



VOLKSWAGEN
AKTIENGESELLSCHAFT

**We are
redefining
mobility.**

Volkswagen Group

Ulrich Hauswaldt, Martin Büdke, Katja Hauer, Dirk Bauer

Volkswagen AG, Volkswagen Financial Services

Debt Investor Update, Frankfurt, 13th September 2017

Volkswagen Investor Update

Volkswagen AG

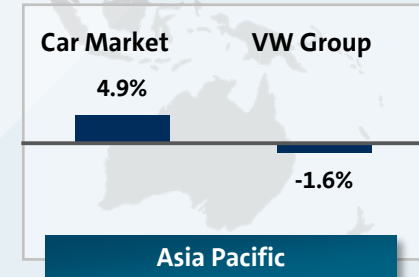
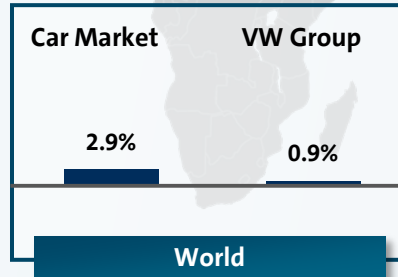
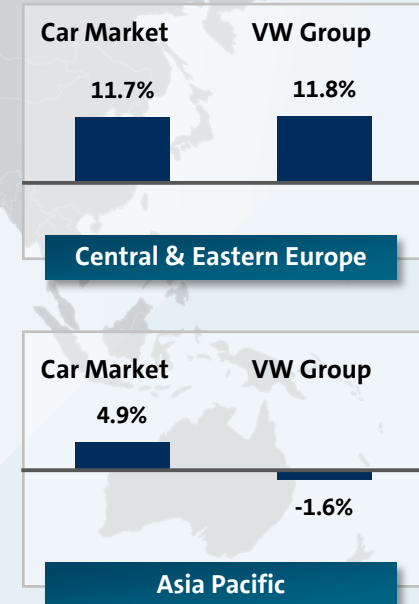
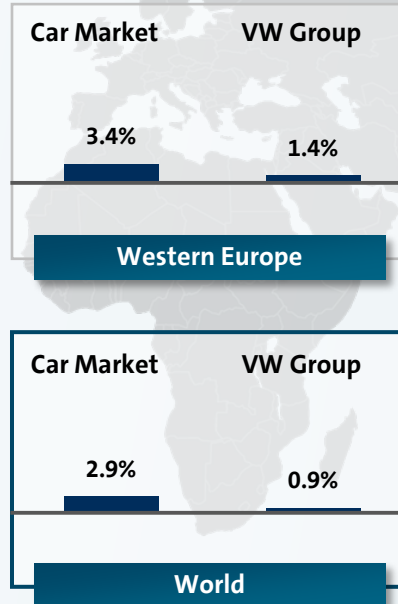
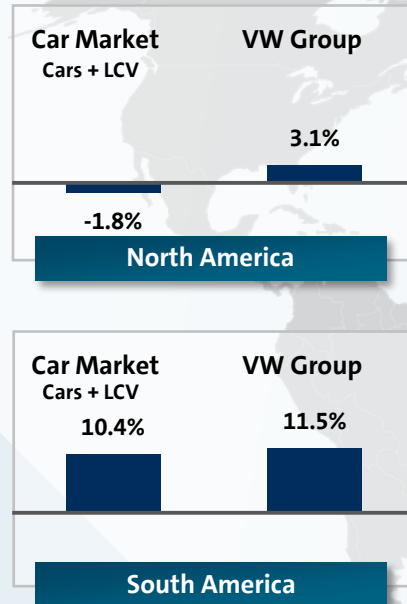
Ulrich Hauswaldt – Group Investor Relations
Martin Büdke – Capital Markets & Rating

Volkswagen Bank GmbH

Katja Hauer – Investor Relations
Dirk Bauer – Head of Debt Capital Markets & Corporate Rating

Development World Car Market vs. Volkswagen Group Car Deliveries to Customers¹⁾

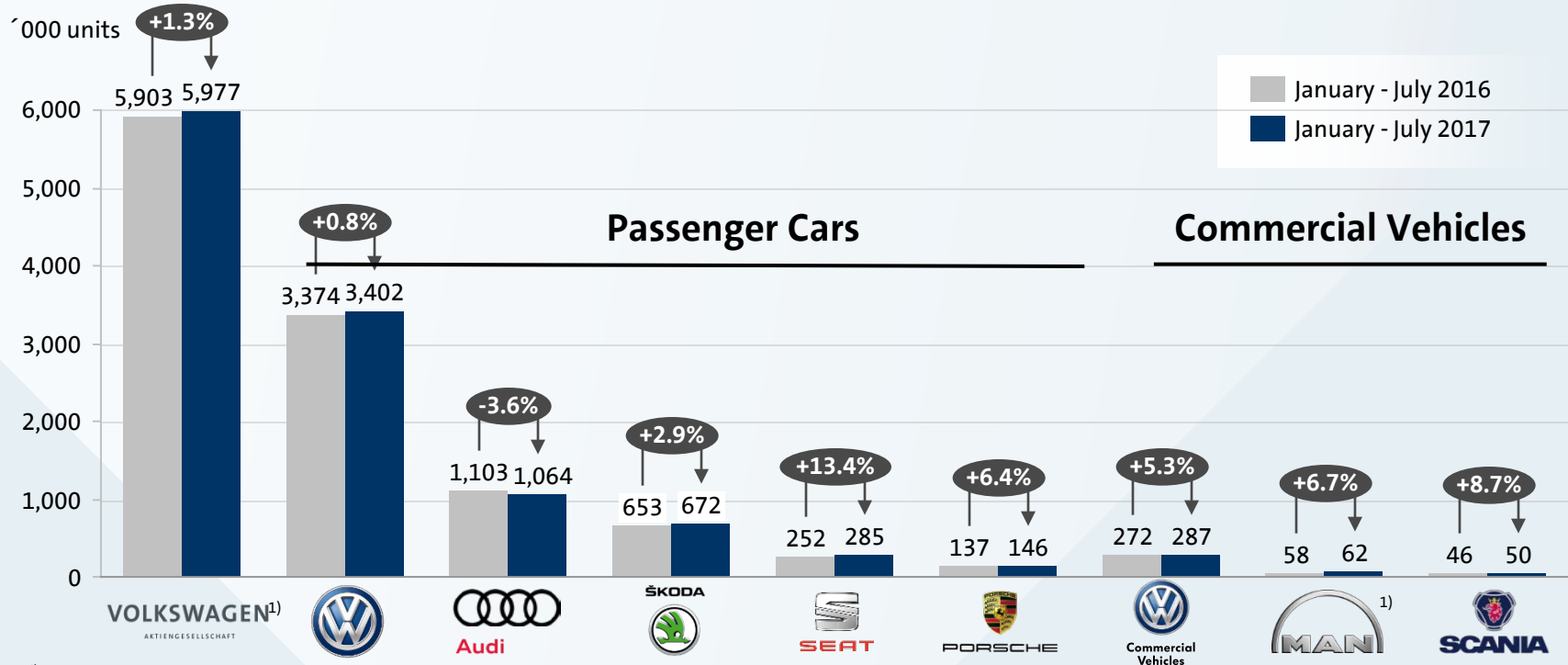
(Growth y-o-y in deliveries to customers, January to July 2017 vs. 2016)



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

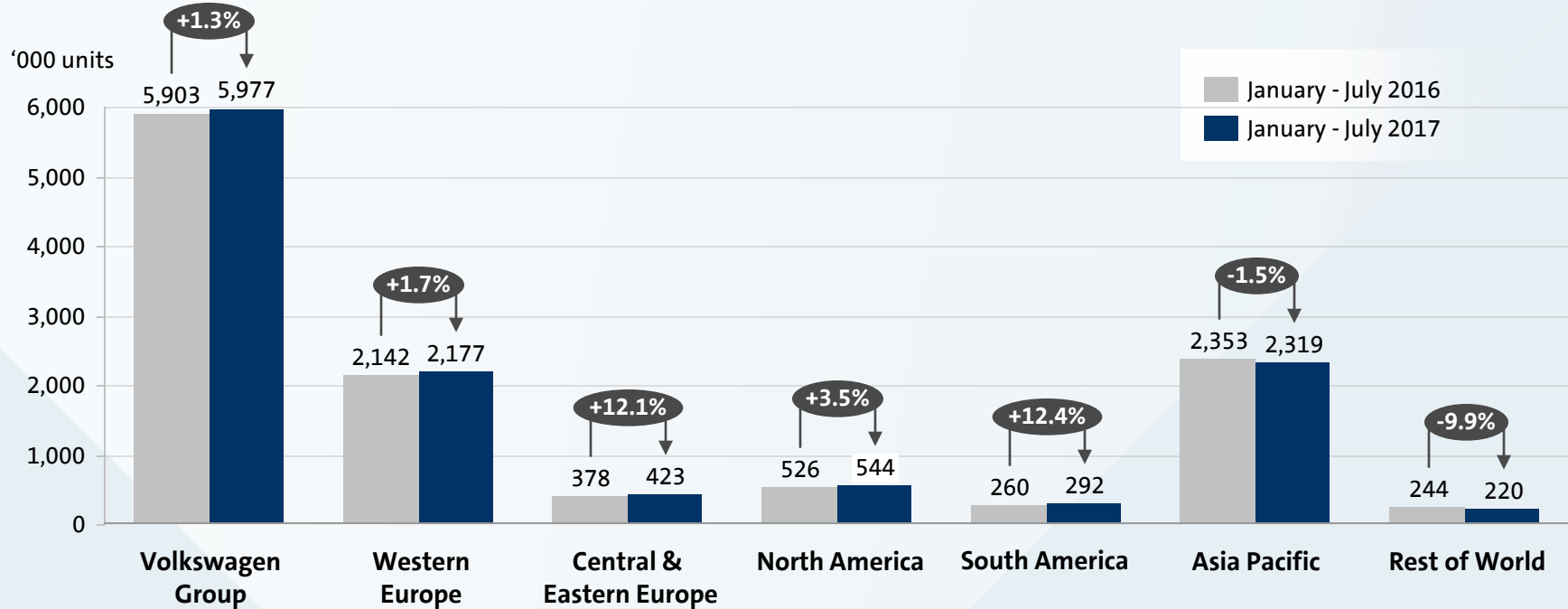
Volkswagen Group – Deliveries to Customers by Brands

(January to July 2017 vs. 2016)



Volkswagen Group – Deliveries to Customers by Markets¹⁾

(January to July 2017 vs. 2016)



¹⁾ Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles);

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

e.g. 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⁾:

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	

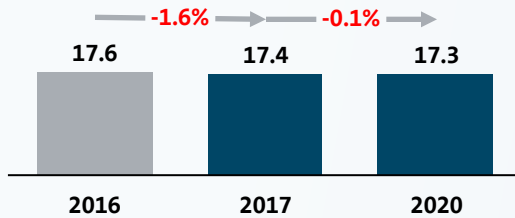
Cost of Programs anticipated to be balanced through higher volumes, benefits of gaining new customers and raising customer loyalty

Global Passenger Car Market 2017/2020

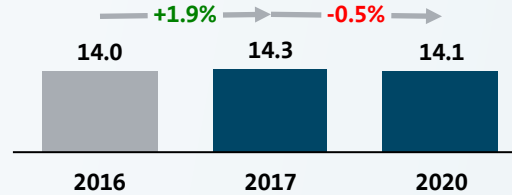
Slowdown in Western Europe; Stagnation in USA at a high level; Recovery in Brazil though from a low level; Strong growth in India; China remains largest driver of passenger car demand

million units

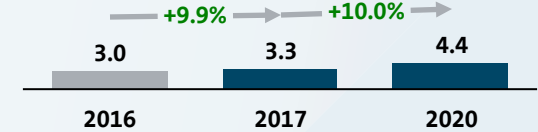
USA¹



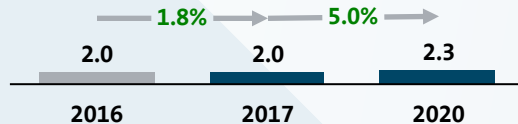
Western Europe



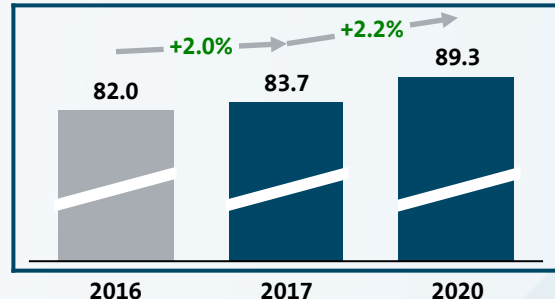
India



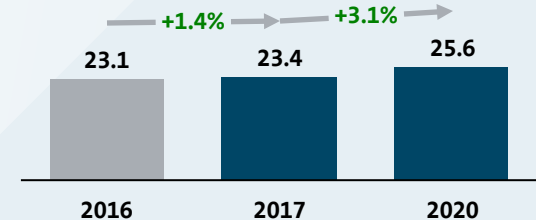
Brazil¹



World¹



China



Volkswagen Group – Key Financial Figures¹⁾

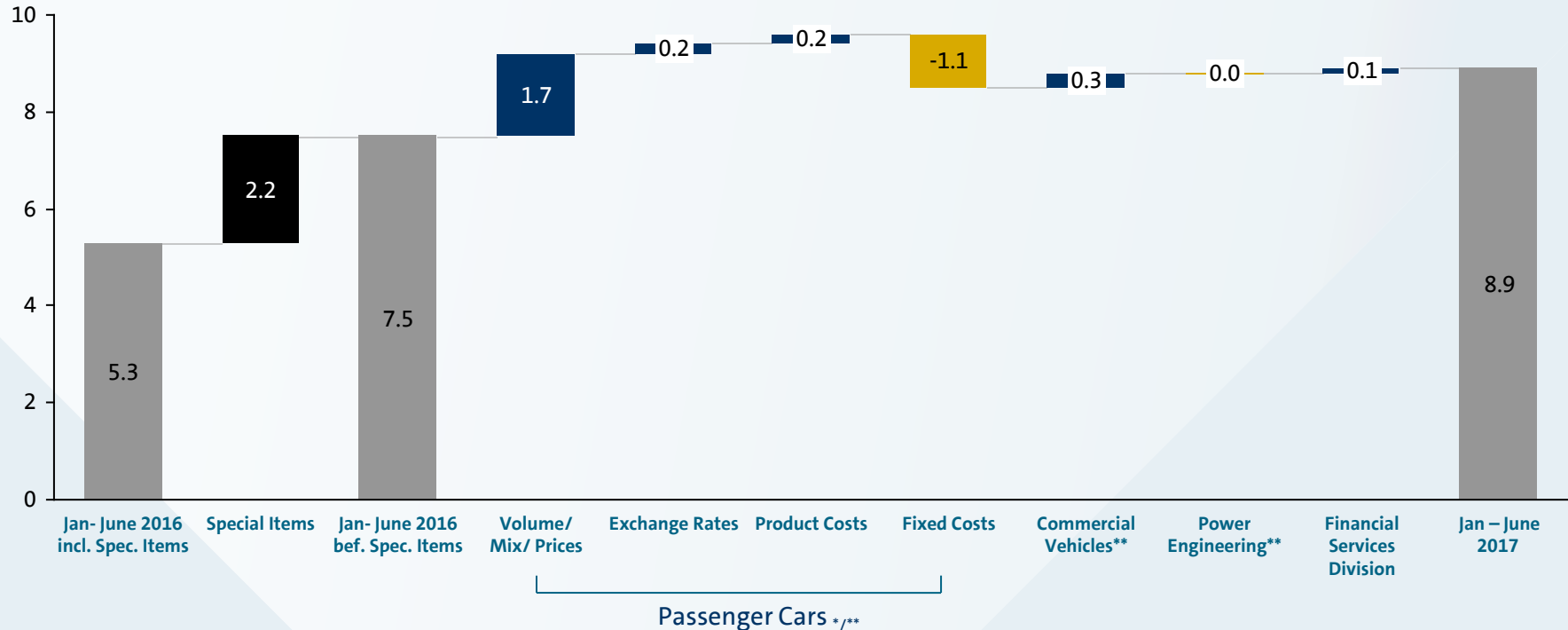
(January to June 2017 vs. 2016)

thousand vehicles / € million	2017	2016	+/- (%)
Vehicle Sales ²⁾	5,270	5,199	+1.4
Sales revenue	115,862	107,935	+7.3
Operating profit before Special Items	8,916	7,517	+18.6
<i>% of sales revenue</i>	7.7	7.0	
Operating profit	8,916	5,339	+67.0
<i>% of sales revenue</i>	7.7	4.9	
Financial result	44	-528	X
of which: At-equity result ²⁾	1,635	1,715	-4.7
of which: Other financial result	-1,591	-2,243	-29.1
Profit before tax	8,960	4,810	+86.3
<i>% Return on sales before tax</i>	7.7	4.5	
Profit after tax	6,595	3,579	+84.3

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 €2,135 million (€2,366 million).

Operating profit increased to €8.9 billion in H1 2017

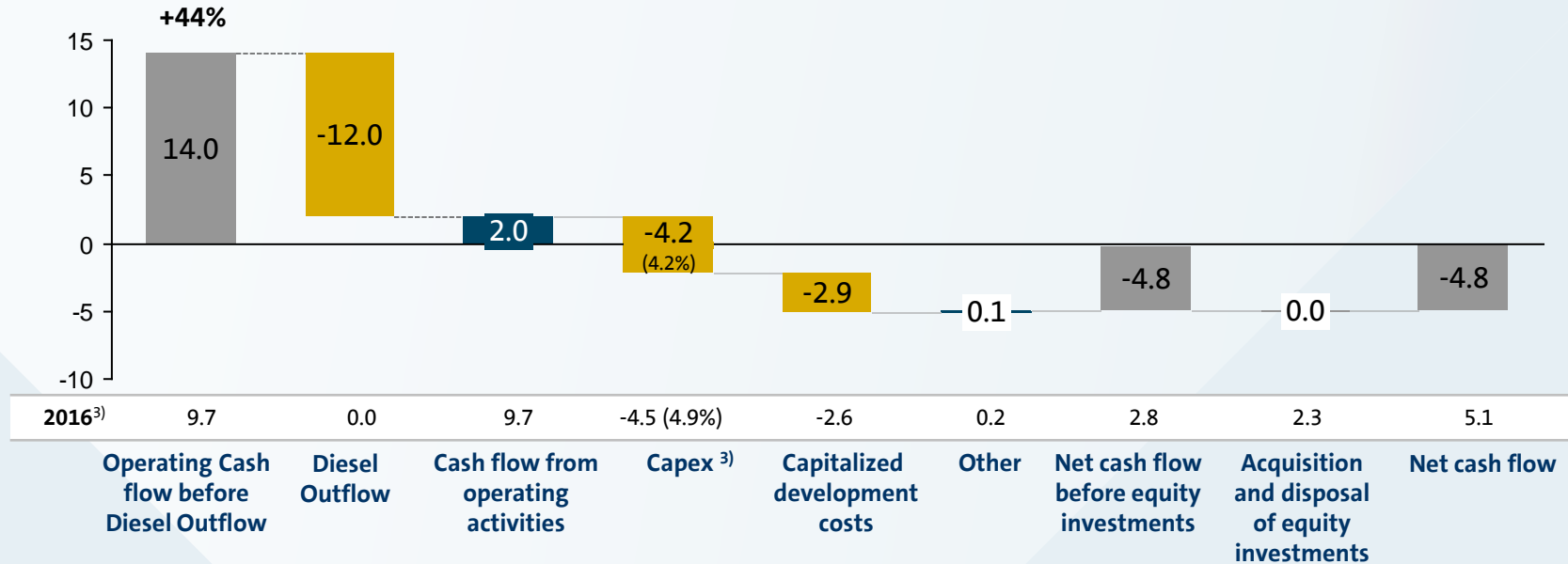


Strong brands contributed to the operating profit of the Group in H1 2017

	Vehicle sales		Sales revenue		Operating profit	
thousand vehicles/ € million	2017	2016	2017	2016	2017	2016
Volkswagen Passenger Cars ²⁾	1,812	2,232	39,855	53,006	1,776	881
Audi	783	799	30,143	30,134	2,680	2,666
ŠKODA	501	431	8,720	7,114	860	685
SEAT	304	276	5,054	4,485	130	93
Bentley	5	5	867	883	13	-22
Porsche Automotive ³⁾	124	117	10,841	10,151	2,056	1,768
Volkswagen Commercial Vehicles	244	231	5,927	5,406	448	299
Scania ⁴⁾	44	41	6,307	5,575	673	550
MAN Commercial Vehicles	53	49	5,297	4,798	193	186
MAN Power Engineering	-	-	1,579	1,673	73	103
VW China ⁵⁾	1,870	1,867	-	-	-	-
Other ⁶⁾	-469	-849	-14,728	-28,901	-1,152	-687
Volkswagen Financial Services ⁷⁾	-	-	15,999	13,611	1,165	995
Volkswagen Group before Special Items	-	-	-	-	8,916	7,517
Special Items	-	-	-	-	-	-2,178
Volkswagen Group	5,270	5,199	115,862	107,935	8,916	5,339
Automotive Division ⁸⁾	5,270	5,199	98,901	92,547	7,651	4,162
of which: Passenger Cars	4,930	4,879	80,070	75,285	6,654	3,895
of which: Commercial Vehicles	340	320	17,252	15,589	1,043	285
of which: Power Engineering	-	-	1,579	1,673	-46	-18
Financial Services Division	-	-	16,961	15,388	1,265	1,177

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 €11,778 (10,929) million, operating profit €2,131 (1,830) 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 €2,135 (2,366) 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.

Automotive Division net cash flow H1 2017: Significant increase in operating cash flow



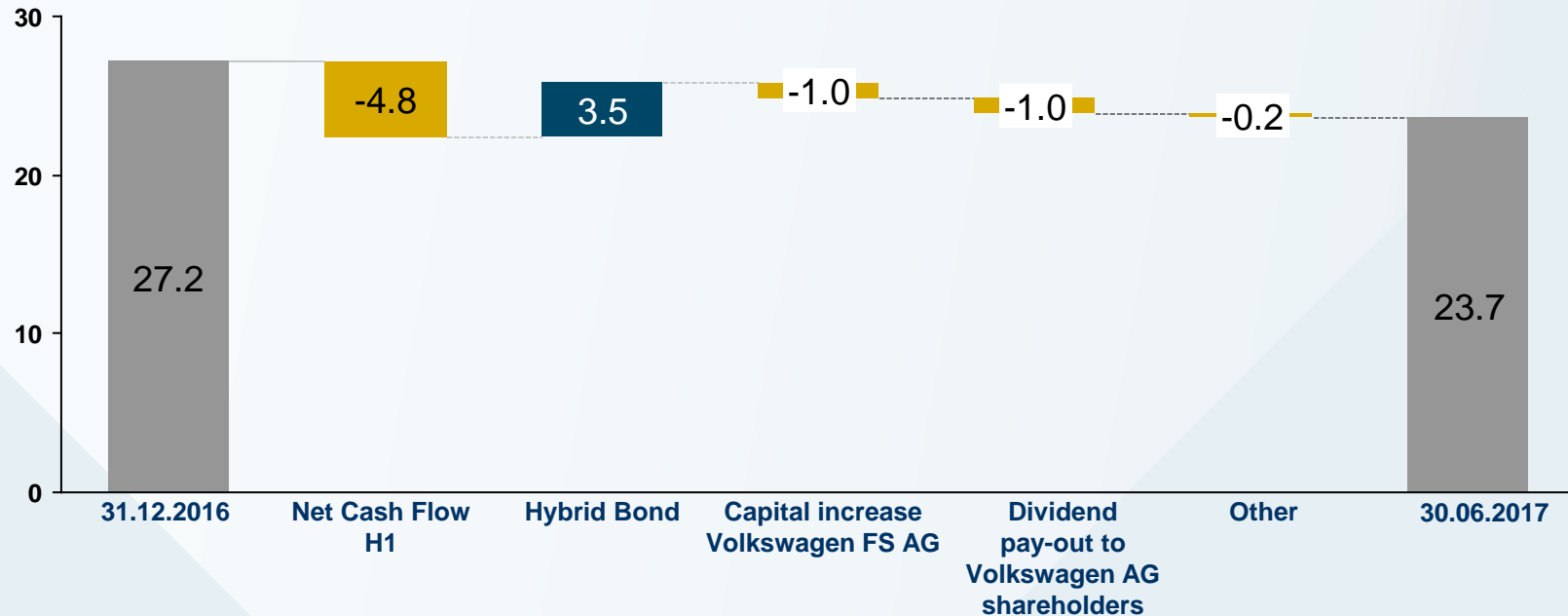
¹⁾ All figures shown are rounded, minor discrepancies may arise from addition of these amounts. ²⁾ Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

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

Automotive Division net liquidity on a robust level in H1

€ billion

€ billion



Volkswagen Group Funding Strategy – Funding Programs & Outstandings¹⁾

June 30, 2017 in € billion

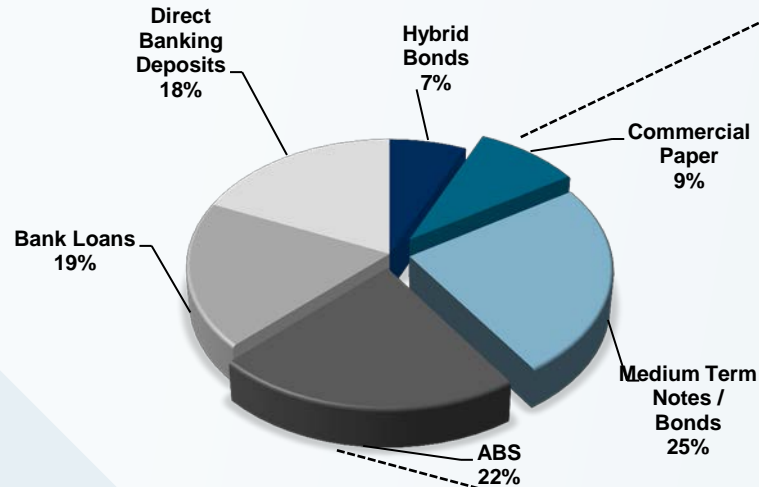
Money and Capital Markets		Utilization	June 30 2015 ²⁾	▲
Commercial Papers		16.1	4.3	+11.8
Medium Term Notes / Bonds		54.9	61.9	-7.0
<i>thereof: Hybrid Bonds</i>		11.0	7.5	+3.5
ABS		37.0	27.1	+9.9
Borrowings				
	Frame			
Committed Lines	16.6	3.0	2.4	+0.6
Uncommitted Lines	30.6	10.4	6.7	+3.7
Supranationals, development banks, government, other	19.9	19.9	13.5	+6.4
Direct Banking Deposits	./.	30.2	24.0	+6.2
Total Amount		171.5	139.9	

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

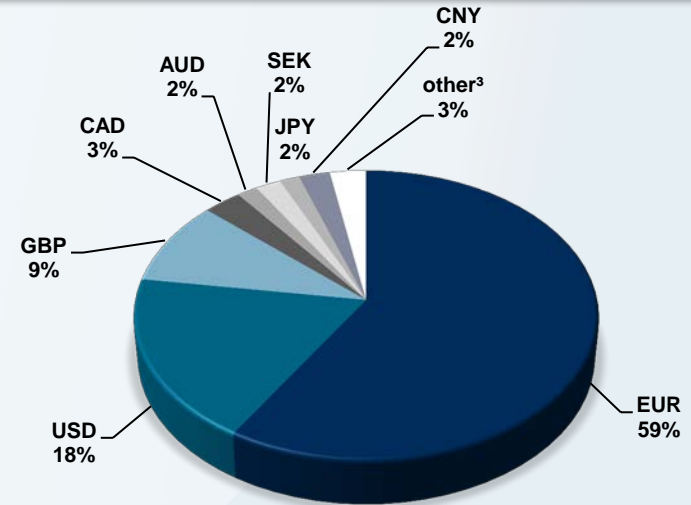
Source: Volkswagen Group

Volkswagen Group Funding Strategy – Overview¹⁾

Diversification of Funding Sources²⁾



Currencies – Breakdown



¹⁾ as of June 30, 2017; 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 – Major Issuances in 2017

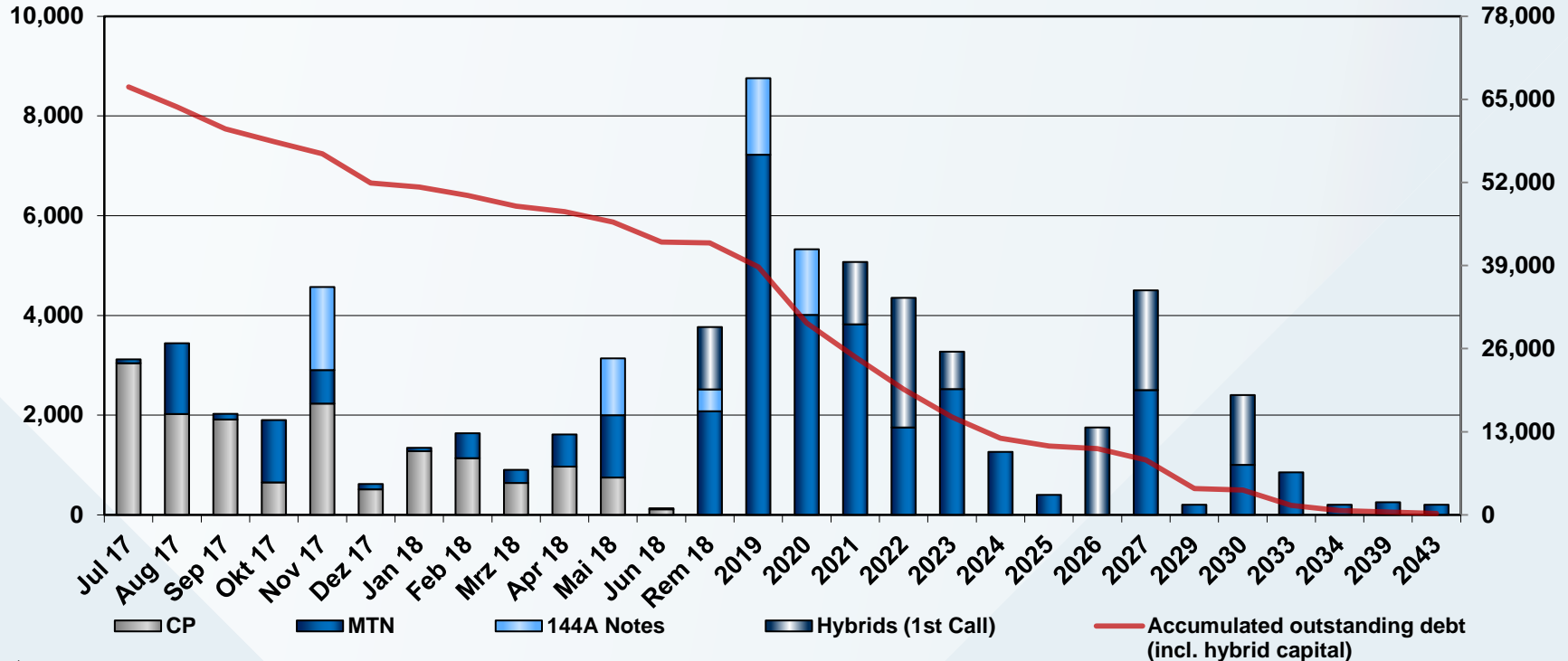
March: EUR 8bn Volkswagen International Finance N.V.

April: GBP 850mn Volkswagen Financial Services N.V.

May: EUR 3.5bn Volkswagen International Finance N.V. - Hybrid Bond

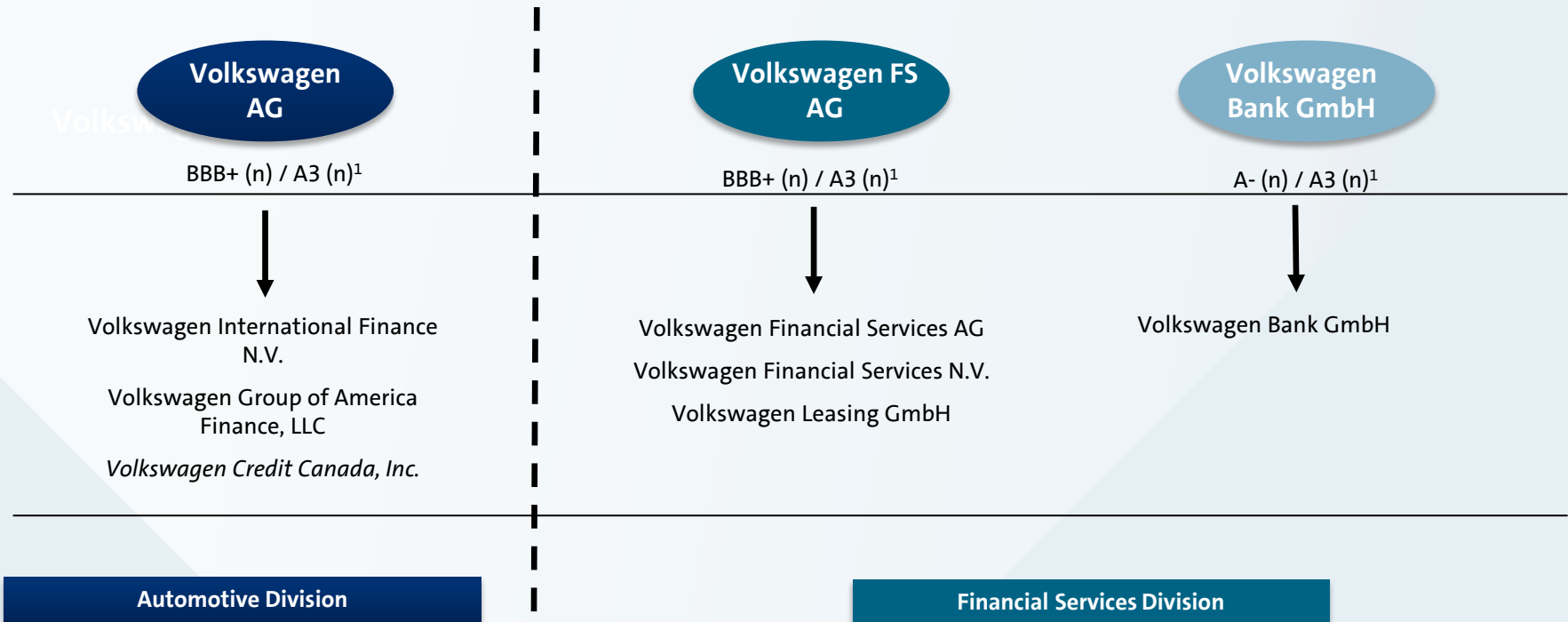
June: EUR 3.5bn Volkswagen Leasing GmbH

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



¹⁾ as of June 30, 2017, excluding Scania and Porsche FS
Source: Volkswagen Group

Volkswagen Group Funding Strategy – Main Guarantors and Issuers



¹Credit Ratings from Standard&Poors / Moody's as per 01 Sep 2017; Outlook negative (n)

Volkswagen Group Funding Strategy – Major Commercial Paper Programmes in Europe

**Volkswagen
AG**

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

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

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

Volkswagen Group Services NV/SA

Automotive Division

**Volkswagen
FS AG**

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

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

Financial Services Division

**Volkswagen
Bank GmbH**

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

Volkswagen Bank GmbH

Volkswagen Group – Main Ratings

Current Ratings¹⁾

S&P Global

MOODY'S

Long Term

Short Term

Long Term

Short Term

Volkswagen AG

BBB+

A-2

A3

P-2

Volkswagen Financial Services AG

BBB+

A-2

A3

P-2

Volkswagen Bank GmbH

A-

A-2

A3

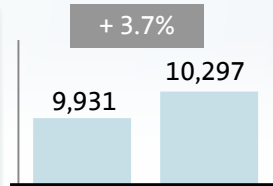
P-1

Outlook
negativeOutlook
negative

¹⁾ as of September 01, 2017

Volkswagen Group – Outlook for 2017

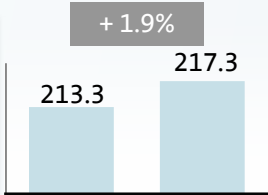
Deliveries to customers (‘000 vehicles)



Deliveries to customers

moderately above prior year

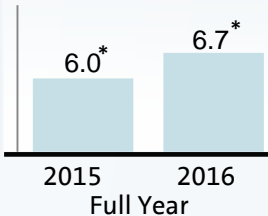
Sales revenue (€ billion)



Sales revenue*

Up more than 4% above prior year level

Operating return on sales (%)



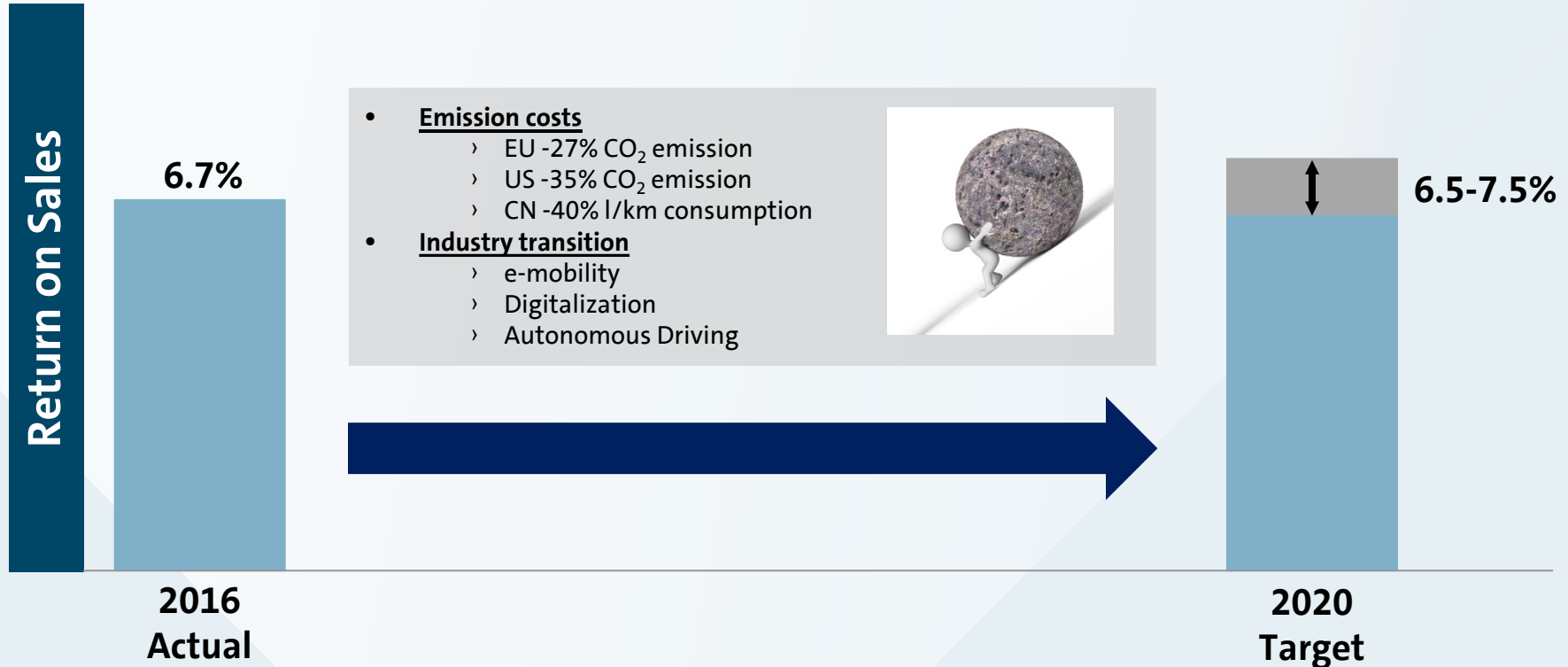
Operating return on sales

between 6.0% and 7.0%

*)before Special Items

* Upgraded at H1

Improving Group results despite significant challenges



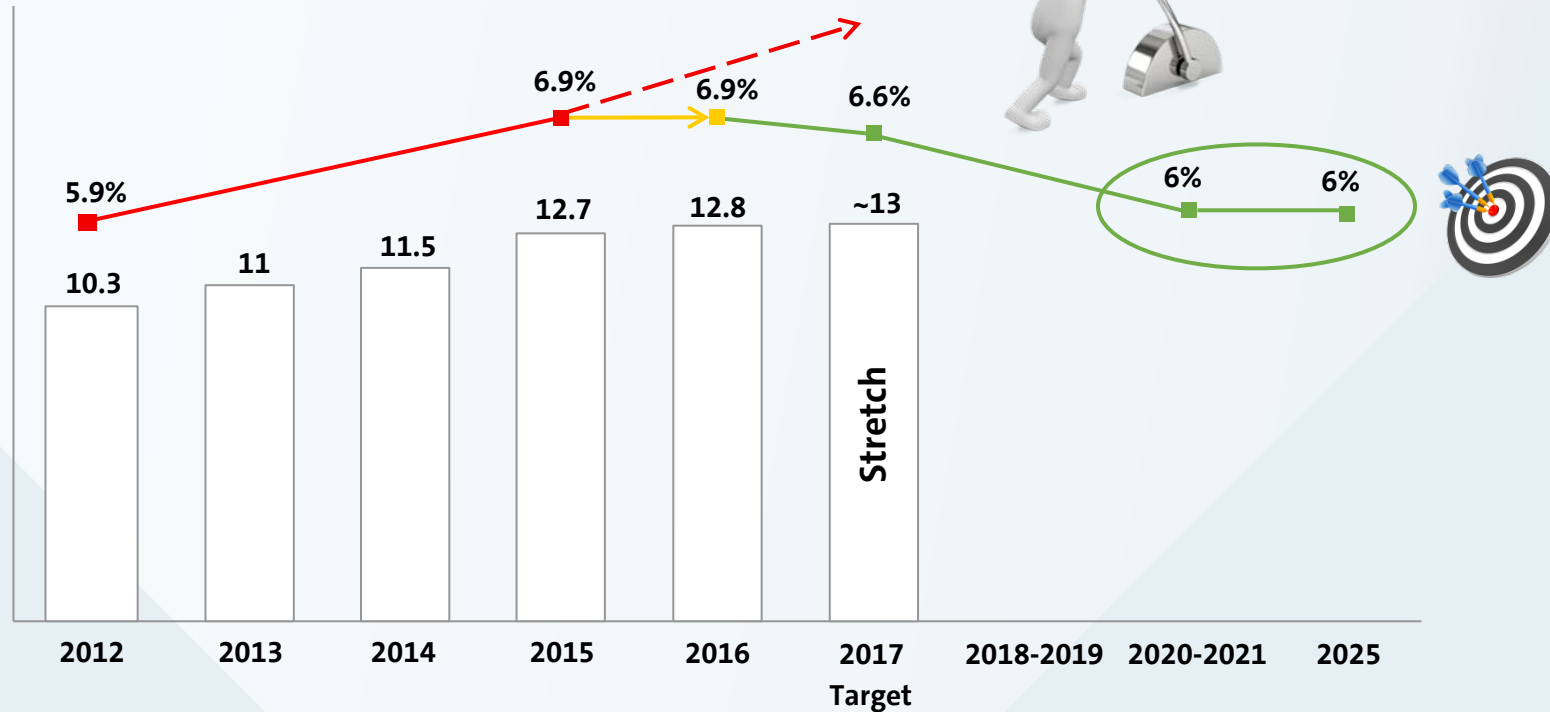
Clear Financial Targets and Milestones

Key financial targets		2016 Actual	2017 Targets	2020 Targets	2025 Targets
Operating return on sales <u>Before</u> special items		6.7%	6-7%	6.5-7.5%	7-8%
Return on investment Automotive Division <u>before</u> special items		13.9%	11-13%	13-15%	>15%
Capex ratio Automotive Division		6.9%	6.6%	6% (2020/21)	6%
R&D cost ratio Automotive Division		7.3%	6.7%	6% (2020/21)	6%
Cash Automotive Division	a) Net Cashflow	€ 4.3 bn	negative	positive ¹⁾	positive ¹⁾
	b) Net Liquidity	€ 27.2 bn	> 15 bn	≥€ 20 bn	~10% of Group turnover

1) after considering a strategic target of 30% Payout Ratio based on Group profit after tax

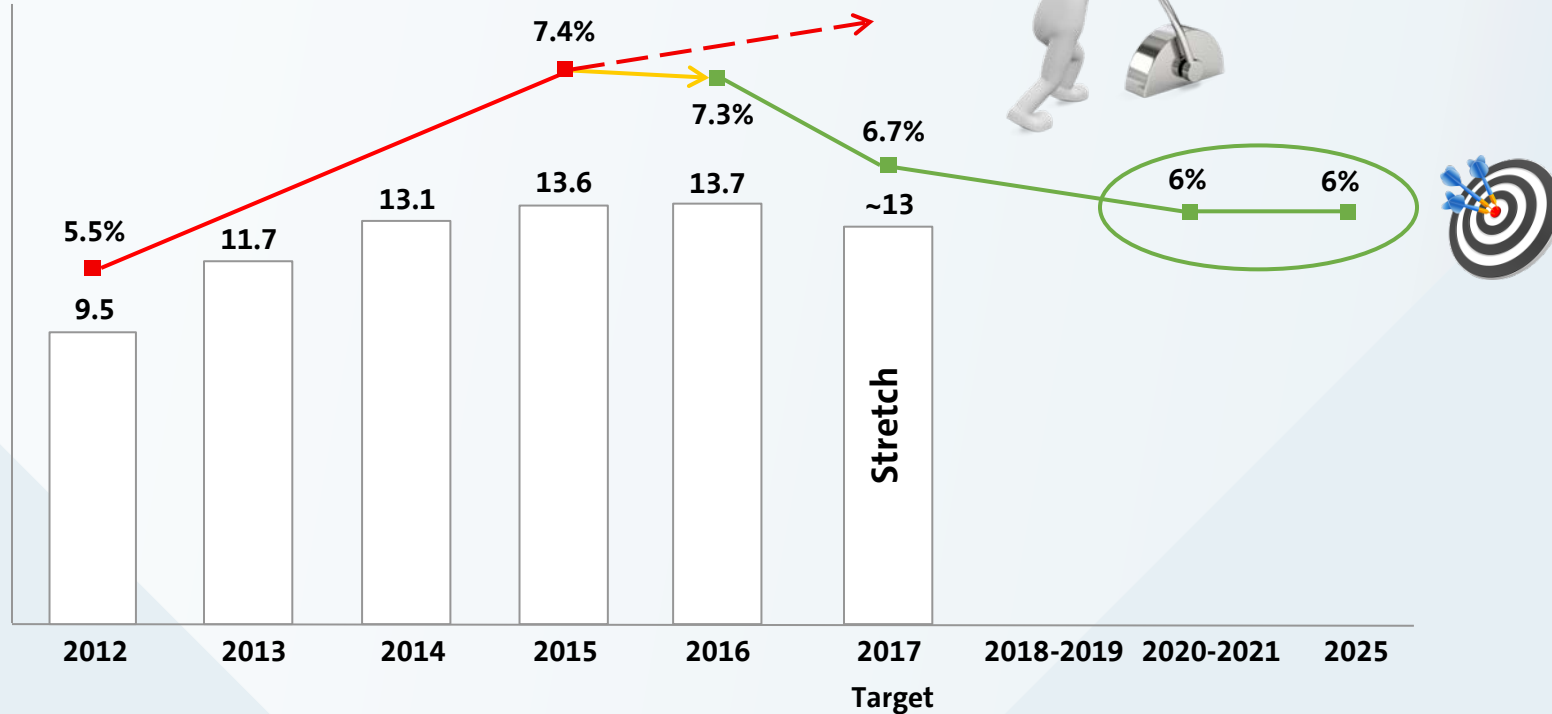
CAPEX Automotive Division

(€ bn, as % of sales revenue)



R&D Cost Automotive Division

(€ bn, as % of sales revenue)



STRATEGY 2025 – INITIATIVES AT A GLANCE

GROW PROFITABLY

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



Transform core business

DEVELOP STRATEGIC CAPABILITIES

ENHANCE ENTREPRENEURIAL SPIRIT

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



Build mobility solutions business

- 12 Improve operational excellence
- 13 Optimize business portfolio



Secure funding

- 14 Drive digital transformation

- 15 Create organization 4.0



Strengthen innovation power

- 16 Better integrated and strategic planning process

Deliveries & Global
Trends

Key Financials & Cash

Strategic Outlook &
Milestones

Brands / Regions

Diesel

Remuneration

Integrity &
Compliance

Commitment

Delivering on Core Principles

Accountability

Discipline

Reduced Complexity

Profitability

Modular Toolkits

MQB

Modular Transverse
Toolkit

MLB

Modular Longitudinal
Toolkit

MSB

Modular Standard
Drivetrain
Toolkit

MNB

Commercial
VehiclesModular Light
Commercial
Vehicle Toolkit

MMB



Porsche

Modular
Mid-engine
Toolkit

MEB

Modular
Electric
Toolkit

Product Line Organization

(Example Volkswagen Brand)

► G1 – Small

► G3 – Mid- &
Fullsize

► G2 – Compact



► G4 – e-Mobility





Cascading Group Targets to Brands

Group KPIs

RoS

RoI

Capex

R&D

CF/Liquidity



Commitment



Brand KPIs

Top-Down Targets



Committed in Planning Rounds

Status update

- ✓ **Group Strategy “Together 2025” applied to Brands with KPIs**
- ✓ **KPIs committed in Planning Round**
- ✓ **Product line management implemented**
- ✓ **Dramatic decrease in number of derivatives / complexity**
- ✓ **Right vehicles with regional focus (e.g. SUV’s in Europe, China and NA)**
- ✓ **“Zukunftspakt” for** 
Volkswagen

Overview Brand Targets (RoS, RoE)

Return on Sales in %	<u>2016</u>	<u>2017</u>	<u>2020</u>	<u>2025</u>
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			
• MAN Commercial Vehicles	2.3	6-7	9 ²⁾	9 ²⁾
Return on Equity (norm. 8%)	<u>2016</u>	<u>2017</u>	<u>2020</u>	<u>2025</u>
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

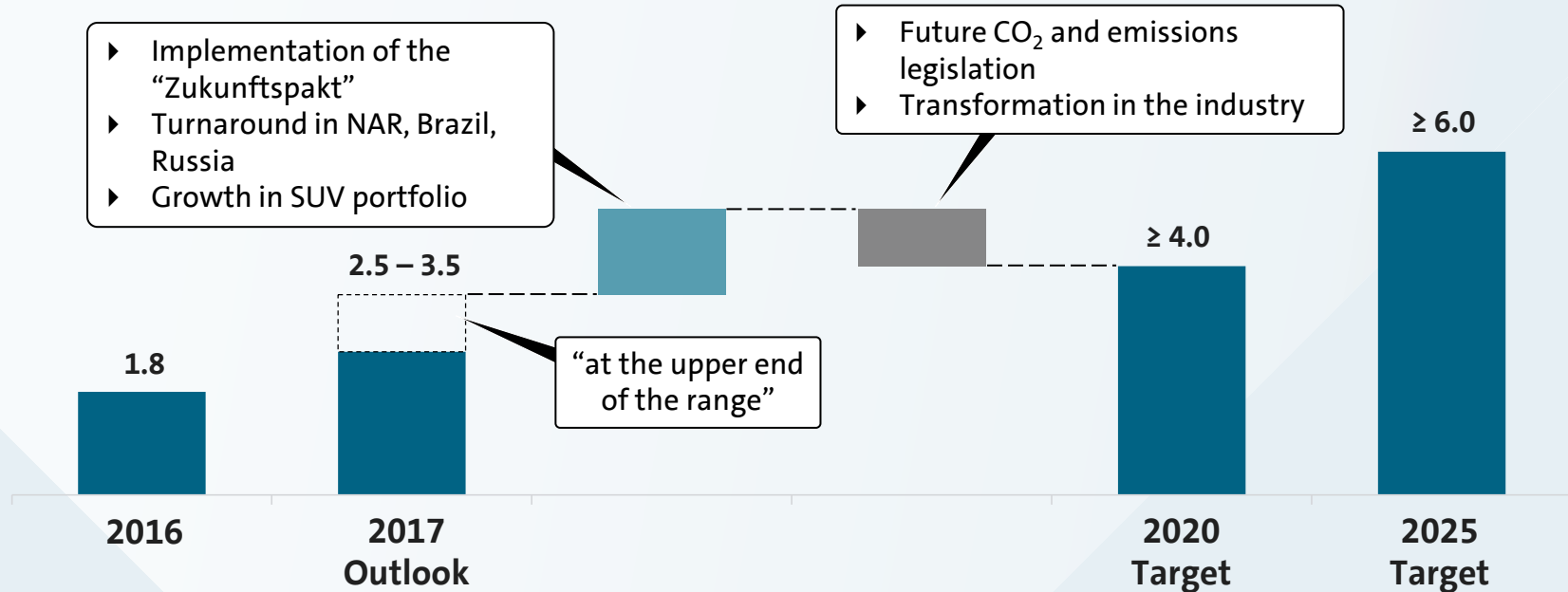
The „TRANSFORM 2025+“ strategy will put the brand to the top of the automotive industry



* 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

<u>Working Group 1</u> Production	<ul style="list-style-type: none"> • Increase of productivity by 25% • Reduction of plant costs
<u>Working Group 2</u> Components	<ul style="list-style-type: none"> • Increase of productivity by 25% • Discontinuation of unprofitable products
<u>Working Group 3</u> Technical Development	<ul style="list-style-type: none"> • Reduction of hardware-oriented development work • Increased efficiency in development processes
<u>Working Group 4</u> Administration	<ul style="list-style-type: none"> • 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 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

A product offensive will initiate a new growth phase in South America

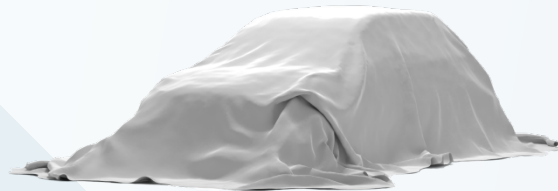
Product offensive in South America



Polo Global



Polo Sedan Global



Small SUV Global

Key measures

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

Deliveries & Global Trends

Key Financials & Cash

Strategic Outlook & Milestones

Brands / Regions

Diesel

Remuneration

Integrity & Compliance

Commitment

2017 will be 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

The Volkswagen brand will implement Electro Architecture to make electric vehicles affordable and profitable



Key measures

- Concept determined by: customer benefit and package for cost-optimized implementation of e-components
- Electro Architecture: economies of scale from use of Electro Architecture across entire Group
- “Design for manufacturing”: higher productivity, shorter manufacturing time
- Lower material and distribution costs
- Significant reduction in variants
- Early involvement of suppliers

The ID family shows the future direction of Brand Volkswagen



Volkswagen Group autonomous driving

- **SEDRIC** first Self-Driving Car in Volkswagen Group
- „**Level 5**“: autonomous driving without steering wheel and pedals
- Formation of Autonomous Intelligent Driving GmbH
- Target: until 2021

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

Deliveries & Global Trends

Key Financials & Cash

Strategic Outlook & Milestones

Brands / Regions

Diesel

Remuneration

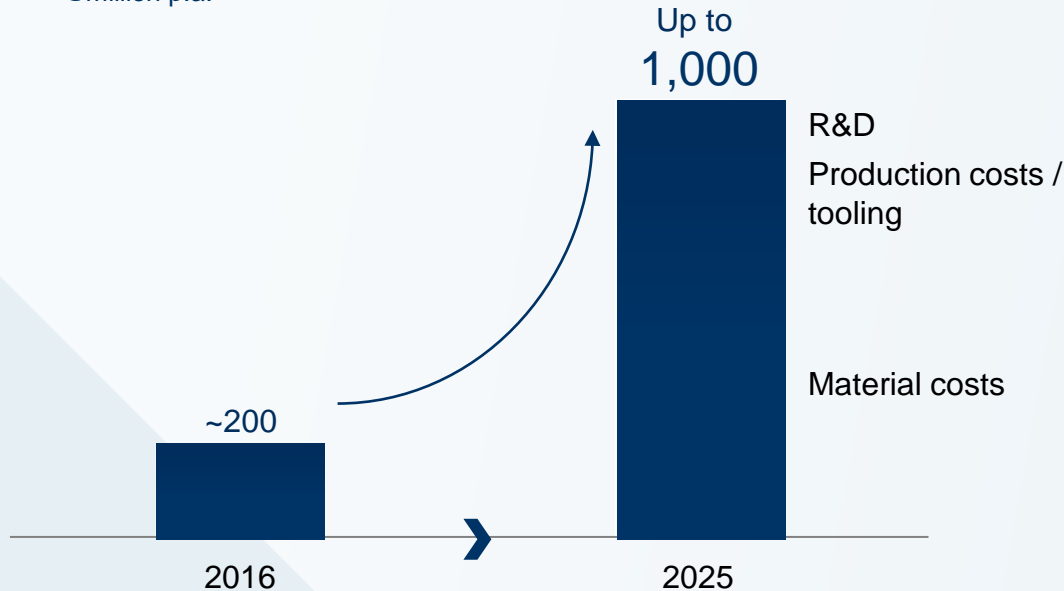
Integrity & Compliance

Commitment

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

Synergy potential from brand collaboration and expanded platform strategy

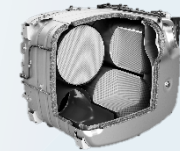
€ million p.a.



Key common powertrain platforms



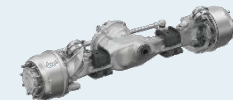
Base engine



After-treatment



Transmission



Axles

Deliveries & Global Trends

Key Financials & Cash

Strategic Outlook & Milestones

Brands / Regions

Diesel

Remuneration

Integrity & Compliance

Commitment

Global expansion on track with Navistar alliance

1

Equity investment



16.8% 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

Deliveries & Global Trends

Key Financials & Cash

Strategic Outlook & Milestones

Brands / Regions

Diesel

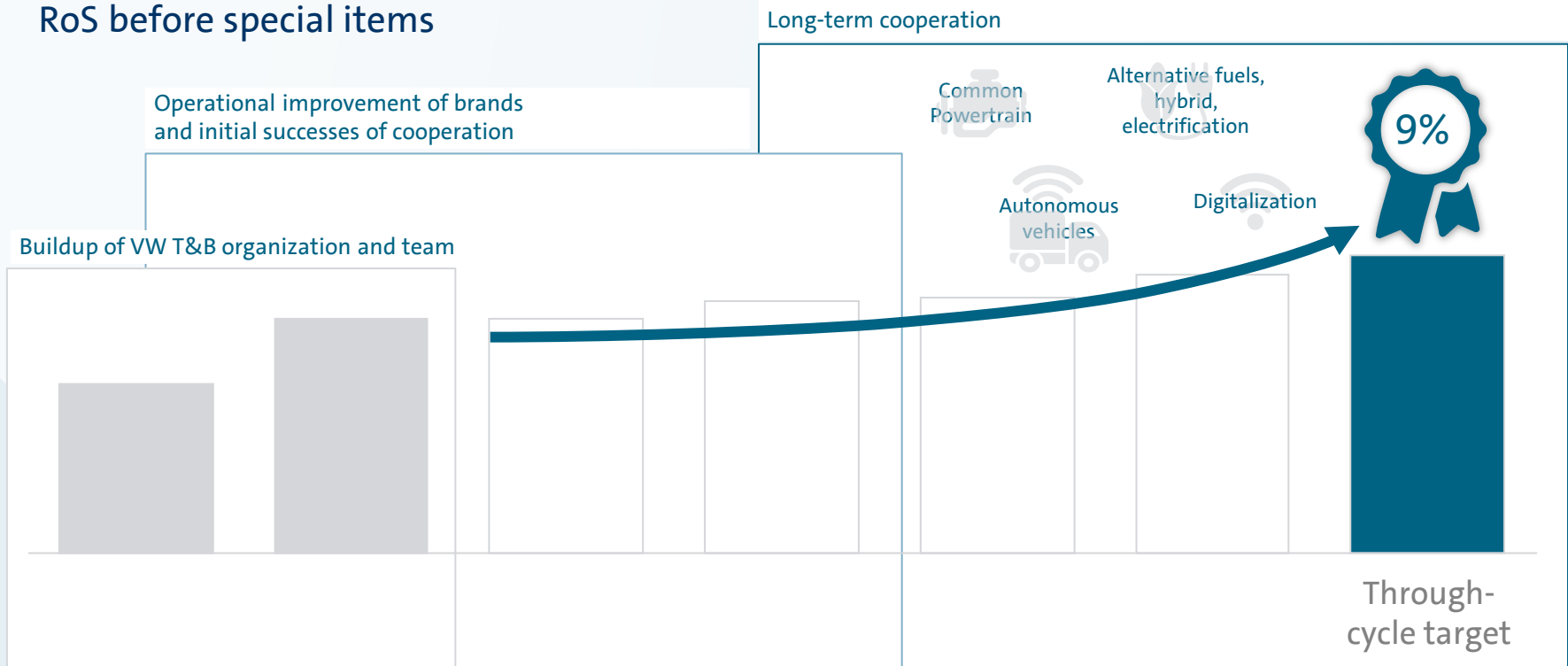
Remuneration

Integrity & Compliance

Commitment

RoS target of 9 percent to be reached through combination of measures

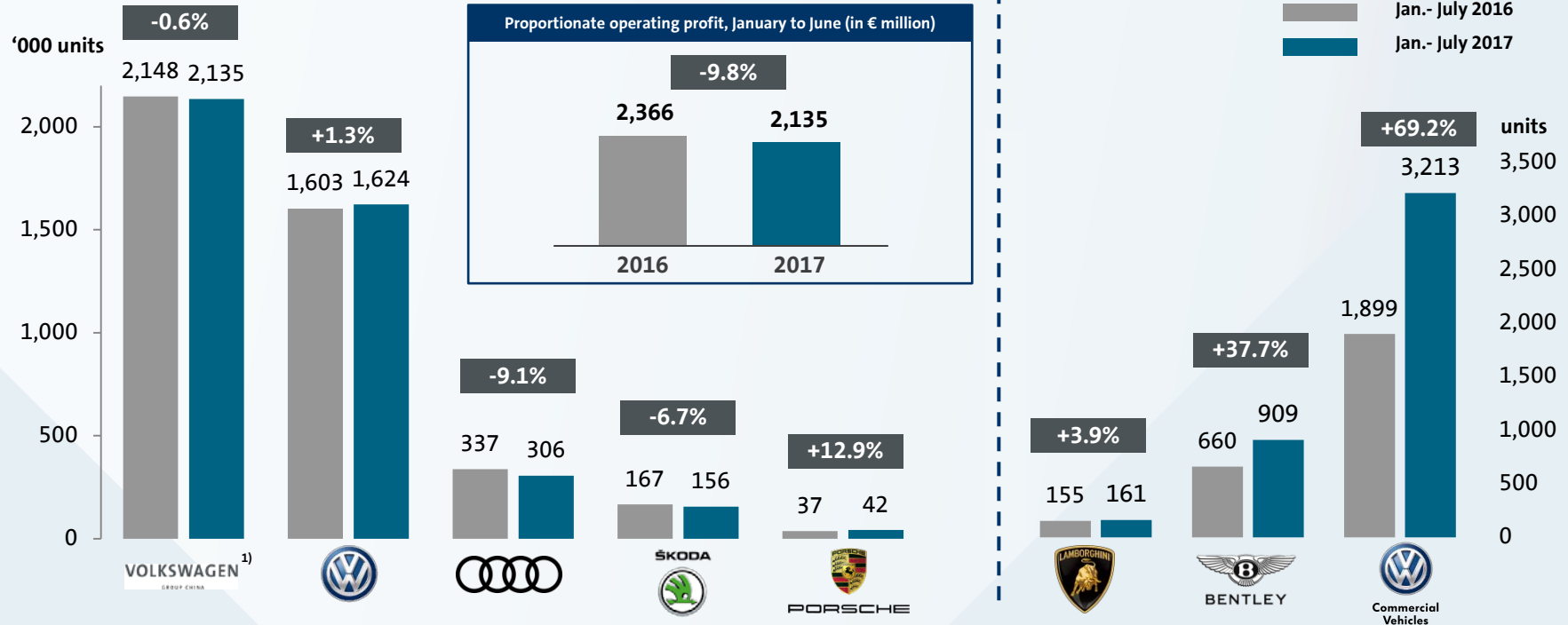
RoS before special items





Volkswagen Group China performance

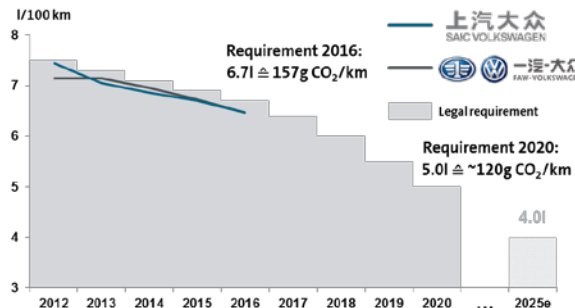
(January to July 2017 vs. 2016)



¹⁾ incl. Hong Kong, excl. Ducati. Group numbers incl. MAN and Scania

Regulatory environment in China

CAFC - Fuel consumption target



China 6 regulation

Emission regulation China 6 for **gasoline engines**

Implementation on national level for **C6a** from **July 2020**, for **C6b** from **July 2023**

Beijing and Shanghai may start with similar regulation in **2018** and other key regions in 2019

MIIT proposal for NEV credit system ¹⁾

NEV credit point ratio

	2017	2018	2019	2020
NEV credit point ratio	None	8%	10%	12%

NEV Credit Point Attribution per NEV Type

	BEV				PHEV	FCEV	
E-Range (in km)	80 - 150	150 - 250	250 - 350	>350	>50	250 - 350	>350
Credit Point	2	3	4	5	2	4	5

NEV subsidies scheme

New Requirement on national subsidies for NEVs

- raise the entry threshold
- may be adjusted dynamically

Direct national subsidy (20% reduced in 2017)

(up to 44,000 RMB for BEV and 24,000 RMB for PHEV)

Additional subsidies from local provinces

(≤50% of national subsidy)

¹⁾ Simplified schematic overview.

We will be prepared to deliver around 400,000 NEVs by 2020 and 1,500,000 by 2025

Introduction of locally produced NEV

Mass market BEV cooperation

Phase 1

Plug-in hybrids based on current toolkits



Phase 2

Pure electric vehicles based on current toolkits



Phase 3

Pure electric vehicles based on scalable electric toolkit



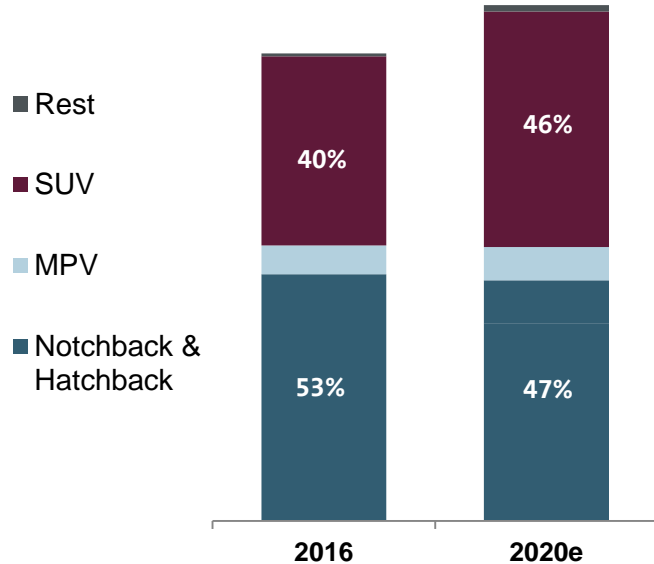
VOLKSWAGEN
GROUP CHINA

JAC 江淮汽车

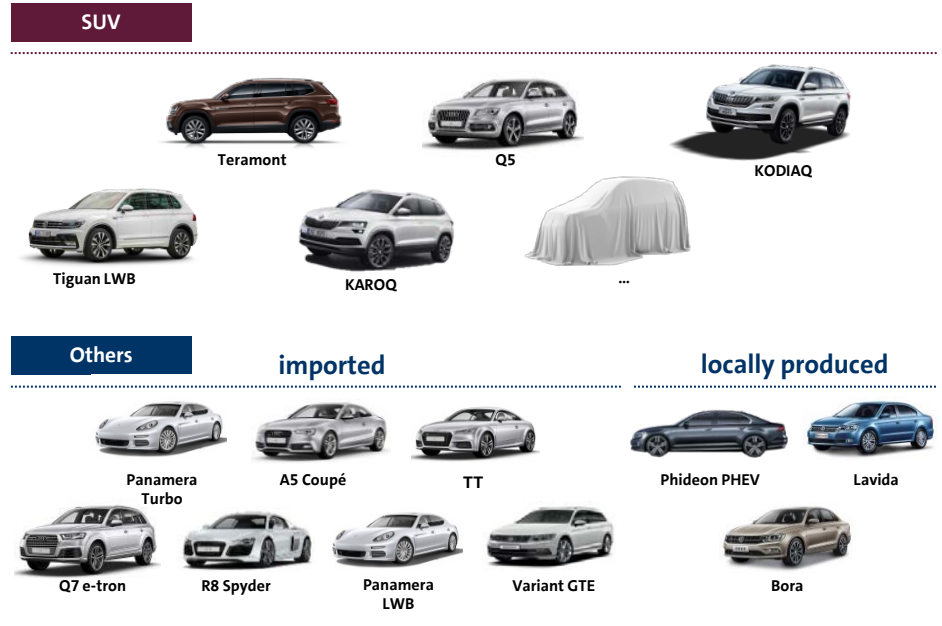


New product offering with an expanded SUV offering ¹⁾

Body style trends until 2020¹⁾



New vehicle launches 2017 and to follow²⁾



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

Special Items: Diesel related and other

(In € bn)	Diesel		Other		Total
2015	Legal	7.0	Restructuring:		16.9
	Other items	9.2	Truck Business	0.2	
			Passenger Cars South America	0.2	
			Airbags Takata	0.3	
		16.2		0.7	
2016	Mainly legal risks	6.4	Scania Anti-Trust Proceedings	0.4	7.5
			Others	0.7	
				1.1	
Total to date		22.6		1.8	24.4

No material special items in H1 2017. 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 and around €7bn in Q2.

Technical solution in Europe/RoW simple and relatively easy to implement



Predominantly software-only solution



Update status

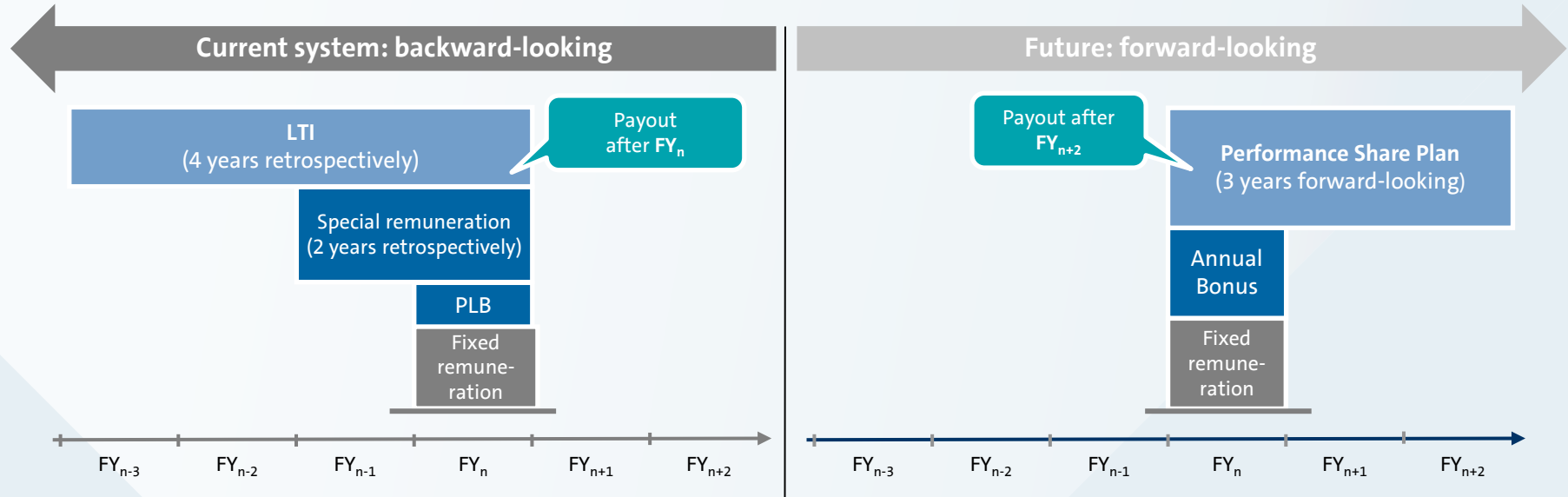
Almost 5.9m units have been updated
(status 31th August 2017)

- Technical solution already generally confirmed for all concepts by KBA¹
- Gradual approval of clusters after cluster-specific KBA inspection¹
- 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)



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



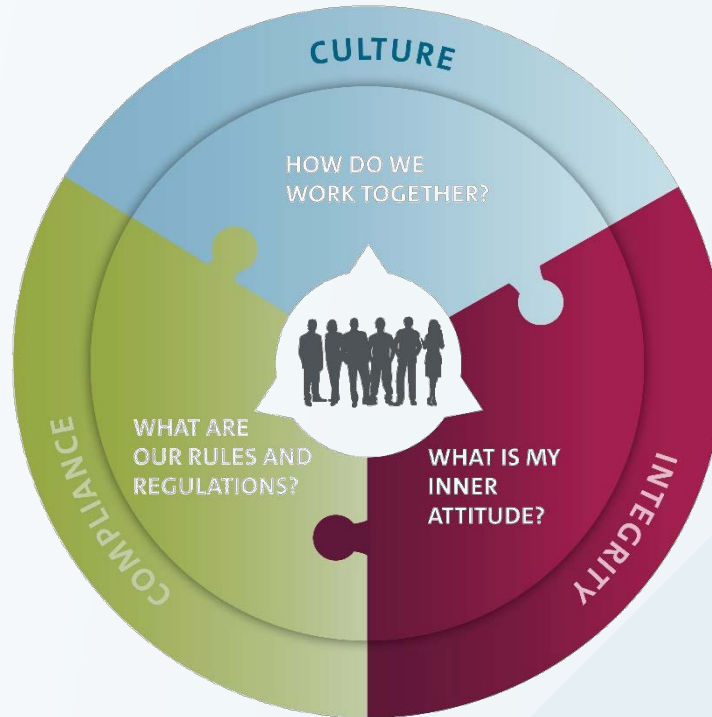
Adjusted recommendation of no. 4.2.3 sec. 2 German Corporate Governance Code

“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

Integrity, Compliance & Culture: a three-dimensional approach for change



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:



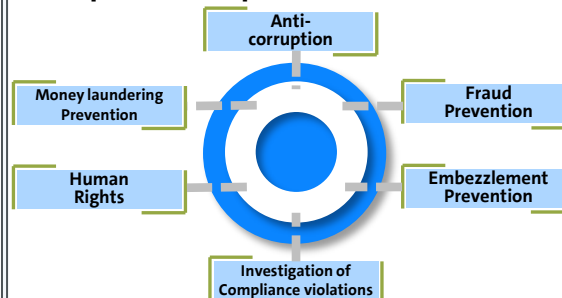
2. Evolution of Group Compliance:



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



Deliveries & Global Trends

Key Financials & Cash

Strategic Outlook & Milestones

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Diesel

Remuneration

Integrity & Compliance

Commitment

Implementation of a Holistic Integrity Programme:

Six action fields form the basis for a holistic integrity programme

DIALOGUE AND COMMUNICATION

“Talk & Drive. Integrity moves Volkswagen”

Communication surrounding the issue of integrity with focused involvement of employees. Continuous visibility and accessibility of the issue of integrity.

INTERNATIONALIZATION

“Integrity as the basis of Volkswagen Group”

Planned extension of the integrity initiative to brands, selected companies, regions and factory sites.



SOUNDING BOARD PROGRAMME

“Knowing where the action is!”

Voluntary ambassadors from all divisions and hierarchies. Workforce perspective taken into account.

LEADERSHIP PROGRAMME

“Role model for integrity? Boss's matter!”

Intensive measures for all managers from Team Leader to Top Management.

PROCESSES AND INSTRUMENTS

“Promote self-responsibility”

Anchoring integrity in existing processes (e.g. personnel).

REPORTING AND CONFIRMATION OF EFFECTIVENESS

“Enquiring what gets across”

Regular monitoring of the impact of measures used as part of the integrity initiative.

In Summary:



We know we have to earn your trust!



We are only promising what we have commitments for!



We will improve our targets once we make visible progress!



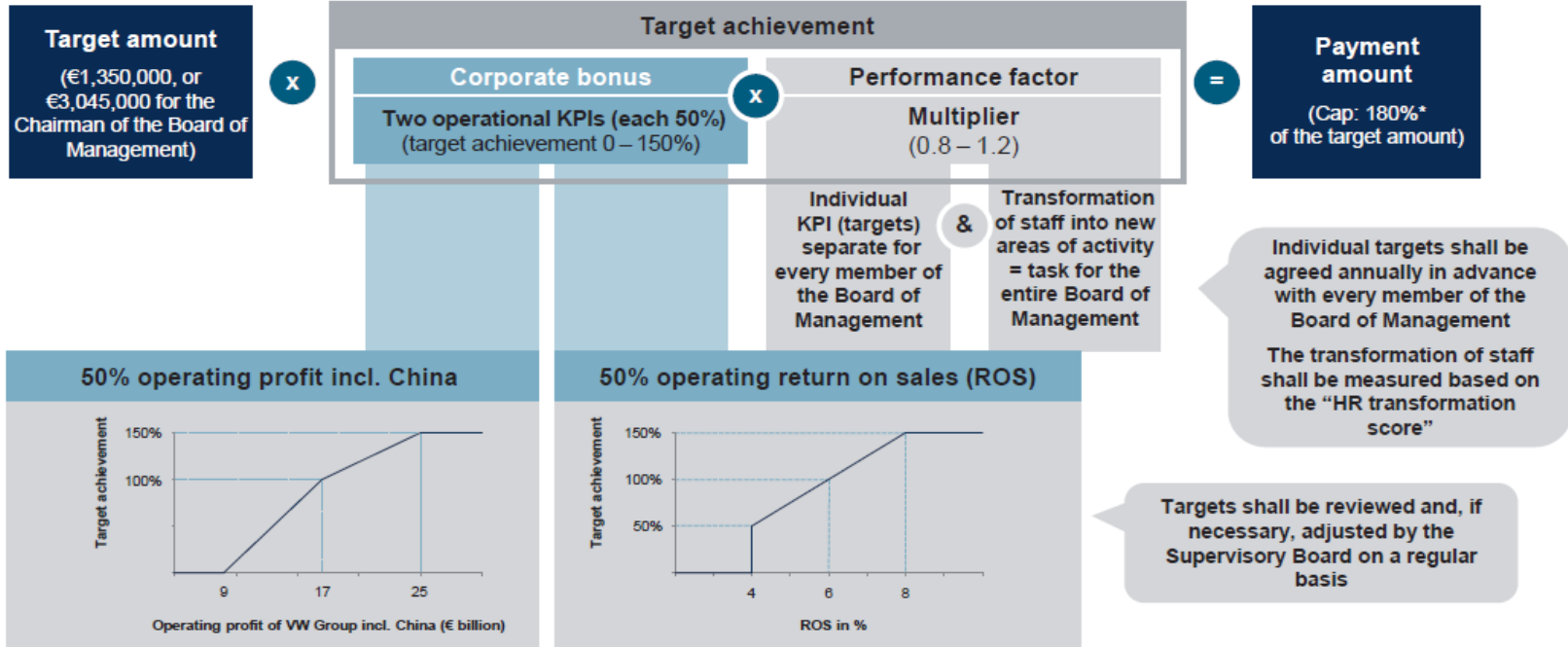
We have a plan and strongly believe in it!

Investor Relations Team

**Oliver Larkin (Wolfsburg / London office)***Group Head of Investor Relations**E-Mail: Oliver.Larkin1@volkswagen.de**Telephone: +49 5361 9 49840***Helen Beckermann (Wolfsburg office)***Senior Investor Relations Manager**E-Mail: Helen.Beckermann@volkswagen.de**Telephone: +49 5361 9 49015***Alexander Hunger (Wolfsburg office)***Senior Investor Relations Officer**E-Mail: Alexander.Hunger@volkswagen.de**Telephone: +49 5361 9 47420***Andreas Kowalczyk (Wolfsburg office)***Investor Relations Officer**E-Mail: Andreas.Kowalczyk@volkswagen.de**Telephone: +49 5361 9 23183***Andreas Buchta (Wolfsburg office)***Investor Relations Manager**E-Mail: Andreas.Buchta@volkswagen.de**Telephone: + 49 5361 9 40765***Ulrich Hauswaldt (Wolfsburg office)***Investor Relations Officer**E-Mail: Ulrich.Hauswaldt@volkswagen.de**Telephone: +49 5361 9 42224***Lennart Schmidt (China office)***Investor Relations Manager**E-Mail: Lennart.Schmidt@volkswagen.com.cn**Telephone: + 86 10 6531 4732*

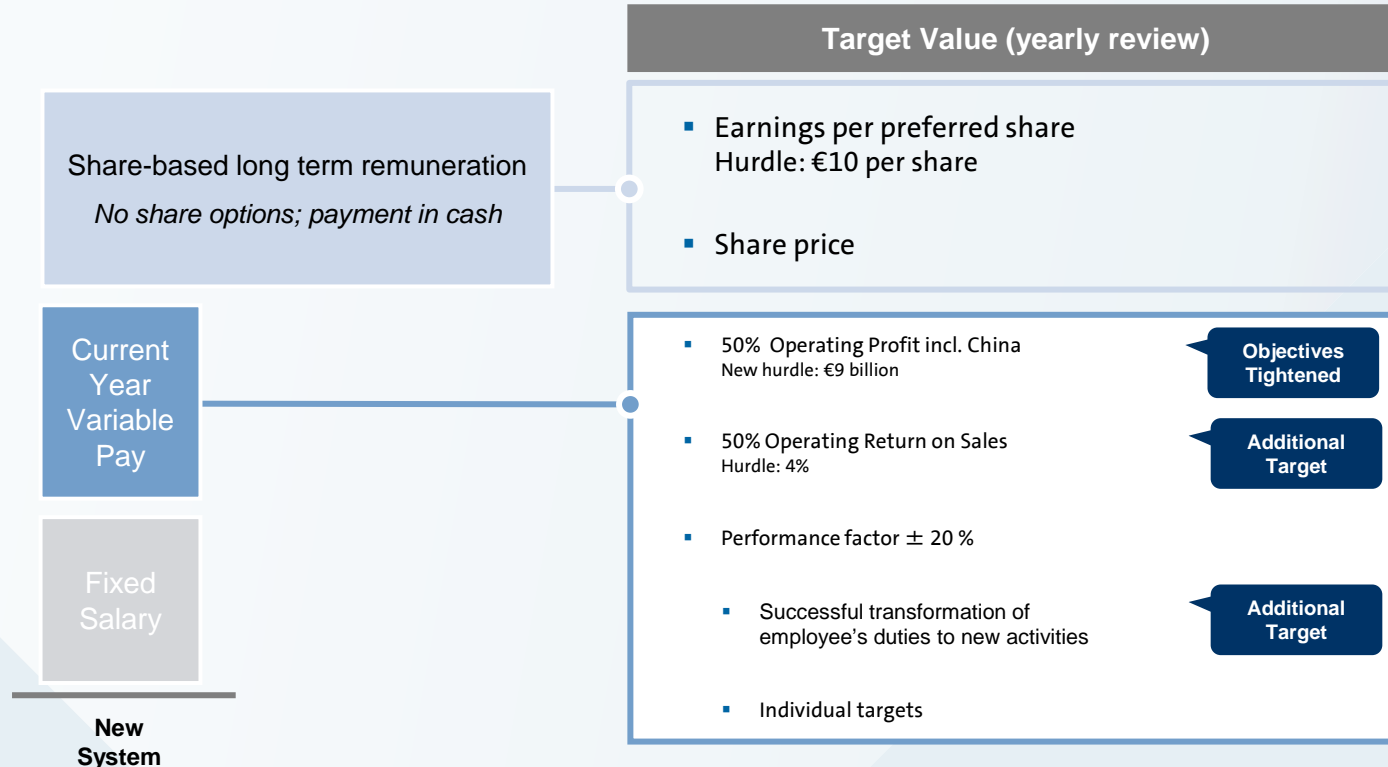
New remuneration system for the Board of Management 2017

Functionality of determining the annual bonus amount



* Cap of 180% arises from 150% of the maximum financial target achievement and a performance factor up to a maximum of 1.2

Target Values take into account Shareholder and Employee interests



The annual bonus is based on the Operating Profit incl. China and the Return on Sales; the payment amount is adjusted by a performance factor

Annual bonus

Old design	Operating result (OP) incl. China	KPIs	Operating profit (OP) incl. China Operating return on sales (RoS)	New design
	Two years	Performance period	One year	
	Direct participation above a certain OP-threshold value (€5bn)	Performance measurement	50 % direct participation above a certain OP threshold value (€9bn) 50 % strategic target return above a certain threshold return (4%)	
	0% to 50% of special remuneration Discretionary assessment Additive linkage	Individual performance bonus/performance factor	Factor 0.8 to 1.2 Discretionary, criteria-based assessment Multiplicative linkage	

The Performance Share Plan ensures an orientation towards a sustainable corporate development

Performance Share Plan

Old design	Multiple-year bonus	Plan type	(Virtual) Performance Share Plan	New design
	Top customer satisfaction, top employer, sales volume, Profit before Tax return	Key performance indicators	Earnings per share (EPS)	
	4 sub-indices with a total of 10 indicators, threshold: 1.5 % return on sales	Calibration/calculation	€10 EPS = 50 % of shares €20 EPS = 100 % of shares €30 EPS = 150 % of shares	
	Four years backward-looking	Performance period	Three years forward-looking	

The payout amount depends on the development of the share price and the EPS target achievement

Performance Share Plan

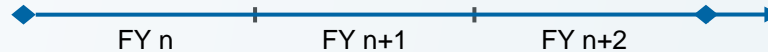
Functionality: virtual shares granted; quantity changes depending on the EPS-target achievement

Grant



- Conversion of contractually defined target value in virtual preferred shares based on the share price at grant
- Share price at grant is defined as the average closing price of the last 30 trading days before the grant
- Target definition for EPS (100 % target achievement at an EPS of €20)

Performance period



Performance measurement

- **Value of shares** changes based on the share price development
- **Number of shares** changes based on the EPS target achievement (annual "lock-in")

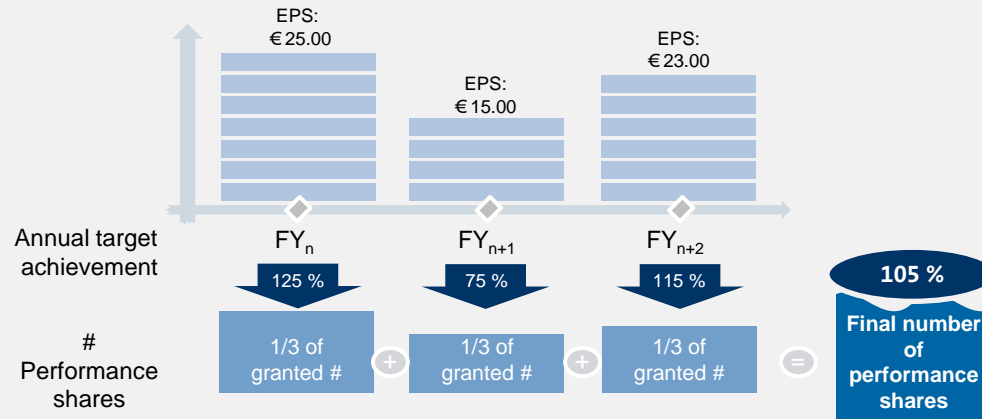
Payout



- Determination of the final number of virtual shares based on the target achievement
- Determination of the closing price (equal to the average closing price of the last 30 trading days before the end of the performance period)
- Payout in cash incl. dividend equivalents for the final number of shares
- Caps: 150 % target achievement, max. payout of 200 % of target value

Achievement of the EPS objective is measured annually over the three-year term of the tranches

Measurement of EPS objective: annual measurement over 3 years



- Annual EPS performance measurement for 1/3 of the respective virtual performance shares granted
- Incentive effect throughout the plan term

Volkswagen Investor Update

Volkswagen AG

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

Volkswagen Bank GmbH

Katja Hauer – Investor Relations
Dirk Bauer – Head of Debt Capital Markets & Corporate Rating

VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY



The Key to Mobility

Creating Value with Financial Services

Investor Update –

Volkswagen Bank GmbH & Volkswagen Financial Services AG

Disclaimer

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

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

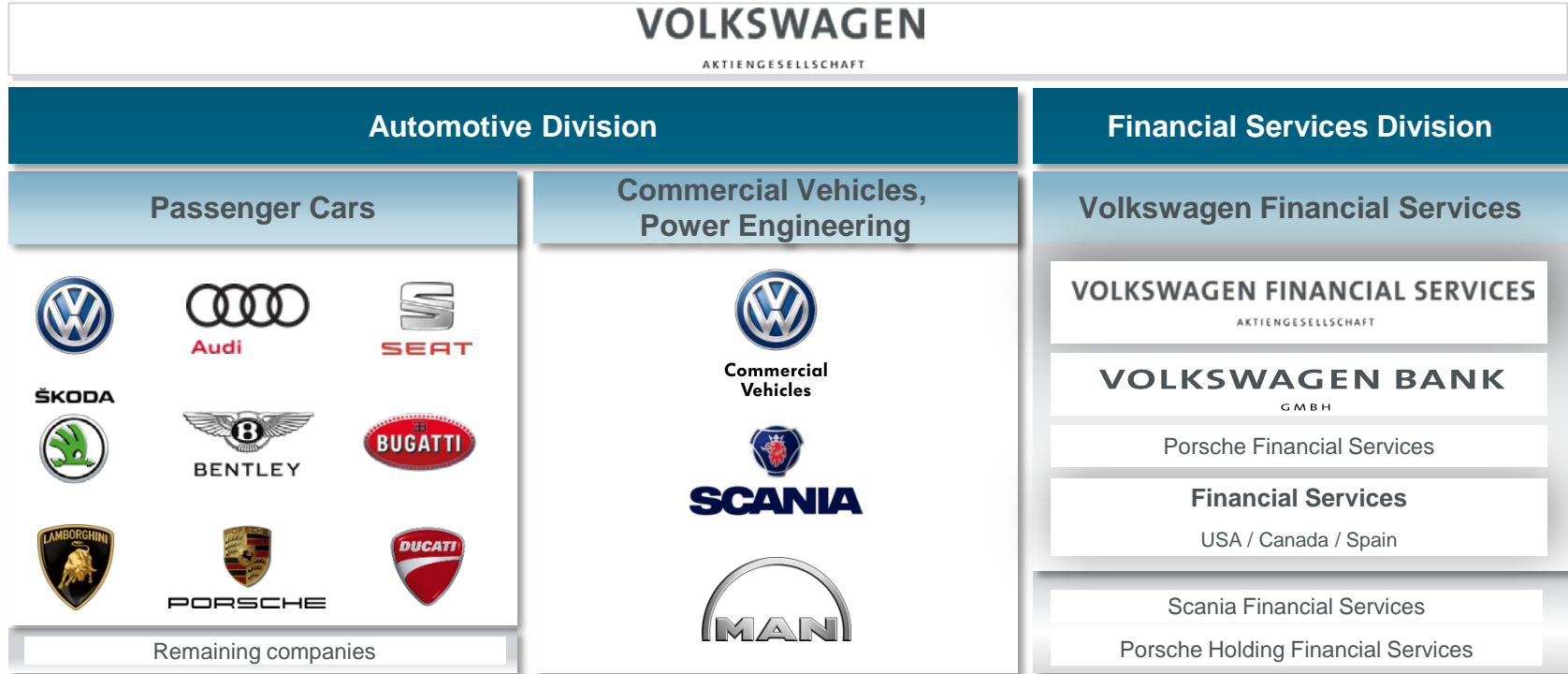
If any of these or other risks occur, or if the assumptions underlying any of these statements prove incorrect, the actual results may significantly differ from those expressed or implied by such statements.

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

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

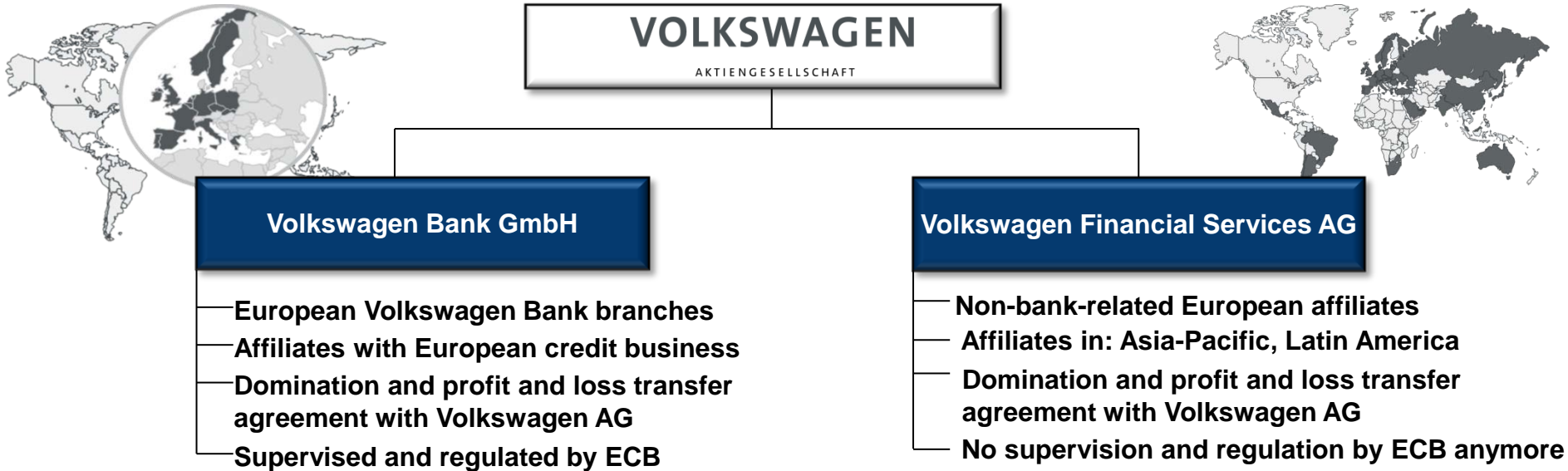
Under the brand “Volkswagen Financial Services – the key to mobility” the subsidiaries of Volkswagen Financial Services AG as well as its sister company Volkswagen Bank GmbH render various services under the joint sign “Volkswagen Financial Services”. Such services are banking services (through Volkswagen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

Volkswagen Group – Leveraging the strength of the three pillars



Optimized structure for Financial Services Business (starting 01.09.2017)


Substantial Effects



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		Volkswagen Financial Services AG					
BANK		LEASING	INSURANCE	MOBILITY		PAYMENT	
Bank	Direct Bank	Leasing	Insurance	Services	Rental	Parking	Payment
							
<ul style="list-style-type: none"> • Retail Finance • Dealer Stock Finance • Factoring 	<ul style="list-style-type: none"> • Deposits • Instalment Credit • Investment Products 	<ul style="list-style-type: none"> • Finance Lease • Operating Lease 	<ul style="list-style-type: none"> • Motor Insurance • Warranty • Credit Protection • GAP Insurance • Industry 	<ul style="list-style-type: none"> • Fleet Management • Service & Maintenance • Tyres • Fuel & Service Card and Charge & Fuel Card 	<ul style="list-style-type: none"> • Long-term rental • Short-term rental • Carsharing 	<ul style="list-style-type: none"> • Payment for parking space • Services around parking • On- and off-street solution 	<ul style="list-style-type: none"> • Payment platform • Mobile Payments • Mobile Wallet

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

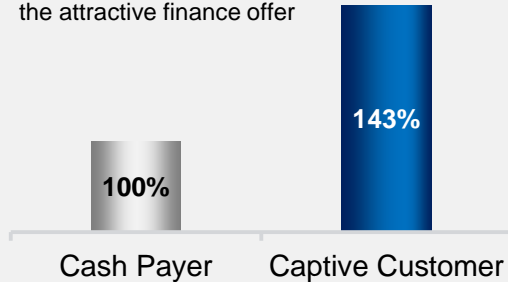
Strong Benefits for Automotive through Captive

Equipment



+ 43%

Decision to buy a better equipped car due to the attractive finance offer

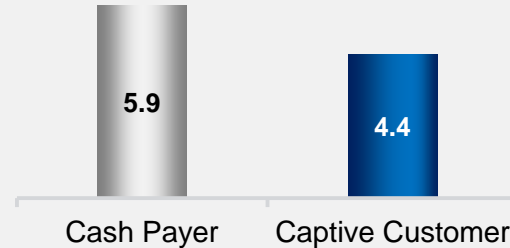


Turnover



+ 25%

Length of ownership (years)

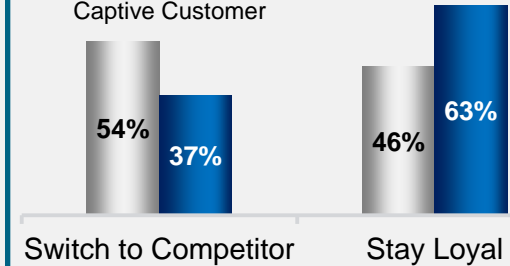


Brand Loyalty



+ 37%

■ Cash Payer
■ Captive Customer



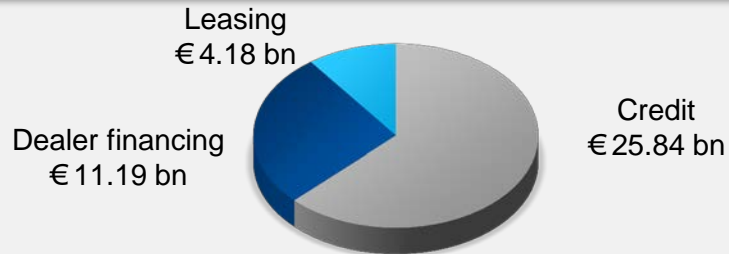
Source: AKA – Automobilbanken 2016, Study of puls Marktforschung GmbH

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

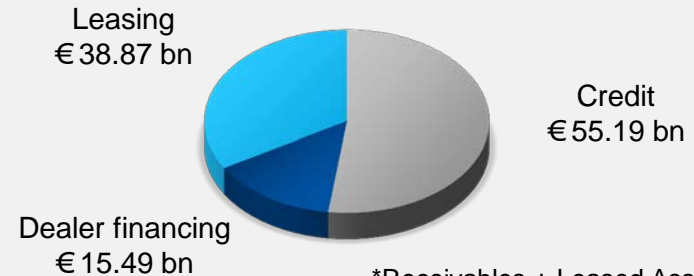


*Receivables + Leased Assets

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

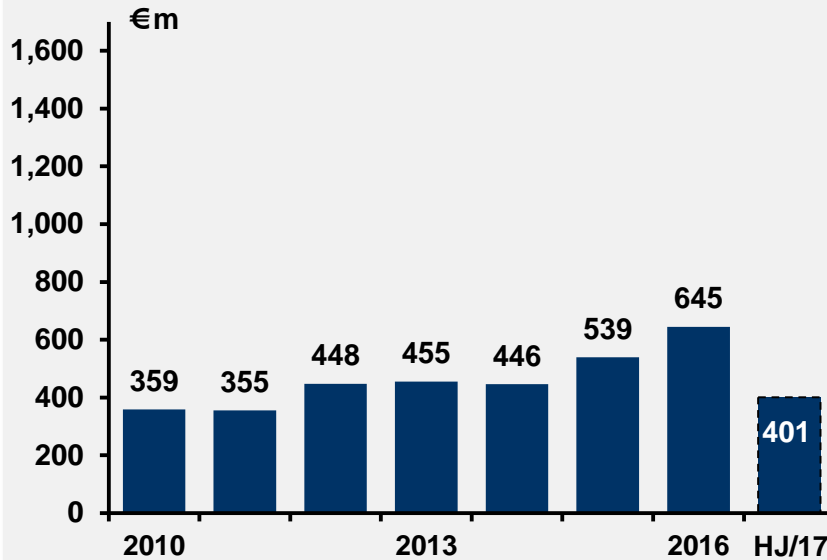
Business Volume* €109.5 bn



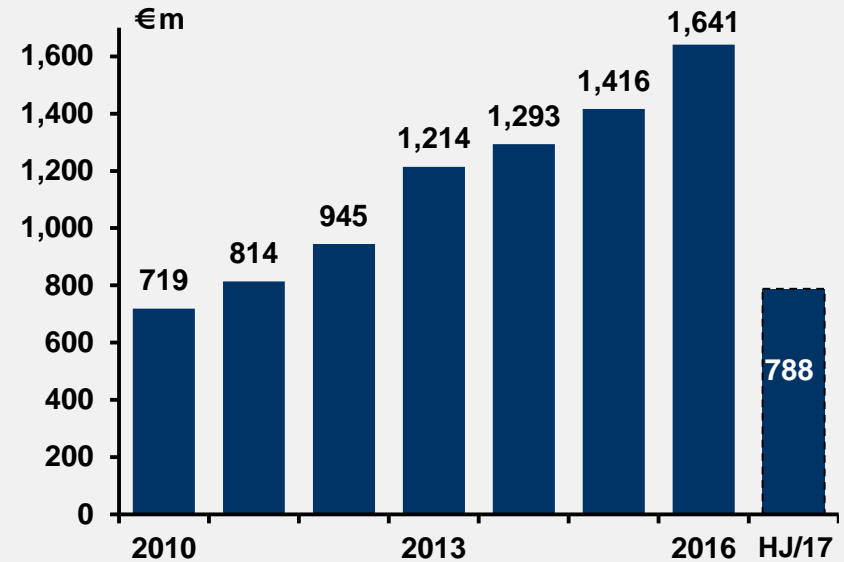
*Receivables + Leased Assets

Operating Income

Volkswagen Bank GmbH



Volkswagen Financial Services AG

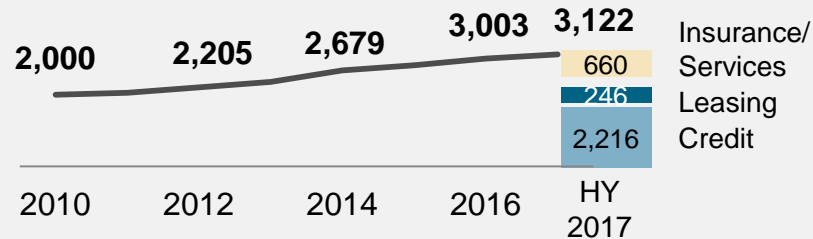


Contract portfolio

Continuous portfolio expansion

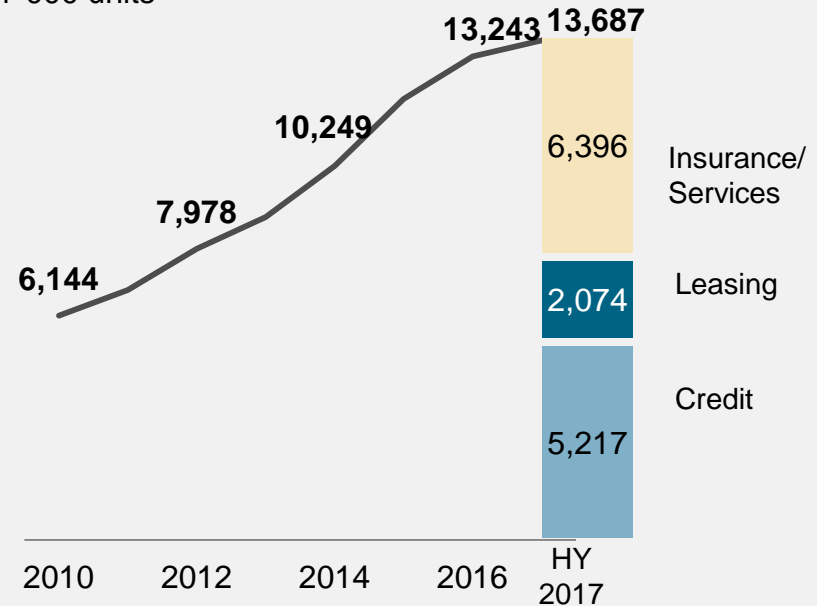
Volkswagen Bank GmbH

in '000 units

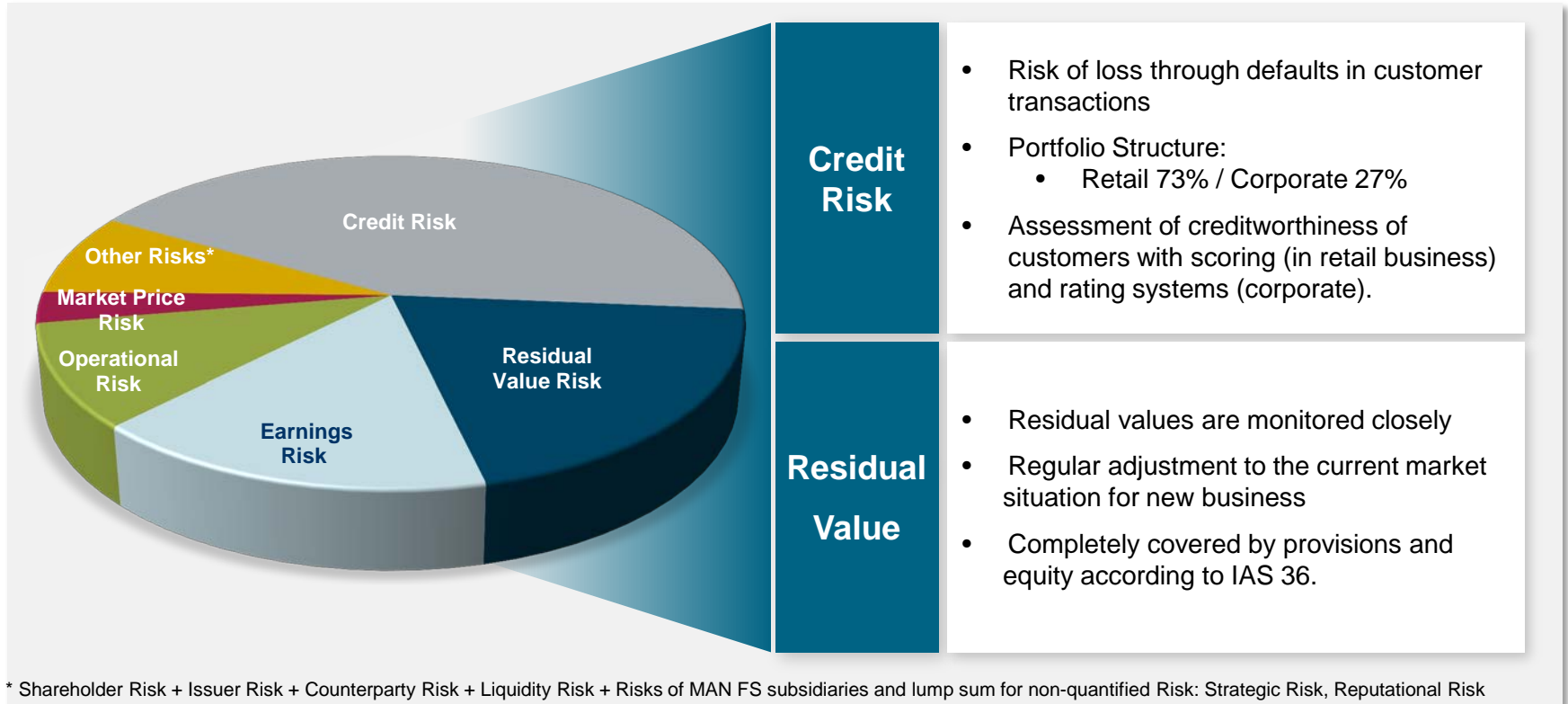


Volkswagen Financial Services AG

in '000 units



Risk management Volkswagen Financial Services AG (31.12.2016)



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 bandwidth.



Currently no significant effects out of the normal bandwidth.



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.

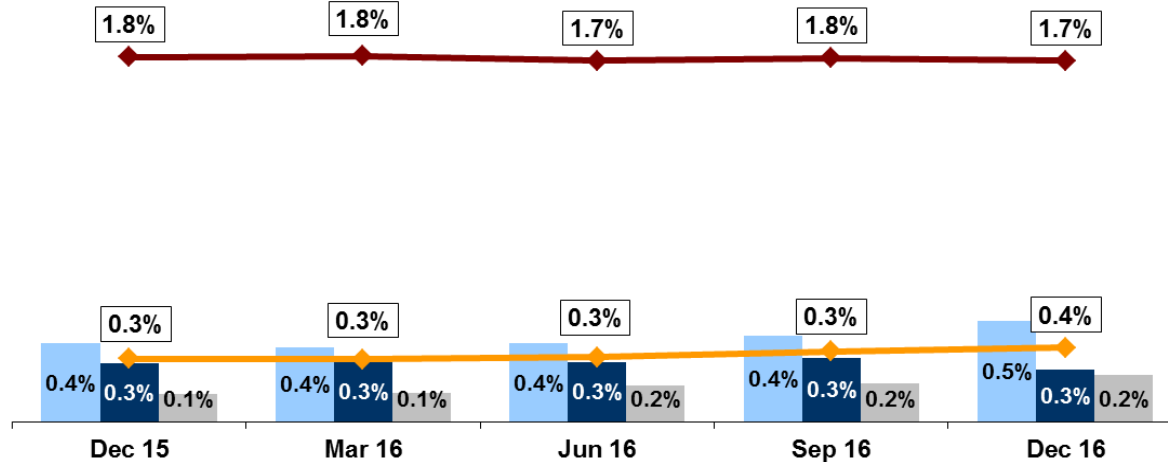


Sales values of diesel engines very stable in the last 6 month.

- 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



■ Retail Financing
■ Leasing
■ Corporate Financing



Total Provision Ratio

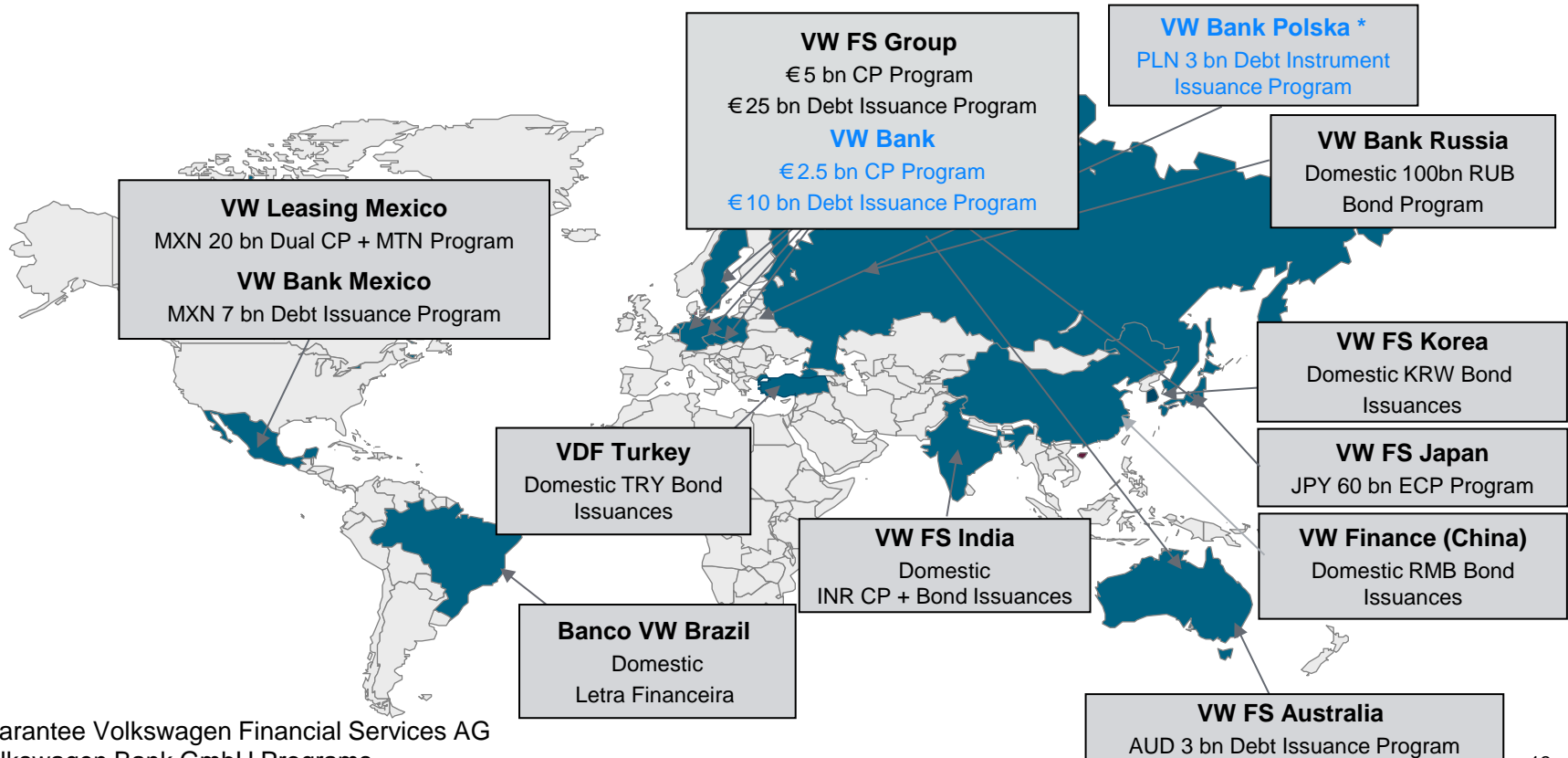
Total Provision Ratio according to IAS 39 = total provisions in proportion to the total receivables' volume at reporting date



Ø Dynamic Loss Ratio

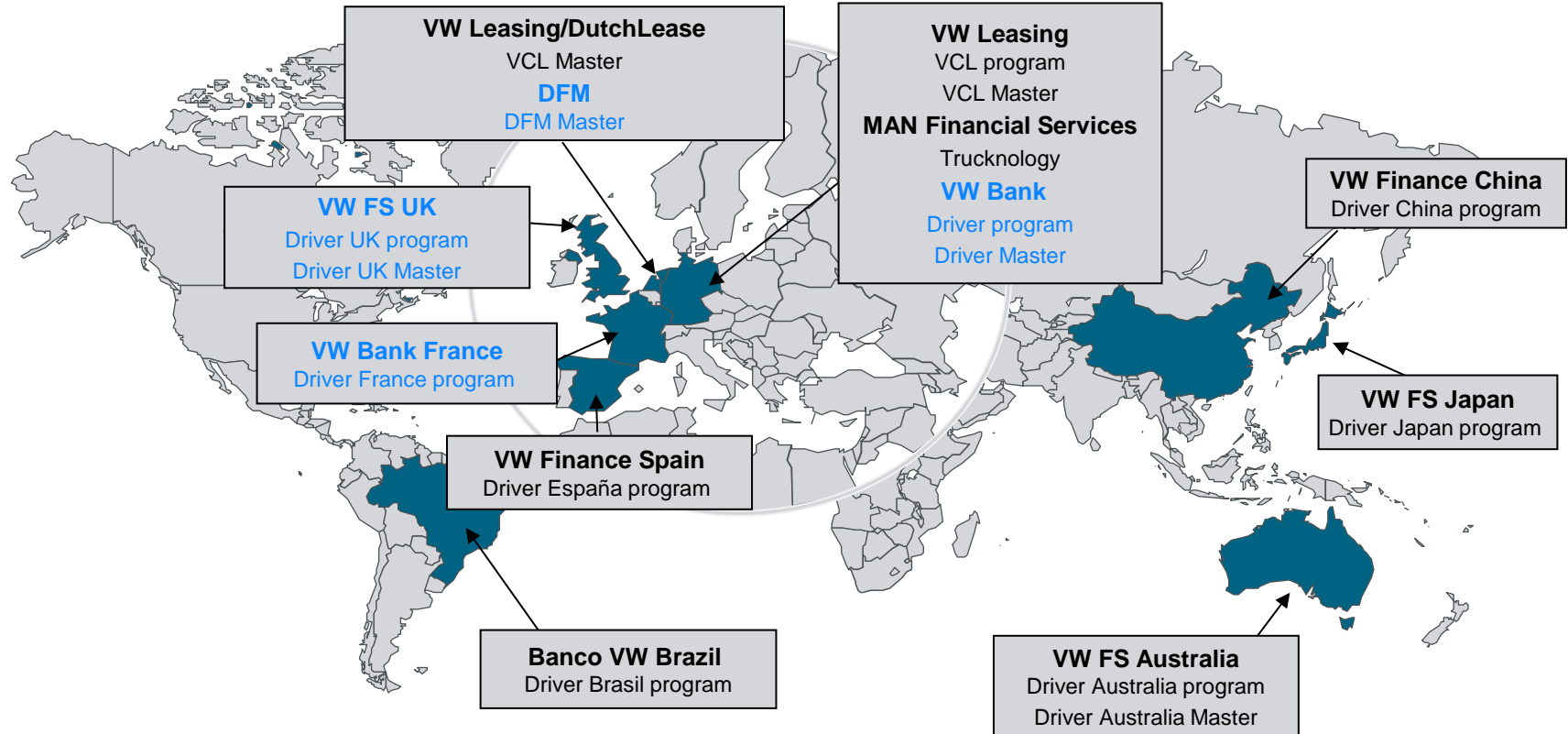
Dynamic Loss Ratio = drawings on provisions including direct write-offs relative to the average volume of receivables (last four quarters)

Worldwide Capital Market Activities



* Guarantee Volkswagen Financial Services AG
Volkswagen Bank GmbH Programs

Worldwide ABS Activities



Recent Public DCM and ABS Deals 2017

(Volkswagen Financial Services AG and Volkswagen Bank GmbH)

Capital Market

Volkswagen Bank GmbH

Volkswagen Financial
Services AG

- Volkswagen Financial Services AG (SSD): 02/2017 EUR ~900m, due 2020, 2022, 2024
- Volkswagen Financial Services Australia Pty: 04/2017, AUD 500m, due 04/2020
- Volkswagen Finance (China): 05/2017, RMB 4bn, due 05/2020
- Volkswagen FPL (India): 06/2017, INR 1.5bn, due 06/2019 & due 06/2020
- Volkswagen Leasing S.A., Mexico: 06/2017, MXN 2bn, due 06/2020
- Banco Volkswagen S.A., Brasilien: 05/2017, BRL 500m, due 05/2019
- Volkswagen Leasing GmbH: EUR 3.5bn 06/2017, due 06/19, 06/21 & 12/24
- Volkswagen Financial Services N.V.: GBP 850m, 04/2017, due 04/2021 & 04/2025

Asset-Backed Securities

Volkswagen Bank GmbH

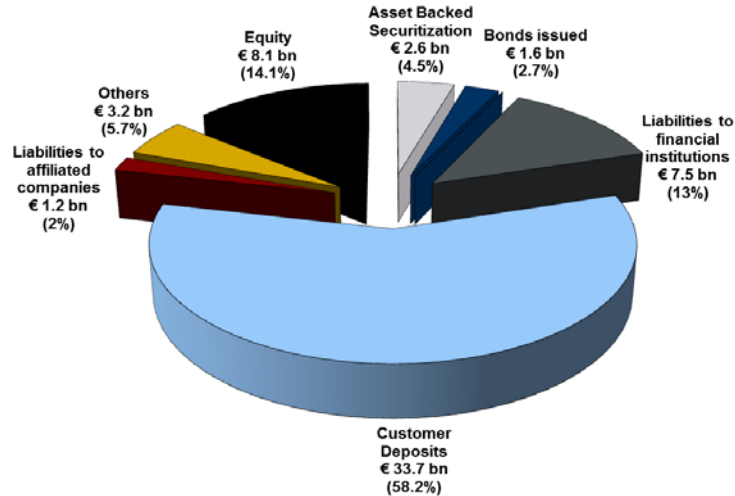
Volkswagen Financial
Services AG

- Driver UK five (Volkswagen Financial Services UK): GBP 370m (03/2017)
- Driver France three (Volkswagen Bank GmbH): EUR 470m (04/2017)
- Driver Espana four (Volkswagen Finance S.A.): EUR 1.0bn (05/2017)

- Driver Japan six (Volkswagen Financial Services Japan): JPY 60bn (02/2017)
- Driver Australia four (Volkswagen Financial Services Australia): AUD 500m (05/2017)
- Driver China six (Volkswagen Finance (China) Co.): RMB 3.2bn (05/2017)

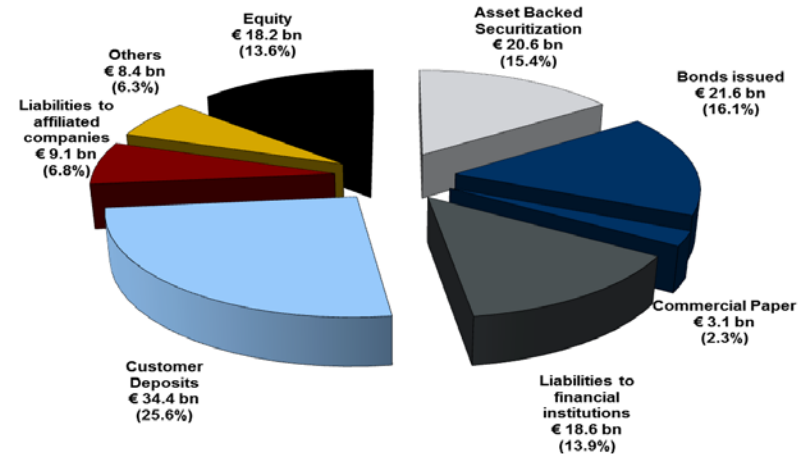
Strategic Funding Allocation as of 30 June 2017

Volkswagen Bank GmbH



Total €57.9 bn

Volkswagen Financial Services AG



Total €134.0 bn



VISION

WE ARE THE KEY TO MOBILITY

WHAT

CUSTOMERS

EMPLOYEES

OPERATIONAL EXCELLENCE

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

Digitalization



**Used Car
Business**



**Operational
Excellence**

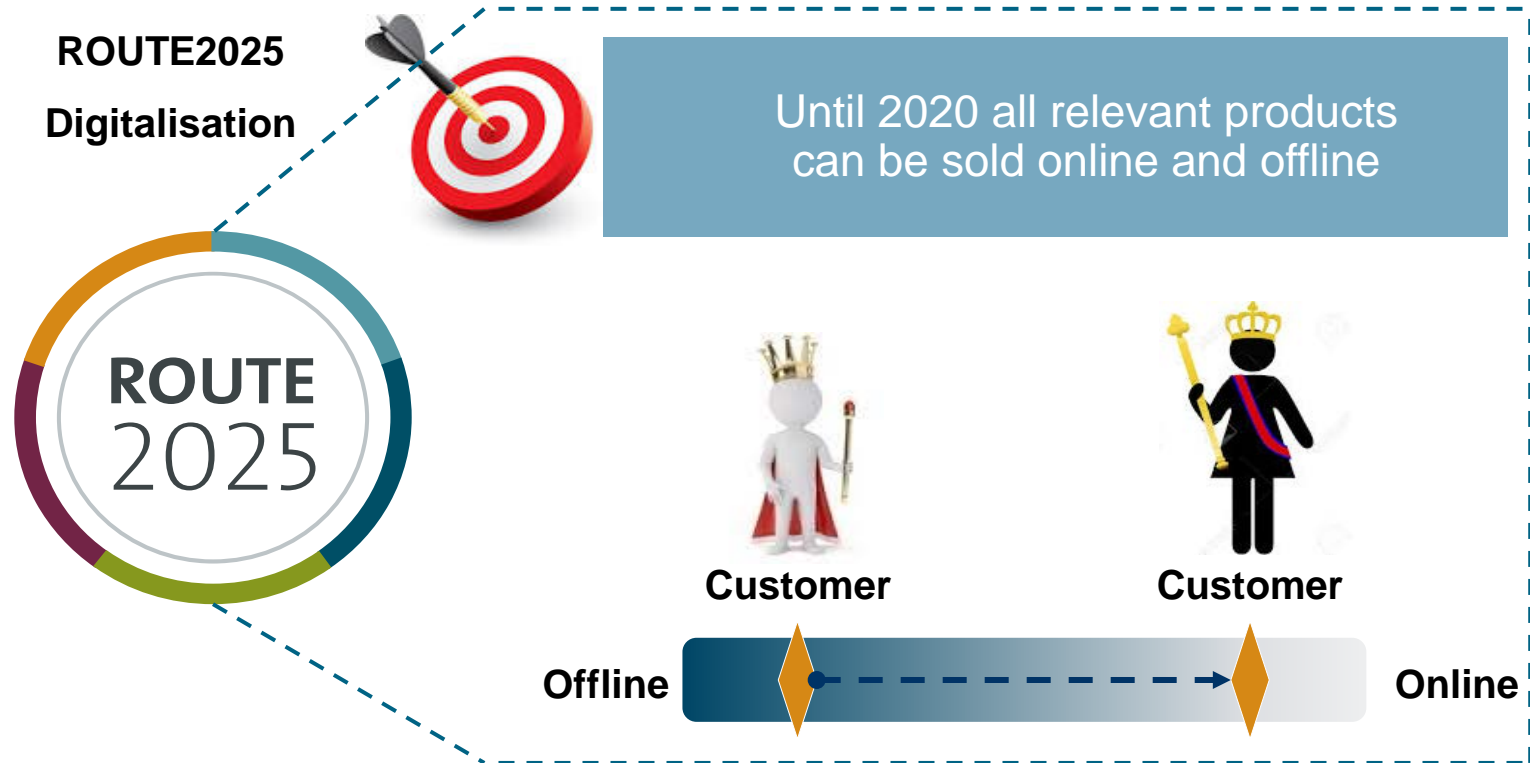


**Growth Market
China**





Digitalisation: Our target



Outlook

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.)

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.)

Contact



Katja Hauer

Investor Relations Officer
Volkswagen Bank GmbH

Tel.: +49 531 212 84608
katja.hauer@vwfs.com



Dirk Bauer

Head of Debt Capital Markets & Corporate Rating
Volkswagen Bank GmbH

Tel.: +49 531 212 3882
dirk.bauer@vwfs.com

VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

Thank You.

Volkswagen Bank GmbH
Gifhorner Str. 57
38112 Braunschweig
Germany

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

	2013	2014	2015	2016	HY 2017
Portfolio ('000)	2.351	2.565	2.767	3.002	3.122
Retail + Leasing receivables (€ mn)	22.220	23.887	25.814	27.954	29.066
Dealer financing (€ mn)	7.973	8.928	10.302	10.538	11.193
Customer deposits (€ mn)	23.140	25.252	27.877	35.666	33.650
Employees	1.241	1.123	1.185	1.293	1.305
IFRS profit before tax (€ mn)	459	464	575	669	412

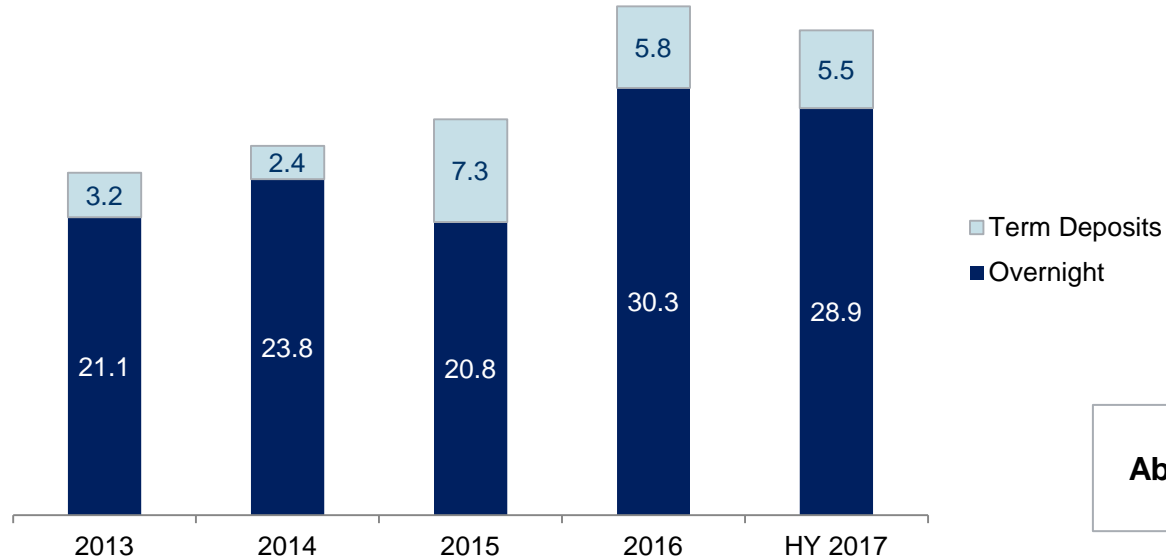
Volkswagen Financial Services AG

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

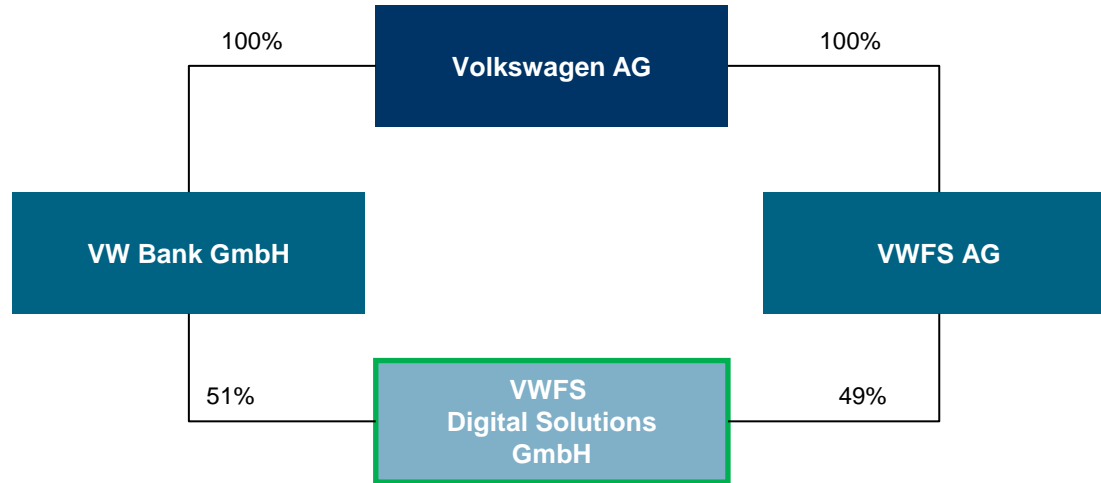
Development of Customer Deposits

in €bn



About 70% Private Customers

Volkswagen Financial Services Digital Solution GmbH (VW FS DS) Target Structure & Status



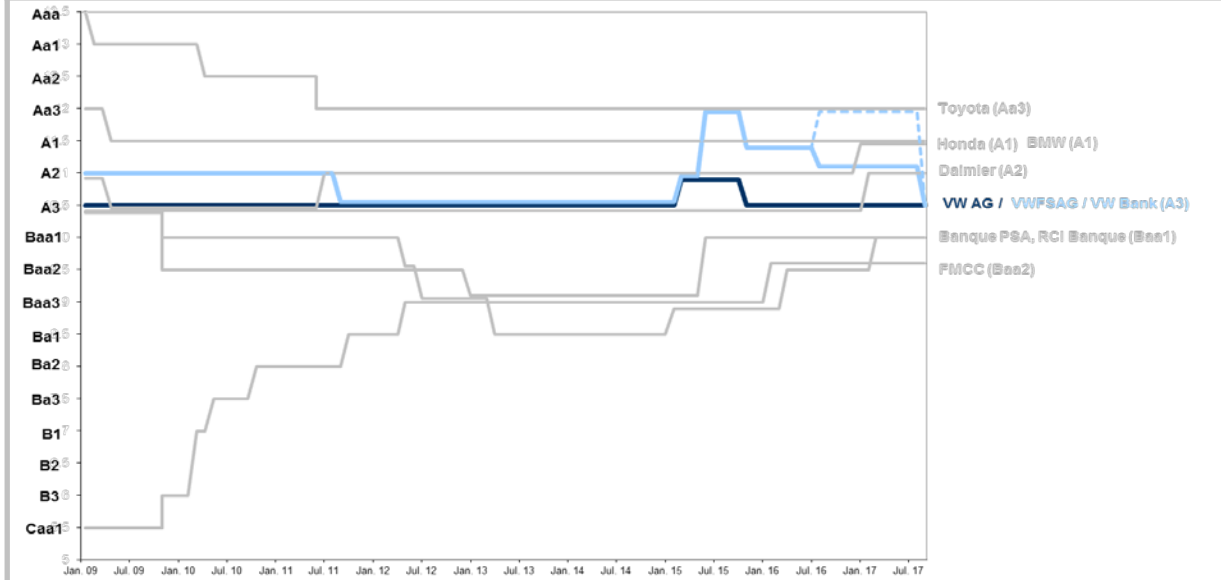
Structure and Business Activities

- Shareholders of Volkswagen Financial Services Digital Solutions GmbH are Volkswagen Bank GmbH (51%) and Volkswagen Financial Services AG (49%)
- VW FS DS will provide services exclusively for Volkswagen Bank GmbH and Volkswagen Financial Services AG
- Business activities concentrated within VW FS DS largely comprise of IT, Customer Services, Process Management and Internal Services.

Rating History (09/05/2017) – Moody's

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

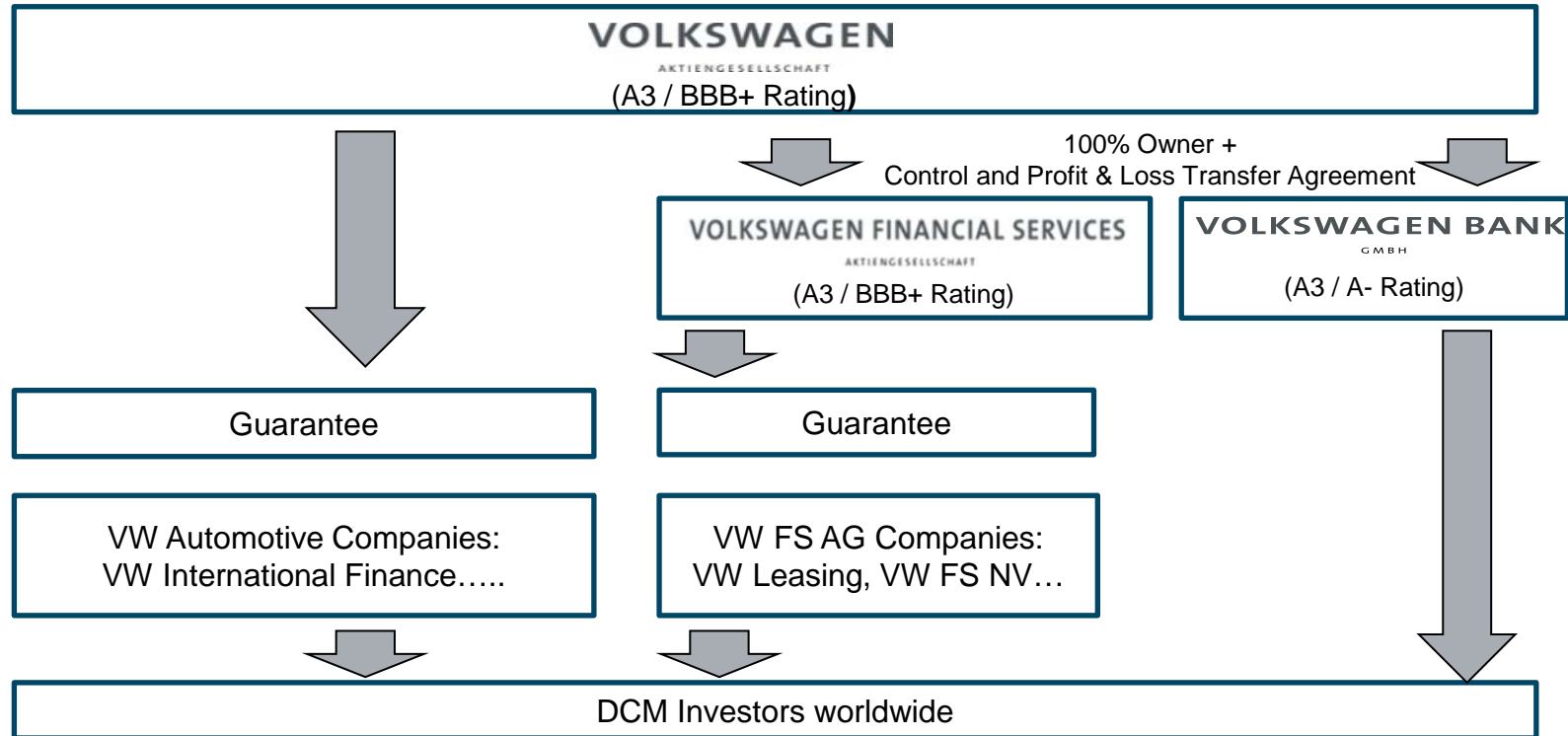
Development of credit ratings (Moody's)



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

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

DCM Strategy VW Automotive and VW Financial Services AG



Volkswagen T-Roc



Volkswagen I.D.BUZZ



AUDI Q5



Porsche 718 Boxster



ŠKODA KODIAQ



SEAT Ibiza



Bentley Bentayga



Lamborghini Centenario



Bugatti Chiron



Volkswagen Crafter



MAN TGX



Scania R500 4x2





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**We are
redefining
mobility.**

Volkswagen Group

Ulrich Hauswaldt, Martin Büdke, Katja Hauer, Dirk Bauer

Volkswagen AG, Volkswagen Financial Services

Debt Investor Update, Frankfurt, 13th September 2017