

VOLKSWAGEN

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## **Voluntary tender offer to acquire all Scania shares**

Dr. Leif Östling, Member of Board of Management, Volkswagen AG

Hans Dieter Pötsch, Member of the Board of Management, Volkswagen AG

Conference Call and Webcast, 21 February 2014

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# Transaction to clear the road towards the Integrated Commercial Vehicles Group

## ① Background

- Commercial vehicles is a highly attractive and important strategic business area for Volkswagen
- Current Scania shareholder structure compromises integration and cooperation efforts significantly

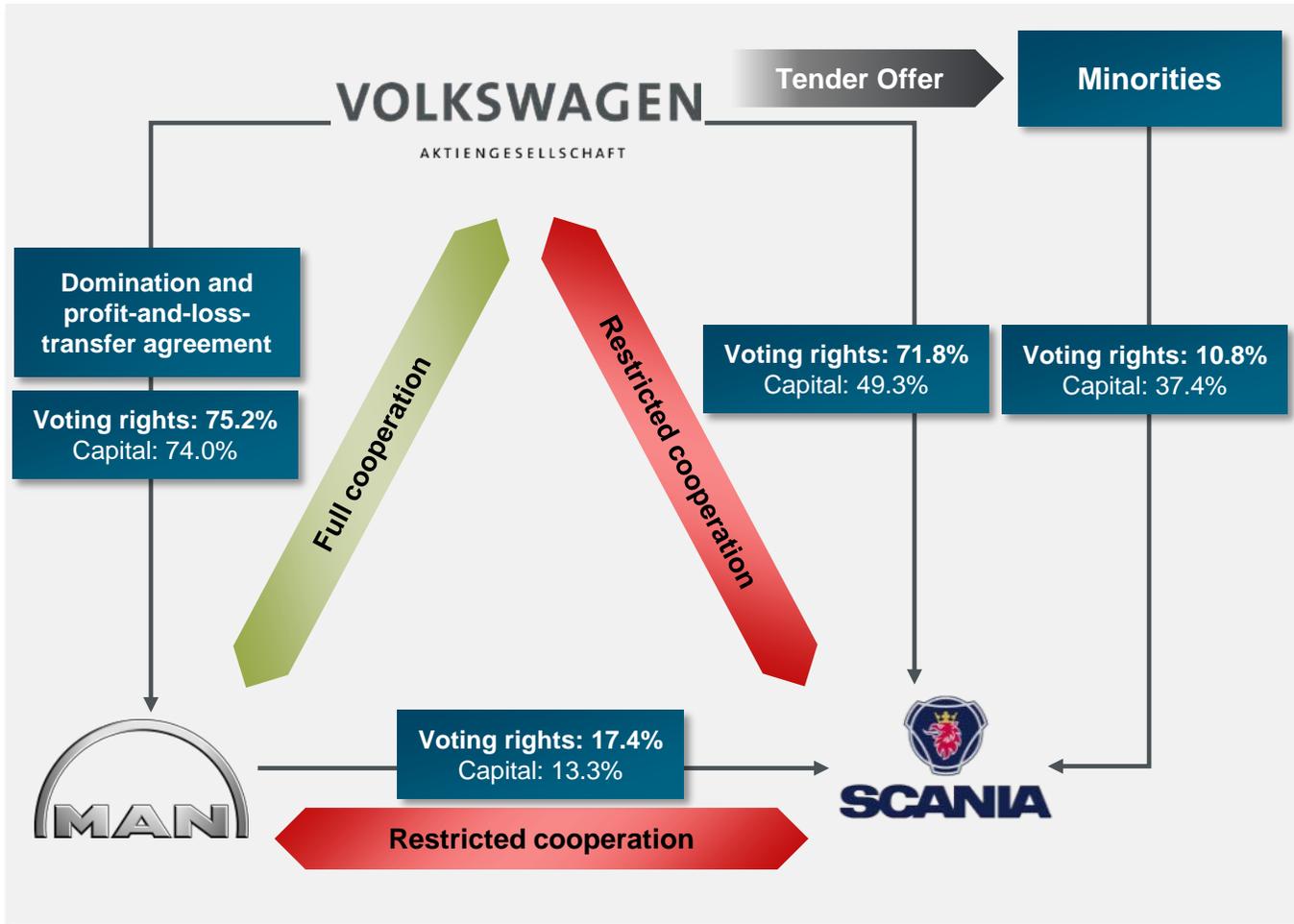
## ② Rationale

- Buy-out of Scania minority shareholders removes operational legal restrictions ("arm's-length cooperation")
- Clear path to realization of full potential between Volkswagen's commercial vehicles businesses
- Expected synergies exceed today's benefits by far
- Consistency with Volkswagen Group's value creation strategy: independent and strong brands on the basis of integrated technology and operations

## ③ Transaction

- Volkswagen's objectives: full integration of Scania, and fair treatment of Scania's minority shareholders
- Decision to offer full value to Scania shareholders combined with the clear condition that the transaction will only be completed, if more than 90% ownership in Scania's share capital achieved
- All-cash offer of SEK 200 per share represents a premium of 57.0% and 53.3% for A and B shares in Scania, respectively, based on the 90 days volume weighted average prices to and including 21<sup>st</sup> Feb 2014
- Volkswagen targets the acquisition of 100% of the Scania shares and a de-listing of Scania
- Offer harmonizes attractive value proposition to Scania minorities today with strong value creation for Volkswagen shareholders in the long-term
- Offer not dependent on financing; well-balanced refinancing concept comprising equity, debt and net liquidity elements to preserve strong financials and safeguard credit rating

1 Situation background: Commercial vehicles powerhouse, but significant unrealized potential due to incomplete integration<sup>1)</sup>



- Substantial scope of potential benefits of intensified cooperation between Scania, MAN and Volkswagen clearly identified and analyzed
- Full benefits can start to be realised once Volkswagen holds 100 % of the shares in Scania

<sup>1)</sup> Holdings as at December 31, 2013

## 2 Transaction rationale: Pre-requisite to improve competitiveness and efficiency based on integration of Volkswagen's trucks businesses

### Integration drivers

**Foundation:** management of independent and strong brands on the basis of integrated technology and operations

**Objective:** modular toolkit strategy for commercial vehicles with common components and systems

**Scale benefits:** improved efficiency of resource allocation and increased flexibility concerning vertical integration



Commercial  
Vehicles

### Synergies (Operating Profit impact)

#### Achieved by the end of 2014 (existing structure)

- €200+ million
- Focus on purchasing
- Synergy potential limited due to arm's-length requirements

#### Additional potential through the transaction

- €650+ million per year long-term average with 10-15 years gradual phase-in based on life cycles of vehicles and systems / components
- Majority of benefits from joint R&D, purchasing and sourcing components
- Significant benefits from capex savings

## 2 Transaction rationale: Significant synergies through a modular architecture while maintaining distinct brand identities

### Cabin

- Joint modular components

### Electric/ Electronic

- Joint modular architecture

### Engine

- Joint modular architecture
- Joint emission after-treatment
- Joint development of “new cylinder unit” for future engine generations
- Joint components (e.g. turbo charger, intercooler, injection systems)

### Chassis

- Joint components
- Joint development of light-weight structures
- Savings through joint purchasing and insourcing

### Power train

- Common gearbox family
- Common axle family
- Insourcing of key components



## 2 Transaction rationale: Consistent attractive perspective for Scania as innovation leader and unique premium brand

### Scania: core strengths

- Best-in-class efficiency and flexibility
- Innovation leader with industry-leading team and engineering know-how
- Strategy focus on modular vehicle architectures – analogous to the Volkswagen strategy in passenger cars
- Leading premium brand and unique culture
- Strong service and aftermarket potential based on proprietary technology

**Volkswagen: committed to Scania's future success**

### Scania: attractive long-term perspective

- Continued positioning as unique premium brand and core element of Volkswagen's multi-brand strategy
- Increased opportunities as group-wide technology center in important vehicle systems
- Additional scale and in-sourcing potential
- Leverage global modular kits of Volkswagen Group
- No structural changes at Scania
- Scania and Sweden to continue to play a central and strategic role in the integrated commercial vehicles group

**Scania: incremental business opportunities**

### 3 Transaction overview: Highly attractive value realization for Scania minorities, paired with clear, sustainable value creation for Volkswagen

#### Key parameters of the Volkswagen public tender offer

Offer price	<ul style="list-style-type: none"> <li>SEK 200 in cash for each class A share and class B share of Scania</li> </ul>
Premium	<ul style="list-style-type: none"> <li>57.0% and 53.3% to the 90 days volume weighted average prices to and including 21<sup>st</sup> Feb 2014 for the class A and class B shares respectively</li> </ul>
Total offer size	<ul style="list-style-type: none"> <li>Offer directed at all shares not directly or indirectly held by Volkswagen today, i.e. 19.7m class A shares and 279.2m class B shares</li> <li>Total transaction volume of SEK 59.8 billion or approximately €6.7 billion</li> </ul>
Tender period	<ul style="list-style-type: none"> <li>17 March 2014 to 25 April 2014<sup>1)</sup></li> </ul>
Minimum ownership condition	<ul style="list-style-type: none"> <li>Transaction subject to Volkswagen achieving more than 90% ownership in the total share capital of Scania</li> </ul>
Volkswagen objectives	<ul style="list-style-type: none"> <li>Acquisition of 100% of Scania's share capital</li> <li>Subsequent squeeze-out of remaining Scania minorities and de-listing of the Scania shares</li> </ul>
Refinancing	<ul style="list-style-type: none"> <li>Purchase price paid out of existing Volkswagen net liquidity</li> <li>Volkswagen intends to partially refinance the transaction as follows:             <ul style="list-style-type: none"> <li>- Up to €2.0 billion from the issuance of new Volkswagen preference shares</li> <li>- The issuance of new hybrid capital</li> </ul> </li> </ul>

<sup>1)</sup> Volkswagen has reserved the right to extend the offer period

## 4 Balanced transaction to create sustainable value



- 1 Attractive and immediate value realization for Scania shareholders
- 2 Sustainable value creation for Volkswagen and efficient refinancing
- 3 Enhanced business opportunities for Scania
- 4 Stable, attractive industrial perspective for Scania employees
- 5 Scania to remain an iconic, independent brand with a strong future in Sweden

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