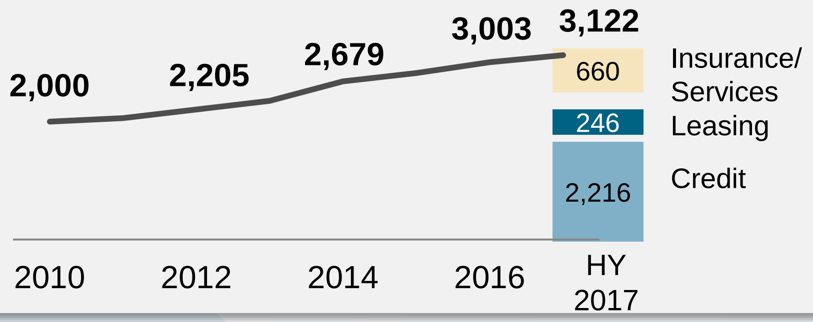
* Figures of Volkswagen Bank GmbH consolidated within Volkswagen Financial Services AG

Contract Portfolio

Continuous portfolio expansion

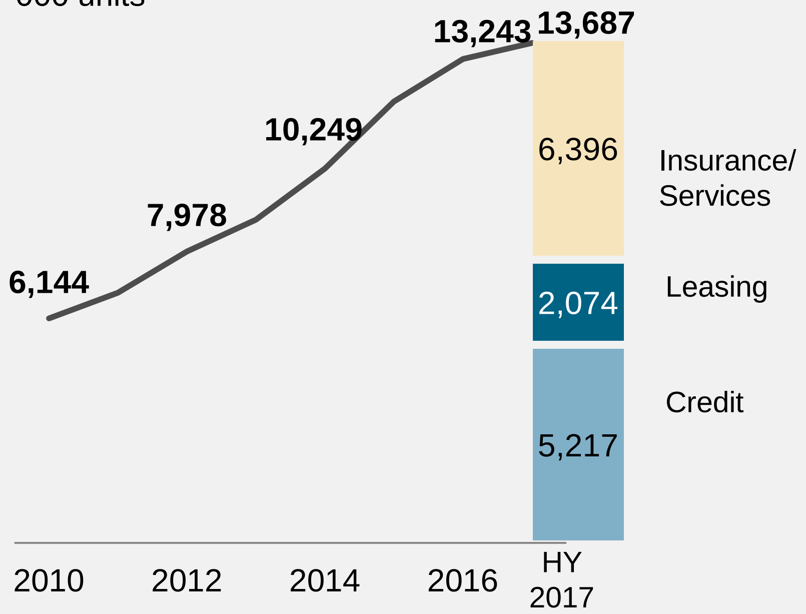
Volkswagen Bank GmbH

in ‘000 units



Volkswagen Financial Services AG*

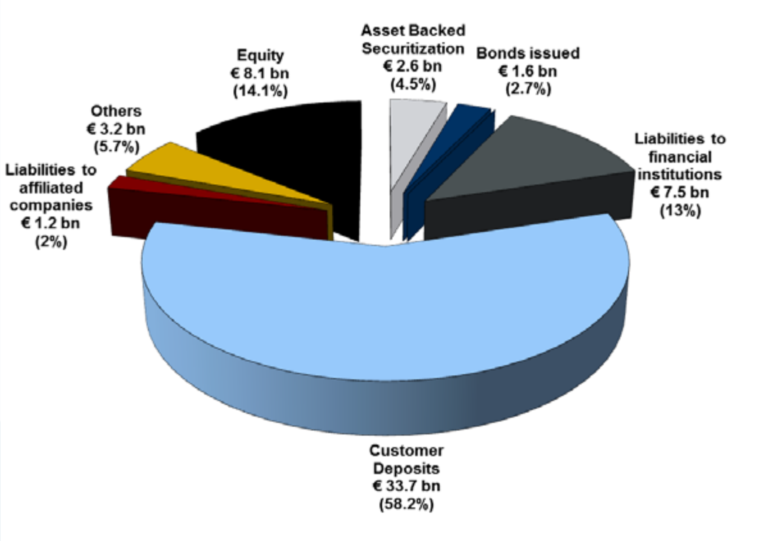
in ‘000 units



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

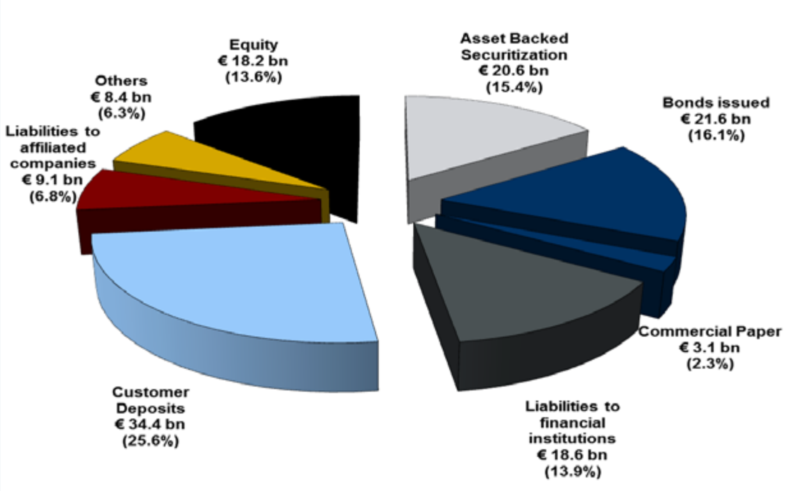
Strategic Funding Allocation as of 30 June 2017

Volkswagen Bank GmbH



Total € 57.9 bn

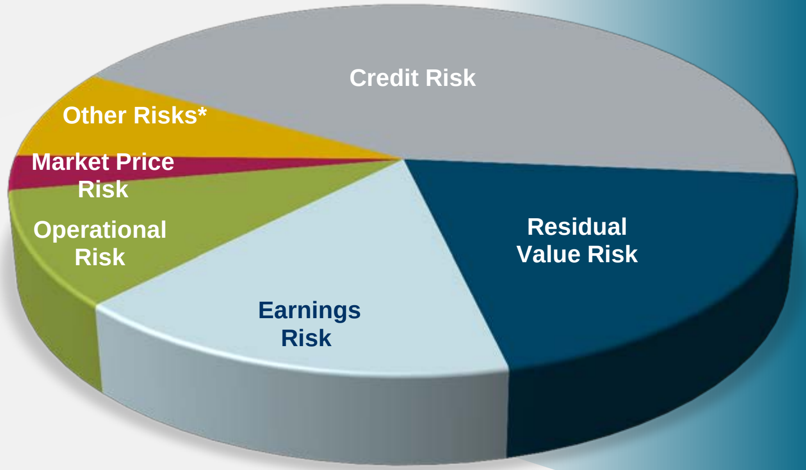
Volkswagen Financial Services AG*



Total € 134.0 bn

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

Risk Management Volkswagen Financial Services AG (31.12.2016)



Credit 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

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.

Currently no significant effects out of the normal bandwith.

Development of Diesel residual values within the normal range. Diesel market share decreasing.

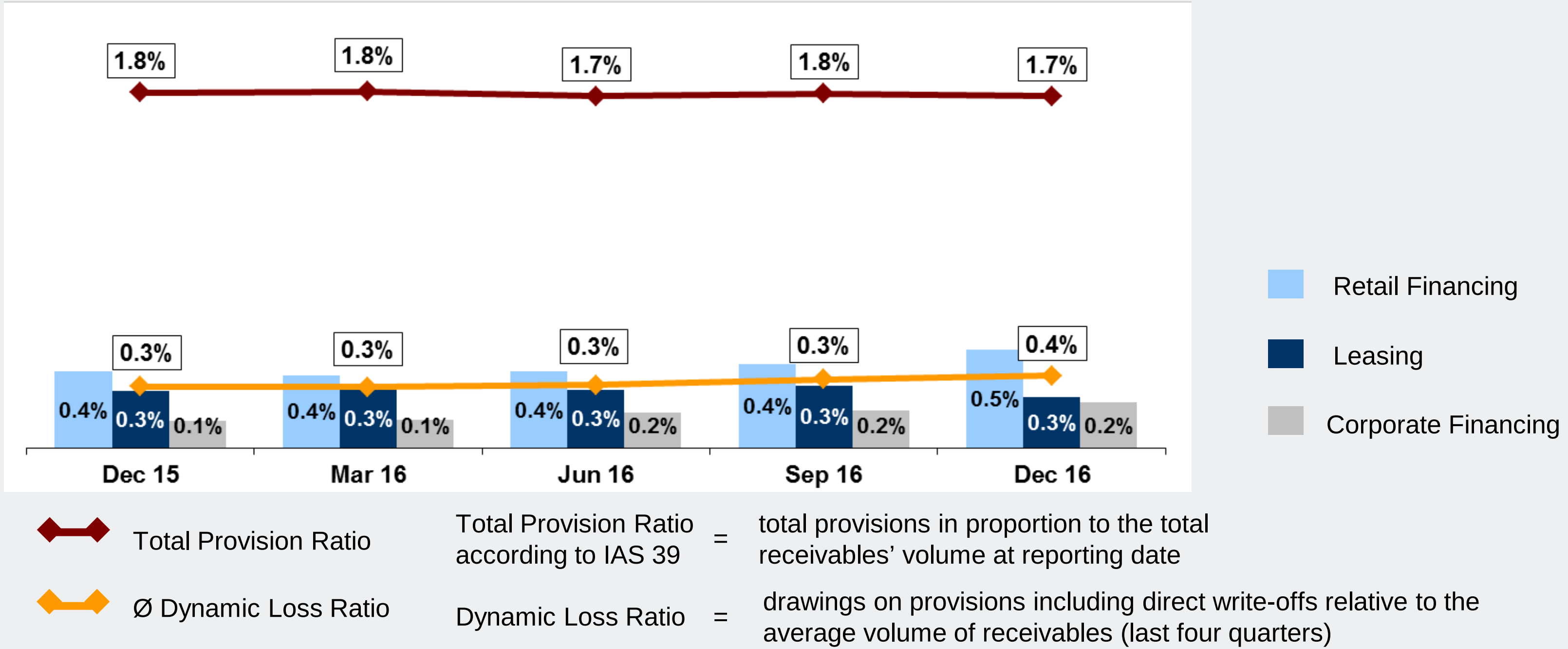
Further decreasing of diesel market share. Diesel used car markets on a stable niveau.

Sales values of diesel engines very stable in the last 6 month.

- **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.**

Volkswagen Financial Services AG – Credit Risks as of 31.12.2016

Credit risk remains at low level despite challenging market environment



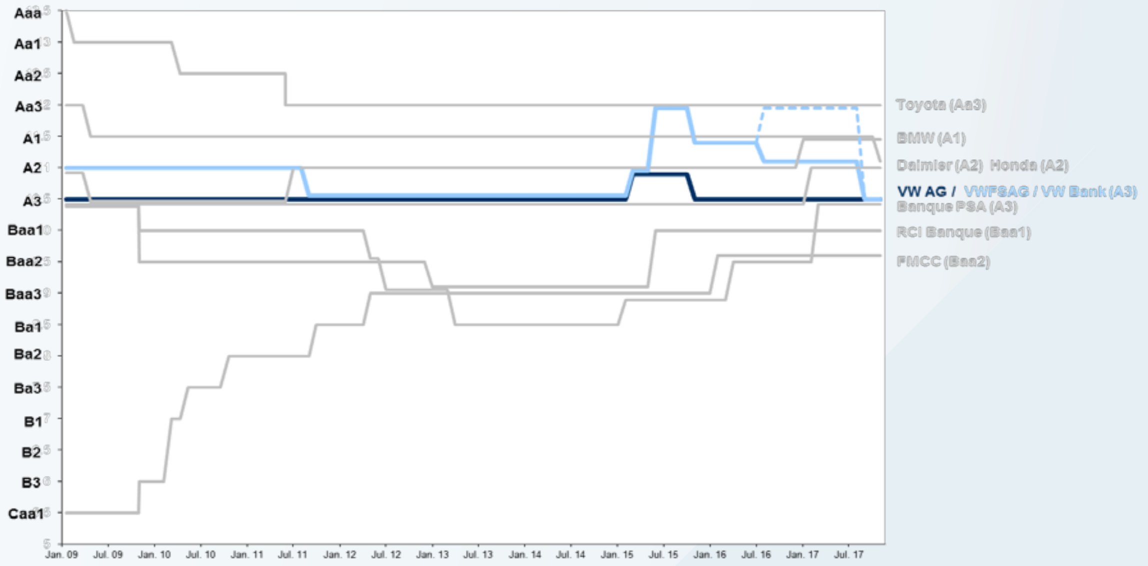
Total Provision Ratio according to IAS 39 = total provisions in proportion to the total receivables' volume at reporting date

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

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

Development of credit ratings (Moody’s)

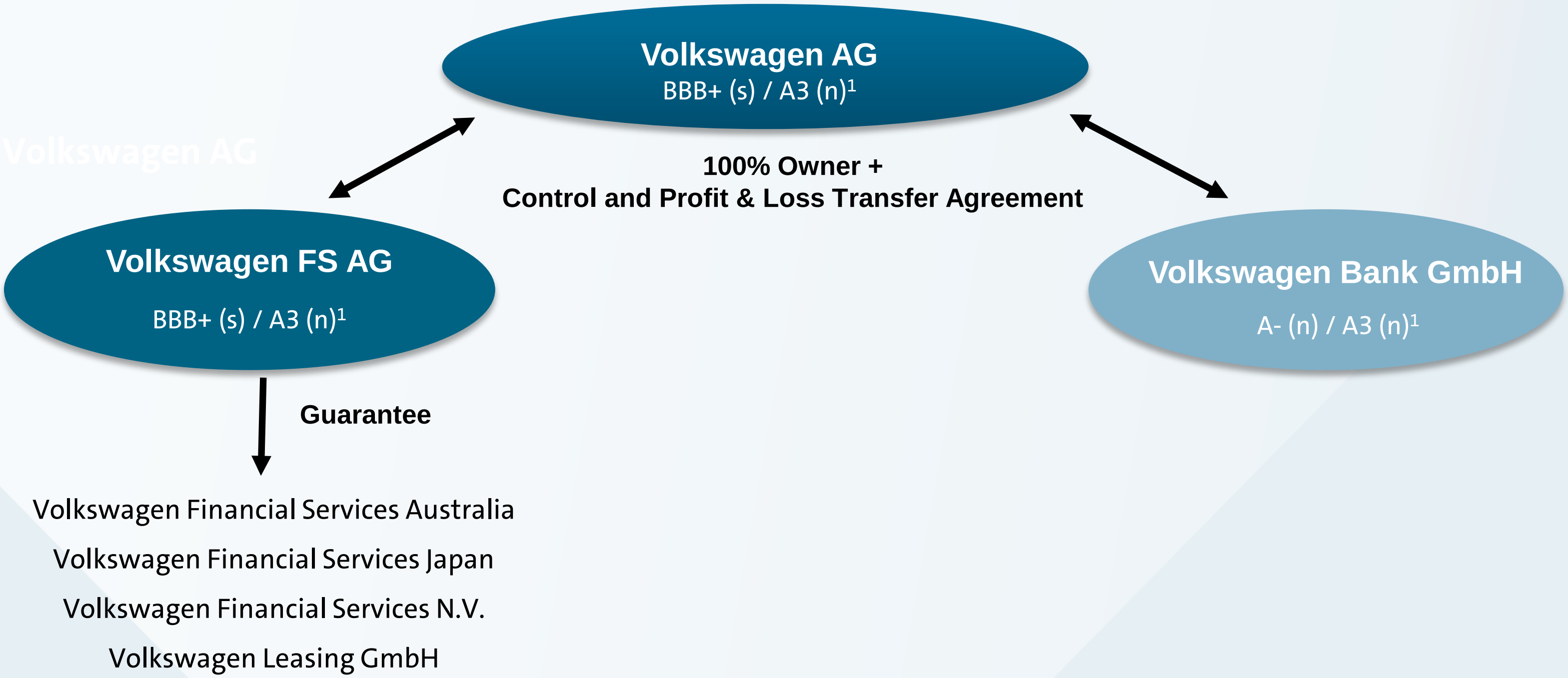


[1] Outlook: negative [2] Outlook: stable [3] Bonds are senior subordinated rated BBB+ * withdrawn at bank‘s request

Volkswagen Financial Services AG has a solid and stable rating history.

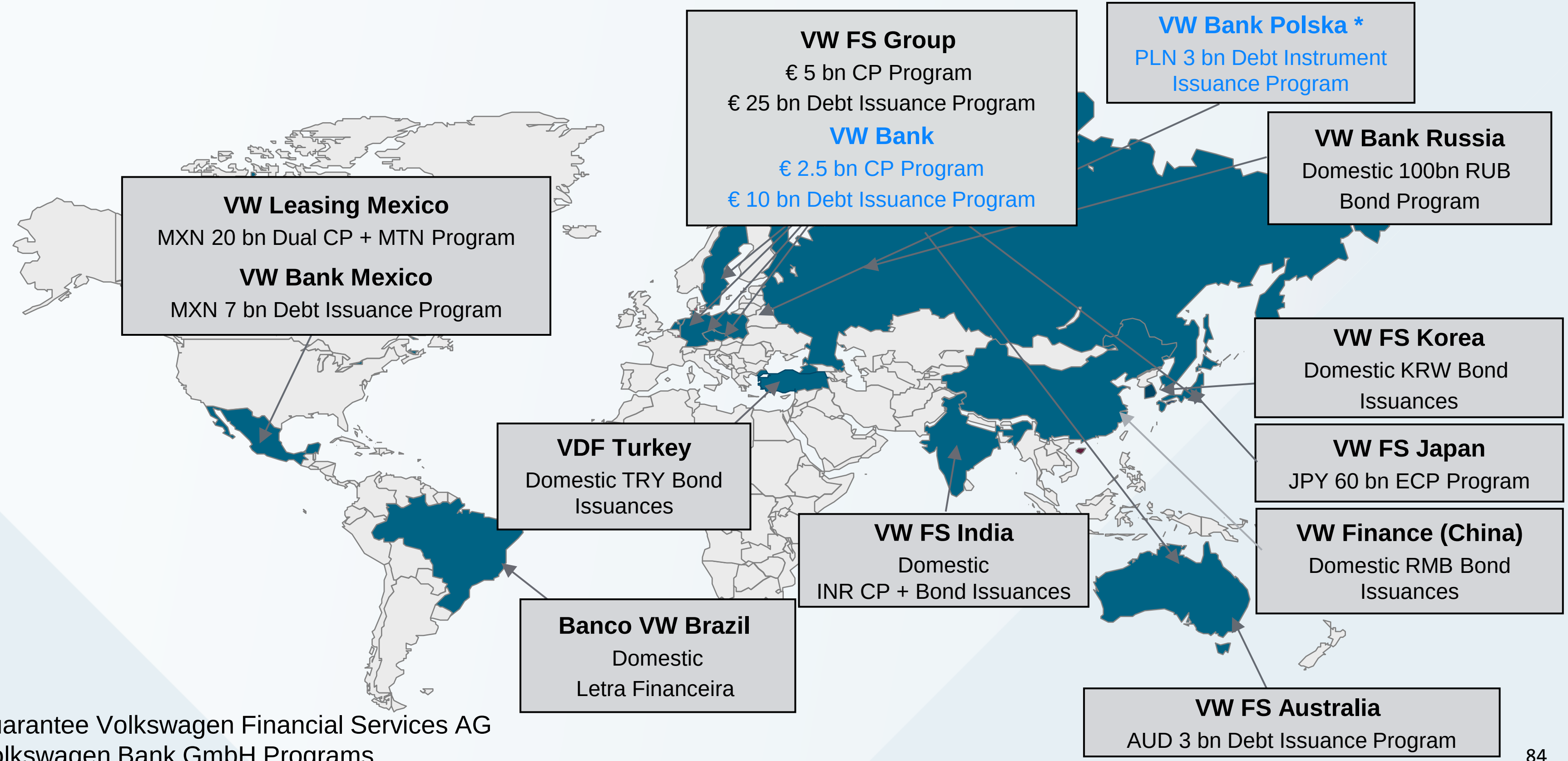
Data Source: Moody‘s, Standard and Poor‘s

Volkswagen Financial Services Organisational Structure and Guarantee Scheme



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

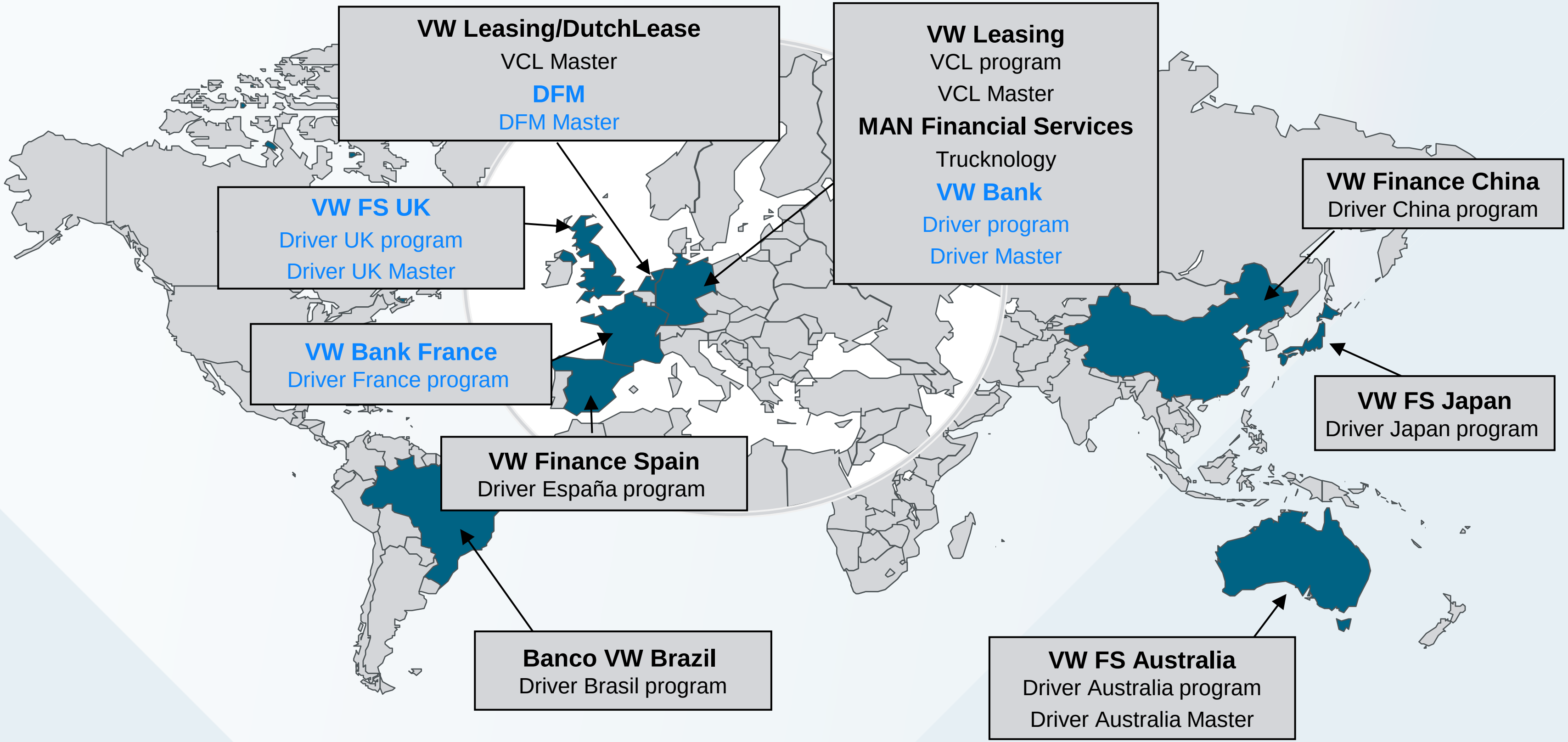
Worldwide Capital Market Activities



* Guarantee Volkswagen Financial Services AG

Volkswagen Bank GmbH Programs

Worldwide ABS Activities



Volkswagen Bank GmbH Programs

ROUTE 2025

VISION

WE ARE THE KEY TO MOBILITY

WHAT

	CUSTOMERS	EMPLOYEES	OPERATIONAL EXELLENCE	PROFITABILITY	VOLUME
STRATEGIC DIMENSIONS					
STRATEGIC TARGETS	• Satisfied Customers	• Top Employer • Top Employees	• Compliance& Governance • Process Efficiency • IT-Excellence	• Total Operating Income • 20% ROE • 50% CIR	• 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

ROUTE2025

Digitalisation

Until 2020 all relevant products can be sold online and offline

Customer

Customer

Offline  **Online**

Outlook

Volkswagen Financial Services AG (Half-Yearly Financial Report 2017)

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.)

Volkswagen Bank GmbH (Half-Yearly Financial Report 2017)

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 SEDRIC

Volkswagen T-Roc

Audi A7 Sportback

ŠKODA Karoq

SEAT Arona

Porsche Cayenne

Bentley Continental GT

Lamborghini Aventador S Roadster

Volkswagen Amarok


MAN TGX 18.500
MAN TGE 5.180
LION INSIDE!
MAN

Scania G 450 XT 8x4

BACKUP

S&P Research Update
06 Nov 2017

S&P Global Ratings

RatingsDirect®

Research Update:

German Automaker Volkswagen Outlook Revised To Stable From Negative; 'BBB+/A-2' Ratings Affirmed

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Table Of Contents

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 45% 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 45% 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 60%, 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.

VOLKSWAGEN
AKTIENGESELLSCHAFT

Moody‘s Credit Opinion 27 September 2017

CORPORATES

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
27 September 2017

Update

Rate this Research

RATINGS

Volkswagen Aktiengesellschaft

Domicile	Germany
Long Term Rating	A3
Type	LT Issuer Rating
Outlook	Negative

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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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 brand recognition as well as generally successful and frequent model launches. The group benefits from a good product offering and leading market positions in the major car markets of Europe and China. Its geographic 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 robust portfolio of brands and established market positions in Western Europe and China where its main brand Volkswagen Passenger Cars generally benefits from a pricing advantage over other volume brands. Moreover, we expect Volkswagen will sustain a positive robust free cash flow (adjusted for the cash outflow related to the diesel issue), despite high investments.

VW ratings are constrained by the sizable total legal and remediation costs the company faces to deal with the breaches of environment rules and our concern this will have an adverse effect on its reputation and credibility within the global passenger car markets. We expect the group's debt protection ratios, which have been somewhat weaker than those of rated competitors in the A rating category, to weaken further in 2017, driven by remediation costs, the payout of sizeable fines and other 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 initiated measures that will help offset, at least partly, these cash outlays such as a review of its capex spending, improving working 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 trucks market, have created complexity within the group. In this respect we note that the profitability especially of the VW brand is comparatively low (4.5% vs. 7.7% VW Group during H1 2017) which is a reflection of a cost position that appears to be higher than for other car manufacturers, such as Toyota. We also believe that the emissions crisis highlights serious internal controls 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 shared modular toolkit (especially `MQB') strategy. However, these improvements are needed in order to ensure VW's ability to withstand intense price competition in the industry, continued high R&D needs for alternative drivetrains,

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) significantly 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).

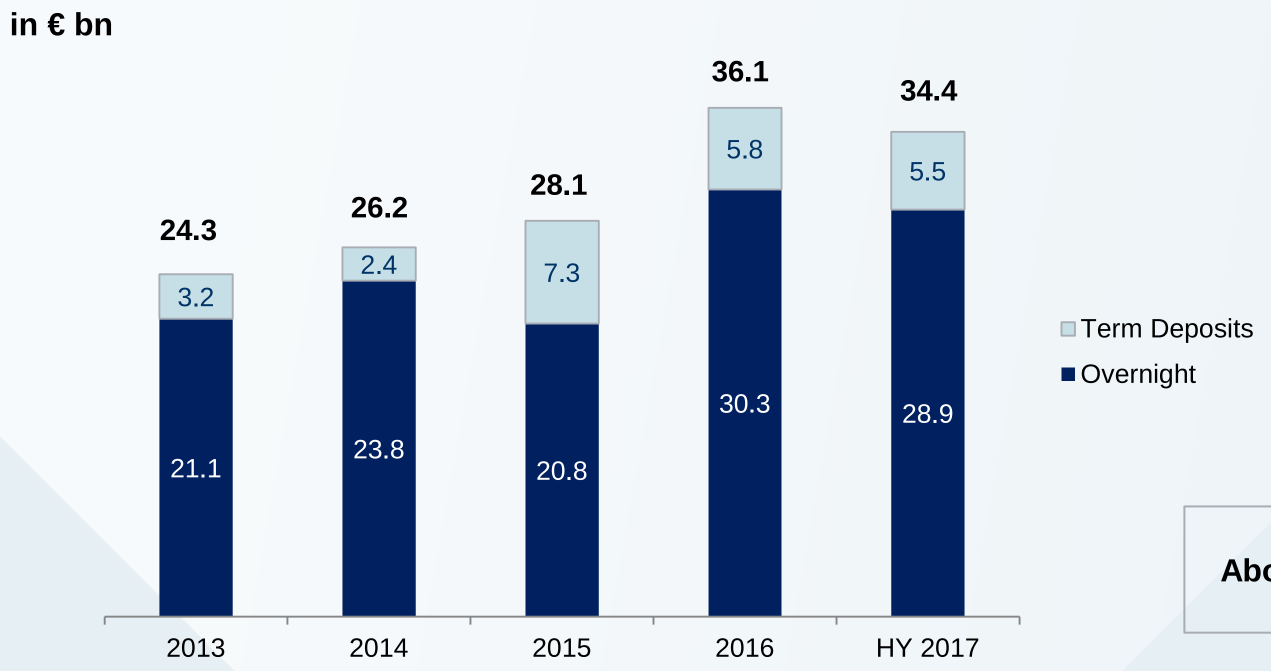
Factors that Could Lead to a Downgrade

The ratings could come under pressure if Moody's notes (1) an erosion in Volkswagen's market shares 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 (Debt/EBITDA) increases above 2.5x (2.0x in 2016 and around 2.3x expected for 2017 with debt reflecting 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



About 70% Private Customers

Volkswagen Financial Services AG

Key data 2013 – HY 2017 (IFRS)

	2013	2014	2015	2016	HY 2017
Portfolio ('000)	8,848	10,249	12,081	13,244	13,687
Retail + Leasing receivables (€ mn)	65,127	76,749	83,351	90,666	94,057
Dealer financing (€ mn)	11,082	12,625	13,967	14,638	15,489
Customer deposits (€ mn)	24,286	26,224	28,109	36,149	34,351
Employees	9,498	11,305	11,746	11,819	11,926
IFRS profit before tax (€ mn)	1,315	1,317	1,513	1,650	796

VOLKSWAGEN

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Volkswagen Group

Volkswagen AG / Volkswagen Financial Services

Investor Roadshow Asia-Pacific

29 November – 05 December 2017